

Fixed income investor update

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These statements are often, but not always, made through the use of words or phrases such as “believe,” “anticipate,” “could,” “may,” “would,” “should,” “intend,” “plan,” “potential,” “predict,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy,” “outlook,” “target” and similar expressions.

It is believed that the expectations reflected in this presentation are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

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Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the impact of competition from illicit trade; the impact of adverse domestic or international legislation and regulation; changes in domestic or international tax laws and rates; adverse litigation and dispute outcomes and the effect of such outcomes on the Group’s financial condition; changes or differences in domestic or international economic or political conditions; adverse decisions by domestic or international regulatory bodies; the impact of market size reduction and consumer down-trading; translational and transactional foreign exchange rate exposure; the impact of serious injury, illness or death in the workplace; the ability to maintain credit ratings and to fund the business under the current capital structure; the inability to lead the development and roll-out of BAT innovations (Next Generation Products and Combustible); and changes in the market position, businesses, financial condition, results of operations or prospects of the Group.

Important Information

Forward-looking Statements (continued)

Additional information concerning these and other factors can be found in BAT's filings with the U.S. Securities and Exchange Commission ("SEC"), including the Annual Report on Form 20-F filed on 15 March 2018 and Current Reports on Form 6-K, which may be obtained free of charge at the SEC's website, <http://www.sec.gov>, and BAT's Annual Reports, which may be obtained free of charge from the British American Tobacco website www.bat.com.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. Readers are cautioned not to place undue reliance on such forward-looking statements.

Additional Information

All financial statements and financial information provided by or with respect to the US or Reynolds American Inc. ("RAI") (and/or the RAI Group) are initially prepared on the basis of U.S. GAAP and constitute the primary financial statements or financial records of the US business/RAI. This financial information is then converted to International Financial Reporting Standards as issued by the IASB and adopted by the European Union (IFRS) for the purpose of consolidation within the results of the BAT Group. To the extent any such financial information provided in this presentation relates to the US or RAI (and/or the RAI Group) it is provided as an explanation of, or supplement to, RAI's (including the RAI Group's) primary U.S. GAAP based financial statements and information.

No Profit or Earnings Per Share Forecasts

No statement in this presentation is intended to be a profit forecast and no statement in this presentation should be interpreted to mean that earnings per share of BAT for the current or future financial years would necessarily match or exceed the historical published earnings per share of BAT.

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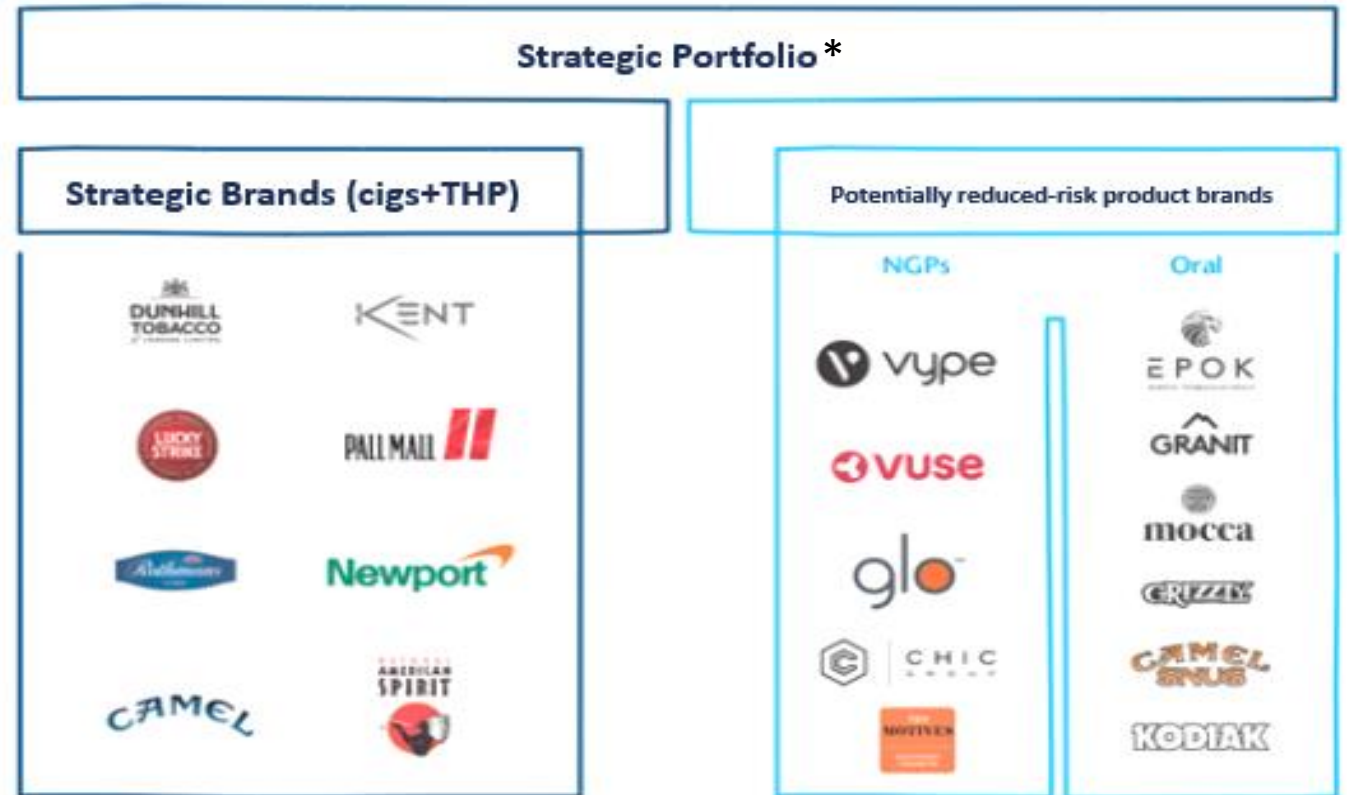
On track for another good year

