

LEGAL VOLUMES CONTINUE TO BE UNDER THREAT

Petaling Jaya, 26 April 2016 – British American Tobacco (Malaysia) Berhad (BAT Malaysia) today announced its financial results for the first quarter of the year ended 31 March 2016.

“BAT Malaysia (The Group) witnessed a volume contraction of 30 percent on Domestic and Duty Free cigarettes, principally driven by consumers down trading from legal cigarettes to unregulated illegal cigarettes. The drastic down trading is fuelled by the impact of the unprecedented excise increase of close to 40 percent in November 2015 amidst tumultuous economic conditions”, said Stefano Clini, Managing Director of BAT Malaysia.

The excise led price increase along with implementation of additional productivity savings could only marginally mitigate the negative impact of the overall volume reduction. As a result, total revenue for first quarter of 2016 declined 19.9 percent and gross profit declined 21.9 percent, both when compared to first quarter of 2015. However, operating expenses in the first quarter of 2016, driven mainly by timing of administrative expenses were 5.7 percent lower than in the first quarter of 2015.

Year to date Q1 2016 financial results:

- **Revenue** decreased by 19.9 percent versus same period last year, due to overall volume decline and escalating cost pressures.
- **Gross Profit** decline by 21.9 percent compared to the previous year owing to the rise in inflationary costs and lower volumes.
- **Operating Expenses** were 5.7 percent lower versus the same period last year, driven mainly by timing of administrative expenses.
- **Profit for operations** was down 28.2 percent (RM 92 million) and Profit before Tax decreased by 28.8 percent (RM 94 million) when compared to the first quarter of 2015.

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

As of March 2016 year to date, BAT Malaysia closed its first quarter with 58.7 percent market share witnessing a marginal decline of 2.3 percentage point versus full year 2015.

“Our flagship brand, DUNHILL, still maintains its clear leadership position amidst the challenging economic environment with a market share of 43.5 percent, despite a marginal decrease of 2.6 percentage point against full year 2015”, said Clini.

“Within the Aspirational Premium segment, BAT Malaysia saw an increase of 0.7 percentage point versus full year 2015, driven by PETER STUYVESANT. PETER STUYVESANT continues to grow with a 6.4 percent of the market share (a 0.8 percentage point increase versus full year 2015). PALL MALL recorded a slight decline, closing the quarter at 4.4 percent share of market for year to date March 2016”, added Clini.

In the current operating environment, BAT Malaysia continues to remain concerned with the high influx of illegal cigarettes into the country following the unprecedented excise increase in last November. The recent Illicit Cigarette Study (ICS) conducted by Nielsen revealed that the illegal cigarette trade has reached a record high of 45.6 percent as of December 2015. Currently, about 1 out of 2 cigarette packs sold in the market is illegal. The burgeoning illegal cigarettes trade remains to be the single most important challenge for the Group in 2016.

Extending on this point, Clini stressed that a prudent excise policy and more drastic actions must be considered to help address the illegal cigarette trade.

¹2015 Illicit Cigarette Study (ICS) commissioned by the Confederation of Malaysian Tobacco Manufacturers as of December 2015.

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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