Hello everyone, I am Jack Bowles, Chief Executive of BAT and I am here with Tadeu Marroco our Group Finance Director.

We are both delighted to be with you at this conference.

Over the next 30 minutes, we are keen to share with you our story of transformation which we are very passionate about.

We are building a major enterprise of the future. We have a clear vision to transform and grow by changing our portfolio, our structure, our culture and our ways of working. And it will transform the nature of our relationship with society.

Three years ago we started this journey, transforming BAT into a high growth, multi-category, Consumer Products company, with a reduced risk to public health. This is very different from the traditional cigarette business we have been in, and it's more than a vision, we have started and it's already happening.

Today we want to show you that we are absolutely committed to transforming BAT and reducing our health impact. That we are uniquely positioned. That we have the strengths, capabilities and resources to succeed. That our transformation is already happening, while we know we have further to go, we are a step ahead and the opportunity is huge. And finally that we are committed to our targets and building A Better Tomorrow.

So, we are focused, with a clear roadmap.

Our commitment to building A Better Tomorrow is clear in our Purpose.

It sits at the heart of our strategy. A deeply embedded commitment to society: ‘to reduce the health impact of our business’. As we win, society wins.

So, we are transforming BAT from a company that is growing revenue and value with declining industry volumes and a harmful societal impact. To a high growth Multi-category Consumer Products company. Growing New Category volumes, and encouraging consumers of combustible products to switch to these new categories.

And we are upping the pace of our transformation through Quest. It is a clear framework to create the enterprise of the future, which I will talk more about later.

To succeed, we must deliver value to all our stakeholders. BAT has a long track record of strength in ESG. Our DJSI inclusion over the last 19 years is recognition of our performance. ESG is already deeply embedded in our organisation and our people in our ways of working, and in our culture.

For example, from the work we do to enhance the livelihoods of the 85,000 farmers we work with directly, to innovations like our Vuse launches this year incorporating age verification.
And we have set ourselves stretching targets: £5bn new category revenue by 2025, 50 million consumers of non-combustible products by 2030 and carbon neutrality by 2030.

We are delivering on both ESG and our financial targets. In 2020 we accelerated non-combustible consumer acquisition, adding 3m to reach 13.5m consumers. While at the same time delivering strong financial results and very significant cash flows. So we are focussed on creating value for all our stakeholders.

That is what I mean by creating: ‘The Enterprise of the Future’. Our targets are clear to us and we will continue to deliver strong financial returns. Revenue growth of 3-5% and EPS growth in high-single figures.

So, what makes us confident in delivering these targets?

Firstly, we are uniquely positioned.

We are not just in multi category, we have already validated a consumer-centric, multi category model.

Led by the consumer, this model leverages our well-established cross-category consumer insights, deep understanding of product satisfaction, detailed market opportunity mapping and digital consumer understanding, supported by our RGM capabilities. All while operating within clearly defined boundaries.

This gives us a unique competitive advantage and would take many years to replicate.

We have already invested and built three powerful global brands across the three categories: Vuse, Glo; and Velo. And this gives us a serious advantage for growth.

Our brand portfolio targets four distinct spaces. Built on our integrated view of consumer needs, from cigarettes, to the wider nicotine category, and we are already looking beyond nicotine.

This underpins our investment through science, product development, supply chain and route to market; to create the strong portfolio that we have today.

It is clear that “consumer choice” is key to enabling transformation.

So, we know that consumer preferences vary considerably by market, with different taste and strength profiles. It has always been clear to us that you need multiple product offers to address the wide range of consumer needs around the world. From our THP focus in low flavour markets like Japan, to our strong momentum in vapour in the US.

So, clearly one size does not fit all.

And, with our unique capabilities and insights, we know which categories to launch in which markets.

And it's not just consumer preferences that differ by market. We also consider different regulatory frameworks, excise structures and the distribution landscape. All to identify the right markets for each of our brands. It is key to our transformation and drives effective resource allocation.
And the multi-category opportunity is huge. Both today by increasing our 17% share of today’s 80m new category consumers across THP, vapour and Modern oral.

With an even more exciting opportunity tomorrow. We forecast significant growth in consumer numbers and a near doubling in industry revenue over the next five years.

It is important to remember that with 1.1bn smokers globally, 2025 is just a milestone. We have a significant runway of growth for many years to come.

Execution is key, and we have the strengths and capabilities to succeed.

