BRITISH AMERICAN TOBACCO

Investor presentations: South Africa

October 2008

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Agenda

- Jan du Plessis
  - Overview and review of the Group since the merger with Rothmans
- Paul Adams
  - Industry overview, the Group and strategy
- John Taylor
  - BAT South Africa, innovations and Russia
- Ben Stevens
  - The productivity strategy, financials and 2008 performance
- Questions and answers

World's most international tobacco group

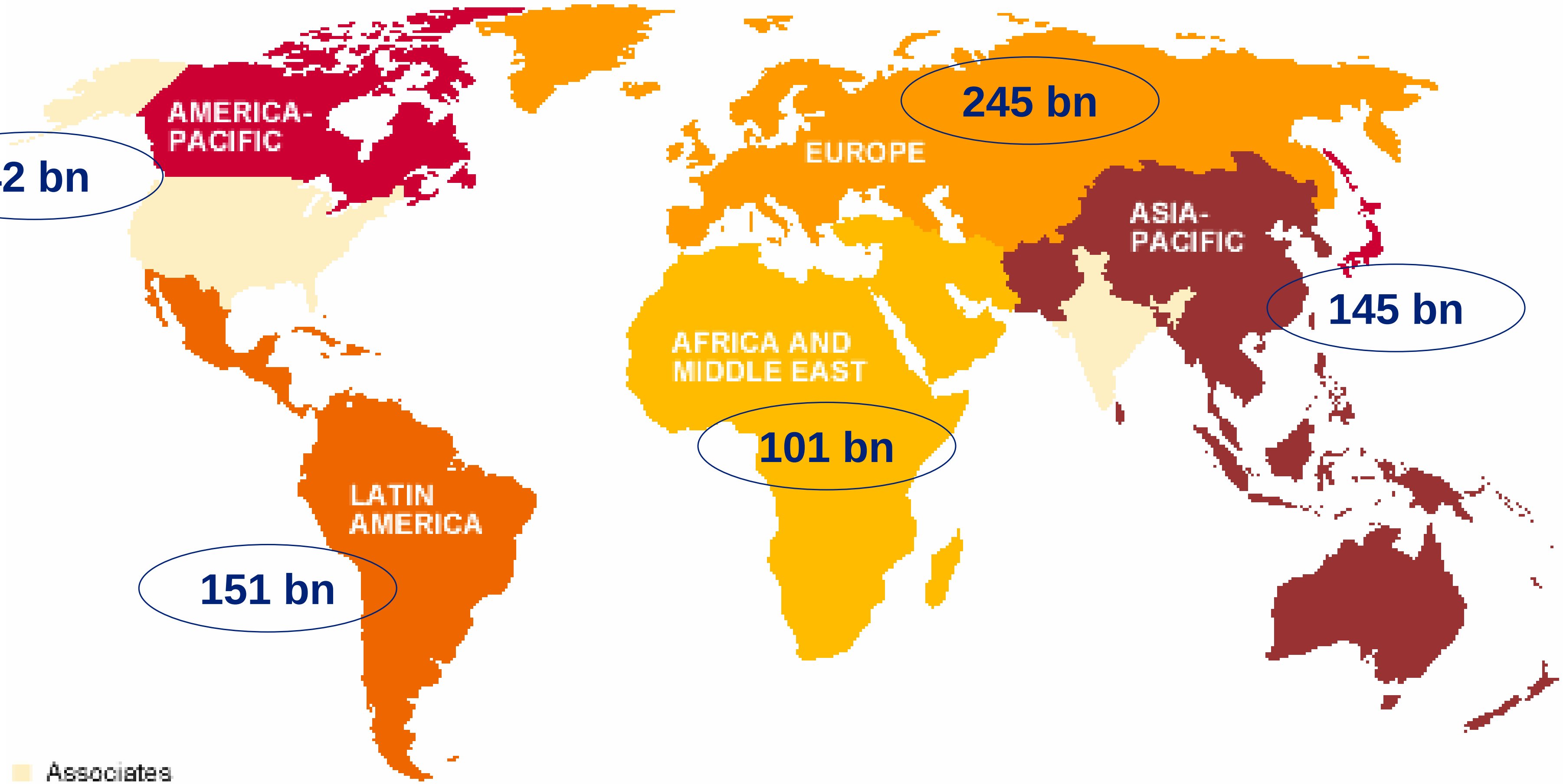
- Over 300 brands
- Focus on Global Drive Brands + Vogue & Viceroy
- 180 markets
- Leadership in 50 markets
- Almost 54,000 employees
- £26 bn gross turnover
- £10 bn net turnover
- £3 bn profit from operations
- £17 bn tax contributions

- Market capitalisation – currently number 6 in the UK

2007 statistics

- Sales volume: 684 billion cigarettes
- 47 factories in 40 countries
- 5 Regional Product Centres
- Over 460,000 tonnes of leaf bought
- 280,000 farmers providing leaf

Our world



- Organised into 5 regions – Europe to split in 2009
- Two key associates: Reynolds American (US) and ITC (India)

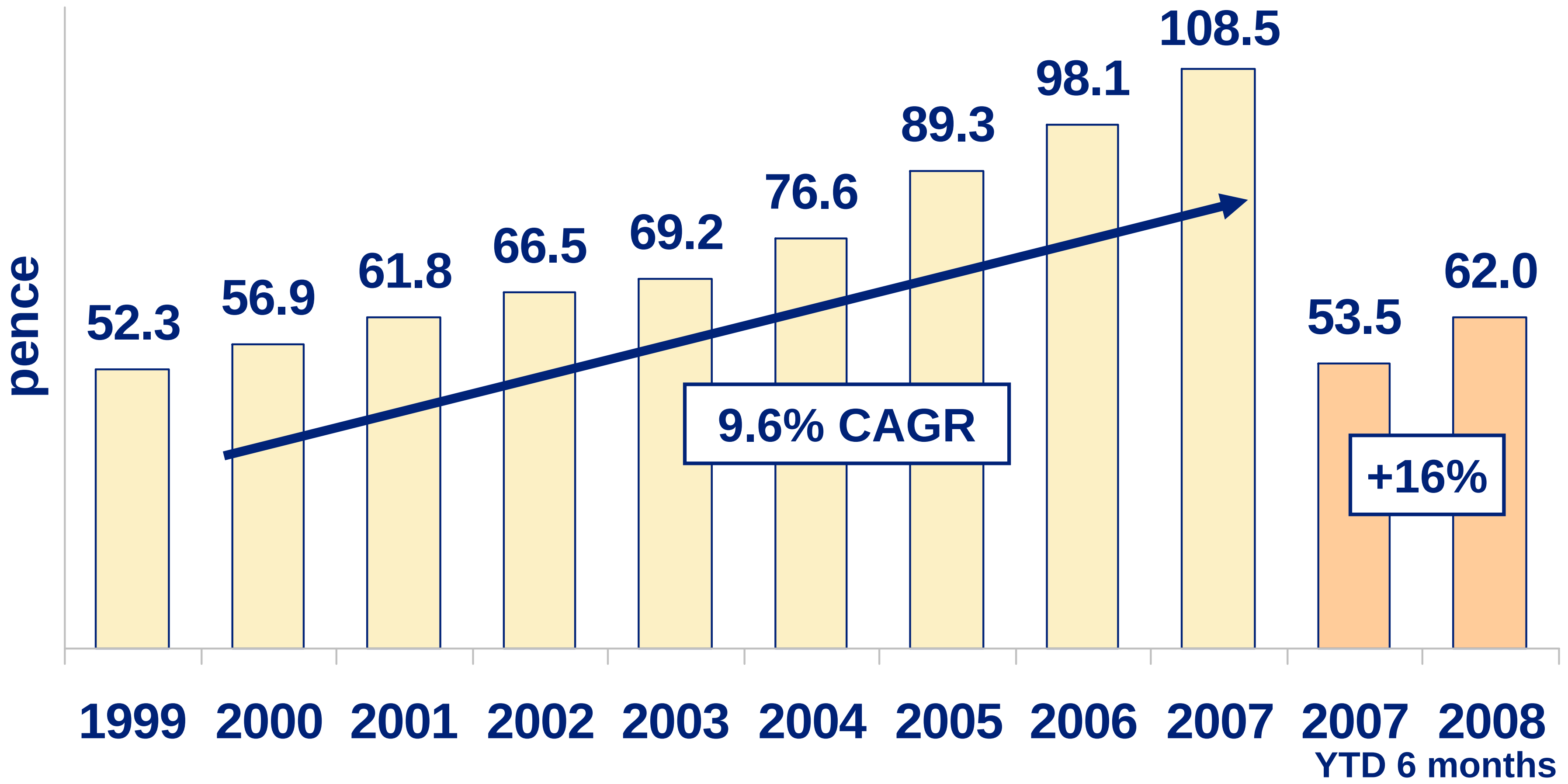
Associates

- Reynolds American Inc.
  - 42% shareholding
  - Number 2 cigarette manufacturer in US
  - Brands include, Camel, Kool and Pall Mall
  - Significant non-combustible business
- ITC Ltd.
  - 32% shareholding
  - Largest cigarette manufacturer in India
  - Includes paper and packaging and hotels businesses

Milestones since demerger in 1998

- 1998: British American Tobacco listed as a standalone tobacco company
- 1999: Rothmans merger completed
- 2002: Growth, Productivity and Responsibility strategy and 5 year cost savings programme announced
- 2003: Acquisition of ETI in Italy
- 2004: B&W and RJR form Reynolds American
- 2008: Turkey and Scandinavia deals completed

