

Analyst Briefing

16th October 2018

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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 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 adviser. Readers are cautioned not to place undue reliance on such forward-looking statements.

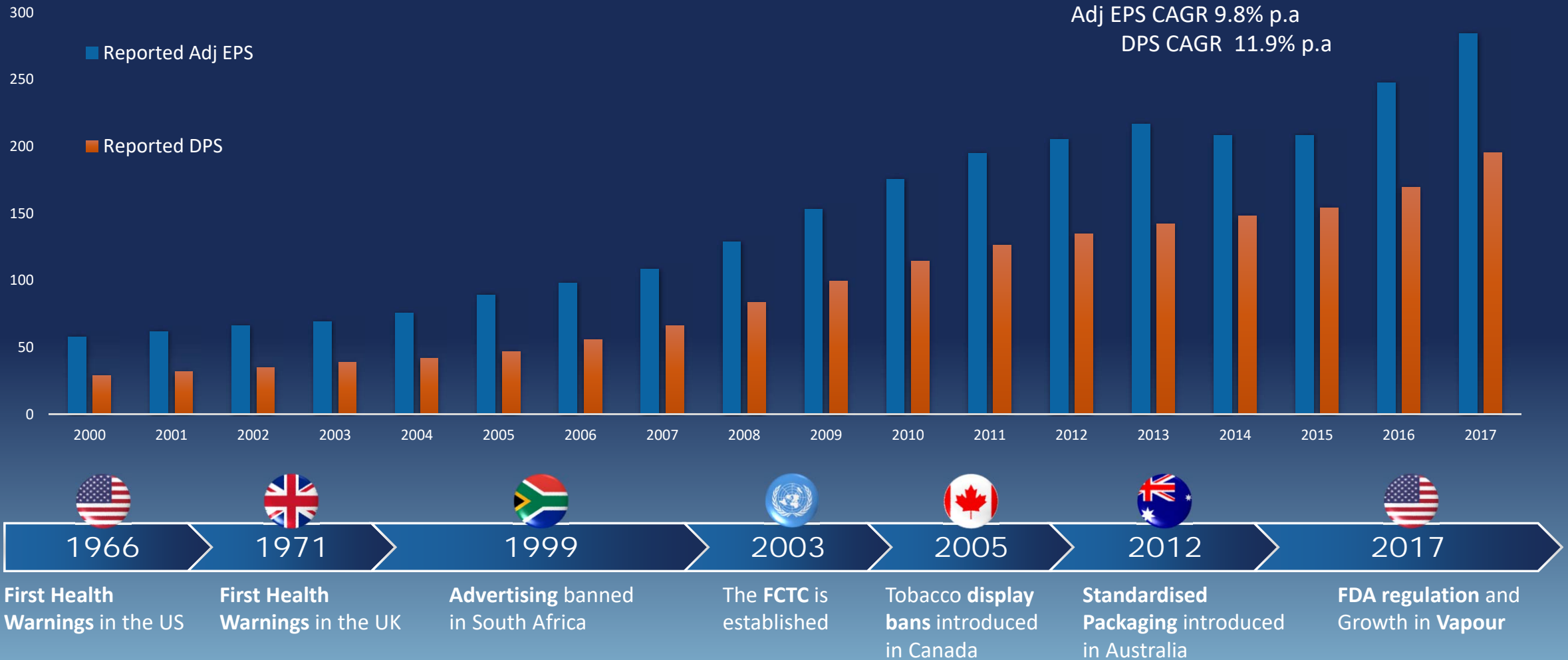
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No statement in this presentation is intended to be a profit forecast and no statement in this presentation should be interpreted to mean that earnings per share of BAT for the current or future financial years would necessarily match or exceed the historical published earnings per share of BAT.

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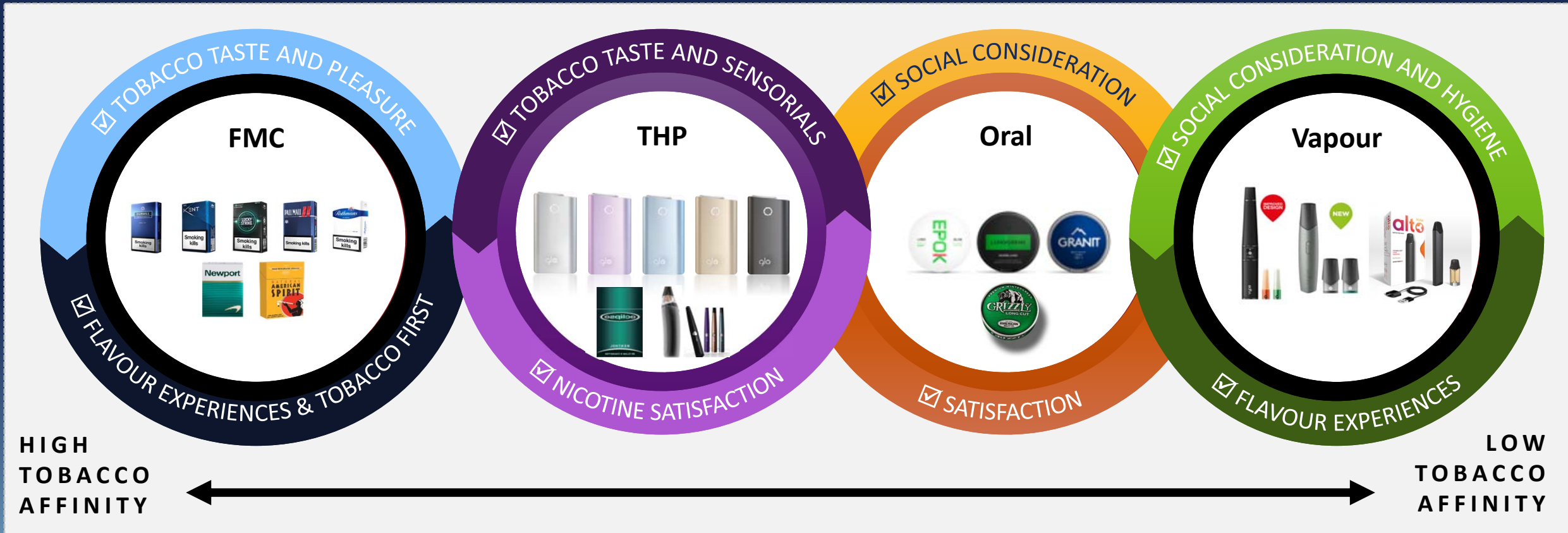
We have delivered consistent eps growth



A proven strategy



A winning strategy



Nicotine consumer pool continues to grow



8mn
NGP consumers
ADDED
IN 2017



A proven strategy



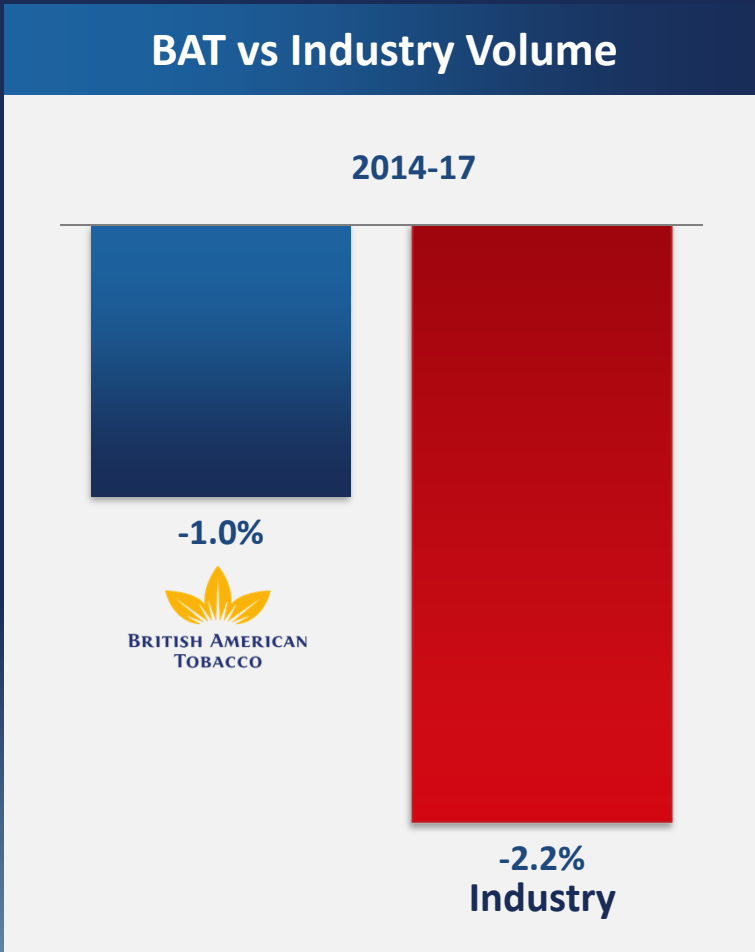
WIN IN COMBUSTIBLES

WIN IN NON-COMBUSTIBLES

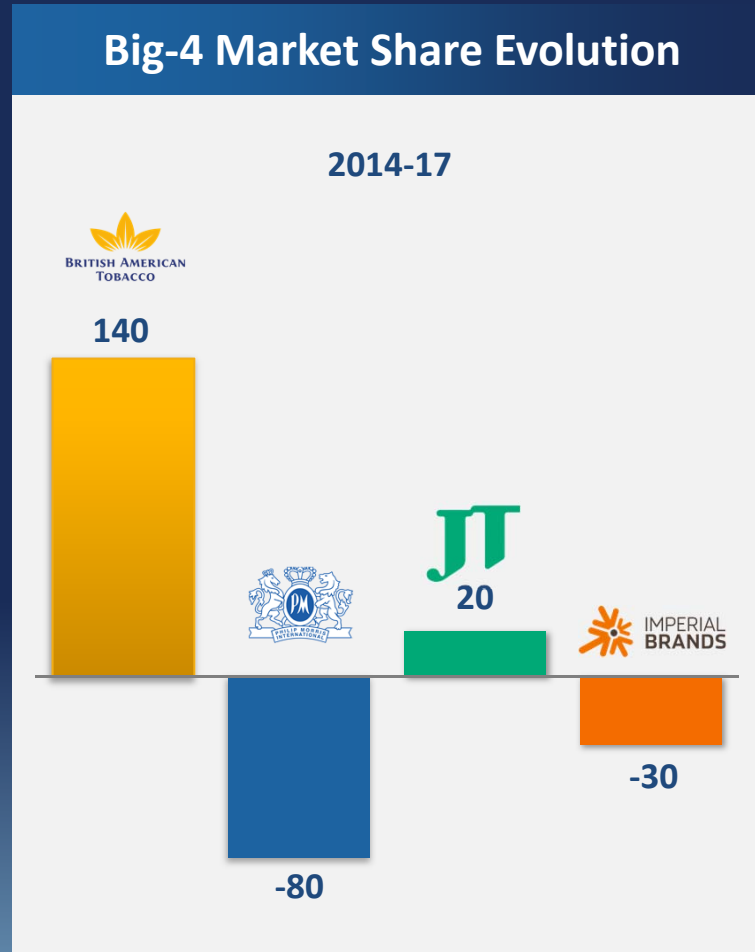
WIN IN HIGH GROWTH MARKETS

PROACTIVE REGULATORY ENGAGEMENT

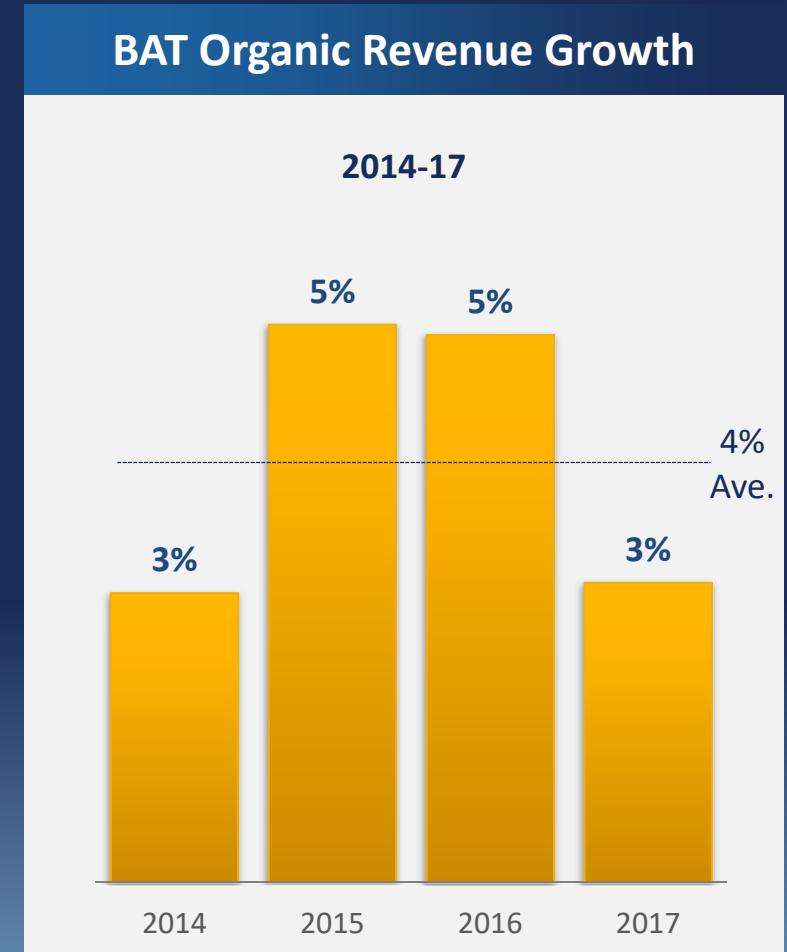
BAT continues to outperform the Industry: 2014-2017



Source: BAT Internal Estimates (Organic)



Nielsen RMS data T40 markets exclude USA, China and India




Company data on an organic basis

Winning in Non-Combustibles

Built a £2bn Potentially Reduced Risk Products business in 3 years




Our revenue is now bigger than some...



£2 Billion Revenue

Qualifies for FTSE 250 companies

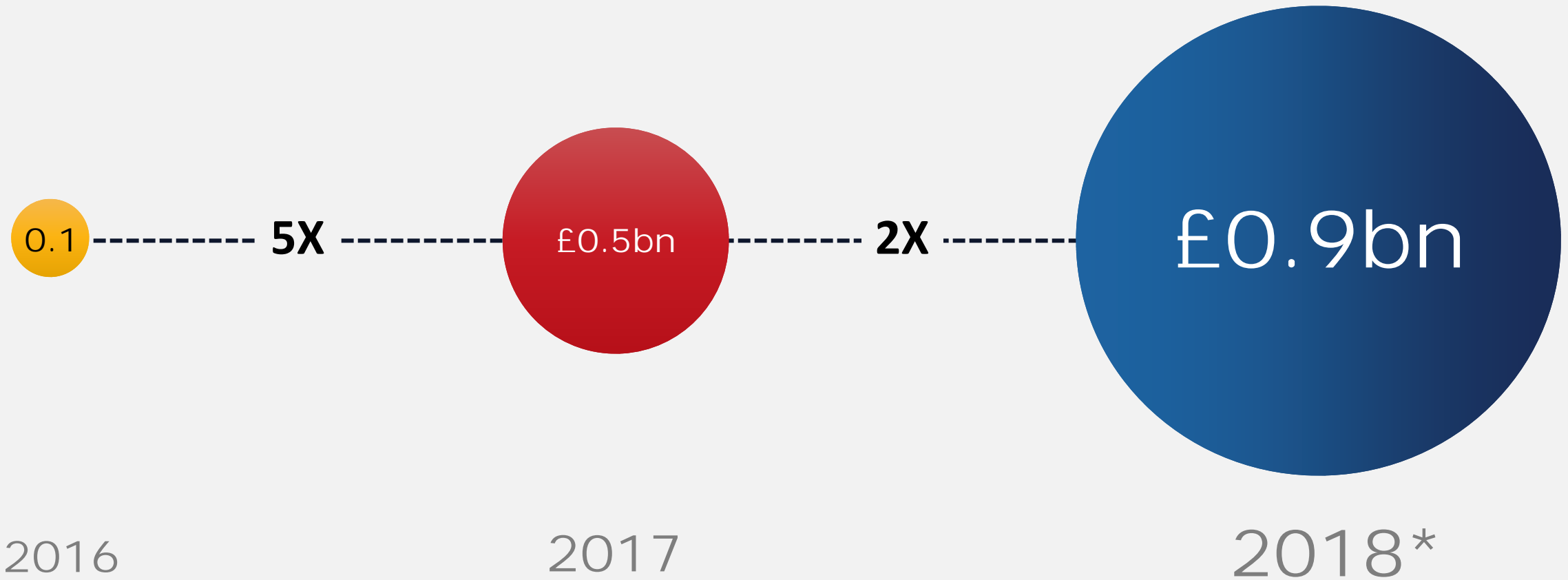


Logos of McLaren, Aston Martin, Twitter, Fitbit, Patek Philippe, and Dyson.

