

# Building a Smokeless World

Preliminary Results 2023

**Tadeu Marroco** – Chief Executive | **Javed Iqbal** – Interim Finance Director



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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.

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# Creating foundations for future growth

Preliminary Results 2023

**Tadeu Marroco** – Chief Executive



# Resilient FY23 performance, in line with guidance


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

# Driving sharper execution in six areas of focus

## Sharpen execution

1

**Drive profitability in New Categories**



2

**Consistent U.S. combustibles value growth**



3

**Significantly strengthen HP**




4

**Lead responsible New Category development**



5

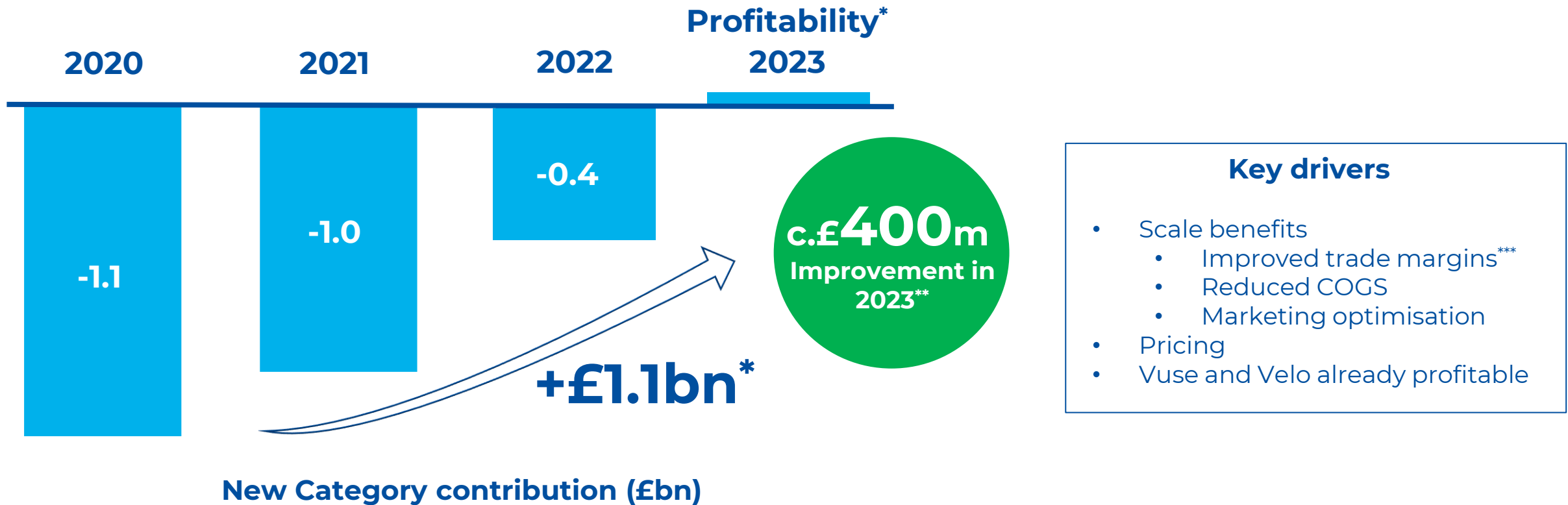
**Enhance financial flexibility**



6

## Collaborative and inclusive culture

# 1. Reached NC profitability two years ahead of original target



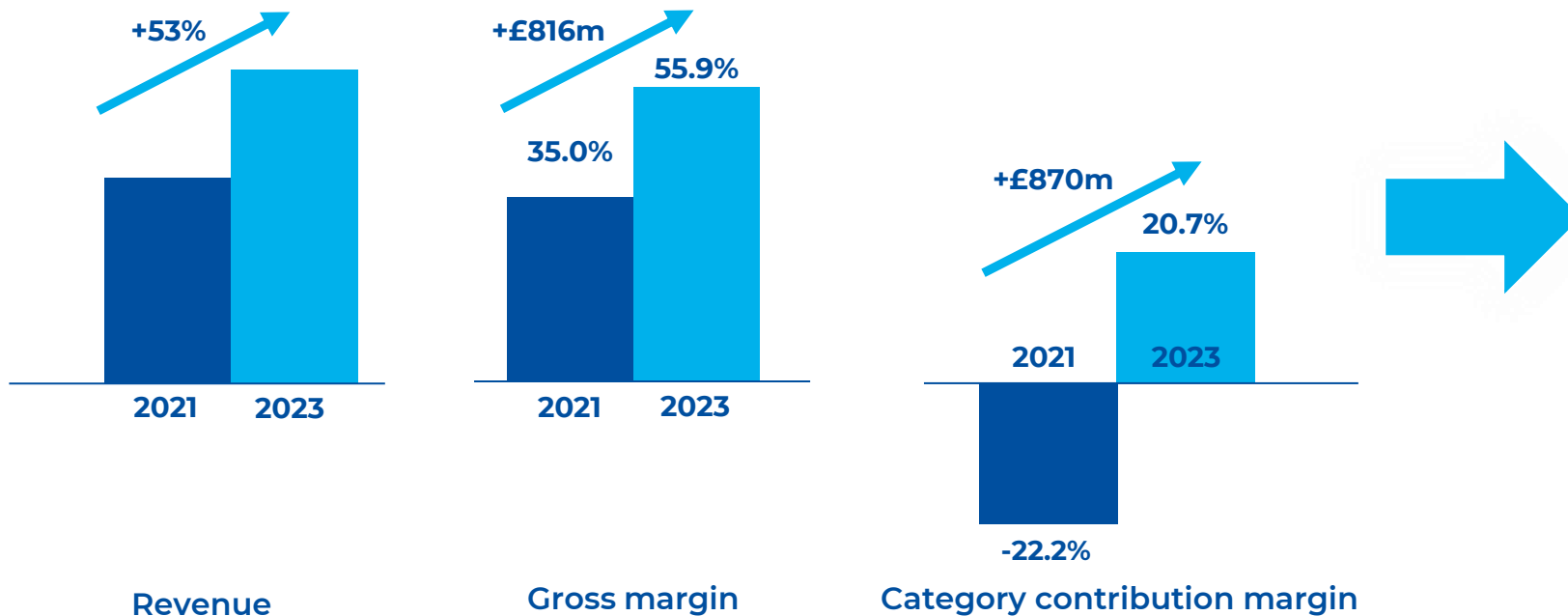
**Growing New Category profitability\* moving forward**

\* 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.

# 1. Our Top 10 New Category markets are already profitable\*

## Rapidly growing profitability in Top 10 markets\*\*



## Confidence to invest for future growth

- Continue to invest in our transformation
- Further geographic expansion (now in 76 markets)
- Innovation & Marketing
- Pathway to profitability in other markets

## Providing line of sight for newer markets



## 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	<b>-30</b>	<b>-10</b>	<b>+40</b>
Premium brands	<b>+10</b>	<b>+60</b>	<b>+160</b>

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	<b>-90</b>	<b>-60</b>	<b>+20</b>
Premium brands	<b>-90</b>	<b>-50</b>	<b>+60</b>

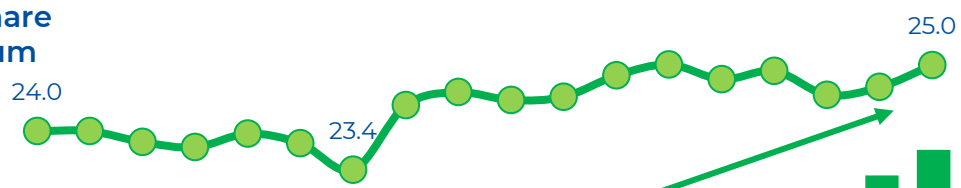
Driving sequential volume and value share recovery

# 2. Targeted investments through U.S. laddering strategy

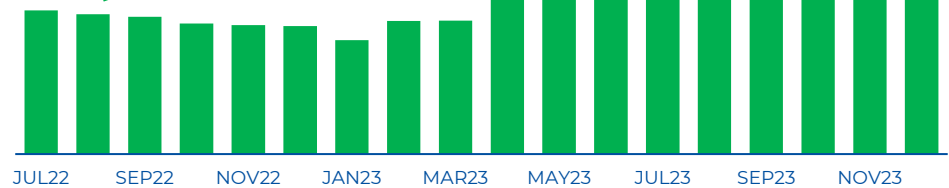


## Newport

Total Newport Volume share of Premium

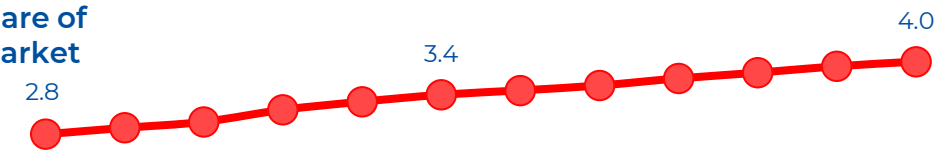


Soft pack Volume

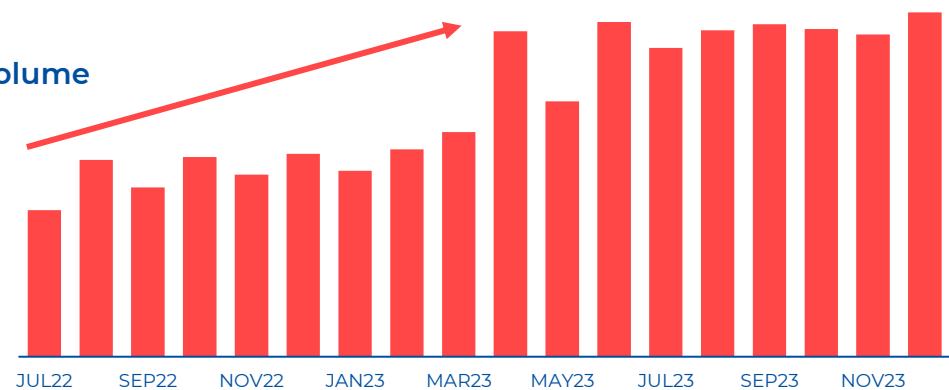


## Lucky Strike

Volume share of Market



Volume



## Driving enhanced portfolio resilience

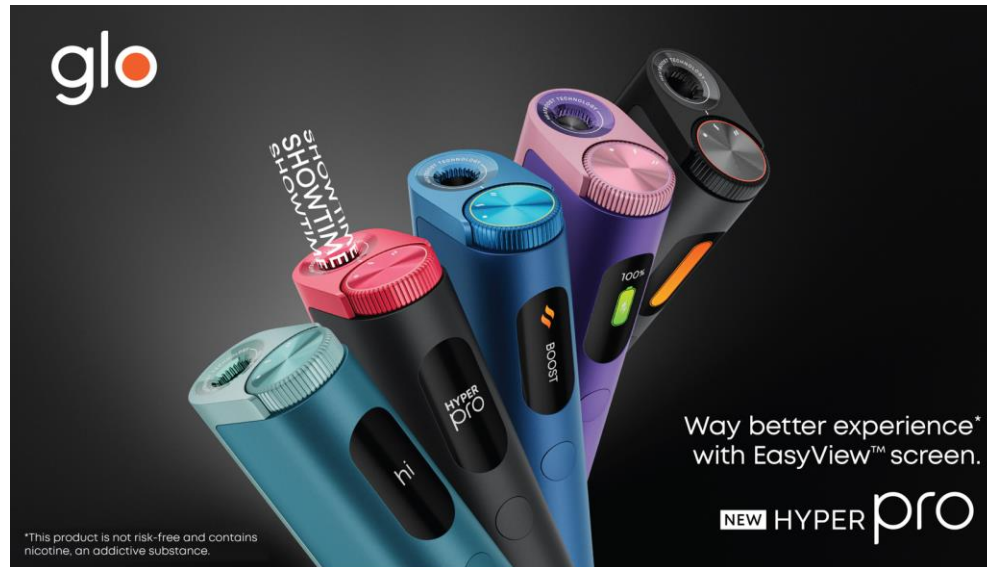
# 3. Significantly strengthening our HP pipeline

## 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. Promising results post the launch of veo tobacco-free



- **veo** tobacco-free herbal range
- Launched September 2023
- Herbal substrate

	Poland	Czech Republic	Romania	Germany	Greece
<b>veo volume share*</b> post launch	<b>+2.8%</b> (10 weeks)	<b>+9.5%</b> (17 weeks)	<b>+8.9%</b> (16 weeks)	<b>+3.1%</b> (6 weeks)	<b>+2.2%</b> (12 weeks)
<b>veo % of total glo</b> consumables (volume share)	<b>9%</b> (Dec'23)	<b>53%</b> (Dec'23)	<b>50%</b> (Dec'23)	<b>30%</b> (Dec'23)	<b>19%</b> (Dec'23)



