Agenda

- Snapshot of Malaysia
- Industry review, market share and volumes
- Brand activities and performance
- Trade marketing & distribution
- Financial highlights
- Other highlights
Malaysia – Market snapshot

TOBACCO MARKET (2008)

- Industry Volume: 23.1 billion
- Legal Whites: 17 billion
- Illicit trade incidence: 25.7%
- Total Population: 27.7 million
- Smoker Population: 4.0 million (3.7 for male, 0.3 for female)
- Smoking Incidence: 30% (56% for male & 4% for female)
- Avg. Consumption: 14 sticks/day

ECONOMY

- GDP per Capita: USD 8,679 (2009 fct.)
- Inflation Rate: 0.8% (2009 fct.)
- Unemployment Rate: 4.8% (2009 fct.)
- Exchange rate: USD1 = RM 3.49
  GBP1 = RM 5.54

- A £1 billion industry, £240 million profit pool
- £448 million paid in taxes (estimated £396 million in indirect taxes, £52 million in corporate taxes)
- Contributes more than 2% of all Government revenue
- More than 50,000 in tobacco & cigarette related employment & 90,000 retailers

Source: Business Monitor International, Malaysian Central Bank
British American Tobacco (Malaysia) Berhad

- More than 90 years of history in Malaysia
- Employs approximately 2,000 staff
- Works with over 3,000 tobacco growing and curing families
- Partners close to 90,000 retailers nationwide

- A fully equipped factory, which exports cut rag, DIET and cigarettes throughout Asia Pacific
- DSS (Direct Store Sales) operation that covers over 50% of our sales
- Listed since 27 October 1961
- Ranked Top 15 in Bursa Malaysia with GBP 2.2 billion market cap
- BAT plc holds exactly 50% of BATM shares
OUR FUTURE: OUTRIGHT LEADERSHIP

- High single digit EPS growth
- 100% GDB portfolio
- #1 Supply chain
- Sensible regulatory environment
- Most respected organisation
- Talent development and export hub

**GROW, INVEST & ACCELERATE**
our HIGH VALUE BUSINESS MODEL

**GROWTH**
- Drive market and price leadership

**PRODUCTIVITY**
- Leverage scale to invest

**RESPONSIBILITY**
- Shape regulatory environment

**WINNING ORGANISATION**
- Best employer in Malaysia

Cut the …
Industry review, market share and volumes
Illicit trade incidence continues to grow

<table>
<thead>
<tr>
<th>Year</th>
<th>% Illicit</th>
<th>Change 2007-2006</th>
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<tbody>
<tr>
<td>2004</td>
<td>14.4</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>17.5</td>
<td>+3.1 pp</td>
</tr>
<tr>
<td>2006</td>
<td>20.8</td>
<td>+3.3 pp</td>
</tr>
<tr>
<td>2007</td>
<td>23.8</td>
<td>+3.0 pp</td>
</tr>
<tr>
<td>2008</td>
<td>25.7</td>
<td>+1.9 pp</td>
</tr>
<tr>
<td>2008 (Wave 3)</td>
<td>27.5</td>
<td></td>
</tr>
</tbody>
</table>
Illicit trade incidence: moving forward

- Economic downturn will continue to drive demand
- Need a balanced approach to excise
- PHW may disrupt their supply chain as security ink did previously
- Enforcement is now good, but greater penalties are required
Market share developments

- Others (Sub Value) grew rapidly from 2005 - 07 then stabilised
- BAT share has declined by 3.4%pts since 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>BAT(LHS)</th>
<th>PMI</th>
<th>JTI</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>63.2</td>
<td>14.5</td>
<td>19.1</td>
<td>3.1</td>
</tr>
<tr>
<td>2005</td>
<td>63.4</td>
<td>14.6</td>
<td>19.4</td>
<td>2.6</td>
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<tr>
<td>2006</td>
<td>61.8</td>
<td>14.0</td>
<td>18.3</td>
<td>5.9</td>
</tr>
<tr>
<td>2007</td>
<td>61.0</td>
<td>13.3</td>
<td>18.3</td>
<td>7.5</td>
</tr>
<tr>
<td>2008</td>
<td>60.8</td>
<td>12.8</td>
<td>18.6</td>
<td>7.8</td>
</tr>
<tr>
<td>2009 (Q1)</td>
<td>59.8</td>
<td>13.0</td>
<td>19.5</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Source: Nielsen Retail Audit
BAT’s tail brands declined by over 10%pts, while our GDBs grew by over 7%pts, enhancing the strength and quality of the portfolio.

This decline accelerated through active brand migrations in 2008 to reduce our exposure to the unsupported tail.
Increased value share with the portfolio mix improvement

BAT's value share is at 130 index to our volume share, up from 118% in 2004
Legal whites experienced a higher decline due to the economic downturn and the impact of PHW
Decline in industry volumes, but not value

Despite a sharp drop in industry volumes, the industry value continued to increase.
Despite Pall Mall 25s price increase, BATM is holding on its share with much stronger Dunhill performance, resulting in highest ever GDB share.
<table>
<thead>
<tr>
<th></th>
<th>Share of Market (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>68.0 68.4 68.7 69.1 70.9 71.4 71.4</td>
</tr>
<tr>
<td>VFM</td>
<td>8.2 7.9 7.8 8.1 7.7 7.8 7.8</td>
</tr>
<tr>
<td>Sub VFM</td>
<td>20.8 21.4 22.8 23.5 23.7 23.7 23.7</td>
</tr>
</tbody>
</table>

