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# Investor Day 2013

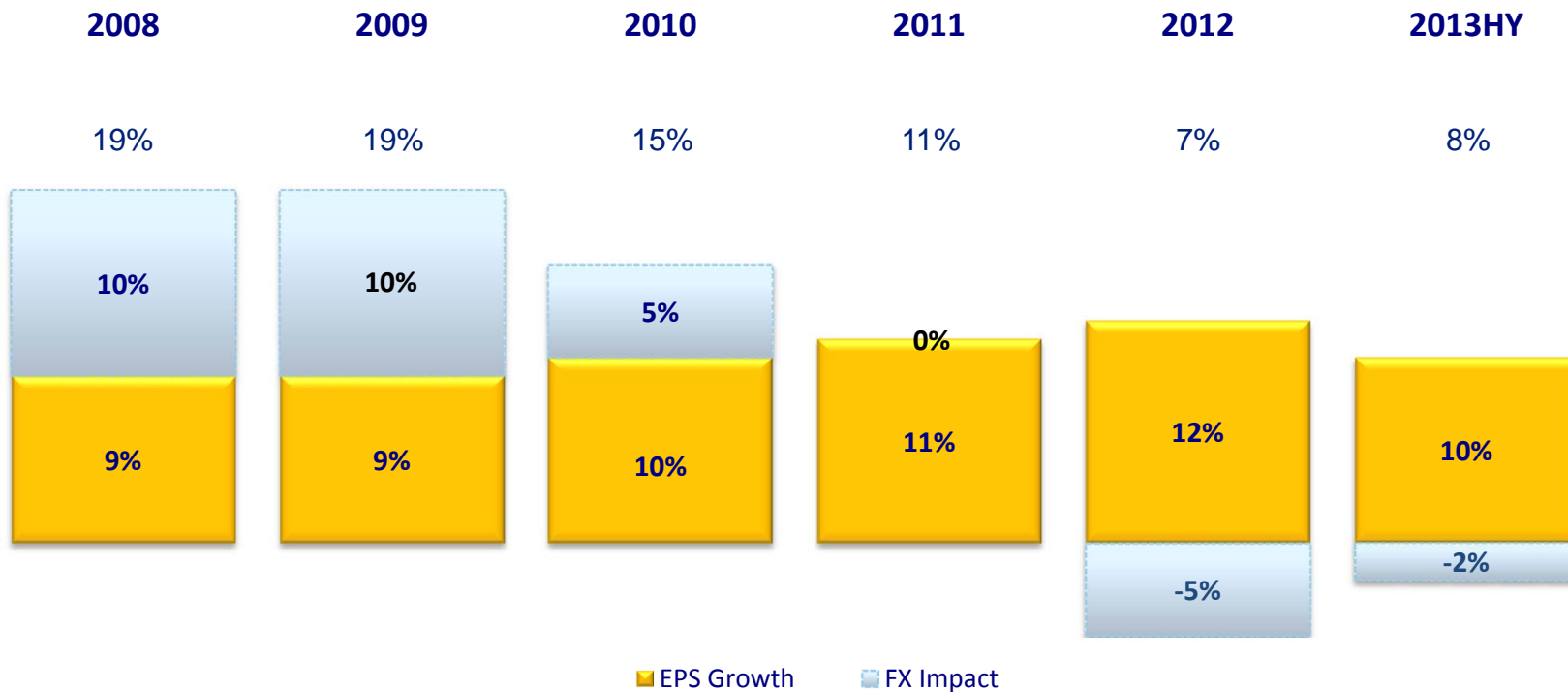
**Ben Stevens**

Funding the Growth

# History of



# Consistent earnings per share growth



# £13bn returned to shareholders since 2008



£bn, Current FX	2008	2009	2010	2011	2012	Total
Free Cash Flow	2.6	2.6	3.2	3.3	3.3	15.0
Dividends Paid	-1.4	-1.8	-2.1	-2.4	-2.5	-10.2
Share Buy-Back	-0.4	0.0	0.0	-0.8	-1.3	-2.5
Total Shareholder Returns	-1.8	-1.8	-2.1	-3.2	-3.8	-12.7
Total Shareholder Returns as % of FCF	69%	69%	66%	97%	115%	83%
M & A total						-2.7

