

03

MANAGEMENT DISCUSSION & ANALYSIS

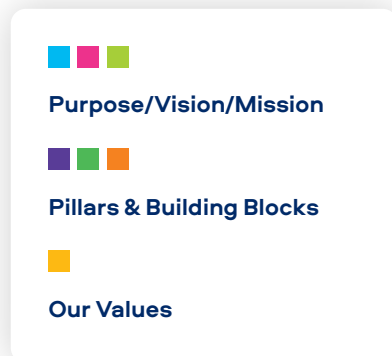
BAT Malaysia is progressing on a long-term transformation to build a more sustainable, forward-looking business. We continue to explore new opportunities, strengthen our combustible business, and uphold the highest standards of responsibility and governance as we navigate a challenging operating landscape.

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NO.



OUR STRATEGIC NAVIGATOR



A Better Tomorrow™ – Building a Smokeless World

In pursuit of BAT Group's vision of Building a Smokeless World, BAT Group aims to become a predominantly smokeless business – with 50% of BAT Group's revenue in Non-Combustible products by 2035. To support this ambition, BAT Group has refined its strategy to ensure clear alignment and collective action across the entire organisation.

Built around the three strategic pillars of **Quality Growth**, **Sustainable Future**, and **Dynamic Business**, the Strategic Navigator sets out the priority building blocks that underpin the achievement of this ambition. These priorities guide execution and define the strategic outcomes against which performance will be measured. BAT Malaysia aims to contribute to BAT Group's vision of creating A Better Tomorrow™ by Building A Smokeless World.

QUALITY GROWTH

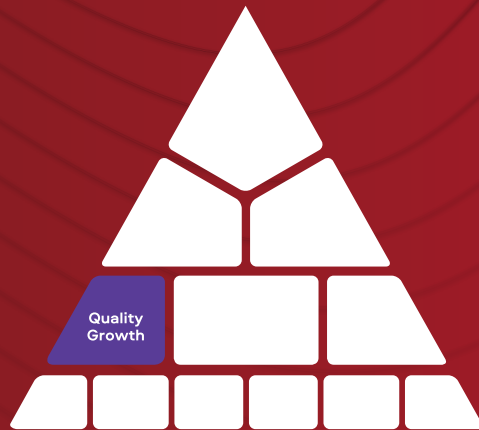
We aim to enhance value in combustibles as we expand into growth areas shaped by shifting consumer preferences for nicotine products.

Combustibles continue to be a core value driver for the business.

Long-term, sustainable growth will be driven by strengthening our global brands and ensuring they stay relevant to the evolving expectations of adult nicotine consumers.

Our commitment under Quality Growth:

Driving Value from Combustibles



DRIVING VALUE FROM COMBUSTIBLES

In 2025, our combustible business maintained strong market leadership despite ongoing industry pressure from declining consumption and an evolving regulatory landscape.

Our focus for 2025 has been to strengthen long-term portfolio resilience by sharpening the roles of the three biggest brands in our portfolio to ensure each fulfills its segment mandate.

We continued to strengthen our priority brands by investing in the areas that matter most to adult consumers and the trade. Our steady visibility in key retail channels and ongoing activation efforts helped sustain performance despite market headwinds, demonstrating resilience in a fast-evolving environment.

At the same time, we refined our portfolio by concentrating investment behind larger, higher-impact brands while systematically reducing focus on lower-value stock keeping units (SKU). This streamlined approach drives sharper consumer propositions, better resource allocation, and a stronger foundation for future value creation.

With disciplined execution, clearer segment roles, and sustained focus on our biggest brands, we are confident in our ability to drive sustainable value and maintain long-term leadership in combustibles.

DUNHILL

Peter
Stuyvesant

Rothmans

QUALITY GROWTH

› EXTENDING PREMIUM SEGMENT LEADERSHIP

Dunhill remains Malaysia's leading cigarette brand (*Source: IPSOS Retail Audit Dec 2025*), performing strongly in the premium segment despite market pressures and regulatory challenges. The brand's stability reflects its resilient equity and strong consumer recognition.

2025 was a landmark year as Dunhill celebrated its 60th anniversary in Malaysia, marking six decades of heritage, craftsmanship, and leadership in shaping the nation's tobacco market. The anniversary was central to the brand, providing an opportunity to honour its legacy while reinforcing relevance in a changing environment.

To support this milestone, we implemented a structured brand development programme that maintained strong presence across major retail channels.

Dunhill's 60th anniversary was not just a celebration of the past but also a platform for future relevance.

DUNHILL



QUALITY
GROWTH

› RESILIENCE IN THE ASPIRATIONAL PREMIUM SEGMENT

Peter Stuyvesant maintained stable performance and demonstrated resilience in a fast-shifting market environment, defending its position as a reliable choice for consumers moving between price tiers.

The brand introduced a modern pack upgrade for its core range, reinforcing Peter Stuyvesant's equity and helping to sustain its competitiveness within the segment.



› CONTINUOUS GROWTH IN THE VFM SEGMENT

In the VFM segment, our focus is primarily on Rothmans, while reducing focus on lower-value SKUs. This disciplined portfolio approach allows us to deliver a clearer consumer proposition and sustain future value creation.