Strong growth in the Strategic Portfolio

Reynolds performing well

NGPs on track for full year revenue >£1bn

On track for another good year of constant currency earnings growth



* The BAT Group does not own all brands referred to in this presentation in all markets e.g. BAT is the owner of the Camel and Natural American Spirit brands in the United States only

2018 Interim Results – Consistent delivery

	Reported	Adjusted~	Adj Current %*	Adj Constant %*
Financials				
Revenue	£11,636mn	£11,533mn	-6.4%	1.9%
Profit from Operations	£4,438mn	£4,818mn	-5.4%	2.4%
Diluted EPS	117.4p	137.2p	2.1%	10.4%
Volume				
Cigarettes & THP Organic	348bn		-2.2%	

* on a representative basis see Appendix A1, ~ see Appendix A2

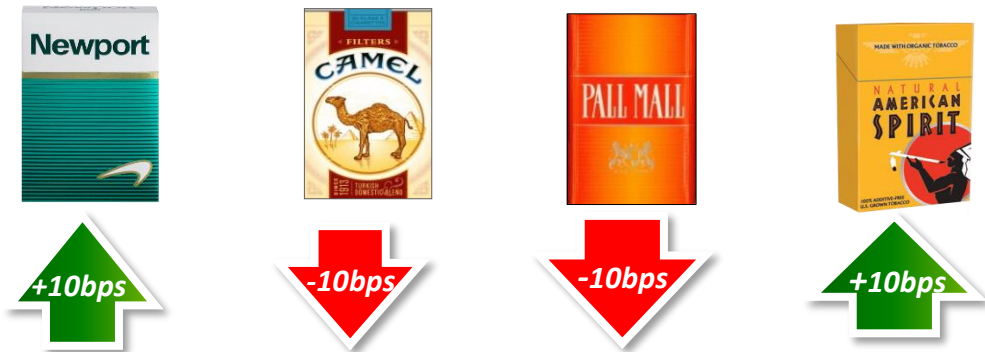
^ Revenue and growth at constant rates

Strong Strategic Brand Performance - Combustible + THP

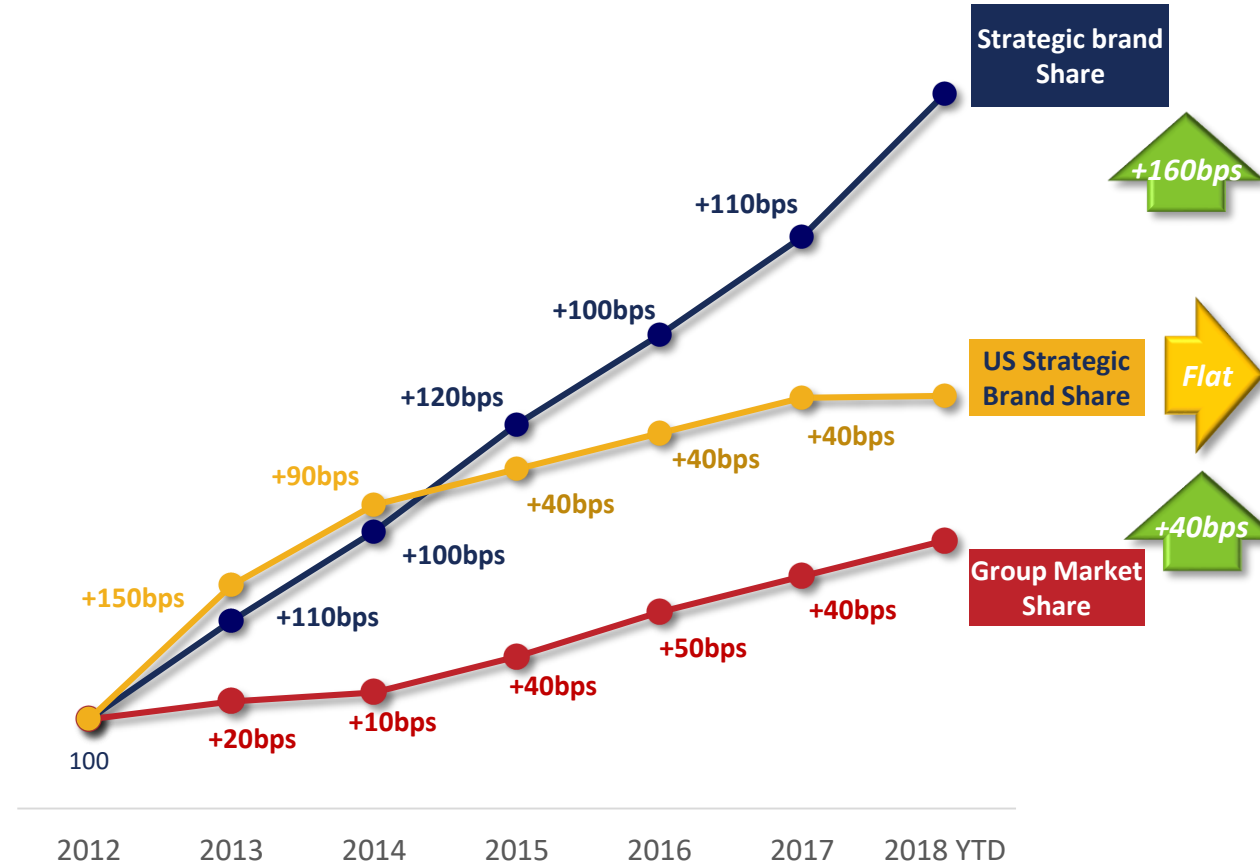
Strategic Brand Global Share including THP +160bps



