



PRELIMINARY RESULTS 2016

23 February 2017





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Chief Executive



Important notice



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BAT and Reynolds intend to file relevant materials with the SEC, including a registration statement on Form F-4 that will include a proxy statement of Reynolds that also constitutes a prospectus of BAT. Investors and security holders are urged to read all relevant documents filed with the SEC (if and when they become available), including the proxy statement/prospectus, because they will contain important information about the Proposed Transaction. Investors and security holders will be able to obtain the documents (if and when available) free of charge at the SEC's website, <http://www.sec.gov> or for free from BAT upon request to BAT at batir@bat.com / +44 (0) 20 7845 1000 (for documents filed with the SEC by BAT) or from Reynolds at raiinvestorrelations@reynoldsamerican.com / +1 (336) 741-5165 (for documents filed with the SEC by Reynolds). Such documents are not currently available.

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PRELIMINARY RESULTS 2016

An exceptionally good year



A strong organic performance

Growth opportunity in NGPs

Long-term benefits from M&A



Ben Stevens

Finance Director



Summary

Financials

Current

Constant

Revenue
£14,751m

+12.6%

+6.9%

Profit
£5,480m

+9.8%

+4.1%

Margin
37.2%

-90bps

-100bps

EPS
247.5p

+18.8%

+10.4%

Volume

Cigarettes
665bn

+0.2%

Total Tobacco
689bn

+0.1%

GDBs
324bn

+7.5%

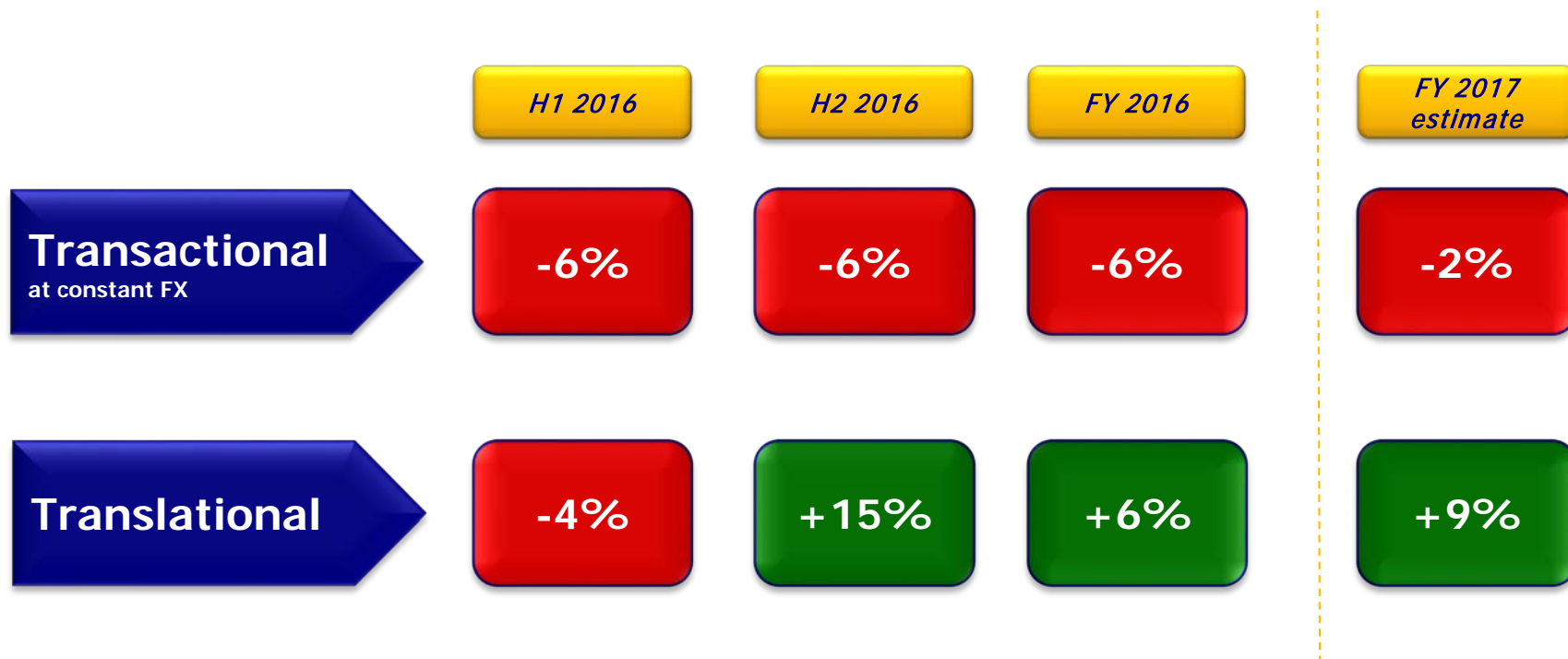
Total IBs
425bn

+3.1%

A strong organic performance

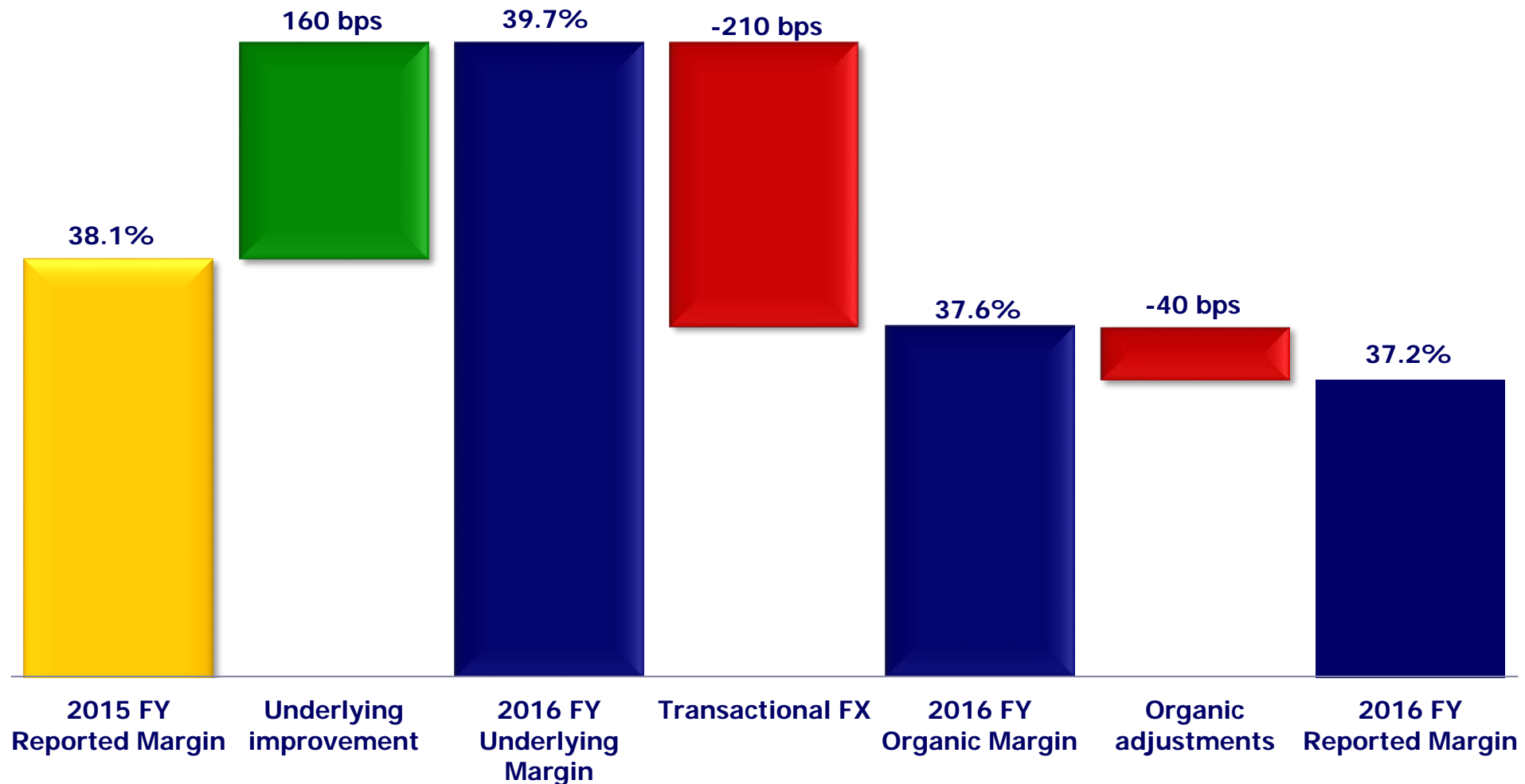
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Currency impact on Operating Profit