Despite a price disparity for most of the year compared to other leading players in the segment, Rothmans continued to drive growth by building strong consumer loyalty and brand equity. The revised retail pricing implemented in November 2025 has provided early signs of the brand further gaining momentum by growing share of market and is expected to further support Rothmans' growth by narrowing the gap with its primary competitors.



SUSTAINABLE FUTURE

Building a Sustainable Future at BAT Malaysia means creating sustainable value for our shareholders and stakeholders by encouraging adult smokers to choose legal and regulated products, and by shaping the landscape to ensure level playing field for BAT Malaysia.

In line with BAT Group's vision of Building a Smokeless World, we continue to advocate THR acceptance in Malaysia.

Our commitments under Sustainable Future:

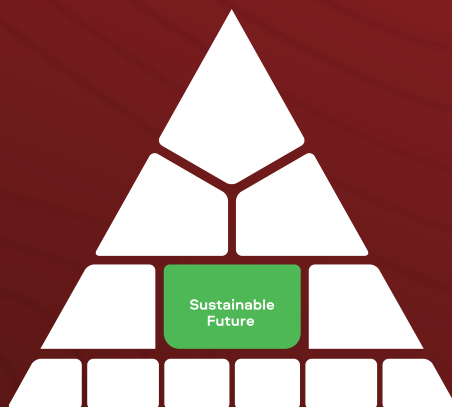
Tobacco Harm Reduction

Please refer to pages 61 to 62 of the SS2025.

Shaping the Landscape

Leading with Sustainability and Integrity

Please refer to pages 46 to 129 of the SS2025.



SHAPING THE LANDSCAPE

Regulatory Development

We fully support the Malaysian Government's efforts to reduce smoking rates and acknowledge the vital role that well-designed regulations play in achieving these objectives.

We consistently advocate for regulations grounded in robust evidence, ensuring they deliver the intended public health outcomes while minimising unintended consequences, such as the expansion of illegal markets.

The Control of Smoking Products for Public Health Act 2024 (Act 852) and its phased regulations provide a clear and comprehensive framework for the transformation of the nicotine industry in Malaysia.

In adhering to this regulatory change, we announced in Q2 2025 that we will transition out our vapour products from the Malaysian market by the end of Q3 2025 to comply with the new Act 852.

We proactively collaborate with distributors and retail partners to ensure they are well-informed of new regulatory requirements as developments unfold.

Following Malaysia's Budget 2026, which announced an increase in tobacco excise duty, we adjusted the prices of our cigarette brands to reflect this fiscal change. We view the government's decision as a measured step forward, particularly given that the last excise adjustment was made 10 years ago, and in light of the current economic environment.

Looking ahead, BAT Malaysia remains committed to supporting Malaysia's public health objectives while safeguarding the sustainability of the legal tobacco industry.

We will continue to focus on delivering combustible value growth including strategic investments in compliance, innovation, and stakeholder engagement, enabling us to navigate the evolving landscape responsibly.

Key regulatory requirements outlined in Act 852 and its regulations include:

- prohibition on advertising, promotion, and sponsorship of tobacco and vapour products;
- requirement for products to be registered with the Ministry of Health by 1 April 2025; and
- adherence to new packaging and labelling requirements by 1 October 2025.

Tobacco Black Market

The tobacco black market continues to be a significant national concern, with illegal cigarettes remaining widely available despite ongoing enforcement efforts. The circulation of black market tobacco weakens legitimate businesses, reduces government tax revenue, puts consumers at risk with unregulated products, undermines tobacco control policies, and impacts Malaysia’s retail landscape.

These challenges reinforce the need for consistent, insights-driven interventions, alongside appropriate policy frameworks to protect the legal market.

Tackling the tobacco black market is critical in ensuring a fair, level playing field for legitimate businesses and safeguarding excise revenue for the nation.

As a responsible industry partner, BAT Malaysia is committed to working closely with the Government to address this long-standing challenge through a comprehensive, data-led strategy. Our role spans conducting retailer surveys, creating public awareness about the tobacco black market, and generating insights on the development of the tobacco black market segment.

1. Tobacco Black Market Landscape

Black market tobacco refers to products manufactured, distributed, and sold in contravention of Malaysian laws, typically involving non-payment of duties and/or non-compliance with regulatory requirements, such as Act 852.

According to NielsenIQ’s Illicit Cigarettes Study (ICS) 2025, illicit incidence stands at 54.40%, equivalent to more than 8 billion illicit sticks. This results in an annual tax leakage of about RM5 billion, underscoring the scale of a multibillion-ringgit black market that continues to undermine legitimate trade and government revenue that could otherwise support national development.

Top 10 Illicit Brands in Malaysia:



Source: NielsenIQ, Illicit Cigarettes Study, 2025

Identifying Illicit Cigarettes

- **Unregistered Brands:** Cigarettes that do not comply with local government requirements and are not linked to legal tobacco companies in Malaysia.
- **Below Regulated Minimum Price:** Typically retailed at around RM7 per pack, below the regulated minimum price, and roughly half the price of legal tobacco.
- **Tax Marker Irregularities:** Packs featuring fake tax markers or no tax markers.
- **Regulatory Non-Compliance:** Brands that do not comply with the new PHW requirements.