Source: Company data

Winning in Non-Combustibles

Built a ~£1bn Next Generation Products business in 3 years



A growing sustainable business



COMBUSTIBLE FUNDAMENTALS STRONG; BAT CONTINUES TO OUTPERFORM



FDA REGULATION MANAGEABLE



PRRPS A GREAT OPPORTUNITY



MARGIN GROWTH AND DE-LEVERAGING; AND INVESTING IN PRRPS



SUSTAINABLE HIGH SINGLE FIGURE CONSTANT EPS GROWTH

Market concerns

- **“Combustible volumes and pricing are under pressure, can the business sustain LT profit growth?”**
- **“US cigarette market volumes are under increased pressure, share is not growing, will results in the US match those of the past?”**
- **“How can FDA regulation not be a negative for the industry and BAT?”**
- **“Barriers to entry in vapour are low, how can the tobacco incumbents win?”**
- **“The THP category and glo has stalled in Japan and shown limited results elsewhere, how can you succeed in THP?”**
- **“Is 50-100bps of margin growth a realistic deliverable, given future NGP investment requirements?”**
- **“How can you reach the net debt/EBITDA target of around 3 times by the end of 2019?”**

Market concerns - Agenda today

- “Combustible volumes and pricing are under pressure, can the business sustain LT profit growth?”
- “US cigarette market volumes are under increased pressure, share is not growing, will results in the US match those of the past?”
- “How can FDA regulation not be a negative for the industry and BAT?”
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- “How can you reach the net debt/EBITDA target of around 3 times by the end of 2019?”

Kingsley Wheaton

Ricardo Oberlander

Jim Figlar

*Ricardo Oberlander
Tadeu Marroco*

Paul Lageweg

Ben Stevens

Ben Stevens

Combustibles

Kingsley Wheaton



Addressing concerns - What we will show you

➤ **“Combustible volumes and pricing are under pressure, can the business sustain LT profit growth?”**

- **Industry volume and pricing is robust**
- **BAT continues to outperform the industry**
- **Combustible business model remains sustainable**

"Our Combustibles Story"

Powerful & Sustainable BAT Global Brands (GDSBs)



KENT



PALL MALL



CAMEL



VUSE

Newport



glo

GRIZZLY

6 Key Areas to Discuss



1

**Industry & BAT
Volume Trends**

2

**Pricing
Environment**

3

**A Proud History
Of Innovation**

4

**Quality of Our
Share Growth**

5

**Regional
Performance**

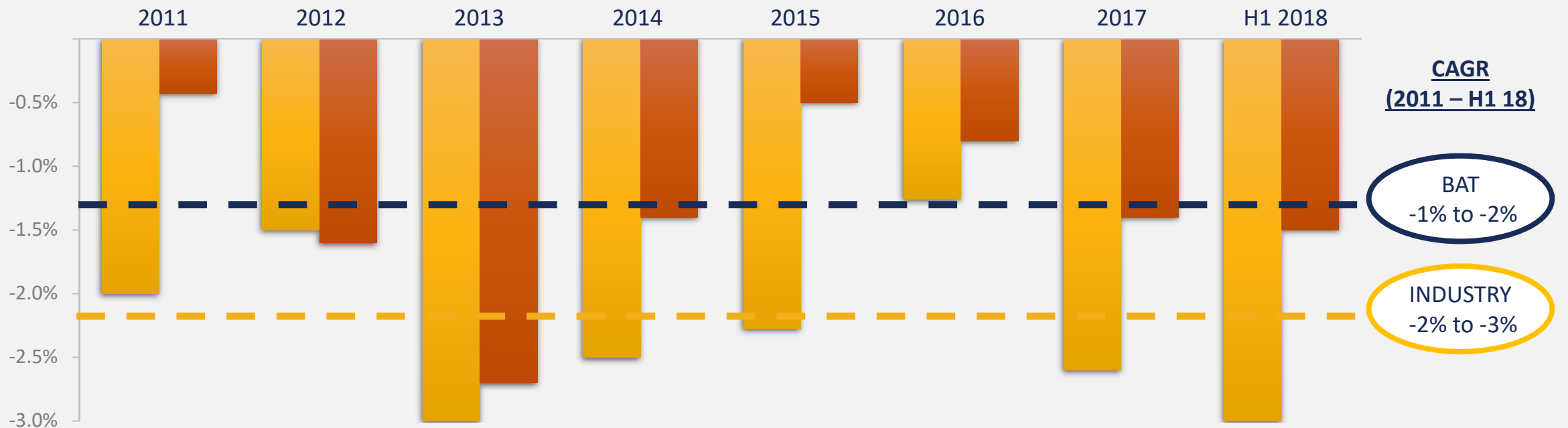
6

**Powerful, Winning
Brands**

BAT Volume Outperforms the Industry



Industry & BAT Volume (FMC+THP)



UNDERLYING VOLUME DECLINE : (a) INDUSTRY -2% to -3% (b) BAT -1% to -2%

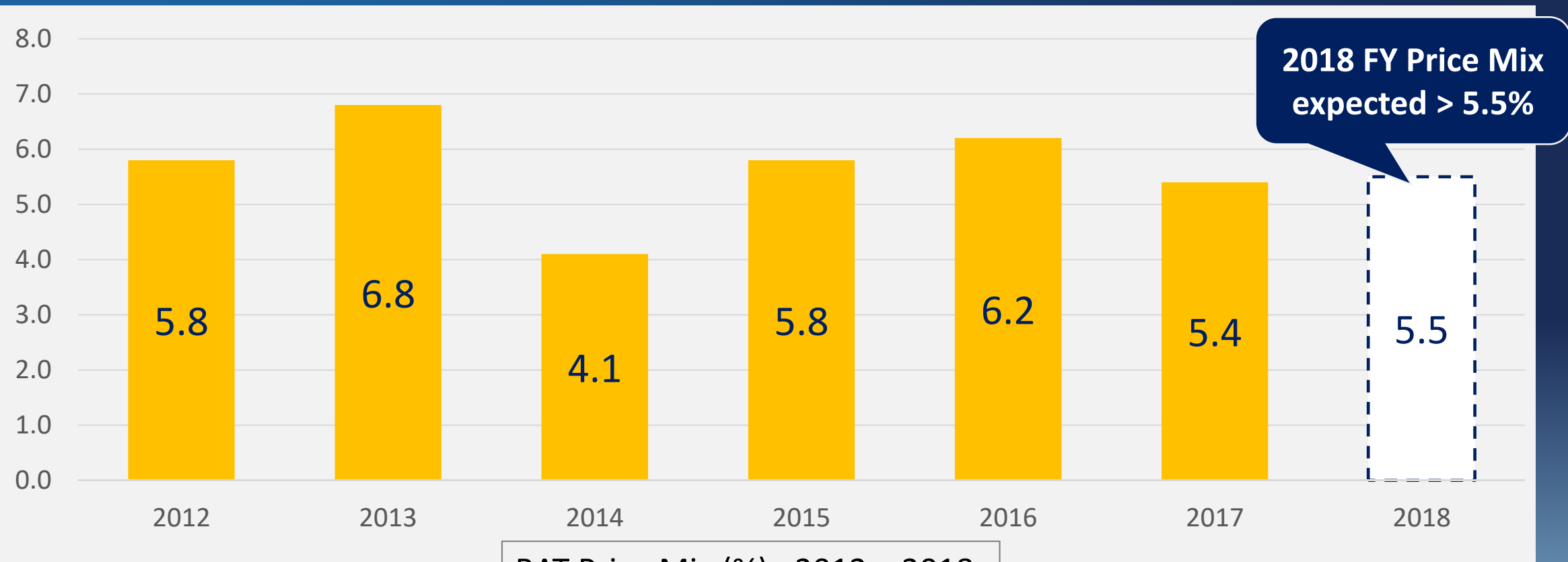
Source : BAT Estimates (Industry & BAT Volume Excludes USA from 2011 – 2017)

Note: BAT Volumes in 2017 & 2018 adjusted for 'one-off' events : SK & UKR (Excise / Price War in 2017) and KSA & TWN (Excise in 2018)

...Whilst Consistently Delivering Mid-Plus Single Figure Price Mix



Average Price Mix 2012 to 2018 : 5.6%

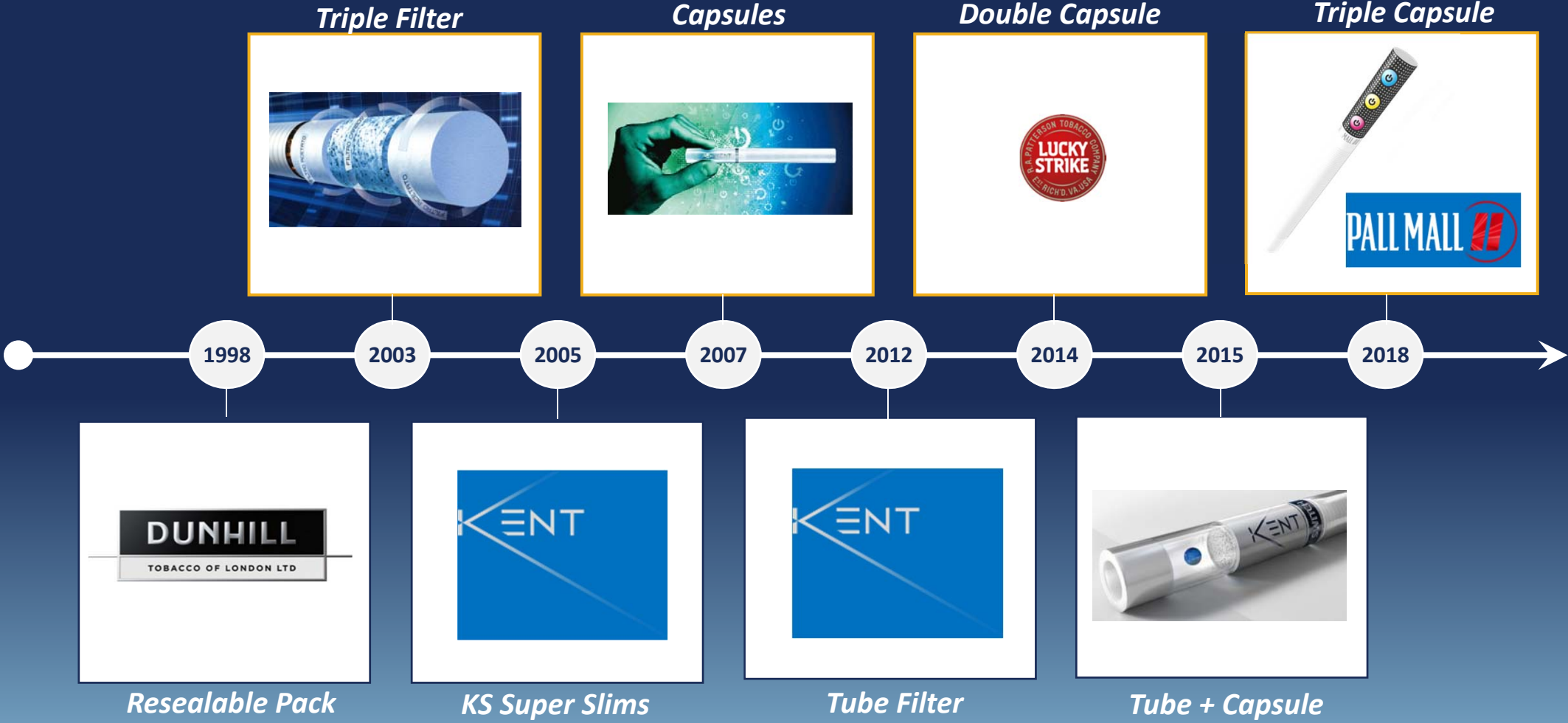


2018 FY Price Mix expected > 5.5%

BAT Price Mix (%) : 2012 – 2018

2011 - 2017 Organic - Excluding RAI

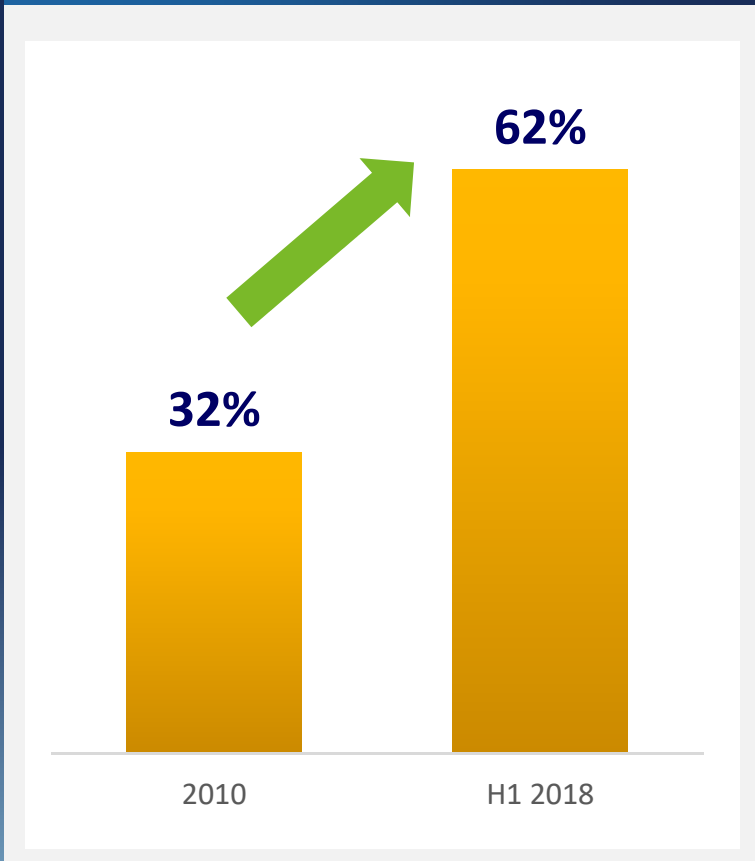
Powered by our long-standing Innovation DNA



Driving the BAT Portfolio Transformation Story

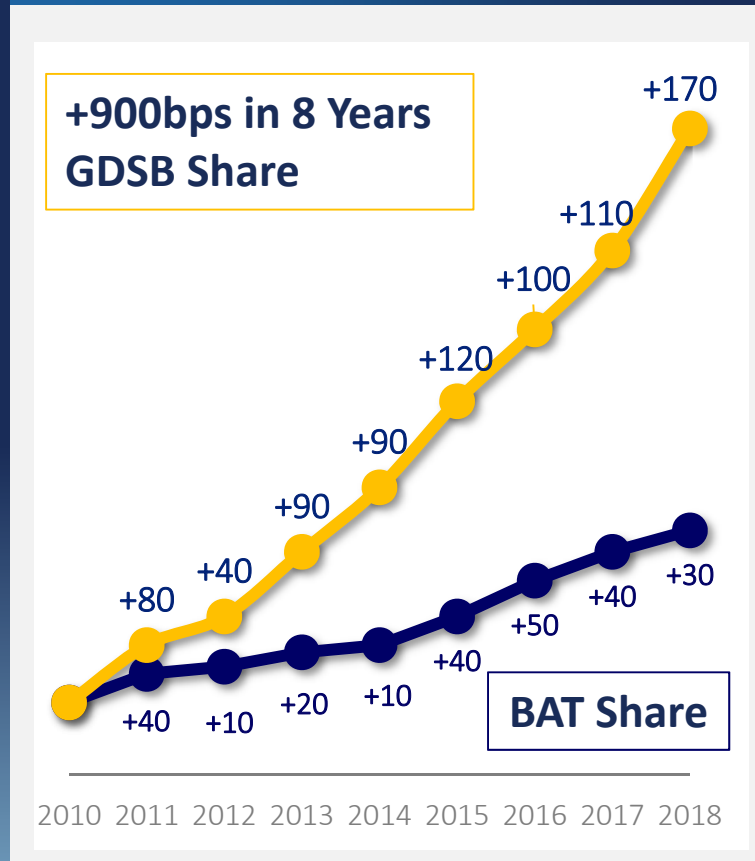


GDSBs now 62% of BAT Volume



Source: Company data

GDSBs drive BAT Performance



Nielsen RMS data

.....Powered by Innovation

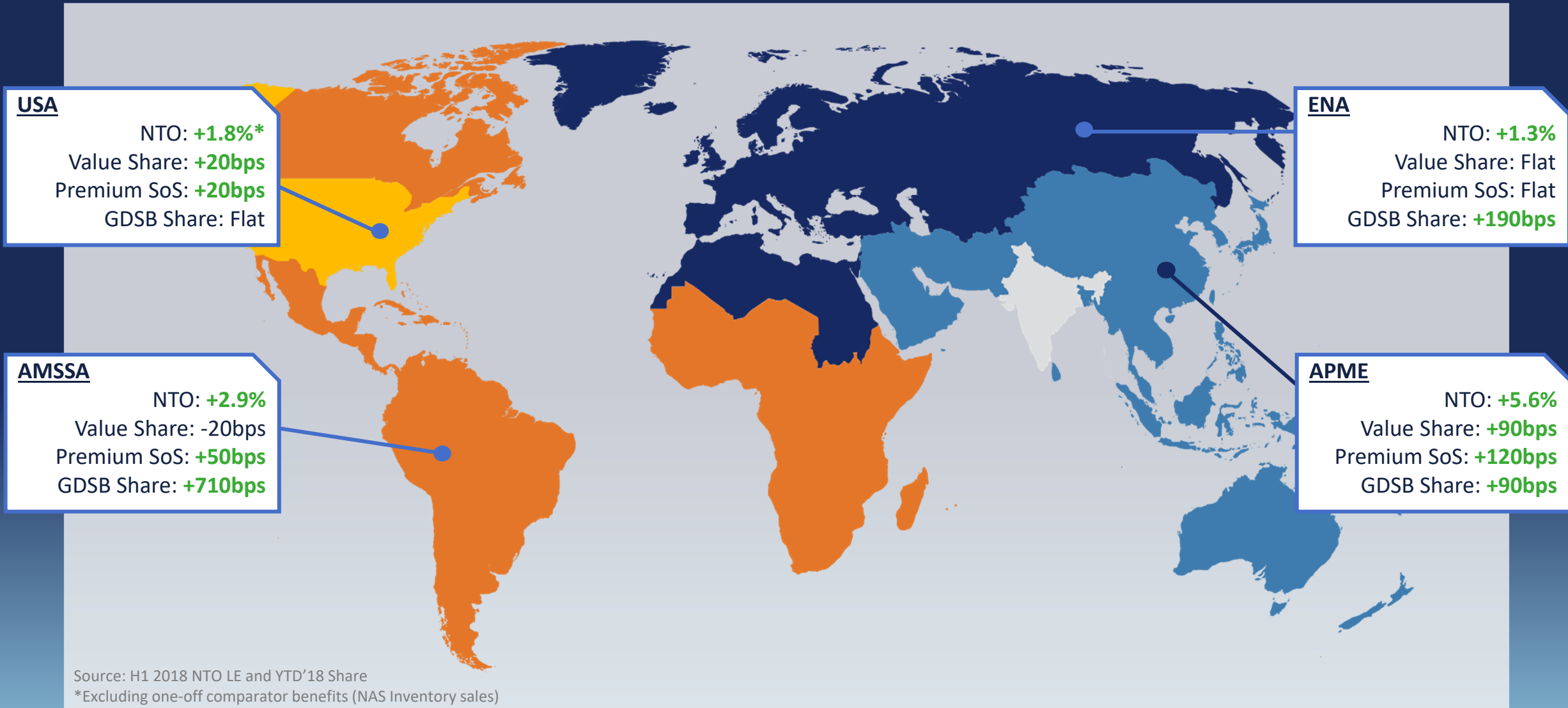
55% Innovation as % of GDSB volume



'Quality Share' Growth Track Record



Delivering Across Regions



And Well Balanced Across OECD/ Non-OECD



<i>% Contribution to BAT</i>	OECD	Non-OECD
<i>Volume</i>	 34%	 66%
<i>Weighted Average Price (pack of 20s)</i>	£3.76	£1.28
<i>UOP</i>	 66%	 34%

'Source: Company Data 2017 at current rates inclusive of full year US volumes and financials.'

