

A Purposeful and Profitable Pathway to A Better Tomorrow™

Our New Category Journey

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In particular, among other statements: certain statements on slides 5, 6, 17, 27 and 33.

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Important Information

Forward-looking Statements (continued)

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Our Vapour product Vuse (including Alto, Solo, Ciro and Vibe), and certain oral products including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the US, are subject to the Food and Drug Administration ("FDA") regulation and no reduced-risk claims will be made to these products without agency clearance.

No Profit or Earnings Per Share Forecasts

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Today's Themes

01

A **Multi-Category** Portfolio is essential

02

Tobacco Harm Reduction is **a journey**

03

New Categories are **value accretive**

Our purpose is to build...



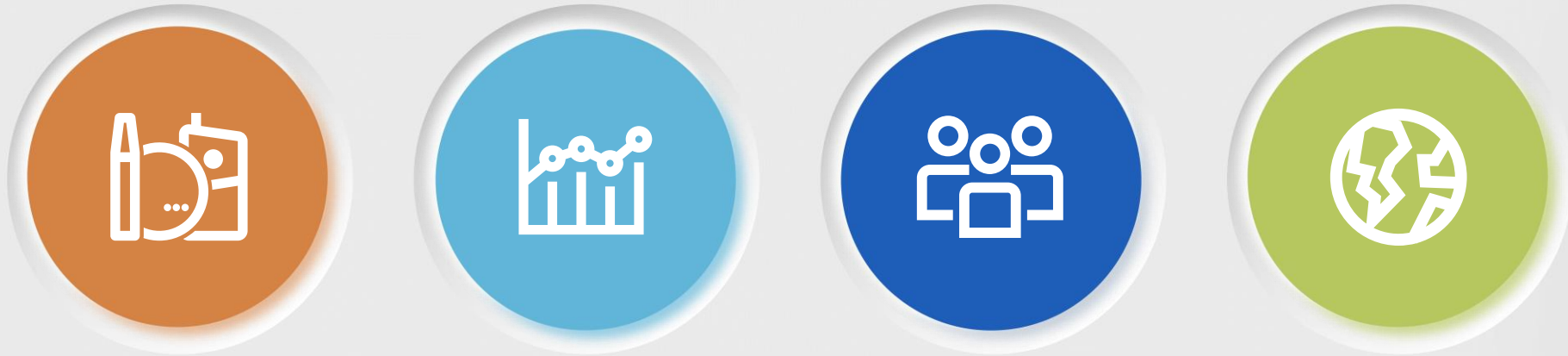
...through reducing the health impact of our business by offering a greater choice of enjoyable and less risky^{*†} products for our consumers

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

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

Our Objective:

Delivering value for all of our stakeholders

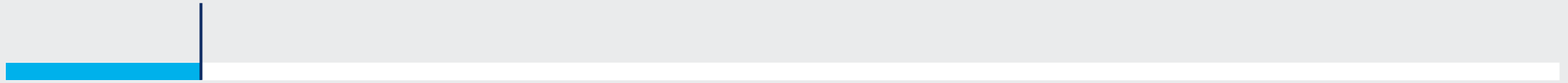


...and we've only just begun



100m

of **1.1bn** 



Increasingly a global phenomenon

~**60%**

**Of T-50 markets
fully open to New
Categories**

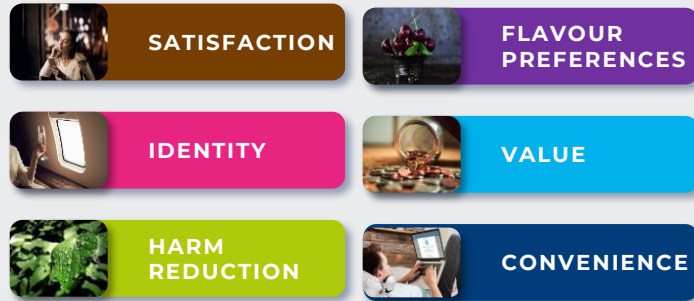
~**30%**

**Countries restrict
1 or more New
Categories**



**Key global
markets remain
inaccessible**

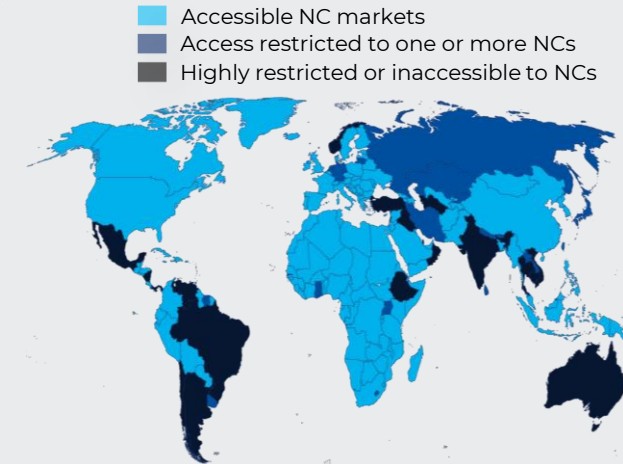
Markets and consumers are not homogeneous



