

International Business Update

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International



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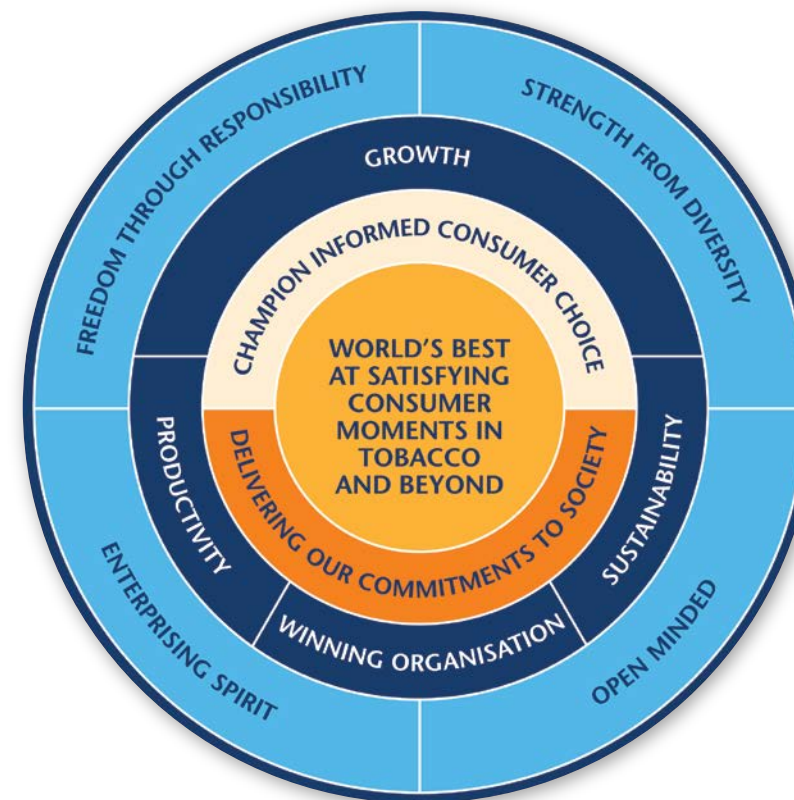
Important notice (continued)

Additional information concerning these and other factors can be found in BAT's and Reynolds's filings with the U.S. Securities and Exchange Commission ("SEC"), including Reynolds's most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and BAT's registration statement on Form F-4, which was declared effective by the SEC on June 14, 2017, 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 BAT's website www.bat.com. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof and BAT undertakes no obligation to update or revise publicly any forward-looking statements or other data or statements contained within this communication, whether as a result of new information, future events or circumstances otherwise.

No statement in this communication is intended to be a profit forecast or profit estimate and no statement in this communication 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.

International Business delivering the strategy

- THP & Vapour performance above expectations
- Outstanding FMC and FC share growth driven by Key Markets
- Strong GDBs performance driven by Innovations
- Winning in strategic segments



International Business role – To drive the triple win by:

- › Embracing the transformation
- › Executing and delivering

Main achievements and challenges...

ACHIEVEMENTS

- › BAT combustible share continues to outperform competitors
- › GDBs represents ~50% of BAT portfolio
- › Great progress in Vapour and THP
- › Innovations continue to play a key role

CHALLENGES

- › Macroeconomic scenario continues to be tough
- › Increased Regulation
- › Duty non Paid market growing
- › Competitive pricing environment

External environment continues to be tough

Regulation

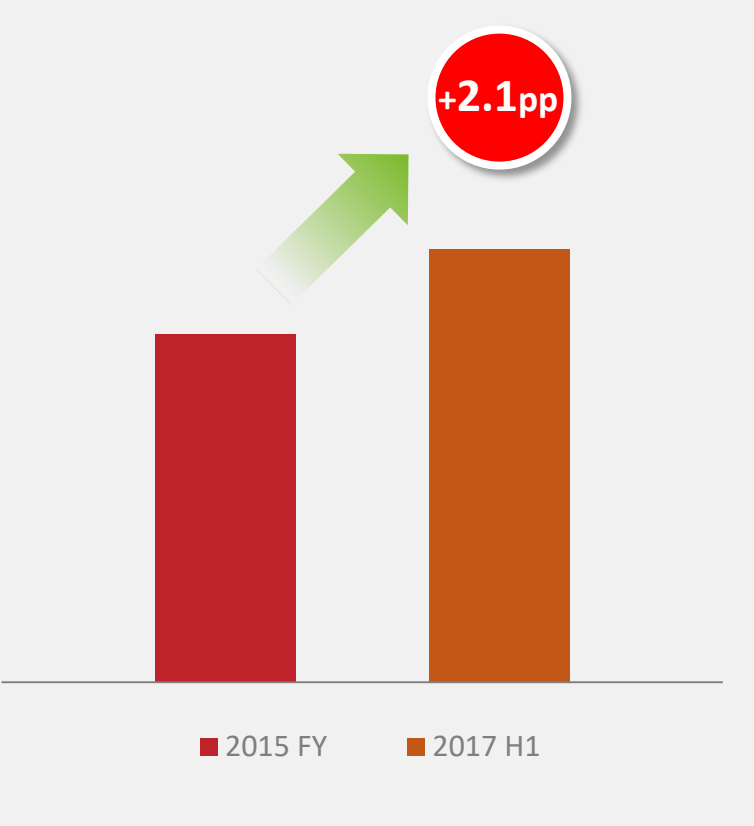
Excise Increases



Plain Packaging



DNP Growth



Pricing and FX

Aggressive pricing in:



	2017 Interims	2017 Latest
FX impact on Profit	+9%	+7%
FX impact on EPS	+8%	+6%
Transactional FX	-2%	-2%

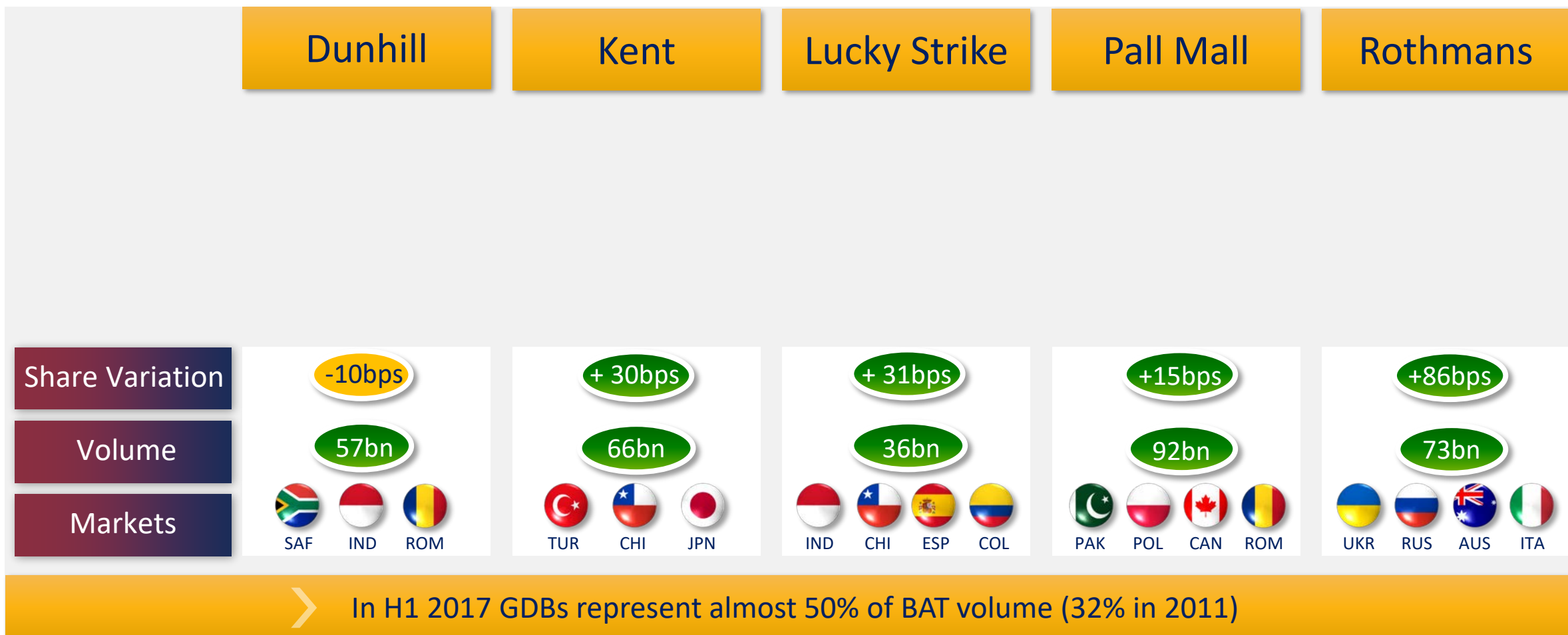
International Business

Strong Performance despite challenging environment

		2016 - 2014	HY 2017 vs HY 2016
Volume <i>avg growth p.a</i>	INDUSTRY	-2.3%	-5.7%
	BAT	-0.2%	-5.6%
Financial <i>avg growth p.a</i> <i>@ constant rates</i>	REVENUE	6.2%	2.5%
	ADJUSTED PROFIT FROM OPERATIONS	4.1%	3.2%
	OPERATING MARGIN (@ CURRENT RATES)	37.2% -1.5pp	37.1% +0.3pp
Share <i>cumulative growth</i>	CIGARETTES	0.9pp	0.3pp*
	GDBS	2.2pp	0.5pp*

