

Paris DB Consumer Conference

12th June 2018

Nicandro Durante

Chief Executive Officer



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; the inability to obtain price increases and the impact of price increases on consumer affordability thresholds; 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 ability to develop and commercialise new alternative products and to do so profitably; 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 advisor. Readers are cautioned not to place undue reliance on such forward-looking statements.

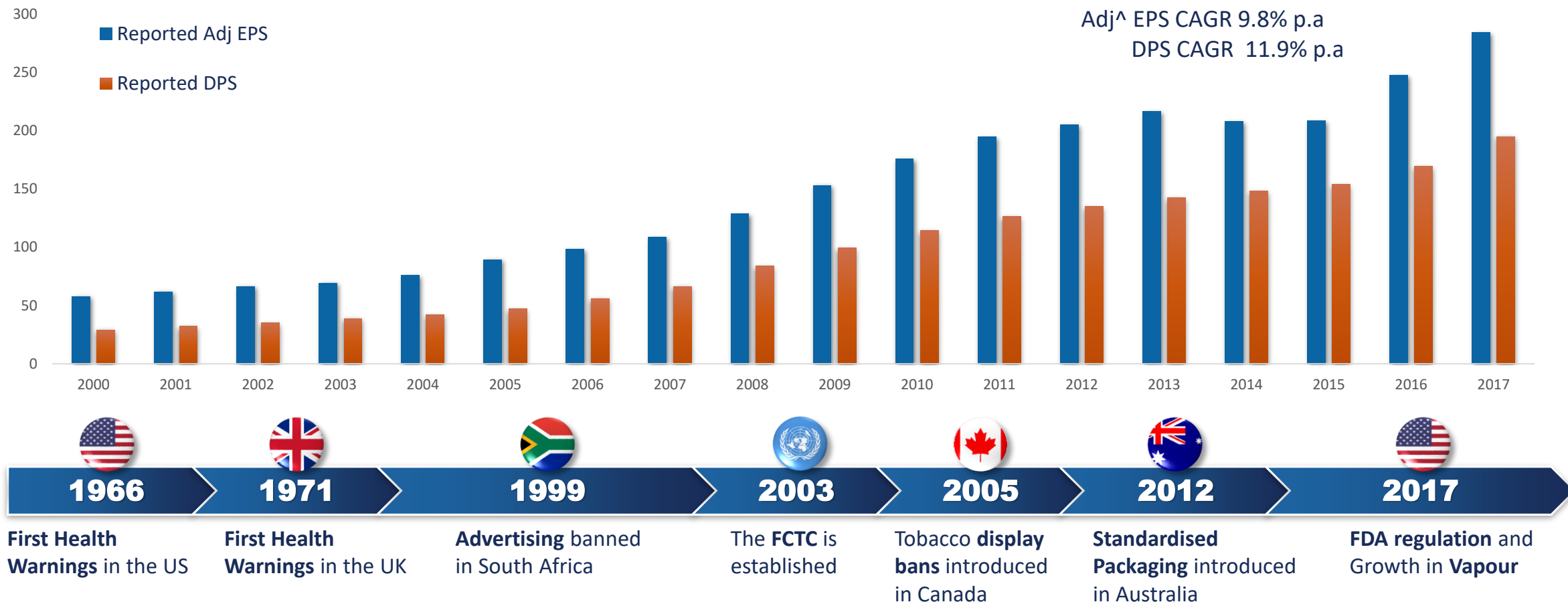
No Profit or Earnings Per Share Forecasts

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, 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.

We have delivered consistent eps growth



[^] See Appendix: A1, source: Company data

Confidence in the delivery of HSF EPS is unchanged



A more sustainable business

- Combustible business continues to outperform
- The US remains a great opportunity
- NGPs – we have the strategy and products to win

Pricing remains robust

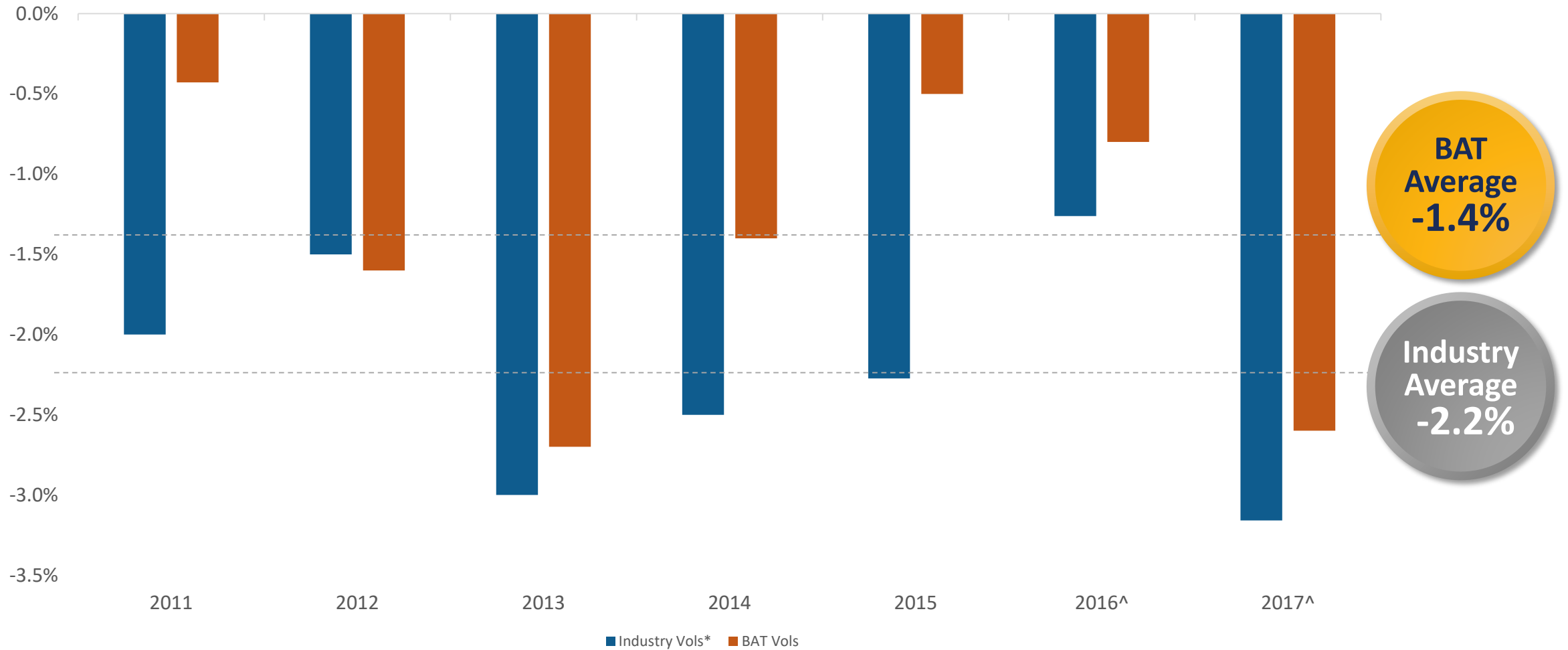
➤ Organic price mix (inc THP) remains within a historic 4-6% range



