



Asia Pacific Region Overview

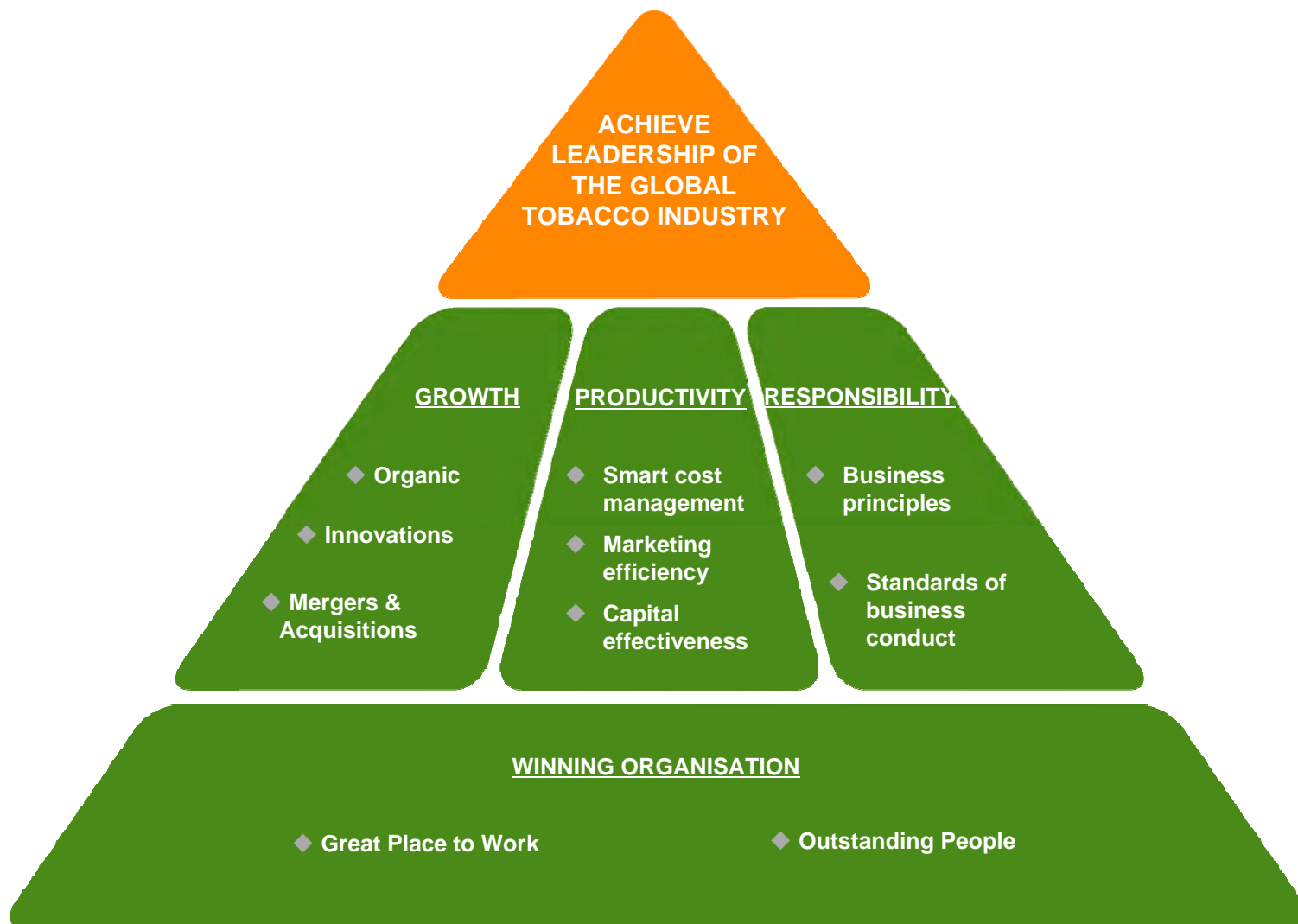
March 2010



Agenda

- Review of Group Strategy
- BAT in Asia Pacific
- Outlook
- Summary

Group Strategy



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BAT's Asia Pacific Region



BAT locations

- BAT office and factory
- BAT office only

Our areas and markets

- South Korea
- Malaysia – Malaysia, Brunei, Singapore domestic
- Greater China Area (GCA) – China, Hong Kong, Macau, Taiwan
- Australasia Area – Australia, New Zealand, PNG, Solomon Islands, Fiji, Western Samoa
- South Asia Area (SAA) – Pakistan, Sri Lanka, Maldives, Bangladesh, Afghanistan
- Japan
- Vietnam Cluster – Vietnam, Cambodia, Export Markets
- Indonesia



We compete in a heavily regulated Region

Taiwan:
Guidance expected on permitted words and phrases on pack e.g. product and brand story.

HK/Macau and Mongolia:
Ad hoc excise increases

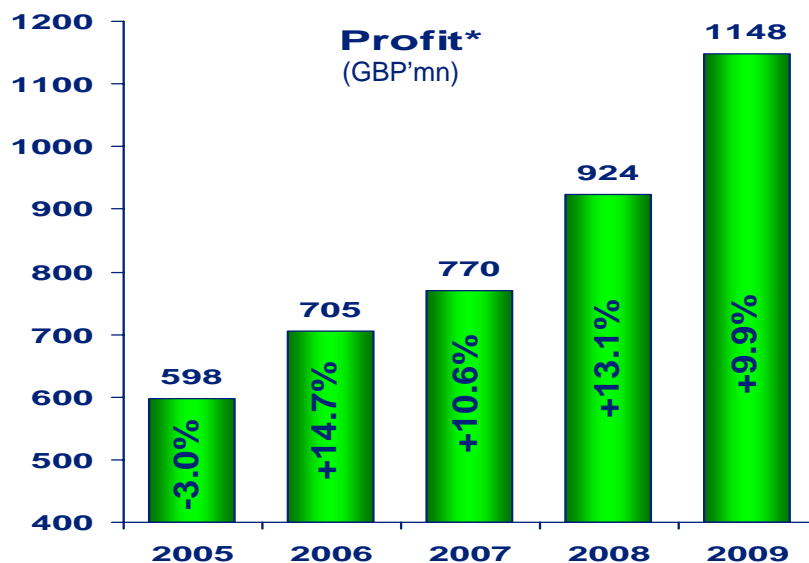
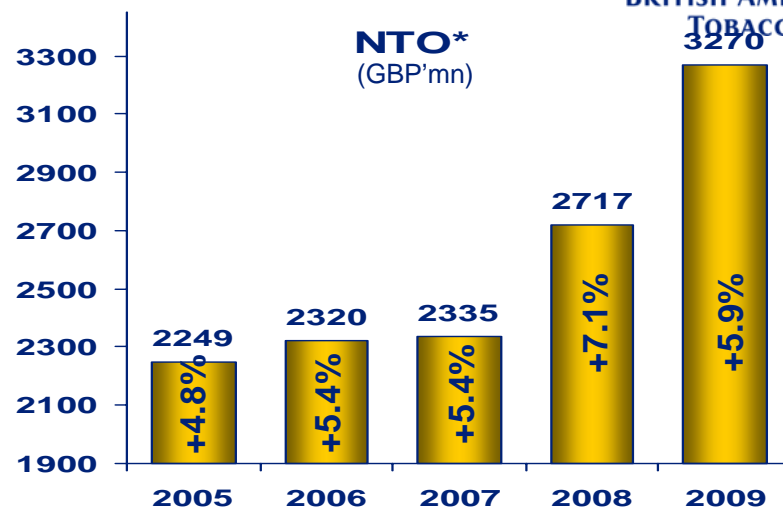
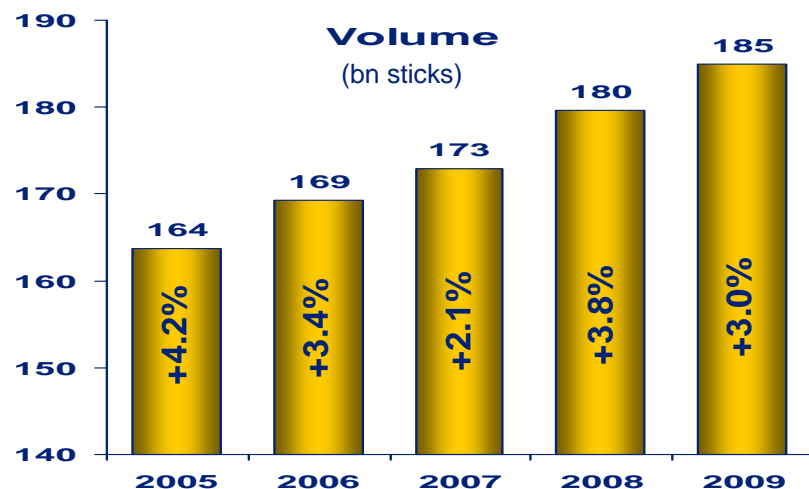
Regulation Level	% UOP	% Vol
Low	5%	10%
Moderate	46%	54%
High	49%	36%



Impressive result in Asia Pacific over last 5 years (incl Japan & Bentoel)



BRITISH AMERICAN
TOBACCO

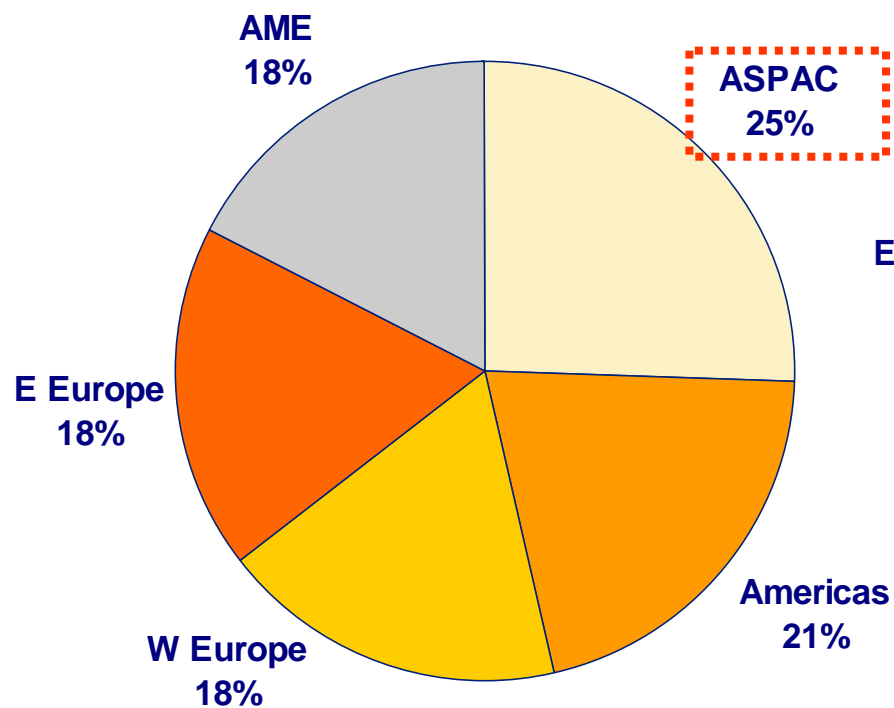


CAGR (05-09): Volume (+3.1%), NTO (+10.0%), UOP (+18.0%)

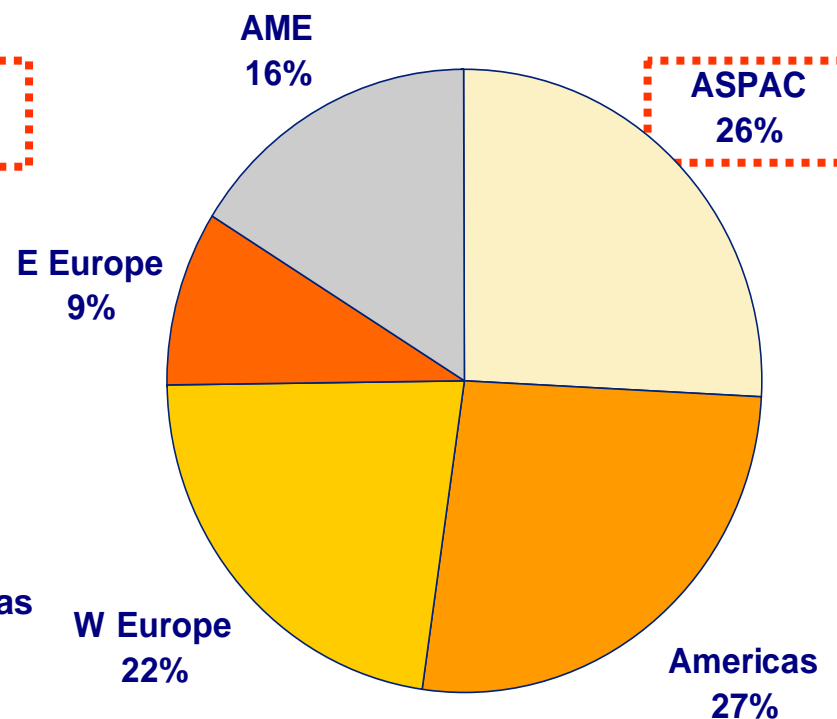
1. **Source:** BAT Annual Reports for historical results plus internal report for Japan from 2005 to 2007
2. Financial growth rates are computed based on constant exchange rates for like-for-like comparisons
3. Japan is included in all the years. Half year results of Bentoel in 2009 only.

