

Interim Results 2018

26th July 2018

Nicandro Durante
Chief Executive Officer

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Important Information

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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

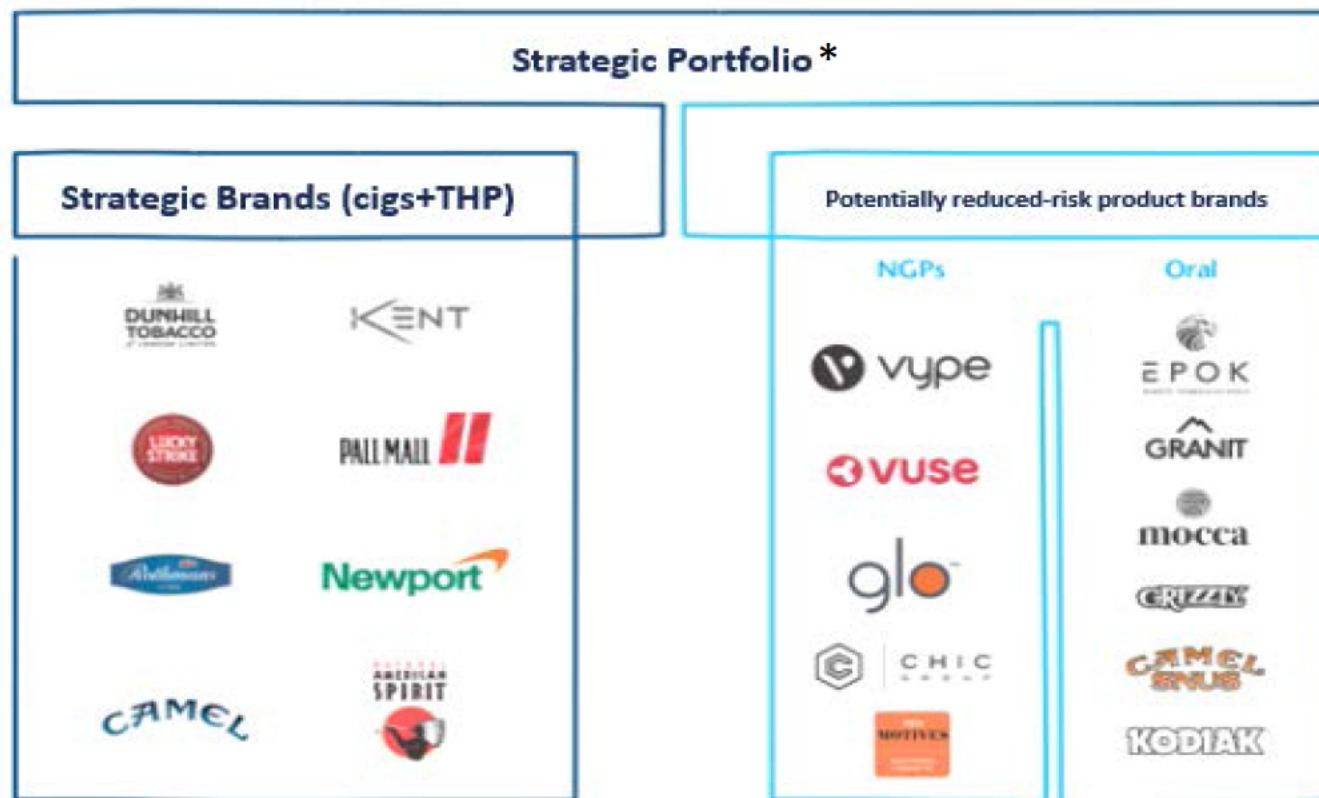
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On track for another good year

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

	VOLUME	REVENUE	PROFIT FROM OPERATIONS	EPS~
REPORTED	+11.0%	+56.9%	+72.4%	-3.3%
ADJUSTED" CURRENT	-2.2%*	-6.4%*	-5.4%*	+2.1%
ADJUSTED" CONSTANT	-2.2%*	+1.9%*	+2.4%*	+10.4%

**NGP
Revenue[^]
+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.

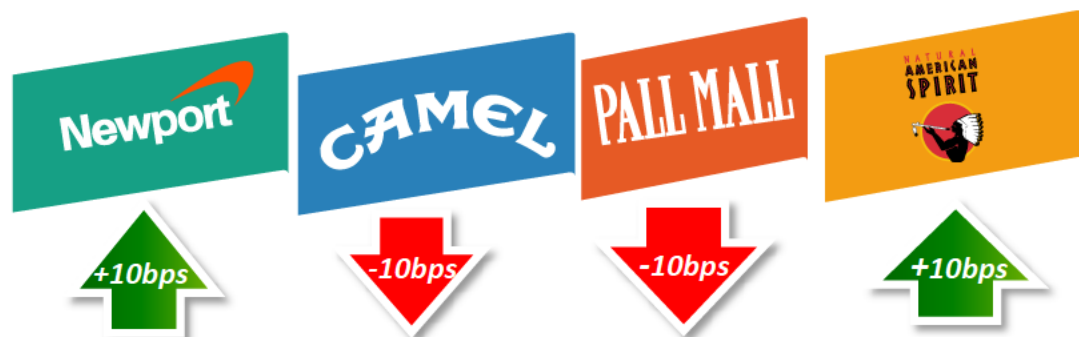
[^] Revenue and growth at constant rates ~ EPS refers to diluted EPS " see Appendix A2

