



**C** *A BETTER*  
**TOMORROW**

**DELIVERING  
FOR TODAY &  
INVESTING IN  
THE FUTURE**

**PERFORMANCE  
SUMMARY  
2019**

**BAT**   
A BETTER TOMORROW

# #CHOICE



At BAT we recognise that consumer and societal needs are changing. Expectations that evolve at an accelerated pace.

We are committed to delivering a broad range of consumer choice through our investment in new categories globally.

Central to that commitment is to shape a better tomorrow for our consumers, society, shareholders and employees.



# #PROGRESS



At BAT we are working hard to create A Better Tomorrow. We are clear about the challenges of transformation.

Our technology and innovation partnership with McLaren provides a global platform which enables the acceleration of our ambition.

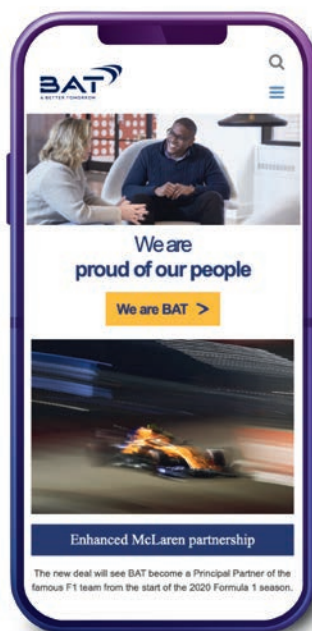
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## DISCOVER MORE



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### British American Tobacco p.l.c. (No. 3407696) Performance Summary 2019: Cautionary statement and other information

This Performance Summary is extracted (without material adjustment) from, and should be read as an introduction to and in conjunction with, the Annual Report and Accounts of British American Tobacco p.l.c. (the Company) and the British American Tobacco Group prepared in accordance with UK requirements. It has been drawn up and is presented in accordance with, and reliance upon, applicable English company law and the liabilities of the Directors in connection with the report shall be subject to the limitations and restrictions provided by such law.

This Performance Summary contains certain forward-looking statements, including "forward-looking" statements made within the meaning of Section 21E of the United States Securities Exchange Act of 1934. 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, among 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 Group operates.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual future financial condition, performance and results to differ materially from the plans, goals, expectations and results expressed in the forward-looking statements and other financial and/or statistical data within this Performance Summary. 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; changes in domestic or international tax laws and rates and the impact of an unfavourable ruling by a tax authority in a disputed area; adverse litigation and dispute outcomes and the effect of such outcomes on the Group's financial condition; changes or differences in domestic or international economic or political conditions; adverse decisions by domestic or international regulatory bodies; the impact of market size reduction and consumer down-trading; translational and transactional foreign exchange rate exposure; the impact of serious injury, illness or death in the workplace; the ability to maintain credit ratings and

to fund the business under the current capital structure; the inability to develop, commercialise and deliver the New Categories strategy; and changes in the market position, businesses, financial condition, results of operations or prospects of the Group. Further details on the principal risks that may affect the Group can be found in the 'Principal Group risks' section of the Strategic Report of the Annual Report and Accounts. A summary of all the risk factors (including the principal risks) which are monitored by the Board through the Group's risk register is set out in the Additional disclosures section under the heading 'Group Risk Factors' in the Additional Disclosures section of the Annual report and Accounts.

It is believed that the expectations reflected in this Performance Summary 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. 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 Performance Summary and the Group 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.

This Performance Summary is provided for information only and is not intended to be a substitute for reading the Annual Report and Accounts. In particular, this Performance Summary does not comprise the Company's Strategic Report or any supplementary materials and it does not contain sufficient information to allow for as full an understanding of the results of the Group and the state of affairs of the Group, and the principal risks facing the Group, as would be provided by the Annual Report and Accounts.

Shareholders may view a copy of the Annual Report and Accounts on [www.bat.com](https://www.bat.com) or obtain a hard copy free of charge. Specific local mailing and/or notification requirements will apply to shareholders on the South Africa branch register.

If you have sold or transferred all your shares in British American Tobacco p.l.c., you should send this Performance Summary to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This Performance Summary provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards (IFRS). We believe these APMs provide readers with important additional information on our business. A comprehensive list of the APMs that we use, an explanation of how they are calculated, why we use them and a reconciliation to the most directly comparable IFRS measure where relevant is set out under the heading 'Non-GAAP measures' in the Additional Disclosures section of the Annual Report and Accounts.

BAT has shares listed on the London Stock Exchange (BATS) and the Johannesburg Stock Exchange (BTI), and, as American Depositary Shares (ADSs), on the New York Stock Exchange (BTI).

References in this Performance Summary to 'British American Tobacco', 'BAT', 'Group', 'we', 'us' and 'our' when denoting opinion refer to British American Tobacco p.l.c. and when denoting tobacco business activity refer to British American Tobacco Group operating companies, collectively or individually as the case may be.

The material in this Performance Summary is provided for the purpose of giving information about the Company to investors only and is not intended for general consumers. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this material is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The material in this Performance Summary is not provided for product advertising, promotional or marketing purposes. This material does not constitute and should not be construed as constituting an offer to sell, or a solicitation of an offer to buy, any of our products. Our products are sold only in compliance with the laws of the particular jurisdictions in which they are sold.

References in this Performance Summary to information on websites, including the web address of BAT, have been included as inactive textual references only. The websites and the information contained therein or connected thereto are not intended to be incorporated into or to form part of this Performance Summary.

## CHIEF EXECUTIVE'S INTRODUCTION



# DELIVERING TODAY AND BUILDING A BETTER TOMORROW



### Dear shareholders and stakeholders,

It is a privilege to lead BAT, with its record of achievements both past and present.

Since taking the helm in early 2019, I have focused the business on three clear priorities: driving value from combustibles, ensuring a step change in New Categories performance and simplifying the business. Stronger, simpler, faster.

My new management team has fully embraced these priorities and is already delivering against them.

At the end of my first year as Chief Executive, I want to take this opportunity to set out my vision for BAT's future.

## CHIEF EXECUTIVE'S INTRODUCTION CONTINUED



I HAVE FOCUSED THE BUSINESS ON THREE CLEAR PRIORITIES:

- DRIVING VALUE FROM COMBUSTIBLES
- ENSURING A STEP CHANGE IN NEW CATEGORIES PERFORMANCE
- AND SIMPLIFYING THE BUSINESS

**STRONGER, SIMPLER, FASTER.**



OUR PURPOSE IS TO BUILD A BETTER TOMORROW BY REDUCING THE HEALTH IMPACT OF OUR BUSINESS THROUGH OFFERING A GREATER CHOICE OF ENJOYABLE AND LESS RISKY PRODUCTS FOR OUR CONSUMERS.



WE ARE ON A JOURNEY TO BECOME A BUSINESS THAT DEFINES ITSELF NOT BY THE PRODUCTS IT SELLS BUT BY THE CONSUMER NEEDS IT MEETS.



### Delivering today

In 2019, building on our foundations, we delivered strong operational results and cash generation, creating a solid base for delivering today and building a better tomorrow.

I am especially pleased to report 6% revenue growth (at current rates of exchange) of £1.4 billion to £25.9 billion. This growth was achieved while also increasing investment in the business, growing our New Categories business by 37%, and increasing our value and volume share by 30bps and 20bps respectively. Operating cash conversion of 97% demonstrates our commitment to maximising cash to reduce leverage and invest in the business.

Of course, we live in an age of relentless change. Consumers' desires and tastes evolve, while societal attitudes are changing. These changes are providing us with growth opportunities we could not previously have imagined.

### A clear corporate purpose

Our purpose is to build a better tomorrow by reducing the health impact of our business through offering a greater choice of enjoyable and less risky products for our consumers.

We will evolve our growth model through the development of our portfolio in tobacco, nicotine and beyond, meeting our consumers' evolving need for enjoyment and satisfaction.

By building on our strong foundations, we will build a better tomorrow for consumers, employees, shareholders and society.

Our ambition is to increasingly transition our revenues from cigarettes to non-combustible products over time. We aim to achieve at least £5 billion in New Categories revenues in 2023/2024.

To achieve that, we need to continue to drive value from our combustible business and accelerate the growth of our New Categories.

Supporting this is our new 'ethos', which I am delighted to launch in 2020. Our ethos is about being bold, fast, empowered, responsible and diverse. Our evolution is a showcase of our new ethos in action.

### Acting responsibly

As a leading multinational business we understand our global impact, the importance of high standards of integrity, and our evolving societal responsibilities. As a result, we are moving from a business where sustainability has always been important, to one where it is front and centre in all that we do.

For our consumers, we want to offer a range of enjoyable and responsibly-marketed products in tobacco, nicotine and beyond.

For society, we aim to reduce the health and environmental impacts of our business.

For our suppliers and customers, we want to raise standards for everyone across our value chain.

For our employees, we want to create a dynamic, inspiring and purposeful place for them to work.

And for our shareholders, we want to deliver superior and sustainable returns.

### Meeting consumer needs

Today, we see new opportunities to capture consumer moments which have, over time, become limited by societal and regulatory shift, and to satisfy evolving consumer needs and preferences.

