



Evolution Consumer Conference 2011

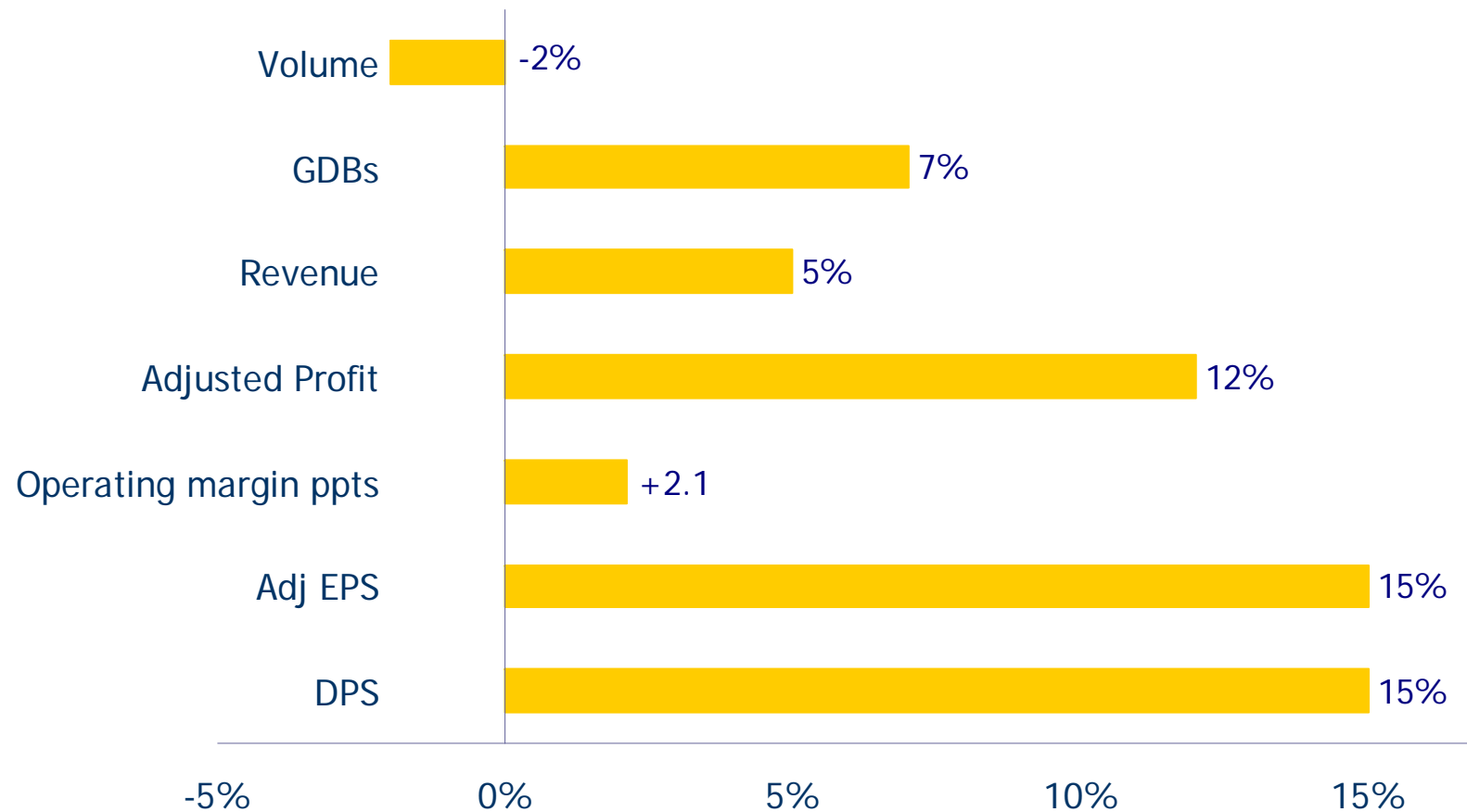
10th March 2011

Ralph Edmondson, Head of Investor Relations, &
Brian Fleming, Tobacco Utilization Manager