Strong Strategic Brand Performance - Combustible + THP

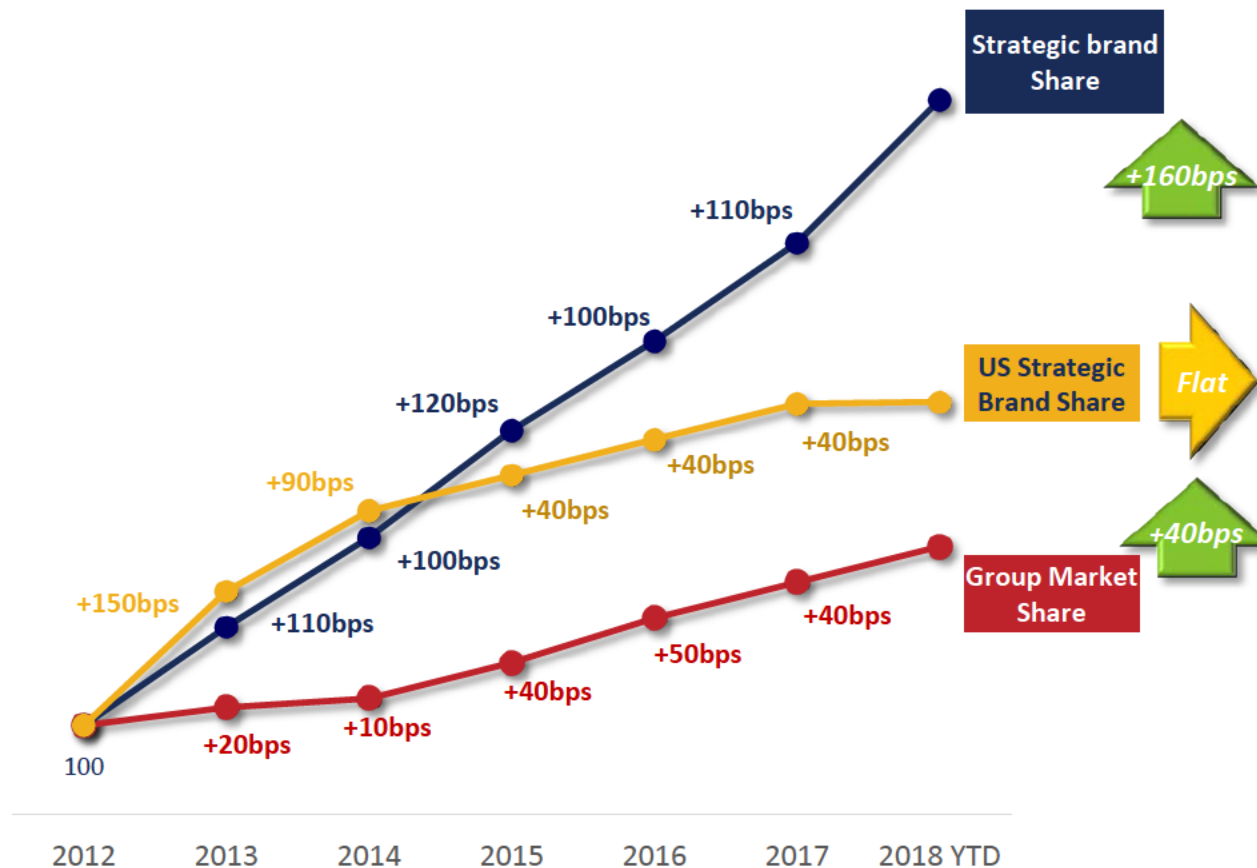
Strategic Brand Global Share including THP +160bps



