



Our purpose is to build a better tomorrow by reducing the health impact of our business

A BETTER
TOMORROW™

2023 Financial & Business Updates

Presented by:
Anthony Yong (Finance Director)
27th July 2023



Key Takeaways – H1 2023

01

Combustible
business under
increased pressure



02

Accelerating transformation
into New Categories

03

Tobacco Bill is referred
to Parliamentary Select
Committee (PSC)



04

Short-term impact to
financial performance

Accelerating **A Better Tomorrow™**

2023 Financial Performance – Highlights



-24.1%

Q1 '23 vs Q1 '22
Volume



-25.1%

Q1 '23 vs Q1 '22
Revenue



-28.4%

Q1 '23 vs Q1 '22
Operating Profit

+6.6%

Q2 '23 vs Q2 '22
Volume

+6.4%

Q2 '23 vs Q2 '22
Revenue

-32.7%

Q2 '23 vs Q2 '22
Operating Profit

-7.3%

H1 '23 vs H1 '22
Volume

-7.8%

H1 '23 vs H1 '22
Revenue

-30.8%

H1 '23 vs H1 '22
Operating Profit

Q2 '23 vs Q1 '23 Financial Performance



+69.5%

Q2 '23 vs Q1 '23
Volume



+73.8%

Q2 '23 vs Q1 '23
Revenue



+23.9%

Q2 '23 vs Q1 '23
Operating Profit

Q2 Revenue rebounded reflective of yearly market trends | Amplified New Categories Investment

