



**British American Tobacco
(Malaysia) Berhad**

**Global Consumer &
Food Retail Conference**

10 June 2009

Paris



Agenda



- Snapshot of Malaysia
- Industry review, market share and volumes
- Brand activities and performance
- Trade marketing & distribution
- Financial highlights
- Other highlights

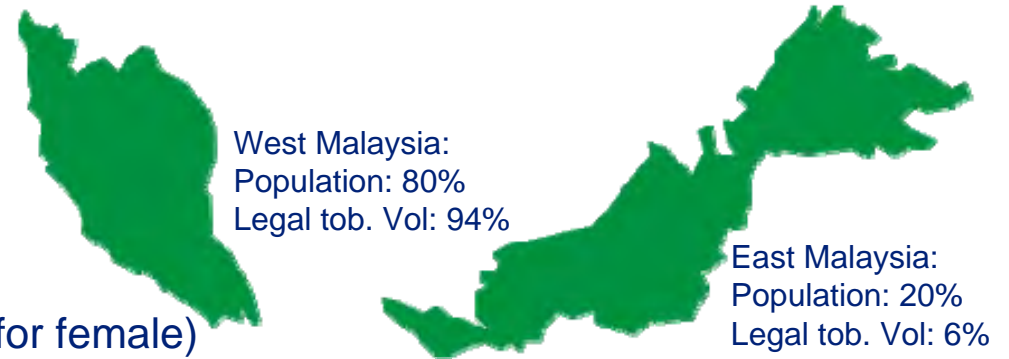


Malaysia – Market snapshot



TOBACCO MARKET (2008)

Industry Volume : 23.1 billion
Legal Whites : 17 billion
Illicit trade incidence: 25.7%
Total Population : 27.7 million
Smoker Population : 4.0 million (3.7 for male, 0.3 for female)
Smoking Incidence : 30% (56% for male & 4% for female)
Avg. Consumption : 14 sticks/day



ECONOMY

GDP per Capita: USD 8,679 (2009 fct.)
Inflation Rate: 0.8% (2009 fct.)
Unemployment Rate: 4.8% (2009 fct.)
Exchange rate: USD1 = RM 3.49
GBP1 = RM 5.54

- A £1 billion industry, £240 million profit pool
- £448 million paid in taxes (estimated £396 million in indirect taxes, £52 million in corporate taxes)
- Contributes more than 2% of all Government revenue
- More than 50,000 in tobacco & cigarette related employment & 90,000 retailers

British American Tobacco (Malaysia) Berhad

- More than 90 years of history in Malaysia
 - Employs approximately 2,000 staff
 - Works with over 3,000 tobacco growing and curing families
 - Partners close to 90,000 retailers nationwide
-
- A fully equipped factory, which exports cut rag, DIET and cigarettes throughout Asia Pacific
 - DSS (Direct Store Sales) operation that covers over 50% of our sales
 - Listed since 27 October 1961
 - Ranked Top 15 in Bursa Malaysia with GBP 2.2 billion market cap
 - BAT plc holds exactly 50% of BATM shares



**GROW ,
INVEST & ACCELERATE
our HIGH VALUE
BUSINESS MODEL**

OUR FUTURE : OUTRIGHT LEADERSHIP

- High single digit EPS growth
- 100% GDB portfolio
- #1 Supply chain
- Sensible regulatory environment
- Most respected organisation
- Talent development and export hub

Growth

**Drive market
and price
leadership**

Productivity

**Leverage scale
to invest**

Responsibility

**Shape
regulatory
environment**

**Winning
Organisation**

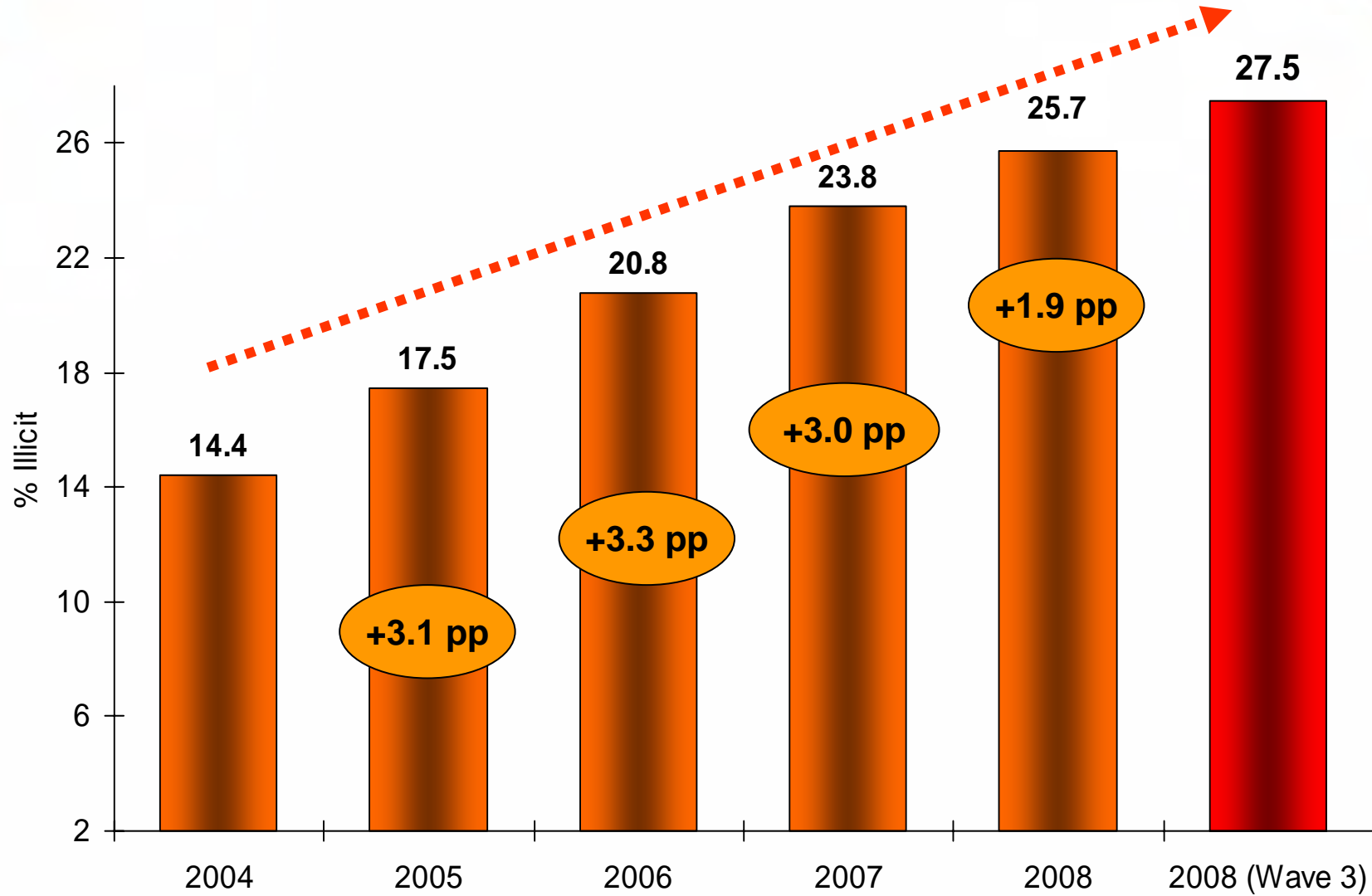
**Best employer
in Malaysia**

Cut the ...

