

CAC VIII : CHAIRMAN'S INTRODUCTION - 8.45 a.m. Monday, 26th September

First of all, I would like to welcome you to CAC VIII and to extend a particular welcome to Ken Sumner and Dean Wills who are attending for the first time, and to Sir Campbell Fraser, Sir Jasper Holloway and Sir Michael Palliser who are joining us for the first day of the programme. I would also like to take this opportunity to thank our hosts, BATIG, for inviting us here and for looking after the administrative arrangements.

We meet at a time when the world is making a gradual and rather uneven recovery from recession with a strong surge of growth in the USA but rather more hesitant growth elsewhere in the world, both in Europe and, more especially, in those developing countries with heavy burdens of debt to service and repay.

While there can be guarded optimism about the prospects for continuing recovery there are still many problems to be overcome and there is general acceptance that growth rates in the 1980's will be at levels lower than those which were achieved in the 60's and 70's. There will certainly be opportunities for individual companies to prosper but, in the difficult trading conditions which we must expect, only the best companies will be able to achieve sustained profitable growth.

Last week saw the announcement of our results for the first half of 1983 and these demonstrate some of the critical issues which we are now facing. (Brief summary of main points from the half year statement?)

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Looking to the future, the uncertainties about the prospects for Tobacco are more evident than ever before. While there are still some good prospects for growth in individual market segments, the overall prospects for growth are limited. Perhaps more importantly, profits will be under severe pressure and in many markets it will be necessary to work very hard indeed even to maintain existing levels of profitability.

These uncertainties about the prospects for Tobacco give added importance to the prospects for our non-Tobacco activities and it is vital, therefore, both that these achieve satisfactory levels of profitability and also that they should have a potential for profitable growth sufficient to compensate for the more limited prospects in Tobacco.

Unfortunately, the assessments of the long term prospects for our existing non-Tobacco activities, which will be discussed later in the conference, lead to the conclusion that their growth potential is not great enough for us to be confident of meeting our targets for growth. It is necessary, therefore, that we should seek ways to accelerate the pace of diversification in the Group, looking for new activities in which to invest.

The challenge which we have to face is to make the right decisions about where we should invest and then to implement these decisions successfully.

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It is clear from the rating which the market gives our shares that investors generally still lack confidence in our company and we should, perhaps, ask ourselves why this should be so. An important factor is, of course, the market's view of the prospects for Tobacco and there is also the perception that a significant proportion of our profits are derived from countries whose economic and political prospects are, at best, uncertain. However, we must also accept that the rating has been influenced by what is seen as relative lack of success in diversification and, in particular, by our failure to achieve a satisfactory level of performance in our businesses in the UK.

One of our objectives is to make B.A.T Industries more attractive to investors and in order to do this we will need to address ourselves both to achieving a better level of operating performance and to formulating and implementing strategies that will inspire a greater degree of confidence than is evident at present.

The Group has very significant strengths in its financial and management resources and we have the potential for achieving and exceeding all the targets which we have set ourselves. What we need to do is to ensure that this potential is applied effectively and that there is a unity of purpose in the direction of development for the Group so that each of our businesses can add strength to and take strength from the other parts of the organisation.

The conference has been structured to meet the dual objective of providing an insight into the activities and thinking in each part of the Group and of allowing delegates to discuss together some of the key issues which will need to be resolved if we are to ensure a successful future for our businesses.

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The first day consists of a series of presentations describing the current performance and immediate plans for the Group's major businesses. This will enable both the delegates and the non-executive directors who are joining us for the day to obtain a view from the respective chief executives of the current situation and challenges in their businesses.

The form for the rest of the conference will be rather different and most of the sessions will be introduced by a brief paper outlining key issues, leaving as much time as possible for discussion of these issues by the delegates. You have already had summaries of the issues to be covered in these papers and I hope that this will have given you a chance to prepare your own contributions to the discussions.

For these sessions, I will ask the person who has presented the introductory paper to stay in the chair but I will also be on hand to act as moderator for the discussion.

Since one of the main purposes of the conference is to enable us to discuss the Group's strategy there are 2 sessions on Wednesday where we will review the results of the papers presented to the B.A.T Industries Board in June, July and August, outlining the forecasts for the Group and suggesting the investment strategies which we should follow.

This will be followed on Thursday by two papers discussing some of the strategic options open to us and in the final session on that afternoon we will hear about the thinking behind the diversification strategies that are being followed in Imasco, Amatil, Interversa and Souza Cruz.

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You will know that CAC is an advisory meeting and it is not the intention that we should reach firm decisions on any of the subjects discussed. However, I hope that we shall reach a degree of consensus on a number of issues, and, if we can succeed in this, it will certainly help to develop the unity of purpose which I spoke about earlier.

As usual, we will produce note of the proceedings of the conference and these should be helpful in reminding you of the outcome of the discussions. For my own part, I look forward with interest to the discussions and I can assure you that the views which are expressed will certainly be taken into account by the CPC and Board in determining the future direction of Group strategy.

RS/DJA

6th September 1983

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