H1 '23 Business Performance – Highlights



55.9%

-1.8ppt vs H1 '22

**Illegal
Incidence**



+1.2%

vs. H1 '22

**Legal Domestic
Volume**



-7.3%

vs. H1 '22

**Total
Volume**



-0.4%

vs. H1'22

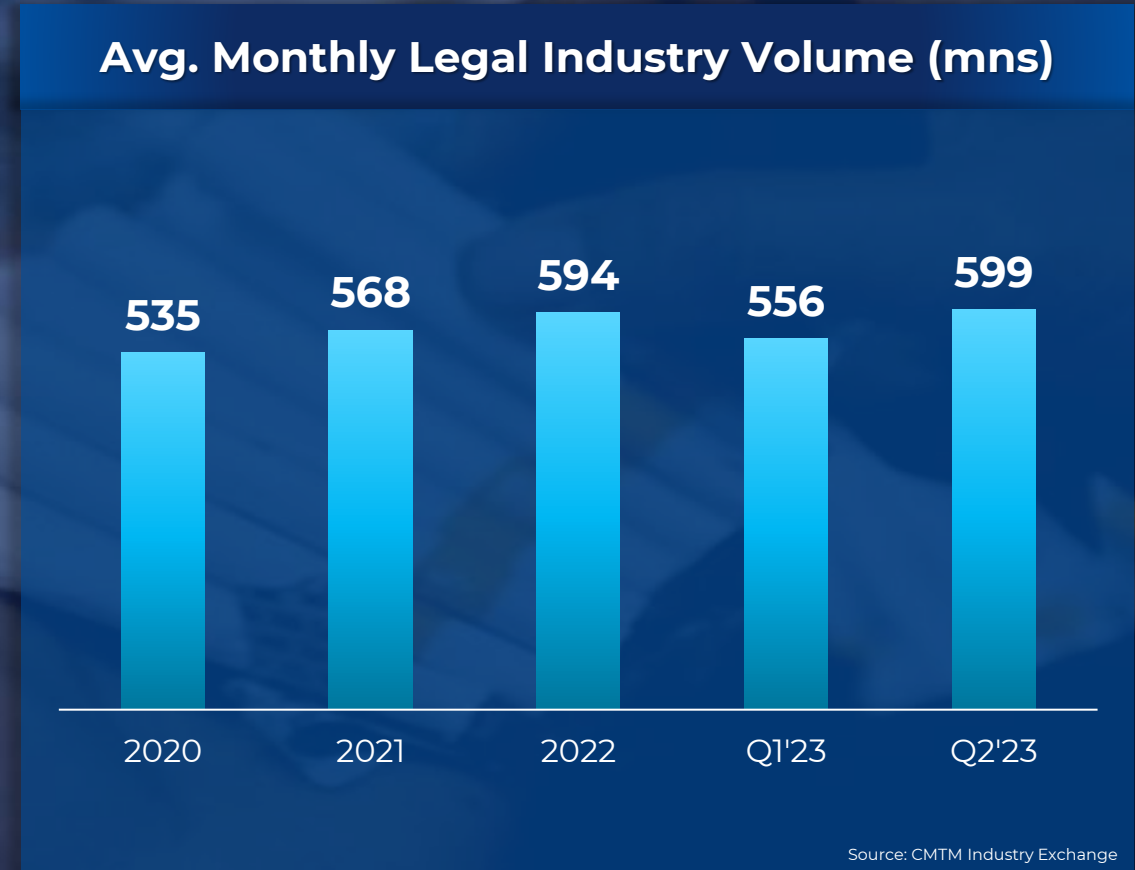
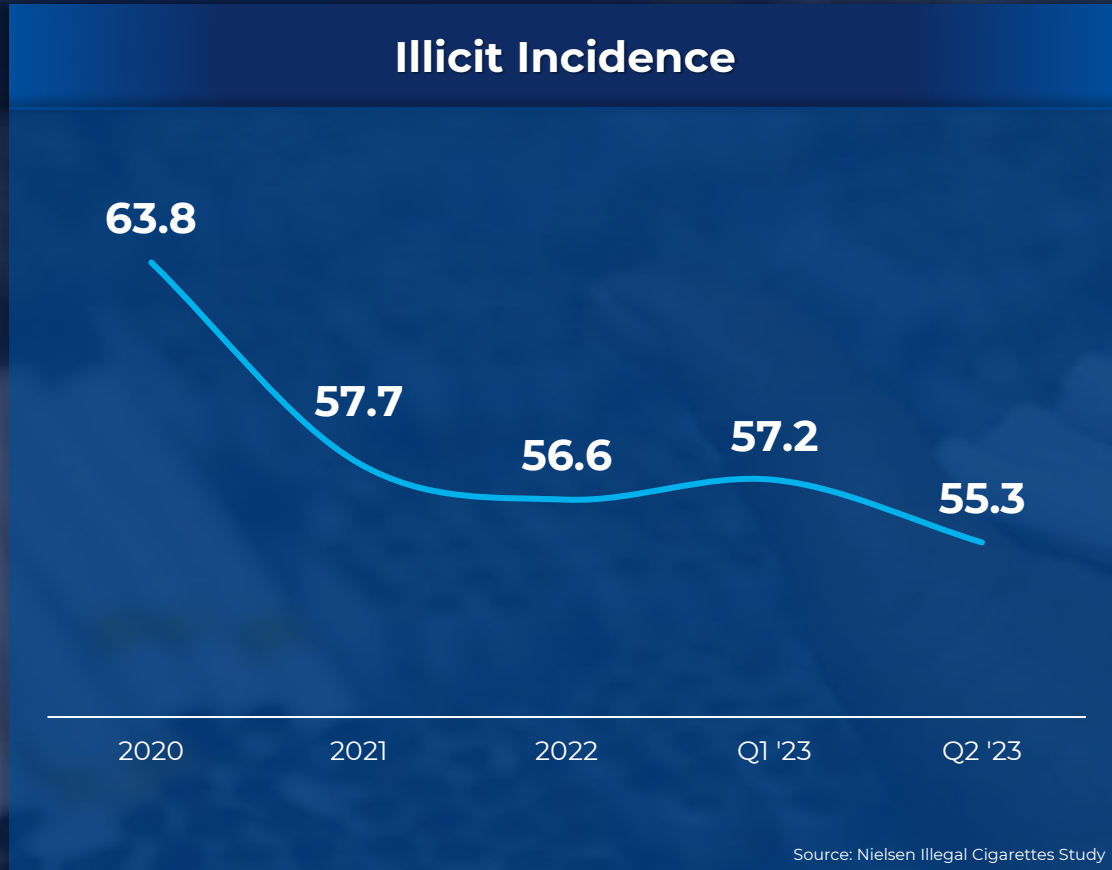
**Share of
Market**