Translational FX tailwind
Transactional FX headwinds abating

Operating margin



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Asia Pacific – Regional Performance

Financials

Constant

Current

Revenue
£3,770m

-0.1%

+13.1%

Profit
£1,488m

+1.3%

+11.0%

Volume

Cigarettes
196bn

-0.9%

GDBs
85bn

+0.9%

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Americas – Regional Performance

Financials

Constant

Current

Revenue
£3,014m

+10.8%

+5.4%

Profit
£1,202m

+2.8%

+0.3%

Volume

Cigarettes
113bn

-8.8%

GDBs
41bn

+7.7%

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Western Europe – Regional Performance

Financials

Constant

Current

Revenue
£3,471m

+8.4%

+20.7%

Profit
£1,236m

+7.8%

+21.2%

Volume

Cigarettes
120bn

+6.7%

GDBs
75bn

+8.3%

PRELIMINARY RESULTS 2016

EEMEA – Regional Performance

Financials

Constant

Current

Revenue
£3,753m

+10.1%

+10.0%

Profit
£1,271m

+5.3%

+6.7%

Volume

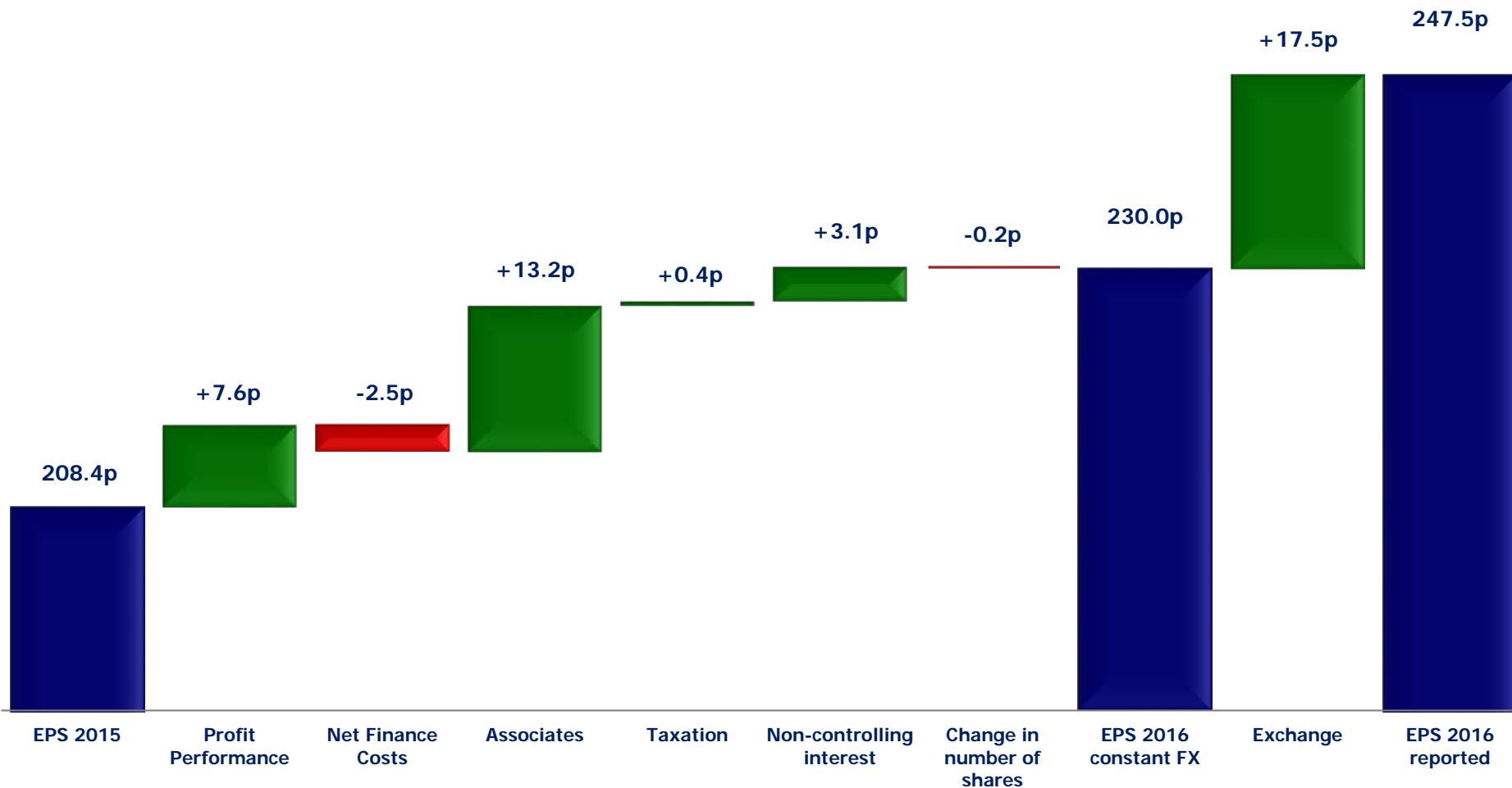
Cigarettes
236bn

+3.0%

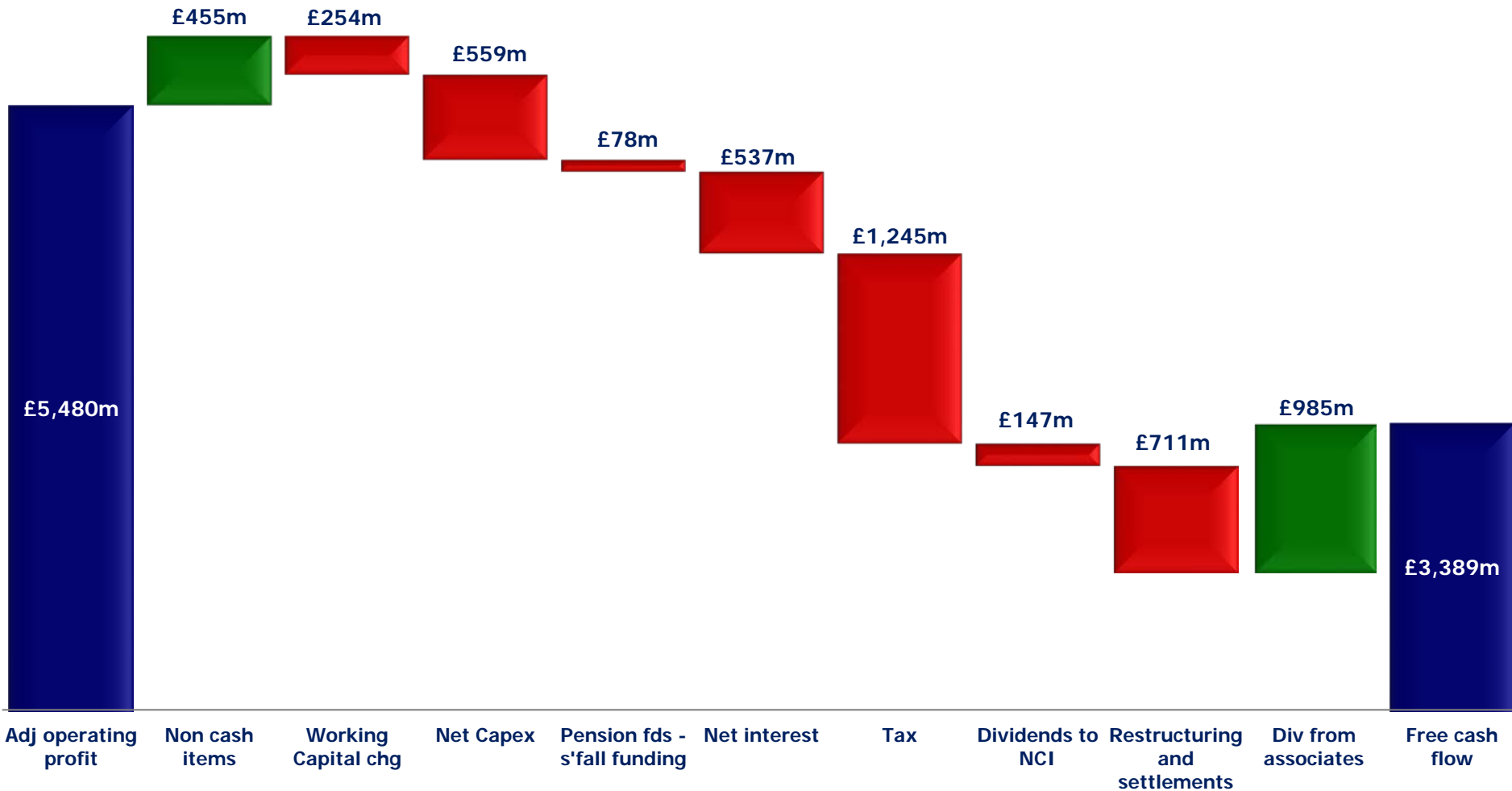
GDBs
123bn

+12.0%

Drivers of adjusted EPS growth



Cash flow



Financing/Shareholder returns

- Net Debt up £2bn to £16.8bn, mainly driven by FX
- Credit ratings confirmed at BBB+/Baa2 stable by S&P and Moody's post announcement of RAI recommended offer