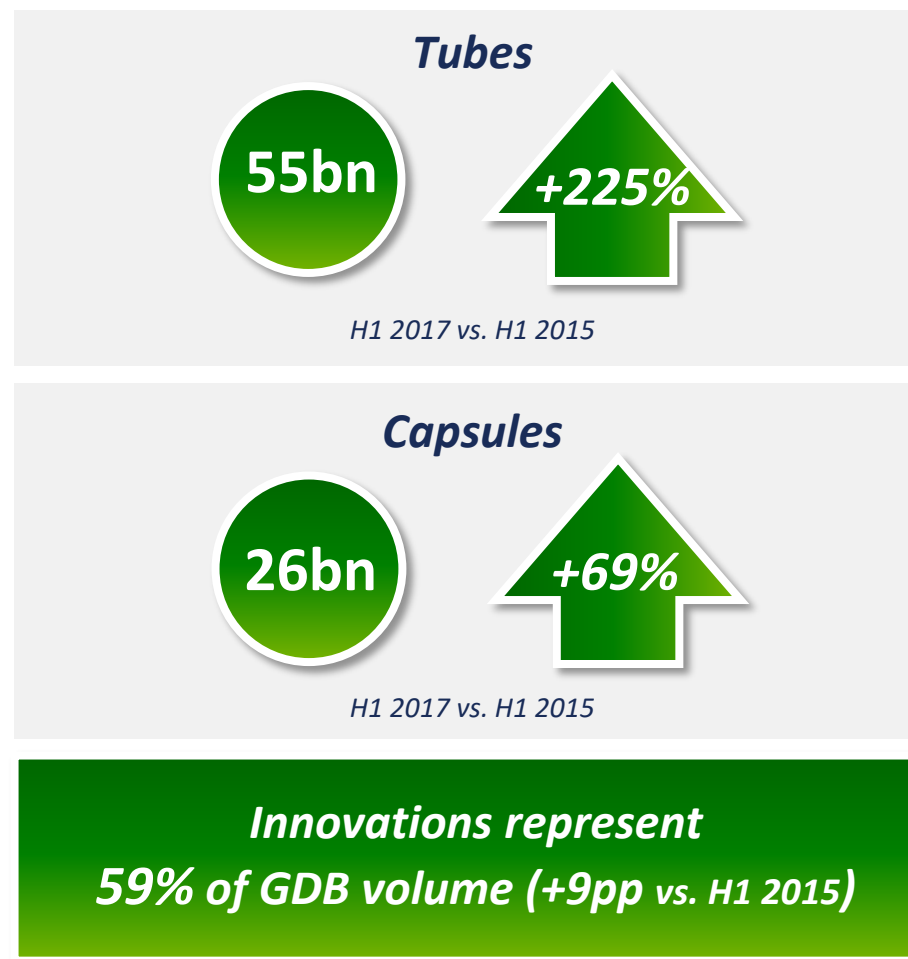
*H1 2017 vs FY 2016

All GDBs showing an outstanding performance



Share: FMC Only H12017 vs. 2015FY Volume: 2016 FY

Innovations continue to play a key role in our growth







Asia Pacific



Regional Performance – Asia Pacific

Strong Start in THP

-  › Strong results in Japan (Tokyo, Osaka, Miyagi – Incl. Sendai)
-  › Launched in Seoul – Aug '17



Solid Share Performance

**+63
bps**

2017 H1 vs. 2015 FY

Main Drivers



BAN



JPN



AUS

Volume Performance Impacted by PK

-  › Volume declined **-9.8%**. Excluding Pakistan, Asia Pacific volume grew **+0.5%**
(H1 '17 vs H1 '16)

GDBs & ASU30 Share

**+110
bps**

2017 H1 vs. 2015 FY

**ASU30
+24
bps**

› Fastest growth in key strategic segments...

Regional Performance – Asia Pacific

		2016 - 2014	HY 2017 vs HY 2016
Volume <i>avg growth p.a</i>	INDUSTRY	-2.8%	-7.2%
	BAT	-0.4%	-9.8%
Financial <i>avg growth p.a @ constant rates</i>	REVENUE	flat	-2.9%
	ADJUSTED PROFIT FROM OPERATIONS	0.6%	2.3%
Share <i>cumulative growth</i>	CIGARETTES	1.0pp	0.3pp*
	GDBS	1.6pp	0.4pp*

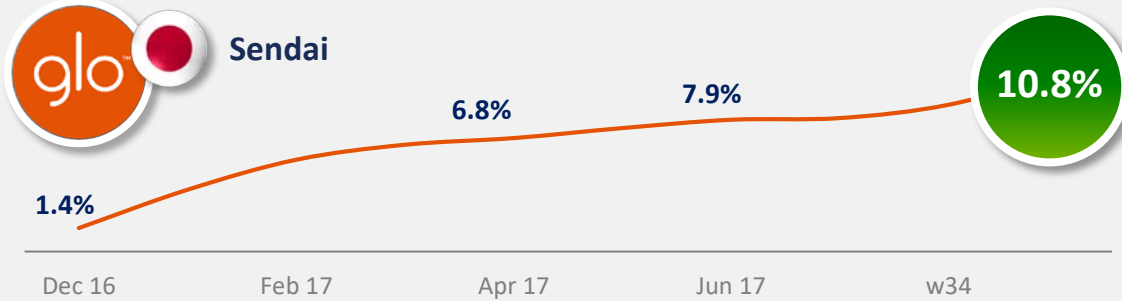
*H1 2017 vs FY 2016



JAPAN

Solid Performance in FMC and THP

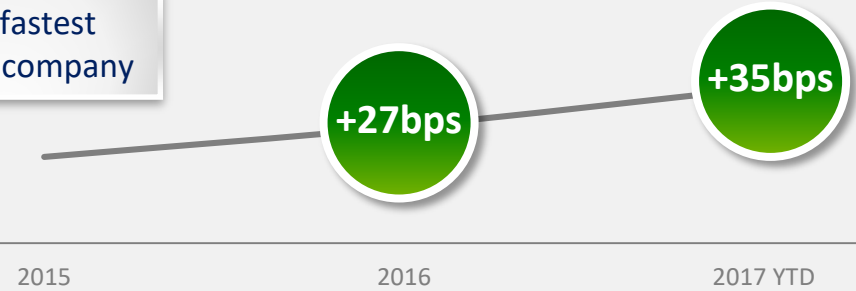
Strong Glo performance in Sendai despite competitive action



Source: CVS-B

Strong growth continued in FMC

BAT - fastest growing company



*Source: TIOJ

Glo performance overview



› Glo's recent expansion in Tokyo, Osaka & Miyagi showing rapid growth in 12 wks with device penetration @ 14.3%

Source: CVS-B

KENT driving corporate performance in FMC



*Source: TIOJ

› National expansion of Glo to accelerate growth



AUSTRALIA

Delivering Share and Profit Growth

BAT Offtake Share

H1 2017 vs FY'15

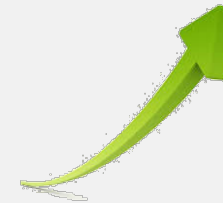
H1 2017



Leading premium segment



Fastest growing brand

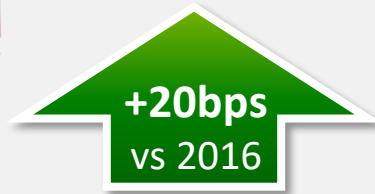


H1 2017 vs FY'15

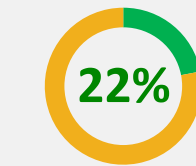
Winfield back to growth & leading strategic segments



Offtake Share

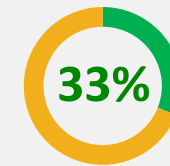


No 1 in ASU 30



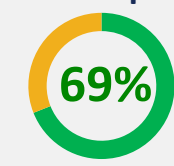
(+3ppt vs. FY'15)

No 1 in F&S



(+10ppt vs. FY'15)

No 1 in capsules



(+13ppt vs. FY'15)

> Industry fundamentals are **stabilising**

> 2017 back to **profit** growth

> Australia business on track to deliver sustainable growth



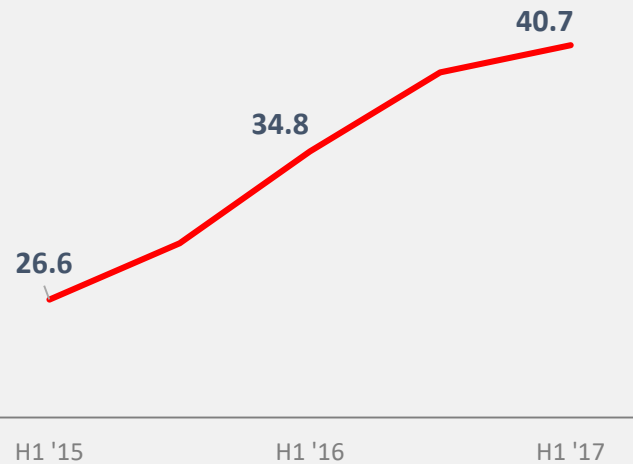
PAKISTAN

Turnaround performance despite a difficult environment

Illicit growing over the last 2 years

› Excise led price increases widening price gaps

Illicit Share in total market (%)