**First to launch in 11 markets**

# 3. Creating better products with our sharper innovation ecosystem

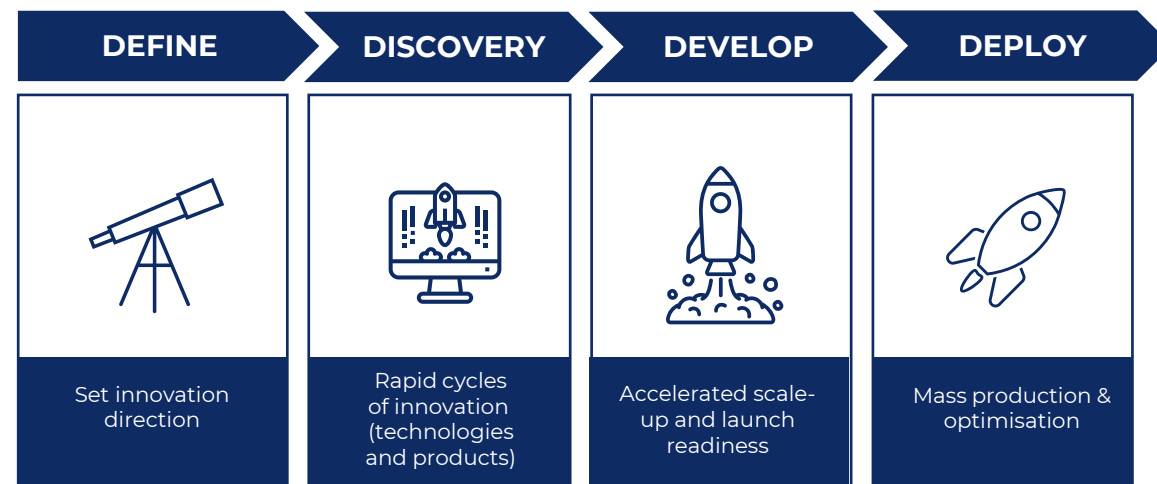


## One integrated global R&D ecosystem



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

## Sharper product lifecycle management



## Supported by recent patent settlement

## 4. Proactive, science-driven approach to external affairs

Clear framework, anchored on four principles

**1**

**Targeted to  
Adult  
Consumers**

**2**

**Consumer  
Relevance**

**3**

**Product  
Quality and  
Safety  
Standards**

**4**

**Robust  
Enforcement**

## 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.

## 4. Taking action to support effective enforcement in U.S.





## 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

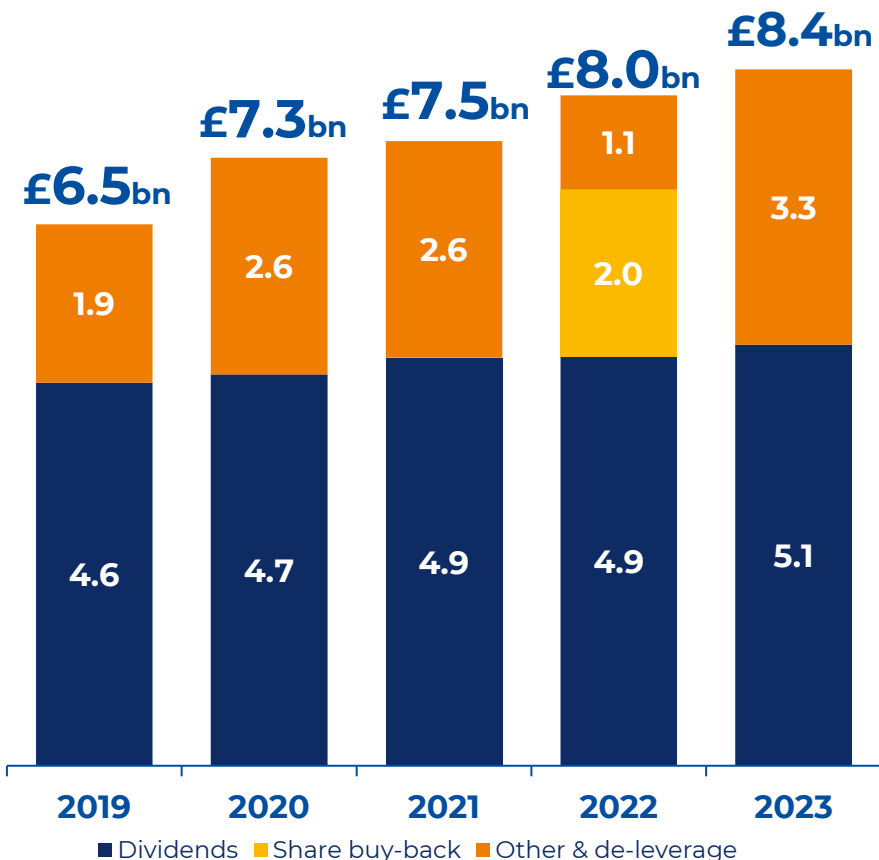
- >29% stake regularly reviewed
- >100 years of ownership, with numerous share capital changes
- Highly complex regulatory and administrative restrictions
- Actively working to partially monetise

### Market divestments\*\*\*

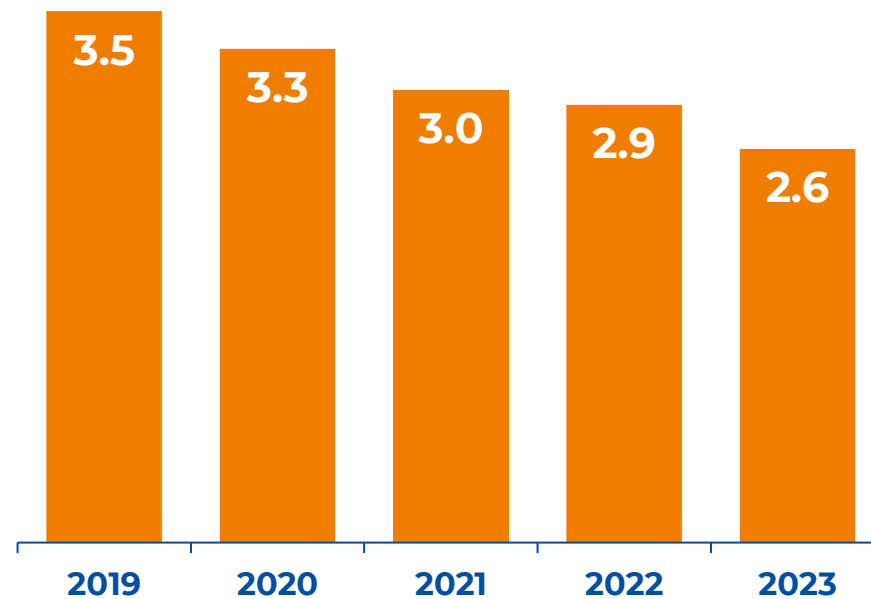
- c.35 non-strategic market exits in three years
- c.20bn stick reduction
- Limited P&L impact
- Resource prioritisation to higher return markets

# 5. Rewarding shareholders while reducing leverage

Allocation of free cash flow\*



Making good progress towards middle of 2-3x adj. net debt to adj. EBITDA\*\*

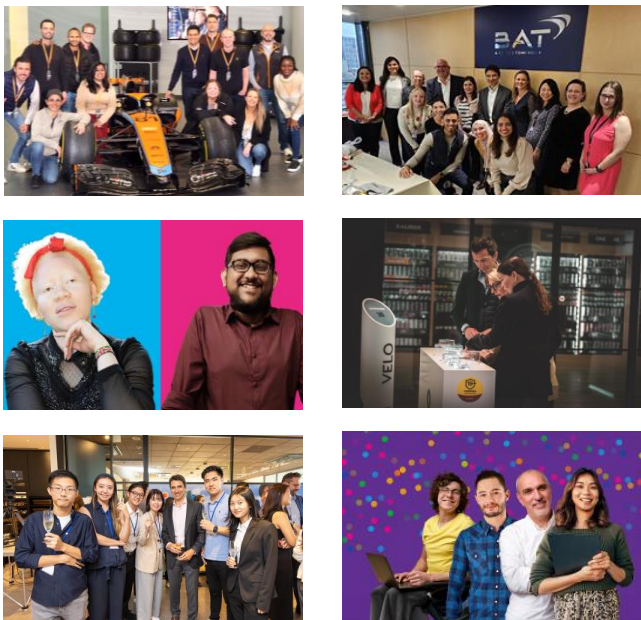


**£26bn**  
cash returned to shareholders  
(2019-2023)

**c. £40bn cumulative free cash flow expected over next 5 years**

\* Free cash flow at current rates. See Appendices A1 & A5. \*\* Adjusted net debt to adjusted EBITDA at current rates. See Appendices A1 & A9.

# 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

# Driving sharper execution in six areas of focus

## Sharpen execution





# Resilient 2023 performance in line with guidance

**Javed Iqbal** – Interim Finance Director

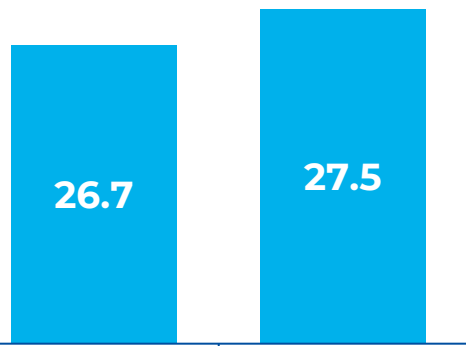


# Adjusted results demonstrate continued delivery

## Organic Group Revenue\*

(£ bn)

+3.1%



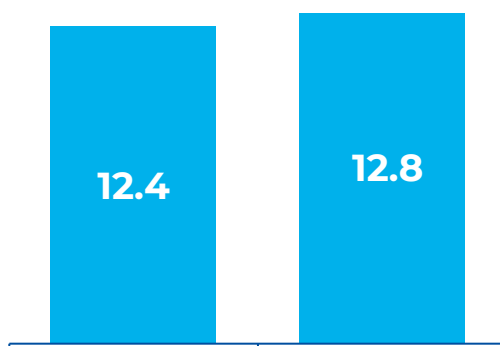
FY22 FY23

+4.2%  
Avg. 2019 - 2023\*

## Adjusted Operating Profit\*\*

(£ bn)

+3.1%



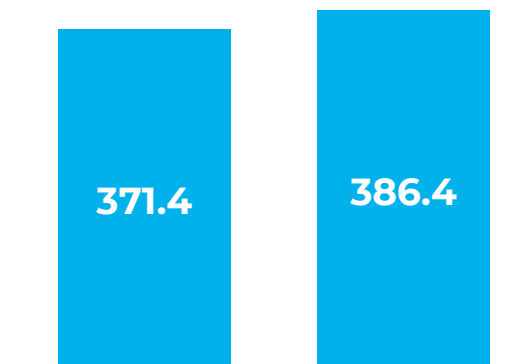
FY22 FY23

+4.8%  
Avg. 2019 - 2023\*\*

## Adjusted Diluted EPS\*\*

(pence)