US Strategic Brand Share* Flat



Strategic Brand Share +160bps

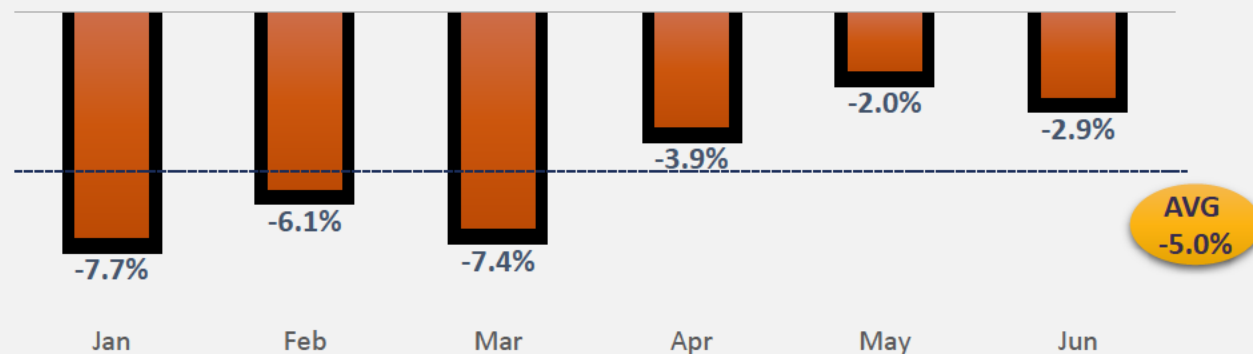


* on a representative basis see Appendix A1

The US – a good underlying performance

US market dynamics remain robust

2018 Industry (STR) YOY % Change

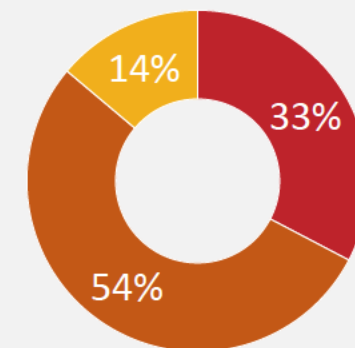


- Revenue up **+1.8%** at constant, excluding one-off comparator benefits (NAS inventory sale)
- Vapour market up **+20%** YTD; but **<5%** of overall tobacco market
- Continue to see limited impact on cigarette industry volume
- Volume down 5.5%, broadly in line with the industry
- Strategic brand share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

Cost synergies ahead of plan

2018 - **\$140m**

- Procurement
- Corporate Functions
- Operations



FDA

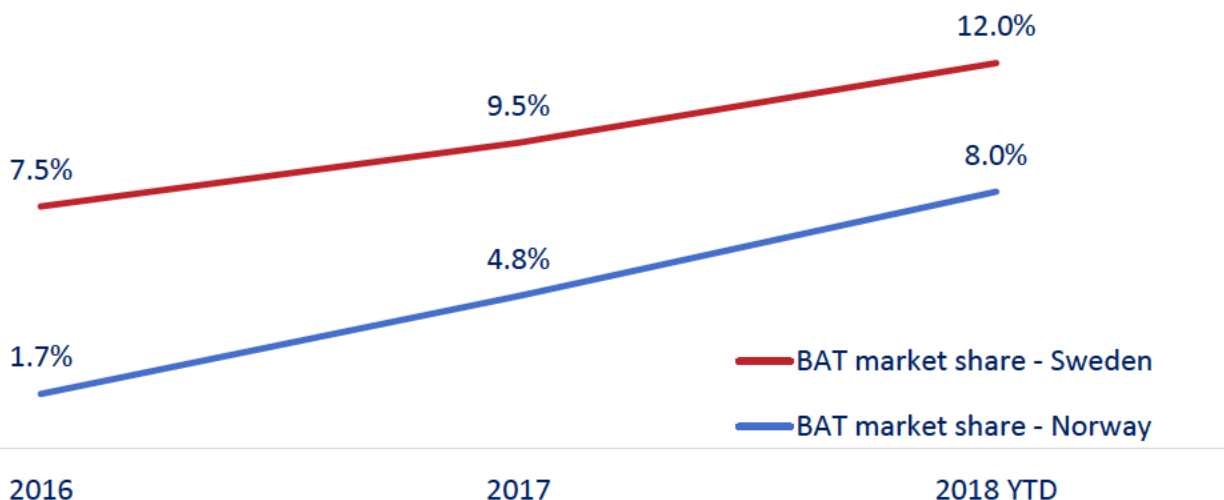
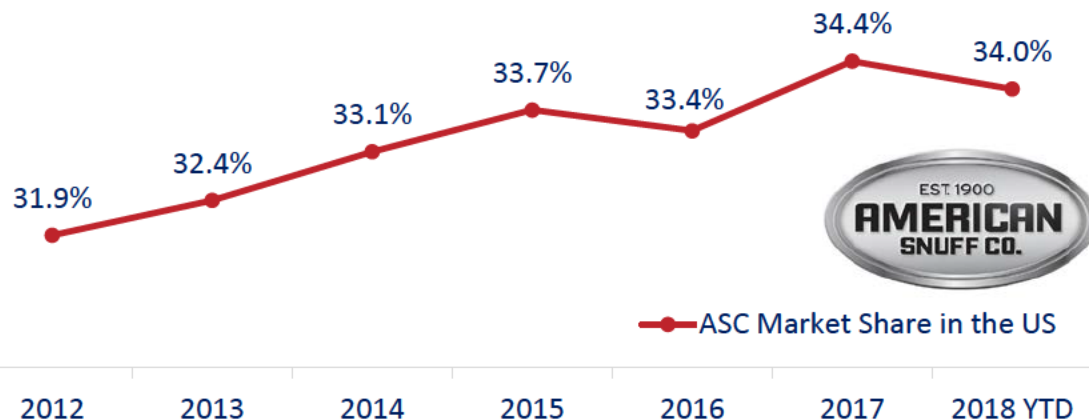


- Submitted comments on ANPRMs
- Carbon Tip Tobacco Heating Product SE clearance now received
- Camel Snus application to be considered by TPSAC in September
- glo SE application response expected 2019

