

Management Discussion & Analysis

BAT Malaysia will continue growing its revenue through combustibles. This will enable us to allocate sufficient investments to develop New Category products that will fulfil our aim of providing greater choice and reduced-risk*† products to our consumers.

- 28** Our Strategic Navigator
- Quality Growth
 - Sustainable Future
 - Dynamic Business

35 Key Relationships

37 Material Matters

39 The Risks We Consider

40 Finance Director's Review

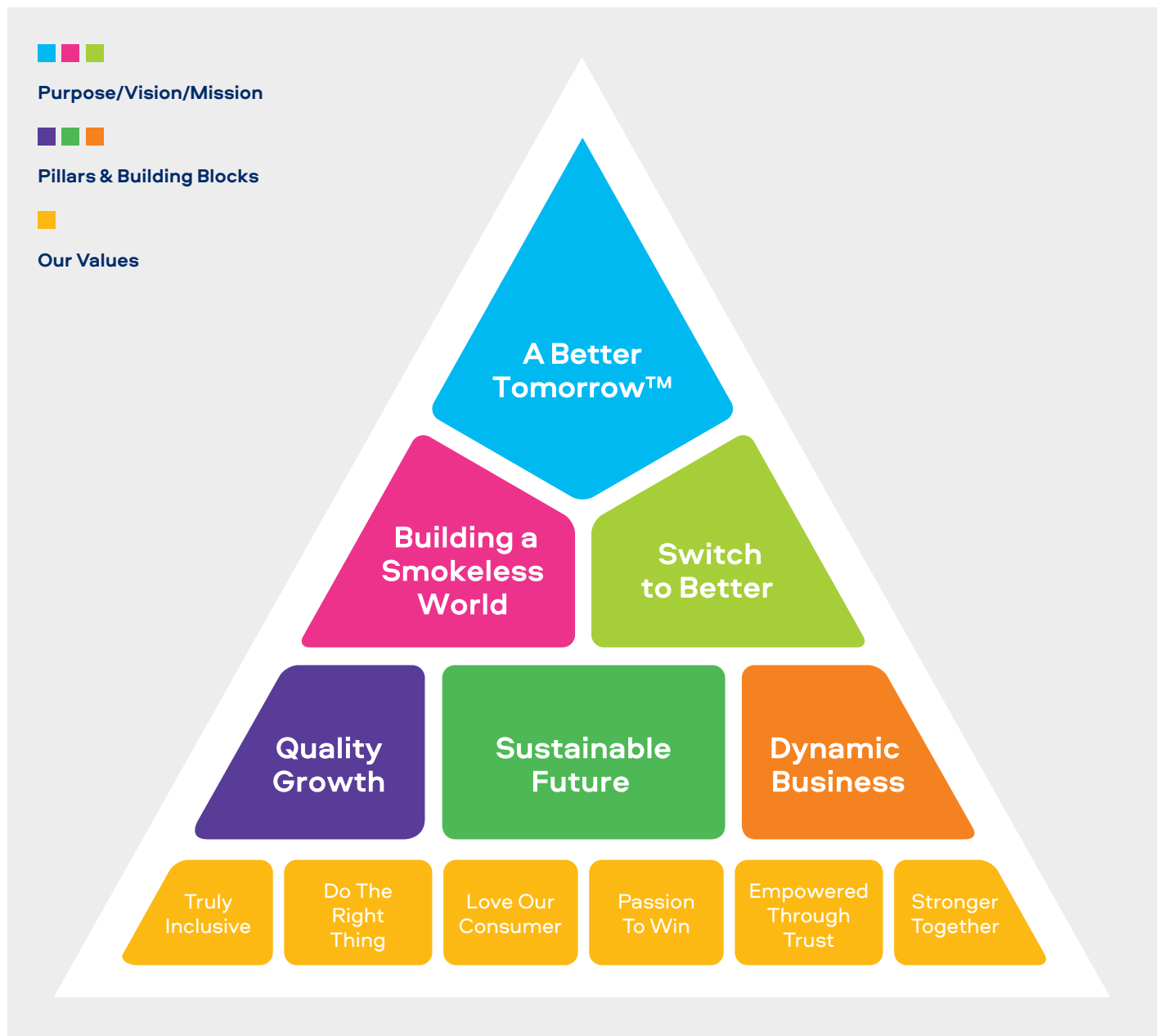
* *Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk-free and are addictive.*

† *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.*



SEC. 04

Our Strategic Navigator



A Better Tomorrow™

– Building a Smokeless World

To deliver on 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 enable this, BAT Group has refined its strategy to ensure clear lines of sight across the entire organisation.

Built around the three pillars of **Quality Growth**, **Sustainable Future** and **Dynamic Business**, the Strategic Navigator outlines the priority building blocks that support the achievement of BAT Group's ambition to Build a Smokeless World. Through these priorities, the BAT Group will deliver the strategic outcomes against which our performance will be measured. BAT Malaysia aims to contribute to the BAT Group's vision of creating A Better Tomorrow™ by Building A Smokeless World.

Quality Growth

We are committed to maximising the value of our combustibles portfolio while accelerating growth in New Categories. This aligns with evolving consumer preferences for nicotine products.