+4.0%



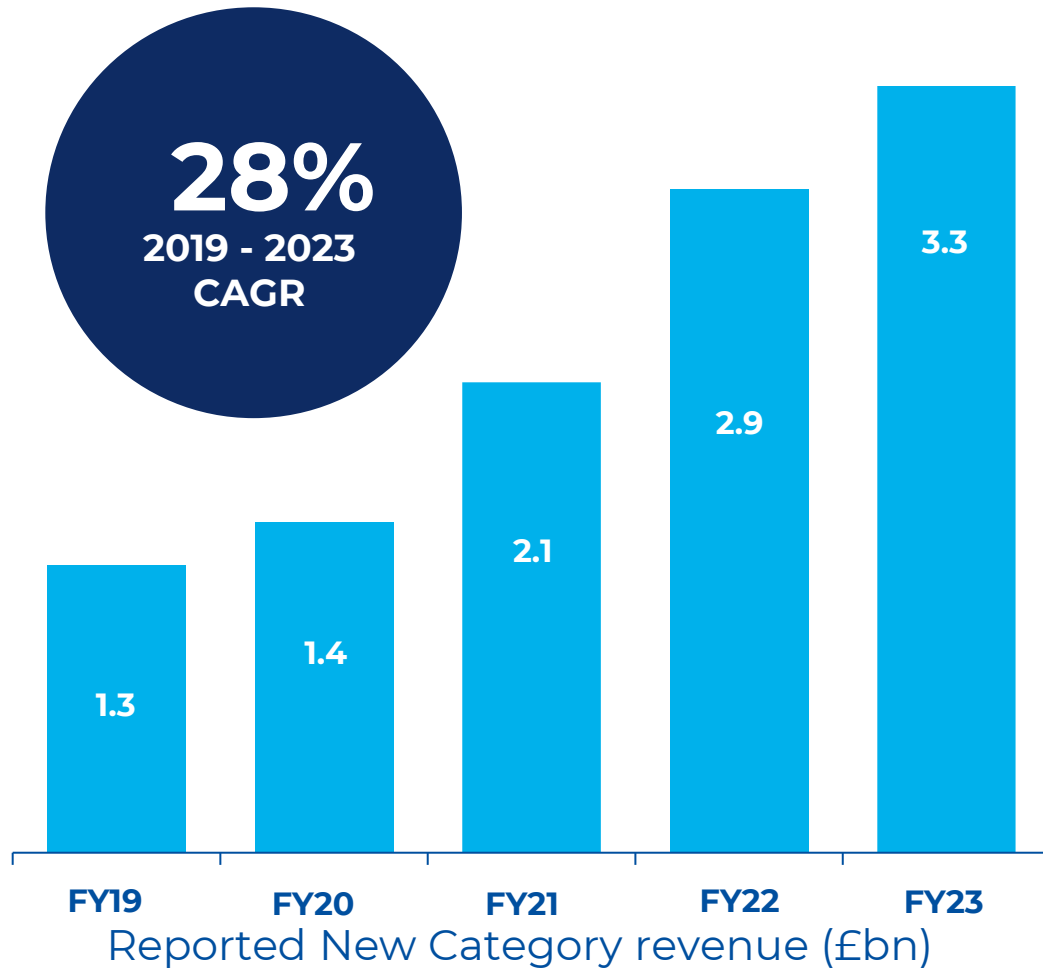
FY22 FY23

+6.1%  
Avg. 2019 - 2023\*\*

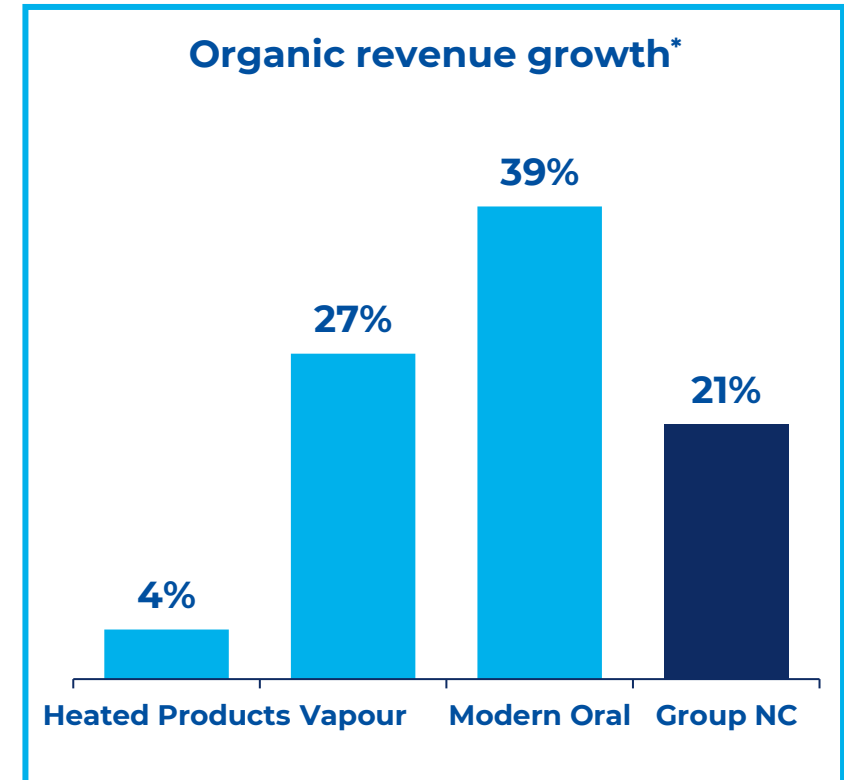
### Key performance drivers

- 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%

# Strong New Category revenue momentum

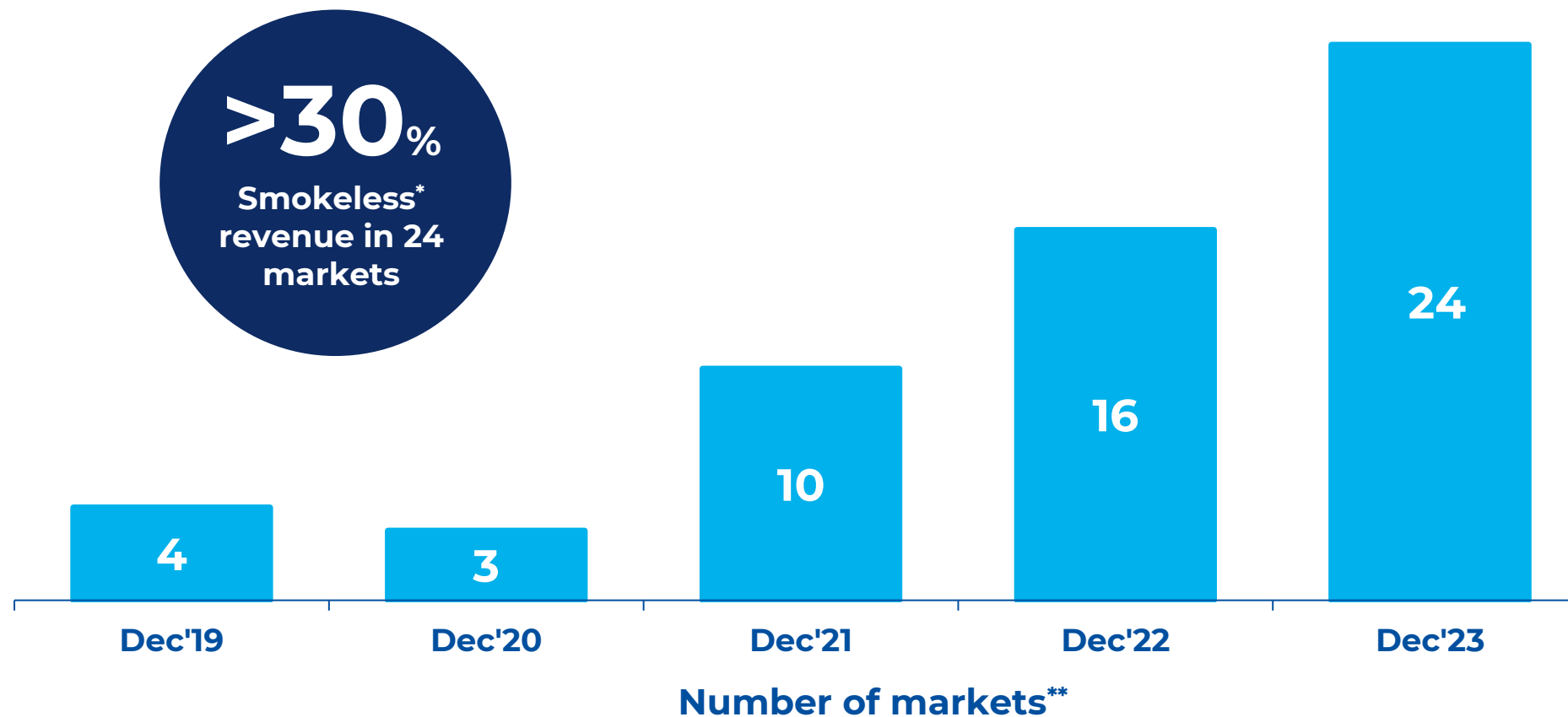


FY23 vs. FY22  
breakdown by  
Category



**Driven by Vuse and Velo**

# We are transforming rapidly

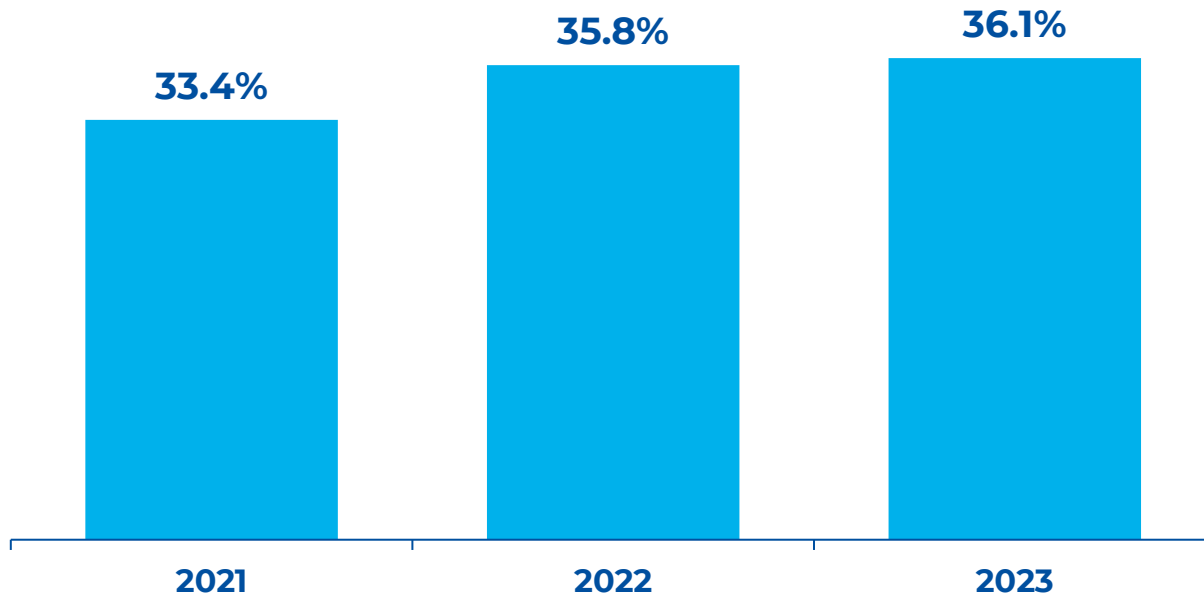


**16.5% Smokeless revenue in FY23 as a % of Group (+170bps vs. FY22)^**



# Clear Vapour leadership with Vuse

**+30bps**  
Value share  
FY23 vs FY22



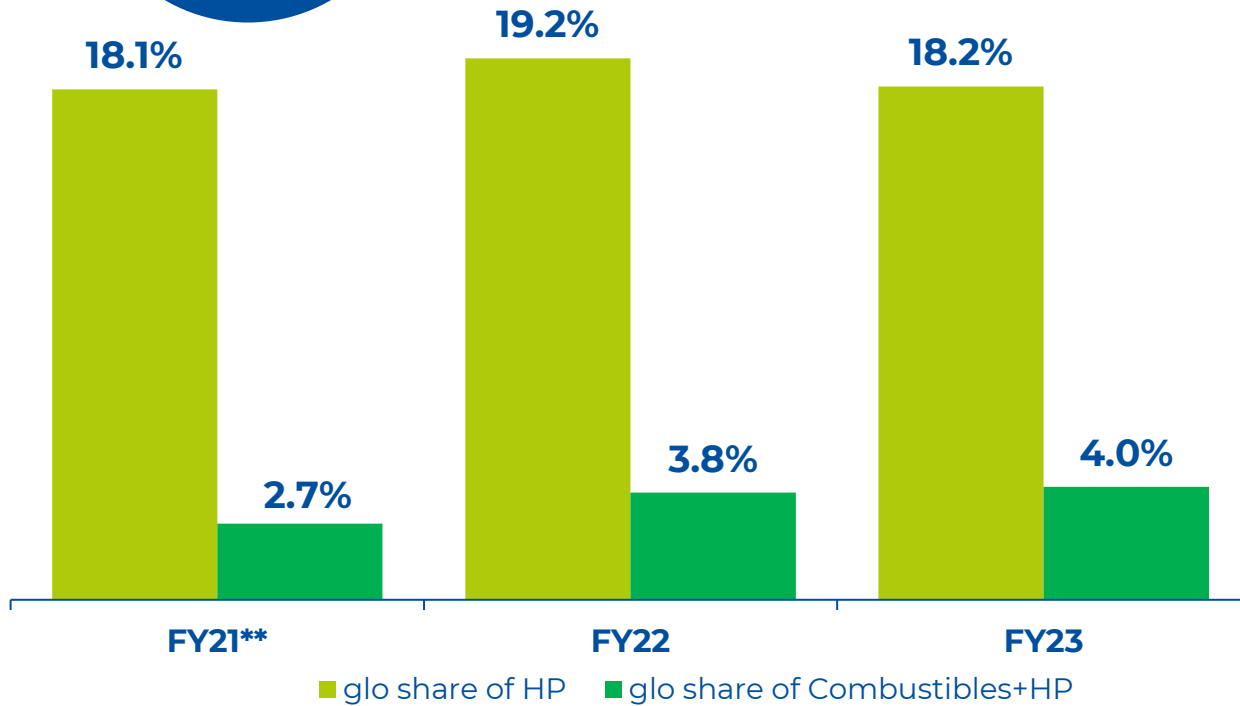
Vuse value share of total Vapour in key markets\*\*

## Vapour revenue up 26.9%\*

- **Strong revenue growth in all three regions**
- **Significant increase in profitability<sup>^</sup>**
  - Positive contribution in 4 of 5 key markets
- **Vapour driving strongest New Category consumer conversion at industry level**
  - 56% of new consumers in 2023<sup>^^</sup>
- **Vuse Go now available in 59 markets**
  - Unlocking emerging markets, incl. Colombia, Paraguay, Peru
- **Continuing to approach growing single-use products segment in a responsible way**

