Agenda

- A proven strategy
- Our brands and strengths
- The competitive landscape
- Performance
- Q&A
Our vision

- Leadership in earnings and value

- “For Leadership to be sustainable, we need to be best when it comes to:
  - Understanding our consumers and our customers,
  - Leading emerging consumer segments,
  - Developing and rolling-out innovations which exceed consumer needs
  - Meeting the expectations of society”
Strategy for creating shareholder value

- The strategy does not change, but we are improving how we execute it
- Growth is necessary to meet our revenue and earnings targets
- We seek to grow share across key geographies, including through M&A
- We seek to grow share in key consumer segments via brands with first to world innovations
Strategy for creating shareholder value

Productivity
- Generate the funds to underpin earnings and invest in profitable growth

Winning Organisation
- Ensure that we have the right talent in the right organisation to execute our growth strategy

Responsibility
- Act in the right way to protect our ability to grow share sustainably
Our strengths

- Some great brands
  - Based on consumer insights
  - Opportunities in emerging consumer segments
  - Opportunities in Key Geographies
  - First to world innovations
Our strengths

- Some great brands

- World leading innovations
  - Brand driven
  - Focused on size and scale
  - Deployment across the Globe
  - A full pipeline
Our strengths

- Some great brands
- World leading innovations
- A great business mix
Our strengths

- Some great brands
- World leading innovations
- A great business mix
- Fully integrated supply chain
  - Leaf sourcing
  - Distribution
Our strengths

- Some great brands
- World leading innovations
- A great business mix
- Fully integrated supply chain
- Harm reduction
The industry will recover

INDUSTRY VOLUME DECLINE IS MODERATING

* Company estimates for Total world including Illicit trade and excluding China, USA and India
Well positioned for the recovery...

<table>
<thead>
<tr>
<th>IMPACT ON BAT</th>
<th>Industry dynamics</th>
<th>Organic performance</th>
<th>Acquisitions &amp; disposal</th>
<th>Total*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-1.5%</td>
<td>+1.1%</td>
<td>-0.0%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Accelerated legitimate industry declines due to recession, excise and price increases</td>
<td>Share increased in Pakistan, Japan, Egypt, Ukraine, Russia and Bangladesh more than offsetting decline in S Korea, Turkey, Brazil, Mexico, Indonesia, Cambodia and Italy</td>
<td>Acquisition of Protabacco in Colombia and disposal of Gauloises in Germany</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*as reported
Met or exceeded KPIs in 2011

- Volume (rep): -0.4%
- Volume (org): -0.4%
- GDB volume: 9%
- Revenue (rep): 3%
- Revenue (org, const): 7%
- Adjusted Profit (rep): 11%
- Adjusted Profit (org, const): 10%
- Operating margin (rep): +2.3 ppt
- Operating margin (org): +1.4 ppt
- Adj EPS: 11%
- DPS: 11%
Global drive brands performance

**DUNHILL**
- Volume: 48 billion
- Share flat in T40
- Strong growth in Brazil, Romania and GCC
- Innovations account for over 50% of volume
- S. Korea impacted by price increase

**KENT**
- Volume: 67 billion, up 10%
- Share +0.3 ppt in T40
- Strong performance in Japan,
- Romania and eastern Europe
- Innovations driving growth

**GDB VOLUMES 2001-2011**
- GDB volume: 226 billion +9%
- International brands: 371 billion +4%
- Organic premium volume -0.1%
- Organic below-premium volume -0.5%
Global drive brands performance

**Lucky Strike**
- Volume: 30 billion, up 14%
- Share +0.2 ppt in T40
- Growth in WE, South America
- Capsule markets driving growth

**Pall Mall**
- Volume: 81 billion, up 11%
- Share +0.3 ppt in T40
- Strong performance in Pakistan,
- Turkey and Russia
- Declines in Mexico and Spain

**GDB Volumes 2001-2011**
- GDB volume: 226 billion +9%
- International brands: 371 billion +4%
- Organic premium volume -0.1%
- Organic below-premium volume -0.5%
Growing premium share

