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Investor Day 2013

Western Europe

Naresh Sethi

Western Europe

A volatile market environment

- Difficult macro-economics
- DP Cigarette volume down, consumption decline less severe
- Down trading / switching across categories

Fine Cut growth, illicit, alternative products

- However...

High NTO / high margin region with further growth potential



The tobacco industry in Western Europe

Tough macro environment but highly profitable region



DIMENSION	2010	2012	CAGR ¹
Consumption volume (bn)	875.3	844.6	-1.8%
Duty Paid volume (bn)	819.7	786.1	-2.1%
Illicit trade (bn)	55.6	58.5	+2.6%
BAT volume ² (bn)	149.0	149.2	+0.1%
Consumers disposable income (£, per capita)	10,075	10,055	-0.2%
Industry value (£ bn)	13.2	13.7	+1.9%
NTO ³ per mille (£)	20.8	23.0	+5.2%

Notes: ¹ Compound average growth rate, per year.

² Cigarettes + Fine Cut

³ Net Turnover.

BAT Western Europe

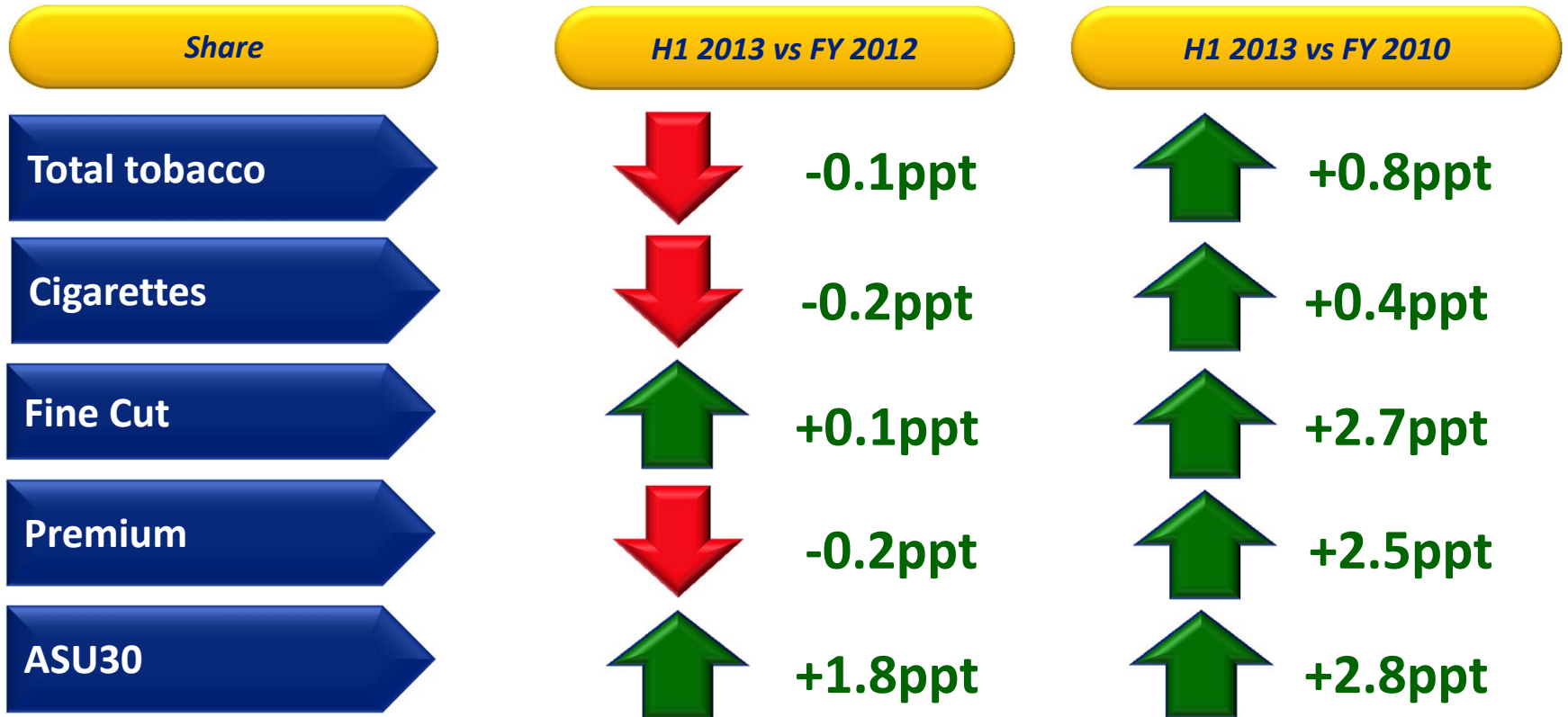
Consistent performance and attractive opportunities