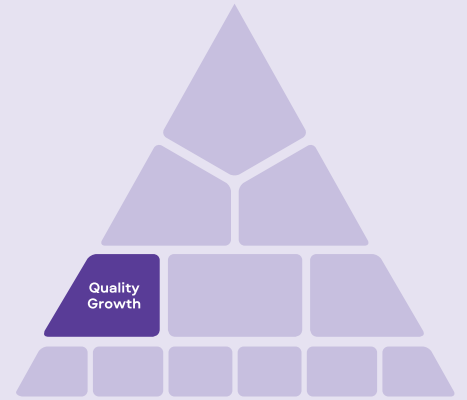
Our combustibles business remains essential to the business in delivering shareholder value.

We will drive long-term, sustainable growth by developing our winning global brands to meet the evolving needs of adult nicotine consumers.

Our commitments under Quality Growth:

Driving Value from Combustibles

Continuously Driving Growth Potential in New Categories



DRIVING VALUE FROM COMBUSTIBLES

In 2024, our combustible business continued to defend its market leadership despite industry challenges such as increased downtrading and rising consumer interest in the vapour category.

The price increase we initiated in Q3 2023 was aimed at ensuring a sustainable business model that not only drives our business objectives but also fends off the challenges posed by the rising costs of doing business. In the wake of this, our 2024 portfolio strategy was designed to revive momentum in our key brands in order to bolster their performance and resilience with consumers in the long-run.

Despite facing segment challenges, our premium and aspirational premium portfolio continues to perform well. Our VFM brands, Luckies and Rothmans, are capitalising on market trends with a proposition that aligns with consumers' evolving needs.

We are confident that our careful stewardship of our established combustible brands will enable them to maintain sustainable value growth.

DUNHILL

Rothmans

Peter
Stuyvesant

Luckies

Quality Growth

» EXTENDING PREMIUM SEGMENT LEADERSHIP

Dunhill maintained its position as the No. 1 cigarette brand in Malaysia (*Source: IPSOS Retail Audit*) and continues to lead in the premium segment. In spite of a price increase across the brand's range in Q3 2023, its market share has seen a substantial recovery after an initial dip, with its Q4 share levelling back to pre-increase performance levels. This substantial market share recovery following the price increase equates to a higher volume contribution, driving positive value growth for the organisation – an encouraging trend for our future outlook.

During the year, Dunhill held an equity campaign that celebrated its integral role in Malaysia's history. The brand has been a major part of festive celebrations that symbolise joy, tradition and togetherness. Furthering this legacy, Dunhill will celebrate its 60th anniversary in 2025 – commemorating six decades of excellence, heritage and market leadership.

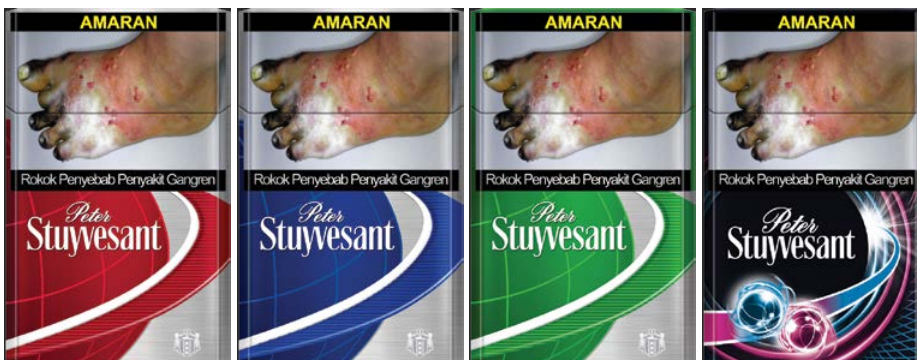
DUNHILL



» RESILIENCE IN THE ASPIRATIONAL PREMIUM SEGMENT

The Peter Stuyvesant brand maintained stable share performance despite being in a declining segment. The implementation of a price increase of RM0.30 in Q3 2023 caused only a minor share dip, highlighting the brand's resilience and strong consumer loyalty.

Peter Stuyvesant



» CONTINUOUS GROWTH IN THE VFM SEGMENT

Rothmans had a significant year, updating its packaging to exemplify its aspirational and international appeal as the 3rd largest brand in Malaysia. Despite a price disparity compared to other options, the brand continues to drive growth by building strong consumer loyalty and equity.

In Q3 2024, Rothmans introduced a pack upgrade, while Luckies launched a pack with an innovative tipping design, offering customers a unique experience that enhances brand love. Combined with its smoother menthol flavour and vibrant contemporary design, this feature sets the brand apart from its competitors and reinforces its strong position in the VFM segment.

Rothmans

Luckies



Quality Growth

CONTINUOUSLY DRIVING GROWTH POTENTIAL IN NEW CATEGORIES

Following the successful launch of Vuse in July 2023 with a range of disposable vape products catered to the needs of adult nicotine users, the brand has seen encouraging growth momentum in the vapour segment. With the help of engaging consumer-focused activations in the online and offline space along with impactful retail execution excellence, Vuse is currently the No. 1 vapour brand⁸ in measurable retail with a 40% value share within the disposable segment.⁹



To continue driving brand excitement by offering more flavour options to consumers, Vuse then launched two limited edition flavours in January 2024 as part of a flavour expansion offering.