Source: Company data

BAT volume continues to outperform the industry

Volume trends remain in line with historical levels

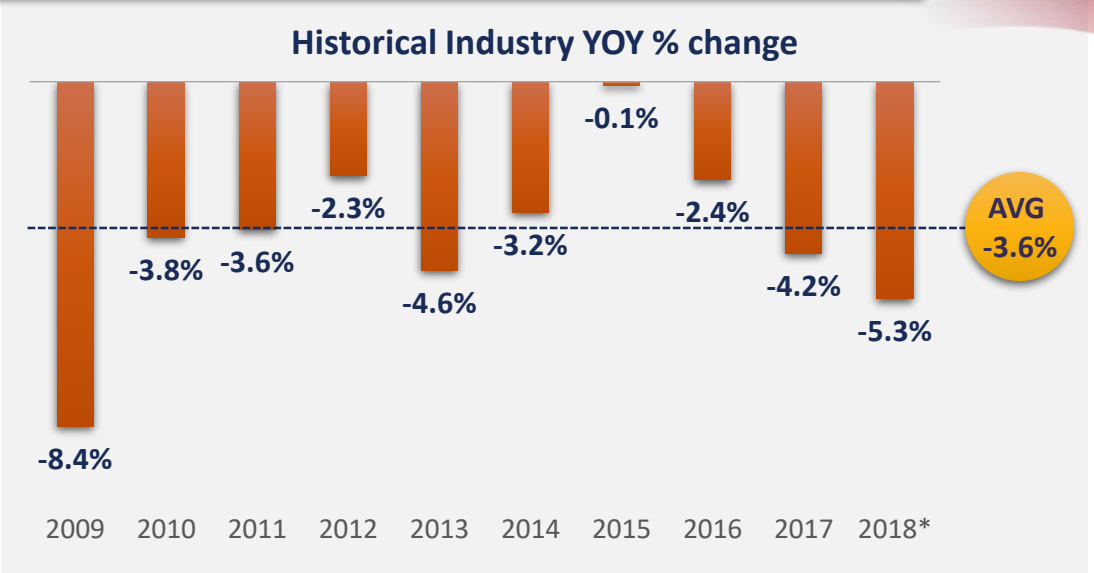
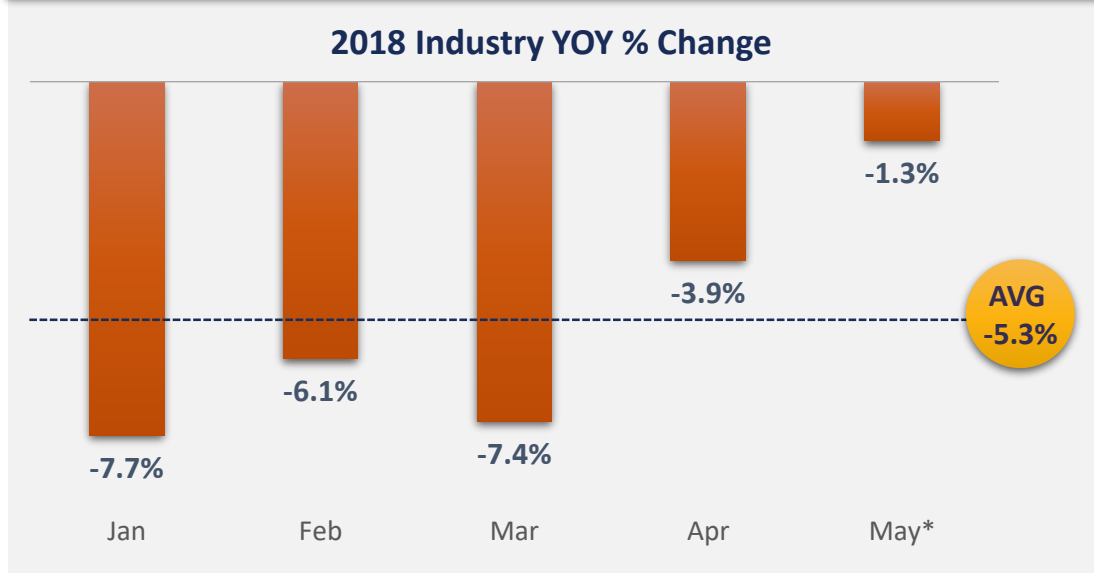


* BAT estimate, ^BAT Vols adjusted for the impact of acquisitions, source: Company data

The US remains a great opportunity



US volumes remain robust

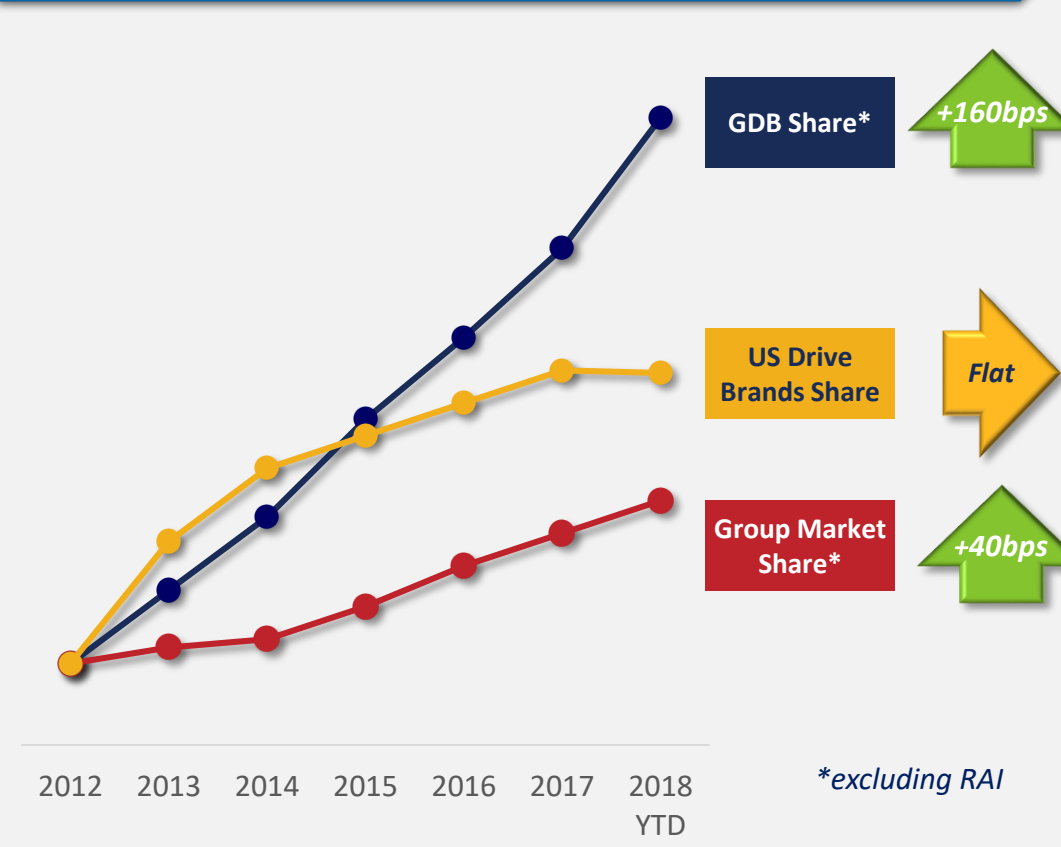


- RAI Corporate share stable after strong growth in H2 2017
- On track to deliver synergies target of at least \$400mn by end 2020
- Pricing opportunities remain strong

*YTD 20th May 2018 Source: Industry metrics based on sales to retail

Combustibles – from strength to strength driven by our strong portfolio and innovation