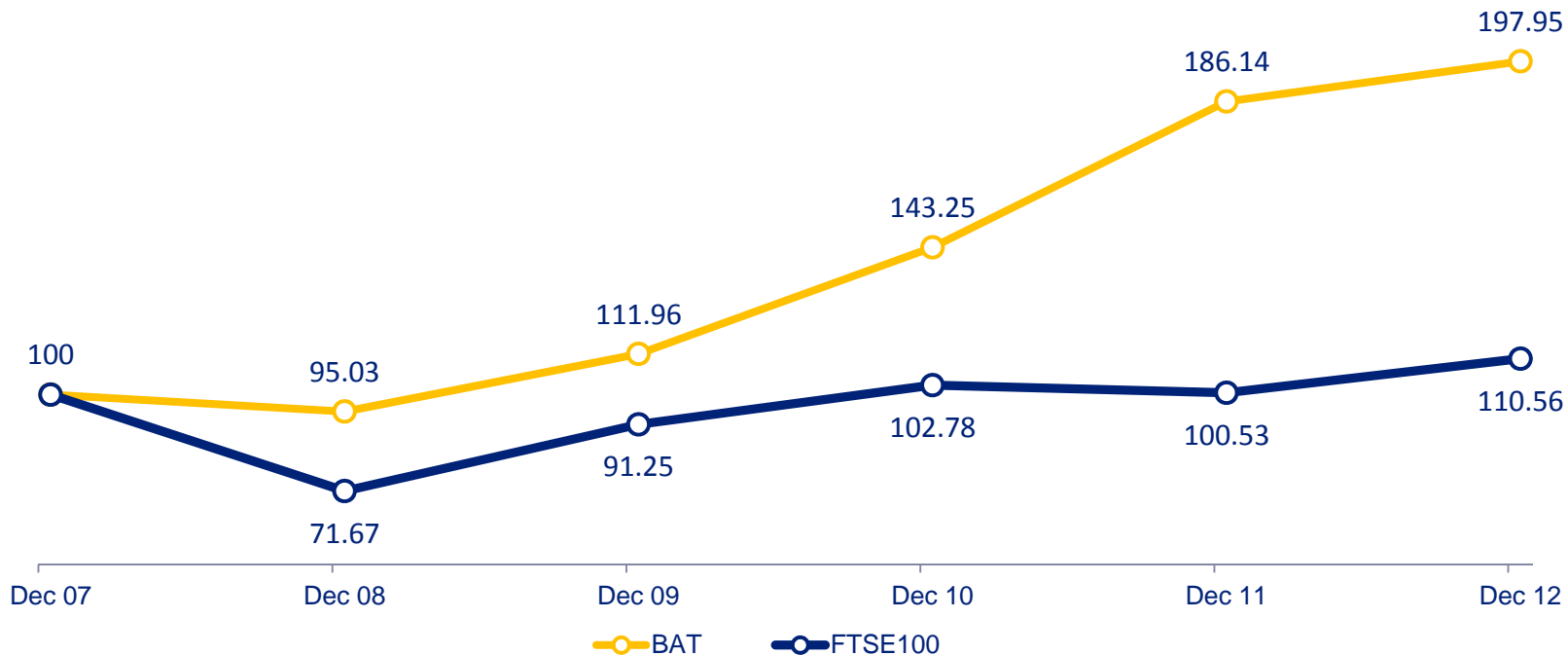
# Strong balance sheet

Strong credit position			
Agencies	2008-2011	2012	2013
Moody's	Baa1	Baa1	A3
S&P	BBB+	A-	A-
Fitch	BBB+	A-	A-

