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**NEDAL LOUAY
SALEM**
(MANAGING
DIRECTOR)

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**TAN SRI DATO'
SERI DR. ASEH
BIN HAJI CHE MAT**
(CHAIRMAN)

JOINT MESSAGE FROM OUR CHAIRMAN AND OUR MANAGING DIRECTOR



JOINT MESSAGE FROM OUR CHAIRMAN AND OUR MANAGING DIRECTOR

Revenue
RM2,311
Million

Shareholders' Fund
RM378
Million

Profit Before Tax
RM256
Million

Dear Shareholders,

“ On behalf of the Board of Directors, we are pleased to present BAT Malaysia’s Annual Report and Financial Statements for the financial year ended 31 December 2023. ”

2023 has been extremely challenging for BAT Malaysia Group on the back of strong economic headwinds and continued inflationary pressures that reduced the disposable income of consumers. This in turn forced consumers to downtrade or choose alternative nicotine products such as vapour.

As a result, BAT Malaysia’s revenue declined by 11% to RM2,311 million due to lower industry volume in the combustible space driven by the increase in vapour usage as well as the persistent tobacco black market. Following legalisation of vapour in April 2023, the group expanded its business into the vapour category in 2023 and sizeable investments were incurred to build brand visibility and credentials which resulted in a decrease in net profit of 26% to RM195 million.

Despite this, the Board of Directors maintained a dividend payout ratio of 92% this year as we upheld our commitment to deliver value to our stakeholders.

We remain steadfast in executing our strategy, in line with our purpose of building A Better Tomorrow™. We are transforming BAT Malaysia into a high-growth, multicategory consumer goods Company spearheaded by winning brands and multi-talented people.

In line with this, BAT Malaysia has refined its portfolio by defining the right mix of the right channels to capture the sizeable opportunity in the market, particularly with reduced-risk[†] products that continue

supplementing value actualized from the main business of combustible tobacco brands. This is reflected by capital reinvestment into the vapour category, with the launch of Vuse GO 1500 in July 2023, Vuse GO 3000 in October and Vuse GO 5000 by the end of 2023. In the Tobacco Heating Product category, glo™, was launched in early 2023.

BAT Malaysia supports sensible and evidence-based regulations that can be enforced effectively to deliver its intended objectives without fuelling the growth of the tobacco black market nor creating a black market for vapour. The passing of the Control of Smoking Products For Public Health Act 2023 is a step in the right direction to enable sustainable regulatory framework for reduced-risk[†] products.

We remain committed to working with policymakers in the fight against the tobacco black market, currently still at 55.6%. This issue is detrimental not only to public health but also has a significant adverse impact on the country’s economy – the tobacco black market results in an annual loss of RM5 billion for Malaysia due to uncollected taxes. Therefore, we laud the recent control measures announced by the Government of Malaysia in Budget 2024 to reduce smuggling activities and are heartened by the Government’s proactive measures to regulate vapour products.

As part and parcel of building A Better Tomorrow™, our emphasis on equitable and inclusive practices sustained the 4-star rating BAT Malaysia received on Bursa

Malaysia FTSE Russell’s Environmental, Social and Governance (ESG) index. Meanwhile, the flagship community project Beyond Benih, which encompasses food security and poverty alleviation through the empowerment of the Bottom 40 (B40) income-level communities to be self-sufficient by planting cash crops in community gardens has seen significant growth.

During the year under review, the first two pilot community gardens benefitted approximately 14,000 beneficiaries through the planting of cash crops and its downstream generation of funds from direct and value-added products. Given the success of the pilot, BAT Malaysia has increased its commitment with another ten community gardens in 2023, poised to benefit approximately 100,000 additional beneficiaries. In the upcoming year, we look forward to a significant increase in creating and sharing value with members of these communities.

Last but not least, we take this opportunity to express our gratitude to the dedicated team at BAT Malaysia for consistently upholding our culture. We eagerly anticipate fulfilling our promise to deliver sustainable value to all our stakeholders.

Tan Sri Dato’ Seri Dr. Aseh bin Haji Che Mat
(Chairman)

Nedal Louay Salem
(Managing Director)

* 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.