

Sell Side Presentation

12 September 2019

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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.

It is believed that the expectations reflected in this presentation are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

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Important Information

Forward-looking Statements (continued)

Additional information concerning these and other factors can be found in BAT's filings with the U.S. Securities and Exchange Commission ("SEC"), including the Annual Report on Form 20-F filed on 15 March 2019 and Current Reports on Form 6-K, which may be obtained free of charge at the SEC's website, <http://www.sec.gov>, and BAT's Annual Reports, which may be obtained free of charge from the British American Tobacco website www.bat.com.

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.

No Profit or Earnings Per Share Forecasts

No statement in this presentation is intended to be a profit forecast and no statement in this presentation 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.

Audience

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Additional Information

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.

Delivering a stronger, simpler, faster organisation

COMBUSTIBLE VALUE GROWTH

STEP-CHANGE IN NEW CATEGORIES

SIMPLIFY THE COMPANY

Quantum | Simplifying the Company

COMBUSTIBLE VALUE
GROWTH



STEP-CHANGE
IN NEW CATEGORIES



SIMPLIFY THE
COMPANY

Quantum is about growth

Deliver simplification
&
Release funds to invest in
New Categories

Quantum | Building a stronger simpler faster organisation

Objectives

- **Faster, more agile** organisation
- Increased **accountability**
- More **empowered** employees
- **Quicker decision making**
- **Release resources** for reinvestment

Actions

- Reduce management layers - Reporting Business Units - 28 to 18
- Regional Support teams costs -50%
- Delivery - focused local business units
- Drive efficiencies in tail markets
- Expand scope of Global Shared Services Centre activities
 - Transactional – centre of excellence
 - Robotic process automation
 - Data analytics
- Optimise spans and layers, impacting:
 - 2,300 roles
 - >20% of senior management roles

Change ways of working

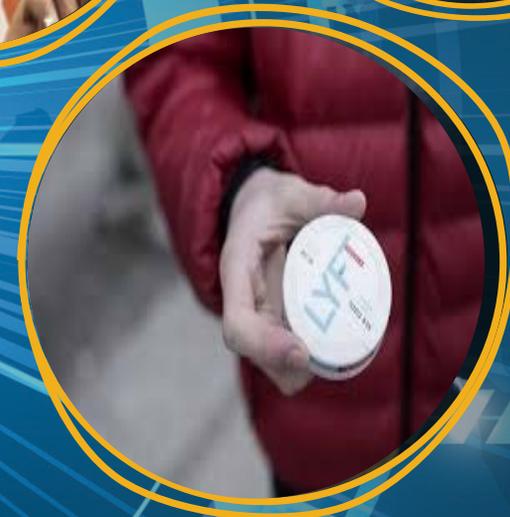
- Streamline Global Business Processes
- Enhance business and functional connectivity
- Organisational behaviours
 - Speed of delivery
 - Recognition of success
- Remove duplicative processes

Substantial completion expected by January 2020

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Tadeu Marroco

Finance Director

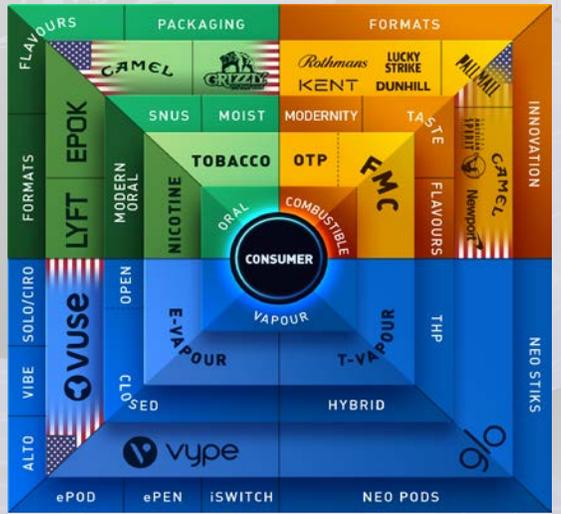


Strong H1 results



*Adjusted and constant rate basis. See Appendix A3 for share metrics. Source: Company data

