

British American Tobacco p.l.c.  
 Incorporated in England and Wales  
 (Registration number: 03407696)  
 Short name: BATS  
 Share code: BTI  
 ISIN number: GB0002875804  
 ("British American Tobacco p.l.c." or "the Company")

17 February 2021 –PRELIMINARY RESULTS

## BRITISH AMERICAN TOBACCO p.l.c.

YEAR ENDED 31 DECEMBER 2020

### 'ACCELERATING TRANSFORMATION'

#### GROWTH IN NEW CATEGORIES AND GROUP EARNINGS DESPITE COVID-19

PERFORMANCE HIGHLIGHTS	REPORTED		ADJUSTED	
	Current rates	Vs 2019	Current Rates	Vs 2019 (constant)
Cigarette and THP volume share		+30 bps		
Cigarette and THP value share		+20 bps		
Non-Combustibles consumers <sup>1</sup>	13.5m	+3.0m		
Revenue (£m)	£25,776m	-0.4%	£25,776m	+3.3%
Profit from operations (£m)	£9,962m	+10.5%	£11,365m	+4.8%
Operating margin (%)	+38.6%	+380 bps	+44.1%	+100 bps <sup>2</sup>
Diluted EPS (pence)	278.9p	+12.0%	331.7p	+5.5%
Net cash generated from operating activities (£m)	£9,786m	+8.8%		
Free cash flow after dividends (£m)			£2,550m	+32.7%
Cash conversion (%) <sup>2</sup>	98.2%	-160 bps	103.0%	+650 bps
Borrowings <sup>3</sup> (£m)	£43,968m	-3.1%		
Adjusted Net Debt (£m)			£39,451m	-5.3%
Dividend per share (pence)	215.6p	+2.5%		

The use of non-GAAP measures, including adjusting items and constant currencies, are further discussed on pages 48 to 53, with reconciliations from the most comparable IFRS measure provided. Note - 1. Internal estimate. 2. Movement in adjusted operating margin and operating cash conversion are provided at current rates. 3. Borrowings includes lease liabilities.

Delivering today	Building A Better Tomorrow™
<ul style="list-style-type: none"> <li>Revenue, profit from operations and earnings growth* absorbing estimated 2.5% COVID-19 revenue headwind</li> <li>Combustible revenue up 2.8%* with volume down 4.5% offset by strong price/mix of 7.3%</li> <li>Cigarette value share up 20 bps driven by the Strategic portfolio up 40 bps</li> <li>£660m annualised cost savings, driven by Quantum</li> <li>Adjusted profit from operations up 4.8%*</li> <li>Adjusted operating margin up 100 bps</li> <li>Adjusted diluted EPS up 5.5%*</li> <li>Operating cashflow conversion of 103%, &gt;90% target.</li> <li>£2.6bn FCF generation driving deleverage to 3.3x adjusted net debt / adjusted EBITDA</li> <li>Full Year dividend 215.6p up 2.5%</li> <li>65% dividend pay-out ratio</li> </ul>	<ul style="list-style-type: none"> <li>13.5m consumers of our non-combustible products<sup>1</sup>, adding 3m in 2020. On track to 50m by 2030</li> <li>New Categories revenue up 15%*, accelerating through the second half</li> <li>Incremental £426m New Categories investment in 2020</li> <li>Volume (of consumables) up 52% in Vapour</li> <li>Volume (of consumables) up 19% in THP (or 29% excluding glo Sens withdrawal)</li> <li>Volume up 62% in Modern Oral</li> <li>Acquisition of Dryft assets in the US expanding our US portfolio from 4 to 28 product variants</li> <li>Ahead of schedule to deliver £1bn annualised savings by 2022 to fund investment in New Categories and in developing new operational capabilities</li> </ul>

\* at constant rates of exchange

**Jack Bowles, Chief Executive:** "As the largest, and only truly global company in our industry, we take seriously our role to transform ourselves and demonstrate thought leadership. We have a clear purpose to reduce the harm footprint of our business. We are uniquely positioned to encourage the switch to reduced risk products\*\*.

We operate worldwide, including the US, which represents 40% of the global industry's value. Our well-embedded consumer-centric, multi-category strategy is activated on a global scale, leveraging our insights on consumer satisfaction, innovation needs and taste preference. We are building the brands of the future - strong, global brands, specifically positioned in each target consumer segment.

