FORMULA 1 SPONSORSHIP

Key Points:

Team Issues

- The cars will be built, tested & developed in 1998; and raced in 1999. We cannot disclose the sums of money involved in setting up British American Racing as it is commercially confidential information.
- We see F1 as a good opportunity to increase awareness of our brands amongst adult smokers. As far as our other sponsorships are concerned, we announced recently withdrawal from bikes and power boats, we continue to be committed to rallying.

Sponsorship Issues

- The EU's position on advertising and sponsorship was not a significant factor in the establishment of British American Racing. Formula One is a global sport as are the aspirations of the partners.
- Formula One is a global sport with immense appeal in countries outside of Europe. If investment cannot be recognised in Europe then the FIA is justified in its examination of alternative venues for races in other parts of the world.

- On the issue of the Ecclestone donation of £1 million to the Labour party, we have no knowledge of the issue apart from what has appeared in the press.
- Sponsorship bans cannot be justified. Sponsorship is an important element in competition and experience shows in some markets where advertising and sponsorship has been banned, cigarette sales have increased, particularly amongst the young.
  
  Excessive studies show that
  - Young people take up smoking because of examples set by family and friends and because of peer pressure - advertising and sponsorship is an insignificant factor in causing them to start smoking.

Formula 1 withdrawal from Tobacco Sponsorship

The FIA

- Formula 1 Authority has stated that if evidence is presented proving that young people start smoking because of cigarettes brand logo's on cars, F1 will ban tobacco sponsorship by 2002.
- We strongly believe that there is no credible evidence to show that a brand logo on a F1 car influences young people to start smoking. Studies which have claimed advertising is the primary influencer in smoking initiation have ignored key information such as peer group pressure and have been demonstrated to be unsound in their methodology (We will be submitting this evidence to the FIA).
- We have confidence that sponsorship opportunity will remain open to us and are therefore committed to our significant investment in F1.
### Questions and Answers

**British American Tobacco, British American Racing and Formula One.**

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<tr>
<th>Why has British American Tobacco decided to return to Formula One?</th>
<th>To be provided</th>
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| **If Formula One presents such a great opportunity to increase awareness of your brands, why have you been absent from the sport for so long?** | • British American Tobacco has been concentrating its resources on other global motor racing events: The Team Lucky Strike Suzuki motorcycle team; The 555 Subaru Rally Team; and The John Player Gold Leaf Jones F1 Power Boat Team.  
  • The opportunity to take part in Formula One as a partner has not emerged before.  
  • British American Tobacco is constantly reviewing its sponsorship activities to ensure they meet the strategic requirements of the business. |

| How much is British American Tobacco investing in British American Racing? | • The exact size of British American Tobacco's investment is confidential.  
  • British American Racing will have all the resources it needs to compete at the front of the grid.  
  • British American Tobacco's investment in Formula One is covered by the re-allocation of existing sponsorship budgets and reflects the decision to concentrate its marketing resources behind its key international brands. |

| Is there a time limit on British American Tobacco's involvement in Formula One? | • British American Tobacco is committed to Formula One for the long term. |

| What brands will feature on British American Racing's cars? | • One British American Racing car will feature Lucky Strike and the other State Express 555. |

| Why were Lucky Strike and 555 chosen as the brands for the cars? | • As Lucky Strike and 555 are two of our biggest selling international brands it was felt that they best represented the international scale of Formula One. |

| Will British American Racing's cars carry secondary sponsorship from other companies? | • Yes. Teleglobe is already signed up as a major secondary sponsor. British American Racing is in negotiation with other potential sponsors. |

| Why has British American Tobacco decided to enter Formula One as a partner as well as a sponsor? | • The unique arrangement ensures that both the company and its brands will derive maximum benefit from the initiative.  
  • Simply sponsoring an existing team did not offer the same opportunity to build a team from scratch with a unique approach and identity.  
  • British American Racing has all the ingredients of a successful and profitable business.  
  • The nature of British American Tobacco's involvement reflects its long term commitment to Formula One. |

