Interim Results 2019

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Important Information

Forward-looking Statements (continued)

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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.

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Delivering a stronger, simpler, faster organisation

- COMBUSTIBLE VALUE GROWTH
- STEP-CHANGE IN NEW CATEGORIES
- SIMPLIFY THE COMPANY
Strong H1 results | on track for a good year

STRONG COMBUSTIBLES PERFORMANCE

NEW CATEGORY REVENUE GROWTH ON TRACK FOR FULL YEAR

DELIVERING OUR FINANCIAL OBJECTIVES
## Delivering on our financial objectives

<table>
<thead>
<tr>
<th>Metric</th>
<th>REPORTED HY 2019 @ Current rates</th>
<th>2019 Guidance</th>
<th>ADJUSTED HY 2019 @ Constant rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>+4.6%</td>
<td>Mid-Upper end +3-5%* of range</td>
<td>+4.1%</td>
</tr>
<tr>
<td>New Category Revenue</td>
<td>+31.3%</td>
<td>+30-50%*</td>
<td>+27.3%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>-210 bps</td>
<td>+50-100 bps</td>
<td>+110 bps</td>
</tr>
<tr>
<td>Profit From Operations</td>
<td>-1.3%</td>
<td>Upper end of +5-7%* range</td>
<td>+5.9%</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>+4.6%</td>
<td>High Single Figure*</td>
<td>+7.1%</td>
</tr>
<tr>
<td>Leverage</td>
<td>-</td>
<td>-0.4x ex-currency</td>
<td>on track</td>
</tr>
</tbody>
</table>

* Adjusted and constant rate basis. See Appendix A1-A2. Source: Company data

Source: Internal Estimates
A strong performance in combustibles

- **Cigarette Price mix**: +7.0%
- **Volume**: -3.5%
  - H1 BAT (Cigs+THP)
- **Cigarette Price mix** Share YTD growth: +10bps
- **Corporate Volume** Share YTD growth: Flat
- **Strategic Brand Volume** Share YTD growth: +60bps
- **Corporate Value** Share YTD growth: +50bps
- **Strategic Brand Value** Share YTD growth: Flat

Source: Company data. Share growth versus FY18.
Winning in the US where it matters

- **+3.7%** Revenue*
- **+11.2%** Adj Profit From Ops*
- **+30bps** Value share
- **-10bps** Volume share
- **+40bps** Premium share
- **+70bps** ASU30 share

<table>
<thead>
<tr>
<th>Industry volume</th>
<th>HY FY estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-5.4%**</td>
</tr>
<tr>
<td></td>
<td>c. -5.5%</td>
</tr>
</tbody>
</table>

*Adjusted and constant rate basis. See Appendix A1-A2. Share growth versus FY18. ** STW: Shipments to wholesale. Source: Company data
New Category revenue growth on track for FY guidance

H1 growth*: +27%

H1 Vapour growth*: +58%

H1 Modern Oral growth*: +284%

H1 THP growth*: +4%

Around the middle of FY19 growth*: +30-50%

*Adjusted and constant rate basis. See Appendix A1-A2. ~ FY19 guidance Source: Company data
Focus on fewer stronger brands
Vapour | Great products driving growth

Source: Retail value share data Jun 19 with growth v Dec 18
Modern Oral products EPOK & LYFT continue to drive category growth in Europe

Share of total oral volume in Norway, **12.1%**

Share of total oral volume in Sweden, **13.4%**

EPOK share of total oral volume in Denmark: **66.6%**

EPOK share of total oral volume in Switzerland: **41.9%**

Source: Share data based on Jun 19 with growth v Dec 18

Source: Nielsen

Source: Scan data

Source: Nielsen
THP | Total nicotine volume share growth continues in Japan

+30bps
glo share in Japan 5%

+80bps
Total nicotine volume share in Japan 17.5%

Source: CVS BC

Share of category

<table>
<thead>
<tr>
<th>&gt;10%</th>
<th>5-10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>Serbia</td>
</tr>
<tr>
<td>Poland</td>
<td>National</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>Russia</td>
</tr>
<tr>
<td>Key cities</td>
<td>Ukraine</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
</tr>
</tbody>
</table>
H2 New Category activity expected to accelerate growth
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H2 New Category activity expected to accelerate growth

