



**Morgan Stanley
Consumer Retail
Conference**
New York
November 2010



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Ben Stevens
Finance Director




Agenda


- Overview of the Group
- Group strategy
- Trading environment and outlook
- Summary
- Questions & answers

Back in November 2008...





In previous economic downturns...



- Tobacco is not recession proof...
- ... but recession resistant
- Our geographic diversity mitigates risk
- Consumers are loyal to their brands
- Switching where they buy not what they buy
- High unemployment may lead to changing behaviour
- Balanced portfolio covering consumer price points

Group overview



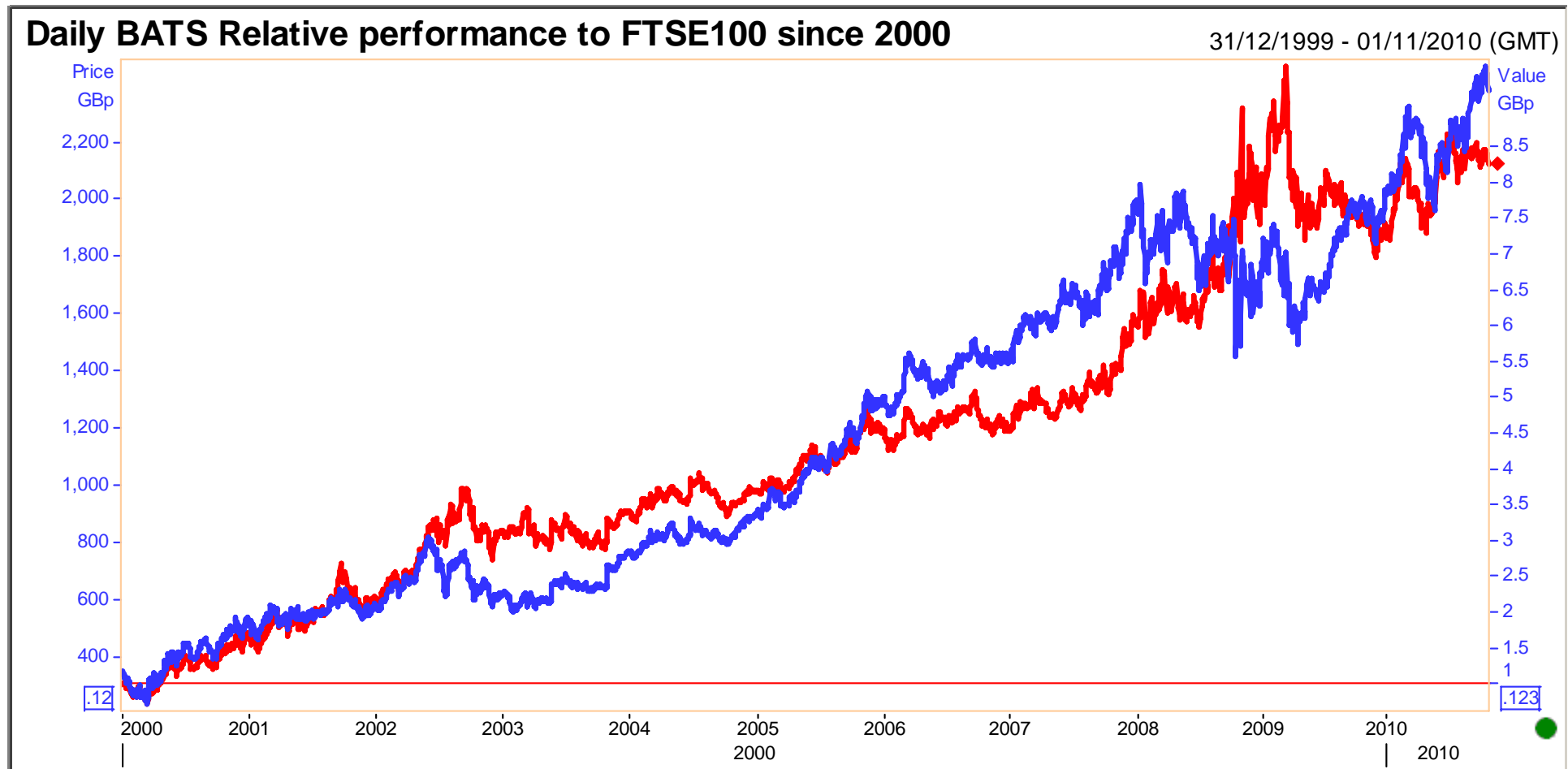
- Focus on Global Drive Brands + Vogue & Viceroy
- 180+ markets
- Leadership in over 50 markets
- Over 60,000 employees
- \$65.5 bn gross turnover
- \$22.8 bn net turnover
- \$7.2 bn adjusted profit from operations
- Market capitalisation – top 10 in the UK



