

Fixed Income Investor Update 2018

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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.

The forward-looking statements reflect knowledge and information available at the date of preparation of this presentation and BAT undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

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 develop, commercialise and roll-out Potentially Reduced-Risk Products; 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") 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 as 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 it is provided as an explanation of, or supplement to, RAI'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.

Audience

The material in this presentation is provided for the purpose of giving information about BAT and its subsidiaries to investors only and is not intended for general consumers. BAT, its directors, officers, employees, agents or advisers do not accept or assume responsibility to any other person to whom this material is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The material in this presentation is not provided for product advertising, promotional or marketing purposes. This material does not constitute and should not be construed as constituting an offer to sell, or a solicitation of an offer to buy, any of our products. Our products are sold only in compliance with the laws of the particular jurisdictions in which they are sold.

Revision

For presentation purposes within this presentation, all prior periods have been revised to be consistent with the current reporting structure. All of the information in this presentation is in respect to continuing operations, revised for the fully retrospective adoption of IFRS 15.

Share

A number of share metrics are stated throughout this document please see Appendix note A4 for more details.

2018 - A strong performance across all categories



Strong Strategic Portfolio revenue growth, up +8.5%*

Outperforming in Combustibles: market share up +40bps

NGP revenue up +95%* to £901m*

Strong results across the US business

Exceeding High Single Figure constant currency earnings growth, up 11.8%

We have the right strategy



2018 Results Highlights

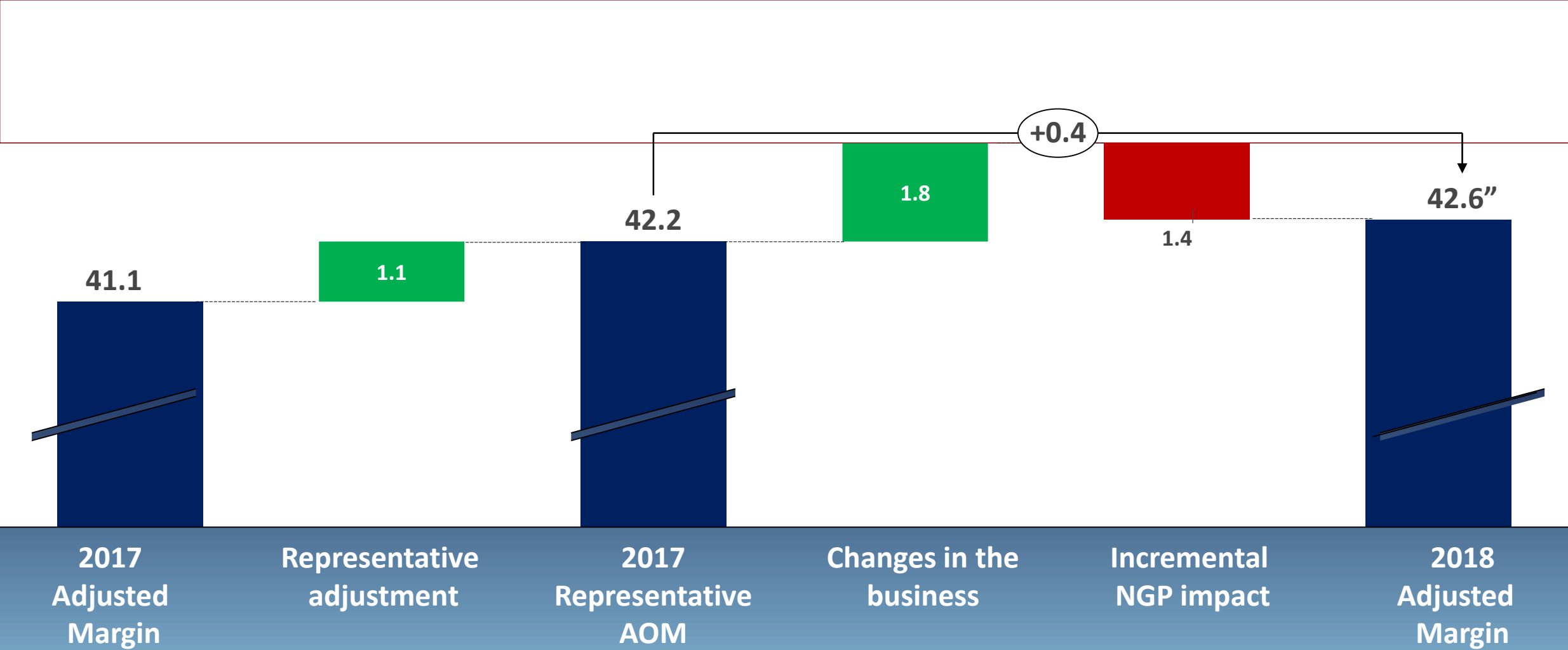


	VOLUME	REVENUE	PROFIT FROM OPERATIONS	EPS~
REPORTED	+3.3%	+25.2%	+45.2%	-86.0%
ADJUSTED CURRENT	-3.5%”	-2.3%”	-1.5%”	+5.2%
ADJUSTED CONSTANT	-3.5%*	+3.5%*	+4.0%*	+11.8%

“ Representative and adjusted basis. See Appendix, notes A1 and A2.