Fundamental Drivers



Occasions & Consumption



Regulation & Access

No single solution is capable of meeting all preferences

So... we are investing now in a Multi-Category future



10

Beliefs to Challenge

Beliefs to Challenge

1

There is a
'one size fits all'
solution

2

THP attracts the
most consumers

3

THP encourages
more switching
than **vaping**

4

Modern Oral is a
Scandinavian
phenomenon

5

Nicotine is a
substantial cause of
disease from smoking

6

New Categories (NCs)
are often a **gateway**
to smoking

7

NCs are used
equally across
cohorts

8

Poly-users tend to
smoke just as much

9

NCs are less
profitable

10

Industry value is
declining with
cigarette sales

Theme 1: Multi-Category

1

There is a
'one size fits all'
solution

2

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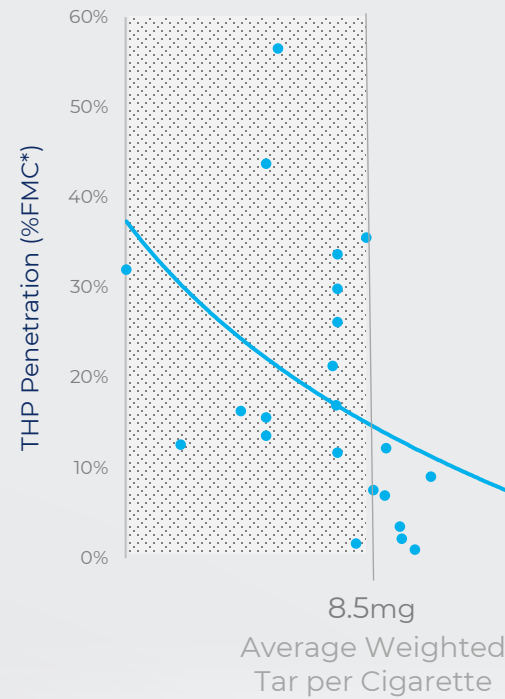
Industry value is
declining with
cigarette sales

Belief #1 There is a 'one size fits all' solution

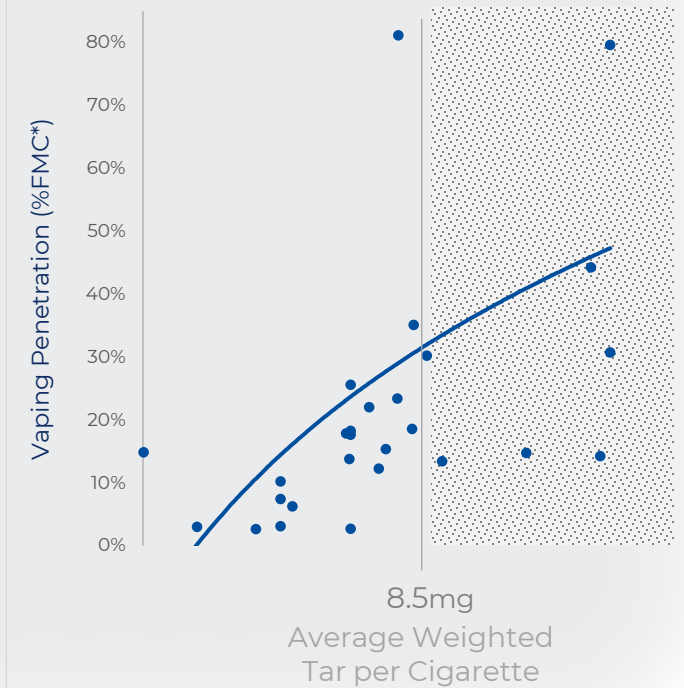
FACT

THP and Vapour correlate inversely to Weighted Average Tar levels

>80%
of THP



>70%
of Vapour



* FMC: Factory Made Cigarettes

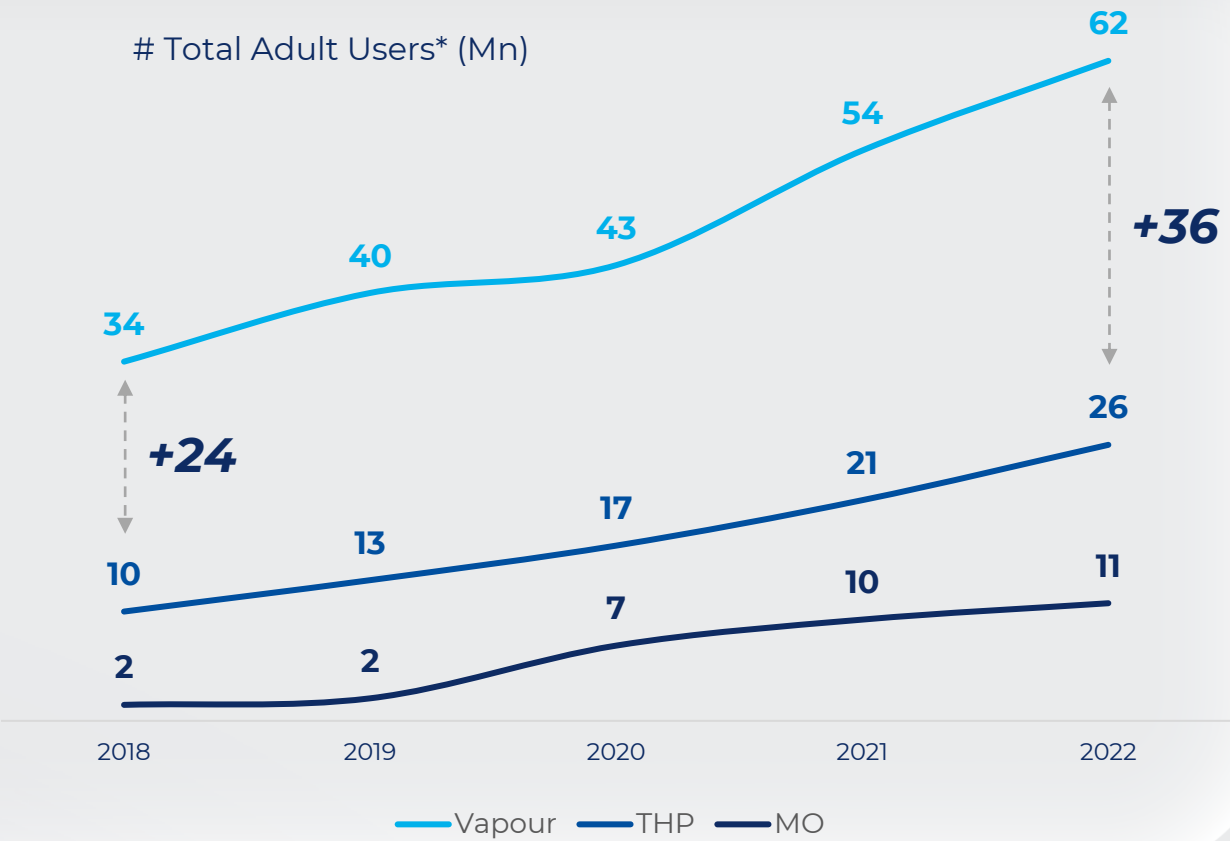
Source: Kantar Incidence Study 2022, Retail Audit (suppliers different by market), BAT internal information