**Source:** Nielsen Retail Audit

Though the industry volume is declining faster, premium remains more resilient.
Market remained strongly premium-skewed

### Q4 2008

- **Share of Premium**
  - BAT: 72.3%
  - JTI: 13.2%
  - PMI: 14.6%

- **Share of Value for Money**
  - BAT: 43.2%
  - JTI: 43.0%
  - PMI: 13.6%

- **Share of sub-VFM**
  - Others: 100.0%

### Q1 2009

- **Share of Premium**
  - BAT: 73.2%
  - JTI: 12.7%
  - PMI: 14.1%

- **Share of Value for Money**
  - BAT: 36.5%
  - JTI: 49.4%
  - PMI: 14.0%

- **Share of sub-VFM**
  - Others: 100.0%

Source: Nielsen Retail Audit
Brand activities and performance
Increased regulation of the industry in Malaysia

- Prohibition on tobacco advertising
- Ban on vending machines
- Ban on sampling and free gifts
- Ban on selling of loose sticks
- Ban on sponsorship (e.g. football, F1 etc)
- Public Place smoking restrictions e.g. government buildings, theatre, public transport etc.
- Prohibition on smoking & sale by under 18 of age
- Display of YSP signs at point of sales
- Pictorial Health Warnings implemented
- Descriptor Ban and additional mandatory labeling
- New directives limiting price discounting and the pack pricing of small packs (e.g. 14s and 18s)
- Ban on premiums with sale (e.g. lighters)
Dunhill achieved highest ever market share

March market share at 44.2 % (+3.6 pp post GPI price increase)

Source: Nielsen Retail Audit
Pall Mall performance softens

YTD Pall Mall market share at 7.5% (-1.0pp vs. SPLY)

Source: Nielsen Retail Audit
Kent’s continuous momentum

Source: Nielsen Retail Audit

Kent YTD 2009 market share at 2.7pp (+1.9 vs SPLY)
Global drive brands strong performance

Record highest share

March market share at 54.6pp (+3.8 pp since Aug 2008)

Source: Nielsen Retail Audit
Trade marketing & distribution
DSS and route to market

• BAT Direct Selling Operations now expanded to 58% of volume coverage

• It gives us significantly greater:
  o speed to market
  o control over brand activities
  o reduction in out of stocks
  o reduced market returns
  o better relationship with our trade partners

Expansion of DSS Operations provides superior performance of Trade Marketing and Distribution in Key Urban Centres

* source DWH
** Excluding Duty Free
Customer satisfaction measurement 2008

Which company would you rate best overall?

- 74% retailers rate BAT as best supplier overall
- BAT significantly ahead of FMCG & tobacco benchmarks on all process areas since 2004
Financial highlights
Strong and consistent financial performance

2005 to 2008 results

*MYR/GBP = 6.148
2005 to 2008 (RM)

Strong and consistent financial performance
Maintained excellent cash flow delivery

- Consistently delivering high levels of OCF/UOP conversion ratios
- Average of > 100% over the 6 years

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCF/UOP Conversion %</td>
<td>100%</td>
<td>97%</td>
<td>97%</td>
<td>99%</td>
<td>108%</td>
<td>101%</td>
</tr>
</tbody>
</table>
BAT Malaysia’s dividend policy is:
• To return excess cash to shareholders by paying at least 90% of PAT in dividends
• In addition to this, we aim to increase the annual dividend per share
The market capitalisation has increased by GBP 735mn (+42%) since Jan 08 v. the index which declined by 39% over the same period.
Other highlights
# BATM’s Corporate Responsibility (CR) framework

## Community
- BATM Foundation
  - Scholarship Programmes: Employees’ Children, Leaf Growers & Curers children, Retailers children
- HESK
- Employee Volunteer Prog.
- Appeals & Donations

## Workplace
- Business + Guiding Principles + Standards of Business Conduct
- Employees Scholarship
- Internal Employees Survey

## Environment
- Responsible Operation
- Afforestation Programme
- EHS Programmes
- Field Training for Staff

## Marketplace
- Social Reporting
- Stakeholder Dialogue
- Illicit tobacco awareness programme
- YSP campaign
- Tobacco Ingredients website
Through our afforestation programme, we remain a carbon positive business until 2024

Continued certification by external auditors, LRQA on:
ISO14001:2004 for Environmental Management Systems
OHSAS18001:2007 for Occupational Health & Safety Mgt Systems

We practice responsible waste disposal
Recycle, licensed landfills and scheduled waste treatment facility
We have reduced our total waste by 53.6% in 2008 from 2006
External recognition on our commitment to shareholder value and corporate governance

National Annual Corporate Report Awards (NACRA) 2008
- Silver Overall Excellence Award
- Award for the Main Board, Consumer Products category

Top 10 in FinanceAsia’s Best Managed Companies 2008
- Best Managed Company
- Best Corporate Governance
- Most Committed to Strong Dividend Policy

Watchdog Group (MSWG) & Nottingham University Business Corporate Governance Survey 2008
- Fourth Overall Excellence Award
- Industry Excellence Award

Top 3 in The Asset Magazine Corporate Governance 2008
- Best Corporate Governance in Malaysia

KPMG/The Edge Shareholder Value Awards 2008
- Overall Award Winner
- Overall Sector Winner for the Consumer Markets category
We value our people and aim to be the Best Employer in Malaysia. To achieve this we need to recruit, develop, reward and retain the best people. This survey shows that we are well on the way to achieving this target.
Q & A