Consistent market outperformance



Annual total shareholder return of 25%*



BAT share price — Relative performance to FTSE 100 —

*Source Bloomberg 31/12/99 to 01/11/10
Graph: Reuters 31/12/99 to close of business 01/11/10

A strategy that works

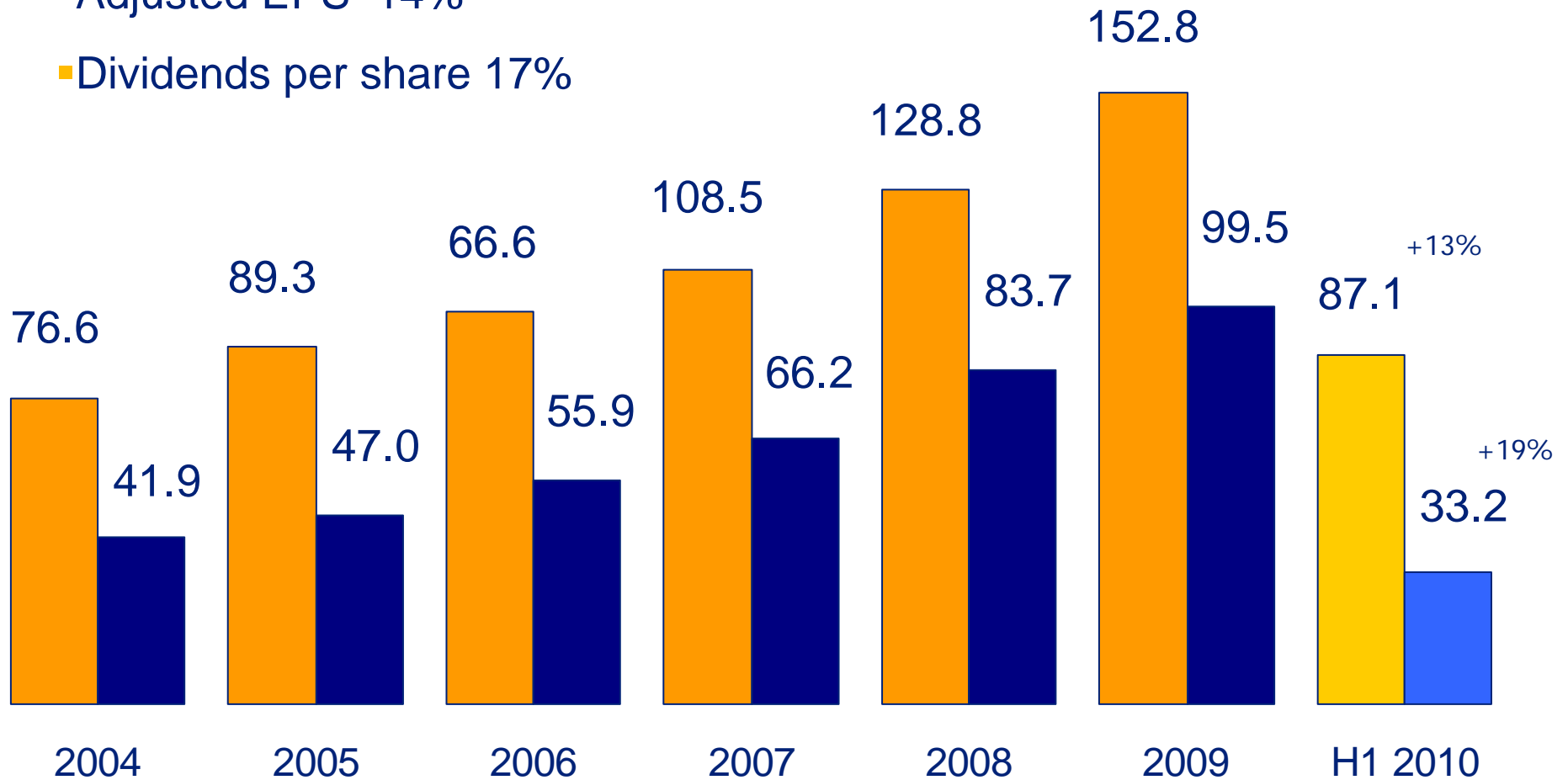


Delivering through good times and bad



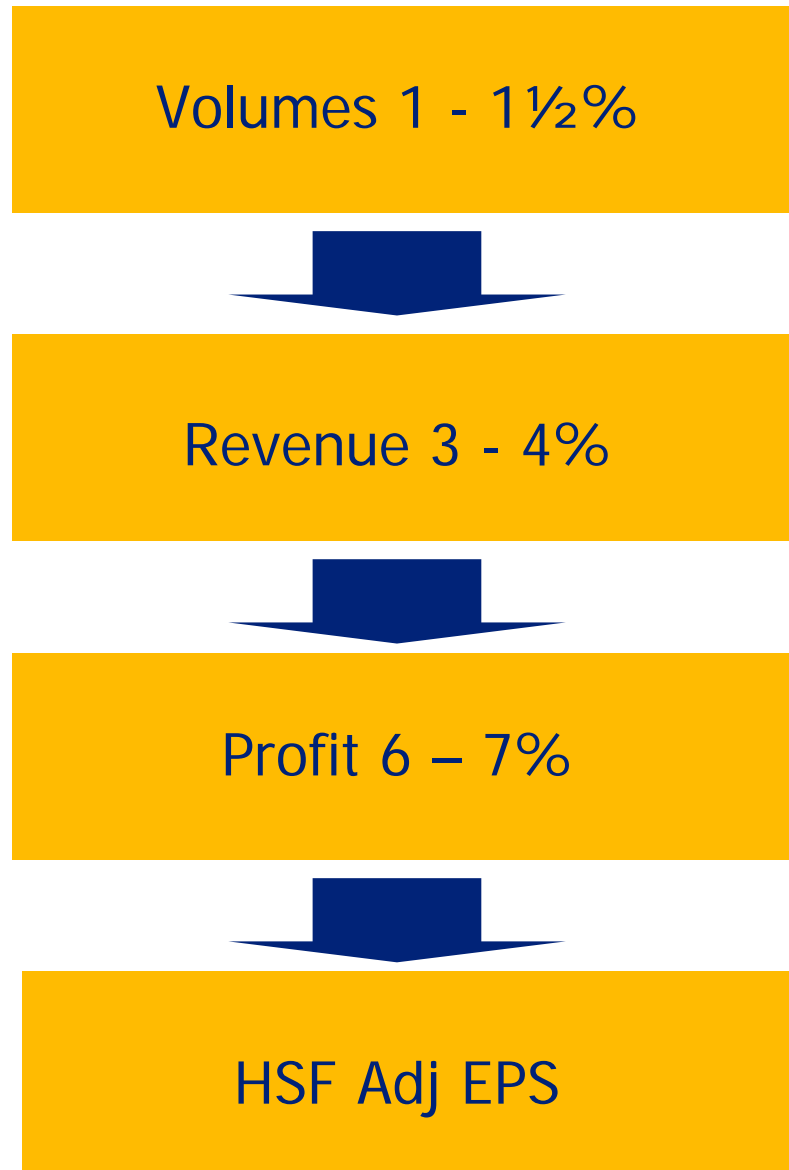
CAGR 2004 to 2009:

- Adjusted EPS 14%
- Dividends per share 17%



Adj EPS Div per share

The business model



Organic volume growth

- 2008 +0.4%
- 2009 -3.3%
- 2010 9mths -3.0%

Organic revenue growth

- 2008 +7%
- 2009 +5%
- 2010 H1 +2%

Organic profit growth

- 2008 +10%
- 2009 +7%
- 2010 H1 +8%

Adjusted EPS growth

- 2008 +19%
- 2009 +19%
- 2010 H1 +13%

Competitive edge through:

Geographic diversity

- Strong emerging markets exposure

- Top 5 markets

- Canada

- Brazil

- South Africa

- Russia

- Australia

} Commodity-based economies
with stable currencies

Competitive edge through:

Diversified and balanced brand portfolio

- Balance between premium, mid and low priced segments
- Global drive brands have maintained growth despite recession
- Strong regional and local brands

Competitive edge through:

Marketing expertise

- Trade marketing and distribution
 - Successful trade partnerships
 - Mutually beneficial relationships
 - Rated best overall supplier in the FMCG industry in 13 out of 22 markets surveyed
 - Extending direct distribution – over 50% of volume

Competitive edge through:

Marketing expertise

- Trade marketing and distribution
- Consumer insights
 - World class understanding of consumer trends and tastes
 - Responding to the needs of consumers

Competitive edge through:

Marketing expertise

- Trade marketing and distribution
- Consumer insights
- Leader in innovation
 - Nanotek – first successful king-size super-slim
 - Accounts for 16% of Kent global volume
 - Kent Nanotek 1.2% share in Russia

Competitive edge through:

Marketing expertise

- Trade marketing and distribution
- Consumer insights
- Leader in innovation
 - Dunhill "Reloc" packaging
 - Almost 10% share in GCC
 - Dunhill share growth in Malaysia

Competitive edge through:

Marketing expertise

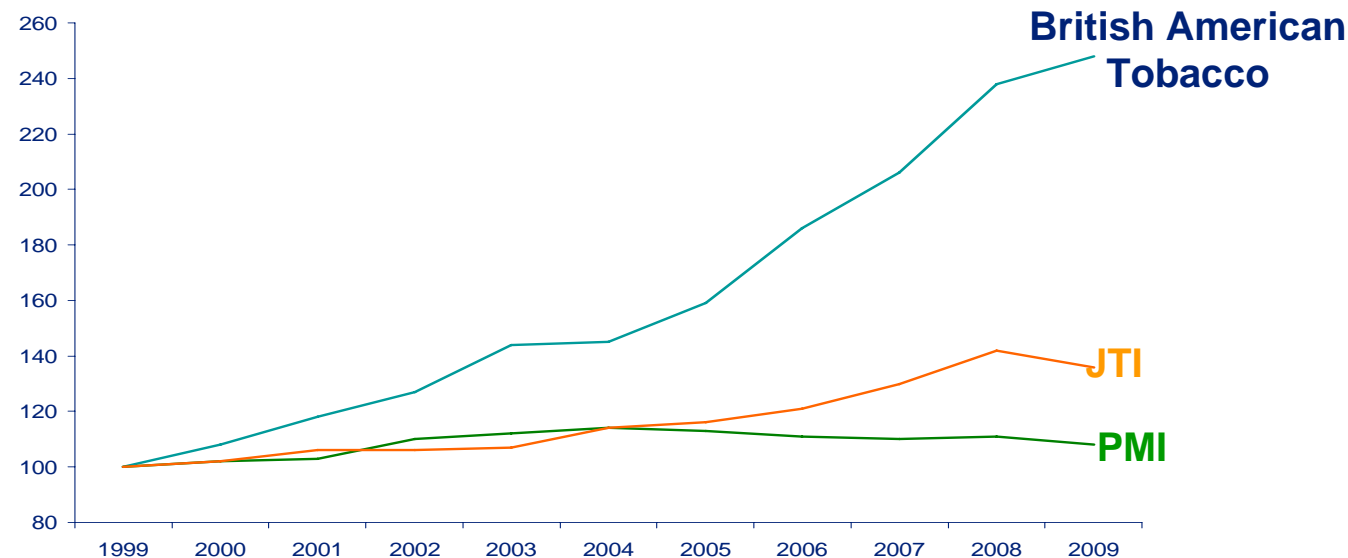
- Trade marketing and distribution
- Consumer insights
- Leader in innovation
 - Success with capsule technology
 - Kent, Kool and Lucky Strike
 - Broad geographic roll out

Competitive edge through:

Marketing expertise

- Trade marketing and distribution
- Consumer insights
- Leader in innovation

Global Drive Brands: volume growth index - 1999-2009



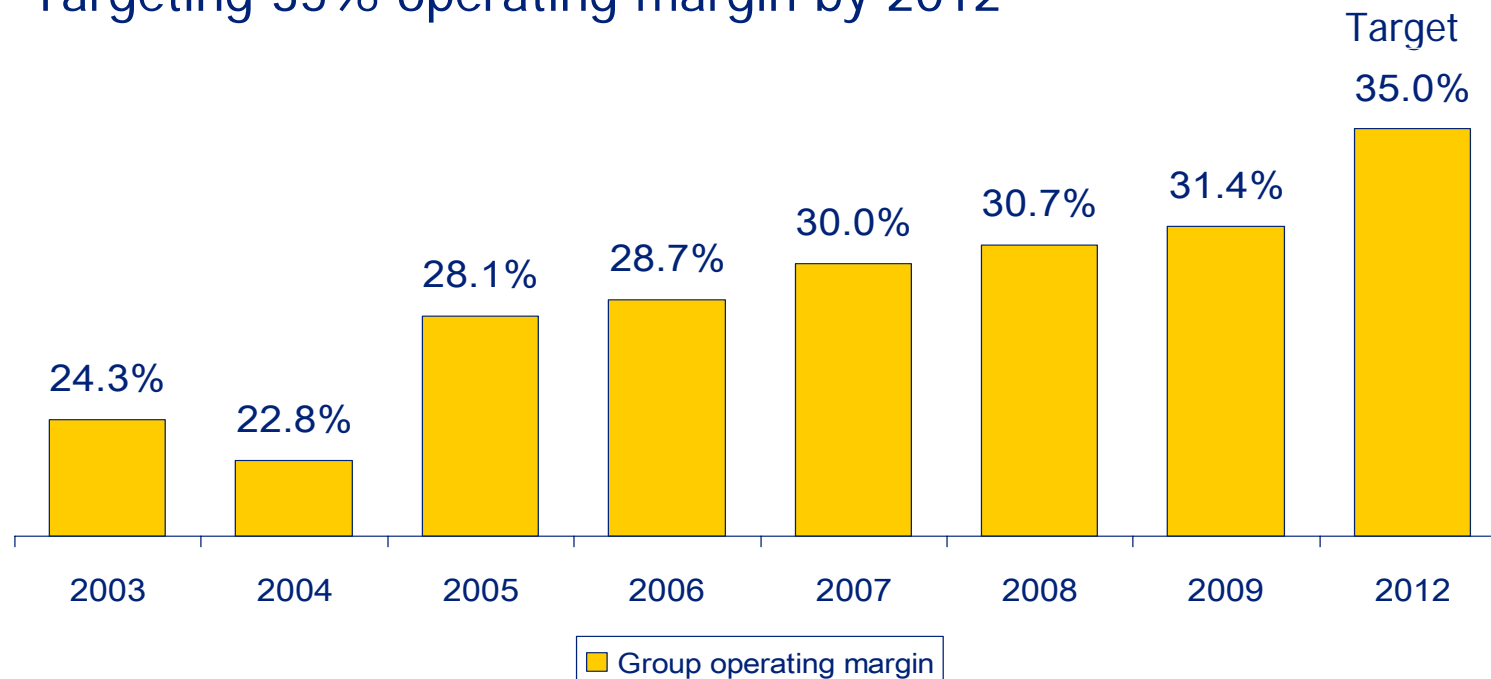
Base 100: 1999

Competitive edge through:



Productivity

- 5 year programme 2003-07
 - Annualised cost savings of £1 billion by 2007
 - Focus on overheads and indirects and the supply chain
- 5 year programme 2008-12
 - Targeting 35% operating margin by 2012



Competitive environment:

- Recession's impact on consumers continues
 - Key markets have been less affected
 - Volumes continue to hit by down-trading to illicit
- Continued good pricing
 - Revenue growth despite softer volumes
 - Governments' share higher in 2010
- Bi-polar recovery
 - East v west
 - Developed v developing
- Currencies may be volatile

Outlook

- Good momentum with brands and market share
- Well positioned in those markets least affected by recession
- Innovations pipeline is strong
- On track for another good year of earnings growth
- Strong cash flow
- Productivity strategy is delivering
- Balance sheet in excellent shape