

Multi-Category strategy delivers growth in difficult times

Interim Results 2020

Jack Bowles – Chief Executive | **Tadeu Marroco** – Finance Director

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Important Information



Forward-looking Statements (continued)

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2020 H1 RESULTS:

Our Multi-Category strategy delivers growth in difficult times



Delivering revenue, profit and earnings growth* in exceptional circumstances



Multi-Category consumer acquisition drives revenue and share growth**



Excellent Combustibles value and volume share growth



Navigating COVID supported by our diverse geographic footprint



Committed to delivery and our 65% dividend pay-out ratio

Building A Better Tomorrow

A Defining Corporate Purpose



To reduce the **health impact** of our business by offering a **greater choice** of enjoyable and **less risky** products for our consumers

Good Progress in 2020

- ✓ Non-Combustibles now 10% of revenue
- ✓ Additional 2.7m* Non-Combustibles consumers
- ✓ Invested additional £250m** in New Categories
- ✓ Set ambitious 2025 environmental targets
- ✓ Set ambitious 2030 Carbon Neutrality target

Delivering for Today & Investing in the Future

Clear Commercial Priorities

**STEP-CHANGE IN
NEW CATEGORIES**

**COMBUSTIBLE VALUE
GROWTH**

SIMPLIFY THE COMPANY

Good Progress in 2020

- ✓ Growing share* in New Categories
- ✓ New Category revenue** +12.7%
- ✓ Cigarette price/mix*** +8.5%
- ✓ Group revenue** +2.4%
- ✓ Quantum savings c.£240m YTD
- ✓ Navigating COVID with agility

Stronger, Simpler, Faster
Commitment to Deliver



**Our people have gone above and
beyond to deliver growth**

H1 2020 RESULTS: Delivering for Today

Results demonstrate real resilience during COVID

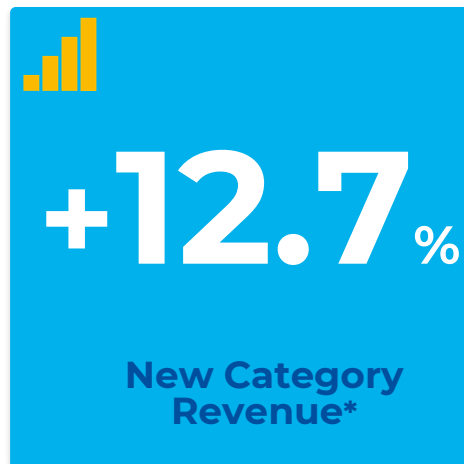
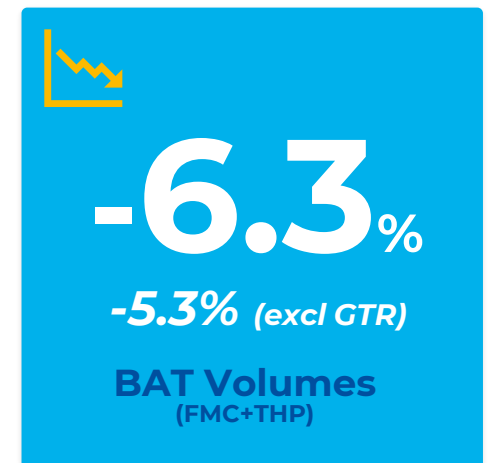
	REPORTED H1 2020 @ Current rates	ADJUSTED H1 2020 @ Constant rates*
Revenue	+0.8%	+2.4%
New Category Revenue	+14.7%	+12.7%
Operating Margin	+550 bps**	+80 bps***
Profit From Operations	+16.4%**	+3.3%
Diluted EPS	+22.7%**	+6.6%

* On an adjusted, constant rate basis. See Appendix A1 & A2.

** Prior period affected by charge in respect of the Quebec class action in Canada. *** Current rate growth

H1 2020 RESULTS:

A strong performance in a challenging environment



Successfully navigating a challenging environment

COVID revenue* headwind c.4% H1; c.3% expected FY



Developed Markets (c.75% of Group revenue)

**Consumption resilient;
stable to slightly higher**

- › Good pricing
- › Little evidence of accelerated downtrading

Volume share +30bps

Emerging Markets (c.25% of Group revenue)

**Volume impacted by
lockdown severity & duration**

- › Deeper lockdown in some markets
- › Reduced illicit trade in others
- › South Africa sales ban

Volume share +70bps

New Categories

**Category growth slowed;
now recovering**

- › Face-to-face consumer activation restricted
- › Switch to Digital comms
- › E-commerce revenue up >2x

Growing share**

Global Travel Retail (GTR) substantially impacted

NEW CATEGORIES: Driving a Step-Change

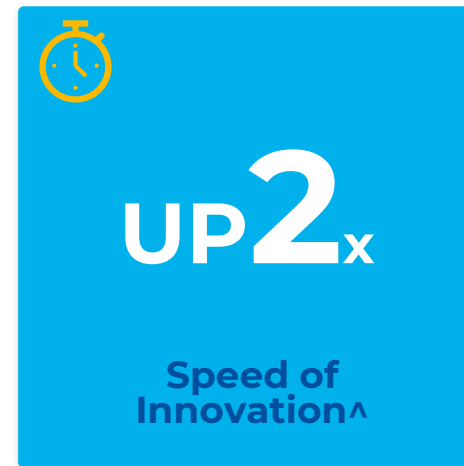
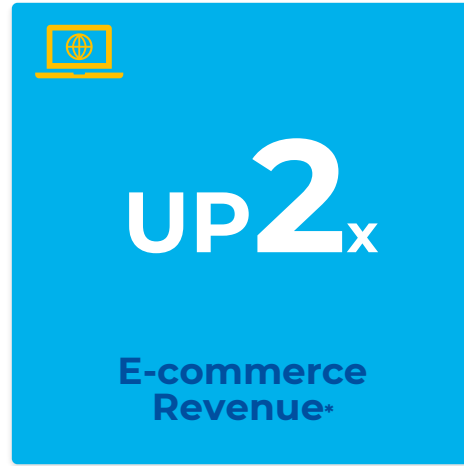
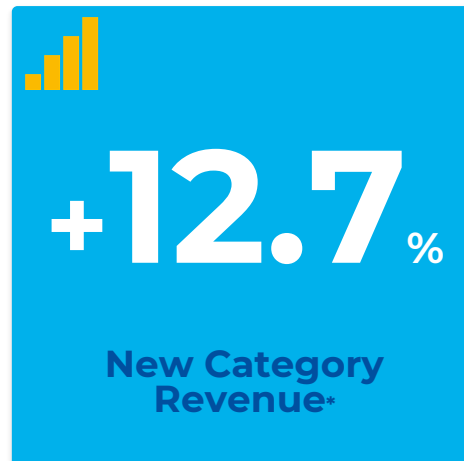
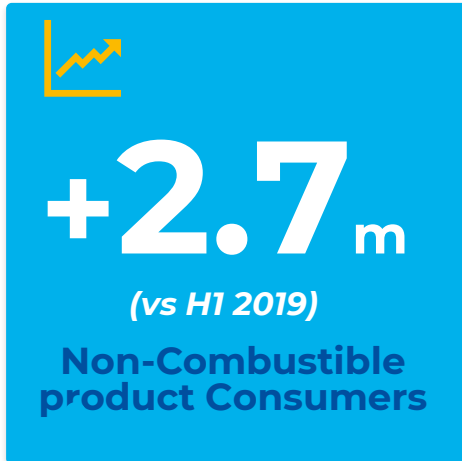