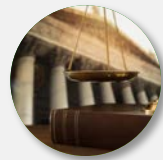


Source: Nielsen Retail Audit

BAT leading the fight against illicit – key to sustain growth



› Transforming excise structure



› Pushing for enforcement



› Engaging for tax stamp implementation

Breakthrough Excise reform in Jun '17 to reduce illicit

Robust share performance in Duty Paid market

BAT Total Share



+195 bps

GDB Share Growth



+567 bps

H1 2017 vs FY'15

Source: Nielsen Retail Audit

➤ Volume recovery at the expense of illicit to continue – supported by new excise regime



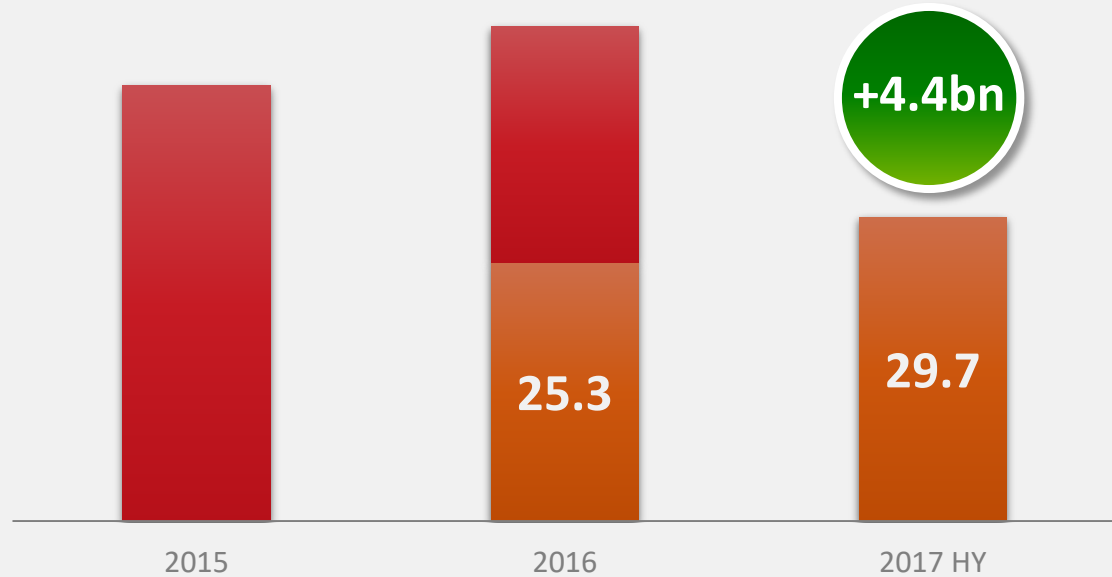
BANGLADESH

Consistent growth across all key metrics

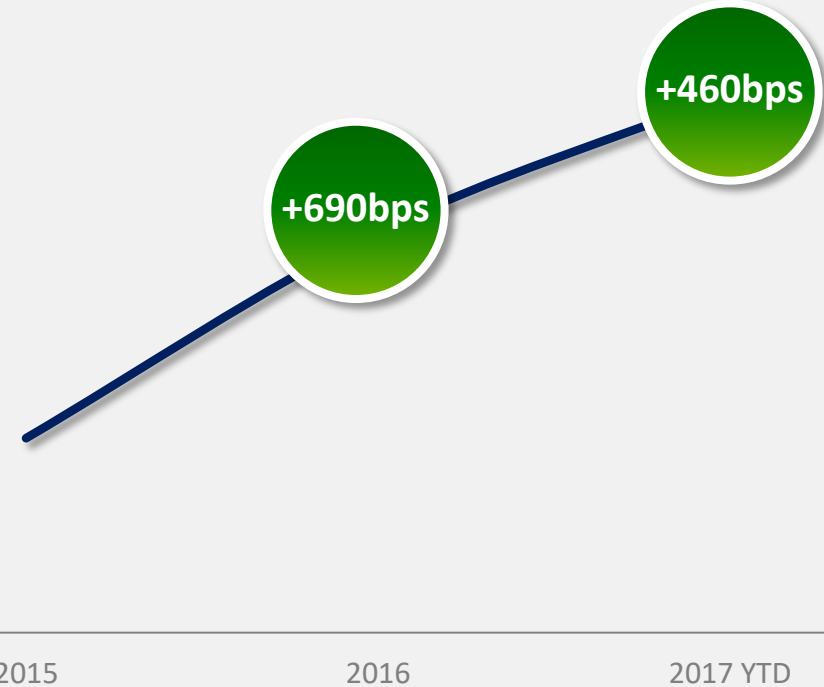
Outstanding Volume Growth

BAT Total Volume

■ Volume ■ H1 volume



Strong Share Growth +11.5ppt vs FY15



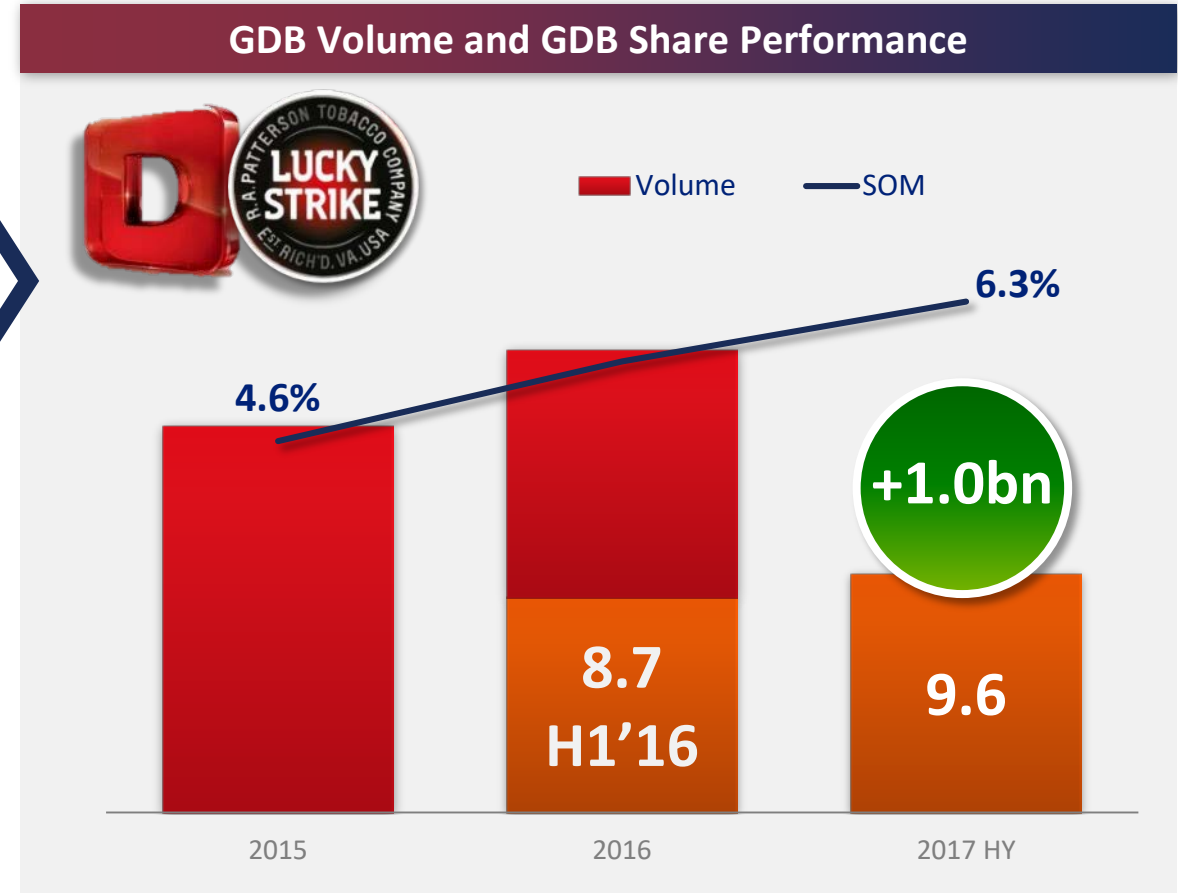
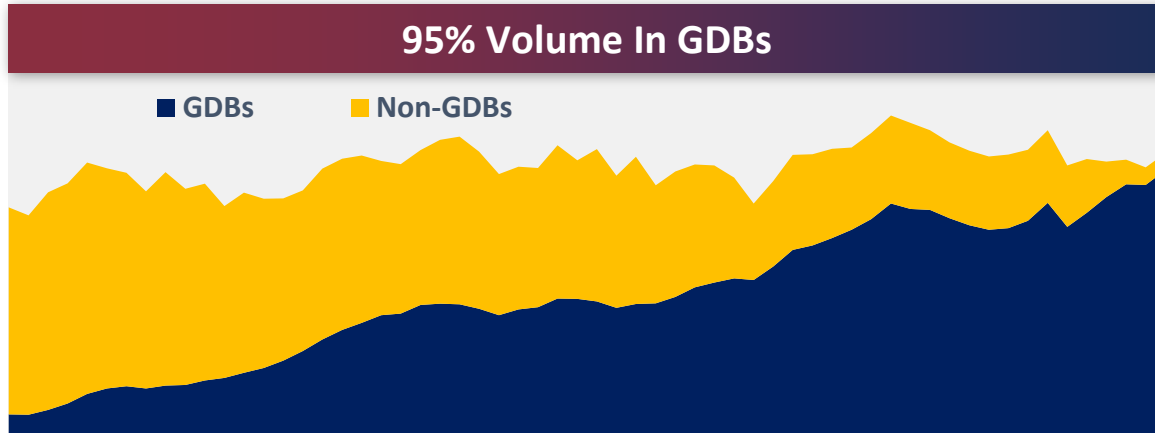
Source: MCCI Clearance share up to YTD May 2017