This is where our distribution sets us apart. We have unique strengths like our unrivalled outlet coverage. We reach more than 2x the outlets of a typical large CPG company. We are particularly strong in the convenience channel where consumers shop ‘On the go’.

This is not through a distributor it is our active sales model giving us direct consumer contact in 11 million outlets, every day.

Also, to succeed in the New Categories, we have developed a world class science base to support our reduced risk portfolio. This is a key enabler. We have already built these capabilities in the group. As an example: we are a leading publisher of peer reviewed studies across our industry, demonstrating the quality of our science.

Our journey has already started and we are well on our way. We have doubled our R&D spend in New Categories in the last 3 years, launched pioneering innovation, including the world’s first THP induction heating device. And we will continue to build further world-class capabilities in Science and R&D.

Today digital is even more important than ever before. We recognised this and have invested heavily, to equip ourselves throughout the business. Robotics, analytics and new technologies are delivering efficiencies and, more importantly, we now have 6 digital hubs.

Of course, there’s still some way to go, yet we have made excellent progress, and it is already making a difference operationally.

We have also built a high quality team with world class talent right across the globe. And we are adding new capabilities and hiring from a wide range of industries. 85% of management board members and three-quarters of our top 120 employees are new in role since the start of 2019.

We benefit from our diversity and inclusion with over 140 nationalities at management level and there is more to go for. We are aiming to see 45% female representation in management by 2025. This is all and integral part of building A Better Tomorrow

So I’ve covered our intent, our commitment and our confidence.

I will now handover to Tadeu who will show you more of our progress and the journey we are on.

Tadeu Marroco, Finance and Transformation Director

Thank you, Jack.
As Jack said we are really passionate about this story.

He has explained how important this is to us, how we are uniquely positioned with the strengths and capabilities to succeed, and a huge opportunity.

As Group Finance Director, what I want to get across over the next few minutes is, the good operational progress we have achieved and how we are delivering on our strategy, to Build A Better Tomorrow.

I'll show you how we are continuing to deliver financial results, creating the freedom to invest well, generating very strong cash flow and enabling very attractive cash returns to shareholders.

We know what we need to do, to take our business to the next level. We are on a journey, now let me show you how our transformation is already happening.

We have already made a strong start, our investment has created a thriving New Category business.

Non-Combustible Consumer numbers have grown by a CAGR of 29% over the last three years with consumer acquisition accelerating. In 2020 we grew by 3 million consumers, 1 million in the first half of the year and doubling to 2 million in the second half, with 1.1m added in Q4 alone, and New Category revenue has grown at a CAGR of 43%.

This is enabled by the resources and cash flow, generated by our combustibles business and a simpler, faster more agile BAT, with £660m savings in 2020 alone.

And we continue to deliver value for shareholders with an 8.5% EPS CAGR and aggregate dividends of around £14bn paid over the last three years. That's something we are proud of.

This is the result of our focus on our three clear priorities, which Jack set out in 2019. Our work is clear, focussed and is now making a difference.

In the markets where we have invested, the transformation is already happening.

The markets shown here, together represent over 50% of our total Group revenue and around 15% of our revenue in developed markets comes from reduced risk products. We want to make that figure much higher, and our transformation is clearly well underway.

We have clear brand priorities to accelerate our growth and increase profitability in the New Categories.

In Vuse, we will capitalise on our strong share momentum and consumer preferred products to drive revenue growth and make this a strongly profitable business.

In glo, the launch of Hyper has been our most successful to date. It has closed the satisfaction gap with peers and this is just one step in making sure glo is the fastest growing THP brand.

For Velo in Modern Oral, we are winning across Europe with a product that we think has global appeal and our Dryft acquisition has transformed our portfolio in the US.
We are very excited about each of our three brands and the role that they can play in our future.

Vuse is well on the way to achieving global leadership and the key point here is: Our capabilities and excellent products are allowing us to take share relentlessly. These 5 markets on the slide are the largest for both us, and the wider industry, they represent 75% of vapour industry revenue.

In the last twelve months our value share of vapour consumables has more than doubled, our high quality products have been central to this success and to give you an example of this, we were voted the UK vaping product of the year in 2019 and 2020. And looking forward, we have the clear number 1 share of device sales in each of these top markets and so we expect share gains in consumables to continue.

And we have a clear pathway to profitability in Vapour with a large number of opportunities to grow our margin. Why are we so confident in Vuse’s prospects? It’s because we have so many levers to pull.

