



"The material in this presentation is provided for the purpose of giving information about us to investors and is not provided for tobacco product advertising, promotional or marketing purposes. This material does not constitute and should not be construed as constituting an offer to sell, or a solicitation of an offer to buy, any of our tobacco products. Our products are sold only in compliance with the laws of the particular jurisdictions in which they are sold".



# Investor Day 2013

## Winning in Tobacco

Jean Marc Levy



# The pillars driving our Growth Strategy



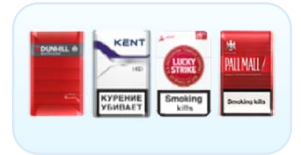
Capturing  
Consumer  
Moments

Best-in-class understanding of Consumer needs



Focused  
Brand Portfolio

Optimal Brand offerings spearheaded by our 4 GDB's



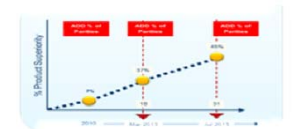
Innovations  
Powering our  
Brands

Underpinned by industry leading innovations



Superior  
Products

Products which deliver ahead of expectation



Speed & Scale

Deployed at speed and delivered in full



# A changing consumer environment

## Demographics



- Emerging Middle Class
- Unisex balance
- Changing consumption profiles

***“Providing a wider range of offerings to a more diverse consumer base”***

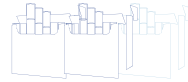
## Non-Combustibles



- Growing incidence & awareness
- Strong trial rate

***“Gain leadership of the industry in the non-combustible space”***

## Illicit



- One in every 10 sticks purchased
- Improving quality and acceptance
- Emerging threat in WER economy

***“Tackle the threat through key product characteristics and strong brands”***

## Innovation

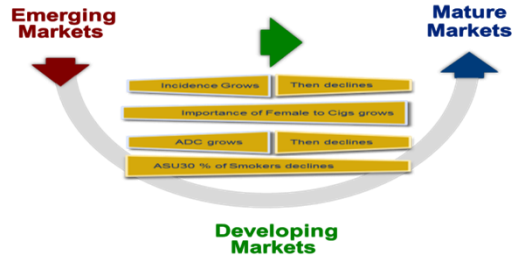


- c.12% of T40 industry volume is innovation
- Growing segments in Fresh, Capsule, Additive Free, Slims
- Fast pace of change

***“Leading the industry creating value via product innovation”***

# ONE view of the Consumer

- Consumer Needs
- Consumer Centricity & Cultural Overlay
- Combustibles *and* non-combustibles
- Opportunities & Actionability



CONSUMER  
MOMENTS



- Traditional Cigarettes
- Traditional OTP
- Combustible Innovations
- Non-Combustible Offers
- Beyond Tobacco Products

# Consumer Moments underpinned by Strong Brands



**DUNHILL**  
*of London Limited*  
**TOBACCO**

**DUNHILL**  
*of London Limited*  
**TOBACCO**

TOBACCO SERIOUSLY DAMAGES HEALTH  
AGENCY: SHAFI. \*WARNING: NO ASHES IN PROGRESS FOR SUCCEEDING PARTNERS ONLY.

A black and white advertisement for Dunhill tobacco. It features a man in a white shirt and suspenders, looking thoughtfully at a cigarette. The Dunhill logo and brand name are prominently displayed in the top left and center. At the bottom, there is a health warning and a small note about the agency.

**KENT**  
AHEAD

SMOOTH  
CONSISTENT  
INSTANT

**KENT**

AHEAD IN TASTE  
NEW KENT 100 WITH TRIPLE CORE FILTER™

TOBACCO SERIOUSLY DAMAGES HEALTH  
Chief Medical Officer's Warning

An advertisement for Kent cigarettes. It shows a white Kent cigarette lying on a blue surface with a large, stylized black 'K' cutout. The text "KENT AHEAD" is in the top left, and "KENT" is in the top right. Below the cigarette, the words "SMOOTH", "CONSISTENT", and "INSTANT" are listed. At the bottom right, it says "AHEAD IN TASTE" and "NEW KENT 100 WITH TRIPLE CORE FILTER™". A health warning is at the bottom.