Asia Pacific is a major contributor to the Group

Volume (2009)



Profits (2009)



Summary: BAT in Asia Pacific

- Sizeable, well-balanced presence in the Region
- Substantial footprint: factories in 14 end-markets
- Successful results despite operating in heavily regulated markets
- Strong volume and profit contributor to the Group
- Intimate market knowledge and decades of experience in the Region

Strong platform to build upon

Agenda

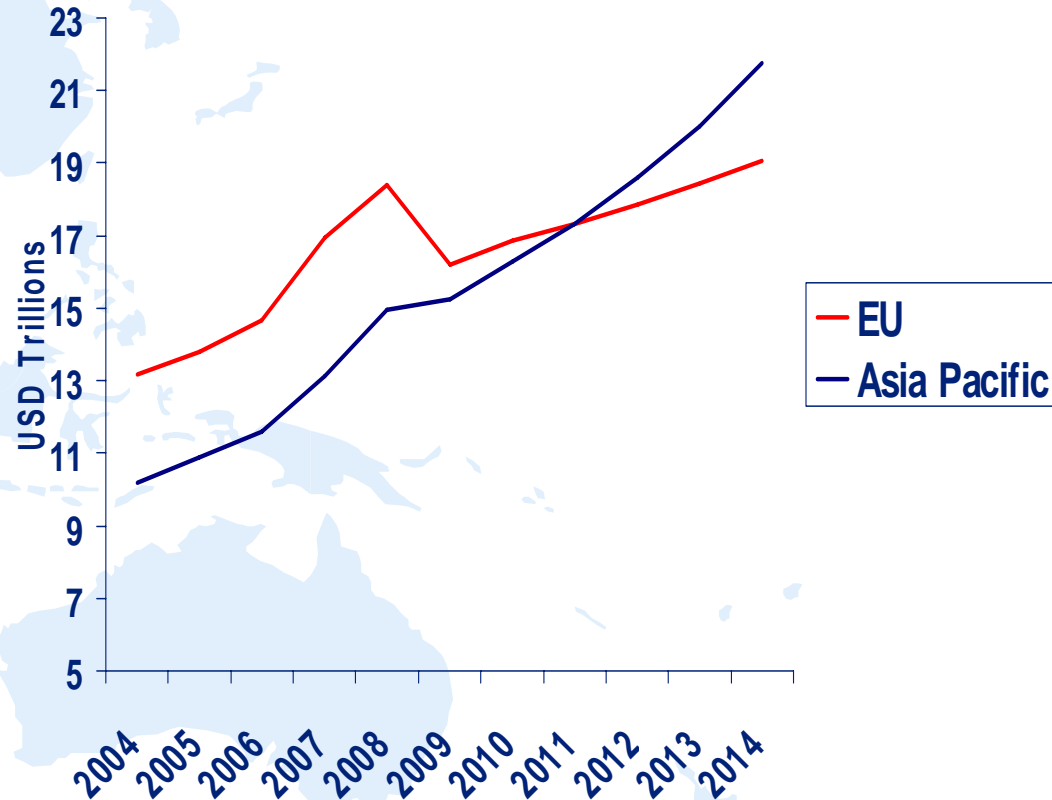
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Asia Pacific Region: Huge population, growing economies...

56% of the world's population

Larger economy than the EU by 2011

Asia Pacific GDP



Source: IMF, October 2009

Population

Exc China

~ 2.4 bn

Inc China

~ 3.8 bn

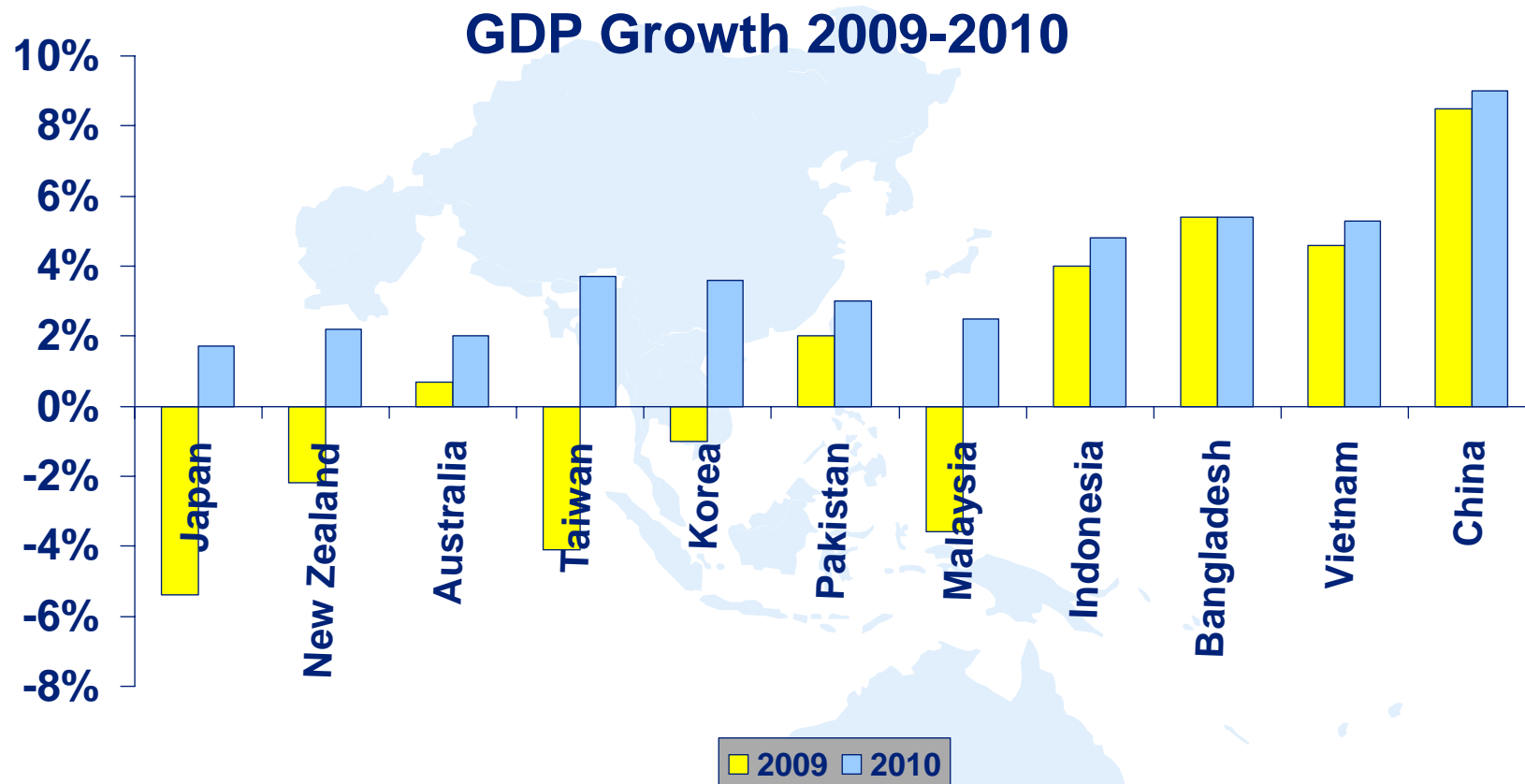
% of Global Pop.

~36 %

~ 56%

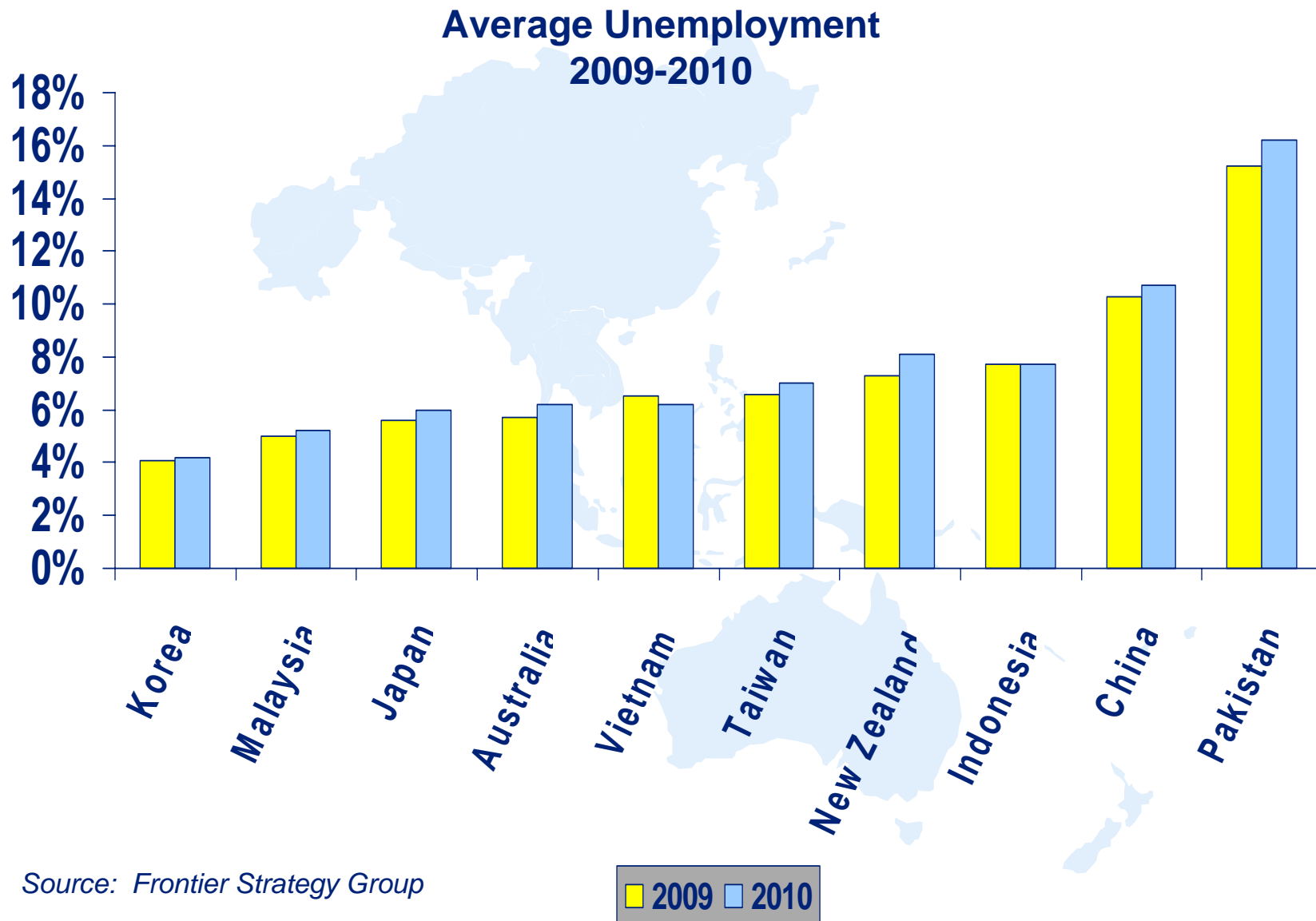
Source IMF, October
2009

GDP recovery expected in 2010



GDP growth returns in 2010 (from a lower base)