# TSR outstanding performance



Growth in the value of a hypothetical £100 holding over 5 years





# Improving profitability



# Pressures on operating margin & cash

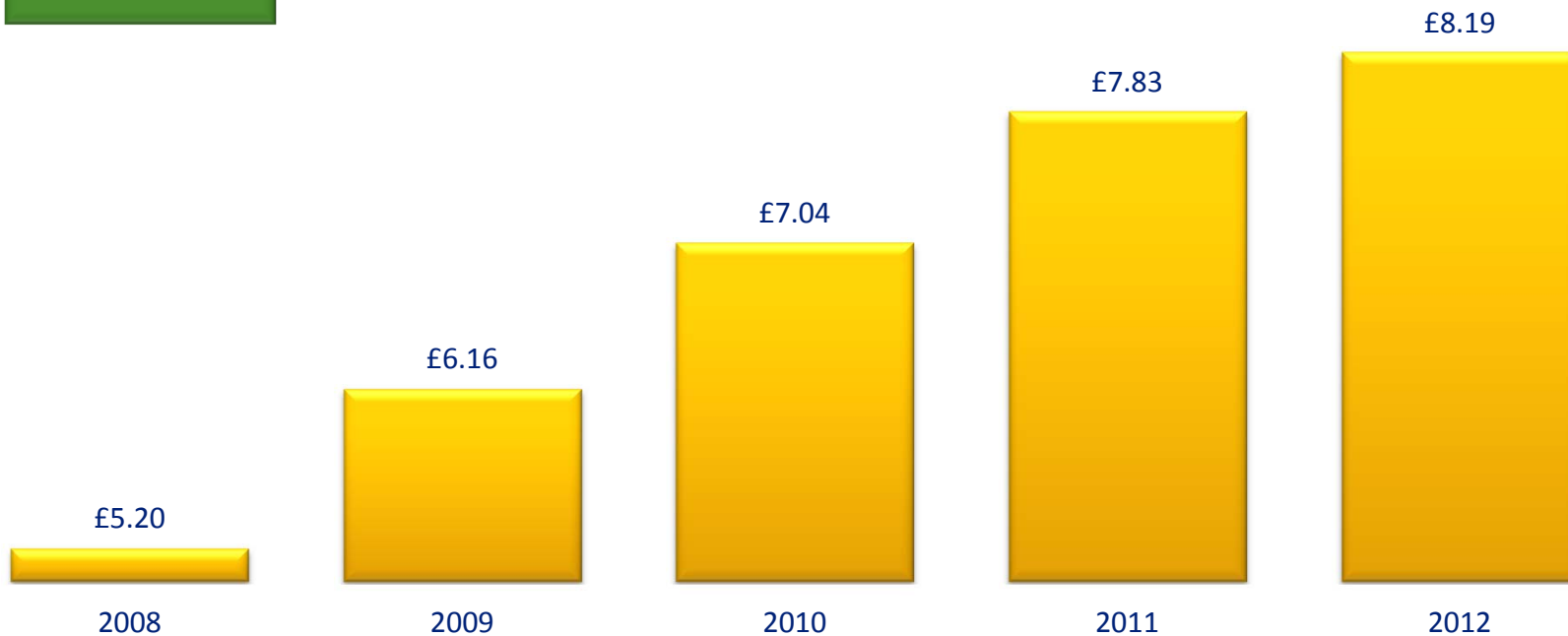
- Impact of geographical mix
- Investment in Next Generation Products
- Depreciation increases due to investment in Innovation Capital Expenditure & SAP
- Upward pressure on working capital
  - › Government excise credit periods
  - › Further investment in leaf quality
  - › Stock builds