Belgium, Bulgaria, Canada, Colombia, Croatia, Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, Japan, Kazakhstan, Malaysia, Mexico, Netherlands, New Zealand, Poland, Portugal, Russia, Saudi Arabia, Spain, South Korea, Sweden, Switzerland, UK, Ukraine, USA

Belief #2 THP attracts the most consumers

FACT

Vapour is the biggest contributor to consumer growth and accelerating



Source: Kantar Incidence & Track Studies 2022

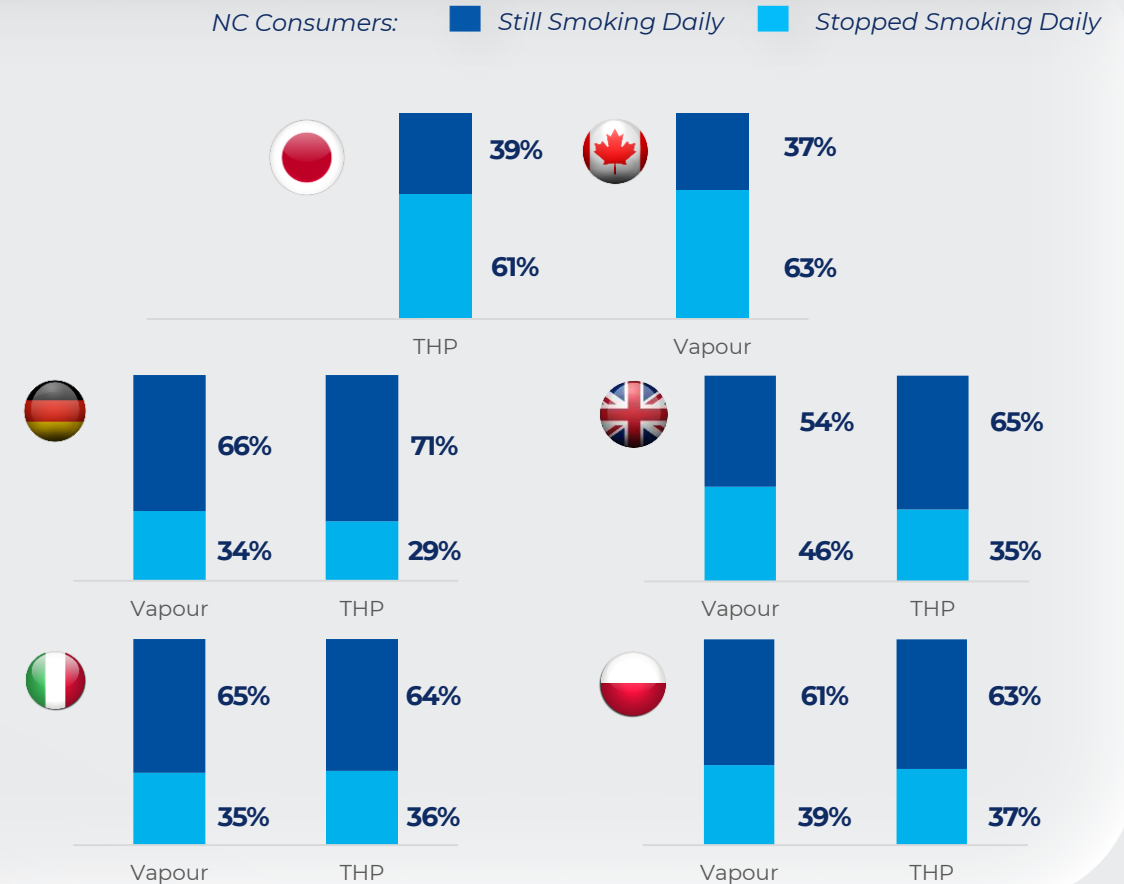
*Adult users based on 20 Years of Age+ in USA. 18+ in all other markets

T42 Markets: Algeria, Argentina, Australia, Bangladesh, Belgium, Brazil, Bulgaria, Canada, Chile, Colombia, Czech Republic, Denmark, Egypt, France, Germany, Greece, Hungary, Indonesia, Italy, Japan, Kazakhstan, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Pakistan, Poland, Romania, Saudi Arabia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Turkey, UK, Ukraine, USA, Vietnam