*Weighted Average Price: Cigarettes & THP consumables.

Today, £50Bn Portfolio... Growing @ Double Digit CAGRs

DUNHILL
TOBACCO OF LONDON LTD

£5.8bn
CPTO

BURBERRY
LONDON

KENT

£7.3bn
CPTO

Gillette

LUCKY STRIKE
P.A. PATTERSON TOBACCO COMPANY
EST. RICHMOND, VA. USA

£6.7bn
CPTO

Red Bull

PALL MALL

£12.7bn
CPTO

Lay's

Rothmans
OF LONDON

£7.8bn
CPTO

SPECIAL K

Newport

£5.3bn
CPTO

Cadbury

CAMEL

£2.8bn
CPTO

Reebok

NATURAL AMERICAN SPIRIT

£1.1bn
CPTO

DIESEL

 NTO Growth (L3Y) 8.3%

GRIZZLY



KENT

PALL MALL



DUNHILL
TOBACCO OF LONDON LTD

Rothmans
OF LONDON

CAMEL

Newport

vuse

vype

NATURAL AMERICAN SPIRIT
glo

US Market Overview

Ricardo Oberlander

Addressing concerns - What we will show you

➤ **“US cigarette market volumes are under increased pressure, share is not growing, will results in the US match those of the past?”**

- **US industry volumes are improving and pricing is good**
- **BAT is growing value share**
- **The Vapour category is small relative to the tobacco market and is having a minimal impact on cigarette volumes**
- **Oral tobacco remains an exciting, profitable opportunity**

USA market size



Portfolio positioned to capture multi-category repertoire

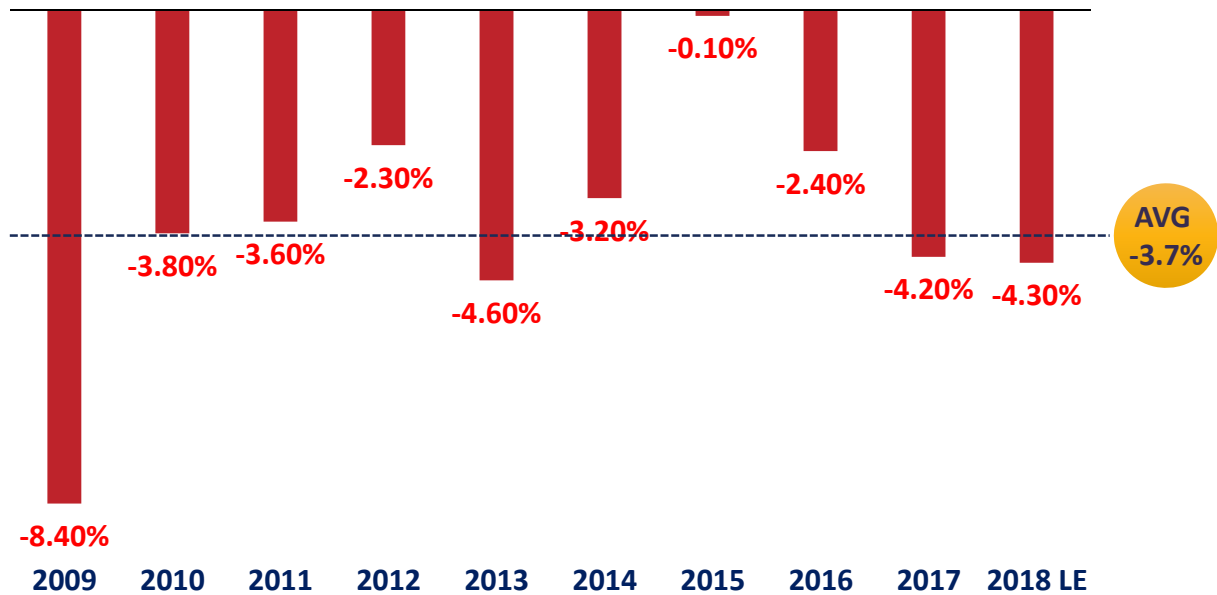


The logo for VUSE consists of a white circle containing a stylized 'V' shape, followed by the word "VUSE" in a bold, sans-serif font.	Regain Vapor Leadership
The logo for NATURAL AMERICAN SPIRIT features the words "NATURAL AMERICAN SPIRIT" in a bold, sans-serif font, with a silhouette of a Native American figure holding a bow and arrow to the right.	Take NAS to the Next Level
The logo for Newport features the word "Newport" in a bold, sans-serif font, with a stylized orange and red swoosh above the 't'.	Reinforce Menthol Leadership
The logo for CAMEL features the word "CAMEL" in a bold, sans-serif font, with a stylized white outline around the letters.	Accelerate ASU35 Momentum
The logo for PALL MALL features the words "PALL MALL" in a bold, serif font.	Maintain Value Leadership
The logo for GRIZZLY features the word "GRIZZLY" in a bold, stylized font with a white outline and a shadow effect.	Accelerate Growth for Leadership

FMC shipments improving to full-year outlook of -4.3% vs. H1 of -5.3%



U.S. Historical Volume Change



External Factors impacting 2018 volume change:

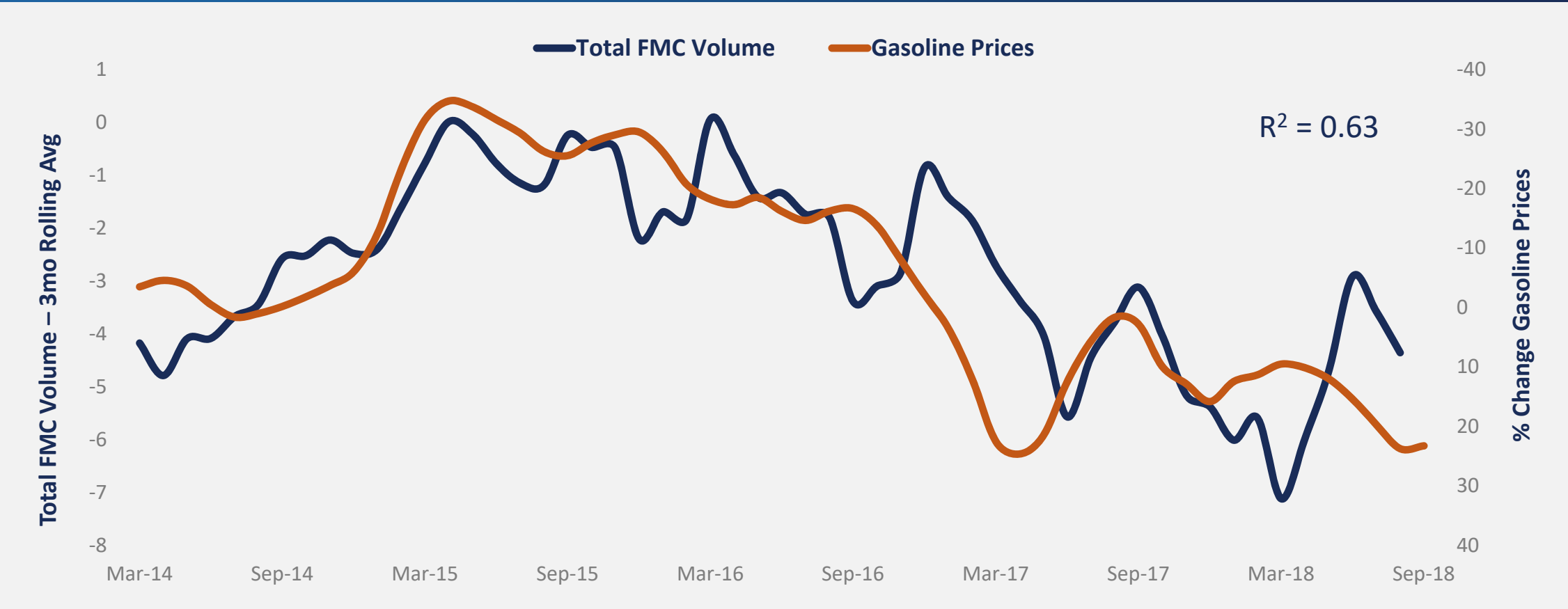
- California SET -0.2%
- 27% rise in gasoline cost since 2016
- Vaping -0.7%

Source: Industry Shipments to Wholesale

Change in Gasoline prices highly correlated to industry volume

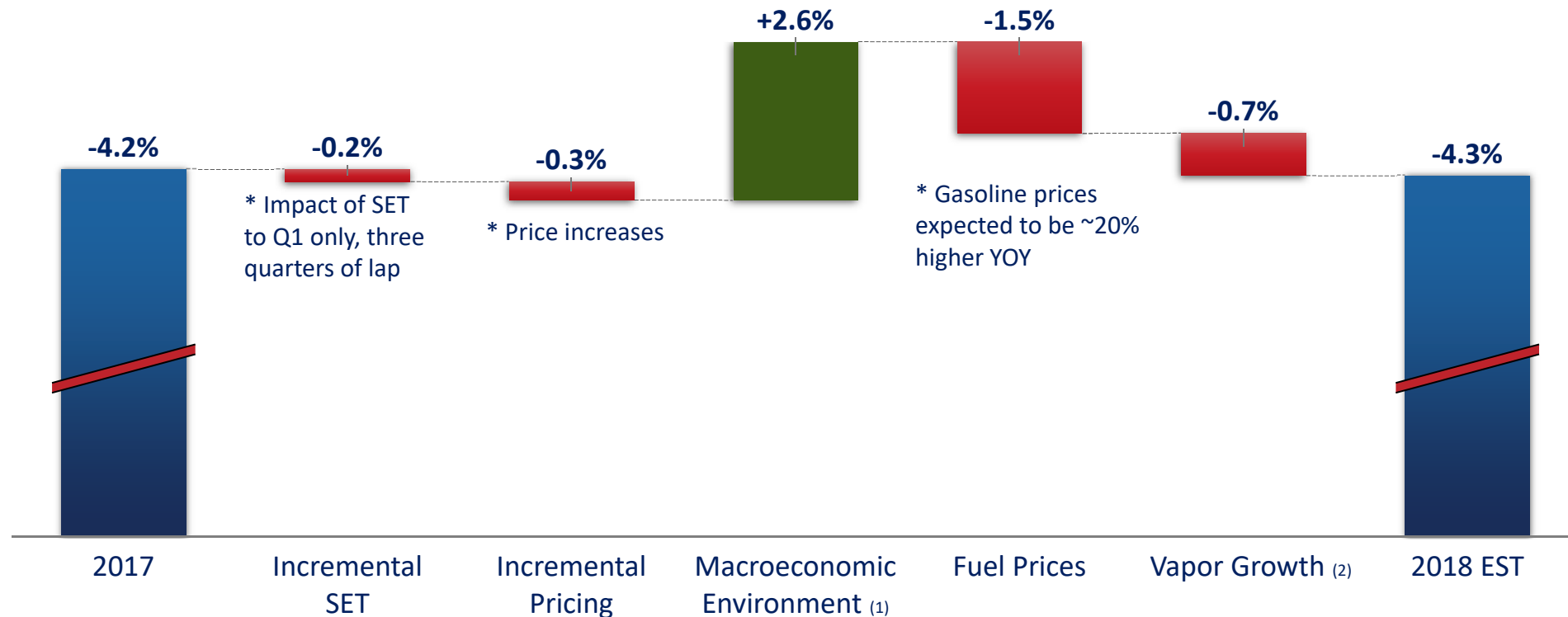


Cigarette Industry Volume Change vs. Gasoline Prices



Source: U.S. Midgrade Conventional Retail Gasoline Prices, Energy Information Administration, company data

Cig industry STR volume drivers – outlook for 2018



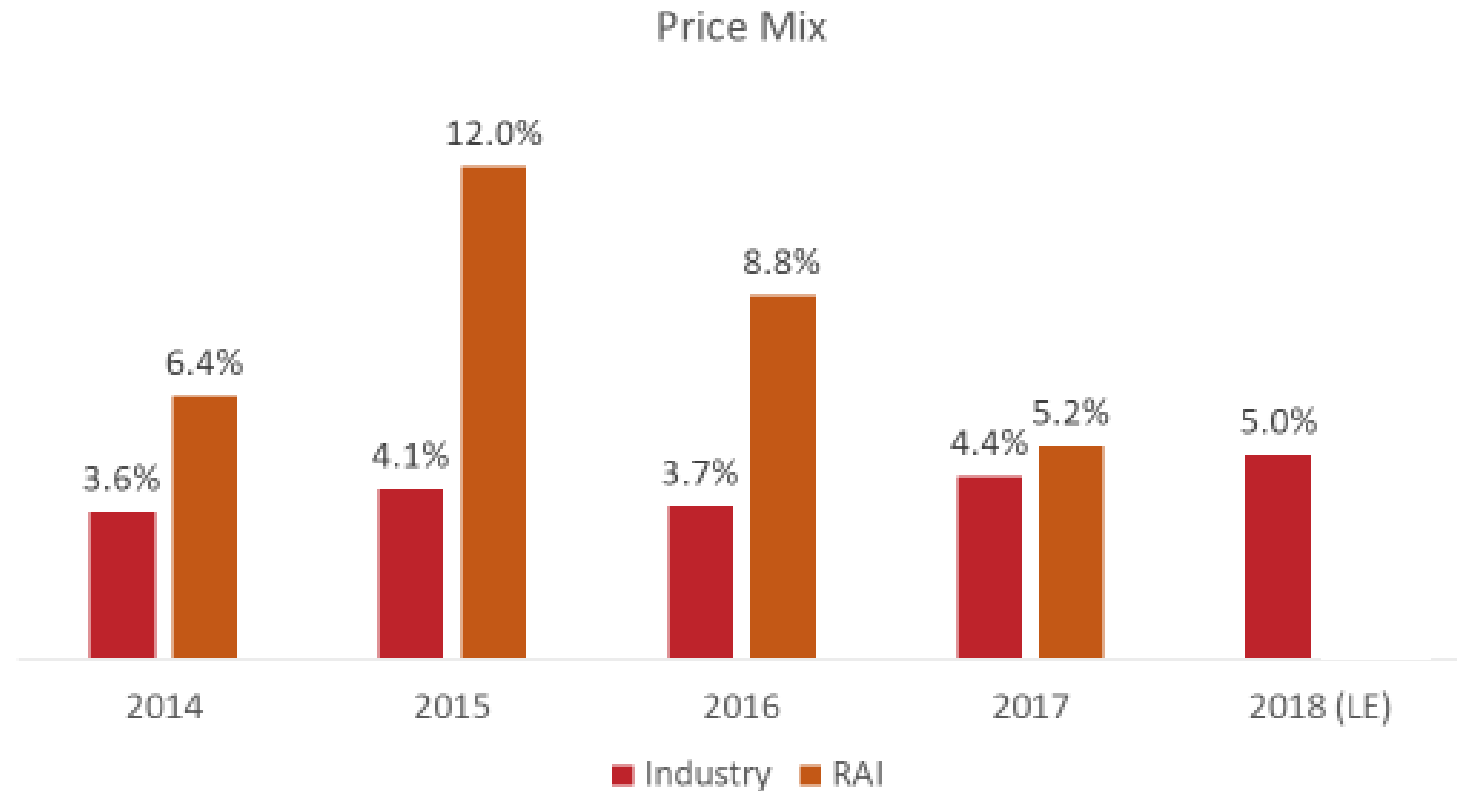
1) Macroeconomic factor model components include unemployment measures, Used Goods Demand, CPI, HH Disposable Income, Real Wage Growth, CPG Factory Output and other factors

2) Vapor impact is an estimation combining measured/unmeasured channel volumes and Consumer Tracker data for cross-category trends