The tobacco excise duty increase which took effect in November 2025 further widens the price gap between legal and black market tobacco. This may intensify the tobacco black market as consumers shift toward cheaper alternatives that are widely available across retail outlets nationwide.

2. BAT Malaysia's Priorities in Combating the Tobacco Black Market

Combating the tobacco black market remains a core part of our efforts to ensure business sustainability and regulatory compliance. A robust strategy is essential to preserve market integrity, enabling fair competition, and protecting consumers from unregulated products. The tobacco black market directly affects BAT Malaysia’s performance, erodes brand equity, and reduces contribution to government excise revenue. With the tobacco excise duty increase taking effect in November 2025, strong enforcement and regulatory consistency are even more critical to preventing further growth of the tobacco black market.

High levels of illicit trade deter long-term investment and erode the livelihoods of legitimate retailers. Unregulated black market tobacco also exposes consumers to significant health risks, as its contents are neither known nor controlled. Immediate and coordinated action - through stronger enforcement, enhanced public education, and support for compliant trade - is critical to protecting consumers, sustaining lawful businesses, and preserving market integrity.



Impact of RDB

Under the implemented RDB framework, with all tobacco products placed in enclosed storage, legal and black market tobacco now occupy the same visibility tier, creating an environment where illicit players can easily infiltrate the market. This poses a significant concern and reinforces the need for coordinated enforcement responses.

SUSTAINABLE FUTURE

3. BAT Malaysia Against the Tobacco Black Market

BAT Malaysia works closely with government agencies and industry partners to combat the tobacco black market. These efforts help in enhancing enforcement readiness, building capacity, and unifying responses against illegal trade activities.

Government Engagement

- We engage closely with the Government and law enforcement agencies, particularly the Royal Malaysian Customs Department and the Royal Malaysia Police, to drive effective interventions.
- We provide ongoing support to ensure that Anti-Illicit Trade (AIT) remains a top priority and offer strategic assistance to enhance law enforcement agencies' mobility and capability.

Industry Engagement

- We actively participate in industry platforms, including the Confederation of Malaysian Tobacco Manufacturers (CMTM), to advocate for sustained enforcement actions.
- We also support strengthened enforcement through collaboration with the Multi-Agency Task Force.

Monitoring illicit Trade

- We compile findings from reports such as ICS and market surveys to monitor illicit incidence and assess the impact of enforcement actions.
- We track key illicit hotspots and products circulating in the market to guide targeted interventions.

4. Government and Enforcement Actions

Malaysia's intensified enforcement initiatives, supported by strong government commitment have delivered tangible progress in tackling the tobacco black market. Illicit incidence has shown a sustained downward trend over the past five years, from 2020 to 2025, underscoring the effectiveness of enhanced enforcement coordination, and collaboration among multiple parties. BAT Malaysia expresses its appreciation to the Government and enforcement agencies for their ongoing dedication to combating the tobacco black market.

5. Our Continued Commitment

Looking ahead, BAT Malaysia remains committed to working closely with the Government and law enforcement agencies to build a fair, transparent, and level playing field for legitimate businesses. We will continue to support the Government to strengthen the fight against the tobacco black market.

We are confident that through continued joint efforts between BAT Malaysia, the industry, and the Government, the downward momentum of the illicit cigarettes incidence can be sustained in the coming years.

Five-Year Decline in Illicit Cigarettes Incidence (%)



Source: NielsenIQ, Illicit Cigarettes Study

ILLICIT ENFORCEMENT IN ACTION

ANWAR: Crackdown on cartels, smuggling saved RM15.5b in two years



Prime Minister Datuk Seri Anwar Ibrahim said the government's commitment to combating cartels and smuggling is part of its effort to safeguard the nation and has resulted in RM15.5 billion being saved over two years. — BERNAMA

Source: New Straits Times, 2025

Customs seizes RM903 million in illicit cigarettes, tobacco in two years

By **Muhammad Hafis Nawawi, Hafidzul Hilmi Mohamad Noor** November 13, 2025 @ 1:26pm



Customs Department director-general Datuk Anis Rizana Mohd Zainudin said the Department has recorded seizures of smuggled cigarettes, tobacco, and cigars — including duties and taxes — totalling RM903.49 million over the past two years. — MOHD FADLI HAMZAH

Source: New Straits Times, 2025

BH MEDIA RUJUKAN MASSA: Op Kontraban Mega 1.0 rampas rokok, minuman keras bernilai RM12.2 juta

Onh Sulah Atfahy Haziq • 09/25/2025 @ 7:27pm



Timbalan Pengerah Jabatan Kastam dan Penguatkuasaan Awam (Cintakam/Copras) Bukit Aman, Laksamana Feroz Saleh (dua kanan) dan Timbalan Ketua Pengerah (Pengeru/Kasim/Persnabhar) Kastam, SRI MING (dua kiri) pada sidang media selepas Op Kontraban Mega 1.0, hari ini. — NETP/AMIRUDIN SAHIB

Source: BH Online, 2025

FMT 14 firms probed by MACC for smuggling have valid cigarette import licences

A source from the anti-graft agency says the companies were found to have made false declarations during the import process.



