

Received

MAY 29 1979

Dr. I. W. Hughes

# B&W INTERNATIONAL TOBACCO

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WINSON L. DEWITT  
PRESIDENT

June 28, 1979

Dr. I. W. Hughes  
President  
Brown & Williamson Tobacco Corp.  
Louisville, Kentucky

Dear Wally:

The 1979 BWIT Preview is enclosed for your consideration.

Recent developments in major markets -- the political upheaval in Iran and the opening of commercial activity with the People's Republic of China, to name just two -- testify to the general and ongoing instability of the environment in which we operate. We will continue to be faced with unpredictable setbacks and opportunistic situations, and are planning to increase BWIT's strength and aggressiveness to meet these challenges.

In our first Preview last July, emphasis was placed behind structuring and building an effective organization. Though considerable progress has been made towards this objective, more remains to be done.

In this year's plan, the volume and contribution goals that have been set through to 1984 are ambitious but nonetheless are felt to be realistic at this time. To achieve these goals, our assumptions must materialize particularly in the area of pricing.

During the next five years we foresee that the continuation of existing world trends will lead to changes in our way of doing business. Export pricing will need to become more flexible, a departure from the base policy of having essentially one

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standard general export price. This situation is detailed on pages 13 and 14 of the Preview.

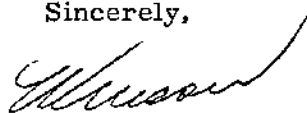
We also forecast opportunities resulting from the growing smoking and health concern around the world. Legal constraints against the use of some or all standard advertising media will be adopted in more of our key markets. We are planning now to be ready to meet this situation in order to be able to continue to operate effectively without standard media.

As concern about smoking and health grows, our brand range will allow us to capitalize on the projected growth of "perceived mild" and low "tar" market segments. However, the fastest growing and largest market segment is still full flavor filters. Efforts aimed at improving our weak position in this segment will continue to occupy us over the next five years.

With only limited exceptions, inflation at very high rates will be a fact of life in the world economic situation. In developing markets with limited energy resources -- some of our largest actual and potential export markets -- inflation at the 15-20% per year rate is likely to remain the norm. This factor will continue to increase our costs of operation and marketing support.

In addition to BWIT's commercial role of providing contribution to BWT, we continue to have the responsibility for managing for BAT its U.S.-type international cigarette brands outside the U.S. After being in operation for a little over a year, we must continue toward developing an organization and the relationships which will result in greater credibility with the numerous people and organizations we work with.

Sincerely,



W. L. DeWitt

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people from the

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