Robust Price Mix in Combustibles

Combustible Price Increases

- April \$4.50/mil
- Sept. \$5.00/mil



12

U.S. combustible brand gross margins are very strong

Combustible Margin/Mille – Index to Low End



695



508

Premium
Share
Leader

440



414



228

Low End
Brands

100

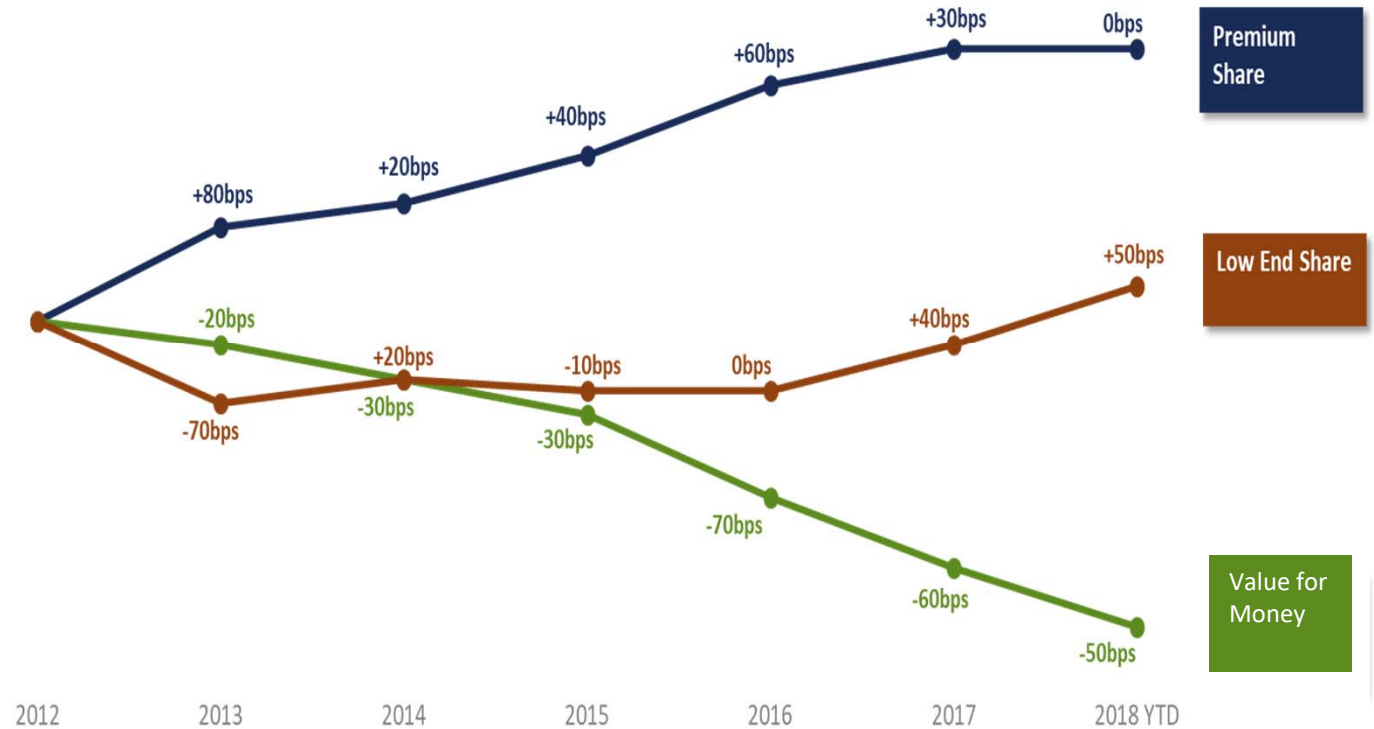
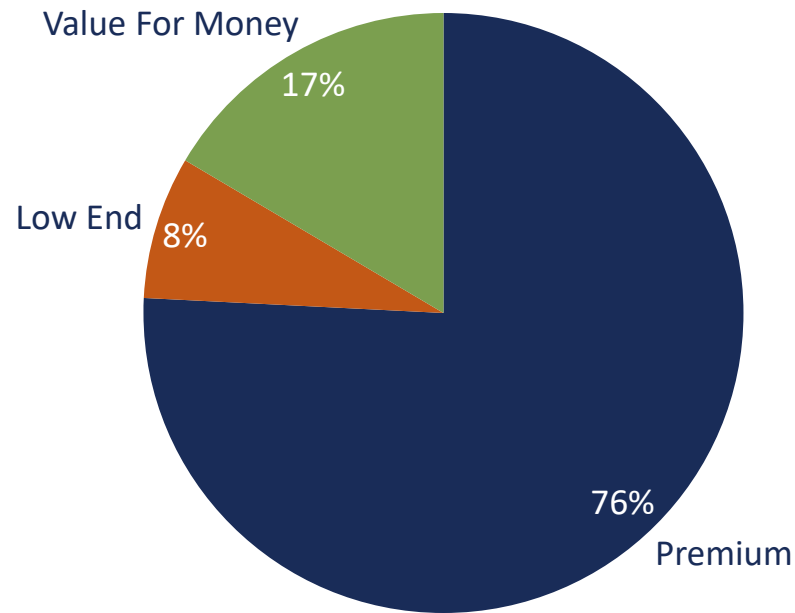
\$5/mille on 2018 industry volume is worth \$1.2B or GBP 900 M

0.10 Share for 2018 with average GM \$94/mille is worth \$22M or GBP 17M

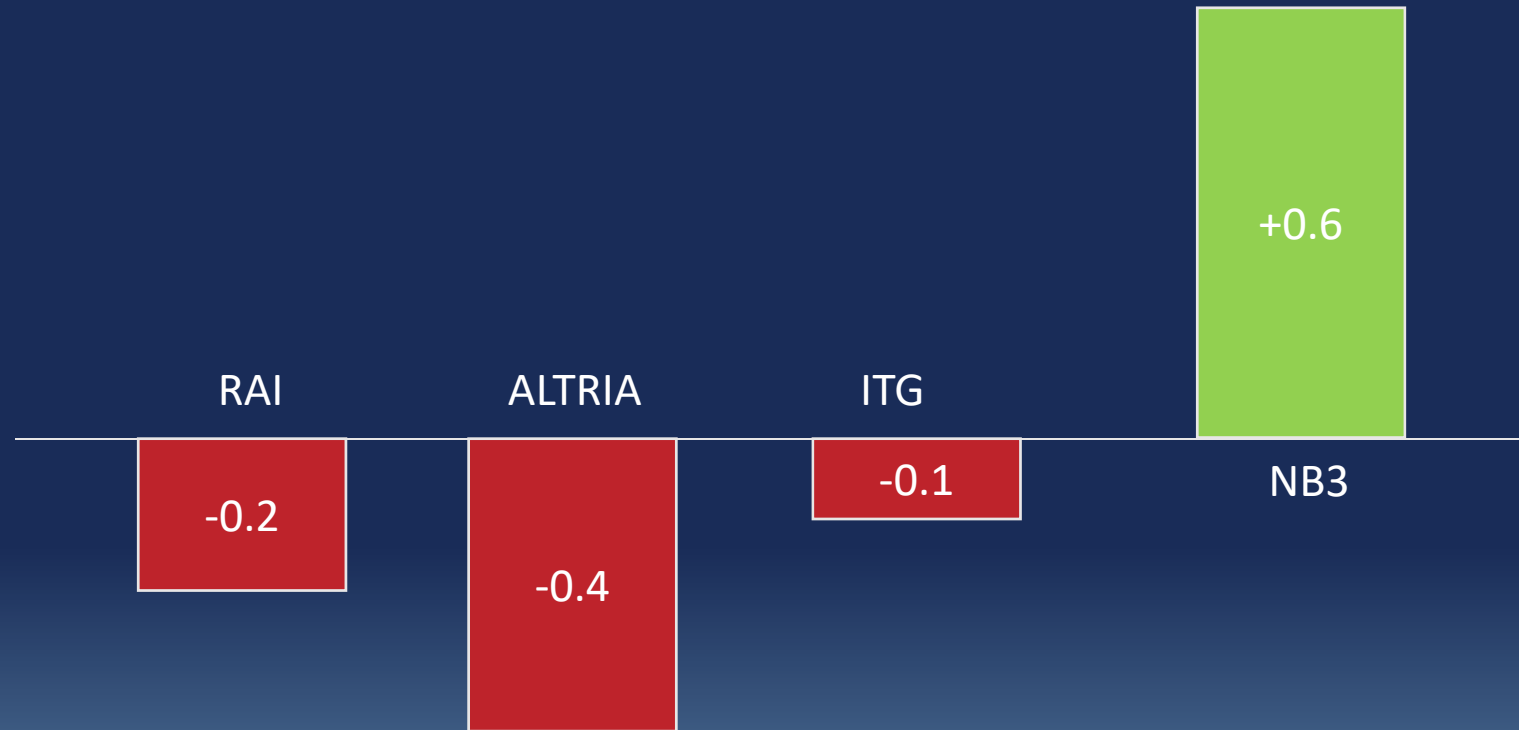
Premium segment resilient, low price segment gaining from downtrading linked to gas prices



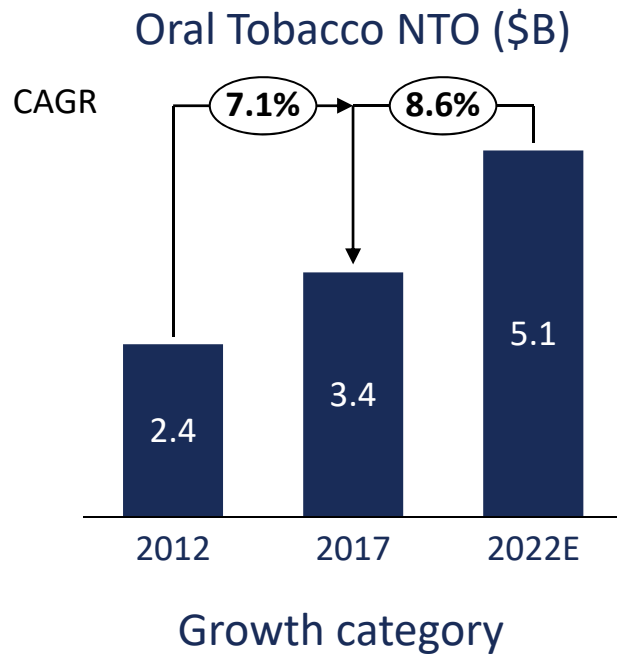
Cigarette Price Tiers: Share of Market YOY Change







Share evolution YTD 2018 vs FY 2017



ORAL Tobacco: Size & Growth



Oral Tobacco Consumers Index to Adult Smokers

	Age	85
	% Male	161
	Income	150
	College	135

- Affluent
- More Educated
- Experiential
- Growing in urban centers



ORAL Tobacco: Performance of Grizzly

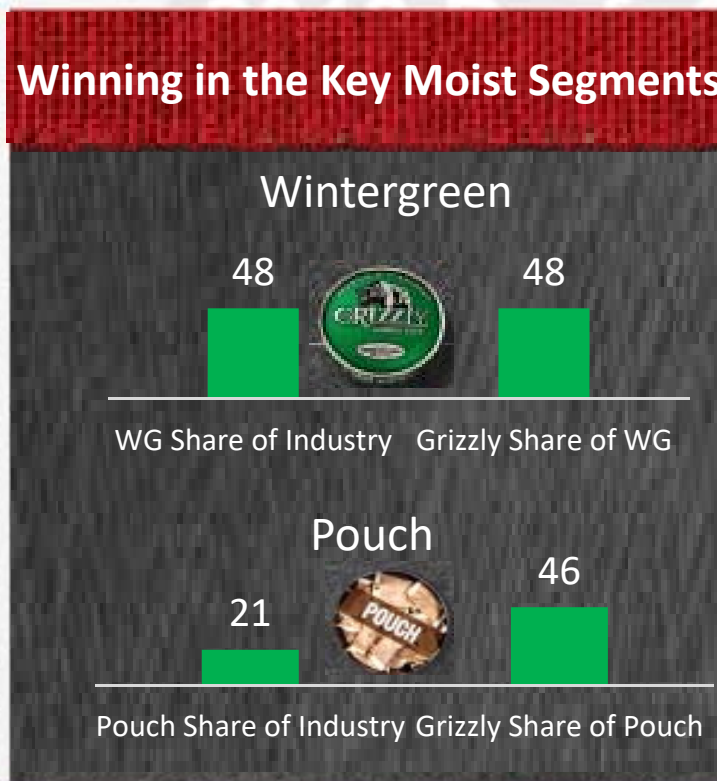


PERFORMANCE HIGHLIGHTS

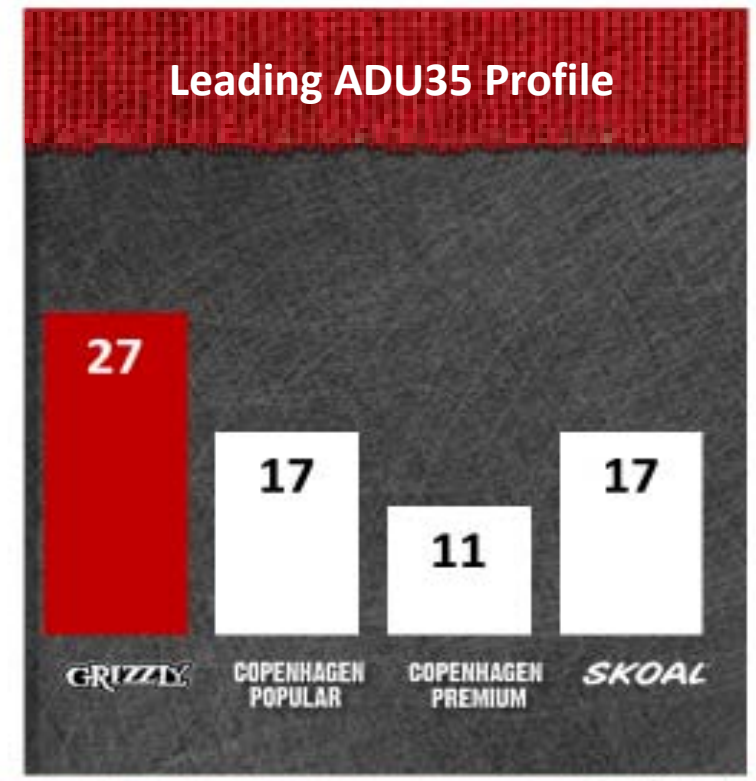
Strong Value Share Growth



Winning in the Key Moist Segments



Leading ADU35 Profile



14% YOY Brand Margin growth

ORAL Tobacco: Attractive Opportunity & Near-term Pipeline



Grizzly



- Continue driving value with consumer relevant programming
- Maintain leadership position in key segments: Wintergreen and Pouch

Camel SNUS



TOBACCO POUCHES

- Strengthen category leadership
- Launch first MRTP advertising in the category to add a relative risk benefit for adult smoker consideration (pending FDA decision)

Velo



NICOTINE POUCHES

- Implement extended product use research to validate product appeal
- Plan for potential 2019 geographic expansion aligned with market development

Managing FDA Impact

Dr. J. N. Figlar



Addressing concerns - What we will show you

➤ “How can FDA regulation not be a negative for the industry and BAT?”

- The process is evidence based, complex and will take a long time
- We support evidence-based regulation
- The vapour category needs tighter regulation
- The FDA proposals are manageable and BAT is well-placed

FDA Engagements



Positive Meetings

Cigarette / Smokeless Provisional Examples

Vapor Change / Marketplace Examples

CDER Lozenge / Vapor Examples

Transformation Agenda

Encouraged Rulemaking

Discussed Scientific Review process

Submission Types

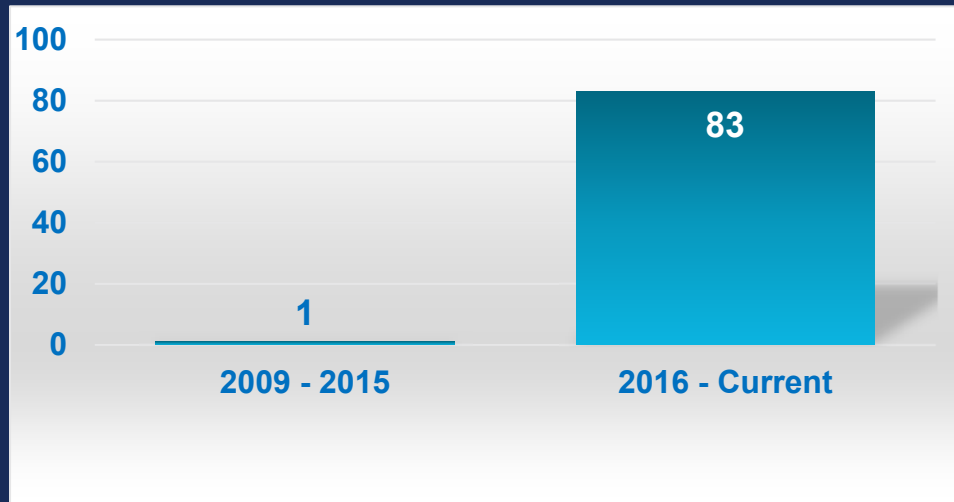
Exemption Requests (EX)	"Minor" modifications (tobacco additives only)	60 Days
Product Quantity Change SE (PQCSE)	Changes to product quantity	90 Days
Substantial Equivalence (SE)	Products either have the same characteristics as those marketed on/before February 15, 2007 or have different characteristics but do not raise different questions of public health	90 Days (Regular SE)
Pre-Market Tobacco Application (PMTA)	Products that do not meet criteria for either SE or SE Exemption and are appropriate for the protection of the public health	180 Days
Modified Risk Tobacco Product Application (MRTPA)	Authorization to market as reduced harm or reduced risk	360 Days

Note: Timing is based on non-binding FDA established performance metrics or requirements set forth by the Tobacco Control Act. FDA has not generally reviewed and made determinations within the timeframes outlined above.