MACC said smuggled tobacco, cigarettes, and cigars resulted in more than RM250 million in lost tax revenue between 2020 and 2024.

PETALING JAYA: The 14 companies under investigation by the Malaysian Anti-Corruption Commission for allegedly smuggling tobacco, cigarettes and cigars were found to hold valid licences to import cigarettes.

A source from MACC said the investigation, under Op Silau, was ongoing.

Source: FMT News, 2025

Sinar Daily Government allocates over RM700 million to boost MACC, PDRM and key enforcement agencies

The government will allocate more than RM700 million next year to enhance the effectiveness of key enforcement agencies through training and new asset acquisitions.



Royal Malaysia Police PDRM is among the agencies that will receive a portion of this allocation to strengthen its operational capabilities and support ongoing efforts in maintaining public order and national security.

Source: Sinar Daily, 2025

Govt Waging All-out War On Cartels, Smuggling To Save Country – PM Anwar

13/11/2025 04:01 PM



BANGI, Nov 13 (Bernama) -- The MADANI Government's resolve to wage an all-out war against cartels and smuggling represents an extraordinary effort to save the nation and its people, said Prime Minister Datuk Seri Anwar Ibrahim.

Source: Bernama, 2025

PGA tumpas sindiket rokok seludup, rampas 1.15 juta batang rokok bernilai RM2.2 juta

Bernama 13/07/2025 | 19:40 MYT



KOTA BHARU: Pasukan Gerakan Am (PGA) Briged Tenggara menumpaskan sindiket penyeludupan rokok seludup menerusi serbuan Op Taring Alpha 1 di kawasan kuari Mukim Jerus, Bukit Jawa, Pasir Puteh, Jumaat lepas.

Source: Astro Awani, 2025

Kastam Kelantan Rampas Rokok Seludup Bernilai RM2.25 Juta Di Tumpat

21/09/2026 02:37 PM



KOTA BHARU 21 Ogos (Bernama) -- Jabatan Kastam Kelantan merampas sebanyak 2.8 juta batang rokok putih bernilai RM2.25 juta termasuk cukai, dalam satu serbuan di Tumpat pada 5 Ogos.

Source: Bernama, 2025

FMT Crackdown on illicit trade to boost national revenue, says finance ministry

Experts note that Malaysia's efforts to curb illicit trade, while commendable, could benefit from advanced technologies such as enhanced tax stamps.



KUALA LUMPUR: Budget 2026 signals a firm push by Putrajaya to expand government revenue by clamping down on the shadow economy rather than introducing new taxes for the rakyat.

Treasury secretary-general Johan Mahmood Merican said the government is focusing on improving enforcement and compliance to plug revenue leakages, especially in sectors where illicit trade thrives.

"One example is cigarettes. We're aware that there are illicit cigarettes in the market — cigarettes on which taxes had not been paid," he said.

Source: FMT News, 2025

DYNAMIC BUSINESS

The Dynamic Business pillar envisages a future-fit, data-driven organisation; ensuring we are efficient and effective in all of our operations.

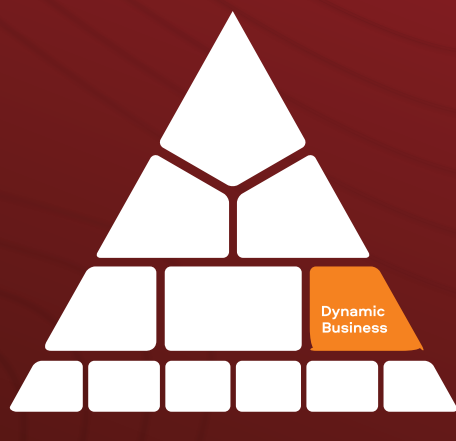
This will ensure that we deliver financial flexibility to invest in our business, people and products to win in a fast-changing environment and deliver superior returns to our investors.

Our commitments under Dynamic Business:

Operating Excellence

Diverse, Inclusive Workplace

Please refer to pages 73 to 86 of the SS2025.



OPERATING EXCELLENCE

Our operations are designed for resilience, precision, and sustainability, ensuring that logistics, distribution, and manufacturing deliver consistent performance. In 2025, we advanced operational excellence through the following initiatives:

1. Warehousing Integrity

We sustained a 'Zero Beetle Count' across all warehouse facilities, achieved through strict environmental controls and ongoing monitoring. Continuous temperature and humidity regulation, preventive maintenance of racking systems, air-conditioning, CCTV, and pest control were executed in collaboration with our third-party logistics partner.

2. Scheduled Maintenance Framework

Reliability is planned, not assumed. Our preventive maintenance programme adhered fully to scheduled interventions, safeguarding operational continuity. Infrastructure, security systems, and pest control were aligned under a unified compliance model, reinforced by regular audits.