To solidify our brand presence in the market, Vuse expanded into the rechargeable closed system vapour format with the launch of the Vuse Go Reload device and Vuse pods in July 2024. Vuse Go Reload is a rechargeable and reusable device with an ergonomic design that is exclusively compatible with Vuse pods, delivering value and taste satisfaction. It comes in six stylish colours with a device-lock feature that enables consumers to safely secure the device when not in use. In addition, a range of nine Vuse pod flavours were launched in a two-pod pack, featuring FEELM Max heating technology and delivering up to 1,000 puffs¹⁰ per pod. Moreover, three ready-to-vape starter kits containing one Vuse Go Reload and one Vuse pod each were launched in limited quantities to drive initial trial and acquisition.



In 2024, we also expanded the distribution of Vuse across multiple retail channels to ensure ease of availability for consumers. The brand is currently distributed by more than 4,000 major stores and vape specialists nationwide.

⁸ Based on Vuse estimated value share of vapour pods and pre-filled devices from Recommended Retail Price in total measured retail in key vapour markets: USA, Canada, France, UK, Germany, Poland and Spain as of May 2024.

⁹ Share of market within measurable retail: 24X, Bila2, Happy Mart, MyNews, Shell & 7E.

¹⁰ Based on laboratory testing of newly manufactured pods in a Vuse Go Reload 1000 (including recharging) at a puff duration of one second and may vary depending on individual's usage behaviour.

Sustainable Future

Building a Sustainable Future is about seeking to actively encourage adult smokers, who would otherwise continue to smoke, to completely switch to scientifically substantiated reduced-risk[†] alternatives.

Science will be a primary driver of our efforts, supported by active external engagement and regulatory focus, while embedding sustainability across our organisation.

Our commitments under Sustainable Future:

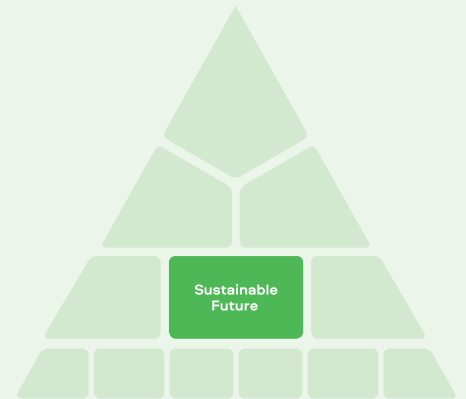
Tobacco Harm Reduction

Please refer to pages 46 to 47 of this annual report.

Shaping the Landscape

Leading with Sustainability and Integrity

Please refer to pages 94 to 99 of this annual report.



SHAPING THE LANDSCAPE

Regulatory Development

We recognise and support the Malaysian Government's objectives to reduce smoking rates, as well as the crucial role regulations play in achieving these goals.

We have been consistently clear in our support for regulations that are based on robust evidence to effectively achieve intended policy outcomes and avoid unintended consequences such as the growth of illegal markets.

In line with this, we have provided our views to the authorities via consultation sessions held by the government during the drafting of Act 852 and its regulations, which have been gazetted to take effect starting 1 October 2024 through a phased implementation.

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

1. A prohibition on advertising, promotion and sponsorship for tobacco and vapour products;
2. Requirement for products to be registered with the Ministry of Health by 1 April 2025;
3. New packaging and labelling requirements by 1 October 2025.

The Tobacco Black Market

In 2024, the tobacco black market stabilised at around 55% due to increased efforts by the government and law enforcement agencies to address this critical issue. Despite these efforts, macroeconomic factors such as reduced disposable incomes and inflationary pressures have continued to push tobacco consumers toward cheaper, unregulated illicit products, which remain accessible at retail outlets nationwide.

In order to ensure a level playing field, it is essential that all products in the market comply with the regulations and that strict enforcement is upheld by the relevant ministries and government departments, particularly the Ministry of Health, Ministry of Domestic Trade and Cost of Living and Royal Malaysian Customs Department.

* 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.

Dynamic Business

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

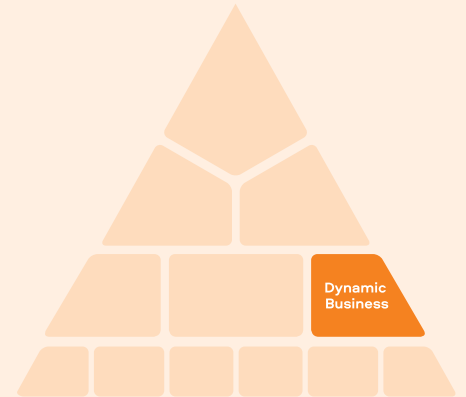
This will ensure that we deliver financial flexibility to invest in our business, people and products to win in a fast-changing environment and deliver superior returns to our investors.

Our commitments under Dynamic Business:

People, Diversity and Culture

Please refer to pages 64 to 77 of this annual report.

Operational Excellence



OPERATIONAL EXCELLENCE

» OPTIMISING SHIPMENT MOVEMENTS FOR EFFICIENCY AND SUSTAINABILITY

We have strategically reduced and optimised our shipments to North, South and East Malaysia by adopting a bi-weekly schedule. This initiative enhances operational efficiency and significantly reduces carbon emissions. By consolidating shipments and optimising our routes, we minimise the environmental impact of our logistics operations even as we maintain high service standards.

This optimisation was accomplished through careful planning and coordination to ensure that shipments are grouped together efficiently, reducing the number of trips required. As a result, we not only reduced fuel consumption but also decreased the wear and tear on our transportation fleet, leading to lower maintenance costs and extended vehicle lifespans. Additionally, fewer trips lead to reduced traffic congestion and lower emissions, contributing to cleaner air and a healthier environment.