# Many Initiatives to Control Costs

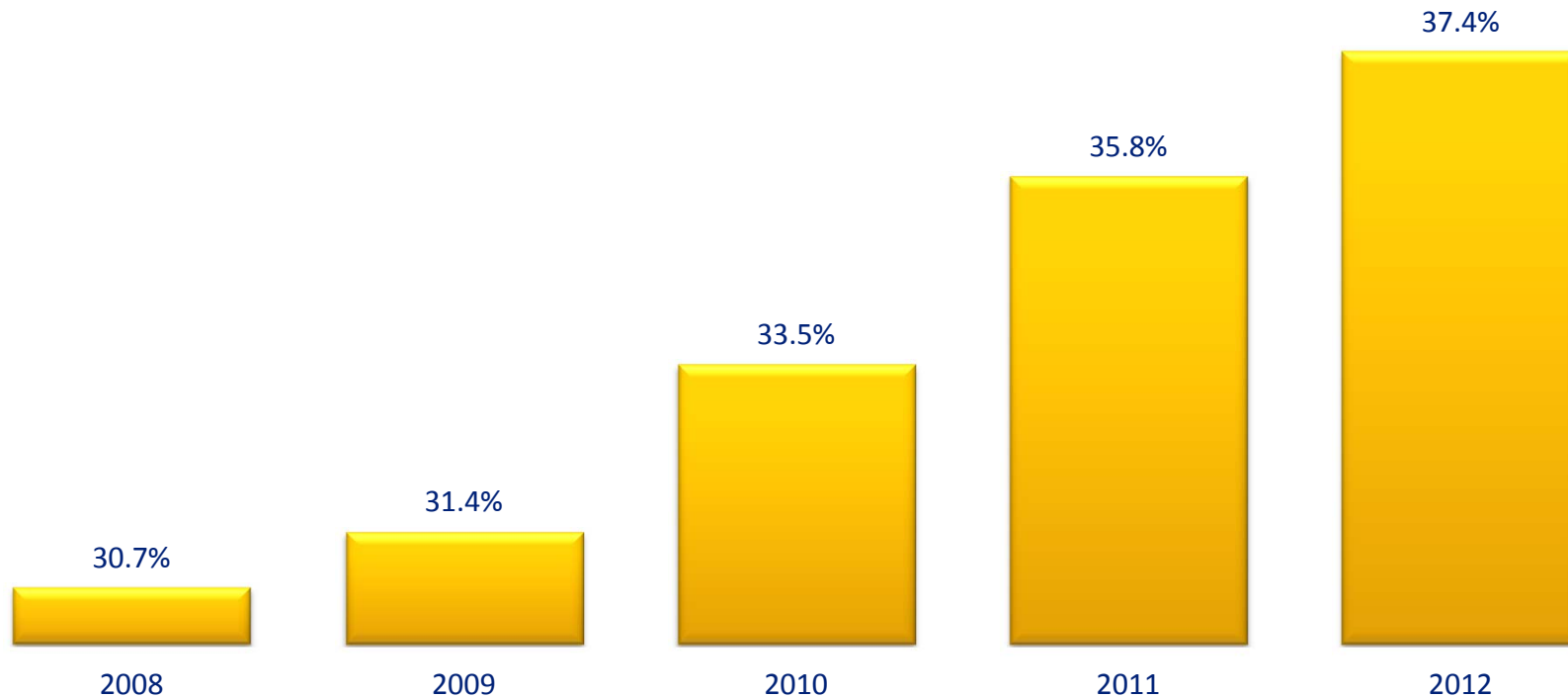
- Reduced from 5 to 4 regions
- Efficiencies through above market way of working (marketing, production, planning, logistics and warehousing)
- Factory closures (Germany, Russia, Indonesia, Denmark, Turkey, Poland and Italy since 2010)
- In house engineering developing significant proportion of innovations technology machinery
- Global Leaf Pool enhancements (sourcing, GLT processing)
- Agrego rollout utilising procurement technology to enable lower cost purchases, e.g. eAuctions
- Finance shared service centres established in all regions