Consequently, we have evolved our strategy to put a sharper focus on delivering a step change in New Categories performance, fuelled by investment from the continued delivery of our combustible business.

Our evolved strategy is about anticipating and satisfying the ever-evolving consumer: providing pleasure, reducing risk, offering and increasing choice, and stimulating the senses of adult consumers worldwide.

BAT will satisfy consumer needs through a focused portfolio of products that offer sensorial enjoyment for a variety of moods and moments. We will build fewer but stronger global brands.

This strategy is underpinned by a unique view of the consumer across four categories, which is increasingly driven by powerful consumer data and analytics and we are accelerating our investment further.

Our business will be further enabled by simplifying our management structure, truly embracing digital transformation, rigorously managing our cost base, and enhancing our internal culture.



**WE BELIEVE IN A MULTI-CATEGORY STRATEGY TO BETTER MEET CONSUMER NEEDS AND LEVERAGE OUR SCALE.**



**Parameters of our developing portfolio**

We will focus our developing portfolio on consumer offers that will capitalise on our core business capabilities.

Specifically, we consider there to be four key parameters that create the boundaries of our portfolio development.

First, we will leverage our unique global marketing reach and scale.

Second, we will build on our existing delivery platforms in vapour and modern oral where we have hard-earned technological expertise.

Third, given our well-developed regulatory and scientific expertise, we will operate in product categories that require those capabilities.

Finally, any portfolio investment will be judged by stringent strategic and financial metrics.

As we explore these portfolio development opportunities, our new corporate ventures team will accelerate the creation, development and commercialisation of new-to-world innovation on a test-and-learn basis.

**Strong foundations**

As the world's largest international tobacco company by revenue, we are exceptionally well-placed for future growth. Our deep understanding of consumers, significant geographic spread, supply chain proficiency and experience engaging with diverse stakeholders are essential capabilities.

Few consumer goods companies can claim over 150 million consumer interactions every day; distribution in 11 million points of sale across a well-balanced developed and emerging market footprint; and approaching 11 million consumers of non-combustible tobacco and nicotine products.

This year we have grown the New Categories business to £1.3 billion – a growth rate of 37% in 2019 (both at current rates of exchange) and more than double our revenues from two years ago. This provides us with a vital platform for the future.

**Maximising efficiencies**

I have been clear that we need to simplify the business, and I have been dedicated to that end in my first year as Chief Executive.

During 2019, we launched both a fundamental re-evaluation of how we are organised and a redesign of management layers that eliminated duplication and entrenched accountability. We called this Project Quantum and it is the first, not the last, step, as we will constantly need to refine our business as the Group evolves.

Project Quantum created new capabilities in the organisation, and will help us release valuable funds for further reinvestment in our growth ambition.

**Empowered and diverse**

Our 53,000 plus people remain our most important asset. As we recast our structure, we are clarifying accountability and empowering real ownership to our teams.

As our business evolves, so too does our employee value proposition. Today, we are attracting a different and wider range of people and skillsets than we did before, injecting exciting new capability into the business. This is exemplified by our over 300 new specialist hires in 2019, who are bringing with them new capabilities in digital, product development and design.

For both our long-time BAT employees and those who have more recently joined, we are inspiring an ethos that is responsive to constant change and embodies a learning culture dedicated to continuous improvement.

**Sustainable future**

I am honoured to be at the helm of an exceptional business with such a successful history. My responsibility is to ensure that it is faster, bolder and stronger in the years to come.

We now have a business with a new corporate identity that reflects our company today and our journey ahead. We are becoming a business that defines itself not by the products it sells but by the consumer needs it meets.

Our total commitment to a multi-category business powered by investment from our combustibles category will drive sustainable growth and underpin continued delivery of high single-digit earnings growth on an adjusted constant currency basis.

I am confident that we have a strategy for growth and sustainability which will deliver a better tomorrow.

Yours

**Jack Bowles**  
Chief Executive



**OUR TOTAL COMMITMENT TO A MULTICATEGORY BUSINESS POWERED BY INVESTMENT FROM OUR COMBUSTIBLES CATEGORY WILL DRIVE SUSTAINABLE GROWTH AND UNDERPIN CONTINUED DELIVERY OF HIGH SINGLE-DIGIT EARNINGS GROWTH.**



**OUR FOCUS ON OPERATING CASH CONVERSION DEMONSTRATES OUR COMMITMENT TO REDUCE LEVERAGE AND INVEST.**



**WE WILL FOCUS OUR PORTFOLIO DEVELOPMENT ON CONSUMER OFFERS THAT WILL CAPITALISE ON OUR CORE BUSINESS CAPABILITIES.**



**OUR FUTURE IS ABOUT BEING BOLD, FAST, EMPOWERED, RESPONSIBLE AND DIVERSE.**



**WE HAVE A STRATEGY FOR GROWTH AND SUSTAINABILITY.**



# CHAIRMAN'S INTRODUCTION



## A STRONG OPERATIONAL PERFORMANCE



Welcome to our combined Annual Report and Form 20-F for 2019. I'm pleased to report a strong operational performance with growth in revenue, as well as both value and volume share. Notwithstanding a number of one-off charges that led to a decline in reported profit from operations, performance was strong on an adjusted basis, growing on the back of our combustibles business and our continued progress in New Categories.

It has also been a busy year as we accelerate our ambition to transform our business. The Board and I are confident in the vision and focus of our new CEO, Jack Bowles, and his drive to satisfy evolving consumer preferences with new and innovative products.

Jack has already made great progress in his stated aim to simplify the Group and he and his management team have spent significant time looking at how we can accelerate the progress already made in our New Categories business. This has been instrumental in the Board's endorsement of an evolution of our strategy and I am excited and energised about the possibilities for the future.

### A sustainable and well-governed business

Our sustainability agenda is at the heart of our strategic plans to build a long-term sustainable business. We have made a clear commitment to providing consumers with a range of potentially less harmful products, which is central to our corporate purpose around which long-term growth is planned. I am proud to see that the continuing growth in our New Categories business reflects the significant success we have already made in this vital area.

However, we are also clear that long-term sustainability, as well as our ability to meet short-term financial and other targets, will be underpinned by successful delivery against other environmental, social and governance measures.

Last year, our newly-revised environmental targets gained the approval of the Science-Based Target initiative, and I'm very pleased to report that we are performing well against our goals. The Group's direct carbon dioxide equivalent emissions are already 10% lower than its 2017 baseline, and we have also been honoured to have been named on the Carbon Disclosure Project's prestigious 'A List' for climate change. This recognises our actions to cut emissions, mitigate climate risks and develop the low-carbon economy.

The Group's commitment to improving social conditions, from respecting Human Rights in every country in which we operate to our own workforce diversity, remains central to the business. Human rights commitments, in particular involving issues such as child labour, sit at the heart of both our Standards of Business Conduct and Supplier Code of Conduct, and we have an array of due diligence procedures to monitor our entire supply chain. Our management comprises 141 different nationalities, while women made up 51% of senior recruits in 2019.

The Group's governance practices promote transparent and responsible corporate behaviour. All our staff worldwide must comply with our Standards of Business Conduct, and we have continued to expand compliance training, which complements our internal 'Speak Up' channels.

Overall, the quality and success of our Sustainability Agenda continues to be recognised externally, and I am proud to report that we are once again the only company in the industry to have been included in the Dow Jones Sustainability Indices' prestigious World Index in 2019. This is our 18th consecutive year of inclusion in the Index series, which reflects BAT's long-standing commitment to delivering against ESG measures.

### Dividends

The Board has declared a dividend of 210.4p per ordinary share, payable in four equal instalments of 52.6p per ordinary share, to shareholders registered on the UK main register or the South Africa branch register and to American Depository Shares (ADS) holders, each on the applicable record dates. The dividends receivable by ADS holders in US dollars will be calculated based on the exchange rate on the applicable payment dates.

### Board composition and outlook

I am very pleased to welcome Jerry Fowden to the Board this year. He brings with him a wealth of executive experience relating to operations, transformation and marketing, which will complement the expertise of the other two North American members of our Board, and we look forward to the insights he will provide as we grow our business.

Kieran Poynter will retire from the Board with effect from the conclusion of the Annual General Meeting on 30 April 2020. Mr Poynter has served as a Non-Executive Director since July 2010, as Senior Independent Director since October 2016, and is currently a member of the Audit and Nominations Committees.

As we enter 2020, I feel strongly that the business is in excellent shape. As I write this opening statement, the Group is closely monitoring the development of Covid 19 (Coronavirus). We believe that our business continuity plans will ensure the business is prepared to manage the challenges as and when they may develop. Notwithstanding Covid 19, with our new management team and strategy, I am confident that we are well placed to deliver sustainable growth for many years to come.

**Richard Burrows**  
Chairman



# FINANCE DIRECTOR'S OVERVIEW



## CASH GENERATION FUELS DIVIDENDS, DELEVERAGING AND INVESTMENT



### Our financial ambitions as fundamentals improve

As we build A Better Tomorrow, we will be focused on three key priorities: releasing funds to support our growth agenda, maximising our marketing spend effectiveness and generating cash to continue to deleverage the balance sheet.

