

Chief Executive's Overview



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Tadeu Marroco
Chief Executive Officer

Despite an evolving and unpredictable external environment, the strength of BAT was once again reflected in our 2025 performance.

As I look back, I'm proud of what we've achieved and the value we've been able to deliver consistently for shareholders.

When I became Chief Executive, it was clear that a relentless focus on execution and profitable transformation were needed for BAT to continue to grow sustainably. This is why we refined our strategy and revised our purpose, vision and mission, with the aim of becoming a predominantly smokeless business by 2035.

I'm pleased to say that in 2025, our transformation accelerated, with delivery at the top end of our guidance. The investments we have made in recent years are delivering tangible benefits, providing BAT with a stronger foundation for continued growth.

Full-Year 2025 Performance

Against a challenging backdrop, total Group revenue declined by 1.0%, negatively impacted by a translational foreign exchange headwind of 3.1%. At constant rates, revenue grew 2.1%.

Our U.S. business returned to growth, driven by sustained momentum in combustibles underpinned by decisive commercial actions and sharper execution. Velo Plus achieved remarkable success with triple-digit revenue growth and reaching profitability (on a category contribution basis) within its first year, while also reaching the number 2 position in both volume and value share. I'm also proud that Velo has been established as the fastest growing brand within the Modern Oral category in the U.S.

With progressive regulation for Modern Oral products now in 24 countries, the regulatory outlook for the category is encouraging. This is reflective of the recognition of the important role these products play in supporting adult smokers – who would otherwise continue to smoke – to switch to less risky*† alternatives.

While the Vapour category faced challenges from illicit products, Vuse's performance improved, and I am confident it is well positioned to benefit from enhanced enforcement at both state and federal levels in the U.S.

In AME, our multi-category portfolio continued to perform strongly, while our performance in APMEA was impacted by fiscal and regulatory challenges in Bangladesh and Australia.

Our New Categories business delivered another year of strong growth, with double-digit growth in revenue and category contribution in the second half of 2025, fuelled by Velo's success in all regions.

In 2025, New Category contribution was £427 million, with category contribution margin¹ growing 4.7 ppts to 12.0%. Revenue from our Smokeless products accounted for 18.2% of Group revenue¹.

While external headwinds may persist, BAT remains agile and resilient. We are guided by a clear strategy, anchored in our pillars of Quality Growth, Sustainable Future, and Dynamic Business, which positions us well for continued success.

Quality Growth

Our Quality Growth pillar defines how we innovate, shape the future, and deliver outstanding products for consumers. By maintaining a disciplined balance between top-line growth and bottom-line delivery, we are already seeing results across the Group.

New Category contribution has grown over 10x in the last two years¹. The number of adult consumers choosing our Smokeless brands grew faster than ever before, with 4.7 million consumers added in 2025 (to 34.1 million).

We said 2025 would be a deployment year – and we have delivered. We launched new products across our Smokeless portfolio: Vuse Ultra – our premium Vapour product, glo Hilo and Hilo Plus – our premium Heated Products, and Velo Shift – our Modern Oral product in a new innovative pouch shape.

From device connectivity to new-to-world machinery and technologies developed specifically for BAT, you can read more about our new products on pages 29, 31 and 32.

I am confident that BAT is well-positioned for success, bolstered by a re-energised and growing U.S. business, strategic partnerships with industry-leading companies, strong R&D capabilities, and a growing intellectual property portfolio. This puts us on a strong footing to continue to deliver sustainable returns for our shareholders.

To maximise our growth potential, we remain focused on disciplined brand development, operational efficiency and margin enhancement. Alongside this, we will continue to build and maintain our competitive edge, while progressing our Beyond Nicotine portfolio and investments for sustained growth over the medium and long term.

Sustainable Future

Building a Sustainable Future remains a priority in everything we do. We seek to actively encourage adult smokers – who would otherwise continue to smoke – away from cigarettes and to smokeless alternatives in a responsible and sustainable manner.

We continue to invest in the quality of our Smokeless products, guided by robust science and evidence. This is complemented by our ongoing engagement with external stakeholders and regulators, as we work to turn our vision of a Smokeless World into reality.