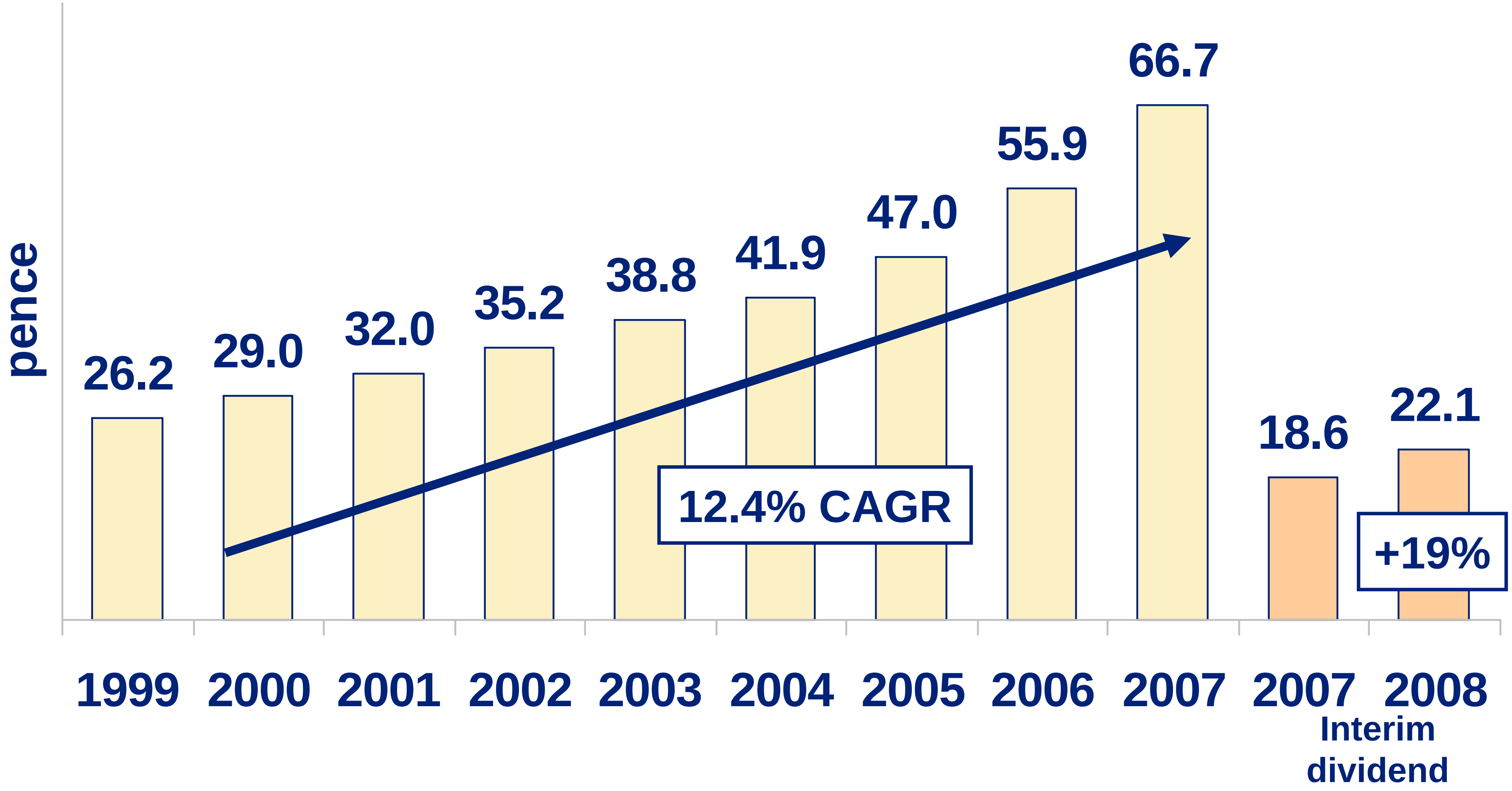
Earnings per share



The target of high single figure earnings growth has been delivered

Source: Company's financial results

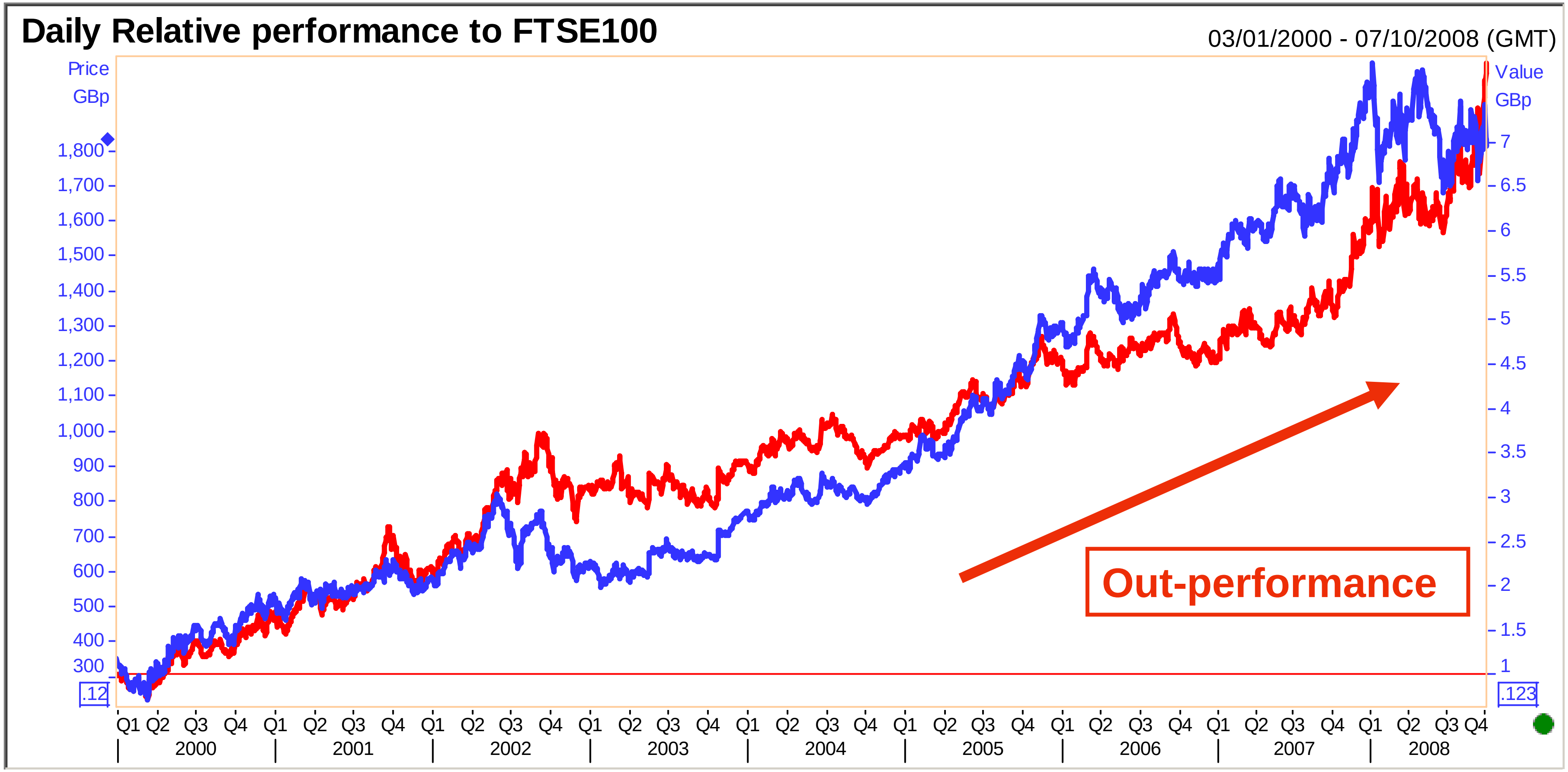
Dividends per share



Targeting a 65% payout ratio in 2008

Source: Company's financial results

BAT share price since Jan 2000



BAT share price

Relative performance to FTSE 100

Source: Reuters

Total shareholder return per annum

- Since Jan 2000 28.3%
- Since Jan 2003 27.7%
- Since Jan 2005 28.0%
- Since Jan 2007 24.1%

Source: Bloomberg (Based BAT share price at close 3 October 2008)

FMCG Comparator Group

- Altadis
- Altria (Phillip Morris)
- Anheuser-Busch
- Cadbury Schweppes
- Campbell Soup
- Carlsberg
- Coca Cola
- Colgate-Palmolive
- Danone
- Diageo
- Gallaher
- Heineken
- Heinz
- Hershey Foods
- Imperial Tobacco
- InBev
- Johnson & Johnson
- Kellogg
- Kimberly-Clark
- LVMH Möet Hennessy
- Nestlé
- Pepsico
- Procter & Gamble
- Reckitt Benckiser
- Reynolds American
- SAB Miller
- Sara Lee
- Scottish & Newcastle
- Unilever

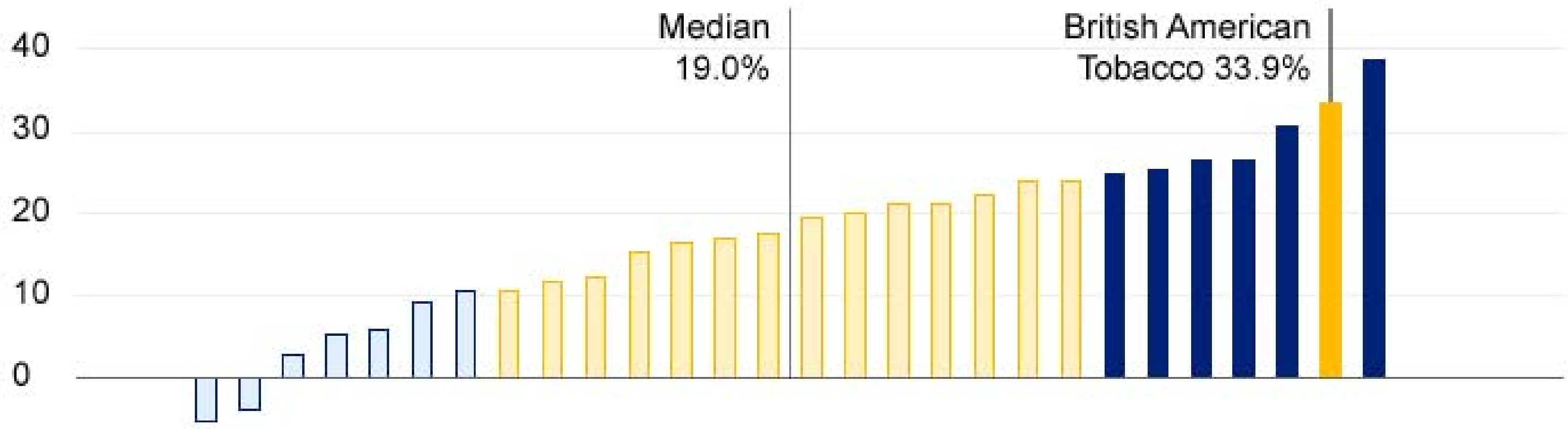
Total Shareholder Return v. FMCG group

Total shareholder return (annual %)

(1 January 2005 - 31 December 2007) FMCG group

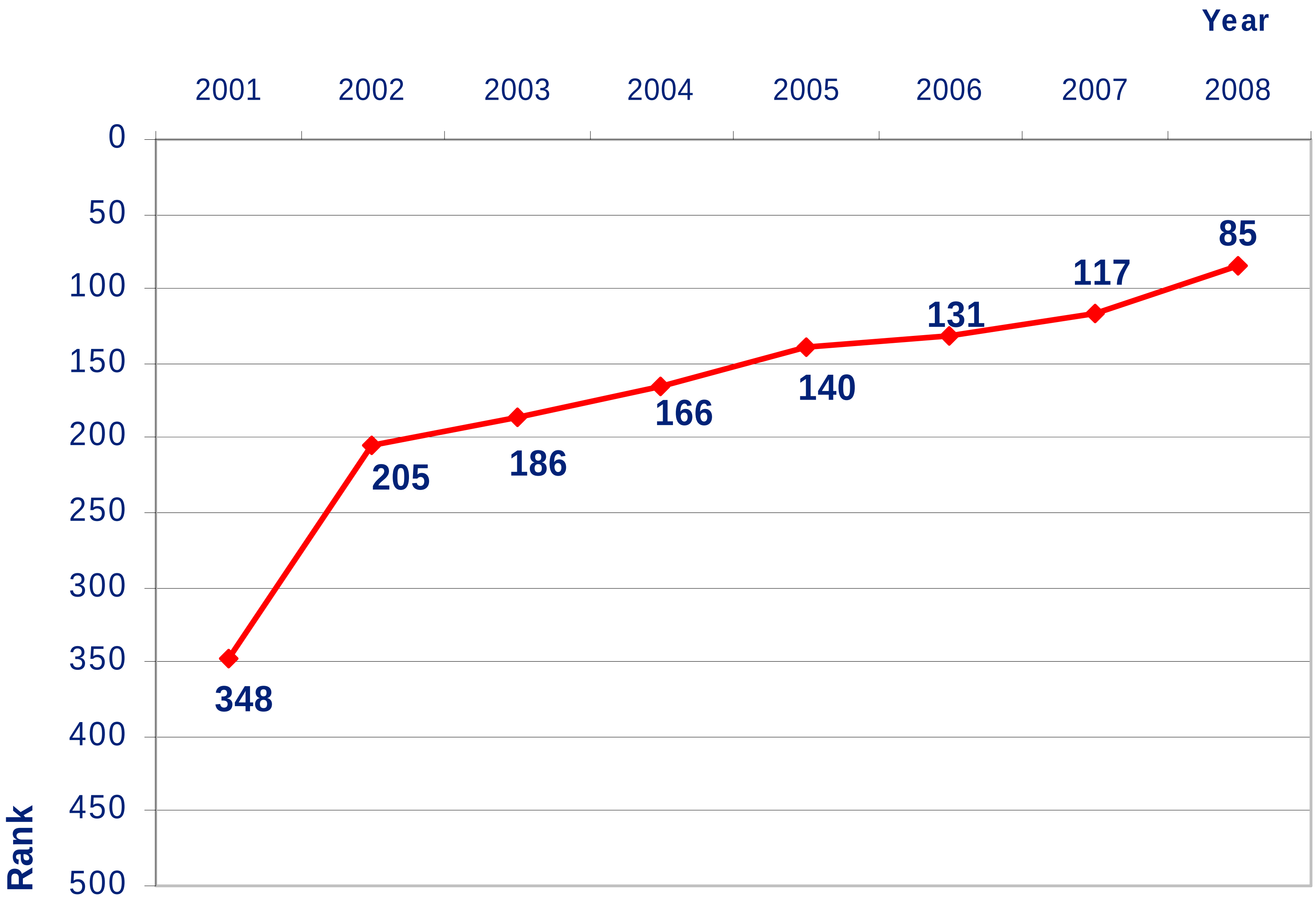
Upper quartile Lower quartile

The FMCG comparison is based on three months' average values.



Source: Company Annual Report & Accounts 2007

FT Global 500* – BAT progression



*By market capitalisation as at end of March each year

Source: Financial Times

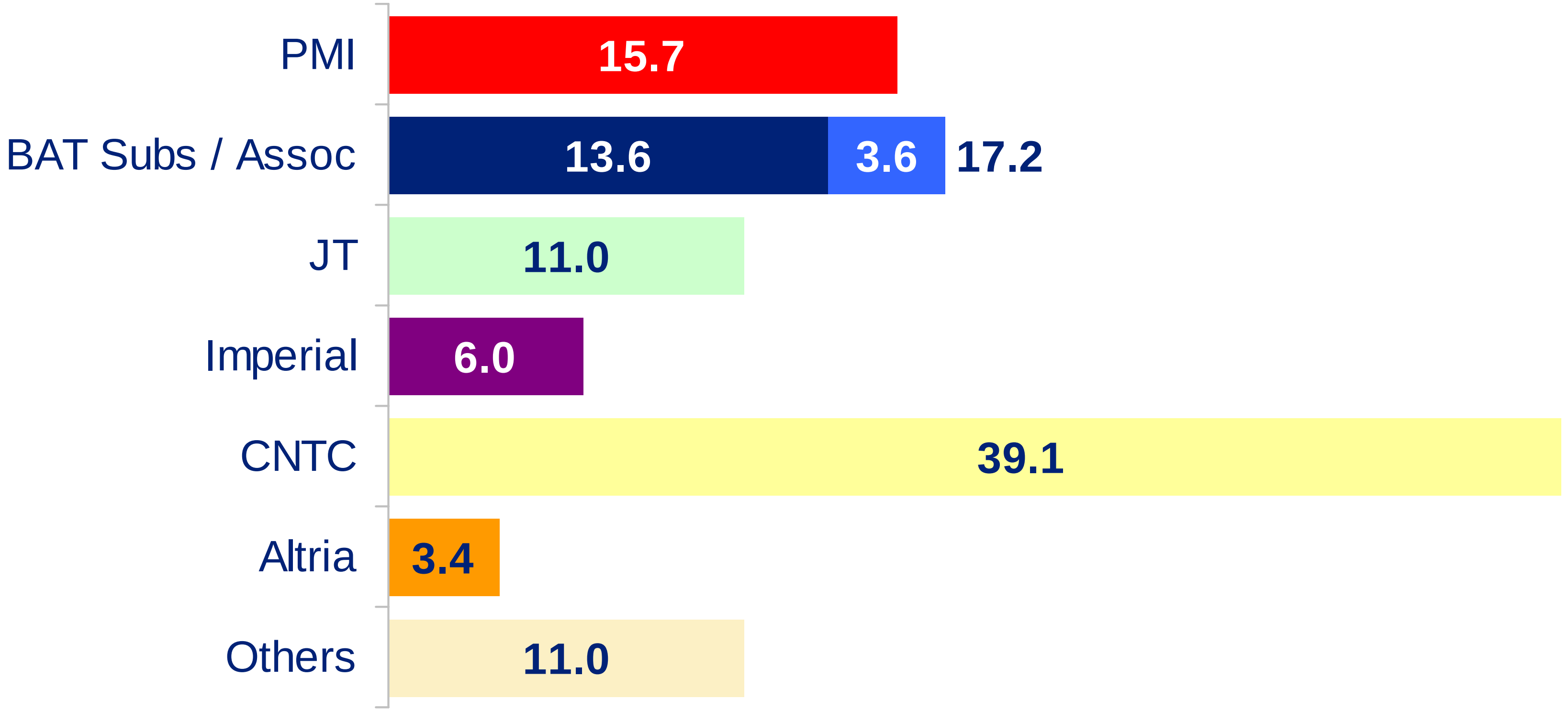
Industry dynamics

- Industry volume (excluding China) continues slow, steady decline
- Geographic mix is deteriorating
- Relatively few players
- There are still opportunities for growth in key segments
- Legitimate manufacturers squeezed by governments and illicit trade
- The level of regulation will increase