Our combustible portfolio and operational efficiencies will fuel our financial performance by providing the fire-power to invest in New Categories, both inorganically, mainly through our new corporate venturing initiative, and organically, in products that meet our consumers' changing needs.

We remain committed to consistent and sustainable long-term 3-5% revenue growth which will deliver high single figure earnings growth, on a constant currency basis, whilst targeting a minimum of 95% cash conversion and a dividend pay-out ratio of 65% of adjusted diluted EPS over the medium to long-term.

### Pricing and New Categories drive revenue growth

Revenue grew by 5.7% in 2019 to £25,877 million driven by pricing across the cigarettes portfolio (with price/mix of 9%) and an increase in revenue from Traditional Oral (up 15%, with 2018 up 127%) and New Categories (up 37%, 2018 up 138%), which more than offset a 4.7% reduction in cigarette volume. In 2018, revenue grew 25.2% at £24,492 million largely due to the full year effect of the RAI acquisition. Adjusting for the impact of acquisitions, excise on bought-in goods and the impact of currency, constant currency adjusted revenue grew 5.6% in 2019 (2018: up 3.5% on a representative constant rate basis).

### Increased focus on operational efficiency

Profit from operations was down 3.2% (2018: up 45.2%), as the improvement in revenue and operational efficiencies were more than offset by the charges related to Canada, Russia, other smoking and health

litigation (including Engle in the US) and Indonesia, the impact of the restructuring programmes (including Quantum), the ongoing investment in New Categories and the impact of amortisation of acquired brands. 2018 was positively skewed by the inclusion of 12 months of results from RAI. Our operating margin declined in 2019 by 320 bps to 34.8% on a reported basis.

Adjusted profit from operations grew by 6.6% on a constant currency basis (2018: up 4.0% on a representative, constant rate basis). On an adjusted basis, operating margin increased by 50 bps to 43.1% (2018: 42.6%).

### Focus on dividends

Dividends per share for 2019 will be 210.4p, an increase of 3.6% (2018: 203.0p, up 4.0%), in line with our commitment of a 65% payout ratio on adjusted diluted earnings per share (2018: 68.4%).

Net finance costs increased 16% to £1,602 million partly due to a foreign exchange headwind and interest on leases recognised under IFRS16 (*Leases*). 2018 was up 26.2% to £1,381 million due to higher borrowings following the acquisition of RAI. Our banking facilities require a gross interest cover of at least 4.5 times. In 2019, our gross interest cover was 7.1 times (2018: 7.2 times).

On a reported basis, basic EPS was 5.4% lower than 2018 at 249.7p largely due to the the reduction in profit from operations. EPS in 2018 declined 86% as 2017 was materially affected by a deemed gain (£23.3 billion) arising on the acquisition of RAI. Excluding the adjusting items and the effect of foreign exchange on the Group's results, adjusted diluted earnings per share, at constant rates, increased by 8.4% to 321.6p, with 2018 ahead of 2017 by 11.8%.

### Cash delivery leads to deleveraging and investment

In 2019, net cash generated from operating activities fell 12.6% to £8,996 million (2018: up 93% to £10,295 million), with 2018 positively impacted by the timing of payments related to the Master Settlement Agreement (MSA) in the US.

Adjusted cash generated from operations was £6,831 million, a decline of 15% on 2018, or 16% on a constant rate basis. Normalising for the timing of the MSA liability, adjusted cash generated from operations would have been 1.2% higher than 2018.

Based upon net cash generated from operating activities, the Group's cash conversion ratio reduced from 111% in 2018 to 100% in 2019. Excluding the MSA timing impact (affecting 2018), operating cash flow conversion ratio was 97% (2018: 100%).

Free cash flow is a measure the Group uses to assess total cash generated by the Group's operations, prior to the payment of dividends, repayment of borrowings or undertaking of investing activities. In 2019, free cash flow was £6,519 million. After paying the dividend in the year, free cash flow was £1,921 million demonstrating the Group's ability to service and repay borrowings which reduced in 2019 to £45,366 million from £47,509 million, whilst continuing to pay dividends to shareholders.

Adjusted net debt to adjusted EBITDA provides a measure to assess the Group's ability to meet its borrowing obligations. The Group continues to focus on a balanced approach of deleveraging, while investing for the future and providing a return via dividends to shareholders. This measure will be a key performance indicator in 2020 (replacing adjusted cash generated from operations), demonstrating our commitment to the deleveraging agenda. In 2019, the adjusted net debt to adjusted EBITDA ratio improved from 4.0 times to 3.5 times.

The Group continues to deliver against the financial objectives, which allows for growth in dividends while deleveraging and investing in A Better Tomorrow.

### Tadeu Marroco Finance Director

The term 'representative' is used to compare the 2018 results against an equivalent 2017 if that year included results from RAI for the whole of that period, including certain additional adjusting items related to the acquired companies.

# THE FOUNDATIONS OF OUR EVOLVED STRATEGY

We are committed to providing a better tomorrow for all our stakeholders. Our ambition is to deliver long-term sustainable growth with a range of innovative and less harmful products that stimulate the senses of new adult generations.

## STRONG FOUNDATIONS



>180  
markets in which we operate



>150m  
daily consumer interactions



>11m  
points of sale across over 180 markets

Our wide range of capabilities make us exceptionally well-placed for future growth:

- our unique global marketing and distribution reach;
- our track record of R&D strength and innovation;
- our decades' worth of consumer insights, and brand building expertise; and
- our £1.3 billion New Categories business built in just a few years.

## SATISFYING CONSUMER MOMENTS

### 20 years ago

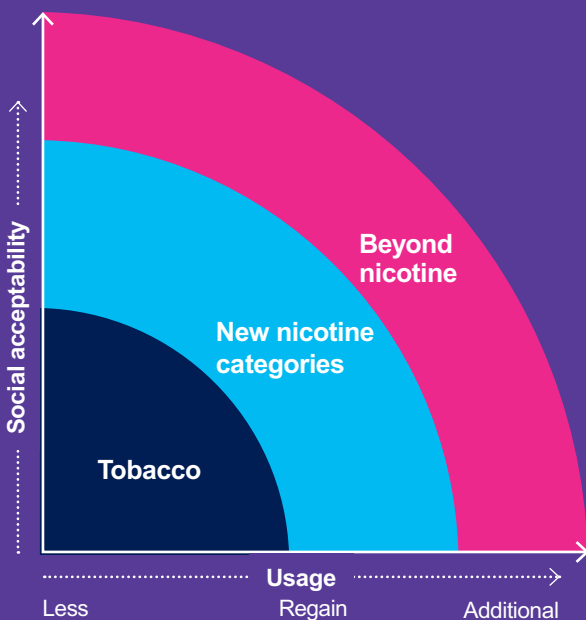
Traditional cigarettes fulfilled a multitude of consumer moments



For decades, cigarettes satisfied a need for sensorial enjoyment for many individuals. While occasions for tobacco consumption are now reduced, new opportunities have arisen:

- new products provide us with an opportunity to capture in a focused way the lost consumer moments previously associated with tobacco.
- evolving and fragmenting consumer needs provide us with opportunities for additional growth in a variety of new categories.

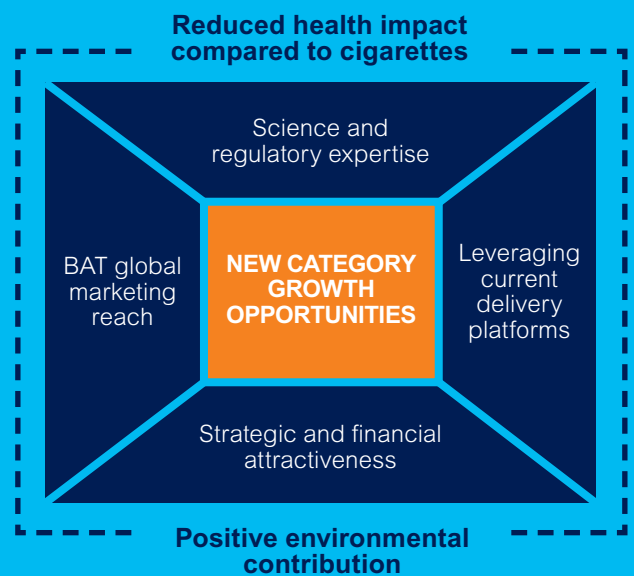
## A DEVELOPING PORTFOLIO



A wider portfolio of products that offer sensorial enjoyment for different moods and moments will allow us to capture the consumer moments previously associated with tobacco use, as well as satisfy new evolving consumer needs, through:

- traditional tobacco and nicotine products;
- new nicotine products; and
- ultimately, a portfolio of products beyond tobacco and nicotine that leverages our proven delivery technologies.

## PARAMETERS TO GUIDE GROWTH OPPORTUNITIES



Our new growth opportunities will capitalise on our core business strengths, creating clear boundaries for our portfolio development:

- reducing the health and environmental impacts of our business;
- leveraging our global marketing reach and scale;
- building on existing delivery platforms and technological expertise;
- rely on our experience in managing complex regulatory and scientific matters; and
- meet stringent strategic and financial metrics.