➤ Sustained growth driven by leadership position across all market segments



INDONESIA

Continue building on the GDB Portfolio



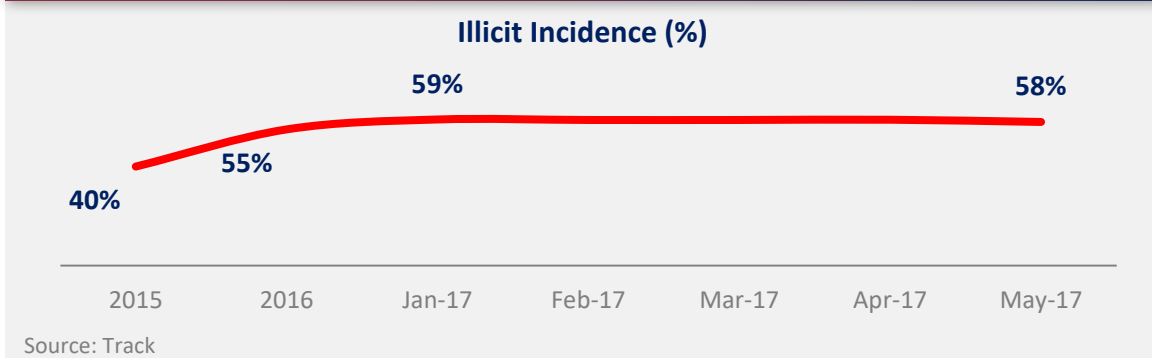
➤ Leverage Portfolio transformation to deliver sustained growth



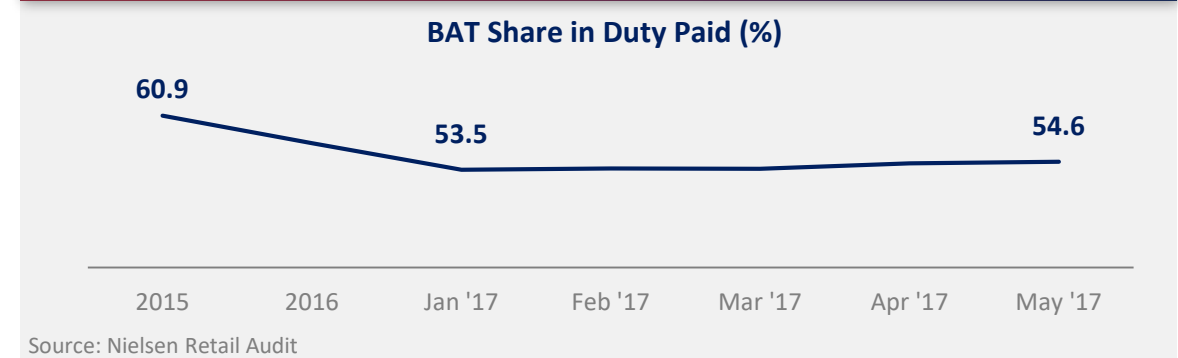
MALAYSIA

Re-building a sustainable business in a challenging environment

Illicit growth checked



BAT share back to growth



Effective Anti-Illicit Trade strategy

PRICING & EXCISE MODEL

SMALL PACKS

Opt for smaller cigarette packs to counter illegal cigarettes — The Malaysia Singapore Coffee Shop Proprietor's General Association

PORTFOLIO OPTIMISATION

Dunhill regaining momentum



➤ Complete the turnaround and strengthen leadership position



Americas



Regional Performance – AMERICAS

THP – Continually improving the model



Launched in Vancouver - Canada. Category not yet developed as Japan and SK. Latest share 0.11%

GDBs 39% of Total Volume (from 31% in 2015)



2017 H1 vs. 2015 HY

Main Drivers



BRA



MEX



COL



CAN



VEN

Share recovery in the last months



Market Share growth despite the difficult external environment

Outstanding GDBs performance

Volume

+7.1%

2017 H1 vs. 2015 HY

Share

**+220
bps**

2017 H1 vs. 2015 FY

➤ AMERICAS recovering market share driven by GDBs and innovations

Regional Performance – Americas

		2016 - 2014	HY 2017 vs HY 2016
Volume <i>avg growth p.a</i>	INDUSTRY	-5.0%	-4.5%
	BAT	-7.0%	-6.5%
Financial <i>avg growth p.a @ constant rates</i>	REVENUE	11.3%	6.5%
	ADJUSTED PROFIT FROM OPERATIONS	6.9%	2.3%
Share <i>cumulative growth</i>	CIGARETTES	-0.5pp	0.1pp*
	GDBS	3.4pp	0.5pp*

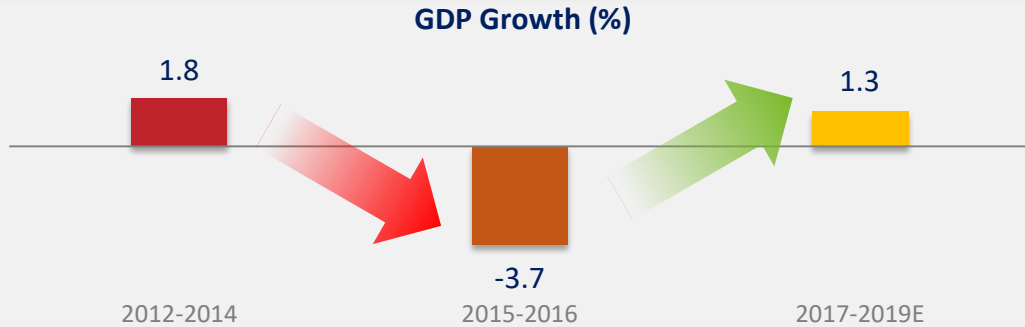
*H1 2017 vs FY 2016



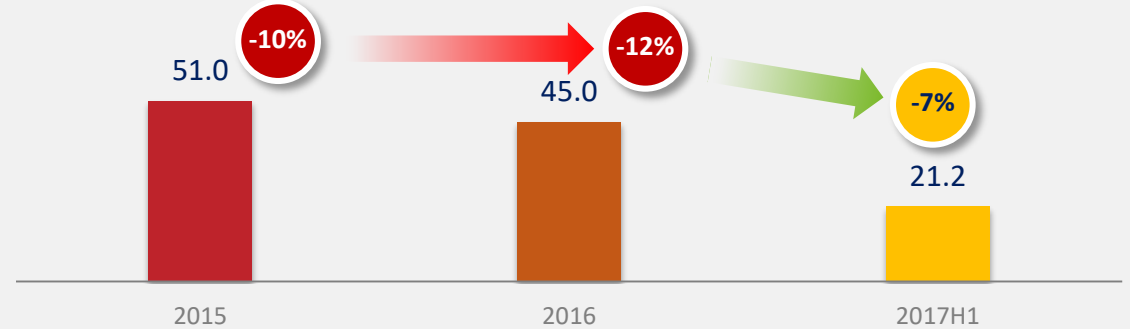
BRAZIL

Leading the industry transformation in a stiffer competitive and economic environment

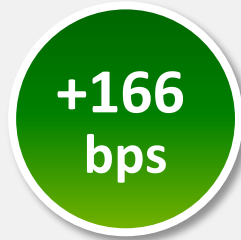
Worst Economic recession ever with signs of recovery



Volume Performance decline slowed down in 2017



GDBs showing an outstanding performance



2017 H1 vs. 2015 FY

Winning in Key segments



2017 H1 vs. 2015 FY

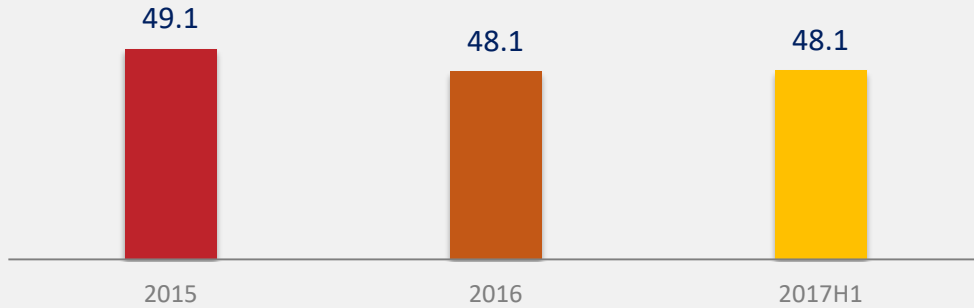
➤ BAT Brazil to come back to sustainable growth despite the challenging environment...