US Strategic Brand Share* Flat

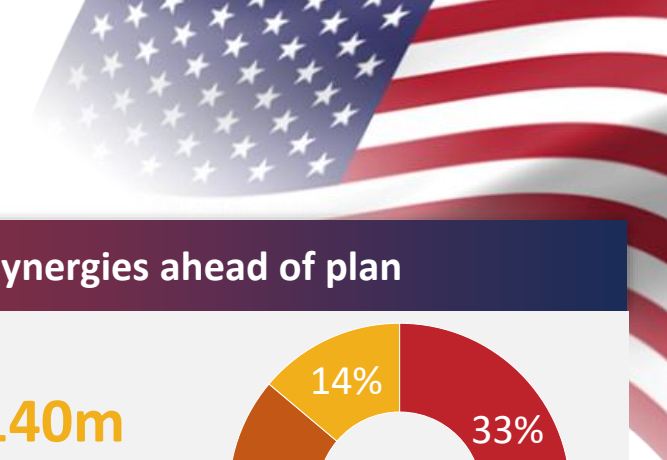


Strategic Brand Share +160bps



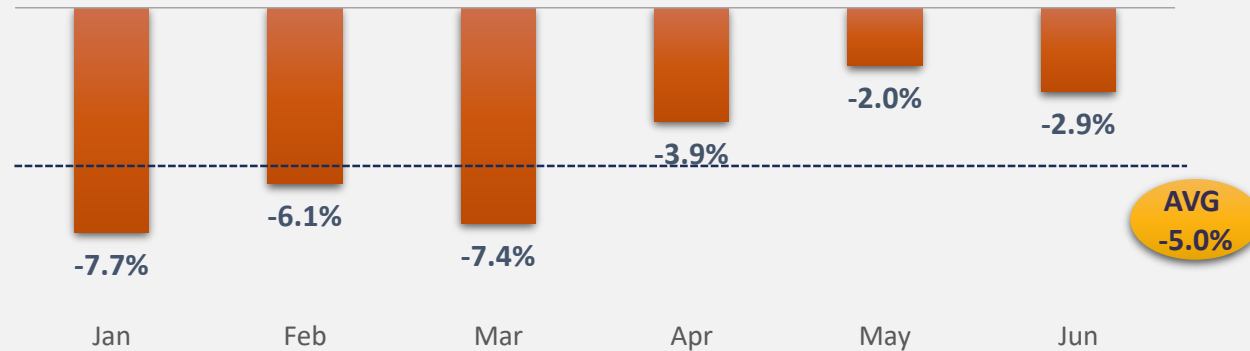
* on a representative basis see Appendix A1

The US – a good underlying performance



US market dynamics remain robust

2018 Industry (STR) YOY % Change

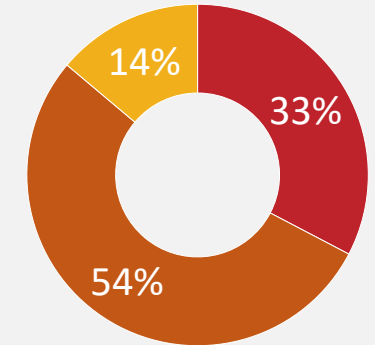


- Revenue up **+1.8%** at constant, excluding one-off comparator benefits (NAS inventory sale)
- Vapour market up **+20%** YTD; but **<5%** of overall tobacco market
- Continue to see limited impact on cigarette industry volume
- Volume down 5.5%, broadly in line with the industry
- Strategic brand share was flat, Premium share +10bps