In trade margins, demand is rapidly shifting from high cost vape stores to formal retail and our brand strength is allowing us to restructure our trade terms across many key accounts.

E-commerce and subscription, while small, are highly profitable and growing rapidly.

There are also many opportunities to take cost out of the product both through our scale and product design.

Meanwhile we are successfully driving numerous savings as we are able to measure and optimise the effectiveness of our marketing spend.

And just as our scale, our brand strength and our new capabilities in vapour are transforming the profitability of Vuse, glo is also undergoing its own transformation.

We have fixed glo’s product satisfaction and we’re seeing the proof of this reflected in the performance of Hyper.

Benefiting from the world’s first induction heating system Hyper is a significant step forward.

We have been candid that we needed to close the satisfaction gap with peers and Hyper has done this. On key consumer attributes it scores the same or better than the industry leader.

And this transformation has been borne out by the sales - with good progress across all of our key THP markets. It’s our most successful launch to date.

With half of Glo in Japan already in Hyper – just 9 months after launch – we are very well positioned for future growth.

In fact, glo Hyper in Japan has grown category share since August 100bps.

And yet Hyper is just one step.

We are very excited about where we can take this brand. Our acceleration here is down to significant improvement in product appeal and consumer proposition and we are clear on how to
further improve this going forward with our pipeline. We have clear priorities for our innovation, and expect to announce exciting developments later on this year.

So our success with Hyper and the leadership positions of Vuse and Velo have all shown how important it is to have great products and strong brands.

In Modern Oral we are consolidating our strong leadership positions outside the US, and the key point here is we have the best international product in modern oral, and we are expanding rapidly from a small but strong base.

Our Modern Oral success is also an example of the contribution good M&A can make. In 2017 we acquired a small business with an excellent product, and we leveraged our strong distribution and excellent consumer insights and brand building capabilities, to make this not only the largest modern oral brand in the key Scandinavian market, but also to leadership across Europe.

We see very exciting prospects for modern oral products globally. In many emerging markets, consumers are familiar with similar oral products and with no electronic device to buy this is an attractive, affordable product for consumers in these markets.

In summary, we have a great opportunity with Modern Oral in both developed and emerging markets.

In contrast to our big success in Europe the US is the one market where we have not performed as well as we would have liked. But this is changing.

The key message here is that our recent acquisition of Dryft really does step change our position in the US.

Here we've been constrained in our portfolio. Deeming regulations restricted us to only 2 flavours and only strengths below 6mg. Dryft gives us a great US product and it expands our range of flavours and strengths to 28, with entry into the key 6mg plus segment for the first time. Which accounts for two-thirds of the market. We are now building distribution with encouraging early results. This is just one example of modern oral's exciting potential.

Overall in New Categories we will focus our investments around fewer, bigger innovations leveraging our three global brands.

We are building on our great momentum with an exciting innovation pipeline and we have great new products being rolled out in 2021. These build on our consumer insights, science, R&D and product design capabilities. And this is why we are very excited about the future of our New Categories.

As we laid out at our investor day in March last year, expansion beyond nicotine is a logical step on our journey away from cigarettes. We will operate within clear boundaries and we see this as an exciting way to recapture lost consumer moments.

We have a clear awareness of where we should be playing and we are going to play to our strengths.

We think the main opportunities are found in products that are consumed on the go and address three distinct consumer needs: Boost & Energy, Clarity & Focus and Calm & Relax.
We will do this within the clear parameters we have set with bolt on M&A, and minority stakes and partnerships through our Corporate Ventures team, BTV. Alongside our pilot launch of Vuse CBD Zone in the UK, BTV has made 9 investments to date, adding a network of new capabilities for the future.

This all combines into an exciting revenue and profit development in New Categories. We are confident, that we can hit the £5 billion revenue ambition by 2025. As we’ve said, we expect to achieve this target through both category growth and share gains.

We will build on our existing momentum, capitalise on market consolidation, driven by events such as the PMTA process in the US, and continue to invest in consumer acquisition and our selective geographic expansion.

We expect 2020 to have been the inflection point. And as our business grows the drag on profitability from New Categories will reduce from full year 2021.

As a result, we expect our New Category businesses to be profitable by 2025.

We are proud of the progress we are making in New Categories and Beyond and we are confident of delivering on our targets and in building A Better Tomorrow.

It’s our strength in combustibles and drive for a simpler, faster, more agile organisation that makes this possible.