Industry

BAT

H1 '23 Volume impacted by soft BAT volumes in Q1 '23

H1 '23 Business Performance – Illicit vs Legal



Q1 '23 legal industry volume declined driven by higher illicit incidence

2023 Group Strategy Outlook



**Grow
Combustible
Value**



**Step Change
in New
Categories**



**Inspired &
Sustainable
Organization**

GEG Bill referred to PSSC once again, says Health Minister

By RAGANANTHINI VETHASALAM, TEH ATHIRA YUSOF, RAHIMY RAHIM and AND GERARD GIMINO



NATION

Monday, 12 Jun 2023

11:46 AM MYT



On 12th June 2023, Minister of Health has referred the Bill to the PSSC for review and finetuning of the Bill

BAT Malaysia urges the PSSC to study the Bill comprehensively & consider:

- impact of **extreme policies** on tobacco black market;
- measures to stop **tobacco black market** in the country; and
- appropriate **regulatory framework** for reduced-risk products.

BAT Malaysia welcomes a comprehensive review by Parliamentary Special Select Committee (PSSC) on the Control of Smoking Products for Public Health Bill

Vuse

BAT
MALAYSIA

Vuse is launching in Malaysia!

Look forward to the Immersive Session



H1 '23 Key ESG Activities

World Environment & Innovation Day 2023

Awareness to reduce pollution & provide sustainable solutions



Reverse Vending Recycling Machine



Electric scooter & vehicle leasing



Textile & clothing recycling

Cooking oil recycling

BAT Malaysia Celebrates Top Employer 2023

Top Employer Certification 6th consecutive year!

+

Best Hybrid Working Model
@2023 Employee Experience Award



CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS



Our purpose is clear...



 To Build **A Better Tomorrow™**



 We have operated in Malaysia for >100 years delivering **stakeholder value** across our business

 We are building an **Enterprise of the Future** - a high-growth, multi-category, consumer centric company with sustainability at front and center

 We will build A Better Tomorrow™ by **reducing the health impact** of our business while **championing excellence in E – S – G**

Creating Value for the Society
Supporting and improving the livelihoods of our communities

An Ambitious Future



Empower B40 communities to achieve **food self-sufficiency** through community owned and run farm gardens.



JABATAN
PERTANIAN



Partners



Tanjung Karang: Kampung Sungai Gulang-Gulang



Shah Alam: Pangsapuri Melati

~ **14,000** beneficiaries

2 Pilot Projects Delivered
(2022 – 2023)



~**100K** Beneficiaries
(2023)

250,000 Beneficiaries by 2026



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A BETTER TOMORROW™

Tobacco Harm Reduction

Presented by:
Fairuz Helmi Abdul Malek
(Director of External Affairs)
27th July 2023



BAT is committed to building A Better Tomorrow™



Our Purpose

To **reduce the health impact** of our business



Our Commitment

To provide **adult consumers** with a wide range of enjoyable and **less risky*** products

To encourage **smokers to switch completely** to scientifically-substantiated **reduced-risk alternatives*†**

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

† Our products as sold in the US, including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

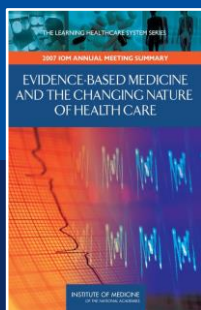
Tobacco harm reduction recognised in policy and regulation in a number of countries



The **closer** the **risks** and **exposures** from the **RRP** are to **cessation**... the more confident a regulator can be in the chances for net **public health benefit***



2001



2007



2012



Food and Drug Administration



Public Health England



National institute for Public Health & the Environment (RIVM)



& others

*From US Institute of Medicine: Scientific Standards for Studies on Modified Risk Tobacco Products 2012. Other reports highlighted: Clearing the Smoke (nih.gov) 2001 and Evidence-Based Medicine and the Changing Nature of Health Care: 2007 IOM

Most of the harm from tobacco is caused by 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)



A portfolio of non-combustible solutions



Most of the harm from tobacco is caused by combustion not nicotine*†

*As stated by: Dr. Scott Gottlieb, US FDA Commissioner (July 2017), and UK Royal College of Physicians, Nicotine without smoke: Tobacco harm reduction (2016)
 † Nicotine is an addictive substance. We do not make health claims (express or implied) about our products in the US unless authorized by FDA to do so

