



BRITISH AMERICAN
TOBACCO

Investor Day | 14 March 2019



BRITISH AMERICAN
TOBACCO

Oral Category | The new opportunity

Vincent Duhem

Category Director

Important Information

The information contained in this presentation in relation to British American Tobacco p.l.c. (“BAT”) and its subsidiaries has been prepared solely for use at this presentation. The presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

References in this presentation to ‘British American Tobacco’, ‘BAT’, ‘Group’, ‘we’, ‘us’ and ‘our’ when denoting opinion refer to British American Tobacco p.l.c. and when denoting tobacco business activity refer to British American Tobacco Group operating companies, collectively or individually as the case may be.

The information contained in this presentation does not purport to be comprehensive and has not been independently verified. Certain industry and market data contained in this presentation has come from third party sources. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of accuracy or completeness of such data.

Forward-looking Statements

This presentation does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any BAT shares or other securities. This presentation contains certain forward-looking statements, made within the meaning of Section 21E of the United States Securities Exchange Act of 1934, regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates.

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 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.

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.

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.

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.

VINCENT DUHEM

CATEGORY DIRECTOR

7 Yrs
Industry
experience

Joined BAT
in
2012

Marketing
Director

Brand
Director

Category
Director



1

A sizeable emerging opportunity

2

A promising business model

3

A strong marketing proposition

4

BAT leading with superior product offerings



THE OPPORTUNITY

An exciting new space

INNOVATION & EXPERTISE TO
CREATE SMART FORMATS



NO DEVICE REQUIRED

**=> WIDER ADULT CONSUMER
ACCESS**

SMOKE FREE, DISCREET,
CONSIDERATE



ANYTIME, ANYWHERE

=> UNLIMITED OCCASIONS

EXPERIENCES BEYOND
SMOKE OR VAPOUR



NEW SENSORIAL STIMULATIONS

=> MORE CHOICES

EMBRACED BY NEXT
GENERATION



**EDUCATED, ASU30, INCOME+,
GENDER BALANCED**

=> SUSTAINABLE

The Oral product category

TOBACCO



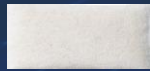
MOIST / LOOSE SNUS



ORIGINAL PORTION

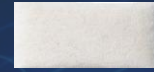


DRY PORTION



ALL WHITE PORTION

NICOTINE



NICOTINE POUCH



LOZENGE



GUM



FILM



SPRAY

A WIDE RANGE OF TRADITIONAL AND NEW PROPOSITIONS

Strong position in Traditional Oral Tobacco

TOBACCO



MOIST / LOOSE SNUS



ORIGINAL PORTION



DRY PORTION



ALL WHITE PORTION

NICOTINE



NICOTINE POUCH



LOZENGE



GUM



FILM



SPRAY

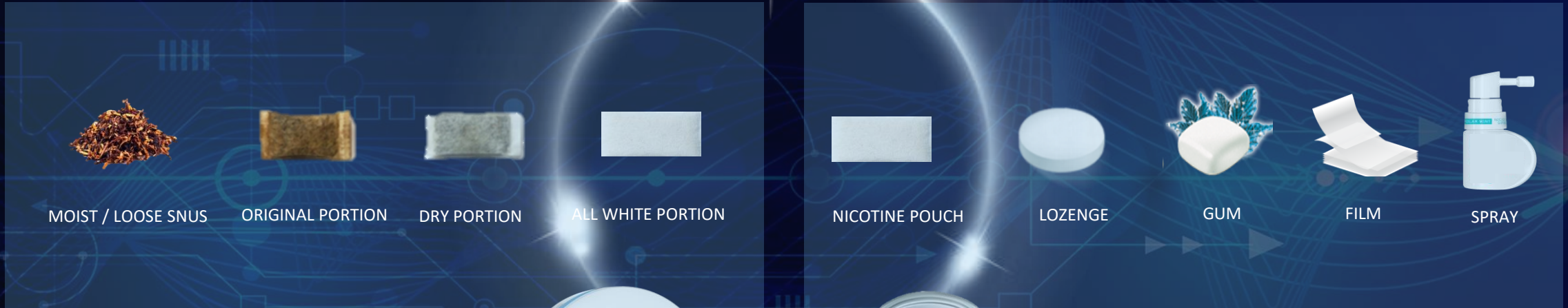


EXPERTISE AND LEADERSHIP
IN USA AND SCANDINAVIA

A new opportunity

TOBACCO

NICOTINE



A NEW GENERATION OF A POTENTIALLY REDUCED RISK PRODUCTS

Another step in the potential reduced risk journey



modelled assumption based on the science currently available

An answer to consumer trends



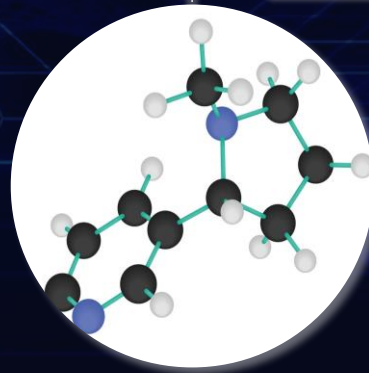
A reinvention of experiences



PROVEN
RITUAL



WIDESPREAD RITUAL IN
PROMINENT GEOGRAPHIES



PROVEN EFFICACY OF
NICOTINE DELIVERY



LARGE EXISTING BASE OF
ORAL PRODUCT
CONSUMERS AROUND
THE WORLD

An attractive commercial model



An attractive commercial model

GROSS MARGIN (£ PER MILLE)