Oral tobacco- strong revenue growth



Oral Tobacco Revenue[^] +11.3%* to £473m



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

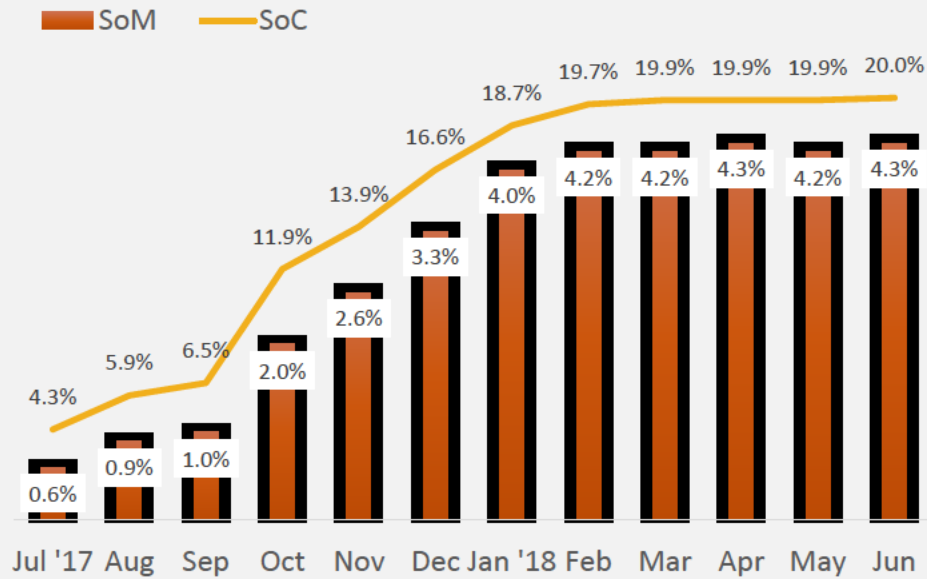
* on a representative basis see Appendix A1

[^] Revenue and growth stated at constant rates

THP - growth expected to accelerate in H2



glo in Japan



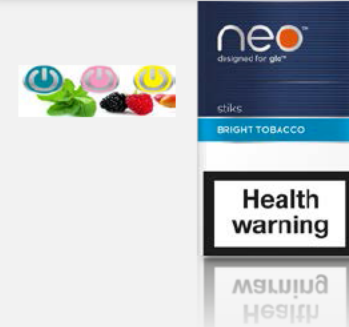
- Combined THP+Cigarette share up +80bps to 16.2% v Dec 2017
- Glo market share up 1% since December, flat since March

