

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")

28 JULY 2021 — INTERIM RESULTS

BRITISH AMERICAN TOBACCO p.l.c.

HALF-YEAR REPORT TO 30 JUNE 2021



STRONG BRANDS DRIVE NEW CATEGORY ACCELERATION

PERFORMANCE HIGHLIGHTS	REPORTED		ADJUSTED	
	Current rates	Vs 2020	Current Rates	Vs 2020 (constant)
Cigarette and THP volume share		+20 bps		
Cigarette and THP value share		+10 bps		
Consumers of non-combustible products ¹	16.1m	+2.6m		
Revenue (£m)	£12,175m	-0.8%	£12,175m	+8.1%
Revenue from New Categories (£m)	£883m	+40.4%	£883m	+50.0%
Profit from operations (£m)	£4,907m	-3.7%	£5,235m	+5.4%
Operating margin (%)	40.3%	-120 bps	43.0%	-70 bps ²
Diluted EPS (pence)	141.6p	-6.0%	154.2p	+6.1%
Net cash generated from operating activities (£m)	£2,254m	-35.3%		
Free cash flow after dividends (£m)			(£1,163)m	Not meaningful
Cash conversion (%) ²	45.9%	-22.5 ppts	66.7%	-13.5 ppts
Borrowings ³ (£m)	£45,010m	-10.8%		
Adjusted Net Debt (£m)			£40,490m	-7.6%

The use of non-GAAP measures, including adjusting items and constant currencies, are further discussed on pages 54 to 58, with reconciliations from the most comparable IFRS measure provided. Note – 1. Internal estimate. 2. Movement in adjusted operating margin and operating cash conversion is provided at current rates. 3. Borrowings includes lease liabilities.

Accelerating our Transformation	Strong H1 Results
<ul style="list-style-type: none"> New Categories revenue up 50% to £942m* Our highest ever non-combustible product consumer acquisition +2.6m to 16.1m in H1, with 11.8% of Group revenue delivered by non-combustible products Vapour revenue up 59%*, Vuse approaching global category value share leadership glo revenue up 38%*, with glo Hyper volume share gains in ENA and Japan Velo revenue up 63%*, with our T5 volume share of the Modern Oral category at 39.5% up 280 bps Further incremental increase of £346m investment in H1, capitalising on strong momentum in all three New Categories Full Year New Category losses expected to reduce 	<ul style="list-style-type: none"> Revenue up 8.1%* led by New Category growth and a partial recovery from prior-year COVID-19 impacts Combustible revenue up 5.8%* with price/mix of 4.3%, reflecting Emerging Market (EM) recovery Cigarette value share up 10 bps, and volume share up 10 bps reflecting strong EM performance Further £256m cost savings, driven by Quantum, target increased to £1.5bn (previously £1bn) by 2022 Adjusted profit from operations up 5.4%* includes a transactional FX impact of 2% Adjusted operating margin down 70 bps, driven by increased New Category investment, geographic mix and transactional FX Adjusted diluted EPS up 6.1%* Operating cashflow conversion of 67%, reflecting phasing of excise payments in the US in 2020

Jack Bowles, Chief Executive:

"This has been an exciting period of growth in New Categories, with New Category constant currency revenue up by 50% in the first half. We added 2.6m consumers, our highest ever increase, to our non-combustible product consumer base, to reach 16.1m. This demonstrates our accelerating transformation driven by our multi-category portfolio, with continued key market share gains in all three New Categories.

We are building strong, global brands of the future with Vuse, Velo and glo. These are underpinned by industry leading multi-category consumer insights and science, with increasing digitalisation. We have invested a further incremental £346m in the first half, funded by continued value growth from combustibles and expect to reach our £1bn Quantum savings target 12 months early. We have now increased our savings target to £1.5bn by 2022.

Our rapid growth in New Categories is driving significant scale benefits and 2021 is shaping up to be a pivotal year in our journey towards A Better Tomorrow.

Our focus on New Categories growth and business sustainability puts ESG at the core of our strategy. There is great momentum across the business and we are well on track to meet our targets of £5bn of New Category revenue by 2025 and 50m non-combustible product consumers by 2030.

We are committed to reducing the health impact of our business. Our ambition remains a sustainable, high growth, multi-category, consumer products business. I am excited about the future for BAT."

On track for FULL YEAR 2021 guidance:

- Global tobacco industry volume now expected to be down c.-1.5% (from c.-3%), driven by strong EM recovery.

- US industry volume expected to be down c.-5.5%, given continuing macro-economic uncertainties and a strong comparator.
- Constant currency revenue growth above 5% and continued strong progress towards £5bn New Categories revenue in 2025.
- Mid-single figure constant currency adjusted EPS growth, including continued expectation of c.2% transactional FX headwind.
- Expected translational FX headwind of c.7% on full year adjusted diluted EPS growth.
- Operating cashflow conversion in excess of 90%, Adjusted Net debt/Adjusted EBITDA around three times.
- Commitment to 65% dividend pay-out ratio and growth in sterling terms.

