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Investor Day 2013

The Environment

Jean-Marc Levy



Agenda



Macro Economic Environment

Tobacco Industry

BAT Performance



Agenda



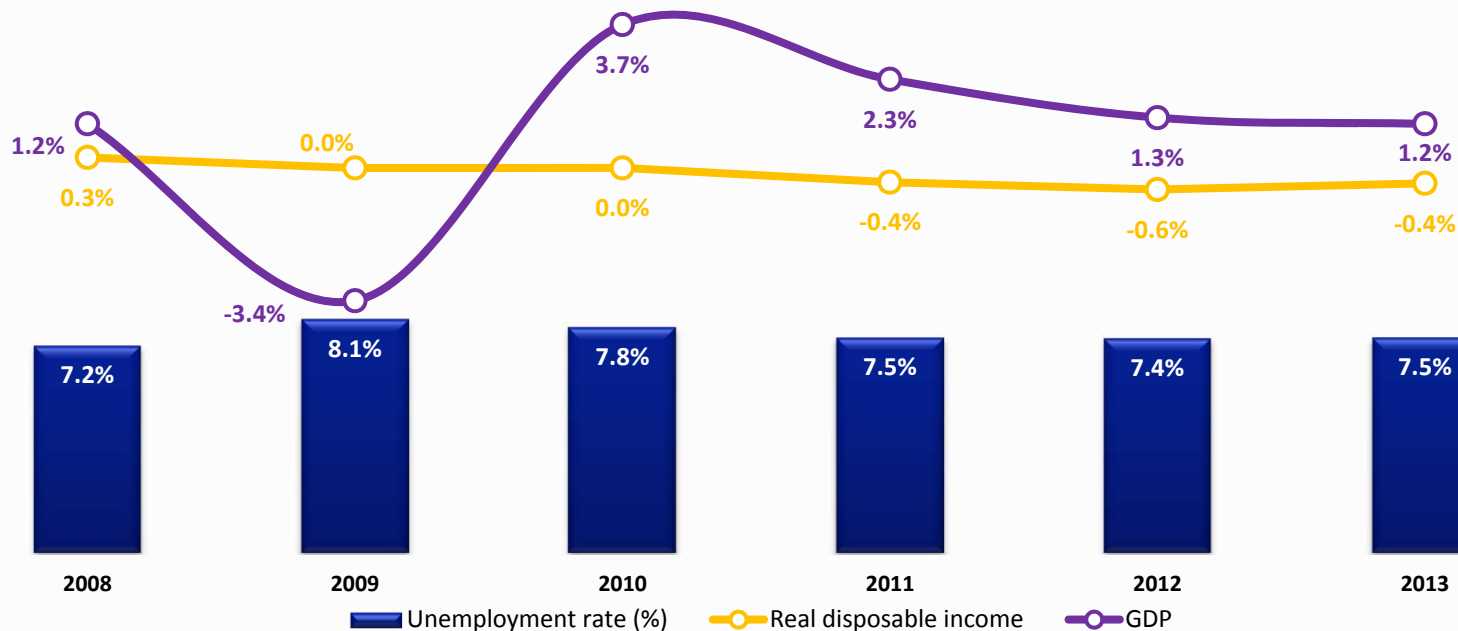
Macro Economic Environment

Tobacco Industry

BAT Performance

A challenging macro environment

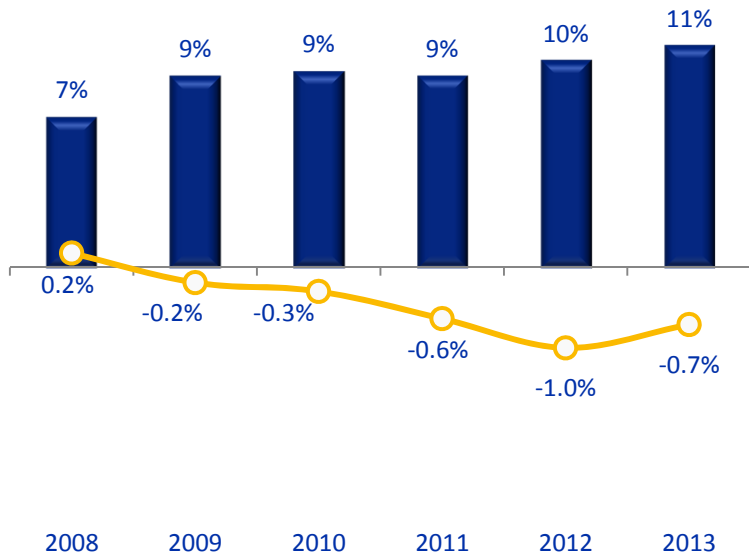
Unemployment, Disposable Income and GDP - T40



