

Investor Day 2015

Marketing Strategy

Andrew Gray

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Important notice (continued)



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Our Marketing Strategy continues to deliver great results



CONSUMER MOMENTS



**MODERNISED
ACTIONABLE
INSIGHTS**
for a consumer
centric culture

FOCUSED BRAND PORTFOLIO



Greater
alignment across
**WORLD CLASS
PROFOLIO**
focused on key
growth segments

DISTINCTIVE BRANDS



**COHERENT BRAND
BUILDING**
with innovation
at the core

LOVE OUR PRODUCTS



**PRODUCT
SUPERIORITY AND
DIFFERENTIATION**
at the heart of our brands

SPEED AND SCALE



**SPEED
AND SCALE**
in delivering Brand
initiatives

Meeting consumer expectations through our brands

Outstanding Global Drive Brand volume growth beating industry trends

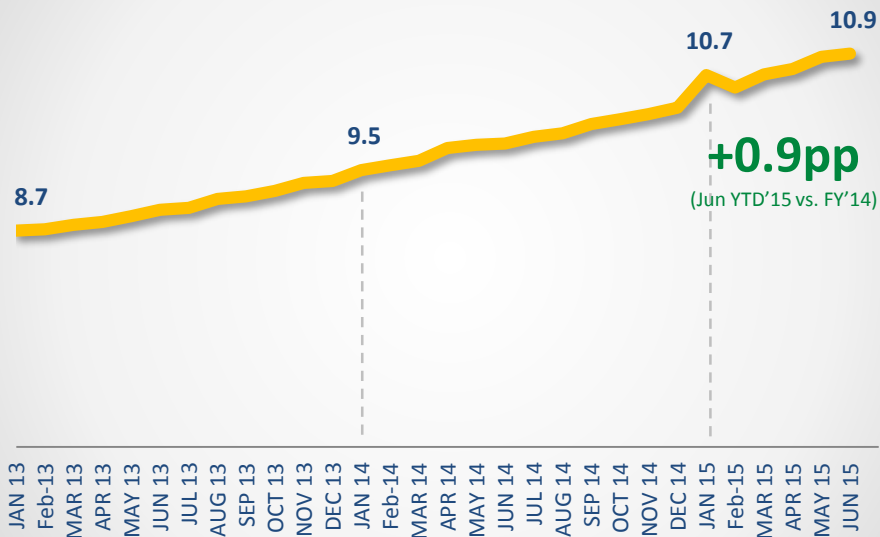


	GLOBAL DRIVE BRANDS	INTERNATIONAL BRANDS	GDBs + IBs
			AGGREGATE
<i>Contribution to BAT sales volume in 2015 YTD (%)</i>	45%	11%	56%
VOLUME CAGR 2004-2014	+9.2%	+1.6%	+6.3%

Source: Internal sales volume data

GDB portfolio consistently growing share, being the engine of corporate share growth

BAT GDB portfolio market share growth (% Jan '13 – Jun '15)



GDB share growth (Jun YTD'15 vs. FY'14)



+0.2pp



0.0pp



+0.1pp



+0.1pp



+0.5pp

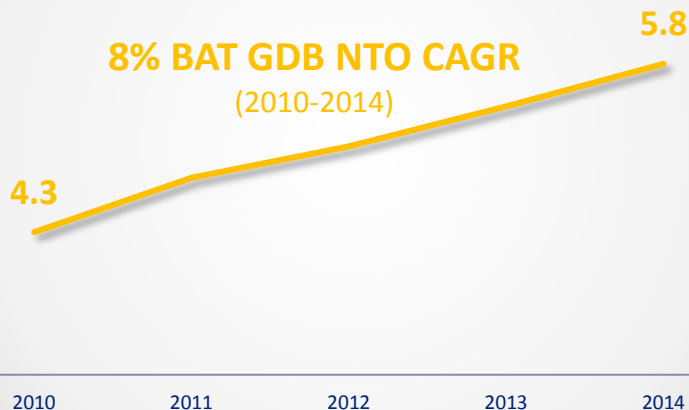
GDB focus driving growth whilst portfolio transformation continues