Consumer insights drive portfolio approach



- › Evidence of poly-usage across categories supports BAT's portfolio approach
- › New consumption moments
- › Regulation drives different market environments
 - › Variable cross category marketing freedoms

Vapour | Strong progress in key markets



› Good results on \$0.99 promo and 2.4% launch

4x Alto Device Sales
(vs. pre-promotion)¹

+39% Alto pod volume
(vs. pre-promotion)¹

6.7% Share
Alto pod share
(+270bps vs. pre-promotion)²



ePen3 reached 10% Value share in Aug; surpassed JUUL



Vype is the market leader and growing: 16.3% Value share (Doubled in 9 months)



Vype accounts for > 50% of the closed vapour segment



Vype grew +540bps in Jul'19 vs. Mar'19; gaining ground on JUUL



Digital model off to a great start; >40% of sales in Zero-Nic

1: Compares Week 5 to pre-promotion week 0. STR volume (PUK) and RSD volume (pods) in Phase 1 promotion area (4 states)

2: Share based on Retail Scan Data in latest week See Appendix A3 for share metrics.

Source: Latest month value share in vapour segment based on scan in measured channels

THP | Strong push in October in Japan and building momentum in Russia



Japan accounts for 2/3 of global industry THP volumes



> Glo starting to build momentum in Russia

5x
Offtake Volume
Jul vs. Jan

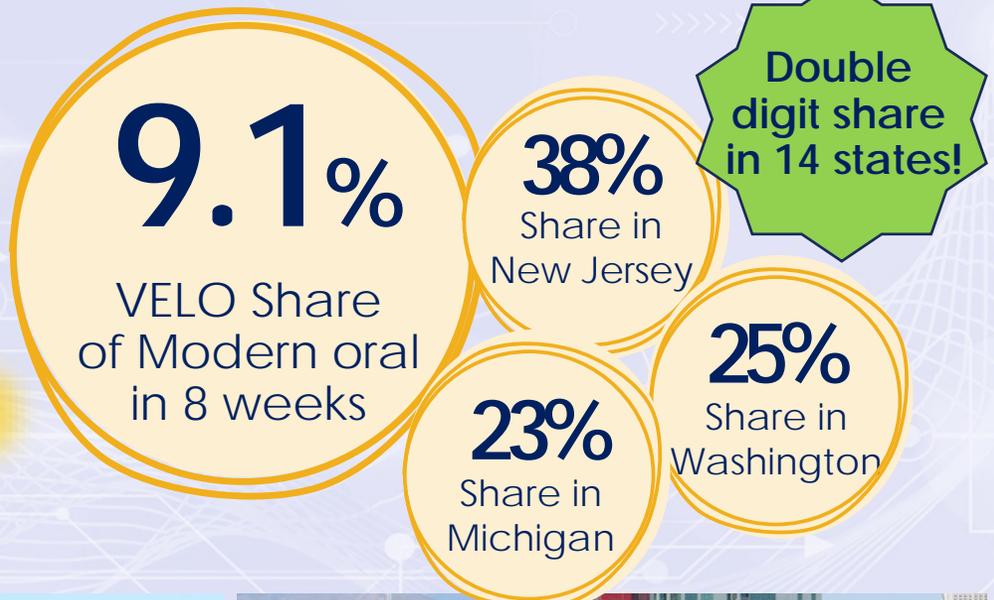
+40 bps
Closing in on 1%
Share in Moscow*

BAT share of total Nicotine in Japan 18.5% (+220bps vs. FY2018)

See Appendix A3 for share metrics. Total nicotine share based on w/c Aug 19th)

*Source: Nielsen share of shop handling in Moscow

Modern Oral | Fastest growing Modern Oral company in USA; leadership in the rest of the world



#1 Brand
In total oral within 4 months
with 31% volume share
Source: Nielsen share within total oral segment



Geo-Expansion

- > Expansion to 4 markets in last 2 months (USA, CZE, GER, KEN)
- > Currently in 12 markets; 17 expected by year end



Source: Volume share in modern oral based on Retail Scan data
See Appendix A3 for share metrics.