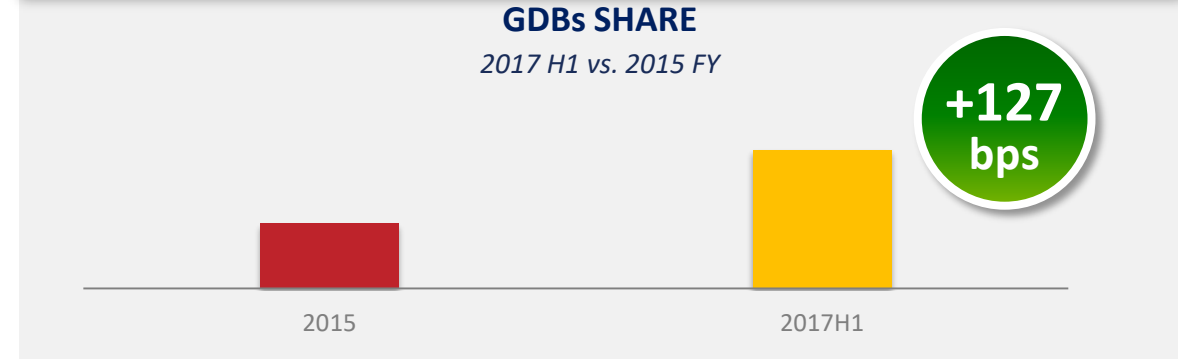
CANADA

Ruthless focus on delivering ambitious agenda

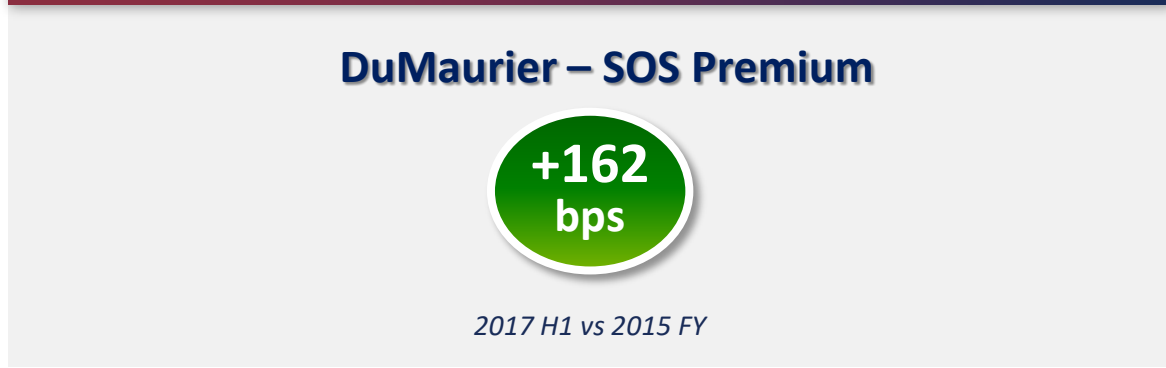
2017 SOM stability after years of decline



GDBs showing an outstanding performance



Solid DuMaurier performance in the premium segment



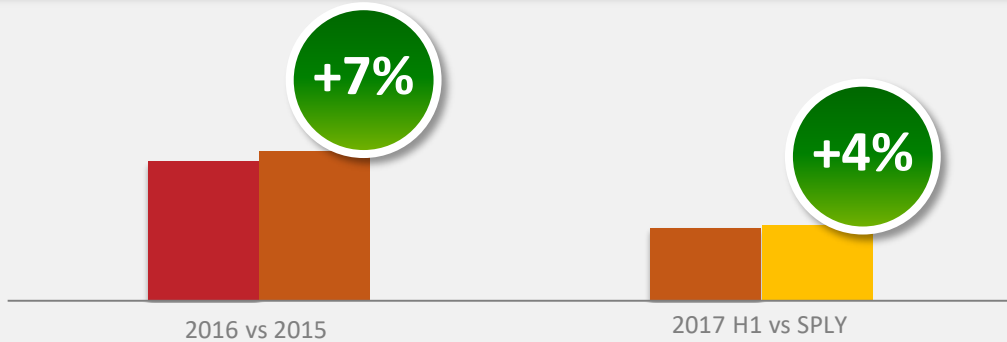
➤ Pall Mall to continue as the fastest growing brand



MEXICO

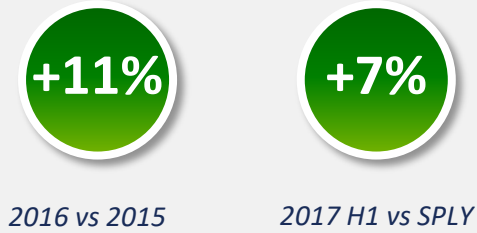
Continuous business performance evolution, ensuring a sustainable growth

Sustained volume growth



Strong GDB performance, driven by Pall Mall

GDBs



Performance leading to market share growth



**+34
bps**

2017 H1 vs 2016FY

➤ BAT Mexico growth will continue driven by GDBs



EEMEA



Regional performance – EEMEA

Strong Regional share



+1.0%
Volume

2017 H1 vs. 2015 HY
avg growth p.a



+182
bps

2017 H1 vs. 2015 FY

GDBs are now more than 50% of EEMEA volume

GDB as % of BAT volume

48%
2015 FY



54%
2017 H1

Drivers



RUS



UKR



IRA



ALG



TUR



KAZ



NIG

Outstanding performance driven by GDBs

+10.3%
Volume

2017 H1 vs. 2015 HY
avg growth p.a



+251
bps

2017 H1 vs. 2015 FY

Leadership in growth segments

#1 in Slimmer

+490bps

#1 in Capsules

+510bps

2017 H1 vs. 2015 FY

➤ EEMEA set to continue to deliver strong results through GDBs and Innovations

Regional performance – EEMEA

		2016 - 2014	HY 2017 vs HY 2016
Volume <i>avg growth p.a</i>	INDUSTRY	-1.6%	-6.1%
	BAT	2.1%	-4.6%
Financial <i>avg growth p.a @ constant rates</i>	REVENUE	8.8%	5.9%
	ADJUSTED PROFIT FROM OPERATIONS	3.3%	3.5%
Share <i>cumulative growth</i>	CIGARETTES	1.9pp	0.4pp*
	GDBS	3.5pp	0.6pp*

*H1 2017 vs FY 2015



RUSSIA

Strong performance in a challenging pricing landscape

Accelerated DP industry decline



Continuous excise increases driving consumer affordability pressure and DNP growth

Complex pricing environment affecting market profitability

Strong BAT share performance

Rothmans driving GDB share



2017 H1 vs. 2015 FY

Strong momentum in Key innovation segments

Capsule



Slimmer



➤ BAT Russia well positioned in growth segments as pricing outlook appears to improve

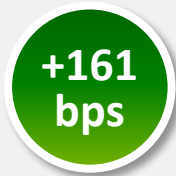


TURKEY

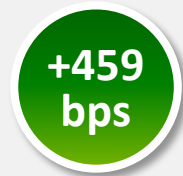
Portfolio transformation fuelling growth

Sustained growth in share driven by GDBs

Corporate Share



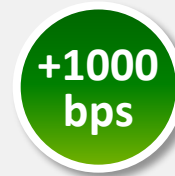
GDB Market Share



2017 H1 vs. 2015 FY

Leading position in key strategic segments

Slimmer SoS

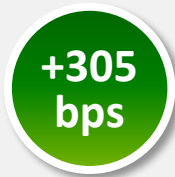


#1 in Capsule



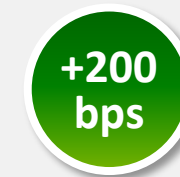
2017 H1 vs. 2015 FY

Kent continues driving growth with Capsule & Slimmer



2017 H1 vs. 2015 FY

Rothmans fuels BWAP gains



2017 H1 vs. 2015 FY

Turkey will continue to show strong share growth driven by successful innovations on GDBs