- US manufactured
- 4 SKUs offering Mint/Citrus flavours
- Nationwide US distribution to 75k outlets planned by year end
- Brand building campaign with direct consumer engagement set to:
  - Reach over 25m adult tobacco consumers
  - Deliver nearly 2bn impressions
Delivering a stronger, simpler, faster organisation

- Deliver 50-100bps of margin improvement pa
- Release funds for growth
- Focus on investment returns
- Generate cash to de-lever the balance sheet
Strong revenue growth

+4.1% Revenue growth* v H1 18

Strategic Combustible revenue up +5.2%*

Strong pricing

New Categories growth

*Adjusted and constant rate basis. See Appendix A1-A2. Source: Company data
## Good growth across the regions

*Adjusted and constant rate basis. See Appendix A1-A2. Source: Company data

<table>
<thead>
<tr>
<th>Region</th>
<th>Adjusted Revenue*</th>
<th>Value Share</th>
<th>Adjusted Profit from operations*</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>APME</td>
<td>+1.6%</td>
<td>+20 bps</td>
<td>+4.6%</td>
<td>-2.3%</td>
</tr>
<tr>
<td>AMSSA</td>
<td>+7.5%</td>
<td>Flat</td>
<td>+0.8%</td>
<td>-3.5%</td>
</tr>
<tr>
<td>ENA</td>
<td>+4.6%</td>
<td>-10 bps</td>
<td>+0.1%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>US</td>
<td>+3.7%</td>
<td>+30 bps</td>
<td>+11.2%</td>
<td>-6.0%</td>
</tr>
</tbody>
</table>
Increasing investment and growing margin

+110 bps growth v H1 18

2018 Adjusted Operating Margin: 41.8%
Changes in underlying business: 2.5%
Incremental New Categories investment impact: -1.1%
Impact of transactional FX: -0.3%
2019 Adjusted Operating Margin: 42.9%
Strong profit growth

+5.9%

Adjusted Profit from Operations growth* v H1 18

Strong revenue growth* driven by pricing

Continued drive for efficiency gains

Increased investment in New Categories

*Adjusted and constant rate basis. See Appendix A1-A2. Source: Company data
Adjusted Net Debt higher due to MSA payment timing and IFRS 16

2018 average: 1.335 Close: 1.274
2019 H1 average: 1.294 Close: 1.273
*Opening Net Debt includes IFRS16 impact £0.6bn

ACCELERATING DELIVERY
On track to de-lever at 0.4x ex-currency

Adj Net Debt*/Adj EBITDA* FY19 guidance

2018 Closing 4.0x Committed to FY Free cashflow after dividends of £1.5bn

2019 Outlook 3.6x FY Operating cash conversion target above 90%

2020 Outlook 3.2x Dividend – 65% pay-out ratio / growth in GBP terms

*Adjusted Net Debt is total borrowings, including related derivatives, less cash and cash equivalents and current available-for-sale investments, excluding the impact of the revaluation of RAI acquired debt arising as part of the purchase price allocation process.

Adjusted EBITDA is not a measure defined by IFRS. Adjusted EBITDA is profit for the year before net finance costs/income, taxation on ordinary activities, depreciation, amortisation, impairment costs, the Group’s share of post-tax results of associates and joint ventures, and other adjusting items.
High Single Figure earnings growth*

+7.1%*

Adjusted and constant rate basis. See Appendix A1-A2. Source: Company data
Strong H1 results

- **Volume**: -3.5%
- **Adjusted Revenue**: +4.1%*
- **Adjusted Profit from Operations**: +5.9%*
- **Adjusted Diluted EPS**: +7.1%*
- **Group market share**: Flat
- **Group value share**: +10bps
- **Strategic brand market share**: +60bps
- **Strategic brand value share**: +50bps

*Adjusted and constant rate basis. See Appendix A1-A2. Source: Company data
On track for a good year

› On track for the full year guidance
› New Category revenue expected around the middle of 30-50% range
› Building a stronger, simpler, faster organisation
› Delivering high single figure EPS growth
Q&A
Appendix

A1: 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.

A2: 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.

A3: 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.
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.