GDBs driving total BAT net revenue growth (£bn)

GDB volume contribution

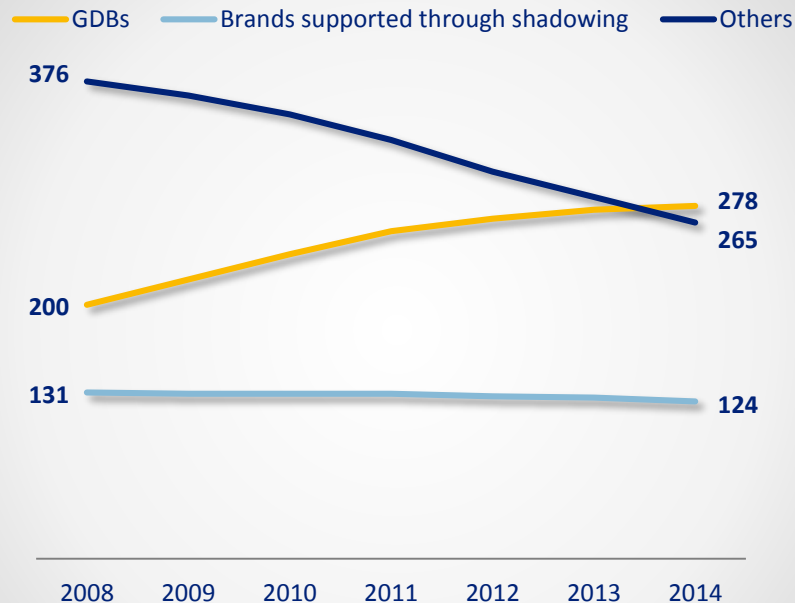
32% 35% 37% 39% **42%**

8% BAT GDB NTO CAGR
(2010-2014)



Source: BAT internal financial reporting

GDB growth supported by effective 'Tail Brand' management (volume bn sticks)



*Brands supported through shadowing are International brands and Local focus brands
Source: BAT sales data

