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British American Tobacco Tekel Announcement
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Pan Yuk - *Financial Times*

Adam Spielman - *Citigroup – Analyst*

David Hayes - *Lehman Brothers – Analyst*

David Jones - *Reuters*

Elise Badoy - *Goldman Sachs – Analyst*

Arefre Lewison

Maria Gancheva – *Merrill Lynch*

Eric Bloomquist - *JPMorgan – Analyst*

Maretta Kelkey – *DowJones*

Jonathan Fell - *Deutsche Bank – Analyst*

Chas Manso - *Dresdner Kleinwort - Analyst*

Operator

Good afternoon, ladies and gentlemen, and welcome to the British American Tobacco Conference call hosted by Paul Adams. My name is Clementine and I will be your co-ordinator for today's conference. For the duration of the call, you will be on listen-only; however, at the end of the call you will have the opportunity to ask questions. If at any time you need assistance, please press *0 on your telephone keypad and you will be connected to an operator. I am now handing you over to Paul Adams to begin today's conference.

Paul Adams - Chief Executive, British American Tobacco

Well, good afternoon, everybody. It's Paul Adams, Chief Executive, British American Tobacco. With me this afternoon, Paul Rayner, finance director, Michael Prideaux, corporate and regulatory affairs director and Ralph Edmondson, head of investor relations. We weren't going to say anything beyond the press release in terms of any statement, and we're open for any questions there may be.

Operator

Thank you. Ladies and gentlemen, if you would like to ask a question, please press 7 on your telephone keypad. If you change your mind and wish to withdraw your question, please press 7 again. You will be advised when to ask your question. The first question comes from the line of Pan Yuk, please go ahead.

Pan Yuk - Financial Times

Hi there, Paul. Congratulations on the acquisitions. I have a number of questions to ask you. I guess the first one would be, why now? That would be the first one. The company, Tekel, has been up for auction in the past. Why are you bidding now? And second, are you aware that...? I'm sure you are aware that the Turkish government has recently introduced a smoking ban that I think will come into effect in 2009. Given the fact that that's surely going to have an affect on the number of smokers, how do you think that's going to effect Tekel's market share, if you think there's going to be an effect in any way? I mean in the past you said that publicly traded cigarette companies were too high, I mean were too expensive to make purchases attractive and I just want to get your thoughts on why you're making this acquisition now?

Paul Adams - Chief Executive, British American Tobacco

Okay, to answer your questions. Why now? Because we have to bid when the Turkish government puts the state tobacco monopoly up for bidding, so it was really, the timing was really driven by the Turkish government and when they put it up for sale and they put it up for sale today, so that's why we bid today.

Pan Yuk - Financial Times

It has put up the company for sale in the past. Why didn't you bid on those occasions?

Paul Adams - Chief Executive, British American Tobacco

We did. In 2003 we did bid for the Turkish monopoly, we weren't the winning bid and the winning bid was rejected by the Turkish monopoly so the sale was cancelled. They put it up for sale again in 2004, and there were no bids at that time, so there was no sale, and so this was the third time that the Turkish government put it up for sale and obviously there was a lot more interest.

Pan Yuk - Financial Times

And so you didn't bid in 2004?

Paul Rayner – Finance Director, British American Tobacco

Nobody bid in 2004. They withdrew the process in 2004 – didn't finalise.

Pan Yuk - Financial Times

Okay.

Paul Adams - Chief Executive, British American Tobacco

And why when there's a tobacco ban? We operate in many markets where there have been tobacco bans. We're well aware of the impending public smoking ban that's coming into effect later this year and indeed in 2009 for hotels and cafes and restaurants, so this is known to us. We estimate that the market size, as a result of that public place-smoking ban will decline, as it has in most other markets, at around 5% and that's been factored into our financials and was very much in mind when we made the bid and the amount of money that we bid.

Pan Yuk - Financial Times

And, sorry just another follow up question. As far as you know, the importance of this deal. How would you qualify this deal? How important is this acquisition as far as BAT's strategy is concerned, or how big of a deal it is, or do you think it's going to, is it transformational in any way?

Paul Adams - Chief Executive, British American Tobacco

Well, I don't think it's of sufficient size to be transformational for the BAT group, but it's certainly very important deal for us in terms of our Turkish business. It transforms our Turkish business in terms of what we would get with this deal. Our market share would improve from around about 7% as to where it is now, and our combined market share would be around about 36%, so we would have over a third of the market and that transforms the scale of our business in Turkey. Secondly, we think that Turkey is an important market strategically. It's about the seventh, sorry it's the eight largest cigarette market in the world at about 100 billion sticks, the macros in Turkey have improved significantly over the last few years and we estimate that they will continue to improve. So it transforms our business in a market that we think will be important for us.