SOUTH AFRICA

Stabilising DP market share trend while DNP pressure intensifies

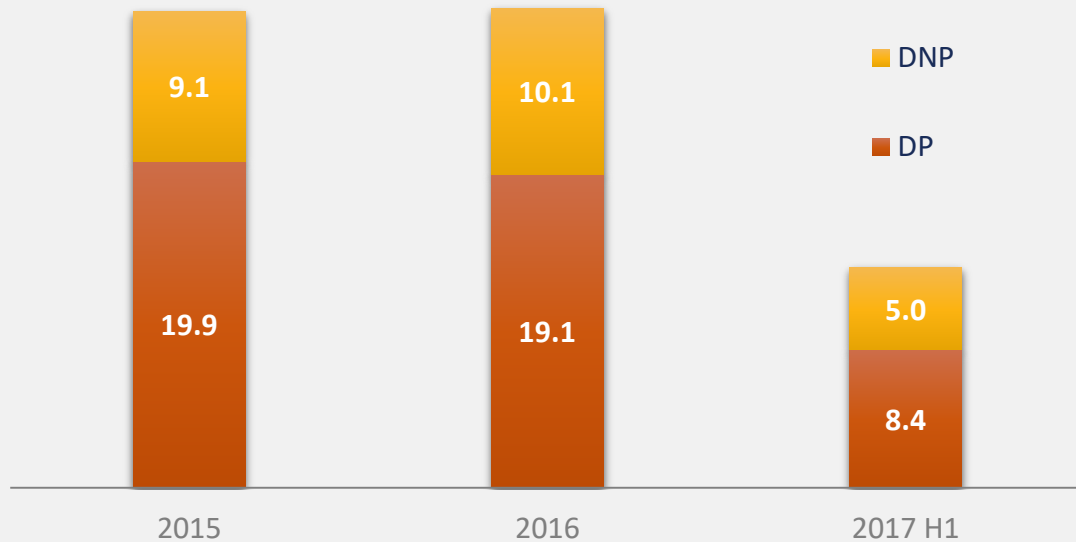
Accelerated DP Market decline driven by DNP growth

DP: -2.5%

DP: -3.7%

DP: -8.3%

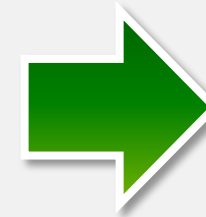
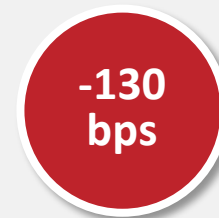
Volume bn sticks



BAT stabilised share in DP through portfolio initiatives and innovations

BAT share in DP market

FY'16 vs FY'15



YTD'17 vs Exit '16



> Outlook for South Africa remains challenging

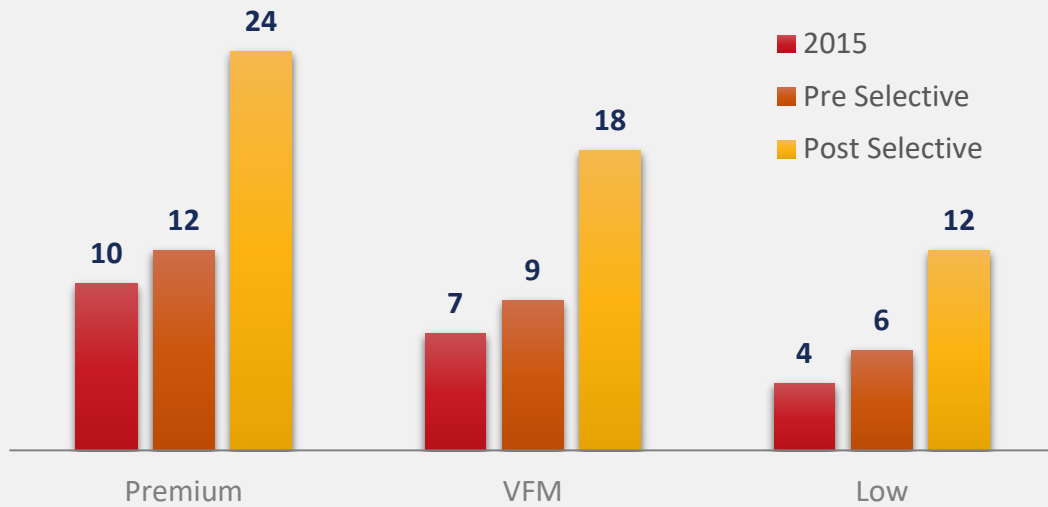


KSA

Outperforming competition in post-excise downtrading environment

Prices doubled in June as Selective Tax introduced - financial pressure through mix deterioration and shrinking market size

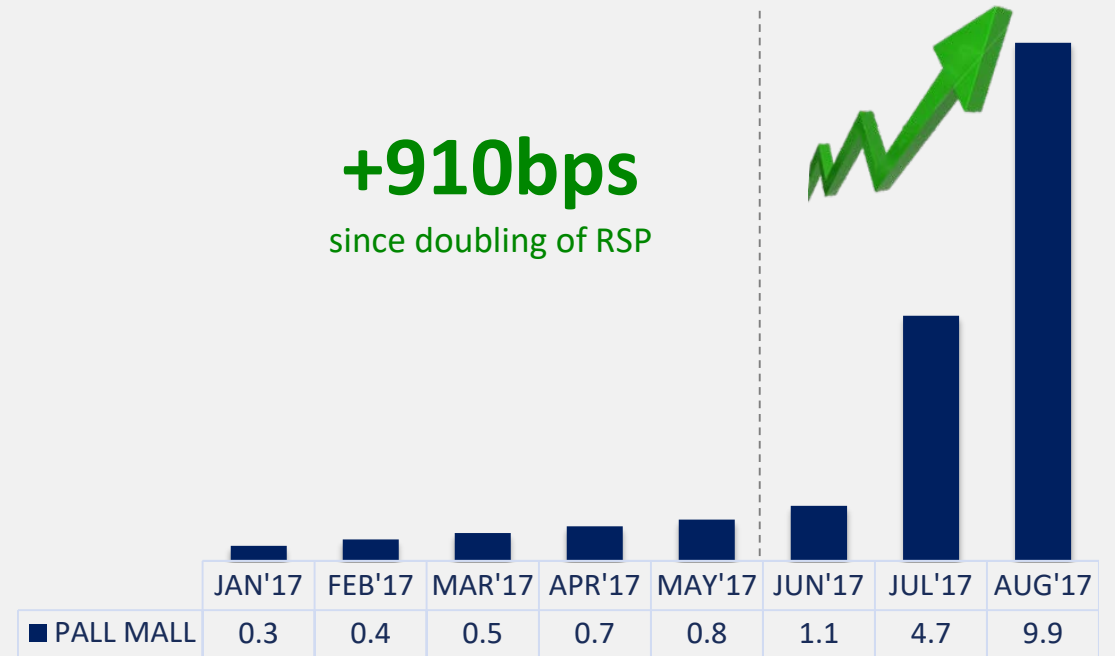
RSP, SAR per pack



Pall Mall is the fastest growing brand amongst Arab smokers

+910bps

since doubling of RSP



Source: RA Share

➤ Significant pressure on industry value but BAT to drive strong corporate share growth through Pall Mall





Western Europe



Regional Performance – WER

We are off to a great start in NGP



Vapour leadership in UK and Poland (~40% and ~56%)



- > Vype highest ever share in UK retail (~11%)
- > 10 Motives - biggest brand in UK ~30%



Switzerland: Slow start, with share in handlers growing

Nielsen Scan track in retail

Growing in cigarettes business with Share turnaround



2017 H1 vs. 2015 FY

Main Drivers



POL



GER



CZE



SPA



ROM

Strong volume performance boosted by acquisitions

Volume 2016-2014



avg growth pa

Volume 2017H1 – 2016H1

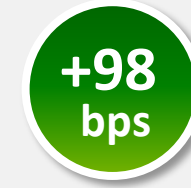


Supported by successful Portfolio transformation

GDBs % of Portfolio



GDBs Market Share



2017 H1 vs. 2015 FY

> Western Europe to sustain outstanding performance in Combustible and to build solid foundations for NGP

Regional Performance – WER

		2016 - 2014	HY 2017 vs HY 2016
Volume <i>avg growth p.a</i>	INDUSTRY	-1.2%	-1.7%
	BAT	3.6%	0.7%
Financial <i>avg growth p.a</i> <i>@ constant rates</i>	REVENUE	6.0%	2.6%
	ADJUSTED PROFIT FROM OPERATIONS	6.5%	4.8%
Share <i>cumulative growth</i>	CIGARETTES	<i>flat</i>	0.2pp*
	GDBS	1.2pp	0.5pp*

*H1 2017 vs FY 2015

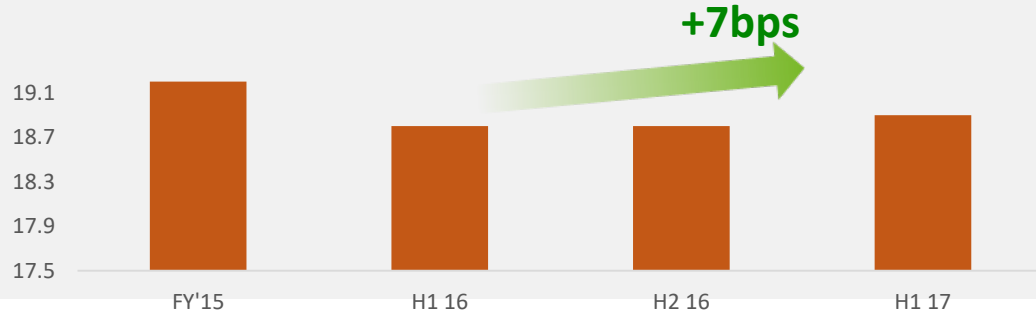


ITALY

Re-building a sustainable business in a dynamic environment

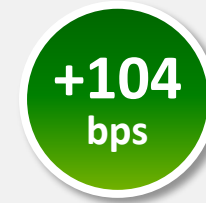
FMC: performance improving driven by consistent positive GDBs performance