Delivering growth in challenging times

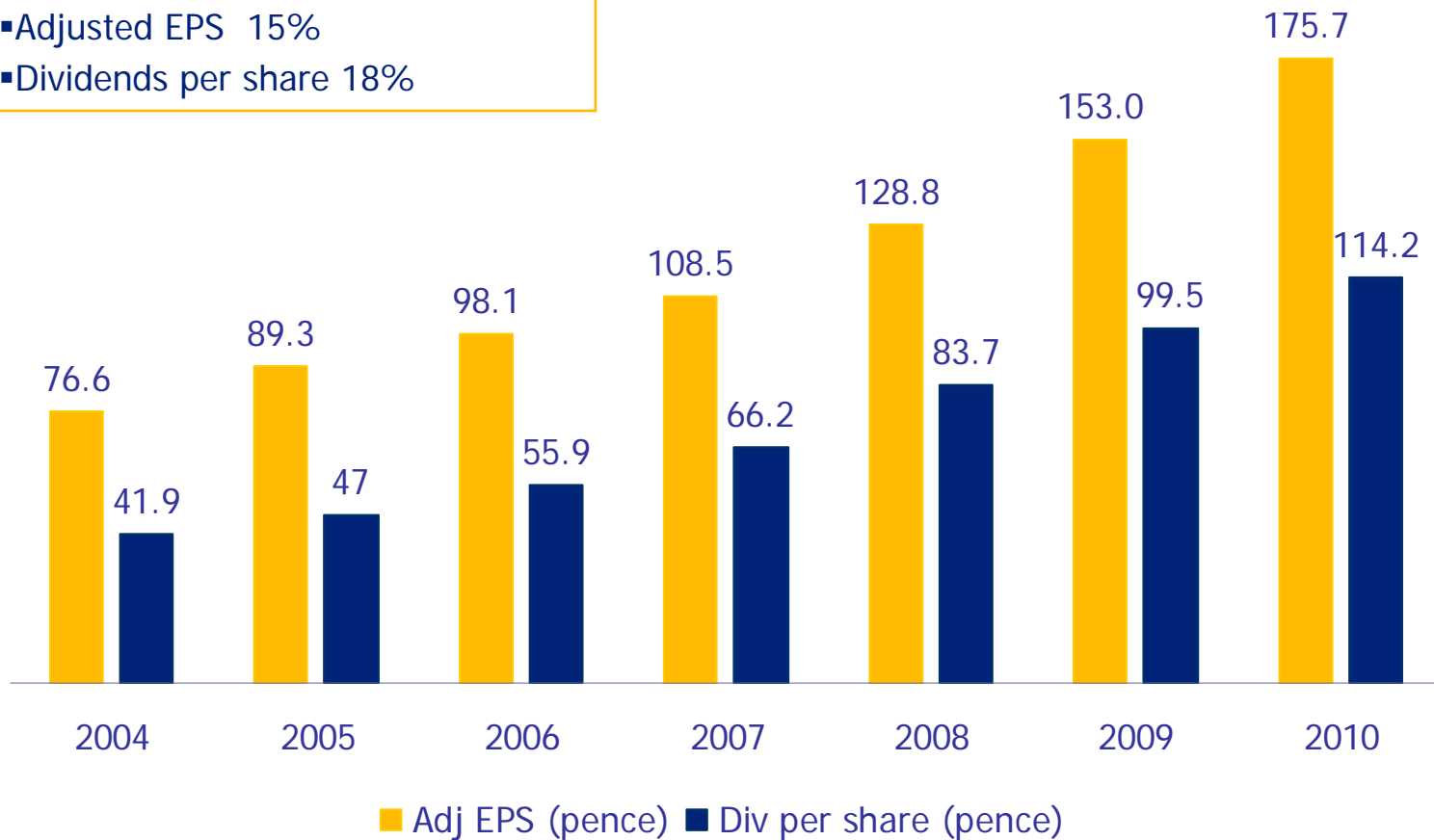




Delivering growth in challenging times



- CAGR 2004 to 2010:
 - Adjusted EPS 15%
 - Dividends per share 18%



