

Building a Smokeless World

Fixed Income Update Call - Preliminary Results 2023

Javed Iqbal – Interim Finance Director | **Neil Wadey** – Group Head of Treasury



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In particular, among other statements: slides 6-9, 11-18 and 20.

Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the impact of competition from illicit trade; the impact of adverse domestic or international legislation and regulation; the inability to develop, commercialise and deliver the Group's New Categories strategy; the impact of supply chain disruptions; adverse litigation and dispute outcomes and the effect of such outcomes on the Group's financial condition; the impact of significant increases or structural changes in tobacco, nicotine and New Categories related taxes; translational and transactional foreign exchange rate exposure; changes or differences in domestic or international economic or political conditions; the ability to maintain credit ratings and to fund the business under the current capital structure; the impact of serious injury, illness or death in the workplace; adverse decisions by domestic or international regulatory bodies; changes in the market position, businesses, financial condition, results of operations or prospects of the Group; direct or indirect adverse impacts associated with Climate Change and the move towards a Circular Economy; and Cyber Security risks caused by the heightened cyber-threat landscape, and increased digital interactions with consumers and changes to regulation.

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No statement in this presentation is intended to be a profit forecast and no statement in this presentation should be interpreted to mean that earnings per share of BAT for the current or future financial years would necessarily match or exceed the historical published earnings per share of BAT.

Important Information



Forward-looking Statements (continued)

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Additional Information

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Audience

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Resilient FY23 performance, in line with guidance

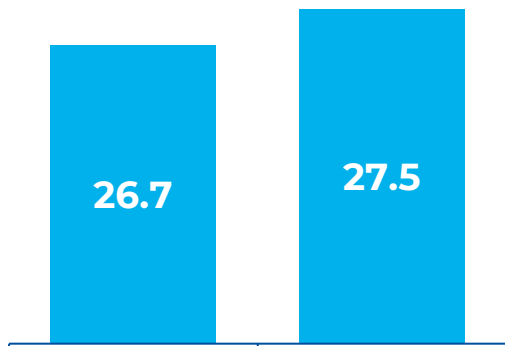
	Group Revenue	New Category Revenue	Profit from Operations / Operating Margin	Diluted Earnings per Share [^]
Reported	<p>-1.3% £27,283m</p>	<p>+15.6% £3,347m</p>	<p>-250% -£15,751m</p> <hr/> <p>-95.8 ppts -57.7%</p>	<p>-322% -646.6p</p>
Adjusted Constant Currency	<p>+1.6%* £28,096m</p> <hr/> <p>+3.1%*** Organic</p>	<p>+17.8%* £3,410m</p> <hr/> <p>+21.0%*** Organic</p>	<p>+3.1%** £12,789m</p> <hr/> <p>+0.60 ppts** 45.5%</p>	<p>+4.0%** 386.4p</p>

Adjusted results demonstrate continued delivery

Organic Group Revenue*

(£ bn)

+3.1%



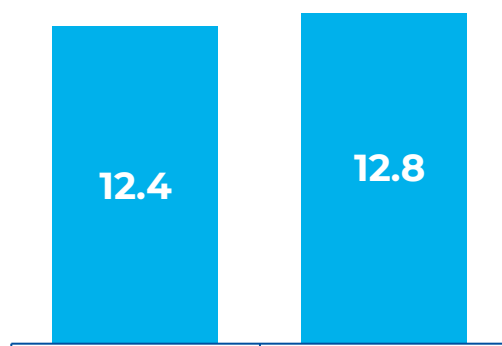
FY22 FY23

+4.2%
Avg. 2019 - 2023*

Adjusted Operating Profit**

(£ bn)

+3.1%



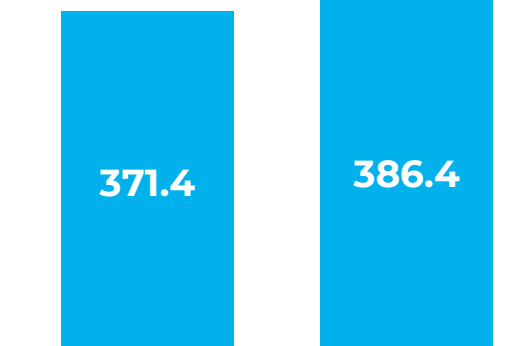
FY22 FY23

+4.8%
Avg. 2019 - 2023**

Adjusted Diluted EPS**

(pence)

+4.0%



FY22 FY23

+6.1%
Avg. 2019 - 2023**

Key performance drivers

- Organic New Category revenue* +21.0%
- Organic Combustibles revenue* +0.6%
 - Volume -5.5%
 - Price/mix^ +6.1%
- Organic APFO^^ +3.9%
- Organic EPS^^ +5.2%