Industry review, market share and volumes

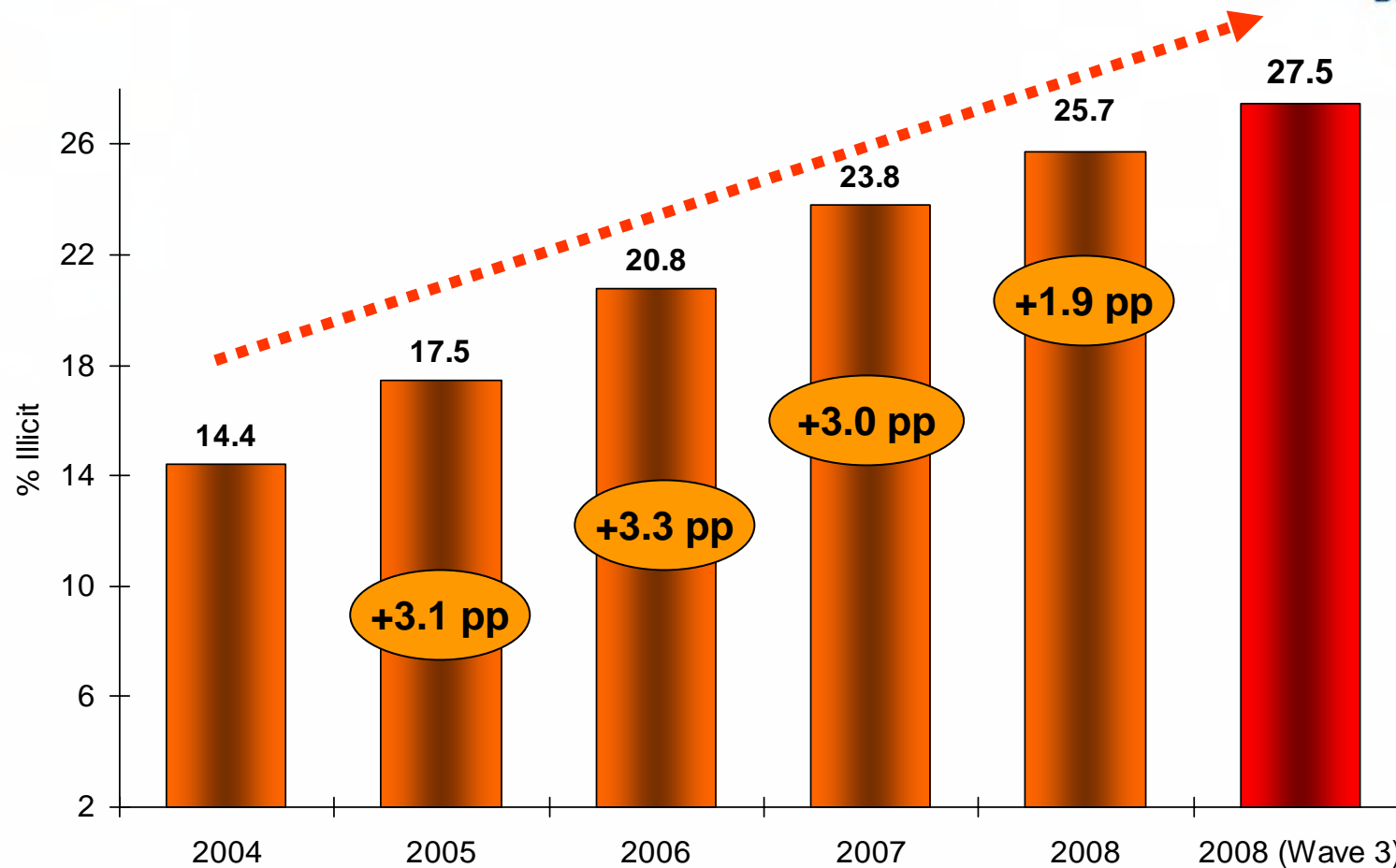


Illicit trade incidence continues to grow





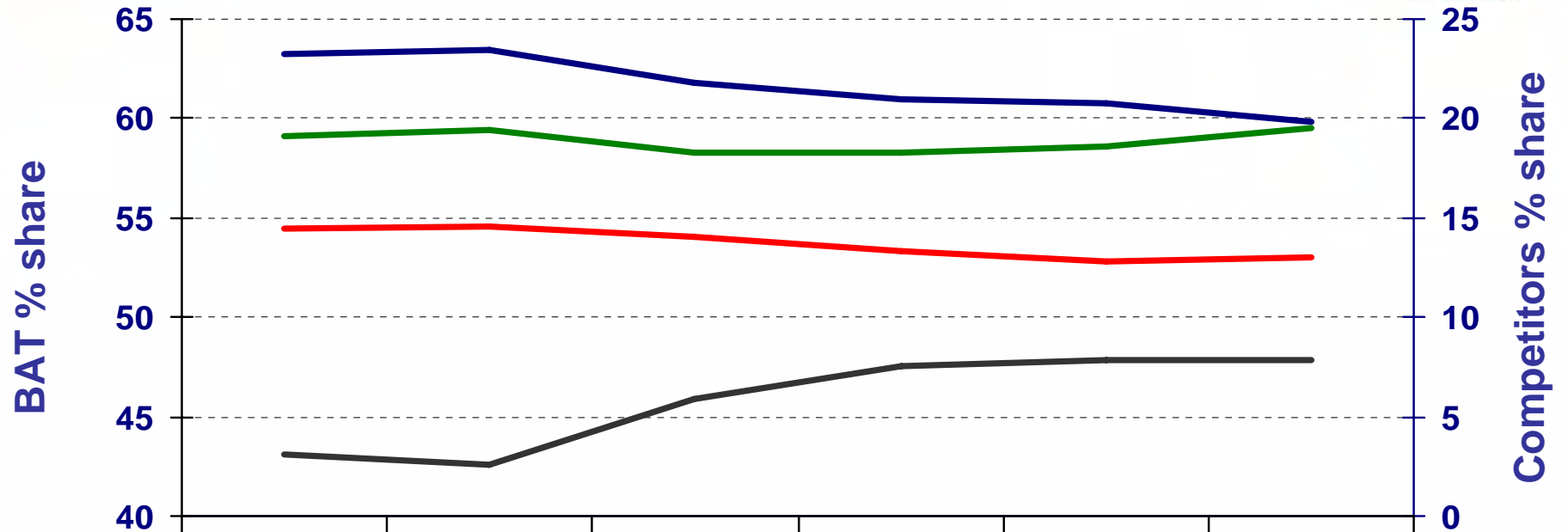
Illicit trade incidence: moving forward



- Economic downturn will continue to drive demand
- Need a balanced approach to excise
- PHW may disrupt their supply chain as security ink did previously
- Enforcement is now good, but greater penalties are required



Market share developments



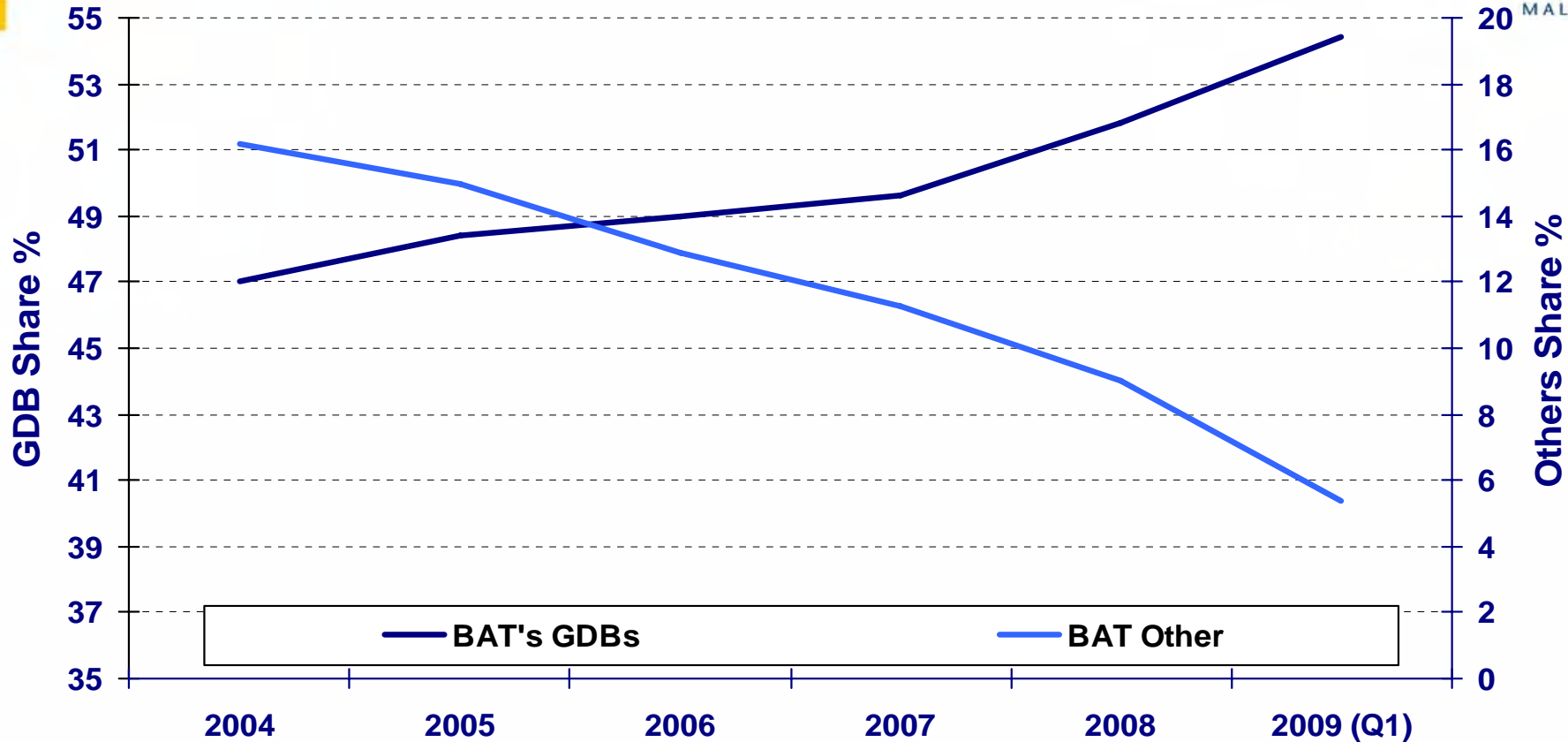
	2004	2005	2006	2007	2008	2009 (Q1)
— BAT(LHS)	63.2	63.4	61.8	61.0	60.8	59.8
— PMI	14.5	14.6	14.0	13.3	12.8	13.0
— JTI	19.1	19.4	18.3	18.3	18.6	19.5
— Others	3.1	2.6	5.9	7.5	7.8	7.8

Source: Nielsen Retail Audit

- Others (Sub Value) grew rapidly from 2005 - 07 then stabilised
- BAT share has declined by 3.4%pts since 2004



BAT's portfolio strengthened

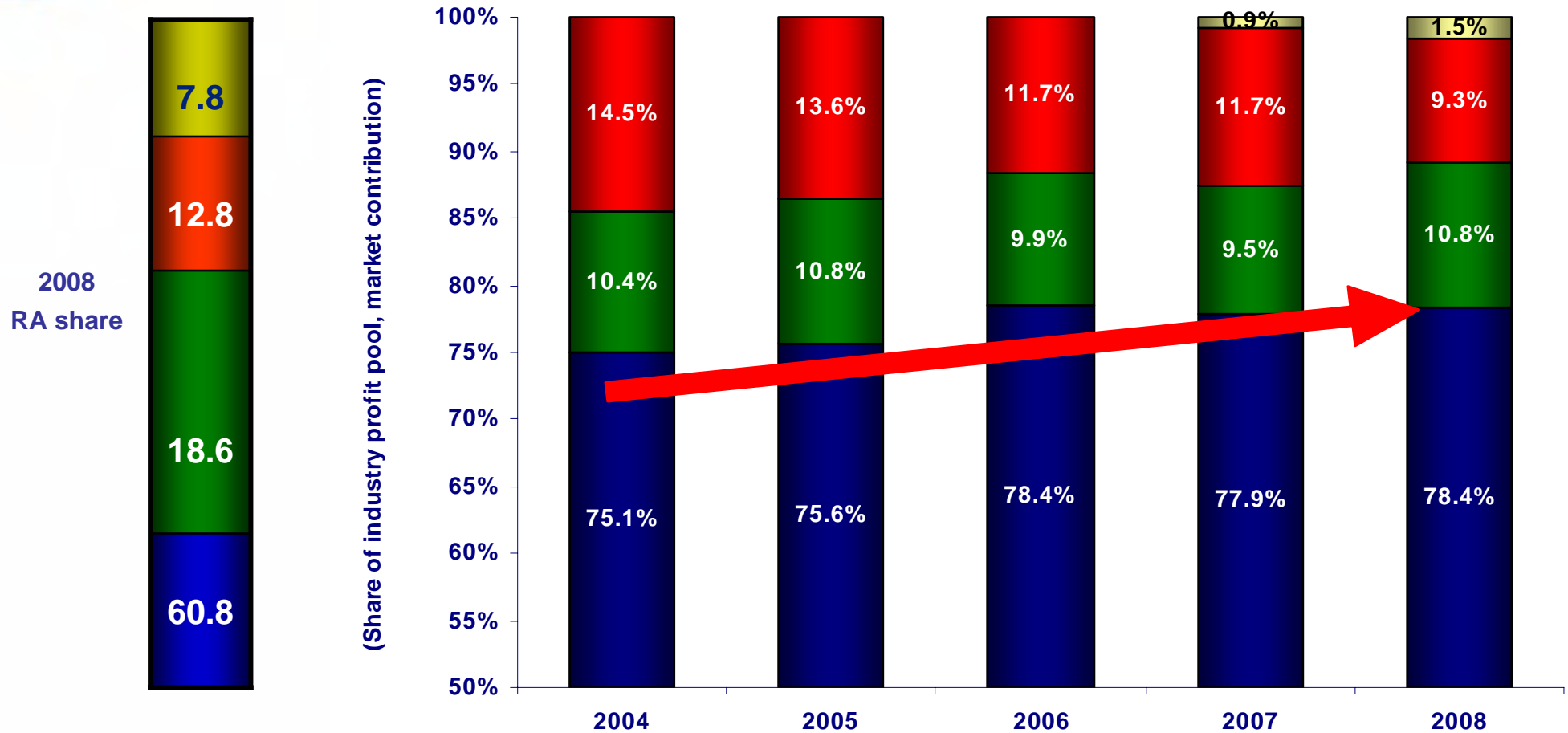


Source: Nielsen Retail Audit

- BAT's tail brands declined by over 10%pts, while our GDBs grew by over 7%pts, enhancing the strength and quality of the portfolio.
- This decline accelerated through active brand migrations in 2008 to reduce our exposure to the unsupported tail.



