

CHALLENGING TIMES DUE TO HIGH GROWTH OF ILLEGAL CIGARETTES

Petaling Jaya, 24 October 2016 – British American Tobacco (Malaysia) Berhad (BAT Malaysia) today announced its financial results for the third quarter of the year ended 30 September 2016.

“The total legal domestic market experienced a volume contraction of 28.6 percent as of September 2016 year to date compared to the same period last year, mainly driven by the steep excise increase in November 2015, which in turn resulted in a significant increase in illegal cigarette trade. Consequently, BAT Malaysia witnessed a contraction to its Domestic and Duty Free volumes by 30 percent versus the same period last year. The overall volume reduction and its consequent escalating cost pressures resulted in total revenue decline of 17.2 percent and gross profit of 23.1 percent, both when compared to the same period of last year. In spite of the overall decline in volume, the legal industry is showing signs of stability with a slower rate of decline in the quarter”, said Erik Stoel, Managing Director of BAT Malaysia.

Year to date Quarter 3 2016 financial results:

- **Revenue** and **Gross Profit** decreased by 17.2 percent (RM 608 million) and 23.1 percent (RM300 million), respectively, compared to the previous year, due to overall volume decline and its consequent escalating cost pressures.
- **Operating Expenses** were 7.2 percent lower versus the same period last year mainly driven by lower marketing expenses.
- **Profit for operations** was down 37.7 percent (RM 364 million) and **Profit before Tax** decreased by 38.2 percent (RM 366 million) when compared to the same period last year. This was mainly attributed to the impact of one-off restructuring expenses (RM 86 million) recorded in the second quarter 2016 in relation to the winding down of its existing factory operations announced on 17 March 2016.

Arising from the Group’s financial performance, the Board of Directors has declared the third interim dividend of 55 sen per share.

As of August 2016 year to date, BAT Malaysia registered 58.1 percent market share witnessing a decline of 2.8 percentage versus same period last year.

“DUNHILL, our flagship brand, continues to maintain its leadership position in the market with a market share of 43.3 percentage, despite a marginal decrease of 2.8 percentage point against full year 2015”, said Stoel.

PETER STUYVESANT, continued to grow 0.7 percentage point to reach a market share of 6.3 percent as of August 2016 year to date. PALL MALL remains stable at 4.3 percent share of market”, added Stoel

The Group remains highly concerned with legal volumes continuing to be impacted by the rampant illegal cigarette trade in the market, a consequence of the unprecedented huge excise increase in November 2015. The escalating illegal cigarette trade has become the most concerning challenge in 2016 for the legal tobacco industry after its sharp incidence increased from 36.9 percent in 2015 to 49.9 percent in May 2016. This means that about one out of two packs of cigarettes sold is illegal.

Based on the result of the September 2016 year to date, the Group expects the full year 2016 Profit from Operations to be lower than the previous year.

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

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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