Through these efforts, we are not only enhancing operational efficiency but paving the way for a more sustainable future.

» REDUCING PLASTIC WASTE IN SHIPMENTS

We are dedicated to reducing plastic waste across our operations. As part of this commitment, we have initiated the removal of plastics in inbound shipments. By collaborating with our sister companies and suppliers, we have identified and implemented alternative packaging materials that are more sustainable and environmentally friendly. This initiative not only reduces the generation of plastic waste but also aligns with our overarching sustainability objectives.

» EXPERIMENTING WITH PLASTIC WRAP FOR PALLETS

In addition to removing inbound plastic, we are conducting a series of experiments to optimise the use of plastic wrap for pallets. Our goal is to reduce the amount of plastic used without compromising the safety and stability of our shipments.

These experiments involve testing various types of plastic wraps, wrapping techniques and alternative materials. By analysing the results, we aim to implement best practices that will minimise plastic usage while maintaining the integrity of our products through transit and storage.

Key Relationships

Our stakeholders are strategically important to our business and understanding their needs and priorities is essential to delivering sustainable, long-term value.

Our key stakeholders include regulators, consumers, employees, investors, business partners, the media, Non-Governmental Organisations (NGOs), and community members. We engage with them regularly through various well-established platforms. To further enhance these efforts, we conducted a MA in 2023 to identify factors that impact our ability to deliver sustainable value to all stakeholders.

The MA enabled us to pinpoint the material matters outlined on page 37 of this report, which shape and guide our sustainability strategy.

STAKEHOLDER ENGAGEMENT

Stakeholders	Engagement Platforms	Issues	How We Addressed the Issues
Regulators	<ul style="list-style-type: none"> Public consultations and regular meetings 	<ul style="list-style-type: none"> The tobacco black market Tobacco Harm Reduction and New Category products Tobacco control regulations Embedding sustainability into business strategy and operations 	<ul style="list-style-type: none"> Two-way dialogue and shared information about the tobacco black market and its impacts, Tobacco Harm Reduction and New Category products Two-way industry led dialogue on tobacco control regulations Sustainability performance disclosed as part of Annual Report
Consumers	<ul style="list-style-type: none"> Customer service hotline Corporate emails Corporate website Company press releases 	<ul style="list-style-type: none"> Product information Tobacco black market Smokeless products 	<ul style="list-style-type: none"> Dedicated call centre to identify and address consumer concerns and provide essential information to keep consumers informed Awareness through press releases of quarterly financial performance
Employees	<ul style="list-style-type: none"> Bi-annual 'Your Voice' employee engagement survey Quarterly town hall sessions Annual corporate line-of-sight session 'Speak Up' channel Annual employee engagement events 	<ul style="list-style-type: none"> Career progression and development Fair compensation Rewards mechanisms Diversity and inclusivity Physical and mental wellness Grievances, discrimination and fair treatment Managing sustainability across operations and performance 	<ul style="list-style-type: none"> Feedback from 'Your Voice' survey incorporated into the talent strategy Progress review and development discussions with line managers Coaching and mentoring sessions Safety training and awareness through Safety Days and regular information sharing Employee wellness sessions All grievances reported via the 'Speak Up' channel and other means are investigated to ensure a closure and outcomes communicated to relevant parties Various employee engagement platforms to engage with all employees Conducted employee volunteer activity under Beyond Benih Sustainability performance disclosed as part of quarterly town hall sessions, annual line of sight and Annual Report

Key Relationships

Stakeholders	Engagement Platforms	Issues	How We Addressed the Issues
Investors and Analysts	<ul style="list-style-type: none"> • Annual General Meeting (AGM) • Annual Report • Regular analyst briefings • Corporate website • Company press releases 	<ul style="list-style-type: none"> • Corporate strategy and financial performance • Corporate governance and compliance • Tobacco black market • New Category products • Managing sustainability risks and identifying opportunities • Sustainability performance 	<ul style="list-style-type: none"> • Briefings and engagement throughout the year for analysts and investors to discuss business performance, strategies and related issues • Sustainability performance disclosed as part of Annual Report
Media	<ul style="list-style-type: none"> • Press conferences • Media interviews and events • Formal and informal briefings 	<ul style="list-style-type: none"> • Corporate strategy • Financial performance • Products and services • Tobacco black market • New Category products 	<ul style="list-style-type: none"> • Media engagements to provide updates on business performance, strategies, products and how we are creating value in communities
Business Partners	<ul style="list-style-type: none"> • Meetings with business partners 	<ul style="list-style-type: none"> • Ensuring that our business partners stay updated on and comply with the latest regulations and standards • Embedding sustainability into operations 	<ul style="list-style-type: none"> • Briefings, information-sharing sessions and training with our business partners to ensure their compliance with regulations and standards • Sustainability performance disclosed as part of Annual Report
Communities and NGOs	<ul style="list-style-type: none"> • Meetings with resident associations (RAs) of the communities supported through Beyond Benih • Company press releases • Corporate website 	<ul style="list-style-type: none"> • Empowering low-income communities • Upholding Environmental, Health and Safety (EHS) best practices • Sustainability performance 	<ul style="list-style-type: none"> • Expanded the Beyond Benih community investment programme to 22 farm gardens covering 8 states supporting B40 communities • Monitoring and tracking environmental performance and ensuring compliance with applicable environmental and health and safety regulations • Survey conducted to understand how Beyond Benih is impacting B40 communities and collect feedback on how the programme can further enhance its benefits to the community • Sustainability performance disclosed as part of Annual Report