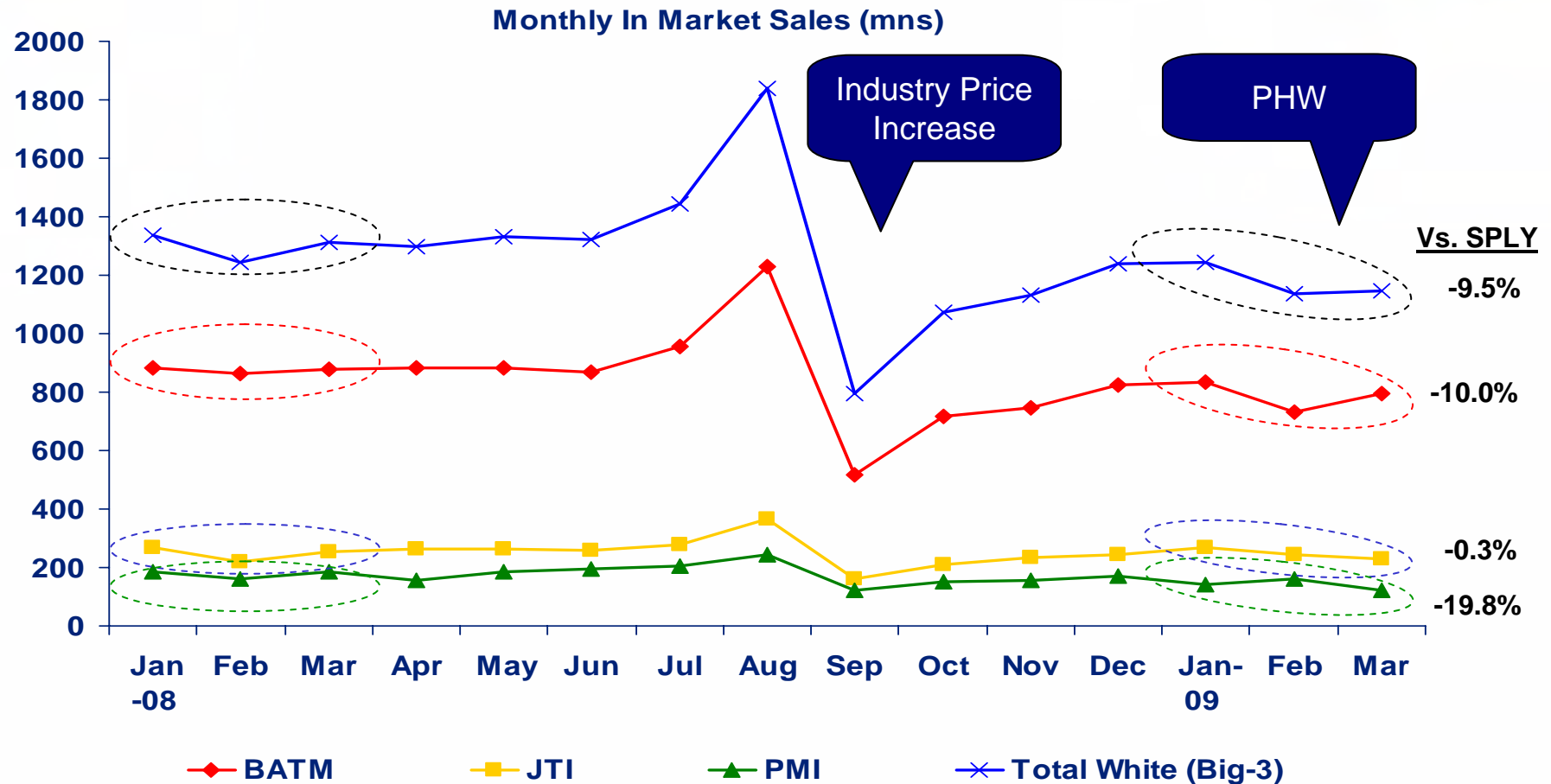
Increased value share with the portfolio mix improvement



BAT's value share is at 130 index to our volume share, up from 118% in 2004



Legal white volume trend in 2009

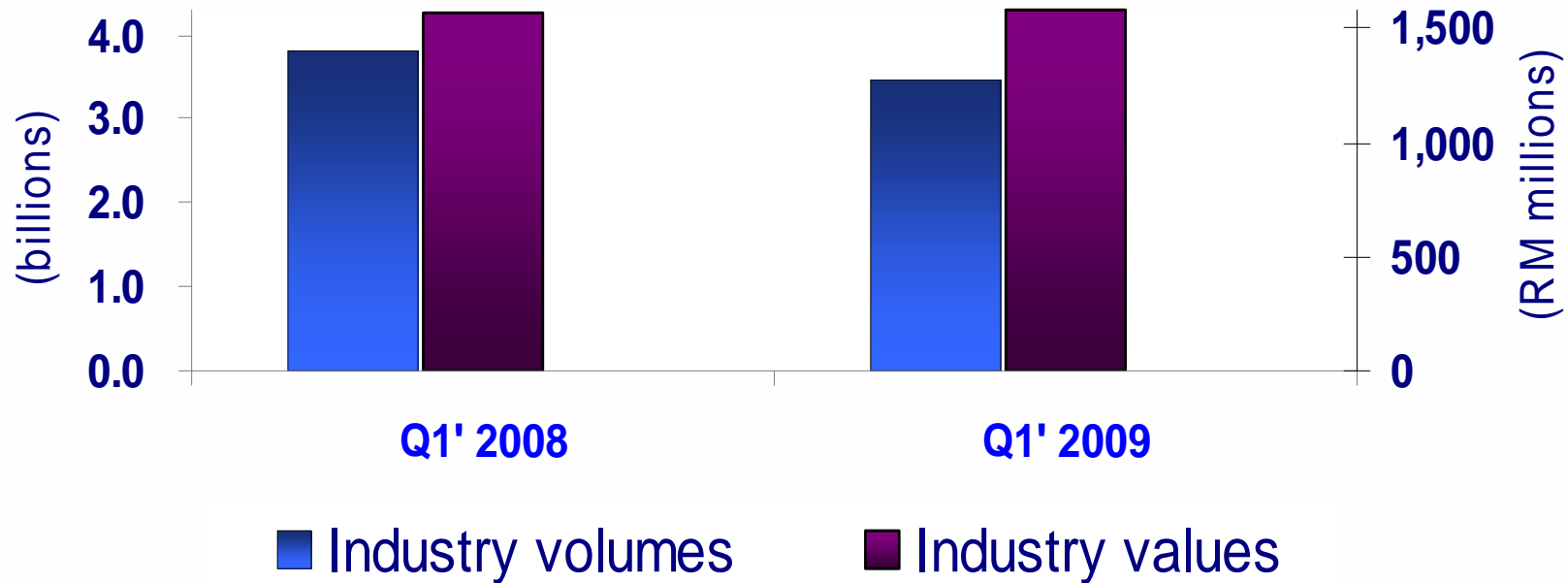


Source: Nielsen Retail Audit

Legal whites experienced a higher decline due to the economic downturn and the impact of PHW



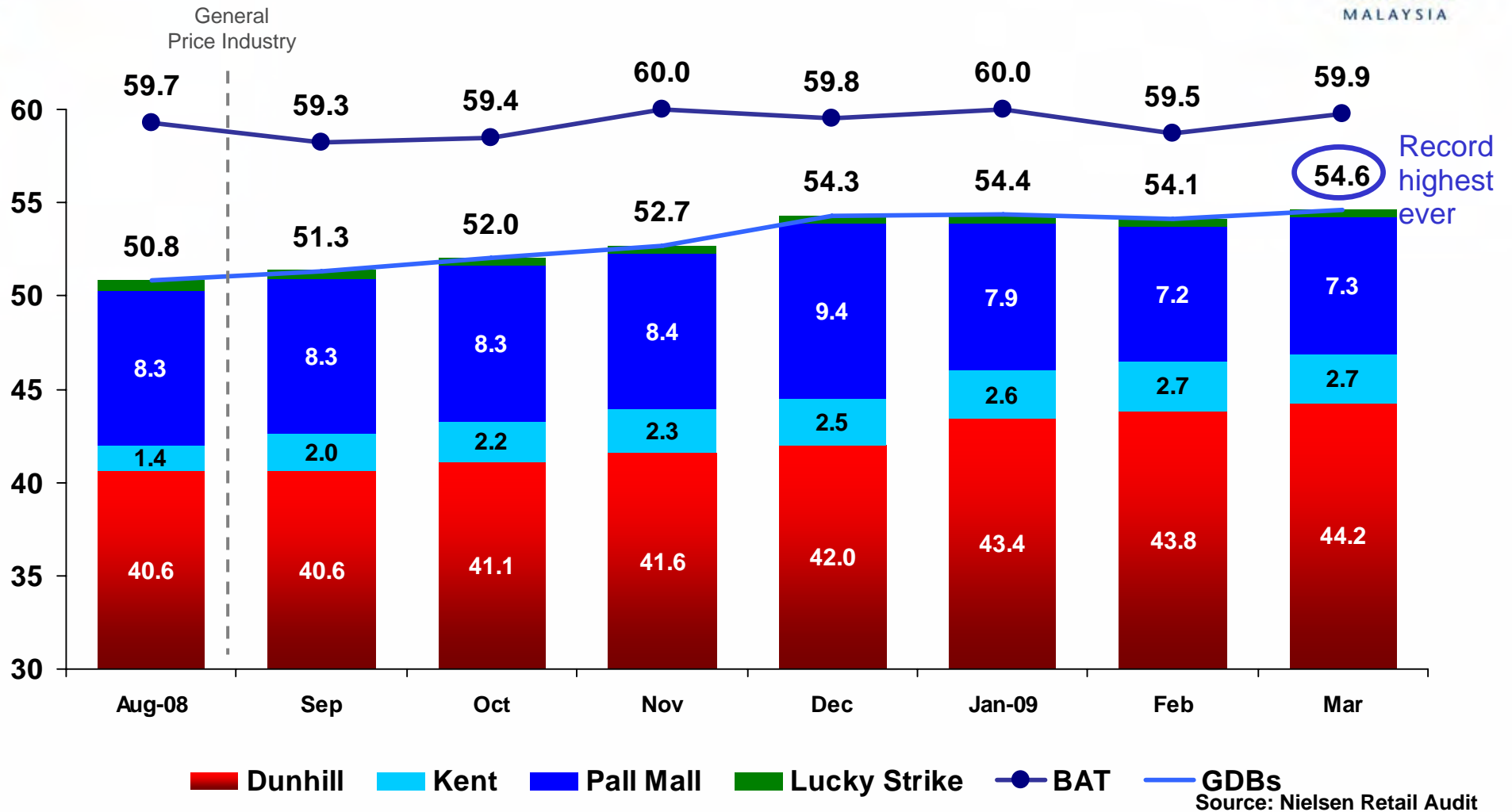
Decline in industry volumes, but not value