Contents

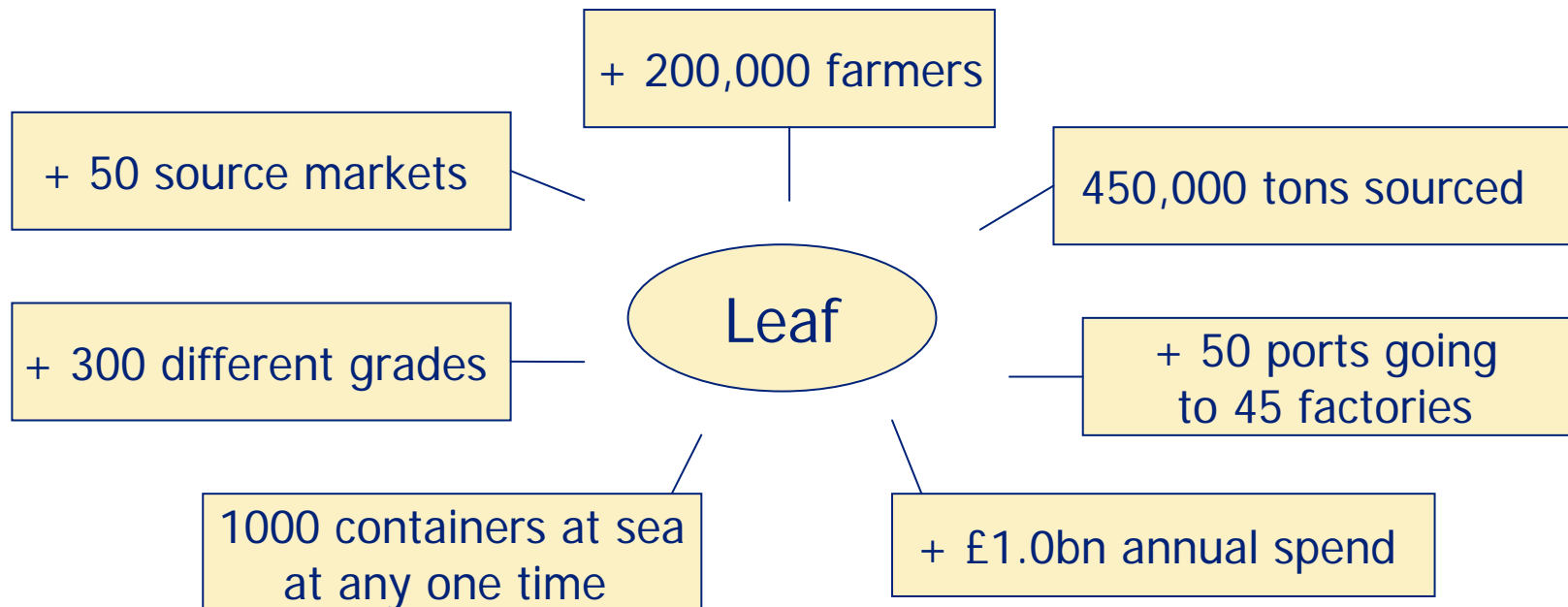


- Leaf Supply Chain Scope
- Leaf Industry Dynamics
- Leaf Supply Chain Capabilities
- Sustainability Agenda
- Innovation Agenda

