



Delivering Growth through Transformation

UBS European Virtual Conference 2020

Jack Bowles – Chief Executive



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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

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 26 March 2020 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.

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Revision

For presentation purposes within these presentations, all prior periods have been revised to be consistent with the current reporting structure. All of the information in these presentations is in respect to continuing operations, revised for the fully retrospective adoption of IFRS 15.

We are building *A Better Tomorrow*



**TO REDUCE THE HEALTH IMPACT
OF OUR BUSINESS**

We are building *A Better Tomorrow*

50 MILLION*
NON-COMBUSTIBLE
PRODUCT
CONSUMERS** BY
2030



£5bn*
NEW CATEGORY
REVENUE BY
2025

**TO REDUCE THE HEALTH IMPACT
OF OUR BUSINESS**

With ESG Front & Centre

Driven by clear priorities



H Reducing the **HEALTH** impact of our business

- CONSUMER CHOICE
- WORLD-CLASS SCIENCE
- STANDARDS AND REGULATION

E Excellence in **ENVIRONMENTAL** management

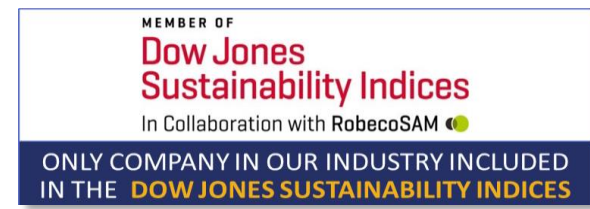
- Climate change
- Water and waste
- Sustainable agriculture
- Circular economy

S Delivering a positive **SOCIAL** impact

- Human rights
- Farmer livelihoods
- Health and safety
- People and culture

G Robust corporate **GOVERNANCE**

- Business ethics
- Responsible marketing
- Regulation and policy engagement



50 million* consumers of non-combustible Products by 2030**

Carbon neutral by 2030*

Eliminate unnecessary single-use plastic and all plastic packaging recyclable by 2025*

* ESG ambitions. See Appendix A5. ** See Appendix A6

We are transforming the business

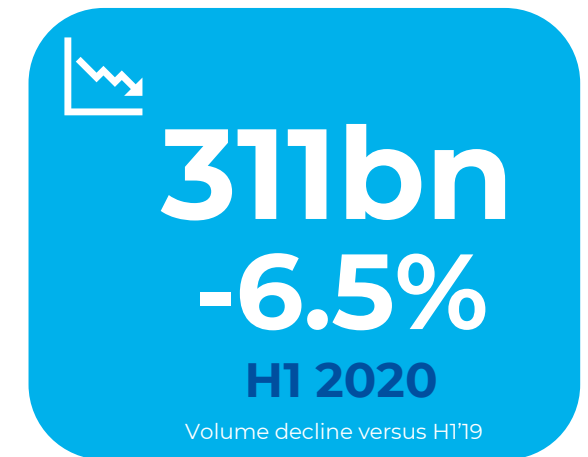
And lowering our health impact



Non-Combustible Consumers*



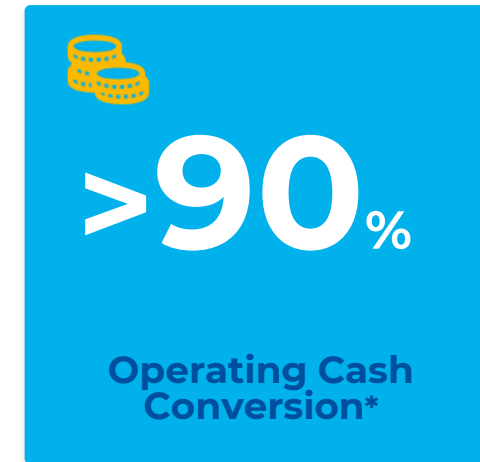
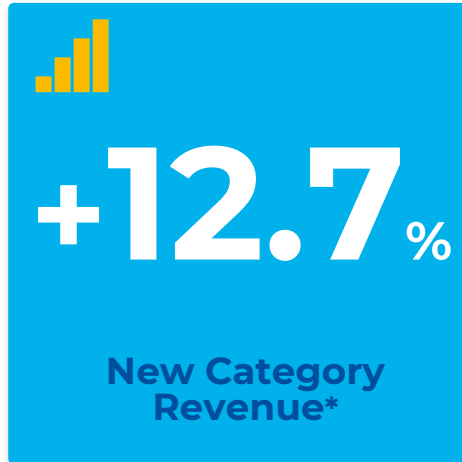
Combustible Volumes



* See Appendix A6 ** Last 12 months ended 30 June 2020

While continuing our financial delivery

Despite the challenging environment in H120



With a Step Change in New Categories in H1 20

Strong momentum across all New Categories



26%

+7.7%



T5 value share

145m pods

+43%

4%

+1.6%



T6 volume share
of Total Oral

717m pouches

+74%

15%

+0.5%



T8 volume share

4.2bn sticks

+9.1%

Note: Vapour Value share includes Vype brands in UK, France and Germany. Modern oral volume share includes EPOK and LYFT brands in Scandinavia

Share June 2020, growth over last 12 months ended June 2020 in measured channels. See Appendix A3. Top 5 vapour markets: US, Canada, UK, France, Germany. Top 6 Modern oral markets: US, Sweden, Denmark, Norway, Switzerland and Germany. Top 8 THP markets: Japan, South Korea, Russia, Italy, Germany, Romania, Ukraine, Poland