Investing in Non-Combustible consumer acquisition in New Categories

Leveraging our digital capabilities

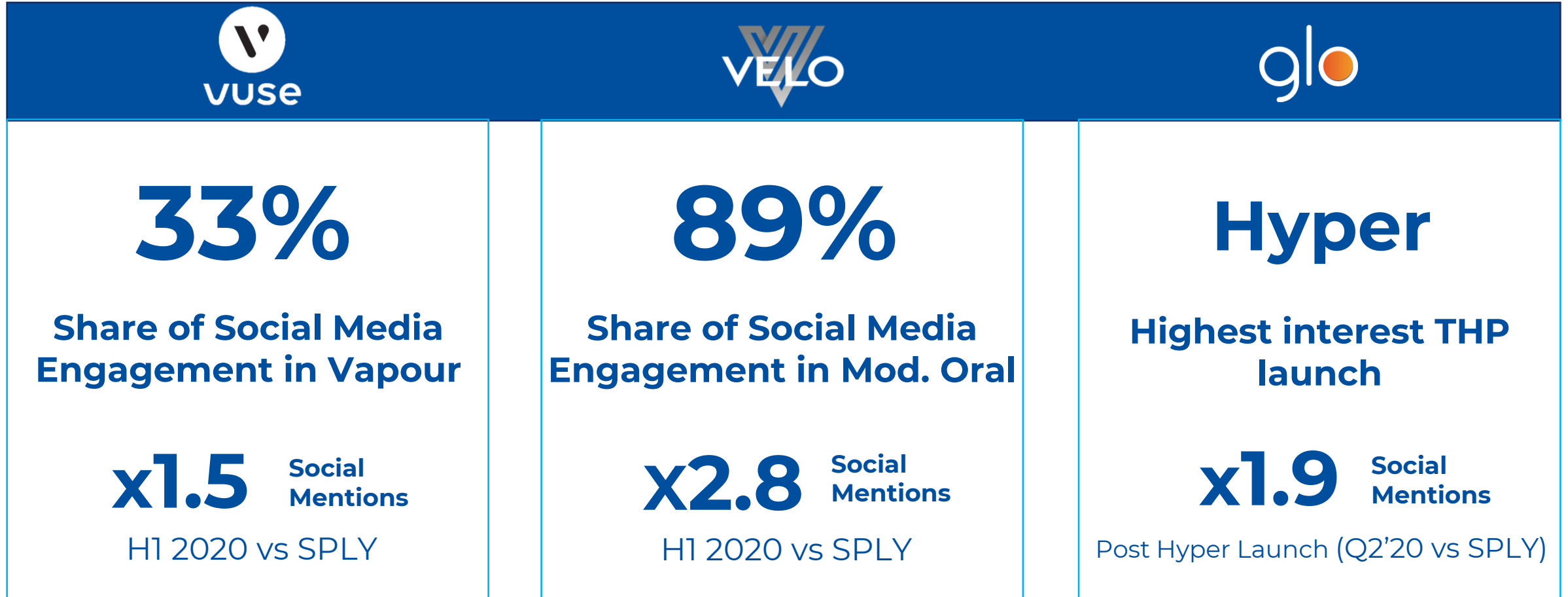
Growing our overall share in New Categories**

New Categories: Consumer acquisition drives growth



New Categories: Successfully pivoting to digital during COVID

Strong momentum in social media across New Categories

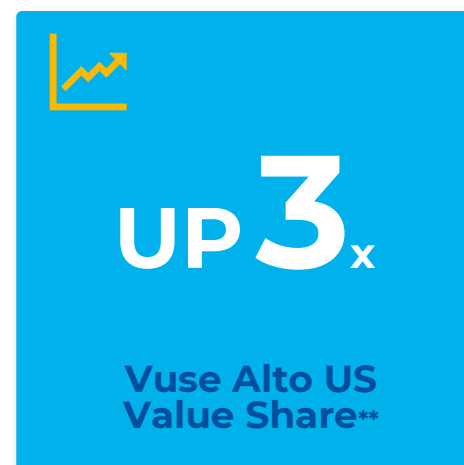
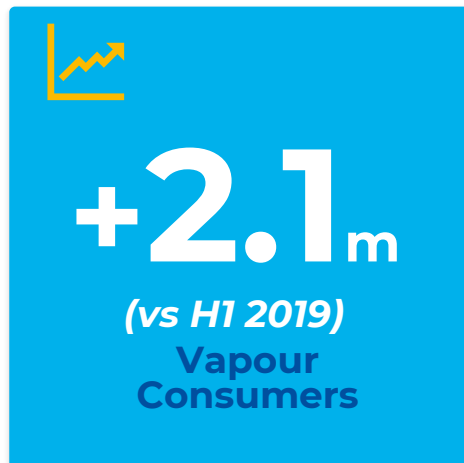


VAPOUR: Delivering a Step-Change













- ✓ 6.1m vapour consumers
- ✓ Vuse/Vype growing value share in all key markets
- ✓ Industry returning to growth in all key markets

Vapour: Vuse/Vype driving strong growth



Vapour: Vuse/Vype growing share* in all key markets

Industry returning to growth in all key markets

	Vapour Industry Value		YTD Value share	Vuse/Vype	
	12m change	3m change		YTD	vs FY 19
	-17%	+20%	26.0%		+10.4pp
	+73%	+38%	35.0%		+11.0pp
	+24%	+17%	13.0%		+1.8pp
	+21%	+25%	26.6%		+9.4pp
	-11%	+2%	45.8%		+10.0pp
T5 Markets recovered to 76% of prior year peak value**					

* Value share. Company data. Share growth YTD share v FY19. **Top 5 vapour markets offtake value accounting for 80% of vapour revenue. US industry based on volume. Growth over last 12 months (May '20 vs. Jun '19).

Note: US(Vapour) - Jun Marlin Vapour Consumables Value Share; Canada - Jun Scan Data Vapour Value Share; UK - Jun Nielsen Vype Value Share; France - Jun Strator Vapour Value Share; Germany - Jun Nielsen Vapour Value Share;

Vapour: Vuse/Vype is No.1 in device sales

Leading indicator of future growth



#1

47%



#1

70%



#1

36%



#1

70%



#1

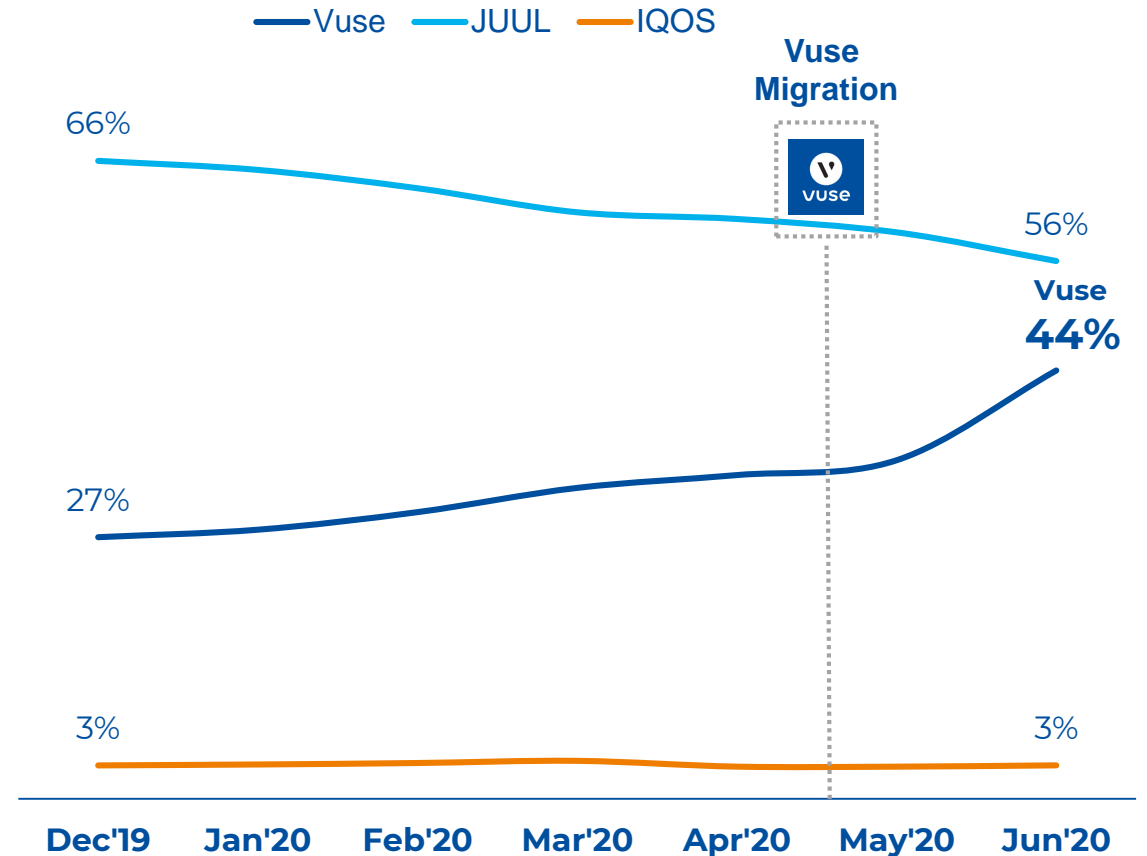
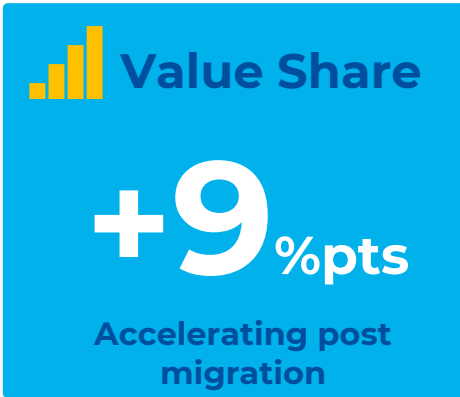
44%

Vype/Vuse Volume Share of Device / Starter Kits (Latest available month)



Vapour: Vuse brand consolidation grows share

Canada value share at 44%* post Vype to Vuse migration



Vuse growing share of total nicotine post migration


* Latest weekly Value share. Note: Company data - Consumables \$ Share of Value by brand. Retention and consumer data based on internal consumer data tracker .