Belief #3 THP encourages more switching than vaping

FACT

Vapour* and THP are equally effective at encouraging smokers to switch

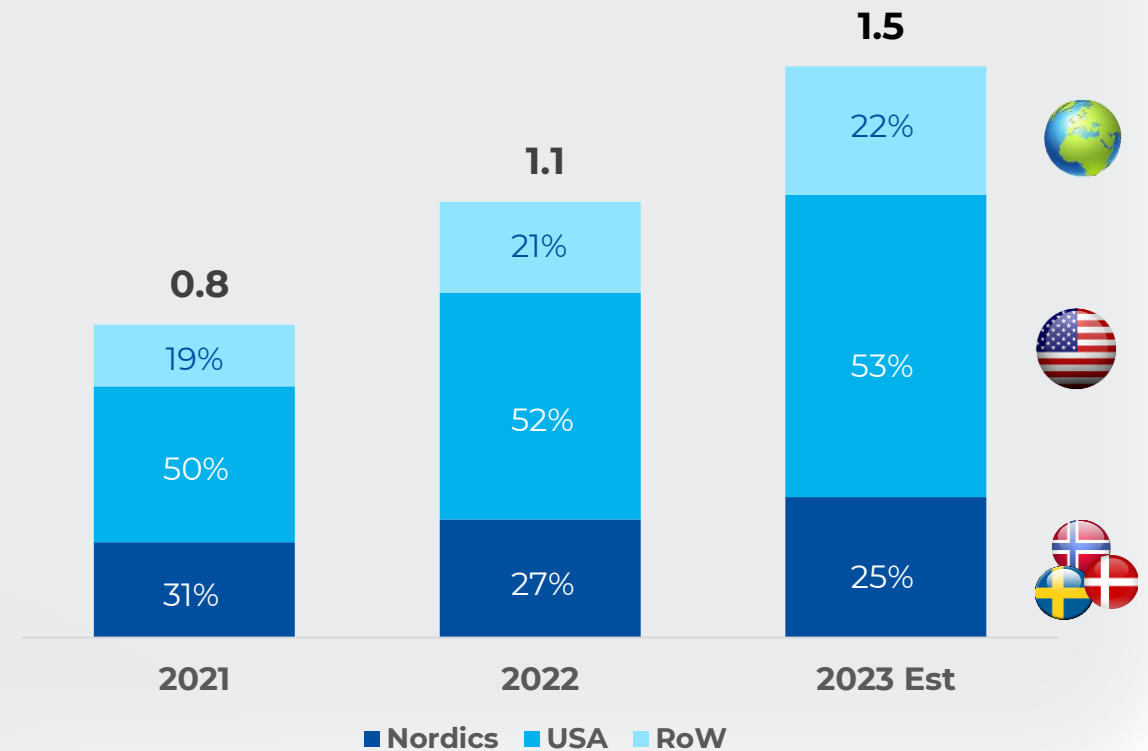


Belief #4 Modern Oral is a Scandinavian phenomenon

FACT

MO will have a critical positive role to play as market expansion and the US accelerate growth

MO Revenue Contribution



Implication 1

1

THP & Vapour correlate inversely to Weighted Average Tar levels

2

Vapour is the biggest contributor to consumer growth and accelerating

3

Vapour & THP are equally effective at encouraging smokers to switch

4

Modern Oral will have a critical positive role to play

**A Multi-Category Portfolio is Essential
to Deliver our Purpose & Industry
Transition**

Theme 2: THR

1

THP & Vapour correlate inversely to Weighted Average Tar levels

2

Vapour is the biggest contributor to consumer growth and accelerating

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Vapour & THP are equally effective at encouraging smokers to switch

4

Modern Oral will have a critical positive role to play

5

Nicotine is a substantial cause of disease from smoking

6

New Categories (NCs) are often a **gateway** to smoking

7

NCs are used equally across **cohorts**

8

Poly-users tend to smoke just as much

9

NCs are less **profitable**

10

Industry value is declining with cigarette sales

Belief #5 Nicotine is a substantial cause of disease from smoking

FACT

Most of the harm from smoking is caused by products of combustion, not nicotine

“ **It’s the other chemical compounds in tobacco,** and in the smoke created by setting tobacco on fire, that directly and primarily cause the illness and death, **not the nicotine** ”

DR. SCOTT GOTTLIEB
US FDA COMMISSIONER (JULY 2017)

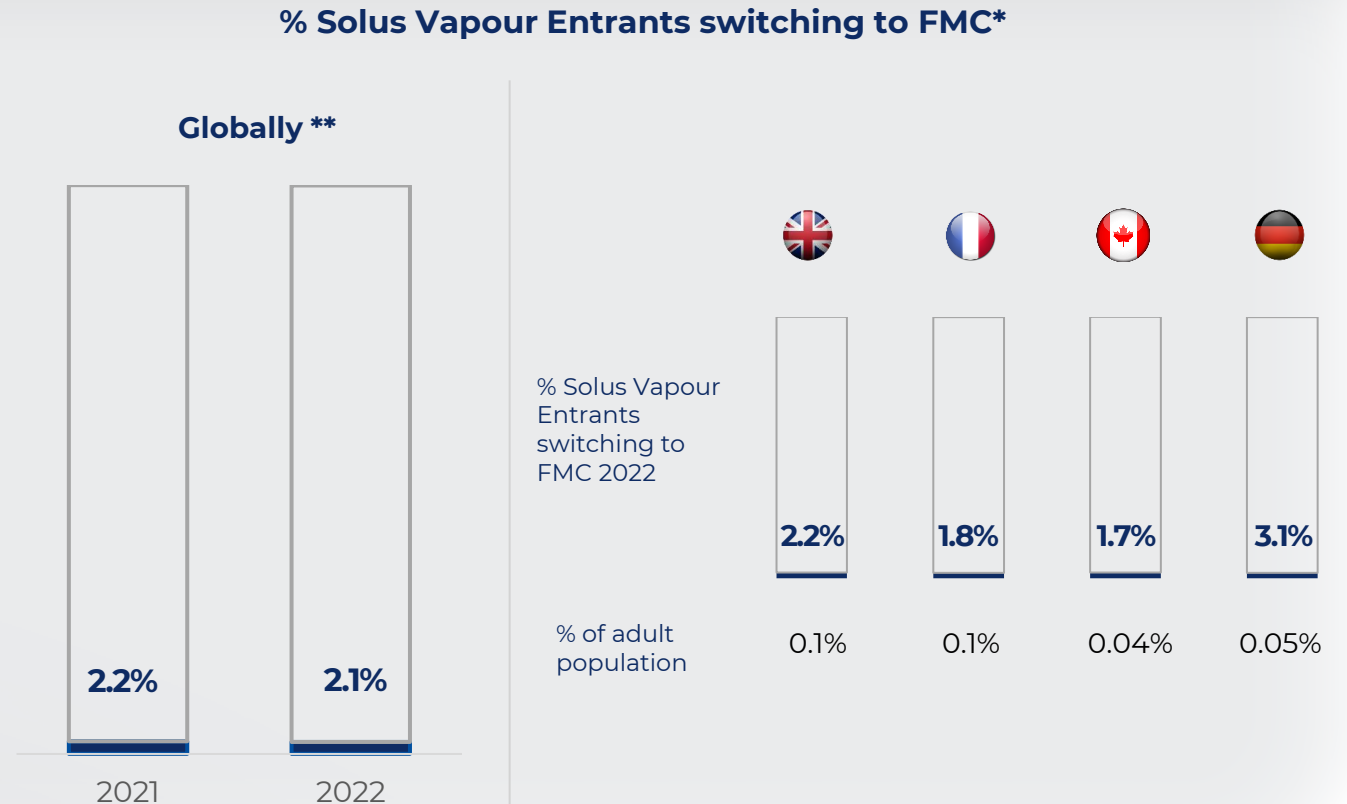
“ **Nicotine is not...a highly hazardous drug.** The main culprit is smoke and, if nicotine could be delivered effectively and acceptably...without smoke, most, if not all, of the harm of smoking could probably be avoided ”