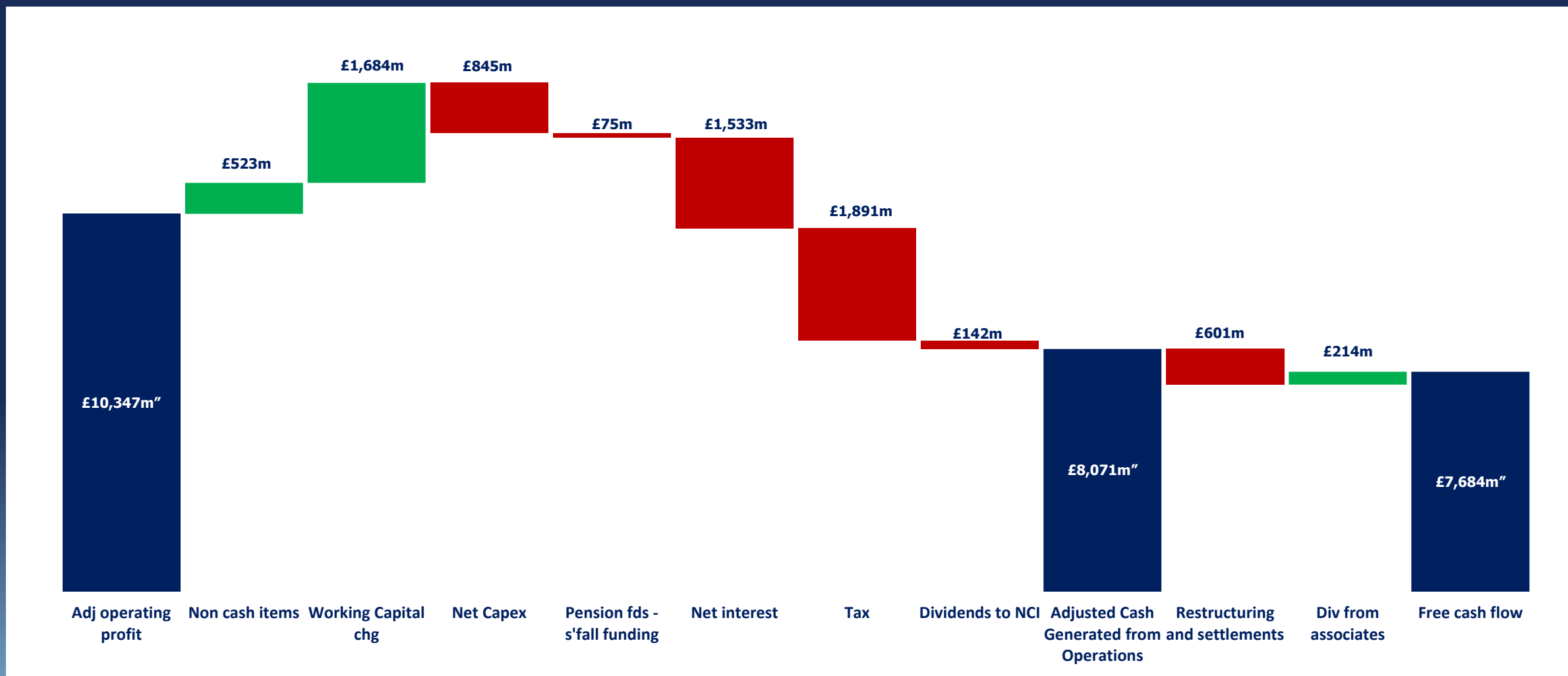
* Representative, adjusted and constant rate basis. See Appendix, note A1, A2 and A3. ~ EPS refers to diluted EPS

2018 Results – Adjusted Operating Margin % Up 40bps”



“ Representative and adjusted basis. See Appendix, notes A1 and A2.