Material Matters

HOW WE ASSESS MATERIALITY

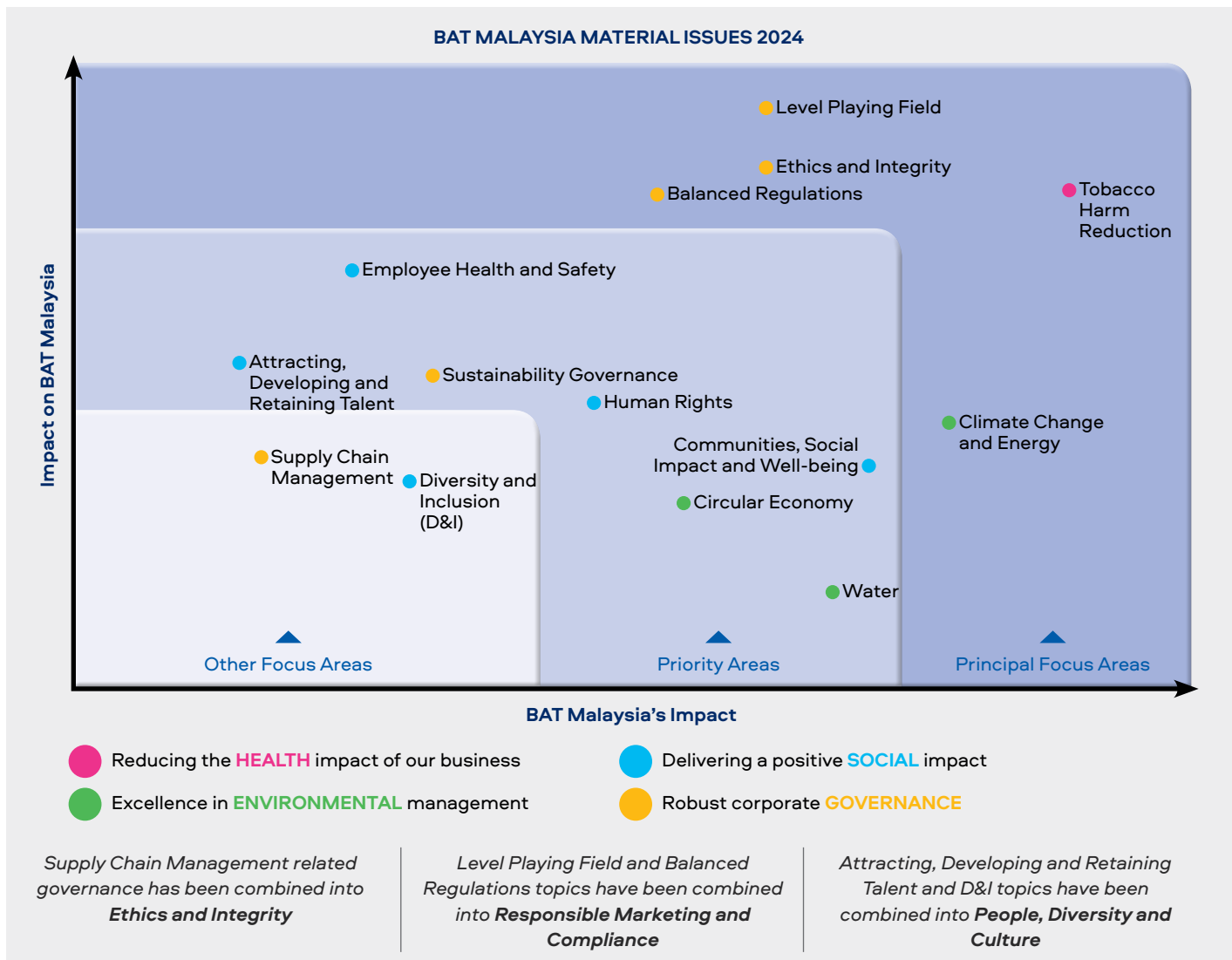
Identifying material topics is a vital aspect of our approach to sustainability, as it enables us to define and understand our sustainability priorities.

The material topics published in this annual report were determined following the MA conducted in 2023. This comprehensive materiality exercise involved our key internal and external stakeholders, including our employees, Board members, suppliers and service providers, community members, and policymakers. The MA also considered the BAT Group’s material topics. The assessment was guided by the AA1000 Accountability Principles and was conducted by an independent third party consultant.

Based on the assessment's findings, we identified 14 material topics relevant to our business operations and activities. These topics were then incorporated into our sustainability strategy, informing our focus areas for 2024 and beyond. The materiality matrix below visually represents the relative importance of the identified topics.

We plan to conduct our next MA in 2025 as we review and realign our strategy to BAT Group’s revised Sustainability strategy and prepare for the adoption of Malaysia’s new National Sustainability Reporting Framework (NSRF).