Unemployment expected to improve, but marginally; consumer spending patterns likely to lag

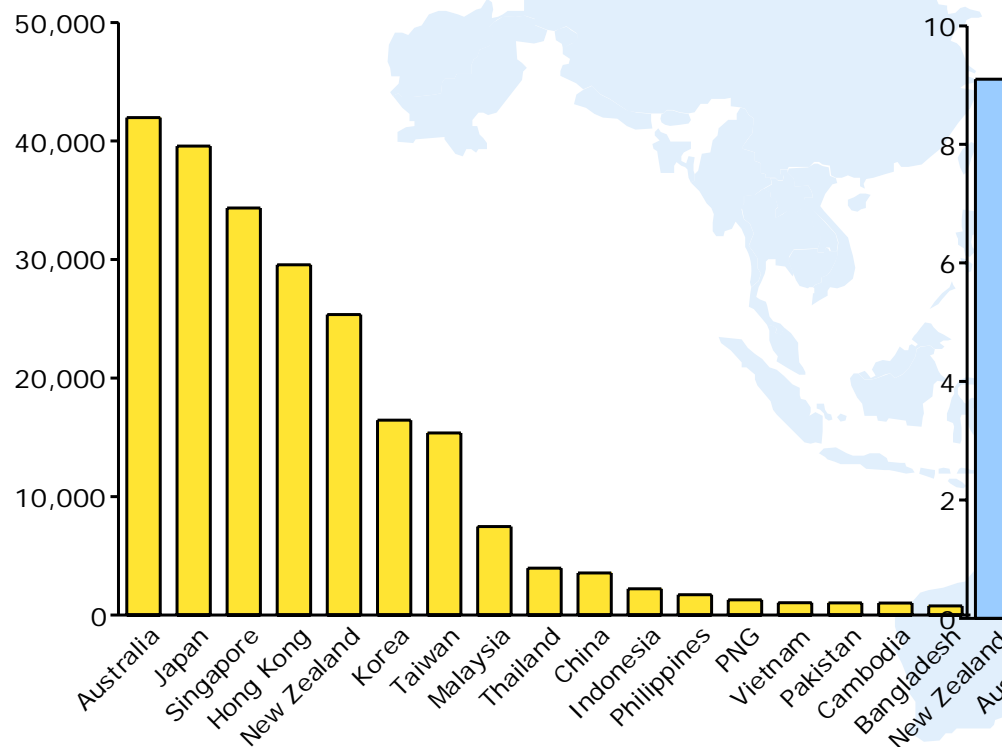


Vast wealth disparities across the region, reflected in pricing levels

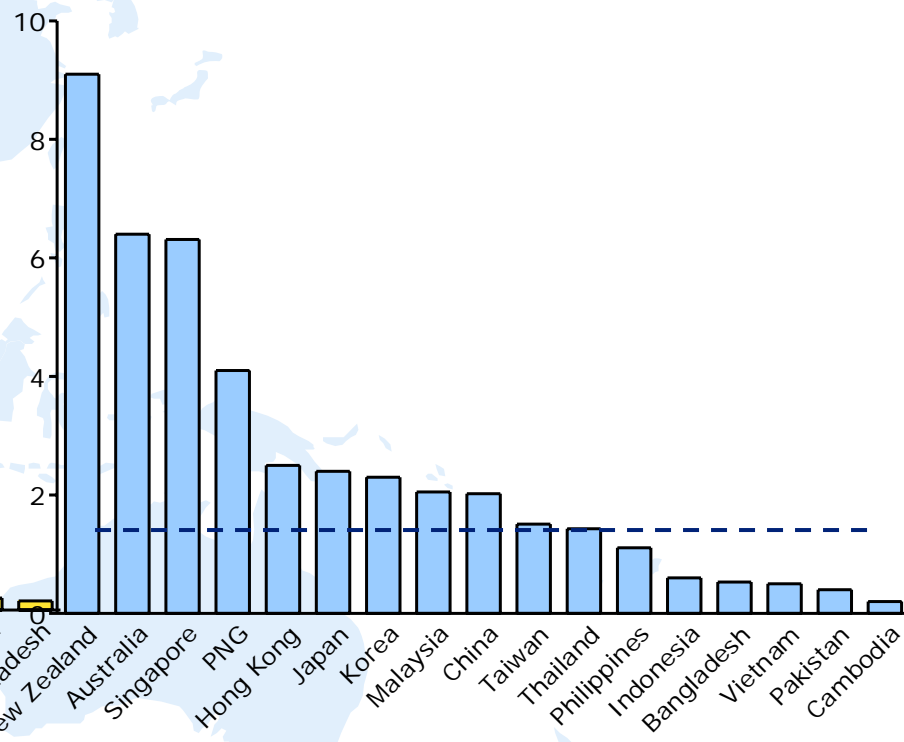
Per capita GDP

ASP per pack (20s)

Per Capita GDP (\$)
















ASP (\$)



Significant pricing opportunities still available in the Region

Recent pricing activities

	1 st Half 2009	2 nd Half 2009	2010 Year-to-date
Australia			
New Zealand			
South Pacific			
Malaysia			
Singapore			
Japan			
South Korea			
Pakistan			
Bangladesh			
Sri Lanka			
Vietnam			
Cambodia			
Mongolia			
Taiwan			
Hong Kong/Macau			
China			
Indonesia			
GTR			

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In Summary...

- Major presence in Asia Pacific
- Significant growth driver for the Group
- Consistently deliver impressive results despite ongoing challenges
- Strong platform to deliver growth
- Asia Pacific will continue to be a key area of focus
 - Growing population
 - Economic recovery
 - Pricing opportunities

YOKOSO!!



BRITISH AMERICAN
TOBACCO
JAPAN



CITI INVESTOR VISIT, TOKYO, MARCH 9 2010



AGENDA

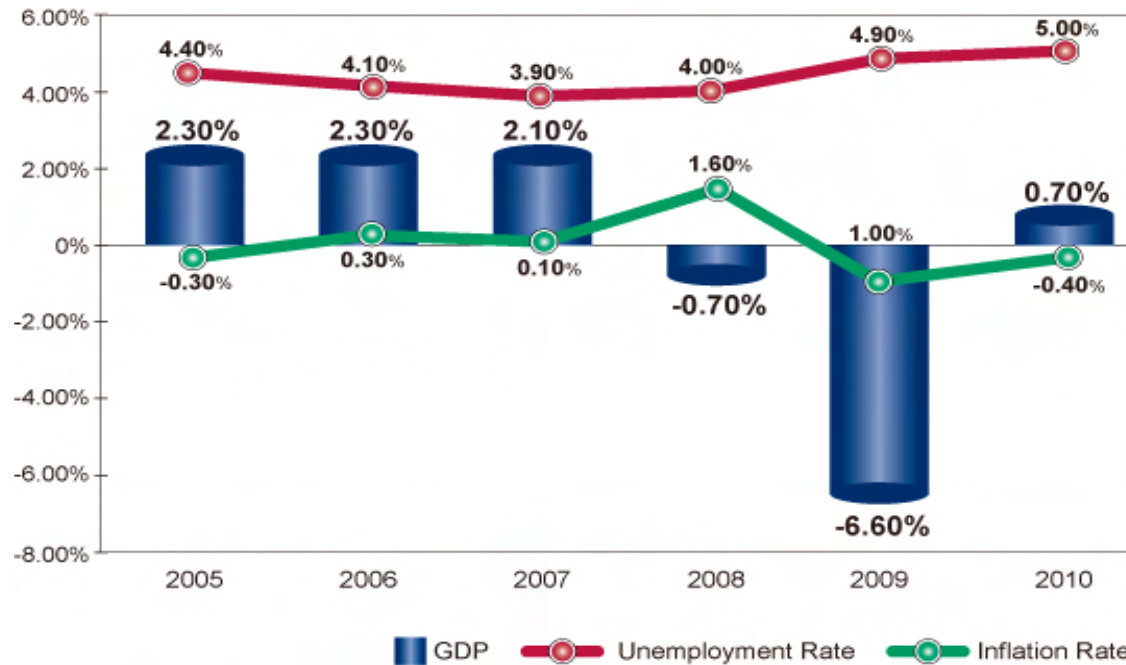


- External Environment
- Impact Of Recent Political Change on Tobacco
- Tobacco Industry
 - Key Trends
 - Key Opportunities
- BAT Performance
- BAT Vision and Strategy
 - Leading Growth
 - Consumer, Brands, Innovation
 - Winning Organisation



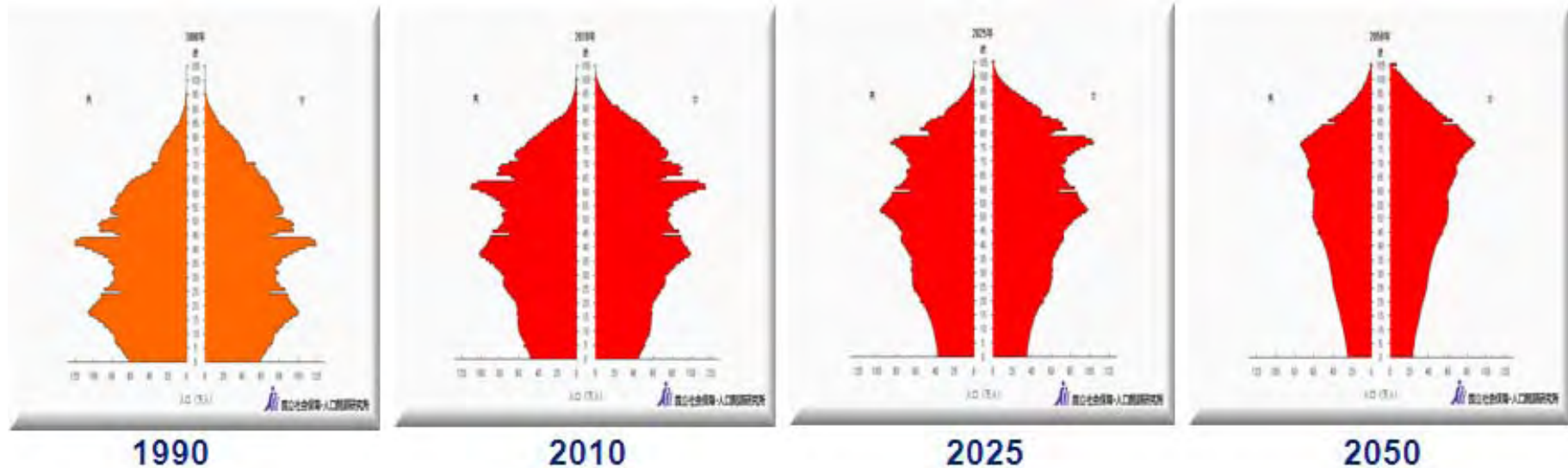
The External Environment

JAPAN ECONOMY: Long uncertain road



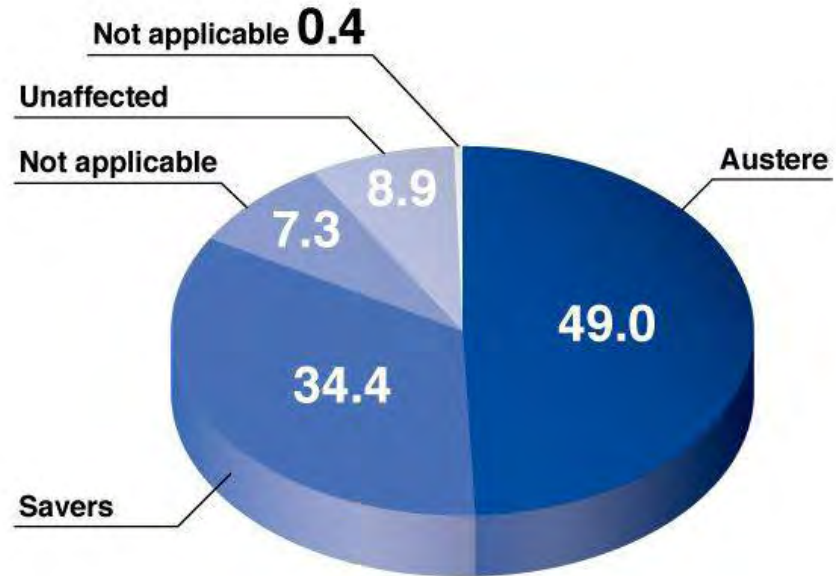
- Experienced sharpest recession in 2008-09 from global financial crisis
 - Major contraction in 2009
 - GDP recovery led by government stimulus and net export recovery (inventories)
- Public debt approaching 200% of GDP

AGEING DECLINING POPULATION



- Population at its peak (127mn), set to decline sharply after 2013
- Population will be 90 mn in 2050
- Ageing Population
 - Pressure on labour, health, pension
- Immigration Policy

CONSUMER CONFIDENCE: NEW LOW



- Uncertain future – Unemployment, wages, pension
- Extremely price and budget conscious behaviour especially families and older shoppers
- Luxury goods flat/declining
- Consumer spending declining

Tobacco

MINISTRY OF FINANCE is a dominant influence in the tobacco industry



- Tobacco Business Law (1985)
 - Maintain stable fiscal revenues
 - Fostering the sound development of the tobacco industry
 - Production and purchase of domestically produced leaf tobacco
 - Abolition of Tobacco Monopoly
- Owns 50.1% of JT

The Law vests the Ministry of Finance (MoF) with power to regulate production and sale of domestic leaf, sale of manufactured tobacco, wholesale and retail licenses, advertising and retail pricing.



