Winning strategy with proven track record

- Consistently executed strategy
- Challenging trading conditions in recent years
- High single figure constant earnings growth delivered
- Sustainable business model
- Well positioned for continued success
A winning formula

- Developing markets driving growth
- Strong brands driven by innovation
- Continuous margin improvement
- Commitment to shareholder returns
A winning formula

Developing markets driving growth

Strong brands driven by innovation

Continuous margin improvement

Commitment to shareholder returns
A strong geographic footprint

<table>
<thead>
<tr>
<th>Region</th>
<th>Volume split %</th>
<th>NTO/Mille (relative)</th>
<th>NTO CAGR (08-13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed</td>
<td>29%</td>
<td>1.8x</td>
<td>+3.2%</td>
</tr>
<tr>
<td>Developing</td>
<td>71%</td>
<td>1.0x</td>
<td>+7.5%</td>
</tr>
</tbody>
</table>

Developed markets – source of current profits
Developing markets – driver of future profits

Source: Company internal data, NTO at current rates
Developing markets - long term growth opportunity

**Adult Population**
- 2013: 2800 million
- 2023: 3400 million

**Adult Middle Class**
- 2013: 800 million
- 2023: 1600 million

**% of World Consumption Spend**
- 2013: 20%
- 2023: 50%

By 2023:
- +350m adults
- Adult Middle Class doubles (+700m adults)
- Consumption spend grows to 40% of world (+£12,000bn)

2+ x Russia
4+ x Russia
2 x North America

Source: World Bank & Oxford Economics – includes India & China
... and BAT is well positioned for the future

Strong, growing positions in key developing markets

<table>
<thead>
<tr>
<th>Country</th>
<th>BAT Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>0.1%</td>
</tr>
<tr>
<td>Russia</td>
<td>21.4%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>6.5%</td>
</tr>
<tr>
<td>India (ITC)</td>
<td>80.0%</td>
</tr>
<tr>
<td>Philippines</td>
<td>0.6%</td>
</tr>
<tr>
<td>Turkey</td>
<td>20.5%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>32.1%</td>
</tr>
<tr>
<td>Brazil</td>
<td>77.7%</td>
</tr>
<tr>
<td>Ukraine</td>
<td>18.3%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>45.3%</td>
</tr>
</tbody>
</table>

Investing in new opportunities

- Philippines
- China
- Indonesia
- Morocco
- Myanmar
A winning formula

- Developing markets driving growth
- Strong brands driven by innovation
- Continuous margin improvement
- Commitment to shareholder returns
A strong, growing international brand portfolio...

Global Drive Brands (including Rothmans) +7.8% p.a.

International Brands +1.8% p.a.

GDB+IBs +5.4% p.a.

GDB and Cigarette Volume – 2009-2013
... driven by Innovations...

Innovations rollout since 2009

GDB share growth
(including Rothmans)
Jan 12 – Dec 13 Exit Shares

AsPac  +110bps
Americas +460bps
W Europe  + 80bps
EEMEA  +170bps
Group  +150bps

Source: AC Nielsen Retail Audit
... which deliver results...

- Global market leader in Additive Free
- Recent launches: Brazil and Mexico
- Pall Mall Capsules driving growth in the Americas
- Strong global share growth driven by Reloc

- Additive Free volume (mn)
- Russia volume (mn)
- Tubes volume (mn)
- Capsule volume Americas

- Rothmans Demi-Slims growing strongly in Russia
- Tubes launched in 14 markets
- Rothman's of London
... and strong share growth

Source: AC Nielsen Retail Audit
Product innovation is sustainable

- Quality products (44% superior, 97% parity or better)
  - Better products taste better, consumers will pay more
- Differentiated taste and flavour will become increasingly important
- Visibly differentiated innovations with consumer USP

- Vertically integrated business a competitive advantage
  - 75% of leaf needs purchased directly from our contracted farmers
  - Relationships with farmers enable us to grow the leaf we require
- BAT well placed given likely future regulatory trends
  - More standardised packaging
  - Ingredients restrictions
And further growth opportunities exist in NGPs

- Volume remains <1% of WE consumption
- Industry growth rates have slowed
- Consumer behaviour evolving rapidly
- Products in development – eCigs, medicinal and HnB

Category is a growth opportunity
A winning formula

- Developing markets driving growth
- Strong brands driven by innovation
- Continuous margin improvement

Commitment to shareholder returns
Excellent margin progression...

Source: Company’s financial results, all years restated for IAS19
... with continuing opportunities for growth

- Factory Footprint – 67 factories closed since 2000
- Complexity reduction – packaging rationalisation and standardisation, reduced pack formats
- Pricing – price mix in the range of 5-8%, premium share growth (+150 bps since 2010)
- OneSAP / TaO

Confident of improving margin by 50-100 bps per year
Driven by a single global operating model

OneSAP driving margin

- Single instance of SAP drives standardisation of operating model
- Shared Services and Centres of Expertise:
  - Increased value added activities
  - Enable End Markets to focus on Brands, Trade, Regulation and Talent

OneSAP rollout progress

- Asia complete June 2014 - 28% of our volume on TaO
  - Malaysia: September 2012
  - Australasia: October 2013
  - South Asia: January 2014
- Next: Western Europe / Centre ➔ EEMEA ➔ Americas
- Complete by 2017
A winning formula

- Developing markets driving growth
- Strong brands driven by innovation
- Continuous margin improvement
- Commitment to shareholder returns
Committed to growing earnings and dividends...

CAGR in dividends 13% p.a.
CAGR in EPS 11% p.a.

Commitment to raising dividend in Sterling terms

Source: Company’s financial results as published

2012 EPS not restated for IAS19
... and returning cash to shareholders

<table>
<thead>
<tr>
<th>£bn, Current FX</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Cash Flow</td>
<td>2.6</td>
<td>3.2</td>
<td>3.3</td>
<td>3.3</td>
<td>3.4</td>
<td>15.8</td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>1.8</td>
<td>2.1</td>
<td>2.4</td>
<td>2.5</td>
<td>2.6</td>
<td>11.4</td>
</tr>
<tr>
<td>Share Buy-Back</td>
<td>0.0</td>
<td>0.0</td>
<td>0.8</td>
<td>1.3</td>
<td>1.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Total Shareholder Returns</td>
<td>1.8</td>
<td>2.1</td>
<td>3.2</td>
<td>3.8</td>
<td>4.1</td>
<td>15.0</td>
</tr>
<tr>
<td>Total Shareholder Returns as % of FCF</td>
<td>69%</td>
<td>66%</td>
<td>97%</td>
<td>115%</td>
<td>121%</td>
<td>95%</td>
</tr>
</tbody>
</table>

£15bn returned to shareholders since 2009
Driving a strong TSR performance

Growth in the value of a hypothetical £100 holding over 5 years

British American Tobacco
FTSE100
Q1 Trading

- Volume improving
- Pricing on track
- Continued good share growth
  - Premium share again grew faster than corporate share
- GDBs continued to perform well
- Innovations double digit volume growth
- Adverse FX – translational and transactional
- Remain confident of high single figure earnings growth on a constant currency basis

Business is performing well
A winning strategy

- A powerful brand portfolio
- World leading innovations
- Geographic diversity
- Fully integrated supply chain
- Margin growth opportunities
- Committed to shareholder returns

Proven strategy continues to deliver