Combustible Value Growth & Simplifying the Business

Powered by Quantum



Value from Combustibles



Capabilities & Funding

Simplify the Business

Phase 1: complete

- Organisational re-design
- Simplification and agility
- New ways of working

Phase 2: Underway

- Operational efficiency
- Route to market focus
- Supply chain productivity

£1bn Quantum Savings*

Investing in New Capabilities



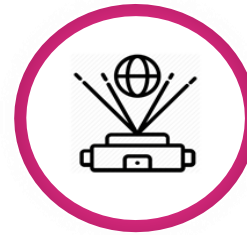
Foresights beyond Nicotine



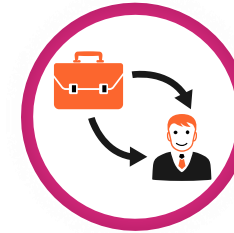
21st Century Brand Building



Innovation & Design



Digital & Analytics



Direct-to-Consumer



ESG Front & Centre

Enabled by Digital and 300+ Management Hires

The transformation is well under way

Non-Combustibles already a significant revenue % where we have invested



63%



42%



27%



27%



13%

With great momentum in 2020

Strong share growth across all New Categories

 VUSE <i>Value share YTD</i>			 VELO <i>Volume share YTD</i>			 glo <i>Volume share YTD</i>		
	23.8%	+7.2pp		8.1%	+2.5pp		5.3% Hyper @1.5%	+0.3pp
	40.3%	+16.3pp		4.3%	+2.1pp		2.4% Moscow	+1.4pp
	13.8%	+2.6pp		74.2%	+18.7pp		0.2%	+0.1pp
	29.1%	+10.8pp		54.4%	+8.1pp		0.8%	+0.6pp
	47.3%	+11.6pp		14.7%	+3.5pp		0.8%	+0.0pp

Note: Vapour Value share includes Vype brands in UK, France and Germany. Modern oral volume share includes EPOK and LYFT brands in Scandinavia

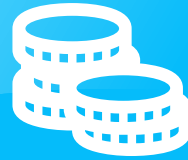
Volume/value share Sept YTD v FY19. Sources: Marlin: US, Scan: Canada, Switzerland. IMS: Russia. Nielsen: UK, Germany, Italy, Romania, Ukraine, Poland, Sweden, Denmark, Norway. Strator: France. CVS: Japan/SK, SWE, DEN, SWI and NOR based on share of total oral. US based on share of modern oral. Vapour Value share within total Vapour Industry. See Appendix A3

On track to deliver on guidance

Resilient performance in a challenging environment



1-3%
Revenue*



**Mid Single
Figure**
EPS Growth**



**c.3x Net
Debt/EBITDA**
by 2021

COVID-19 expected to have a -3% impact on FY20 revenue

* Adjusted Revenue on a constant rate basis. See Appendix A1 & A2

** Adjusted Diluted EPS on a constant rate basis. See Appendix A1 & A2

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**TO REDUCE THE HEALTH IMPACT
OF OUR BUSINESS**

Appendix

A1: Adjusting (Adj.)

Adjusting items represent certain items which the Group considers distinctive based upon their size, nature or incidence.

A2: Constant currency

Constant currency – measures are calculated based on a re-translation, at the prior year's exchange rates, of the current year's results of the Group and, where applicable, its segments.

A3: Share metrics

Volume share: The number of units bought by consumers of a specific brand or combination of brands, as a proportion of the total units bought by consumers in the industry, category or other sub-categorisation. Sub categories include, but are not limited to, the total nicotine category, modern oral, vapour, traditional oral or cigarette. Corporate volume share is the share held by BAT Group/Reynolds (US region).

Value share: The retail sales value of the product sold as a proportion of total retail sales value in that category.

A4: Price/Mix

Price mix is a term used by management and investors to explain the movement in revenue between periods. Revenue is affected by the volume (how many units are sold) and the value (how much is each unit sold for). Price mix is used to explain the value component of the sales as the Group sells each unit for a value (price) but may also achieve a movement in revenue due to the relative proportions of higher value volume sold compared to lower value volume sold (mix).

A5: Environmental Targets

Targets cover: climate change, water and waste, sustainable agriculture. Full details are available from the ESG Report

[https://www.bat.com/group/sites/UK_9D9KCY.nsf/vwPagesWebLive/DOAWWEKR/\\$file/BAT_ESG_Report_2019.pdf](https://www.bat.com/group/sites/UK_9D9KCY.nsf/vwPagesWebLive/DOAWWEKR/$file/BAT_ESG_Report_2019.pdf).

A6: Non-Combustible product consumers

The number of consumers of Non-Combustible products is defined as the estimated number of Legal Age (minimum 18 years) consumers of the Group's Non-Combustible products. In markets where regular consumer tracking is in place, this estimate is obtained from adult consumer tracking studies conducted by third parties (including Kantar). In markets where regular consumer tracking is not in place, the number of consumers of Non-Combustible products is derived from volume sales of consumables and devices in such markets, using consumption patterns obtained from other similar markets with consumer tracking (utilising studies conducted by third parties including Kantar).

The number of Non-Combustible products consumers is used by management to assess the number of consumers regularly using the Group's New Category products as the increase in Non-Combustible products is a key pillar of the Group's ESG Ambition and is integral to the sustainability of our business.

The Group's management believes that this measure is useful to investors given the Group's ESG ambition and alignment to the sustainability of the business with respect to the Non-Combustibles portfolio.

Nicotine is addictive and is not risk-free, but it is widely accepted that most of the harm associated with tobacco comes from burning it and inhaling the toxicants in the smoke – not from the nicotine itself. Products that do not burn tobacco contain fewer toxicants and have the potential to be significantly less risky compared to smoking, as do products that contain nicotine but no tobacco. While more research is undoubtedly needed, we are encouraged by the growing body of independent evidence pointing to the reduced-risk potential of new category products.