



BRITISH AMERICAN
TOBACCO

ACCELERATING OUR JOURNEY TO TRANSFORM TOBACCO

Investor Day | 14 March 2019

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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 to be filed on 15 March 2019 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.

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Audience

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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.

Our vapour product Vuse, and oral products Grizzly, Camel Snus and Kodiak, which are only sold in the US, are subject to FDA regulation and no reduced-risk claims will be made to these products without agency clearance.

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.

Inheriting a strong foundation...

GREAT *RESULTS OVER THE
LAST 8 YEARS

CONTINUED OUTPERFORMANCE IN
COMBUSTIBLES**

ESTABLISHED MULTI-CATEGORY
STRATEGY



*High signal figure (HSF) Adjusted Diluted EPS delivery in L8Y

** Corporate share growth of +250 bps & strategic brands + ~800bps in L8Y in T40 markets

But the nicotine environment is changing...

GREAT *RESULTS OVER THE
LAST 8 YEARS

CONTINUED OUTPERFORMANCE IN
COMBUSTIBLES**

ESTABLISHED MULTI-CATEGORY
STRATEGY



SHARE PRICE
UNDER PERFORMANCE

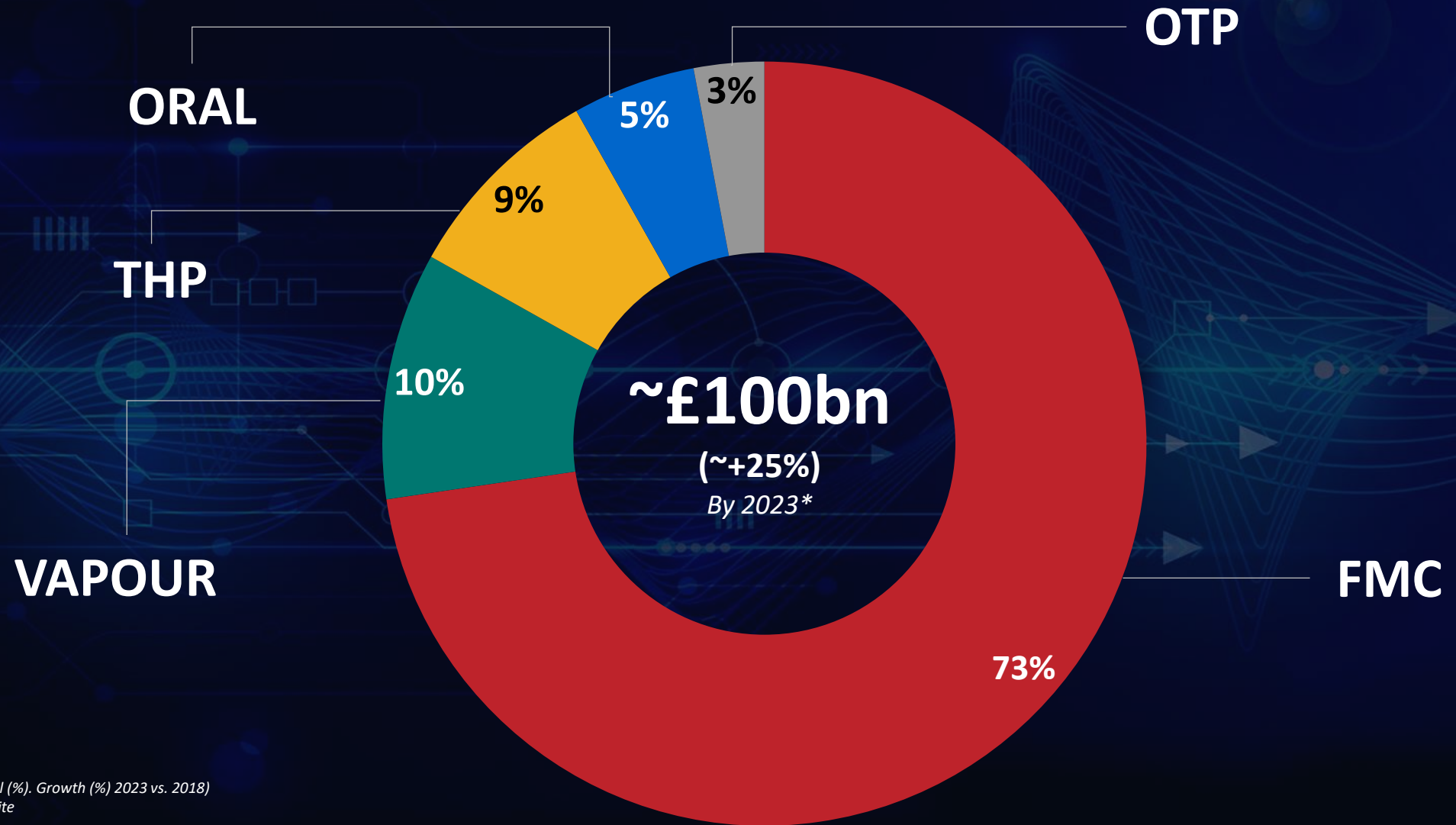
INDUSTRY
CHANGING FAST

COMPETITION IN
NEW CATEGORIES

*High signal figure (HSF) Adjusted Diluted EPS delivery in L8Y

** Corporate share growth of +250 bps & strategic brands + ~800bps in L8Y in T40 markets

Industry Revenue pool is growing rapidly



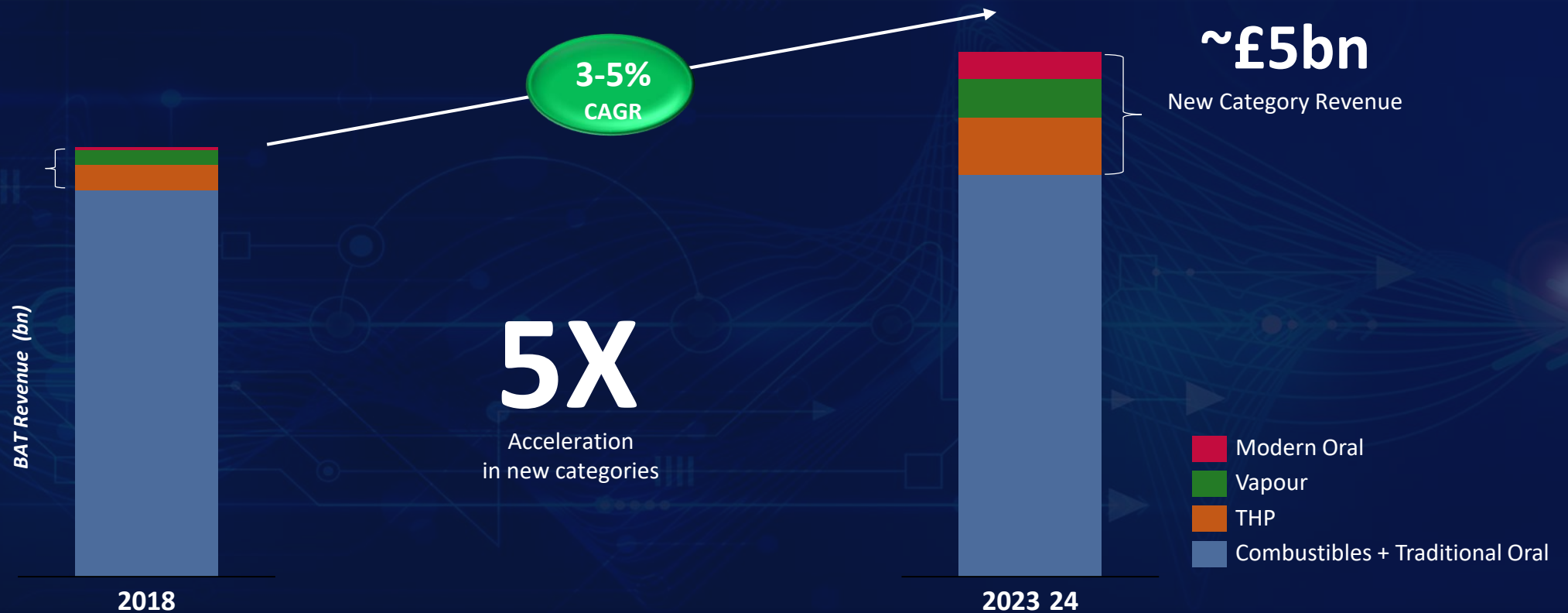
T40 Markets Nicotine revenue pool (%). Growth (%) 2023 vs. 2018)
Oral Traditional oral + Modern White
* estimate

Source: BAT Internal Estimates

BAT's new chapter

A stronger, simpler, faster organisation to deliver a step-change in New Categories and sustainable long term shareholder returns

Our ambition £5bn revenue in New Categories by 2023-24



Average 30-50% pa growth in New Categories

Source: BAT Internal Estimates. £5bn stated @ Budget Rates

What this means

~ **20** _{BPS} Share of FMC*



25-35% Share of THP



12-18% Share of Vapour



>50% Share of Modern Oral



Categories will evolve at different rates

Note: Share ambition refers to: % Share of revenue in T40 markets
*Average per annum" for the FMC share growth