Particularly in Western Europe

Unemployment, Disposable Income - T40

■ Unemployment rate (%) —○— Real Disposable Income Growth

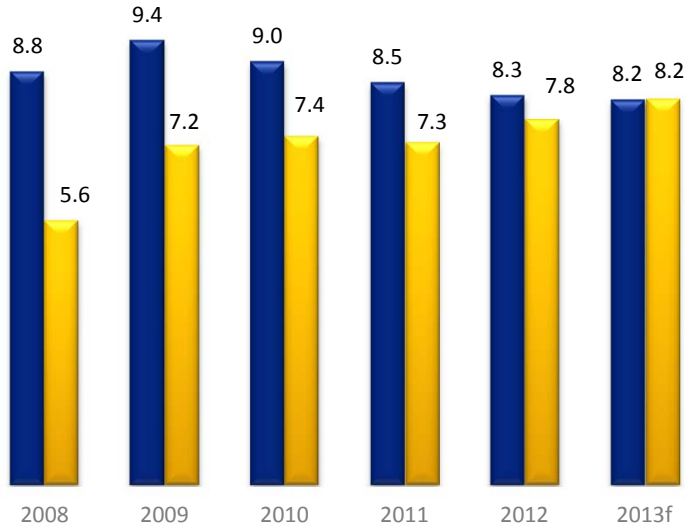


Consumer Confidence Index

	Q4 '10	Q4 '11	Q4 '12	Q1 '13	Q2 '13
Europe	78	71	71	71	71
World Average	90	89	91	93	94

