

RESTRICTED

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

MANAGEMENT BOARD MEETING

5th November 1992

Present: Mr B D Bramley (Chairman)  
Mr P N Adams  
Mr N Davis  
Mr K S Dunt  
Mr R S Hartley  
Mr R H Pilbeam  
Mr J Rembiszewski  
Mr D S Watterton

In attendance: Mr P L Clarke (Secretary)

Also attended: Mr J Bottome Item BH.76  
Mrs S Osborne Item BH.77  
Mr M Magnacca Item BH.77  
Mr G Read Item BH.78  
Mr D Stimson Item BH.79

Apologies: Apologies for absence were received from Mr N G Brockes.

PREVIOUS MINUTES

The minutes of the meeting held on 21st September 1990 were agreed.

MATTERS ARISING

Mr Pilbeam reported on the proposed revised arrangements for handling the Company's exposure to exchange rate fluctuations. At the end of November, a fixed £,US\$ exchange rate would be agreed with BAT Industries and all \$ inflows to the Company would be sold to BAT Industries Finance at the agreed exchange rate, where they would be managed centrally. The position with regard to non-US\$ currencies was under review. It was agreed that Mr Pilbeam would circulate a paper to the Board describing the revised arrangements in detail prior to agreement with BAT Industries.

BH.74 BATCO PERFORMANCE OBJECTIVES (REVIEW)

The Board reviewed the latest estimate of BATCo's year end performance against sales and other financial objectives.

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BH.75 PRODUCT LIABILITY

Mr Clarke reported that the plaintiffs' lawyers responsible for most of the tobacco litigation pending in New Jersey USA, including the Cipollone case, had announced their intention to withdraw from these cases. It was expected that the Court would order the Cipollone case to be dismissed later that week. In certain of the other cases, the plaintiffs wished to continue the actions and they would be seeking replacement Counsel. It was hoped that the dismissal of the Cipollone case would result in some favourable publicity for the industry.

BH.76 MANAGEMENT SERVICES DEPARTMENT REVIEW

Mr J Bottome gave the Board a presentation on the 1993 plans for MSD which now combined the BATCo and BATUKE departments. Mr Bottome outlined the overall strategic framework for MSD and the expected demands on the department in 1993, and explained the need to set priorities. After discussion, it was felt that there should be a separate meeting of Directors to review and agree the various priority areas.

BH.77 UK INTERNATIONAL BRANDS

Mrs S Osborne and Mr M Magnacca gave a presentation to the Board of proposals for State Express 555 to sponsor the Subaru International Rally Works Team in the 1993 World and Asian-Pacific Rallies Championship programme. In discussion, it was noted that the revenue cost of the sponsorship would be approximately £5.9mn, but that this would achieve an estimated £15.3mn in television airtime benefit and other unquantified media benefits. The expenditure was approved subject to the Preview profitability for 1993 being achieved and a review of the brand's advertising spend.

BH.78 R&D UPDATE AND BUDGET

Mr Read explained that the integration of the Fundamental Research Centre ("FRC") and the BATCo Technology Centre ("BTC") and the re-focusing of effort towards market needs had resulted in a significant change in the R&D organisation structure, a re-distribution of resources and a proliferation of short-term market-focused projects. Mr Read described each of the key work areas and presented the R&D budget forecast for 1993. In discussion, it was felt that the number of projects currently in progress should be reduced and greater emphasis given to a smaller number of key projects. It was noted that the work programme was largely generated from the Product Development Committee and it was agreed that the minutes of the meetings of this Committee should in future be

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circulated to all Directors. It was also felt that there was a need to review the depth of experience in the R&D Department and PP&D in relation to primary manufacturing and GLT technology. Messrs Bramley, Davis and Rembiszewski would discuss how the control over these demands on R&D could be improved.

BH.79 PRODUCTION PLANNING & DEVELOPMENT BUDGET

The Board noted the 1993 budget for PP&D and requested that the detailed review of progress on major projects should be deferred to a future meeting.

BH.80 PROJECT TALISMAN

The Chairman outlined the principal terms of a proposed deal for the exchange of certain brands in Europe which was in an advanced stage of negotiation. It was noted that the total consideration expected from the deal was in the region of £150mn but that made no allowance for various costs which BATCo would have to incur prior to completion. In view of the magnitude of the project, it was agreed that once final agreement had been reached, a full-time project manager should be appointed to BATCo to supervise the implementation of the arrangements.

BH.81 VISIT REPORT

A visit report for Taiwan was noted.

BH.82 ANY OTHER BUSINESS

It was agreed that Mr Bacon's presentation on the BATCo Corporate Image, and the regular reviews of Production and Leaf would be deferred to a future meeting.

BH.83 DATE OF NEXT MEETING

Thursday, 10th December 1992 at 9.00am.

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