Brian Fleming, Tobacco Utilization Manager

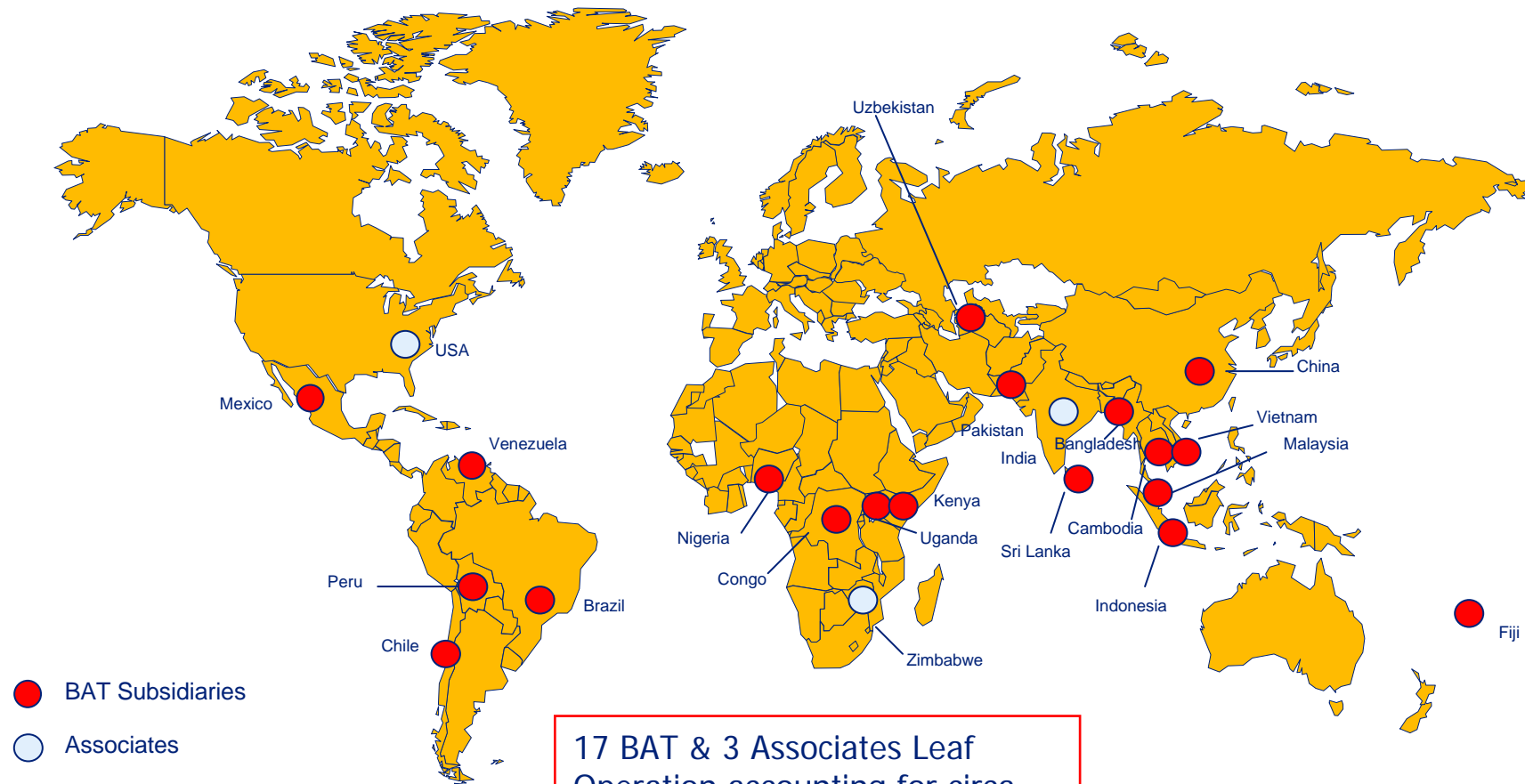


Leaf supply chain scope





BAT leaf operations

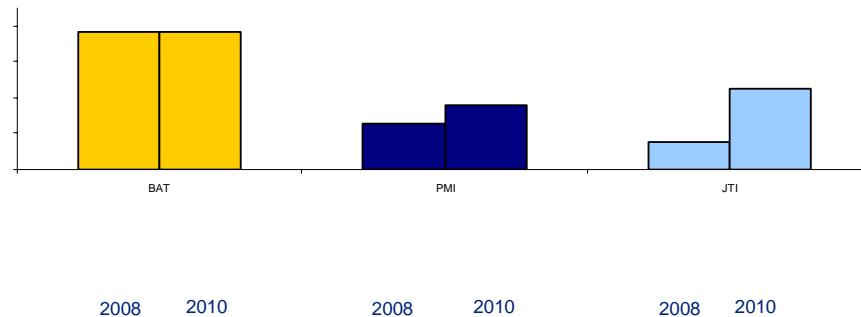




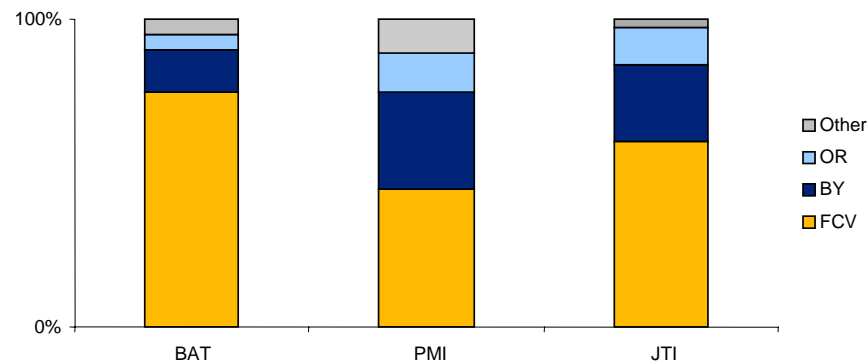
Leaf: Vertical integration



Vertical integration (% Volume)