Developing markets continue to outperform

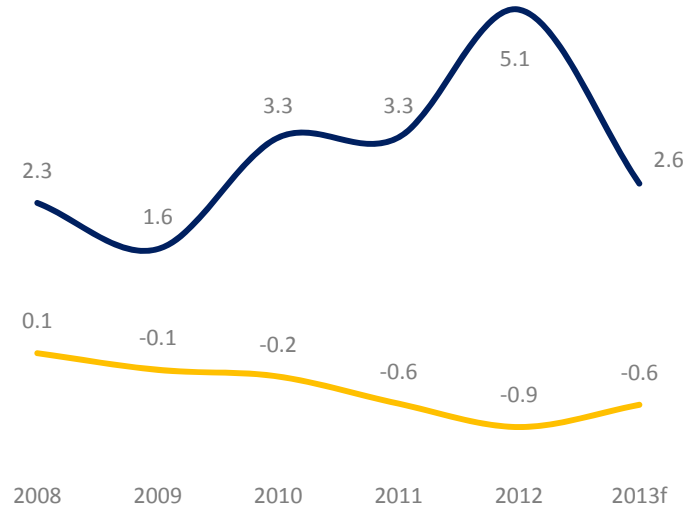
Declining unemployment rates



Developing Markets
■ Unemployment Rate

Developed Markets
■ Unemployment Rate

Continuing growth in disposable income



Developing Markets

— Disposable Income Growth

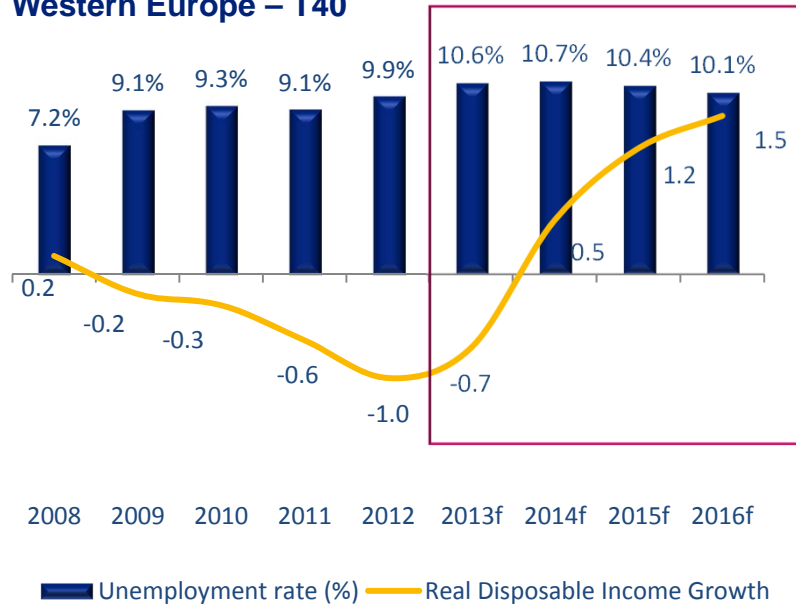
Developed Markets

— Disposable Income Growth

External forecasts still show recovery

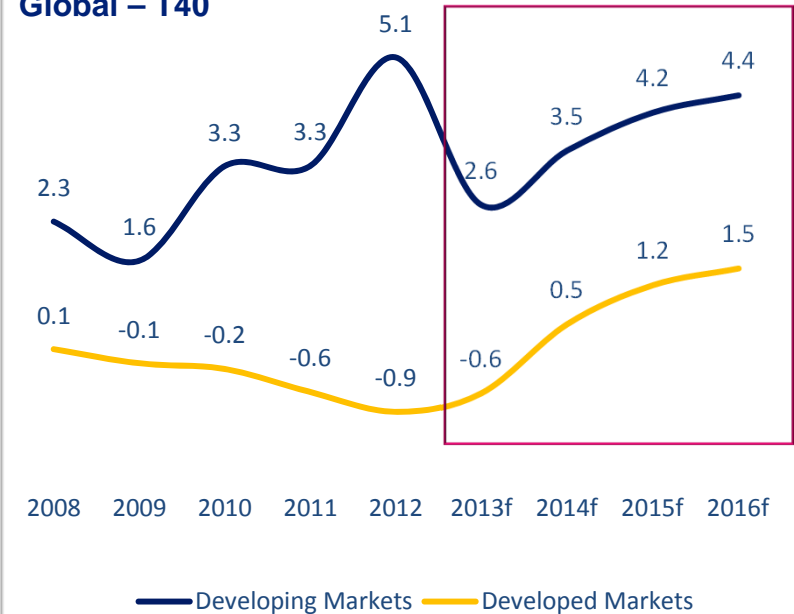
Slow recovery in Western Europe

Western Europe – T40