# Profit per mille

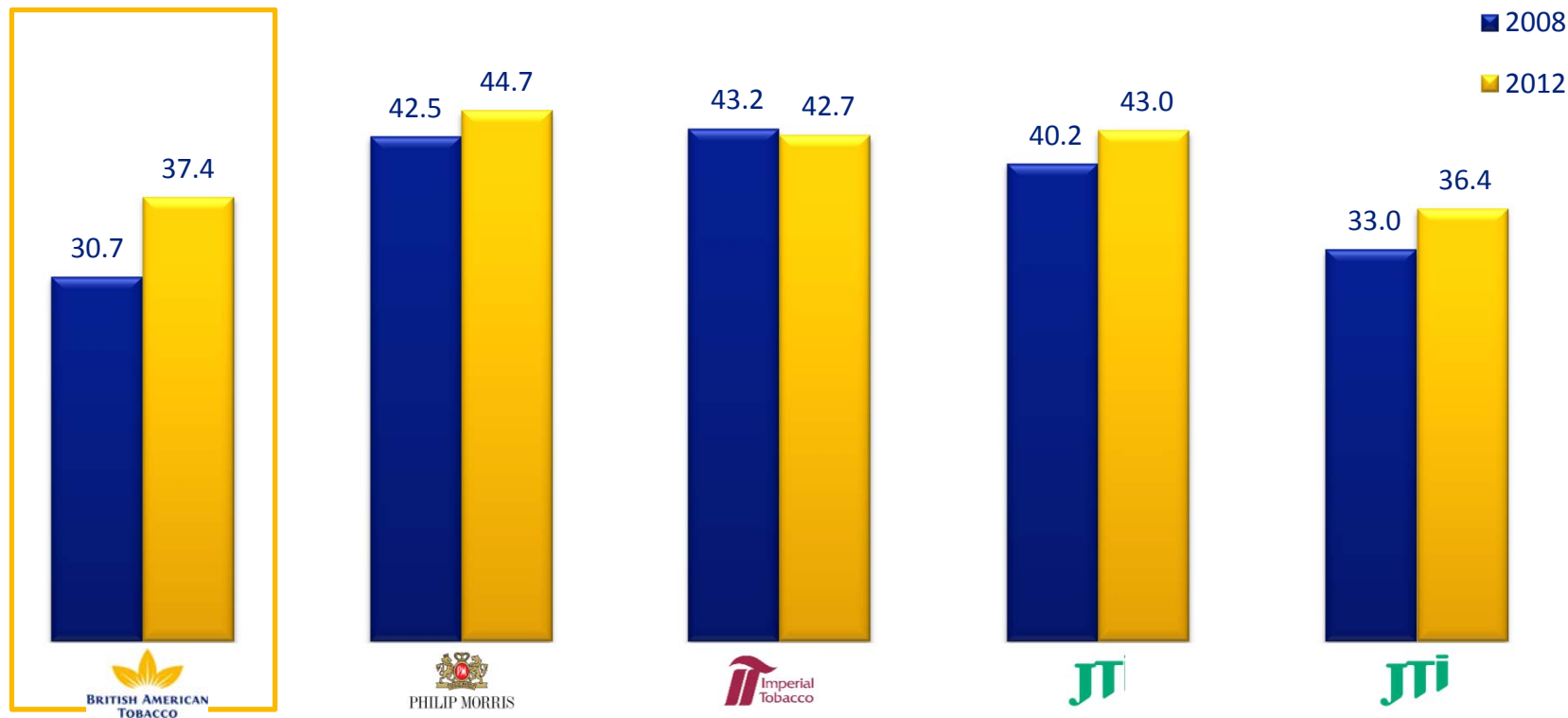
*CAGR: 13%*



# Operating margin

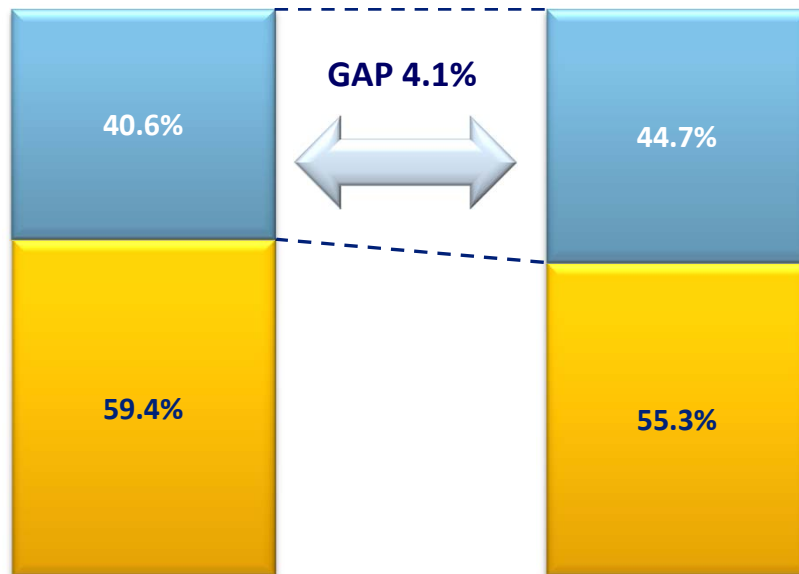


# Operating margin vs. competitors



# Operating margin vs. PMI - 2012

## Percentage of net turnover



■ Operating Profit

■ Cost of sales, Marketing & Overheads