Purchase by Type



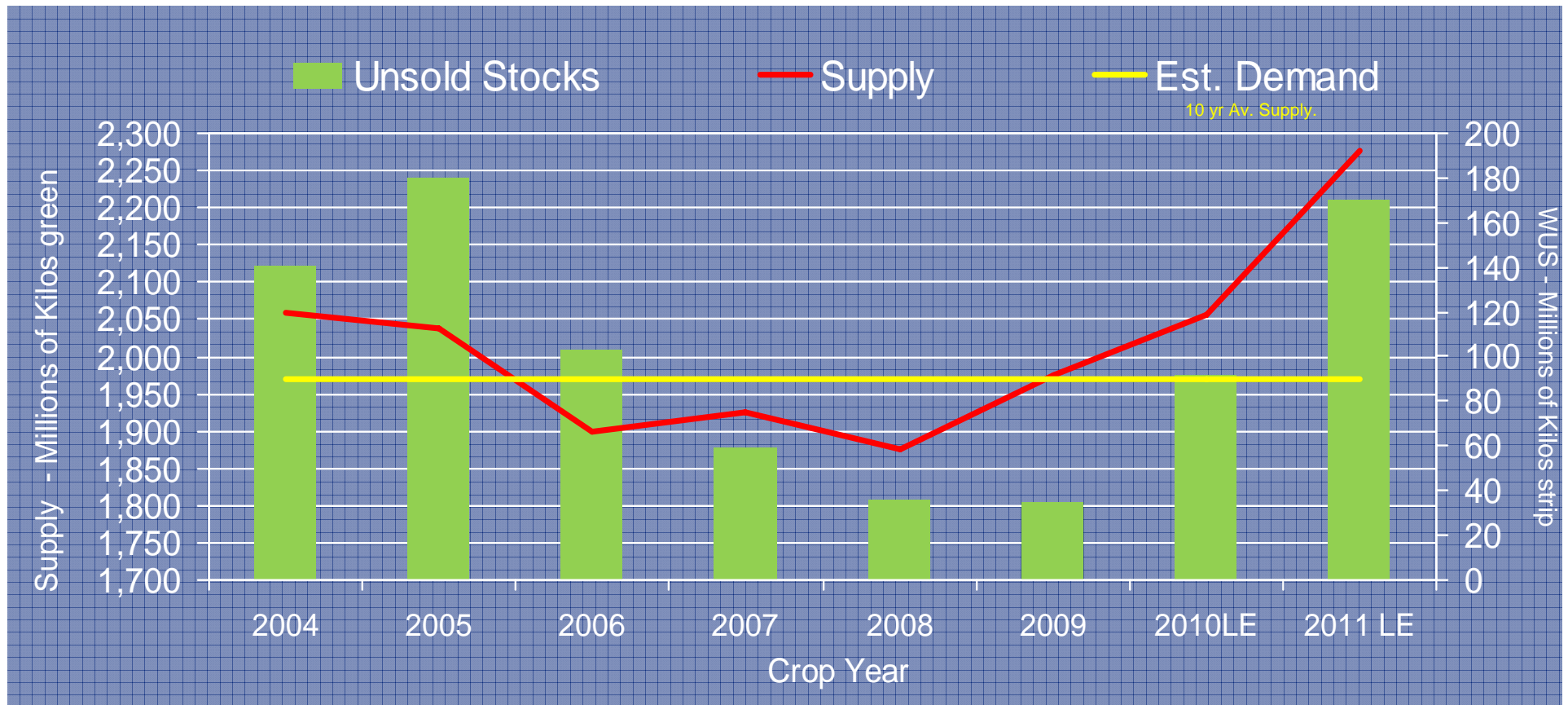
Source: British American Tobacco Estimates, Philip Morris International /Japan Tobacco International investor releases & financial reports

- BAT has a higher percentage of vertical integration amongst industry competitors
- Competitors have changed position from 2008 with vertical integration in countries such as Brazil
- Tobacco purchases by type have a direct correlation to the overall portfolio mix of the different competitors