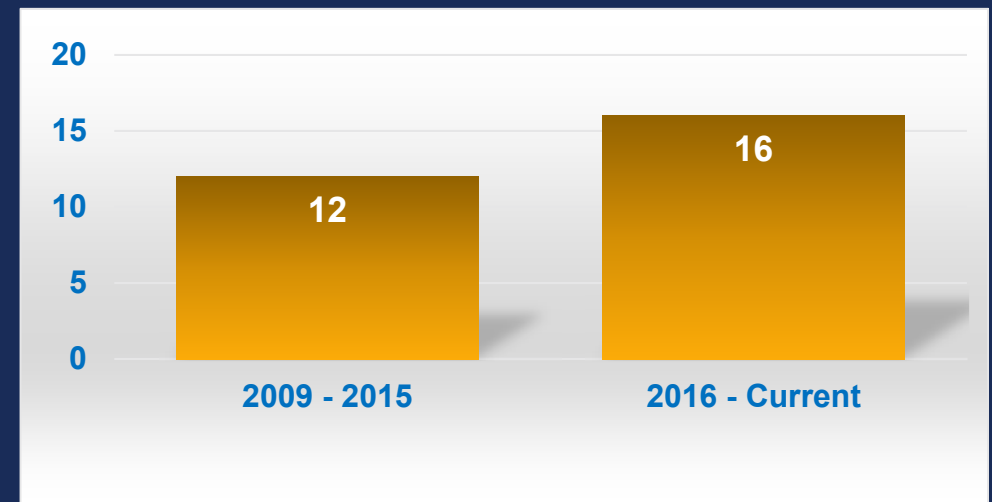
Our FDA approach is yielding results



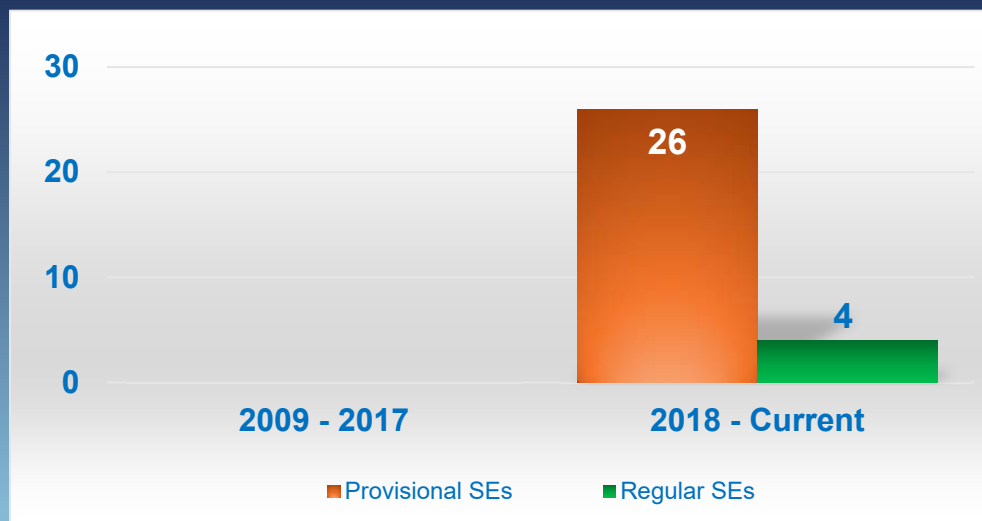
SE Exemptions



FDA Engagements



Substantial Equivalence Determined



Positive Camel Snus TPSAC Meeting

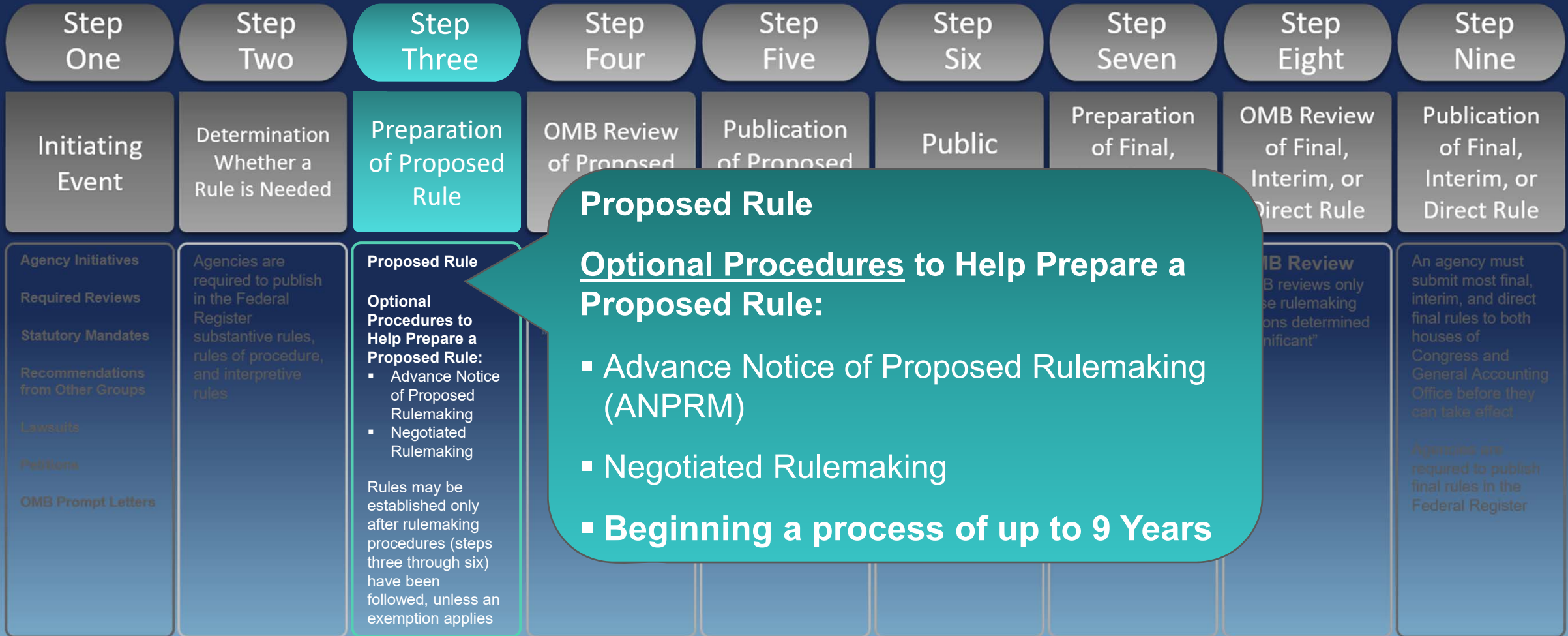
Future – Rulemaking Process

Future

Step One	Step Two	Step Three	Step Four	Step Five	Step Six	Step Seven	Step Eight	Step Nine
Initiating Event	Determination Whether a Rule is Needed	Preparation of Proposed Rule	OMB Review of Proposed Rule	Publication of Proposed Rule	Public Comments	Preparation of Final, Interim, or Direct Rule	OMB Review of Final, Interim, or Direct Rule	Publication of Final, Interim, or Direct Rule
<p>Agency Initiatives</p> <p>Required Reviews</p> <p>Statutory Mandates</p> <p>Recommendations from Other Groups</p> <p>Lawsuits</p> <p>Petitions</p> <p>OMB Prompt Letters</p>	<p>Agencies are required to publish in the Federal Register substantive rules, rules of procedure, and interpretive rules</p>	<p>Proposed Rule</p> <p>Optional Procedures to Help Prepare a Proposed Rule:</p> <ul style="list-style-type: none"> Advance Notice of Proposed Rulemaking Negotiated Rulemaking <p>Rules may be established only after rulemaking procedures (steps three through six) have been followed, unless an exemption applies</p>	<p>OMB Review</p> <p>OMB reviews only those rulemaking actions determined “significant”</p>	<p>Proposed rules must be published in the Federal Register</p>	<p>An agency must provide the public the opportunity to submit comments for consideration</p> <p>60 days is the standard for a comment period</p> <p>A public hearing is discretionary unless required by statute or agency policy</p>	<p>Final Rule</p> <p>Special Types of Final Rules:</p> <ul style="list-style-type: none"> Interim Final Rule Direct Final Rule 	<p>OMB Review</p> <p>OMB reviews only those rulemaking actions determined “significant”</p>	<p>An agency must submit most final, interim, and direct final rules to both houses of Congress and General Accounting Office before they can take effect</p> <p>Agencies are required to publish final rules in the Federal Register</p>

Future – Rulemaking Process

Future



Proposed Rule

Optional Procedures to Help Prepare a Proposed Rule:

- Advance Notice of Proposed Rulemaking (ANPRM)
- Negotiated Rulemaking
- Beginning a process of up to 9 Years

Recent Announcements/Industry Meetings/ Compliance Letters



- Commissioner has serious concerns about Youth Appeal, particularly flavors
- Useful meeting with Commissioner outlined our response to letter and how to address Youth appeal
- Compliance Letter (Alto) is a routine enforcement requirement
- FDA regulation sets a level playing field for all and is science based
- 2022 PMTA requirements likely to lead to increased contestable space
- Organizations focused on compliance, understanding the statute and regulatory science are likely to thrive

VAPOUR

Ricardo Oberlander

Tadeu Marroco



Addressing concerns - What we will show you

➤ “Barriers to entry in vapour are low, how can the tobacco incumbents win?”

- Vapour is small, but a significant, profitable opportunity
- BAT is performing well in the US and in the rest of the world
- Vuse Alto and Vype ePen3 are great products and are showing good initial results
- We have the products and pipeline to win

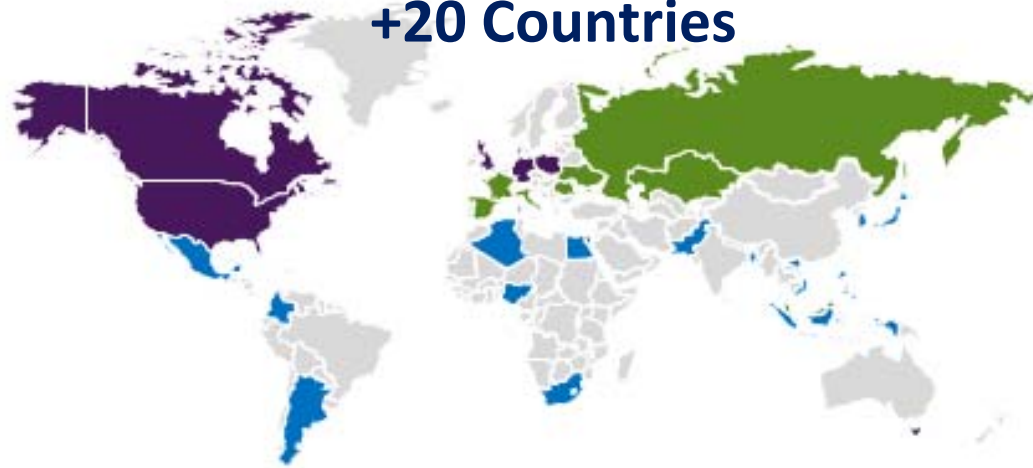
Vaping Global Footprint

■ **High incidence**
 >3% : US, Canada, W. Europe

■ **Medium incidence**
 1-3% : Russia E. Europe

■ **Low incidence**
 <1% : Africa & Latin America

+20 Countries



NTO
Adult Vapour Users

2017
£5Bn
55Mn

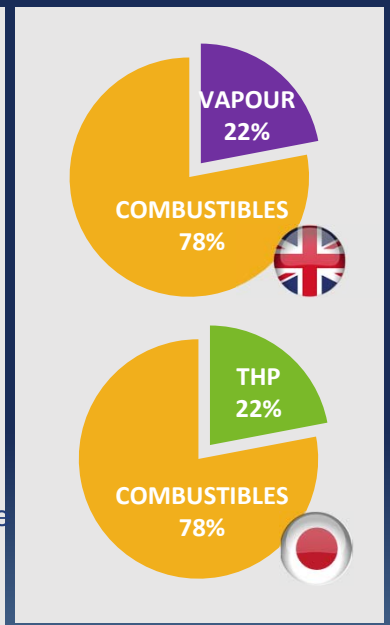
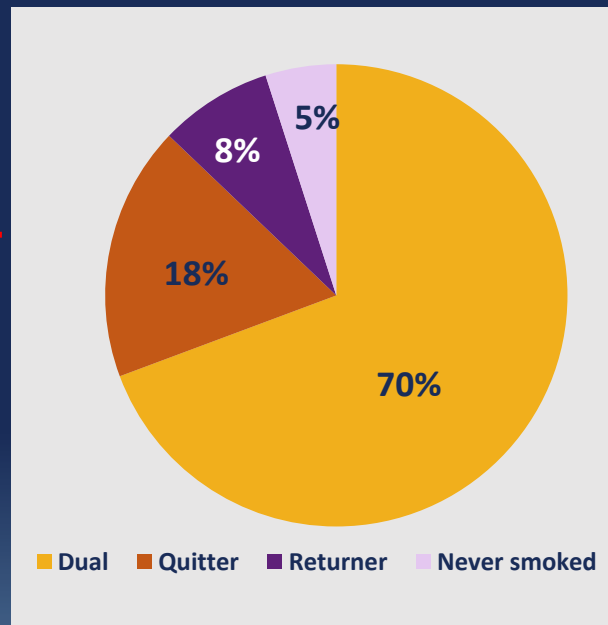
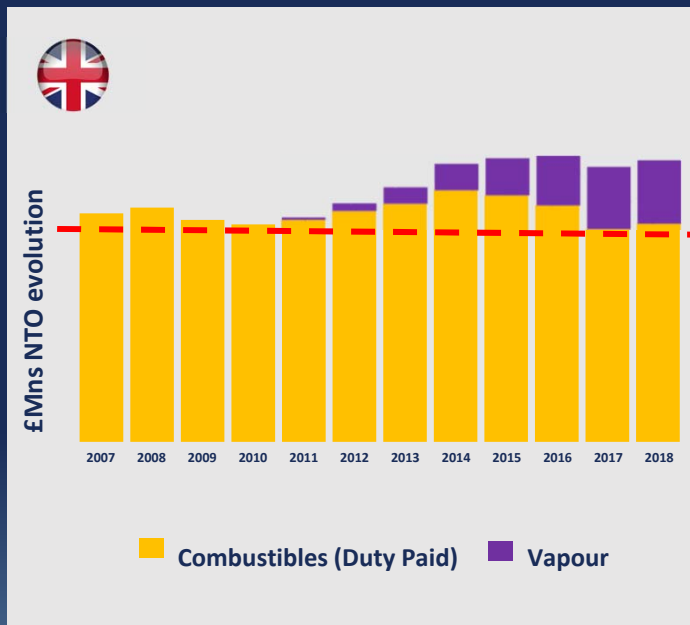
2020
£7-8Bn
75-80Mn

BAT Footprint

Presence in 14 markets





The vapour business is additive



NEW OCCASIONS	
When I can't smoke cigarettes	86%
In the car	62%
Inside pubs and restaurants	47%

-  Simple
-  Intuitive
-  Effective

	 <p>Reassuringly Familiar</p> <p>solo</p>	 <p>Refined Flavor</p> <p>ciro</p>	 <p>Exceeding Expectations</p> <p>vibe</p>	 <p>High Performance</p> <p>alto</p>
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Despite Vibe Recall, VUSE Shipments up 20% vs. SPLY, GM > 40%

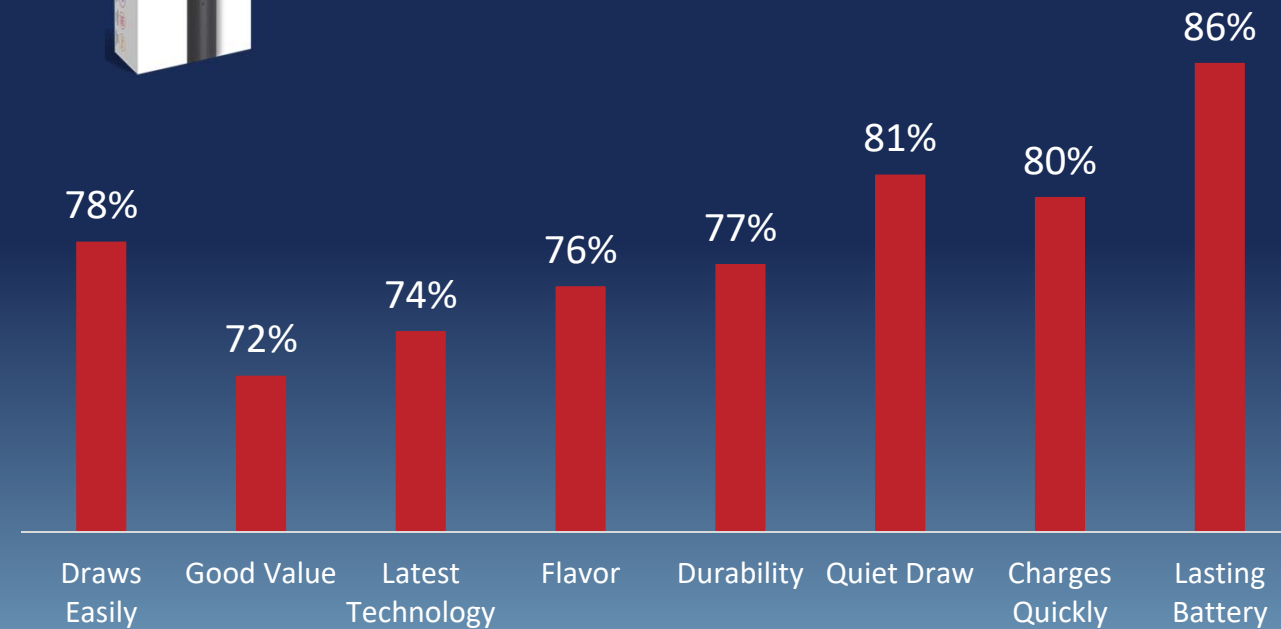
Competitive Adult Vapour users and Adult smokers say VUSE Alto is a winner