Last year we increased the number of consumers of our non-combustible products by 3m to 13.5m, doubling the rate of consumer adoption in the second half of 2020. We have excellent momentum in New Categories, with accelerating volume and value share gains.

Our investment behind New Categories has increased by a further £426m compared to 2019, enabled by a 5<sup>th</sup> consecutive year of value share growth in combustibles. Enabled by Project Quantum, we continued to simplify the company and drive efficiencies, delivering £660m of cost savings (being well on track to deliver our ambitious £1bn of savings by 2022), further supporting new capabilities investment.

Our ESG targets are transformational and support our A Better Tomorrow ambition. We will track and share our progress. We are committed to reducing the health impact of our business, whilst delivering sustainable results that create long-term multi-stakeholder value"

#### 2021 outlook:

- Global tobacco industry volume expected to be down around 3%. US market dependent on COVID-19 uncertainties.
- Constant currency revenue growth of 3%-5%, and continued progress towards our New Categories revenue target of £5bn in 2025.
- Mid-single figure constant currency adjusted EPS growth reflecting continued COVID-19 impacts. Expected FX headwind of around 7% on full year adjusted EPS growth.
- Operating cashflow conversion in excess of 90%, Adj Net debt/Adj EBITDA around 3.0x.

Post COVID-19, confident in our guidance of 3-5% revenue and high single-figure adjusted diluted EPS growth at constant currency.

\*\* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive

## CHIEF EXECUTIVE'S STATEMENT

### **BUILDING A BETTER TOMORROW™ - OUR TRANSFORMATION JOURNEY**

We are transforming our business to build A Better Tomorrow for our shareholders and other stakeholders. The greatest contribution we can make to society is to reduce the health impact of our global business. Above all, this means accelerating the growth of our New Categories business as fast as possible.

Our transformation journey continues to be led by our three strategic priorities:

- Accelerating growth in New Categories, fuelled by
- Value growth in combustibles and
- Benefitting from a faster, simpler, more agile business.

We delivered against all of these priorities in 2020 despite the unprecedented challenges posed by the COVID-19 pandemic. I am deeply appreciative of the determination and resilience of our people who have helped ensure our business is strongly positioned for continued growth.

Last year, we announced several ambitious targets and are making steady progress towards achieving them. We aim to further accelerate the growth of revenue from our New Categories, reaching £5 billion by 2025. We are proud that we now have 13.5 million consumers of non-combustible products, a growth of 3 million - doubling the rate of consumer adoption in the second half of 2020. We are well on track to meet our ambition of 50 million consumers of our Non-Combustible brands worldwide by 2030.

The sustainability of our business goes beyond the financial results alone. At the centre is our continued commitment to our purpose to build A Better Tomorrow by reducing the health impact of our global business. This entails:

- Committing to providing adult consumers with a wide range of enjoyable and less-risky products\*\*;
- Continuing to be clear that combustible cigarettes pose serious health risks, and the only way to avoid these risks is not to start or to quit;
- Encouraging those who otherwise continue to smoke, to switch completely to scientifically-substantiated, reduced-risk alternatives\*\*; and
- Tracking and sharing progress of our transformation.

Our A Better Tomorrow purpose is underpinned by an ESG strategy which sets out clear commitments to deliver a positive impact on the environment, on society and on our employees. Chief amongst those, beyond reducing the harm impacts of our business, is achieving carbon neutrality for direct emissions (scope 1 and scope 2) by 2030. We are making good progress towards achieving these ambitions and are proud of the recognition we have received. In 2020, we:

- Were named in the Dow Jones Sustainability Indices (DJSI) for the 19th consecutive year;
- Increased our scores with respected ESG ratings agencies, including Sustainalytics and Vigeo Eiris;
- Were awarded the prestigious 'A' score' for climate change by the Carbon Disclosure Project (CDP);
- Maintained our BBB MCSI rating; and
- Were named as a Global Top Employer for the fourth year running by the Top Employers Institute.

