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Agenda

- Overview of the Group
- Group strategy
- Trading environment and outlook
- Summary
- Questions & answers
Back in November 2008...

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
Group overview

- Focus on Global Drive Brands + Vogue & Viceroy
- 180+ markets
- Leadership in over 50 markets
- Over 60,000 employees
- $65.5 bn gross turnover
- $22.8 bn net turnover
- $7.2 bn adjusted profit from operations
- Market capitalisation – top 10 in the UK
Consistent market outperformance

Annual total shareholder return of 25%*

Daily BATS Relative performance to FTSE100 since 2000

*Source Bloomberg 31/12/99 to 01/11/10
Graph: Reuters 31/12/99 to close of business 01/11/10
A strategy that works

ACHIEVE LEADERSHIP OF THE GLOBAL TOBACCO INDUSTRY

GROWTH  PRODUCTIVITY  RESPONSIBILITY

WINNING ORGANISATION
Delivering through good times and bad

CAGR 2004 to 2009:
- Adjusted EPS 14%
- Dividends per share 17%

[Bar chart showing Adj EPS and Div per share from 2004 to H1 2010]

Morgan Stanley Consumer Retail Conference November 2010
The business model

- **Volumes**: 1 - 1½%
  - 2008: +0.4%
  - 2009: -3.3%
  - 2010 9mths: -3.0%

- **Revenue**: 3 - 4%
  - 2008: +7%
  - 2009: +5%
  - 2010 H1: +2%

- **Profit**: 6 - 7%
  - 2008: +10%
  - 2009: +7%
  - 2010 H1: +8%

- **Adjusted EPS**:
  - 2008: +19%
  - 2009: +19%
  - 2010 H1: +13%
Competitive edge through:

Geographic diversity

- Strong emerging markets exposure
- Top 5 markets
  - Canada
  - Brazil
  - South Africa
  - Russia
  - Australia

Commodity-based economies with stable currencies
Competitive edge through:

Diversified and balanced brand portfolio

- Balance between premium, mid and low priced segments
- Global drive brands have maintained growth despite recession
- Strong regional and local brands
Competitive edge through:

Marketing expertise
  - Trade marketing and distribution
    - Successful trade partnerships
    - Mutually beneficial relationships
    - Rated best overall supplier in the FMCG industry in 13 out of 22 markets surveyed
    - Extending direct distribution – over 50% of volume
Competitive edge through:

Marketing expertise

- Trade marketing and distribution
- Consumer insights
  - World class understanding of consumer trends and tastes
  - Responding to the needs of consumers
Competitive edge through:

Marketing expertise
- Trade marketing and distribution
- Consumer insights
- Leader in innovation
  - Nanotek – first successful king-size super-slim
  - Accounts for 16% of Kent global volume
  - Kent Nanotek 1.2% share in Russia
Competitive edge through:

Marketing expertise

- Trade marketing and distribution
- Consumer insights
- Leader in innovation
  - Dunhill “Reloc” packaging
  - Almost 10% share in GCC
  - Dunhill share growth in Malaysia
Competitive edge through:

Marketing expertise
- Trade marketing and distribution
- Consumer insights
- Leader in innovation
  - Success with capsule technology
  - Kent, Kool and Lucky Strike
  - Broad geographic roll out
Competitive edge through:

Marketing expertise
- Trade marketing and distribution
- Consumer insights
- Leader in innovation

Global Drive Brands: volume growth index - 1999-2009
Competitive edge through:

Productivity

- 5 year programme 2003-07
  - Annualised cost savings of £1 billion by 2007
  - Focus on overheads and indirects and the supply chain

- 5 year programme 2008-12
  - Targeting 35% operating margin by 2012
Competitive environment:

- Recession’s impact on consumers continues
  - Key markets have been less affected
  - Volumes continue to hit by down-trading to illicit

- Continued good pricing
  - Revenue growth despite softer volumes
  - Governments’ share higher in 2010

- Bi-polar recovery
  - East v west
  - Developed v developing

- Currencies may be volatile
Outlook

- Good momentum with brands and market share
- Well positioned in those markets least affected by recession
- Innovations pipeline is strong
- On track for another good year of earnings growth
- Strong cash flow
- Productivity strategy is delivering
- Balance sheet in excellent shape