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Important notice (continued)

Additional information concerning these and other factors can be found in BAT’s and Reynolds’s filings with the U.S. Securities and Exchange Commission ("SEC"), including Reynolds’s most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and BAT’s registration statement on Form F-4, which was declared effective by the SEC on June 14, 2017, and Current Reports on Form 6-K, which may be obtained free of charge at the SEC’s website, [http://www.sec.gov](http://www.sec.gov), and BAT’s Annual Reports, which may be obtained free of charge from BAT’s website [www.bat.com](http://www.bat.com). Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof and BAT undertakes no obligation to update or revise publicly any forward-looking statements or other data or statements contained within this communication, whether as a result of new information, future events or circumstances otherwise.

No statement in this communication is intended to be a profit forecast or profit estimate and no statement in this communication 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.
COMMITTED TO THE CATEGORY

AN AMBITION TO LEAD

THE CAPABILITY TO DELIVER
Our 20:20 Vision

VISION:
To be the World’s best at satisfying consumer moments with Next Generation Products

AMBITION:
Achieve Global Leadership of NGP by 2020
Uniquely active in three NGP categories...
...because categories have Pros and Cons...

<table>
<thead>
<tr>
<th>THP</th>
<th>VAPOUR</th>
<th>LICENSED MEDICINAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Closer experience to</td>
<td>• Social acceptability</td>
<td>• Claims</td>
</tr>
<tr>
<td>smoking</td>
<td>• Sensory variety and choice</td>
<td>• Marketing freedoms</td>
</tr>
<tr>
<td>+ Utilise established</td>
<td>• Relative marketing</td>
<td>• Preferential VAT (UK)</td>
</tr>
<tr>
<td>tobacco brands</td>
<td>freedoms</td>
<td></td>
</tr>
<tr>
<td>+ New consumer ritual</td>
<td>• Lower excise</td>
<td></td>
</tr>
<tr>
<td>+ Regulated as tobacco</td>
<td>+ Product development</td>
<td>+ Product development</td>
</tr>
<tr>
<td>excise</td>
<td>+ Regulatory uncertainty</td>
<td>+ Regulatory approval</td>
</tr>
</tbody>
</table>

... ultimately the **consumer will decide**
Which will generate shareholder value...

NGP SHAREHOLDER VALUE = Category Size x BAT % x Commercial Attractiveness

Category Size
- Consumers
- Regulation
- Products
- Marketing
- Cross-Tobacco category

BAT %
- Consumer Insights
- Products
- Marketing
- Regulation
- Footprint

Commercial Attractiveness
- Differentiated Products
- Brand Strength
- Fiscal Policy
- CoGs
- Consumer Value
Industry is forecast to treble in 5 Years

10 MARKETS ACCOUNT FOR 90% OF NGP CPTO

Industry CPTO excl. USA (£bn)

- 2015: 2.8
- 2015-20 Growth: 5.6
- 2020: 8.4

Source: Company data
Shaping Future Regulation

“Fostering innovation combined with marketing & distribution freedoms that enable category growth”

“Consumer quality & product safety standards that become the benchmark for industry & regulators”

“Fiscal policies that are aligned with the risk spectrum”

Providing consumers a choice of outstanding Next Generation Products
Delivered through an agile global supply chain
Building long term, sustainable value...

P&L structure of NGP may deliver lower % margins, but could drive equivalent, or greater, **absolute** margins.
Consumer interest is high...

Technology and the market forces will drive even better products

**CONSUMERS NEED REASSURANCE**

Public Health of England Announcement
- Average Daily Online Sales impact

<table>
<thead>
<tr>
<th>% tried</th>
<th>27%</th>
<th>26%</th>
<th>25%</th>
<th>23%</th>
<th>38%</th>
<th>34%</th>
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</thead>
<tbody>
<tr>
<td>% regular</td>
<td>7%</td>
<td>7%</td>
<td>9%</td>
<td>4%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Conversion</td>
<td>26%</td>
<td>27%</td>
<td>36%</td>
<td>17%</td>
<td>29%</td>
<td>24%</td>
</tr>
</tbody>
</table>

+70%

12th - 18th Aug
19th - 20th Aug
Whilst preferences are fast evolving...

This is a Consumer Technology Business

* Source: BAT internal 12 market NGP study
Shaping a Vype range to meet consumer needs…
Our products are leading in consumer tests
Communicated simply and crisply...
Vype performance and geo-expansion

**UK – Vype Performance**

<table>
<thead>
<tr>
<th></th>
<th>Jul-2014</th>
<th>Jul-2015</th>
<th>Change +/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share in Handlers*</td>
<td>2.1%</td>
<td>10.2%</td>
<td>+8ppt</td>
</tr>
<tr>
<td>Share in Rechargeable</td>
<td>2.3%</td>
<td>8.9%</td>
<td>+6ppt</td>
</tr>
<tr>
<td>Share of Consumables (Closed)</td>
<td>1.4%</td>
<td>6.4%</td>
<td>+5ppt</td>
</tr>
<tr>
<td>Distribution</td>
<td>18%</td>
<td>37%</td>
<td>+19ppt</td>
</tr>
</tbody>
</table>

**Vype**
- Awareness: 23% to 55%, +32ppt
- Trial: 5.0% to 21%, +16ppt
- Purchase: 3.5% to 9.5%, +6ppt

**Vype Imagery (vs leading Competitor)**
- Modern: +12%
- High Quality: +7%
- Good Taste: +14%
- Premium: +13%

* Nielsen Key account data – Tesco, Sainsburys, Superdrug

**Planned launches in:**
- Italy
- Poland
- France
Licensed Medicinal - Voke®

A BREATH ACTIVATED NICOTINE INHALER, LICENSED BY THE DEPARTMENT OF HEALTH AS A SAFER ALTERNATIVE TO SMOKING

NEW RITUAL
RAPID NICOTINE DELIVERY
COOL, FRESH TASTE
DISCREET, NO VAPOUR
6-8 PUFFS / STICK
20 CHARGES / PACK
YOUR FUTURE. NOT SMOKING.

VOKE NICOTINE INHALER. THE NEXT GENERATION CIGARETTE SUBSTITUTE FOR SMOKERS.

LICENSED BY THE DEPARTMENT OF HEALTH AS A SAFER ALTERNATIVE TO SMOKING.
Tobacco Heating Products
THP – differentiated platform propositions

**PLATFORM 1**

An intuitive device that is simple and convenient. Heats a unique tobacco stick to deliver great tobacco taste.

**PLATFORM 2**

A new-to-world ‘Hybrid system’ combining tobacco with vapour technology for a truly authentic taste.
Leveraging a THP Master Brand
Reinforcing our NGP commitment

Leveraging partnerships & building commercial scale
Our NGP future...

• **Global potential**, with a sizeable and **growing NTO pool**
• **Investing** to create **long-term profitable growth**
• **Leading the transformation** of the Industry, a **win:win:win** intersect
• The **Regulatory environment** is uncertain, but **we are working to shape it**
• **Significant progress** across a 3-category portfolio & brand building
• Delivered through an **agile and global Supply Chain**
• **Partnering & venturing** to accelerate our journey

**GLOBAL LEADERSHIP** OF NGP BY 2020
Investor Day 2015