H2 Activity plan

glo series 2



neo



glo Mini



glo in 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

ROMANIA



CANADA



ITALY



RUSSIA



SWITZERLAND



Vapour – growing global business

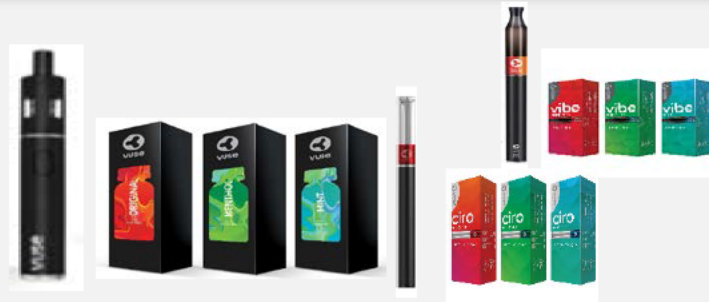


UK



- 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 10ppts to 21%

US Pod-mod launching in Q3



Vapour continues to grow

FRANCE



GERMANY



POLAND



CANADA



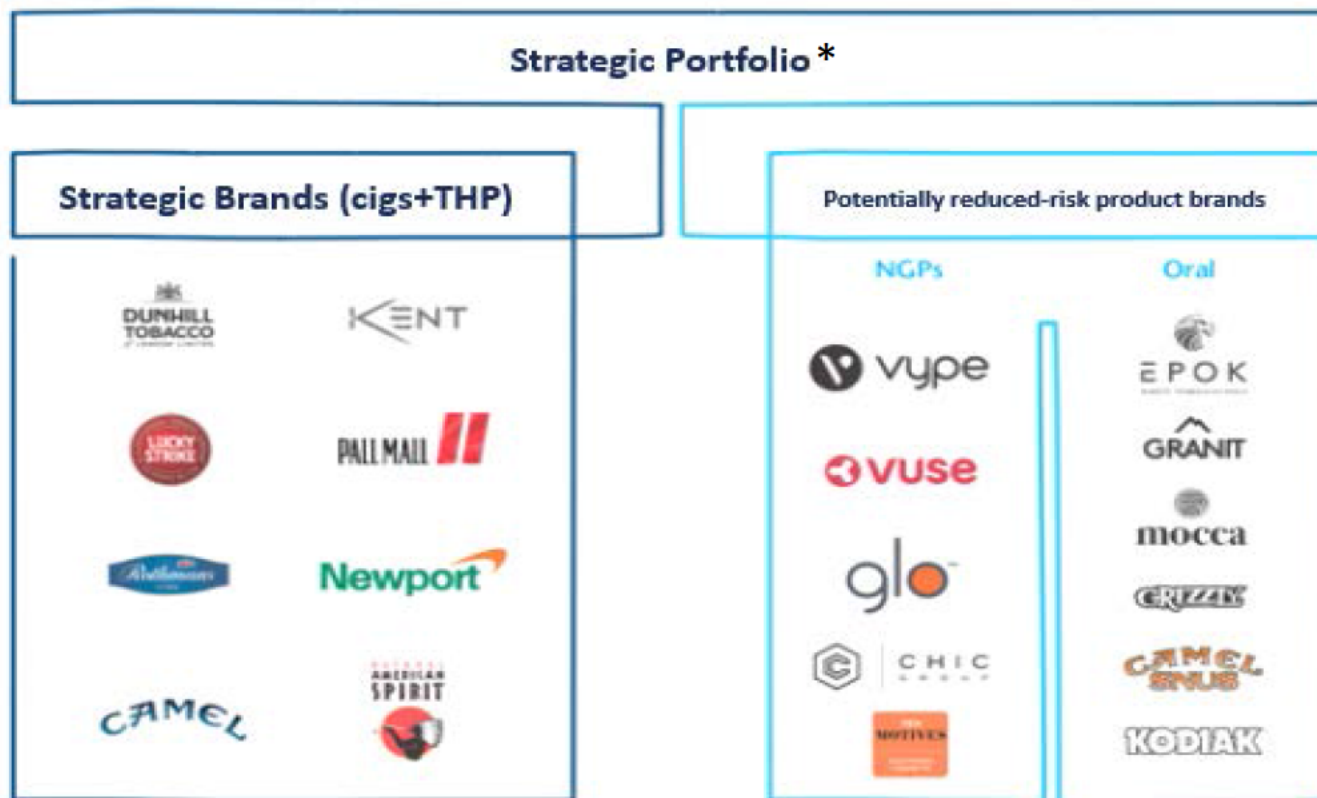
On track for another good year

Strong growth in the Strategic Portfolio

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NGPs on track for full year revenue >£1bn

On track for another good year of constant currency earnings growth



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Ben Stevens
Finance Director

2018 Interim Results – Consistent delivery

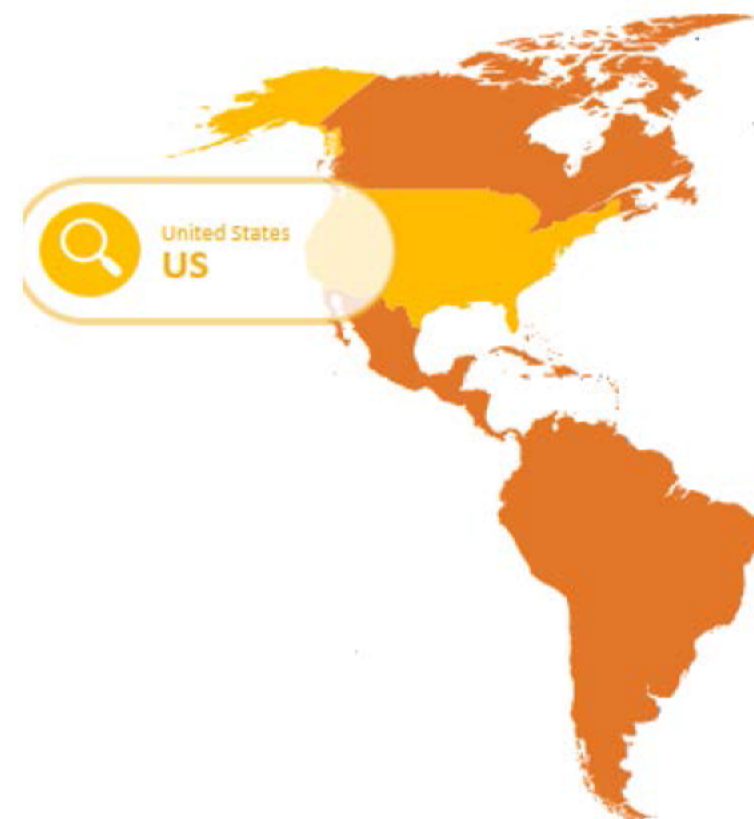
	Reported	Adjusted~	Adj Current %*	Adj Constant %*
Financials				
Revenue	£11,636mn	£11,533mn	-6.4%	1.9%
Profit from Operations	£4,438mn	£4,818mn	-5.4%	2.4%
Diluted EPS	117.4p	137.2p	2.1%	10.4%
Volume				
Cigarettes & THP Organic	348bn		-2.2%	

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

2018 Interim Results – US

	Constant		Current
Adjusted~ Revenue	£4,943mn	● Flat*	● -8.5%*
Adjusted~ Profit from Operations	£2,295mn	● +5.6%*	● -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		Current
Adjusted~ Revenue	£2,620mn	+5.6%*	-3.9%*
Adjusted~ Profit from Operations	£1,033mn	-5.0%*	-12.7%*



