



BRITISH AMERICAN
TOBACCO

Paris DB Consumer Conference

Jack Bowles | Chief Executive

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Important Information

Forward-looking Statements (continued)

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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, Velo 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.

The 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.

A strong foundation



Source: Company data. Financial data relates to FY18 results. Growth metrics are FY18 expressed as growth % v FY17. * Representative, adjusted and constant rate basis. See Appendix A1-A3 **Adjusted diluted earnings per share at constant rates. See Appendix A2-A3.

Stronger, simpler, faster



- A strong foundation
- Established multi-category strategy
- Superior consumer understanding
- Continued outperformance in combustibles
- Transforming the business

Three areas of focus

STEP-CHANGE IN NEW CATEGORIES

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

SIMPLIFY THE COMPANY

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

COMBUSTIBLE VALUE GROWTH

- Grow share
- Leverage our Strategic Brands
- Sharper innovation focus

➤ **Committed to our HSF EPS growth* target**

**Adjusted diluted earnings per share at constant rates. See Appendix A2-A3*

Diverse consumers, differing needs

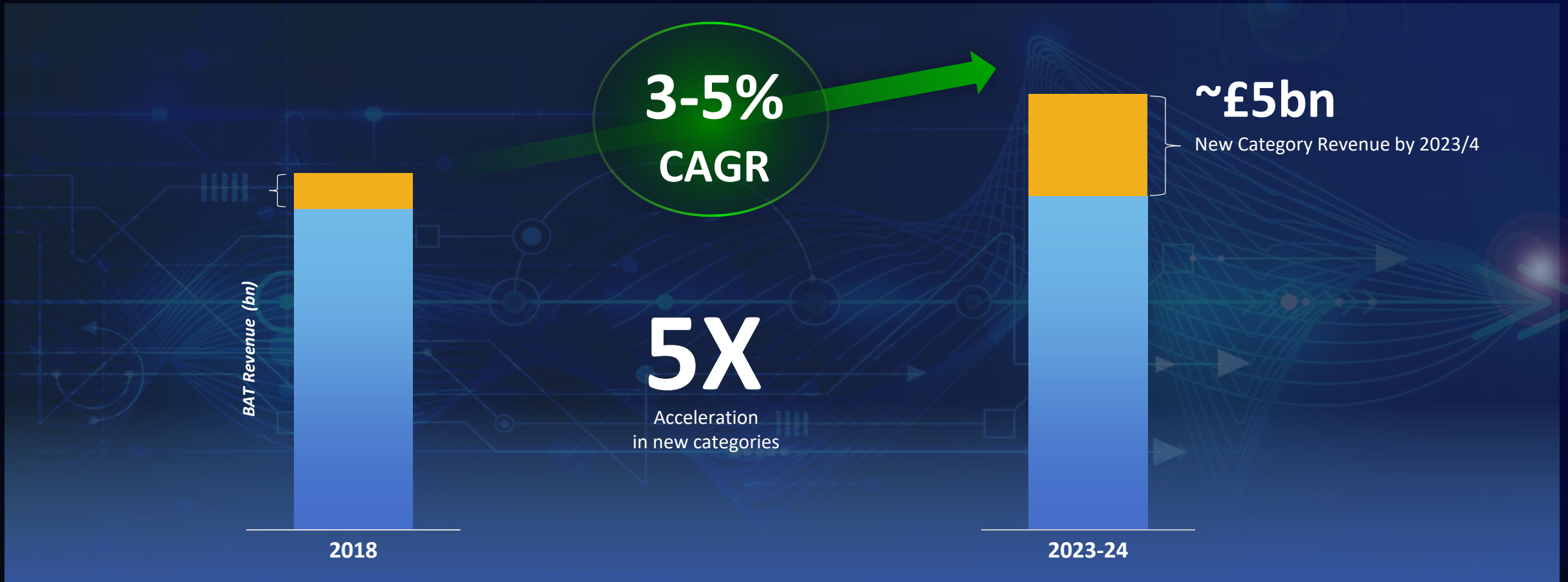


9m → 20m+ PRRP Consumers

2018 to 2023/4

Source: Internal data and company estimates

Driving strong revenue* growth



➤ **Revenue growth of 3-5%* pa | Average 30-50%* pa growth in New Categories**

* constant currency basis. See Appendix A3.