# Activating commercial plans with glo

**-110 bps**  
Volume share  
FY23 vs FY22



**glo volume share in key Heated Products markets\*\*\***

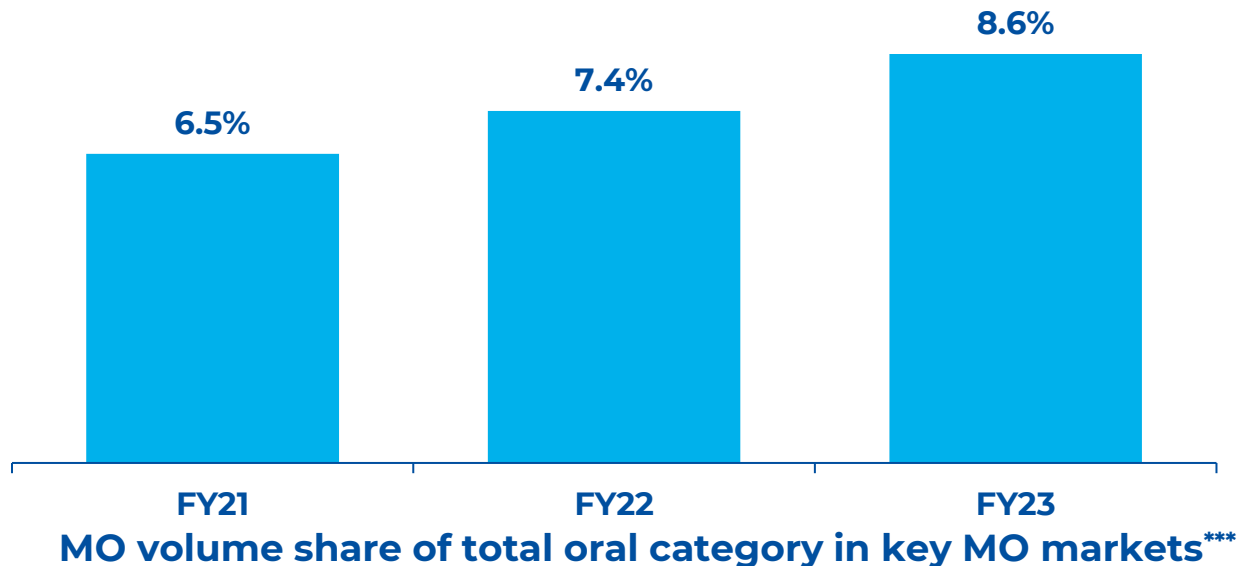
## glo revenue up 4.1%\*

- **Global patent settlement allows us to further develop enhanced product iterations and innovations**
- **Enhancing our innovation cadence**
  - Veo first tobacco-free player in 11 markets
  - Hyper pro launched in Italy and Poland
- **Activating commercial plans in highly competitive markets in Japan and Italy**
- **Continued good momentum in key AME HP markets, including:**
  - Poland and the Czech Republic
- **Global industry volume growth of 13% slowed from 20% in FY22**
  - Increased poly-usage^ (into Vapour)
- **Expanded geo footprint to 31 markets**

\* On a constant rate, organic basis. See Appendices A2 & A7. \*\* Historical data presented on a top 9 markets basis as reported in 2021. \*\*\* Share of combustibles + HP and HP volume. Across top 12 HP markets: Japan - CVS-BC, South Korea - CVS, Italy - NielsenIQ & Logista, Greece - NielsenIQ, Hungary - SZTFH, Kazakhstan - NielsenIQ, Ukraine - NielsenIQ, Poland - NielsenIQ, Switzerland - IMS, Romania - NielsenIQ, Malaysia - IPSOS, Czech Republic - NielsenIQ. The Top 12 account for c.85% of total industry HP volume in 2023. See Appendix A3. ^ See Appendix A8.

# Velo continues to drive total oral share growth

**+120bps**  
Volume share  
FY23 vs FY22

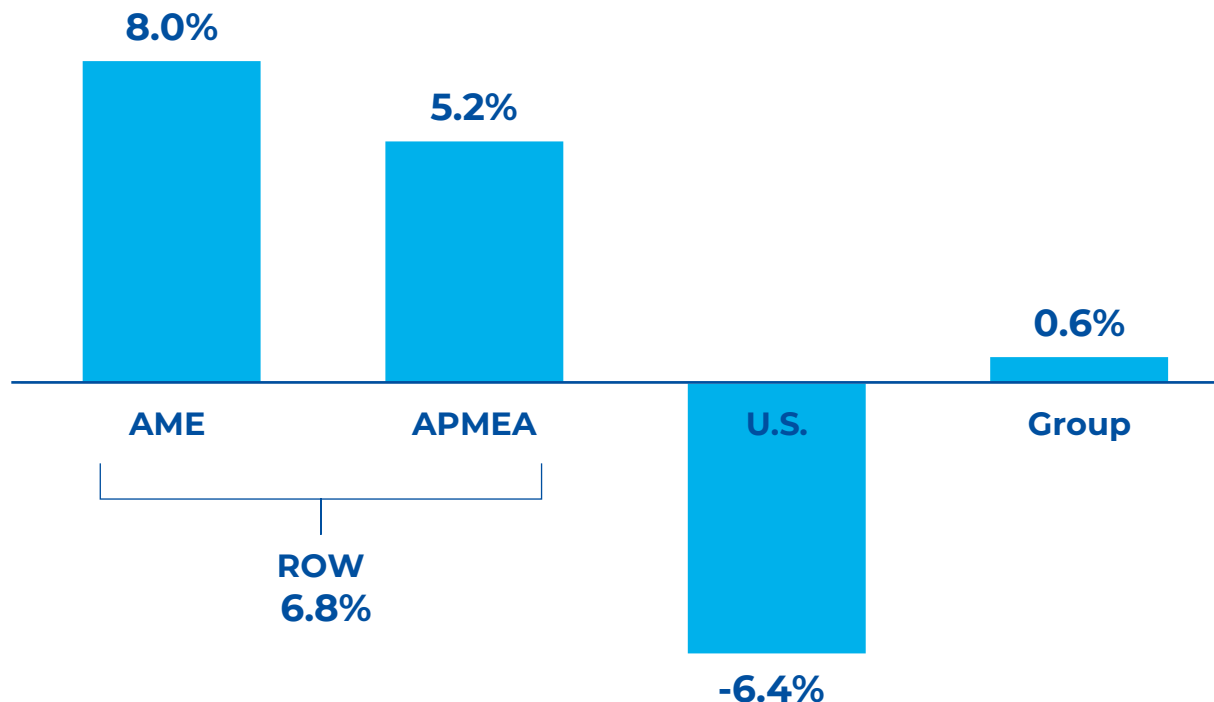


## Modern Oral (MO) revenue up **39%\***

- **Strong volume-led revenue growth in AME and APMEA**
- **Significant increase in profitability<sup>^^</sup>**
  - Fast payback period: under 2 years
- **AME Modern Oral volume share leader<sup>\*\*</sup> at 67%**
  - Velo is the largest oral nicotine pouch brand in Sweden<sup>^</sup>
- **Successful city trial with refreshed Velo in U.S.**
  - Nationwide expansion in 2024
  - While awaiting PMTA for Velo 2.0
- **Unlocking Emerging Markets opportunities**
  - Strong volume growth in Pakistan and Kenya
- **Expanded geo footprint to 34 markets**

# Combustibles: Our global footprint offsets U.S.

Combustibles organic revenue\*\* growth by region and globally



- FY23 volume share\* flat
- FY23 value share\* -40bps
- Organic combustibles revenue\*\* +0.6%
- Organic Price/Mix\*\*\* +6.1%
- Strong brands and sharp execution driving growth in AME & APMEA
- U.S. commercial plans driving volume and value share recovery in 2023



# AME: An outstanding 2023 delivery

Organic Revenue\*

**+13.0%**

£9,439m

Organic APFO\*\*

**+9.7%**

£3,324m

**23%**  
Smokeless<sup>^</sup> as a %  
of regional revenue  
in markets where  
we are present

Organic New Category Revenue\*  
**+39%**

Vapour	Modern Oral	HP
<b>+47%</b>	<b>+45%</b>	<b>+23%</b>

Organic combustibles Revenue\*  
**+8%**

## Regional growth drivers:



GER



SWE



POL



CZE

# APMEA: Strong financial delivery

<b>Revenue*</b>	<b>APFO**</b>
<b>+5.5%</b>	<b>+6.9%</b>
£6,042m	£2,379m

**20%**  
Smokeless<sup>^</sup> as a %  
of regional revenue  
in markets where  
we are present

**New Category Revenue\* +3%**

<b>Vapour</b>	<b>Modern Oral</b>	<b>HP</b>
<b>+75%</b>	<b>+71%</b>	<b>-7%</b>

**Combustibles Revenue\* +5%**

## Regional growth drivers:

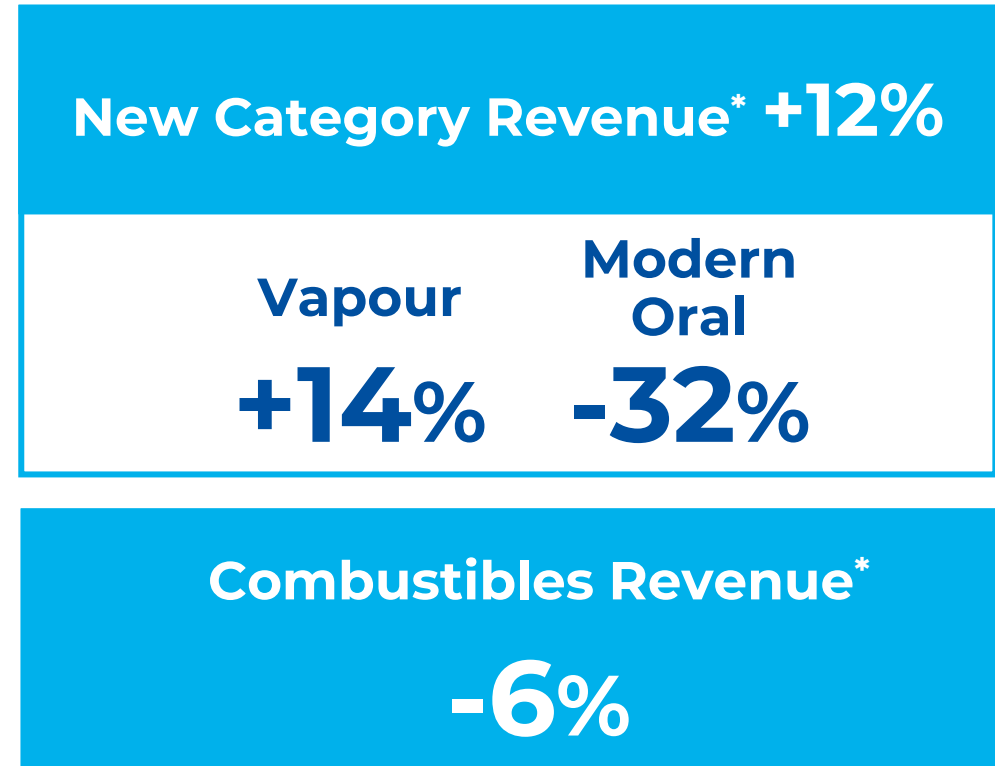


# U.S.: Macro-economic and illicit vape pressures persist



<b>Revenue*</b>	<b>APFO**</b>
<b>-4.5%</b>	<b>+0.4%</b>
£12,065m	£6,863m

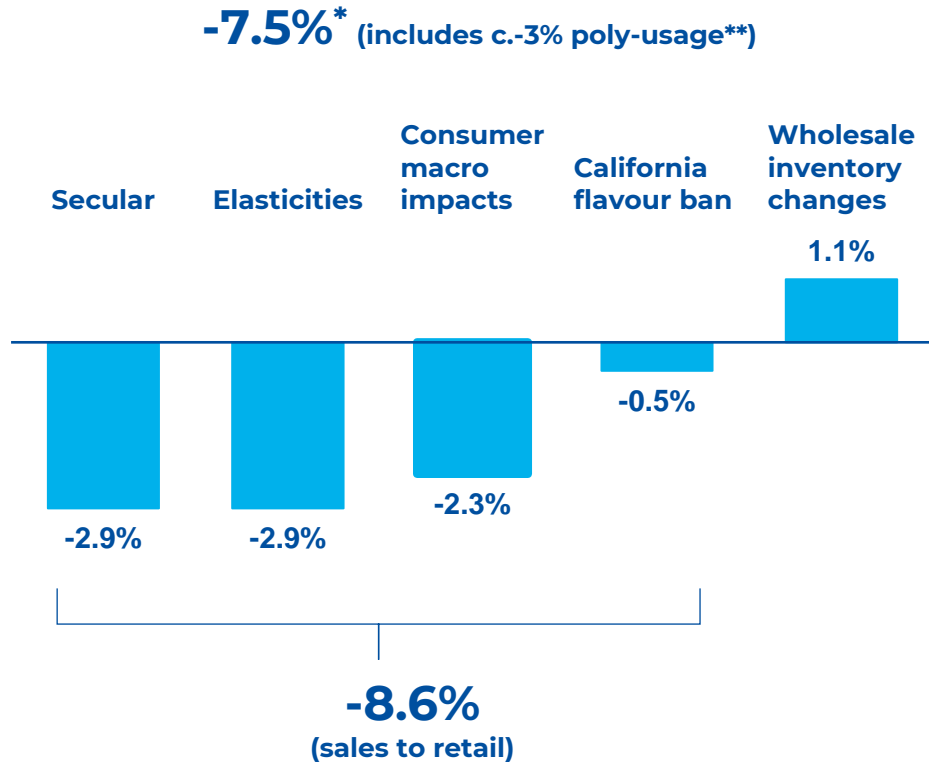
**18%**  
Smokeless<sup>^</sup> as a %  
of regional  
revenue