Even with these dynamics, the industry profit pool is forecast to grow

Major competitors

2007 World Market Share % (Proforma)



- On a proforma basis (i.e., adding in the full year impact of acquisitions), the Big 4 have a combined global market share of nearly 50%

Source: Company estimates and competitors' published data

Strategy for shareholder value

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VISION

ACHIEVE LEADERSHIP OF THE GLOBAL TOBACCO INDUSTRY

STRATEGY

GROWTH

- Organic Growth
  - Key Segments & Brands
  - Innovation
  - Priority Markets
- Mergers & Acquisitions

PRODUCTIVITY

- Smart Cost Management
  - Supply Chain
  - Overheads & Indirects
- Marketing Efficiency
- Capital Effectiveness

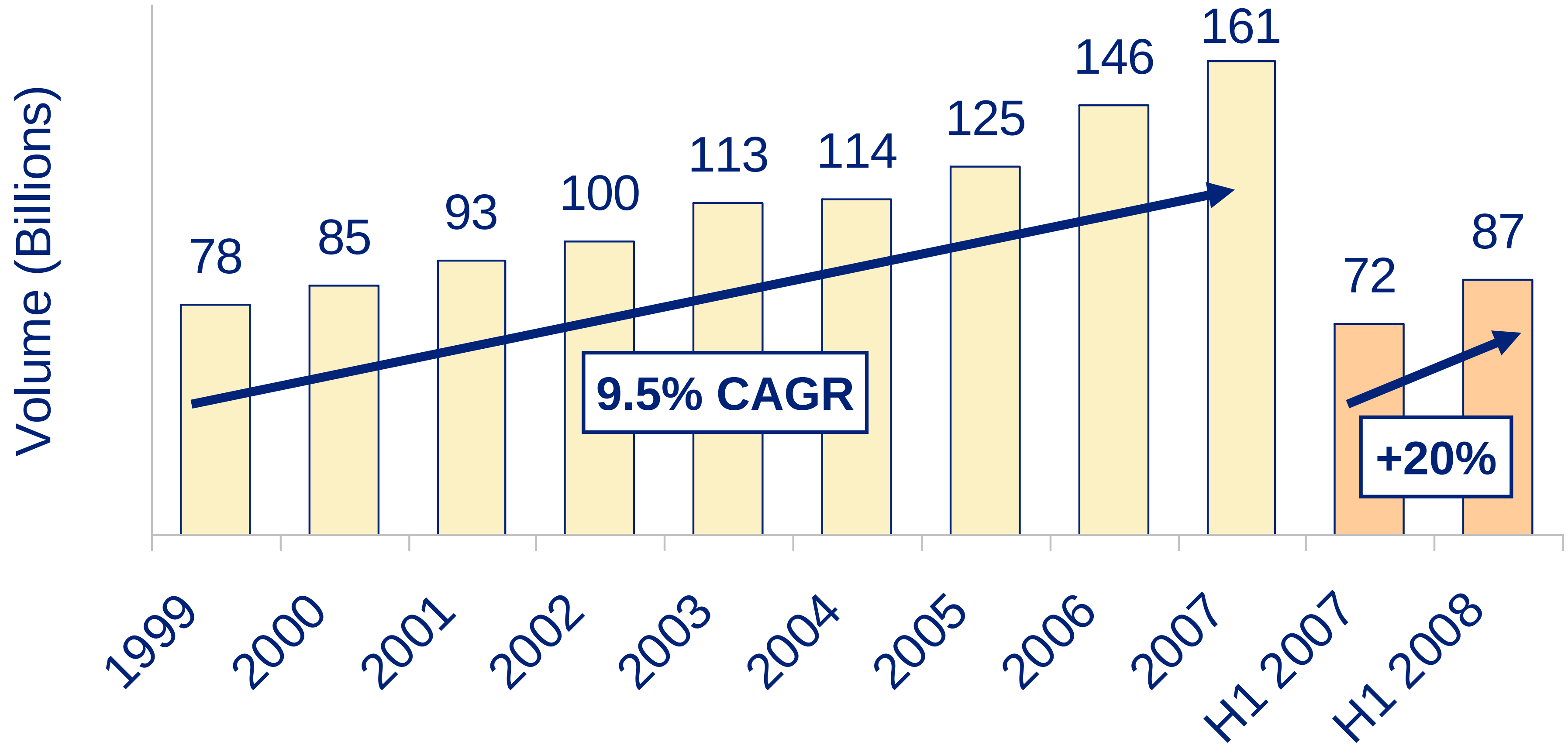
RESPONSIBILITY

- Business Principles
- Standards of Business Conduct
- Sensible Regulation
- Harm Reduction

WINNING ORGANISATION

- Great Place to Work
  - Leadership
  - Culture
- Outstanding People
  - Talent
  - Learning

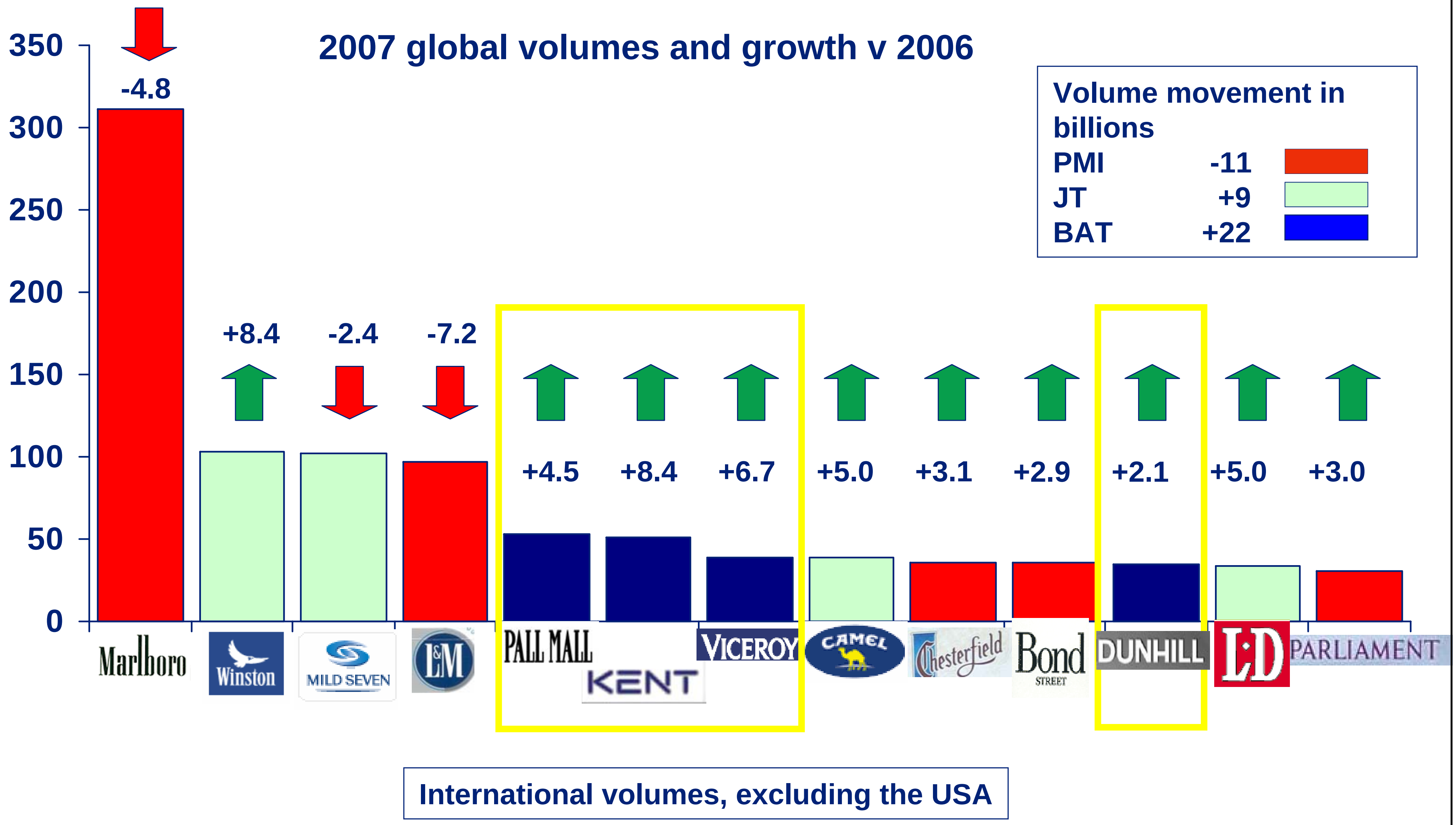
Global Drive Brands



- Global drive brands sales volumes have grown consistently

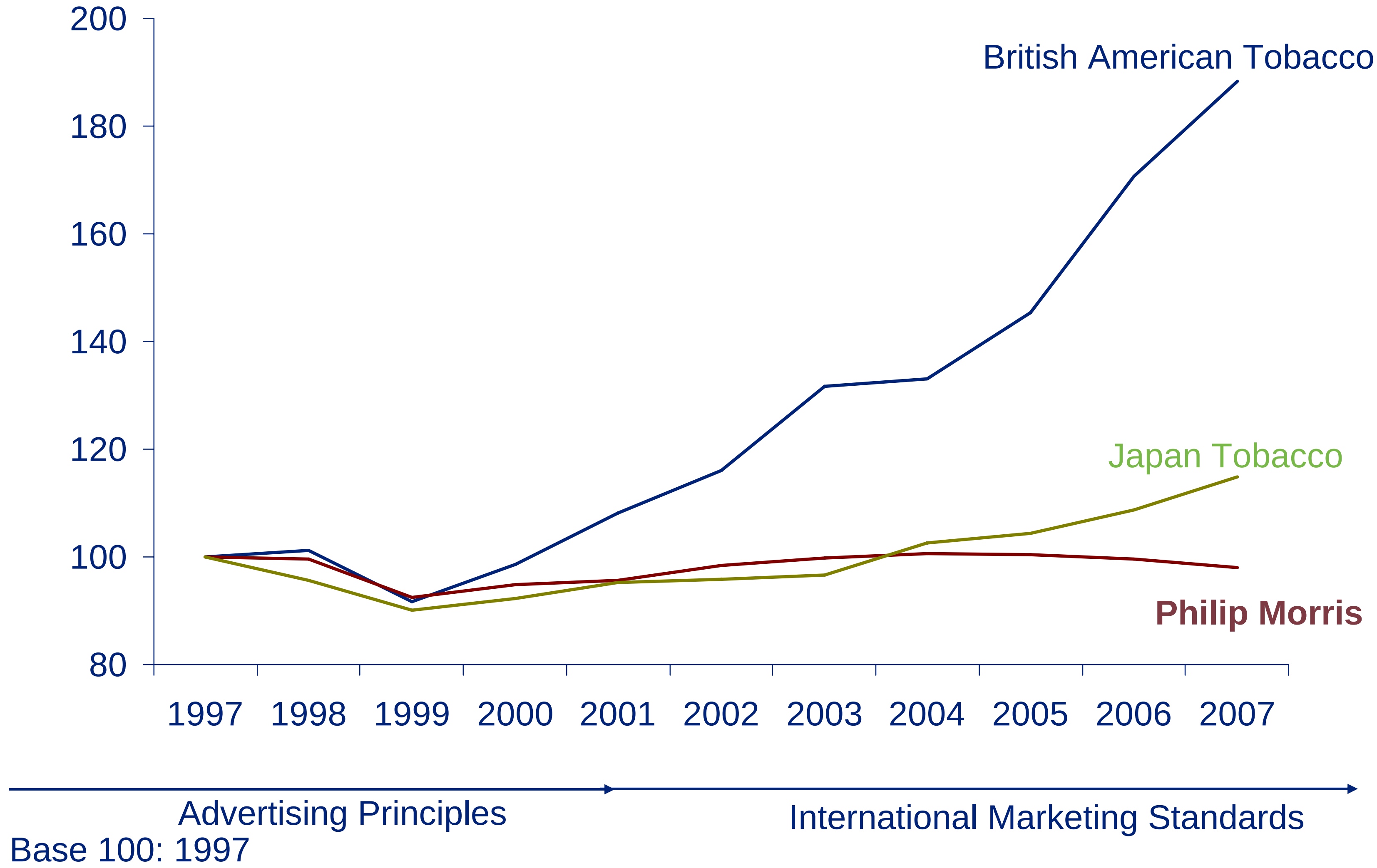
Source: Company's financial results

Brand momentum
The top-13 international brands



Source: Company estimates and data published by competitors

Global Drive Brands: volume growth index



Source: Company estimates and competitors’ published data

Key consumer segments (top 22 markets)

