

LEGAL VOLUMES CONTINUE TO BE IMPACTED BY NOVEMBER 2015 STEEP EXCISE INCREASE

Petaling Jaya, 26 July 2016 – British American Tobacco (Malaysia) Berhad (BAT Malaysia) today announced its financial results for the first half of the year ended 30 June 2016.

“The total legal domestic market experienced a volume decline of 26.3 percent in the first half of 2016. Consequently, BAT Malaysia saw a contraction to its Domestic and Duty Free volumes by 28.9 percent versus the first half of last year. The overall volume reduction and its consequent escalating cost pressures resulted in total revenue decline of 16 percent and gross profit of 21.5 percent, both when compared to the first half of 2015. This fall in volumes is principally driven by the steep excise increase in November 2015 and the industry has yet to see any signs of recovery”, said Erik Stoel, Managing Director of BAT Malaysia.

BAT Malaysia recorded a decline of 42.7 percent and 43.2 percent in Profit from Operations and Profit before Tax, respectively for the first half of the year. This was mainly a consequence of one-off restructuring expenses amounting to RM 86 million in relations to the winding down of its factory operations which was announced on 17 March 2016. Excluding the impact of the one-off restructuring expenses, Profit from Operations registered a decline of 28.8 percent.

First Half of 2016 financial results:

- **Revenue** decreased by 16 percent (RM 378 million) compared to the previous year, due to overall volume decline and escalating cost pressures.
- **Gross Profit** declined by 21.5 percent versus same period last year owing to the rise in inflationary costs and lower volumes.
- **Operating Expenses** were 4.5 percent lower versus the same period last year mainly driven by lower marketing expenses.
- **Profit from operations** was down 42.7 percent (RM 263 million) and Profit before Tax decreased by 43.2 percent (RM 264 million) when compared to the first half of 2015. This

was mainly attributed to the impact of one-off restructuring expenses (RM 86 million) recorded in second quarter 2016 in relation to the winding down of its factory operations as announced on 17 March 2016.

Arising from the Group's financial performance, the Board of Directors has declared a second interim dividend of 45 sen per share.

As of May 2016 year to date, BAT Malaysia registered its first half with 58.5 percent market share, witnessing a marginal decline of 2.5 percentage points versus full year 2015.

“Our flagship brand, DUNHILL, continues to lead the industry with a market share of 43.6 percent, despite a marginal decrease of 2.5 percentage points against full year 2015. Amidst the challenging operating environment, it is encouraging to note that the brand recorded a marginal recovery of 0.2 percentage points versus the previous quarter of 2016”, said Stoel.

“Within the Aspirational Premium segment, BAT Malaysia gained 0.6 percentage points versus full year 2015, reaching 10.7 percent for the first half of the year. Among the brands, PETER STUYVESANT continued to grow 0.8 percentage points to reach a market share of 6.4 percent for the first half of the year. PALL MALL recorded a slight decline to close the quarter at 4.3 percent share of market for year to date May 2016”, added Stoel”.

The Group remains concerned with legal volumes continuing to be impacted by the current rampant illegal cigarette trade as a consequence of the unprecedented excise increase in November 2015, as well as consumer down trading within the legal market. The escalating illegal cigarette trade constitutes the most concerning challenge in 2016 for the legal tobacco industry after its sharp incidence increase from 33.7 percent in 2014 to 45.6 percent, as recorded in the month of December 2015¹. This means that almost one out of two packs of cigarettes sold is illegal.

“The outlook for the remaining part of 2016 will be very much dependant on the performance of the legal market”, concluded Stoel.

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

¹ *Illicit Cigarette Study (ICS) commissioned by the Confederation of Malaysian Tobacco Manufacturers as of December 2015*

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 752 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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