- 42 Markets / over 8,000 employees
- 2012 vs. 2010: 10 out of 14 key markets growing Total Tobacco share
 - Significant challenges in some key markets
- Growth across all key strategic indicators
- Over 50% of BAT Volume in Global Drive Brands
- Operating Margin at 34%
- Growth in Innovation segments
 - Leadership in Capsule and Additive Free segments
 - FC growth consistently outperforming Industry
 - 2nd position in FC segment
 - Pall Mall #1 brand
- Strong Trade Marketing capabilities
- Great people and strong teams



BAT has performed strongly on all strategic indicators...

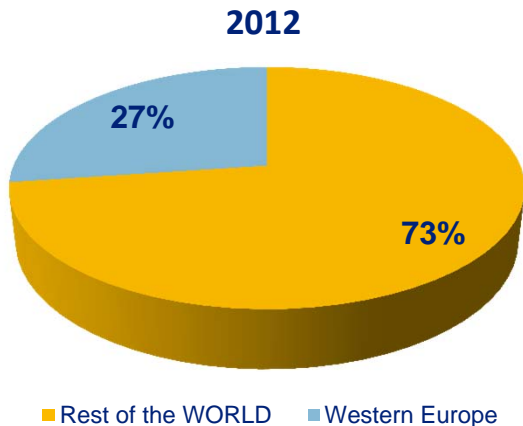


...resulting in a good financial performance

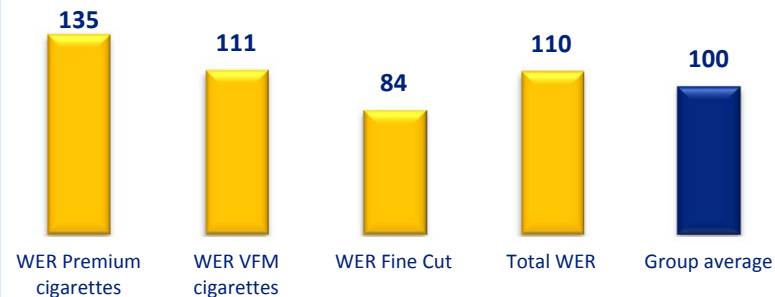
<i>Financials</i>	<i>FY2010 - FY2012</i> <i>Average growth p.a.</i> <i>Organic constant</i>	<i>H12012 - H12013</i> <i>Constant growth</i>
NTO	 +3.2%	 +0.8%
Operating Profit	 +6.3%	 +0.2%
Operating Margin <small>(as reported, current rates)</small>	 +2.3ppt	 -0.3ppt