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

Step-change in New Categories

BRANDS AND
PRODUCTS THAT
CONSUMERS LOVE



DELIVER IN
DIGITAL



BUILDING NEW
WORLD CAPABILITIES

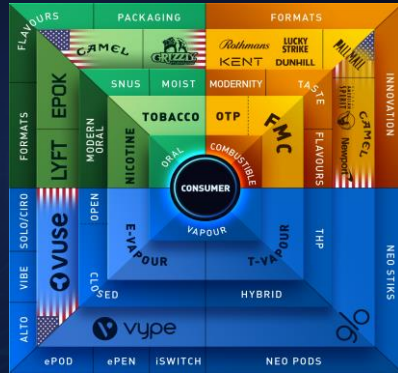


Average 30-50%* pa revenue growth in New Categories

** constant currency basis. See Appendix A3.*

Step-change in New Categories | progress to date

Consumer understanding



Building global brands



Rationalise and focus

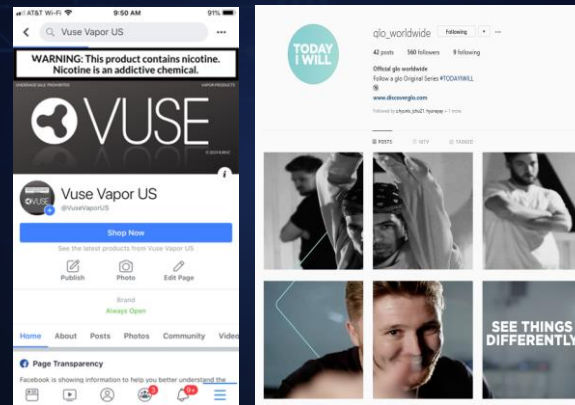
Winning products



1,000+ owned retail



Digital engagement



Advanced technologies



Induction heating



Distiller Plate

Vapour: Great products driving growth

Alto growing volume share in the US

Leadership in Europe driven by strong growth of ePen3

Building a strong global brand is a key priority



Alto & Vibe driving US volume share recovery

VUSE +5.5 pp*

Overall Vuse family share (ml)

19.1%



+4.3 pp*
Alto share (ml)

8.3%



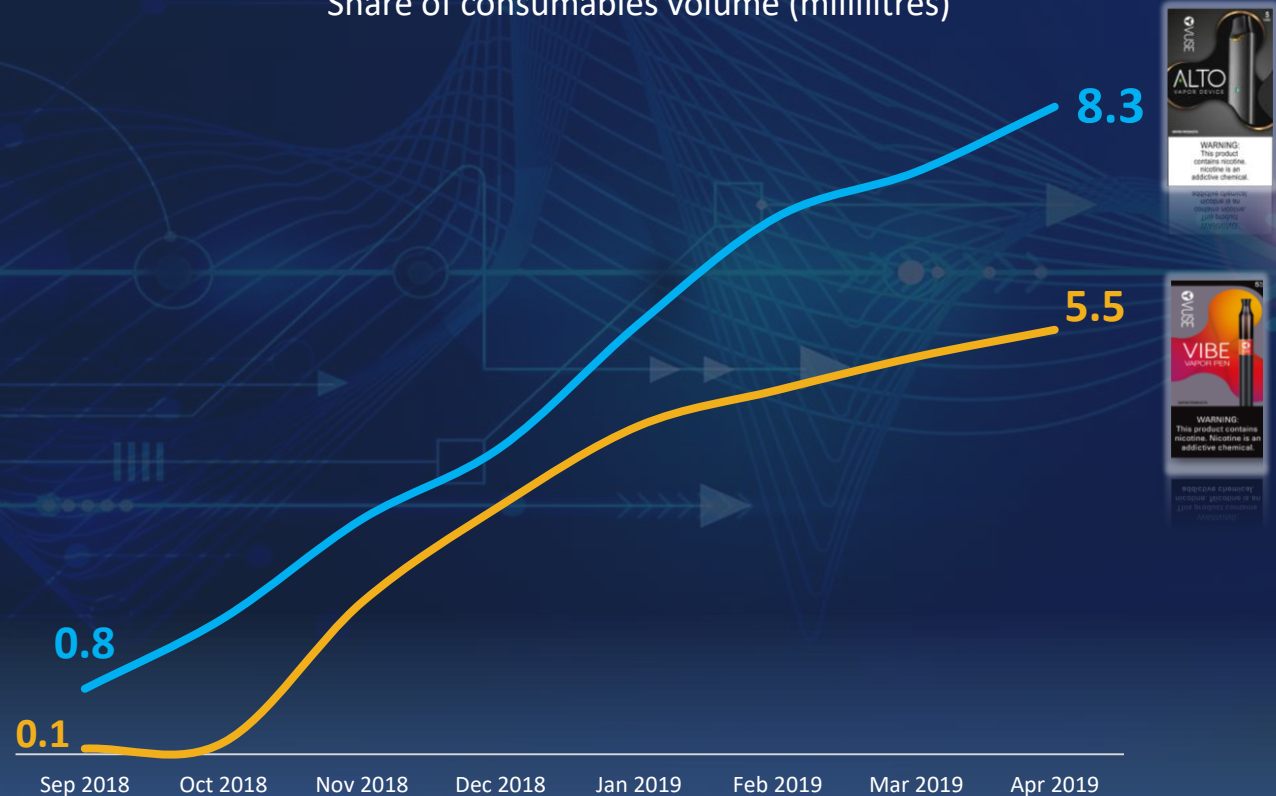
+2.2 pp*
Vibe share (ml)