REGULATORY ENVIRONMENT



- Regulation is benign by international standards
 - June 2004 ratification of the FCTC:
 - OOH ceased & press restricted in Sept 2004 (TV/radio already banned)
 - Larger (30%) on-pack rotating health warnings implemented July 2005
- Freedom to communicate and consumer contact relatively high
- All tobacco retail outlets are government licensed
- Legal age of 20 (to procure cigarettes and alcohol)



REGULATORY ENVIRONMENT

- Societal courtesy and manners are key drivers rather than health
- PPS and Juvenile smoking are key areas of societal, governmental focus



REGULATORY: VENDING

- Roll out of Age Verification in Vending Machines in July 2008
 - Y80bn (approx. \$800mn) industry investment
 - Taspo card adoption lower than expected (37.1%: as of Jan '10)
 - Significant changes to buying habits and consumption



REGULATORY: PRICING



- Cigarette Prices very low by first world standards
 - Mainstream ~ \$3.00
 - Premium ~ \$3.20
- Cigarette prices are fixed, promotions closely controlled:
 - De facto price control by the Ministry of Finance
 - Requires pre-approval for any changes
 - No consumer discounting is permitted
- Only 4 tax increases in 10 years
- First MPI in July 2006 after 20 years (AVVM)
- Selective price increase in 2007



NEW GOVERNMENT AFTER 50 YEARS



BRITISH AMERICAN
TOBACCO
JAPAN



 **LEADING
GROWTH**

DPJ AGENDA : FROM BRIDGES TO PEOPLE



- Independence from Bureaucracy
- The end of wasteful spending
- Social agenda
 - Childrearing and Education
 - Pensions and Medical care
 - Employment and the Economy
- Very healthy aging society
- Non fossil fuel energy - clean energy
- Asia focus (along with the US)

IMPLICATION FOR TOBACCO INDUSTRY

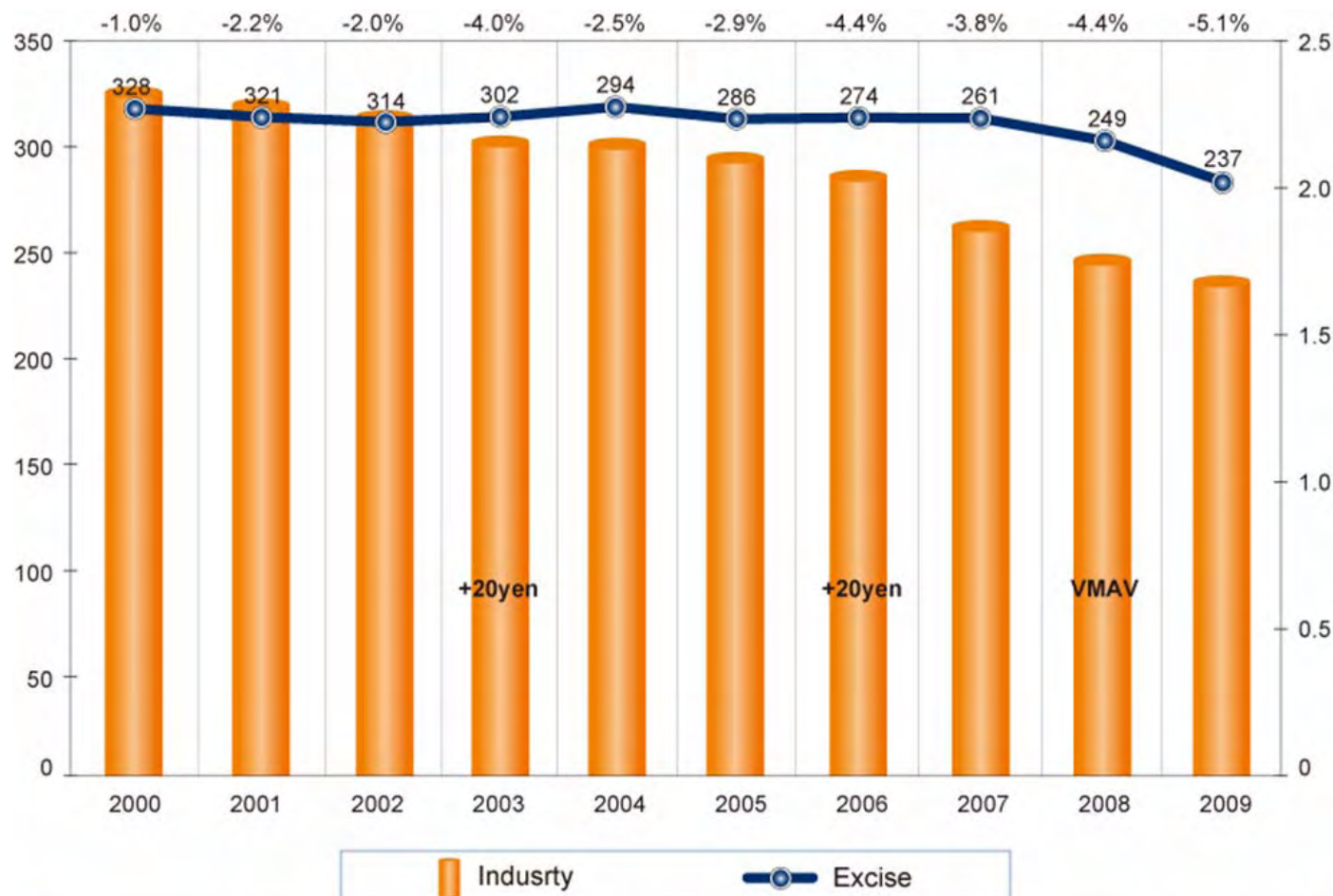


- Fork in the road
 - Pricing freedom is key
 - TIOJ concern with big excise increases
- Industry profit pool can grow significantly
 - Smaller more profitable industry
 - Bigger prize .. greater competition
- Japan will continue to be a major market globally



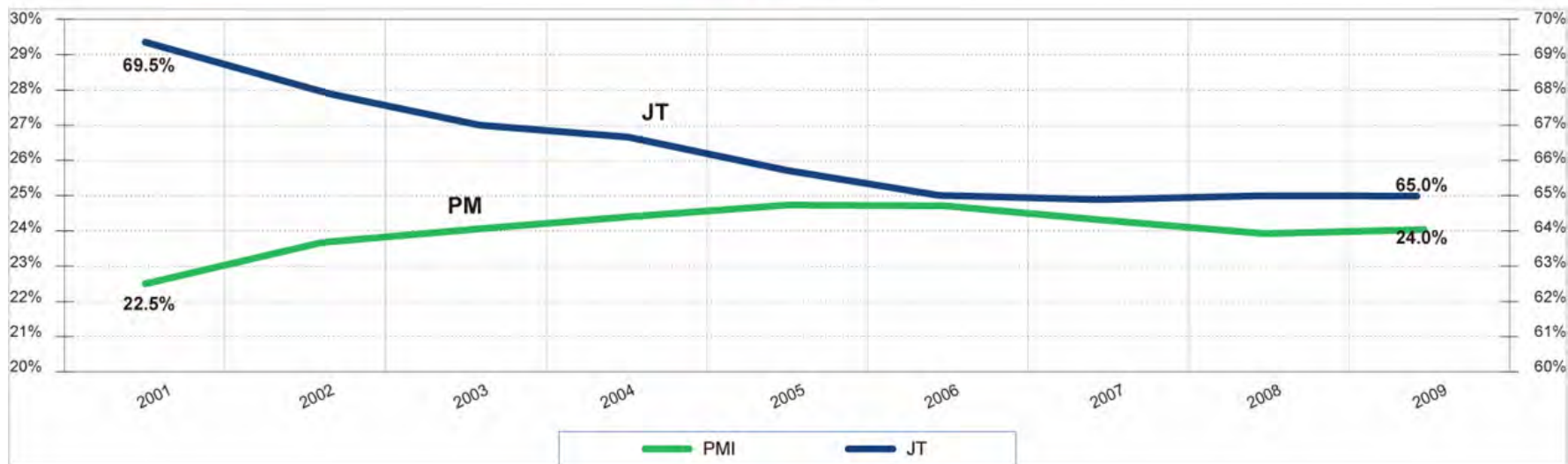
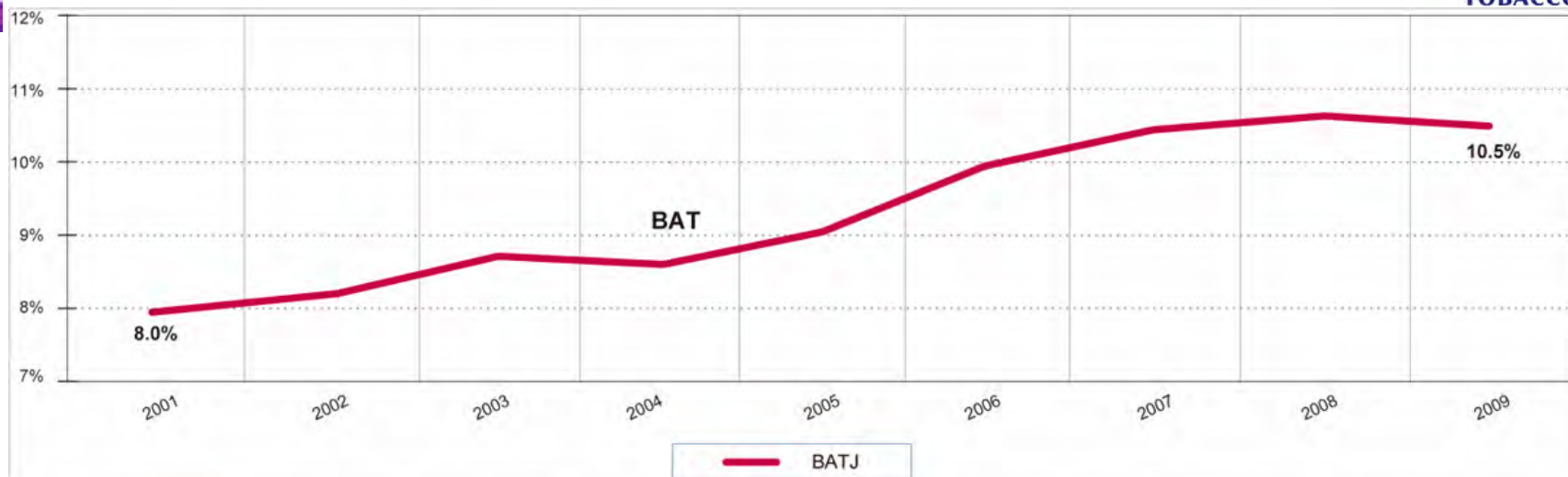
Tobacco Market And BAT Performance