		Main drivers	Offset by
Volume - 116bn sticks	+3.5%		
Strategic brands - 55bn sticks^	+15.4%		
Market Share	+110bps		

* on a representative basis see Appendix A1, ~ see Appendix A2, ^ measured as cigs+THP

2018 Interim Results – AMSSA

	Constant		Current
Adjusted~ Revenue	£2,206mn	+2.9%*	-9.0%*
Adjusted~ Profit from Operations	£920mn	+4.1%*	-6.1%*

		Main drivers	Offset by
Volume - 77bn sticks	-5.9%		
Strategic brands - 39bn sticks^	+27.8%		
Market Share	-10bps	Local portfolio	












* on a representative basis see Appendix A1, ~ see Appendix A2, ^ measured as cigs+THP

2018 Interim Results – ENA

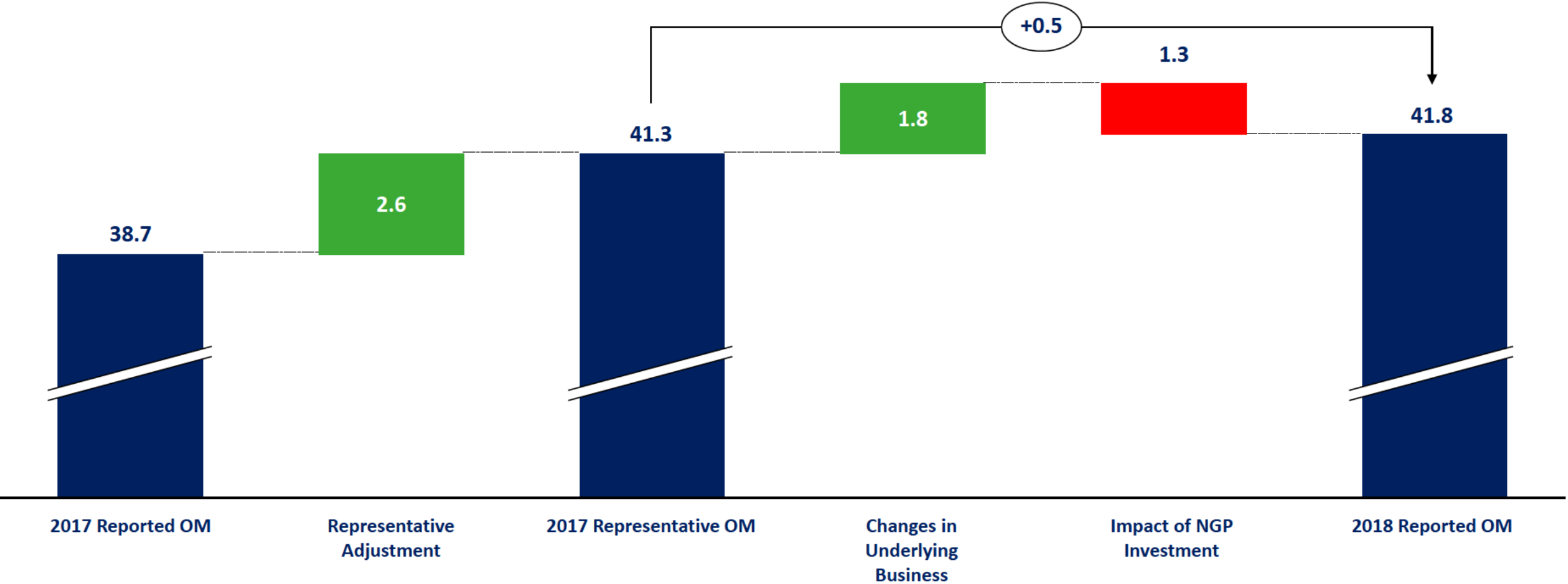
	Constant	Current
Adjusted~ Revenue	£2,784mn  +1.3%*	 -2.8%*
Adjusted~ Profit from Operations	£968mn  +2.2%*	 +0.2%*