As Chief Executive, I am determined that we make a positive contribution to society by transforming our business and accelerating growth of our New Categories. I am proud of our achievements, yet I am clear that there is more to do. I am excited by the prospect of the journey ahead. With our history of strong financial delivery, coupled with deep consumer insights and an innovation-led, consumer-centric, multi-category approach, we have the foundations in place to propel this great company even further forward and build A Better Tomorrow for all stakeholders.

# FINANCE AND TRANSFORMATION DIRECTOR'S STATEMENT

## STRONG CASHFLOW GENERATION AND ENHANCED LIQUIDITY.

BAT is a highly cash generative business and in 2020 we achieved operating cash flow conversion in excess of 95% for the 4th consecutive year. We delivered £9.8bn of net cash generated from operating activities, realising £2.6bn of post dividend free cashflow despite a £131m impact on working capital as a result of the global pandemic.

During 2020, the Group further strengthened its liquidity profile and successfully raised £8.9bn in new debt (in \$, € and £) in the capital markets, completed a liability management transaction repurchasing and redeeming debt that would have otherwise matured in 2021 and 2022, signed short-term bilateral facilities (with £3.4 billion available) and refinanced the Group's £6.0 billion Revolving Credit Facility (RCF), extending its maturity and removing the financial covenant. As a result, average debt maturity is 9.9 years, with maximum annual debt maturities around £4 billion. We remain committed to our 65% dividend pay-out ratio and to balance sheet deleveraging and expect to reach around 3x adjusted net debt to adjusted EBITDA by the end of 2021. Our medium-term rating target remains BBB+/Baa1, with a current rating of BBB+/Baa2\*\*\*.

\*\* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive

\*\*\*A credit rating is not a recommendation to buy, sell or hold securities. A credit rating may be subject to withdrawal or revision at any time. Each rating should be evaluated separately of any other rating.

## Other Information

### DIVIDENDS

#### Declaration

The Board has declared an interim dividend of 215.6p per ordinary share of 25p, for the year ended 31 December 2020, payable in four equal quarterly instalments of 53.9p per ordinary share in May 2021, August 2021, November 2021 and February 2022. This represents an increase of 2.5% on 2019 (2019: 210.4p per share), and a payout ratio, on 2020 adjusted diluted earnings per share, of 65.0%.

The quarterly dividends will be paid to shareholders registered on either the UK main register or the South Africa branch register and to holders of American Depositary Shares (ADSs), each on the applicable record dates set out under the heading 'Key Dates' below.

#### Holders of ADSs

For holders of ADSs listed on the New York Stock Exchange (NYSE), the record dates and payment dates are set out below. The equivalent quarterly dividends receivable by holders of ADSs in US dollars will be calculated based on the exchange rate on the applicable payment date. A fee of US\$0.005 per ADS will be charged by Citibank, N.A. in its capacity as depositary bank for the BAT American Depositary Receipt (ADR) programme in respect of each quarterly dividend payment.

#### South Africa Branch Register

In accordance with the JSE Limited (JSE) Listing Requirements, the finalisation information relating to shareholders registered on the South Africa branch register (comprising the amount of the dividend in South African rand, the exchange rate and the associated conversion date) will be published on the dates stated below, together with South Africa dividends tax information.

The quarterly dividends are regarded as 'foreign dividends' for the purposes of the South Africa Dividends Tax. For the purposes of South Africa Dividends Tax reporting, the source of income for the payment of the quarterly dividends is the United Kingdom.

#### General dividend information

Under IFRS, the dividend is recognised in the year that it is approved by shareholders or, if declared as an interim dividend by directors, in the period that it is paid.

The cash flow, prepared in accordance with IFRS, reflects the total cash paid in the period, amounting to £4,745 million (2019: £4,598 million).

Dividends declared:	2020		2019	
	Pence per	USD per	Pence per	USD per
Quarterly payment 1 (paid May 2020)	52.60	0.6424030	50.75	0.6596990
Quarterly payment 2 (paid August 2020)	52.60	0.6889020	50.75	0.6155970
Quarterly payment 3 (paid November 2020)	52.60	0.6895860	50.75	0.6521370
Quarterly payment 4 (paid February 2021)	52.60	0.7178320	50.75	0.6571610
	210.4	2.738723	203.0	2.5845940

#### Key dates

In compliance with the requirements of the London Stock Exchange (LSE), the NYSE and Strate, the electronic settlement and custody system used by the JSE, the following salient dates for the quarterly dividends payments are applicable. All dates are 2021, unless otherwise stated.