3. Continuous Waste Governance

Waste management is closely monitored through container-level tracking, providing detailed visibility of waste type and weight. This data-driven approach supports reduction, recycling, and regulatory compliance, while enhancing transparency across operations.

4. Training Culture

Continuous safety and process training, supplemented by refresher programmes, ensures our workforce remains prepared and compliant. This embeds operational readiness and reinforces adherence to procedures as a standard practice.

5. Automated Fluid Transfer

We implemented pump-to-IBC tank flow for SW303 (Scheduled Waste Code), reducing manual handling and improving efficiency in chemical management. This automation reduces risk, enhances accuracy, and optimises factory workflows.



THE RISKS WE CONSIDER

BAT Malaysia sees three key risks that have the ability to significantly impact BAT Malaysia:



Financial Crimes



Sustainability Governance and
ESG Regulations



Non-Compliance with
Competition Laws and
Guidelines

In addition to the above, BAT Malaysia is subject to the ever-present risk of competitor actions. Steps to anticipate, mitigate, and respond to such risks are core to our business.

2025 RISK MANAGEMENT ACTIVITIES

REVIEW OF BAT MALAYSIA'S RISKS

The Risk Management Team reviewed and assessed BAT Malaysia's risks formally twice during the year, in January and July 2025.

During Business Continuity Plan (BCP) testing period, the Chief Risk Officer (CRO) provided monthly updates on the status of the BCPs testing and highlighted any key threats to the internal controls of BAT Malaysia to the Leadership Team.

On a quarterly basis, the Risk Management Committee (RMC) was briefed by the CRO on BAT Malaysia's Enterprise Risk Management Programme. The briefing included updates on the key risks of BAT Malaysia, risk mitigation plans and the status of the BCPs testing.

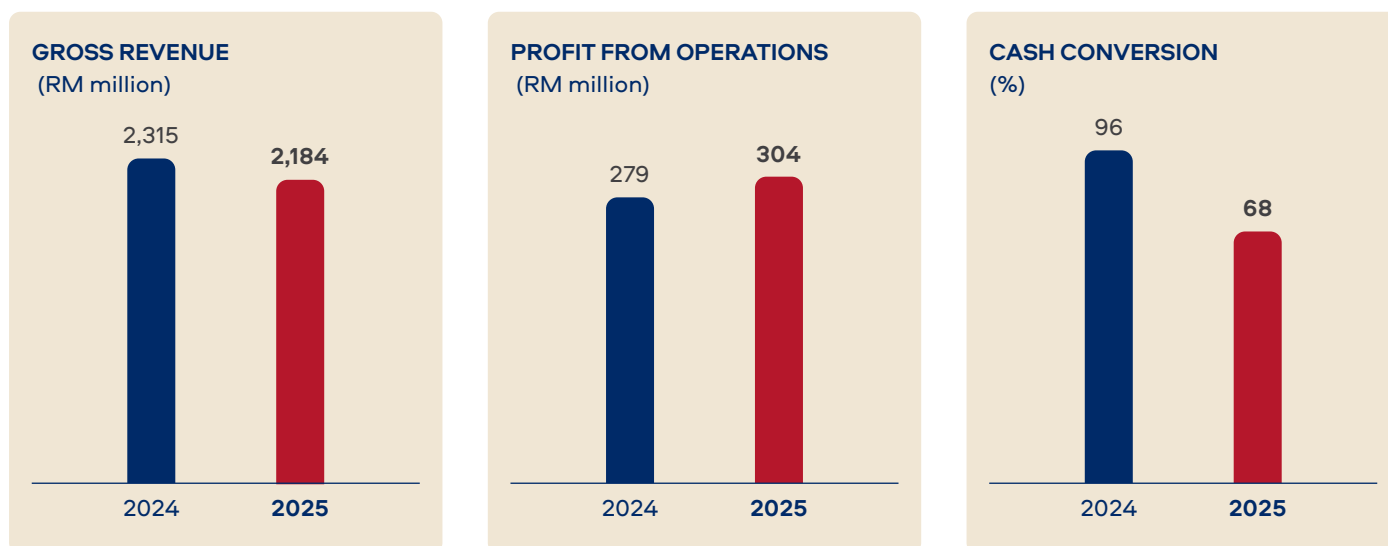
PROMOTION OF RISK AWARENESS

Risk communication is equally important and forms an integral part of the risk management activity as it focuses on the dissemination of risk information to appropriate levels of employees and stakeholders. Appropriate channels are available for employees to provide feedback on risk management issues and suggestions for improvement.

During the year, company-wide risk and control awareness communications were cascaded and department huddles were conducted regularly for all employees throughout the nation. The objectives of the communications and huddles were to raise risk and control awareness within BAT Malaysia and to drive compliance of controls and adherence to risk mitigation plans.

FINANCE

DIRECTOR'S REVIEW



REVENUE

In 2025, BAT Malaysia operated in a challenging environment marked by unprecedented regulatory developments, persistently high illicit incidence and continued affordability pressures. These factors collectively weighed on legal industry volumes, resulting in a decline of 5.50% in BAT Malaysia's total volume and a softer revenue performance for the year.