**I HAVEN'T GOT TIME TO ENJOY MYSELF**

**Lucky Strike**  
100% TOBACCO  
ENRICHED VAUZE

**Lucky Strike**  
100% TOBACCO  
ENRICHED VAUZE

ALWAYS true

Smoking kills

A colorful advertisement for Lucky Strike cigarettes. It depicts two men relaxing on a couch, one smoking. The text "I HAVEN'T GOT TIME TO ENJOY MYSELF" is written across the top. A circular logo for "Lucky Strike" is in the top right, and a pack of cigarettes is in the bottom right. The slogan "ALWAYS true" is at the bottom left. The phrase "Smoking kills" is at the very bottom.

**PALL MALL**

**RIGHT HERE**  
SINCE 1870

**RIGHT TASTE**

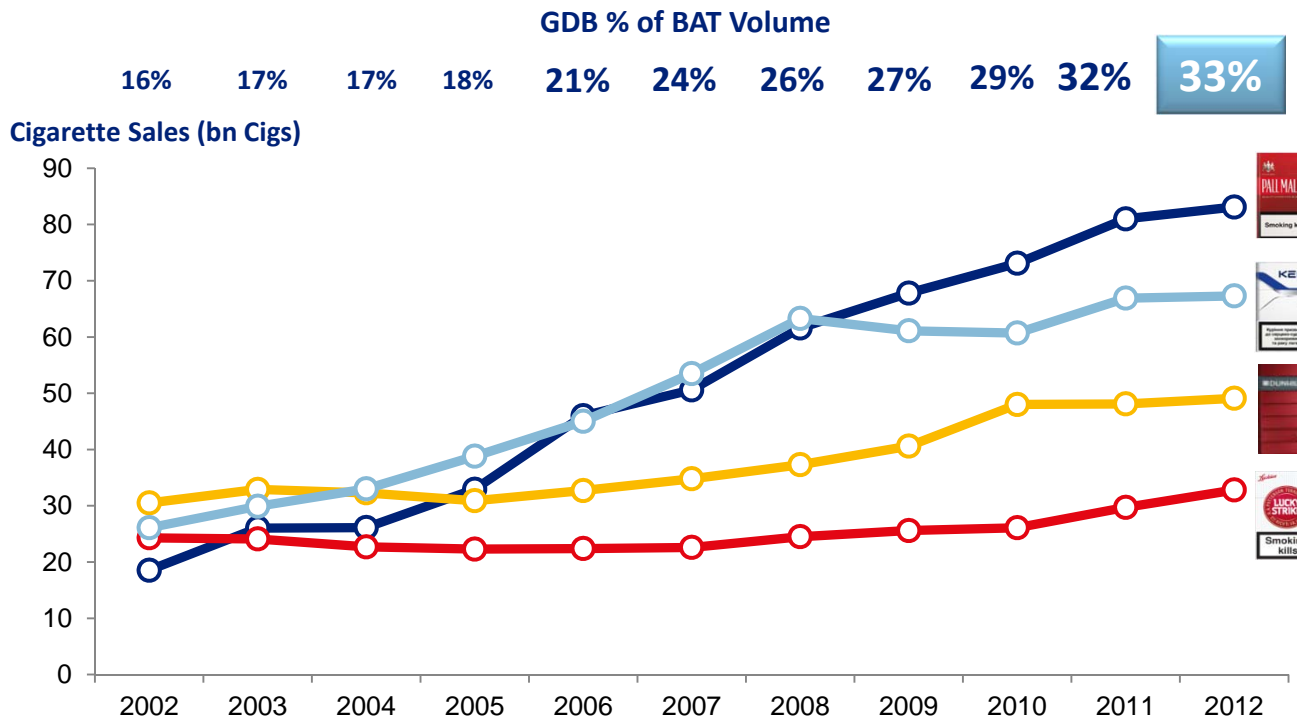
MAKING THE MOMENT

**PALL MALL**

FUMAR ES CAUSA DE CANCER

An advertisement for Pall Mall cigarettes. It shows a man and a woman dancing at night. The text "PALL MALL" is in the top right. Below it, "RIGHT HERE" and "RIGHT TASTE" are written in large letters. At the bottom, it says "MAKING THE MOMENT" and "FUMAR ES CAUSA DE CANCER". A pack of Pall Mall cigarettes is shown in the bottom right corner.

