

Building a Smokeless World

Managing Combustibles Value

Vincent Duhem, Global Head
of Combustibles

**Capital
Markets
Day**

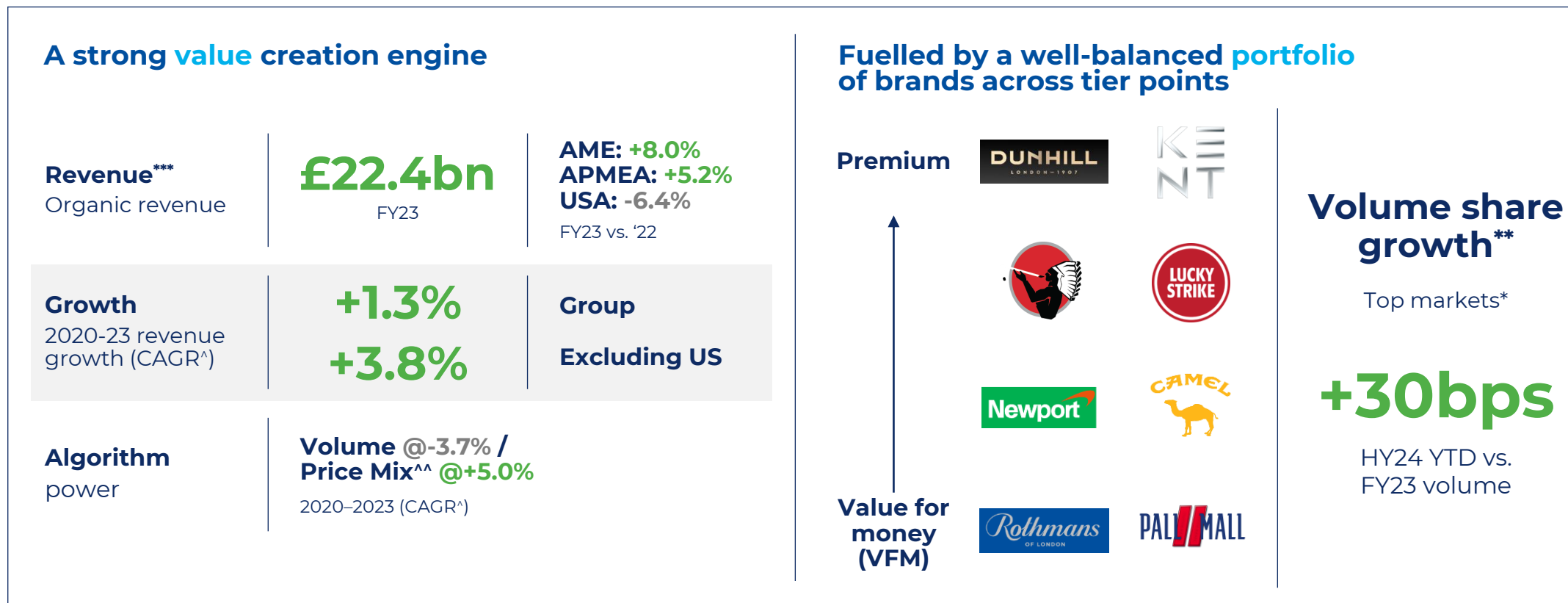
2024

- **Combustibles: a solid foundation to our overall transformation**
 - Our Combustibles business is performing well and gaining volume share
 - Our value creation algorithm works...and will continue to work
- **All this is based on a broad set of capabilities**
 - Our well-balanced portfolio of brands
 - The strength of our commercial set-up
 - Our product and manufacturing expertise
- **We know where to focus: consumers and markets**
- **We invest wisely and drive continuous efficiencies**

Clear path to create value, well into the future



A solid combustibles algorithm



* Top markets represents c.65% of global industry cigarettes revenue 2023. Retail audit (suppliers different by markets). See Appendix A3. ** Volume share growth refers to YTD HY24 vs. FY23. Growth in Retail Audit (suppliers different by markets). See Appendix A3. Revenue on organic basis at constant FX. See Appendices A2 & A7. ^Growth on constant currency of respective year basis, 2020-2022 on reported basis, 2022-2023 on organic basis. See appendices A2 & A7. ^^See Price/Mix definition in Appendix A4. The BAT Group does not own all brands featured in all countries