Pan Yuk - Financial Times

Thank you.

Operator

The next question comes from the line of Adam Spielman. Please go ahead.

Adam Spielman - Analyst, Citigroup

Hi, Paul and Paul, it's Adam Spielman here. Can I just follow up that question, the previous one? Say in the past you bid well below the, below the Japan tobacco bid, which is about \$1.15 billion. 2004 - you didn't think it was worth bidding for at all, and now it's worth \$1.7 billion. Clearly something's changed, and I was just wondering what that was?

Paul Rayner - Finance Director, British American Tobacco

Adam, it's Paul Rayner. First, just by way of clarification, we didn't get the opportunity to bid in 2004, they stopped the process basically, so you need to understand that. But a number of things have changed. First of all, the process was a lot clearer, the due-diligence process was a lot clearer, we didn't have some of the uncertainties that were established, that we had back in 2003 in relation to the factories, the employees; We're not actually having to take on employees and not having to make employees redundant. Back then, that was not the case. So there's a far greater clarity in relation to the assets we're buying, far greater clarity in relation to the people issues associated with that, far greater clarity in relation to lease stocks we're buying. The other thing that you need to understand is the profits have gone up considerably. The level of EBITDA now is at least three times what it was in 2003 when we put our bid in and let me tell you the price we've paid is well less than three times the price we put in three years, back in 2003. So, far greater clarity, a better sale process, therefore the risks are lower, therefore you're willing to pay more and the profit levels are three times higher.

Adam Spielman - Analyst, Citigroup

Can I come back, Paul, and I don't want to hog the phone too much. You've obviously given an EBITDA figure in your press release, \$151 million and on the side of \$151 million, does that include employees? As you look... As you employ people, because you have to employ somebody.

Paul Rayner - Finance Director, British American Tobacco

Yes, yes. Yes, of course it does. That is the normal EBITDA which includes the cost of people, I mean that's what they earned in 2007 and that included people costs.

Adam Spielman - Analyst, Citigroup

If you employed fewer people going forward, so I mean if you take on fewer people than Tekel employed in the past, does that mean to say that I can I assume that the EBITDA under your employment would be slightly higher.

Paul Rayner - Finance Director, British American Tobacco

I think that all you can go with is the fact that we said that we think we can get annual synergies of around £30 million. We obviously don't want to give any detail in relation to that, because integration plans still need to be finalised, but we're obviously taking those sorts of things into account.

Adam Spielman - Analyst, Citigroup

In the £30 million figure?

Paul Rayner - Finance Director, British American Tobacco

Because we now have to go through a process of employing the people that we want and we'll obviously come up with a different set of numbers as a result of that.

Adam Spielman - Analyst, Citigroup

Can you give us a figure or a suggestion about the net assets you're taking on? The reason I'm asking that is to try and get at EBIT or an EBITA figure, or at least work out how I might estimate one, in terms of what it might do for your earnings.

Paul Rayner - Finance Director, British American Tobacco

Well I mean obviously in terms of earnings the key thing is what we paid for it. But the level of net assets is around about, I think round about the \$500 million dollar mark, or something like that.

Adam Spielman - Analyst, Citigroup

So if I just appreciated that at a sensible rate, then I could estimate EBIT number.

Paul Rayner - Finance Director, British American Tobacco

I'll leave you to do the financial calculations.

Adam Spielman - Analyst, Citigroup

Nothing complicated in that. Can you also... As I think about this company, Tekel, you've taken over, it has been losing market share pretty steadily. I would be interested to know what the figure for 2006 was, but certainly it has been, and I'm thinking about the situation initially. I mean, a few years ago, you made a big acquisition in Italy, some of us at the time said that it was an expensive acquisition; thereafter you showed pretty convincingly that it wasn't. But, nonetheless, since then you have pretty steadily lost market share and you haven't been able to extend that market share loss. Is that the sort of expectations we should have about Tekel and BAT in Turkey.

Paul Adams - Chief Executive, British American Tobacco

Yeah, Paul Adams here Adam. You should assume that the market share for the Tekel brands will continue to decline. That was very much part of our acquisition plan, so we have allowed for it. I think there's a lot we can do with the business, both in terms of, I think that it will help us grow the share of our global drive brands in Turkey and I think that that's something we can do with the Tekel brands, but I don't think there's any doubt that the volume of the Tekel business at its share will decline. We are buying a declining business in that respect, so that's factored into our plan.