THP: Delivering a Step-Change




- ✓ **Growing volume share in Japan and ENA**
- ✓ **Strong early results from Hyper**
- ✓ **Delivering improved satisfaction**
- ✓ **Pivoting to digital activation**









THP: Growing volume share in Japan and ENA

 **+70 bps**
to 18.9%
Japan Total Nicotine
Volume Share

 **5.4%**
glo Japan
June Share

 **0.7%**
glo Hyper Japan
June Share

 **2.8%**
glo Moscow
June Share

	Jun YTD	YTD vs. FY 19*
	5.3%	 +0.3pp
 Moscow	2.3%	 +1.3pp
	0.2%	 +0.1pp
	0.7%	 +0.5pp

THP revenue down -12%* due to:

- > Japan excise harmonisation
- > glo Sens underperformance



THP: glo Hyper delivers improved satisfaction

Induction heating and larger stick format



Tobacco Satisfaction ++

+30% More Tobacco + King Size

Taste and Flavour ++

New Flavours & Capsules

Device +

Fast Ramp up with Boost Button

Stick ++

Premium King Stick Format

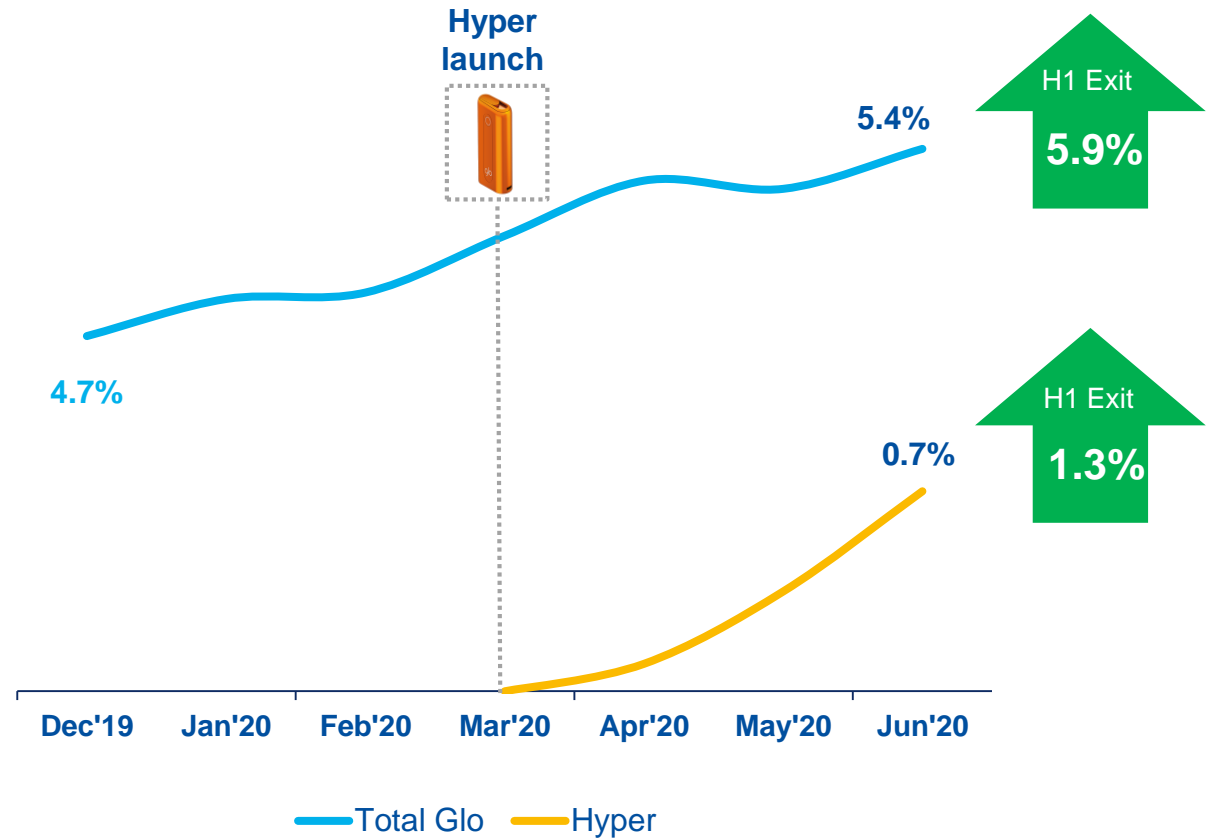
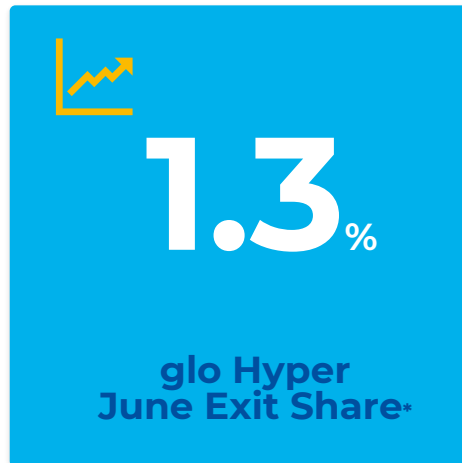
Conversion Rates ++

50% Conversion





THP: Continued growth* in Japan supported by glo Hyper



H1 Digital launches; H2 Full launches in Japan, Russia, Romania, Italy and Germany

* Volume share. Chart source: CVS Offtake

Sources consumer data: company data based on brand launch monitor, CCC offtake data, social media listening, CVS share, ecommerce, glo stores and D2C consumer data. Conversion rates based on device penetration relative to latest weekly share.

MODERN ORAL: Delivering a Step-Change



- ✓ **Strong revenue* growth in a fast-growing category**
- ✓ **Strengthening leadership in Scandinavia****
- ✓ **Volume share growth in US, but limited by portfolio gaps**