- Seeking medium-term recovery to BBB+/Baa1
- Targeting Net Debt/EBITDA of around 3.0x by end 2019
- Full year dividend growth of 10%, payout ratio moving from 74% to 68%

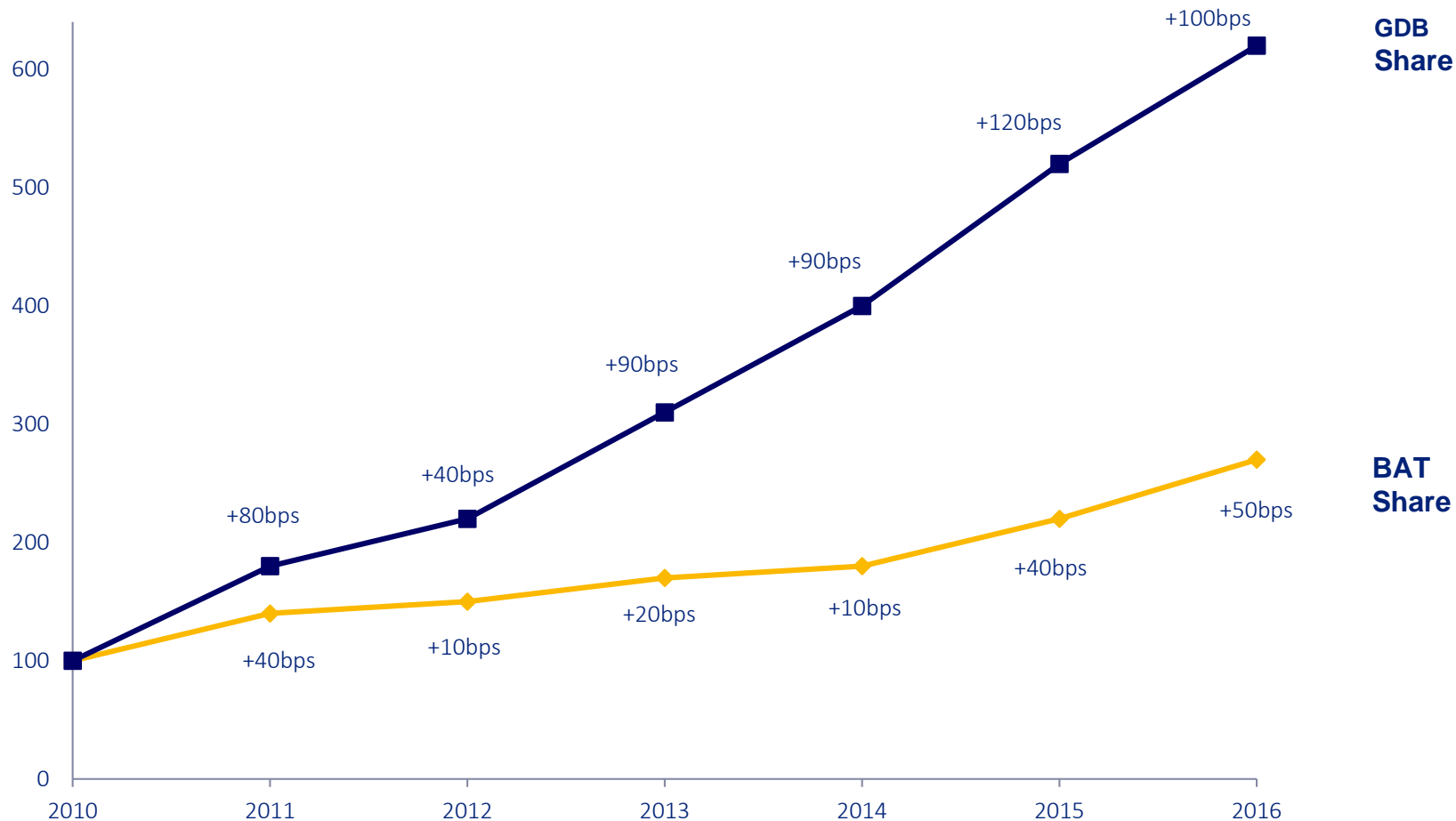


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Chief Executive



Consistent strong share growth powered by GDBs



Source: Independent Nielsen retail audit data

PRELIMINARY RESULTS 2016



- Vol: 57 bn, -3.3%
- Share flat

- Good share growth in Indonesia, South Africa, Romania
- #1 international kretek brand in Indonesia
- Impacted by market declines in Malaysia and Brazil



