

HALF YEAR RESULTS DOWN DESPITE BUSINESS RECOVERY IN THE SECOND QUARTER

Petaling Jaya, 20 July 2017 – British American Tobacco (Malaysia) Berhad (The Group) today announced its financial results for the second quarter of the year ended 30 June 2017.

Revenue for the first half of 2017 declined 22.1% when compared to the same period of last year as a result of further contraction of the legal market. This was driven by a decline of 16.9% of the domestic volumes and the cessation of export volumes as planned under its business transformation. Illegal cigarettes incidence for the same period has increased by about 16% from 50.0% in the first half of 2016 to 57.9% in May 2017¹. This was driven by the price gap between legal and illegal cigarettes and current macroeconomic factors that are impacting consumer spending power.

In the second quarter of 2017, the Group's domestic volumes increased by 6.2% versus first quarter of 2017. This increase was driven by the recovery of market share in the second quarter, coupled with a small decline of illegal cigarette incidence from 58.9% in the first quarter of 2017 to 57.9% in May 2017.

Q2 2017 financial results:

- **Revenue** for the first half of 2017 declined 22.1% when compared to the same period of last year in line with volume decline and the cessation of contract manufacturing for exports as of 31 December 2016. The volume recovery in the second quarter translated into second quarter of 2017 revenue and gross profit increase of 0.4%, and 9.7% respectively, compared to the preceding quarter.
- **Gross Profit** decreased by 20.8% when compared to same period in 2016.
- **Operating Expenses** for the June 2017 year to date period was 26.3% lower than the same period last year. This was attributed to overhead savings from cost base transformation

¹ Source: Consumer Track by Kantar Research Agency

initiatives the Group has undertaken, lower recharges from related entities, rental income from the sub-lease of the unutilized space currently tenanted by the Group and timing of spends.

- **Profit for operations** registered an increase of 0.6% and Profit after tax increased 0.8% when compared to the same period of last year. Profit from Operations, excluding the impact of one-off restructuring expenses, declined 17.8%. When compared to first quarter of 2017, Profit from Operations grew 25.3% in the second quarter.

Arising from the Group's financial performance, the Board of Directors has declared a second interim dividend of 43 sen per share.

Erik Stoel, Managing Director of BAT Malaysia said "On a quarter to quarter basis this year, it is encouraging to note that the Group's volumes, share and operating profit have seen a recovery trend. Illegal cigarettes have declined from 58.9% in the first quarter of 2017 to 57.9% in May 2017."

"The Group registered market share growth from 53.5% in the first quarter of 2017 to 54.5% in May 2017. DUNHILL, the biggest Premium brand in the legal market, registered 38.8% market share in May 2017 (+1.4% versus previous quarter). The increase was mainly driven by the launch of DUNHILL's new line extension. Within Aspirational Premium brands, PETER STUYVESANT and PALL MALL recorded a total market share of 11.8% as of May 2017, maintaining leadership in this segment for the fourth consecutive month. This achievement was largely attributed to PETER STUYVESANT's solid growth trajectory with a 7.6% share of market as of May 2017, holding steadily since first quarter of 2017", added Stoel.

Despite stronger second quarter performance, the Group remains concerned with legal volumes continuing to be impacted by the current high incidence of illegal cigarette trade. The outlook of the second half of 2017 will be very much dependent on the recovery of the legal market.

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 668 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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