Market share

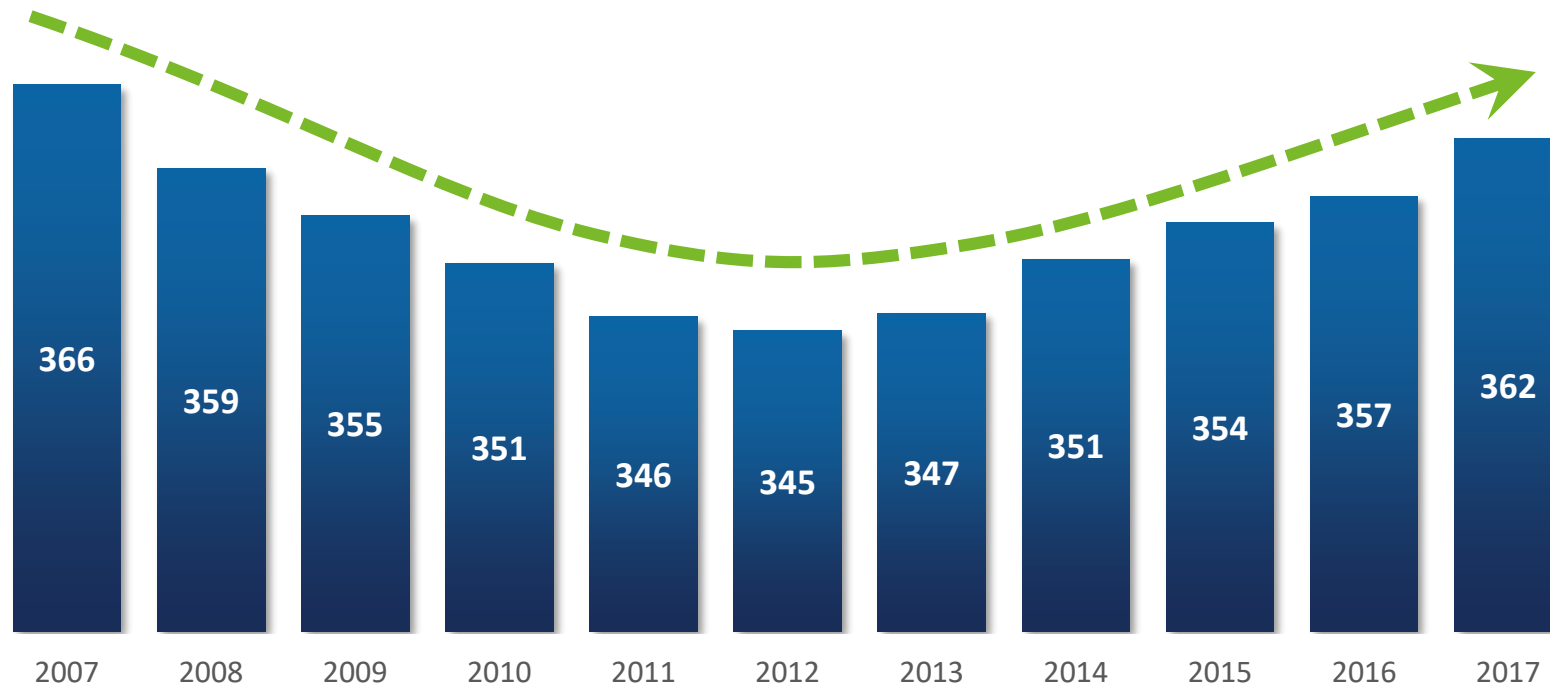


Innovation^

- Innovation volume **4 times bigger** vs 2010
- Innovations | **1 in every 3** cigarettes sold
- **59%** of GDB volume carries an innovation