ACCELERATING DELIVERY

Combustibles | Strong performance fuelling growth

Value Share Growth



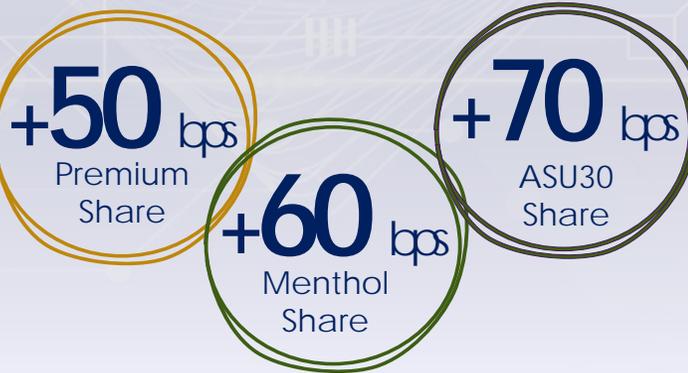
*Source: Company data. Q3'19 (YTD) vs. FY18
In-market growths are YTD'19 vs. FY'18

Strong H1 Pricing Delivered

+7.0%
Cig Price mix

Source: Company data. H1 19 vs. FY18

In USA, winning where it matters



Source: Company data. YTD 19 vs. SPLY

Winning in Strategic Segments

83% Of switchers & trialists accounted for by Strategic Segments



BAT Drive brands share of segment change



>90% Of BAT brand activities focus on Strategic Segments



Source: Company data: Track 2018, Company operational planning. New Product Innovation analysis, based on Retail Audit data from January 2015 to September 2018. Competitor 1 refers to PMI. Competitor 2 refers to ITG

Delivering on our financial objectives

	2019 Guidance	H2 priorities
Revenue	+3-5%* Mid-Upper	
New Category Revenue	+30-50%*	› Deliver Quantum and release additional resources
Operating Margin	+50-100 bps	› Drive value growth from combustibles
Profit From Operations	+5-7%* Upper	› Deliver New category growth around the middle of 30-50% range
Diluted EPS	High Single Figure*	› Deliver the Full Year guidance
Leverage	-0.4x ex-currency	

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

Source: Internal Estimates

On track for a good year

COMBUSTIBLE VALUE
GROWTH

STEP-CHANGE
IN NEW CATEGORIES

SIMPLIFY THE
COMPANY

- › 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

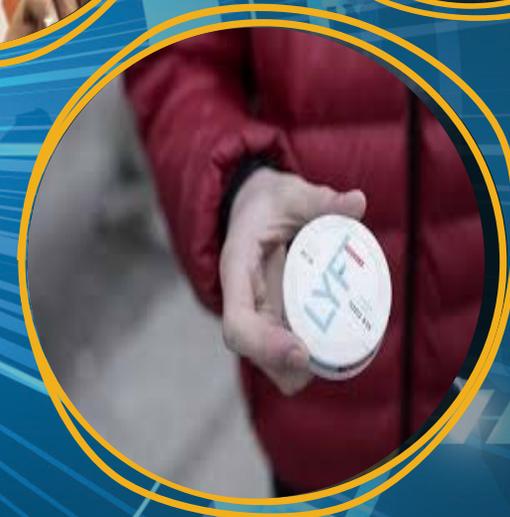
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Appendix

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.

Share of handling: The retail sales volume of the nicotine product sold as a proportion of the outlets within which the product is available.