Adam Spielman - Analyst, Citigroup

Ok, and presumably, if I hear you right, what you're saying is that the decline of the Tekel brand is probably going to more than offset the growth of global drive brands?

Paul Adams - Chief Executive, British American Tobacco

Yes, it will, simply because of the dynamics. We have about a 7% market share; they have around 29%. I think it would be fair to say though that I think we don't foresee that going forward, the share decline for the Tekel brand will be anything like it has been in the past. Firstly, a lot of that share decline of the Tekel brand was in their oriental blend cigarettes and that is pretty well wound down now, still some losses to come, but that is pretty well wound down. Secondly, a lot of that decline was driven by a narrowing of the price gaps between low price and premium in Turkey, as a result of excise increases and the implementation of a minimum excise rate. Now, the excise rate in Turkey is, I think, round about 58%, so you're pretty well on the EU norm. So we don't see excise going up appreciably beyond inflation indeed the finance minister has said that he would see excise going up in line with inflation. So I don't think you'll see any of the of the structural shifts in excise or indeed an increase in the excise rates as we've seen historically over the last three years. All of which is not to say that the share won't continue to decline, but I don't think it will continue to decline at anything like the rate that we've seen in the last three to four years. And by the way the 2006 figure for Tekel's market share was 33%.

Adam Spielman - Analyst, Citigroup

Can you give me your market share or BAT's, it would be very helpful.

Paul Adams - Chief Executive, British American Tobacco

8%.

Adam Spielman - Analyst, Citigroup

8%, thank you. Thank you, Paul. And Paul, thank you very much.

Operator

The next question is from the line of Jonathan Fell. Please go ahead.

Jon Fell - Analyst, Deutsche Bank

Hello, everyone, it's Jonathan Fell from Deutsche Bank. Just a couple of things to follow on from that. First of all, as far as the employees are concerned, are you comfortable that the Turkish government has already communicated fully to the unions what the situation is, or is there a risk that you're going to have a lot of disruption when you try and implement whatever plans you have?

Paul Adams - Chief Executive, British American Tobacco

I think, obviously, the auction and the terms of the deal have been well known. We haven't had any discussions with any of the employees or with the unions, so that remains open, but we're not foreseeing any problems.

Jon Fell - Analyst, Deutsche Bank

Okay, thanks. Just secondly as well, as far as these gains that you mentioned that could come from disposals and working capital improvements, I mean, are we looking at a figure here that nearly all offsets the one-off costs associated with restructuring, or is it less or could it even be higher?

Paul Rayner

I would hope that the cash that would be released from working capital and asset disposals would prove to be a higher figure than the one-off costs. It's just that the one-off costs would probably be a P&L item, whereas the asset gains would come over a periods of years and would more likely to be balance sheet items.

Jon Fell - Analyst, Deutsche Bank

And just one final thing. Should we expect to see any impact on your buy-back programme from this, or is this all kind of within your plan amounts for spending?

Paul Rayner

I think we can bear this particular acquisition within the current buy-back programme.

Jon Fell - Analyst, Deutsche Bank

Excellent, thanks a lot.

Operator

The next question comes from the line of Chas Manso. Please go ahead.

Chas Manso - Analyst, Dresdner Kleinwort

Hi, Chas Manso from Dresdner Kleinwort awards. Could you give us a feel for the sales and therefore margins were? You've given us the deals the whack you've used, the specific whachs, vicinities you've mentioned seem to have been cost based, but you're clearly expecting some revenue synergies as well. Could you just confirm that and maybe amplify that? And the benefits of this deal, are they purely Turkish based, are there any international benefits for you and would it mean, change things, if Turkey was to join the EU.

Paul Adams - Chief Executive, British American Tobacco

Now let me just talk about the International benefits. No, we haven't, there are no significant international benefits and neither have we assumed any going forward. In terms of revenue synergies, as you know, we don't like to include any potential revenue synergies when we do our calculations. If we think that there would be a slight increase in the Tekel market share, relative to where it would be on a stand alone basis and a slight increase in our share, relative to a stand alone basis, simply for the two reasons above, by putting the two companies together, you will have more clout with the trade and you would have a platform on which to grow the global drive brands and we've assumed a very small marginal benefit from our own ability to market the Tekel brands slightly better than they have been doing in the past. I think it's worth bearing in mind that this company has been on the block for four years and I don't think it has had quite the impetus and focus on it that perhaps companies that haven't been on the block for four years would have.