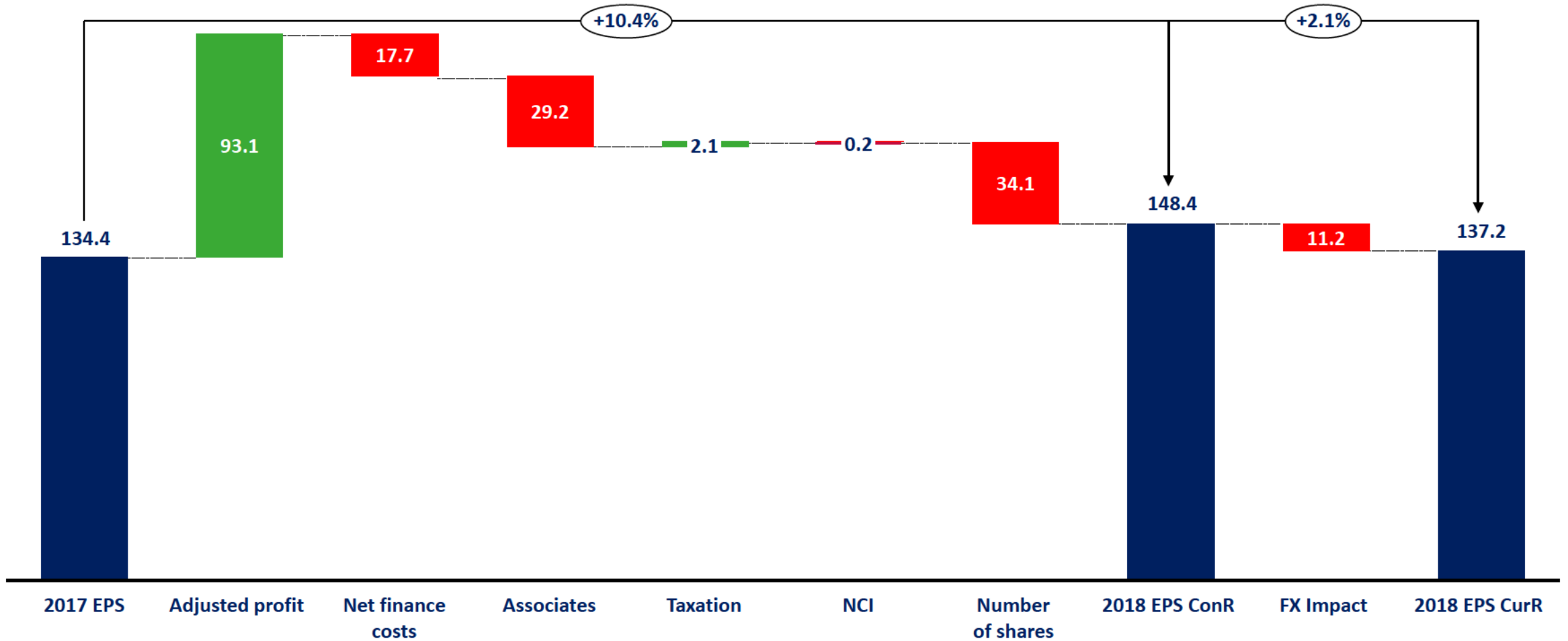
	Main drivers	Offset by
Volume – 117bn sticks	 -3.9%* 	
Strategic brands - 86bn sticks^	 +11.0%* 	
Market Share	 Flat* 	

* on a representative basis see Appendix A1, ~ see Appendix A2, ^ measured as cigs+THP

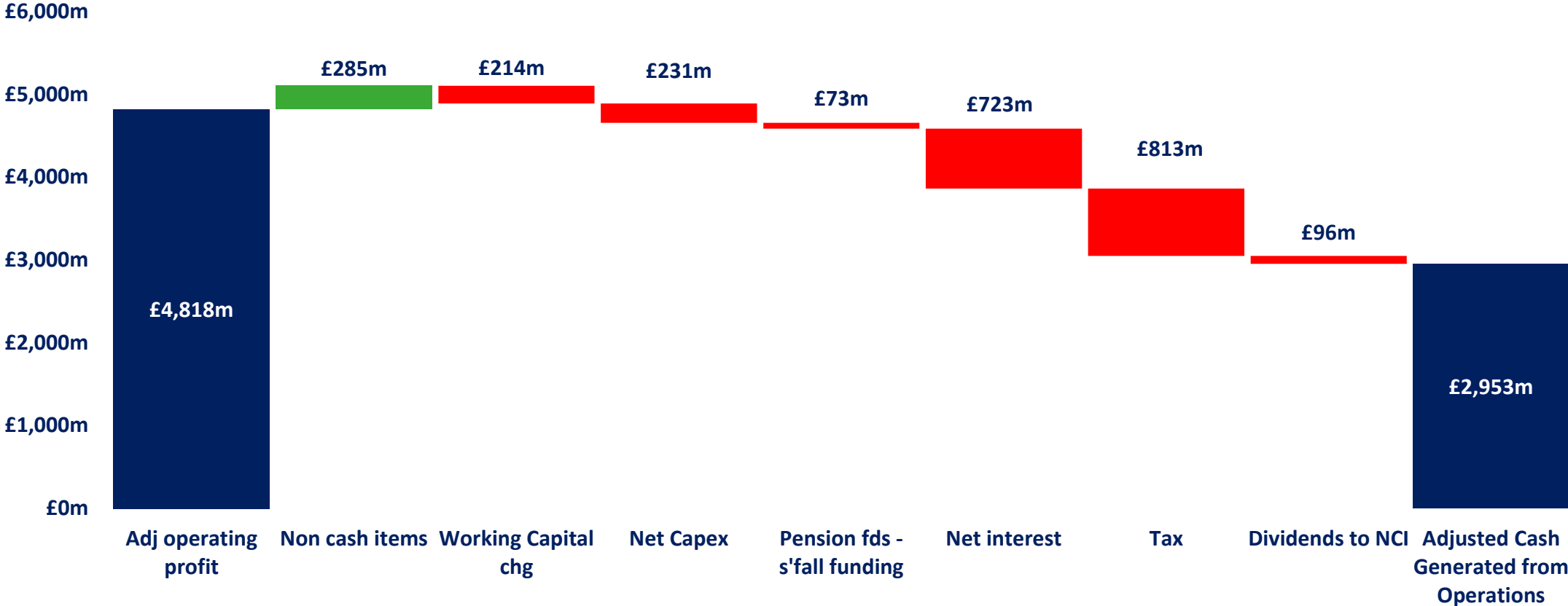
2018 Interim Results – Adjusted Operating Margin Up 50bps