Cost synergies ahead of plan

2018 - **\$140m**

- Procurement
- Corporate Functions
- Operations

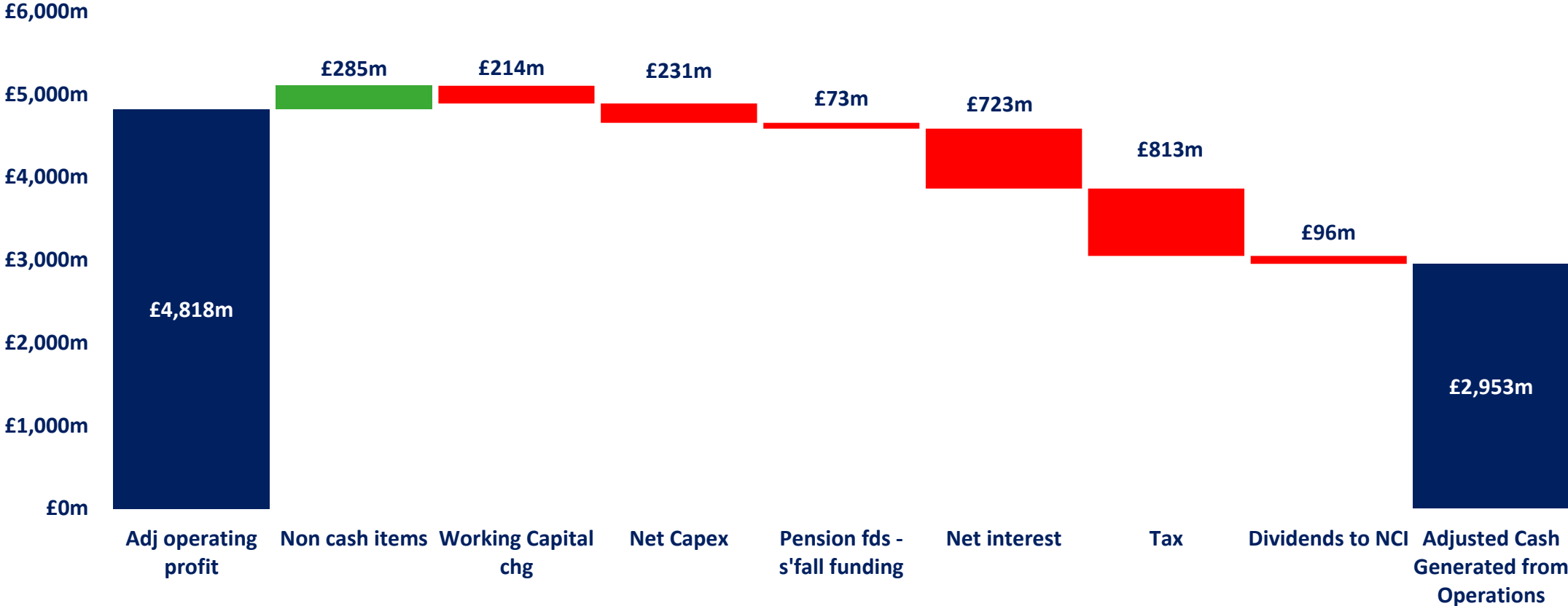


FDA



- Submitted comments on ANPRMs
- Carbon Tip Tobacco Heating Product SE clearance now received
- Camel Snus application to be considered by TPSAC in September
- glo SE application response expected 2019

2018 Interim Results – Adjusted Cash Generated from Operations



Litigation update

QUEBEC CLASS ACTION CASES

- Two actions filed in 1998; Trial from March 2012 to December 2014
- In May 2015, the trial court ruled that defendants failed to warn smokers of the dangers of smoking. Awarded CAD\$15.6 billion against Canadian subsidiaries of BAT (Imperial Tobacco Canada), PMI and JTI. Imperial's share CAD\$10.4 billion and Imperial ordered to deposit CAD\$758 million in security.
- Defendants appealed to the Quebec Court of Appeal, appeal heard in November 2016 and a decision is expected at any time
- Range of outcomes is possible; however, requests for leave to appeal to Supreme Court of Canada highly likely

HEALTH CARE RECOUPEMENT CASES

- Ten health care cost recovery cases filed by provincial governments; All cases are still in the pre-trial phase, with the first trial scheduled to commence in November 2019. No other trial dates have been set. Any appeals of any trial decisions could potentially take a further two years.

FOR ALL CASES

- A wide range of outcomes is of course possible including, e.g. use of Canadian regulations such as "CCAA"

Credit Commitment and Financing Principles

- › Targeting Net Debt/EBITDA of around 3x by end 2019, with further deleveraging thereafter, returning to the higher end of historic Net Debt/EBITDA target of 1.5x to 2.5x
- › Medium-term aspiration of BBB+/Baa1 with S&P and Moody's
- › No share buy-back programme or significant debt financed M&A until leverage returns to appropriate levels

› Financing principles

- Strong Group liquidity, sources v uses ratio of >1.2x
- Average debt maturity of at least 5 years