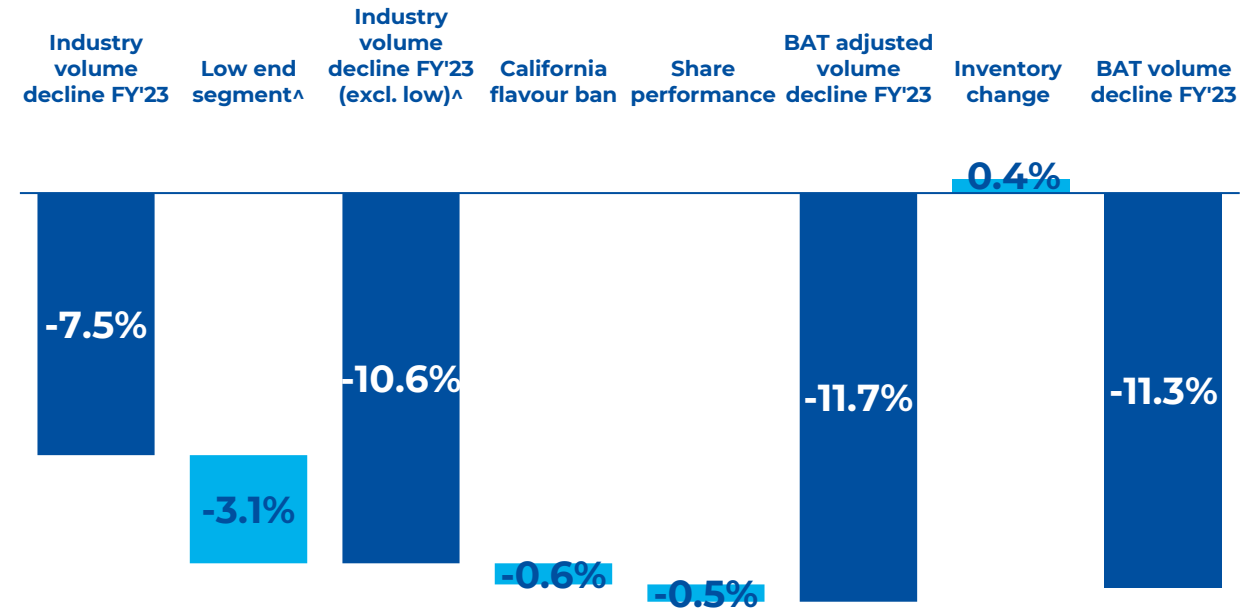
**Strong Vuse profitability and efficiency gains offset combustibles headwinds**

# U.S. combustibles industry impacted by continued macro-economic pressures

## FY23 drivers of industry volume decline



## FY23 BAT volume\* and drivers





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

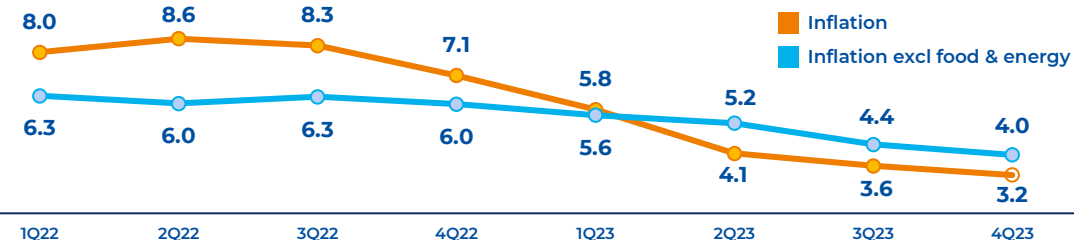
## Improving Macros

	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

Income Level	Bottom Tier <\$50k	Middle Tier \$50k to \$125k	Top Tier >\$125k
Expected Change in Household Prices during Next Year	7.6% -0.9pp	5.5% -1.4pp	4.2% -1.8pp
Expected Change in Real Household Income During Next Year	61 +0.5 vs SPLY	64 -0.1 vs SPLY	84 +8.7 vs SPLY
Total Consumer Sentiment	61.6 +2.2	63.5 +5.4	69.9 +9.8

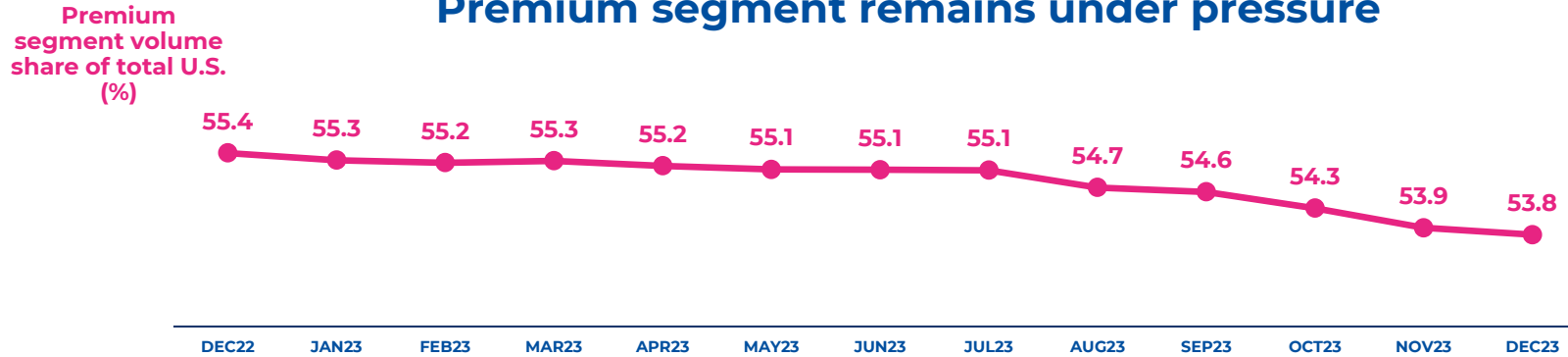


Source: University of Michigan

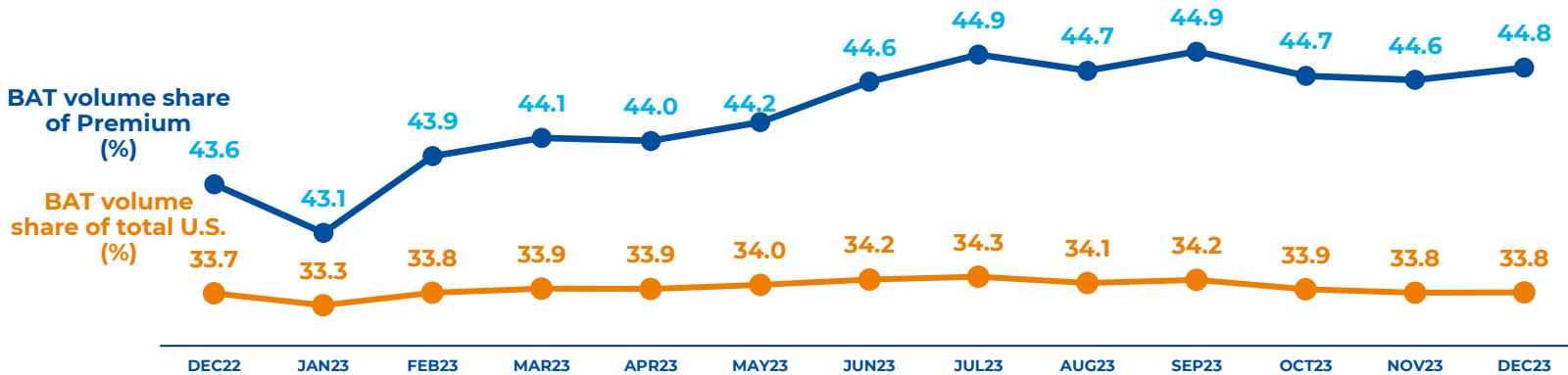
# U.S. commercial plans driving combustibles stabilisation



## Premium segment remains under pressure



## BAT premium volume share stabilising; driving total U.S. volume share recovery



Volume Share	FY23	vs FY22
Premium segment	<b>54.8%</b>	-1.2pp
BAT share of Premium	<b>44.4%</b>	+0.6pp
BAT share of Total U.S.	<b>33.9%</b>	-0.1pp

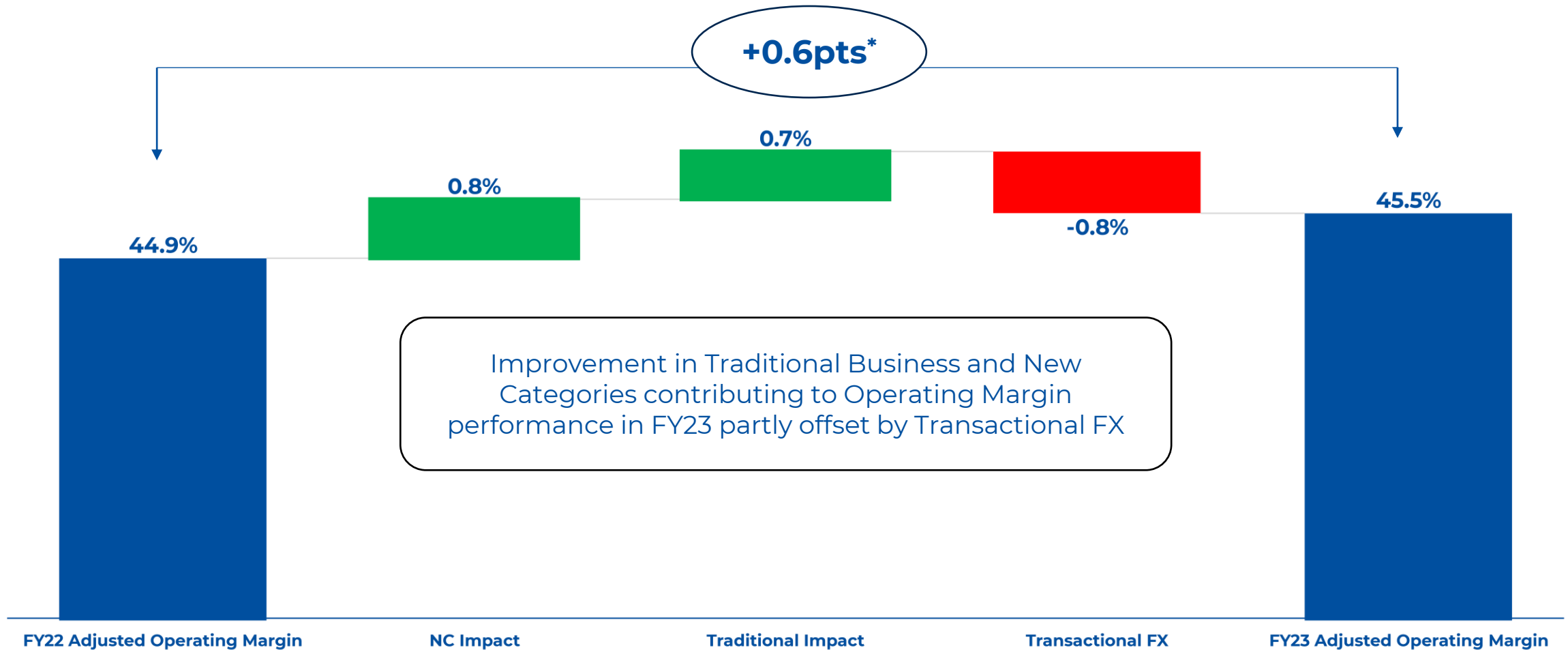
- Volume and value share growth since January
- Growing premium volume share driven by Newport and NAS
- Strong performance from Lucky Strike
  - FY23 3.4% volume share +1.3ppts vs. FY22

# Revising our acquired U.S. brands carrying value and useful life estimates

- FY23 accounting non-cash adjusting impairment charge of £27.3bn.
  - Mainly (£23.0bn) relates to our acquired U.S. brands
  - Acquired U.S. brands account for most of Group brands and trademarks on balance sheet
- Our combustible brands will be amortised over a maximum of 30 years “straight-line”
  - £1.4 billion (US\$1.8 billion) increase in annual amortisation starting from 2024 – treated as adjusting item
- No impact on:
  - Group net debt / EBITDA
  - Dividends and future capital allocation flexibility