Despite a sharp drop in industry volumes, the industry value continued to increase



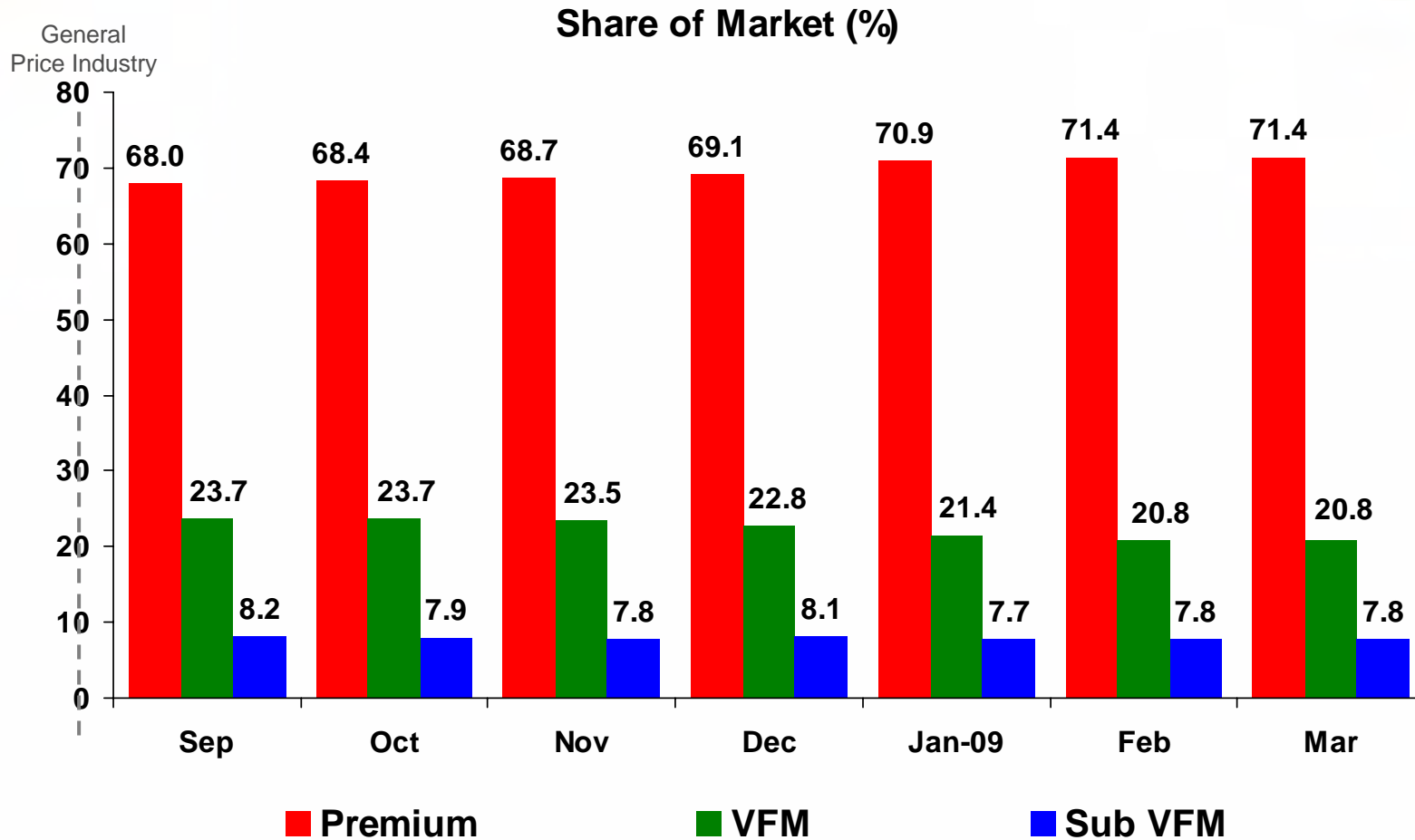
BAT & GDB share



Despite Pall Mall 25s price increase, BATM is holding on its share with much stronger Dunhill performance, resulting in highest ever GDB share



Price segments



Source: Nielsen Retail Audit

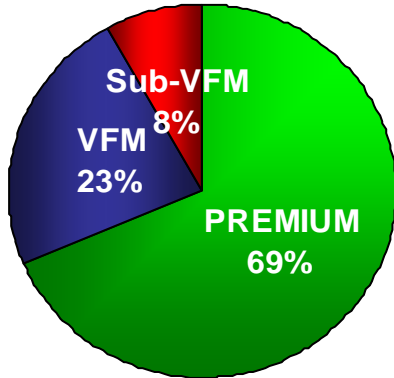
Though the industry volume is declining faster, premium remains more resilient



Market remained strongly premium-skewed



Q4 2008

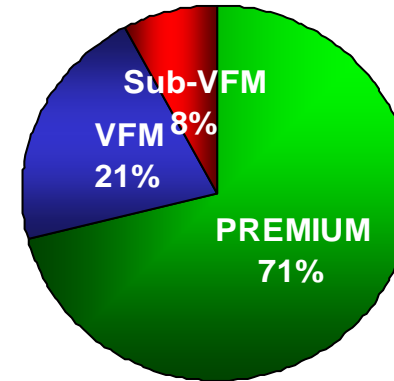


<u>Share of Premium</u>	<u>%</u>
BAT	72.3
JTI	13.2
PMI	14.6

<u>Share of Value for Money</u>	<u>%</u>
BAT	43.2
JTI	43.0
PMI	13.6

<u>Share of sub-VFM</u>	<u>%</u>
Others	100.0

Q1 2009



<u>Share of Premium</u>	<u>%</u>
BAT	73.2
JTI	12.7
PMI	14.1

<u>Share of Value for Money</u>	<u>%</u>
BAT	36.5
JTI	49.4
PMI	14.0

<u>Share of sub-VFM</u>	<u>%</u>
Others	100.0

Brand activities and performance

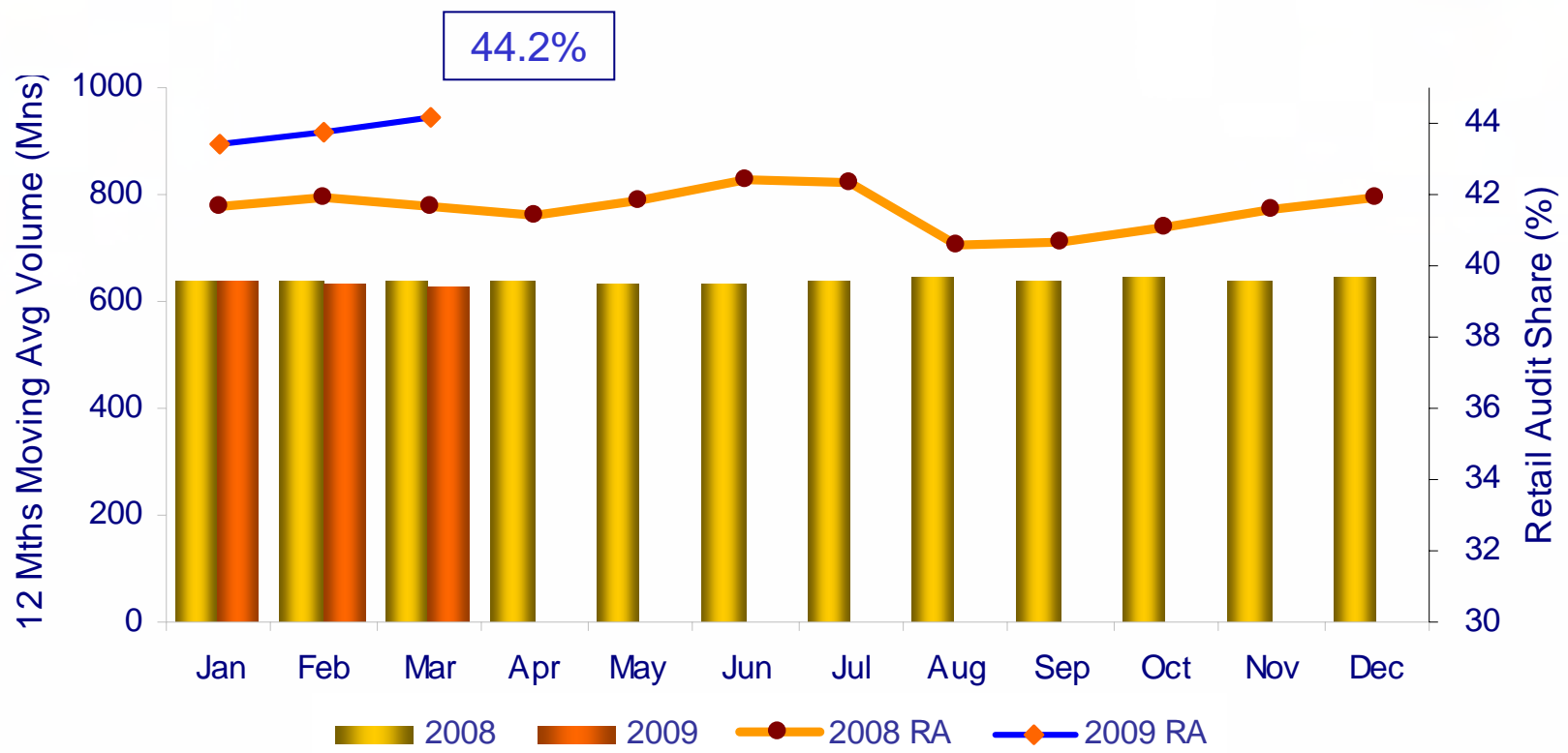
Increased regulation of the industry in Malaysia



- ✓ Prohibition on tobacco advertising
- ✓ Ban on vending machines
- ✓ Ban on sampling and free gifts
- ✓ Ban on selling of loose sticks
- ✓ Ban on sponsorship (e.g. football, F1 etc)
- ✓ Public Place smoking restrictions e.g. government buildings, theatre, public transport etc.
- ✓ Prohibition on smoking & sale by under 18 of age
- ✓ Display of YSP signs at point of sales
- ✓ Pictorial Health Warnings implemented
- ✓ Descriptor Ban and additional mandatory labeling
- ✓ New directives limiting price discounting and the pack pricing of small packs (e.g. 14s and 18s)
- ✓ Ban on premiums with sale (e.g. lighters)