INDUSTRY AND EXCISE TREND



		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	CAGR (05-09)
Incidence	Male	53.5	52.0	49.1	48.3	46.9	45.8	41.3	40.2	39.5	38.9	-4.0%
	Female	13.7	14.7	14.0	13.6	13.2	13.8	12.4	12.7	12.9	11.9	-3.6%
ADC	Male	24.2	23.9	23.3	22.9	22.4	22.3	22.3	21.6	21.7	21.3	-1.1%
	Female	17.3	17.2	16.7	17.2	16.5	16.0	16.3	15.9	16.4	15.9	-0.2%

3 KEY PLAYERS SOM TREND



BAT A CONSISTENT SUPERIOR PERFORMER



BAT			PM			JT		
2005	2009	CAGR	2005	2009	CAGR	2005	2009	CAGR

Volume Performance
vs. Industry

Index	100	103	1%	▲	100	99	(0%)	▼	100	100	(0%)	◀▶
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SOM

9.3%	10.5%	0.3%	▲	24.7%	24.0%	(0.2%)	▼	65.6%	65.0%	(0.1%)	▼
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Net Turnover

Index	100	103	1%	▲
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Operating Profit

Index	100	144	9%	▲
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- BAT shows resilience, outperforming the industry
- Focused strategy delivering superior performance



Data Source: BATJ Estimate

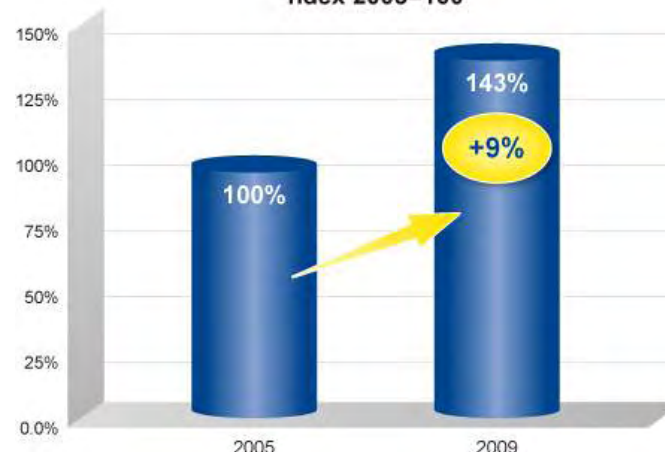
SOLID PERFORMANCE FOR BAT ... despite challenging business environment



Market Share



Operating Profit
Index 2005=100



Operating Margin

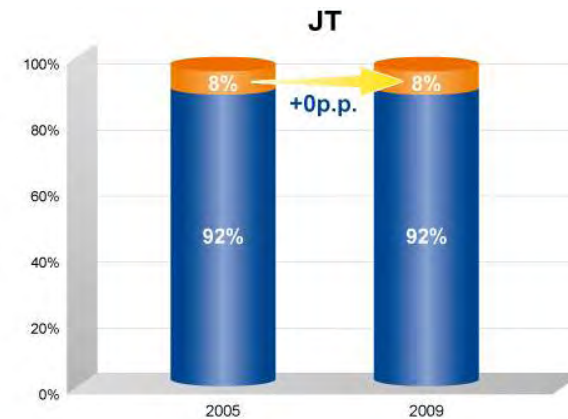
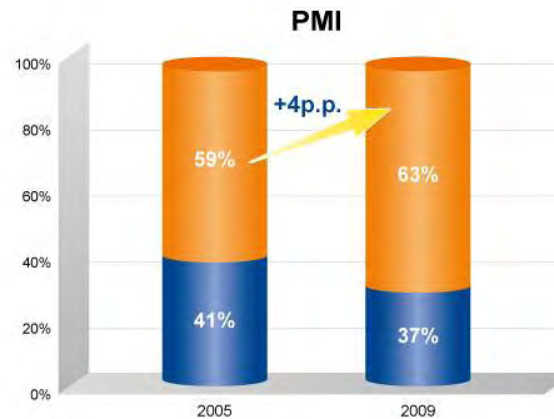
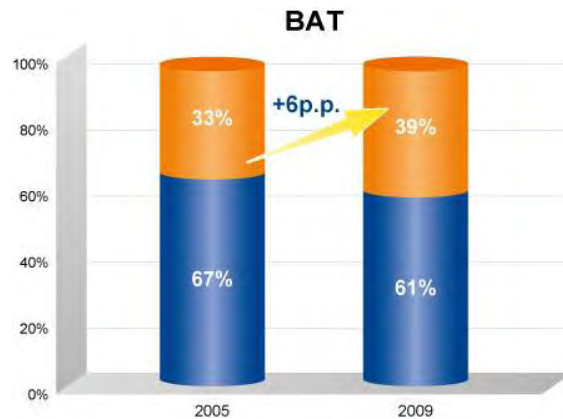


- Consumer led innovation (e.g. thread, capsule)
- Cost driven manufacturer's price increase
- Productivity savings

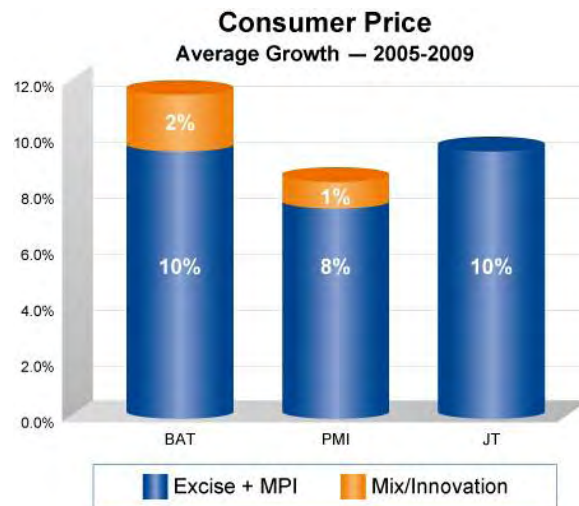
Data Source: BATJ Estimate



MIX AND INNOVATION DRIVE MARGINS



■ Mid-Low Price ■ Premium

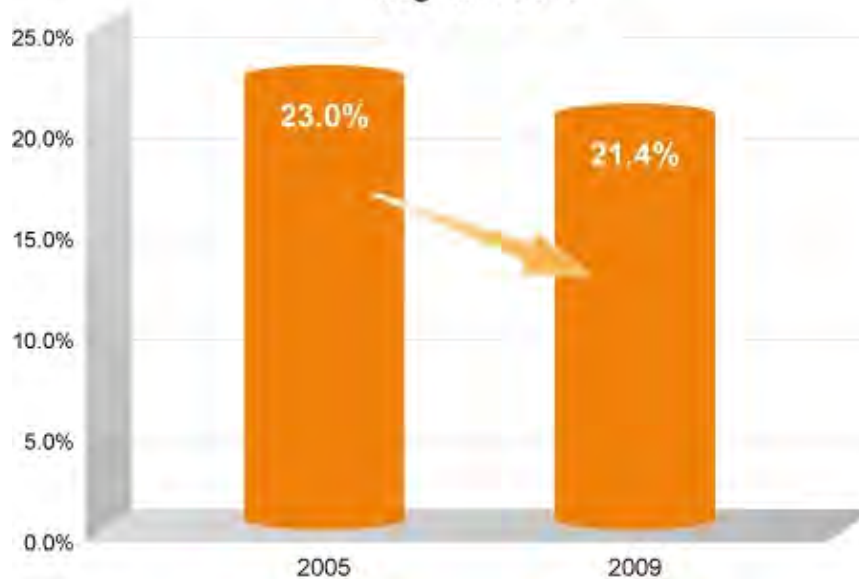


- Focus on accelerating premium growth has been key to mitigate lack of price freedom
- Breakthrough innovation offers opportunity to capture premium margins
- Kool Boost (capsule) priced at ¥10 premium to core range leveraged BAT average price

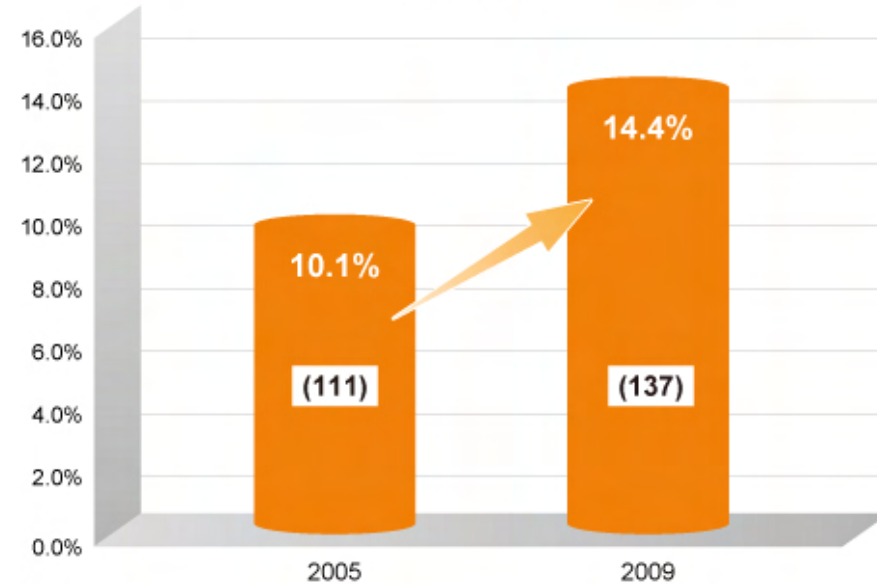
Focusing and Winning in key Segments

STRONG PERFORMANCE IN ASU30

Segment trend



BATJ SOS



() indicates index vs. total share

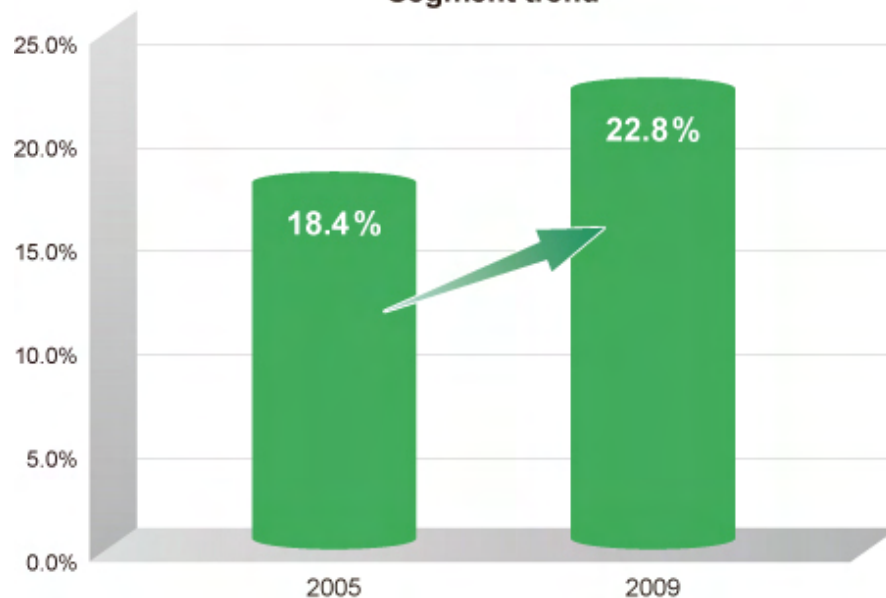
Size increase vs. 2005	CAGR (’05 – ’09)
-1.6ppt	-1.8%