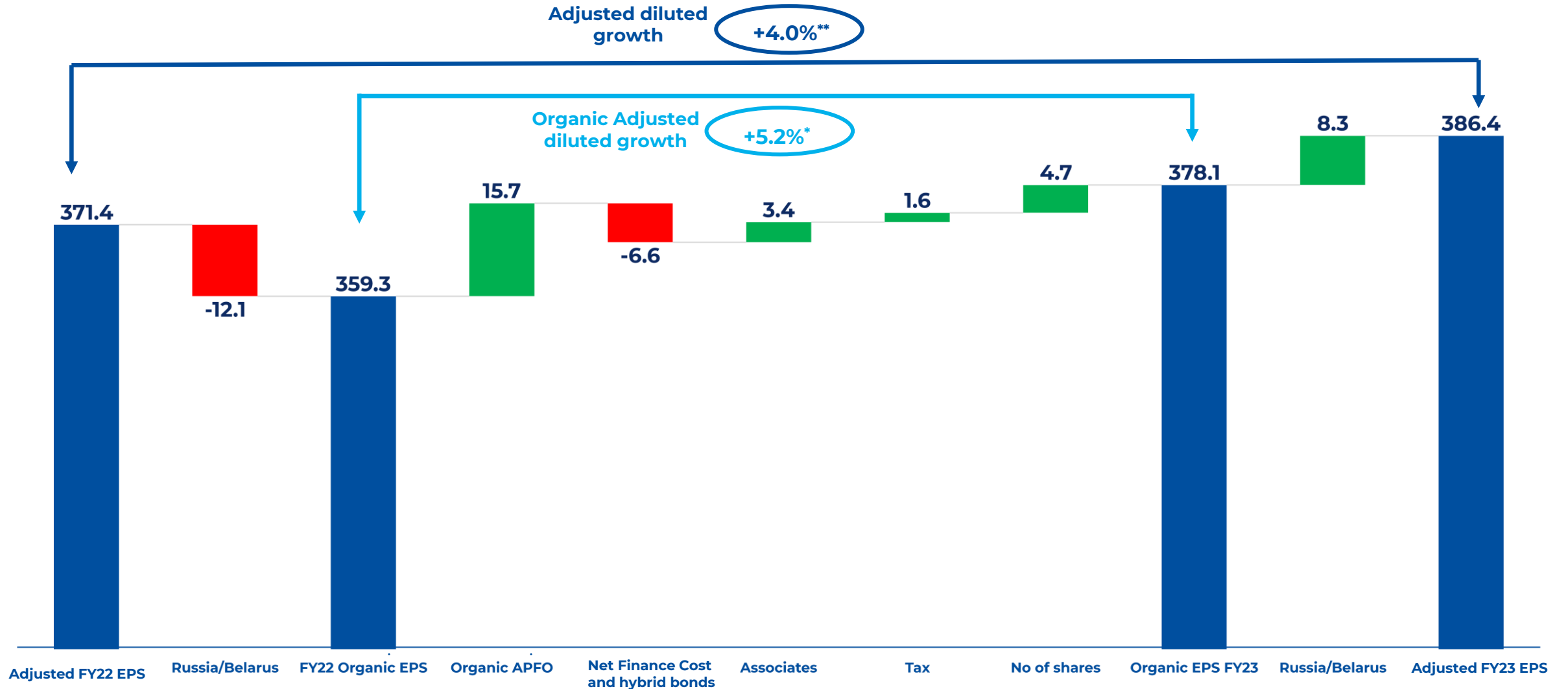
**We expect the U.S. to be a predominantly Smokeless market in 30yrs**

# Good Group margin expansion: Successfully offsetting increasing NC investment and inflation



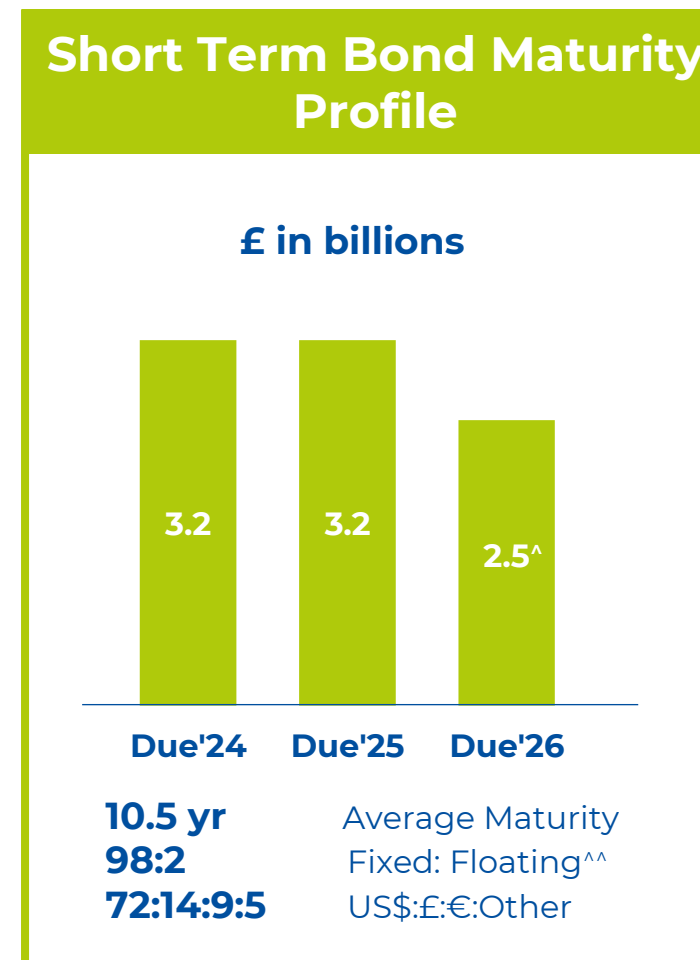
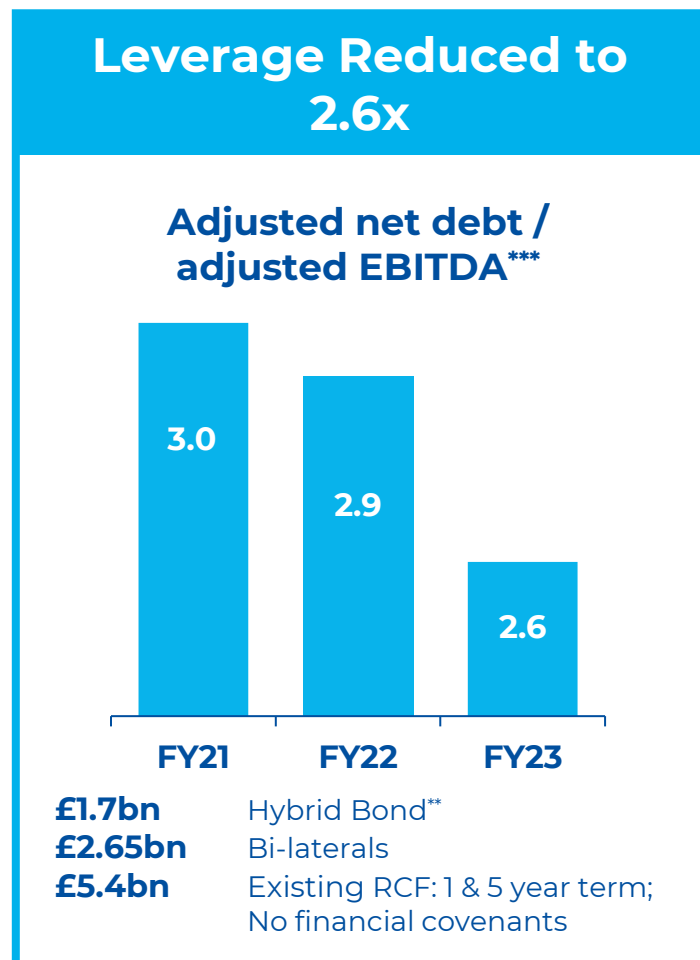
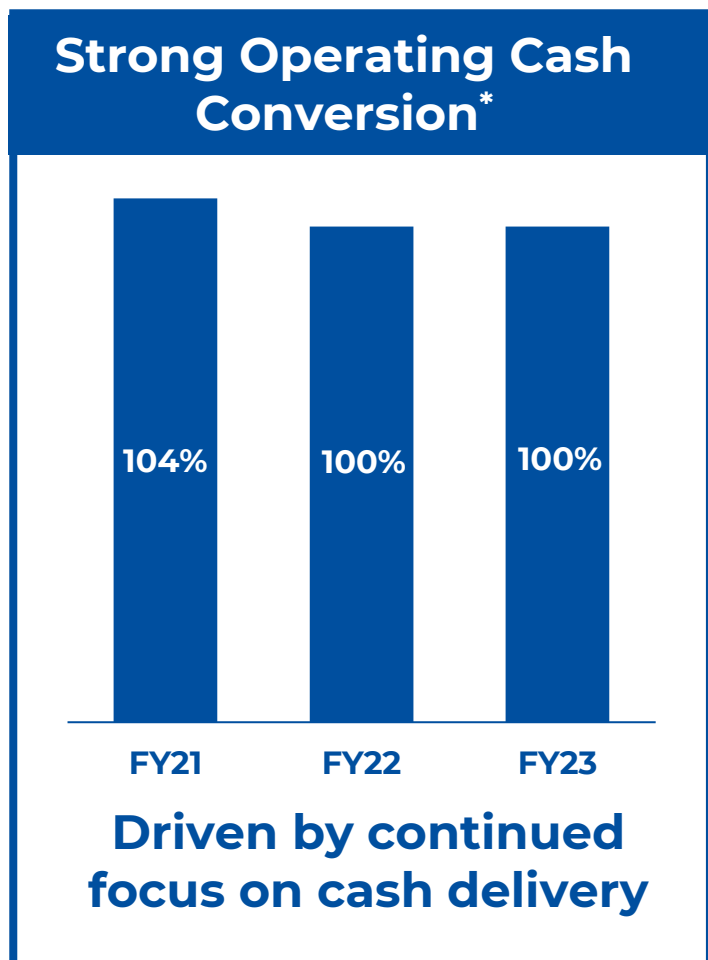
\* On an adjusted constant rate basis. See Appendices A1 & A2.

# Solid organic adjusted diluted EPS growth of +5.2%\*



\* Adjusted diluted EPS on an organic, constant rate basis. See Appendices A1, A2 & A7. \*\*Adjusted diluted EPS at constant rates. See Appendices A1 & A2.

# 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.

# Progressive improvement to sustainable medium-term algorithm

## 2024

Making investment choices to drive medium-term sustainable growth algorithm

- **Low-single digit organic revenue\* and adjusted profit from operations growth\*\***
- H2 weighted performance
- Increasing New Category profitability
- Further progress towards de-leverage\*\*\*
- 2% transactional FX headwind on Adj. Profit from Operations

## 2025

Progressive improvement towards medium-term guidance

- Continued U.S. market recovery
  - Macro-economic improvement
  - Commercial plans embedded
- Increasing New Category profitability
- Strengthened innovation pipeline
- Continued focus on operational efficiencies

## 2026

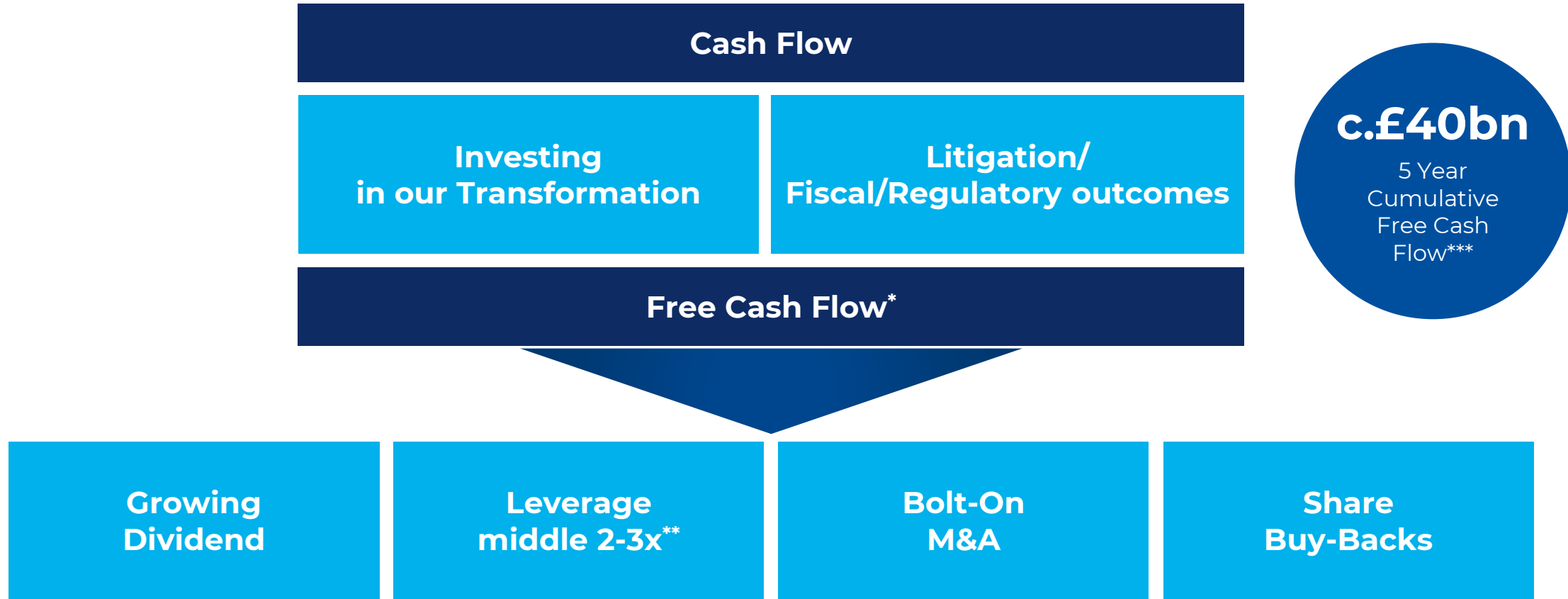
Sustainable medium-term growth algorithm, driven by our transformation, underpinned by industry growth