Source: Internal 2023/24 Share refers to Global Value Share

A Sharper Focus

COMBUSTIBLE VALUE
GROWTH

STEP-CHANGE
IN NEW CATEGORIES

SIMPLIFY THE
COMPANY



Stronger, Simpler, Faster

A Sharper Focus

COMBUSTIBLE VALUE GROWTH

- **Grow share**
- **Leverage our Brands**
- **Grow Gross Margin > than Revenue**
- **Sharper innovation focus**

STEP-CHANGE IN NEW CATEGORIES

- **Products & Brands that consumers love**
- **Delivering in Digital**
- **Building new world capabilities**

SIMPLIFY THE COMPANY

- **Organisation 2.0**
- **Additional cost savings programme**
- **Focus on cash and deleveraging**
- **Culture and Talent**

Committed to our HSF EPS growth* target

*Adjusted diluted earnings per share at constant rates

Combustible value growth

GROW SHARE



Leverage our brand & innovation assets

150Mn consumers use our Brands daily

Leading Share amongst combustible trialists

ACCELERATE GROSS MARGIN



Strategic brands portfolio

Revenue to Gross Margin conversion improving fast

Portfolio consolidation and rationalisation

SHARPER INNOVATION FOCUS



Focus on growth segments

Powered by innovation

Targeted investments

Continued Growth and Returns to drive EPS

*Source: Track T40 excluding USA, 2016-2018 (BAT: 29.7% +230bps 18 v 16)

Note: Data collected for all players refers to the same metric and markets as the data presented for BAT

Source: GDSB FMC performance index at constant FX, excluding US

Step-change in New Categories

BRANDS AND PRODUCTS THAT CONSUMERS LOVE



Satisfaction and Product Design

Flavour experiences

Shift to closed systems and to traditional channels

'On the go stimulation'

DELIVER IN DIGITAL



Integrated data & analytics

Personalised consumer engagement

Responsible and transparent marketing

BUILDING NEW WORLD CAPABILITIES



Product Design

Creation of digital cells

Open Innovation

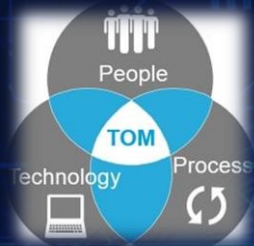
Corporate Venture Fund

Average 30-50% pa revenue growth in New Categories

Simplify the Company

ORGANISATION 2.0

Stronger | Simpler | Faster



Reduce complexities

Sharper operating model

Simplified processes

COST SAVINGS PROGRAM



Multi function global business services with automation & analytics

Productivity in operations

Leverage Global Enterprise model

FOCUS ON CASH & DELEVERAGING



Generating around £1.5bn of free cash flow after dividends pa projected

Deleverage at 0.4* times pa excluding FX

CULTURE & TALENT



Building new skills & talent capabilities

Future leaders in a multi category and digital world

Target 50-100bps pa of Operating margin improvement`

*Yearly adjusted change in Adjusted Net Debt/ Adjusted EBITDA Ratio Margin improvement on average over the years

The US opportunity



COMBUSTIBLE VALUE GROWTH

Vibrant Brand portfolio amongst ASU30

Value Share* is key focus

Further value in combustibles through pricing

STEP-CHANGE IN NEW CATEGORIES



Strong early performance of Vuse Alto



Modern Oral VELO outperforming competition in product test

SIMPLIFY THE COMPANY



RAI synergies of \$400mn delivered by 2020



Fully integrate the US in the Global Enterprise

*Value share refers to % revenue share in T40.

What I believe in

CHANGE



RESULTS DELIVERY



TEAM



A Sharper Focus

COMBUSTIBLE VALUE
GROWTH

STEP-CHANGE
IN NEW CATEGORIES

SIMPLIFY THE
COMPANY



Stronger, Simpler, Faster

Today's Team



Kingsley

ACCELERATING GROWTH IN
THE NEW NICOTINE WORLD



Chris

COMBUSTIBLES WINNING THROUGH
FOCUS & SHARPENED EXECUTION



Paul

STEP CHANGING NEW
CATEGORIES



Vincent

ORAL CATEGORY:
THE NEW OPPORTUNITY



Jerome

CANADIAN LITIGATION
SUMMARY



David

SCIENCE SUPPORTING
ACCELERATED DELIVERY



Jim

A THRIVING BUSINESS UNDER
CURRENT & FUTURE REGULATION



Ricardo

A GROWING BUSINESS FOR
AN EXCITING FUTURE



Tadeu

DELIVERING SUSTAINABLE
RETURNS