Driving sharper execution in six areas of focus

Sharpen execution

1

Drive profitability in New Categories

NC profitability ahead of plan

>£1.1bn improvement since 2020

Vuse and Velo profitable

2

Consistent U.S. combustibles value growth

Volume and value share growth since Jan 2023

Encouraging results from commercial plans

Strengthening route-to-market

3

Significantly strengthen HP

Enhanced innovation with patent settlement

Upgrade to glo device and consumables

First mover with tobacco-free veo

4

Lead responsible New Category development

Proactive external affairs approach

Launching Responsible Marketing Code

Campaign for a smoke-free Britain

5

Enhance financial flexibility

Continued strong cash generation

Operational excellence & self-help

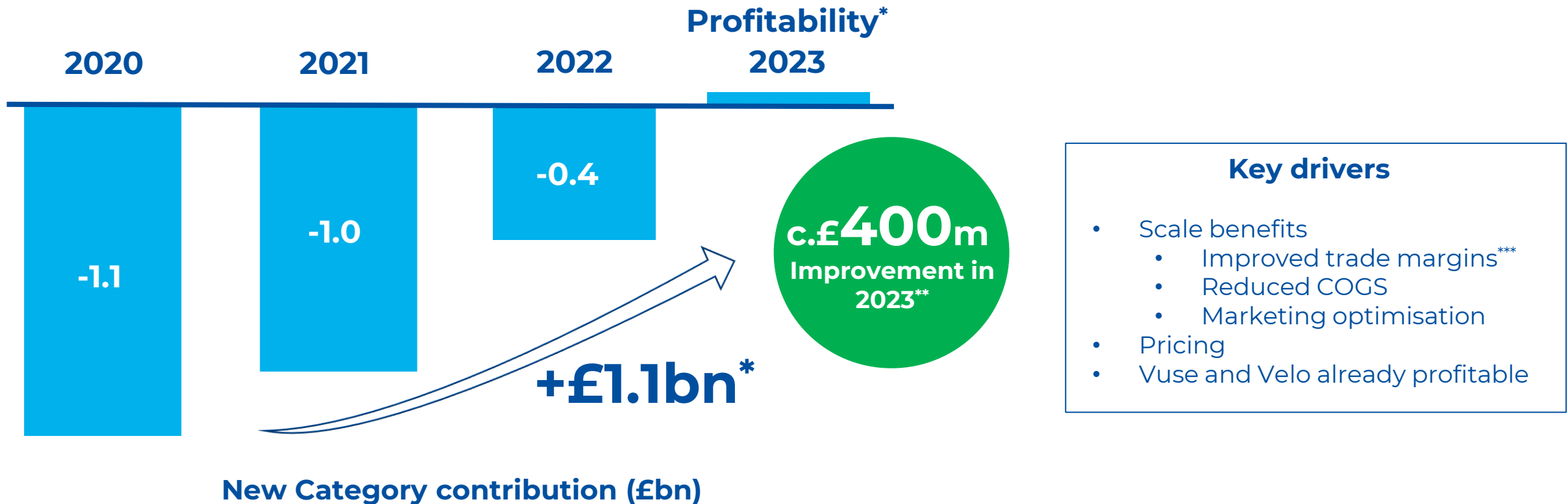
Asset divestments

6

Collaborative and inclusive culture

New corporate values and Management/Board appointments

1. Reached NC profitability two years ahead of original target



Growing New Category profitability* moving forward

* Profitability at category contribution level: Profit from operations before the impact of adjusting items and translational foreign exchange, having allocated costs that are directly attributable to New Categories. See Appendices A1 & A2.

On a constant rate basis. See Appendix A2. * References to trade margins are to recommended trade margins based on recommended resale prices.

2. U.S. commercial actions delivering encouraging results



Activating focused plans to drive consistent value...

... implementing carefully and thoroughly will take time

BAT A BETTER TOMORROW	H1'23 v H1'22	FY23 v FY22	Dec'23 v Jan'23
Volume share* basis points			
Total U.S. combustibles	-30	-10	+40
Premium brands	+10	+60	+160

BAT A BETTER TOMORROW	H1'23 v H1'22	FY23 v FY22	Dec'23 v Jan'23
Value share* basis points			
Total U.S. combustibles	-90	-60	+20
Premium brands	-90	-50	+60