 SWITZERLAND



EPOK

 SWEDEN



LYFT

 UNITED KINGDOM



LYFT

GLOBAL



MODERN ORAL

Source: BAT internal estimate / company data



A STRONG PROPOSITION

Designing a whole new experience

BORN IN SWEDEN



USA EXPERTISE



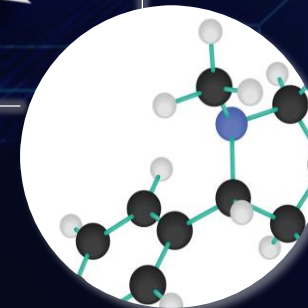
PROPRIETARY INNOVATIVE CANS



NATURAL BASE INGREDIENTS



NO "BURN" FOR MAXIMUM COMFORT



NICOTINE DELIVERY TECHNOLOGY

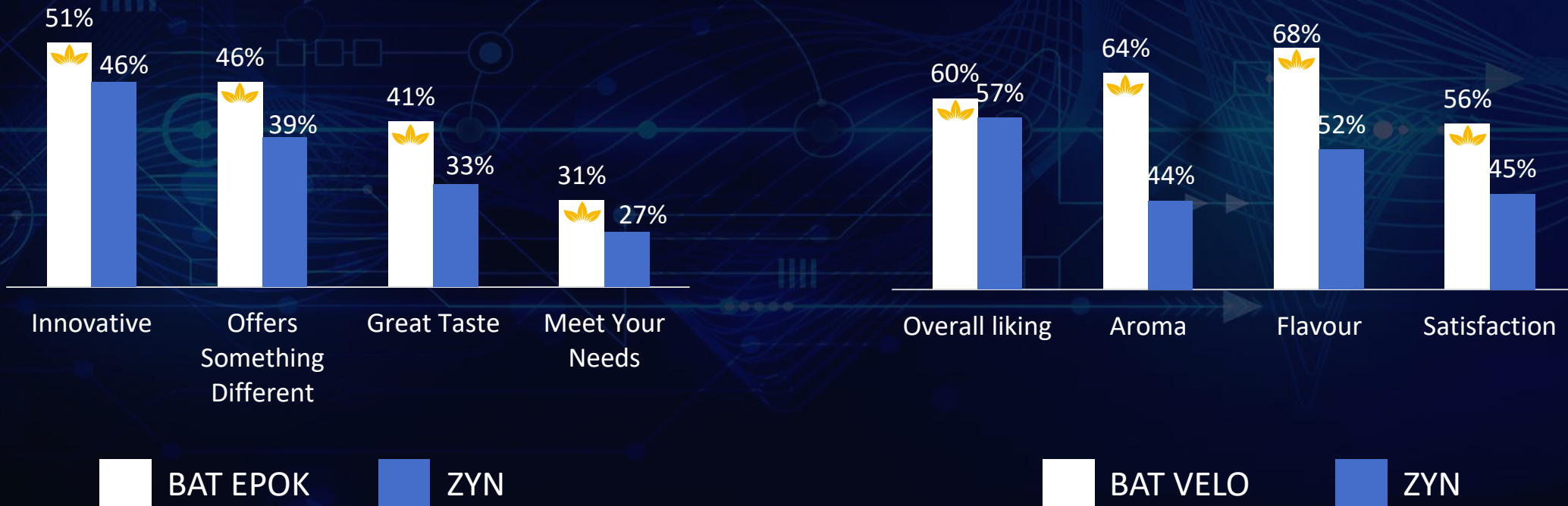


FRESH FLAVOR EXPERIENCES

BAT delivering superior product performance



BAT OUTPERFORMS COMPETITION ON KEY ATTRIBUTES



SOURCE: BAT Consumer Track 2018 Epok vs Zyn n=1500 per quarter

SOURCE: Taste of success internal panel Q4 2018 476

Building strong global brands



NO TOBACCO

NICOTINE DELIVERY
TECHNOLOGY



WHITE TOBACCO



A wide range of innovative flavours



A new global campaign and go to market





A STRONG START