UK ROYAL COLLEGE OF PHYSICIANS
Nicotine without smoke: Tobacco harm reduction (2016)

Belief #6 New Categories are often a gateway to smoking

FACT

In general, new adult nicotine consumers don't go on to smoke



*Factory Made Cigarettes

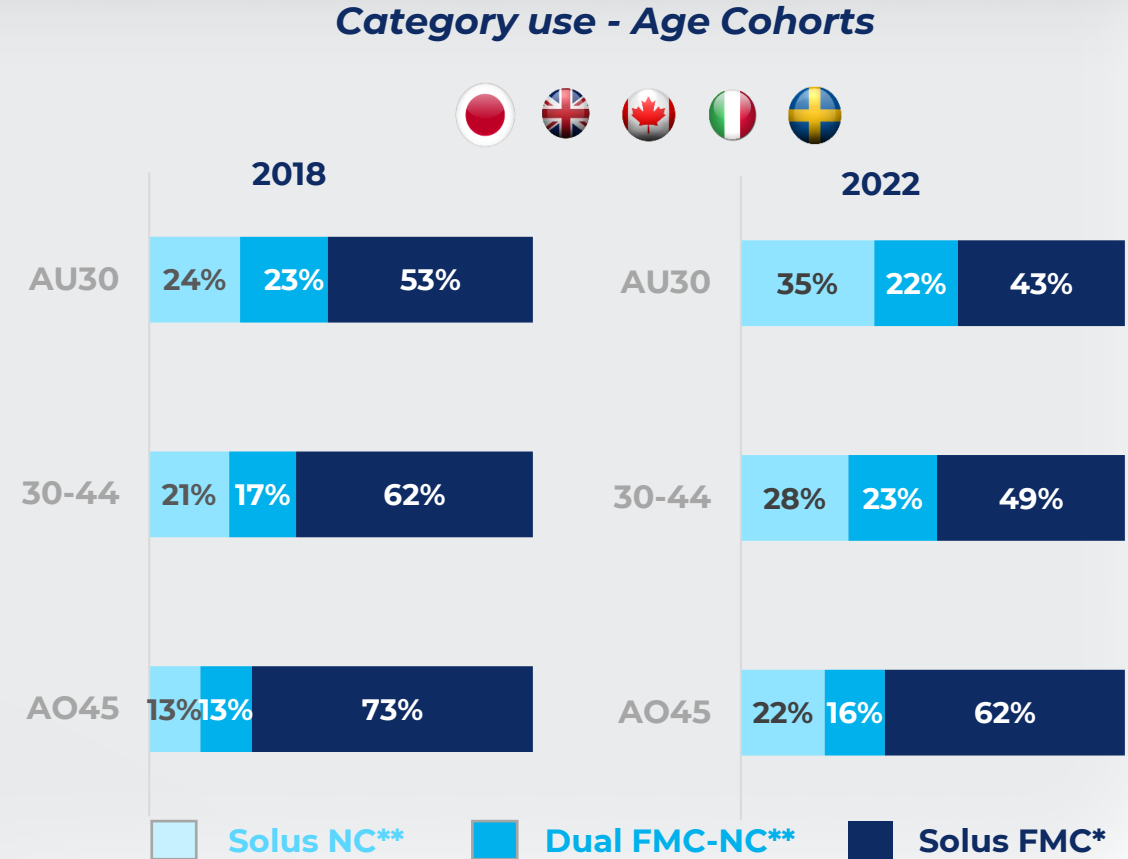
Source: Kantar Incidence & Track Studies 2022

**Top NC Markets: Canada, Denmark, France, Germany, Italy, Japan, Poland, S. Korea, Sweden, Switzerland, UK – excluding USA