Unparalleled consumer reach and expertise

High-scaled customer and consumer reach



12m
Outlets served

+100m
Daily users*

#1 or #2
7 out of 8
top markets
In volume share

A century of long expertise in mastering combustibles products



37
Factories
Across in 5 continents

33%
Reduction
Scope 1+2 emissions**

+16k
Factory employees
+90k directly-contracted
farmers

+500
Product experts

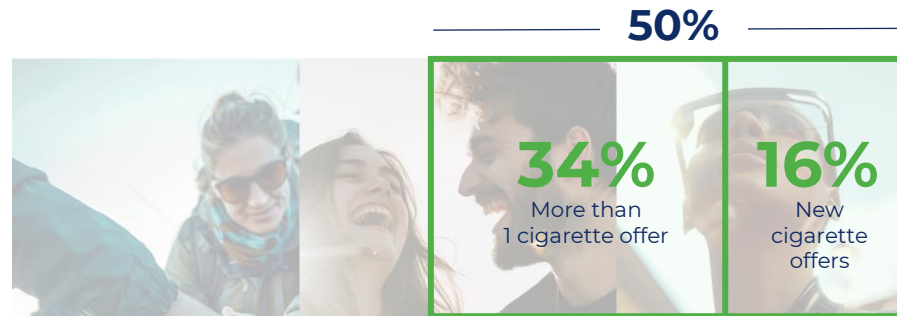
↑
**Great operational
visibility & control**

* Source: Industry glidepath Top 42 markets | BAT Mob Share Track'23.

Focus where it matters

Consumer opportunity spaces

Half of adult smokers navigating through different cigarette offers in last 12 months*



Top 3 consumer drivers among switchers

28%
Affordability

27%
Premium

19%
Flavours

Key BAT Combustibles markets

	Market archetypes	% BAT Combustibles revenue
Focus	Drive Combustibles value	12%
	Sustain Combustibles value	65%
	Extract Combustibles value	17%
	Simplify Combustibles business	6%

Opportunities for BAT to drive value

1. Maximise our brand assets

- Respond to consumer drivers: premium, flavours & affordability
- Keep brand expression up to date
- Stretch brand equity up and/or down
- Design fit for regulations offers

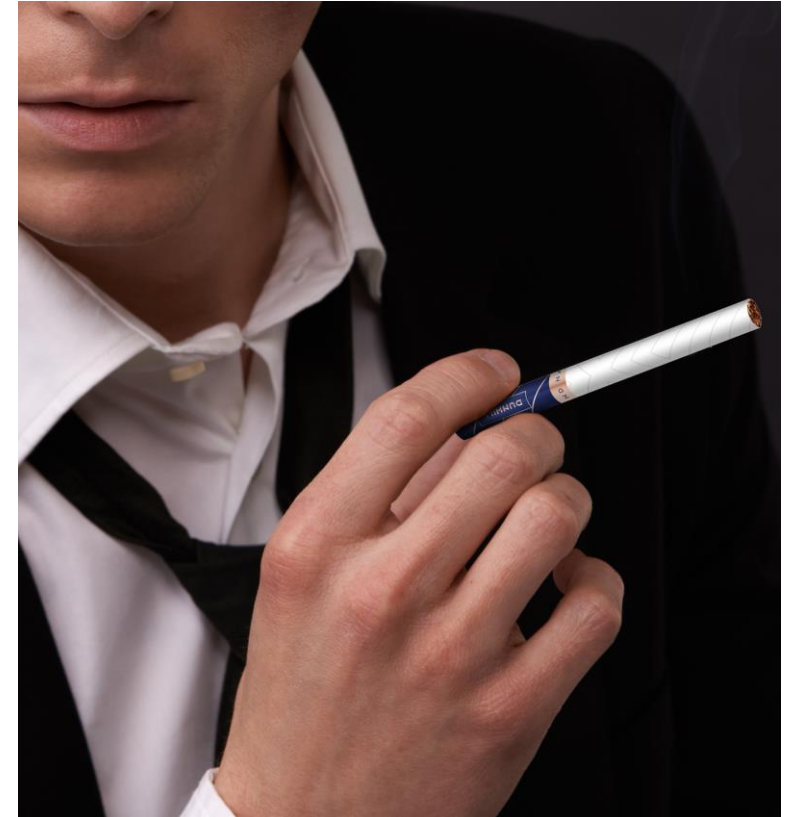
2. Sharpen our execution guided by market archetypes