Extensive Scientific Substantiation supports our products as Reduced Risk*

vuse

Emissions : - 99%¹

Toxicology : - 99%¹

Our data is published in
81 peer-reviewed
manuscripts

glo

Emissions : - 90%
to - 95%²

Toxicology : - 95%²

Our data is published in
75 peer-reviewed
manuscripts

VELO

>30 yrs of studies show
Snus is much less risky than
smoking

Toxicology : even less
harmful than Snus³

We believe **Modern Oral**
products are **reduced risk** as
toxicant levels are lower than
in snus*

* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive. 1. ePod and ePen3 compared to a reference cigarette. 2 Compared to a reference cigarette. 3. Approximate reduction. Comparison based on an assessment of smoke from a scientific standard reference cigarette (approximately 9mg tar) and components released during use of a commercial Snus pouch and a Velo pouch, in terms of the average of the 9 harmful components the World Health Organization recommends to reduce in cigarette smoke.



Facts: Vapour products





Vapour Products



Vapour products are battery-powered devices that heat e-liquid to produce an inhalable aerosol, commonly known as vapour.



Most e-liquids contain water, flavourings and nicotine and a base made of Propylene Glycol (PG) and Vegetable Glycerin (VG). It's the PG and VG that produce a vapour when heated.



Vapour products do not involve the burning of tobacco. Because there is no combustion, the vapour generated contains significantly less toxicants than cigarette smoke.



The technology used in the majority of vapour products consists of a wick that soaks up the e-liquid and a metal coil or atomiser that heats the e-liquid and turns it into a vapour.



Vapour products can be either open or closed systems. Open systems offer a customised vaping experience – using a refillable tank. Closed systems work with disposable cartridges pre-filled with e-liquid, offering greater convenience for the consumer.

Growing Consensus on Harm Reduction Potential of Vaping Products

 **UK Public Health England, 2018¹**

“Vaping poses only a small fraction of the risks of smoking and switching completely from smoking to vaping conveys **substantial health benefits** over continued smoking. **Based on current knowledge, stating that vaping is at least 95% less harmful than smoking.**”

 **French Cardiology Federation (Federation Française de Cardiologie), 2018²**

“The vapour produced by **e-cigarettes is infinitely less toxic than cigarette smoke**, even though it may contain toxic sub-stances (formaldehyde, acetaldehyde, ac-rolein, toluene, nitrosamines), their concentrations are **9 to 450 times lower than that in conventional cigarette smoke.**”

 **US Food & Drug Administration, 2018³**

“We see the possibility for ENDS products to provide a potentially less harmful alternative for currently addicted individual adult smokers who still want to get **access to satisfying levels of nicotine without many of the harmful effects** that come with the combustion of tobacco.”

 **German Federal Institute for Risk Assessment, 2019⁴**

“According to current knowledge, **e-cigarettes are less harmful than conventional tobacco products** when used as intended.”

 **WHO International Agency for Research on Cancer, 2020⁵**

“The use of e-cigarettes is expected to have **a lower risk of disease and death than tobacco smoking.** E-cigarettes have the potential to reduce the enormous burden of disease and death caused by tobacco smoking if most smokers switch to e-cigarettes.”

 **Government of Canada, 2021⁶**

“Vaping is less harmful than smoking. Completely replacing cigarette smoking with vaping will reduce your exposure to harmful chemicals. **There are short-term general health improvements if you completely switch from smoking cigarettes to vaping products.**”

¹ Public Health England (now the Office for Health Improvements and Disparities). Evidence review of e-cigarettes and heated tobacco products 2018: executive summary.
² Science and Technology Committee. Oral evidence: E-ciga-rettes, HC 505. 9 January 2018. Retrieved on 17 November 2021.
³ FDA. Statement from FDA Commissioner Scott Gottlieb, M.D., on new enforcement actions and a Youth Tobacco Prevention Plan to stop youth use of, and access to, JUUL and other e-cigarettes. 24 April 2018.