Dunhill achieved highest ever market share

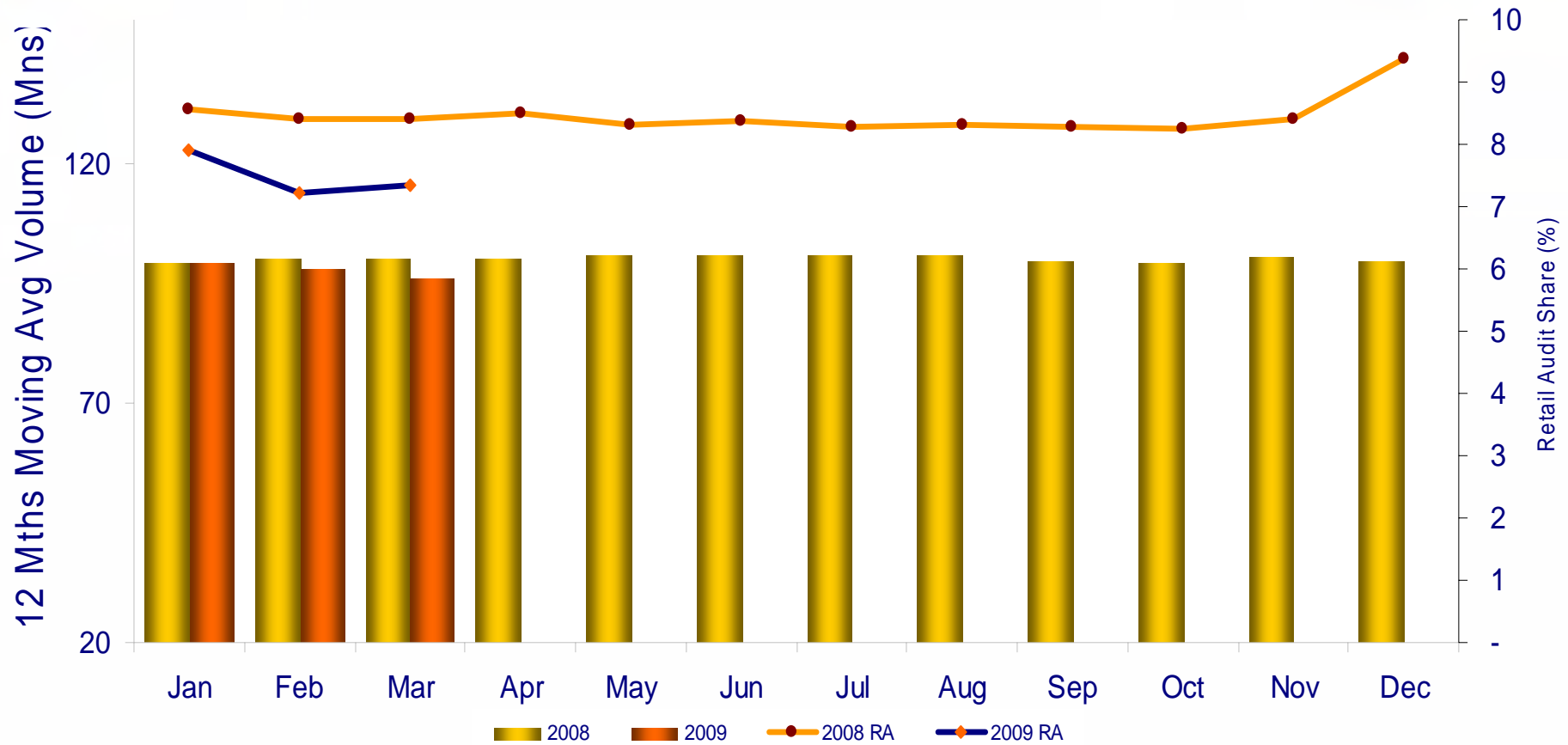


Source: Nielsen Retail Audit

March market share at 44.2 % (+3.6 pp post GPI price increase)



Pall Mall performance softens

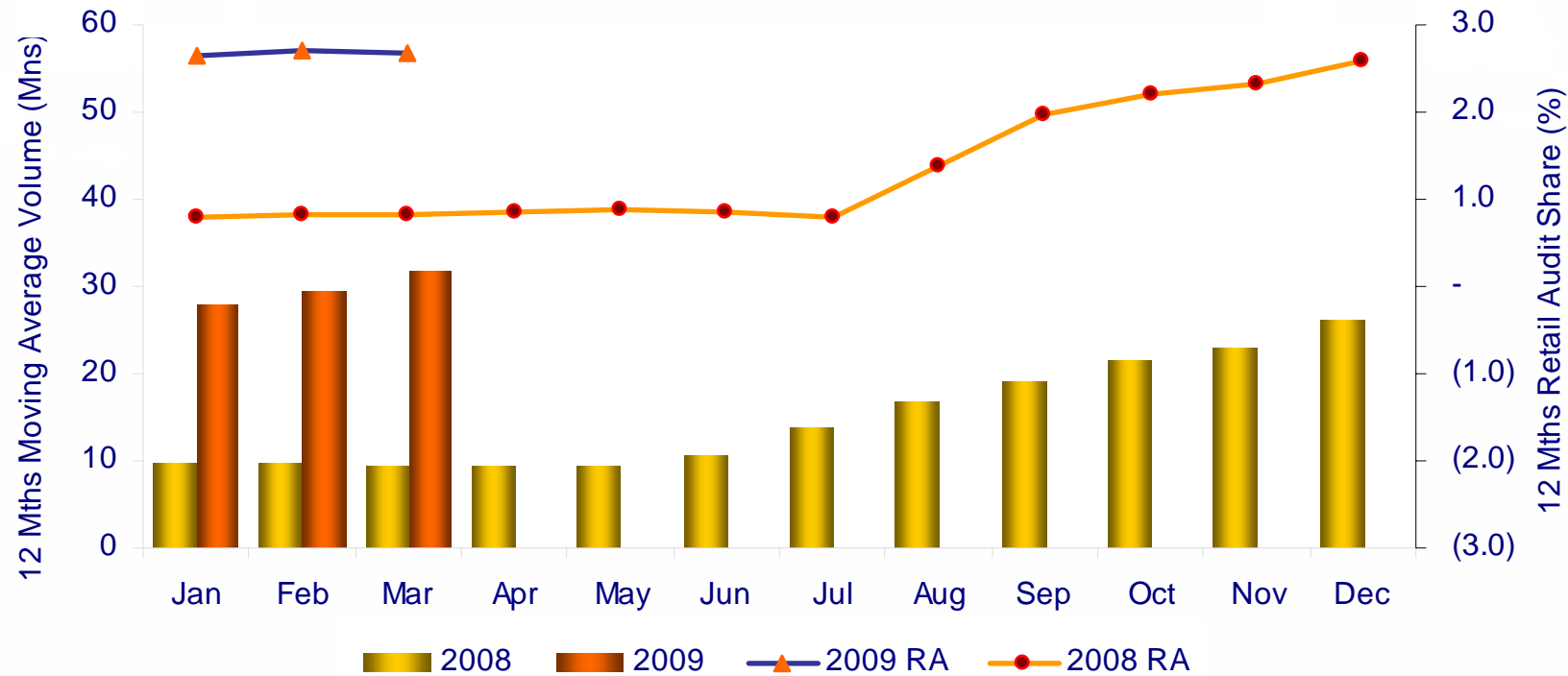


Source: Nielsen Retail Audit

YTD Pall Mall market share at 7.5% (-1.0pp vs. SPLY)



Kent's continuous momentum

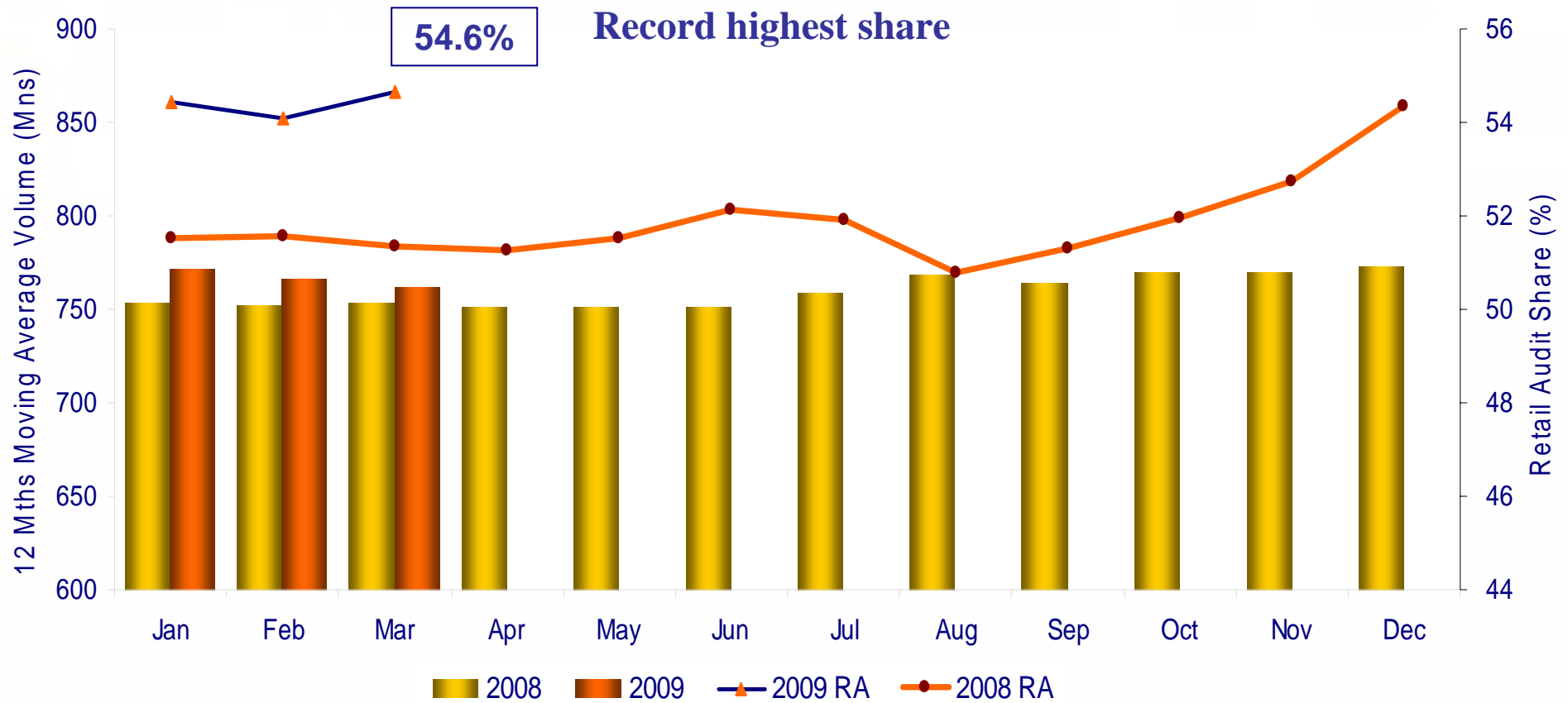


Source: Nielsen Retail Audit

Kent YTD 2009 market share at 2.7pp (+1.9 vs SPLY)