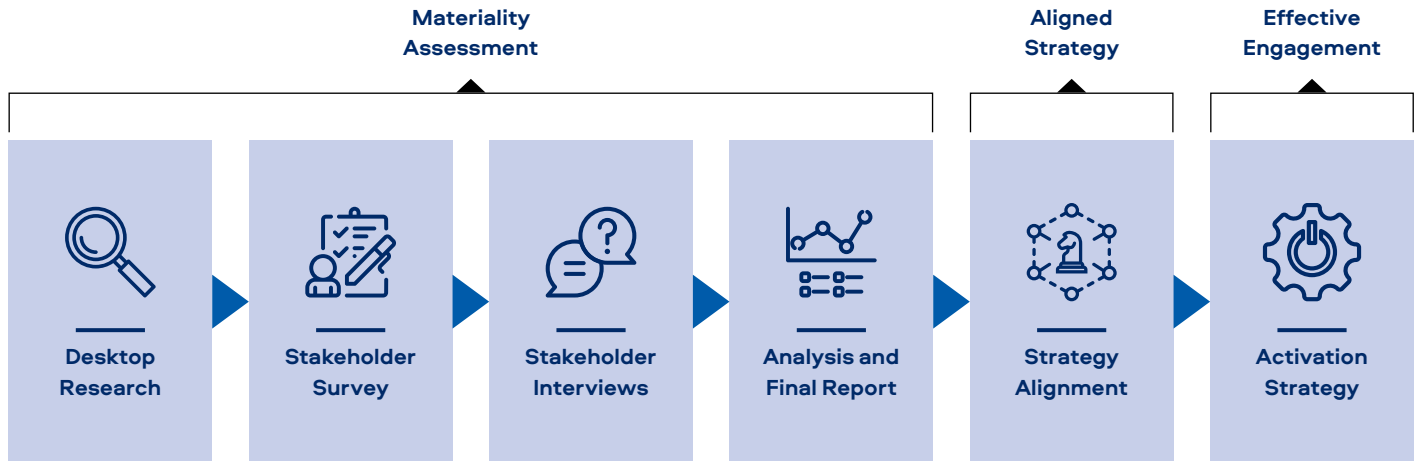
BAT MALAYSIA’S MATERIAL TOPICS



Material Matters

METHODOLOGY

Our methodology includes:



In 2023, we initiated the MA with a comprehensive desktop research exercise to analyse our sustainability and stakeholder landscape. This process incorporated insights from available content, including a high-level review of up to seven peer companies, key sustainability indices, benchmarks and relevant Malaysian regulations. The research identified 643 potential issues, which were then categorised under broader headings narrowing the list to 130 sustainability issues. These were further distilled into 14 material topics, presented in this report.

To validate and refine these topics, we conducted a digital survey to gauge their relevance to various internal and external stakeholder groups. This was followed by in-depth interviews with selected key internal and external stakeholders to understand their priorities and the sustainability issues they considered material. The findings from these engagements informed the creation of our new materiality matrix, which is presented on page 37 of this report. Further, we conducted a review of our sustainability strategy to evaluate its level of alignment with our stakeholders' priorities and concerns and revised our strategy and focus areas accordingly.

The initial materiality matrix developed following the MA and updated strategy were subsequently evaluated during a cross-functional leadership workshop where further recommendations were solicited to enhance internal alignment with business priorities.

The findings and key recommendations from the MA have shaped our sustainability strategy, reporting approach, stakeholder engagement efforts, and communications strategy.

The Risks We Consider

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



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

2024 RISK MANAGEMENT ACTIVITIES

» REVIEW OF BAT MALAYSIA GROUP'S RISKS

The Risk Management Team reviewed and assessed BAT Malaysia Group's risks formally twice during the year, in January and July 2024.

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 Group to the Leadership Team.

On a quarterly basis, the Risk Management Committee (RMC) was briefed by the CRO on BAT Malaysia Group's Enterprise Risk Management Programme. The briefing included updates on the key risks of BAT Malaysia Group, 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.

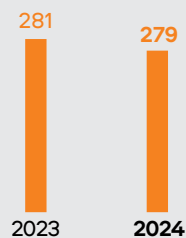
During the year, company-wide risk and control awareness communications were cascaded and department huddles conducted regularly for all employees throughout the nation. The objectives of the communications and huddles were to raise risk and control awareness within BAT Malaysia Group and to drive compliance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

Finance Director's Review

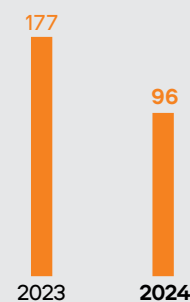
GROSS REVENUE (RM million)



PROFIT FROM OPERATIONS (RM million)



CASH CONVERSION (%)



REVENUE

BAT Malaysia Group once again faced a challenging operating environment in 2024. The tobacco black market incidence remained persistently high, despite a modest 0.6% reduction. Additionally, inflationary pressures drove consumers to downtrade or switch to alternative nicotine products. Competition within the legal cigarette industry also intensified, particularly within the VFM segment.

Total revenue increased by 0.2% compared to 2023 mainly driven by volume increase. This is largely driven by the product portfolio strategy in place. The gross profit margin declined by 1.2% from 24.6% (RM568 million) in 2023 to 23.4% (RM541 million in 2024) largely due to lower margins from vapour products.

COST OF SALES

BAT Malaysia Group's cost of sales increased by 1.8% (RM31 million), in line with inflation and the higher sales of combustibles. Leveraging on its robust supply chain model, the Group continued to drive cost optimisation initiatives across the value chain to deliver a competitive product cost.

OPERATING EXPENSES

Amidst heightened inflationary pressures in 2024, BAT Malaysia Group succeeded in decreasing operating expenses by 7.6% (RM22 million) to RM266 million, mainly driven by the Group's continued efforts to actively manage and optimise expenses across our operations.