In addition, the evolving regulatory landscape led to BAT Malaysia's strategic decision to transition out its range of Vuse products in Q3 2025, allowing the business to sharpen its focus on strengthening its core combustible portfolio under the new requirements.

COST OF SALES

Cost of sales decreased by 7%, reflecting BAT Malaysia's continued focus on operational efficiency and disciplined cost management. Throughout 2025, BAT Malaysia leveraged on its established supply chain model to drive productivity improvements and optimise sourcing, manufacturing, and logistics expenses. These initiatives supported a more competitive product cost structure and helped mitigate the impact of lower volumes during the year.

OPERATING EXPENSES

Operating expenses decreased by 16% to RM225 million, reflecting BAT Malaysia's sustained focus on cost discipline and spend optimisation across the organisation. Despite inflationary pressures and additional regulatory implementation costs during the year, BAT Malaysia effectively managed its operating base through tighter cost controls, productivity improvements, and the streamlining of non-essential expenditure. These measures strengthened operational efficiency and supported its overall resilience in a challenging market environment. In addition, the reduction in Vuse-related costs following the product transition further contributed to the overall decline in operating costs.

PROFIT FROM OPERATIONS

Profit from operations increased by 9% to RM304 million, reflecting BAT Malaysia's ability to deliver resilient performance despite a softer top line. The improvement was supported by strengthened operational discipline and the cumulative impact of efficiency measures implemented throughout the year. These efforts enabled us to maintain robust profitability in the face of continued market and regulatory pressures.

FINANCE DIRECTOR'S REVIEW

TAXATION

BAT Malaysia recorded an effective tax rate of 26.20% for the financial year, slightly lower than the preceding year. This was mainly due to a reduction in non-deductible expenses during the year, resulting in a more favourable tax position overall. BAT Malaysia continues to comply fully with prevailing tax regulations and maintains a disciplined approach to tax governance, as evidenced by its recognition by IRB for voluntary participating in the Tax Corporate Governance (TCG) Programme, which underscores its commitment to transparency, strong internal controls, and responsible tax practices.

DIVIDENDS

Despite the challenging operating environment, BAT Malaysia remained committed to delivering strong shareholder returns. In 2025, BAT Malaysia declared four interim dividends totaling 63.50 sen per share, representing a 90% payout ratio for the year. This translated into a 11.60% dividend yield, based on the average share price for the year. BAT Malaysia continues to prioritise consistent and sustainable returns through disciplined capital management and robust cash generation.

DEBT, DEBT STRUCTURE, WORKING CAPITAL, AND LIQUIDITY

As at 31 December 2025, BAT Malaysia maintained a total debt facility of RM890 million across several licensed financial institutions in Malaysia. BAT Malaysia continued to utilise revolving credits and bank overdrafts to support short-term working capital needs. This flexible debt structure enabled BAT Malaysia to optimise borrowing levels, minimise financing costs, and maximise interest deductibility.

In addition, BAT Malaysia maintained a debt factoring facility to further strengthen liquidity and provide flexibility to accommodate increased working capital requirements. Cash conversion declined from 96% to 68%, primarily due to higher cash needs arising from regulatory changes.

At the end of 2025, BAT Malaysia held RM570 million in revolving credit and short-term loans, with tenures ranging from one month to three months, compared to RM558 million in 2024. In 2025, cash from operations declined by 22.30% (RM59 million) compared to 2024, primarily due to higher year-end sales demand.

| | 2025 (RM million) | 2024 (RM million) |
|--|----------------------|----------------------|
| Profit from Operations | 304 | 279 |
| Cash from Operations | 206 | 266 |
| Cash Conversion | 68% | 96% |
| (Decrease) / Increase in cash and cash equivalents | (2) | 8 |

TREASURY

BAT Malaysia's foreign currency exposure primarily stems from the purchase of finished goods. In accordance with BAT Malaysia's treasury policy, this exposure is minimised by hedging net positions for up to 18 months, in line with the hedging period allowed under the Foreign Exchange Control guidelines enforced by Bank Negara Malaysia. The permitted range for the hedge ratio within the 18 months of the transaction date is 0% to 95%. The hedging strategy aims to safeguard shareholder value by minimising the impact of foreign exchange fluctuations. This is achieved through a structured approach, where hedges are layered monthly within the limits established by Bank Negara Malaysia.

