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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
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

Daily Relative performance to FTSE100

03/01/2000 - 07/10/2008 (GMT)

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

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
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

VISION

ACHIEVE LEADERSHIP OF THE GLOBAL TOBACCO INDUSTRY

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 sales volumes have grown consistently.

Source: Company’s financial results.
Brand momentum
The top-13 international brands

2007 global volumes and growth v 2006

Volume movement in billions
PMI -11
JT +9
BAT +22

International volumes, excluding the USA

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)

<table>
<thead>
<tr>
<th></th>
<th>% Share of T22 markets</th>
<th>2007</th>
<th>2012</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Designated Global Drive and/or &quot;Flagship&quot; Brands</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>35.0</td>
<td>39.6</td>
<td>42.1</td>
</tr>
<tr>
<td><strong>International Brands</strong></td>
<td></td>
<td>48.7</td>
<td>54.1</td>
<td>56.3</td>
</tr>
<tr>
<td>* Includes Designated GDB/Flagship Brands*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Premium</strong></td>
<td></td>
<td>32.4</td>
<td>33.3</td>
<td>34.2</td>
</tr>
<tr>
<td><strong>Lights</strong></td>
<td></td>
<td>53.0</td>
<td>51.3</td>
<td>52.1</td>
</tr>
</tbody>
</table>

- 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

- 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

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

From A loose federation To An integrated global enterprise

Great Place to Work Outstanding People
High single figure EPS growth model*

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

- Bad stuff
- Invest in long term
- Cost savings
- Earnings growth
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

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
<table>
<thead>
<tr>
<th></th>
<th>Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SA Market Context</td>
</tr>
<tr>
<td>2</td>
<td>BATSA – Progress to date</td>
</tr>
<tr>
<td>3</td>
<td>Learning from other markets</td>
</tr>
</tbody>
</table>
South Africa at a glance

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

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

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

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

- **Premium +**: 81% (Local) / 1.5% (Premium)
- **Premium**: 64% (Local) / 16% (Premium)
- **Popular**: 97% (Local) / 73% (Premium)
- **VFM**: 97% (Local) / 2.7% (Premium)
- **Low**: 40% (Local) / 6.3% (Premium)

Note: SA Local Price Card; Source: Estimated Sales, Nielsen
Competitors struggling in changing market dynamics

Source: Estimated Sales; Nielsen
<table>
<thead>
<tr>
<th></th>
<th>Agenda Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SA Environment</td>
</tr>
<tr>
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<td>BATSA – Progress to date</td>
</tr>
<tr>
<td>3</td>
<td>Learning from other markets</td>
</tr>
</tbody>
</table>
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

Indirect Sales Model

- No commercial relationship with retail
- Reduced flexibility and agility

Direct Sales Model

- 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

1. SA Environment
2. BATSA – Progress to date
3. Learning from other markets
A Strategy for Value Creation...
2 key value creation opportunities

- 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

Price Segment Dynamics

Emerging Segments

Nielsen Retail Audit
## New product development / Innovation as a value driver

<table>
<thead>
<tr>
<th>Year</th>
<th>Innovations</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Vogue Collections: Ephemere (Feb)</td>
<td>Yava Export (Jan)</td>
</tr>
<tr>
<td>2007</td>
<td>Dunhill Top Leaf (Jan)</td>
<td>Vogue Collections: B&amp;W (Feb)</td>
</tr>
<tr>
<td></td>
<td>Kent Nanotek (Apr)</td>
<td>Pall Mall SS Aromatic &amp; TT (Jun &amp; Oct)</td>
</tr>
<tr>
<td></td>
<td>Dunhill Tribute (July)</td>
<td>Dunhill FC (Nov)</td>
</tr>
<tr>
<td>2006</td>
<td>Vogue Arome 2&amp;3 (Mar &amp; Jul)</td>
<td>Viceroy Filters (Mar)</td>
</tr>
<tr>
<td></td>
<td>Pall Mall SS Menthol (Apr)</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Vogue Arome 1 (Feb)</td>
<td>Kent Mintek (Apr)</td>
</tr>
<tr>
<td></td>
<td>Pall Mall SS Lights, Ultra (Aug)</td>
<td>Viceroy Special (Jun)</td>
</tr>
<tr>
<td>2004</td>
<td>Kent 3-tek launch</td>
<td>Dunhill KS launch (Oct)</td>
</tr>
</tbody>
</table>

### Derived Value Share

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value Share</td>
<td>0%</td>
<td>20%</td>
<td>40%</td>
<td>60%</td>
<td>80%</td>
</tr>
</tbody>
</table>

- **Innovations**
- **Others**
Creating accelerated value and enhancing sustainability…