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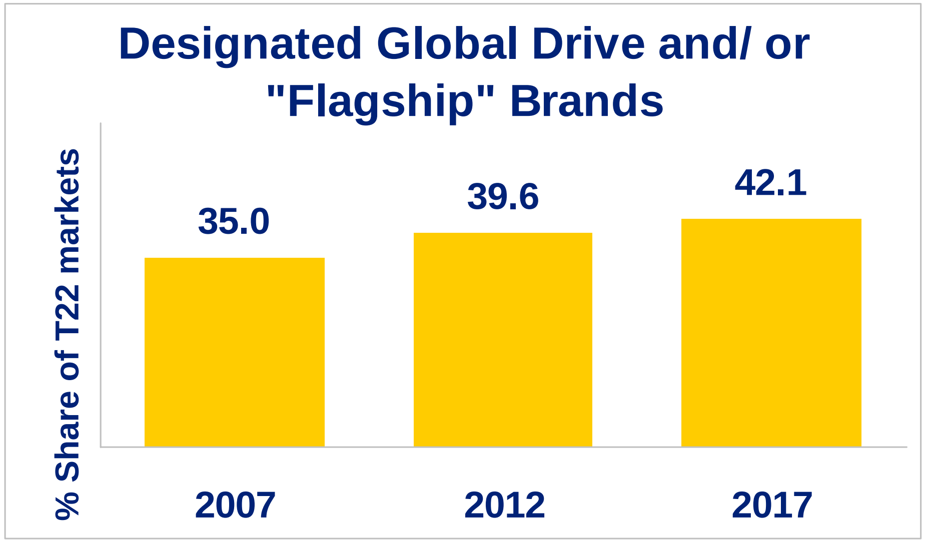

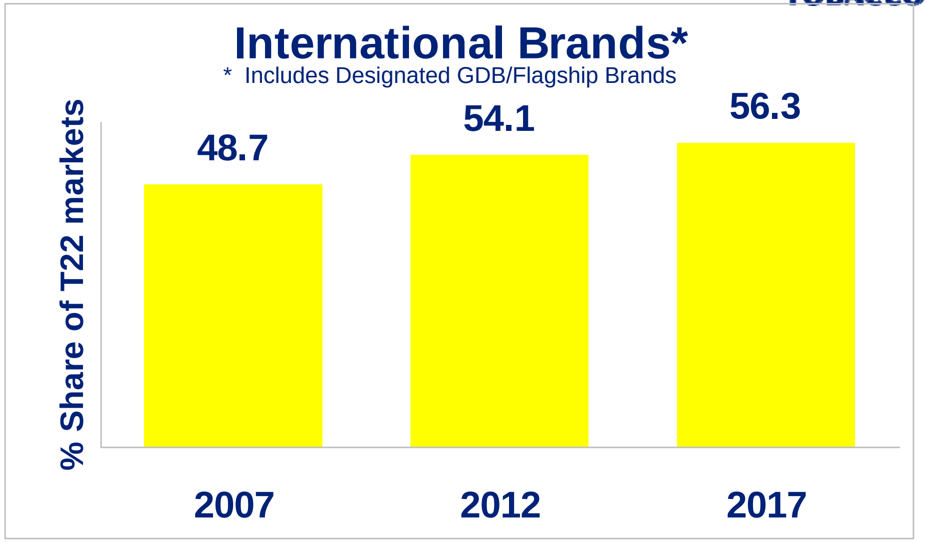

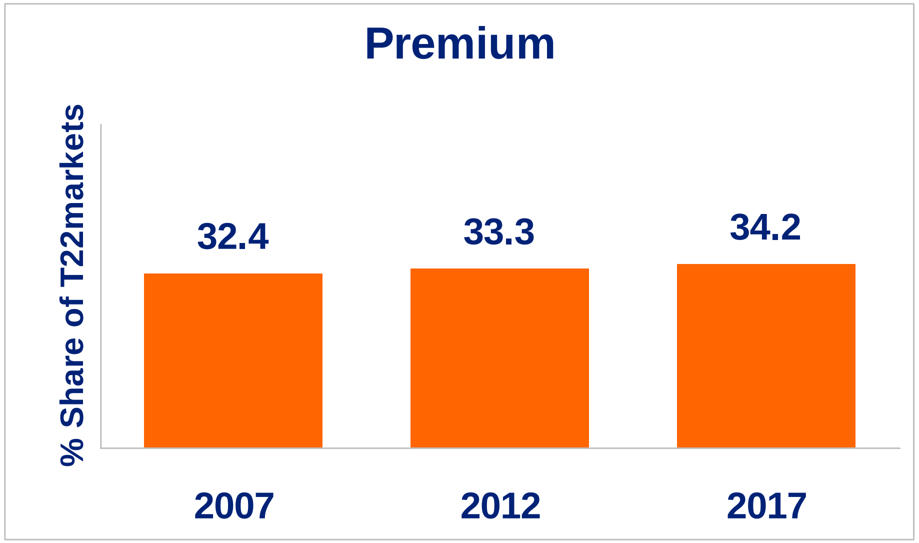

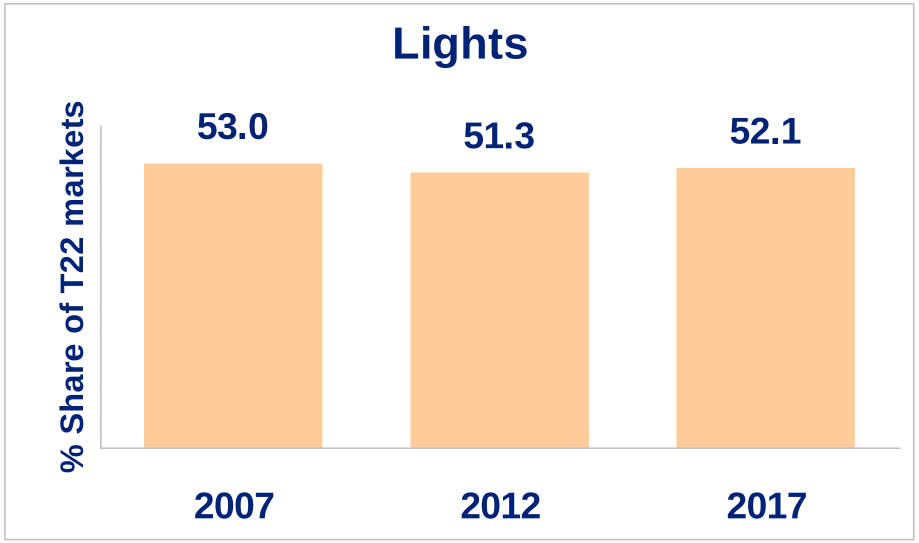

- GDB and/or "Flagship" brands, International brands and the Premium segment are all forecast to grow.
- The Lights segment is expected to fall as a proportion of the total market.

Source: Company's internal estimates and forecasts

Priority markets

- Eastern Europe
- Far East
- North Africa
- Middle East

Growth summary

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- We have delivered growth
  - Improvements in key Industry segments
  - Spectacular GDB volume growth
  - Value added deals

- Going forward -- we are well positioned for further growth
  - Real momentum in the business

Regulation

Engage with stakeholders to:

- compete in the legal market;
- differentiate and innovate with our product category (including harm reduced products);
- maintain channels of communication;
- ensure there are opportunities for consumers to smoke;
- enjoy free trade; and
- combat illicit trade.

Winning organisation strategy

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Ensure we have the right people and the right working environment to deliver our Vision.

Great Place to Work

Outstanding People

From

A loose federation

To

An integrated global enterprise

High single figure EPS growth model*

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Volume growth of 1 to 1½%

Drive brands to grow at high single figures

Net turnover growth of 3 to 3½%

Implies volume growth and pricing

Profit from ops growth of 6%

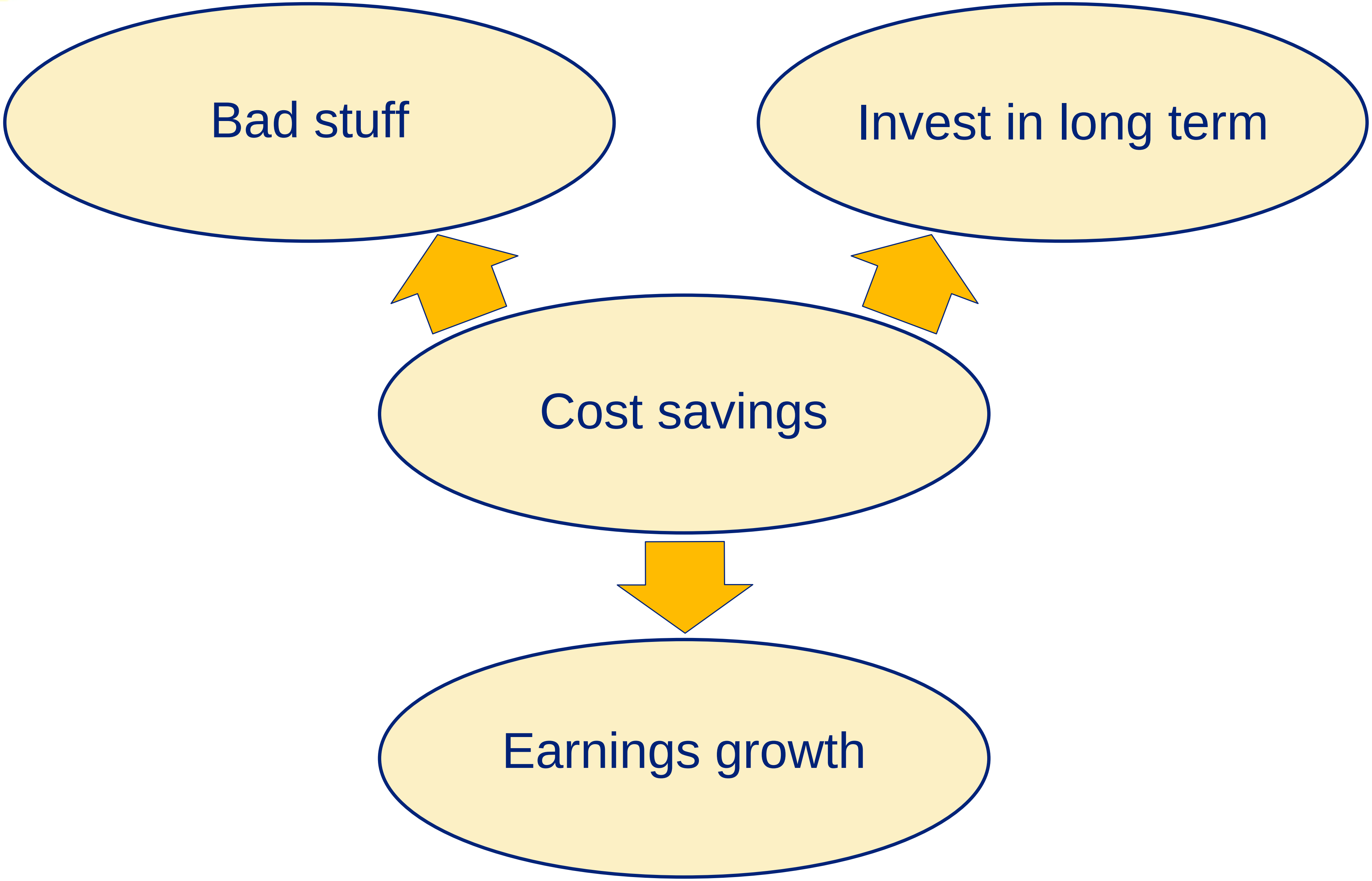
Implies significant cost savings

EPS growth of around 8%

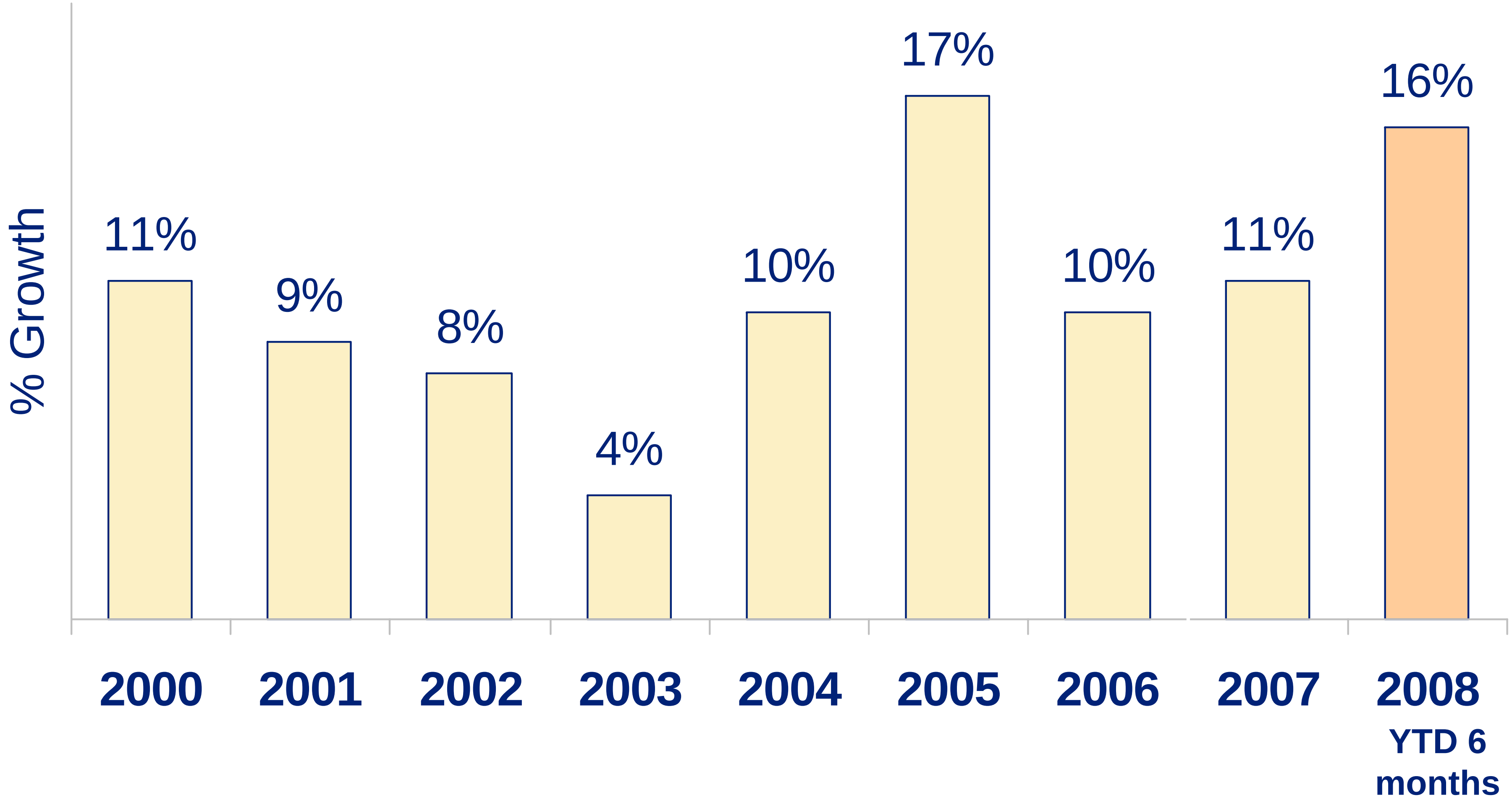
Implies balance sheet & below the line efficiencies