Belief #7 New Categories are used equally across cohorts

FACT

NC penetration correlates inversely to the age cohorts of adult consumers



*Factory Made Cigarettes ** NC Includes Snus

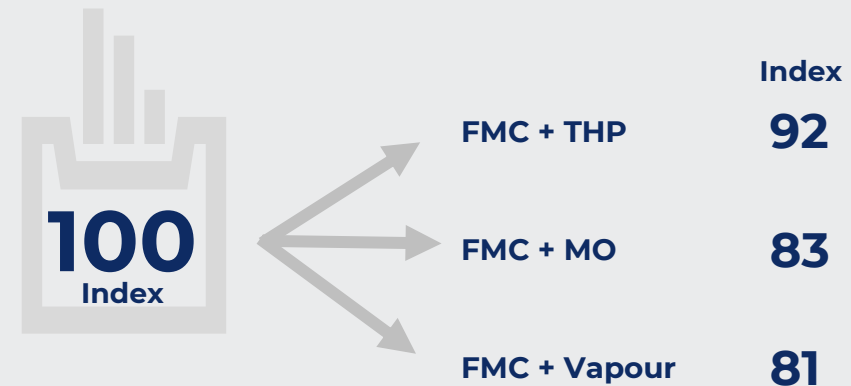
Source: Kantar Incidence & Track Studies 2022
 "Dual-usage" references a transitional period for adult FMC consumers towards a complete switching to NCs during which adult consumers reduce cigarette consumption and choose to add to it consumption of an NC. AU30: Adult consumer from minimum legal age to 30yrs. AO45: Adult consumer over 45 yrs.
 Canada, Italy, Japan, UK, Sweden

Belief #8 Poly-users tend to smoke just as much

FACT

The consumer journey often involves poly-usage where cigarette consumption is reduced

FMC* Average Daily Consumption reduction among Poly-Users vs. FMC Solus



Consumption in leading 9 NC markets in stick Equivalent.

*Factory Made Cigarettes

"Poly-usage" references a transitional period for adult FMC consumers towards a complete switching to NCs during which adult consumers reduce cigarette consumption and choose to add to it a consumption of one or more NCs.

Source: Kantar Incidence & Track Studies 2022
Canada, Denmark, Germany, Italy, Japan, S. Korea, Sweden, UK, USA

Implication 2

1

THP & Vapour correlate inversely to Weighted Average Tar levels

2

Vapour is the biggest contributor to consumer growth and accelerating

3

Vapour & THP are equally effective at encouraging smokers to switch

4

Modern Oral will have a critical positive role to play

5

Most of the harm from smoking is caused by products of combustion, not nicotine

6

In general, new adult nicotine consumers don't go on to smoke

7

NC penetration correlates inversely to the age cohorts of adult consumers

8

Cigarette consumption is declining with poly-usage

Tobacco Harm Reduction is a bona fide corporate and societal goal

Theme 3: Industry Value

1

THP & Vapour correlate inversely to Weighted Average Tar levels

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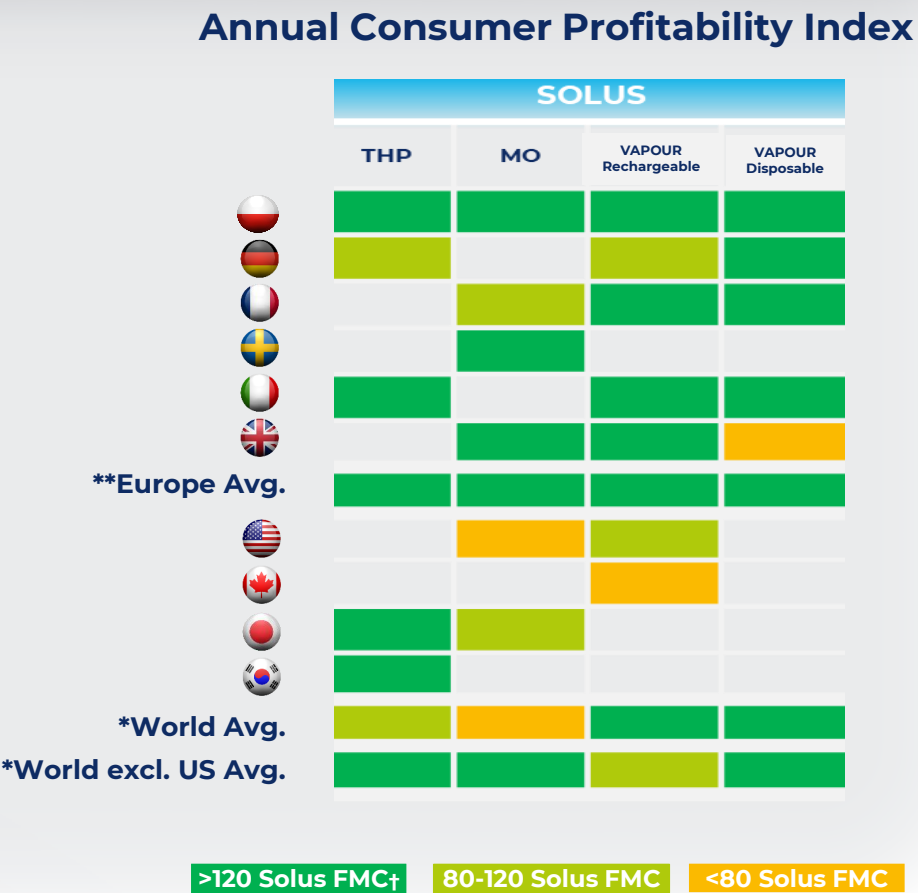
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Industry value is declining with cigarette sales