Modern Oral: 71% growth* in an exciting category

#1
Scandinavia
Volume Share

+3.6 pts
-300bps L3Mths
US Modern Oral
Share

+71%
Modern Oral
Revenue*

Portfolio gaps limiting share growth in US

Encouraging pilots in APME & AMSSA

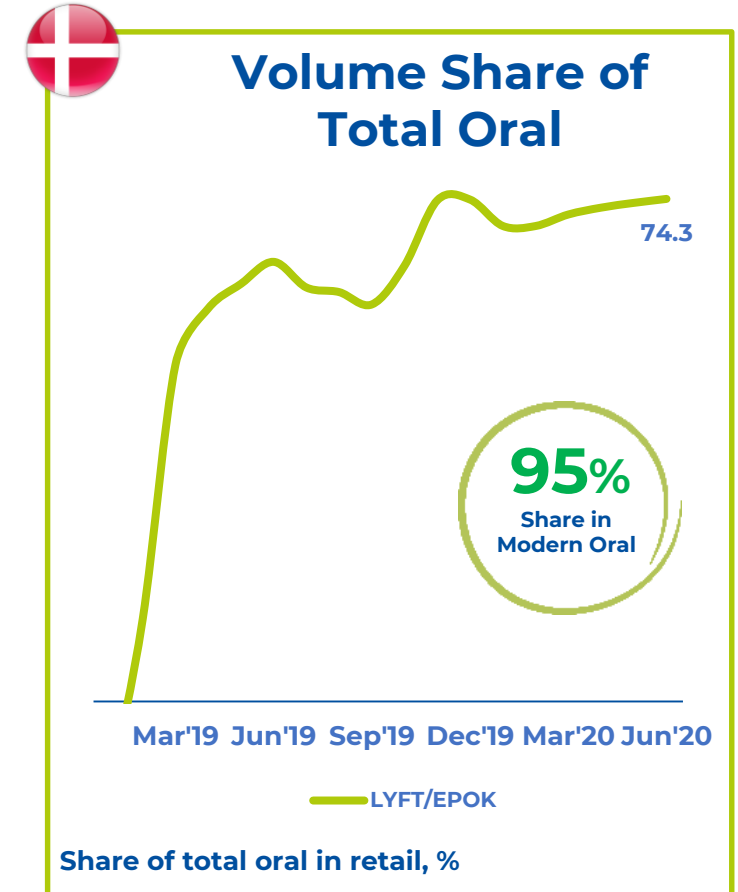
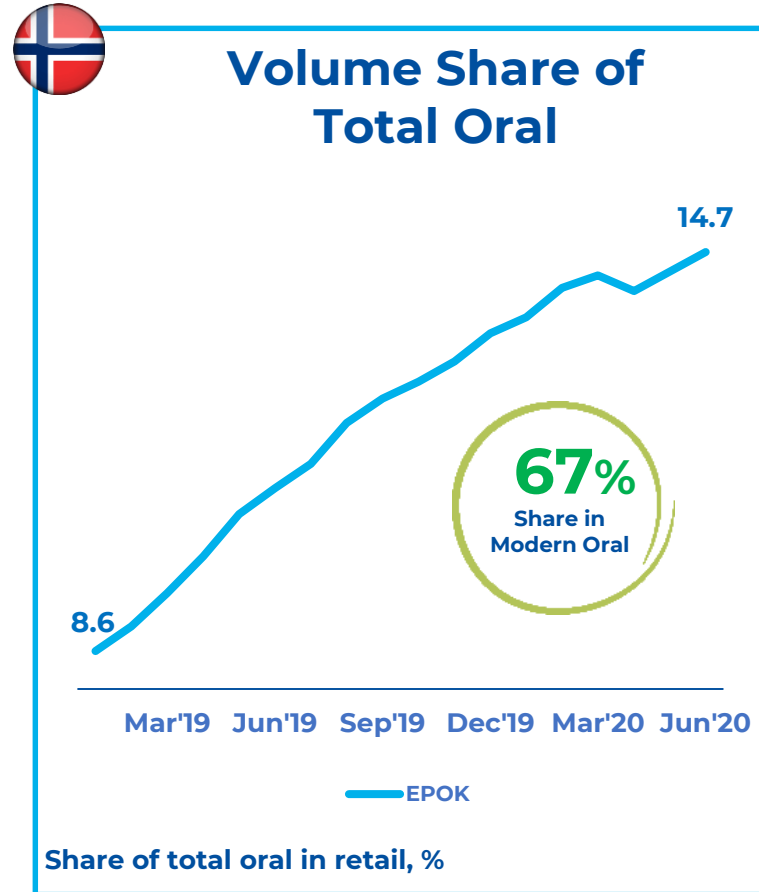
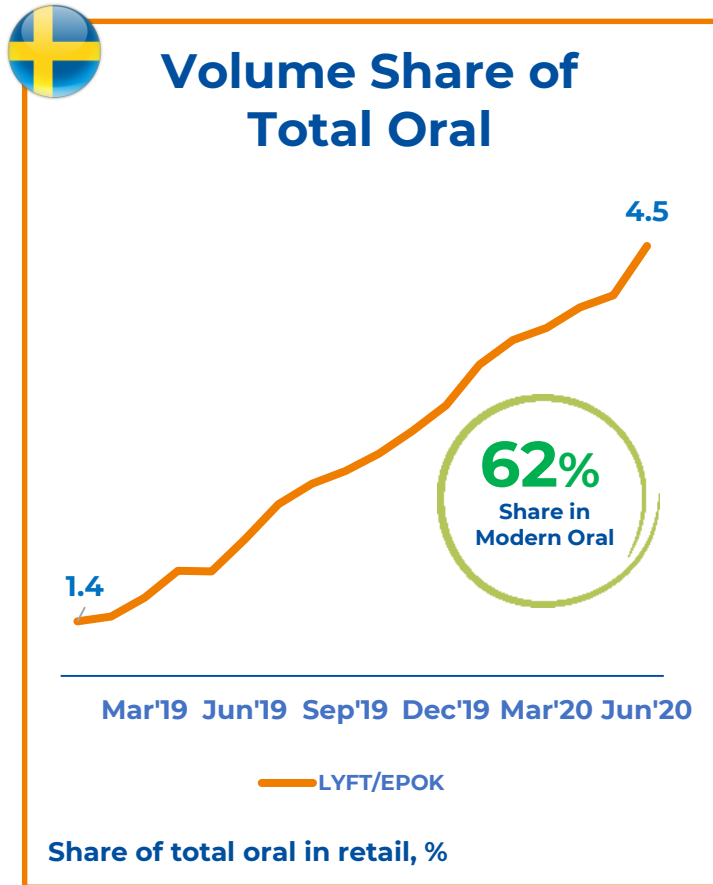
› COVID impacting activations

	Volume share Jun YTD		YTD vs. FY 19**
	9.3%		+3.6pp
	3.9%		+1.7pp
	72.6%		+17.1pp
	53.4%		+7.1pp
	14.2%		+3.1pp



* Constant currency revenue growth. Volume Share growth YTD share v FY19. See Appendix A1, A2. Scandinavian volume share relates to EPOK and LYFT brands. ** Volume share v FY19. US(MO) – Jun Marlin Vol. Share of Total Modern Oral; Sweden - Jun Nielsen Vol. Share of Total Oral; Denmark - Jun Nielsen Vol. Share of Total Oral; Switzerland - Jun Scan Data excl. Co-op Vol. Share of Total Oral (SPAR & Top CC data missing from Jun); Norway - Jun Nielsen Vol. Share of Total Oral;

Modern Oral: Leadership in Scandinavia



NEW CATEGORIES: Driving a Step-Change



Adding 2.7m Non-Combustible product consumers

Delivering 12.7% revenue* growth in a challenging environment

Investing an additional £250m**

Successfully pivoting to digital during COVID

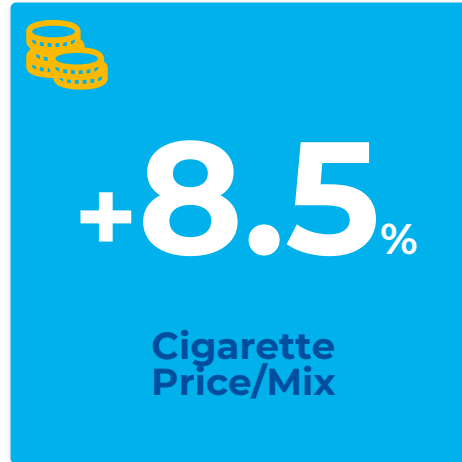
Growing share* in Vapour and THP, with strong revenue growth in Modern Oral**

COMBUSTIBLES: Value and volume share growth



- ✓ Excellent global value and volume share growth, with strong pricing
- ✓ Driving revenue* and value share growth in the US
- ✓ Value and volume share growth in every region
- ✓ Growing value share in Developed Markets and volume share in Emerging Markets