Maintaining growth momentum in a rapidly changing marketing landscape

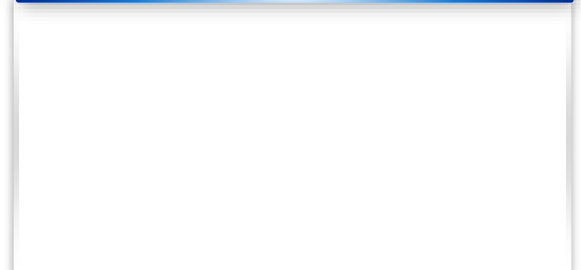
Challenging Macroeconomic environment



Excise hikes impacting affordability



Increasing regulation



Moderating total tobacco consumption



Emerging Middle Class aspiring for international Brands



Next Generation Products



Vype eStick



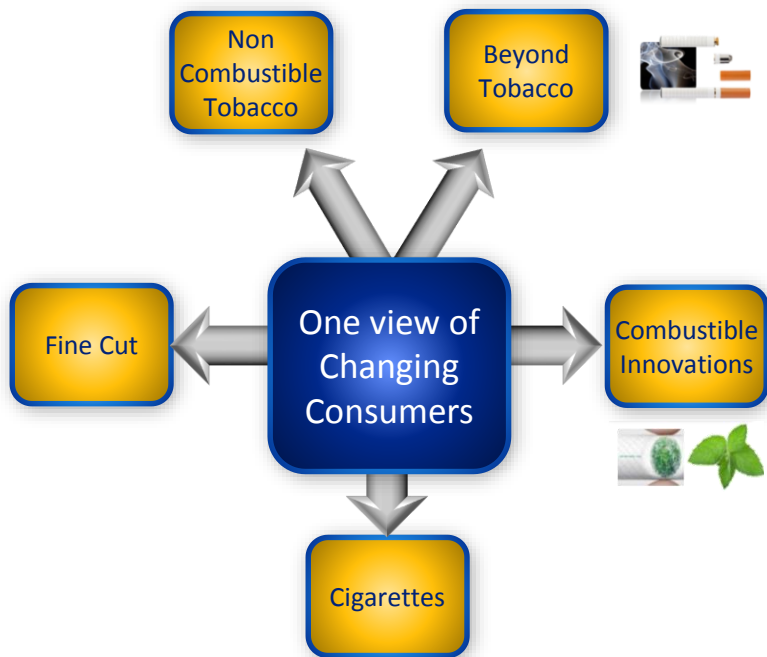
Vype ePen



Vype eTank

... where **consumers demand more value** in terms of product experience, quality and brand equity

In this environment, our success relies on a superior understanding of changing consumer needs and trends



PRODUCT NEED TERRITORIES



TOBACCO FIRST

Satisfying tobacco taste

SENSATIONS

Distinctive sensorial experience

CLEAR & SMOOTH TASTE

Smoother and pleasurable taste

NEXT GENERATION EXPERIENCE

New products and rituals beyond the norm

... systematically turned into innovative product propositions

TUBE FILTER



CAPSULES



SLIMMER

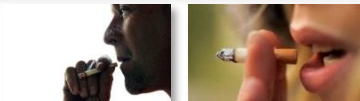


RELOC



ADDITIVE FREE

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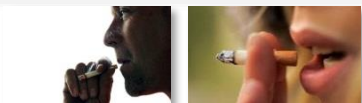
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NEXT GENERATION EXPERIENCE

New products and rituals beyond the norm

Visibly different filter design improving smoking mechanics

Less draw effort and irritation

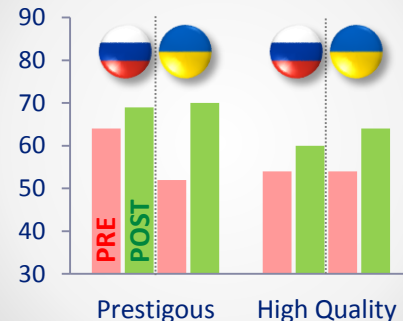
Improved hygiene, no staining at mouth end

BAT Tube filter sales volume (bn sticks)



Source: BAT sales data

Kent Tube launch improved brand image attributes



Source: BAT consumer research

... systematically turned into innovative product propositions

CAPSULES

TUBE FILTER



SLIMMER



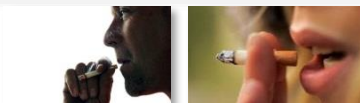
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NEXT GENERATION EXPERIENCE

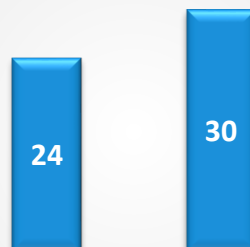
New products and rituals beyond the norm

One or multiple
flavoured capsules
inserted into the filter

Flavour sensations
activated based on
consumer choice

...taken to the next level

BAT Capsules sales volume
(bn sticks)



2013

2014

Source: BAT sales data

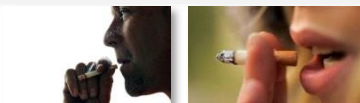
Novel
flavours

Double
capsules

Mixed
pack

... systematically turned into innovative product propositions

PRODUCT NEED TERRITORIES



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New products and rituals beyond the norm

TUBE FILTER



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SLIMMER



RELOC



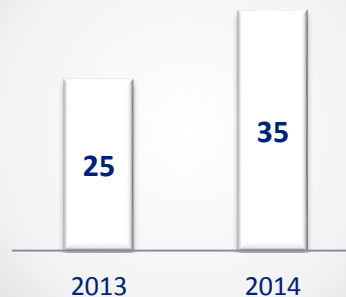
ADDITIVE FREE



Reduced stick circumference, more modern look and different smoking mechanics

More style and taste satisfaction with less tobacco

BAT Slimmer sales volume (bn sticks)



Source: BAT sales data

+42% BAT Slimmer sales in Eastern Europe
(May YTD '15 v. SPY)