Western Europe remains very attractive

WESTERN EUROPE INDUSTRY SHARE OF NTO, %



BAT NTO PER MILLE, INDEX



BAT WER NTO PER MILLE, INDEX

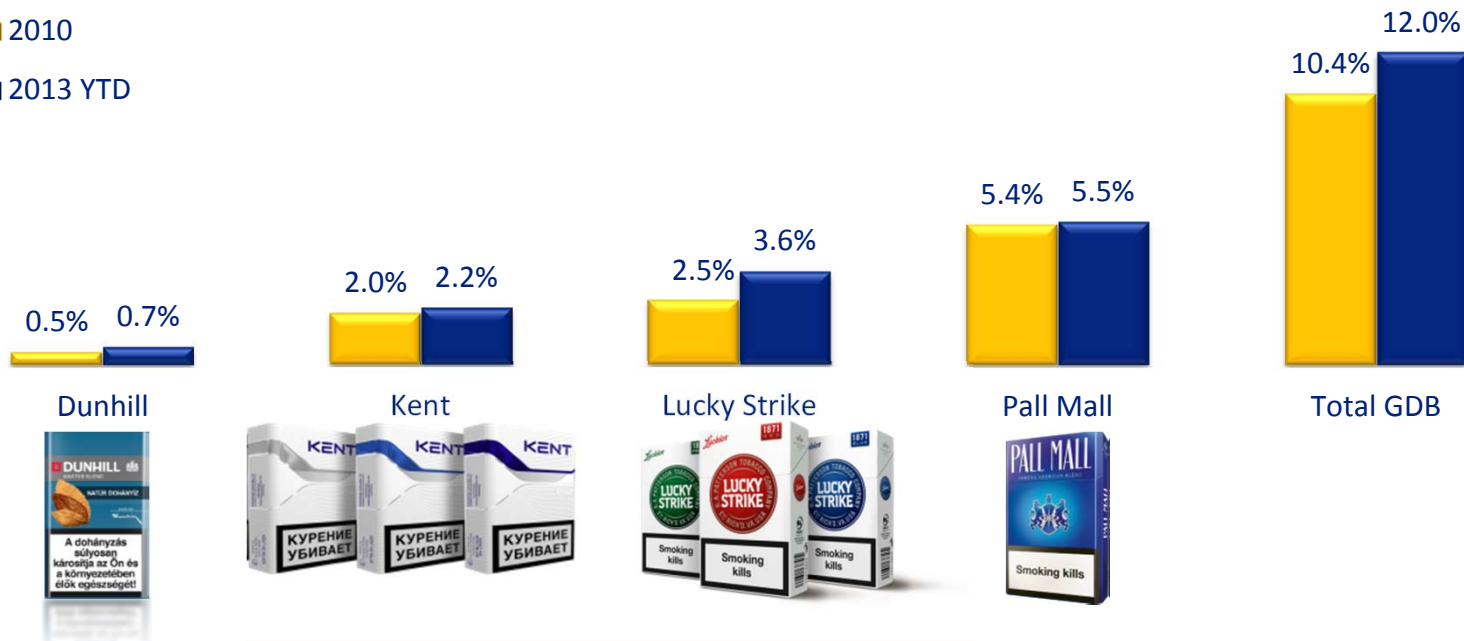


Outstanding growth of GDB (now over 50% of total volume)

CIGARETTES MARKET SHARE, %

2010

2013 YTD



...winning in growing segments...

ADDITIVE FREE
BAT SoS: 44.8% (18.6% in 2010)