# A STRATEGY FOR ACCELERATED GROWTH

**While combustible tobacco will be at the core of our business for some time to come, we aim to generate an increasingly greater proportion of our revenues from products other than cigarettes, thereby reducing the health impact of our business.**

This will deliver a better tomorrow for our consumers who will have a range of enjoyable and potentially less risky choices for every mood and moment; for society through reducing the overall health and environmental impacts of our business; for our employees by creating a dynamic and purposeful place to work; and for our shareholders by delivering sustainable superior returns.



## OUR MISSION

### Stimulating the senses of new adult generations

Today, we see opportunities to capture consumer moments which have, over time, become limited by societal and regulatory shifts, and to satisfy evolving consumer needs and preferences.

Our mission is to anticipate and satisfy this ever-evolving consumer: provide pleasure, reduce risk, increase choice and stimulate the senses of adult consumers worldwide.

## MUST WINS

### High Growth Segments

Driven by our unique and data-driven consumer insight platform (PRISM), we will focus on product categories and consumer segments across our global business that have the best potential for long-term sustainable growth.

### Priority Markets

By relying on a rigorous market prioritisation system (MAPS), we will focus the strengths of our unparalleled retail and marketing reach, as well as our regulatory and scientific expertise, on those markets and marketplaces with the greatest opportunities for growth.

## HOW WE WIN

### Inspirational foresights

As one of the most long-standing and established consumer goods businesses in the world, we have a unique view of the consumer across four product categories, which is increasingly driven by powerful data and analytics. These insights ensure that the development and responsible marketing of our products is fit to satisfy consumer needs.

### Remarkable innovation

As consumer preferences and technology evolve rapidly, we rely on our growing global network of digital hubs, innovation super centres, world-class R&D laboratories, external partnerships and upcoming corporate venturing initiative to stay ahead of the curve.



OUR STRATEGY PUTS THE **CONSUMER FIRST**, FOCUSING ON UNDERSTANDING ADULT CONSUMER CHOICE AND ENJOYMENT. WE WILL **CAPTURE LOST CONSUMER MOMENTS** WITH A PORTFOLIO IN TOBACCO, NICOTINE AND BEYOND. THIS WILL ENABLE SUSTAINABLE, LONG-TERM GROWTH WITH A CLEAR FOCUS ON FORESIGHTS, INNOVATION, BRANDS, ACTIVATION, TEAMS AND TECHNOLOGY. WE WILL BECOME A BUSINESS THAT DEFINES ITSELF NOT BY THE PRODUCTS IT SELLS BUT BY THE CONSUMER NEEDS IT MEETS

**Kingsley Wheaton**  
Chief Marketing Officer



**Powerful brands**

For over a century, we have built trusted and powerful brands that satisfy our consumers and serve as a promise for quality and enjoyment. We will focus on fewer, stronger and global brands across all our product categories, delivered through our deep understanding and segmenting of our consumers.

**Connected**

Few companies can claim over 150 million daily consumers, over 11 million retail points of sale, as well as a network of expert and skilled employees around the world. Staying connected to all of them, especially through digital means (including e-commerce), ensures better consumer connections, access to markets and innovations that offer sensorial enjoyment and satisfy consumer needs.

**People and partnerships**

Our highly-motivated people are being empowered through a new ethos that is responsive to constant change, embodies a learning culture and is dedicated to continuous improvement. But we cannot succeed on our own, and our partnerships with farmers, suppliers and customers are also key for ensuring sustainable future growth.

**US focus**

The United States comprises nearly half of our global business. It is also the single largest economy in the world, the largest single centre for technology and the key driver of global consumer trends, and is where we have the deep consumer understanding and financial strength to support the delivery of our mission to stimulate consumer senses around the rest of the world.

**OUR PURPOSE**

By stimulating the senses of new adult generations, our purpose is to create A Better Tomorrow for all our stakeholders.

We will create A Better Tomorrow for:

**Consumers** (people icon)

By responsibly offering enjoyable and stimulating choices for every mood and every moment, today and tomorrow;

**Society** (globe icon)

By reducing the health impact of our business by offering a range of alternative products, as well as by reducing our environmental and social impacts;

**Employees** (star icon)

By creating a dynamic, inspiring and purposeful place to work; and

**Shareholders** (document icon)

By delivering sustainable and superior returns.

# PUTTING SUSTAINABILITY FRONT AND CENTRE

**As we evolve our Group strategy, we are also evolving our Sustainability Agenda. We are moving ourselves from a business where sustainability has always been important, to one where it is front and centre in all that we do.**

Our commitment to reduce the health impacts of our cigarette business – by providing a range of potentially less risky products – is central to our corporate purpose. This is underpinned by excellence in all other environmental, social and governance (ESG) measures.

Each year we engage with a wide range of stakeholders to understand the issues that are most important to them. 2019 was a significant year, with many stakeholders re-emphasising the importance of addressing the health impacts of our cigarette business and with governments and cities around the world declaring a climate emergency.

Consequently, we refreshed our Sustainability Agenda (as an integral part of our evolved Group Strategy) to reflect the prominence of tobacco harm reduction and also to place a greater emphasis on the importance of addressing climate change and environmental management. At the same time, we remain committed to delivering a positive social impact and ensuring robust corporate governance across the Group.

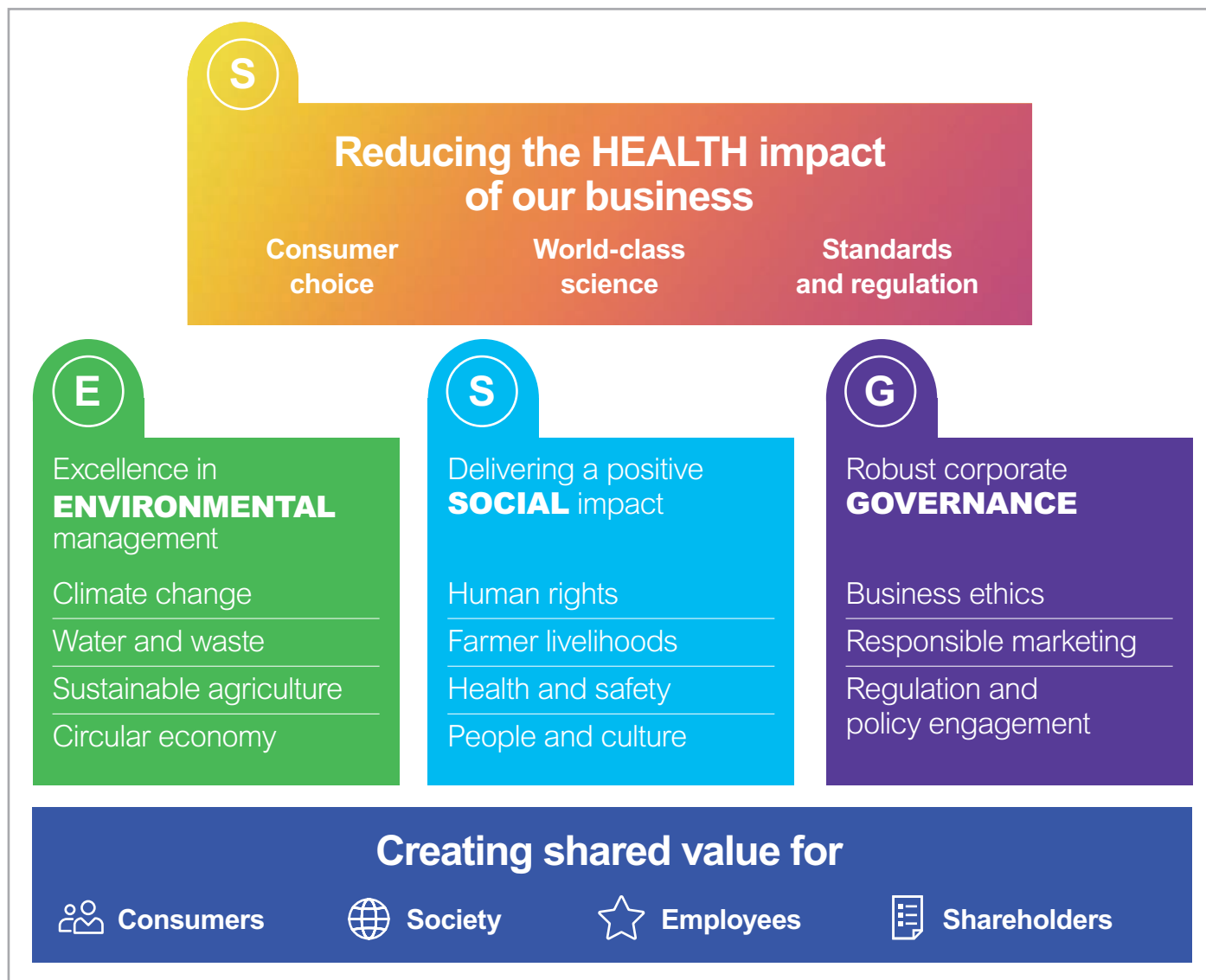
## New Sustainability Targets

We are committed to making a step-change in our sustainability ambition. As a result, we have announced a number of stretching targets that we are confident will deliver A Better Tomorrow for all our stakeholders.