⁴ German Federal Institute for Risk Assessment. “Vaping”: The BfR advises against self-mixing e-liquids. 17 October 2019.
⁵ WHO. Are e-cigarettes less harmful than conventional cigarettes? 29 January 2020.
⁶ Canada Government. About vaping. 5 February 2021. Retrieved on 17 November 2021.



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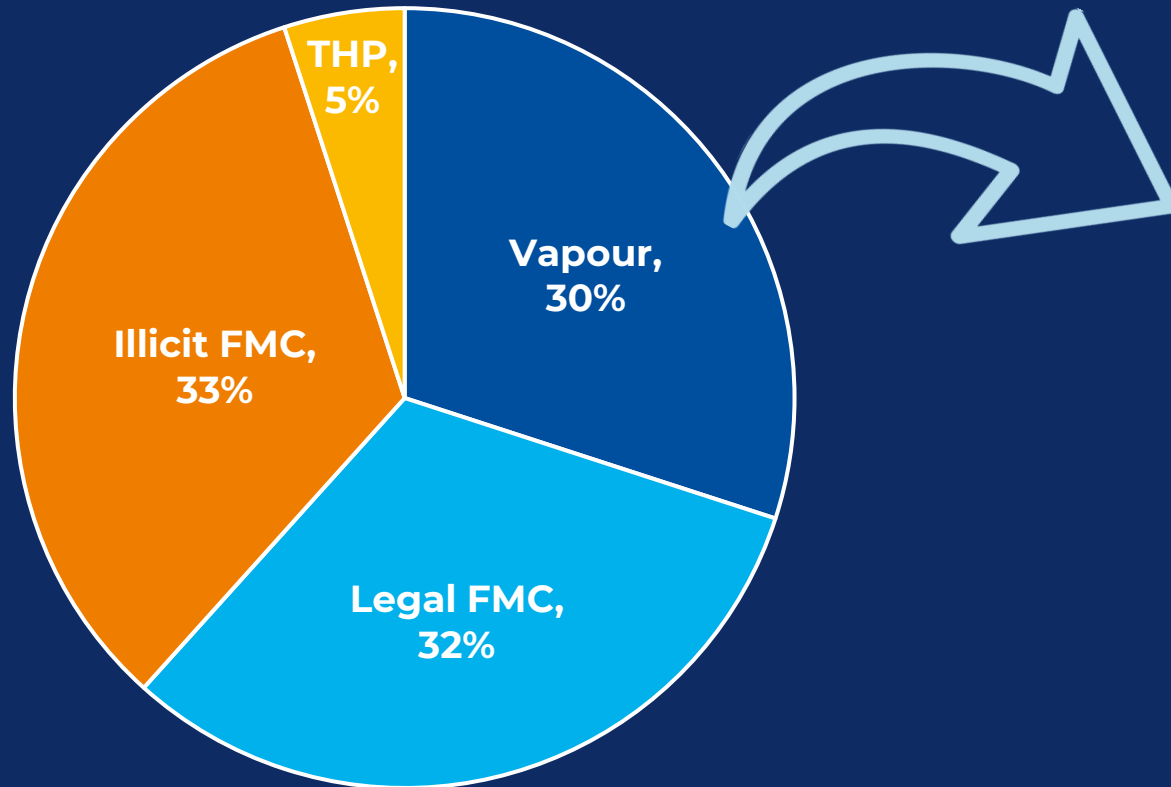
Vapour Market Insights

Presented by:
Cheah Hsu Jen
(Senior Category Manager, Vapour)
27th July 2023



Vapour makes up significant size of adult nicotine users in Malaysia

MY Nicotine Users (2023)