<p>| What is British American Tobacco's shareholdings in British American Racing? | • The respective shareholdings of British American Racing's owners is confidential information. |</p>
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| How long do you predict it will take British American Racing to become competitive? | - While British American Racing is realistic about the difficulties which newcomers to Formula One face, it has always been our intention to be competitive from the first race of the 1999 season.  
- It is unlikely that we could have persuaded a driver of the calibre and ambition of Jacques Villeneuve to join British American Racing unless he was convinced that the team had what it takes to compete at the front of the grid.  
- The Tyrrell team, which British American Racing has purchased, has 30 years experience in Formula One. This gives it an advantage over other start-up teams.  
- As a partner in British American Racing, British American Tobacco is uniquely positioned to ensure that the team realises its potential. |
| What will happen in Europe if you are unable to advertise your products in F1 after 2006? | - Our marketing strategy is under continuous review, and we obviously examine all possible scenarios. |
| Why have you pulled the 555 brand out of the World Rally Championship? | - British American Tobacco with 555 has experienced great success with the Subaru team and rallying.  
- The move into Formula One creates a new and exciting opportunity for British American Tobacco to further it's success in motor racing. |
| Is it true that Damon Hill declined an £8 million offer to drive for British American Racing? | - We will not comment on such speculation.  
- In Jacques Villeneuve and Ricardo Zonta we are confident that we have two of the most talented drivers in motorsport. |
| Can we assume that British American Racing challenge for the world title will be concentrated on Jacques Villeneuve? | - Unlike many teams, British American Racing will treat both drivers equally. There will be no team orders and both will have everything they need to compete with the best. |
| Bearing in mind that recent new entries to Formula One have struggled to compete on the track, do you accept that British American Racing is a high risk venture? | - Any new business has an element of risk.  
- British American Tobacco has taken every possible step to minimise the risk: British American Racing has the people, experience and resources it needs to succeed.  
- The recent test results in Barcelona (finishing with the third fastest time) were encouraging for the team. |
| If British American Racing does not meet your expectations in its first season, will you be re-thinking your involvement? | - British American Tobacco understands that success in Formula One requires a long term commitment and is realistic about the challenge it faces.  
- As a partner in British American Racing, British American Tobacco is uniquely positioned to ensure that the team realises its potential.  
- British American Tobacco constantly monitors the effectiveness of all its sponsorship activities and Formula One will be no exception. |
Dual Livery issue

Important Note: Any dual livery related questions should be referred to British American Racing via Patrizia Spinelli.

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<th>On what basis are you taking the FIA to court?</th>
<th>• It is not British American Tobacco, but British American Racing that has instigated the legal action on this matter, so the question would be more appropriately directed to team representatives.</th>
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<td>How involved is British American Tobacco in the legal challenge against the FIA?</td>
<td>• Although the legal action is being brought by British American Racing, British American Tobacco has a significant interest in the outcome; firstly, as one of the equity partners and secondly, as principal sponsor it has a direct impact on our “dual branding” strategy.</td>
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<td>What is your prediction on the outcome of the legal outcome with regard to dual branding?</td>
<td>• We obviously want to see a successful outcome, but cannot speculate further on this issue.</td>
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**Lucky Tribe**

DO NOT USE UNLESS ASKED A DIRECT QUESTION ABOUT LUCKY TRIBE.

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<th>Who or what is Lucky Tribe?</th>
<th>• Lucky Tribe is a name/identity for the team supporting the Lucky Strike sponsored car.</th>
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<td>What is the relationship between Lucky Strike and Lucky Tribe?</td>
<td>• Lucky Strike is a cigarette brand who sponsor one of the British American Racing cars and Lucky Tribe is the name of the team.</td>
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<td>Is Lucky Tribe not simply a marketing device to maintain the visibility of Lucky Strike imagery in markets where the use of tobacco trademarks is banned?</td>
<td>• Lucky Tribe is the name of one of the British American Racing teams. It is not intended to - and will not be allowed to - usurp the place of Lucky Strike, one of the team’s principal sponsors. • It will not be used in place of Lucky Strike in markets where tobacco sponsorship is banned.</td>
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<td>Why do the Lucky Strike and Lucky Tribe logos share the same colours?</td>
<td>• The team logo reflects the principal colours of the car.</td>
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<td>Isn’t the use of Indian imagery an insult to native Americans?</td>
<td>To be provided</td>
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### Sponsorship/Advertising restrictions/Juvenile issues