These include:

- increasing our number of non-combustible product consumers from 11 million to 50 million by 2030;
- achieving carbon neutrality by 2030; and
- bringing forward our existing 2030 environmental targets to 2025.

## OUR SUSTAINABILITY AGENDA



# ETHOS

**Our purpose is to build a better tomorrow by reducing the health impact of our business through offering a greater choice of enjoyable and less-risky products for our consumers.**



**A KEY DRIVER TO DELIVER THIS WILL BE OUR ETHOS – AN EVOLUTION OF OUR GUIDING PRINCIPLES – WHICH GUIDES OUR CULTURE AND BEHAVIOURS ACROSS THE ENTIRE GROUP. IT HAS BEEN DEVELOPED WITH SIGNIFICANT INPUT FROM OUR EMPLOYEES, AND ENSURES AN ORGANISATION THAT IS FUTURE FIT FOR SUSTAINABLE GROWTH.**

**Hae In Kim**  
Director, Talent and Culture



<div style="text-align: right; margin-bottom: 10px;"></div> <p>We are <b>BOLD</b></p> <p>Dream big – with innovative ideas</p> <hr/> <p>Make tough decisions quickly and proudly stand accountable for them</p> <hr/> <p>Resilient and fearless to compete</p>	<div style="text-align: right; margin-bottom: 10px;"></div> <p>We are <b>FAST</b></p> <p>Speed matters. Set clear direction and move fast</p> <hr/> <p>Keep it simple. Focus on outcomes</p> <hr/> <p>Learn quickly and share learnings</p>	<div style="text-align: right; margin-bottom: 10px;"></div> <p>We are <b>EMPOWERED</b></p> <p>Set the context for our teams and trust their expertise</p> <hr/> <p>Challenge each other. Once in agreement, we commit collectively</p> <hr/> <p>Collaborate and hold each other accountable to deliver</p>
<div style="text-align: right; margin-bottom: 10px;"></div> <p>We are <b>DIVERSE</b></p> <p>Value different perspectives</p> <hr/> <p>Build on each others' ideas, knowledge and experiences</p> <hr/> <p>Challenge ourselves to be open-minded recognising unconscious bias</p>	<div style="text-align: right; margin-bottom: 10px;"></div> <p>We are <b>RESPONSIBLE</b></p> <p>Take action to reduce the health impact of our business</p> <hr/> <p>Ensure the best quality products for our consumers, the best place to work for our people, and the best results for shareholders</p> <hr/> <p>Act with integrity, never compromising our standards and ethics</p>	

# OUR YEAR IN NUMBERS

## Group cigarette (and tobacco heating products – THP) volume

+677bn  
-4.4%

2018: +3.3% (-3.5% representative<sup>1</sup>)  
2017: +3.2% (-2.6% organic<sup>3</sup>)

KPI

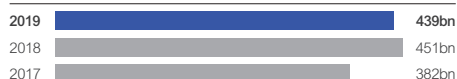
## Group volume share of Key Markets

+20 bps

2018: +40 bps  
2017: +40 bps

## Strategic Cigarette and THP volume

439bn  
-2.5%



2018: +17.9% (+5.8% representative<sup>1</sup>)  
2017: +17.9% (+7.6% organic<sup>3</sup>)

## Modern Oral (no. pouches)

1.2bn  
+188%



2018: +108%  
2017: n/a – no sales of modern oral in 2016

## Vapour (units)

226m  
+19%



2018: +100% (+35% representative<sup>1</sup>)  
2017: +120%

### Notes:

The information presented also includes several non-financial key performance indicators ("KPIs") used by management to monitor the Group's performance. The Group's Management Board believes that these KPIs provide information that enables investors to better understand the Group's performance across periods.

IFRS-GAAP

## Revenue (£m)

£25,877m  
+5.7%



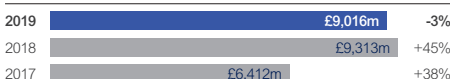
**Definition:** Revenue recognised, net of duty, excise and other taxes.

In 2019, revenue includes £18,793 million of revenue from the Strategic Portfolio, an increase of 9% (2018: £17,257 million). Within the Strategic Portfolio, revenue from New Categories was £1,255 million (2018: £917 million).

IFRS-GAAP

## Profit from operations (£m)

£9,016m  
-3.2%



**Definition:** Profit for the year before the impact of net finance costs/income, share of post-tax results of associates and joint ventures and taxation on ordinary activities.

IFRS-GAAP

## Net cash generated from operating activities (£m)

£8,996m  
-12.6%



**Definition:** Movement in net cash and cash equivalents before the impact of net cash used in financing activities, net cash used in investing activities and differences on exchange.

IFRS-GAAP

## Diluted earnings per share (EPS) (p)

249.0p  
-5.4%



**Definition:** Profit attributable to owners of BAT p.l.c. over weighted average number of shares outstanding, including the effects of all dilutive potential ordinary shares.

KPI Non-GAAP

## Change in adjusted<sup>2</sup> revenue at constant rates<sup>1</sup> (%)

+5.6%

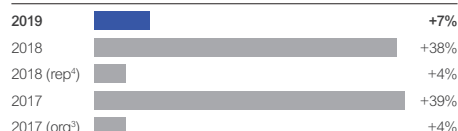


**Definition:** Change in revenue before the impact of adjusting items and the impact of fluctuations in foreign exchange rates.

KPI Non-GAAP

## Change in adjusted<sup>2</sup> profit from operations at constant rates<sup>1</sup> (%)

+6.6%

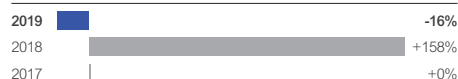


**Definition:** Change in profit from operations before the impact of adjusting items and the impact of fluctuations in foreign exchange rates.

KPI Non-GAAP

## Change in adjusted<sup>2</sup> cash generated from operations at constant rates<sup>1</sup> (%)

-16.3%



**Definition:** Change in adjusted cash generated from operations, before the impact of fluctuations in foreign exchange rates.

KPI Non-GAAP

## Change in adjusted<sup>2</sup> diluted EPS (%)

+9.1%



**Definition:** Change in diluted earnings per share before the impact of adjusting items.

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

2. Where measures are presented as 'adjusted', they are presented before the impact of adjusting items. Adjusting items represent certain items of income and expense which the Group considers distinctive based on their size, nature or incidence.

3. Where measures are presented as 'organic' or 'org', they are presented before the impact of the contribution of brands and businesses acquired during the comparator period, including Reynolds American, Bulgartabac, Winnington and Fabrika Duhana Sarajevo in 2017. There were no material acquisitions or disposals in 2018 or 2019.



**Change in adjusted<sup>2</sup> revenue from the Strategic Portfolio at constant rates<sup>1</sup> (%)**  
**+7.3%**



**Definition:** Change in revenue from the strategic portfolio before the impact of adjusting items and the impact of fluctuations in foreign exchange rates.

This measure was introduced in 2018, with no comparators provided.

**Change in adjusted<sup>2</sup> revenue from New Categories at constant rates<sup>1</sup> (%)**  
**+32.4%**



**Definition:** Change in revenue from New Categories before the impact of adjusting items and the impact of fluctuations in foreign exchange rates.

**IFRS-GAAP**  
 Denotes IFRS-GAAP financial measure

**KPI**  
 Denotes key performance indicator (KPI) measure

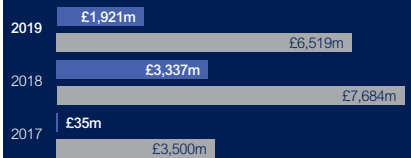
**Non-GAAP**  
 Denotes non-GAAP financial measure

**Changes in 2019**

In 2019, the Group introduced the measure 'free cash flow before and after payment of dividends to shareholders'. This measure supplements the existing measures related to cash flow. It is used to demonstrate the level of net cash generated by the Group, in any one year, after payment of all operating expenses, interest, tax, capital expenditure and payments to non-controlling interests and inclusive of dividends received from associates. This provides users of the financial statements with the available cash generation from which dividends to shareholders are paid, with the remaining cash being available for other activities such as investment or repayment of debt.

● After dividends paid  
 ● Before dividends paid

**Free cash flow before and after dividends paid to shareholders (£m)**



**Definition:** The level of free cash flow earned by the business in the year, before and after the payment of dividends to shareholders.

**Operating margin (%)**  
**34.8%**



**Definition:** Profit from operations as a percentage of revenue.

**Adjusted<sup>2</sup> operating margin (%)**  
**43.1%**



**Definition:** Adjusted profit from operations as a percentage of adjusted revenue.

**Cash conversion (%)**  
**100%**



**Definition:** Net cash generated from operating activities as a percentage of profit from operations.

**Operating cash flow conversion ratio (%)**  
**97%**



**Definition:** Operating cash flow as a percentage of adjusted profit from operations.

**Change in adjusted<sup>2</sup> diluted EPS at constant rates<sup>1</sup> (%)**  
**+8.4%**



**Definition:** Change in diluted earnings per share before the impact of adjusting items and the impact of fluctuations in foreign exchange rates.