Driving sequential volume and value share recovery

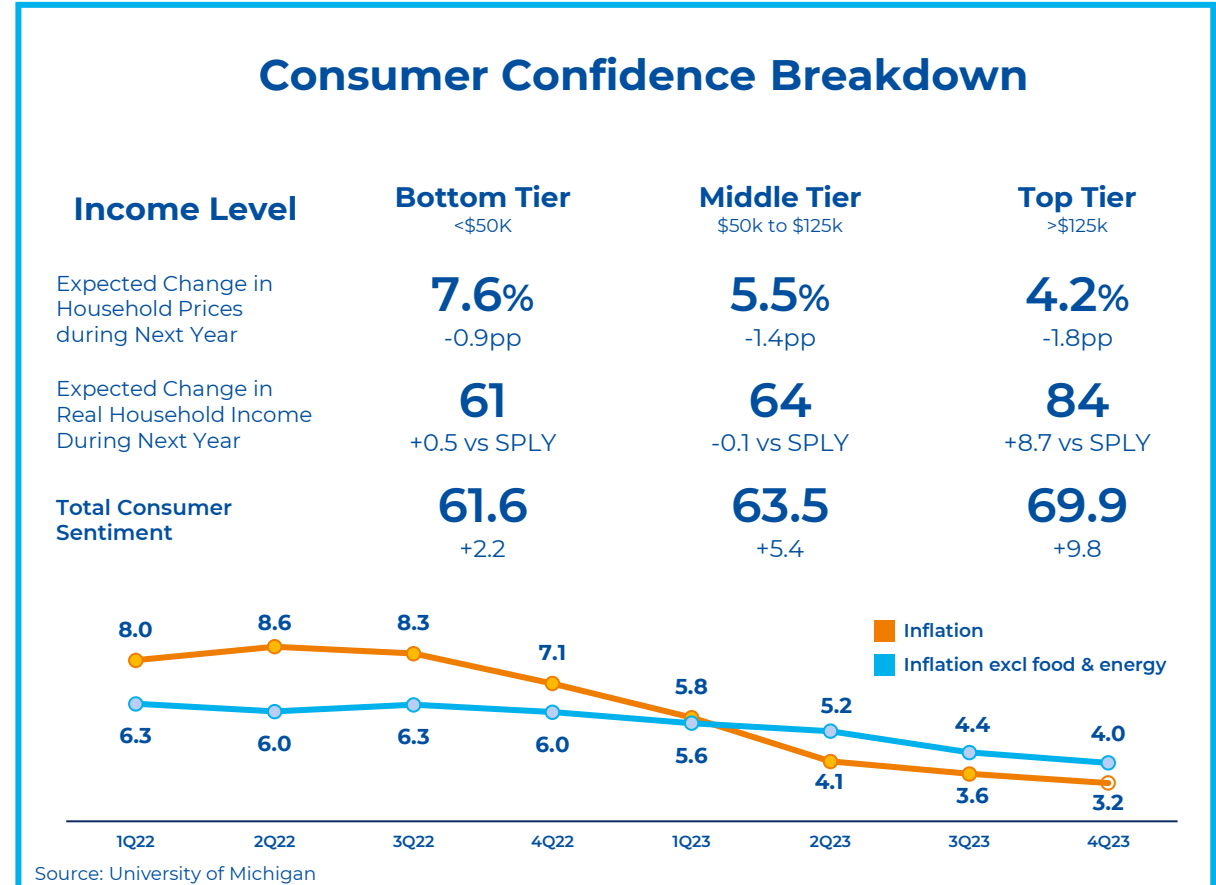
2. While U.S. macros are showing signs of improvement, consumers remain stretched

Improving Macros

	2022 Actuals	2023 Actuals	vs. '22
Inflation	6.5%	3.4%	-3.1pp ●
Real Avg. Hourly Earnings	-1.6%	+0.6%	+2.0pp ●
Personal Savings Rate	3.3%	4.6%	+1.2pp ●
Gas Prices	\$3.96	\$3.52	-\$0.44 ●
Consumer Sentiment	59.8	69.7	+9.9pp ●

Source: Oxford Economics / Bureau Labor of Statistics - December 2023

Consumer Confidence Breakdown



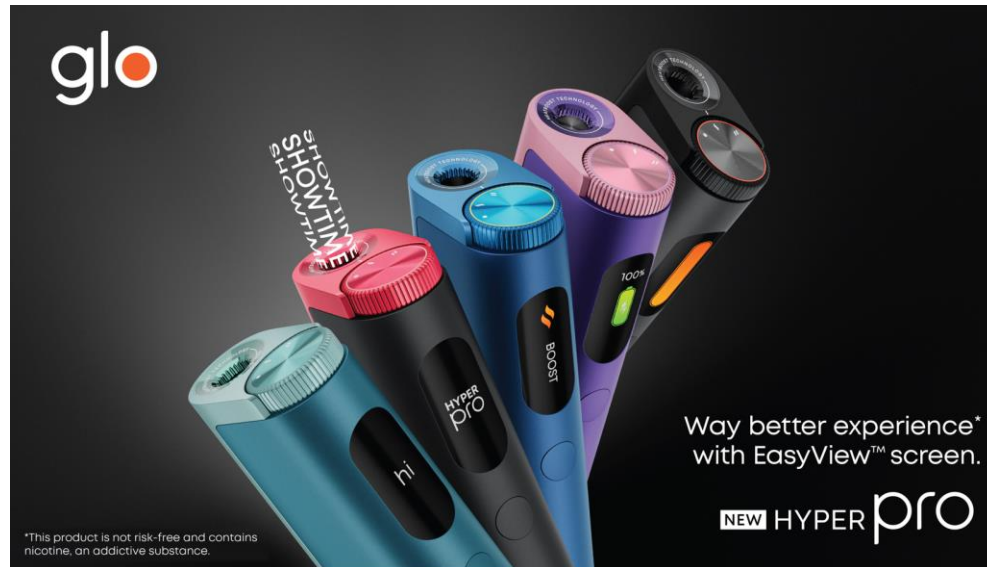
3. Significantly strengthening our HP pipeline

Device – glo Hyper pro

- Premium credentials
- Differentiated offer
 - New Heat Boost technology
 - Longer lasting session* and fast charge
 - EasyView screen

Consumables

- neo
 - New Supertob consumables (100% lamina)
 - Enhanced taste satisfaction and sensorials
 - Improved immediacy with Hyper pro
- veo – Tobacco-free herbal range



Total glo Hyper system upgrades

* In standard mode.