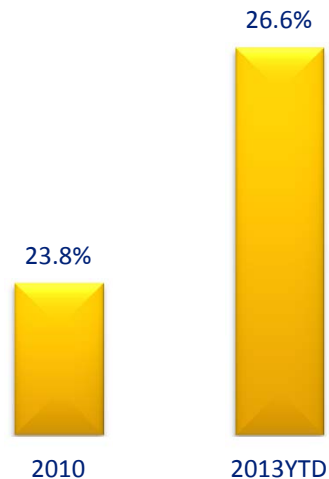
BAT share from segment¹ +0.4pp

CAPSULE
BAT SoS: 41.6%



BAT share from segment¹ +0.5pp

ASU30 SHARE, %



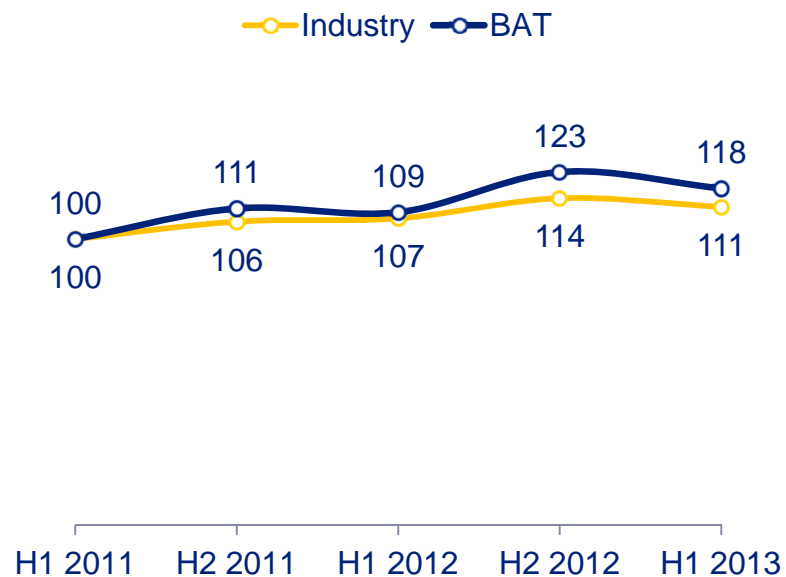
Even higher share growth in
ASU 30

Note: SoS stands for SHARE of SEGMENT

1: Additional corporate share from the segment FY2012 vs. FY2010

Outperforming the market in Fine Cut

INDUSTRY VS. BAT FC VOLUME PROGRESSION, INDEX

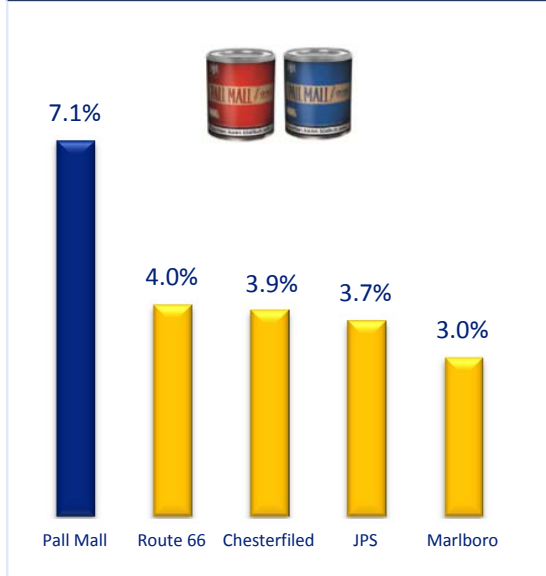


BAT VOLUME GROWTH, BN STICKS EQUIVALENT

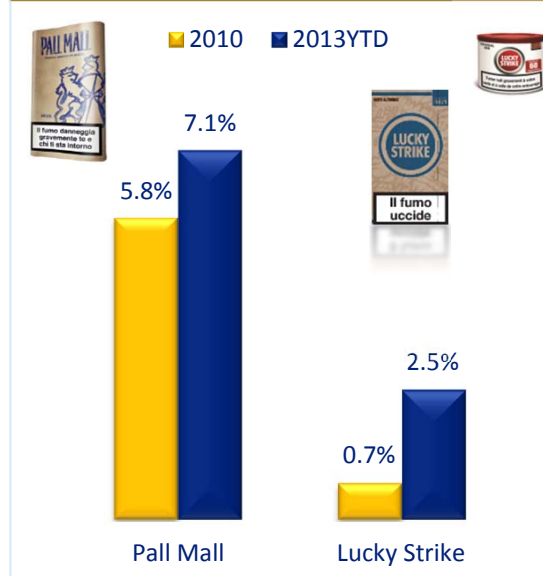


Outstanding GDB performance (volume and value)

FINE CUT BRAND SHARE 2013 YTD, %



FINE CUT BRAND SHARE, %



BAT FINE CUT NTO, INDEX



Source: Nielsen, weighted average share of the 14 top markets, internal data

PALL MALL No.1 FINE CUT BRAND WESTERN EUROPE

Delivering the strategy



GROWTH

- Total Tobacco Share growth in 10 out of 14 markets (2012 vs. 2010)
- Growth ahead of industry in the growing Fine Cut segment
- Trade Marketing Excellence

PRODUCTIVITY

- Delivered £65mn savings in Overheads* (2010 till 2012)
- Continuous focus on Supply Chain optimisation

WINNING ORGANISATION

- Top Employer in Europe for 3 years in a row



SUSTAINABILITY

- Driving engagement on TPD and Article 19



ITALY

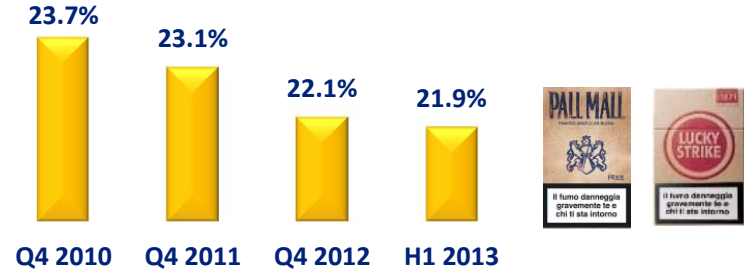
IMPROVING PERFORMANCE IN A TOUGH ENVIRONMENT



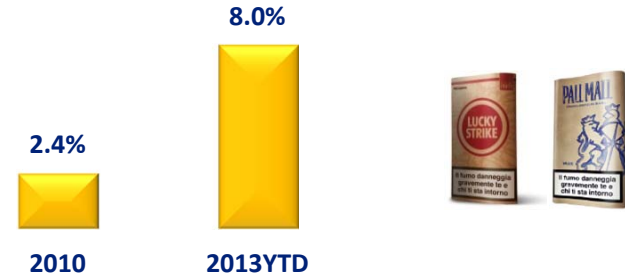
- **The macro environment remains difficult**
 - GDP decline: -1.8%
 - Disposable income decline: -0.1%
 - Unemployment: 12.4%
- **Tobacco is experiencing an unprecedented pressure**
 - DP Cigarettes down by 7%
 - Fine Cut down by 3%
 - Consumption down by 7%
 - Uncertain pricing environment (VAT increase)
- **An improving BAT performance**
 - FMC share decline is slowing
 - FC share is growing