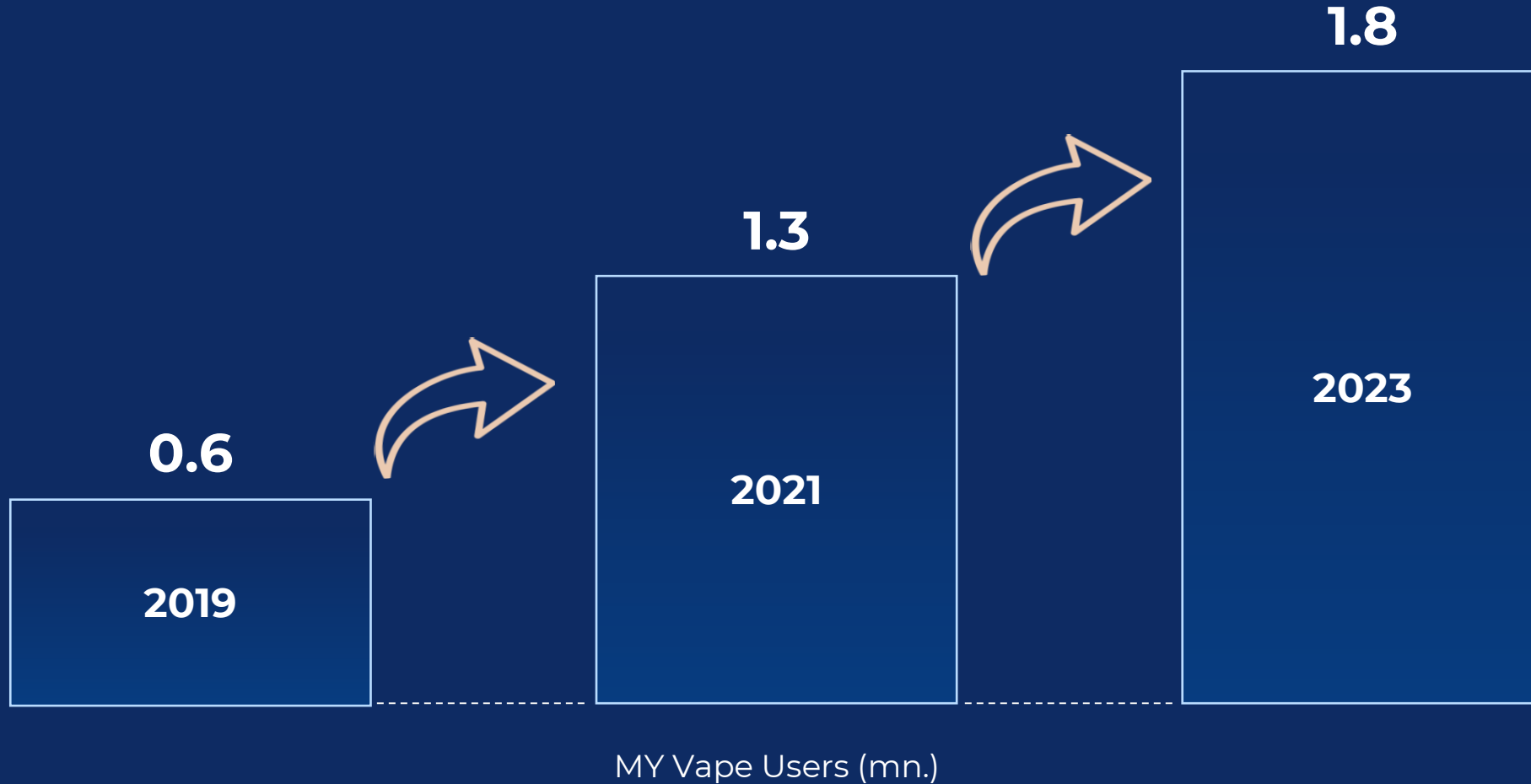
1.8mn

VAPE USERS

RM 2.3bn

EST. INDUSTRY VALUE

Vape consumer size sees YOY growth trend



High incidence of vape users within adult population in Malaysia



16.8%



16.0%

 #1 vape brand



10.8%

 #1 CS vape brand



6.4%

 #1 vape brand



Various types of vape device formats available

OPEN SYSTEM



Customisable device

Refillable eLiquids in bottles

29%

CLOSED SYSTEM



Pre-filled pods

Pods compatible WITHIN brand

28%

MODERN DISPOSABLE (MODI)



Pre-filled device + unit

Single-use with limited puff

Fastest growing vape format

42%



Highly competitive vapour landscape in Malaysia

Mix of local & international brands

VOLTBAR

ELFBAR

Vapengin

SNOWPLUS**

RELX

AKSO

LANA 3

NASTYFIX

MATCH

ncig™go

FLOW

sp2⚡

Various formats & flavours