This is why, our second operational priority is to ‘Drive Value from Combustibles’.

As you will have seen in our full year results yesterday, we continue to report great results in our combustibles business. With strong revenue growth of 2.8%, driven by 7.3% price/mix and 20bps value share gain.

We are very confident in the future profitability of the business, driven by our strong brand portfolio across all major price tiers, further consolidation behind our strategic brands, SKU rationalisation and our focus on key value markets.

The pricing environment remains strong, and we are leveraging our digital capabilities … further enhancing combustibles value through our RGM tool.

We use our Revenue Growth Management tool to drive real value for ourselves and our trade partners. We are now able to precision target with store level pricing in our most advanced markets and optimise trade investment.

Following our success in the US, Australia and recent pilot markets, we expect 80% of group revenue to be covered by RGM by the end of 2021. And all this is a key driver of the 2-3% annual revenue growth we expect from combustibles.

The US is the largest open market by value globally, with high cigarette affordability relative to income, and continued low price elasticity of 0.38.

With our strong and growing brand portfolio across all price tiers there is considerable value growth opportunity for us in the US. In 2020, we continued our strong momentum growing revenue by 10%,
with value share up 45bps driven by our premium brands. Overall, we have a strong brand portfolio/both in the US and globally. We have a targeted approach enabled by RGM, and all this underpins our confidence to continue to deliver sustainable, long term, combustible value growth.

Our third operational priority is to simplify the business. This is being driven by our Quantum programme as Jack said earlier. Which will both release funds and create a stronger, simpler, faster organisation.

For example, our development timeline has reduced and our speed to market deployment has improved by 40%.

We are well on track to deliver at least a £1 billion of savings by 2022. We’ve created a more agile, empowered and fast organisation, with reduced management layers and clear accountabilities.

Yesterday’s results show the progress we are making on our journey. With continued focus on our three priorities and strong results in 2020, while at the same time generating significant momentum in the new categories. All this, despite the challenges of COVID. And whilst some of those challenges remain we expect to deliver another strong operational performance in 2021.

Overall: We expect to generate 3-5% revenue growth this year, and retain our outlook for mid single digit EPS growth given the existing uncertainties.

We are achieving all this transformation of the business while still delivering a strong financial performance.

We expect 2-3% combustibles revenue growth and additional growth from New Categories.

Post COVID we are confident of returning to our medium term guidance of 3-5% revenue growth and high single figure EPS growth.

In addition to this, we will continue to drive strong cash generation and shareholder returns. We expect to generate cumulative free cash flow of around £40bn or more over the next 5 years. We look to achieve the best balance between returns to shareholders and investing well in the business.

Looking forward, we remain committed to our capital allocation priorities: With a 65% dividend payout ratio, investing in New Categories and de-leveraging to within our new corridor of 2-3x Adjusted Net debt to Adjusted EBITDA.

We believe this is the right level of gearing for the Group, given our strong cash generation and this will give us more flexibility by the end of 2021 in terms of capital allocation.

Thank you very much for listening and I’m going to hand you back to Jack, for some closing remarks.

**Jack Bowles, Chief Executive**

Thank you Tadeu.

I am clear that as the largest and only truly global, tobacco and nicotine company with over £80bn in retail sales. We have a responsibility to transform, and lead the category. We are the only truly
consumer-centric, multi-category company. We have built strong, unique and recognised brands of the future, specifically positioned in each category, and have a great team and the culture to make this happen.

To accelerate our transformation we have put in place Quest. This combines Quantum plus four additional workstreams to accelerate change and create our “enterprise of the future”. To become a consumer-centric multi-category Consumer Products business.

We are at a key moment in our transformation. We have invested to build strong foundations, with new capabilities, a clear focus on digital and a sharpening of our science and R&D pipeline.

In 2021 we expect an acceleration in New Categories, a reduced margin drag for the full year and our leverage in line with our target. I expect this year to be a pivotal point in our journey.

I said up front we are very passionate about this journey. It’s exciting change, and the opportunity is huge. We are accelerating. We are in a unique position. We have the best consumer insights, the right capabilities and a great team. And we have invested well.

We are confident of the next steps in our journey and in delivering on our targets.

We are creating shared value for Stakeholders and Shareholders. We are focused, defined by our Purpose, and empowered by our people. We are creating the Enterprise of the Future.

Thank you very much for listening and we now look forward to taking your questions.