Global drive brands strong performance



Source: Nielsen Retail Audit

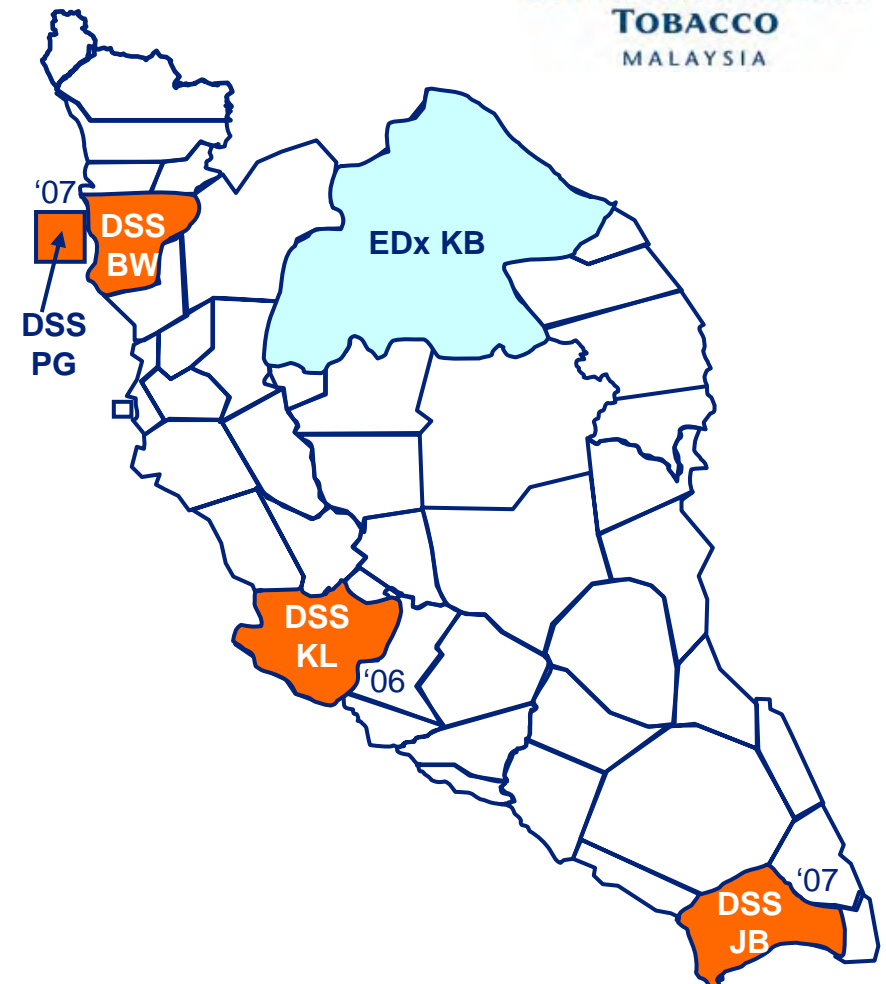
March market share at 54.6pp (+3.8 pp since Aug 2008)

Trade marketing & distribution



DSS and route to market

- BAT Direct Selling Operations now expanded to 58% of volume coverage
- It gives us significantly greater:
 - speed to market
 - control over brand activities
 - reduction in out of stocks
 - reduced market returns
 - better relationship with our trade partners

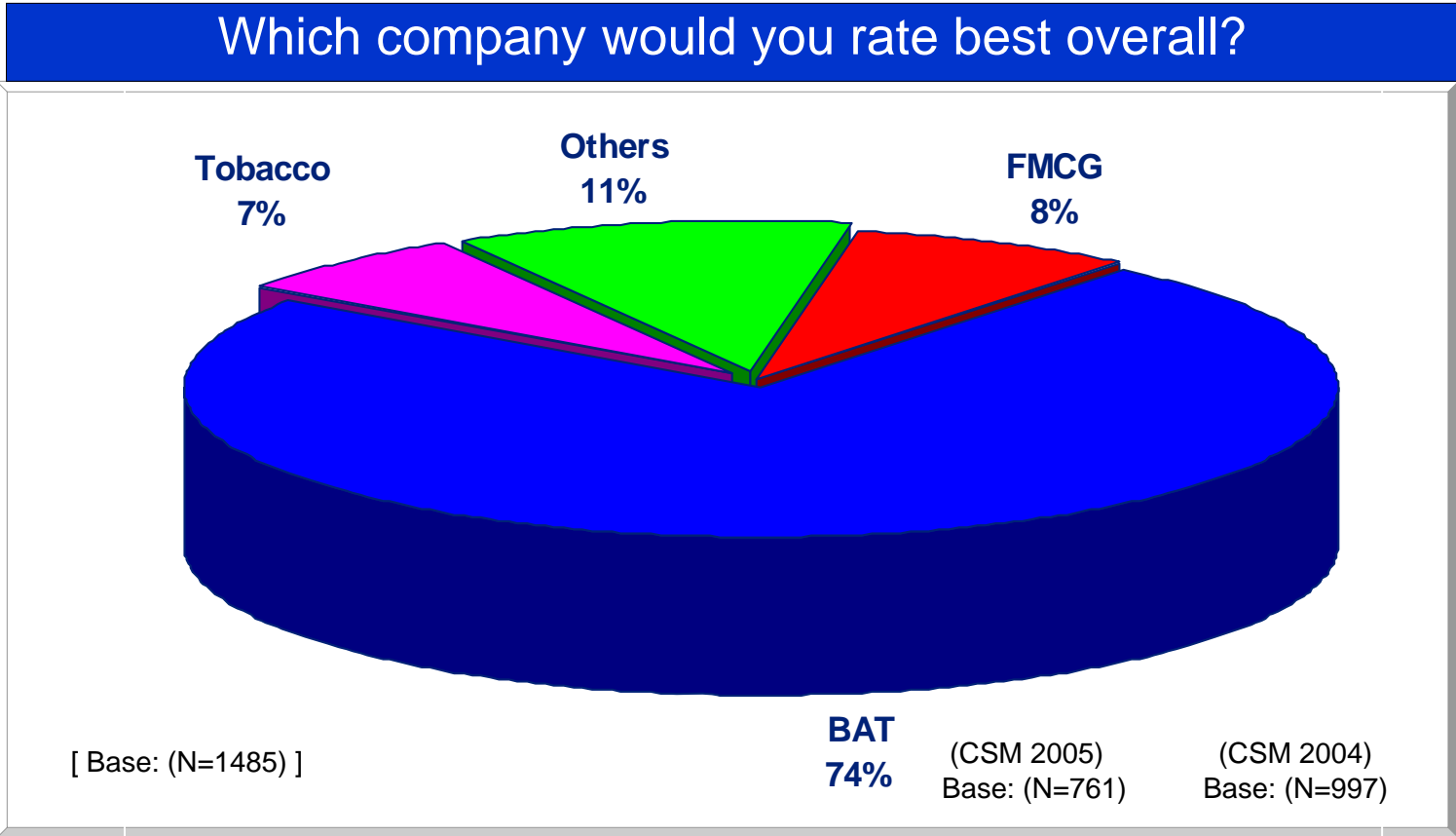


Expansion of DSS Operations provides superior performance of Trade Marketing and Distribution in Key Urban Centres

* source DWH
** Excluding Duty Free



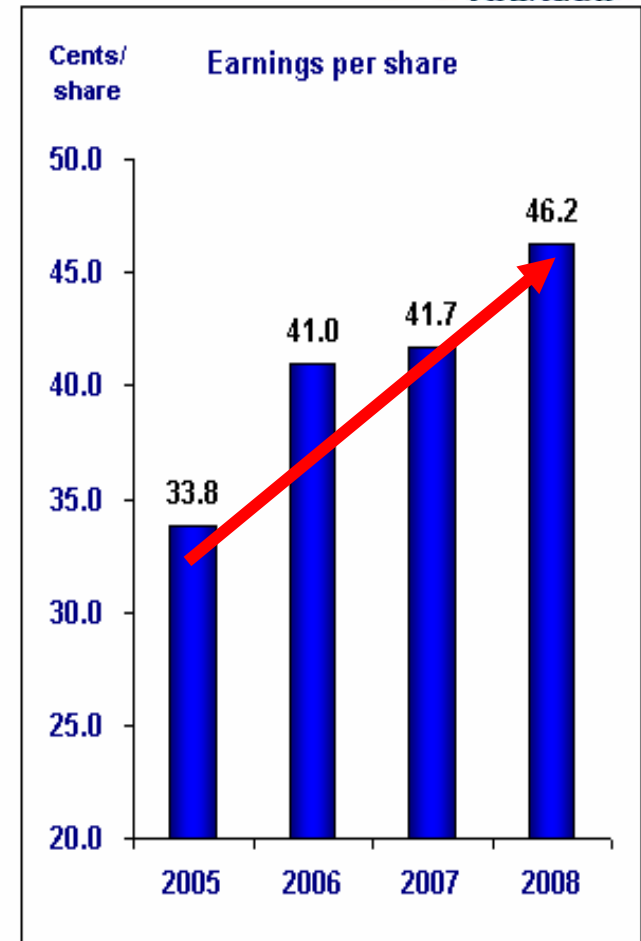
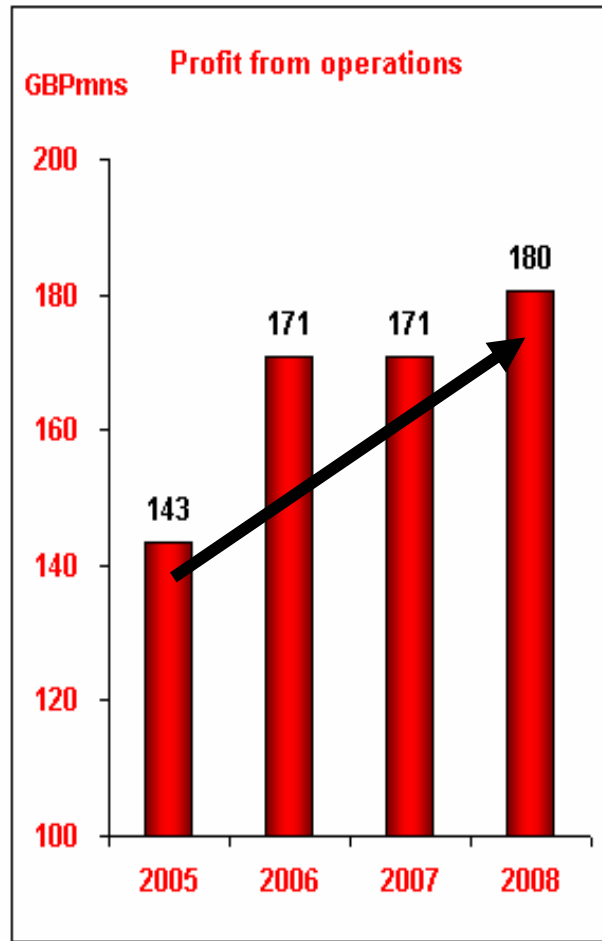
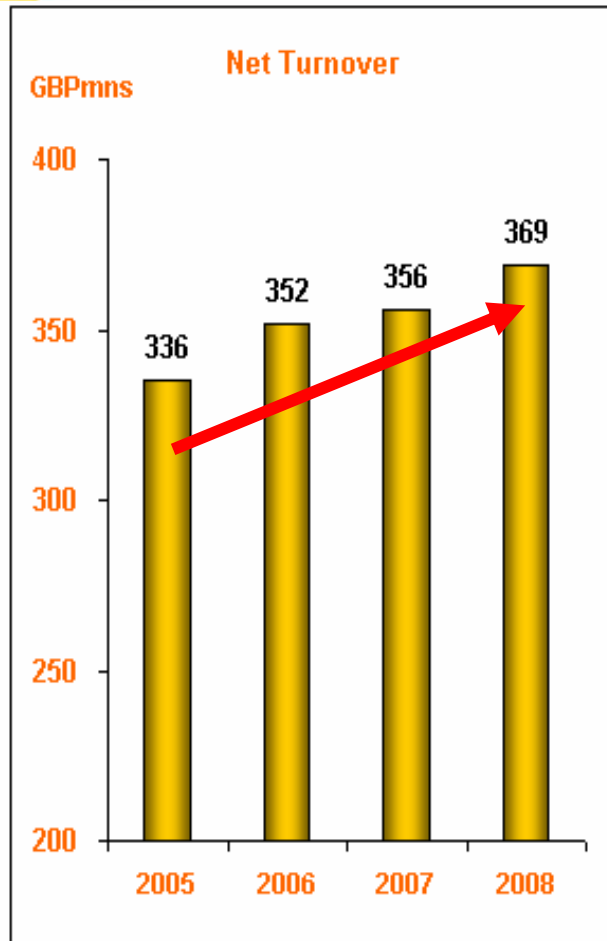
Customer satisfaction measurement 2008