Combustibles: Delivering excellent share growth



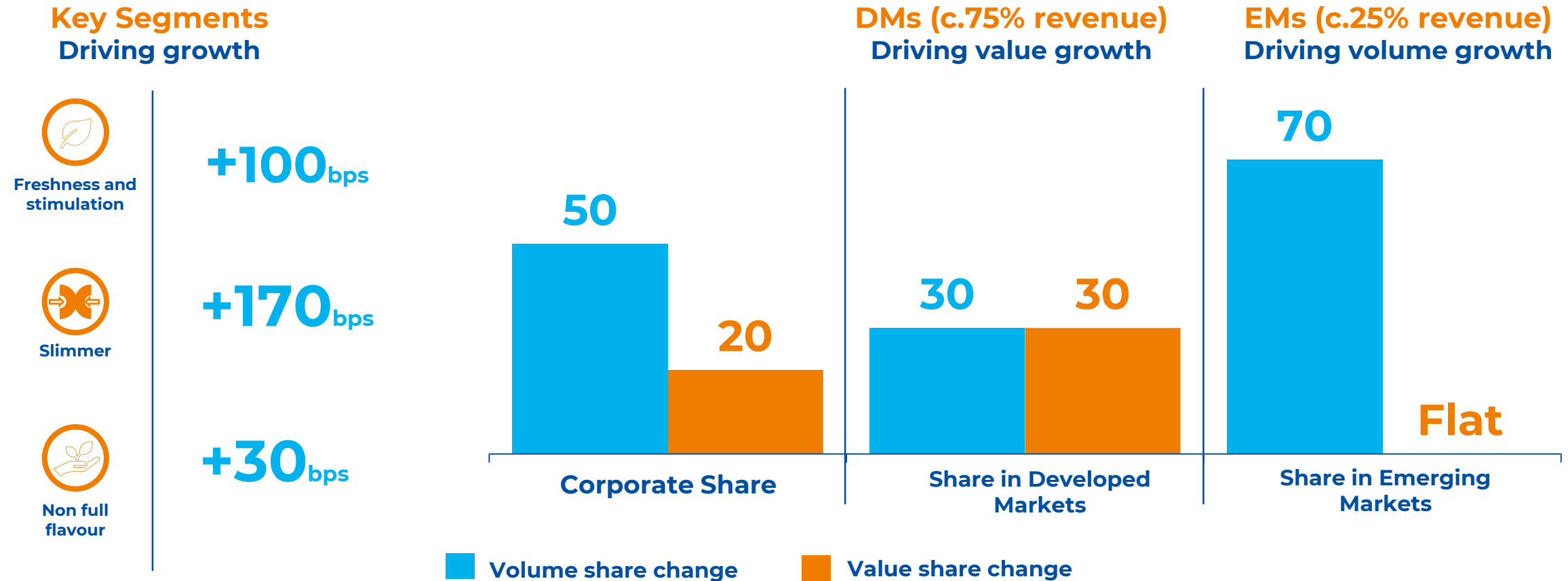
Combustibles: Well balanced portfolio

Driving value growth and strong pricing



Combustibles: a strong performance

Winning in all market types and key segments





Driving revenue growth in the US

US Corporate Volume Cigarette Share 35%, Newport Share 15%



+10%

US Revenue and
Operating Profit
Growth*



+30 bps

US Value Share



+76%

US New Category
Revenue*



+10 %pts

US Vapour
Value Share growth

**Strong Brands Driving Value
Share Growth**

**Higher Pricing Ahead of Peers
enabled by Revenue Growth
Management**

**Cigarette industry volume up
+0.8%; FY outlook c.-2.5%**

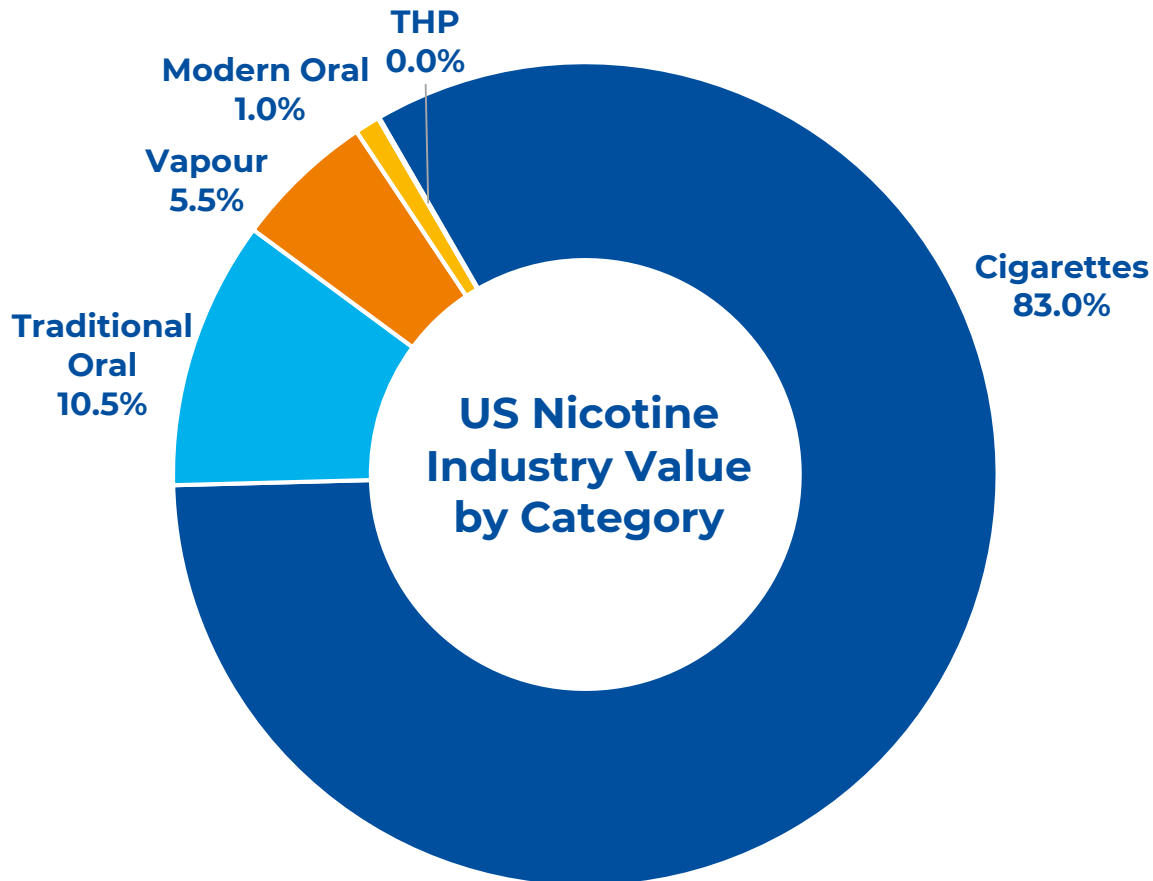
YTD vapour value share up c.1.5x



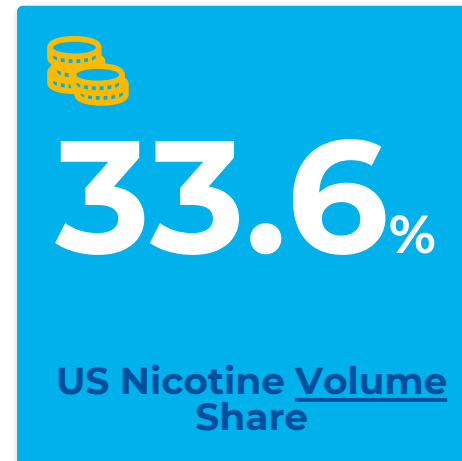
Multi-Category Strategy: Total Nicotine share in the US up 70bps



US Nicotine Industry Value by Category



BAT Growing Share of Total Nicotine



H2: COVID uncertainty remains

Navigating COVID with Agility

- Little evidence of accelerated downtrading to date in DMs
- Lockdown restrictions slowly easing
- All factories now fully reopened
- BCPs maintain supply continuity



GTR Substantially Impacted

- Planning for some recovery end Q4

South Africa Sales Ban Maintained

- Court hearing delayed to August
- We have a strong case
- Planning for a positive outcome



COVID Uncertainty Remains

- Planning for sequential recovery through H2
- Environment remains uncertain

South Africa cigarette and alcohol ban

A strong Q1 performance – Court hearing in August



Strong Q1 Performance

+10%

Volume vs. SPLY

An Illicit Market

100%

Total market is illicit



Illicit Price Spike

+300%

Avg Daily Consumption

-38%

Daily consumption



Group Impact

-£25m

Adjusted profit from operations per month



Government Revenue Lost

-£340m

Tobacco Excise and VAT*

2020 H1 RESULTS:

Our Multi-Category strategy delivers growth in difficult times



Delivering Revenue, Profit and Earnings Growth* in exceptional circumstances



Multi-Category consumer acquisition drives revenue and share growth**



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Navigating COVID supported by our diverse geographic footprint



Committed to delivery and our 65% dividend pay-out ratio

Delivering for today & investing in the future



STEP-CHANGE IN NEW CATEGORIES

Unique Multi-Category Strategy

Investing in our Global Brands

COMBUSTIBLE VALUE GROWTH

Strong brands and pricing

Broad based share growth

SIMPLIFY THE COMPANY

Agile organisation, resilient supply chain, embracing digital

Focus on cost control and investing in the future

Tadeu Marroco | Finance Director



H1 2020 RESULTS:

Delivering for today & investing in the future

- ✓ **Delivering revenue* growth in a challenging environment**
- ✓ **Releasing funds to support the growth agenda**
- ✓ **Realising the benefits of Quantum Phase 1**
- ✓ **Generating cash to de-lever the balance sheet**
- ✓ **Committed to dividend growth and our 65% pay-out ratio**

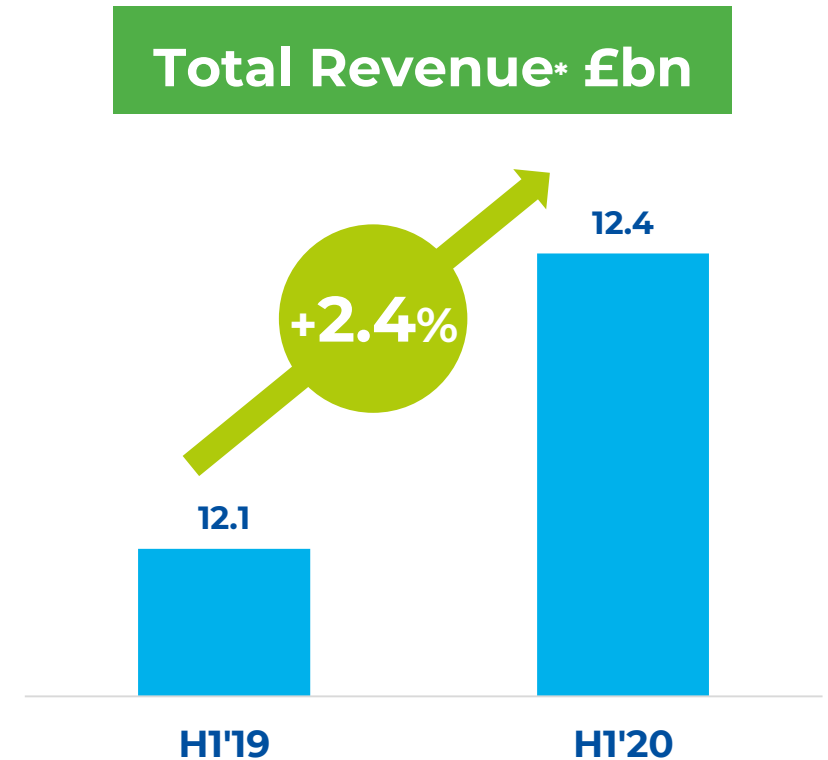
REVENUE: Growth in a challenging environment