Market Share



GDBs Market Share

2017 H1 vs. 2015 FY



FC: Strongly positioned in a growing category

Market Share



NGP: building a powerful brand in Vaping

% SoM of Closed Systems



- › Footprint expansion achieving 5.5k POS
- › Vype flagship store in Milan

➤ Continue to build strong brands for long-term growth in a multi-category environment



GERMANY

Strengthening BAT's position in combustibles

FMC: Fastest growing company reaching 5-year high

Market Share



+40bps

GDBs Market Share



+43bps

2017 H1 vs. 2015 FY

FC: turnaround driven by Pall Mall

Market Share



2016



2017 H1 vs. 2016 FY

NGP: encouraging results for VYPE

#2

NGP Brand

8%

Market Share

20%

Of Rechargeable Segment

➤ Drive combustibles momentum whilst building sustainable NGP platforms

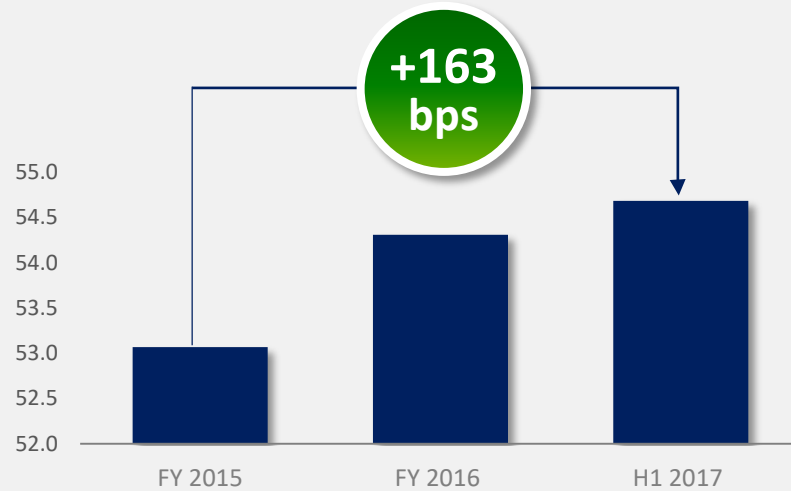


ROMANIA

Leading profit pool growth

BAT strengthening leadership position

Market Share



3-years record high in H1 2017

2017 H1 vs. 2015 FY

Driven by VFM & Premium GDB Portfolio

GDBs Market Share

+171 bps

+78 bps

+368 bps

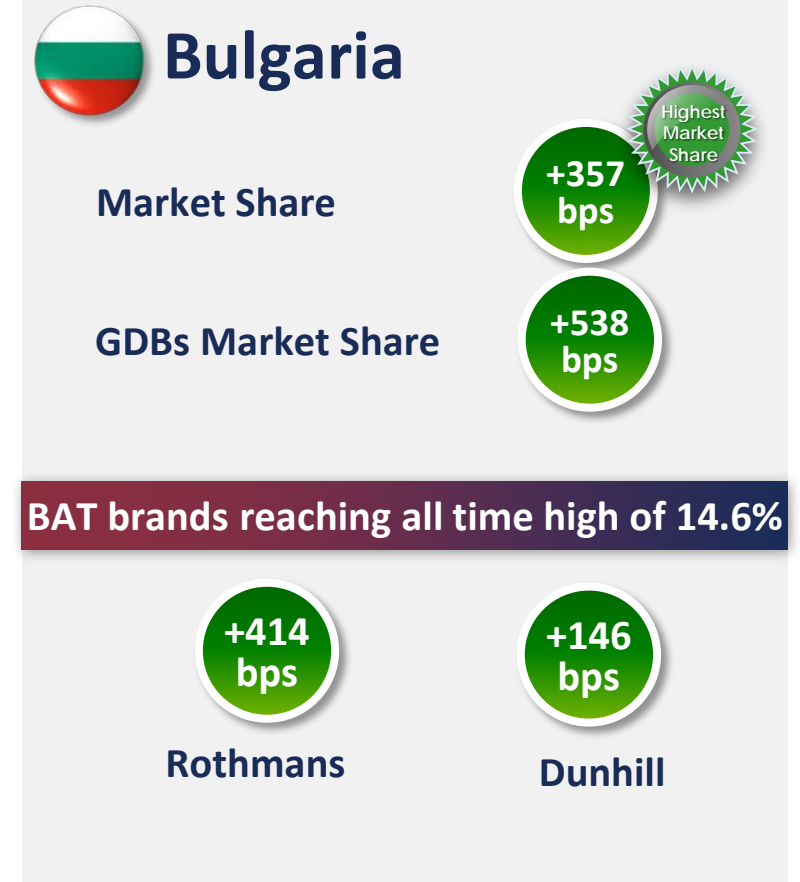
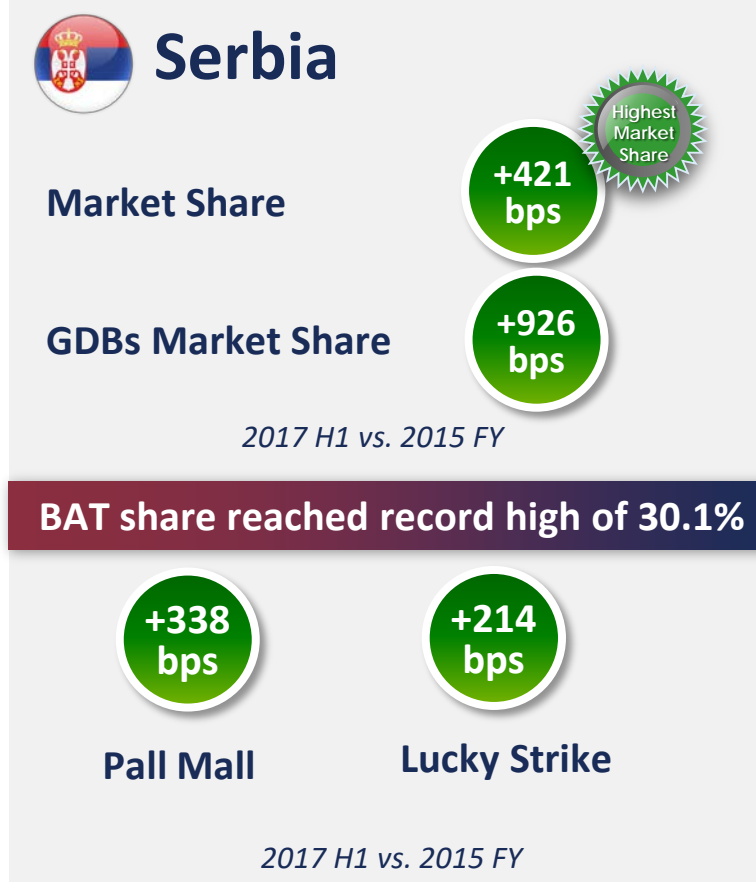
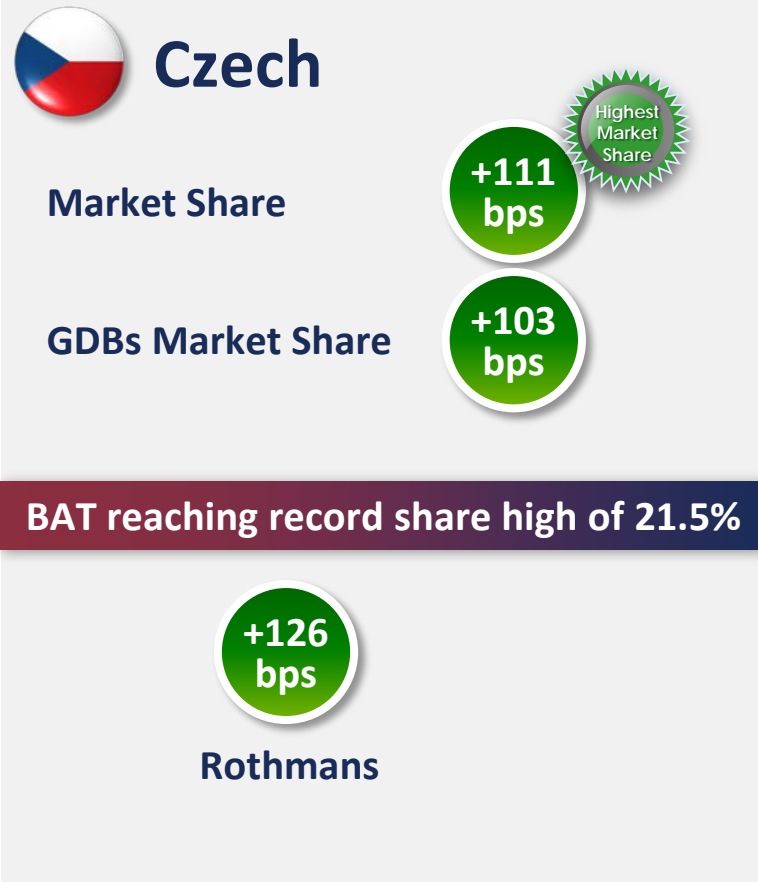
Pall Mall: Fastest growing brand in the market

