

BAT MALAYSIA POSTS SOLID FIRST HALF RESULTS

Petaling Jaya, 22 July 2014 – British American Tobacco (Malaysia) Berhad (BAT Malaysia) today announced its financial results for the first half of the year ended 30 June 2014.

“Total revenue grew by 5.7 percent compared to the same period last year partially offset by a 14.9 percent decline in contract manufacturing revenue versus previous year. Resulting from this, Gross Profit is up 14.4 percent from last year,” said Managing Director of BAT Malaysia, Stefano Clini.

First half 2014 financial highlights:

- **Revenue** increased by 5.7 percent despite the lower domestic and contract manufacturing volume; this increase resulting from the compound effect of pricing in June and the excise led price increase in September 2013.
- **Gross Profit** grew 14.4 percent year-on-year, flowing from a better mix of higher margin domestic volume.
- **Contract Manufacturing Volume** was 18.4 percent lower than Q2 2013 due to partial reallocation of volumes from Japan to another manufacturing facility and lower demand from the Philippines.
- **Operating Expenses** increased by 18.8 percent versus the same period last year, largely due to increased investment at retail, and to a lesser extent, the impact of inflation on the overall cost structure.
- **Profit from Operations** grew 13.1 percent (RM74.1 million) ahead of same period last year, and **Profit after Tax** increased by 14.1 percent (RM58 million).

Arising from the Group’s financial performance, the Board of Directors has declared a second interim dividend of 78 sen per share.

BAT Malaysia's market share continued to hold steady at 61.7 percent as of May 2014 (a 0.1 percentage point decline versus comparable year).

"Our leading brand, DUNHILL continued to record growth to reach 47.6 percent market share. Our Aspirational Premium brand, PETER STUYVESANT, with its resealable Reloc seal, has delivered a 0.8 percentage point increase in market share versus last year, to reach 3.9 percent market share" said Clini.

"To date, our volumes have declined 5.5 percent compared to last year in line with overall legal market decline. This is driven by the persistent high levels of illegal cigarettes following the excise hike in September last year. However, there are signs of legal volume recovery from the preceding quarter given the robust enforcement raids undertaken by the Royal Malaysian Customs which started in March 2014 up until now," he added.

The Group lauds the level of commitment that law enforcement agencies, in particular the Royal Malaysian Customs (RMC), have demonstrated towards combating the illegal cigarette trade, key of which is the intensified enforcement on errant retailers through RMC's *OPS Outlet*.

"It is clear that agencies like the Royal Malaysian Customs are sparing no effort in hitting the illegal cigarette trade where it hurts – through unrelenting enforcement activities on illegal cigarette traders nationwide supported by courts which have been meting out more deterrent penalties on those caught," commented Clini.

Given the overall legal market contraction driven by the illegal cigarette trade, the Group continues to be highly concerned with the severity of this situation and its impact on business sustainability.

For more information on British American Tobacco Malaysia's financial results, please visit www.batmalaysia.com

About British American Tobacco (Malaysia) Berhad

British American Tobacco (Malaysia) Berhad (British American Tobacco Malaysia) emerged on 3rd November 1999 from the merger of Rothmans of Pall Mall (Malaysia) Berhad and Malaysian Tobacco Company Berhad. These two long established tobacco companies brought with the merger, experience and an unrivalled portfolio of highly successful international brands to create the largest tobacco company in the country.

British American Tobacco Malaysia manufactures and markets high quality tobacco products designed to meet diverse consumer preferences. Its brand portfolio includes well-established international names like DUNHILL, KENT, PALL MALL and PETER STUYVESANT. British American Tobacco Malaysia has about 1,000 employees who are involved in the full spectrum of the tobacco industry, from processing to manufacturing, and marketing to distribution.

British American Tobacco Malaysia is part of the British American Tobacco group, which is the world's most international tobacco group and the second largest stock market listed tobacco group by global market share.

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