Revenue* +2.4%, absorbing c.-4% H1 COVID headwind

- › **Combustible revenue* +2.2%**
- › **New Category revenue* +12.7%**

Strong cigarette price/mix +8.5%**

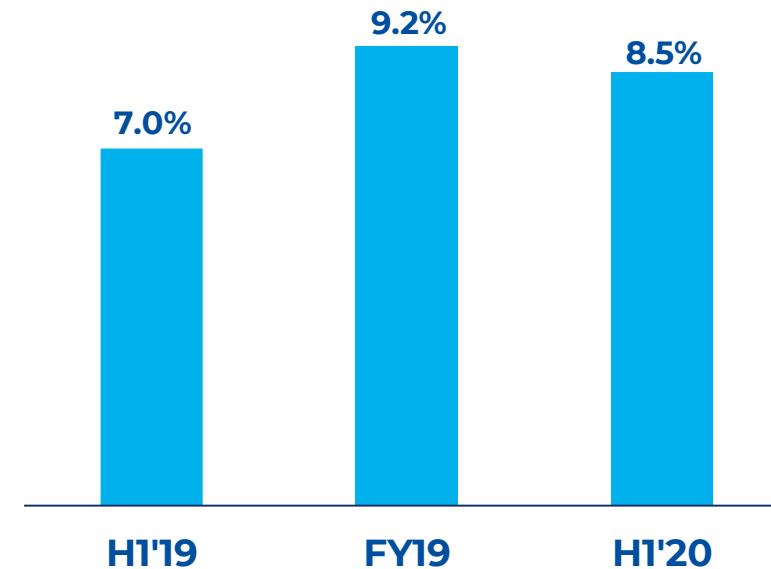
- › **Volume and value share gains of +50bps; +20bps**
- › **5.6% Strategic brand combustible revenue* growth (66% of Group volume)**
- › **Strong US performance with revenue* +9.7%**



PRICING: Continued strong price/mix* +8.5%

- › Strong, balanced brand portfolio
- › Revenue growth management
- › Elasticity & affordability remain robust
- › >80% pricing achieved YTD
- › Little evidence of accelerated downtrading to date
- › Strong H1 pricing, benefitting from 2019 rollover
- › Lapping a strong price/mix comparator in H2

Cigarettes Price / Mix



REGIONS: Value share** growth in all regions

Regional performance reflects contrasting EM/DM COVID impacts



	Adjusted Revenue*	Value Share**	Adjusted Profit from Operations*
US	+9.7%	+30bps	+9.6%
ENA	+3.0%	+10bps	+2.9%
APME	-10.5%	+20bps	-6.9%
AMSSA	-0.9%	+50bps	-3.6%
Group	+2.4%	+20bps	+3.3%

*Adjusted and constant rate basis. See Appendix A1-A2. **Value share of cigarettes (APME: cigs+THP) v FY19

MARKETS: Contrasting EM/DM COVID impacts

DMs (c.75% revenue) H1 Industry Volume



GER

+3.7%



USA

+0.8%



JPN

-3.9%



ITA

-4.0%

EMs (c.25% revenue) H1 Industry Volume



BRA

+7.8%



RUS

-2.6%



VNM

-8.8%

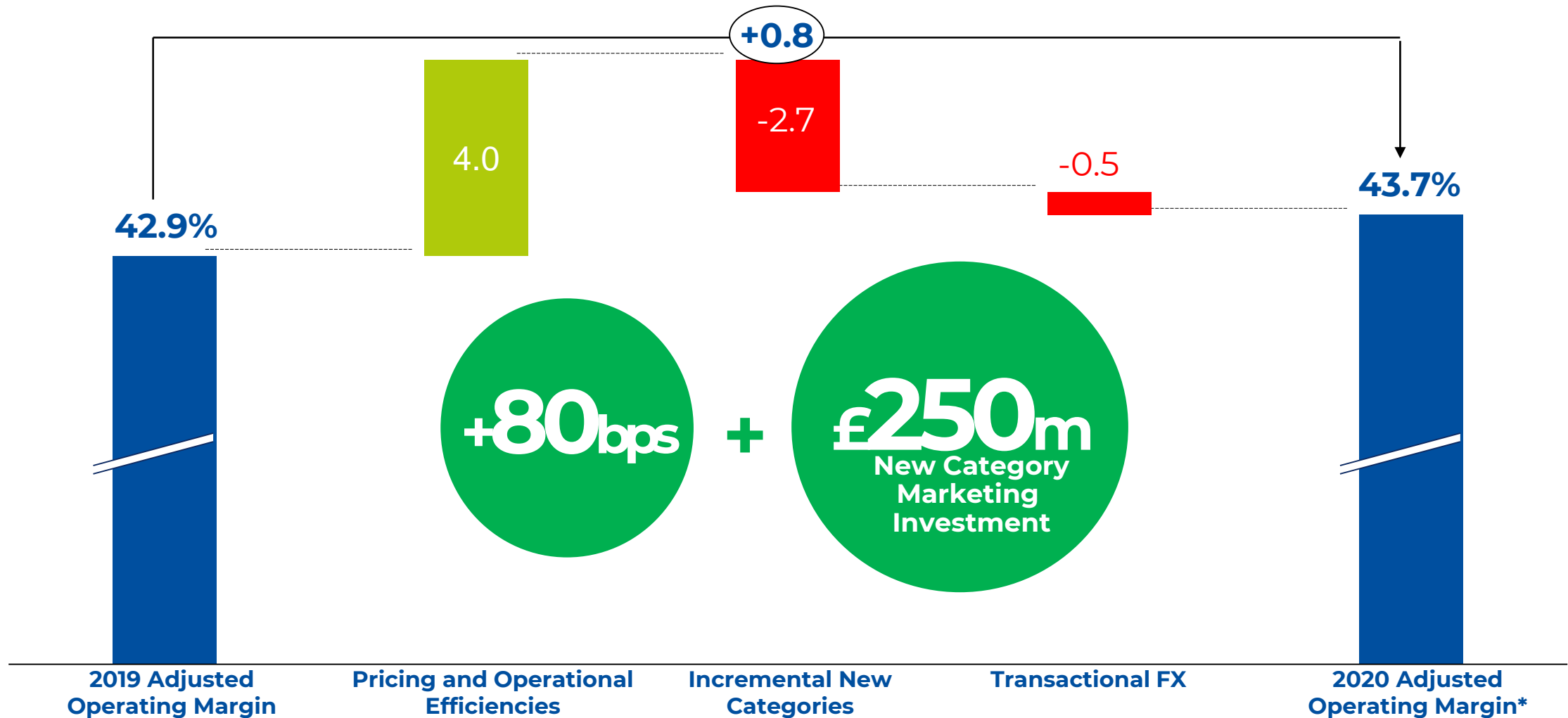


MEX

-14.4%

OPERATING MARGIN: Releasing funds to support the growth agenda

New Categories investment +c.£250m; margin +80bps



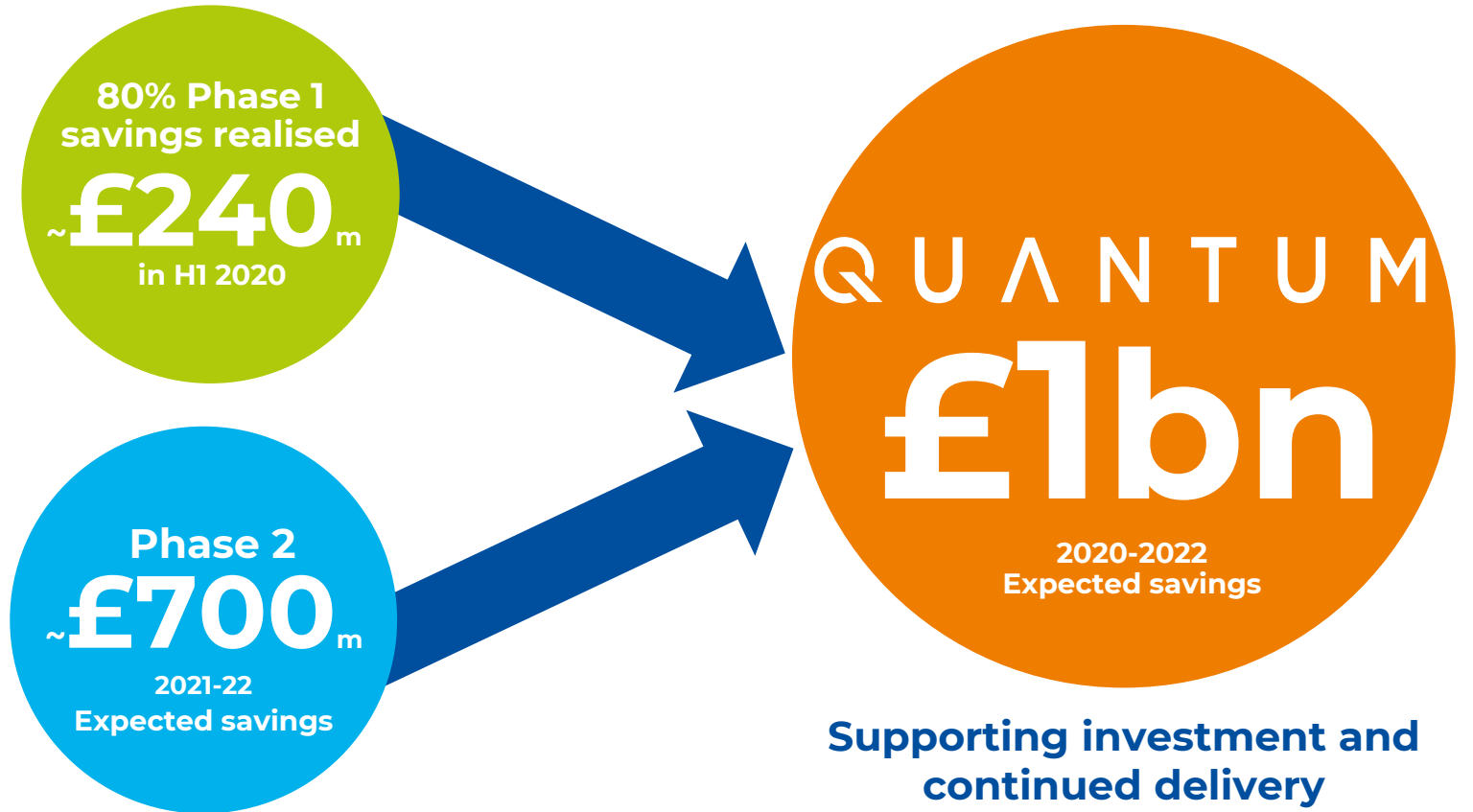
* On an adjusted current rate basis. See Appendix A1.