Market recovery dependent on macroeconomics improvement, moderate price increases and balanced taxation

BAT FMC SHARE PROGRESSION



BAT FINE CUT SHARE, %





ITALY

SIGNIFICANT CHALLENGES, BUT ENCOURAGING RESULTS AND SOLID PLANS IN PLACE



- **Growing ASU 30 share**
 - 2013YTD +3.0ppt vs. 2012
- **Leading the growing additive free segment**
 - 2013 YTD Share of segment 51.2% (+21.4ppt vs. 2012)
- **Leading the new €4.00 price point**
 - Rothmans 2013 YTD market share 0.6%
- **Improved trade marketing capabilities**
 - Reported step change in brand awareness





GERMANY

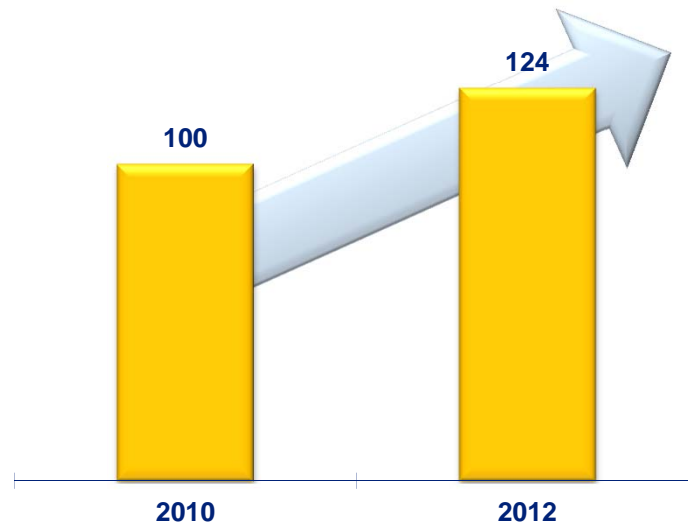
SHARE GROWTH IN ALL THE CATEGORIES BEHIND AN OUTSTANDING FINANCIAL PERFORMANCE



OPERATING PROFIT, INDEX

2012FY vs. 2010FY:

- Cigarette Off take share +0.7p.p.
- GDB Cigarettes Share +1.6p.p.
- Fine Cut share +2.3p.p.
- Total tobacco share +0.8p.p.



Note: ¹ Shipment share



GERMANY

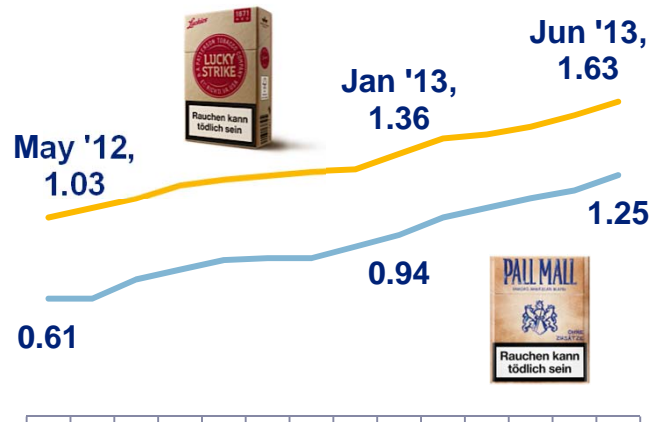
BAT GERMANY SUCCESS BASED ON EXCELLENT EXECUTION OF A CLEAR LONG TERM STRATEGY



- Strong portfolio built on innovations and ASU30 relevance



ADDITIVE FREE SHARE, %



- Outstanding trade marketing capabilities: *category captaincy in strategic channels*



- Leading in constructively shaping the environment
5 years excise model to provide visibility and stability



Leading Additive Free (65%+ SoS)