PROFIT FROM OPERATIONS

Profit from operations experienced a decline of 0.8% to RM279 million compared to the prior year, mainly impacted by lower margins associated with vapour products and the downtrading trend within the combustible industry.

TAXATION

The average effective tax rate of BAT Malaysia Group for the financial year ended 31 December 2024 was 27.2%. The increase in the average effective tax rate compared to 2023 was mainly attributed to non-deductible expenses.

DIVIDENDS

In spite of the industry wide challenges, BAT Malaysia Group remained committed to maintaining a dividend payout above 90% of its earnings. In 2024, BAT Malaysia Group declared four quarterly interim dividends totalling 59 sen per share, representing a 92% payout of total and a dividend yield of 7.9% based on the average share price in 2024.

Finance Director's Review

DEBT, DEBT STRUCTURE, WORKING CAPITAL AND LIQUIDITY

As at 31 December 2024, BAT Malaysia Group maintained a total debt facility of RM850 million across several licensed financial institutions in Malaysia. The Group continued to utilise revolving credits and bank overdrafts to support short-term working capital requirements. This flexible debt structure enabled BAT Malaysia Group to borrow at optimum levels, thereby minimising financing costs while enhancing interest deductibility. Additionally, BAT Malaysia Group maintained a debt factoring facility to further strengthen its working capital, providing greater flexibility to accommodate increased working capital requirements.

At the end of 2024, BAT Malaysia Group held RM558 million in revolving credit and short-term loans, with tenures ranging from one month to three months, compared to RM543 million in 2023. In 2024, cash from operations declined by 46.3% (RM230 million) compared to 2023, primarily due to higher year-end sales demand.

	2024 RM million	2023 RM million
Profit from Operations	279	281
Cash from Operations	266	496
Cash Conversion	96%	177%
Increase in cash and cash equivalents	8	11

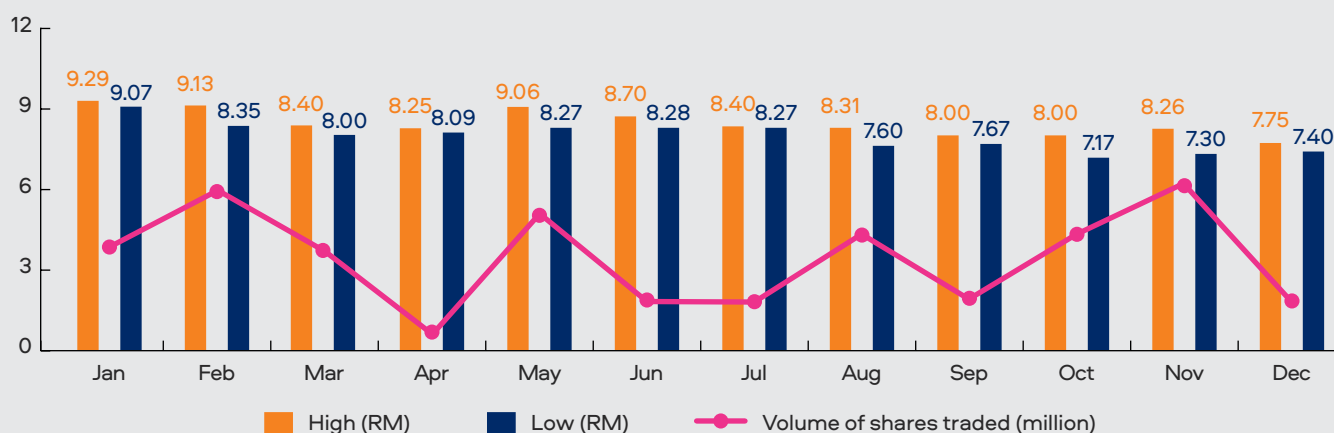
TREASURY

BAT Malaysia Group's foreign currency exposure primarily stems from the purchase of finished goods. In accordance with the Group'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.

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 half of 2024, it declined in the third and fourth quarters following the gazette of Act 852 in October 2024. The Group's market capitalisation stood at RM2.1 billion in 2024, with an estimated annual dividend yield of 7.9%. BAT Malaysia Group continues to ensure the maximisation of shareholders' returns through its A Better Tomorrow™ strategy.

BAT MALAYSIA'S SHARE PERFORMANCE 2024



Finance Director's Review

Share Performance	2018	2019	2020	2021	2022	2023	2024
Net Dividends	1.55	1.18	0.83	0.98	0.88	0.63	0.59
Capital Gain/Loss	(3.92)	(21.00)	(1.00)	(0.10)	(2.76)	(1.93)	(1.83)
Annual Shareholders' Return	(2.37)	(19.82)	(0.17)	0.88	(1.88)	(1.30)	(1.24)