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<td>Is British American Tobacco’s return to Formula One anything more than an effort to circumvent the growing restrictions on tobacco advertising around the world?</td>
<td>To be provided</td>
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| Is the creation of British American Racing a reaction to the proposed European Union ban on tobacco advertising? | • British American Tobacco was considering a return to Formula One long before the European Union’s proposal.  
• Formula One is a global sport with immense appeal outside Europe. |
| What is British American Tobacco’s view of the FIA’s threat to move races out of the European Union if the EU implemented a ban on tobacco sponsorship? | • Formula One is an immensely expensive undertaking and needs to attract investment. If sponsors’ investment cannot be recognised in Europe, the FIA is justified in considering alternative venues. |
| What liveries will the cars feature in those countries where the use of tobacco trademarks is banned? | • British American Tobacco complies with all local regulations governing tobacco advertising, this is true of all sponsorship activity, including F1.  
• No decision will be made regarding liveries for restricted markets until the necessary legal advice has been taken. |
| Sponsorship of F1 encourages people to take up smoking, doesn’t it? | • Extensive studies world-wide suggest that family and peers are by far the leading factors influencing the decision to take up smoking.  
• No-one would expect a non-smoker to start smoking just because they watched a Formula One race. |
| If sponsorship doesn’t increase cigarette sales, why do you do it?       | To be provided                                                                              |
| Formula One is an exciting and glamorous sport with a natural appeal to young people. How can you say your involvement doesn’t encourage them to smoke? | • [Studies suggest that family and peers are by far the leading factors influencing the decision to take up smoking.  
• British American Tobacco believes that smoking is an adult choice and has a number of programmes around the world designed to prevent underage (defined as 18 and under) people from purchasing tobacco products.] To be updated |
| What about the recent study which reported that boys who named motor racing as their favourite sport are more likely to be regular smokers than those who do not? | • [The study was published without the supporting data as a letter in The Lancet magazine.  
• According to the study, the majority of the boys who reported motor racing as their favourite sport did not smoke.  
• Interestingly, no results were published for girls.] To be updated |
Sponsorship (cont’d)

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<th><strong>What steps are you taking to ensure that your sponsorship of Formula One is not targeted at children?</strong></th>
<th><strong>To be provided</strong></th>
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| Isn’t it true that the only people to benefit from British American Tobacco’s involvement in Formula One will be British American Tobacco? | • Formula One is an immensely expensive undertaking. It is possible that several teams could not continue to compete in F1, without tobacco sponsorship.  
• Sponsorship benefits the sport, the fans and the company. |
| How much has BAT spent on motorsport sponsorship in the past? | • This is commercially sensitive.  
• Over the years British American Tobacco has invested considerably in many motor sport activities to the benefit of the sport, the fans and the company. |
| Will British American Tobacco sponsor the China Grand Prix? | • British American Tobacco is interested in the China Grand Prix sponsorship rights and discussions have taken place. An announcement will be made prior to the event |

Rothmans merger/Williams team sponsorship

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<th><strong>What is the situation with Williams sponsorship now BAT has announced it intention to merge with Rothmans?</strong></th>
<th><strong>To be provided</strong></th>
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| And if the merger does go ahead, what will you do? | • There are a number of regulatory hurdles to be completed before the merger can be completed, so it is far too early to speculate on this issue.  
• Until the merger is completed all existing agreements will be honoured.  
• We are not in a position to formulate our strategy until we have been able to review the existing contract with Williams, and assess our long term sponsorship strategy. |
F1 Expansion into Asia

- Formula One as global sport is governed by the FIA. It is their decision where Grand Prix races take place, as a sponsor and equity partner of a Formula One team, we attend races set and controlled by the sports governing body.

Developing country issues

- British American Tobacco is a welcome investor in developing countries and has been for nearly 100 years. (1904 South Africa office opened, 1905 in Zimbabwe and 1907 in Kenya).

- Developing countries are a small contributor in terms of our Group profits. The continent of Africa, contributed less than 3 per cent (ten years ago it was 6 per cent).

- Recent expansion in new tobacco markets has not occurred because of declining sales in the west. It is due to a number of factors:
  - liberalisation of former tobacco monopolies
  - collapse of communism
  - opening of markets previously closed to cigarette exports (supported by principles of free trade)

- British American Tobacco is not introducing a new product to the market (like hamburgers or Cola), it is satisfying a demand for higher quality tailor-made cigarettes, where were previously not available or were unaffordable.

- We respect the cultures, customs and societies of all the countries where we operate and we obey their laws

- Cigarettes are a legal product in every country of the world and informed adults should have the right to purchase.

Juvenile issues

- British American Tobacco is as concerned as anyone else about under-age smoking – and we have advertising and marketing codes and programmes in place world-wide to assist in addressing this important issue.

- We believe that smoking is an adult choice. The company defines adults as those who are 18 years of age.

- It is our policy world-wide to only direct advertising to adult smokers. The company has in place an internal code of marketing practice to ensure that no advertising or promotional campaigns are directed at or have special appeal to minors.

- We have been involved in financing a number of successful campaigns world-wide specifically to help enforce laws banning the sale of cigarettes to minors.

- We support unreservedly the efforts of authorities to prevent the sale of cigarettes to minors.