* at constant rates of exchange

CHIEF EXECUTIVE'S STATEMENT

TRANSFORMING OUR BUSINESS - BUILDING A BETTER TOMORROW™

We are committed to our purpose of building A Better Tomorrow™. We will achieve this by reducing the health impact of our business through a progressive and continued portfolio transformation. As these results show, we are becoming a business that defines itself, not by the product it sells, but by the consumer needs that it meets. The addition of 2.6m consumers of non-combustible products in H1 2021, reaching 16.1m, highlights the progress we are making.

The accelerated growth of Vuse, glo and Velo positions us well to meet our New Categories revenue target of £5 billion by 2025. The progress of these brands – brands with purpose – highlights the strength of our three strategic priorities:

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

Hyper has driven the growth of glo, we are growing volume share of the total modern oral market (partly due to Velo in US) and Vuse is the category value share leader in four of the top five vapour markets and market leader (by value share) in 20 US states.

Digitalisation is key to the future of our business and we continue to invest beyond our technology capabilities in manufacturing and supply chain. Our e-commerce footprint is developing quickly with consumer subscription programmes growing in priority New Category markets. Increasingly, data and analytics are playing a critical role in new capability areas such as more powerful Customer Relationship Management, pricing realisation via Revenue Growth Management and Marketing Spend Effectiveness tools.

Building A Better Tomorrow™ is about creating shared value for all our stakeholders. We are making good progress towards achieving our ambitions, including:

- In May, we announced that Vuse had become the world's first verified¹ global carbon neutral vapour brand; and
- In March, we augmented our existing carbon emissions target by announcing our ambition to be carbon neutral across our entire value chain by 2050.

We are also proud of the notable recognition we have received for our ESG efforts (see page 22). So far, in 2021, this has included:

- The highest 'Gold Class' distinction in S&P Global's Sustainability Yearbook;
- Ranked as the third highest ESG-rated FTSE 100 company by Refinitiv, global provider of financial market data and a subsidiary of London Stock Exchange Group;
- Named as a Climate Leader by the *Financial Times* in its inaugural European ranking; and
- Named as a Global Top Employer for the fourth year running by the Top Employers Institute.

Our progress is testimony to the resilience of our staff, customers, partners and suppliers. We remain committed to supporting all our stakeholders throughout the COVID-19 pandemic.

As we enter the second half of the year, our focus on developing and delivering consumer-focused products and brands is driving accelerated momentum. We are creating multi-stakeholder value and transforming ourselves into a high-growth, consumer products business: global, consumer-centric, multi-category, with sustainability front and centre.

¹As verified by Vertis based on product Life Cycle Assessment data provided by an independent third party, taking into account the Group's purchase of carbon credits through reforestation projects.

FINANCE & TRANSFORMATION DIRECTOR'S OUTLOOK STATEMENT

STRONG OPERATIONAL MOMENTUM AND CASH FLOW

Our strong momentum underpins our expectations for constant currency revenue growth of above 5% in 2021. The second half of the year will reflect the impact of geographic and portfolio mix, and a strong prior year comparator which offset the continued progress from New Categories.

Capitalising on our strong momentum, we further increased investment in New Categories by £346 million in H1 2021 and additional investment is planned for H2 2021. We continue to expect full year 2021 losses from New Categories to reduce, with a clear pathway to profitability by 2025. This investment has been funded by our continued strong growth in combustibles, and savings from Quantum, and expect to reach the £1 billion annualised savings target 12 months ahead of plan. With further savings identified, we have upgraded our Quantum target to £1.5 billion by 2022.

Full year constant currency adjusted profit from operations growth is expected to be driven by strong revenue performance and further savings from Quantum. This will be partially offset by the continued incremental New Category investment and challenges in Australia where we anticipate a one-off impact from changes in excise (£170 million) alongside a highly competitive pricing environment.

As previously communicated, we continue to expect no recovery in Global Travel Retail (GTR) until 2022, with COVID-19 continuing to negatively impact our associate income from ITC in the second half of 2021. We are also absorbing a c.2% transactional FX headwind in our constant currency guidance. Accordingly, we maintain our FY 2021 guidance of mid-single figure constant currency adjusted diluted EPS growth.

BAT is a highly cash generative business and we are on track to, once again, achieve operating cash flow conversion in excess of 90%, with year-on-year growth in H1 2021 impacted by the phasing of excise payments in 2020.

Our liquidity profile remains strong, with average debt maturity close to 10 years and maximum debt maturities in any one calendar year of around £4 billion. Our medium-term rating target remains BBB+/Baa1, with a current rating of BBB+/Baa2****.

We remain committed to our 65% dividend pay-out ratio and dividend growth in sterling terms, continuing to invest in the transformation of the business and building A Better Tomorrow™, while deleveraging the balance sheet to reach around 3x adjusted net debt to adjusted EBITDA by the year end. At that point we expect increased flexibility for capital allocation.

****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

On 17 February 2021, the Company announced that the Board had declared an interim dividend of 215.6p per ordinary share of 25p, payable in four equal quarterly instalments of 53.9p per ordinary share in May 2021, August 2021, November 2021 and February 2022.