QUANTUM: Realising the benefits of Phase 1

80% of Phase 1 savings realised; c.£300m expected savings for FY20

- Phase 1 Completed:**
- ✓ Ahead of schedule
 - ✓ Organisational re-design
 - ✓ Simplification and agility
 - ✓ New ways of working

- Phase 2 Underway:**
- 🎯 Operational efficiency
 - 🎯 Route to market focus
 - 🎯 Supply chain productivity



On track to deliver Phase 1 savings of £300m

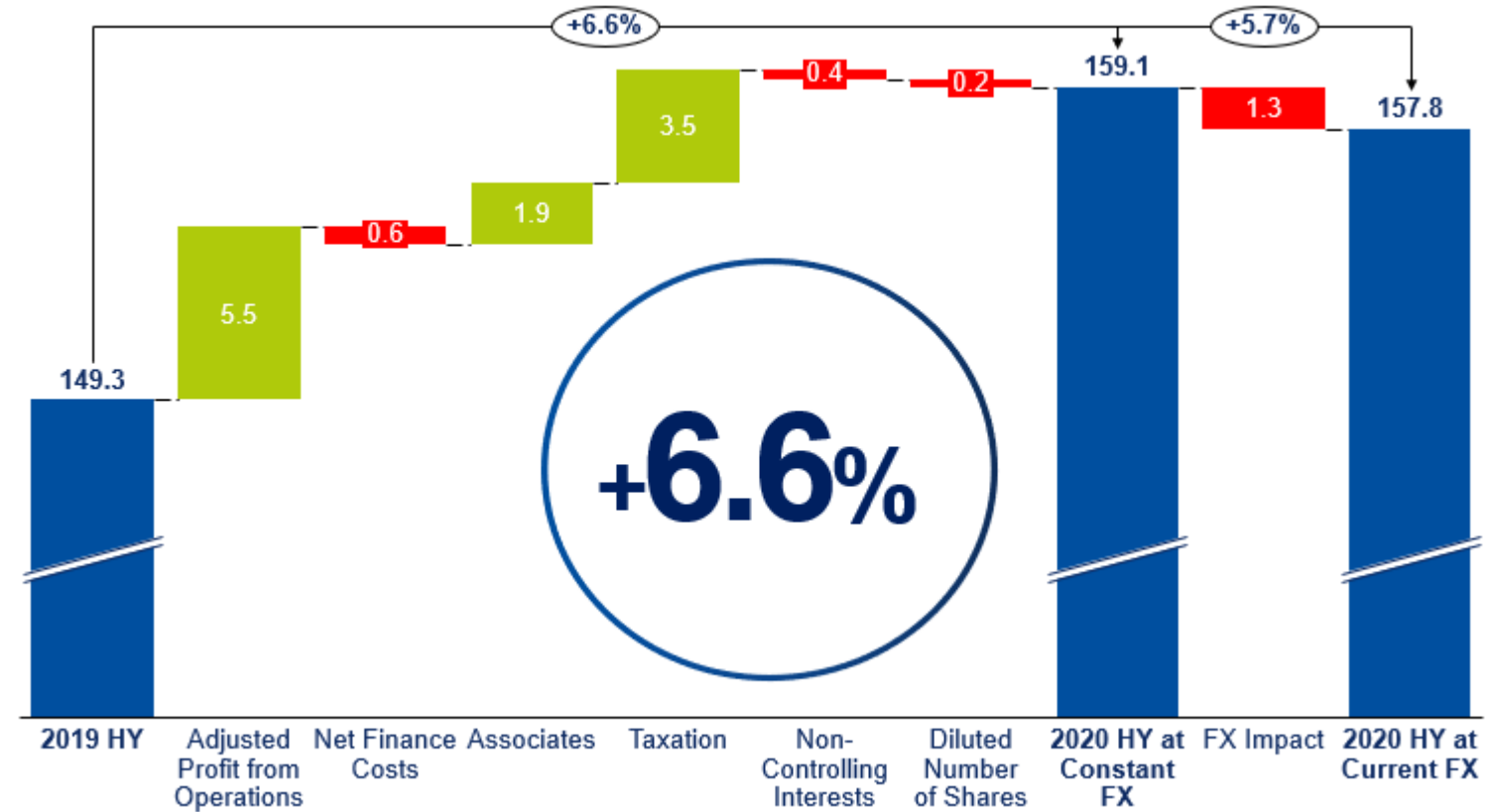
EPS*: Strong growth up +6.6%

H1 EPS* growth benefitting from:

- › Good contribution from associates
- › Reduced H1 underlying tax rate 25.0%

FY EPS* considerations:

- › H2 associate income reflecting COVID
- › FY underlying tax rate slightly lower than previous guidance of 25.5%
- › FX translation headwind of c.2.5%

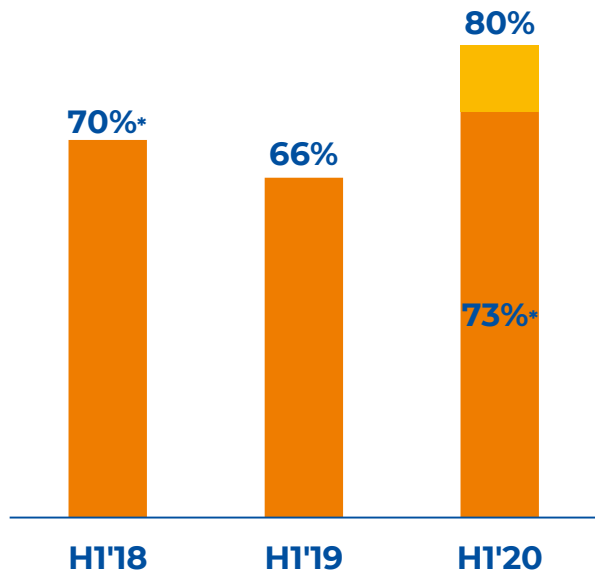


* Adjusted, diluted, EPS at constant rates. See Appendix A1 and A2.

CASH AND DELEVERAGE:

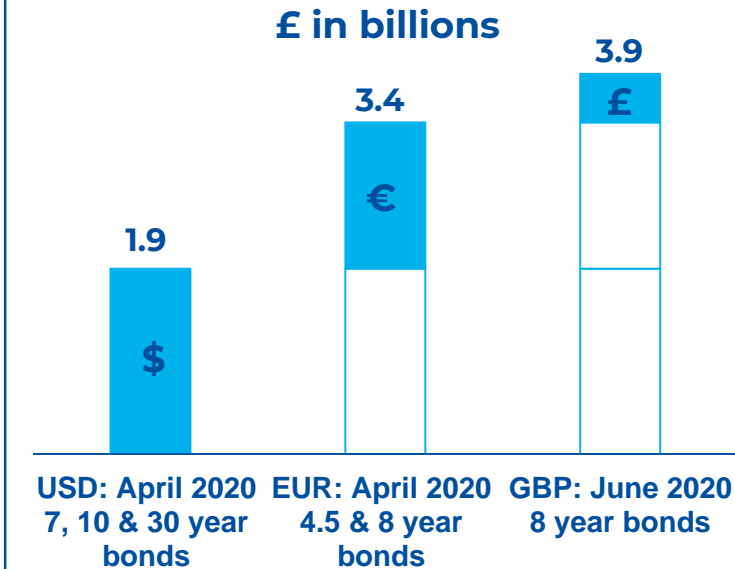
Strong liquidity position >90% operating cash conversion

Strong H1 Operating Cash Flow Conversion



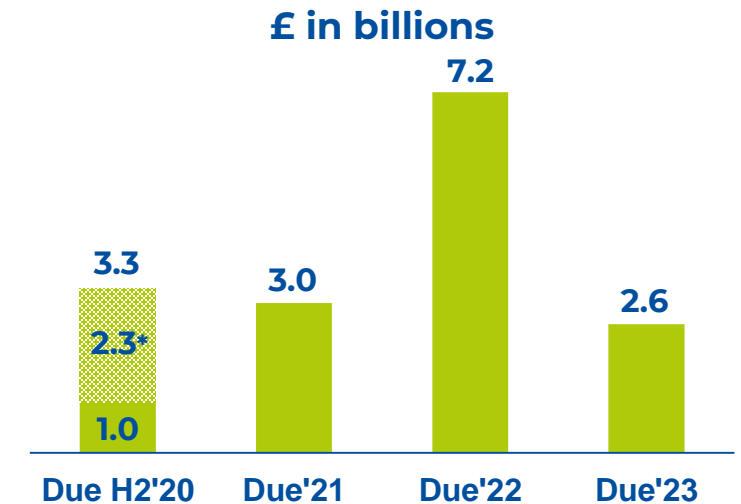
Cash generation led by **Combustibles**

Strengthened Liquidity in H1



£3.9bn Bond issuance
£4.8bn 12-18 month Bi-laterals
£6.0bn Renewed RCF: 1 & 5 year term 21 banks; No financial covenants

Manageable Maturity Profile



8.9yr Average Maturity
88:12 Fixed:Floating
59:24:11:6 \$:£:€:Other

* Repaid in July 2020

* H1 2018 normalised for MSA impact in 2018. H1 2020 normalized for US excise deferral and COVID related inventories.