Belief #9 New Categories are less profitable

FACT

NCs are already positive at Gross Margin level in almost all Categories



Source: BAT data: Indexed NC Gross Margin per consumer per annum vs FMC

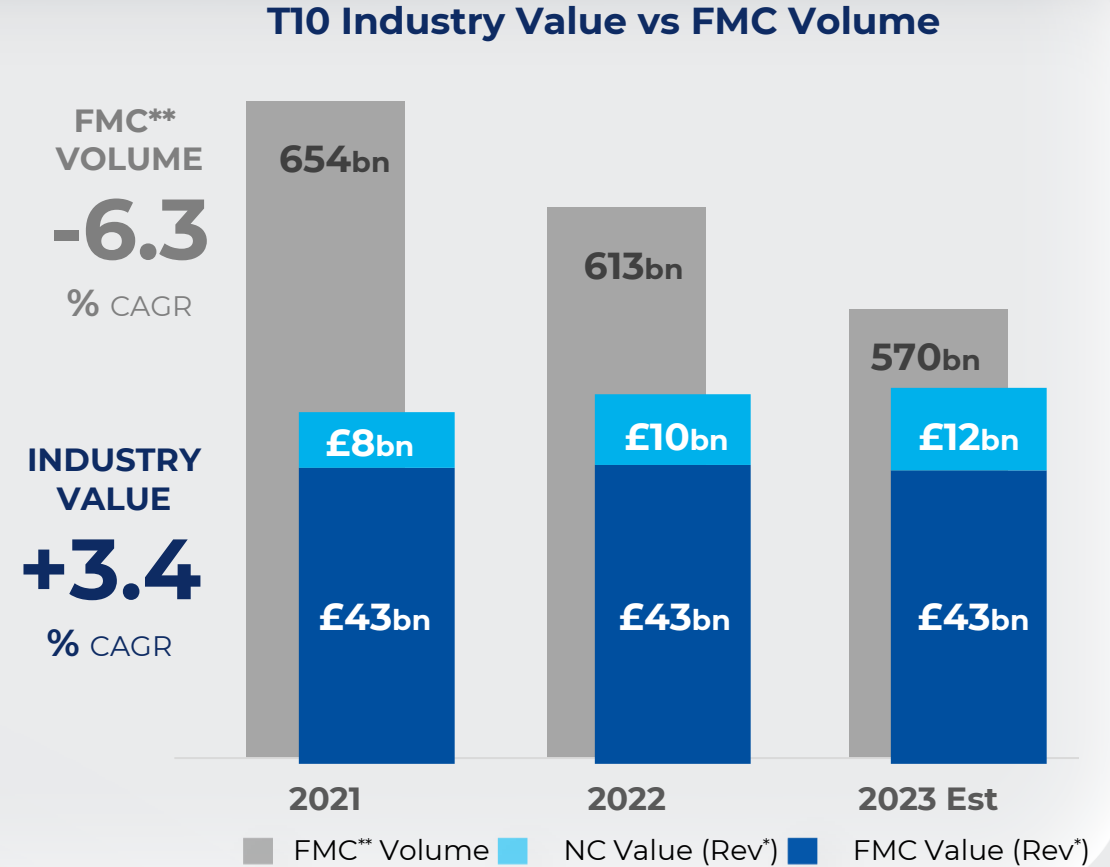
*World Average based on Top 17 NC markets accounting for ~85% of World's NCs revenue, based on BAT internal est.
 **Europe Top 12 European NC Markets accounting for ~85% of total Europe's NC revenue, based on BAT internal est. †Factory Made Cigarettes
 -GMs per unit based on BAT internal estimates: FMC Value for money (2023 @ '22 FX rates); Users & Avg daily consumption data based on NC Track, NC users. -Annual Gross Margin (excl. Marketing Investment in revenue & Royalties) per user Group

Belief #10 Industry value is declining with cigarette sales



FACT

Total nicotine revenue is growing year-on-year with New Categories driving value accretion



*Revenue **Factory Made Cigarettes

Source: BAT Outlook

USA, UK, Germany, Canada, Japan, Switzerland, Italy, Denmark, Poland, South Korea, France, Sweden

10 Facts

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Total nicotine revenue is growing year-on-year with NCs driving value accretion