Flue Cured Virginia – Supply Trend

Excluding -China

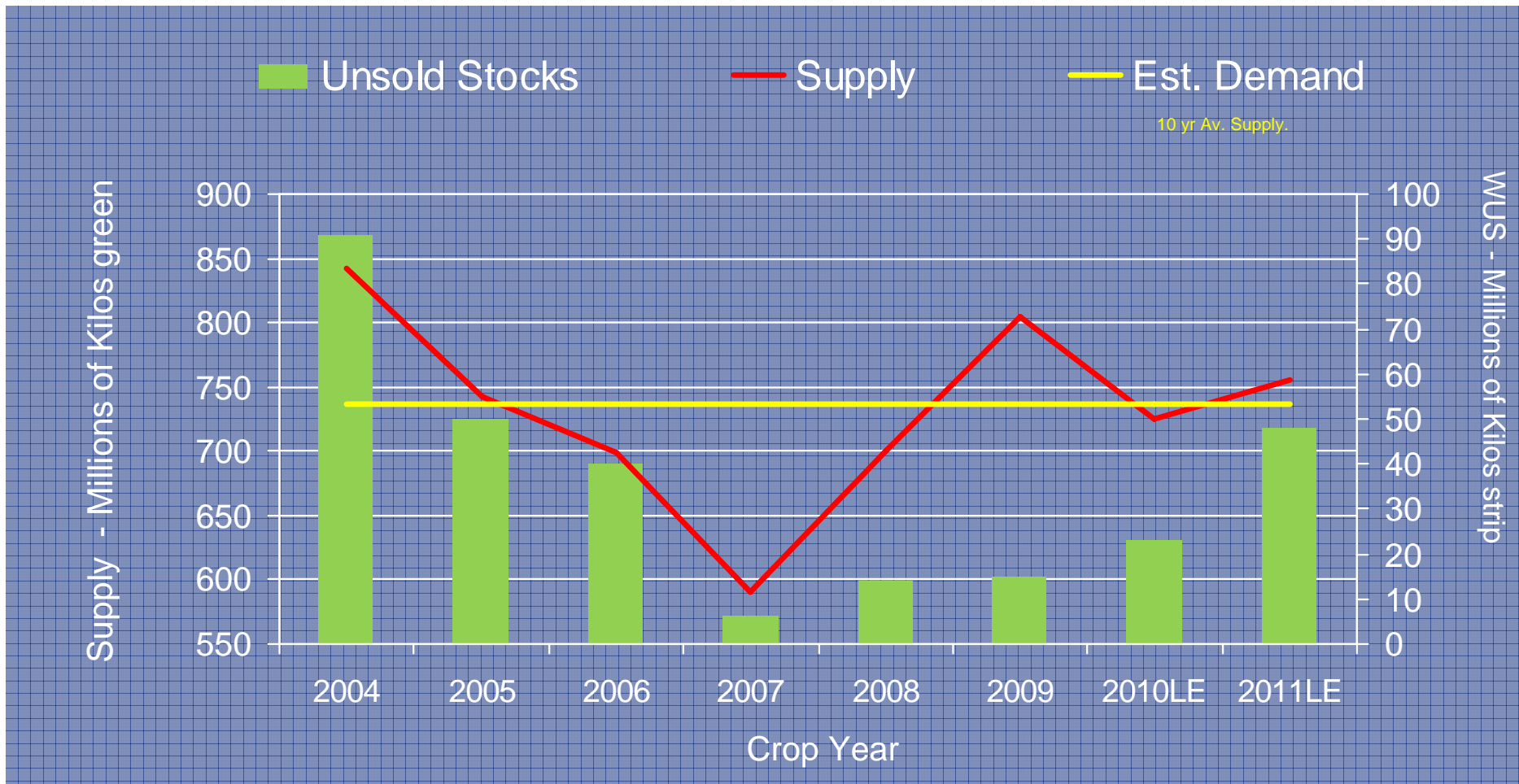


Source: Universal leaf Tobacco Reports & British American Tobacco Estimates



Burley – Supply Trend

Excluding -China



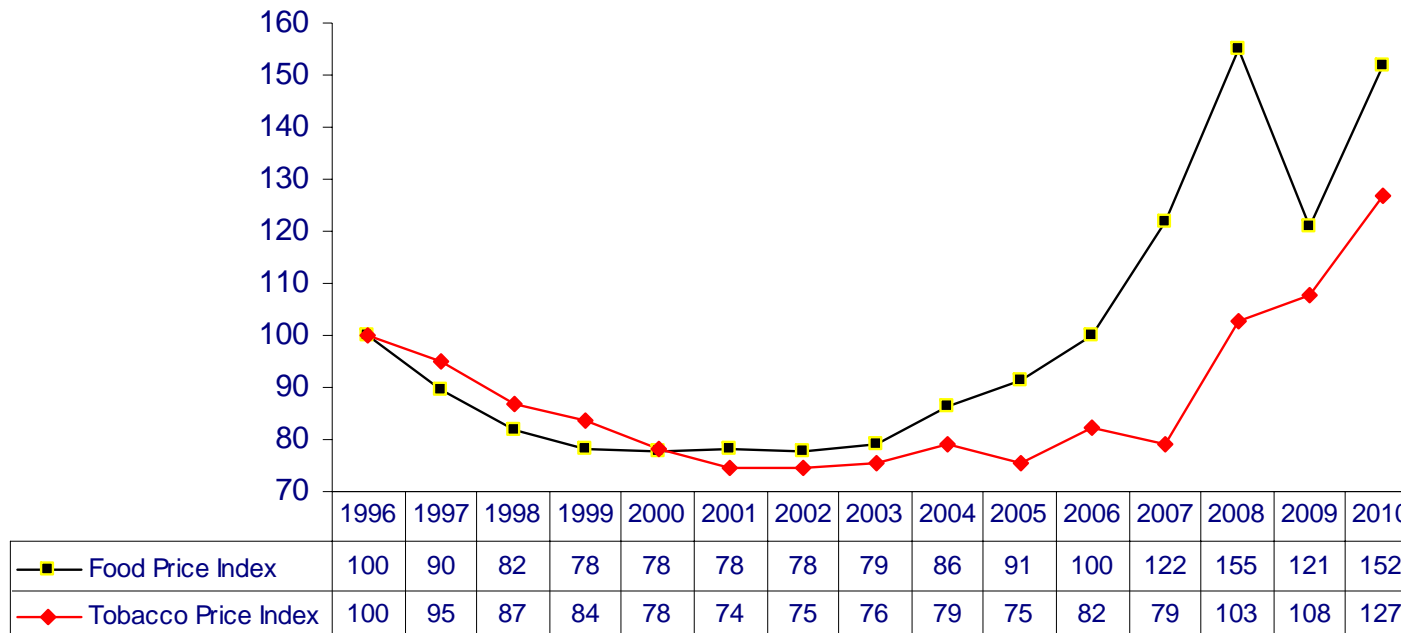
Source: Universal Leaf Tobacco Reports & British American Tobacco Estimates