- 74% retailers rate BAT as best supplier overall
- BAT significantly ahead of FMCG & tobacco benchmarks on all process areas since 2004

Financial highlights

2005 to 2008 results

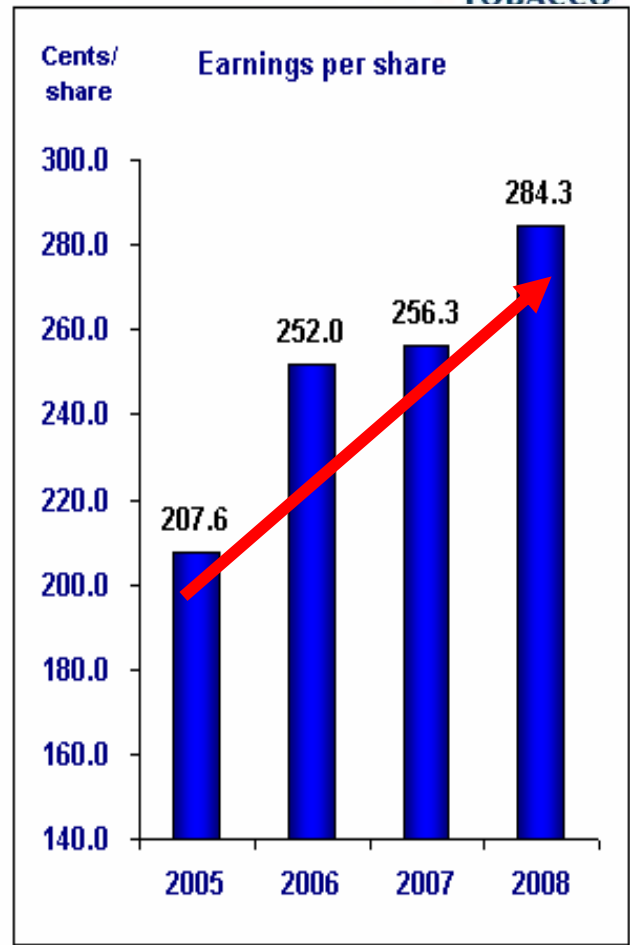
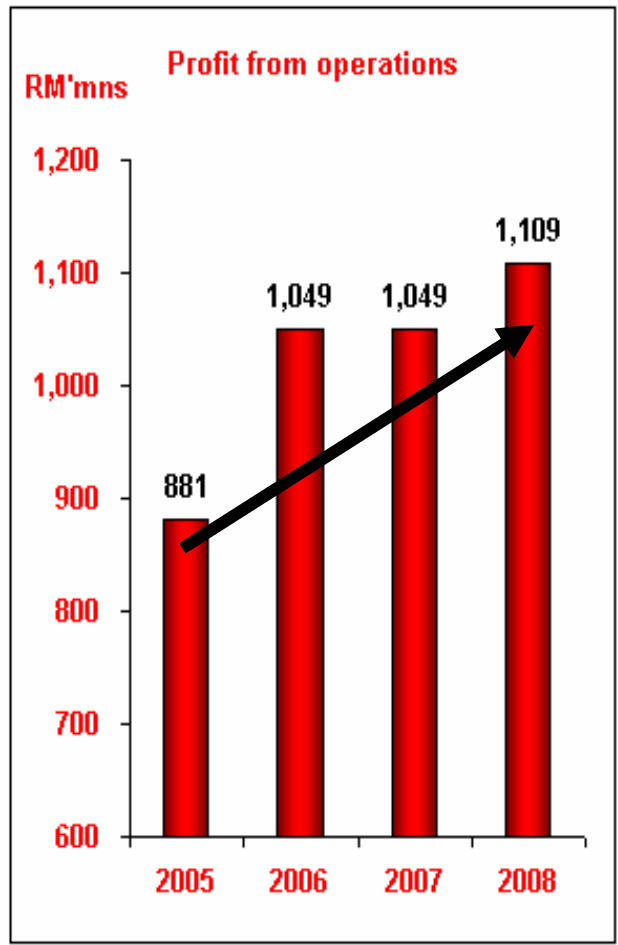
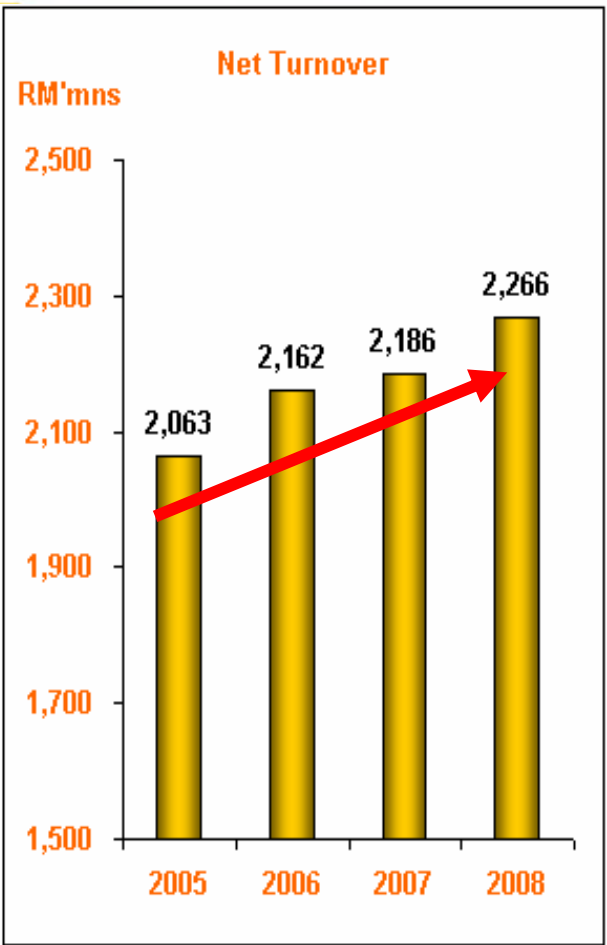


*MYR/GBP = 6.148

Strong and consistent financial performance



2005 to 2008 (RM)



Strong and consistent financial performance



Maintained excellent cash flow delivery

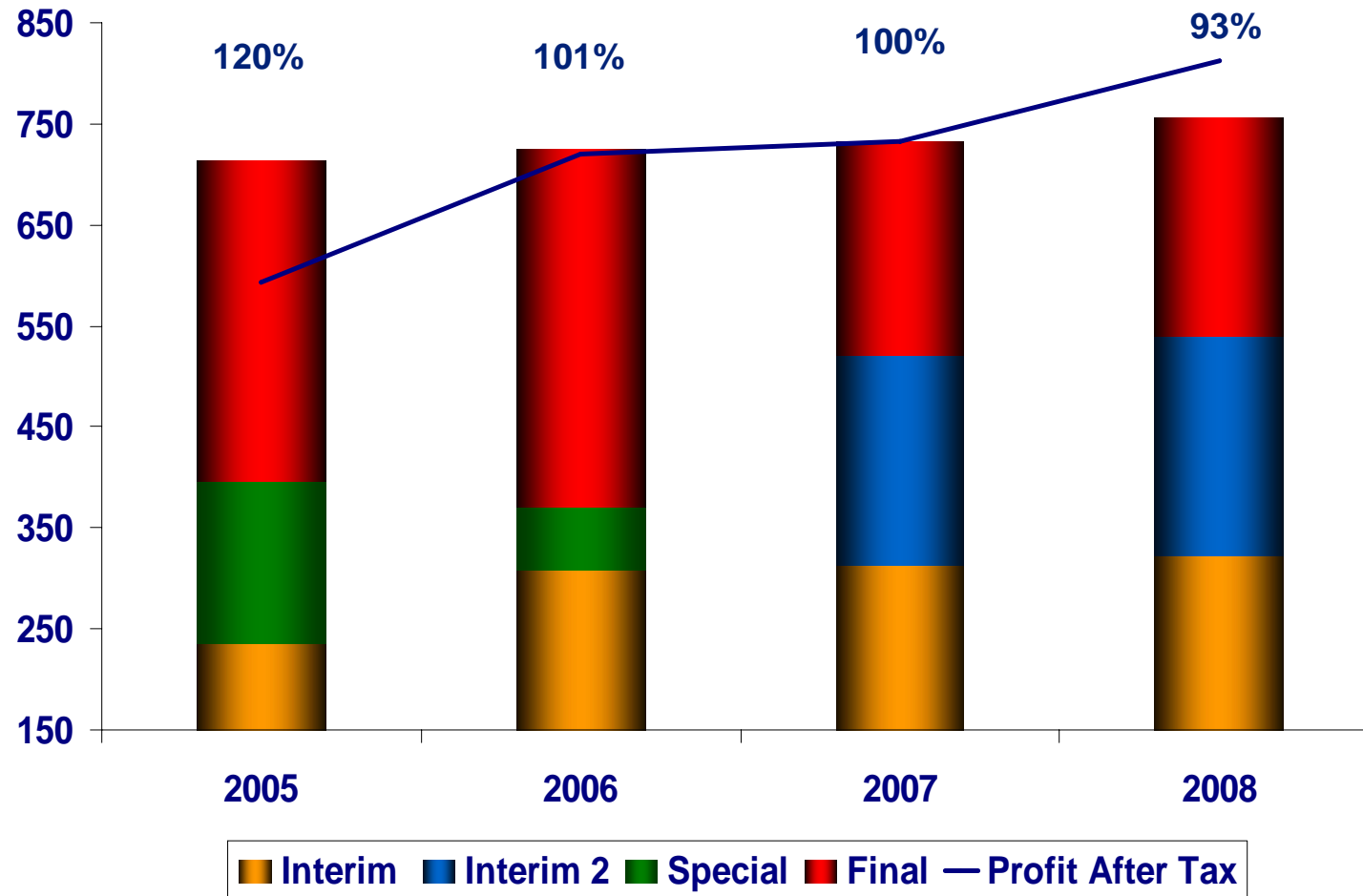


Year	2003	2004	2005	2006	2007	2008
OCF/UOP Conversion %	100%	97%	97%	99%	108%	101%