^ See Appendix: A2, source: Company data

Nicotine consumer pool continues to grow

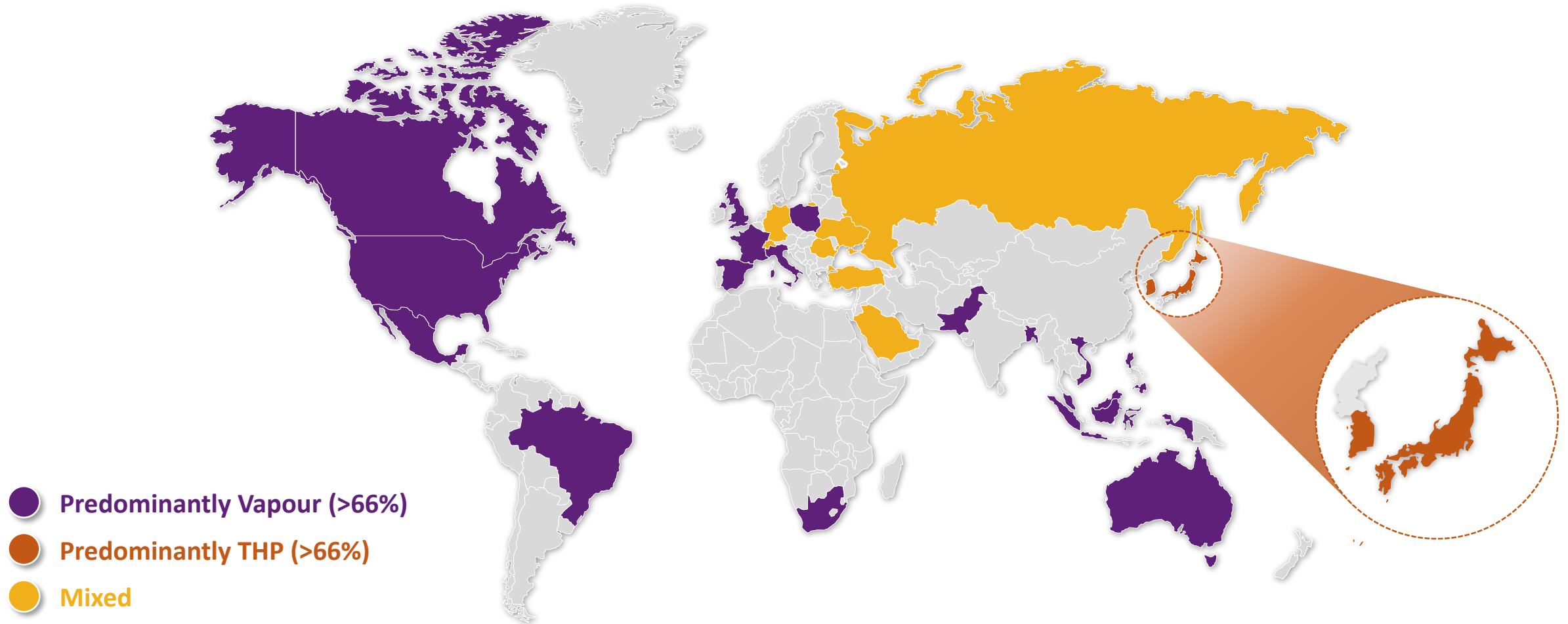


8mn
NGP consumers
ADDED
IN 2017

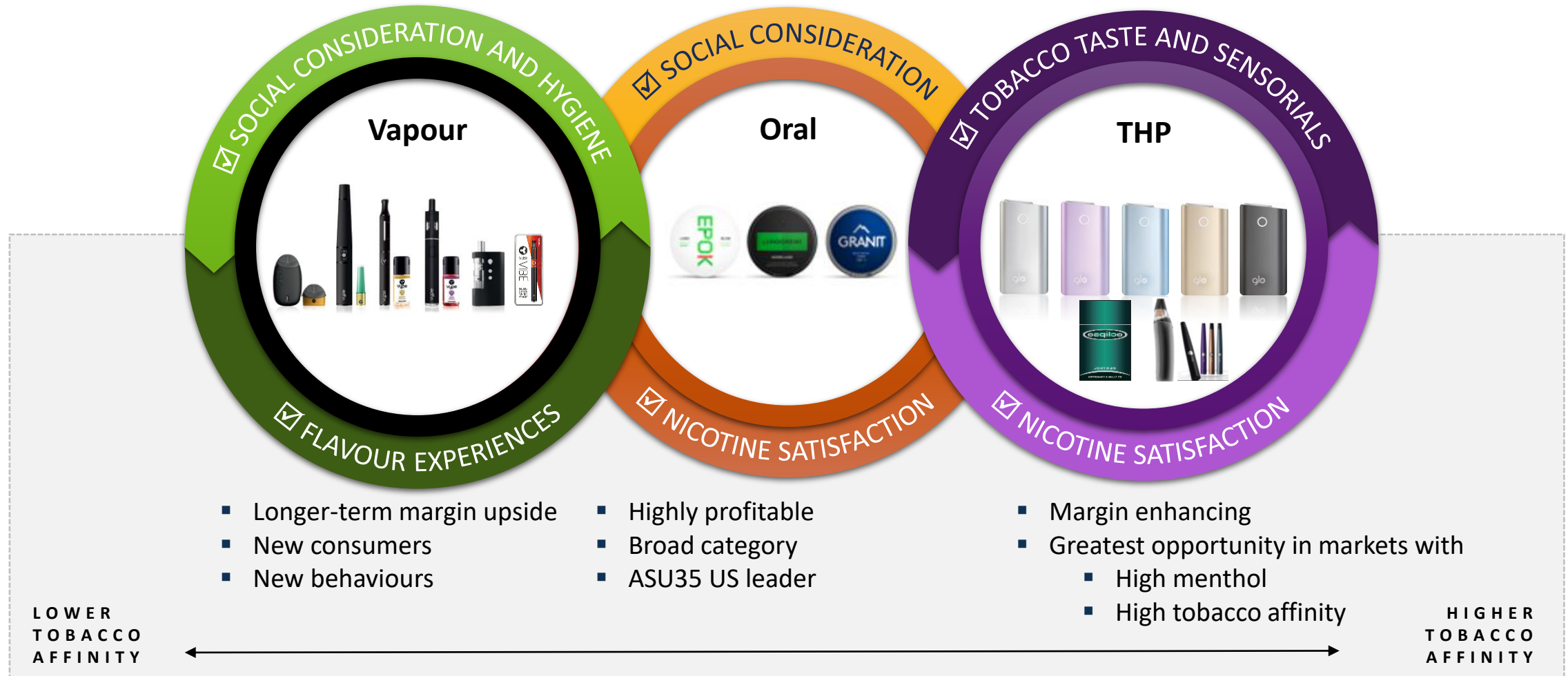


Consumers are segmenting

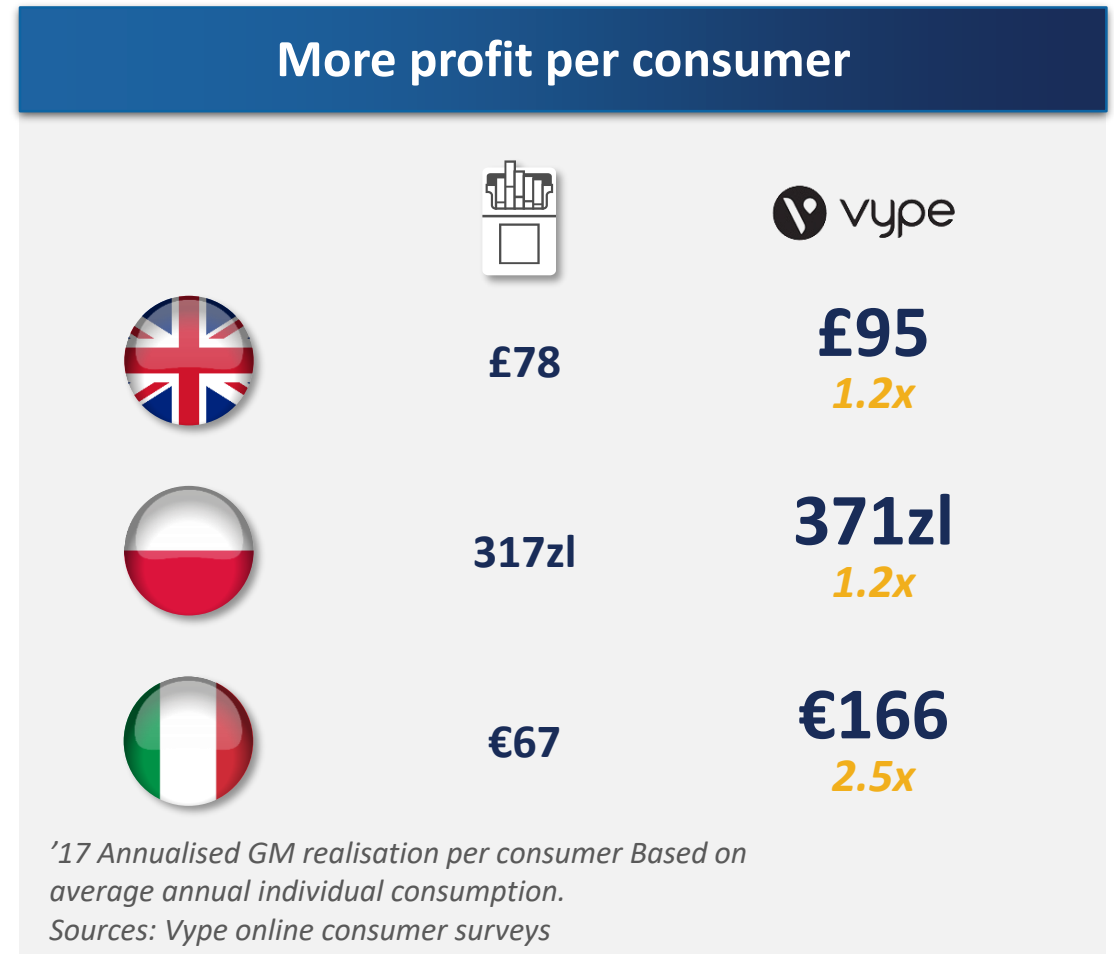
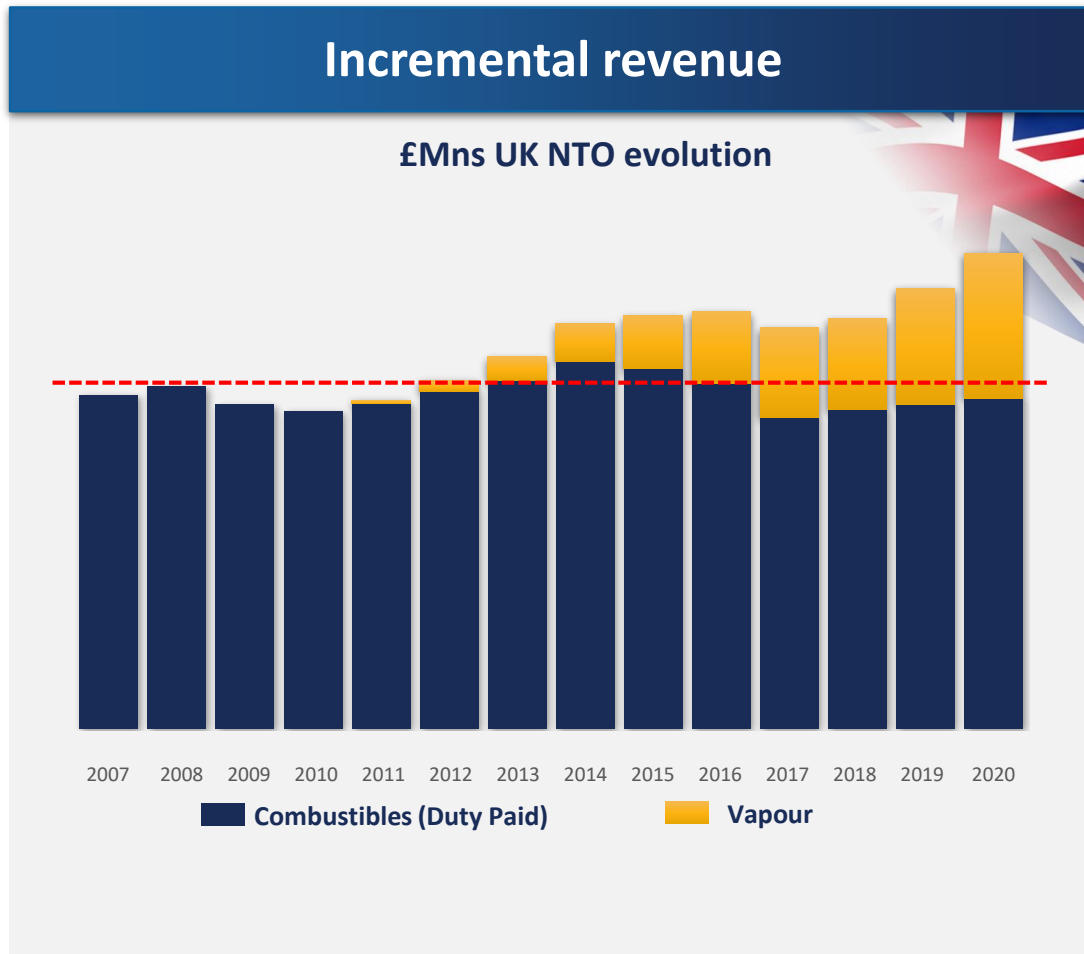
Modelled NGP preponderance by 2020



We have the right strategy



Vapour offers new revenue opportunities



BAT no 1 globally in vapour ...



- Consumables growing +29% vs SPLY
- Device sales stable
- ePen cartridge monthly sales run rate at record high ~1m units
- eLiquids up 31% in Q1



- Vuse growing volume and value, following double digit growth in 2017
- Vibe recall progressing well with the majority of displaced volume moving to SOLO and CIRO
- Pod mod launches planned for Q3

Based on current smokers who have tried e-cigs

THP - consumer & market profiles determine initial growth rates

Factors favouring faster rates of THP growth:

- Lower strength preferences in FMC
- High importance of **modernity & style** in FMC brand choice
- Restrictions on or **low prevalence of vapour**
- **High affordability of premium** in ASU30