* Based on internal estimates over the medium to long term

The business model



Earnings per share growth



Source: Company's financial results

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

Common vision of success

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An enterprise which has:

- A leading portfolio of sustainable brands -- having a strong brand in each segment which the consumer perceives to be of greater value than competition
- A highly effective, flexible and efficient operation that leverages the synergies of being part of a global group
- An agile, learning, innovative organisation that has outstanding leaders and that re-invents and improves itself
- Recognition that it acts responsibly and has a sustainable business
- Delivered on shareholders' expectations of high single-digit earnings growth over the medium to long term

Achieved leadership of the global tobacco industry and created long term shareholder value

Agenda

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1	SA Market Context
2	BATSA – Progress to date
3	Learning from other markets

South Africa at a glance

Population

- Total: 49 mn
- 18-65: 27 mn
- Growth Rate: 0.6%

Economy

- Macro Economic Stability
- Servicing Economy
- Shielded by Resources
- Slowed GDP Growth
- Inflation Peaking

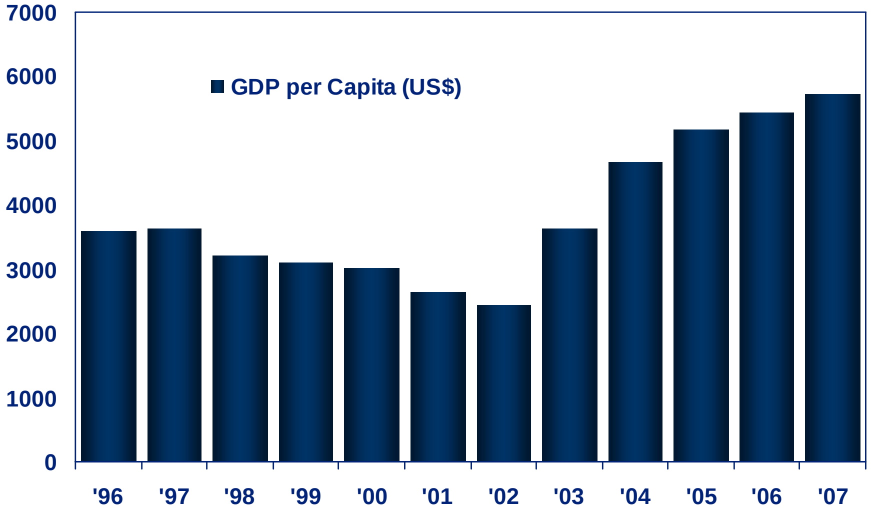
Industry

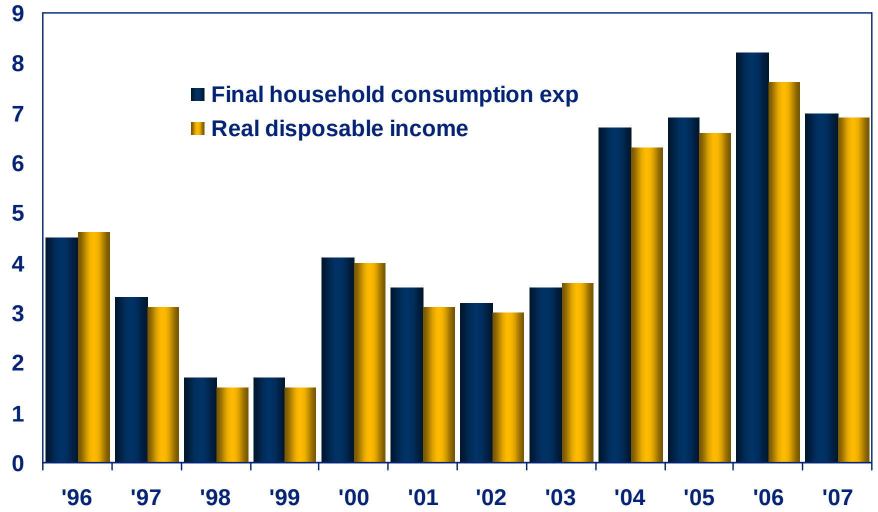
- Adult Smokers 18-65 years
  - All Products: 27.7% (7.5 mn)
  - Cigarettes: 23.6% (6.4 mn)
- 4 International Players (*c.* 98% of vol)
- Retail Universe: *c.* 140,000 outlets
- Excise Rate: 52%
- R 9 bn+ in taxes to government
- Industry creates *c.* 53,000 jobs

Source: BER; Estimated Sales; Nielsen

Emerging consumer class...

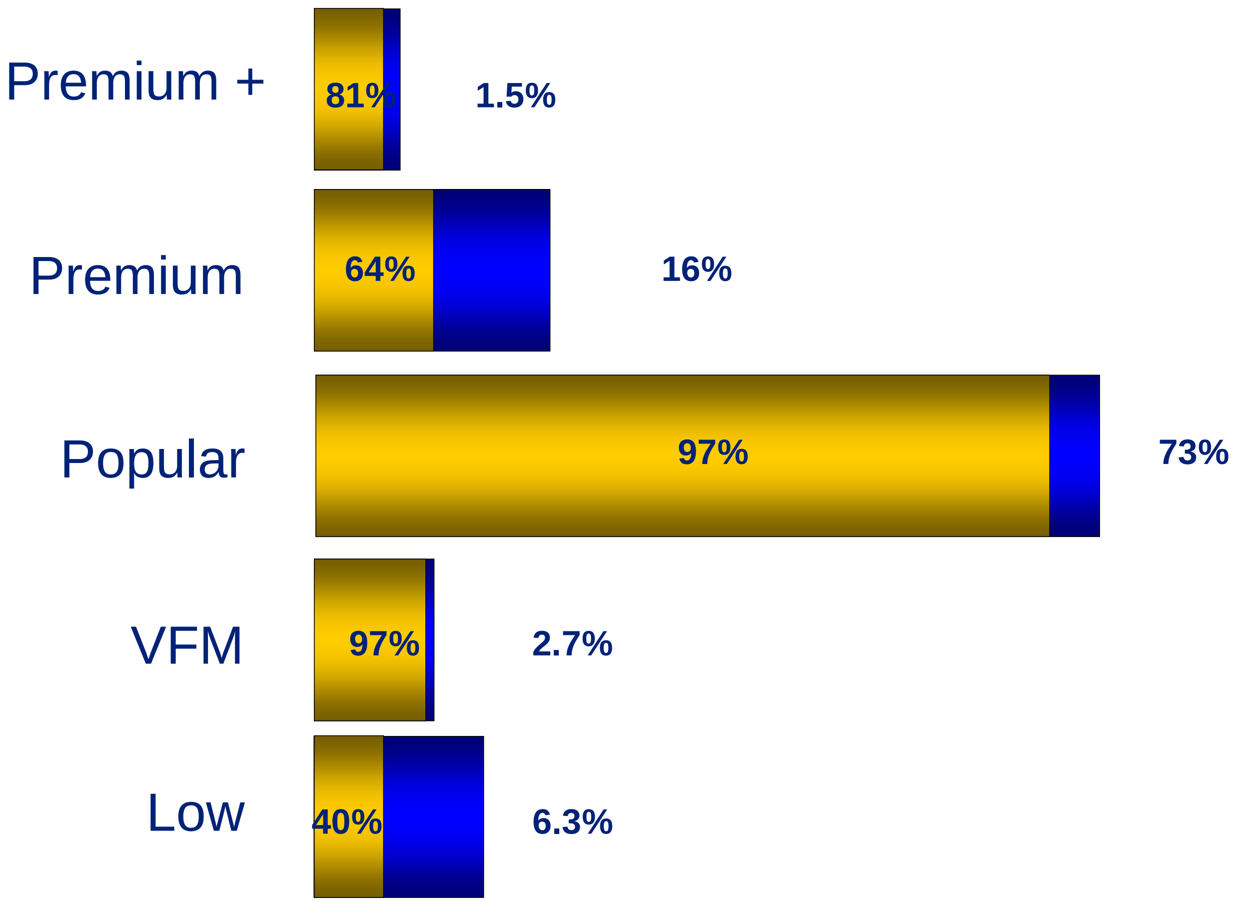
- Growing per capita income
- Disposable income and expenditure growth
- Growing middle class
- Increased demand for branded consumer products





Source: Business Monitor International; Bureau of Economic Research

Local portfolio positioning



Note: SA Local Price Card; Source: Estimated Sales, Nielsen

Competitors struggling in changing market dynamics

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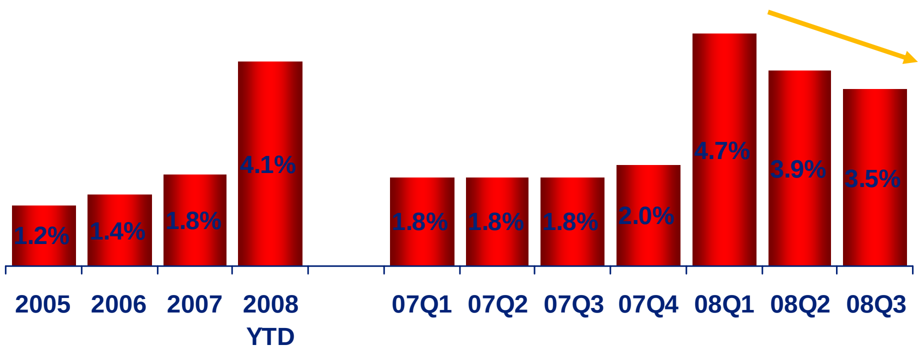
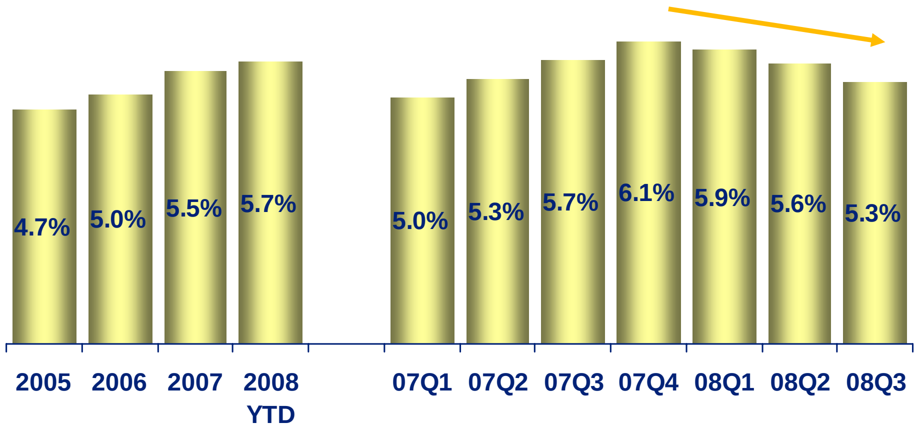