Event	Payment No. 1	Payment No. 2	Payment No. 3	Payment No. 4
Preliminary announcement (includes declaration data required for JSE purposes)			17 February	
Publication of finalisation information (JSE)	15 March	29 June	20 September	13 December
No removal requests permitted between the UK main register and the South Africa branch register	15 March- 26 March (inclusive)	29 June- 9 July (inclusive)	20 September- 1 October (inclusive)	13 December- 24 December (inclusive)
Last Day to Trade (LDT) cum dividend (JSE)	23 March	6 July	28 September	21 December
Shares commence trading ex- dividend (JSE)	24 March	7 July	29 September	22 December
No transfers permitted between the UK main register and the South Africa branch register	24 March- 26 March (inclusive)	7 July- 9 July (inclusive)	29 September - 1 October (inclusive)	22 December- 24 December (inclusive)
No shares may be dematerialised or rematerialised on the South Africa branch register	24 March- 26 March (inclusive)	7 July- 9 July (inclusive)	29 September- 1 October (inclusive)	22 December- 24 December (inclusive)
Shares commence trading ex- dividend (LSE and NYSE)	25 March	8 July	30 September	23 December
Record date (JSE, LSE and NYSE)	26 March	9 July	1 October	24 December
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections (LSE)	20 April	29 July	21 October	19 January 2022
Payment date (LSE and JSE)	12 May	19 August	11 November	9 February 2022
ADS payment date (NYSE)	17 May	24 August	16 November	14 February 2022

**Note:**

(1) The dates set out above may be subject to any changes to public holidays arising and changes or revisions to the LSE, JSE and NYSE timetables. Any confirmed changes to the dates will be announced.

**SHORT-FORM ANNOUNCEMENT**

This short-form announcement is the responsibility of the Directors of the Company. It is only a summary of the information contained in the full Preliminary Announcement - Year Ended 31 December 2020 (the "Results Announcement") and does not contain full or complete details. Any investment decisions should be based on consideration of the full Results Announcement available via the JSE at <https://senspdf.jse.co.za/documents/2021/JSE/ISSE/BTI/BATFY20.pdf> and on the Company's website at [www.bat.com](http://www.bat.com). Copies of the full Results Announcement may also be obtained during normal business hours from the Company's registered office and the Company's representative office in South Africa. Contact details are set out below.

**SHAREHOLDER INFORMATION**  
**FINANCIAL CALENDAR 2021\***

Wednesday 28 April

Annual General Meeting at 11.30am  
Details of the venue and business to be proposed  
at  
the meeting will be set out in the Notice of  
AGM, which

will be made available to all shareholders and published on [www.bat.com](http://www.bat.com). The format for the 2021 AGM will be contingent on applicable UK Government health and safety restrictions in place at that time.

Friday 30 July

Half-Year Report

\* Indicated dates are subject to change

## CORPORATE INFORMATION

### Premium listing

London Stock Exchange (Share Code: BATS; ISIN: GB0002875804)  
Computershare Investor Services PLC  
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, UK  
tel: 0800 408 0094; +44 370 889 3159  
Share dealing tel: 0370 703 0084 (UK only)  
Your account: [www.computershare.com/uk/investor/bri](http://www.computershare.com/uk/investor/bri)  
Share dealing: [www.computershare.com/dealing/uk](http://www.computershare.com/dealing/uk)  
Web-based enquiries: [www.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus)

### Secondary listing

JSE (Share Code: BTI)  
Shares are traded in electronic form only and transactions settled electronically through Strate.  
Computershare Investor Services Proprietary Limited  
Private Bag X9000, Saxonwold 2132, South Africa  
tel: 0861 100 634; +27 11 870 8216  
email enquiries: [web.queries@computershare.co.za](mailto:web.queries@computershare.co.za)