Japan 21%*
Korea 7.4%*

All favourable:
Fastest initial growth

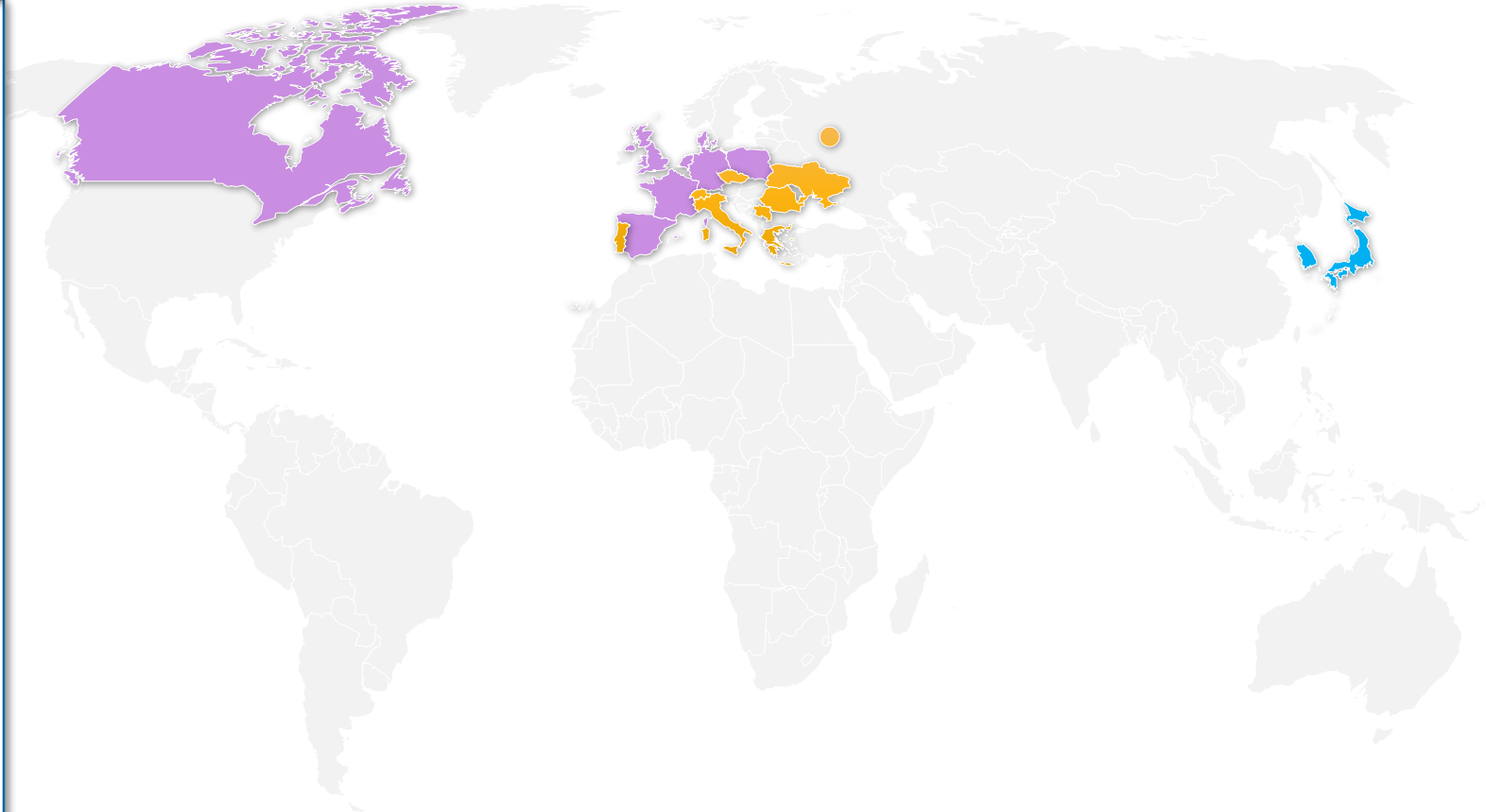
1-5%* within
launch geos

Some favourable:
Moderate initial growth

<0.5%* within
launch geos

Mostly unfavourable:
Slow initial growth

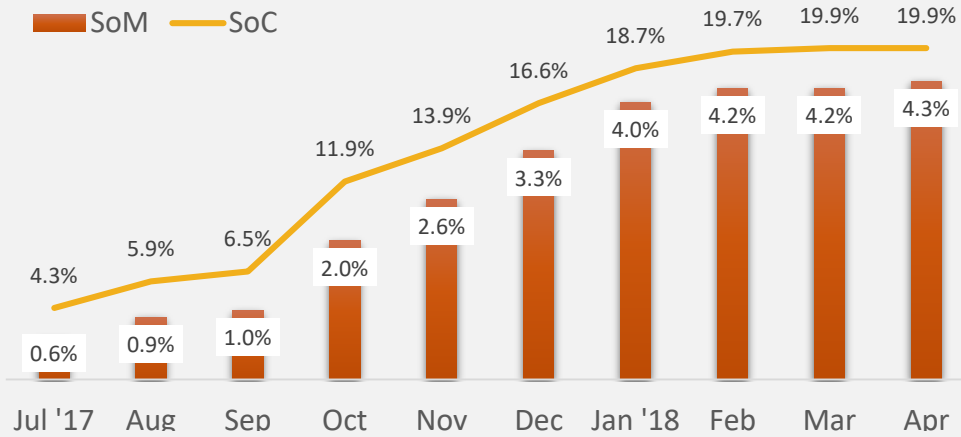
* Estimated THP share in total tobacco, April 2017



glo continues to perform well



glo in Japan



- glo national share at 4.3%* in April
- Capacity constraints lifted in H2
- Captured 60% of Category growth post national Expansion
- Nationwide device penetration for glo reached 10.2%
- 8 variants – widest flavour range in the market

glo in other countries

S KOREA



- glo share is at 0.8% vs. 0.4% in Q4 2017 due to national expansion
- 6.6% share of THP category. Sales reached a new monthly record of 56mn
- Successful launch of two capsules in April

ROMANIA



- Healthy conversion from glo adoption to occasional and solus usage
- Now in 17 cities
- glo off take share in handlers at 0.3% and growing

RUSSIA

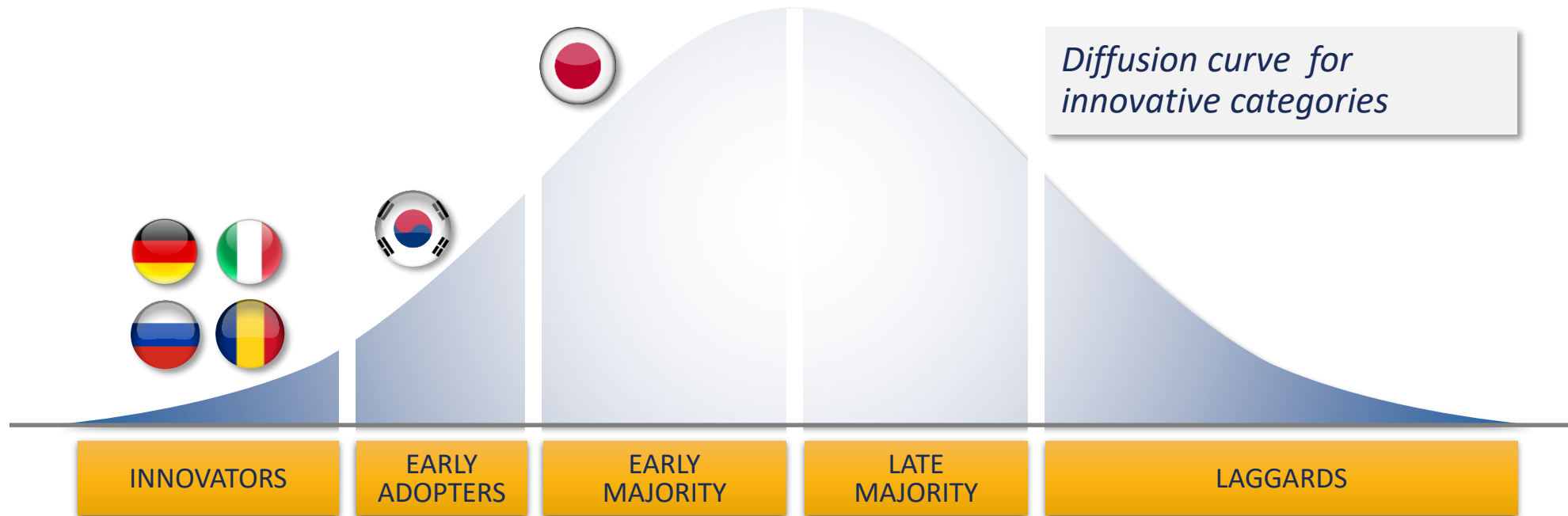


- Initial consumer response is positive
- Gradually building distribution and expanding our direct to consumer engagement activities

* Based on CVS data, source: Company data

As THP expands beyond Early Adopters, growth rate slows down

➤ In Japan, further expansion is to more conservative consumer segments and adoption will be slower