2018 Interim Results – Adjusted Diluted EPS Growth Drivers



2018 Interim Results – Adjusted Cash Generated from Operations



2018 Interim Results – Financing

	Key Metrics	2018
Net debt/EBITDA	Returning to the higher end of 1.5x – 2.5x	Targeting around 3x by end 2019
Credit Rating S&P & Moody's	Seeking medium-term recovery to BBB+/Baa1	Credit ratings confirmed at BBB+/Baa2 stable
Dividend	Quarterly dividends effective Jan 2018	

2018 Interim Results – Summary

Volume

Volume

-2.2%*

Strategic Brand
Volume

+11.7%*

Financials

Adjusted~ Revenue

+1.9%*

Constant currency

Adjusted~ Profit

+2.4%*

Constant currency

Adjusted~ Diluted EPS

+10.4%

Constant currency

Share

Group Market
Share

+40bps

Strategic Brands
Share

+160bps

US Strategic Brands

Flat*

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

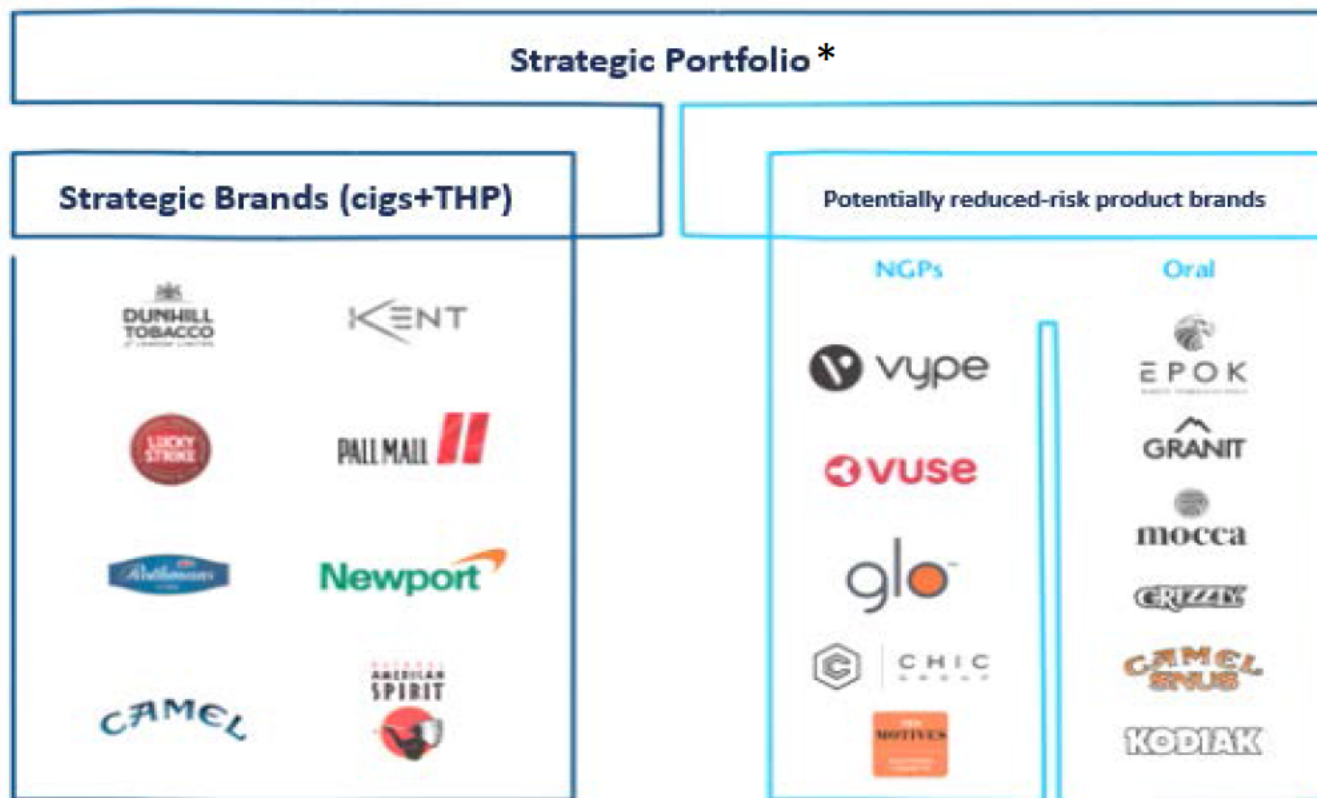
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Appendix

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.