Interim Results 2018

26th July 2018

Nicandro Durante
Chief Executive Officer
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These statements are often, but not always, made through the use of words or phrases such as “believe,” “anticipate,” “could,” “may,” “would,” “should,” “intend,” “plan,” “potential,” “predict,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy,” “outlook,” “target” and similar expressions.

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Important Information

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On track for another good year

Strong growth in the Strategic Portfolio

Reynolds performing well

NGPs on track for full year revenue >£1bn

* The BAT 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
### 2018 Interim results highlights

<table>
<thead>
<tr>
<th></th>
<th>VOLUME</th>
<th>REVENUE</th>
<th>PROFIT FROM OPERATIONS</th>
<th>EPS~</th>
</tr>
</thead>
<tbody>
<tr>
<td>REPORTED</td>
<td>+11.0%</td>
<td>+56.9%</td>
<td>+72.4%</td>
<td>-3.3%</td>
</tr>
<tr>
<td>ADJUSTED** CURRENT</td>
<td>-2.2%*</td>
<td>-6.4%*</td>
<td>-5.4%*</td>
<td>+2.1%</td>
</tr>
<tr>
<td>ADJUSTED** CONSTANT</td>
<td>-2.2%*</td>
<td>+1.9%*</td>
<td>+2.4%*</td>
<td>+10.4%</td>
</tr>
</tbody>
</table>

NGP Revenue\(^\wedge\) +167%* to £427m

* Results communications in 2018 include the presentation of results (volume, revenue and profit from operations) 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 will be termed “on a representative basis” and will provide shareholders with a results comparison representative of the Group having owned the acquisitions throughout 2017.

\(^\wedge\) Revenue and growth at constant rates \(^\wedge\) EPS refers to diluted EPS \(\wedge\) see Appendix A2
Strong Strategic Brand Performance - Combustible + THP

Strategic Brand Global Share including THP +160bps

US Strategic Brand Share* Flat

* on a representative basis see Appendix A1
The US – a good underlying performance

US market dynamics remain robust

2018 Industry (STR) YOY % Change

Jan: -7.7%
Feb: -6.1%
Mar: -7.4%
Apr: -3.9%
May: -2.0%
Jun: -2.9%

AVG -5.0%

- Revenue up +1.8% at constant, excluding one-off comparator benefits (NAS inventory sale)
- Vapour market up +20% YTD; but <5% of overall tobacco market
- Continue to see limited impact on cigarette industry volume
- Volume down 5.5%, broadly in line with the industry
- Strategic brand share was flat, Premium share +10bps

Cost synergies ahead of plan

2018 - $140m

- Procurement: 14%
- Corporate Functions: 33%
- Operations: 54%

FDA

- Submitted comments on ANPRMs
- Carbon Tip Tobacco Heating Product SE clearance now received
- Camel Snus application to be considered by TPSAC in September
- glo SE application response expected 2019
Oral tobacco - strong revenue growth

**USA**
- Strong price realisation driving +9% Revenue growth
- Grizzly share down to 31.5% following strong growth in 2017

**Europe**
- Fastest growing Premium Oral brand in Sweden and Norway
- Diverse product range of flavour variants and nicotine levels
- Strong Margins
- EPOK has grown to a 14% category share in Switzerland in just 10 weeks

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Oral Tobacco Revenue\(^\wedge\) +11.3%* to £473m

<table>
<thead>
<tr>
<th>Year</th>
<th>ASC Market Share in the US</th>
<th>BAT market share - Sweden</th>
<th>BAT market share - Norway</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>31.9%</td>
<td>7.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td>2013</td>
<td>32.4%</td>
<td>9.5%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>33.1%</td>
<td>4.8%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>33.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>33.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>34.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018 YTD</td>
<td>34.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* on a representative basis see Appendix A1
\(^\wedge\) Revenue and growth stated at constant rates
THP - growth expected to accelerate in H2

- Combined THP+Cigarette share up +80bps to 16.2% v Dec 2017
- Glo market share up 1% since December, flat since March

H2 Activity plan

- glo series 2
- neo
- glo Mini

- glo in Japan
- glo in other countries

S KOREA
- Share of THP category 6%
- Market share 0.7% v 0.3% in Dec 2017
- glo relaunch in Q3 with new Neo brand variants
Vapour – growing global business

**UK**
- UK Market grew by 25.8% in H1 (volume)
- BAT Vapour retail share grew +20bps in value to 41.1% v FY17
- VYPE ePen3 UK launch underway

**US**
- Vapour category continues to grow, market value up +20% YTD;
- VUSE volume up over 20% and growing revenue, ex-Vibe recall
- VUSE share down 10ppt's to 21%

**US Pod-mod launching in Q3**

**Vapour continues to grow**

<table>
<thead>
<tr>
<th>FRANCE</th>
<th>GERMANY</th>
<th>POLAND</th>
<th>CANADA</th>
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</thead>
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TRANSFORMING TOBACCO

British American Tobacco
On track for another good year

- Strong growth in the Strategic Portfolio
- Reynolds performing well
- NGPs on track for full year revenue >£1bn

On track for another good year of constant currency earnings growth

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## 2018 Interim Results – Consistent delivery

### Financials

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Adjusted~</th>
<th>Adj Current %*</th>
<th>Adj Constant %*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>£11,636mn</td>
<td>£11,533mn</td>
<td>-6.4%</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>Profit from Operations</strong></td>
<td>£4,438mn</td>
<td>£4,818mn</td>
<td>-5.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td><strong>Diluted EPS</strong></td>
<td>117.4p</td>
<td>137.2p</td>
<td>2.1%</td>
<td>10.4%</td>
</tr>
</tbody>
</table>