... clearly differentiated at a product level,
beyond packaging design

DIFFERENTIATED
PRODUCT

DIFFERENTIATED
CONSUMER
EXPERIENCE

DIFFERENTIATED
BRAND
PERCEPTION

DIFFERENTIATED PRODUCT THROUGH
INNOVATION



Formats



Filters



Smoking
mechanics &
taste signature

EASE OF CONSUMER NAVIGATION



Range
management



Product
information

PACKAGING



Packaging
features

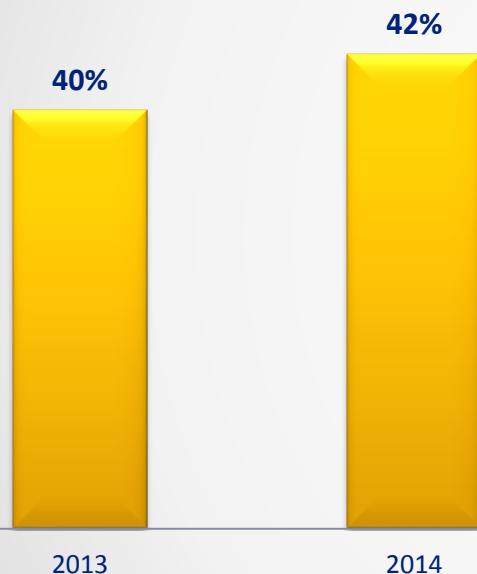
ENGAGEMENT



Consumer
activation

... and rapidly deployed on a global scale, that makes BAT the industry leader in innovations

BAT Share of Innovation



25%

... of **BAT's volume** is now 'innovative' products (2015 YTD)

50%

... of **BAT's GDB volume** carry an innovation (2015 YTD)

116

... BAT **markets** have launched capsule products (2015)

28%

... of **Net Revenue** stems from 'innovative' products (2014)

27^{bn}

... sticks of **Tube** sales from zero in only 2 years

#1

BAT is the global market leader in **Tube**, **Capsule**, **Reloc** and **Additive Free**

Source: Nielsen RA share within T40 markets,

BAT definition of innovation : Additive Free, Taste Differentiation, Terroirs / Origin, Taste Retention Packaging, Slimmers, Innovative Filters, Odour Reduction, Ash Control, Capsules, High Strength Freshness, Novel Flavours

DUNHILL growing volume **+2.4%** and share **+0.2pp** in H1'15

(YTD Jun'15 vs FY '14)



Saudi Arabia

Recent re-launch with new Dunhill mix, very positive consumer response



Indonesia

The only growing international brand in the market reaching 4.6% share in Jul '15 and growing



Brazil

The leading Premium offer, achieves a record share of 12.9% (Jul '15)



Romania

The largest super premium Brand in the market (record share of 5.8% in July '15)

KENT volume down -0.9%, but stable share despite negative segment dynamics in its key markets in EE, driven by its leading role in innovations (YTD Jun'15 vs FY '14)



Kent Family upgrade with Tube Filter
Uplifts Image & Taste perception
across markets (RUS, UKR, KAZ, JPN)



Iran

Kent Hdi (Demi Slim) is the fastest growing range in the market, sold 0.8 bn sticks in 2014



Japan

1st SS Novel flavour capsule launch,
achieves 0.6% share in 2 months of launch

LUCKY STRIKE volume up +3% in H1'15 fuelled by the exceptional performance of Black Series (volume +17%)

(YTD Jun'15 vs SPLY)



Launch of **Double Capsule** driving growth in key markets



Argentina

Fastest growing premium brand driven by the **Black Series** crossing 5% share as of Jun'15



0.5% share in **France** 5 months after the launch



0.5% share in **Argentina** 5 months after the launch



1.7% share in **Chile** 7 months after launch



Mexico

Camarena **Mix Pack** generated huge interest and word of mouth, 0.4% share during the 2 months of launch

PALL MALL volume exceeded **100bn** sticks in 2014 for the first time and continues to grow share in 2015, up **+0.1pp**

(YTD Jun'15 vs SPLY)