Switzerland: Amazing performance in only 7 months



EPOK VOLUME SHARE OF ORAL CATEGORY

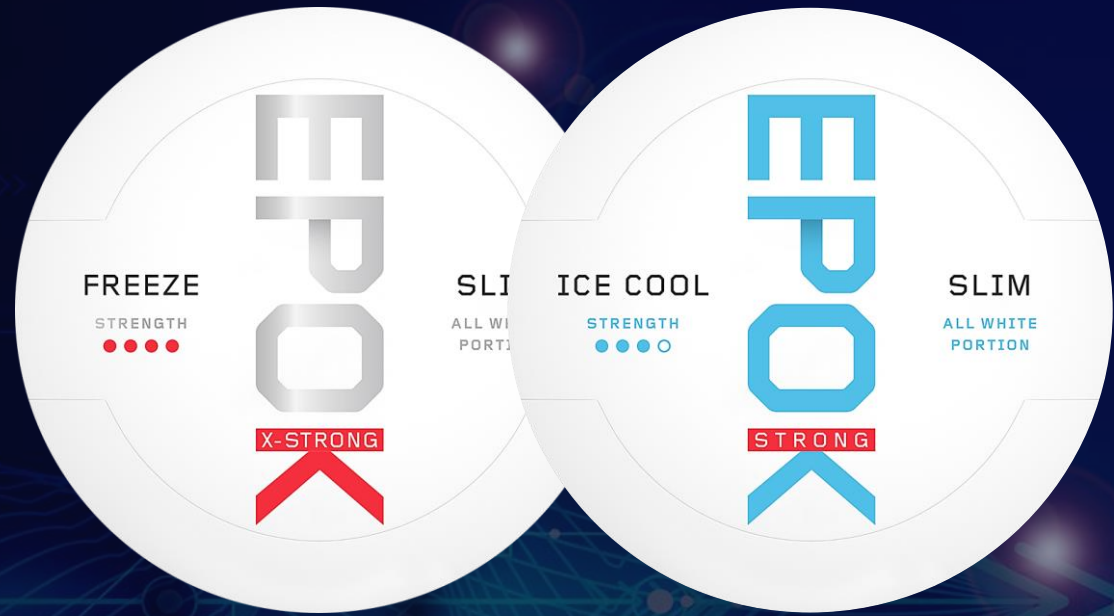


- > FASTEST GROWING BRAND
- > SEGMENT LEADER - 100% SHARE OF SEGMENT

Source: BAT Internal Estimates / Offtake shares



Norway: The clear driver of Modern Oral



EPOK VOLUME SHARE OF ORAL CATEGORY



- > FASTEST GROWING BRAND
- > SEGMENT LEADER - 73% SHARE OF SEGMENT

Source: BAT Internal Estimates / Offtake shares

Sweden: Leading transformation to Modern Oral



EPOK/LYFT VOLUME SHARE OF ORAL CATEGORY



- > THE ONLY PREMIUM BRAND GROWING
- > SEGMENT LEADER - 65% SHARE OF SEGMENT

JAN 2017

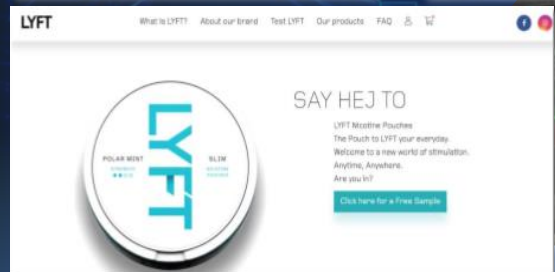
DEC 2018

Source: BAT Internal Estimates / Offtake shares

LYFT expanding in pilot markets



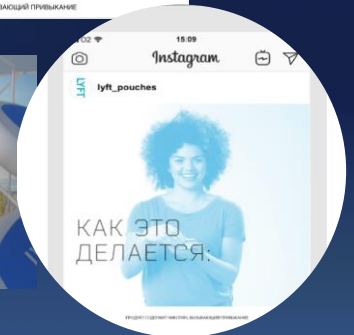
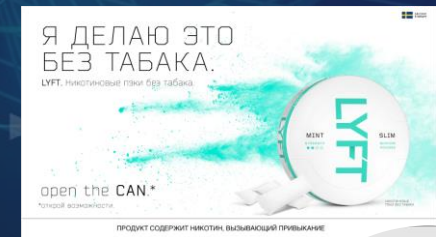
UK
since Jan 2019