Source: Company estimates, based on shipment data
Productivity programme

- 35% margin target achieved 1 year early
- Targeting 50 to 100 basis points improvement a year

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
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<tbody>
<tr>
<td>2007</td>
<td>30.0%</td>
</tr>
<tr>
<td>2008</td>
<td>30.7%</td>
</tr>
<tr>
<td>2009</td>
<td>31.4%</td>
</tr>
<tr>
<td>2010</td>
<td>33.5%</td>
</tr>
<tr>
<td>2011</td>
<td>35.8%</td>
</tr>
</tbody>
</table>
High single figure targets delivered

CAGR in EPS 12% p.a.
CAGR in dividends 14% p.a.

Source: Company’s financial results as published

Payout ratio raised to 65%
Consistent earnings per share growth

Source: Company’s financial results as published
# Strong Cash Flow

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Operating cash flow</td>
<td>2,935</td>
<td>3,986</td>
<td>4,317</td>
<td>4,901</td>
<td>5,187</td>
</tr>
<tr>
<td>Growth</td>
<td>12%</td>
<td>36%</td>
<td>8%</td>
<td>14%</td>
<td>6%</td>
</tr>
<tr>
<td>Operating cash flow conversion rate</td>
<td>98%</td>
<td>107%</td>
<td>97%</td>
<td>98%</td>
<td>94%</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>1,711</td>
<td>2,604</td>
<td>2,630</td>
<td>3,240</td>
<td>3,326</td>
</tr>
<tr>
<td>Growth</td>
<td>11%</td>
<td>52%</td>
<td>1%</td>
<td>23%</td>
<td>3%</td>
</tr>
<tr>
<td>Free cash flow per share (pence)</td>
<td>84</td>
<td>130</td>
<td>132</td>
<td>162</td>
<td>168</td>
</tr>
<tr>
<td>Growth</td>
<td>13%</td>
<td>55%</td>
<td>2%</td>
<td>23%</td>
<td>3%</td>
</tr>
<tr>
<td>Free cash flow per share to adjusted EPS</td>
<td>77%</td>
<td>101%</td>
<td>86%</td>
<td>92%</td>
<td>86%</td>
</tr>
<tr>
<td>Free cash flow to closing net debt</td>
<td>31%</td>
<td>26%</td>
<td>30%</td>
<td>41%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Source: Company's financial results as published
£18.5bn returned to shareholders

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</thead>
<tbody>
<tr>
<td>Free cash flow</td>
<td>1.3</td>
<td>1.4</td>
<td>1.2</td>
<td>1.5</td>
<td>1.3</td>
<td>1.6</td>
<td>1.5</td>
<td>1.7</td>
<td>2.6</td>
<td>2.6</td>
<td>3.2</td>
<td>3.3</td>
<td>23.3</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-0.6</td>
<td>-0.6</td>
<td>-0.7</td>
<td>-0.8</td>
<td>-0.8</td>
<td>-0.9</td>
<td>-1.0</td>
<td>-1.2</td>
<td>-1.4</td>
<td>-1.8</td>
<td>-2.1</td>
<td>-2.4</td>
<td>-14.3</td>
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<tr>
<td>Share buy-back</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>-0.7</td>
<td>-0.5</td>
<td>-0.5</td>
<td>-0.8</td>
<td>-0.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>-0.8</td>
<td>-4.2</td>
</tr>
<tr>
<td>Surplus</td>
<td>0.7</td>
<td>0.8</td>
<td>0.5</td>
<td>0.0</td>
<td>0.0</td>
<td>0.2</td>
<td>0.0</td>
<td>-0.3</td>
<td>0.8</td>
<td>0.8</td>
<td>1.1</td>
<td>0.1</td>
<td>4.8</td>
</tr>
</tbody>
</table>

% Cash returned  | 46%  | 43%  | 58%  | 100% | 100% | 88%  | 100% | 118% | 69%  | 69%  | 66%  | 96%  | 79%   |

Spend on acquisitions | 5.1  |
FT Global 500 index: up to 52nd place

Market Cap
£7.5bn

Market Cap
£60.2bn

All years as at 31 March

2011 – as at 31 December 2011

Source: Financial Times