Disposable income growth forecast to recover

Global – T40



Agenda



Macro Economic Environment

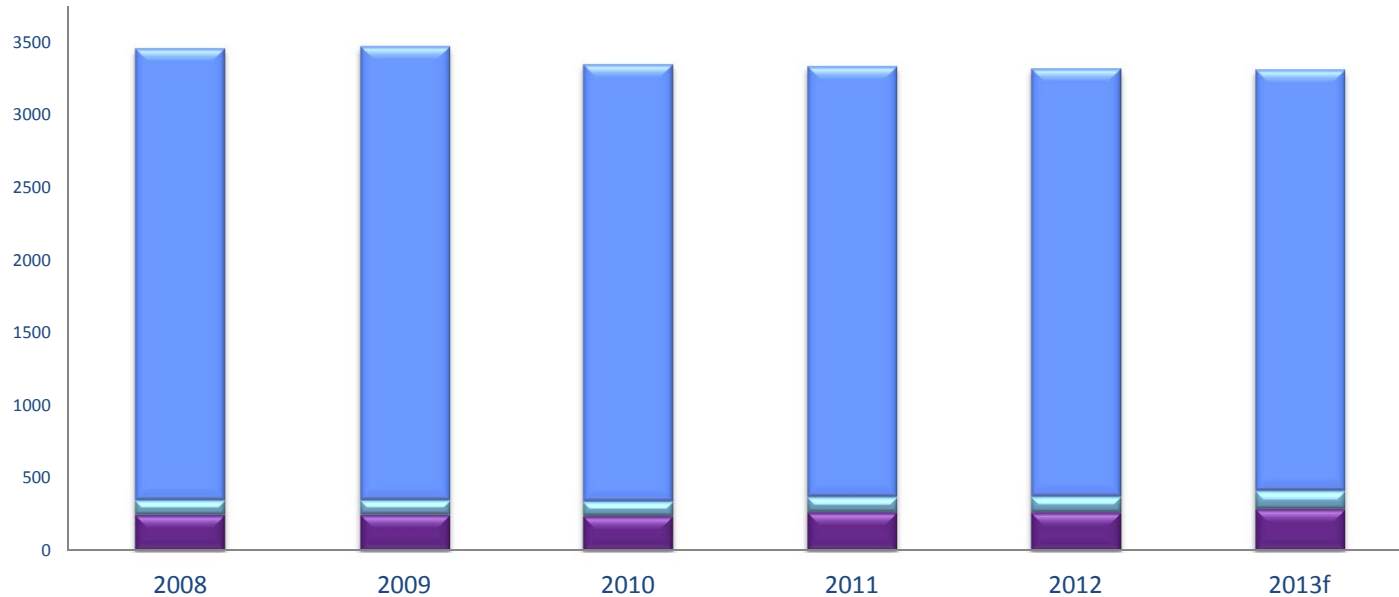
Tobacco Industry

BAT Performance

No change in overall consumption trend

World Market Consumption excl. China, India, US

bn sticks



5Y CAGR

Total Tobacco

-0.9%

DP Cigarettes

-1.4%

DP Fine Cut

+4.5%


Illicit

+3.1%

Short term issues impacting the global duty paid market



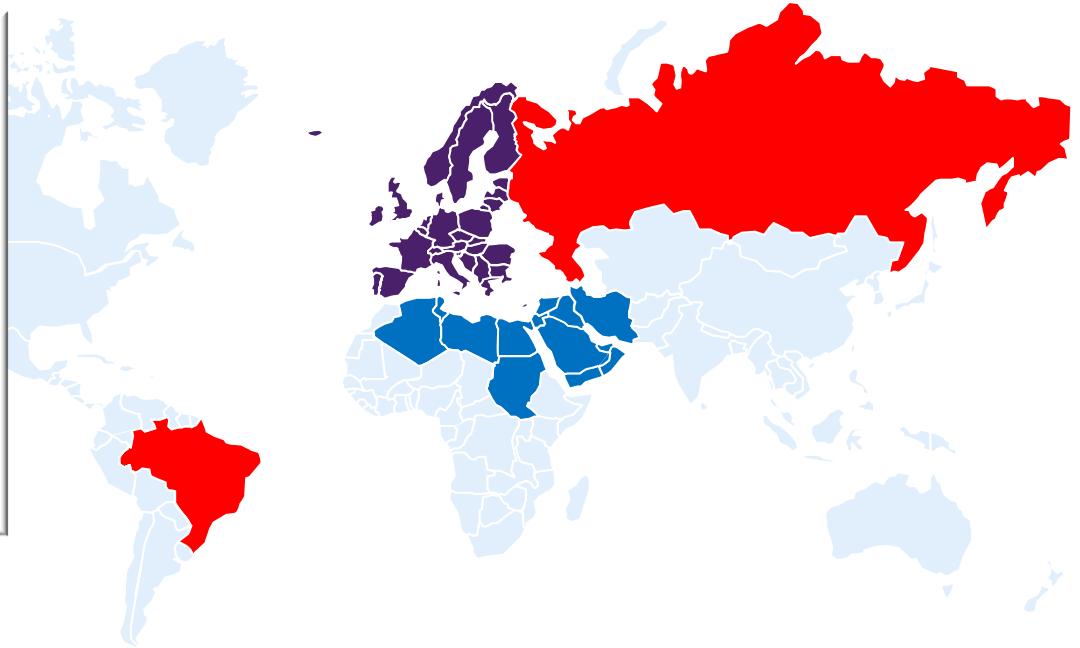
Challenging economic conditions across Western Europe