OUTLOOK

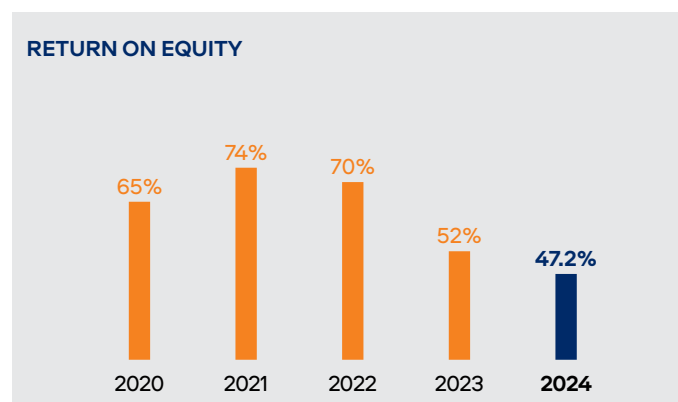
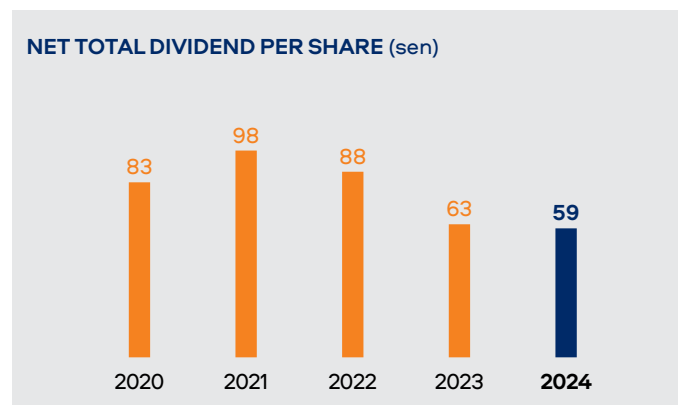
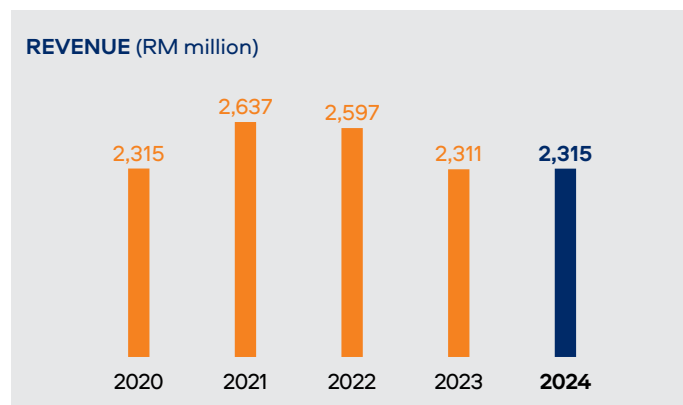
BAT Malaysia Group remains committed to driving its A Better Tomorrow™ ambition in 2025. As we navigate a moderating economic landscape, we recognise the potential impact on consumer spending power. Likewise, with higher inflationary pressures, the Group continues to be diligent in optimising operational costs.

Against this backdrop, BAT Malaysia Group is optimistic of achieving a steady financial performance for the coming year, backed by its resilient combustible business and its multicategory portfolio.

The Group sees 2025 as a pivotal year, as Act 852 and its associated regulations come into effect in phases. Amidst this development, BAT Malaysia Group is fully prepared to navigate these regulatory changes effectively.

Meanwhile, the tobacco black market incidence has shown a declining trend, from 55.6% in 2023 to 55% in 2024. BAT Malaysia Group recognises the government's ongoing efforts in addressing this issue and urges the government to intensify its efforts and resources in continuing to tackle the tobacco black market in 2025.

FIVE-YEAR PERFORMANCE HISTORY



FIVE-YEAR PERFORMANCE HIGHLIGHTS

» 2020

This was an unprecedented year marked by the COVID-19 global pandemic. The tobacco black market and illegal vaping incidences continued to be high at 70% of the total nicotine market. Despite these external challenges, BAT Malaysia Group was resilient and showed strong signs of recovery quarter-on-quarter. Dunhill, our flagship brand, gained share of segment, increasing by 2.2% points. During the year, BAT Malaysia Group extended its portfolio with the launch of KYO in the VFM segment to capture a fair share of down traders. KYO's performance was encouraging with a 2.8% share of the market, achieved within two months of launch. With this new addition to BAT Malaysia Group's portfolio, the corporate share of the market increased by 1.1 percentage points versus 2019 to 51.7%. It was encouraging to see the government's efforts in setting regulations and enforcement in curbing illegal cigarettes via the Budget 2021 announcement.

» 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 Group's total market share grew to 52.4%, an increase of 0.8 percentage points from 2020. It was also encouraging to note that the incidences of illicit cigarettes decreased to 57.7% from 63.8% 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 Group'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 1.1% share of segment. The BAT Malaysia Group's market share contracted by 0.8% 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 Group 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 trade from 57.7% in 2021 to 56.6% in the current year. BAT Malaysia Group is in full support of the Malaysian Government's stance to reduce the levels of the tobacco black market 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 55.6% 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 Group launched Luckies during the year to better compete in the VFM segment. Upon the legalisation of vapour products earlier this year, BAT Malaysia Group was swift to expand into this segment of nicotine consumers by launching Vuse. This inaugural moment for BAT Malaysia presented far-reaching opportunities to BAT Malaysia Group 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 are encouraged by the initial performance and will continue to invest to grow Vuse. BAT Malaysia Group continues to urge the government to implement science-based regulations to regulate the vapour market.

» 2024

The legal combustible industry experienced a 2.0% decline in volume for the year as compared to the previous year despite the lower incidence of tobacco black market by 0.6%, from 55.6% to 55.0% in the current year. Combustible products continued to face challenges as consumer preference shifted to reduced-risk[†] alternative 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 Group kicked off the Dunhill 60th Year Celebration with vibrant nationwide in-store branding that emphasized 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 will take effect in phases over the course of the year in 2025. BAT Malaysia Group is fully prepared to navigate these changes effectively.

* 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.