3. Creating better products with our sharper innovation ecosystem

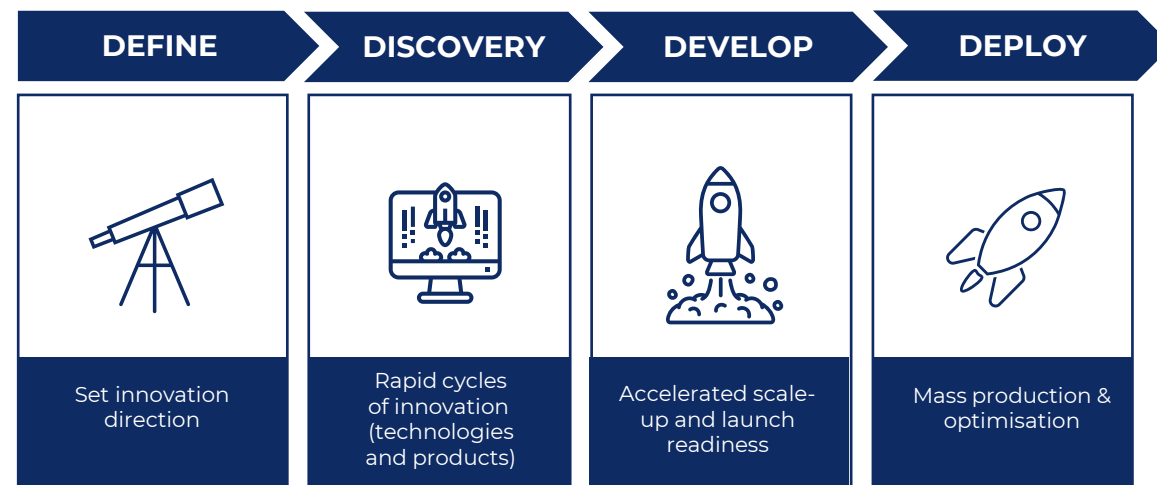


One integrated global R&D ecosystem



Innovation | Chemistry & Toxicology | Clinical | Non-Clinical | Life Sciences
&
Powerful External Partnerships

Sharper product lifecycle management



Supported by recent patent settlement

4. Encouraging progress with regulatory changes

Continuing development of supportive regulatory frameworks

Increasing recognition of NC's role in achieving Tobacco Harm

Reduction in key markets:

UK, FRA, CAN, NZ

+7 NC markets opened over last 24 months

Expanding our reach within regulated markets

2018

2023

27 → **76**
markets markets

More proactive thought leadership



You want Britain to be smoke-free by 2030.

Surprisingly, so do we.

Vaping is the key to unlocking this target.

As the biggest vaping manufacturer based in the UK we want more vaping regulations, not less.

5. Enhancing financial flexibility

Operational excellence

- £470m cost savings – On track for £1bn 3-yr target
 - Mitigating inflationary COGS headwinds of c.10% in 2023
- Manufacturing efficiency* +2ppts
- Continued combustibles simplification
 - SKUs -12% v 2022
- 100% cash conversion**