- Consistently delivering high levels of OCF/UOP conversion ratios
- Average of > 100% over the 6 years



Dividend policy

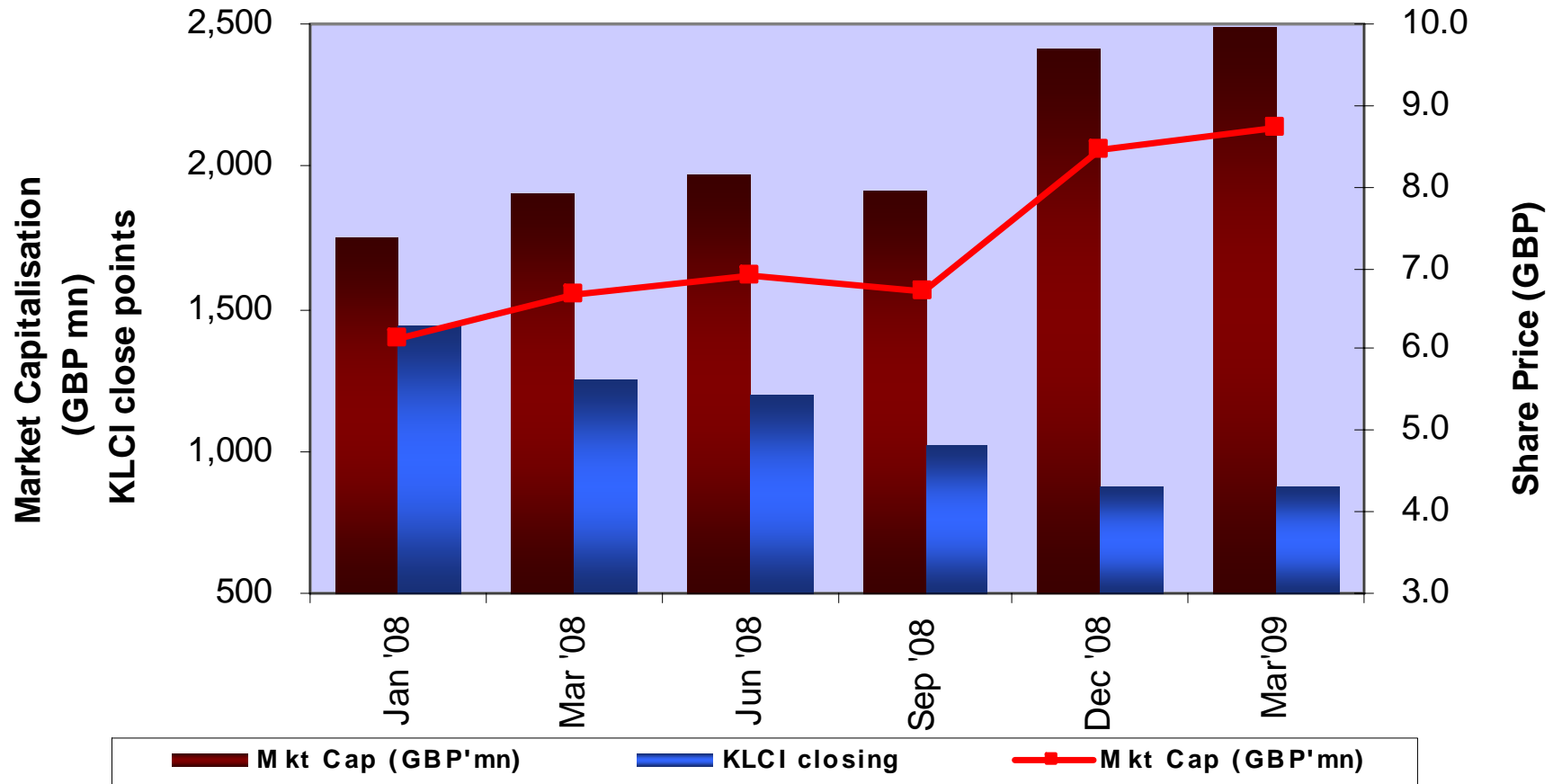


BAT Malaysia's dividend policy is:

- To return excess cash to shareholders by paying at least 90% of PAT in dividends
- In addition to this, we aim to increase the annual dividend per share



Increased market capitalisation



The market capitalisation has increased by GBP 735mn (+42%) since Jan 08 v. the index which declined by 39% over the same period

Other highlights



BATM's Corporate Responsibility (CR) framework



Community



BATM Foundation



Scholarship Programmes:
Employees' Children, Leaf
Growers & Curers children
Retailers children



HESK

Employee
Volunteer
Prog.



Appeals &
Donations



Workplace



Business + Guiding
Principles + Standards of
Business Conduct



Employees
Scholarship



Smoking &
Health
Updates

Internal
Employees
Survey



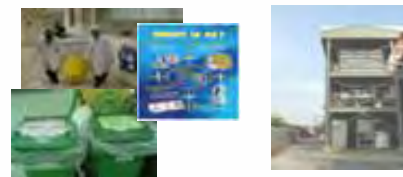
Environment



Responsible Operation



Afforestation
Programme



EHS Programmes



Field Training for Staff



Philosophy for
Supplier
Partnership

Marketplace



Social Reporting



Stakeholder Dialogue



Illicit tobacco
awareness
programme



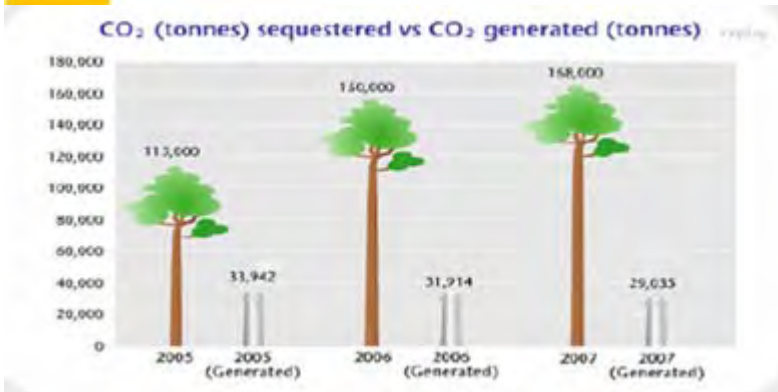
YSP campaign



Tobacco Ingredients
website



CR for the environment



Through our afforestation programme, we remain a carbon positive business until 2024



Continued certification by external auditors, LRQA on:
ISO9001:2000 for Quality Management Systems
ISO14001:2004 for Environmental Management Systems
OHSAS18001:2007 for Occupational Health & Safety Mgt Systems



We practice responsible waste disposal
Recycle, licensed landfills and scheduled waste treatment facility
We have reduced our total waste by 53.6% in 2008 from 2006



External recognition on our commitment to shareholder value and corporate governance



National Annual Corporate Report Awards (NACRA) 2008

- Silver Overall Excellence Award
- Award for the Main Board, Consumer Products category



Top 10 in FinanceAsia's Best Managed Companies 2008

- Best Managed Company
- Best Corporate Governance
- Most Committed to Strong Dividend Policy



Watchdog Group (MSWG) & Nottingham University Business Corporate Governance Survey 2008

- Fourth Overall Excellence Award
- Industry Excellence Award



Top 3 in The Asset Magazine Corporate Governance 2008

- Best Corporate Governance in Malaysia

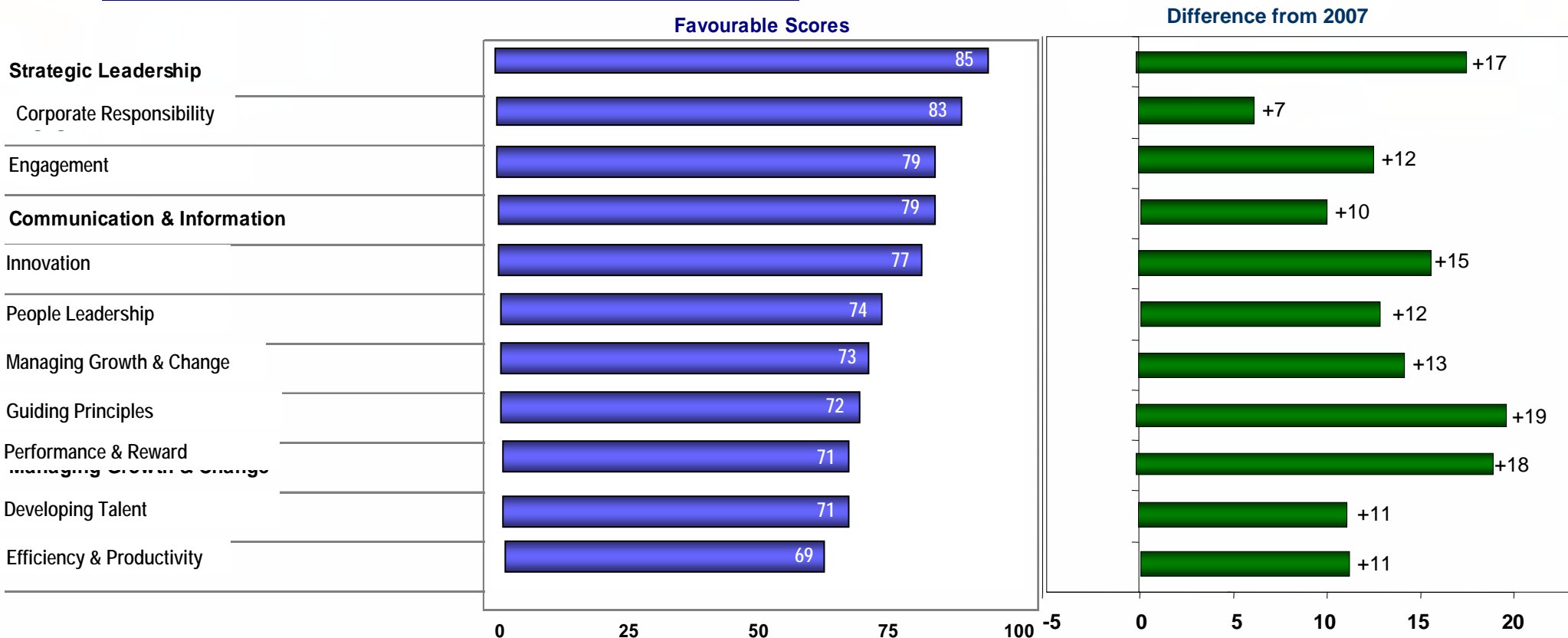


KPMG/The Edge Shareholder Value Awards 2008

- Overall Award Winner
- Overall Sector Winner for the Consumer Markets category



2008 vs 2007 BAT Malaysia (Grade 34+)



We value our people and aim to be the Best Employer in Malaysia. To achieve this we need to recruit, develop, reward and retain the best people. This survey shows that we are well on the way to achieving this target.



Q & A