- ≤ 20% of total debt maturing on a rolling 12-month basis
- Interest cover ratio >5.0x
- Distribute 65% of long term sustainable earnings; 2018 shift to equal quarterly dividends

› Risk management & capital structure

- Transactional FX hedged according to layered hedging approach where efficient market exists
- Group net assets and earnings will continue to be managed through currency matching of debt
- B.A.T. International Finance p.l.c. (BATIF) and B.A.T Capital Corporation (BATCAP) key Centre funding vehicles for the global business and US respectively

US Registration Process and SEC Shelf Programme

- As part of the financing of the Reynolds acquisition, US\$17.25bn of bonds were issued in the US under Rule 144A and with registration rights
- The Group committed to investors that the bonds could be exchanged for registered notes before 31 March 2019
- It is anticipated that the registration process should be completed by the end of the year
- Once these bonds are registered, we expect to file a SEC shelf programme, which will become the basis for future issuances in the US market



Appendix

A1: Representative basis

Results communications in 2018 will include presentation of results (volume, revenue and profit from operations) against 2017, as though the Group had owned the acquisitions made in 2017 for the whole of that year. Comparison of results on this basis will be termed “on a representative basis” and will provide shareholders with a results comparison representative of the Group having owned the acquisitions throughout 2017.

A2: Adjusting (Adj.)

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles (“GAAP”) under which the Group reports. The Group believes that these additional measures, which are used internally, are useful to users of the financial information in helping them understand the underlying business performance. Adjusting items, as identified in accordance with the Group’s accounting policies, represent certain items of income and expense which the Group considers distinctive based on their size, nature or incidence.