Driving adoption in THP

Device price is one of the key barriers for category entrants



BAT Strategy

Managing device affordability



Helping conversion

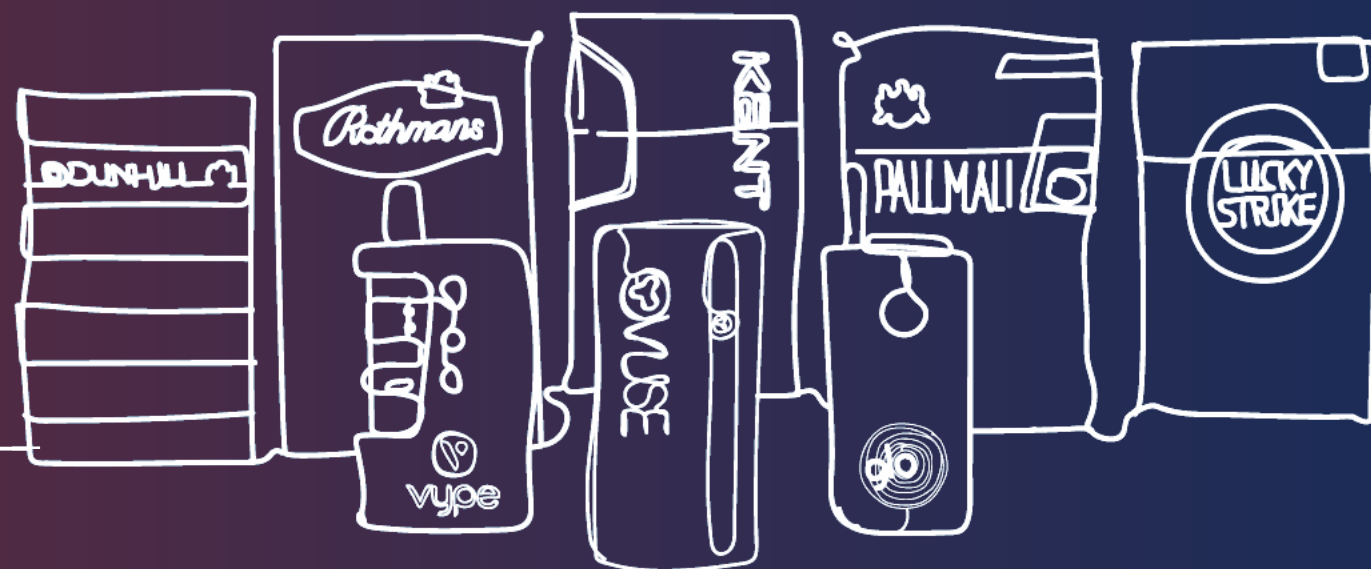


- 20 – 30% COGs reduction (LE'18 vs. YE'17)
- Benefit transfer to Consumers
- Consumers who opt into Hypercare / conversion program qualify for discount

Product Portfolio & Pipeline

David O'Reilly

Group Scientific and R&D Director



Multi-Platform Consumer Product Offerings

THP



Vapour



Oral Tobacco & Nicotine

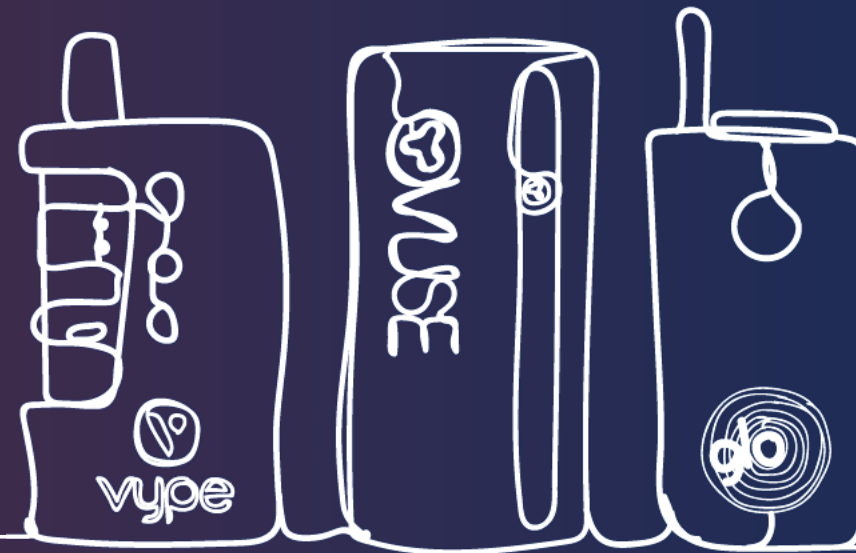


NRT



The BAT Group does not own all brands referred to in this presentation in all markets e.g. BAT is the owner of the Camel and Natural American Spirit brands in the United States only.

THP



THP: glo family grows

glo series



- Premium look and feel
- Duo treatment, sleeker yet organic feel
- New colour range

glo series Mini



- Premium look and feel
- Streamlined profile
- Reduced weight

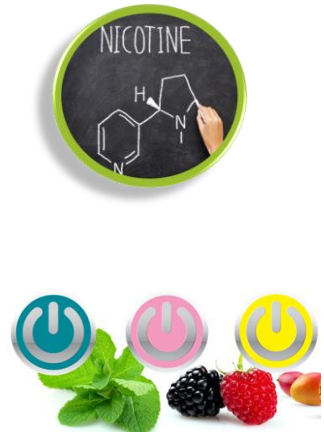
neo



- Higher consumer satisfaction
- Introducing capsule offerings
- New flavour territories

2018/19 THP pipeline is strong

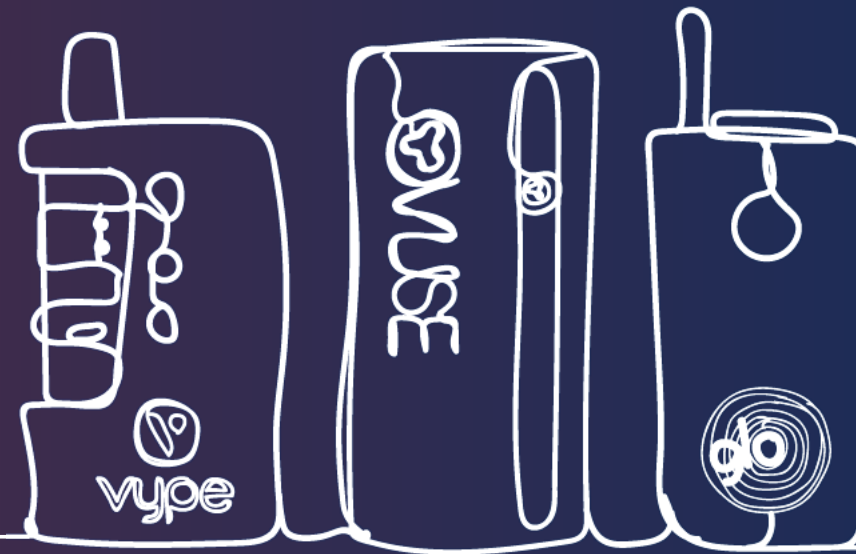
2018



2019



Vapour – ePen3



Time to seriously raise the bar – Vype ePen3



- ✓ Mod satisfaction in pod system
- ✓ Cotton wick for better taste
- ✓ All day charge
- ✓ Extensive flavours and nicotine range

	 ACM	 Nic/puff	 Nic salts
  	8.0	130	✓
  	3.8	68	✓
Competitor 1* 	6.0	109	✗
Competitor 2** 	2.4	120	✓

*blu and **JUUL

Source: BAT+RAI R&D lab testing

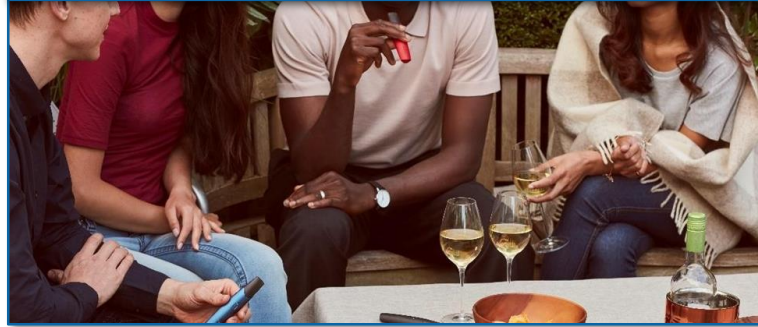
ePen3: Strong proposition validated in research and in situ