Industry dynamics – Food & Tobacco



Price Index - Food and Tobacco



■ Food Price Index
◆ Tobacco Price Index

Source: Food & Agriculture Organisation / British American Tobacco Estimates



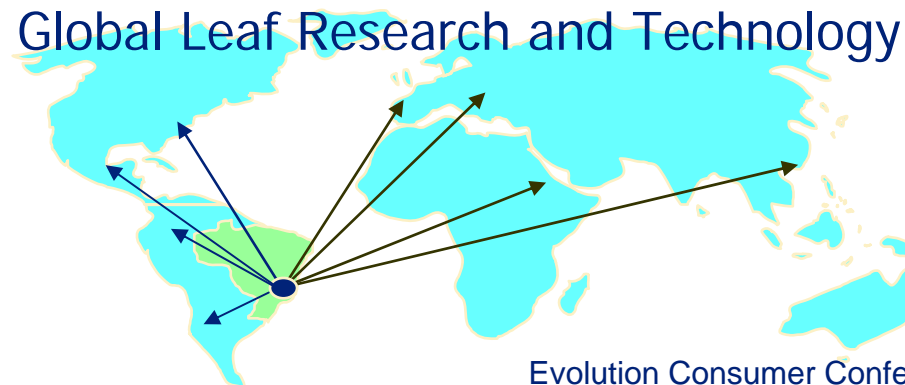
Leaf Research and Technology



- Established in 1974 for agronomy research in tobacco, for Souza Cruz's (Brazil) to develop technology packages.
- Recognised Centre of Excellence for the BAT Group and established as a global capability in 2010.
- Linked to Global Research & Development and Blending Innovations Centre



Global Leaf Research and Technology



Evolution Consumer Conference, Edinburgh March 2011



Leaf growing



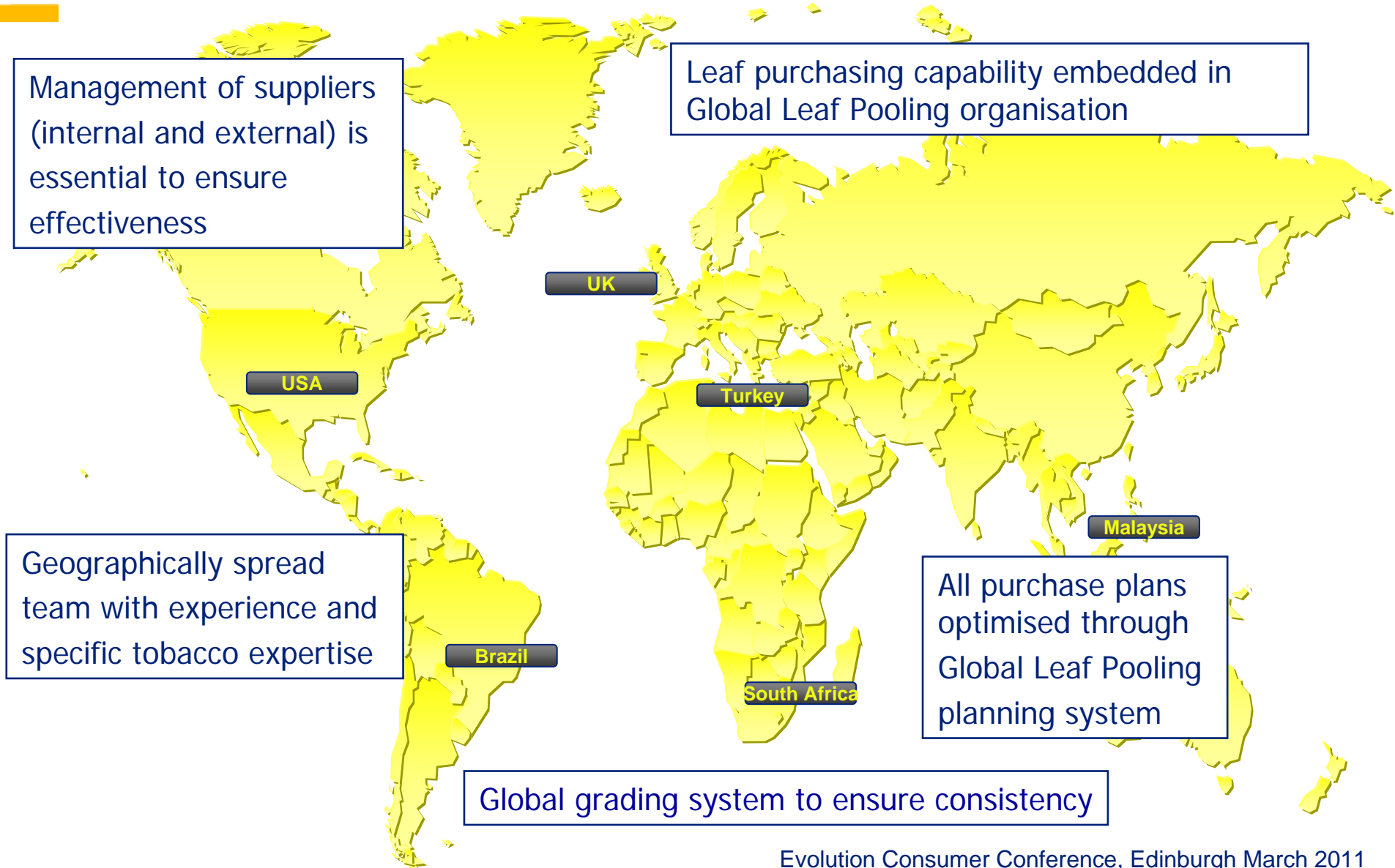
- Global Leaf Research & Technology provide technology platform and seed breeding capability.
- Good Agricultural Practices cascaded to farmers utilising dedicated leaf technical staff