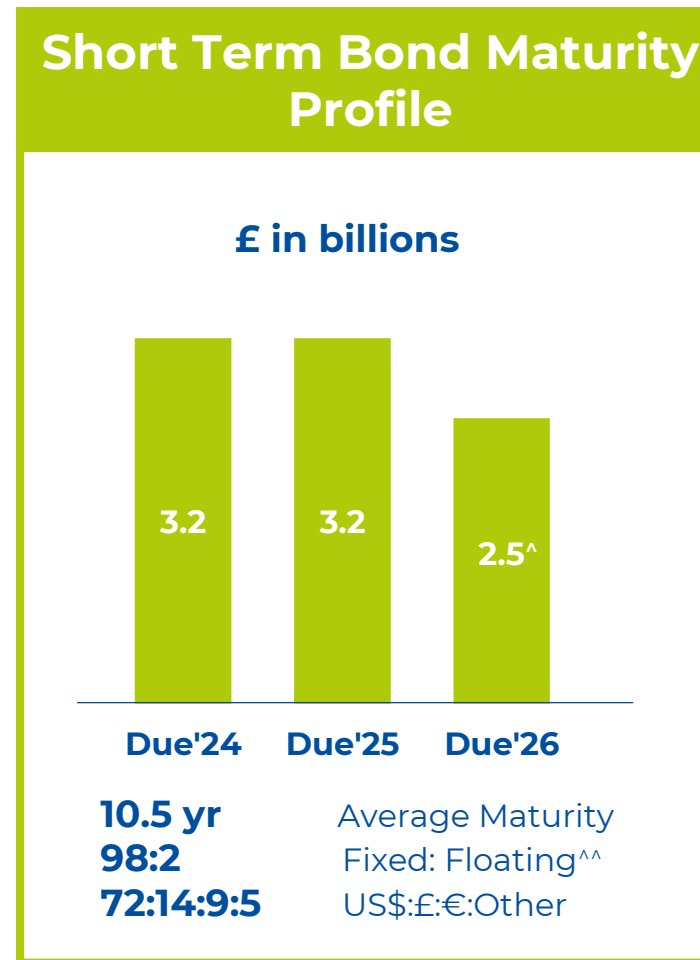
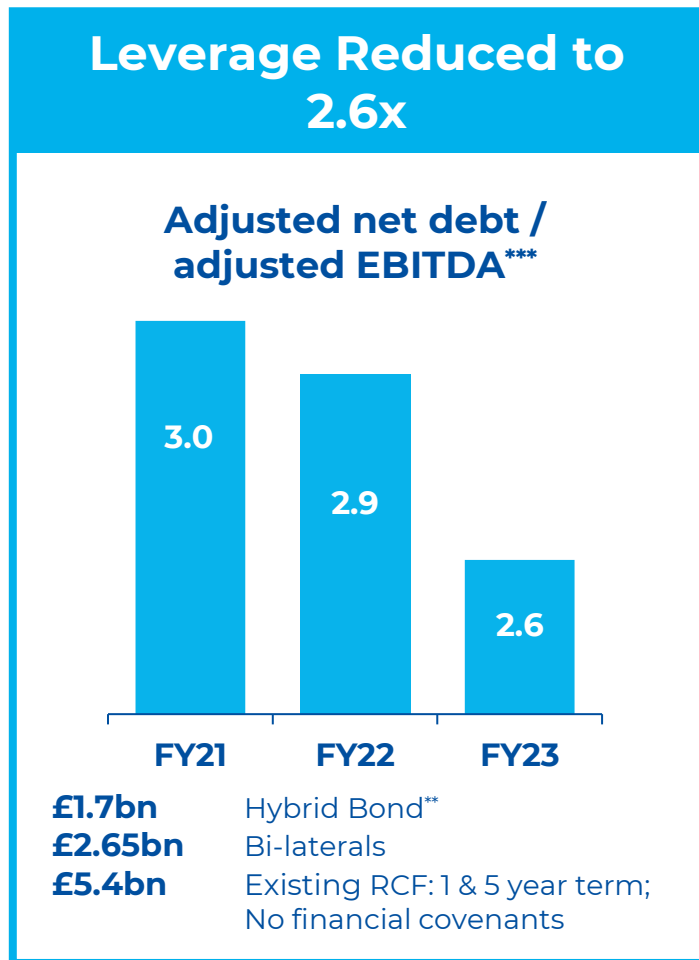
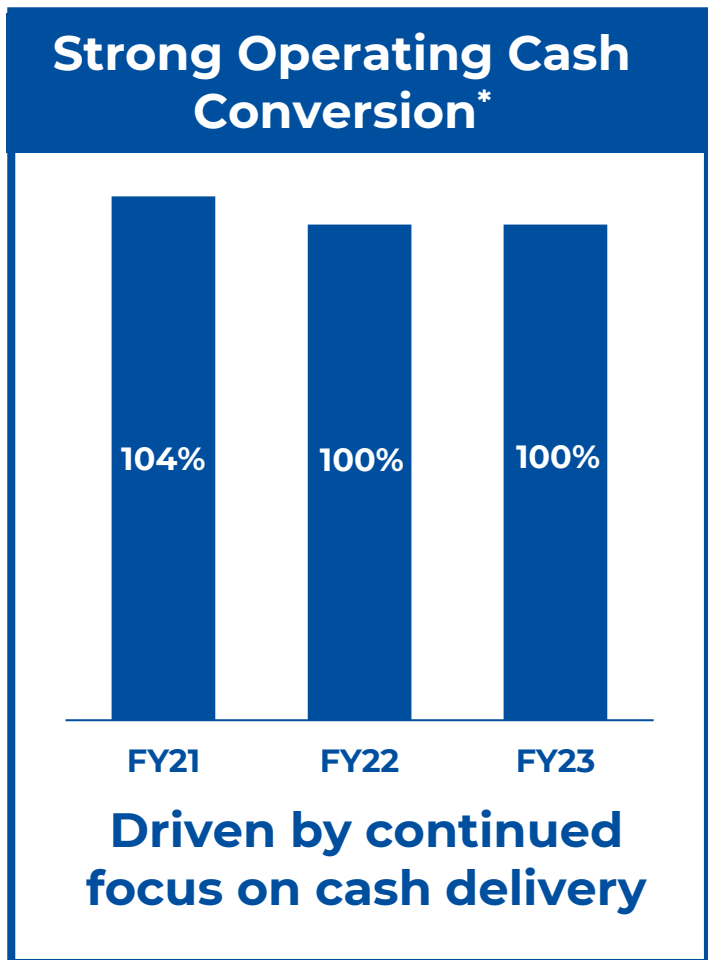
ITC

- >29% stake regularly reviewed
- >100 years of ownership, with numerous share capital changes
- Highly complex regulatory and administrative restrictions
- Actively working to partially monetise

Market divestments***

- c.35 non-strategic market exits in three years
- c.20bn stick reduction
- Limited P&L impact
- Resource prioritisation to higher return markets