**Total dividends per share (p)**  
**210.4p**  
**+3.6%**



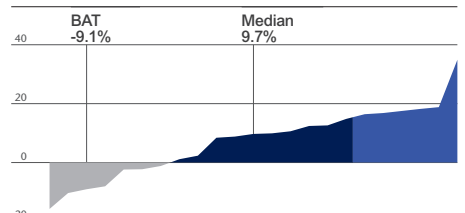
**Definition:** Dividends per share in respect of the financial year.

**Target:** To increase dividend in sterling terms, based upon the Group's policy to pay dividends of 65% of long-term sustainable earnings.

**Total shareholder return (TSR) of the FMCG group – 1 January 2017 to 31 December 2019 (%)**

The FMCG group comparison is based on three months' average values

● Lower quartile ● Upper quartile

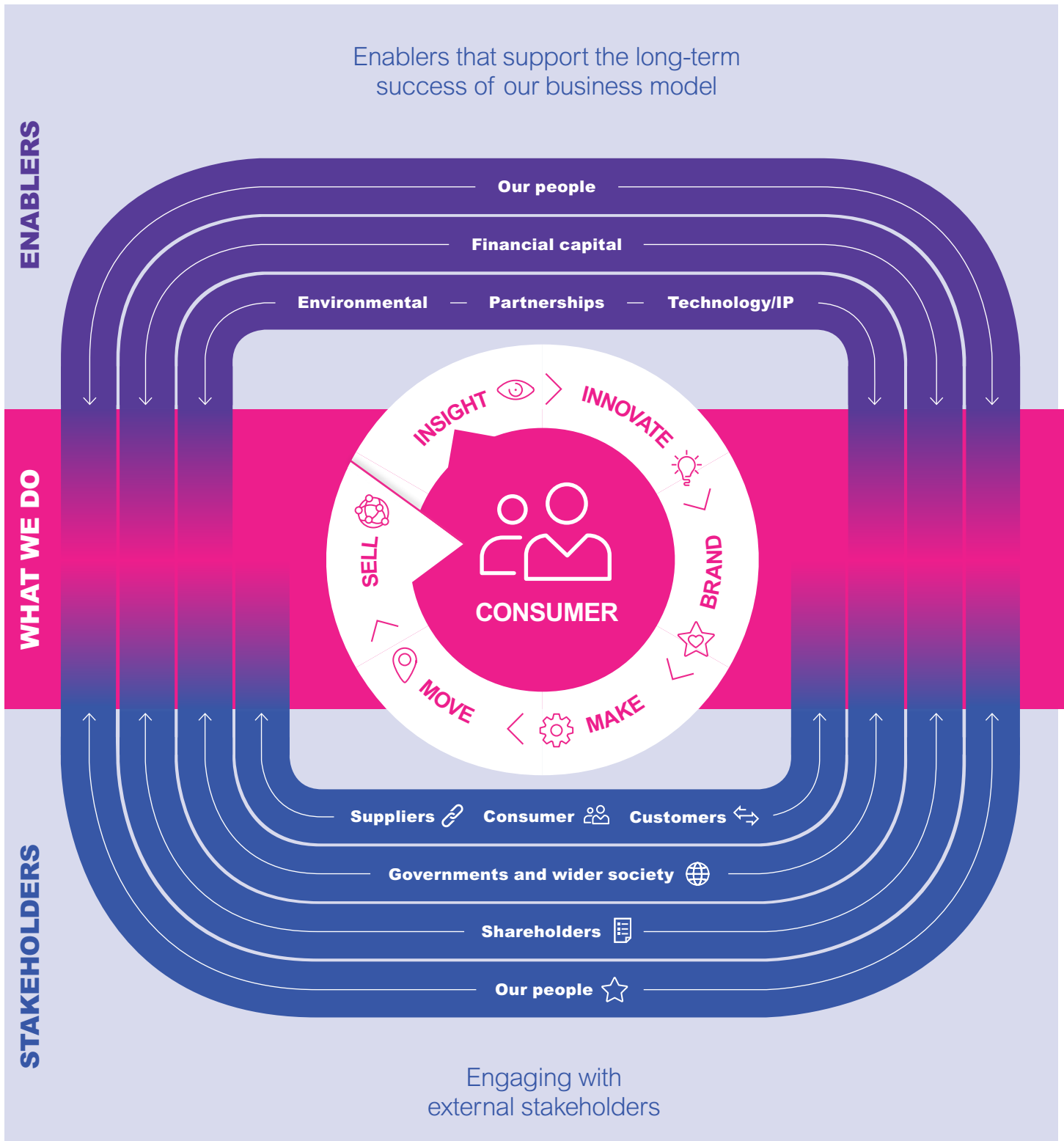


**Definition:** Relative TSR to a peer group of international FMCG companies.

4. Where measures are presented as 'representative', 'rep' or 'on a representative basis', they are presented inclusive of the acquired businesses in the 2017 comparator period as though those businesses had been included in the consolidated results for the whole of that comparator period and including certain additional adjusting items related to the acquired companies.

# OUR BUSINESS MODEL

Our global business understands our diverse consumers, develops products to satisfy their preferences, and ultimately distributes them across over 200 markets. Five key enablers support us in turning powerful insights into products that provide enjoyment to our consumers, while engagement helps our key stakeholders benefit from our sustainable growth.





## CONSUMER

Consumers sit in the centre of our business model. BAT strives to first identify consumer needs and desires, and ultimately provide satisfaction through the development and delivery of innovative products. With societal attitudes and regulatory restrictions narrowing the opportunities for tobacco-related consumer moments, we are committed to providing alternative products that consumers can enjoy in a variety of moods and moments.



## INSIGHT

Our global community of consumers is diverse and has differing needs. We have a deep understanding of our 1.50 billion daily consumers and anticipate trends with powerful data and analytics. We reject a 'one size fits all' approach, and satisfy their evolving preferences with a broad portfolio that takes into account geographic and market differences, while leveraging our own strengths.



## INNOVATE

From combustibles to New Categories, exciting new products are the key to success. We make significant investments in research and development to deliver innovations that satisfy consumer tastes and generate growth for the business. Our new corporate ventures team will set a new benchmark for innovation by allowing us to assess, test and invest in new ideas, concepts and portfolio offers.



## BRAND

Our global brands communicate quality and value, and establish trust in our products. They are essential to our credibility around the world, and their scale provides far-reaching awareness of our products, while our diverse portfolio allows us to meet the needs of different consumer segments. We have a proven track record of building and managing some of the most iconic brands in history, and will continue to leverage this expertise to grow our business across all categories.



## MAKE

We manufacture high-quality cigarettes, THP consumables and oral tobacco products in facilities all over the world, and ensure that these products and the tobacco leaf we purchase are in the right place at the right time. Our vapour and tobacco heating product devices and liquids are manufactured in a mix of our own and third-party factories, and we work to ensure that our costs are globally competitive and that we use our resources as effectively as possible.



## MOVE

We distribute our products around the globe effectively and efficiently using a variety of different distribution models suited to local circumstances and conditions. Around half of our global cigarette volume is sold by retailers, supplied through our direct distribution capability or exclusive distributors. We continuously review our route to market for both combustibles and New Categories, including our relationships with wholesalers, distributors and logistics providers.



## SELL

We offer adult consumers a range of products including cigarettes, vapour, tobacco heating products, and oral products in markets around the world. Our range of high-quality products covers all segments, from value-for-money to premium, while also offering choices based on levels of potentially reduced risk. We are governed by our International Marketing Principles, which ensure that all of our products are marketed responsibly.

### Key performance indicators

Group volume share of Key Markets

Change in adjusted revenue at constant rates (%)

Change in adjusted revenue from the Strategic Portfolio at constant rates (%)

Change in adjusted revenue from New Categories at constant rates (%)

Change in adjusted profit from operations at constant rates (%)

Change in adjusted cash generated from operations at constant rates (%)

Operating cash flow conversion ratio (%)

Change in adjusted diluted EPS (%)

Change in adjusted diluted EPS at constant rates

Total shareholder return of the FMCG group

**DELIVERING  
MEASURABLE  
LONG-TERM  
SUSTAINABLE  
GROWTH**

# OUR GLOBAL BUSINESS

**BAT is a leading, multi-category consumer goods business dedicated to stimulating the senses of adult consumers worldwide.**

Our Strategic Portfolio comprises our key brands in both the combustible and new categories. This drives focus and investment on the brands and categories that will underpin the Group's future growth.

We also have a portfolio of international and local brands which, while not the focus of our investment, contribute valuable returns across several key markets.\*

## STRATEGIC PORTFOLIO

### Non-Combustible

#### New Categories

.....

#### Vapour



.....

#### Tobacco Heating



.....

#### Modern Oral



#### Traditional Oral



### Combustible

#### Combustible Tobacco



\* These combustible brands include Vogue, Viceroy, 555, Benson and Hedges, Peter Stuyvesant, Double Happiness, Kool, and Craven A, while oral brands include Granit, Mocca, and Kodiak.

Our portfolio reflects our commitment to meeting the evolving and varied needs of today's consumer who seeks sensorial enjoyment for different moods and moments.