**3-5%**

**Organic Revenue Growth\***

**Mid-Single Figure Organic Adjusted Profit from Operations Growth\*\***

# Dynamic approach to capital allocation as we transform



**Committed to sustainably returning cash to shareholders**



# Sharpening our vision and strategic execution

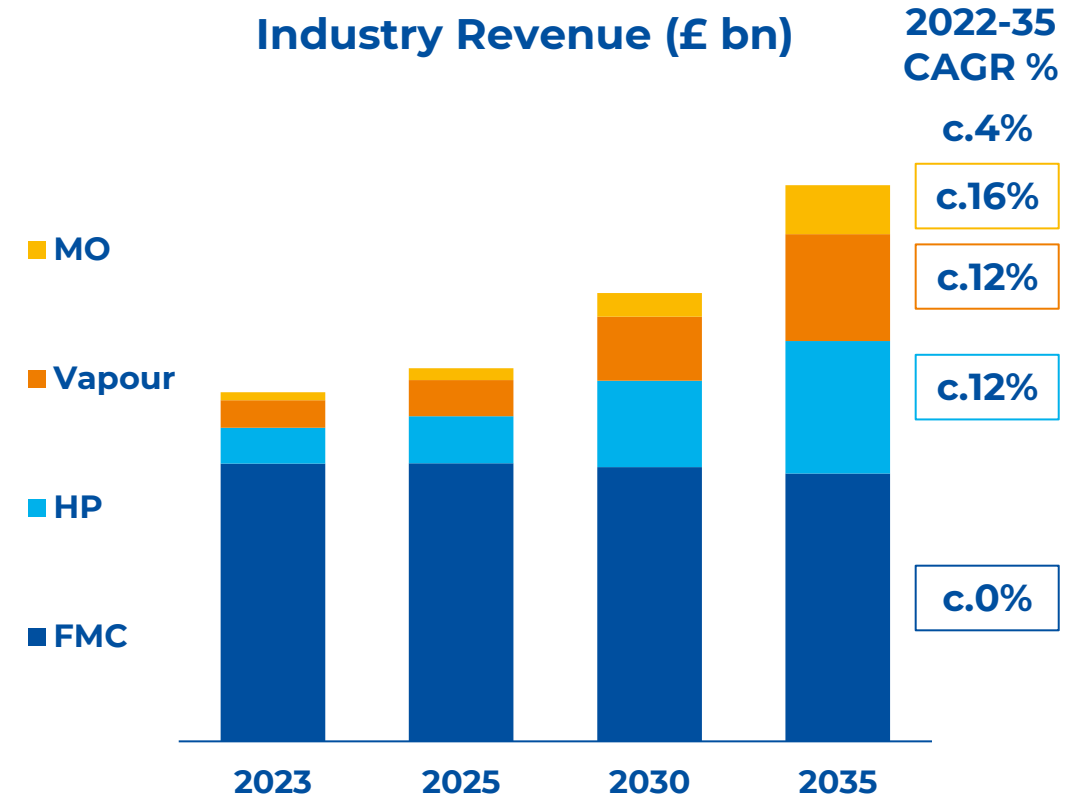
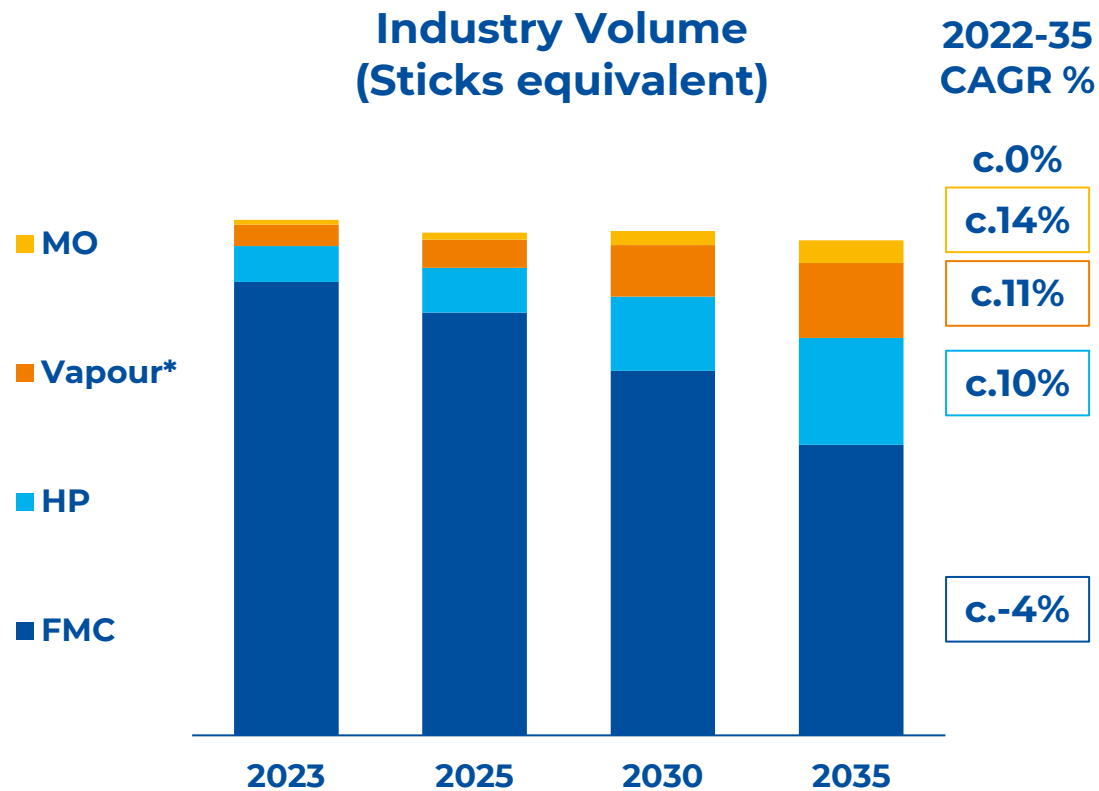
Preliminary Results 2023

**Tadeu Marroco** – Chief Executive



# Our Nicotine market is growing

## 2023-2035 – Industry Volume and Revenue Outlook\*\*



\* Stick equivalent – 32 sticks avg. / pod or MoDi. \*\* Company data and estimates for Top 49 markets representing industry glidepath from 2023.

# Our multi-category strategy is right

## Fundamental Drivers

Product Satisfaction

Flavour Preferences

Identity

Value

Harm Reduction

Convenience

## Occasions & Consumption



Night



Morning



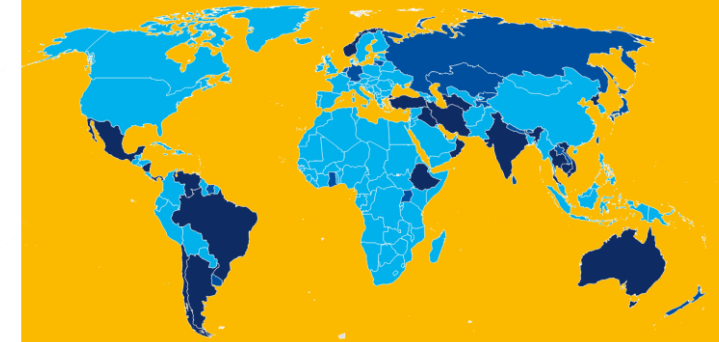
Evening



Afternoon



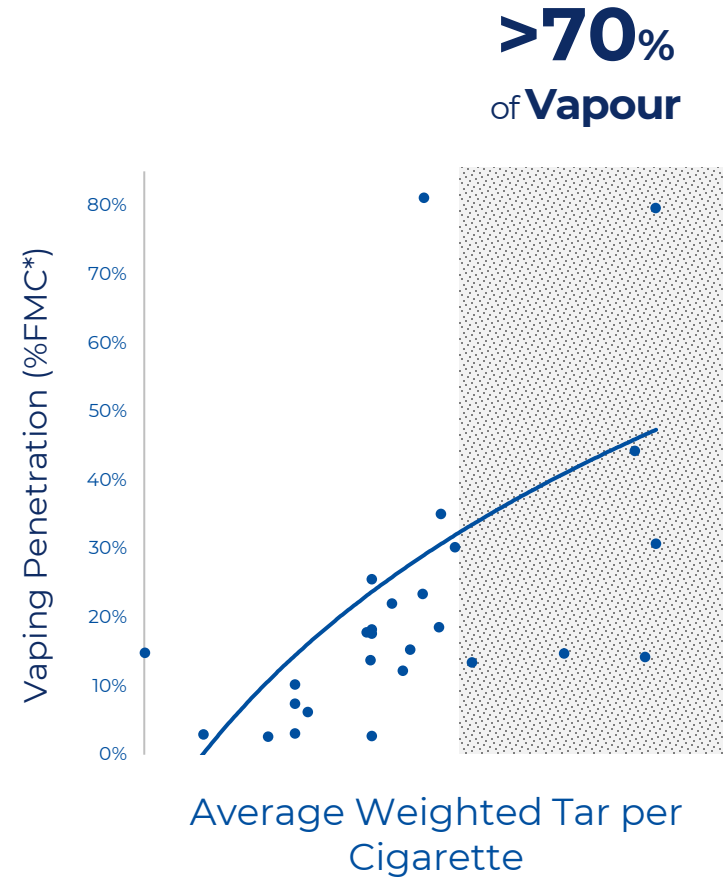
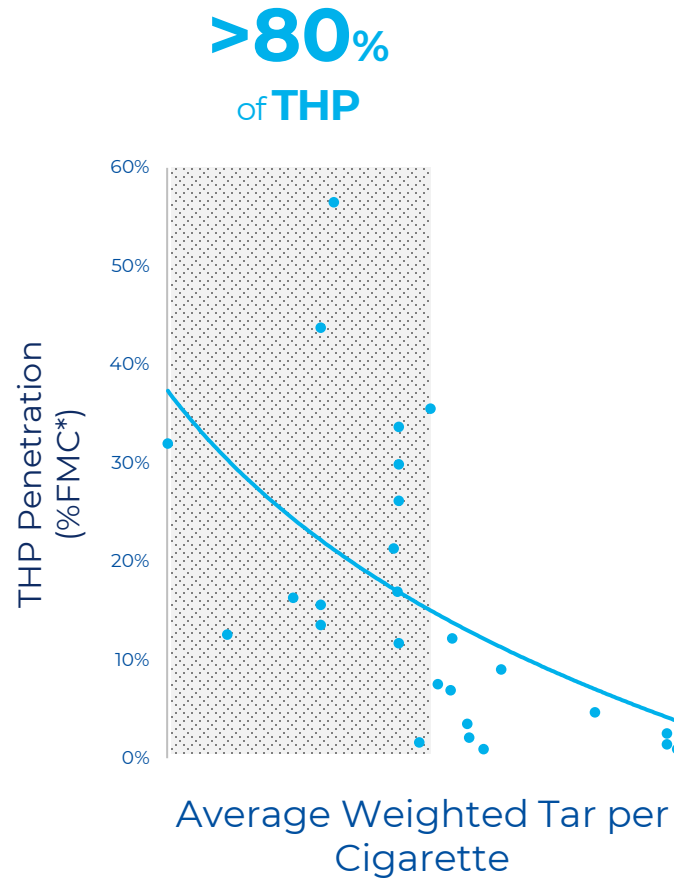
## Industry Regulation & Access



- Accessible NC markets
- Access restricted to one or more NCs
- Highly restricted or inaccessible to NCs