VUSE Alto test results among adult smokers and vapour users:

- Majority of respondents claim Alto tastes better than competitive pod-mods
- 2/3 of committed to future purchase of Alto
- 93% claimed that Alto satisfied their overall needs
- STR 4.5% (in stores handling) after 4 weeks



Satisfaction on Key Measures



Unsolicited social chatter supports VUSE Alto research



Performance, silent draw, satisfaction, design & value equation

"Makes absolutely no crackling noise"

"Hits smoother than any other compact system I've used"

"This isn't cheap by any means, but when compared to Juul, it's actually a pretty good deal"

the draw is smooth and easy

"The refills also last WAY longer. One lasts 2-3 days for me & I hit this thing constantly"

"I stopped bringing my Juul with me to work because I'm finding the Alto to just be so much better. Battery lasts me a day and a half with constant usage"

"Produces an impressive amount of vapor"

"With my Juul, I always needed to bring a spare battery with me if I was going out for more than just a couple hours"

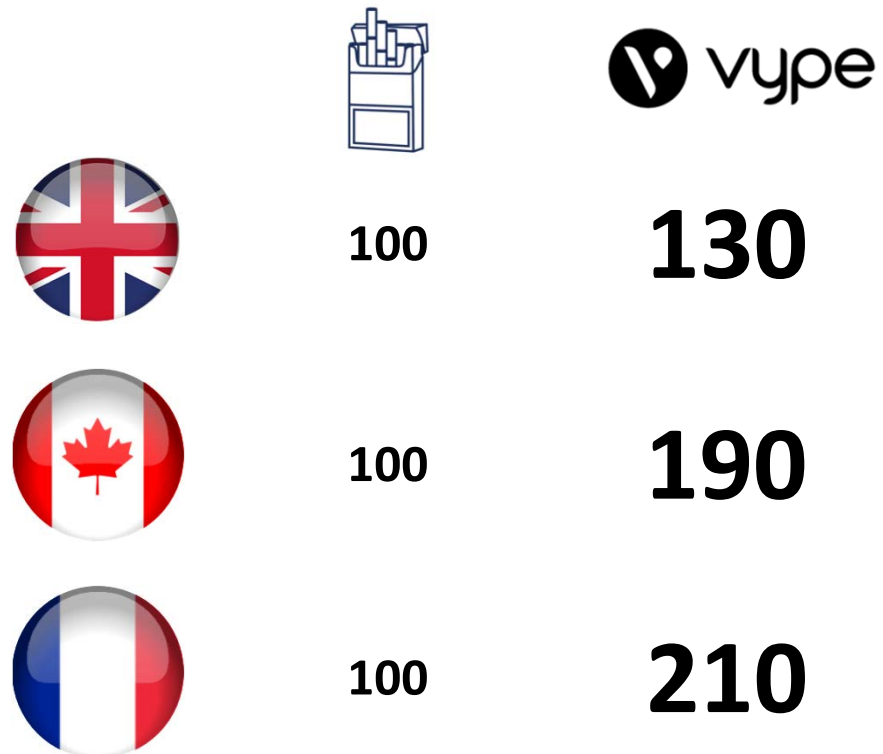


VAPOUR – Other markets



Vaping represents a margin opportunity

POTENTIAL GM PER CONSUMERS (Index)



OPPORTUNITIES TO FURTHER DRIVE SCALE



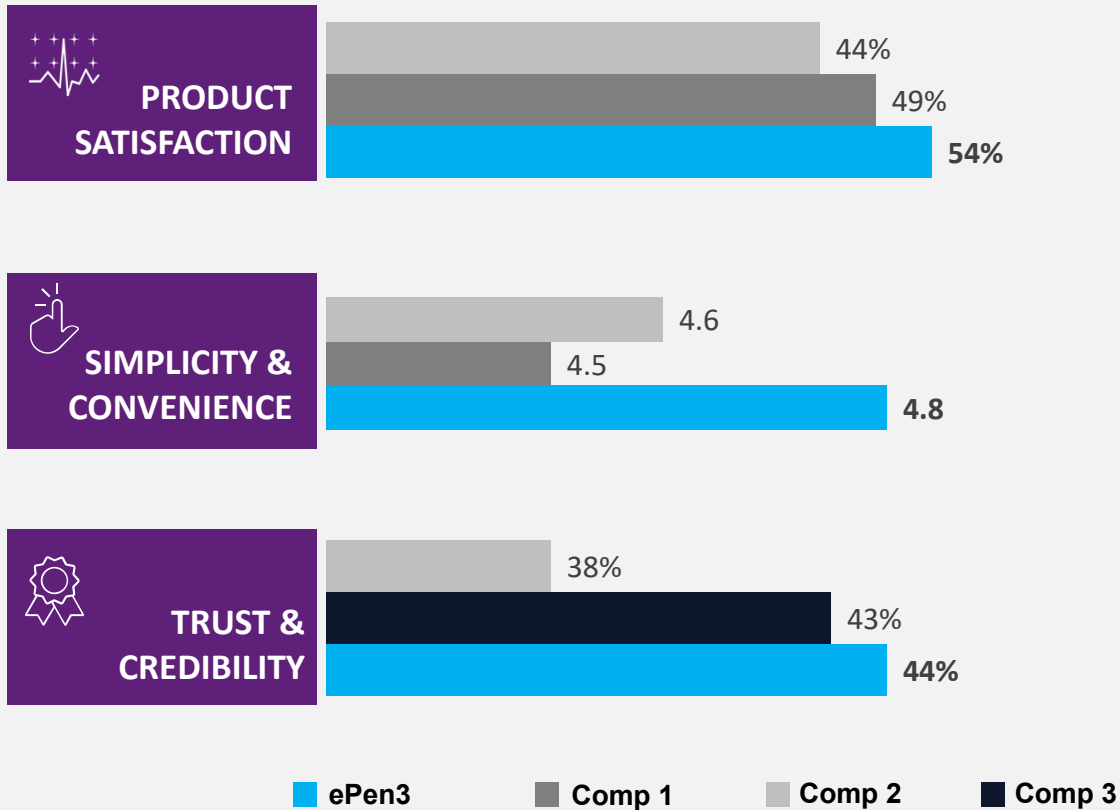
Based on average annual individual consumption. Sources: Vype online consumer surveys;



EPEN3 promising results proving potential to drive conversion



EPEN3 OUTSCORES COMPETITORS IN KEY ATTRIBUTES



A FUTURE-FIT MARKETING MODEL DRIVING RESULTS



Source: Quantitative Study with one week product placement among Smokers & Vapers; UK Vaping Tracker among Vapour users.



EPEN3 promising results proving potential to drive strong conversion



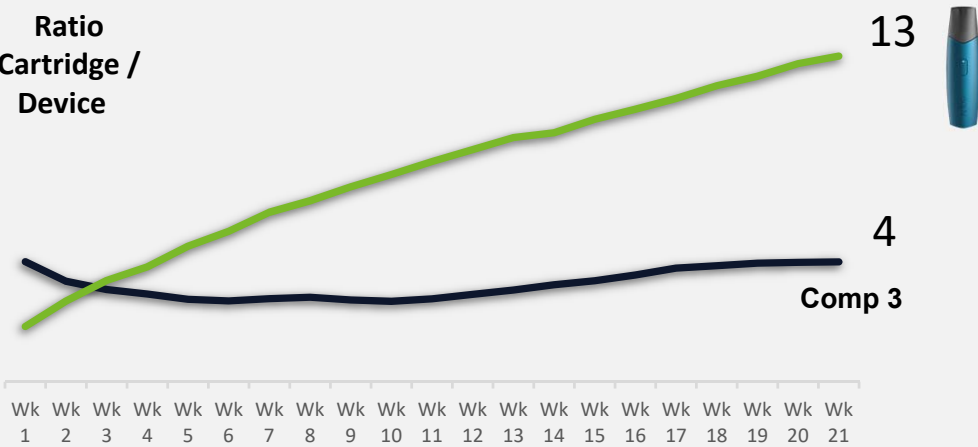
ePen3
Conversion to

82%
Active Usage

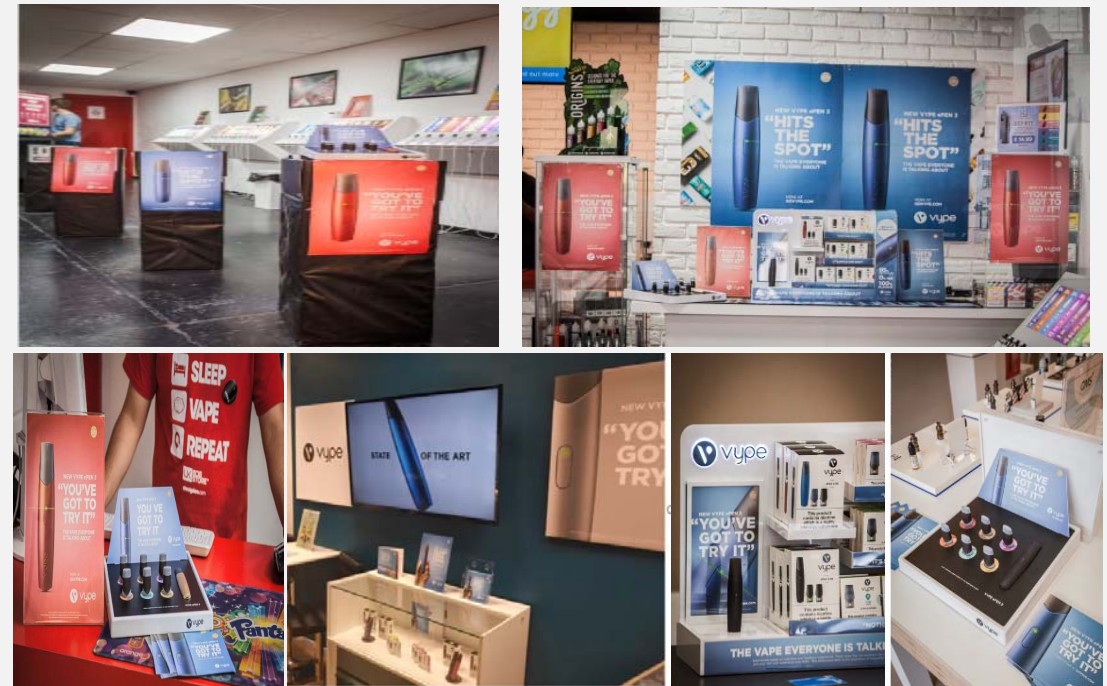
57%
Predominant Usage

43%
Solus Usage

Ratio
Cartridge /
Device



ON TRACK TO ACHIEVE 70% WD ACROSS VAPE SHOPS & TRADITIONAL RETAIL





Canada EPEN3 shows strong early results, after 11 weeks



AWARENESS



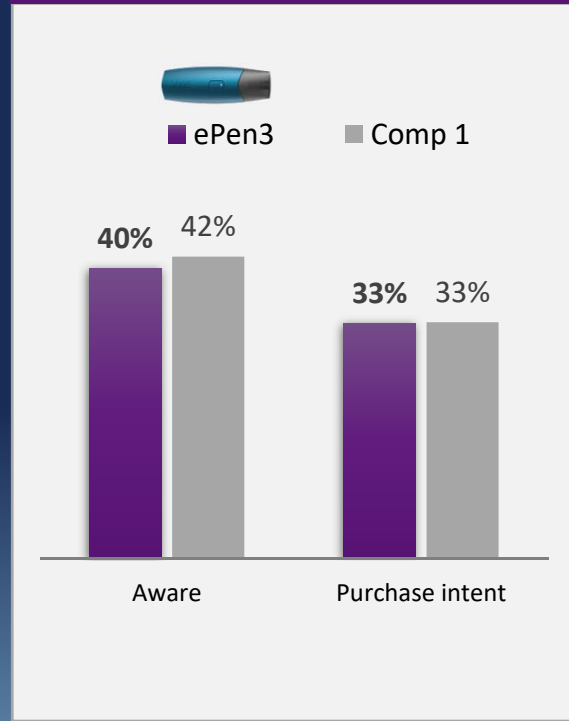
66%

Claimed regular usage*

CONSTANT GROWTH

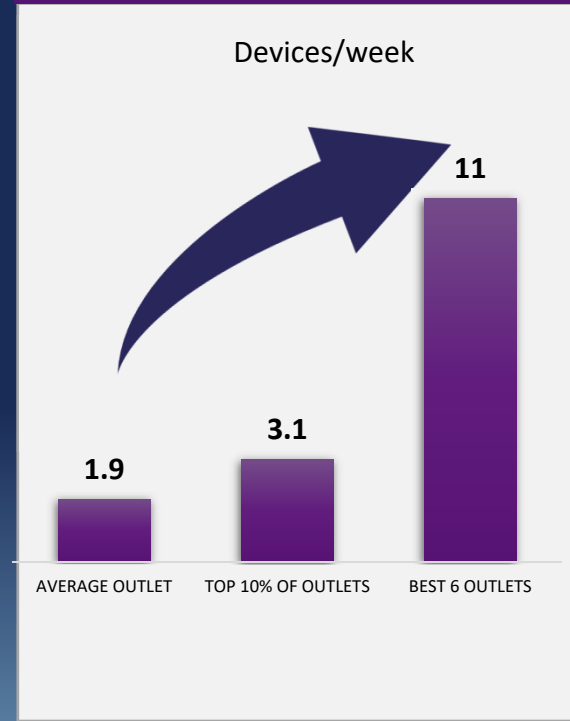


COMPETITIVE DISPOSITION



REACHING FULL POTENTIAL

ROS will accelerate at POS



* Consumers managed via Hypercare Program

Source: OneTRACK Missile Tracker Combined July/Aug. among dual users. Intention to Purchase Amongst those Aware



Leveraging leadership to build Multi-category capabilities



CATEGORY LEADERSHIP WITH OVER 50% VALUE SHARE THROUGH DIFFERENTIATED PRODUCT PORTFOLIO

NTO (£Mn)

32.2

10%

35.3

2016

2018

FULLY LEVERAGE CHIC RETAIL NETWORK FOR GLO ACTIVATION



An Exciting Innovation Pipeline for 2018 and beyond



Vype ePen3

Compact Powerhouse



Vype iSwitch

PureTech Blade
World-first technology



Vype ePod

High performance
'Pod-Mods' system



Vype eLiquids

Flavour & satisfaction
technologies

Vaping is an exciting growing opportunity for BAT



NTO and GM accretive

Robust consumer validation underpinning current & future pipeline

Step change in Marketing Activation to follow consumer path with new capabilities

More stringent/science based regulation and enforcement are expected & welcome

THP

Paul Lageweg



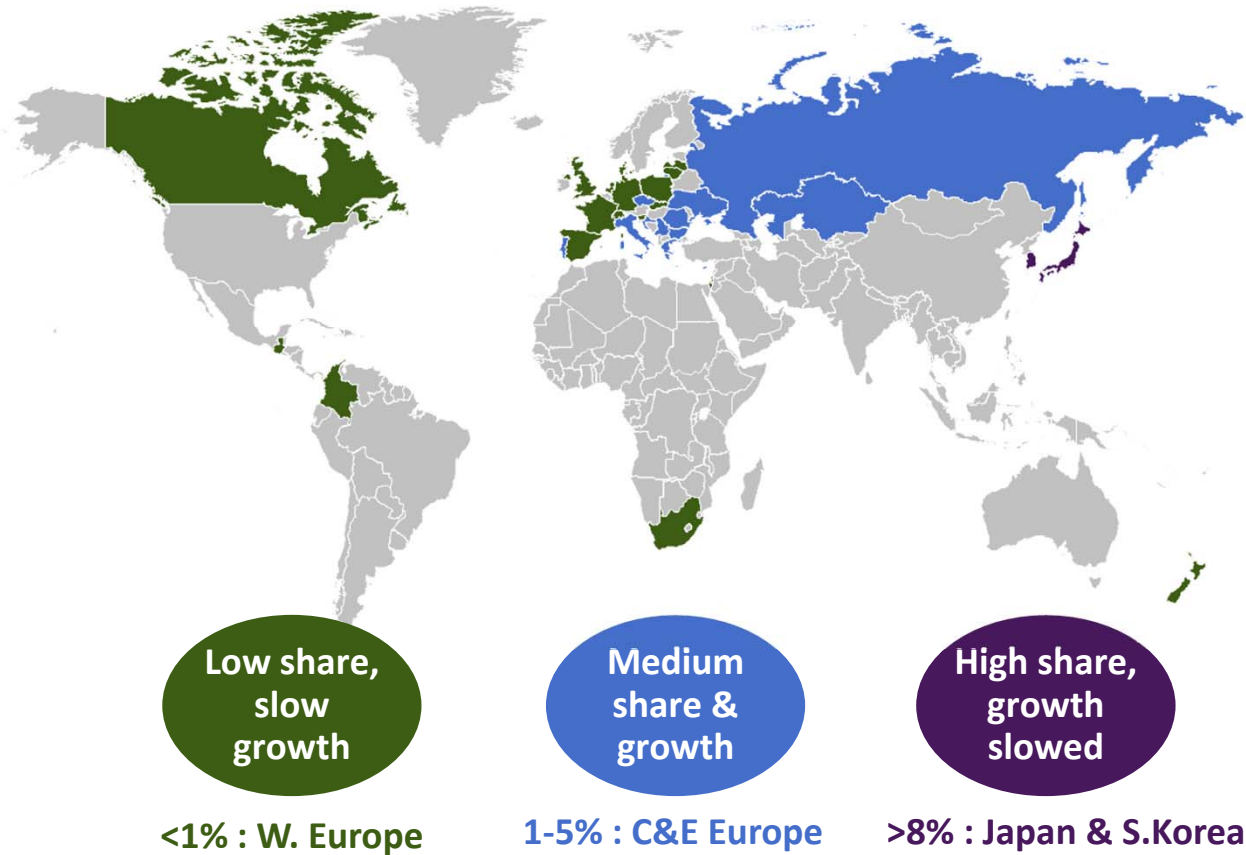
Addressing concerns - What we will show you

➤ “The THP category and glo has stalled in Japan and shown limited results elsewhere, how can you succeed in THP?”