Today's Themes

1

**A Multi-Category
Portfolio is
Essential**

2

**Tobacco Harm
Reduction is
a journey**

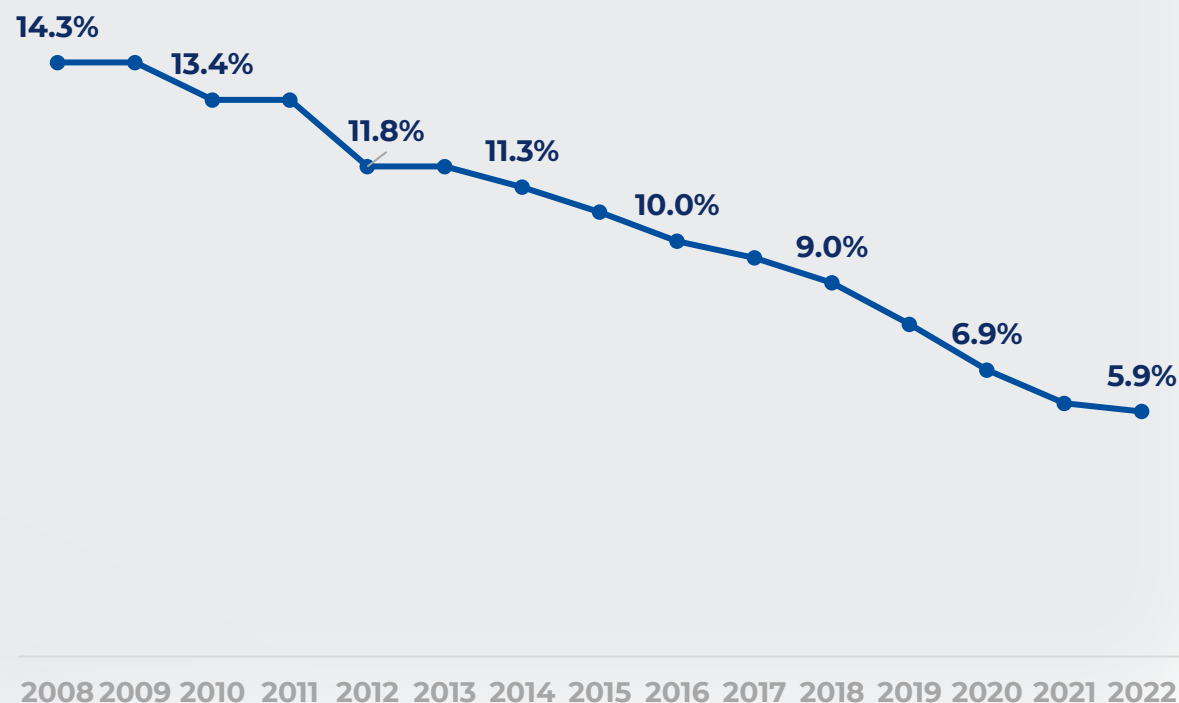
3

**New Category
Products are
Value Accretive**

Belief #11 Japan is the 'bellwether' transformation story

Sweden has successfully delivered a multi-decade Tobacco Harm Reduction policy

Sweden FMC* Incidence 2008 - 2022



Video

* This slide includes materials publicly shared by third parties, which do not necessarily reflect BAT's views and positions - Source: Smoke Free Sweden 2023**, [Twitter](#)

**Health Diplomats is a global network of public health experts committed to developing and delivering solutions to global health-related problems.

In Summary

Today's Themes

01
A Multi-Category Portfolio is essential

02
Tobacco Harm Reduction is a journey

03
New Categories are value accretive

4

+

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28

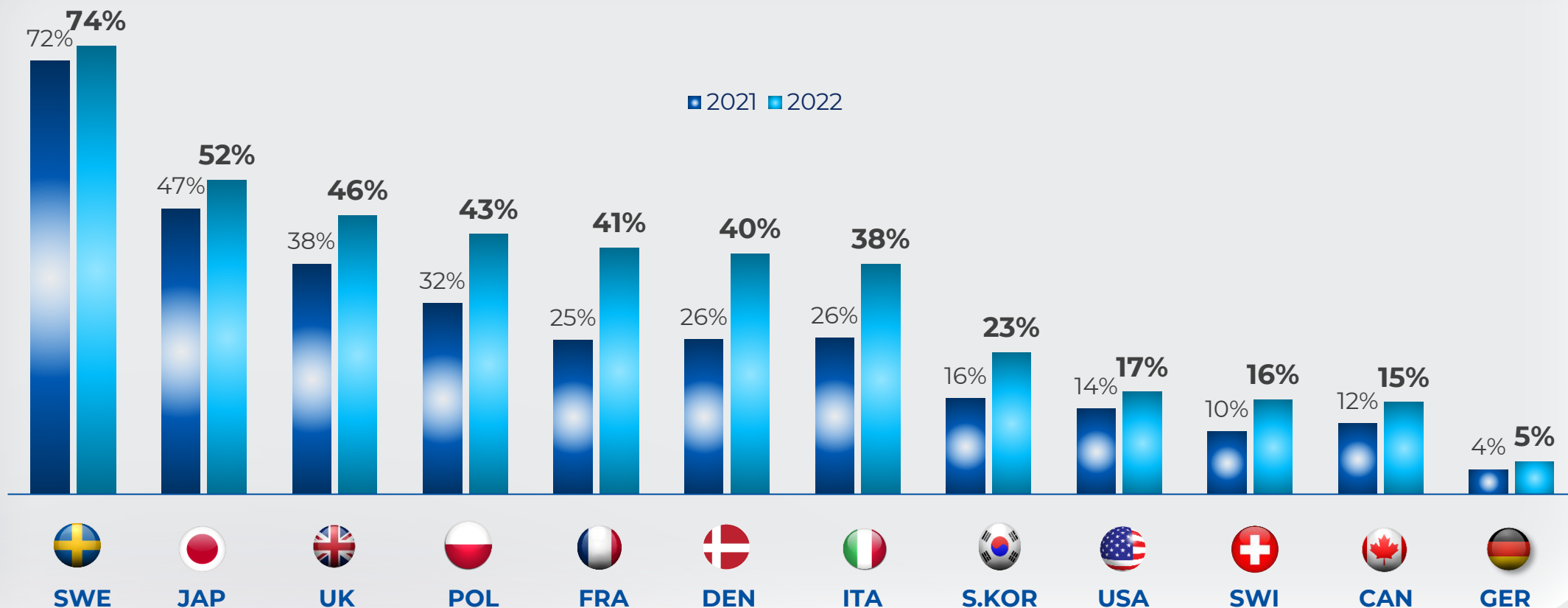
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Delivering Multi-Stakeholder Value

High Quality, Sustainable Business Model, Long into the Future

NC value contribution growing fast in the top 12 markets

BAT Non-Combustibles Revenue as % of Total Revenue in TOP12 NC markets



Non-combustibles include NC & Traditional Oral

* Revenue from Non-Combustible products as a % of total revenue in each respective market.

FX @21. Constant currency measures are calculated based on the prior year's exchange rate, removing the potentially distorting effect of translational foreign exchange on the BAT Group's results. The BAT Group does not adjust for normal transactional gains or losses in profit from operations which are generated by exchange rate movements

>30% Non Combustible revenue in 23 investment markets

Our non-Combustible products revenue % H1'23*



FRA



AUS



EST



JPN



UK



DEN



POR



SLO



ITA



POL



KAZ



LIT



SWE



FIN



GUA



LAT



D REP



NOR



GRE



ICE



CZE



SLK



UAE

>30%

>40%

>50%

>70%

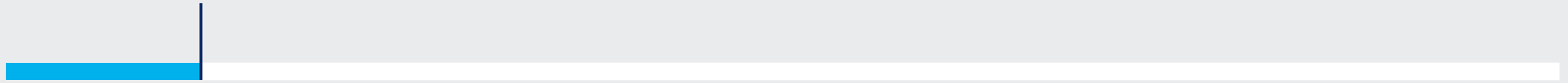
* Revenue from Non-Combustible products (NCs & Traditional Oral) as a % of total revenue in each respective market.

...and we've only just begun



100m

of **1.1bn** 



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