# Driving consistent performance year on year: Volume



CAGR  
2002-2012

+16.2%

+9.9%

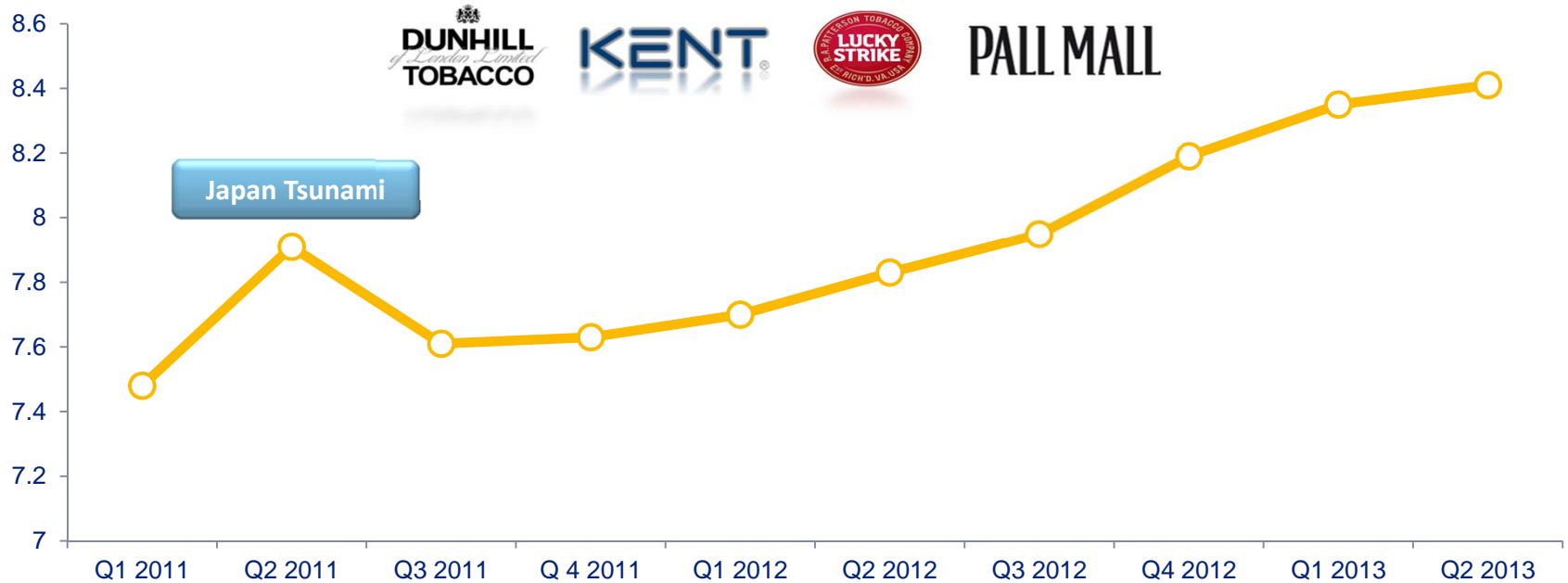
+4.9%

+3.1%

# Driving consistent performance year on year: Share



## Aggregate GDBs T40 SOM



# A strong international brands portfolio



BAT total International Brands - **fastest growth rate in the last 10 years in the industry**

# Innovation driving corporate results



16%

...of BAT's volume is now 'innovative' products (2012)

43%

...of BAT's GDB volume carry an innovation (2012)

80

Number of markets in which we have launched capsule products

21%

...of Net Revenue stems from Innovative products (2012)

#1

BAT is Market Leader in **Capsule, Reloc, Additive Free**

# Innovations & Product superiority power our Brands



## Formats

- Slimmer volume 54bn in 2012
- BAT segment share 17%



## Fresh-seal Pack

- 18bn volumes
- In all major Dunhill markets
- On 71% of Dunhill volumes



## Additive-Free

- 2bn volumes
- Volume up 138% against SPLY
- 8% of total Lucky Strike volume is Additive Free



## Capsule

- 11bn volumes
- 2.4% of total BAT volumes
- 7% of total GDB volume
- Market leader in T40 markets



## OTP (Other Tobacco Products)

- 20bn volumes
- Strong player in WER



## Triple Core Filter

- Launched in Japan, Turkey & Eastern Europe
- Great consumer feedback. Superior to recessed
- Product perception improved in all markets



