



BRITISH AMERICAN
TOBACCO

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Delivering Sustainable Returns

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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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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.

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.

TADEU MARROCO

DEPUTY FD & GROUP TRANSFORMATION DIRECTOR



BRITISH AMERICAN
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26 Yrs
Industry
experience

*Latin America,
Europe, Central
Asia, Middle East
& Africa focus*

*Group
Financial
Controller*

MANAGEMENT BOARD SINCE 2014

*Business
development
Director*

*Regional
Director
WER/ENA*



We remain committed to:

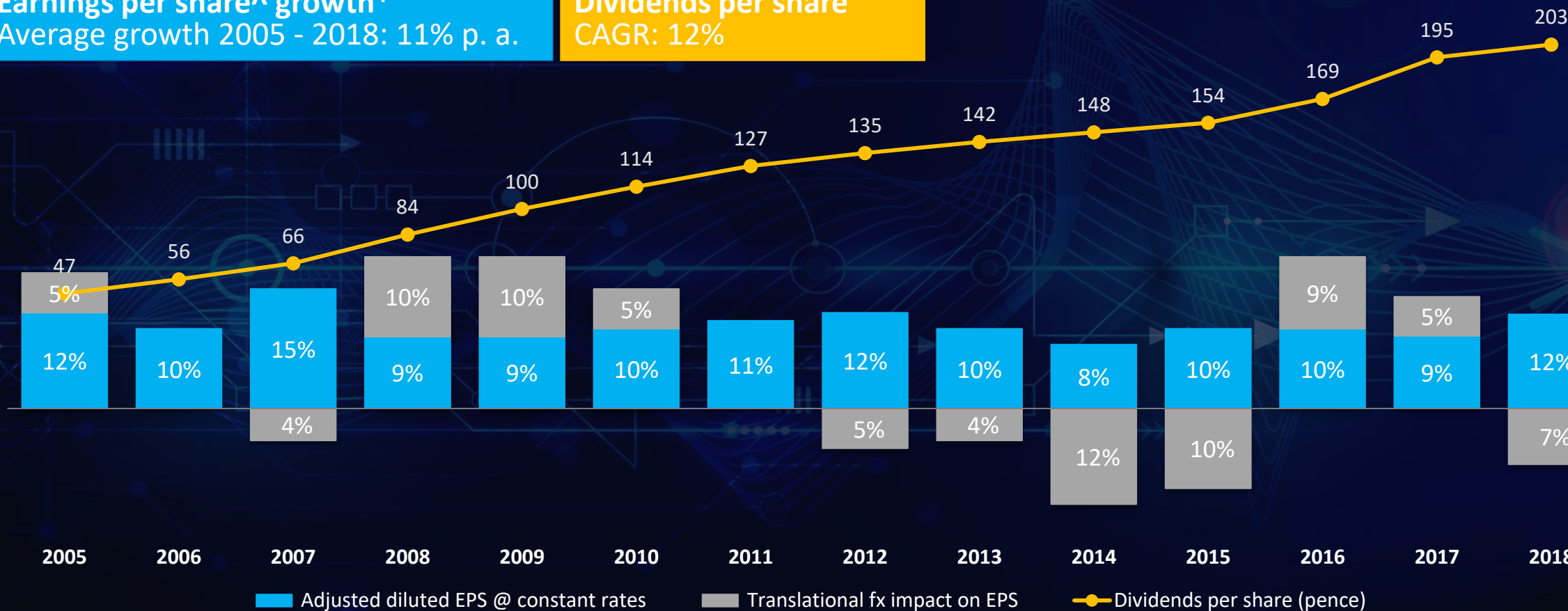
- 1 High Single Figure Adjusted EPS growth at Constant FX
- 2 Dividend policy of 65% of earnings with growth in Sterling terms
- 3 Focus on cost management to allow continued investment in New Categories
- 4 De-leveraging at $-0.4x$ per annum at Constant FX

Where are we coming from?

Consistent growth in earnings^ and dividends

Earnings per share^ growth*
Average growth 2005 - 2018: 11% p. a.

