Paris DB Consumer Conference

Jack Bowles | Chief Executive
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Forward-looking Statements (continued)

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Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. Readers are cautioned not to place undue reliance on such forward-looking statements.

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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.

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.
<table>
<thead>
<tr>
<th>Net Revenue</th>
<th>New Category Revenue</th>
<th>Adjusted Profit from Operations</th>
<th>Adjusted Operating Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>+3.5%*</td>
<td>+97%*</td>
<td>+4.0%*</td>
<td>+40bps</td>
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<td></td>
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<td>180bps ex NGP Investment</td>
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</table>

<table>
<thead>
<tr>
<th>Adjusted Diluted EPS</th>
<th>Dividend pay-out ratio</th>
<th>Free Cash Flow after Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>+12%**</td>
<td>+68%</td>
<td>£3.3bn</td>
</tr>
<tr>
<td></td>
<td></td>
<td>£1.9bn ex MSA timing</td>
</tr>
</tbody>
</table>

Source: Company data. Financial data relates to FY18 results. Growth metrics 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 growth driven by Alto and Vibe

Share of consumables volume (millilitres)

- Overall Vuse family share (ml) 19.1%
- Alto share (ml) 8.3%
- Vibe share (ml) 5.5%

* Growth v Dec 18

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

ePen3  
12.1%

Key competitor  
5.0

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**

- Exit share '17
- YTD'19
- vs. Exit'17

**Strong total nicotine share growth (FMC+THP)**

- Exit share ‘17
- YTD’19
- vs. Exit’17

Source: CVS BC

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

- **glo Pro**
  - Rated Superior on:
    - Premium device
    - Taste consistency
    - Session length

- **glo Nano**
  - 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

**LYFT is outperforming competition**

**Share of oral category**

- **57%**
  - BAT Share of Modern Oral Segment

- **LYFT**
  - 1.8

- **Competitor**
  - 0.7

**EPOK is the fastest growing brand**

**Share of oral category**

- **73%**
  - BAT Share of Modern Oral Segment

- **EPOK**
  - 9.5

- **Competitor**
  - 5.5

Source: Nielsen
Segment leadership in new oral markets

**EPOK Category leader in Denmark**

- **Share of oral category**
  - **98%** BAT Share of Modern Oral Segment
  - **EPOK 60.5**
  - **Competition 1.8**

**Source:** Nielsen

**EPOK #1 Brand**

- **Share of oral category**
  - **99%** BAT Share of Modern Oral Segment
  - **EPOK**
  - **Competition**
    - **53.2%**
    - **46.7%**
    - **38.0**
      - **37.8**

**Source:** Scan data

**DK**

**SWZ**

**ACCELERATING DELIVERY**
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

<table>
<thead>
<tr>
<th></th>
<th>Velo</th>
<th>Key Competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Appeal</td>
<td>62</td>
<td>55</td>
</tr>
</tbody>
</table>

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

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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

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Continued Growth and Returns to drive EPS*
Combustible value growth | the engine of Group delivery

Industry

-3.5% volume decline**

British American Tobacco

Strategic Brand
Volume Share
growth YTD v FY18*

50 bps

Corporate
Value Share
YTD growth v FY18

10 bps

Strong Pricing

Combustibles drive value for reinvestment in New Categories & deleveraging

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

ACCELERATING DELIVERY
Strong performance in the US

Value share +20bps

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

<table>
<thead>
<tr>
<th>STEP-CHANGE IN NEW CATEGORIES</th>
<th>SIMPLIFY THE COMPANY</th>
<th>COMBUSTIBLE VALUE GROWTH</th>
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</table>

**Good progress:**
- Proven and winning Vaping mix
- Modern Oral share growth in EU and Velo rollout in US
- Organisation redesign
- Cost savings areas identified
- Growing value share
- Focus on Strategic Brands

**More to come:**
- New THP devices and consumables with higher satisfaction
- Brand and product rationalisation
- Digital marketing
- Process review to simplify and speed up decision making and improve resource allocation
- Portfolio simplification and rationalisation
We deliver against our financial metrics | 2019 guidance

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
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<tbody>
<tr>
<td>Net Revenue</td>
<td>3-5%** Mid-Upp</td>
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<tr>
<td>New Category Revenue</td>
<td>30-50%** Avg CAGR</td>
</tr>
<tr>
<td>Adjusted Profit from Operations</td>
<td>5-7%* Upper</td>
</tr>
<tr>
<td>Adjusted Operating Margin</td>
<td>50-100bps</td>
</tr>
<tr>
<td>Adjusted Diluted EPS</td>
<td>High Single Fig*</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>≥ 65%</td>
</tr>
<tr>
<td>Free Cash Flow after Dividends</td>
<td>≥ £1.5bn</td>
</tr>
<tr>
<td>Adj Net Debt / Adj EBITDA</td>
<td>-0.4x Ex. currency</td>
</tr>
</tbody>
</table>

* 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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