2017 H1 vs. 2015 FY

➤ Further consolidate leadership position

CENTRAL EUROPE

Consolidating acquisitions and accelerating growth through GDBs



➤ Further consolidate Portfolio and fuel growth with innovations



Stable DP Consumption

Jan-Jul	variation
2015 vs 14	0.4%
2016 vs 15	0.0%
2017 H1 vs 16	0.9%

Source: FMC DP Industry IMS Sell-out



FRANCE

Getting ready for regulation - Our commercial approach

1 Rationalise

-40% in 1 year
(from 100 to 60 SKUs –
1.0pp SOM)

2 Engage Retailers

NAVIGATE
through
plain packs



Shelf:
Codification
approach



Backroom:
Inventory
mgment

STRONG
B2B
PLATFORM



Information, trainings,
workshops

3 Disruptive Execution

FMC
& FC
PRICING

Freshness
Experience/
Lights



4 Vapour Activation

International Business

Some Enablers to drive growth

➤ Simplifying the business

➤ Complexity reduction

➤ Further productivity savings

➤ Talent

➤ Brand portfolio

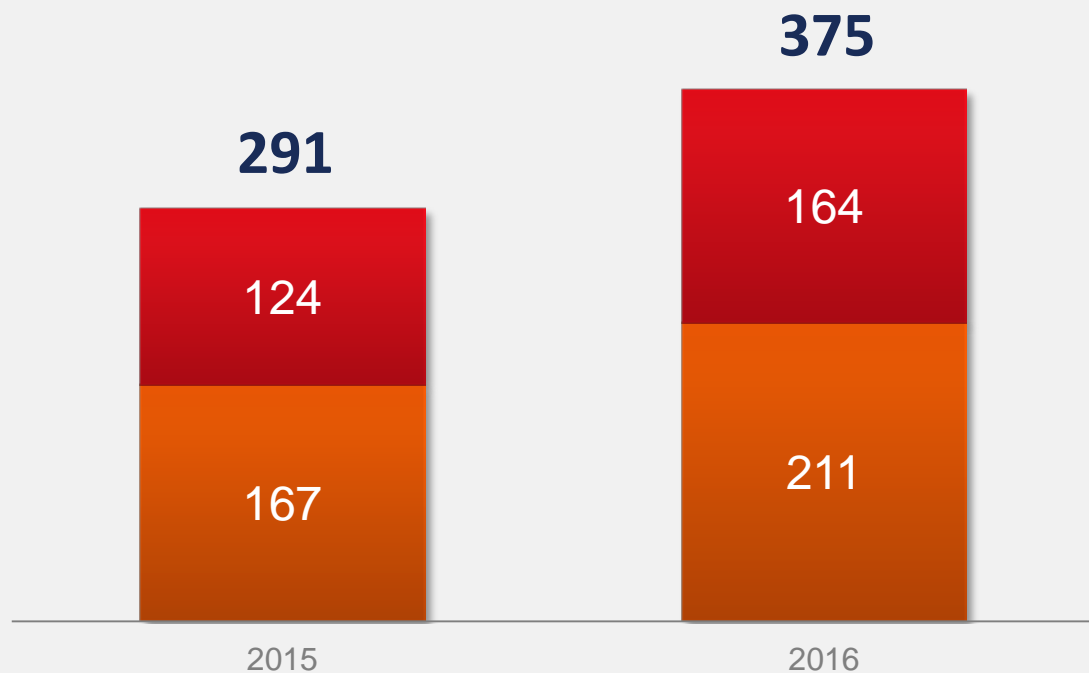
➤ Product pipeline

And more...

International Business delivering...

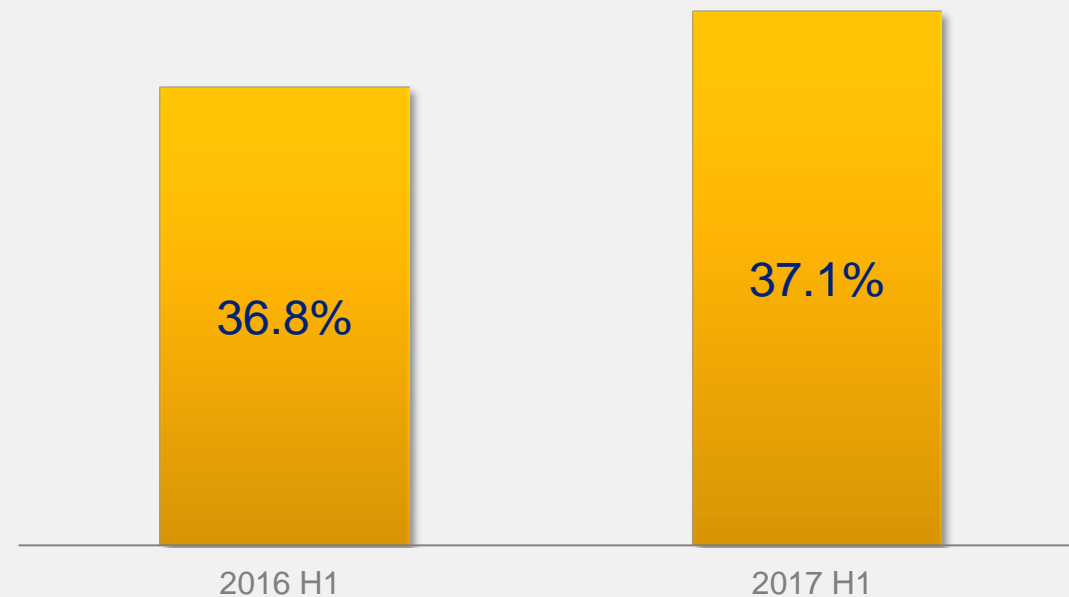
Productivity Savings

■ COS savings ■ Indirects & Secondary Logistics savings



Operating Margin Evolution

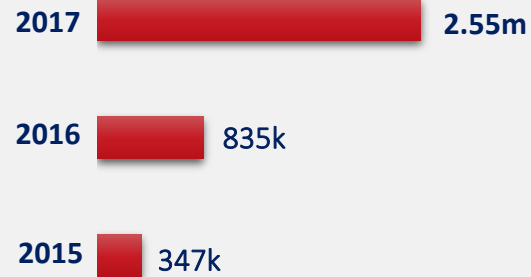
■ Operating Margin @ current rates



International Business driving the development of Talent as a competitive advantage

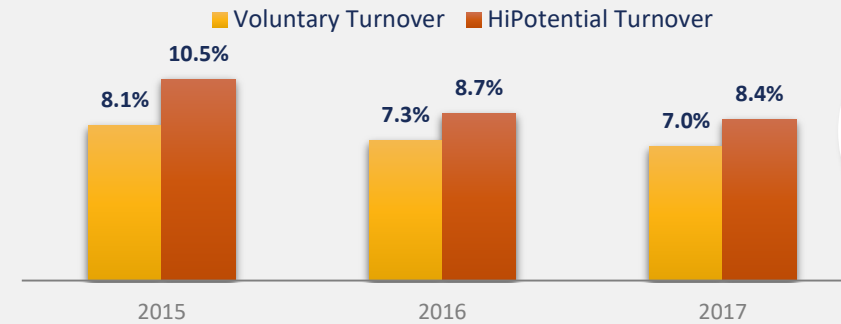
Attracting the best

YOY increase in social media followership



facebook LinkedIn

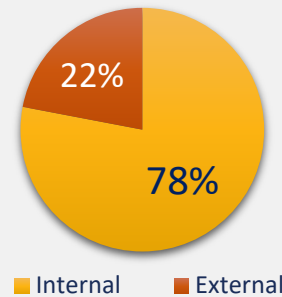
Retaining the best



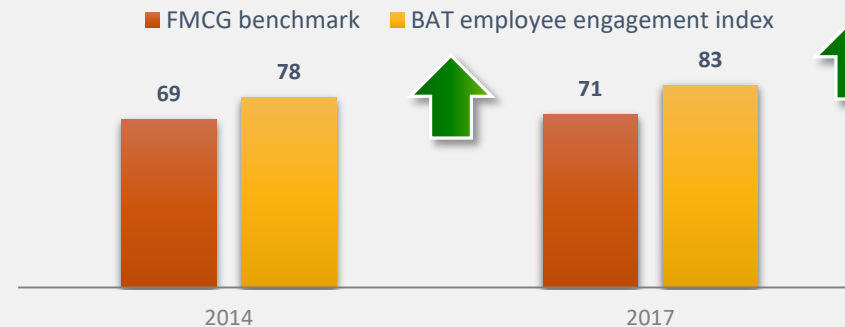
YOY decrease in turnover

Investing in leaders

Growing talent from within while investing in new capabilities



Winning organisation



Engaged workforce

➤ To accelerate capabilities in the End Markets & Regions for a multicategory approach...

International Business Summary

Embracing the transformation / Executing & Delivering by:

- Accelerating the THP and Vapour roll out
- Continuing to grow Market and Value share in Key markets driven by GDBs and innovations
- Further simplification of the combustible business in order to release funds for NGP expansion
- Continuing winning in strategic segments



➤ **Delivering the group strategy**