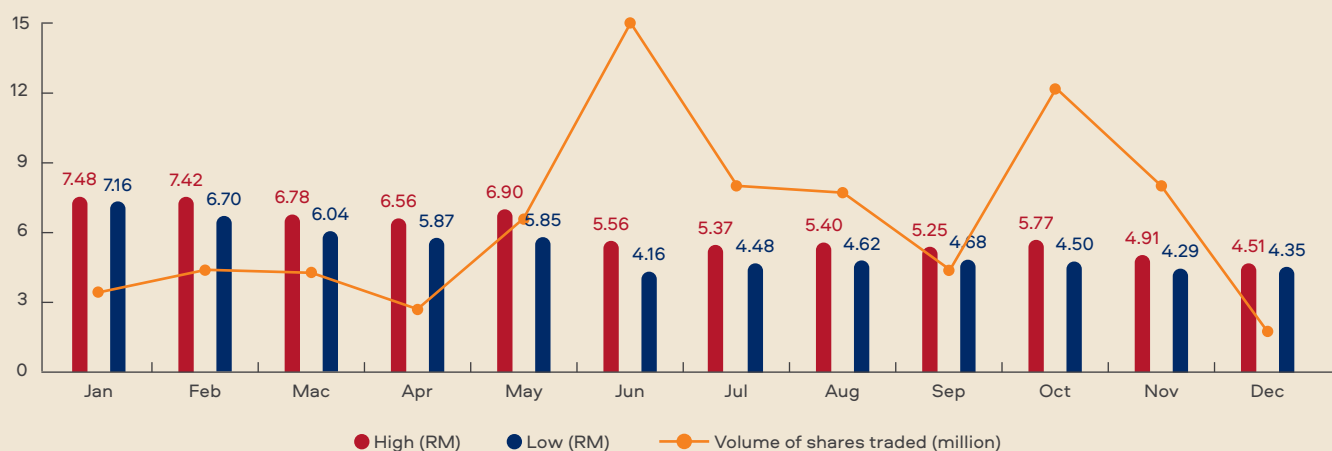
FINANCE

DIRECTOR'S REVIEW

SHAREHOLDERS' RETURN

BAT Malaysia's share price was primarily influenced by external factors, including the tobacco black market and the enforcement of Act 852. While the share price remained relatively stable in the first quarter of 2025, it declined in the second, third, and fourth quarters largely driven by the phased implementation of Act 852 with full compliance by retailers by 1 October 2025. BAT Malaysia's market capitalisation stood at RM1.3 billion in 2025, with an estimated annual dividend yield of 11.60%. BAT Malaysia continues to ensure the maximisation of shareholders' returns through its A Better Tomorrow™ strategy.

BAT MALAYSIA'S SHARE PERFORMANCE 2025



| Share Performance | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|-----------------------------|---------|--------|--------|--------|--------|--------|---------------|
| Net Dividends | 1.18 | 0.83 | 0.98 | 0.88 | 0.63 | 0.59 | 0.64 |
| Capital Gain/Loss | (21.00) | (1.00) | (0.10) | (2.76) | (1.93) | (1.83) | (3.17) |
| Annual Shareholders' Return | (19.82) | (0.17) | 0.88 | (1.88) | (1.30) | (1.24) | (2.53) |

OUTLOOK

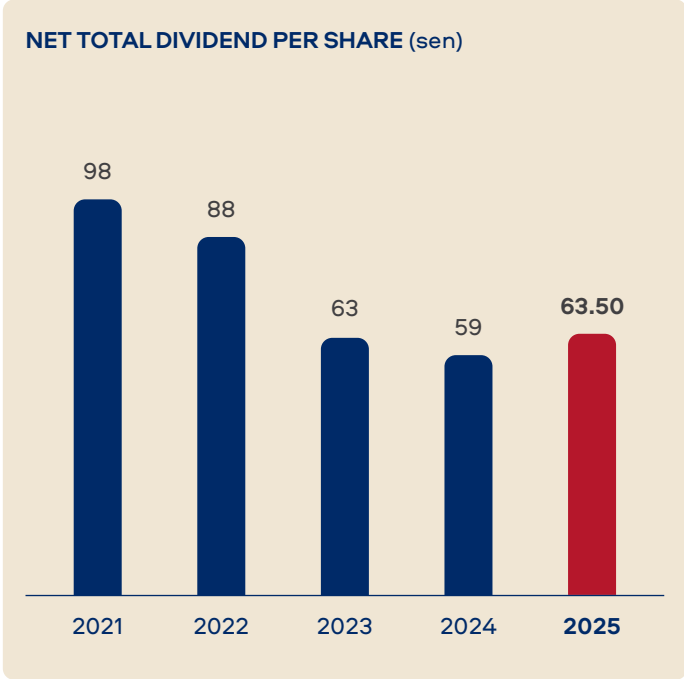
BAT Malaysia enters 2026 with strengthened fundamentals following a resilient FY2025 performance. BAT Malaysia remains focused on core combustible portfolio, maintaining strict operational discipline, and building on strategic actions completed in 2025, including the full transition out of Vuse and accelerated cost optimisation initiatives.

2026 will be a pivotal year as the phased implementation of Act 852, covering the RDB and PHW, together with the tobacco excise duty increase introduced in late 2025, move the Malaysian tobacco industry into a fully regulated dark market environment. Despite these challenges, BAT Malaysia is well positioned to navigate the evolving landscape by leveraging its extensive experience in highly regulated markets and its continued leadership in the premium segment through the Dunhill brand. BAT Malaysia remains committed to operational excellence, disciplined performance, and delivering sustainable long-term value to shareholders and stakeholders.

Illicit incidence has shown a declining trend, from 55% in 2024 to 54.40% in 2025. BAT Malaysia recognises the Government's ongoing efforts in combating illicit trade and encourages further strengthened enforcement in 2026 to support a more sustainable legal tobacco market.