Dividends per share
CAGR: 12%



Source: Company data

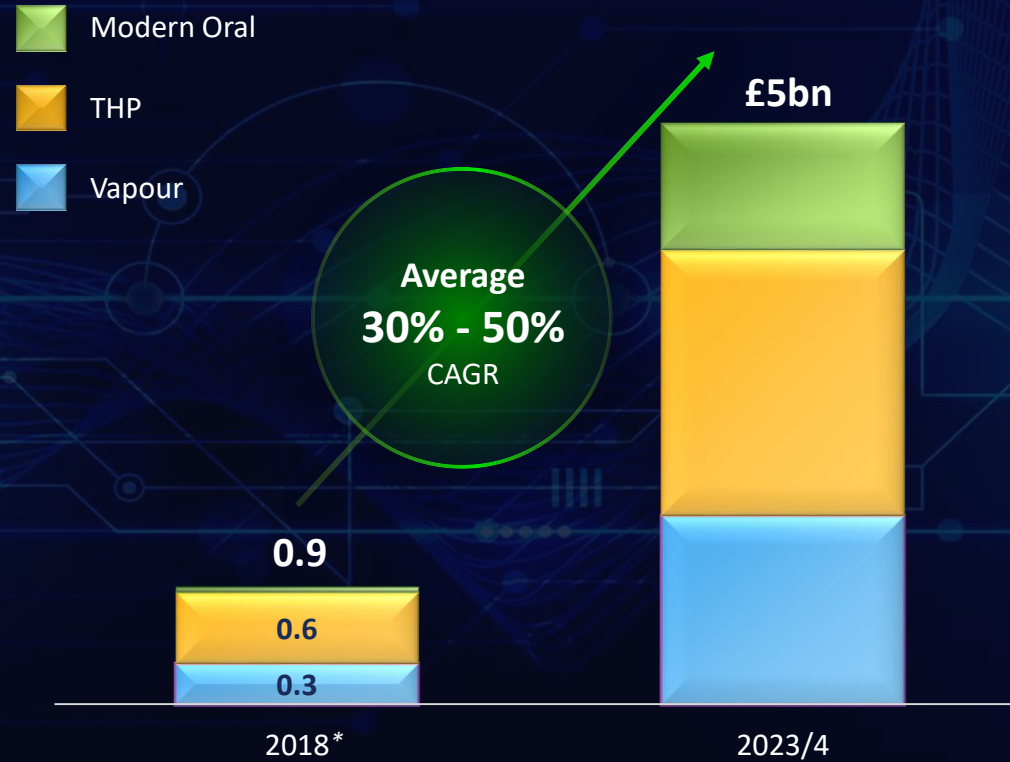
^ Adjusted diluted earnings per share at constant rates. See Appendix, note A3.

* Adjusted and constant rate basis. See Appendix, notes A2 and A3.

An exciting future

We expect rapid growth in New Categories

BAT NEW CATEGORY REVENUE AMBITION £bn



Funding growth while we deliver High Single Figure EPS*

* Adjusted and constant rate basis. See Appendix, notes A2 and A3.

Source: Internal Estimates

New Categories bring enhanced margins

Category Gross Margin % of Revenue *
excluding Devices

	2017	2018	
FMC	64%	65%	
THP Consumables	83%	81%	
VAPING Consumables	29%	42%	
MODERN ORAL	59%	66%	
TRADITIONAL ORAL	75%	78%	
PRRPs	67%	72%	Average GM > FMC

* Adjusted, representative and constant rate basis. See Appendix, notes A1, A2 and A3.

Source: Internal Data

New Categories | Drivers of competitiveness

➤ Brands

➤ Trade Marketing & Distribution

➤ Regulation

➤ Supply Chain

➤ Science

➤ Consumer Insights

➤ Innovation

➤ Quality

➤ Research & Development

➤ IP

New Categories represent a sustainable and profitable opportunity

BAT is well positioned for a step change across each New Category

Our formula for growth

	Long Term Expectation (organic, constant FX)	2018 Delivery	Next 2-3 yrs
Net Revenue	+3% to +5%	+3.5% [*]	Mid to Upper
Operating Margin	50-100 bps	40bps [^] <i>180 bps ex NGP Investment</i>	Mid to Upper
Adjusted Profit From Operations (APFO)	+5% to +7%	+4% [*] <i>+7% ex NGP Investment</i>	Upper
Adjusted Diluted EPS	High Single Figure	+12% [~]	High Single Figure

* Representative, adjusted and constant rate basis. See Appendix, notes A1, A2 and A3.

[^] Adjusted, representative basis. See Appendix, notes A1 and A2.

[~] Adjusted and constant rate basis. See Appendix, Notes A2 and A3.

Source: Internal Estimates

How we will de-leverage the balance sheet

	2018	Next 2-3 yrs
APFO	+4% [*]	+5% to +7%
Capex	£0.9bn	~£0.9bn
Operating Cash Flow Conversion %	113% <i>100% ex MSA timing</i>	≥ 90%
Net Interest Paid	£1.5bn	~£1.5bn
Tax	£1.9bn	~26% ETR
Free Cash Flow% [']	113% <i>92% ex MSA timing</i>	≥ 80%
Free Cash Flow after Dividends	£3.3bn <i>£1.9bn ex MSA timing</i>	≥ £1.5bn
Adjusted Net Debt / Adjusted EBITDA	4.0x [^] <i>3.6x at constant FX</i>	Reducing 0.4x p.a. <i>excluding FX</i>

['] Free Cash Flow % age of Adjusted Net Profit

^{*} Representative, adjusted and constant rate basis. See Appendix, notes A1, A2 and A3.