Data Source: BATJ Estimate

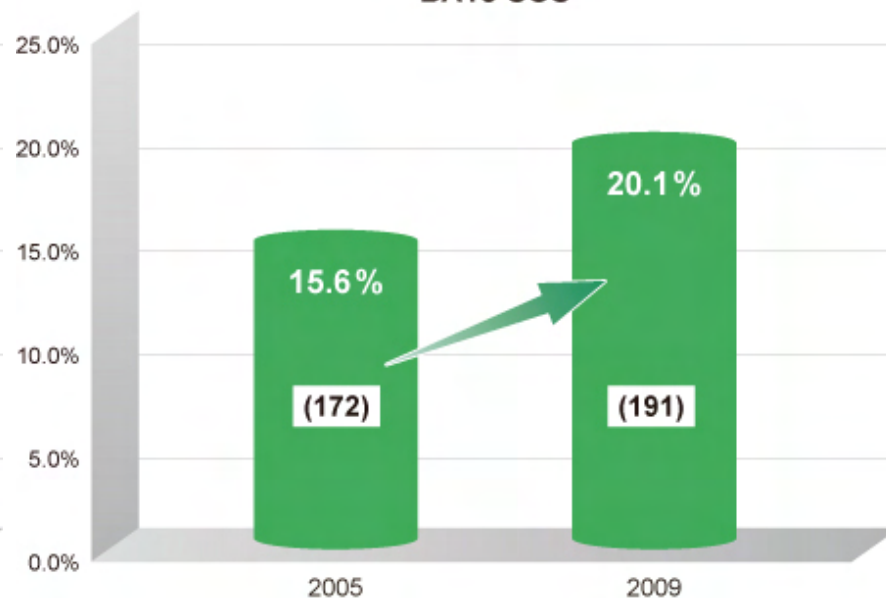
BAT OVER-PERFORMING IN MENTHOL



Segment trend



BATJ SOS



() indicates index vs. total share

Size increase vs. 2005	CAGR ('05 – '09)
+4.4ppt	+5.6%

Data Source: BATJ Estimate



CONTINUE TO DRIVE MENTHOL THROUGH INNOVATIONS

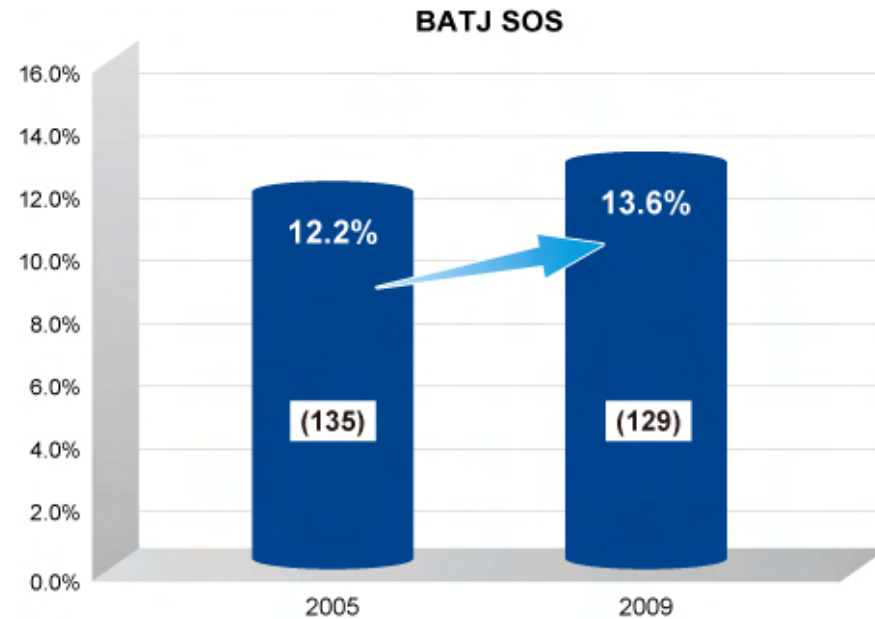
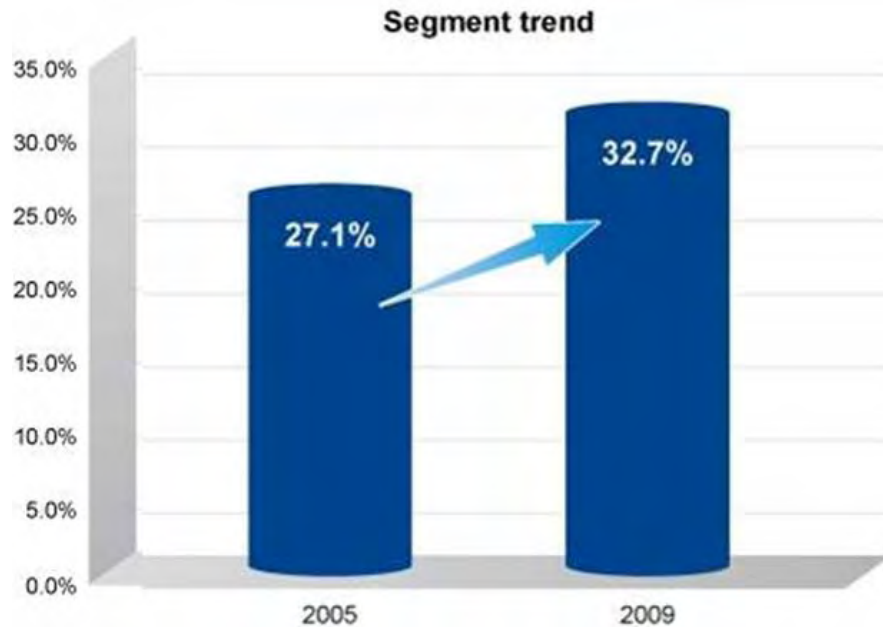


- Strong portfolio in premium and mainstream Menthol segments with Kool and Kent
- Develop and lead new segments: Capsules, Nano, Flavours
- Achieve leadership in Menthol through innovations

- 1st world capsule
- 1st world menthol thread
- Packaging innovation
- 1st flavour capsule
- 1st flavour menthol



BAT GROWING IN ULTRA LOW TAR



() indicates index vs. total share

Size increase vs. 2005	CAGR ('05 – '09)
+5.6ppt	+4.8%

Data Source: BATJ Estimate

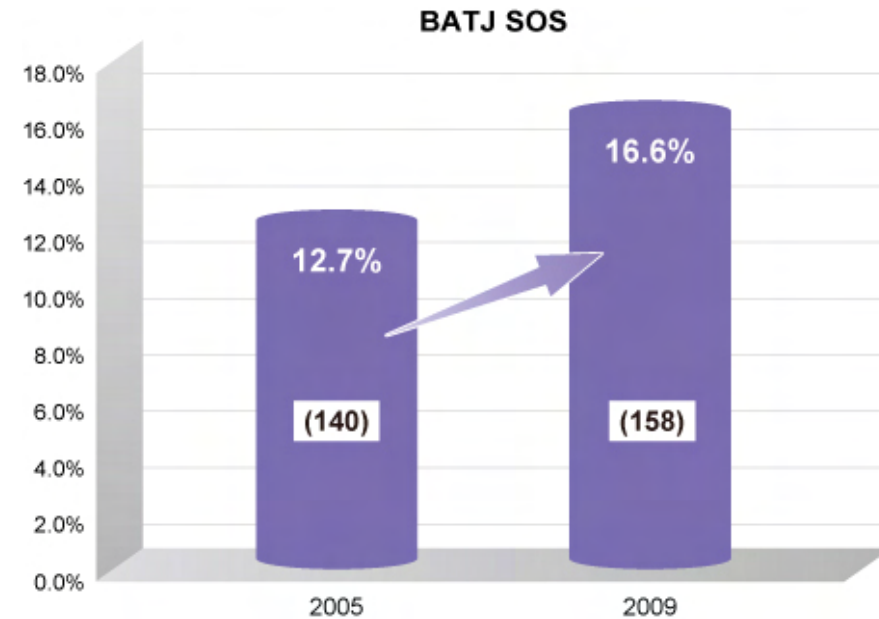
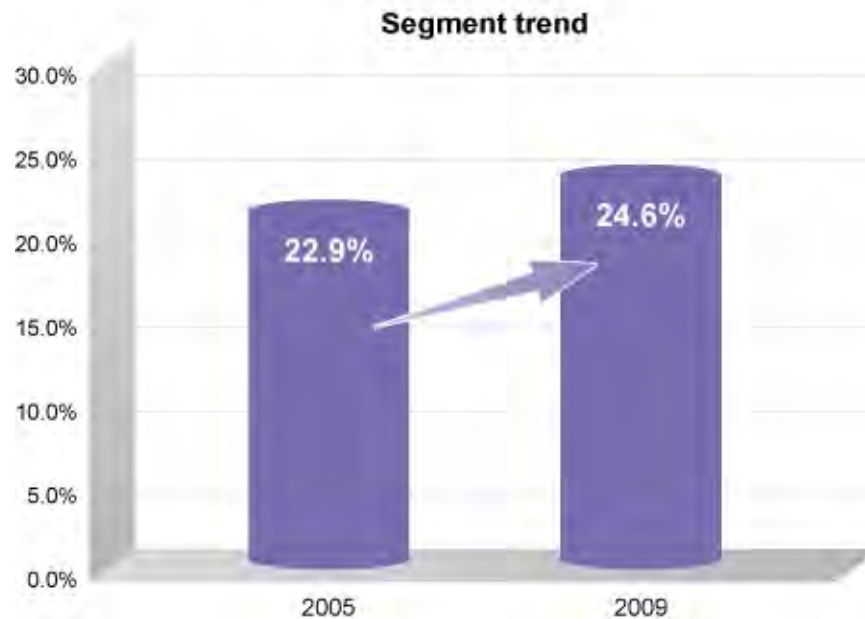


BAT IN ULTRALIGHTS SEGMENT



- Biggest segment in the market with 32.7% of total market size
- BAT will continue to grow with its core brand - Kent
- Strong innovation pipeline
 - 1st Ultra Low Tar Menthol
 - 1st triple filter technology
 - 1st pellet technology
 - 1st thread product
 - 1st KSSS (Nano)
 - Strong packaging development

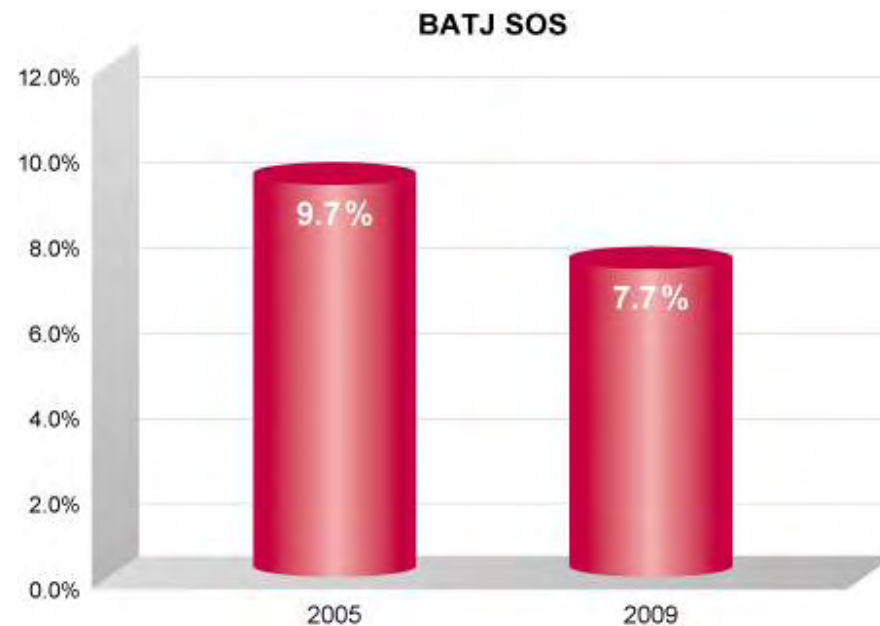
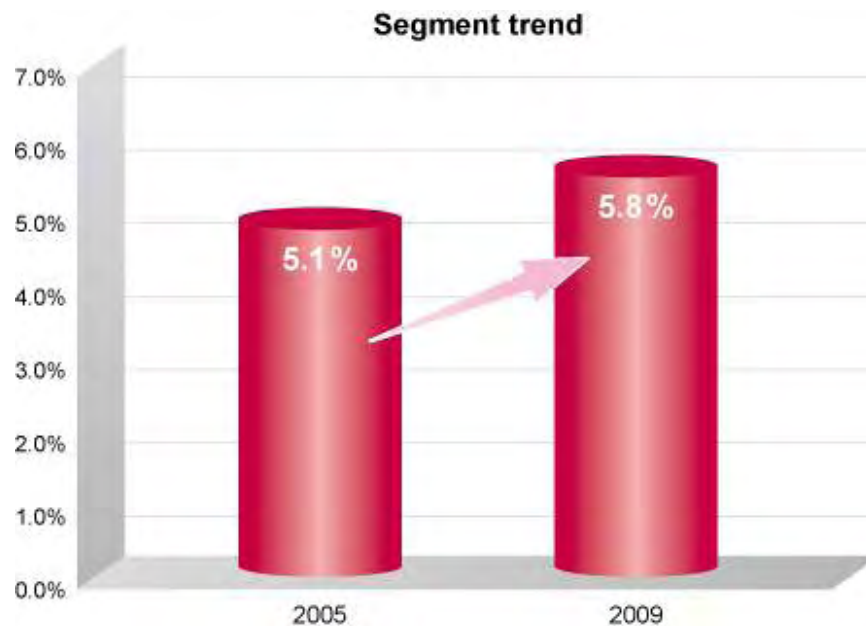
BAT OVER-PERFORMING IN PREMIUM