ROMANIA

...A FANTASTIC BUSINESS STORY



BRITISH AMERICAN
TOBACCO



Premium portfolio to leverage excise system



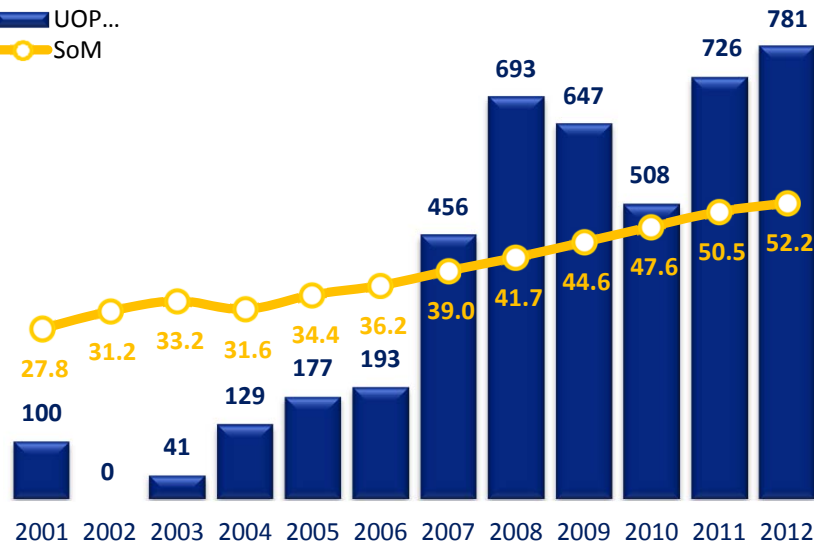
Excellent products & consumer relevant innovations



Outstanding trade marketing capabilities

UNDERLYING OPERATING PROFIT (INDEX) AND MARKET SHARE (%)

■ UOP...
○ SoM

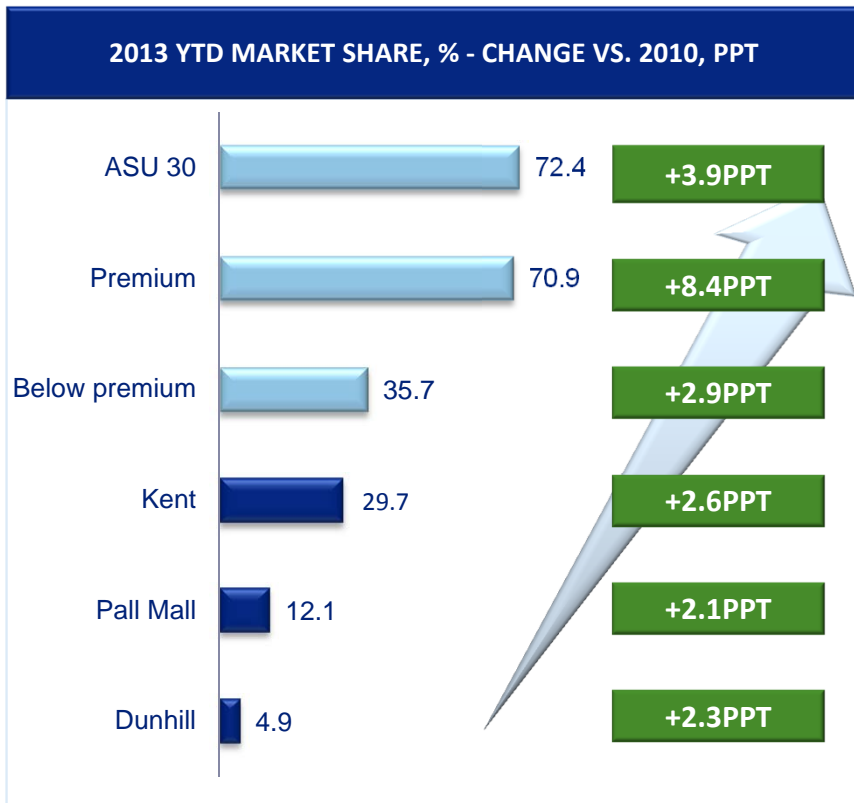


**A WINNING STRATEGY CONSISTENTLY EXECUTED
TO DELIVER LONG TERM RESULTS**



ROMANIA

BAT LEADS ALL SEGMENTS THROUGH OUTSTANDING AND INNOVATIVE PRODUCTS



Source: Nielsen



Pall Mall Extra Cut +4.0pp in one year

We are ready to win in the new environment



Western Europe Region is a tough battleground

Strong BAT performance with action plans in place for identified challenges

Stronger and bigger brands, carrying consumer relevant innovations

Over weighted or growing ASU 30 share in all key markets

**WE ARE WELL PLACED TO TAKE ADVANTAGE OF
THE RECOVERY WHEN IT COMES**



Investor Day 2013