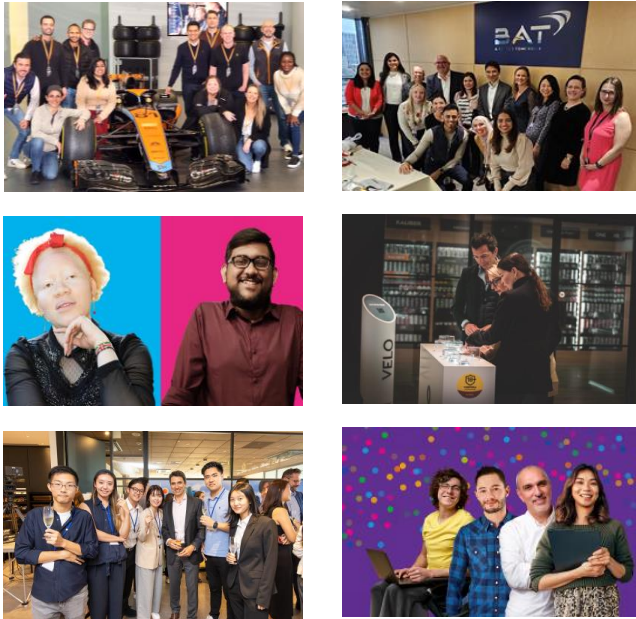
5. Continued Strong Operating Cash Conversion



Continue to reduce leverage towards the middle of the 2-3x corridor***

* See Appendices A1 & A6. ** FY21 hybrid issuance at Current FX. *** Adjusted net debt to adjusted EBITDA at current rates. See Appendix A1. ^ Excluding first optional redemption date of hybrid bond.. ^^ On a net debt basis excluding cash and other liquid assets in Canada.

6. BAT's purpose is to create A Better Tomorrow: Building a Smokeless World



A Truly Inclusive culture



Launch of our new values



Soraya Benchikh
Main & Management Board
Chief Financial Officer
(from 1 May 2024)



Cora Koppe-Stahrenberg
Management Board
Chief People Officer



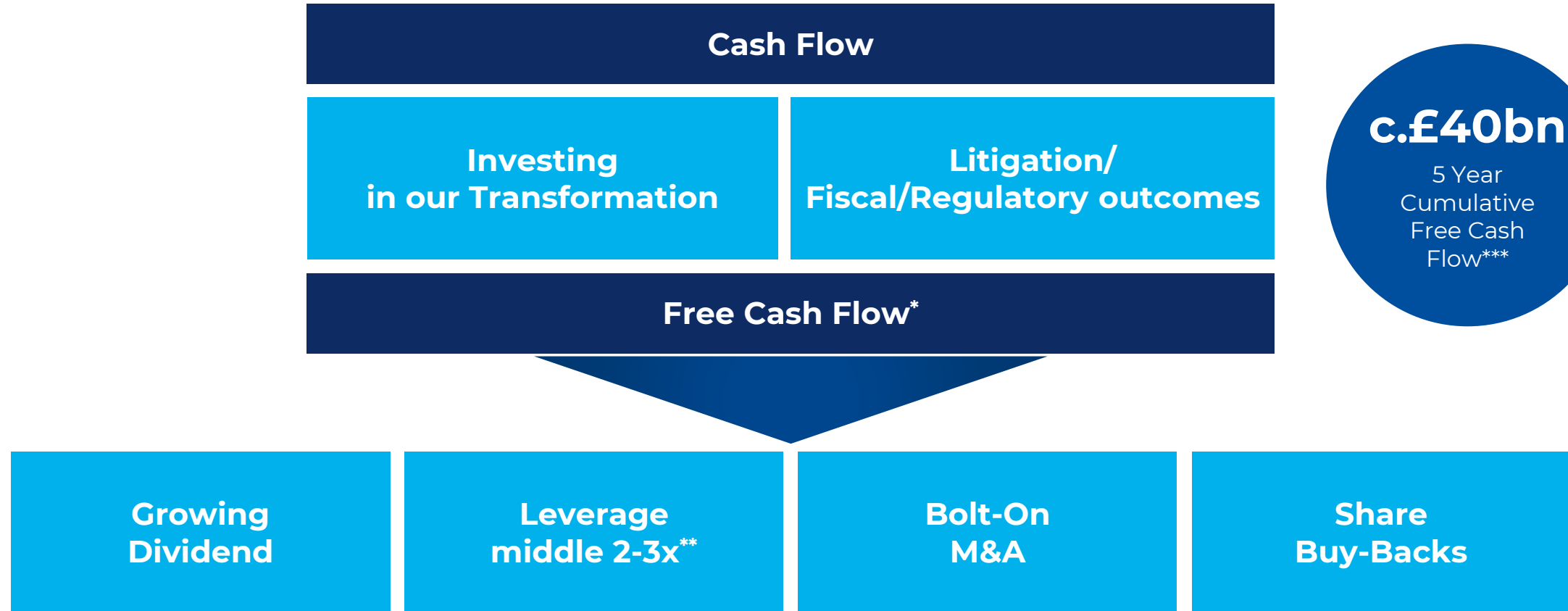
Serpil Timuray
Main Board
Independent
Non-Executive
Director