BAT NTO adjusted for USGAAP/IFRS differences and DSS models

# Investing in the long term



FUTURE PLANNING

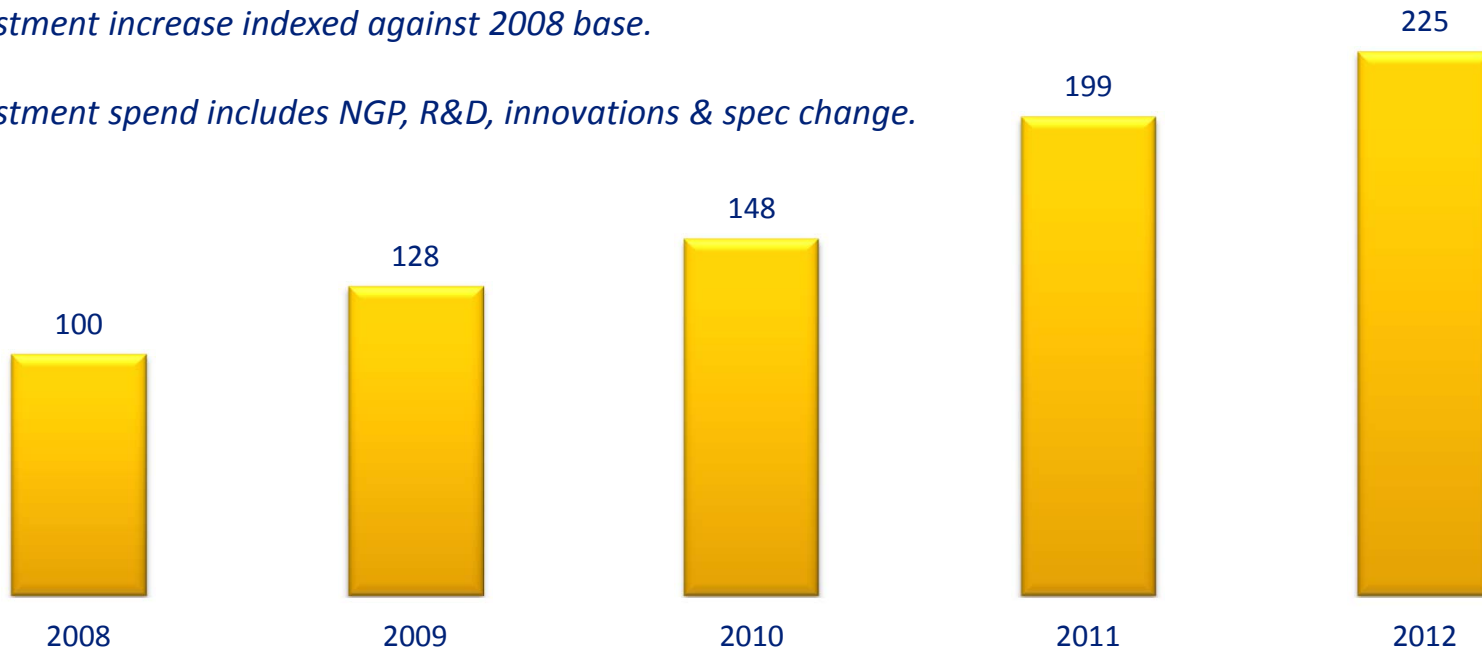


# Increasing investment

## Investment spend

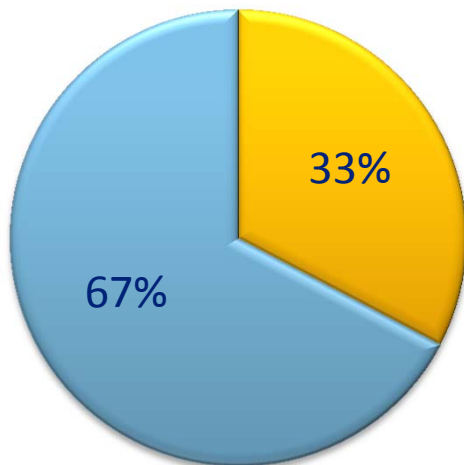
*Investment increase indexed against 2008 base.*