Paul Rayner - Finance Director, British American Tobacco

Chas, I think in terms of net sales revenue our estimate is around about 500, a little bit more than that, \$520 million, in terms of whack, we've used a significant margin, for the discount rate we've used on the project, I think we've used a significant margin over our whack to cover country risk and project risk associated with this transaction. I think it would be sensitive to say, market sensitive, to say what it actually was, but I think it would be fair to say that, not only have we used a discount rate, considerably in excess of our whack, I think we've been fairly conservative in the assumptions we've used on the forecast volumes and profits as well. But I'm not prepared to say anymore than that at this stage.

Chas Manso - Analyst, Dresdner Kleinwort

Could you give us a feel for what sort of growth rates you expect the Turkish market to grow in volume and value?

Paul Adams - Chief Executive, British American Tobacco

I can't give you a figure for value, but the thing to bear in mind is that the incidence has been pretty stable in Turkey, the number of people, adults who smoke around about 38% and the average number of cigarettes per day is around about 19. We would expect the average number of cigarettes smoked today to fall slightly, but to be compensated for by the growth in the adult population over time, so we see the market being pretty stable. That's not including of course, the 12 month hit that there would be as a result of the public place smoking ban. So yes, there would be a market contraction of around about 5% for that 12, 15 month period. But other than that, a pretty stable market, we believe.

Chas Manso - Analyst, Dresdner Kleinwort

Just a question on pricing. You were talking earlier about lots of excise increases in the recent past, how much manufacturer price growth has there been in this market?

Paul Adams - Chief Executive, British American Tobacco

I think there's been a lot of manufacturers...

Paul Rayner - Finance Director, British American Tobacco

It's been pretty considerable, because Tekel's market share, as we said earlier, has dropped quite considerably over the last few years, yet their levels of profit have gone up three times and most of that is in net pricing.

Chas Manso - Analyst, Dresdner Kleinwort

Okay, it's been net pricing rather than cost reduction?

Paul Rayner - Finance Director, British American Tobacco

Yeah, well some cost reduction, but most of it would be net pricing, I would expect.

Chas Manso - Analyst, Dresdner Kleinwort

And for the final one for me, back on the financials I'm afraid. How many years do you reckon until you hit the discount rate?

Paul Rayner - Finance Director, British American Tobacco

Look, all we're saying at this stage is that we think it's going to be earnings accretive in the first full year, which is 2009. I think you can do your own numbers if you add the synergies. We expect to be able to fund this at hard currency funding, so it should be significantly earnings accretive, and we should reach that discount rate pretty quickly, but I'm not going to say exactly when at this stage.

Chas Manso - Analyst, Dresdner Kleinwort

Okay, thanks.

Operator

The next question comes from the line of David Hayes, please go ahead.

David Hayes - Analyst, Lehman Brothers

Afternoon gentlemen. Hi. Just two questions. Just on the £ 30 million of synergies; We are modelling this, should we assume that that is a sort of bottom line benefit here or do you think, going back to the revenue synergy discussions that you were having, that some of that will be spent back as part of the development process of the top line? And then secondly, just on the employee situation, just so I can understand exactly what goes on here, apologies for being a bit daft, is it basically there's a pool of people that work there that now sits externally to the business, you choose how many of those you bring into the business and then you pay compensation for those that are effectively redundant which is captured from the 50 million pounds, is that basically the process that we're talking about? Thanks very much.

Paul Rayner - Finance Director, British American Tobacco

No, effectively the seller, the government, is picking up any redundancy costs associated with people, that we choose not to take on. And we'll go through a process with the government of finalising the deal with the competition board and the privatisation high counsel and also taking on the employees that we think are appropriate, but we still think there are going to be immigration costs, but they still need to be finalised. The plans obviously still need to be finalised, we need to have some significant discussions. All I think we're doing is alerting to the market that we think there are going to be some costs associated with the immigration process. We're not going to say at this stage what we think those costs are going to be spent on.

David Hayes - Analyst, Lehman Brothers

And on the 30 million is that the bottom line...?

Paul Adams - Chief Executive, British American Tobacco

Getting to synergies, I think that's probably getting into slightly too much details, I mean the cost synergies we obviously would hope would fall through to the bottom line, if we get additional revenue synergies, we'll have to wait and see what we do with those then.