Murray Kessler
Main Board
Independent
Non-Executive
Director

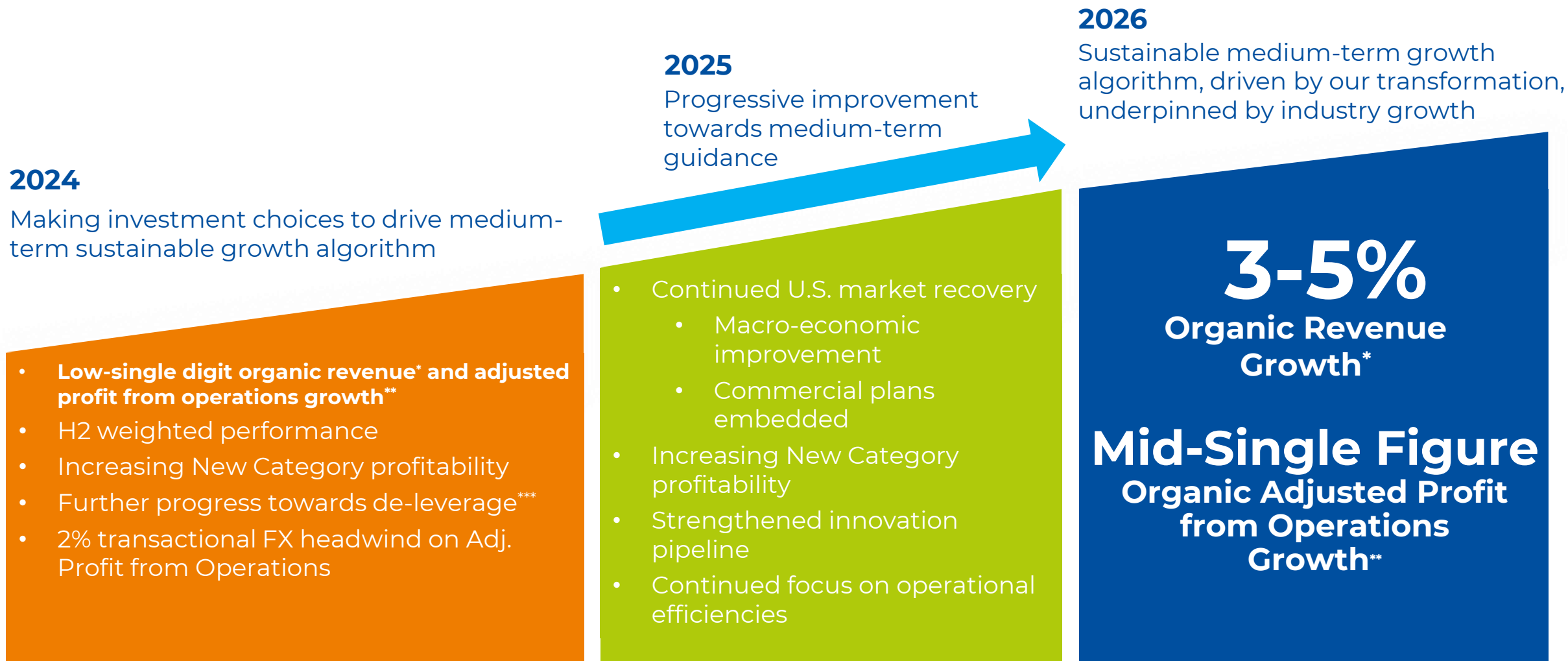
Further strengthening our Boards

Dynamic approach to capital allocation as we transform







Committed to sustainably returning cash to shareholders

Progressive improvement to sustainable medium-term algorithm



* On a constant rate, organic basis. See Appendices A2 & A7. ** Adjusted on an organic, constant rate basis. See Appendices A1, A2 & A7. *** Adjusted Net Debt to Adjusted EBITDA. See Appendices A1 & A8.