** 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)
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

<table>
<thead>
<tr>
<th>Cumulative savings, £m</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overheads &amp; indirects</td>
<td>64</td>
<td>153</td>
<td>256</td>
<td>355</td>
<td>455</td>
</tr>
<tr>
<td>Supply chain</td>
<td>27</td>
<td>120</td>
<td>226</td>
<td>374</td>
<td>551</td>
</tr>
<tr>
<td>Total</td>
<td>91</td>
<td>273</td>
<td>482</td>
<td>729</td>
<td><strong>1,006</strong></td>
</tr>
</tbody>
</table>

### Factory Footprint

<table>
<thead>
<tr>
<th>Factory Footprint</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigarette factories</td>
<td>72</td>
<td>67</td>
<td>64</td>
<td>52</td>
<td>47</td>
</tr>
<tr>
<td>Countries</td>
<td>61</td>
<td>58</td>
<td>55</td>
<td>45</td>
<td>40</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Attributable Profit (£ bn)</strong></td>
<td>2.8</td>
<td>1.8</td>
<td>1.9</td>
<td>2.1</td>
<td><strong>8.6</strong></td>
</tr>
<tr>
<td><strong>Adjusted Earnings (£ bn)</strong></td>
<td>1.7</td>
<td>1.9</td>
<td>2.0</td>
<td>2.2</td>
<td><strong>7.8</strong></td>
</tr>
<tr>
<td><strong>Free Cash Flow (£ bn)</strong></td>
<td>1.3</td>
<td>1.6</td>
<td>1.5</td>
<td>1.7</td>
<td><strong>6.1</strong></td>
</tr>
<tr>
<td><strong>FCF to Adj. Earnings</strong></td>
<td>81%</td>
<td>84%</td>
<td>76%</td>
<td>77%</td>
<td><strong>78%</strong></td>
</tr>
</tbody>
</table>

- 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

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

- 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

<table>
<thead>
<tr>
<th></th>
<th>Moody’s</th>
<th>S&amp;P</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term rating</td>
<td>Baa1</td>
<td>BBB+</td>
<td>BBB+</td>
</tr>
<tr>
<td>Short term rating</td>
<td>P-2</td>
<td>A-2</td>
<td>F2</td>
</tr>
<tr>
<td>Outlook</td>
<td>Stable</td>
<td>Stable</td>
<td>Stable</td>
</tr>
</tbody>
</table>
Volume and revenue: first half 2008

Source: Company data
Volume and profit: first half 2008

<table>
<thead>
<tr>
<th>Region</th>
<th>Volumes</th>
<th>Profit (const)</th>
<th>Profit (curr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>2%</td>
<td>18%</td>
<td>31%</td>
</tr>
<tr>
<td>AsiaPac</td>
<td>3%</td>
<td>13%</td>
<td>20%</td>
</tr>
<tr>
<td>LatAm</td>
<td>-4%</td>
<td>-12%</td>
<td>-1%</td>
</tr>
<tr>
<td>AME</td>
<td>5%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>AmPac</td>
<td>1%</td>
<td>11%</td>
<td>22%</td>
</tr>
<tr>
<td>Total</td>
<td>1%</td>
<td>7%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: Company data
Margins: profit per 1000 cigarettes

Europe

<table>
<thead>
<tr>
<th>Region</th>
<th>H1 2007</th>
<th>H1 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>£3.53</td>
<td>£4.55</td>
</tr>
<tr>
<td>Asia-Pac</td>
<td>£4.51</td>
<td>£5.26</td>
</tr>
<tr>
<td>Lat Am</td>
<td>£5.21</td>
<td>£5.34</td>
</tr>
<tr>
<td>AME</td>
<td>£5.33</td>
<td>£5.28</td>
</tr>
<tr>
<td>Am-Pac</td>
<td>£9.56</td>
<td>£11.62</td>
</tr>
<tr>
<td>Group</td>
<td>£4.61</td>
<td>£5.26</td>
</tr>
</tbody>
</table>

Source: Company’s interim report 2008
Operating margin

Source: Company’s interim report 2008
Drivers of adjusted EPS growth

<table>
<thead>
<tr>
<th></th>
<th>Pence</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS H1 2007</td>
<td>53.5</td>
<td></td>
</tr>
<tr>
<td>Profit performance</td>
<td>3.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(1.1)</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Associates</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Taxation</td>
<td>0.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Minorities</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Share buy-back</td>
<td>0.9</td>
<td>1.7</td>
</tr>
<tr>
<td>Exchange</td>
<td>4.1</td>
<td>7.6</td>
</tr>
<tr>
<td>EPS H1 2008</td>
<td>62.0</td>
<td>15.9</td>
</tr>
</tbody>
</table>

Source: Company data
Future expectations

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
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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