JTI



Source: Estimated Sales; Nielsen

Agenda

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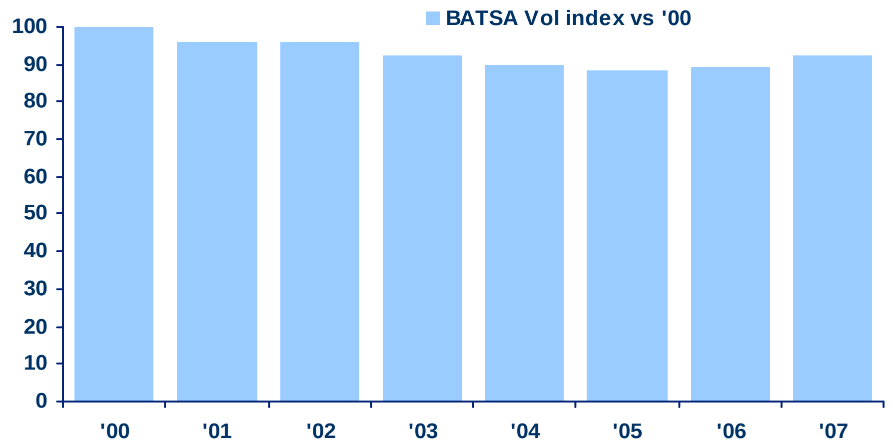
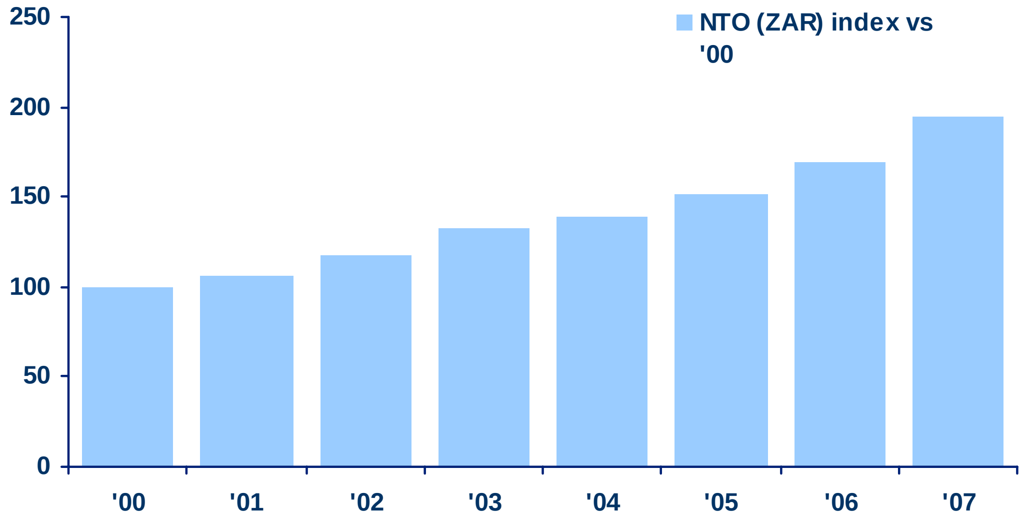
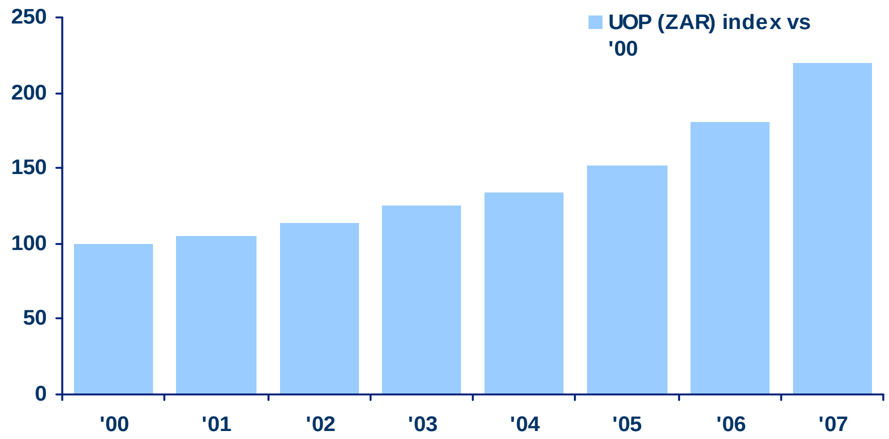
1	SA Environment
2	BATSA – Progress to date
3	Learning from other markets

BATSA – A history of delivery…







Source: Estimated Sales; Nielsen

Embracing innovation

Our challenge is to deliver sustainable NTO growth…

Innovation allows us a platform to do so.

Innovation:

- Creates excitement
- Provides a competitive advantage
- Delivers value to the consumer
- Justifies higher pricing

BATSA … driving innovation harder

We challenge even our own success models

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Indirect Sales Model

Direct Sales Model

- No commercial relationship with retail
- Reduced flexibility and agility

- Speed to Market
- Targeted distribution
- Owning the commercial relationship with retail

Source: Team Shosholoza

Inspiring consumers

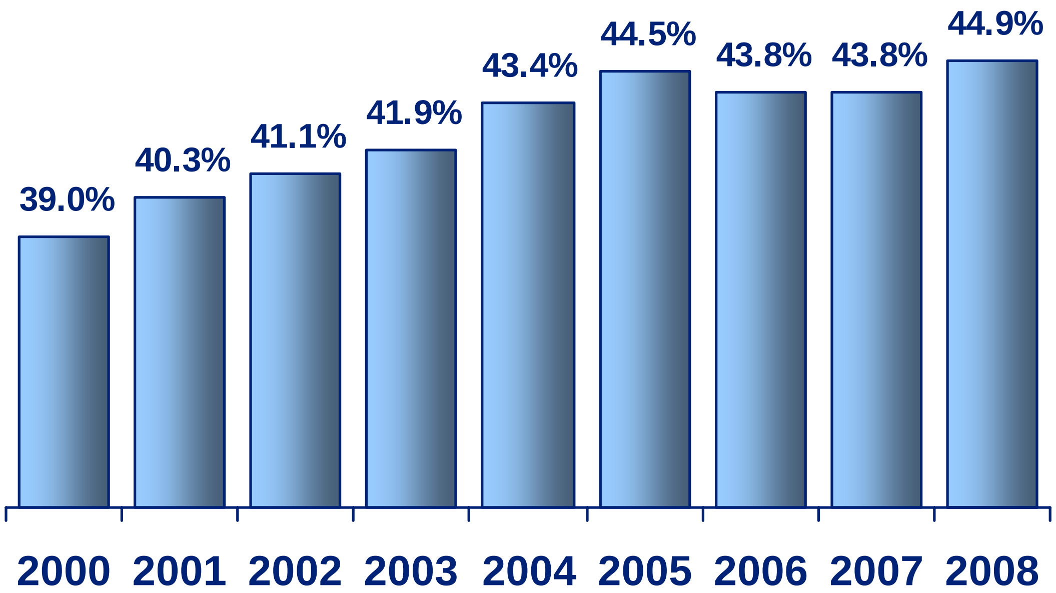
- Focus on International and Premium brands, Lights and ASU30 (adult smokers under the age of 30)

- Global Drive Brands
  - Dunhill
  - Kent

- International Brands
  - Peter Stuyvesant
  - Rothmans

Peter Stuyvesant undoubtedly no 1

- Changing with the times
- Growing in the lights segment



Agenda

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A Strategy for Value Creation…

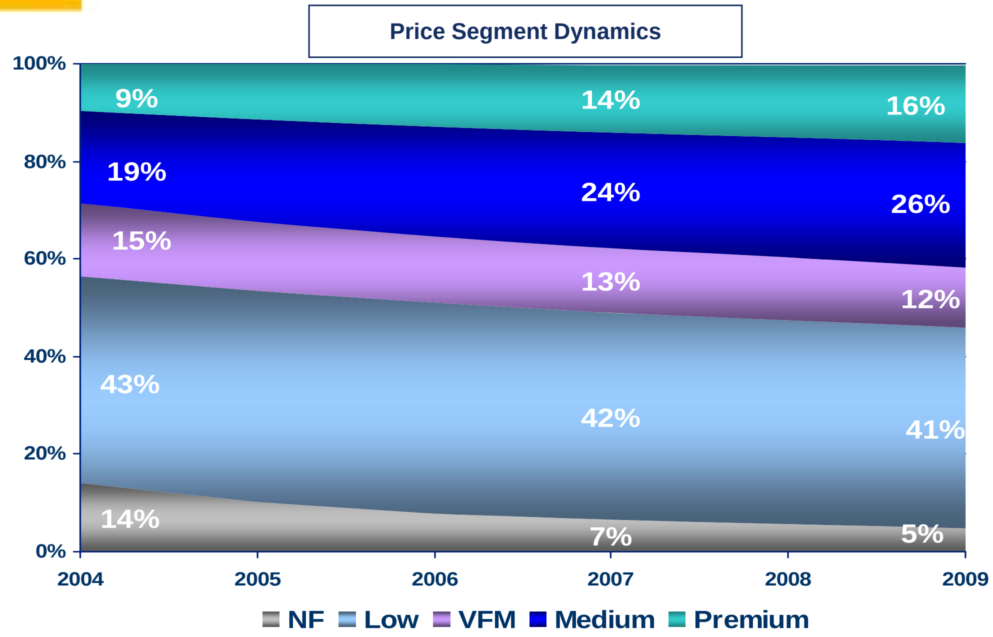
2 key value creation opportunities

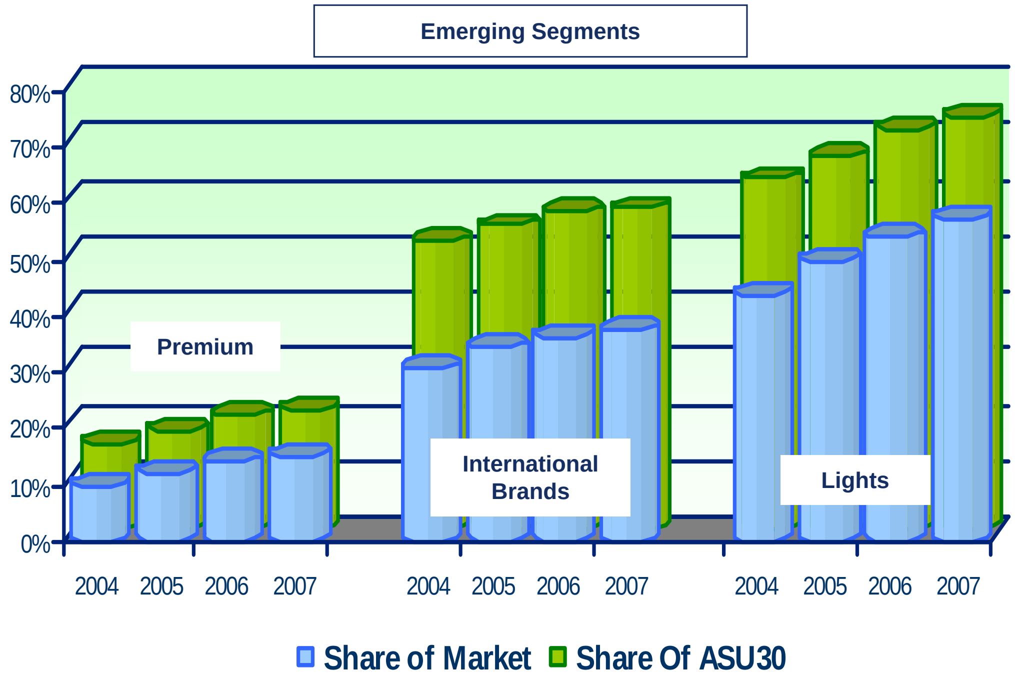
British American Tobacco

- Consumer saliency to **Premium**, **Lights** & **International**

- The ability to drive **Innovation** hard…..both to build **market share** and as a **value-generator**

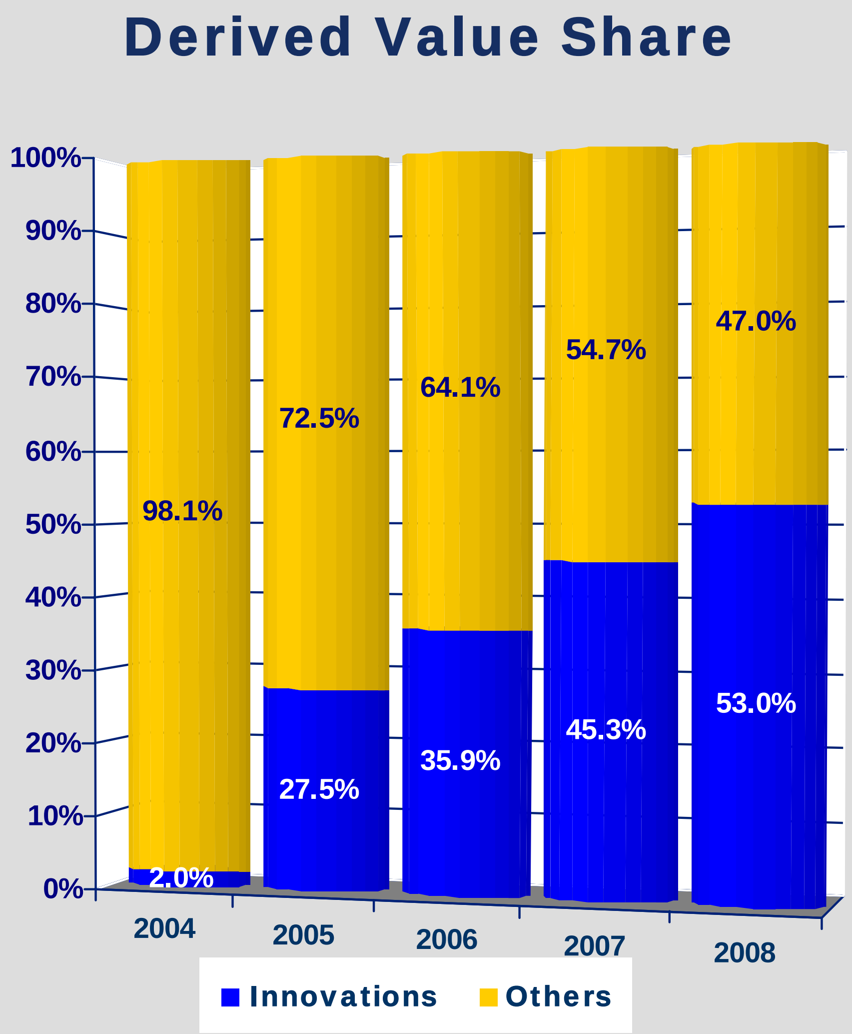
Attractive segment dynamics





New product development / Innovation as a value driver

2008	Vogue Collections: Ephemere (Feb) Yava Export (Jan)
2007	Dunhill Top Leaf (Jan) Vogue Collections: B&W (Feb) Kent Nanotek (Apr) Pall Mall SS Aromatic & TT (Jun & Oct) Dunhill Tribute (July) Dunhill FC (Nov)
2006	Vogue Arome 2&3 (Mar & Jul) Viceroy Filters (Mar) Pall Mall SS Menthol (Apr)
2005	Vogue Arome 1 (Feb) Kent Mintek (Apr) Pall Mall SS Lights, Ultra (Aug) Viceroy Special (Jun)
2004	Kent 3-tek launch Dunhill KS launch (Oct)