- Farmer base selected, trained and provided with appropriate inputs to produce the required quality of Tobacco in the most effective and efficient manner.



Leaf purchasing





Global Leaf Pooling

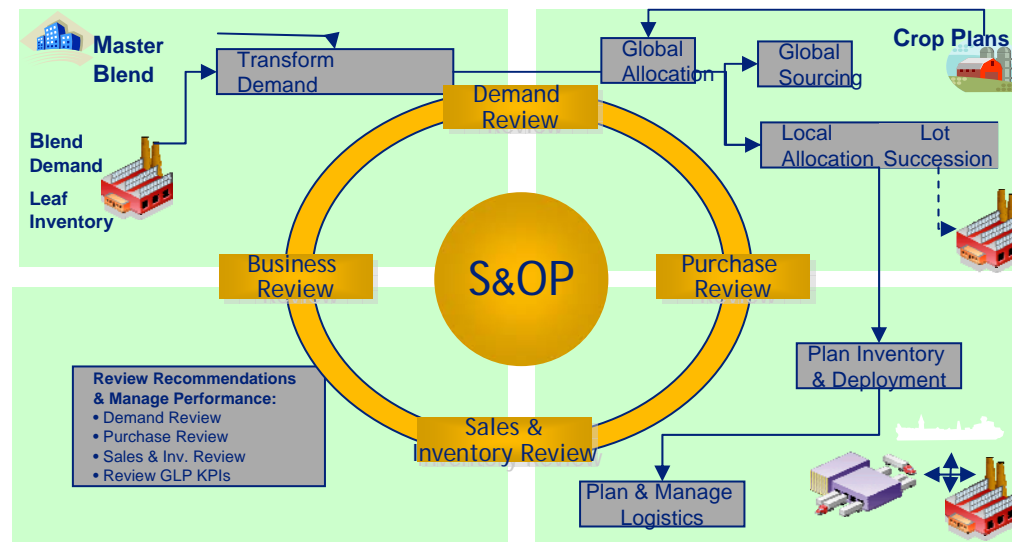


Capabilities

- End to End Planning
- Stock Management
- Cost Optimisation
- Leaf Quality & Integrity
- Deployment

Delivering

- Improved speed to market
- Lower durations
- Complexity reduction
- Optimal leaf & blend cost.
- Guaranteed product quality





Leaf sustainability



- Regulation



Article 9: Regulation of contents of tobacco products

Article 10: Regulation of tobacco product disclosures

Article 17: Provision of support for economically viable alternative activities

Article 18: Protection of the environment and health of persons

- Agricultural Landscape



Socio-economic: Social Responsibility in Tobacco Production

Soil & water: Degradation of soil structure and water management- key focus of Good Agricultural Practices

Forest: BAT has influenced the planting of over 400 million trees

Biodiversity: Agricultural impact – Biodiversity Partnership



Leaf innovation



Leaf a consumer differentiation opportunity?

- 4 different major types of tobacco
- 300 different grades of tobacco
- +50 different sourcing locations
- Decades of experience.



1¢ - 2¢
per cup



2¢ - 5¢
per cup



5¢ - 25¢
per cup



\$1.50 - \$2.50
per cup



\$2 - \$5
per cup



Summary



- Vertical integration is still a point of difference even though major competitors are adopting a similar model
- Core capabilities through the leaf supply chain provide competitive advantage
- Decades of operating in the leaf business provides experience and knowledge
- Major future challenges as regards pressure on agricultural landscape and regulation



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