2018 Results – Adjusted Cash Generated from Operations



2018 Results – Leverage



Adjusted net debt/ Adjusted EBITDA

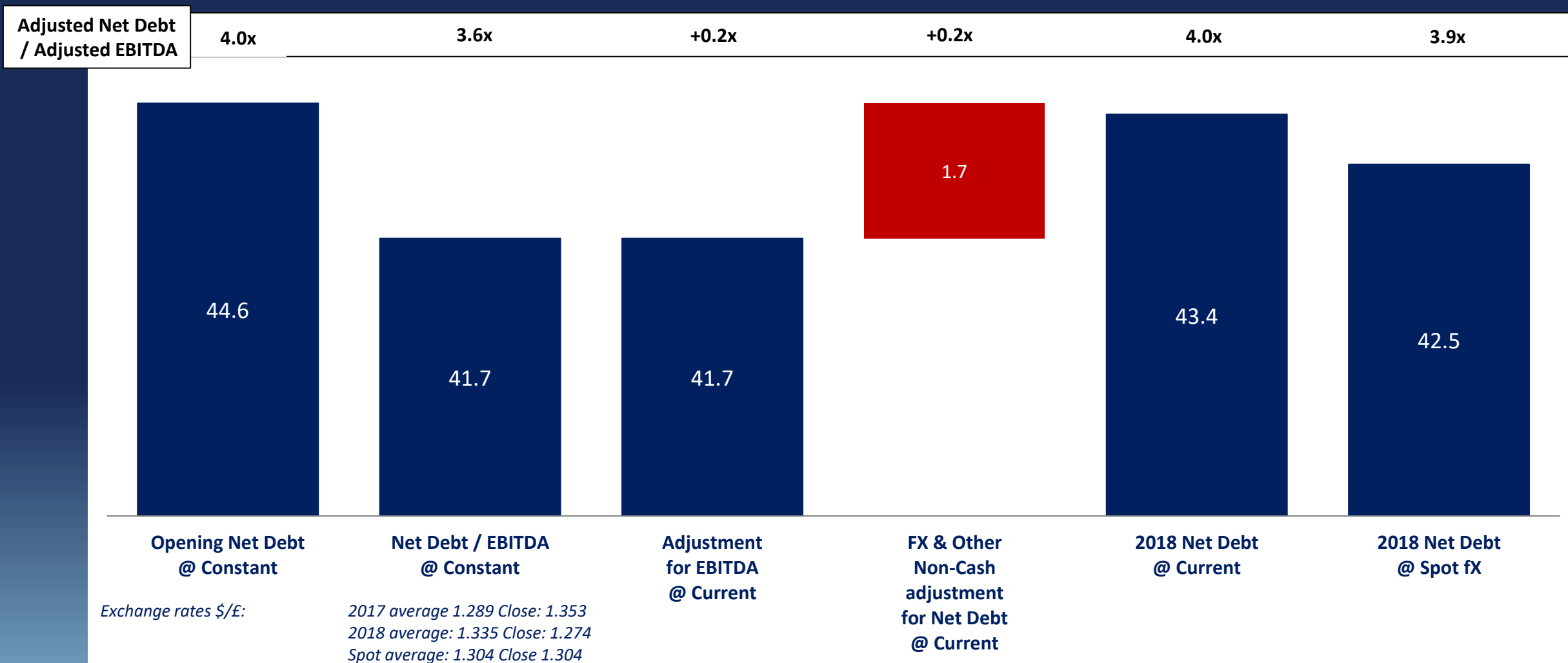
- £1.6bn of debt paydown in 2018
- Adjusted net debt/adjusted EBITDA at 4.0x on a current and approximately 3.6x on a constant currency basis
- Target further deleveraging 0.4x-0.5x, returning to the higher end of historic adjusted net debt/adjusted EBITDA target of 1.5x to 2.5x in the medium term

Credit Rating[^]

S&P & Moody's

Medium-term target credit rating remains BBB+/Baa1, with the rating currently standing at BBB+/Baa2 stable (each, from S&P and Moody's respectively).

2018 Results – Adjusted Net Debt / Adjusted EBITDA (£b)





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Appendix



A1: Representative basis

Where appropriate, the Group is also presenting (as a supplement to the results) the 2018 performance 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 are termed “on a representative basis” and provide shareholders with a results comparison representative of the position as if the Group had owned the acquisitions throughout 2017 and 2018.

A2: Adjusting (Adj.)

Adjusting items are significant items of certain financial measures which individually or, if of a similar type, in aggregate, are relevant to an understanding of the Group’s underlying financial performance because of their size, nature or incidence. In identifying and quantifying adjusting items, the Group consistently applies a policy that defines criteria that are required to be met for an item to be classified as adjusting. 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.

A3: Constant currency

Movements in foreign exchange rates have impacted the Group's financial results. Measures are calculated based on a retranslation, at prior year’s exchange rates, of the current year’s results of the Group and where, applicable, its segments. Although the Group does not believe that these measures are a substitute for IFRS measures, the Group management board does believe that such results excluding the impact of currency fluctuations year on year provide additional useful information to investors regarding the Group's operating performance on a local currency basis.

A4: Share metrics

Key Market offtake share: as independently measured by retail audit agencies (including Nielsen), shipment share estimates, and share of retail for the US business, based upon latest available validated data.

Volume share: The retail sales volume of the product sold as a proportion of total retail sales volume in that category

Value share: The retail sales value of the product sold as a proportion of total retail sales value in that category

Exit share: The retail sales volume of the product as at a specific date sold as a proportion of total retail sales volume in that category at that date.

Premium share: The retail sales volume of the premium product sold as a proportion of total retail sales volume of premium products in that category