### Volume

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</thead>
<tbody>
<tr>
<td><strong>Cigarettes &amp; THP Organic</strong></td>
<td>348bn</td>
<td></td>
<td></td>
<td>-2.2%</td>
</tr>
</tbody>
</table>

* on a representative basis see Appendix A1, ~ see Appendix A2
2018 Interim Results – US

**Adjusted Revenue**
- **Constant**: £4,943mn
- **Current**: -8.5%*

**Adjusted Profit from Operations**
- **Constant**: £2,295mn
- **Current**: -3.8%*

**Volume - 39bn sticks**
- -5.5%*

**Strategic brands – 36bn sticks**
- -4.9%*

**Market Share**
- -10bps*

* on a representative basis see Appendix A1, ~ see Appendix A2, ^ measured as cigs+THP
2018 Interim Results – APME

**Constant**
- Adjusted Revenue: £2,620mn
- Adjusted Profit from Operations: £1,033mn

**Current**
- Adjusted Revenue: £2,580mn (−3.9%)
- Adjusted Profit from Operations: £907mn (−12.7%)

**Main drivers**
- Volume - 116bn sticks: +3.5%
- Strategic brands - 55bn sticks: +15.4%
- Market Share: +110bps

**Offset by**

* on a representative basis see Appendix A1, ~ see Appendix A2, ^ measured as cigs+THP
## 2018 Interim Results – AMSSA

<table>
<thead>
<tr>
<th></th>
<th>Constant</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted* Revenue</td>
<td>£2,206mn</td>
<td>+2.9%*</td>
</tr>
<tr>
<td>Adjusted* Profit from Operations</td>
<td>£920mn</td>
<td>+4.1%*</td>
</tr>
</tbody>
</table>

### Main drivers

- **Volume - 77bn sticks**
  - -5.9%
- **Strategic brands - 39bn sticks**
  - +27.8%
- **Market Share**
  - -10bps

### Offset by

- Local portfolio

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* on a representative basis see Appendix A1, ~ see Appendix A2, ^ measured as cigs+THP
## 2018 Interim Results – ENA

<table>
<thead>
<tr>
<th></th>
<th>Constant</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted(^\sim) Revenue</td>
<td>£2,784mn</td>
<td>+1.3(^*)</td>
</tr>
<tr>
<td>Adjusted(^\sim) Profit from Operations</td>
<td>£968mn</td>
<td>+2.2(^*)</td>
</tr>
</tbody>
</table>

### Main drivers

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Volume – 117bn sticks</td>
<td>-3.9(^*)</td>
</tr>
<tr>
<td>Strategic brands - 86bn sticks(^^)</td>
<td>+11.0(^*)</td>
</tr>
<tr>
<td>Market Share</td>
<td>Flat(^*)</td>
</tr>
</tbody>
</table>

### Offset by

<p>| |</p>
<table>
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<th></th>
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<tbody>
<tr>
<td>EU</td>
</tr>
<tr>
<td>Russia</td>
</tr>
<tr>
<td>Italy</td>
</tr>
<tr>
<td>Ukraine</td>
</tr>
<tr>
<td>Singapore</td>
</tr>
</tbody>
</table>

\(^*\) on a representative basis see Appendix A1, \(^\sim\) see Appendix A2, \(^^\) measured as cigs+THP
2018 Interim Results – Adjusted Operating Margin Up 50bps

2017 Reported OM: 38.7
Representative Adjustment: +2.6
2017 Representative OM: 41.3
Changes in Underlying Business: +1.8
Impact of NGP Investment: +1.3
2018 Reported OM: +0.5
41.8
2018 Interim Results – Adjusted Diluted EPS Growth Drivers

2017 EPS: 134.4
Adjusted profit: 93.1
Net finance costs: 17.7
Associates: 29.2
Taxation: 2.1
NCI: 0.2
Number of shares: 34.1
2018 EPS ConR: 148.4
FX Impact: 11.2
2018 EPS CurR: 137.2

+10.4% and +2.1% growth.
2018 Interim Results – Adjusted Cash Generated from Operations

Adj operating profit: £4,818m
Non cash items: £285m
Working Capital chg: £214m
Net Capex: £231m
Pension fds - s’fall funding: £73m
Net interest: £723m
Tax: £813m
Dividends to NCI: £96m
Adjusted Cash Generated from Operations: £2,953m
<table>
<thead>
<tr>
<th>Key Metrics</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt/EBITDA</td>
<td>Returning to the higher end of 1.5x – 2.5x</td>
</tr>
<tr>
<td>Credit Rating S&amp;P &amp; Moody’s</td>
<td>Seeking medium-term recovery to BBB+/Baa1</td>
</tr>
<tr>
<td>Dividend</td>
<td>Quarterly dividends effective Jan 2018</td>
</tr>
</tbody>
</table>
2018 Interim Results – Summary

Volume
-2.2%*

Financials
Adjusted~ Revenue +1.9%* Constant currency
Adjusted~ Profit +2.4%* Constant currency
Adjusted~ Diluted EPS +10.4% Constant currency

Strategic Brand Volume
+11.7%*

Share
Group Market Share +40bps
Strategic Brands Share +160bps
US Strategic Brands Flat*

* on a representative basis see Appendix A1, ~ see Appendix A2
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Appendix

A1: Representative basis
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A2: Adjusting (Adj.)
In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles (“GAAP”) under which the Group reports. 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. Adjusting items, as identified in accordance with the Group’s accounting policies, represent certain items of income and expense which the Group considers distinctive based on their size, nature or incidence.