

10/20

JD/Steve

Our consumption still down 8-10%.

no comment on id.

Our view - 5% industry

SET not as high as we thought

Economy not as bad as we thought earlier

Shipments down 12

Consumption 8-10

Ret - wh. inv down 3 bn & over &

Stable sh. vs. shipments

Consumption

MARLINS 90-95% of new - no internet, no retail to retail  
incomplete deep disc.

Wholesale inv + 20% → consumption promo (i.e. BS)  
lower rates post 9/11, economy/holding costs, automated  
inv might have consolidation

PM OI - we inv disc.

It has helped stabilize their share

We believe better to spend where we have support  
PM has more sales coverage to enhance communication

Deep disc prices may have gone up? 2.17 → 2.21 /pk.  
Relative to ind their prices have inv.

Think wh. prices up about 5¢ due to Δ programs

May be some impact on P/L pricing - may get some benefit

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Have you seen any impact on W&D?  
no impact on shipments

NPM legislation - has had pos impact  
prior to enactment, perf of NPM similar in <sup>all</sup> states  
slowed rate of growth / shale share in states  
w/ legislation

Monday 10/27 4:30 release

### Script

✓ MSAi comment (like press release)

✓ Tax #

✓ YTD shipments - break up thoughts re guidance - consumption/  
trade in movement

✓ Plan is to locate HQ...

✓ Bd composition, #

✓ Fav. related to <sup>main</sup> cost savings & <sup>vol.</sup> for mix in getting to 675-725

### Q+A

Ask TP about BAT's role going fwd.

✓ Sales force Δ's on hold - continue w/ pilot, evaluate its effectiveness

\* Confirm Q4 BS shipping for Q1 (currently have 295)

✓ Mkt share losses - go back to ~~last~~ <sup>Supt.</sup> ~~Q4~~ - obj here is net mkt  
share, to optimize profit

✓ Savings increase - Rebecca/Dianne

How much from mix

How much total

✓ Retail cont. Δs - process of communicating w/ cust.

✓ Separate Q on m/BV/PL price - what was list price B4? after?

✓ I've been hearing you're elim RDAs. - do we confirm

✓ I've heard you'll have distinct incentive how structured?

✓ Drv shifts - over 2002 - 2003 (not just last 12 mos)

Trade in reductions - given YTD ship Δ/2 & consump 8-10

we think down in range of 2-4?

How much vol?

Whl. & retail?

✓ PDI OI affect no - yes they inc disc by getting more coverage.  
of course wholesale disc affects no.

\* ask JD again - can we use <sup>no</sup> MSAi #s? We believe sign layer  
than currently up. However new  
the cost is released

? We don't have new #s yet but bid. sig. higher in 13-15?  
✓ What has happened to  
gap betw. AP + DD?

SOM questions

Carnel's retail share perf.

Sequential

base

Turkish

Salem

W

D

M/BV/PL

✓ Val - why are you down 8-10% in consumption - doesn't look  
like PM or Lr. is

SET, promo shifts

How has underlying m/c changed?

How do you get back to 170-220?

✓ BS - reduced by how much?

What? was BS last yr? This yr? future?

10/23

10 am Lynn

all  
to Q.A

"preliminary" Q3 market share  
small data glitch  
shouldn't impact total more than .03 - .05

Cornel 5.76 Q3 '02  
+ .15 Q3 '03  
up Q over Q up YTD .33

Vol -12

our core 8-10?

retail + wh. in other 2-4?

Q over Q <sup>shifts</sup> down 1-1.5 bn  
YTD 2-3

Do you expect them to stay down

additive factors {  
Whl - managing inv - cost of carrying inv  
Retail - promo shifts  
Consumption lower

Some diff betw where our last consump is vs. where  
share is - they are diff systems  
retail tracking system accs for 90-95% etc.

We've said that 4T Marlin lines up w/ share of shipments

Is recent share decl in Winston indicative of future  
share not the obj  
Profit  
pricing price over time  
listing price pts

Did Dorl perform better than exp  
Always monthly fluctuations  
This yr D has been down; don't need all turnaround  
obj is to manage for profitability

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Se why is your concern - 102

accel. w/ concern dec

some brand concern dec refl in share (eg Dial)

SET / older more price sensitive franchise (Winstm. Dr.  
Vantage / Old / New)

Does that mean concern not down in Carol?

Share up 970 - cont to believe its performance is good

Concern dec prob in line w/ industry

Also viewed trade in shifts due to promo. mix shift

Have you seen any bus stabilization going fwd - is down 12? 04?

Low shift affected 03

Can't predict next yr w/ shifts & industry decline

We're made strategy shifts in some of our brands &

there will be an impact based on decisions

we make (ie M/BV/PL)

Do you think 03 is used yr - SET, promo shift -

Very aware by stat seen last 9 mos in marketplace

Low end flat - not caused major pricing shifts  
mitigation in text is

Hopeful trends we see now will continue into next yr.

Current trends indicate stability

Program chgs - how's it going

Feel it's going well - thought thru carefully

A retail prog being comm now

Believe these are the key elements to drive out bus

will maintain comp position

Part of strategy to reduce costs - inc profit.

Enlem - encouraged share up since reproc.

more compact price - promo having pos. impact

Successful in both green & blk label

April

Black label Sept. 35 (Aug. 37) (June 34)

Green label 2.29 2.28 2.34

Camel - perceptions improved, 21-34 growing

Winston - 13 states seems to have perf. well (not Syst)

Overall, emphasis not share more positive

Exotics .06 Sept (.08 Aug)

Was 58,000 outlets

1/6 more like 35,000 → will lose some distribution

Brand positionings are lined up where we think they need to be  
for growth brands to grow share - profit

for W.D to have solidified their equity

Each brand has tight, differentiated image - product  
positioning

We want some - period of test these positionings last 3-4  
yrs.  
We're going to stick w/ them

Continuing to keep those positionings fresh & gain awareness

w/ Ltd in can you do this for W.D

We are making constrained in

Creative ways to comm. while inc profit

Eclipse - still in Ltd distrib. Still impl new strategy - too  
Continue to believe in it & support it early

Assess oppty at lowest cost possible