() indicates index vs. total share

Size increase vs. 2005	CAGR ('05 – '09)
+1.7ppt	+1.8%

UNTAPPED OPPORTUNITY IN FEMALE SEGMENT

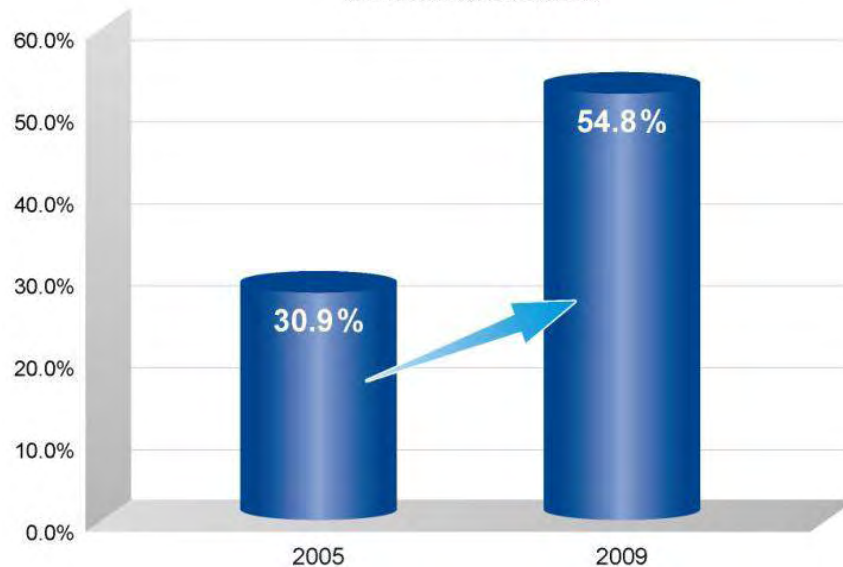


Size increase vs. 2005	CAGR (‘05 – ‘09)
+0.7ppt	+3.2%

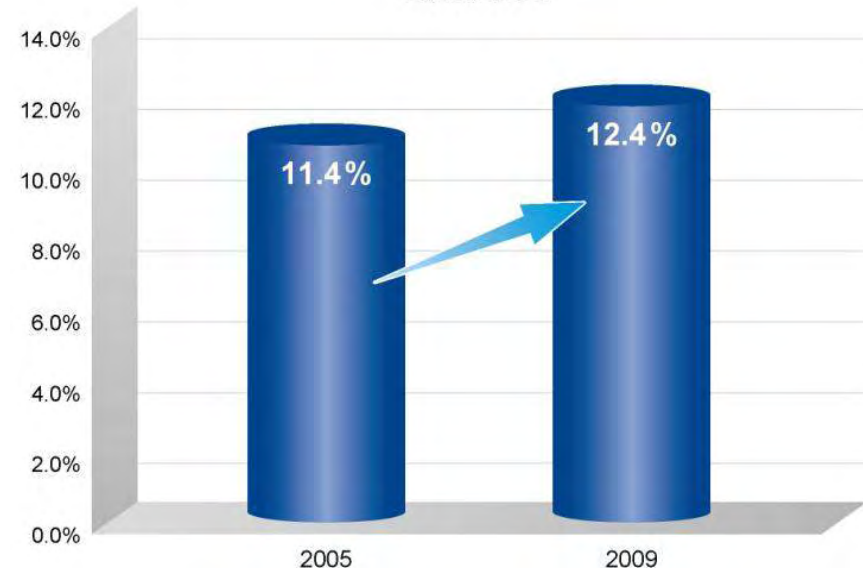
Data Source: BATJ Estimate

OVER-TRADING IN MOST IMPORTANT CHANNEL

Channel size trend



BATJ SOS



Size increase vs. 2005	CAGR (‘05 – ‘09)
+23.4ppt	+15.4%



“To be the fastest growing tobacco company in Japan, recognized for its passion for innovations and outstanding people.”



Group
Region
Japan



Japan

Growth

- ✓ Consumer, Segments
- ✓ Brand Portfolio
- ✓ Leader in Innovation
- ✓ World class TM&D

Productivity

- ✓ Fit For Purpose Organisation
- ✓ Sustained focus on overheads / supply chain efficiency
- ✓ Leveraging global scale

Responsibility

- ✓ Shaping Environment
- ✓ IMS2
- ✓ Responsible retailing

Winning Organisation

Talent, Capability, Culture



Group
Region
Japan



Japan

Growth

- ✓ Consumer, Segments
- ✓ Brand Portfolio
- ✓ Leader in Innovation
- ✓ World class TM&D

BRANDS

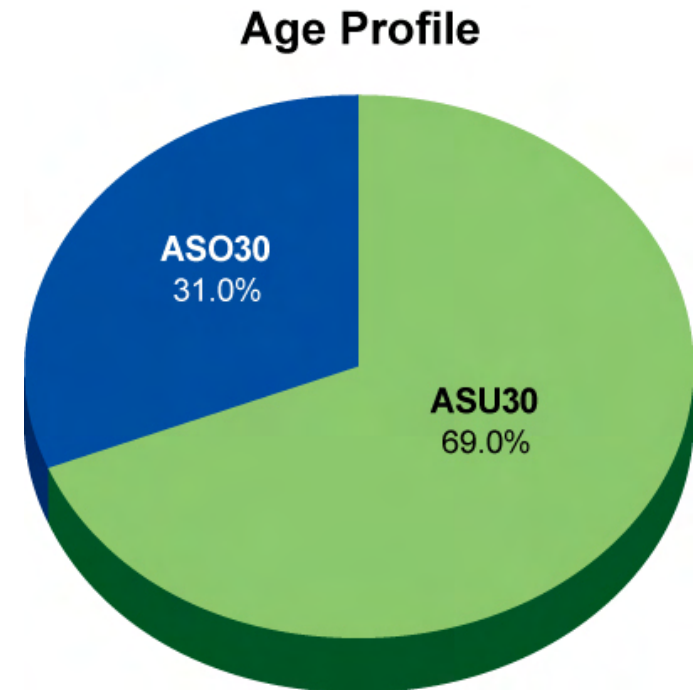
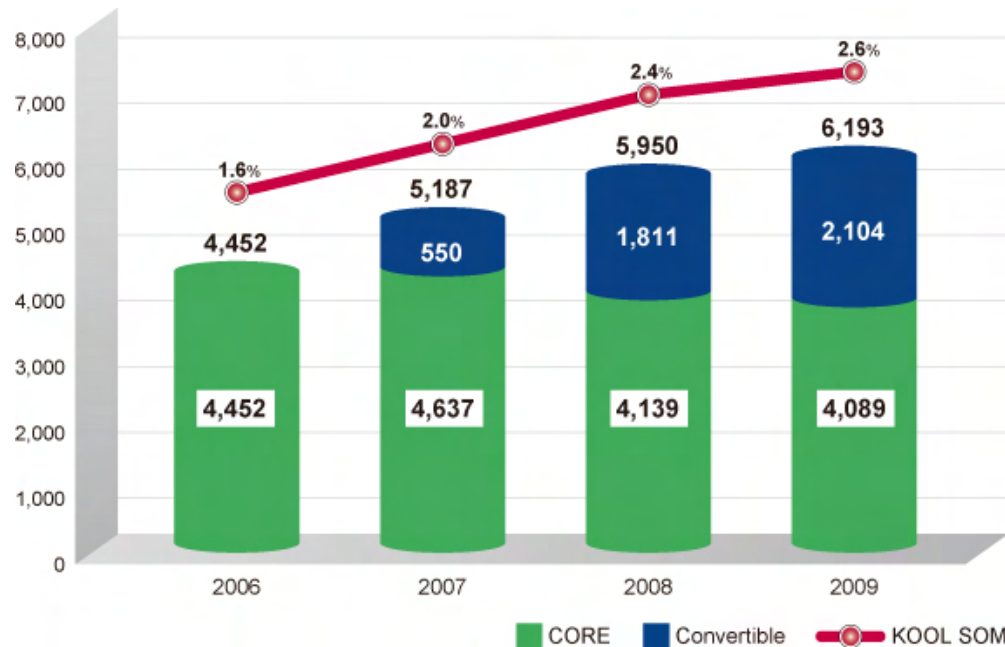
driving the business

- KOOL
- KENT



- Lead Menthol
- Lead Low Tar

KOOL: GROWTH DRIVEN BY INNOVATIONS

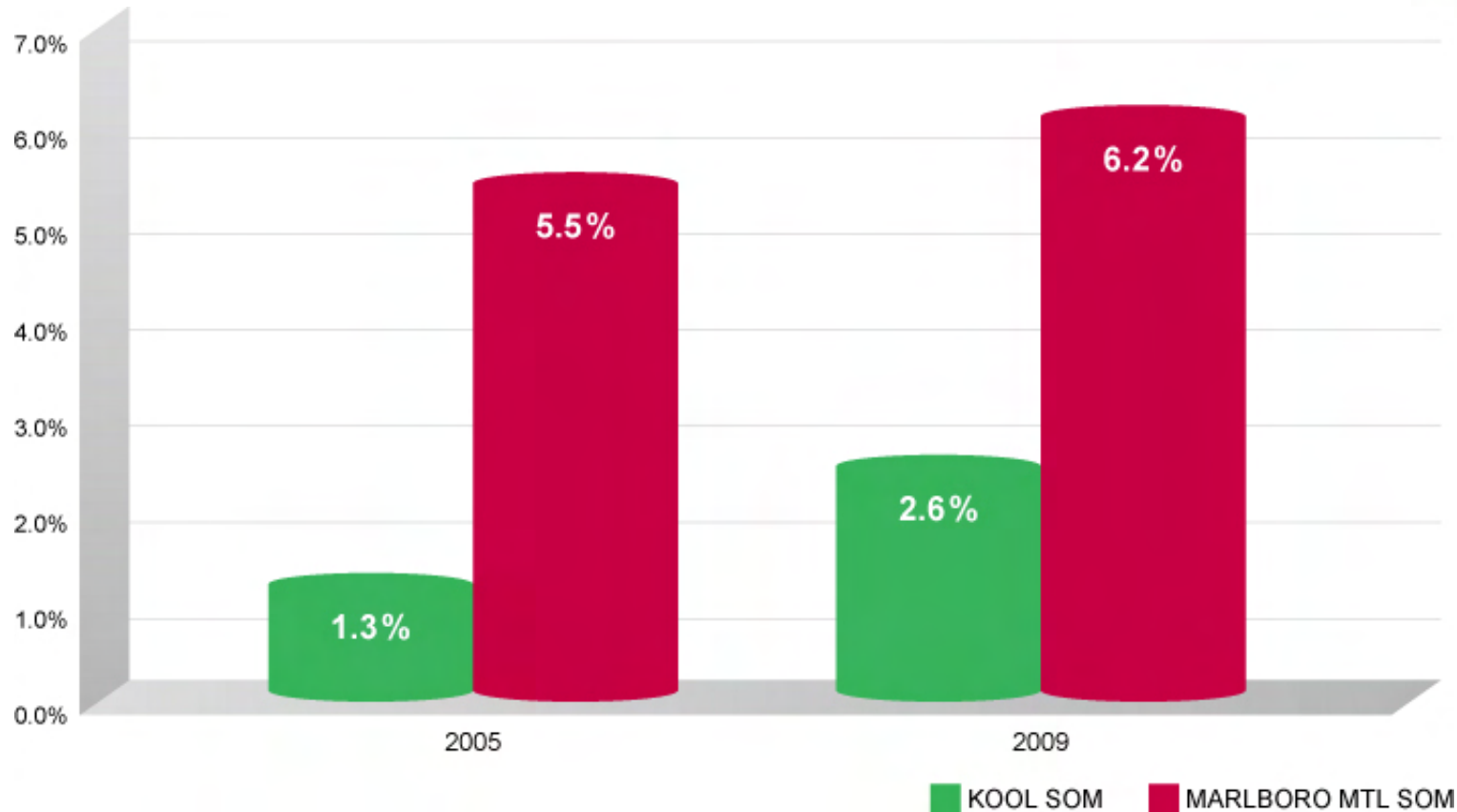


(Source: TIOJ as of Dec'09)