5.5%

* Growth v Dec 18

Vuse growth driven by Alto and Vibe

Share of consumables volume (millilitres)



Source: Company data

ePen3 leads pod-mod category in the UK...

40.7%

Maintains BAT value leadership

6.8%

ePen3
Record value share

Value Share of Market



Source: Nielsen retail share

... and France

16.4%

Retail value share

12.1%

ePen3
Retail value share

Value Share of Market



Source: Strator retail share

THP: New glo devices set to drive future growth



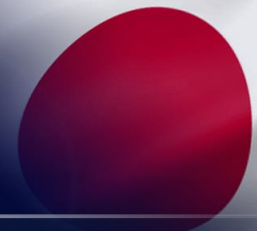
Continued growth in Japan with a total nicotine share of 17%

New glo devices and consumables in H2 deliver higher product satisfaction with better design

For Europe new product launches in Q4 expected to drive growth



BAT growing share of the total nicotine market in Japan

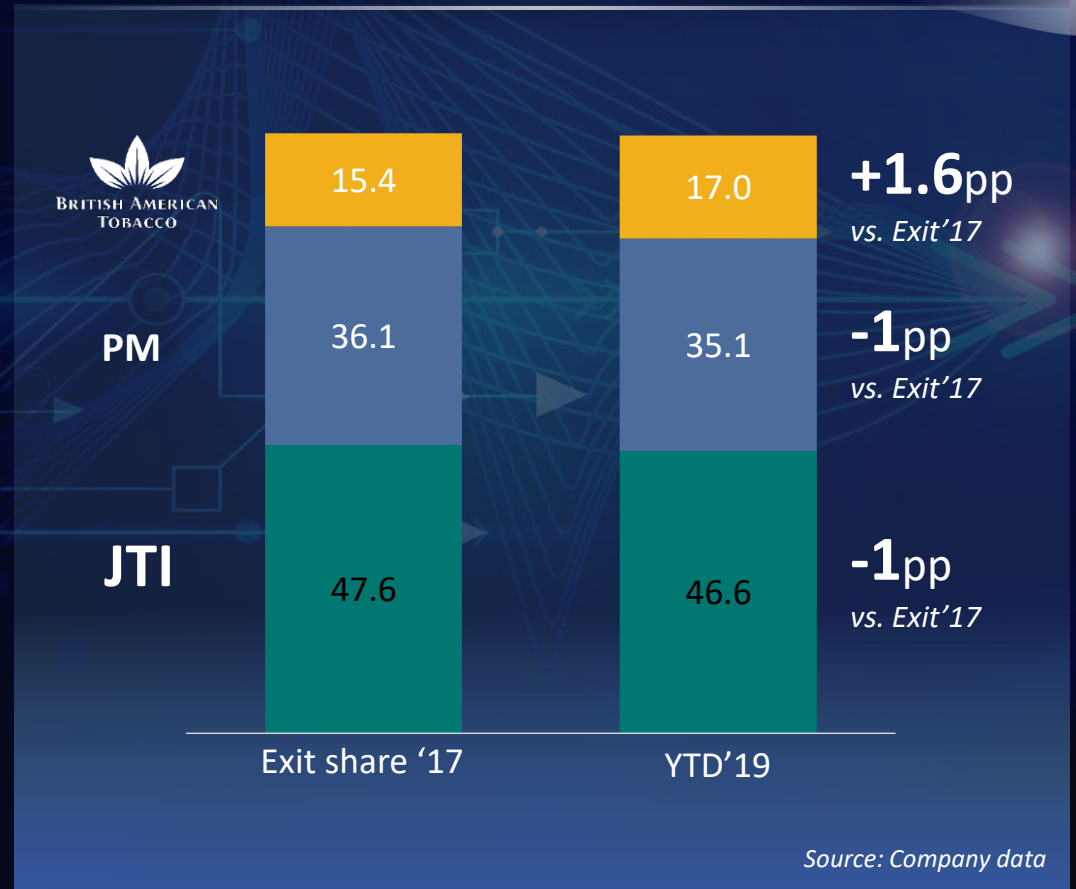


glo share growth +40bps v Q4 18



Source: CVS BC

Strong total nicotine share growth (FMC+THP)



Source: Company data

New glo devices and consumables deliver higher product satisfaction and improved performance

Step 1: Overall Satisfaction at parity with key competitor launching in H2 '19



Rated Superior on:

- › Premium device
- › Taste consistency
- › Session length



Rated Superior on:

- › Ergonomics
- › Taste consistency
- › Ease of use

Step 2: Further pipeline developments driving superiority

Source: Kantar consumer product research

Modern Oral | Rapid growth and a substantial opportunity

Leading category growth in Scandinavia and Switzerland

Superior products

Significant US growth opportunity for Velo

FDA response on MRTP for Camel Snus pending



Source: Company data

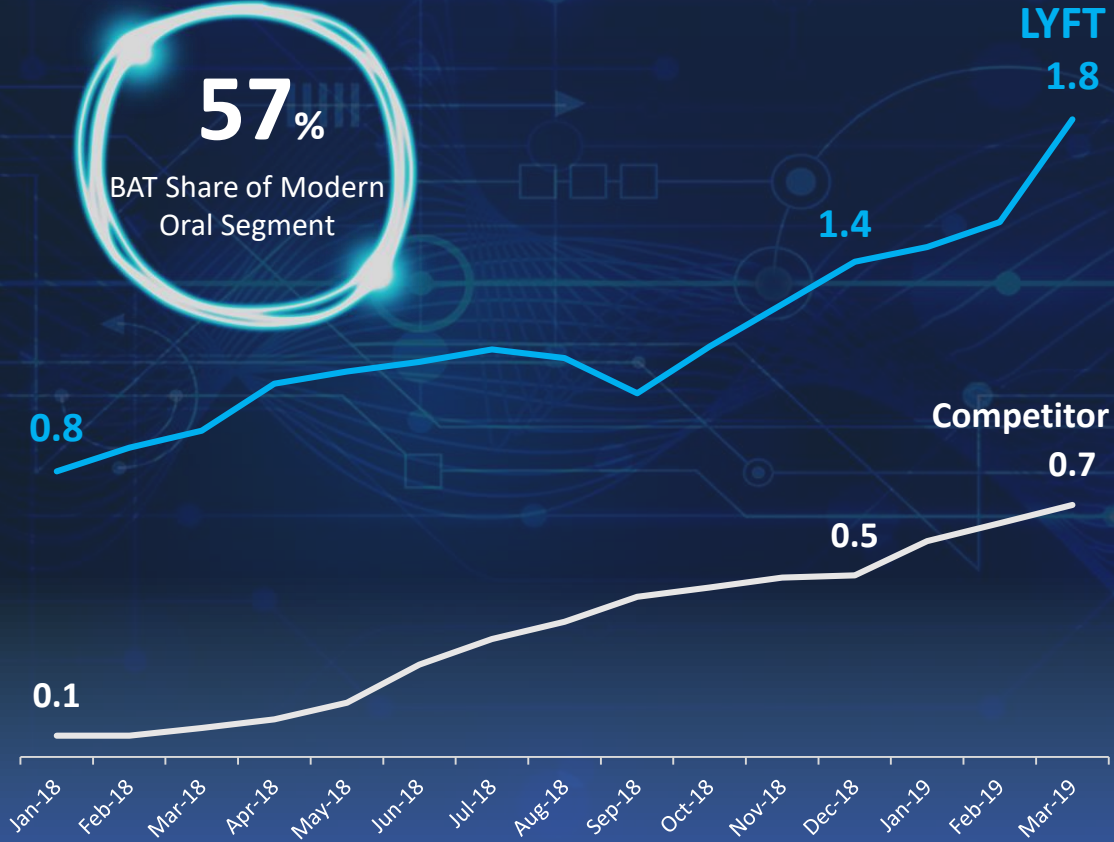
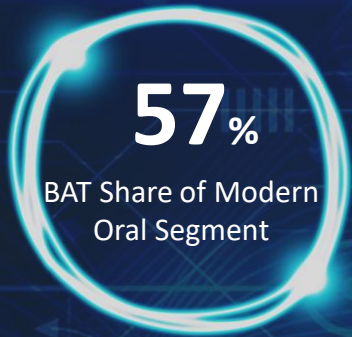
Leading category growth in traditional oral markets



SWE

LYFT is outperforming competition

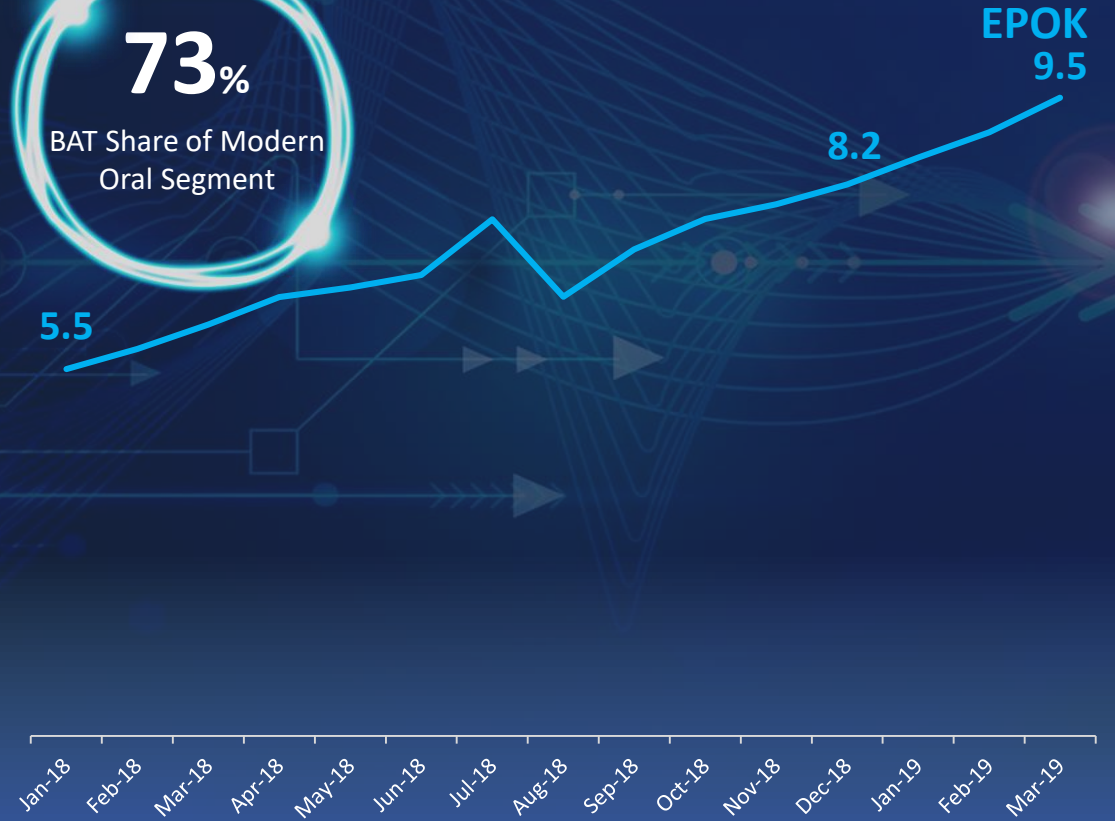
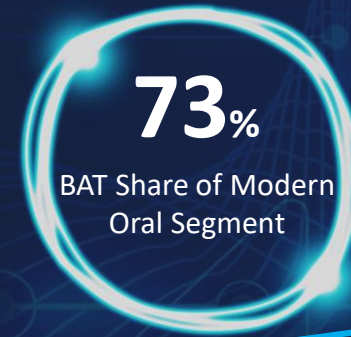
Share of oral category