- Resource allocation principles
- Revenue growth management

3. Simplify our portfolio and deliver continued productivity gains

Sustainability of our algorithm

Smart investment, innovation where it matters and price/value equation management



(Video - Combustibles)

Our Combustibles portfolio

c.80% of Combustibles revenue



Global drive brands

U.S.



c.20% of Combustibles revenue



Local brands

Strong premium brands and innovations

Fastest growing global BAT brand



Most innovative global BAT brand



True premium tobacco brand



Robust and flexible VFM portfolio

Biggest brand in BAT portfolio



Biggest BAT brand in AME region



U.S. Iconic brands

Market leader in menthol



Most iconic brand



Fastest growing in premium



Enhancing local brand assets where it matters

Strong local brands in big end markets

For example:



Collaborations between global and local brands



- Brand collaboration
- Similar pack expression
- Innovation cascading

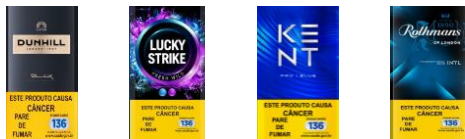
Our Combustibles strategy in action

BAT Brazil: Portfolio transformation

From:



To:



68.5% Volume share*	51bn Sticks +8.9% vs. 2022	+7.6% Revenue** FY23 vs. FY22
-------------------------------	---	--

BAT Romania: Winning with our assets

Premium innovation



49% share*
Premium Segment
volume share
+30bps

Laddered range



86% share*
#1 brand
in Aspirational
Premium

Brand revamp



32% share*
Low Segment
volume share
+400bps

YTD HY24 vs. FY'23

Volume share*



BGD

87.3%
+160bps



PAK

80.0%
+100bps









MEX

37.8%
+30bps

Fostering group volume share* up **+30bps**

* Volume share growth refers to YTD HY24 vs. FY23. Retail Audit (suppliers different by markets). See Appendix A3. **Revenue growth on constant currency basis. See appendix A2.