### Sponsor for the purpose of the JSE

UBS South Africa (Pty) Ltd

### American Depositary Receipts (ADRs)

NYSE (Symbol: BTI; CUSIP Number: 110448107)  
BAT's shares are listed on the NYSE in the form of American Depositary Shares (ADSS) and these are evidenced by American Depositary Receipts (ADRs), each one of which represents one ordinary share of British American Tobacco p.l.c. Citibank, N.A. is the depositary bank for the sponsored ADR programme.  
Citibank Shareholder Services  
PO Box 43077, Providence, Rhode Island 02940-3077, USA  
tel: +1 888 985 2055 (toll-free) or +1 781 575 4555  
email enquiries: [citibank@shareholders-online.com](mailto:citibank@shareholders-online.com)  
website: [www.citi.com/dr](http://www.citi.com/dr)

### Publications

British American Tobacco Publications  
Unit 80, London Industrial Park, Roding Road, London E6 6LS, UK  
tel: +44 20 7511 7797 e-mail enquiries: [bat@team365.co.uk](mailto:bat@team365.co.uk) or the Company's Representative office in South Africa using the contact details shown below.

### British American Tobacco p.l.c.

#### Registered office

Globe House, 4 Temple Place, London, WC2R 2PG, UK  
tel: +44 20 7845 1000; facsimile: +44 20 7240 0555

British American Tobacco p.l.c. is a public limited company which is listed on the London Stock Exchange, New York Stock Exchange and the JSE Limited in South Africa. British American Tobacco p.l.c. is incorporated in England and Wales (No. 3407696) and domiciled in the UK.

### British American Tobacco p.l.c.

#### Representative office in South Africa

Waterway House South  
No 3 Dock Road, V&A Waterfront, Cape Town 8000  
South Africa  
PO Box 631, Cape Town 8000, South Africa  
tel: +27 21 003 6712

## ENQUIRIES

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## FORWARD LOOKING STATEMENTS

This announcement contains certain forward-looking statements, including "forward-looking" statements made within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. 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. These include statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the British American Tobacco Group (the "Group") operates, including the projected future financial and operating impacts of the COVID-19 pandemic.

In particular, these forward-looking statements include, among other statements, statements regarding the Group's future financial performance, planned product launches and future regulatory developments, as well as: (i) certain statements in the Chief Executive commentary (pages 1 to 2); (ii) certain statements in the Finance and Transformation Director's Statement (page 2); (iii) certain statements in the Category Performance Review (pages 4 to 7); (iv) certain statements in the Regional Performance Review section (pages 8 to 13); (v) certain statements in the Other Financial Information section (pages 14 to 17); (vi) certain statements in the Managing Through COVID-19 section (pages 18 to 20); (vii) certain statements in the Other Information section (pages 21 to 25); (viii) certain statements in the Notes to the Interim Financial Statements section (pages 32 to 43), including the Liquidity and Contingent Liabilities and Financial Commitments sections; (ix) certain statements in the Other Information section (pages 44 to 55), including the Non-GAAP Measures sections and under the heading "Dividends".

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors. It is believed that the expectations reflected in this announcement 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.

Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the impact of competition from illicit trade; the impact of adverse domestic or international legislation and regulation; the inability to develop, commercialise and deliver the Group's New Categories strategy; the impact of market size reduction and consumer down-trading; adverse litigation and dispute outcomes and the effect of such outcomes on the Group's financial condition; the impact of significant increases or structural changes in tobacco, nicotine and New Categories related taxes; translational and transactional foreign exchange rate exposure; changes or differences in domestic or international economic or political conditions; the ability to maintain credit ratings and to fund the business under the current capital structure; the impact of serious injury, illness or death in the workplace; adverse decisions by domestic or international regulatory bodies; and changes in the market position, businesses, financial condition, results of operations or prospects of the Group. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and BAT undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward-looking statements.

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

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 and Current Reports on Form 6-K, which may be obtained free of charge at the SEC's website, <http://www.sec.gov>.

All financial statements and financial information provided by or with respect to the U.S. or Reynolds American Inc. ("Reynolds") are initially prepared on the basis of U.S. GAAP and constitute the primary financial statements or financial records of the U.S. / Reynolds. 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 Group. To the extent any such financial information provided in this announcement relates to the U.S. or Reynolds it is provided as an explanation of, or supplement to, Reynolds' primary U.S. GAAP based financial statements and information.

Our vapour product Vuse (including Alto, Solo, Ciro and Vibe), and certain products including Velo, Grizzly, Kodiak, Camel Snus and Granit, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.