*Investment spend includes NGP, R&D, innovations & spec change.*



# Capex investment 2008 vs. 2013

2008

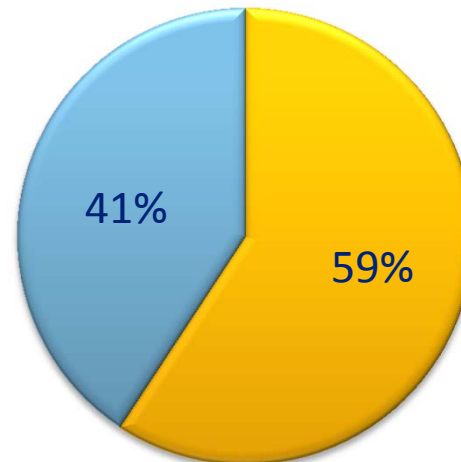


£544m

Total

- Growth, Innovation & OneSAP
- Other Capex

2013



>£750m

Total



**Building  
the new  
BAT**





# TaO Operating Model



# Simplified, end market-focused organisation

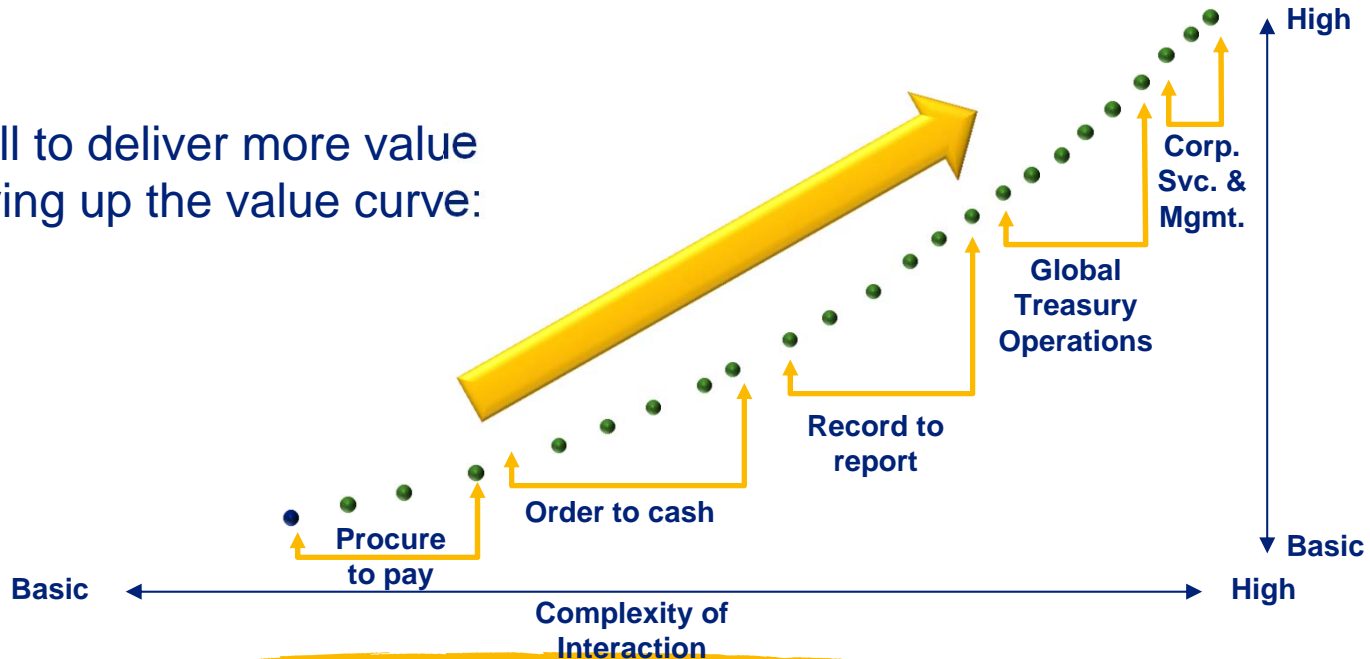
Shared services and centres of expertise will enable End Markets to focus on Brands, Trade, Regulation and Talent

- Streamlined structure in Regions & End Markets
- Stronger Global Brand teams with deeper Product capabilities
- Common processes and decision rights aligned to strategy
- Strengthened business partner capability & shared services
- Insight from any Market, available to all Markets
- Faster roll-out of innovations
- Improved customer service on-time, in-full every time

# Finance Shared Services (FSS)

By 2017 we will have a globally integrated, customer centric FSS organisation, delivered by passionate professionals

FSS will deliver more value by moving up the value curve:





# Focused, higher value Centres of Expertise



- Strategic and specialised capability, grouped in global Centres of Expertise that will more effectively serve the needs of the Markets
  - Accountable and responsible for the provision of services based on subject matter expertise to meet specific business needs
  - Responsible for developing fit-for-purpose and good practice based processes, policies and tools which will be deployed in partnership with Business Partners
  - Better risk management
- 

# Outcomes

When TaO has been rolled out across the globe, it will deliver

Common data



Better business insight



Delivering great products



Delivering on time and in full



Faster Cash



Focused Trade Customer Investment





# Conclusion



An excellent track record in delivering to shareholders

Strong balance sheet and cash generation

Despite facing some headwinds we are confident of our ability to deliver

Investing for the long term as well as delivering returns

Operating model will ensure we get better and better

**Confident we can continue to deliver high single digit earnings per share growth and improving profitability**



# Investor Day 2013