Committed to dividend growth & 65% pay-out ratio



➡➡ **c.£650m Capex = Depreciation***

➡➡ **Working Capital efficiencies**

➡➡ **£1bn Quantum savings expected 2020-2022**

➡➡ **Deleverage (Adj Net debt/Adj EBITDA**)**

- Around 3x expected by end 2021
- 1.5x-2.5x long term corridor

➡➡ **Dividend**

- 65% pay-out ratio growth in GBP

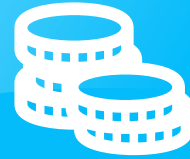
➡➡ **BAT Ventures; partnerships/small scale M&A**

On track to deliver FY 2020 Guidance

Demonstrating resilience through COVID challenges



1-3%
Revenue*



**Mid Single
Figure**
EPS Growth^



**Continue to
De-leverage**

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

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

Jack Bowles | Chief Executive



2020 H1 RESULTS:

Our Multi-Category strategy delivers growth in difficult times



Delivering revenue, profit and earnings growth* in exceptional circumstances



Multi-Category consumer acquisition drives revenue and share growth**



Excellent Combustibles value and volume share growth



Navigating COVID supported by our diverse geographic footprint



Committed to delivery and our 65% dividend pay-out ratio

Delivering for Today & Investing in the Future

Clear Commercial Priorities

**STEP-CHANGE IN
NEW CATEGORIES**

**COMBUSTIBLE VALUE
GROWTH**

SIMPLIFY THE COMPANY

Good Progress in 2020

- ✓ Growing share* in New Categories
- ✓ New Category revenue** +12.7%
- ✓ Cigarette price/mix*** +8.5%
- ✓ Group revenue** +2.4%
- ✓ Quantum savings c.£240m YTD
- ✓ Navigating COVID with agility

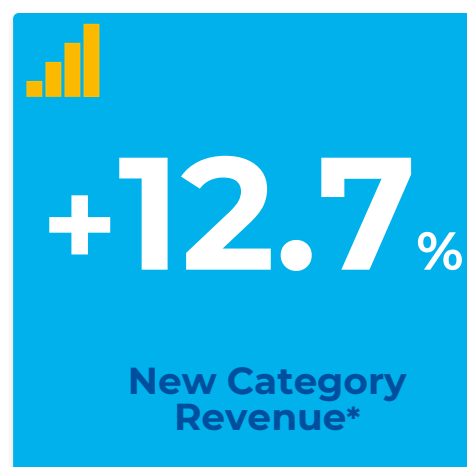
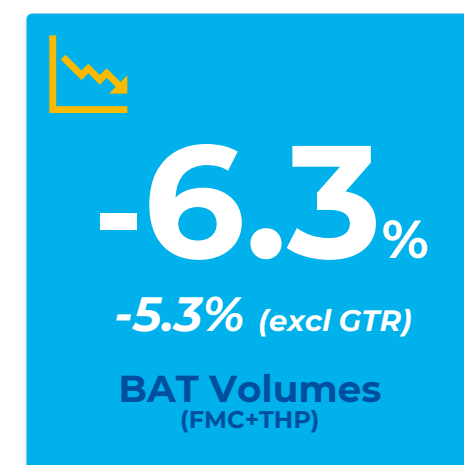
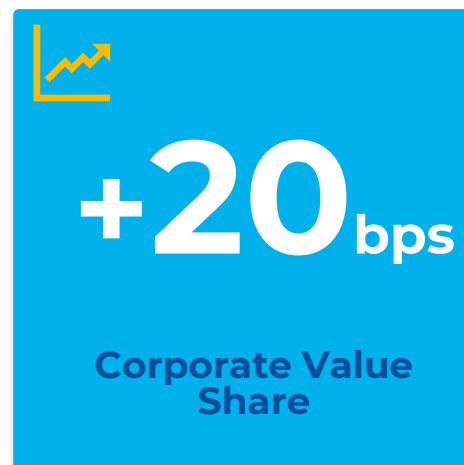
Stronger, Simpler, Faster
Commitment to Deliver



**Our people have gone above and
beyond to deliver growth**

H1 2020 RESULTS:

A strong performance in a challenging environment



We are Building A Better Tomorrow



- ✓ 10% Non-Combustibles Revenue and 11.6mn Consumers Today
- ✓ 50mn Non-Combustible Product Consumers by 2030*
- ✓ £5bn New Category Revenue by 2025*
- ✓ Carbon Neutral by 2030*

To reduce the **health impact** of our business by offering a **greater choice** of enjoyable and **less risky** products for our consumers

We remain committed to our medium-term guidance post-COVID

Appendix

ESG awards and recognition

	2016	2017	2018	2019	2020
	<p>MEMBER OF Dow Jones Sustainability Indices Europe</p> <p>MSCI BBB</p> <p>SAM Sustainability Award Gold Class 2016</p>	<p>MEMBER OF Dow Jones Sustainability Indices World leader</p> <p>MSCI A</p> <p>SAM Sustainability Award Silver Class 2017</p>	<p>MEMBER OF Dow Jones Sustainability Indices World leader</p> <p>MSCI A</p> <p>SAM Sustainability Award Gold Class 2018</p>	<p>MEMBER OF Dow Jones Sustainability Indices World leader</p> <p>MSCI BBB</p> <p>SAM Sustainability Award Gold Class 2019</p> <p>vigeo eiris</p>	<p>CRRA CRReportingAwards'20</p> <p>SAM Sustainability Award Gold Class 2020</p>
	<p>CDP CLIMATE: A- WATER: B</p>	<p>CDP CLIMATE: A- WATER: A-</p>	<p>CDP CLIMATE: B WATER: B-</p>	<p>CDP CLIMATE: A WATER: B</p>	<p>SEAL AWARD WINNER 2019 50 most sustainable companies</p>
	<p>TOP 100 COMPANY 2016 Thomson Reuters Diversity & Inclusion Index</p>	<p>TOP 100 COMPANY 2017 Thomson Reuters Diversity & Inclusion Index</p> <p>Achievers 50 Most Engaged Workplaces™</p> <p>Business & Human Rights Resource Centre FTSE top 5 ranking for Modern Slavery Statement</p>	<p>top EMPLOYER GLOBAL 2018 CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS</p> <p>FORTUNE BEST WORKPLACES IN MANUFACTURING AND PRODUCTION 2018</p> <p>WINNER International Women's Day BEST PRACTICE</p> <p>WDi Workforce Disclosure Initiative</p>	<p>top EMPLOYER GLOBAL 2019 CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS</p> <p>GLOBAL CHILD FORUM Leader 92%</p> <p>Children's Rights and Business 2019</p> <p>WDi Workforce Disclosure Initiative</p>	<p>top EMPLOYER GLOBAL 2020 CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS</p> <p>Corporate Equality Index 2020 Best place to work for LGBT+</p> <p>UK NATIONAL UNDERGRADUATE EMPLOYABILITY AWARDS 2020</p> <p>FT LEADER IN DIVERSITY 2020</p> <p>The Gartner Supply Chain Top 25 for 2020</p>
	<p>ID No.1 Ranking 2016 Good Governance Report</p>	<p>PETA INTERNATIONAL SCIENCE CONSORTIUM, LTD. Advancing non-animal testing</p>	<p>C dot MM AWARDS PLATINUM WINNER 2018 Best eBook for Science & Technology Report</p>	<p>VOYED PRODUCT OF THE YEAR 2019 Consumer Survey of Product Innovation</p>	<p>VOYED PRODUCT OF THE YEAR 2020 Consumer Survey of Product Innovation</p>

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.

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.

Exit share: The retail sales volume of the product sold as a proportion of total retail sales volume in that category at a specific period point in time.

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 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.