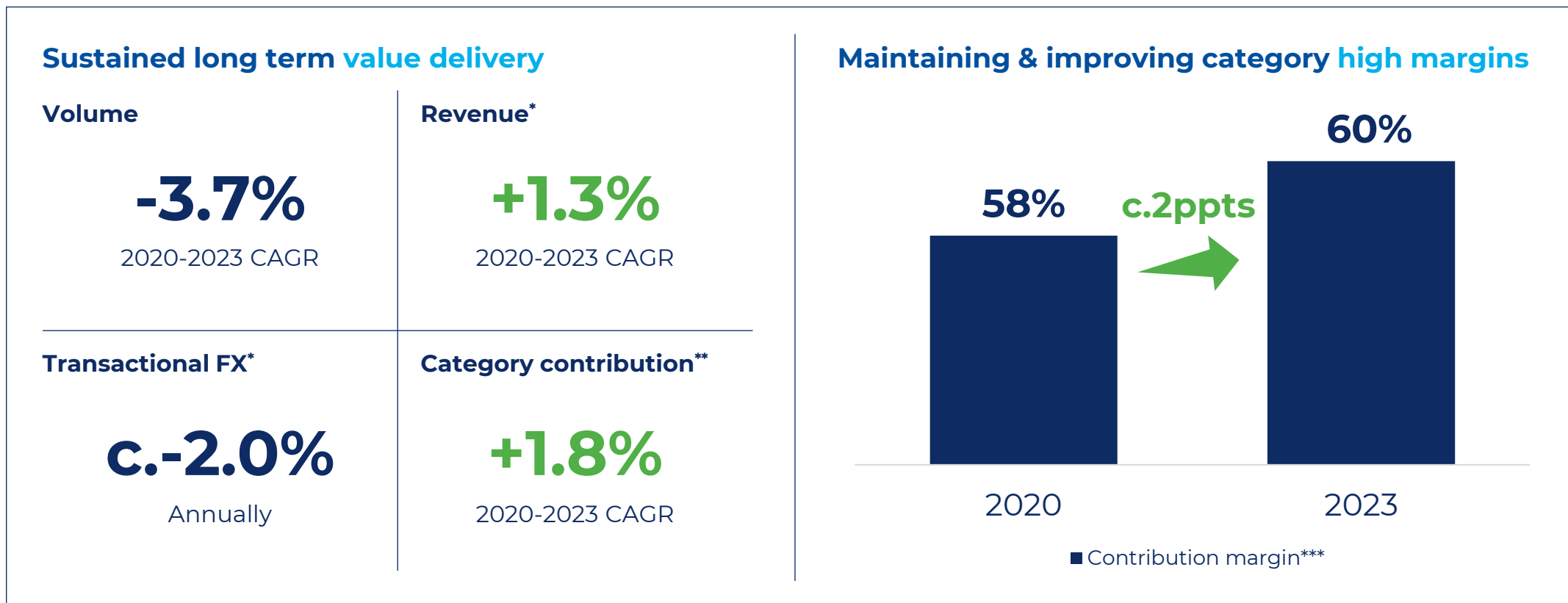
A step change in our productivity

Productivity	 Leaf & blends <ul style="list-style-type: none"> Flexible sourcing & contracts 	 Wrapping materials <ul style="list-style-type: none"> Archetype guardrails Supply sourcing
Simplification ambition for 2025	 -76% Leaf grades*	 -51% Cigarette formats*
	 -53% Blends*	 -32% Pack formats*
	-12 Cigarettes manufacturing footprint rationalisation (From 49 factories to 37 in 5 years)**	

End-to-end productivity and simplification journey encompassing our global portfolio

Source: Company data. *2023 vs. 2025. Estimates. ** 2018 vs. 2024.

Sustained BAT growth and margins through pricing and simplification



* 2020–2022 growth on constant currency basis. 2020-2022 growth on reported basis. 2022-2023 growth on organic basis. See Appendices A2 & A7. ** Category contribution: Profit measure for a category considering all allocatable costs. See Appendices A1, A2 & A7. *** Contribution margin: Contribution margin refers to combustibles category contribution as a percentage of combustibles revenue.

Key take aways: robust delivery

Combustibles: a **solid** and **resilient foundation** to our transformation



Remaining competitive

- Consumer retention with laddering
- Winning in growing segments → consolidate profitable share



Extracting value

- Pricing opportunities
- Revenue growth management
- Portfolio mix / premium opportunities → revenue ambition



Cost efficiency

- Simplification / right price value equation → GM protection / improvement



Balanced resource allocation

- Archetype approach to maximize ROI → bottom line value creation

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

Through Aug 2024 unless otherwise stated.

Volume share: The estimated number of units bought by consumers of a specific brand or combination of brands, as a proportion of the total estimated 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 cigarettes. Corporate volume share is the share held by BAT Group. Except when referencing particular markets, volume share is based on our top markets.

Value share: The estimated retail value of units bought by consumers of a particular brand or combination of brands, as a proportion of the total estimated 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 had 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. The exits referred to in respect of other markets, including in Africa, are not deemed significant to the users' understanding.

A8: Poly-usage

- **Combustibles Poly-use** – refers to the use by an adult* consumer of both Combustibles products and potentially reduced risk tobacco and nicotine products which for many smokers is part of a transitional period where those consumers move towards a complete switch to potentially reduced-risk products by reducing the consumption of combustible tobacco products and replacing them with one or more potentially reduced-risk products.
- **New Categories Poly-use ("NC Poly-use")** – refers to the consumption of two or more potentially reduced-risk tobacco or nicotine product categories by adult* consumers who do not consume any Combustibles products.
- **Total Poly-use** – total number of adult* consumers consuming two or more tobacco and/or nicotine products, which may or may not include Combustibles products. * As defined by the relevant local law but shall in no circumstance refer to any person under the age of 18; and shall in no circumstance refer to any person under the age of 21 in the U.S.

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 - which does not necessarily mean these users are solus consumers of these 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 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 – referred to as "poly users".

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

A11: Smokeless Products

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