> Acquisition



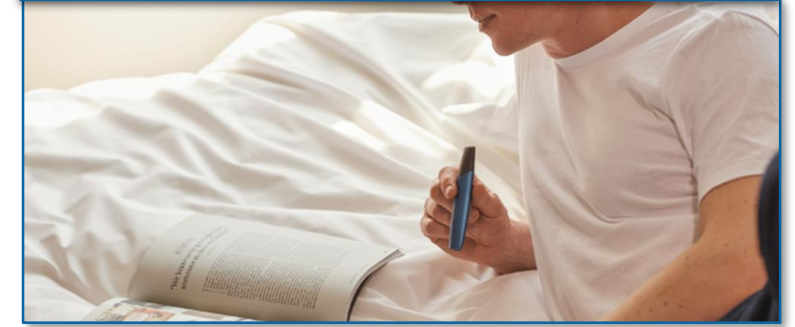
- ✓ 71% purchase intent
- ✓ 25% share of all VIP device sales

> Conversion



- ✓ 47% actual FMC reduction
- ✓ 90% adoption

> Retention



- ✓ 57% predominant nicotine product use
- ✓ 40% solus use

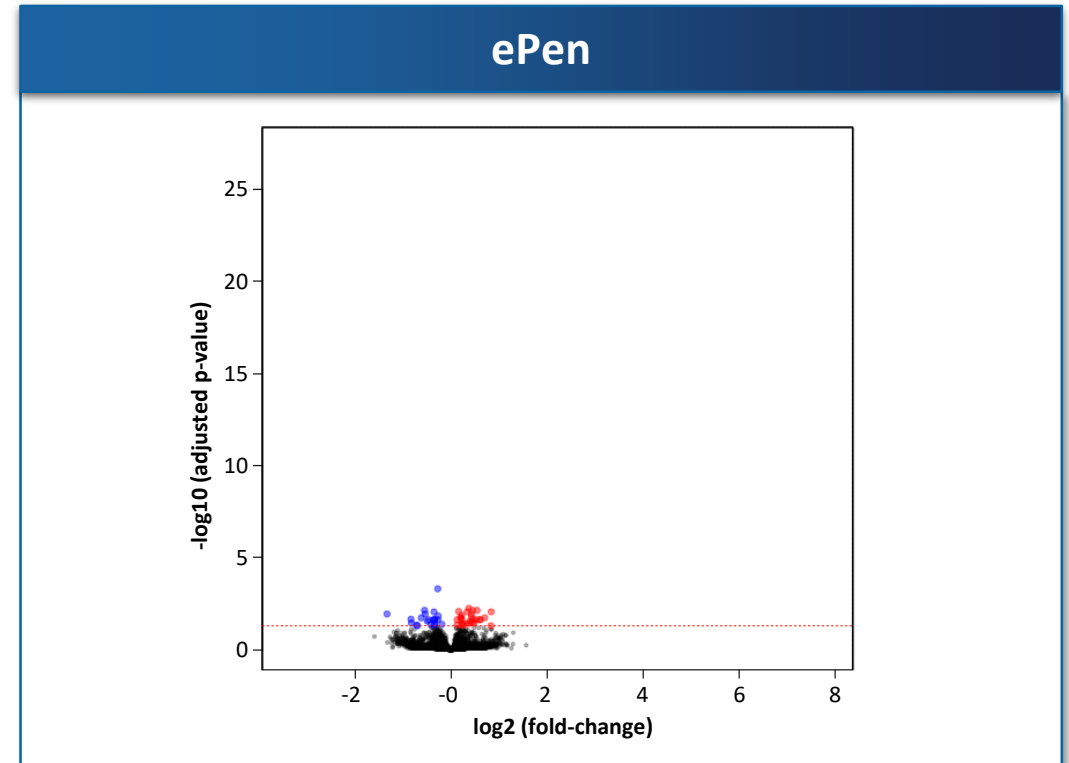
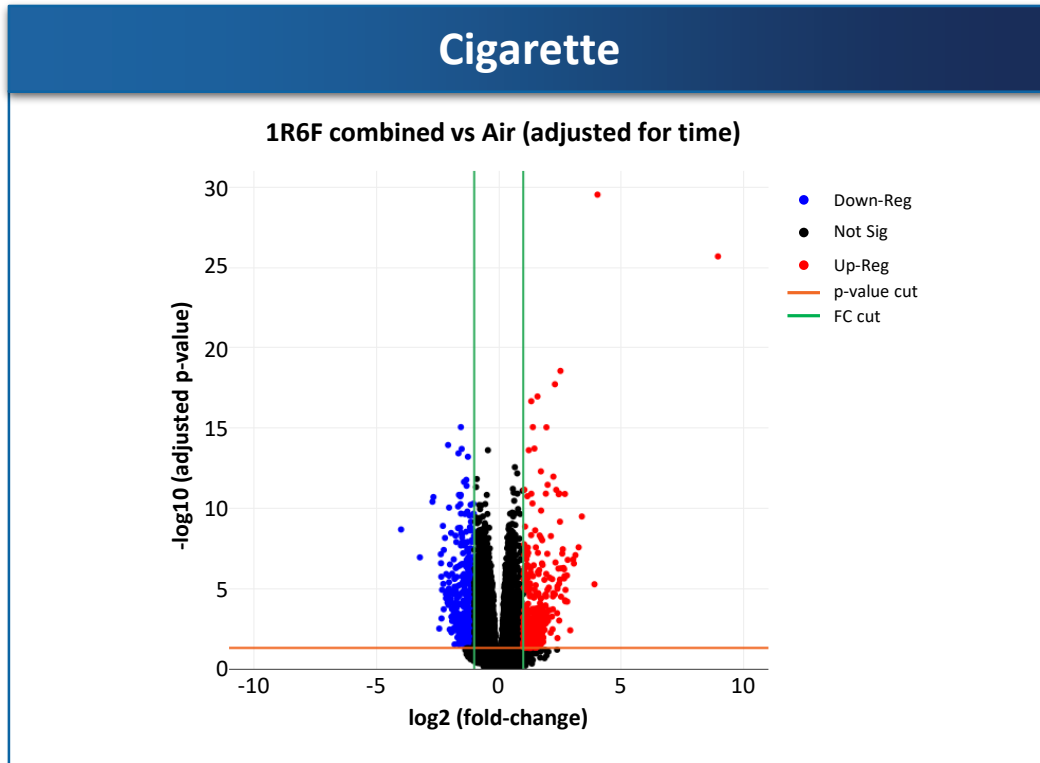
> Impact and Satisfaction also increasing

*The amount of vapour that epen3 produces is just **perfect**, the amount of "**throat hit**" is at the **absolutely perfect "sweet spot"***

I am really impressed**, the vaping is much **more intense

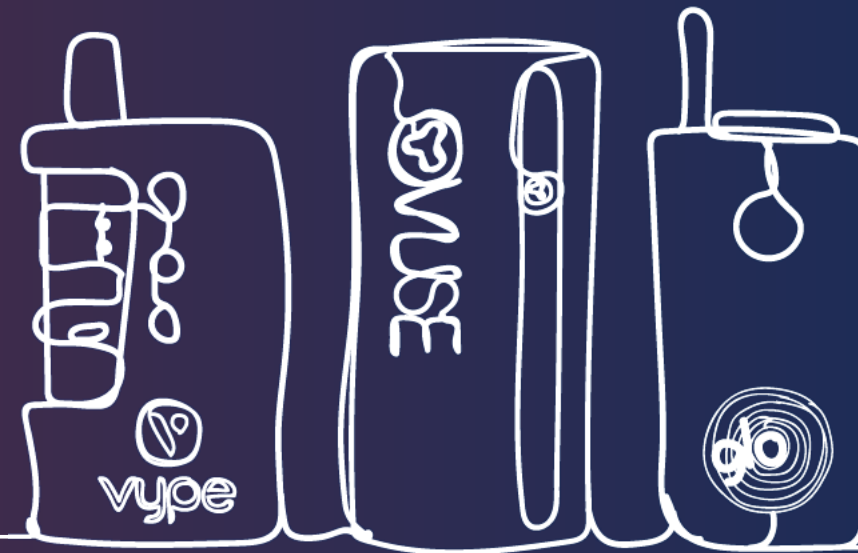
Sources: VIP sales, week 4 in situ Kantar panel

ePen3: High quality vapour



*Cigarette v Vapour [Haswell, L.E. et al (2017) Sci Reports, 7(1), 888].
These results do not necessarily mean this product produces less adverse health effects than other tobacco products.*