[^] Adjusted basis. See Appendix, note A2.

Source: Internal Estimates

How will we fund the growth?

Good progress the last 5 years delivering a globally integrated enterprise (US still to come)

- › Completed SAP implementation in 180+ markets and 40+ factories, in record time
- › Single operating model with standardised business processes
- › This investment allowed us, in turn, to:
 - › Drive functional transformations
 - › Set up of Global Business Services (GBS)
 - › Drive further productivity savings in Operations

Annualised P&L savings of ~£500mn and working capital savings of ~£160mn, enabled by our Target Operating Model and One SAP programmes (TaO)

Showcase | Global Business Services

Good progress to date, with scale up of 3 strategic hubs

- › Fully functioning shared services supporting, Finance, Global Treasury, HR, Procurement, Master Data, Global Analytics, and Business optimisation
- › 1,700 employees partnering with 180+ markets (40% of Finance and HR employees are now in GBS in 3 strategic hubs)
- › Leverage data and analytics to provide business insights
- › Accelerated benefits through scalable & reusable platforms and capabilities



CREATE ONCE, **DEPLOY EVERYWHERE**



Value adding capabilities in GBS to drive simplification, speed and effectiveness

Analytics & Insights

Leveraging SAP platform to deliver insights and reporting



Process Digitisation

Chatbots deployed to reduce manual intervention

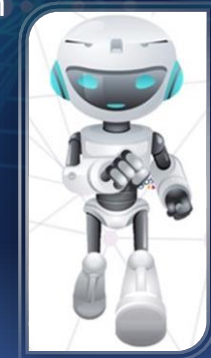
Don't Worry, Ask Robyn

BAT's First Knowledge Chatbot <http://Robyn>



Process Automation

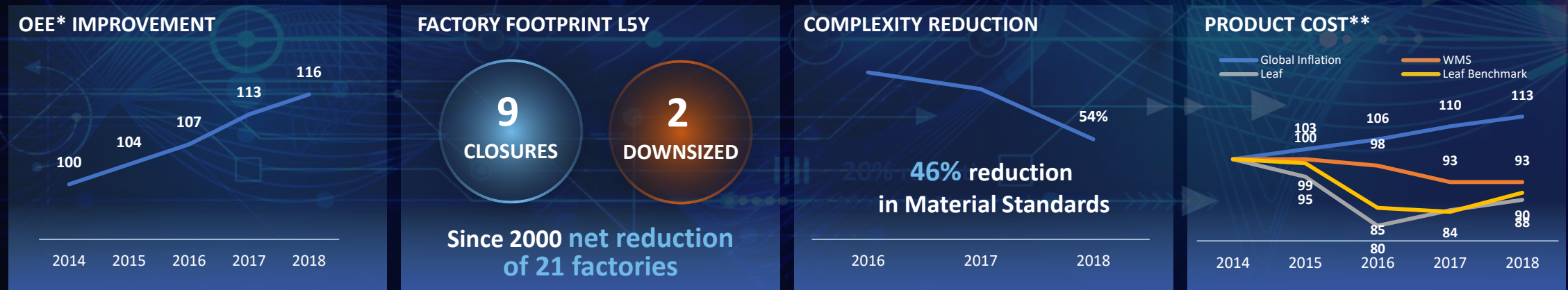
15 Bots deployed across New Product Innovations, Pricing, Finance, HR powered by robotic process automation



Great Platform to Leverage Going Forward

Showcase | Globally Integrated Operations – delivering P&L benefits...

- › Fully integrated supply chain managing **100% of Group leaf requirements**, including PRRP
- › **One Virtual Global Factory**
- › Global Procurement to manage **90% of Direct Materials** and **80% of Indirects**
- › **One Global Planning Hub**