- THP is a significant, profitable opportunity, but it remains small compared to cigarettes
- Category growth has slowed, but glo is performing well
- The global rollout of glo is on track and early signs are encouraging
- We have the products and pipeline to win

Focused THP investment in markets with the largest potential

THP Industry Global Footprint & Performance



Glo Footprint & Performance

14 markets > 90% of global THP volume

2016
0.01 bn

2017
2.2 bn

2018
6.9 bn

Fast THP Growth Markets: National Launches

4.4% SOM ↑

0.8% SOM ↑

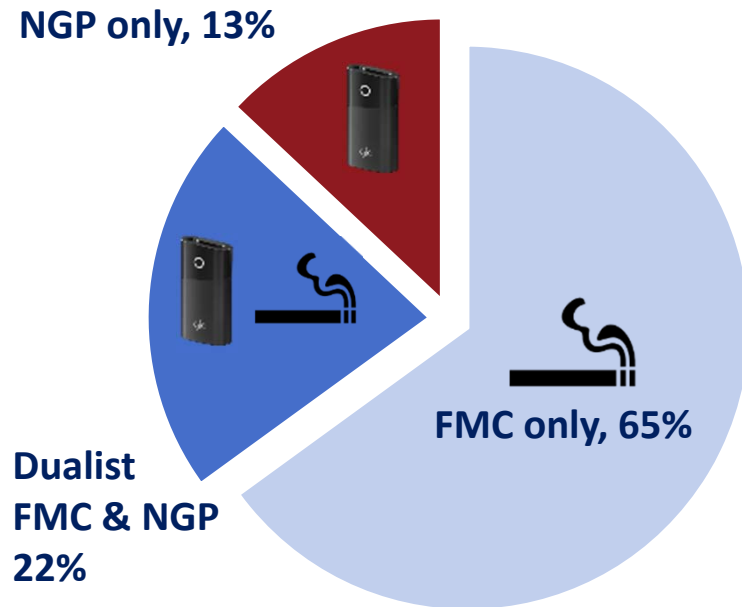
Medium THP Growth Markets: City Focus

It Ro Ca Ru CH *Small but growing SOM*

Ukr Kaz Ser Cro Cz Po Gr *Aug/Sep 2018 launches*

Poly-Usage Becoming the Key Consumer Dynamic

Dualists not always 'on a journey' to solus



76% of dualists using NGP for more than 6 months

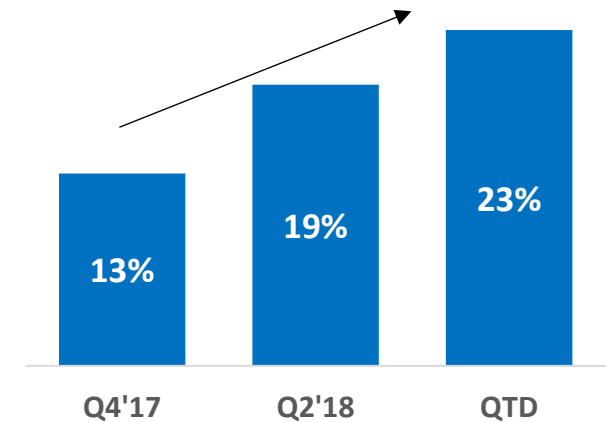
Consumer moments are key



Similar dynamics seen in **Europe** for dual FMC / THP or Vapour use

Poly-usage growing

Poly-users among all NGP consumers



Fast growth in consumers using >1 device platform



Glo is Winning in the Next Growth Segment

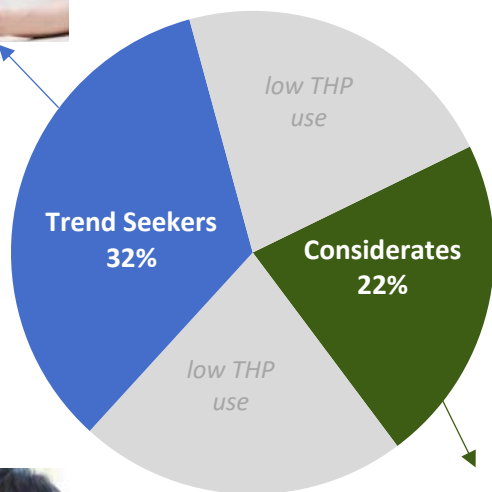


Key smoker segments for THP



- Style/modernity
- Experimentation
- Innovation
- Flavour

THP Penetration
70%



- Consideration
- Harm reduction
- Value
- Subtle smoke

THP Penetration
32%

Glo superior within Considerates



Competitive Advantage:

- ✓ Consecutive sessions
- ✓ Functionality
- ✓ Quality
- ✓ Value

60%

Glo share of THP in Considerates

Glo leads in high potential segment



Trend-Seekers

- Main source of switch-out
- Very dynamic - higher switching & more dualists
- Leading brand is suffering



Considerates

- + 70% of recent THP inflow from FMC
- + More stable – lower switching
- + Glo is segment leader for THP



Neo Launch is Adding to Continuous Value Share Growth



Neo Growing Fast



Launched in Premium July 2018

Latest weekly share **1.4%**

Neo Further Enhances Margins



Blended Index to Competition

Annual GM Contribution per user

Solus	£385	£425	140
Dual	£240	£270	140

Series 2



Discounted price

¥3,980

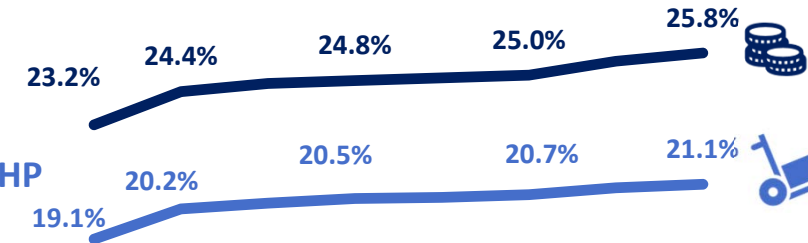
Payback

16 packs

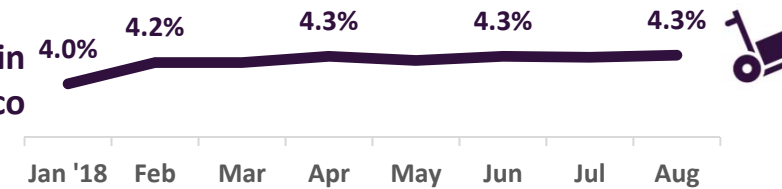
Continued Glo Share Growth



Share of THP NTO



Vol. Share in Total Tobacco



Leading on Digital Activation in Japan

Digital Ecosystem

Connecting All Online & Offline Touchpoints



Data Platform

Enabling Automated Consumer Engagement



Unique QR Code

Enabling Personalized CRM Rewards Program



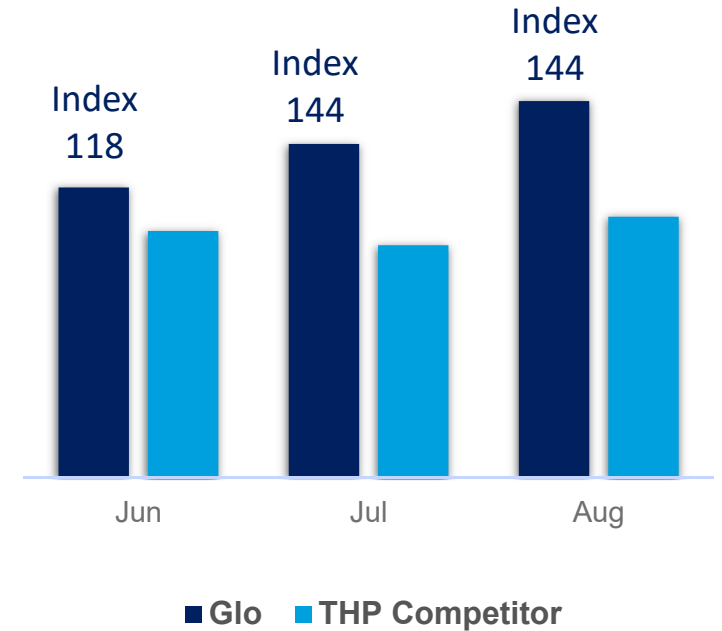
1.4 million Registered users

+15% SOLUS Conversion

- 45% Consumer Acquisition Cost

Glo attracts more consumers than competition

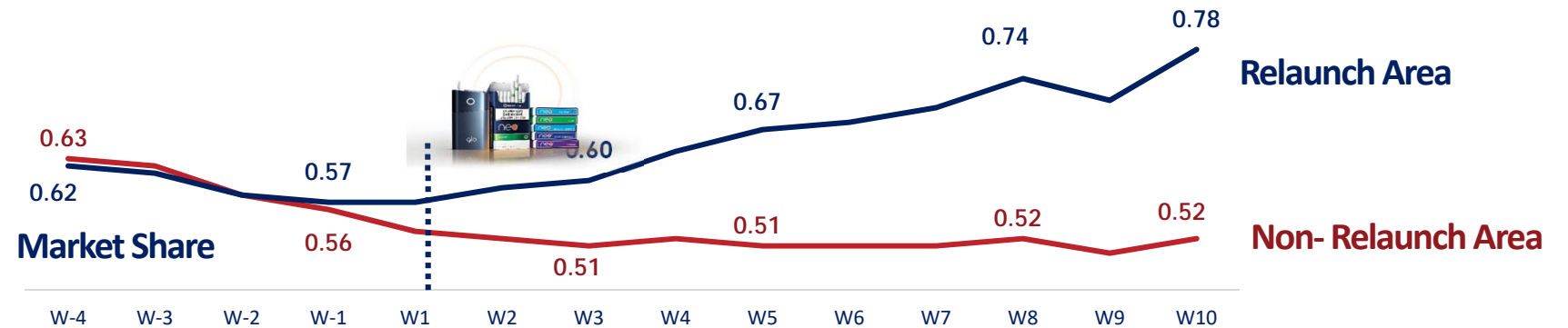
of in-switchers



South Korea Relaunch – Early Signs are Very Encouraging



Total Brand Relaunch - Back to Growth



New Activation Model: Consumer Focused, Digitally Enabled



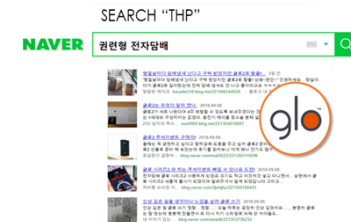
Exclusive partnership with biggest database company

32 Mn adults



7.2 MN Consumers

Engaging with Glo content



#1 THP Brand searched in social networks

European Markets : Strong Momentum as We Fine-Tune and Scale-up our Marketing Model



Bucharest



Share of THP
GROWING MONTHLY

Ramping up CRM capabilities

Moscow



Share of THP
GROWING MONTHLY

Ramping up CRM capabilities

Turin



Share of THP
GROWING MONTHLY

Pilot & scale-up of social selling model

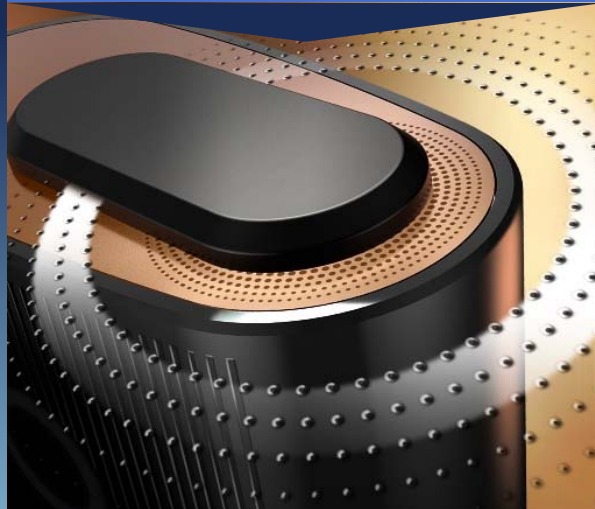
New marketing model: Glo conversion from daily to solus usage 50-65% after 3 months of use

An Exciting Innovation Pipeline for 2019

LEPs
&
Customisation



Series 3



Higher
Satisfaction



Capsules
&
Flavours

Coming Soon - Tobacco Fusion Technology



Margin & Leverage

Ben Stevens



Addressing concerns - What we will show you

➤ **“Is 50-100bps of margin growth a realistic deliverable, given future NGP investment requirements?”**

- Underlying margin growth has been robust
- We are confident we can fund our PRRP investment and grow margin

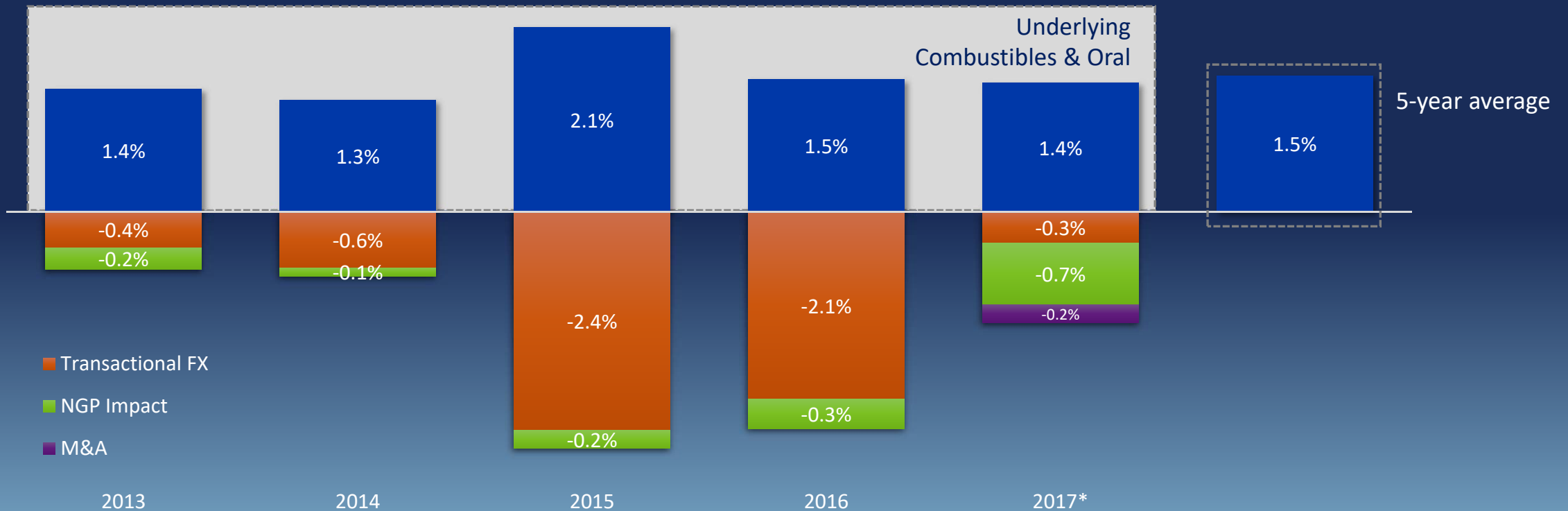
➤ **“How can you reach the net debt/EBITDA target of around 3 times by the end of 2019?”**

- We are highly cash generative and can de-leverage rapidly
- Ex-currency, we are de-leveraging according to plan
- FX movements may impact reported Net Debt/EBITDA