Vapour – iSwitch



A new beginning – for smokers to change for good



Powered by

puretech



Performance

- Strong sensorials
- High aerosol mass and particle size

Satisfaction

- Higher nicotine/puff
- Nicotine salts

Purity

- No dry puffs
- Very low toxicity

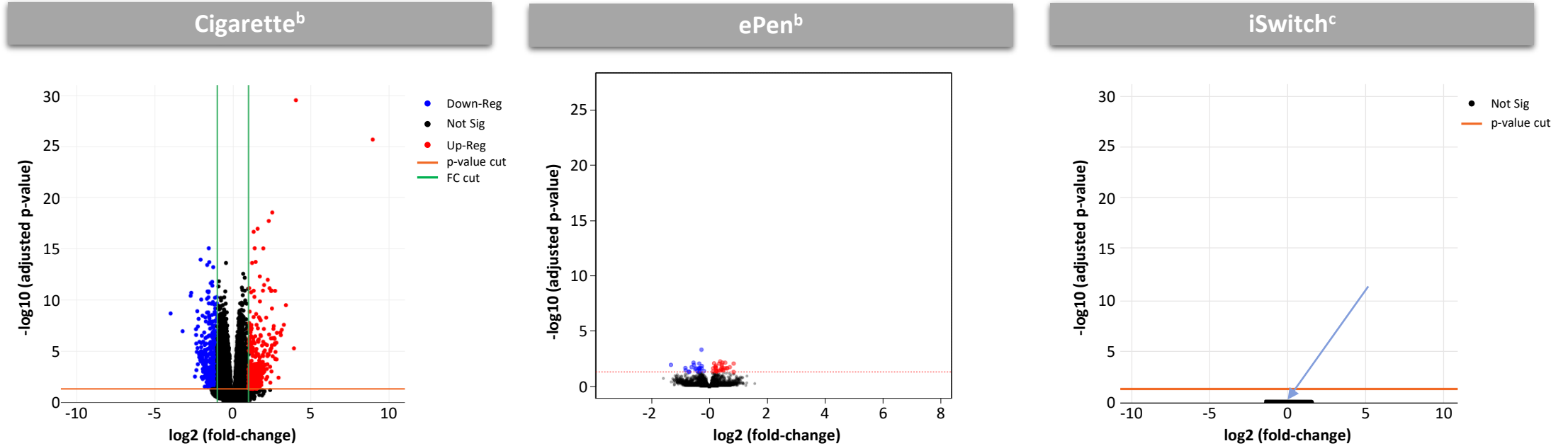
Unique technology

- New to world exclusive tech
- IP protected

These results do not necessarily mean this product produces less adverse health effects than other tobacco products.

Type iSwitch Science – our cleanest ever aerosol

Cleanest vapour seen so far



Substantial reduction in gene expression responses for vapour products: Cig >>> coil and wick (ePen) > Puretech (iSwitch)^a

a. For comparative purposes only as ePen responses were versus 3R4F and iSwitch responses were versus 1R6F.

b. Cigarette v Vapour [Haswell, L.E. et al (2017) Sci Reports, 7(1),

c. Cigarette v iSwitch (unpublished data)

These results do not necessarily mean this product produces less adverse health effects than other tobacco products.

USA FDA Filings



Eclipse v2 SE under scientific review



Camel Snus MRTPA under scientific review
- TPSAC Meeting likely in Q3/4



glo SE filed and under scientific review



MRTPA on glo still scheduled for July 2020

A strong strategy and a multi-platform portfolio of combustible and potentially reduced risk products underpinned by leading science

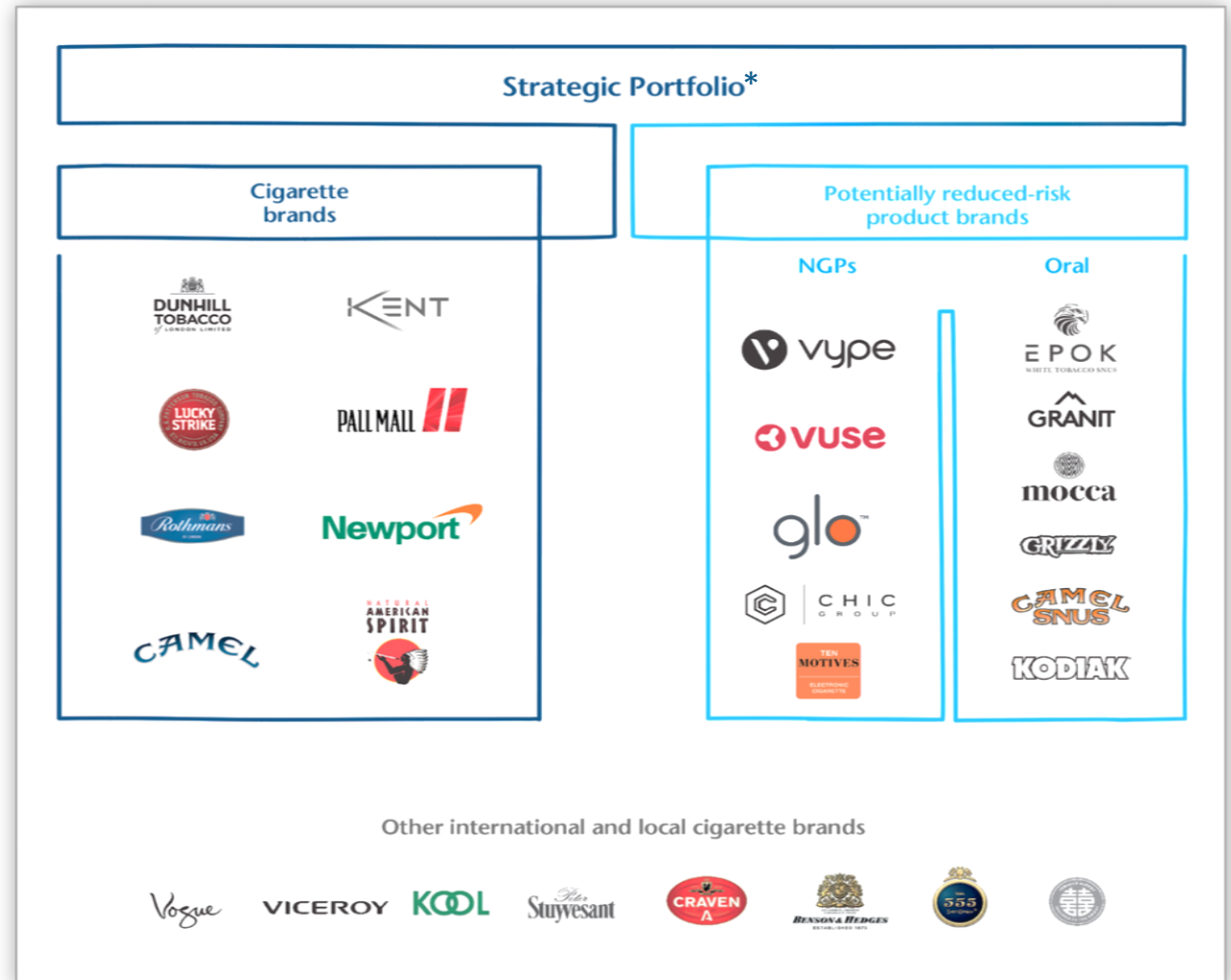
BAT has a leading portfolio of products to win in every consumer category and segment

Behind every product platform is a strong pipeline of innovation and scientific substantiation

BAT has built outstanding science, technology and innovation firepower over the last 5 years

A winning strategy

- We are outperforming in combustibles
- The US remains a great growth opportunity
- We have the right strategy and products to win in NGPs



*The BAT Group does not own all brands referred to in this presentation in all markets e.g. BAT is the owner of the Camel and Natural American Spirit brands in the United States only

Paris DB Consumer Conference

12th June 2018

Appendix

A1: Adjusting (Adj.)

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles (“GAAP”) under which the Group reports. 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. Adjusting items, as identified in accordance with the Group’s accounting policies, represent certain items of income and expense which the Group considers distinctive based on their size, nature or incidence.

A2: Innovation

We make significant investments in research and development to deliver innovations that satisfy or anticipate consumer preferences and generate growth for the business across all categories. The main focus of this investment is in our NGPs, such as vapour and THPs. We also conduct R&D into our conventional cigarette innovations such as capsule products, additive-free products, slimmer products, tube filters and Reloc, our resealable pack technology.