NOR

EPOK is the fastest growing brand

Share of oral category



Source: Nielsen

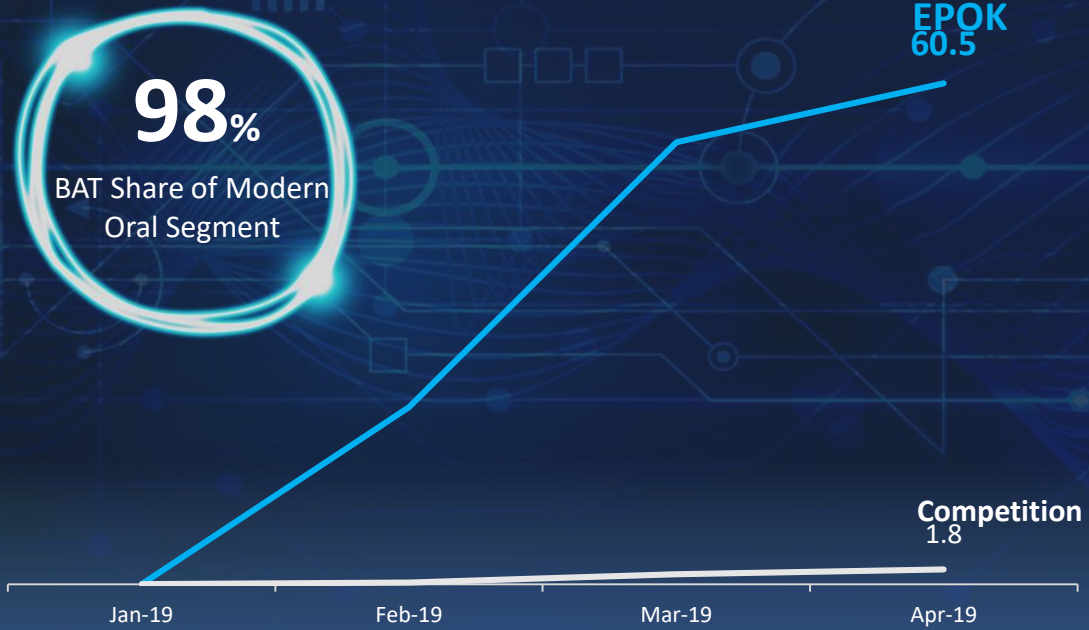
Segment leadership in new oral markets



DK

EPOK Category leader in Denmark

Share of oral category



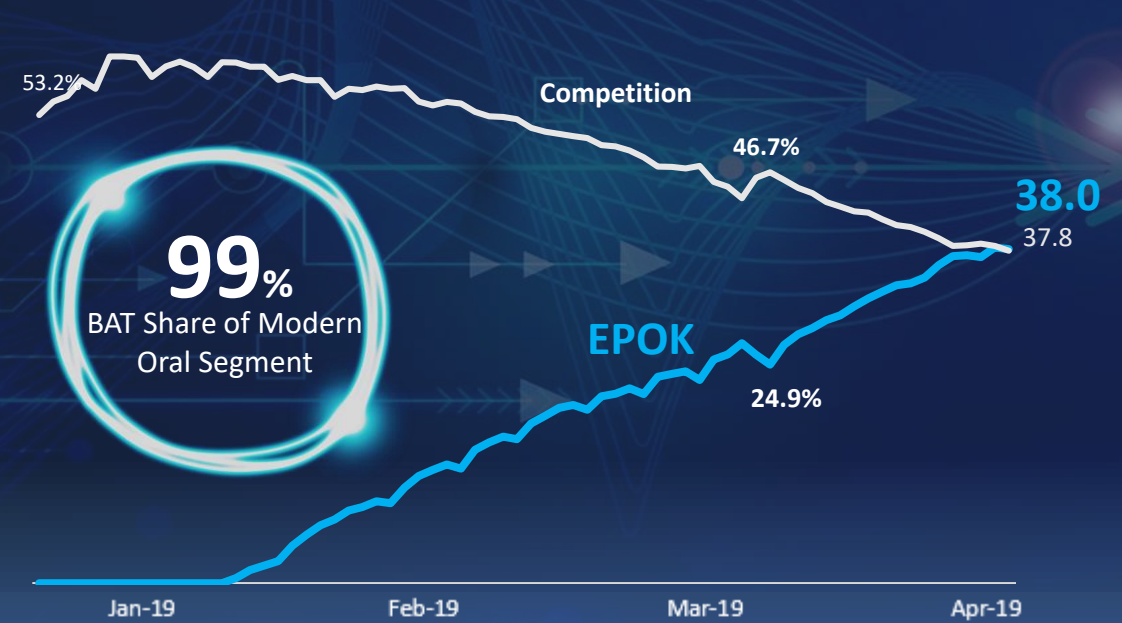
Source: Nielsen



SWZ

EPOK #1 Brand

Share of oral category



Source: Scan data

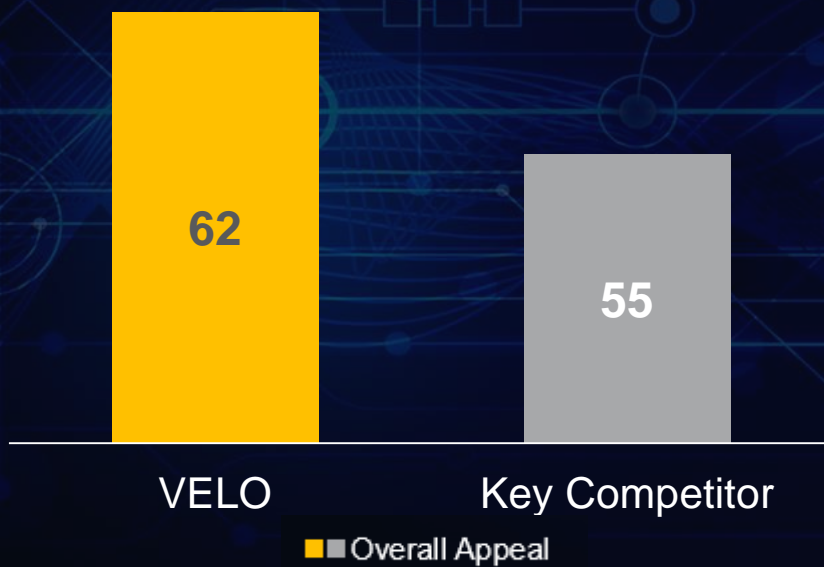
Substantial US growth opportunity for Velo

Significant US roll-out from July

Roll-out to 70k outlets by year end

Direct consumer engagement in key US cities

Comprehensive marketing plan across all channels



	VELO	Key Competitor
Uniqueness (%T2B)	51%	42%
Expectations Exceeded (%)	36%	24%
Satisfying Experience (%T2B)	69%	57%
Recommend to ATCs* (%T2B)	55%	42%