Creating accelerated value and enhancing sustainability…

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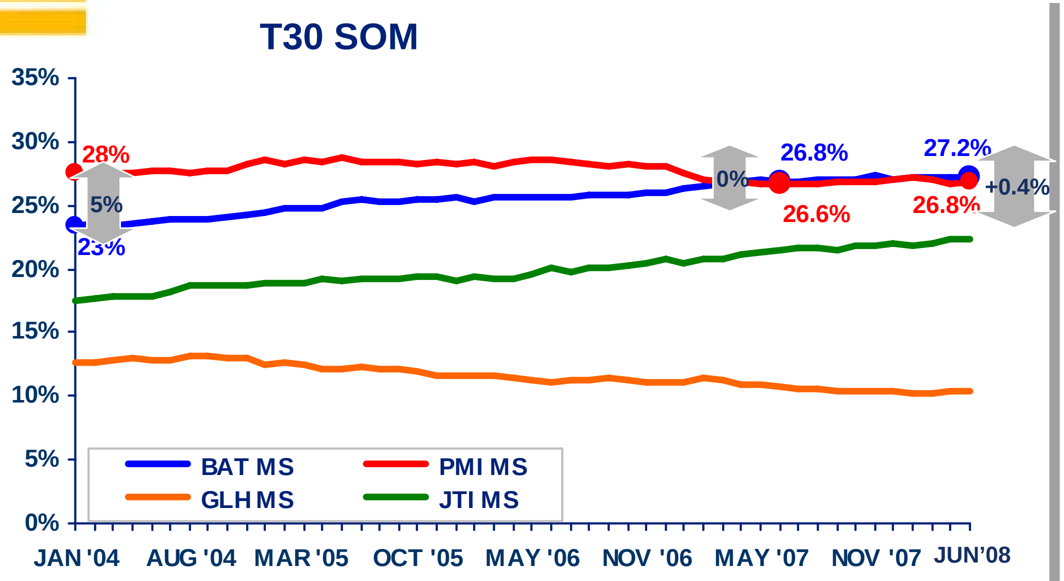

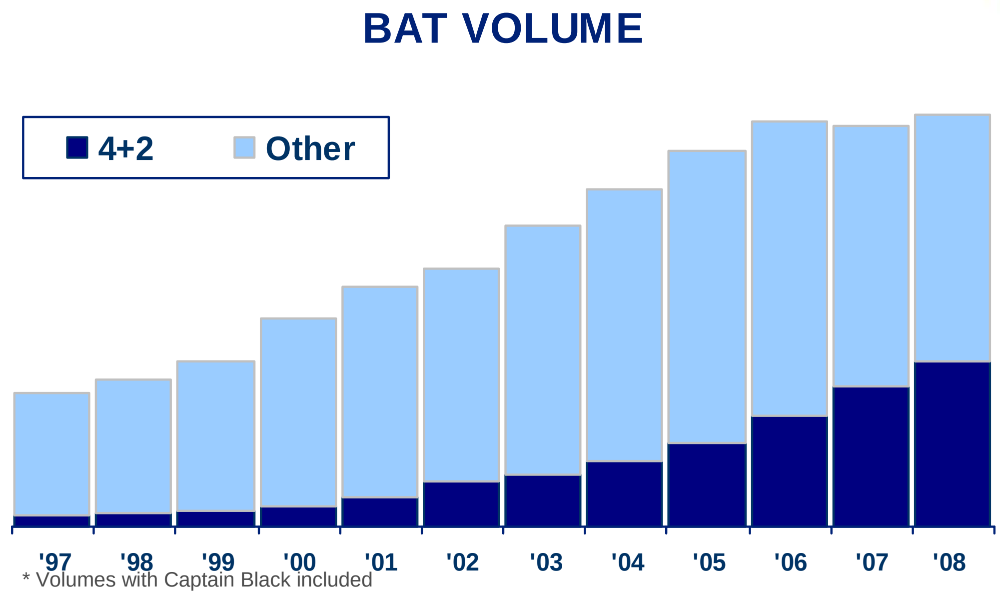

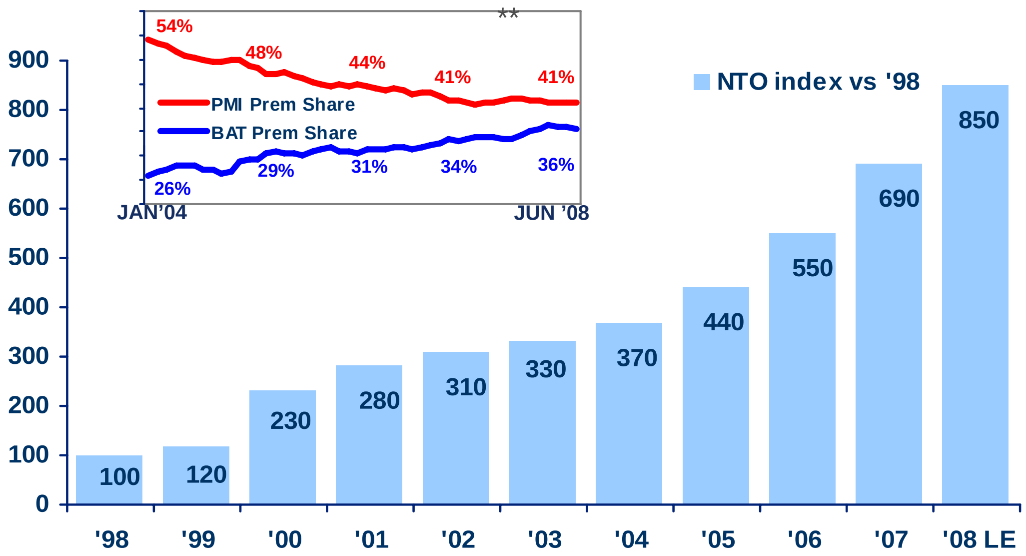

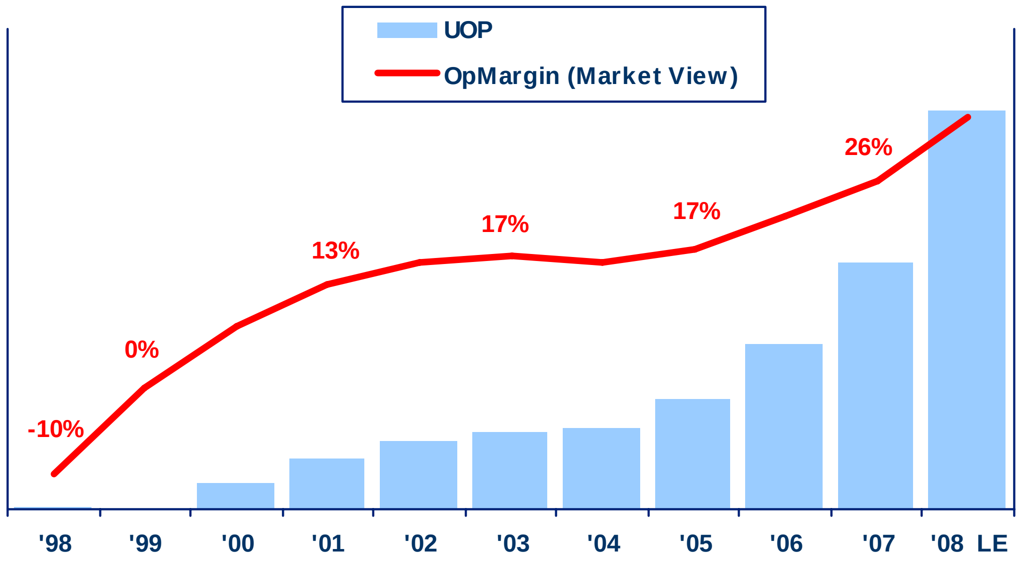

** Nielsen data National Russia (Jan 2004 – Jun' 2008)

QPR 2 2008

Please note : All figures are for consolidated (commercial and ops) excluding Belarus and internal Export business to ensure like for like comparison at budget rate (2007-@49.5245, 2008- @51)

Summary

Our business in South Africa is GREAT!!

Growing consumer class with $$ looking for more

The innovations journey is the road to take

We are on the way…..taking learnings from where we have a proven track record.

Productivity initiatives 2003 – 2007

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Cumulative savings, £m	2003	2004	2005	2006	2007
Overheads & indirects	64	153	256	355	455
Supply chain	27	120	226	374	551
Total	**91**	**273**	**482**	**729**	**1,006**

Factory Footprint	2003	2004	2005	2006	2007
Cigarette factories	72	67	64	52	47
Countries	61	58	55	45	40

→ Annualised savings of £1bn by 2007

Source: Company data

Productivity savings goal: 2008 – 2012

- Productivity savings a significant driver of profit growth
- Some drop through to the bottom line
- Balance reinvested in the business
- Target of a further £800m by 2012
  - Savings from supply chain, overheads & indirects
    - Supply chain efficiencies
    - Back office integration
    - Management structures

Earnings to Cash

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	2004	2005	2006	2007	Total '04 - '07
Attributable Profit (£ bn)	2.8	1.8	1.9	2.1	**8.6**
Adjusted Earnings (£ bn)	1.7	1.9	2.0	2.2	**7.8**
Free Cash Flow (£ bn)	1.3	1.6	1.5	1.7	**6.1**
FCF to Adj. Earnings	**81%**	**84%**	**76%**	**77%**	**78%**

- In the last 4 years, the cumulative ratio of free cash flow to net profit before investing activities was 78%

Source: Company's financial results

Use of funds

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£ bn	2003	2004	2005	2006	2007	Total '02 - '07
Free Cash Flow	**1.6**	**1.3**	**1.6**	**1.5**	**1.7**	**7.7**
Dividends Paid	(0.8)	(0.8)	(0.9)	(1.0)	(1.2)	**(4.7)**
Share buy-back	(0.7)	(0.5)	(0.5)	(0.5)	(0.8)	**(3.0)**
Sub Total	0.1	(0.1)	0.2	0.0	(0.3)	**0.0**
Other net flows	(1.9)	0.2	(0.1)	0.0	0.2	**(1.6)**
Net cash flows	**(1.8)**	**0.1**	**0.1**	**0.0**	**(0.1)**	**(1.7)**

- In the last five years, £7.7bn has been returned to shareholders through dividends and share buy backs – and we are now returning all the free cash flow.

Financial policies

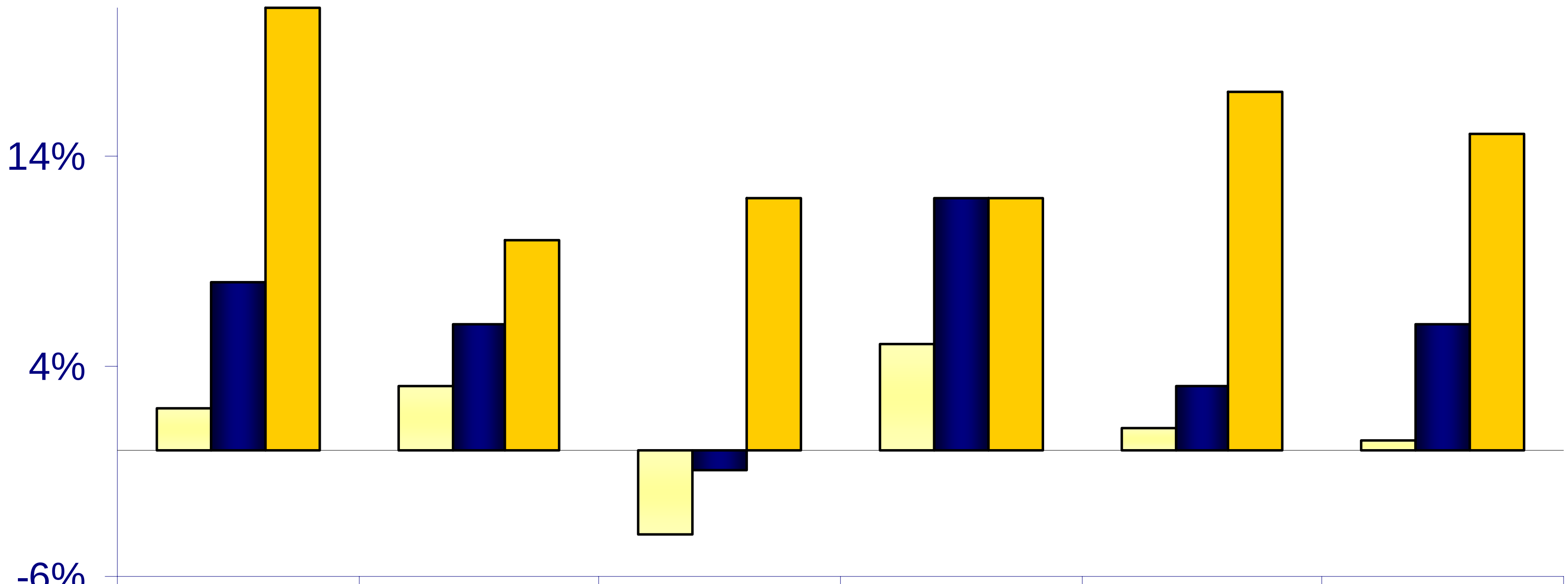
- Board commitment to investment grade ratings
- Liquidity: to maintain minimum of £1bn in cash and committed facilities
- Maturity profile has an average maturity of 5 years
- Gross interest cover targeted between 5 and 9 times
- Dividend policy is to distribute 65% of long term sustainable earnings from 2008
- Share repurchase programme target was £750m in 2007 but currently scaled back to £400m