BAT's marketplace analysis delivers insights regarding consumer trends and segmentation, which ultimately facilitates our geographic brand prioritisation across over 180 markets. Our business is divided into four regions, and covers over 150 million consumers and 11 million retail points of sale, with a balanced presence in both high-growth emerging markets and highly profitable developed markets.

United States  
of America

Americas and  
Sub-Saharan  
Africa

Europe and  
North Africa

Asia-Pacific  
and Middle East



Map is representative of general geographic regions and does not suggest that the Group operates in each country of every region.

# REGIONAL REVIEW

Operational growth demonstrates inherent business model strength in all regions – offset by short-term headwinds

## UNITED STATES



### Volume

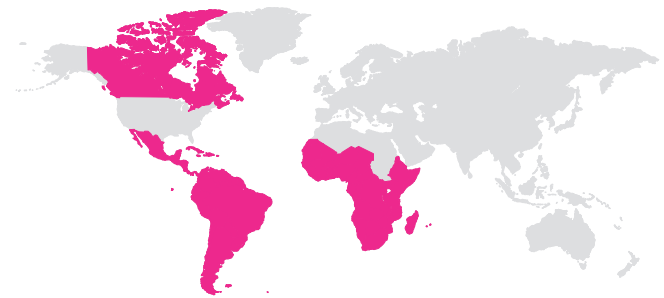
	2019 units	vs 2018 %	2018 units	vs 2017 %	2017 units
Cigarettes (bn sticks)	73	-6.0%	77	-5.3%	82
Other (bn sticks eq)*	–	–	–	–	–
Combustibles (bn sticks)	73	-6.0%	77	-5.3%	82
New Categories:					
Vapour (10ml/pods)	103	-6.2%	109	+36.0%	80
THP (bn sticks)	–	–	–	–	–
Modern Oral (mn pouches)	112	–	–	–	–
Traditional Oral (bn sticks eq)	8	-1.5%	8	-2.3%	8

\* Other combustibles includes MYO/RYO

### Revenue

	2019 £m	vs 2018 %	vs 2018 (adj at cc) %	2018 £m	vs 2017 %	vs 2017 (adj repres at cc) %
Combustibles	9,078	+8.6%	+3.8%	8,358	+128%	+0.8%
New Categories:						
Vapour	207	+12.4%	+7.4%	184	+149%	+20%
THP	1	-7.7%	-11.7%	1	–	–
Modern Oral	9	n/m	n/m	–	–	–
Total New Categories	217	+17.1%	+11.9%	185	+149%	+20%
Traditional Oral	1,052	+14.5%	+9.5%	919	+129%	+7.1%
Other	26	-21.2%	-27.1%	34	+88%	-28%
Revenue	10,373	+9.2%	+4.4%	9,495	+128%	+1.5%

## AMERICAS AND SUB-SAHARAN AFRICA



### Volume

	2019 units	vs 2018 %	2018 units	vs 2017 %	2017 units
Cigarettes (bn sticks)	152	-3.1%	157	-5.4%	166
Other (bn sticks eq)*	2	-8.2%	2	-17.4%	3
Combustibles (bn sticks)	154	-3.1%	159	-5.6%	169
New Categories:					
Vapour (10ml/pods)	14	+191%	5	n/m	–
THP (bn sticks)	–	n/m	–	n/m	–
Modern Oral (mn pouches)	8	n/m	–	n/m	–
Traditional Oral (bn sticks eq)	–	n/m	–	n/m	–

\* Other combustibles includes MYO/RYO

### Revenue

	2019 £m	vs 2018 %	vs 2018 (adj at cc) %	2018 £m	vs 2017 %	vs 2017 (adj repres at cc) %
Combustibles	3,992	+2.7%	+8.5%	3,886	-4.9%	+5.3%
New Categories:						
Vapour	43	+120%	+117%	20	n/m	n/m
THP	–	n/m	n/m	–	n/m	n/m
Modern Oral	1	n/m	n/m	–	n/m	n/m
Total New Categories	44	+119%	+116%	20	n/m	n/m
Traditional Oral	–	n/m	n/m	–	n/m	n/m
Other	225	+10.2%	+13.1%	205	-14%	+1.0%
Revenue	4,261	+3.6%	+9.2%	4,111	-4.9%	+5.6%

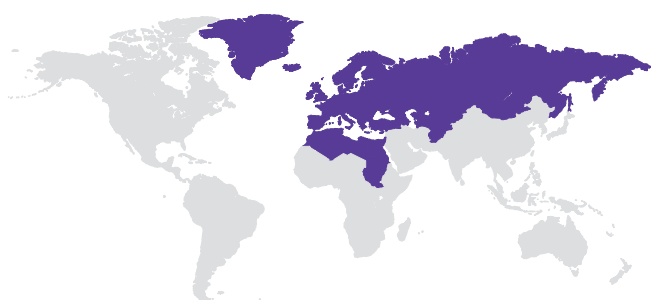
### Profit from operations/Operating margin

	2019 £m	vs 2018 %	vs 2018 (adj at cc) %	2018 £m	vs 2017 %	vs 2017 (adj repres at cc) %
Profit from operations	4,410	+10.1%	+6.4%	4,006	+244%	+5.8%
Operating margin (%)	42.5%	+30 bps		42.2%	+1,420 bps	

### Profit from operations/Operating margin

	2019 £m	vs 2018 %	vs 2018 (adj at cc) %	2018 £m	vs 2017 %	vs 2017 (adj repres at cc) %
Profit from operations	1,204	-22.0%	+10.0%	1,544	-6.3%	+6.5%
Operating margin (%)	28.3%	-930 bps		37.6%	-60 bps	

## EUROPE AND NORTH AFRICA



### Volume

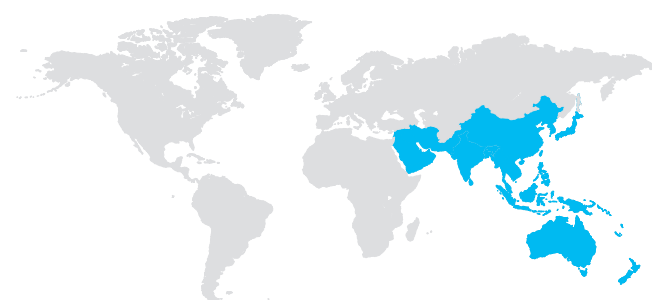
	2019 units	vs 2018 %	2018 units	vs 2017 %	2017 units
Cigarettes (bn sticks)	230	-6.3%	246	-5.3%	260
Other (bn sticks eq)*	17	-7.9%	18	-8.2%	19
Combustibles (bn sticks)	247	-6.4%	264	-5.6%	279
New Categories:					
Vapour (10ml/pods)	108	+44%	75	+26.3%	59
THP (bn sticks)	1.1	+334%	–	n/m	–
Modern Oral (mn pouches)	1,071	+157%	414	+108%	199
Traditional Oral (bn sticks eq)	1	+8.3%	1	+23.3%	1

\* Other combustibles includes MYO/RYO

### Revenue

	2019 £m	vs 2018 %	vs 2018 (adj at cc) %	2018 £m	vs 2017 %	vs 2017 (adj repres at cc) %
Combustibles	5,544	-0.7%	+3.0%	5,585	-3.1%	+3.3%
New Categories:						
Vapour	147	+29.2%	+30.1%	114	+22%	+15%
THP	56	+200%	+200%	19	n/m	n/m
Modern Oral	116	+234%	+246%	34	+139%	+146%
Total New Categories	319	+91.0%	+93.6%	167	+55%	+48%
Traditional Oral	29	+33.4%	+38.5%	22	+51%	+58%
Other	198	-14.2%	-14.3%	230	+4.3%	-14.1%
Revenue	6,090	+1.4%	+5.0%	6,004	-1.7%	+3.5%

## ASIA-PACIFIC AND MIDDLE EAST



### Volume

	2019 units	vs 2018 %	2018 units	vs 2017 %	2017 units
Cigarettes (bn sticks)	213	-3.7%	221	-1.3%	224
Other (bn sticks eq)*	2	+1.5%	2	+10.4%	2
Combustibles (bn sticks)	215	-3.7%	223	-1.2%	226
New Categories:					
Vapour (10ml/pods)	1	n/m	–	n/m	–
THP (bn sticks)	8	+20.1%	7	+208%	2
Modern Oral (mn pouches)	3	n/m	–	n/m	–
Traditional Oral (bn sticks eq)	–	n/m	–	n/m	–

\* Other combustibles includes MYO/RYO

### Revenue

	2019 £m	vs 2018 %	vs 2018 (adj at cc) %	2018 £m	vs 2017 %	vs 2017 (adj repres at cc) %
Combustibles	4,387	+3.4%	+4.4%	4,243	-8.9%	-1.2%
New Categories:						
Vapour	4	+906%	+902%	–	n/m	n/m
THP	671	+23.2%	+16.8%	545	+170%	+175%
Modern Oral	–	–	–	–	n/m	n/m
Total New Categories	675	+23.9%	+17.5%	545	+170%	+175%
Traditional Oral	–	–	–	–	–	–
Other	91	-3.5%	-6.9%	94	-20%	-14%
Revenue	5,153	+5.6%	+5.6%	4,882	-1.8%	+5.7%

### Profit from operations/Operating margin

	2019 £m	vs 2018 %	vs 2018 (adj at cc) %	2018 £m	vs 2017 %	vs 2017 (adj repres at cc) %
Profit from operations	1,649	-13.4%	+3.3%	1,905	+12.3%	+0.8%
Operating margin (%)	27.1%	-460 bps		31.7%	+390 bps	

### Profit from operations/Operating margin

	2019 £m	vs 2018 %	vs 2018 (adj at cc) %	2018 £m	vs 2017 %	vs 2017 (adj repres at cc) %
Profit from operations	1,753	-5.7%	+7.9%	1,858	-2.3%	+1.2%
Operating margin (%)	34.0%	-410 bps		38.1%	-20 bps	

# SHAREHOLDING ADMINISTRATION AND SERVICES

## United Kingdom Registrar

Computershare Investor Services PLC  
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ  
tel: 0800 408 0094 or +44 370 889 3159  
web-based enquiries: [www.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus)

## [www.computershare.com/uk/investor/bri](http://www.computershare.com/uk/investor/bri)

Access the web-based enquiry service of Computershare Investor Services PLC for holders of shares on the UK share register. View details of your BAT shareholding and recent dividend payments and register for shareholder electronic communications to receive notification of BAT shareholder mailings by email.