David Hayes - Analyst, Lehman Brothers

Okay. Thanks very much, thank you.

Operator

The next question comes from the line of David Jones - Reuters, please go ahead.

David Jones - Reuters

Afternoon gentlemen. Just a quick question to follow up on the employees. Perhaps you could just take me through. How many people does Tekel employ at the moment and how many do you think you'll continue with? And you've named six factories, obviously you're not going to keep all those six factories, I'm just wondering what the thoughts are on factories?

Paul Adams - Chief Executive, British American Tobacco

There are about 3,500 employees at the moment, haven't got any views as to how many we would retain, that's part of the integration plan and the discussions that we would have. There are currently six factories at the moment, one of those is on a short term lease so it's not part of the sale, so that brings us down to five factories. Three of them are dormant and so that leaves two and again, we would have to review what we felt we would need as part of the immigration process and we would review the manufacturing footprint over time.

David Jones - Reuters

And do you anticipate any problems from the unions over the workforce issues?

Paul Adams - Chief Executive, British American Tobacco

No we don't. There's no reason to think that there would be problems because, if you like, the relationship would stay with the government, the government is handling those employees that we would not wish to take on. But we'll see how we go when we actually go down and talk to them.

David Jones - Reuters

Right, okay. So you've got no idea how many you'll take on, whether it be half, or a third, or three quarters?

Paul Adams - Chief Executive, British American Tobacco

I think that's subject very much to discussions we have.

David Jones - Reuters

Okay. Thanks very much.

Operator

Thank you. We currently have no further questions so just a reminder, if you would like to ask a question, please press 7 on your telephone keypad now. We have a question from the line of Joy Ngquen, please go ahead.

Elise Badoy - Analyst, Goldman Sachs

Actually it's Elise Badoy from Goldman Sachs. Just a question on distribution, could you tell us how the distribution works currently in Turkey, I mean obviously you were already present, so how is that likely to work going forward with your increased market share?

Paul Adams - Chief Executive, British American Tobacco

The distribution of the Tekel brands are done through distributors and indeed there will be a marketing and distribution contract that we will have to continue with for a short period of time. We obviously have our own, either our own direct store distribution arrangement in Turkey for some of our volume and some of it goes through exclusive distributors. We would look at amalgamating some of that distribution and therefore picking up some synergies there.

Elise Badoy - Analyst, Goldman Sachs

Another more specific question that... If I remember well, a couple of years ago there was specific discussion with the government with the tobacco growers which seems to be a very strong lobby in Turkey, what relationship as a manufacturer, a larger manufacturer in Turkey will you have with these people and what should we know about that lobby?

Paul Adams - Chief Executive, British American Tobacco

The tobacco growers?

Elise Badoy - Analyst, Goldman Sachs

Yes.

Paul Adams - Chief Executive, British American Tobacco

Yeah, I mean BAT has been buying Turkish leaf for decades and Turkish leaf is included in varying proportions in a lot of our brands globally, so we would continue to source Turkish leaf and I think that our relationships with the Turkish leaf dealers, from whom we buy the tobacco is very good indeed.

Elise Badoy - Analyst, Goldman Sachs

Okay, thank you very much.

Operator

Thank you. The next question comes from the line of Adam Spielman, please go ahead.

Adam Spielman - Analyst, Citigroup

Sorry, the question I had has been answered, thank you very much.

Operator

The next question is from the line of Arefre Lewison, please go ahead.

Arefre Lewison

Just wondering if you could tell us the margin that you're actually going to be paying on the bank facilities that you've put in place to finance the deal and then also, you're obviously a very regular bond issuer and I know that the market is in a bit a state at the moment, but is this a deal that you will eventually look at refinancing in the bond market?

Paul Rayner - Finance Director, British American Tobacco

Yeah, it's Paul Rayner, I'm not going to give the margin we're paying the banks, I don't think that's information I can give publicly, but we do have an acquisition facility in place for this specifically. We would look to refinance that acquisition facility in due course, I would think we'd probably be part with the bank debt and part with the issue into the bond markets and that would probably happen over the next sort of, 6 to 18 months, I would expect.

Arefre Lewison

Okay, great, thank you.

Operator

The next question comes from the line of Maria Gancheva, please go ahead.

Maria Gancheva – Merrill Lynch

Hello. All my questions were actually answered, just a quick reminder of... Are you going to be scaling down on your share back programme?

Paul Adams - Chief Executive, British American Tobacco

No, I think in answer to that question, I said that in relation to this acquisition, we think it's of sufficient size for us to be able to continue with the current level of share buy back programme.