Financing plan / liquidity

- £1.75bn committed Group revolving credit facility
- Strong cash flows and cash balances
- Smooth maturity profile
- Almost all debt is unsecured with a limited use of leasing
- Credit ratings

	Moody's	S&P	Fitch
Long term rating	Baa1	BBB+	BBB+
Short term rating	P-2	A-2	F2
Outlook	Stable	Stable	Stable

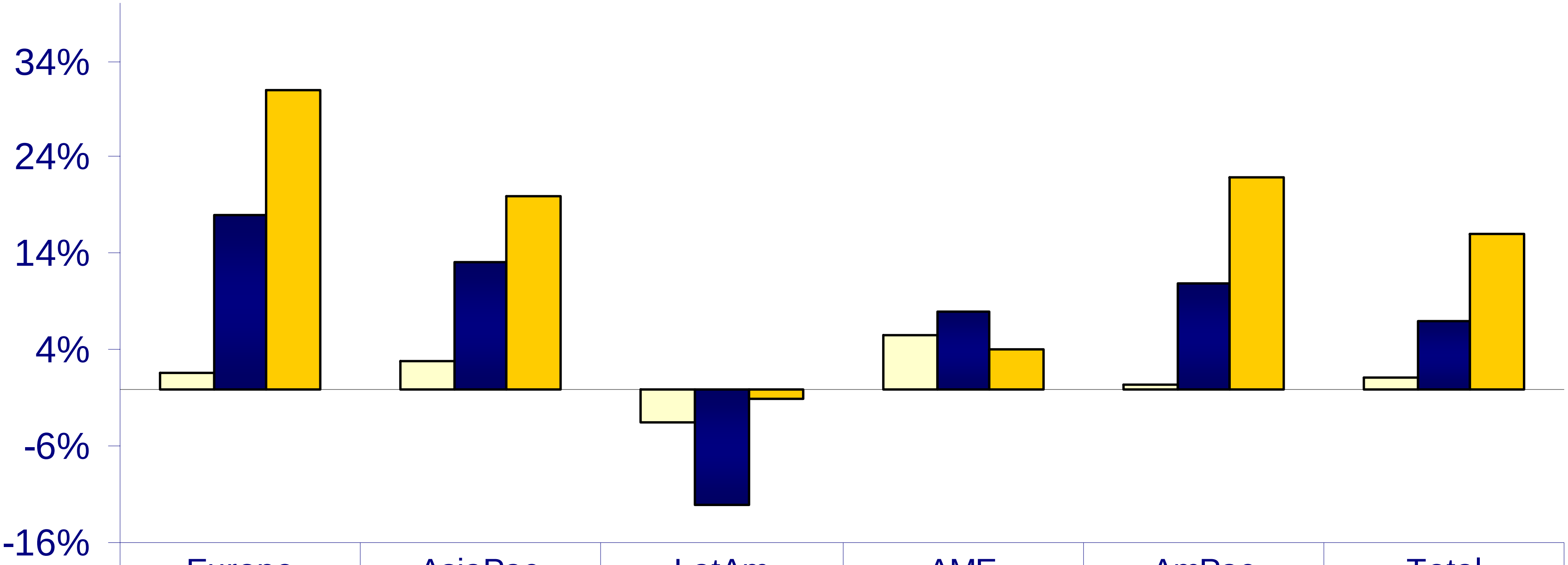
Volume and revenue: first half 2008



	Europe	AsiaPac	LatAm	AME	AmPac	Total
Volumes	2%	3%	-4%	5%	1%	1%
Revenue (const)	8%	6%	-1%	12%	3%	6%
Revenue (curr)	21%	10%	12%	12%	17%	15%

Source: Company data

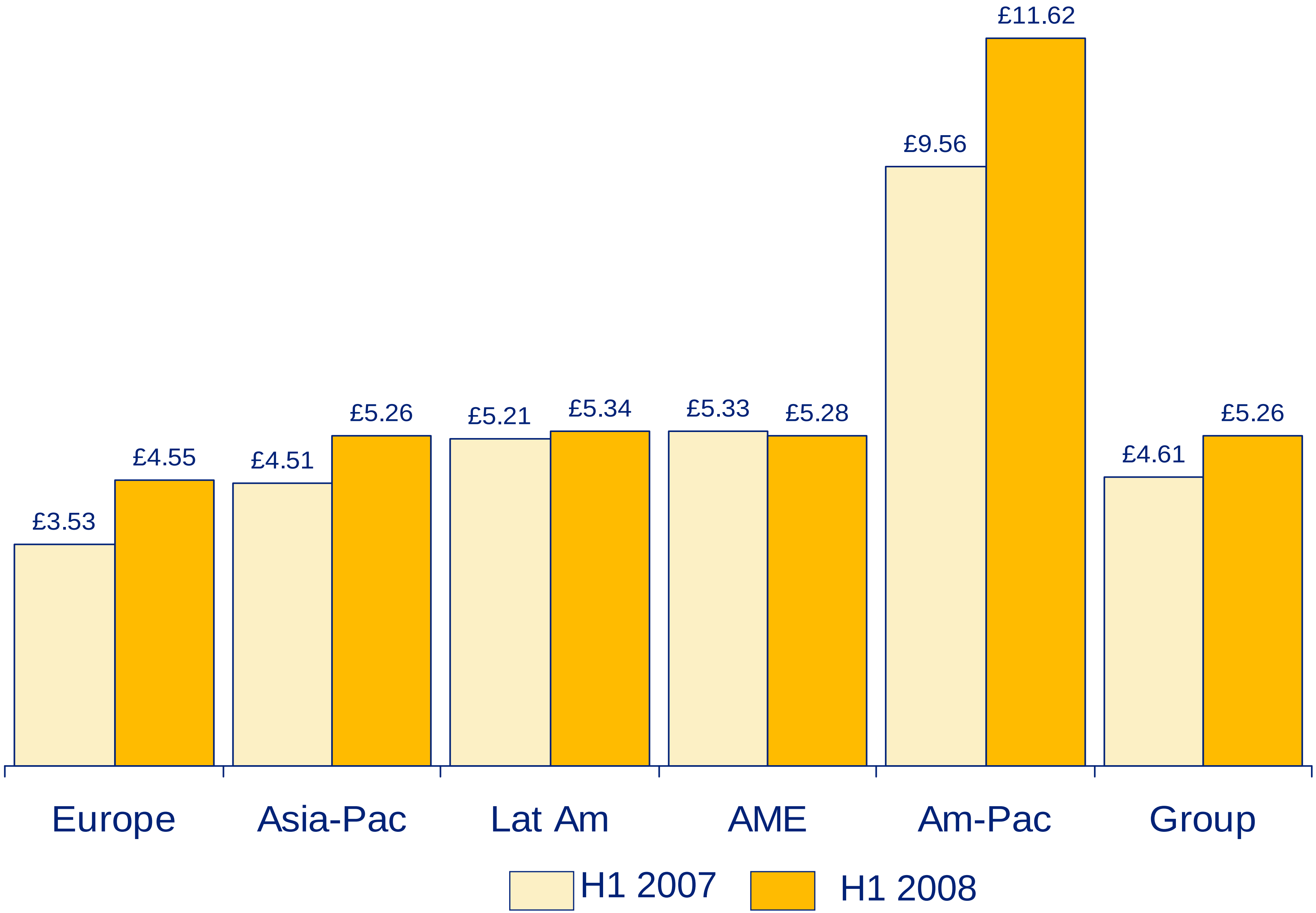
Volume and profit: first half 2008



	Europe	AsiaPac	LatAm	AME	AmPac	Total
Volumes	2%	3%	-4%	5%	1%	1%
Profit (const)	18%	13%	-12%	8%	11%	7%
Profit (curr)	31%	20%	-1%	4%	22%	16%

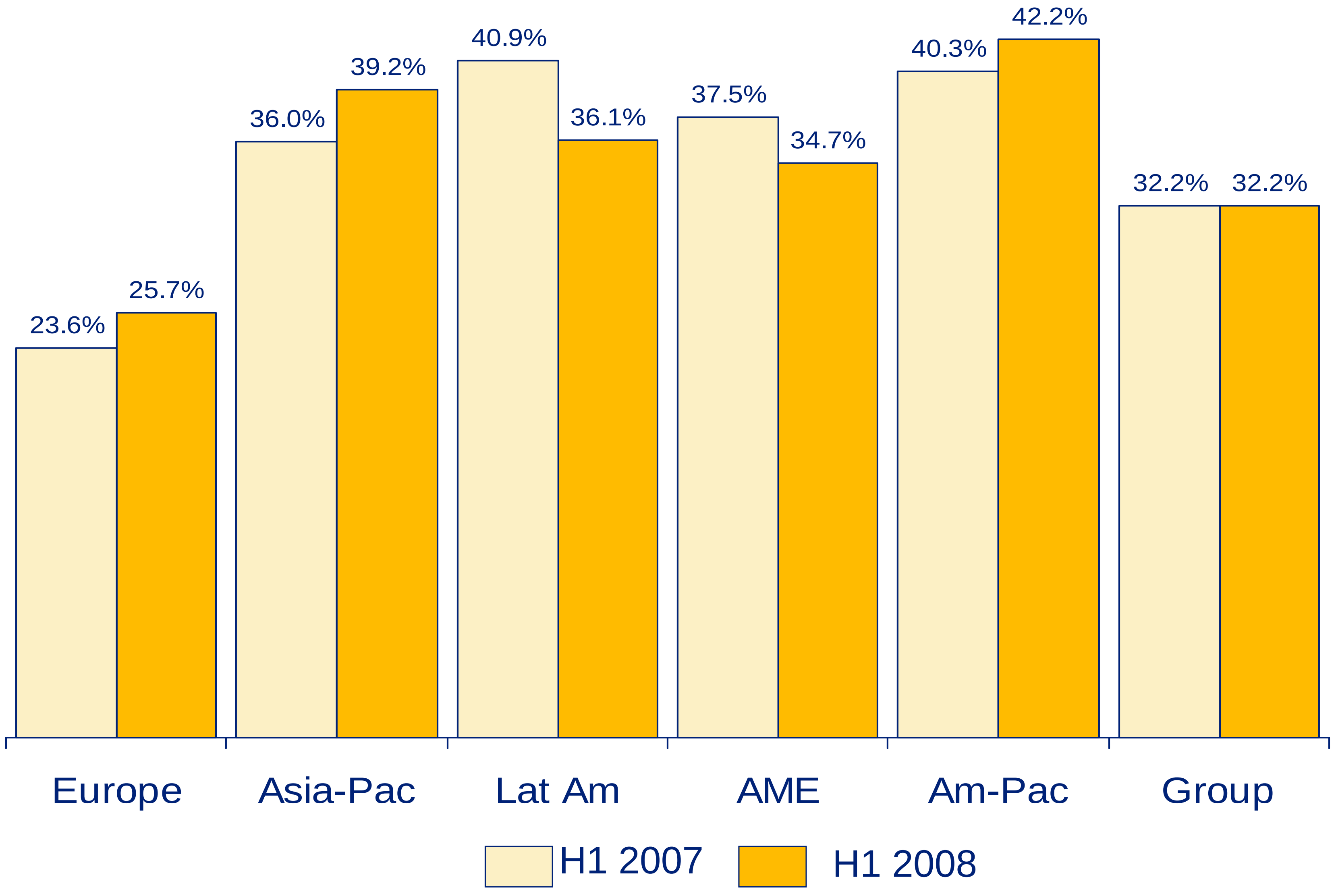
Source: Company data

Margins: profit per 1000 cigarettes



Source: Company’s interim report 2008

Operating margin



Source: Company's interim report 2008

Drivers of adjusted EPS growth

BRITISH AMERICAN TOBACCO

	Pence	%
EPS H1 2007	**53.5**	
Profit performance	3.5	6.5
Net finance costs	(1.1)	(2.0)
Associates	0.3	0.5
Taxation	0.7	1.3
Minorities	0.1	0.3
Share buy-back	0.9	1.7
Exchange	4.1	7.6
EPS H1 2008	**62.0**	**15.9**

Source: Company data

Future expectations

BRITISH AMERICAN TOBACCO

Top Line Growth
- Volume growth
- Pricing
- Mix Improvements

Productivity Savings
- Overheads
- Indirects
- Supply Chain

Operating Profit growth of 6% p.a. on average

Financial Efficiencies
- Share buy backs
- Others

High single digit earnings growth

Distributing 65% of sustainable net earnings as dividends (with balance of free cash flow for strategic acquisitions or share buy-backs, subject to maintaining an acceptable credit rating)

* Based on internal estimates over the medium to long term

In summary:

- Significant global business
- Geographically diversified to mitigate risk
- Leadership position in more than 50 markets
- Clearly articulated strategy that works
- Powerful brand portfolio
- Innovative business developing new propositions
- Improving margins through brand mix and productivity strategies
- Highly cash generative with a strong balance sheet
- Track record of consistent performance
- Focused on delivering great shareholder value

British American Tobacco

Investor queries should be addressed to the Investor Relations Department in London. Please do not contact the local offices in South Africa.

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