The May 2021 dividend was paid to shareholders on the UK main register and South Africa branch register on 12 May 2021 and to holders of American Depositary Shares (ADSs) on 17 May 2021. The three remaining quarterly dividends will be paid to shareholders registered on either the UK main register or the South Africa branch register, and to holders of 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 depository 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 interim dividend is recognised in the period that it is paid. Therefore, the results for the six months ended 30 June 2021 reflect the fourth quarterly dividend from the declaration made on 27 February 2020 of 52.6p per ordinary share and the first quarterly dividend from the declaration made on 16 February 2021, of 53.9p per ordinary share as these were paid in February 2021 and May 2021, respectively.

	For the six months ended 30 June 2021	
	Pence per share	US\$ per ADS
Quarterly payment paid in February 2021	52.60	0.717832
Quarterly payment paid in May 2021	53.90	0.757618
	106.50	1.475450

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. 2	Payment No. 3	Payment No. 4
Preliminary announcement (includes declaration data required for JSE purposes)		17 February	
Publication of finalisation information (JSE)	29 June*	20 September	13 December

No removal requests permitted between the UK main register and the South Africa branch register	29 June– 9 July (inclusive)	20 September– 1 October (inclusive)	13 December– 24 December (inclusive)
Last Day to Trade (LDT) cum dividend (JSE)	6 July	28 September	21 December
Shares commence trading ex-dividend (JSE)	7 July	29 September	22 December
No transfers permitted between the UK main register and the South Africa branch register	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	7 July– 9 July (inclusive)	29 September– 1 October (inclusive)	22 December– 24 December (inclusive)
Shares commence trading ex-dividend (LSE and NYSE)	8 July	30 September	23 December
Record date (JSE, LSE and NYSE)	9 July	1 October	24 December
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections (LSE)	29 July	21 October	19 January 2022
Payment date (LSE and JSE)	19 August	11 November	9 February 2022
ADS payment date (NYSE)	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.
- (2) *JSE finalisation information published on 29 June 2021 can be found on the British American Tobacco website www.bat.com.

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 Half-Year Report to 30 June 2021 (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/BATHY21.pdf> and on the Company’s website at 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.

FINANCIAL CALENDAR

December 2021
Friday 11 February 2022

Pre-close Trading Update
Preliminary Statement 2021

PROPOSED DATES FOR QUARTERLY DIVIDEND PAYMENTS FOR THE YEAR ENDING 31 DECEMBER 2021

Event	Payment No. 1	Payment No. 2	Payment No. 3	Payment No. 4
Last day to trade (JSE)	22 March 2022	5 July 2022	27 September 2022	20 December 2022
Ex-dividend date (JSE)	23 March 2022	6 July 2022	28 September 2022	21 December 2022
Ex-dividend date (LSE and NYSE)	24 March 2022	7 July 2022	29 September 2022	22 December 2022
Record date (JSE, LSE and NYSE)	25 March 2022	8 July 2022	30 September 2022	23 December 2022
Payment date (LSE and JSE)	4 May 2022	17 August 2022	10 November 2022	2 February 2023
ADS payment date (NYSE)	9 May 2022	22 August 2022	15 November 2022	6 February 2023

Notes:

(1) A complete timetable for the quarterly dividend payments for the year ending 31 December 2021 and the declared amount will be included in the Preliminary Results Announcement in February 2022.

(2) 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.

CORPORATE INFORMATION

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.

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

Share dealing: www.computershare.com/dealing/uk

Web-based enquiries: 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

Rosebank Towers, 15 Biermann Avenue, Rosebank, South Africa

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email enquiries: web.queries@computershare.co.za

Sponsor for the purpose of the JSE - UBS South Africa (Pty) Ltd

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; website: 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 or the Company's Representative office in South Africa using the contact details below.

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FORWARD-LOOKING STATEMENTS AND OTHER MATTERS

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.

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 Strong Brands Drive New Category Acceleration section and 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 8); (iv) certain statements in the Regional Review section (pages 9 to 13); (v) certain statements in the Other Financial Information section (pages 14 to 17); (vi) certain statements in the Other Information section (pages 18 to 23); (vii) certain statements in the Notes to the Unaudited Interim Financial Statements section (pages 32 to 49), including the Liquidity and Contingent Liabilities and Financial Commitments sections; and (viii) certain statements in the Other Information section (pages 50 to 62), including the Non-GAAP Measures sections and under the heading "Dividends".

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.

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; 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.

A review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found by referring to the information contained under the headings "Cautionary statement", "Group Principal Risks" and "Group Risk Factors" in the 2020 Annual Report and Form 20-F of British American Tobacco p.l.c. (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> and BAT's Annual Reports, which may be obtained free of charge from the British American Tobacco website www.bat.com.

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. 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.

All financial statements and financial information provided by or with respect to the U.S. or Reynolds American Inc. (Reynolds American) are initially prepared on the basis of U.S. GAAP and constitute the primary financial statements or financial records of the U.S. / Reynolds American. This financial information is then converted to International Financial Reporting Standards as issued by the IASB and as adopted for use in the UK ("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 American it is provided as an explanation of, or supplement to, Reynolds American's 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.

Sponsor: UBS South Africa (Pty) Ltd