# Innovations & Product superiority power our Brands



## Formats

- Slimmer volume 54bn in 2012
- BAT accounts for 17%
- BAT Segment leader



## Re-sealable Pack

- 18bn volumes



## Blends



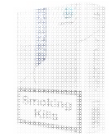
## Additive-Free

- 2bn volumes
- Volume up 138% ago
- 8% of total Lucky Stri

- Our superior Blending capabilities are driving remarkable test results

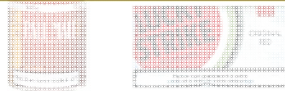
- Of the total product tests conducted in 2013:

- **97%** performed at par or better vs Competitor's offers (of which **45%** achieved Superiority)

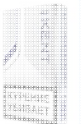


## OTP (Other To

- 20bn volumes
- Aggressive player in WER



- Launched in Japan, Turkey & Eastern Europe
- Great consumer feedback. Superior to recessed
- Product perception improved in all markets





# Rapid **deployment** to markets

## A powerful execution machine



8m

Outlets serviced by BAT...  
(3m direct)



20k

BAT reps in DSS operations



201m

Visits per Annum



In order to gain competitive advantage and excite adult tobacco Shoppers to Buy & Customers to Sell our brands



# Combining the consumer offer

World Class Brands  
(led by GDB's)



Consumer-centric Innovations



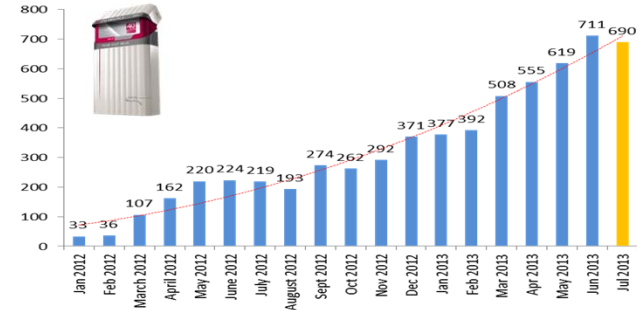
Best in class product  
development



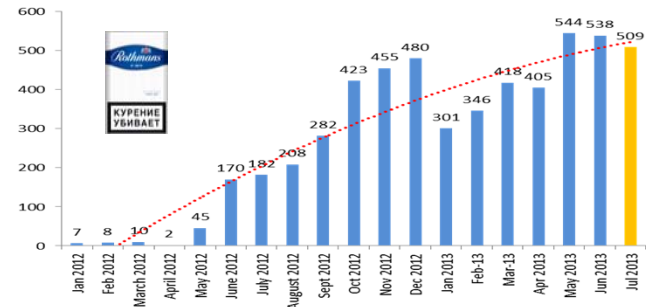
Rapid & Effective Deployment

## Two Examples

Dunhill Indonesia



Rothmans Russia



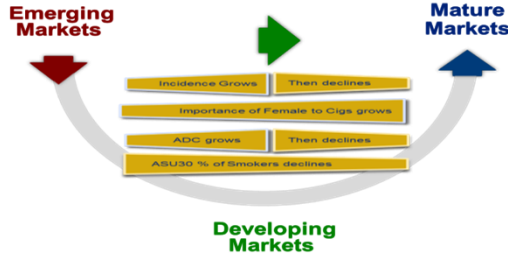
# ONE view of the consumer

Consumer Needs

Consumer Centricity & Cultural Overlay

Combustibles *and* non-combustibles

Opportunities & Actionability



CONSUMER MOMENTS



Traditional Cigarettes

Traditional OTP

Combustible Innovations

**Non-Combustible Offers**

Beyond Tobacco Products

# Innovation beyond combustibles: Heat not Burn

## Changing Consumer Needs



- Reduced odour
- Less smoke
- Consideration for others
- Tobacco taste variability



## Enhanced Commercial Accessibility

Advancements in technology mean that cost-effective, mass-appeal Heat not Burn devices are now commercially feasible and attractive

## Accessing the Market

- Development of 3 distinct HnB products, addressing different consumer needs
- Commissioned consumer research in 8 top markets to shape our developments

# Winning the consumer

## BRANDS



## CONSUMER UNDERSTANDING



## INNOVATIONS



## PRODUCT



CONSUMER  
MOMENTS

## ONE ORGANISATION



## DEPLOYMENT





# Investor Day 2013