UK

1st introducing Double Capsule in the market (Aug'15)



Mexico

1st introducing Novel Flavour in the market (Jul'14), +1.8pp share after 5 months



Romania

Extra Cut pack upgrade with modern and premium cues, +0.2pp share in first month



Pakistan

1st introducing Tube Filter in the market at a more premium price (April'15), +0.5pp share after 4 months

ROTHMANS is the fastest growing brand in the industry with **+37% volume** and **+0.5pp** share growth in H1'15

(YTD Jun'15 vs FY '14)



Russia

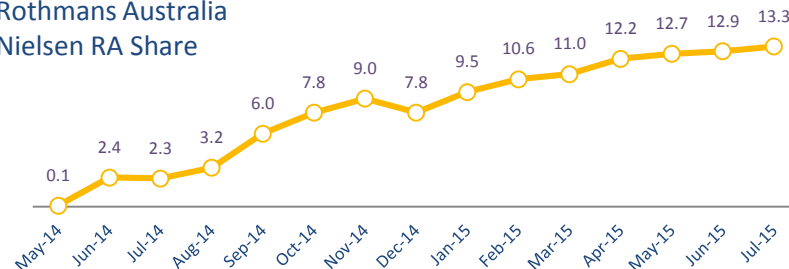
Market leader in Demi Slims, the fastest growing format in Russia with 3.7% share in Jul'15



Australia

Rothmans reached 13% share in only 1 year

Rothmans Australia
Nielsen RA Share



Turkey

Most successful launch in last 5 years, achieved 2.1% share (Jul'15) since its launch in Jan'15

Underpinned by best in class Trade Marketing and Distribution capabilities to deploy Brand offers with speed & scale



70%

Distribution in 1 month*

8

million

Outlets serviced by BAT

200

million

Trade calls per year

25k

Dedicated Field Force worldwide



Fastest ever distribution build-up in Ukraine for Rothmans launch (70% availability in 1 month)

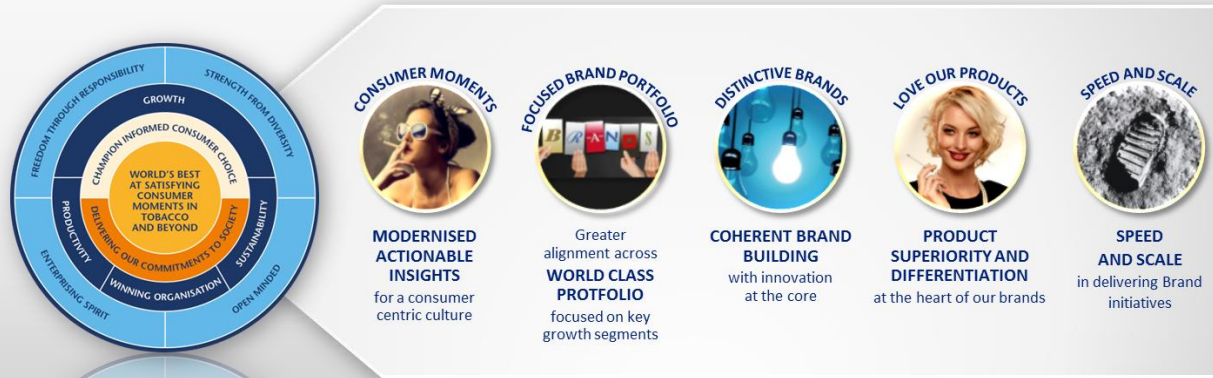


Fastest ever distribution build-up in Indonesia for Dunhill Filter (58% availability in 6 months)

*Note: BAT has the capability to build 70% weighted distribution in the majority of its key markets through its leading edge direct sales operations and its excellent relationship with distributors and retailers.

TO CONCLUDE:

Our Marketing Strategy continues to deliver great results



Our strategy of **Building Brand Equity** with:

- The Consumer in mind
- Innovation at the core and
- Product at the heart of our Brands

...is working

We keep **offering more value** to our consumers and **creating shareholder value** in a more challenging business environment

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