- Vol: 66 bn, +1.0%
- Share up 10bps

- Fastest growing cigarette brand in Japan
- Strong volume and share growth in Turkey
- Kent Spark – new brand imagery showing encouraging results



- Vol: 36 bn, +13.5%
- Share up 10bps

- Strong volume and share performances in: Germany, France, Chile and Italy
- Black series driving growth
- Indonesia – strong results following launch in May



- Vol: 92 bn, +0.1%
- Share up 10bps

- Volume impacted by industry contraction in Pakistan
- Strong share growth in Pakistan, Romania and Canada
- Record share in Romania driven by Extra Cut



- Vol: 73 bn, +36.9%
- Share up 70bps

- Turkey – fastest growing brand
- Strong performance in EEMEA, Western Europe and Australia
- Demi slims driving growth

Vapour



50%

All Market



35%

Nielsen Retail Audit*, 6MMA Share



7%

Internal estimates, retail channel*
share, 6MMA



4%

Internal estimates, retail channel*
share, 6MMA



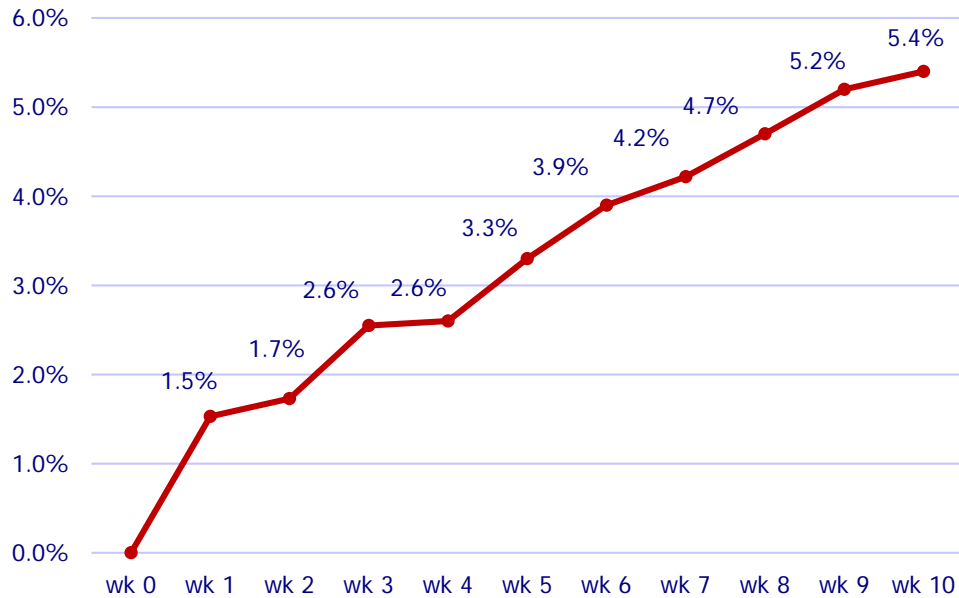
2%

Internal estimates, retail channel*

*Retail excludes specialist vape stores and online sales.

THP: Glo launch in Sendai

Glo consumables share - Sendai (CVS)



2016 – AN EXCEPTIONALLY GOOD YEAR

Volume

Share

Financials

VOLUME

+0.2%

CORPORATE
SHARE

+50bps

REVENUE

+7%

constant currency

PROFIT

+10%

constant currency
ex transactional fx

EPS

+16%

constant currency
ex transactional fx

GDB
VOLUME

+7.5%

GDB
SHARE

+100bps

Confident of another good year of constant currency earnings growth



SUPPLEMENTARY SLIDES

23 February 2017



Cigarette volumes by region FY 2016

Region	Billions		
	2016	2015	% change
Asia Pacific	196	198	-0.9%
Americas	113	124	-8.8%
Western Europe	120	112	+6.7%
Eastern Europe, Middle East and Africa	236	229	+3.0%
Group	665	663	+0.2%