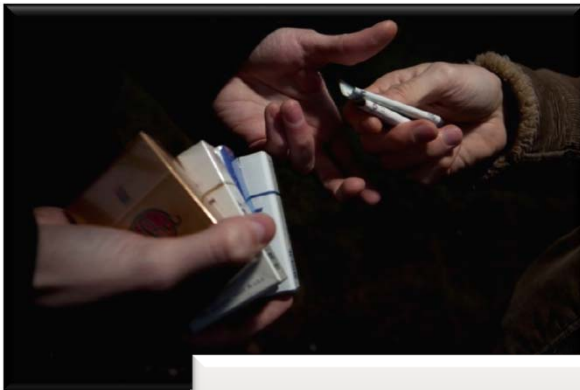
Significant excise-driven price increases in two large markets



Instability in parts of the Middle East



Illicit trade has grown in some markets...



**T40 Illicit Trade up
from 8% to 9%**

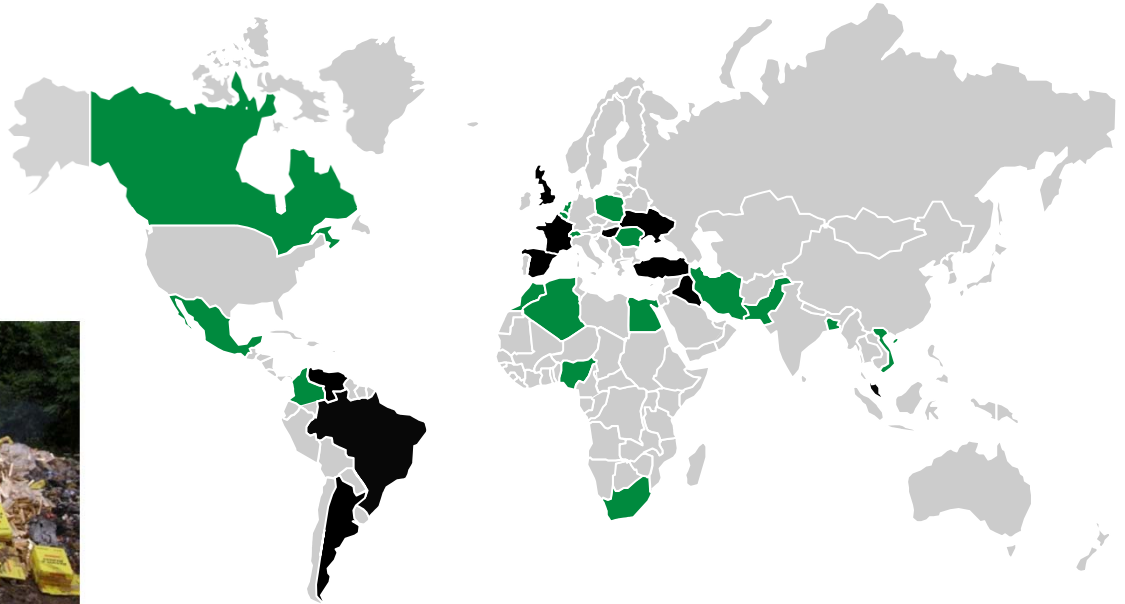


Illicit trade incidence HY2013 vs HY 2012

■ Incidence up >1ppt

*Including T40 markets where incidence is >5%
Illicit Trade includes cross-border DNP in Western Europe*

... but is flat or down in many other markets



Including T40 markets where incidence is >5%
Illicit Trade includes cross-border DNP in Western Europe