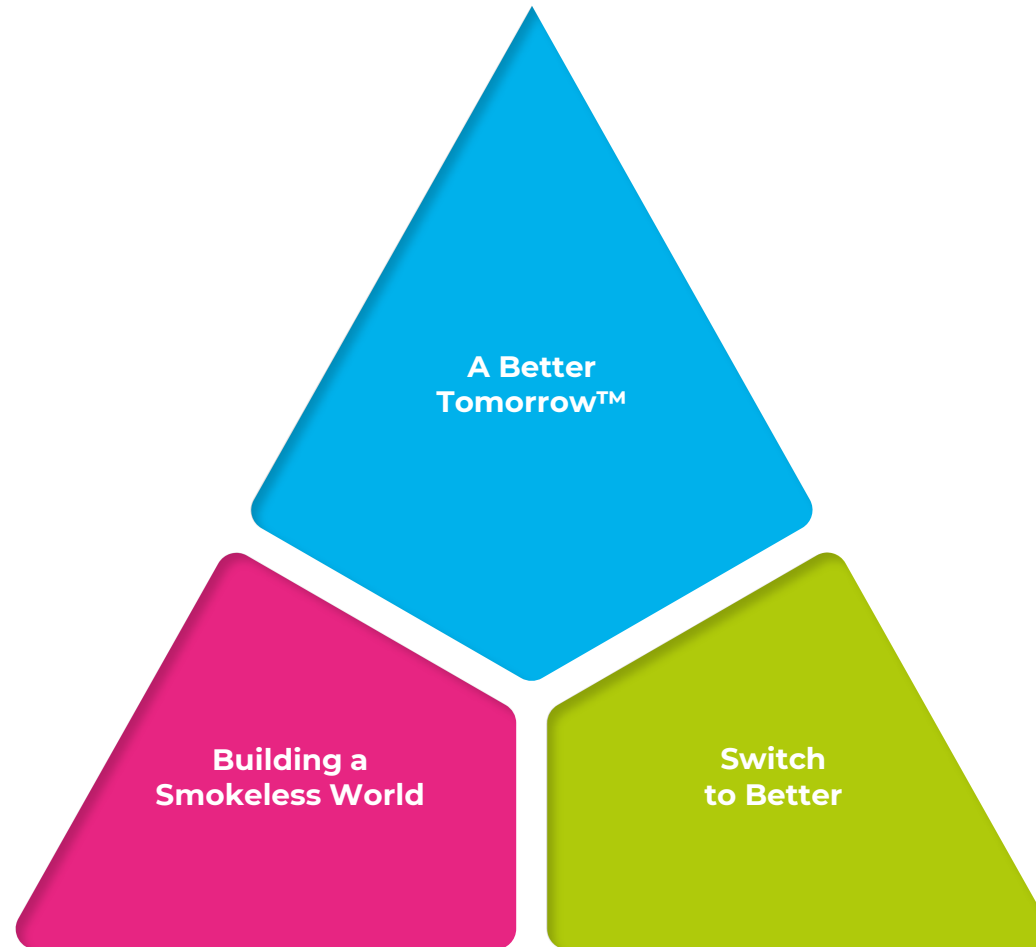
Markets and consumers are not homogeneous

# There is no 'one size fits all' solution



**HP and Vapour correlate inversely to Weighted Average Tar levels**

# Refining our strategy with new Strategic Pillars



**Committed to 50% Smokeless<sup>^</sup> revenue ambition by 2035**

<sup>^</sup> Smokeless - refers to non-combustibles, including Vapour products, Heated Products, Modern Oral pouches and Traditional Oral.

# Refining our strategy with new Strategic Pillars



# Refining our strategy with new Strategic Pillars



# Refining our strategy with new Strategic Pillars





# We will measure our progress across each pillar

## Quality Growth

Inspiring New Category Innovations  
& Brands

Managed Combustible Transition

Beyond Nicotine Foundations

Smokeless number of consumers\*

Smokeless revenue ratio

New Category top and bottom line  
growth

## Sustainable Future

Tobacco Harm Reduction  
Acceptance

Shaping the Landscape

Leading in Sustainability and  
Integrity

Science supporting  
Tobacco Harm Reduction

Environmental glidepath

Integrity

## Dynamic Business

Exciting, Winning Company

Operational & data Excellence

Capital Effectiveness

Operational efficiency

Diversity

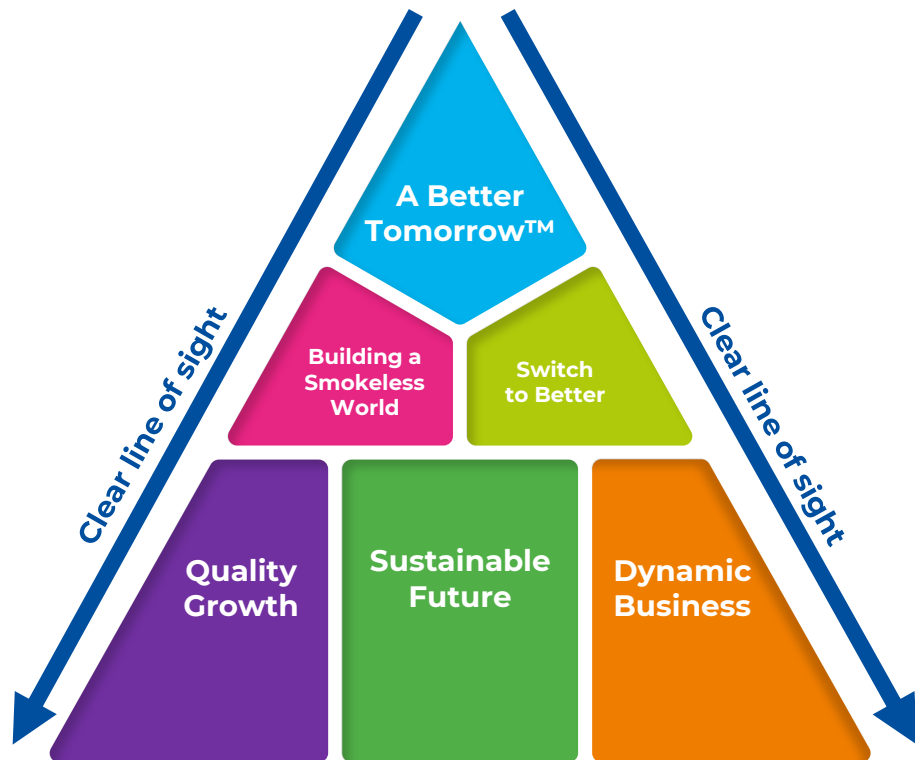
Cash conversion and returns

# Our transformation supports our long-term financial ambitions

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

**While continuing to generate strong cash returns**

# 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

Preliminary Results 2023



**Tadeu Marroco** – Chief Executive | **Javed Iqbal** – Interim Finance Director

# Building a Smokeless World

Preliminary Results 2023



# Appendix: Group Results excluding Russia/Belarus

	Group excluding Russia/Belarus FY23	Group excluding Russia/Belarus FY22	Growth excluding Russia/Belarus FY23 v FY22	Total Group growth FY23 v FY22
<b>Volume FMC &amp; HP</b>	<b>553.0bn</b>	<b>581.0bn</b>	<b>-4.8%</b>	<b>-8.0%</b>
	(£ Millions)	(£ Millions)		
<b>Revenue*</b>	<b>27,546</b>	<b>26,720</b>	<b>+3.1%</b>	<b>+1.6%</b>
<b>NC Revenue*</b>	<b>3,312</b>	<b>2,736</b>	<b>+21.0%</b>	<b>+17.8%</b>
<b>APFO**</b>	<b>12,566</b>	<b>12,089</b>	<b>+3.9%</b>	<b>+3.1%</b>
	(Millions)	(Millions)		
<b>Consumers of Smokeless products***</b>	<b>23.9</b>	<b>20.7</b>	<b>+15.5%</b>	<b>+6.2%</b>

\* On a constant rate basis. See Appendix A2. \*\* On an adjusted, constant rate basis. See Appendices A1 & A2. \*\*\* See Appendix A10.

# Volume Share Movements in Top BAT Markets\* (1)

Market	SOM FY23 (%)	Movement (ppt)
Australia	38.8	(1.1)
Bangladesh	85.6	1.1
Belgium	24.4	(0.4)
Brazil	70.8	(1.1)
Canada	45.9	(0.4)
Chile	96.4	0.0
Colombia	58.0	0.8
Czech	21.3	(0.1)
Denmark	67.9	(0.6)
France	15.3	0.5
Germany	21.3	0.1

Market	SOM FY23 (%)	Movement (ppt)
Greece	12.2	(0.5)
Hungary	22.8	(1.2)
Italy	17.8	0.0
Japan	18.5	(1.6)
Kazakhstan	14.6	0.0
KSA	27.6	0.0
Malaysia	48.9	(0.5)
Mexico	37.5	1.5
Netherlands	19.8	0.1
New Zealand	56.4	(5.4)
Pakistan	79.0	0.6

## Volume Share Movements in Top BAT Markets\* (2)

Market	SOM FY23 (%)	Movement (ppt)
Poland	25.4	0.3
Romania	47.7	(0.9)
South Africa	65.3	(0.5)
South Korea	11.4	(0.6)
Spain	10.7	0.4
Switzerland	29.8	(1.3)

Market	SOM FY23 (%)	Movement (ppt)
Taiwan	11.5	0.1
UK	8.0	(0.2)
Ukraine	33.6	1.7
U.S.	33.9	(0.1)



# Appendix: Our category shares in key markets\*



	Value share of Total Vapour			Volume share of Combustibles+HP		Volume share of HP			Volume share of Total Oral		Volume share of Modern Oral	
	FY23 YTD value share	Change vs. FY22 pts		FY23 YTD volume share	Change vs. FY22 pts	FY23 YTD volume share	Change vs. FY22 pts		FY23 YTD volume share	Change vs. FY22 pts	FY23 YTD volume share	Change vs. FY22 pts
<b>U.S.</b>	45.6%	+4.7	<b>Japan</b>	7.4%	-	18.3%	-1.7	<b>U.S.</b>	1.3%	-0.1	3.9%	-2.0
<b>Canada</b>	92.5%	+2.1	<b>South Korea</b>	2.1%	+0.1	11.0%	-0.7	<b>Sweden</b>	14.9%	+3.9	57.1%	-0.9
<b>U.K</b>	8.0%	-1.9	<b>Italy</b>	2.7%	+0.1	12.6%	-1.8	<b>Denmark</b>	85.9%	-0.8	90.0%	-2.2
<b>France</b>	38.8%	-	<b>Greece</b>	2.8%	+0.1	11.8%	-1.6	<b>Norway</b>	24.1%	+2.7	63.7%	-0.4
<b>Germany</b>	25.9%	+5.0	<b>Hungary</b>	4.6%	+0.5	13.4%	-1.0	<b>Switzerland</b>	74.9%	+8.7	95.4%	+3.1
			<b>Kazakhstan**</b>	5.2%	n/a	46.2%	n/a					
			<b>Ukraine***</b>	3.9%	n/a	23.0%	n/a					
			<b>Poland</b>	4.2%	+0.8	33.0%	+1.9					
			<b>Switzerland</b>	0.2%	+0.2	2.6%	+2.6					
			<b>Romania</b>	1.4%	+0.3	17.9%	-0.6					
			<b>Malaysia</b>	0.04%	+0.04	1.0%	+1.0					
			<b>Czech Rep.</b>	2.7%	+0.7	17.1%	+2.7					

\* **Top 5 Vapour markets:** U.S. - Marlin, Canada - Scan Data, UK - NielsenIQ, France - Strator, Germany - NielsenIQ. **Top 12 THP markets:** Japan - CVS-BC, South Korea - CVS, Italy - NielsenIQ & Logista, Greece - NielsenIQ, Hungary - SZTFH, Kazakhstan - NielsenIQ, Ukraine - NielsenIQ, Poland - NielsenIQ, Switzerland - IMS 3MMA, Romania - NielsenIQ, Malaysia - IPSOS, Czech Republic - NielsenIQ. **Top 5 Modern Oral markets:** Sweden - NielsenIQ, Denmark - NielsenIQ, Norway - NielsenIQ, Switzerland - IMS 3MMA, U.S. - Marlin. \*\* In Kazakhstan, FY 2022 data has been rolled forward. \*\*\* In Ukraine, January 2022 data has been rolled forward for volume share of HP and FY 2023 =0 for volume share of combustibles + HP.

# 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: Poly-usage**

Refers to a transitional period for smokers towards complete switching to potentially risk reduced nicotine products during which period such smokers reduce cigarette consumption and choose to consume one or more New Category products.

## **A9: 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

## **A10: Consumers of Smokeless Products**

The number of consumers of Smokeless products is defined as the estimated number of Legal Age (minimum 18 years) consumers of the Group's Smokeless products. In markets where regular consumer tracking is in place, this estimate is obtained from adult consumer tracking studies conducted by third parties (including Kantar). In markets where regular consumer tracking is not in place, the number of consumers of Smokeless products is derived from volume sales of consumables, pouches and devices in such markets, using consumption patterns obtained from other similar markets with adult consumer tracking (utilising studies conducted by third parties including Kantar). The number of consumers is adjusted for those identified (as part of the consumer tracking studies undertaken) as using more than one BAT Brand.

The number of consumers of Smokeless products is used by management to assess the number of consumers using the Group's Smokeless products as the increase in Smokeless products is a key pillar of the Group's sustainability ambition and is integral to the sustainability of our business.

## **A11: Smokeless Products**

Refers to Non-Combustibles, including Vapour products, Heated Products, Modern Oral pouches, and Traditional Oral.

## **A12: New Categories**

Refers to Vapour products, Heated Products and Modern Oral pouches.