Our transformation supports our long-term financial ambitions

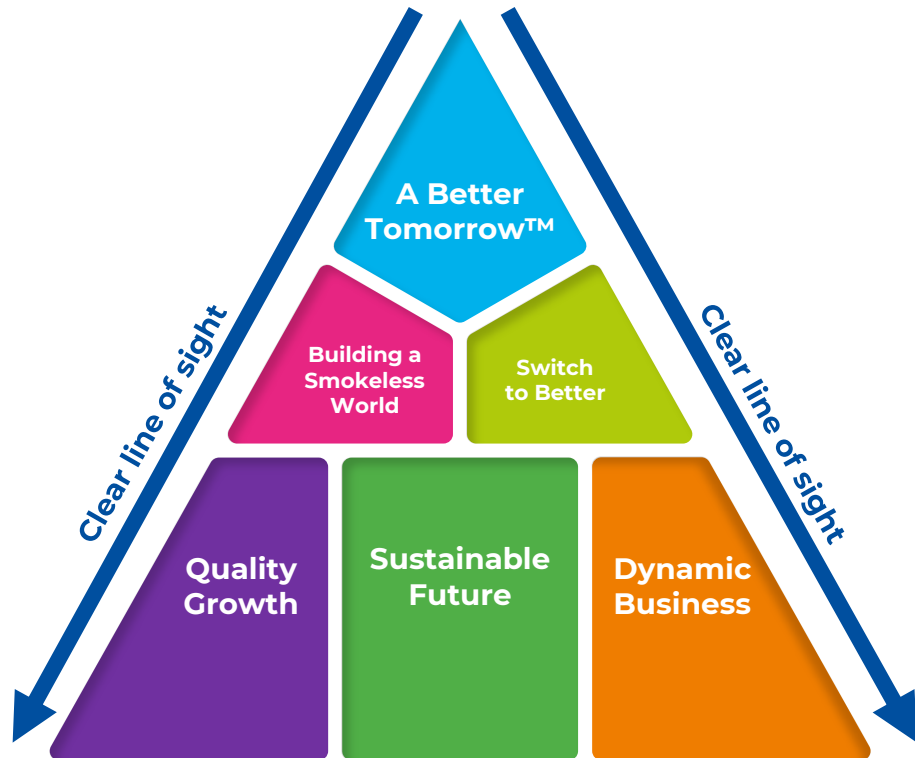
	Estimated growth CAGR	2023-2026 Weighted contribution to Group	2026-2035 Weighted contribution to Group	
Organic Revenue Growth*	Smokeless	2-3%		Key drivers <ul style="list-style-type: none"> • Smokeless growing contribution to growth • Managing combustibles transition • Group return to medium-term algorithm
	Combustibles	0-1%		
	Group	2-4%	3-5%	
Organic Adjusted Profit from operations Growth**	Smokeless	2-3%		Key drivers <ul style="list-style-type: none"> • Smokeless scale benefits and operating leverage • Cost efficiency in combustibles • Group return to medium-term algorithm
	Combustibles	0-2%		
	Group	2-4%	4-6%	

While continuing to generate strong cash returns

Refining our strategy with new Strategic Pillars



Building a Smokeless World



- Resilient 2023 performance benefitting from our global multi-category portfolio
- Making good progress across our six key focus areas
- 2024 investment will build the foundations for long-term value creation
- Significant future opportunity with growing industry value driven by New Categories
- Our growth drivers will evolve as NCs become a greater % of Group revenue
- Our refined strategy will enable us to deliver 50% Smokeless* revenue by 2035
- Committed to rewarding shareholders through enhanced financial flexibility
 - c.£40bn cumulative free cash flow expected over next five years
 - 2% dividend growth to 235.52 pence – in line with our progressive approach
 - Continue to evaluate all options to return excess cash to shareholders

Q&A

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Appendix



A1: Adjusting (Adj.)

Adjusting items represent certain items which the Group considers distinctive based upon their size, nature or incidence.

A2: Constant currency

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

A3: Share metrics

Year to date basis through December 2023.

Volume share: The number of units bought by consumers of a specific brand or combination of brands, as a proportion of the total units bought by consumers in the industry, category or other sub-categorisation. Sub-categories include, but are not limited to, the total nicotine category, modern oral, vapour, traditional oral or cigarette. Corporate volume share is the share held by BAT Group. Except when referencing particular markets, volume share is based on our key markets (representing over 80% of the Group's cigarette volume).

Value share: The retail value of units bought by consumers of a particular brand or combination of brands, as a proportion of the total retail value of units bought by consumers in the industry, category or other sub-categorisation in discussion.

A4: Price/Mix

Price mix is a term used by management and investors to explain the movement in revenue between periods. Revenue is affected by the volume (how many units are sold) and the value (how much is each unit sold for). Price mix is used to explain the value component of the sales as the Group sells each unit for a value (price) but may also achieve a movement in revenue due to the relative proportions of higher value volume sold compared to lower value volume sold (mix).

A5: Free Cash Flow

Net cash generated from operating activities before the impact of trading loans provided to a third party and after dividends paid to non-controlling interests, net interest paid and net capital expenditure.

A6: Operating Cash Conversion

Net cash generated from operating activities before the impact of adjusting items and dividends from associates and excluding trading loans to third parties, pension short fall funding, taxes paid and net capital expenditure, as a proportion of adjusted profit from operations.

A7: Organic

To supplement the Group's results presented in accordance with International Financial Reporting Standards (IFRS), the Group's Management Board, as the chief operating decision maker, reviews certain of its results, including revenue and adjusted profit from operations, at constant rates of exchange, prior to the impact of businesses sold or held-for-sale. Although the Group does not believe that these measures are a substitute for IFRS measures, the Group does believe that such results excluding the impact of businesses sold or to be held-for-sale provide additional useful information to investors regarding the underlying performance of the business on a comparable basis and in the case of the divestment of the Group's businesses in Russia and Belarus, the impact these businesses have on revenue and profit from operations. Accordingly, the organic financial measures appearing in this document should be read in conjunction with the Group's results as reported under IFRS.

A8: Adjusted net debt to adjusted EBITDA

Net debt, excluding the impact of the revaluation of Reynolds American Inc. acquired debt arising as part of the purchase price allocation process, as a proportion of profit for the year (earnings) before net finance costs (interest), tax, depreciation, amortisation, impairment, associates and adjusting items