Source: Company Estimates

Illicit trade incidence HY2013 vs HY 2012

- Incidence up >1ppt
- Incidence flat or down >1ppt

Agenda

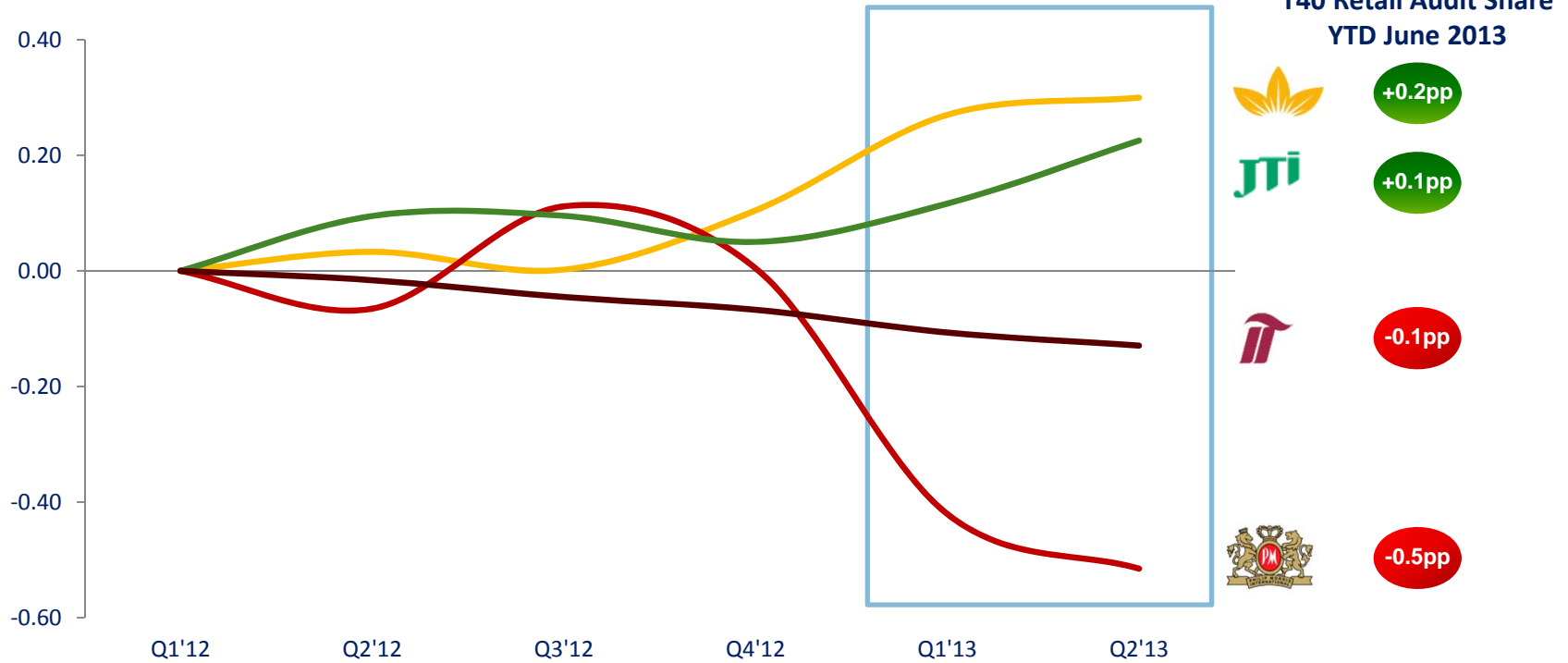


Macro Economic Environment

Tobacco Industry

BAT Performance

BAT continues to perform well



Driven by GDBs and Innovation



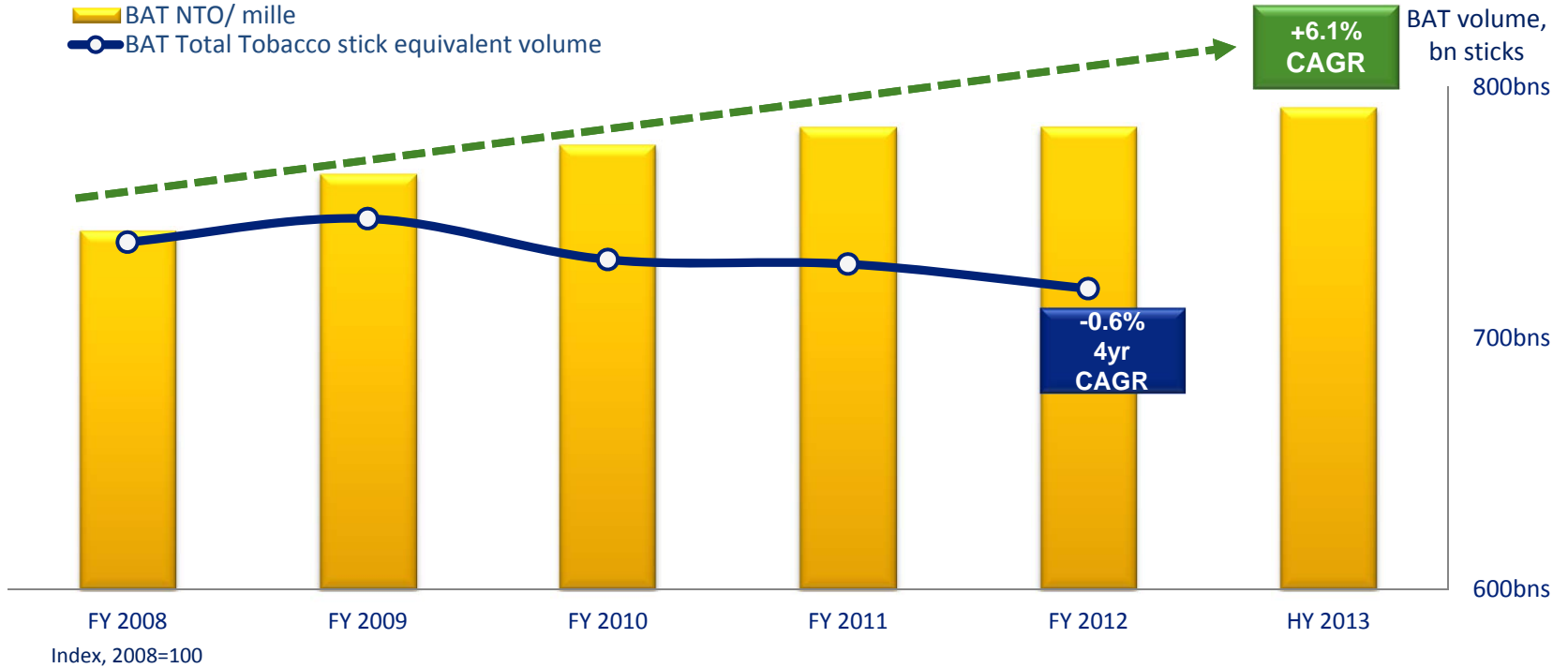
KENT®



PALL MALL 
THE WORLD TASTES BETTER

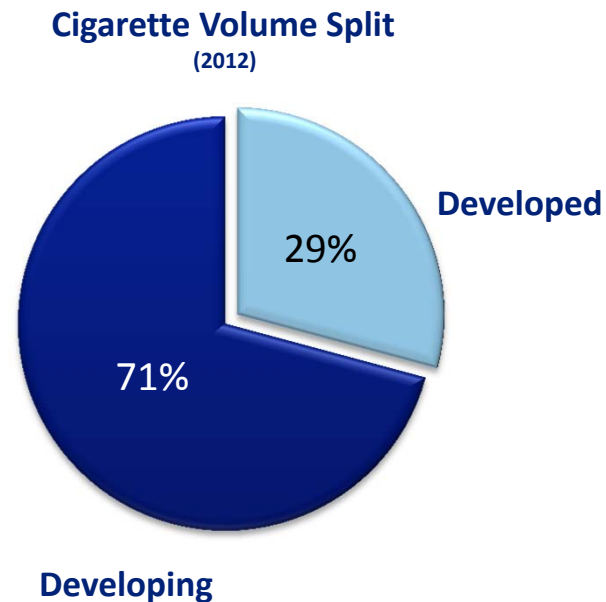
THE WORLD TASTES BETTER
LIVE LIFE

Price / mix remains strong



Developing markets driving growth

Cigarette Net Turnover			
£bn	2008	2012	CAGR
Developed	4.8	5.9	5.4%
Developing	5.9	8.3	8.9%
Total	10.7	14.2	7.4%





Investing in new markets



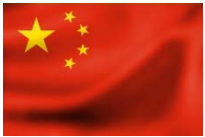
Philippines



Myanmar



Morocco



China



Summary

Macro Economic Environment

- Challenging, however latest forecasts predict gradual improvement

Tobacco Industry

- DP volumes under short term pressure
- Industry fundamentals remain solid

BAT Performance

- BAT continues to perform strongly



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