Volume as reported

Cigarette volumes by region H2 2016

Region	Billions		
	2016	2015	% change
Asia Pacific	91	95	-4.0%
Americas	56	63	-11.0%
Western Europe	63	61	+3.0%
Eastern Europe, Middle East and Africa	123	123	-0.2%
Group	333	341	-2.7%

Volume as reported

Cigarette volumes by region Q4 2016

Region	Billions		
	2016	2015	% change
Asia Pacific	47	50	-5.2%
Americas	29	33	-12.6%
Western Europe	31	31	-2.2%
Eastern Europe, Middle East and Africa	61	63	-2.8%
Group	168	177	-5.2%

Volume as reported

Revenue by region FY 2016

Region	£m		
	2016	2015	% change
Asia Pacific	4,266	3,773	+13.1%
Americas	2,868	2,720	+5.4%
Western Europe	3,867	3,203	+20.7%
Eastern Europe, Middle East and Africa	3,750	3,408	+10.0%
Group	14,751	13,104	+12.6%

All numbers as reported

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Revenue by region H2 2016

Region	£m		
	2016	2015	% change
Asia Pacific	2,279	1,880	+21.2%
Americas	1,571	1,336	+17.6%
Western Europe	2,138	1,740	+22.9%
Eastern Europe, Middle East and Africa	2,094	1,750	+19.7%
Group	8,082	6,706	+20.5%

All numbers as reported

Adjusted profit from operations FY 2016

Region	£m		
	2016	2015	% change
Asia Pacific	1,630	1,469	+11.0%
Americas	1,172	1,169	+0.3%
Western Europe	1,389	1,146	+21.2%
Eastern Europe, Middle East and Africa	1,289	1,208	+6.7%
Group	5,480	4,992	+9.8%

All numbers as reported

Adjusted profit from operations H2 2016

Region	£m		
	2016	2015	% change
Asia Pacific	869	693	+25.4%
Americas	636	547	+16.3%
Western Europe	799	627	+27.4%
Eastern Europe, Middle East and Africa	724	618	+17.2%
Group	3,028	2,485	+21.9%

All numbers as reported

PRELIMINARY RESULTS 2016

Top 40 market share movements (1)

Market	SOM FY16 (%)	Movement (ppt)
Argentina	23.7	(0.1)
Australia	39.8	0.1
Bangladesh	61.8	2.6
Belgium*	30.7	(0.3)
Brazil	76.2	(1.8)
Canada	48.2	(0.9)
Chile	95.4	0.8
Colombia**	48.5	0.6
Czech	20.6	0.5
Denmark	72.8	(0.8)

Market	SOM FY16 (%)	Movement (ppt)
France	17.7	0.3
GCC	28.6	(1.8)
Germany	19.4	0.0
Indonesia	6.9	0.2
Italy	18.8	(0.4)
Japan	13.0	0.3
Kazakhstan	16.8	2.7
Malaysia	57.1	(3.8)
Mexico**	36.4	0.2
Netherlands	25.8	(0.7)

Based on retail audit

* YTD November

**YTD June

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Top 40 market share movements (2)

Market	SOM FY16 (%)	Movement (ppt)
New Zealand	70.2	0.2
Pakistan	70.6	1.8
Philippines	0.9	0.1
Poland	28.3	1.2
Romania	54.4	1.3
Russia	22.5	1.4
South Africa	80.0	(1.3)
South Korea	14.2	(0.8)

Market	SOM FY16 (%)	Movement (ppt)
Spain	10.7	0.0
Switzerland	37.9	(0.5)
Taiwan	10.0	(0.2)
Turkey	21.7	1.0
UK	9.6	(0.4)
Ukraine	25.8	4.3
Vietnam	30.5	(0.1)

Based on retail audit

Foreign currencies

	Average		Closing	
	2016	2015	2016	2015
Australian dollar	1.824	2.036	1.707	2.026
Brazilian real	4.740	5.101	4.022	5.831
Canadian dollar	1.795	1.954	1.657	2.047
Euro	1.224	1.378	1.172	1.357
Indian rupee	91.022	98.070	83.864	97.508
Japanese yen	147.466	185.012	144.120	177.303
Russian rouble	91.026	93.591	75.429	107.646
South African rand	19.962	19.522	16.898	22.839
US dollar	1.355	1.528	1.236	1.474



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