

25 May 2026

BAT Malaysia Navigates Challenging Quarter Amid Increasing Tobacco Black Market

- *BAT Malaysia navigated a challenging first quarter, shaped by several factors including operational changes, new regulation impacts related to the Retail Display Ban and the tobacco black market.*
- *The tobacco black market grew by 2.3 percentage points to 56.7% in the current quarter, marking the first increase in illicit cigarette incidence since 2021.*
- *The Group expects gradual improvement in the coming quarters as market conditions normalise and recently implemented operational changes begin contributing positively to performance.*

Kuala Lumpur, 25 May 2026 – British American Tobacco (Malaysia) Berhad (BAT Malaysia or the Group) today announced its financial results for the first quarter ended 31 March 2026.

For the quarter under review, BAT Malaysia recorded a revenue of RM160 million reflecting lower volumes amid a more challenging operating environment.

On a year-to-date basis, the legal combustible segment recorded a 4.5% decline in volume, reflecting ongoing structural pressures on the legal tobacco market. This was accompanied by a 2.3 percentage points increase in illicit cigarette incidence, the first increase in illicit cigarette incidence since 2021, which continued to adversely affect the Group's overall market share and industry dynamics.

Despite intensified enforcement efforts, the illicit cigarette market remained alarmingly high at 56.7% of total industry volume, compared to 54.4% in the preceding quarter. The increase represents an estimated additional 22 million illicit cigarette sticks entering the market within a single quarter.

The implementation of the Retail Display Ban further contributed to additional compliance and operational adjustments across the legal industry.

Nedal Salem, Managing Director, BAT Malaysia, said, "Our first quarter financial performance reflects a transitional period for the Group as we implemented several key internal changes to strengthen and optimise our long-term operating model and competitiveness.

The increase in operating costs during the quarter was a result of the planned investments related to regulatory compliance requirements, in particular the implementation of the Retail Display Ban, and the execution of our new Route-to-Market model, which we believe will deliver a more agile and efficient business moving forward.

While the operating environment remains challenging, particularly due to the continued prevalence of illicit trade and ongoing regulatory pressure affecting the legal industry, we remain focused on disciplined execution and strengthening the fundamental of the business.

Historically, the first quarter is the softest trading period of the Group. As market conditions normalise and our structural changes take effect, we are cautiously optimistic of a sequential improvement in performance in the second quarter.

We will continue to focus on disciplined execution, cost optimisation and portfolio management, while working closely with stakeholders to advocate for more comprehensive measures to address illicit trade and restore a level playing field for the legal industry.”

ENDS

Enquiries

Media Centre

corpcomms_malaysia@bat.com

About British American Tobacco (Malaysia) Berhad

British American Tobacco (Malaysia) Berhad is the leading tobacco company in Malaysia and has been listed on the Malaysian stock exchange for over six decades. With a proud legacy of over 100 years in Malaysia, we are guided by the Group’s purpose of creating A Better Tomorrow™—a vision that guides our transformation and sustainable long-term growth. BAT Malaysia’s portfolio includes established brands like DUNHILL, PETER STUYVESANT, and ROTHMANS. Today, BAT Malaysia has over 270 employees across a broad range of disciplines, from generating consumer insights and developing brands to distributing them nationwide. We are also recognised for our industry-leading approach to talent development, supported by a strong culture of corporate governance and commitment to delivering value to our shareholders.