Source: Company data, * Adult Tobacco Consumer market research

Velo product superiority on overall appeal and key product measures

Summary | New Categories: Fewer brands, better products, more satisfaction

VAPOUR



Vapour products driving strong growth

Build a strong global brand

Rationalise SKUs and portfolio

THP



Continued growth in Japan with 17% share**

New Glo devices and consumables to be launched in H2 delivering higher product satisfaction and improved design

MODERN ORAL



Leadership in Modern Oral in Scandinavia & Switzerland

Substantial opportunity in the US

Significant US Velo rollout in July

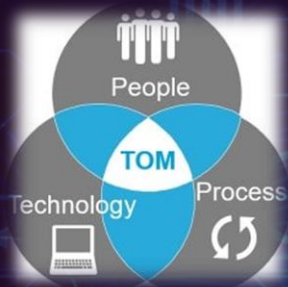
➤ Revenue growth around the middle of 30-50%* range, with a strong H2

* constant currency basis. See Appendix A3. ** Total nicotine share

Simplify the Company | focus, energy, resources

ORGANISATION REDESIGN

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 Adjusted Operating margin improvement`

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

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

*Adjusted diluted earnings per share at constant rates. See Appendix A2-A3.

Source (Accelerate Gross Margin): GDSB FMC performance index at constant FX, excluding US

Combustible value growth | the engine of Group delivery



Industry

c. **-3.5%**

volume decline**

+50 bps

Strategic Brand
Volume Share
growth YTD v FY18*

+10 bps

Corporate
Value Share
YTD growth v FY18

**Strong
Pricing**



➤ **Combustibles drive value for reinvestment in New Categories & deleveraging**

Source: Company data * T40 share growth. ** FY19 company estimate

Strong performance in the US

Value share +20bps

YTD vs. FY'18



Source: Company data

FY industry volume expected to be around -4-5%

Issues interpreting Nielsen data

Gas prices up 30%*

Vapour market impact c. -0.5%

Strong pricing

Complex, thorough process leads to slow regulation

Source: Company data * versus Jan 2019.

Summary | Three areas of focus – good progress, with more to come

STEP-CHANGE IN NEW CATEGORIES

Good progress:

- Proven and winning Vaping mix
- Modern Oral share growth in EU and Velo rollout in US

More to come:

- New THP devices and consumables with higher satisfaction
- Brand and product rationalisation
- Digital marketing

SIMPLIFY THE COMPANY

- Organisation redesign
- Cost savings areas identified

- Process review to simplify and speed up decision making and improve resource allocation

COMBUSTIBLE VALUE GROWTH

- Growing value share
- Focus on Strategic Brands

- Portfolio simplification and rationalisation

We deliver against our financial metrics | 2019 guidance

Net Revenue	New Category Revenue	Adjusted Profit from Operations	Adjusted Operating Margin
3-5%** Mid-Upper	30-50%** Avg CAGR	5-7%* Upper	50-100bps
Adjusted Diluted EPS	Dividend payout ratio	Free Cash Flow after Dividends	Adj Net Debt /Adj EBITDA
High Single Figure*	≥ 65%	≥ £1.5bn	-0.4x Ex. currency

Source: Internal Estimates * adjusted and constant rate basis . See Appendix A2-A3. ** constant currency basis. See Appendix A3.

Appendix

A1: Representative basis

Where appropriate, the Group presented (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 were termed “on a representative basis” and provided shareholders with a results comparison representative of the position as if the Group had owned the acquisitions throughout 2017 and 2018.

A2: Adjusting (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.

A4: Share metrics

Volume share: The retail sales volume of the product sold as a proportion of total retail sales volume in that category.

Value share: The retail sales value of the product sold as a proportion of total retail sales value in that category.

Exit share: The retail sales volume of the product as at a specific date sold as a proportion of total retail sales volume in that category at that date.

Premium share: The retail sales volume of the premium product sold as a proportion of total retail sales volume of premium products in that category.

Nicotine share: The retail sales volume of the nicotine product sold as a proportion of total nicotine product volume in that category.



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