- Fastest growing menthol brand for 4 consecutive years
- Leader in innovations in menthol.
 - 1st capsule in the world
 - 1st flavour capsule in the world
 - Strong innovations pipeline going forward

Data Source: BATJ Estimate

FASTEST GROWING MENTHOL IN JAPAN

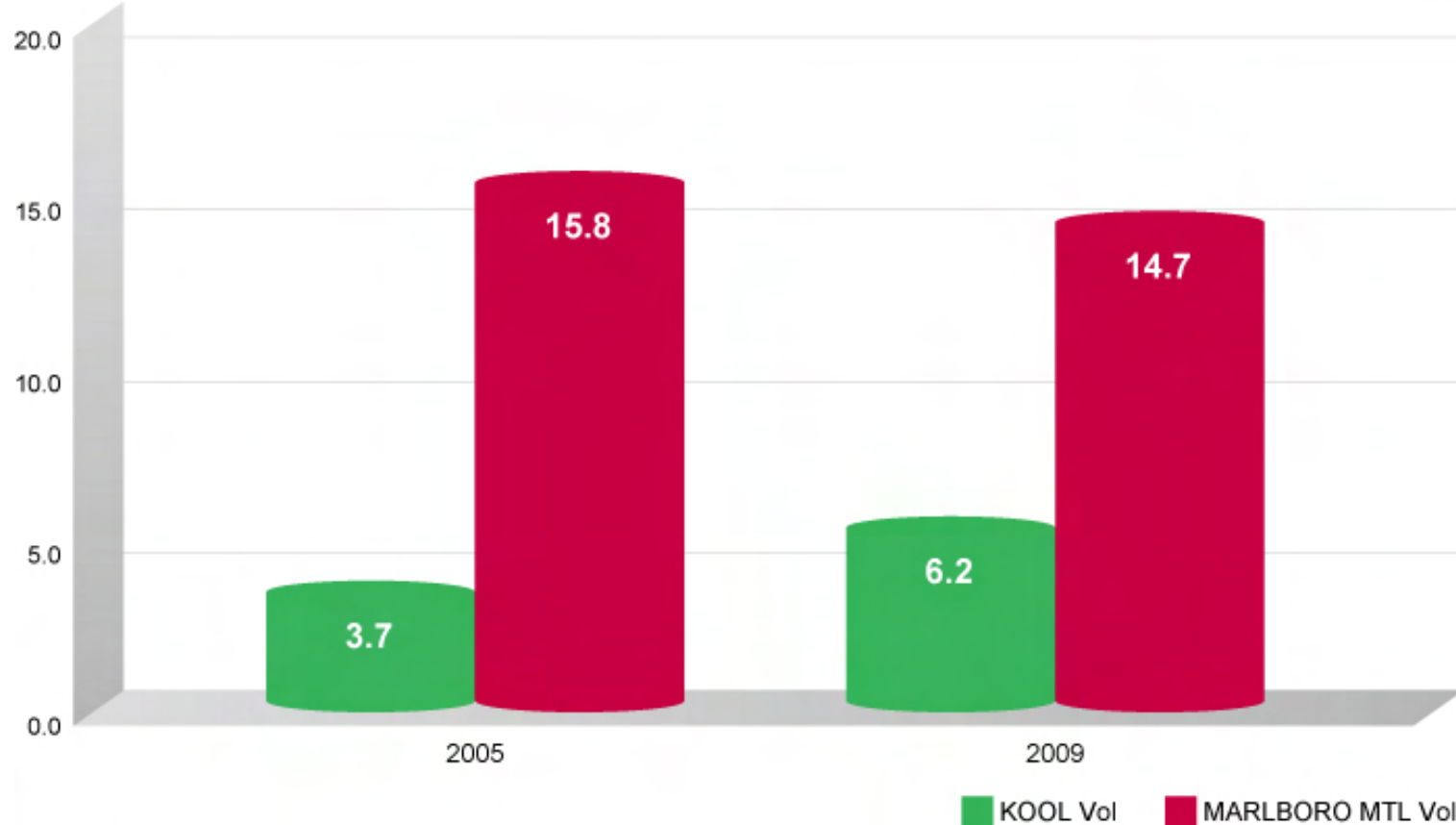


	SOM increase vs. 2009	CAGR ('05 – '09)
KOOL	+1.3 ppt	+19.5%
Marlboro	+0.7 ppt	+3.0%

Data Source: BATJ Estimate



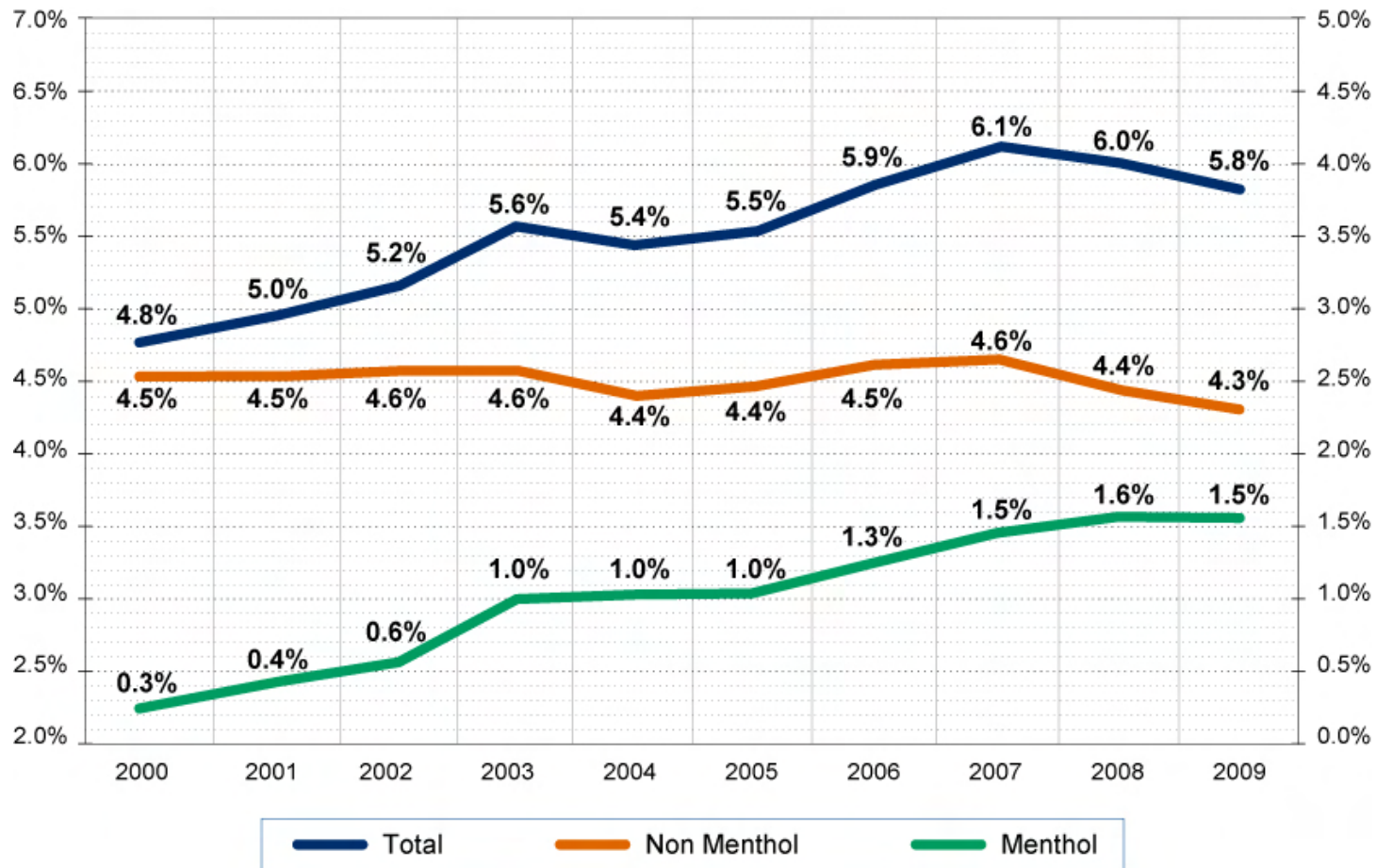
ONLY PREMIUM BRAND TO GROW VOLUME



	Growth rate vs. 2009	CAGR ('05 – '09)
KOOL	+68.2%	+13.9%
Marlboro	-7.1%	-1.8%

Data Source: BATJ Estimate

KENT IS A KEY PLAYER IN LOW TAR



Source: TIOJ

Data Source: BATJ Estimate



KENT GROWTH PLATFORM

A High-Tech, Low Tar brand



TASTEK

- A progressive yet affordable Low Tar offer
- Taste delivery technologies for great taste

MINTEK

- A leading Low Tar Menthol brand
- The most innovative product range in its category

NANOTEK

- The modern way to smoke
- Compact, sleek, high performance product and pack
- The next generation Kent



CONSUMER

foresights & insights

- WHO THEY ARE
- WHAT THEY WANT



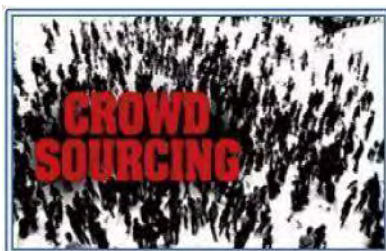
- Segmentation and Behaviour
- Choice drivers

- KEY OUTPUTS



- Performance trackers

CONSUMER, CONSUMER, CONSUMER!



PRESEARCH + RESEARCH + TRENDS

- Insights
- Behavioral Presearch
- Co-creation (breaking the mold)
- Competitor Profiling
- Channel Influence (trade leverage)
- Brand Dialogue (CDF progression)
- Conversion

INNOVATION

winning hearts & minds

- CONSUMER NEEDS
- WIDE-OPEN IDEATION



- Relevant products
- Unparalleled innovations

COMPANY GEARED BY IDEAS



MATERIALS



INGREDIENTS



TECHNOLOGIES



SHAPES

BRAND STRATEGY



CONSUMER
INSIGHTS



MARKET
TRENDS



EXTERNAL
PARTNERS



Group
Region
Japan



Growth

- ✓ Consumer, Segments
- ✓ Brand Portfolio
- ✓ Leader in Innovation
- ✓ World class TM&D

Winning Organisation

Talent, Capability, Culture

TALENT AND LEADERSHIP

- Fit for purpose organisation
- Right Capabilities
- Alignment
- Leadership at all levels
- Japanese talent for leadership positions in Japan and the Group
- Culture that inspires initiative and innovation





LEADING GROWTH

- INNOVATION, BRANDS, CONSUMERS
- DRIVING MARGINS
- TALENT, CULTURE, ALIGNMENT

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