PURCHASE INTENTION
AMONG TRIALISTS
60-80%



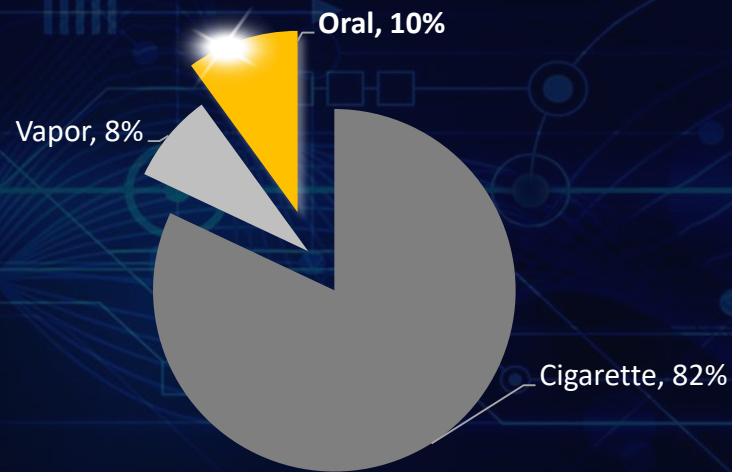
Russia
starting May 2019



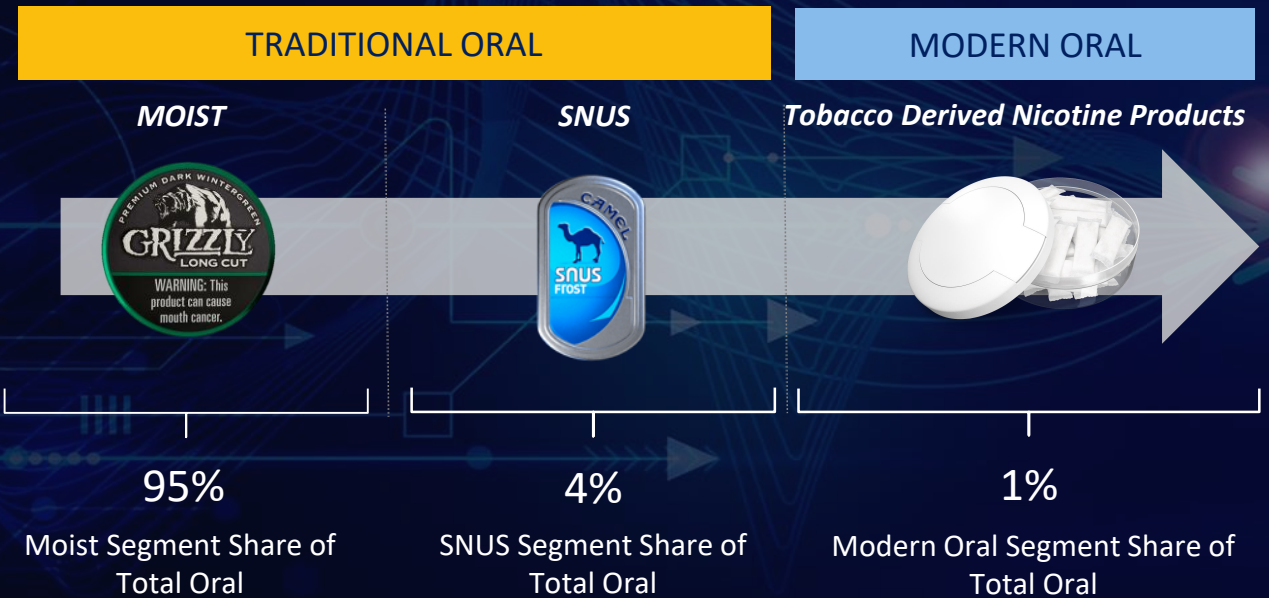
Source: Consumer engagement panel UK 2019

A significant Oral opportunity

2018 | US TOTAL NICOTINE MARKET



A LARGE AND GROWING ORAL CATEGORY



AN EVOLVING CATEGORY FOLLOWING CONSUMER DYNAMICS

Source: BAT internal estimates company data

Source: STR servings, 2018

VELO: the next generation in USA



A WINNING PRODUCT PROPOSITION



A VALIDATED CONSUMER MIX



LAUNCH IN SUMMER 2019

A great opportunity

- 1** A WHOLE NEW CONSUMER SPACE IS OPENING
- 2** A VERY PROMISING BUSINESS MODEL
- 3** AN AMBITIOUS MARKETING PLAN
- 4** WE HAVE STRONG POSITIONS AND WE ARE READY FOR EXPANSION



BRITISH AMERICAN
TOBACCO

Thank you.