## [www.computershare.com/dealing/uk](http://www.computershare.com/dealing/uk)

Go online or telephone 0370 703 0084 (UK) to buy or sell British American Tobacco shares traded on the London Stock Exchange. Before you can trade, you will need to register for this service. Please go to [www.computershare.trade/cert\\_faqs.html](http://www.computershare.trade/cert_faqs.html) for a list of permitted domiciles.

## South Africa Registrar

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)

## American Depositary Shares

Enquiries regarding ADS holder accounts and payment of dividends should be directed to:

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)

## Documents on Display and Publications

The Annual Report and Form 20-F 2019 is available online at [bat.com/annualreport](http://bat.com/annualreport). Copies of current and past Annual Reports are available on request. Highlights from these publications can be produced in alternative formats such as Braille, audio tape and large print. Documents referred to in the Annual Report and Form 20-F 2019 do not form part of the Annual Report unless specifically incorporated by reference.

### Contact:

British American Tobacco Publications  
Unit 80, London Industrial Park, Roding Road, London E6 6LS  
tel: +44 20 7511 7797; facsimile: +44 20 7540 4326  
email: [bat@team365.co.uk](mailto:bat@team365.co.uk)

Holders of shares held on the South Africa register can contact the Company's Representative office in South Africa using the contact details shown on the back cover.

ADS holders can contact Citibank Shareholder Services in the United States using the contact details shown above.

The Company is subject to the information requirements of the US Securities Exchange Act of 1934 applicable to foreign private issuers. In accordance with these requirements, the company files its Annual Report on Form 20-F and other documents with the SEC. You also may call the SEC at +1 800-SEC-0330. In addition, BAT's SEC filings are available to the public, together with the public filings of other issuers, at the SEC's website, [www.sec.gov](http://www.sec.gov).

## Our website – [www.bat.com](http://www.bat.com)

Access comprehensive information about British American Tobacco and download shareholder publications at the corporate website. Visit the Investors section for valuation and charting tools, dividend and share price data and subscribe to the email alert services for key financial events in the British American Tobacco financial calendar. Download the British American Tobacco Investor Relations app to access all the latest financial information on your iPad, iPhone or Android device.

## Dividend Reinvestment Plan

Available to the majority of shareholders on the UK register, this is a straightforward and economic way of utilising your dividends to build up your shareholding in British American Tobacco. Contact Computershare Investor Services PLC in the UK for details.

## Individual Savings Accounts (ISAs)

A British American Tobacco sponsored ISA – contact:

The Share Centre  
PO Box 2000, Aylesbury, Bucks HP21 8ZB  
tel: 0800 800 008; +44 1296 414 141  
email enquiries: [services@share.co.uk](mailto:services@share.co.uk)  
website: [www.share.com](http://www.share.com)

(The tax advantages of ISAs depend on your individual circumstances and the benefits of ISAs could change in the future. You should note that investments, their value and the income they provide can go down as well as up and you might not get back what you originally invested.)

## Capital gains tax

Fact sheet for British American Tobacco historical UK capital gains tax information; contact the British American Tobacco Company Secretarial Department, tel: +44 20 7845 1000 or access online at [www.bat.com/cgt](http://www.bat.com/cgt).

## Share Fraud

The practice of share fraud (also known as 'boiler room' scams) unfortunately continues with many companies' shareholders receiving unsolicited phone calls or mail from people offering to sell them what often turn out to be worthless or high risk shares in US or UK investments, or to buy shares at an inflated price in return for an upfront payment.

If you suspect that you have been approached by fraudsters, please tell the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have lost money to investment fraud you should report it to Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk).

## Calendar 2020

Thu 30 April at 11:30am	<b>Annual General Meeting</b> Globe House, 4 Temple Place, London WC2R 2PG. Details of the business to be proposed at the meeting are in the Notice of AGM, which is made available to all shareholders and is published on <a href="http://www.bat.com">www.bat.com</a> . BAT provides for the vote on each resolution to be by poll rather than by a show of hands. This provides for greater transparency and allows the votes of all shareholders to be counted, including those cast by proxy. The voting results will be released on the same day in accordance with regulatory requirements and made available on <a href="http://bat.com">bat.com</a> .
Fri 31 July	<b>Half-Year Report</b>



# DIVIDENDS

## Quarterly Dividends for the year ended 31 December 2019

On 26 April 2017, the Group announced its move to quarterly dividends with effect from 1 January 2018.

The Board has declared an interim dividend of 210.4p per ordinary share of 25p which is payable in four equal quarterly instalments of 52.6p per ordinary share in May 2020, August 2020, November 2020 and February 2021. This represents an increase of 3.6% on 2018 (2018: 203.0p per share), and a payout ratio, on 2019 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 ADS holders, each on the applicable record dates set out under the heading 'Key dates' below.

### Holders of American Depository Shares (ADSs)

For holders of ADSs listed on the 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.

### South Africa branch register

In accordance with the 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.

### Key dates

In compliance with the requirements of the LSE, the NYSE and Strate, the electronic settlement and custody system used by the JSE, the following are the salient dates for the quarterly dividend payments. All dates are 2020 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)		27 February		
Publication of finalisation information (JSE)	17 March	30 June	21 September	7 December
No removal requests (in either direction) permitted between the UK main register and the South Africa branch register	17 March–27 March (inclusive)	30 June–10 July (inclusive)	21 September–2 October (inclusive)	7 December–18 December (inclusive)
Last day to trade (LDT) cum-dividend (JSE)	24 March	7 July	29 September	14 December
Shares commence trading ex-dividend (JSE)	25 March	8 July	30 September	15 December
No transfers permitted between the UK main register and the South Africa branch register	25 March–27 March (inclusive)	8 July–10 July (inclusive)	30 September – 2 October (inclusive)	15 December–18 December (inclusive)
No shares to be dematerialised or rematerialised on the South Africa branch register	25 March–27 March (inclusive)	8 July–10 July (inclusive)	30 September–2 October (inclusive)	15 December–18 December (inclusive)
Shares commence trading ex-dividend (LSE)	26 March	9 July	1 October	17 December
Shares commence trading ex-dividend (NYSE)	26 March	9 July	1 October	17 December
Record date (LSE, JSE and NYSE)	27 March	10 July	2 October	18 December
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections (LSE)	21 April	29 July	22 October	13 January 2021
Payment date (LSE and JSE)	13 May	19 August	12 November	3 February 2021
ADS payment date (NYSE)	18 May	24 August	17 November	8 February 2021

#### Note:

Further details of the total amounts of dividends paid in 2019 (with 2018 comparatives) are given in note 8 in the Notes on the Accounts of the Annual Report and Accounts.

# #DIVERSE

We believe in Diversity. At BAT we employ over 55,000 people and operate across more than 180 markets globally.

We understand and recognise that to be a truly global company we must have a truly global culture and values.

This diversity of people, thinking and ideas is key to delivering a better tomorrow for our consumers, society, shareholders and employees.



# #SCIENCE

We believe in Science. At BAT we are leaders in the field of plant genomics and bioinformatics, and have research facilities in the UK and USA employing over 150 PhDs.

Our pioneering, published genome data enables the scientific community to advance map-based gene discoveries and accelerates our research into new product categories.

This scientific capability is critical to delivering a better tomorrow for our consumers, employees, shareholders and society.



# GO ONLINE

## Explore the story of our year

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## Registered office

Globe House, 4 Temple Place, London WC2R 2PG  
tel: +44 20 7845 1000, facsimile: +44 20 7240 0555  
Incorporated in England and Wales No. 3407696

## 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

## Secretary

Paul McCrory

## Investor relations

Enquiries should be directed to Mike Nightingale, Victoria Buxton,  
William Houston or John Harney  
tel: +44 20 7845 1180

## Press office

Enquiries should be directed to Anna Vickerstaff  
tel: +44 20 7845 2888  
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## Auditors

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