Consistent underlying Operating Margin improvement

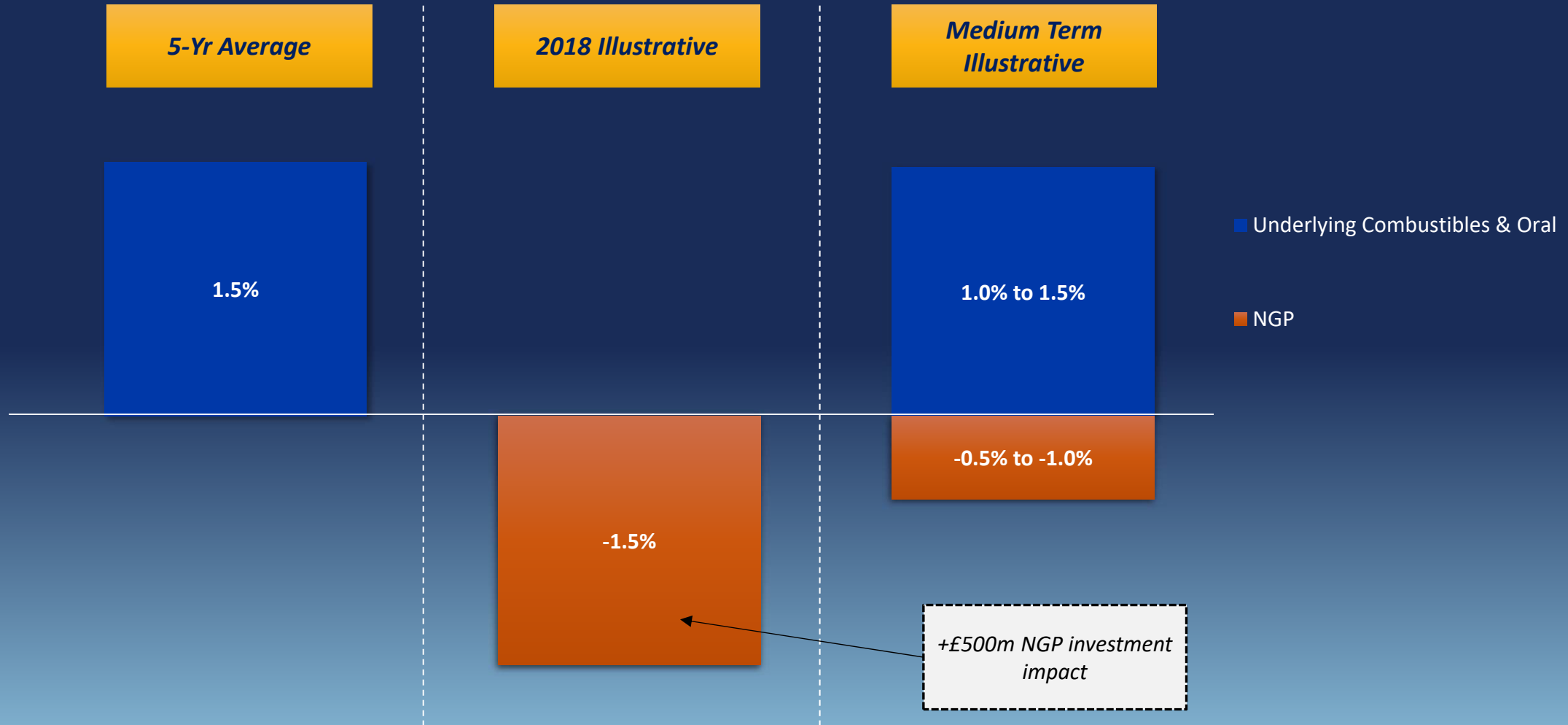


Components of Operating Margin change:

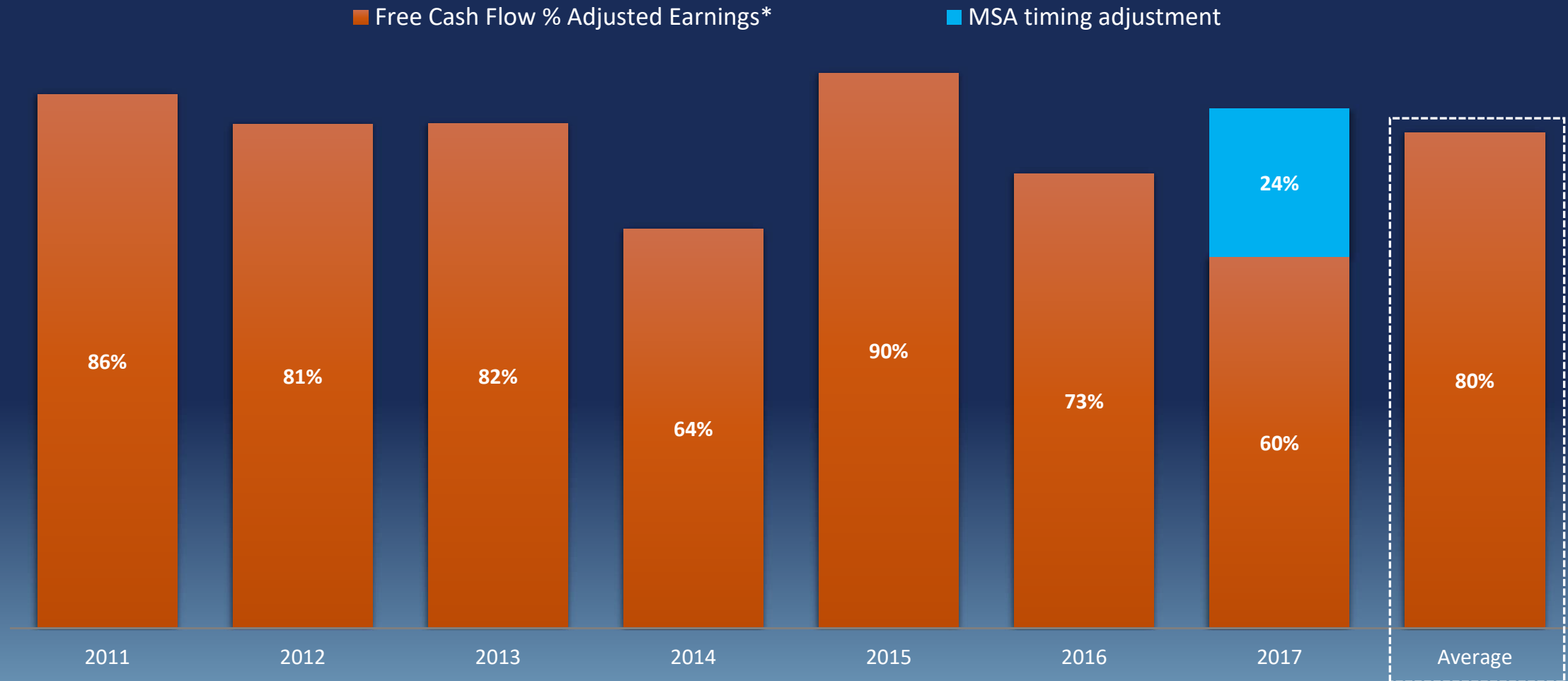


* Excluding RAI

We remain confident in future margin growth of 50-100bpts on average

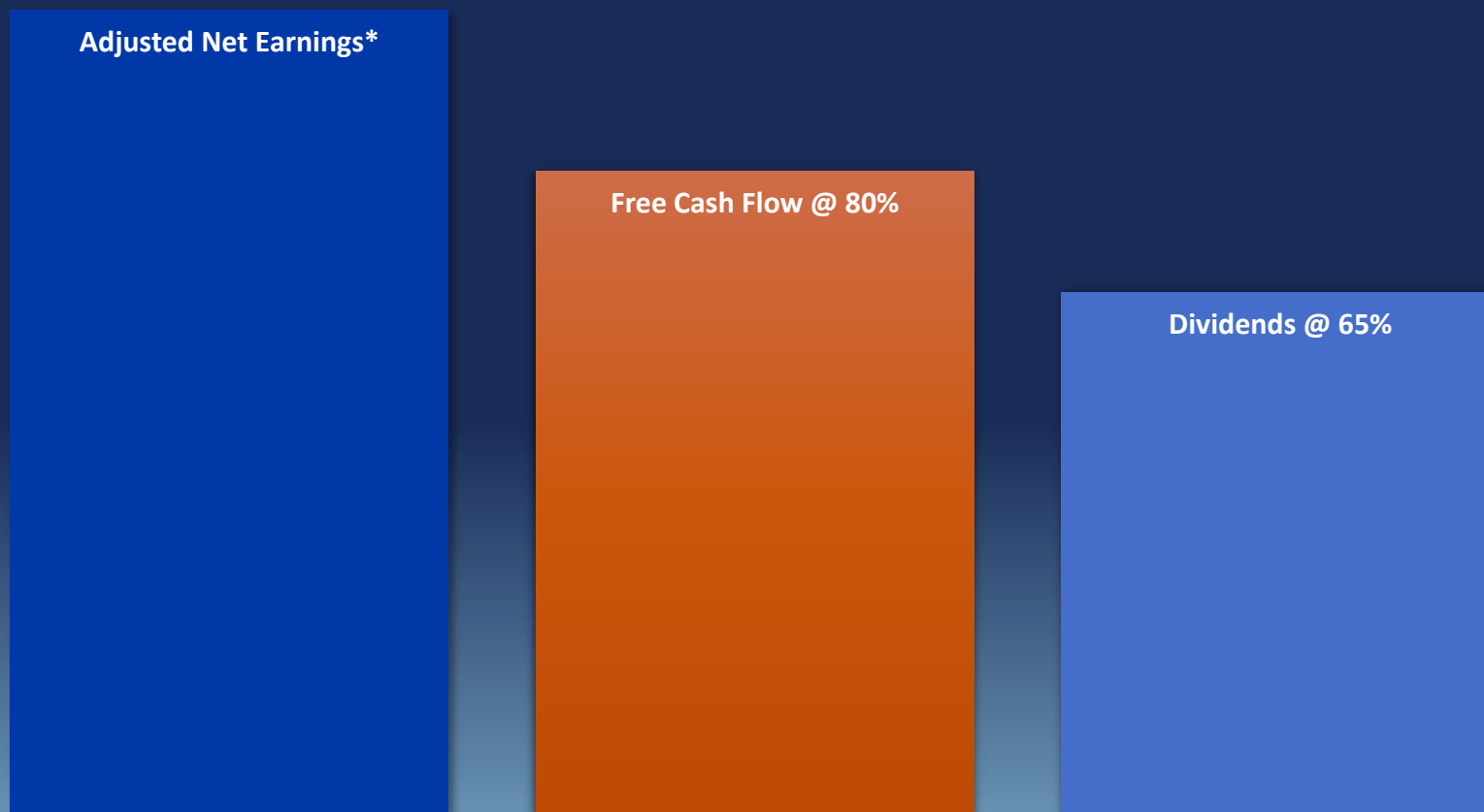


BAT is highly cash generative



* Adjusted profit attributable to shareholders at reported FX

With a 65% Dividend Pay-out ratio, 15% of Adjusted Net Earnings* is available as cash to pay down debt



- › ~15% of Adjusted Net Earnings available for debt paydown
- › **Additional £1.4bn Net Cash Flow** in 2018 to **reduce Net Debt** following early MSA payment

* Adjusted profit attributable to shareholders

Good progress on deleveraging partly offset by FX

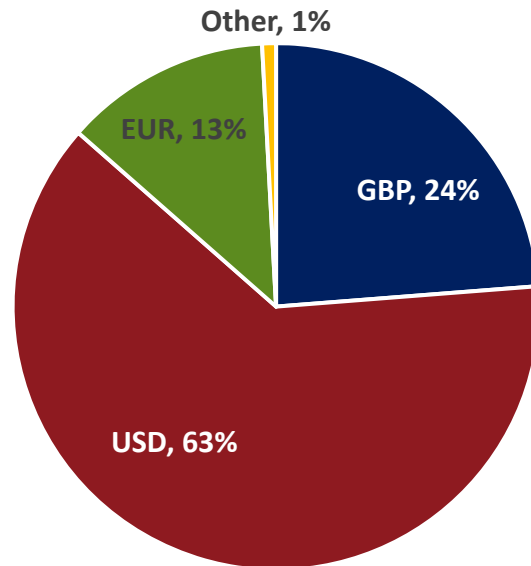


NET DEBT / ADJUSTED EBITDA		DRIVERS
2017 Closing*	4.0x	<ul style="list-style-type: none">FX movements +~0.2xUnderlying deleveraging at consistent FX rates -0.4xIncremental 2018 NGP investments +0.1x
2018 Outlook	3.8x - 3.9x	
2019 Outlook	3.3x - 3.5x	
Sensitivities	<ul style="list-style-type: none">FX translation rates: GBP / USD, Emerging Market currenciesEnforced working capital changes (e.g. excise payment terms)	<ul style="list-style-type: none">EBITDA growthDebt reduction driven by operating cash conversionManagement cash initiatives

* on a representative basis and excluding fair value adjustments

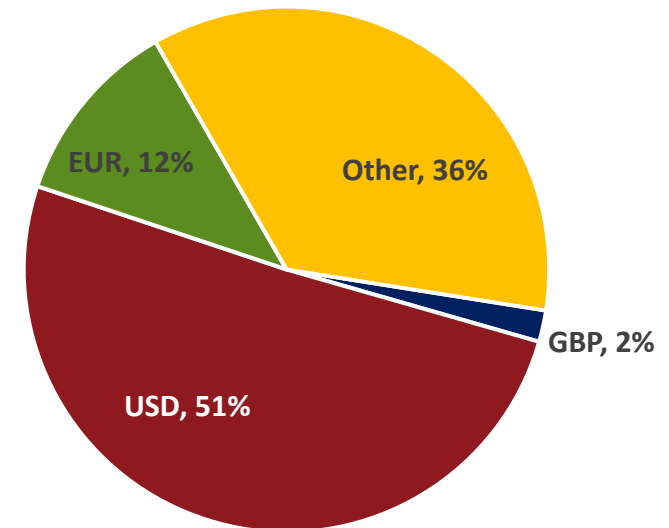
Currency composition of Net Debt & ADJUSTED EBITDA

Net Debt



■ GBP ■ USD ■ EUR ■ Other

ADJUSTED EBITDA



■ GBP ■ USD ■ EUR ■ Other

➤ The Net Debt / EBITDA metric is impacted by FX from timing (Income Statement vs Balance Sheet rates) and mix

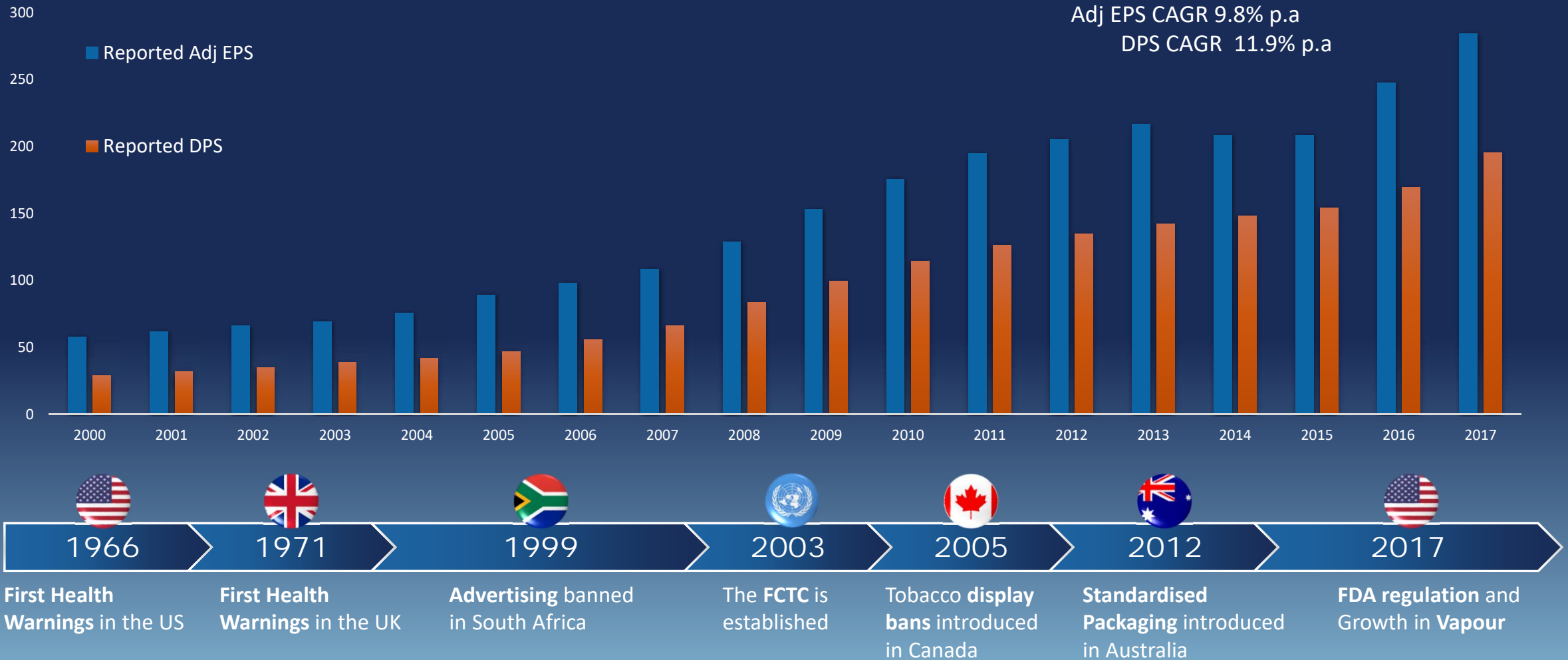
Analyst Briefing

16th October 2018

Jack Bowles



We have delivered consistent eps growth



Market concerns

- “Combustible volumes and pricing are under pressure, can the business sustain LT profit growth?”
- “US cigarette market volumes are under increased pressure, share is not growing, will results in the US match those of the past?”
- “How can FDA regulation not be a negative for the industry and BAT?”
- “Barriers to entry in vapour are low, how can the tobacco incumbents win?”
- “The THP category and glo has stalled in Japan and shown limited results elsewhere, how can you succeed in THP?”
- “Is 50-100bps of margin growth a realistic deliverable, given future NGP investment requirements?”
- “How can you reach the net debt/EBITDA target of around 3 times by the end of 2019?”

A growing sustainable business



-  **COMBUSTIBLE FUNDAMENTALS STRONG; BAT CONTINUES TO OUTPERFORM**
-  **FDA REGULATION MANAGEABLE**
-  **PRRPS A GREAT OPPORTUNITY**
-  **MARGIN GROWTH AND DE-LEVERAGING; AND INVESTING IN PRRPS**
-  **SUSTAINABLE HIGH SINGLE FIGURE CONSTANT EPS GROWTH**

A bright future



KENT



CAMEL

Newport



Analyst Briefing

16th October 2018

Jack Bowles



Questions

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Important Information



Forward-looking Statements (continued)

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