Maria Gancheva – Merrill Lynch

Okay, thank you.

Operator

The next question comes from the line of Jonathan Fell, please go ahead.

Jon Fell - Analyst, Deutsche Bank

Sorry, just a quick another one. I forgot to ask about the level of profitability in your existing Turkish business. I think you've intimated in the past that maybe that's running below breakeven, could you just confirm whether that is in fact the case and if it is, if you could give us some idea whether you're talking single digits, double digits, millions?

Paul Rayner - Finance Director, British American Tobacco

It has been consistently losing money, the level of losses this year is well down on last year, but it's still in the classic high single digits figure, if not, low double digits.

Paul Adams - Chief Executive, British American Tobacco

I think the thing to bear in mind is that we, that there were a number of costs this year, associated with the move to direct distribution in Turkey for us. So yes, we lost a high level of profit this year, but it wouldn't, it was an exceptional level.

Jon Fell - Analyst, Deutsche Bank

Right, thank you.

Operator

The next question is from the line of Eric Bloomquist, please go ahead.

Eric Bloomquist - Analyst, JP Morgan

Hi, good afternoon, hi. Two questions, one on the market dynamics of the Turkish market. Could you review for us what proportion of the market is in premium, mid-priced in value and then kind of the weightings for Tekel within those segments? And my second question was BAT prides itself in shifting brands from brands that are non-support to the global drive brands. Should we be thinking that some of this Tekel volume could be shifted in that way, for example from a Barclays to a Kent type of thing? Thank you.

Paul Adams - Chief Executive, British American Tobacco

To answer the second question first, I think it's too early to say what we might do with the Tekel brands. We've only just secured the winning bid so give us a few months to sort it out. In terms of who has what of what, the total market is 18, I'm talking volume here, the total market is 18% premium, 18% VFM, 64% low. Tekel has nothing in premium, 14% of its volume is in VFM and 41% low, 29% in total.

Eric Bloomquist - Analyst, JP Morgan

Great, thank you.

Operator

The next question is from the line of Pan Yuk, please go ahead.

Pan Yuk – Financial Times

Hi there, just another quick question, I was just wondering, are there any other, where else were you looking at acquisitions, or other countries or regions where you're actively scouting for acquisition opportunities, aside from Turkey?

Paul Adams - Chief Executive, British American Tobacco

We've said that we are interested in other acquisitions and that we would be interested in the Egypt monopoly and indeed the Algerian monopoly should they come onto the market.

Pan Yuk – Financial Times

Okay, and so is the Middle East a big focus for the group at the moment, or how would you qualify your acquisition strategy for the time being?

Paul Adams - Chief Executive, British American Tobacco

Our acquisition strategy is basically driven by where we think businesses would add something to us strategically and where we think there's shareholder value, so it's not driven by any geographic focus, more driven to what's available and whether it's attractive or not.

Pan Yuk – Financial Times

Okay, thank you.

Operator

The next question is from the line of Maretta Kelkey please go ahead.

Maretta Kelkey - DowJones

Hello there, I came a bit late to the conference, I wondered if you'd identified the bankers who provided the debt financing for the acquisition?

Paul Rayner - Finance Director, British American Tobacco

No we haven't, we have a core group of bankers who have supplied the acquisition facility; we haven't identified who they are.

Maretta Kelkey - DowJones

And the amount of the debt?

Paul Rayner – Finance Director, British American Tobacco

We have put in an acquisition facility to cover the cost of the transaction, the acquisition facility we've got would just cover the cost of the transaction. I just replied in relation to an earlier question, but you may not have caught it, that we would look to refinance that acquisition facility in part with bank debt, and in part through issuing bonds in the market place probably over the next 6 to 18 months.

Maretta Kelkey - DowJones

And so the whole 1.72 was debt financed, you're saying?

Paul Adams - Chief Executive, British American Tobacco

Yeah initially it would be debt finances, that's right.

Maretta Kelkey - DowJones

Okay, lovely. Thanks Paul.

Operator

We currently have no further questions, so another reminder, if you would like to ask a question, please press 7 on your telephone keypad now.

We have no further questions coming through so I hand you back to your host to wrap up today's call.

Paul Adams - Chief Executive, British American Tobacco

Well thanks everybody, we're pleased with this deal and we think that it's a good and important deal for BAT and other than that, I'll wish you a good weekend.

Operator

Thank you for joining today's conference, you may now replace your handset.