FINANCE DIRECTOR'S REVIEW

FIVE-YEAR PERFORMANCE HISTORY



FINANCE DIRECTOR'S REVIEW

FIVE-YEAR PERFORMANCE HIGHLIGHTS

2021

This was the second consecutive year of the COVID-19 global pandemic. Despite this, BAT Malaysia produced stellar results, registering volume growth for the first time since 2002 and profit growth for the first time since 2015. Dunhill, our flagship brand, gained market share of 2.1 percentage points, while our KYO brand in the VFM segment continued to see encouraging response. During the year, we expanded its range with the launch of KYO Switch and KYO Full Flavour. As a whole, the KYO brand established itself as the fastest-growing modern consideration offer. Altogether, BAT Malaysia's total market share grew to 52.40%, an increase of 0.80% from 2020. It was also encouraging to note that the illicit incidence decreased to 57.30% from 63.80% in 2020. Lastly, we welcomed the Budget 2022 announcement that the Malaysian Government intended to legalise the sale of nicotine vapour products, which would help push forward our own aspirations to reduce the health impact of our business.

2022

2022 saw Malaysia easing out of the COVID-19 global pandemic as the economy showed signs of gradual recovery. Businesses continued to find their footing in the post-pandemic high-inflationary environment while adjusting to the shifts in consumption patterns. In tandem with the market's downtrading trend, BAT Malaysia's VFM brands – KYO and Rothmans – captured an additional 1% market share. Although the legal tobacco industry's premium segment declined by 1% during the year, Dunhill continued to cement its strong foothold in the premium segment as the brand secured growth of 1.10% share of segment. BAT Malaysia's market share contracted by 0.80% when compared to last year following a strategic exercise to delist the Pall Mall and Kent brands in the second quarter of this year as part of the portfolio simplification. This allowed BAT Malaysia to intensify its focus on business portfolio expansion of reduced-risk[†] products with the launch of glo™ in the first quarter of 2023. We are also encouraged by the decline of the illicit cigarettes incidence from 57.30% in 2021 to 56.60% in the current year. BAT Malaysia is in full support of the Malaysian Government's stance to reduce the illicit incidence and urges the Government to consider science and evidence-based regulations to legalise the vapour market.

2023

The legal cigarette industry was impacted by external pressures affecting consumption. The tobacco black market incidence remained high at 55.60% and the legal market experienced downtrading alongside lower consumption as the trend of consumers opting for lower risk products continued. Within this environment, Dunhill remained resilient. BAT Malaysia launched Luckies during the year to better compete in the VFM segment. Upon the legalisation of vapour products earlier this year, BAT Malaysia was swift to expand into this segment of nicotine consumers by launching Vuse. This inaugural moment for BAT Malaysia presented far-reaching opportunities for BAT Malaysia as we transformed into a multicategory business. During the second half of the year, multiple formats of Vuse were introduced in order to cater to the varying tastes and needs of vapour consumers. We were encouraged by the initial performance and continued to invest to grow Vuse. BAT Malaysia continued to urge the Government to implement science-based regulations to regulate the vapour market.

* 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.

FINANCE DIRECTOR'S REVIEW

2024

The legal combustible industry experienced a 2% decline in volume for the year as compared to the previous year despite the decrease of illicit incidence by 0.60%, from 55.60% to 55% in the current year. Combustible products continued to face challenges as consumer preference shifted to reduced-risk*† products. In addition, inflationary pressures had driven consumers to downtrade or consume alternative nicotine products such as vapour. Within this environment, in carving a pathway for VFM leadership, a Rothmans pack upgrade campaign was launched, aimed at reinforcing its premium perception and increase its competitiveness within the VFM segment. In solidifying its leadership in the premium segment, BAT Malaysia kicked off the Dunhill 60th year celebration with vibrant nationwide in-store branding that emphasised on the brand's premium and prestigious cues and reinforce its smooth and great taste credentials that have helped it to maintain its leadership position over the years. Regulations from Act 852 was gazetted in October 2024 and took effect in phases over the course of the year in 2025. BAT Malaysia was fully prepared to navigate these changes effectively.

2025

The year marked significant regulatory and fiscal developments, with the PHW and RDB implemented in October 2025, followed by the tobacco excise duty increase in November 2025. In parallel, BAT Malaysia made a decisive strategic move to transition out its range of Vuse products from the market due to nicotine-content limit restrictions. This enabled a sharper commercial focus on the core combustible portfolio and aligned BAT Malaysia's portfolio strategy with regulatory expectations. In addition, the legal combustible segment continued to face volume pressure in 2025 despite a slight improvement in illicit incidence from 55% to 54.40%. Consumer behaviour remained challenged by inflationary pressures, ongoing downtrading, and a shift toward reduced-risk†† alternatives. Amid these conditions, BAT Malaysia reinforced its market position by building stronger brand equity for Rothmans in the VFM segment and strengthening Dunhill's leadership in the premium segment, supported by its 60 years of heritage in Malaysia. As these developments continue to shape legal market dynamics into 2026, BAT Malaysia remains well positioned to navigate the evolving environment through disciplined execution, strong brand leadership, and unwavering commitment to long-term value creation.

* 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.