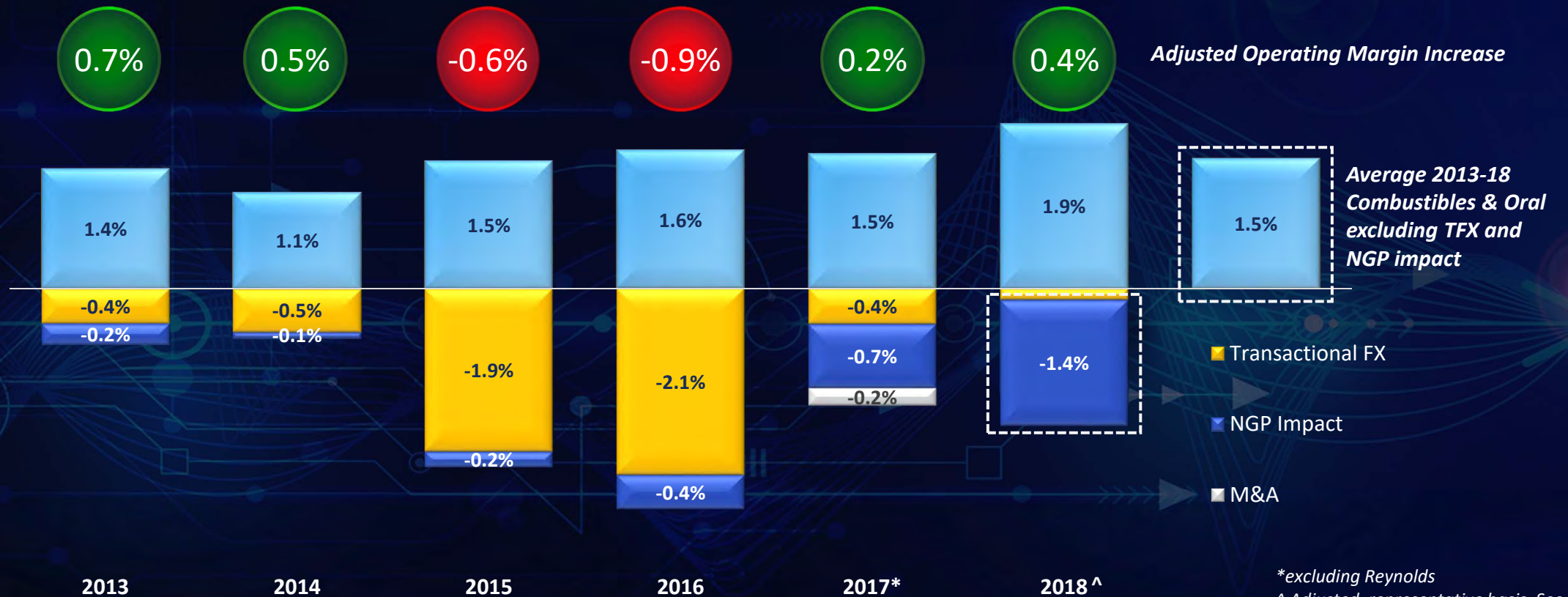
...and RAI synergies, primarily from Procurement, Manufacturing and Leaf

*OEE = Overall Equipment Effectiveness. Information indexed against 2014. Excludes impact of RAI acquisition.

** Excludes impact of RAI acquisition

Source: Internal Data

Consistent underlying operating margin improvement



*excluding Reynolds
 ^ Adjusted, representative basis. See Appendix, notes A1 and A2

Growth in NGP investment has diluted Operating Margin growth in 2017 and 2018 while Combustibles & Oral has consistently delivered

Source: Internal Data

Going forward, we are confident we can continue to drive operating margin growth

- › “Sweat” the enterprise-wide platform to **accelerate organisational efficiencies** delivery and **respond faster** to the new challenges of the future
- › **Accelerate Multi-Function GBS**: new and sustainable growth engine
 - › Improved innovation capabilities and efficient, lean organisational structures
 - › Next level Automation & Analytics
- › Drive **further opportunities in Operations**
 - › Simplify combustibles
 - › Drive productivity savings and better asset utilisation
 - › Further working capital improvement
- › Drive **further integration with US**
- › Drive **Transformational Ways of Working, enabled by Digital**

Transformational Ways of Working to enable the Group's growth agenda



**Accelerate Growth
in the New
Nicotine World**

Cost efficiencies programme supporting the growth agenda

Conclusions

- › We will leverage our **globally integrated enterprise**
- › Our Cost Savings Programme will **drive Operating Margin growth** while we continue to **invest in New Categories**
- › We remain committed to **delivering High Single Figure EPS growth** at Constant FX
- › In the Short Term, **EPS growth** will be **driven by Operating Profit** and “kickers” will be limited
- › We also remain **committed to our dividend policy of 65%** of earnings with growth in Sterling terms
- › **BAT remains highly cash generative** and we expect **annual Free Cash Flow** after dividends of **≥£1.5bn**
- › We **continue to target** an annual **reduction in Adjusted Net Debt / Adjusted EBITDA** of -0.4x, in line with our plan, excluding currency movements



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Thank you.

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/Adjusted (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.