Several highlights from 2025 stand out. Omni™, the dynamic international platform we have created for information and engagement, has won awards and achieved external recognition. The launch of our Vapers Deserve Better campaign further underscores our dedication to advocacy and education. Backed by decades of scientific evidence, our commitment to building a Smokeless World through meaningful stakeholder engagement is unwavering.

We are clear that the best choice for adult smokers is to quit. However, effective regulation is crucial to ensuring adult consumers can switch to smokeless alternatives if they choose. With a strong track record of navigating regulatory shifts, we are confident in our ability to manage this. Ultimately, a sustainable future only happens when the right regulations are landed and enforced, and we will continue with our efforts to move the needle.



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Dynamic Business

Ensuring that BAT is equipped with a future-ready, efficient, and effective operating model is at the core of our Dynamic Business pillar. This will be achieved by creating financial flexibility to invest in our business and enhance shareholder returns.

In July 2025, we took a significant step in our digital transformation by forming a strategic partnership with Accenture². By transitioning our Global Shared Services to Accenture, we now benefit from their cutting-edge technology ecosystem, advanced AI solutions, and strategic collaborations with world-leading companies.

These capabilities are enabling us to simplify processes, accelerate speed to market, upskill our talent, and drive cost efficiencies over the medium to long term.

In addition, our collaborations in R&D with global leading companies, and the establishment of the first Consumer Packaged Goods AI lab with DIFC in Dubai, are clear examples of how we are proactively seeking expertise to innovate and strengthen our capabilities.

We remain committed to a disciplined approach to capital allocation and debt management¹.

In 2025, our leverage ratio was 2.48x. However, both 2025 and 2024 have been impacted by the settlement payments in respect of Canada. In 2024, the Group had £2.5 billion of cash and cash equivalents on the balance sheet that reduced net debt at 31 December 2024. This was subsequently paid in 2025. Reflecting a consistent position in both years, and adjusting for Canada's adjusted EBITDA¹ (other than New Categories), our leverage ratio was 2.55x, a reduction of 0.20x from the equivalent in 2024 of 2.75x.

We are focused on reducing our leverage ratio to be within the target range of 2.0-2.5x adjusted net debt to adjusted EBITDA^{1,3}, which will provide the Group with increasing flexibility to deliver sustainable value, while remaining agile to respond to macro-economic and regulatory developments.

As part of our active capital allocation, our share buy-back programme has been increased for 2026 to £1.3 billion. This, in addition to maintaining a growing dividend, reflects our commitment to enhancing shareholder returns.

Fit for the Future

To ensure that BAT is competitive and set up for even greater success in the future, we undertook a strategic review of our organisation.

As a result, we have proposed a three-year programme, called Fit2Win, which is designed to enhance our commerciality and increase our agility, while we make deliberate, focused choices about which opportunities we pursue. This will drive efficiency and profitability, while prioritising our investment in the areas that are thriving.

We expect the proposed changes to unlock annualised cost efficiencies and cash flow of c.£600 million by the end of 2028, enabling us to continue to fund our biggest growth opportunities.

Looking Ahead

Our heritage is rich, and our future promising. Embracing transformation is something we know how to do, and well.

The progress that we have made is a direct result of the passion and commitment of our employees around the world. Our people are empowered, engaged and excited about our business, and I thank them for all they have achieved in 2025, and the momentum they are bringing into 2026.

The next phase of our transformation will be realised through innovation, technology and excellence in deployment – doing so sustainably and with integrity throughout. This will enable us to deliver our mid-term financial algorithm, priorities and vision for the future.

All of this underscores our clear opportunity to Build a Smokeless World, and it gives me continued confidence that we will deliver on our commitments and create sustainable value for shareholders.

Notes:

- * Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.
- † Products sold in the U.S., 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.
- 1. Please refer to the Non-GAAP section from page 377 for the Non-GAAP measures definitions.
- 2. Please refer to note 5 in the Notes on the Accounts for more details.
- 3. As adjusted for Canada – adjusts for the performance of the Canadian business (excluding New Categories).