

RECOVERY OF LEGAL MARKET HIGHLY DEPENDANT ON INITIATIVES TO CURB THE ILLEGAL TRADE

Petaling Jaya, 20 April 2017 – British American Tobacco (Malaysia) Berhad (BAT Malaysia) today announced its financial results for the first quarter of the year ended 31 March 2017.

Revenue declined by 24.5% in the first quarter of 2017 compared to the same period last year as a result of further contraction of the legal market in the same period. Domestic and duty free volumes contracted 23% when compared to the same period last year. This is due to a 19% growth of the illegal cigarette trade during 2016 driven by the price gap between legal and illegal cigarettes post the steep excise hike in November 2015 as well as current macroeconomic factors that are impacting consumer spending power.

“We are encouraged to note that since December 2016 our volumes have shown signs of stabilisation. However, the illegal cigarette incidence has maintained its high level at 57%”, said Erik Stoel, Managing Director of BAT Malaysia.

Year to date Q1 2017 financial results:

- **Revenue** declined by 24.5% versus same period last year in line with volume decline.
- **Gross Profit** decreased by 27.5% when compared to same period in 2016.
- **Operating Expenses** for first quarter 2017 were 18.1% lower than the same period last year, attributed to timing of spends, lower recharges from related entities as well as overhead savings from cost efficiency initiatives the Group has undertaken.
- **Profit for operations** was down 32.8% and Profit before Tax declined by 32.3% when compared to the first quarter of 2016.

Arising from the Group’s financial performance, the Board of Directors has declared a first interim dividend of 40 sen per share.

“As of year to date February 2017, the Group registered 53.5% share of market within the legal industry, a decline of 0.8% versus fourth quarter of 2016. DUNHILL, the biggest Premium brand in the legal

market, registered 37.3% market share for year to date February 2017 (-1.3ppt versus previous quarter). The decline was mainly driven by consumer down trading due to constraint in spending power. Despite this challenging environment, DUNHILL demonstrated recovery in the past 2 months”, said Stoel.

Stoel added “Within Aspirational Premium brands, PETER STUYVESANT and PALL MALL recorded a total market share of 12.1% as of year to date February 2017, and for the first time, took leadership in that segment. This achievement was largely attributed to PETER STUYVESANT’s solid growth trajectory with a 7.7% share of market for year to date February 2017, gaining 0.7ppt when compared to fourth quarter of 2016.

With respect to future outlook, the Group remains concerned with legal volumes continuing to be impacted by the current high incidence of illegal cigarette trade. The high incidence of illegal cigarette trade forms the main challenge in the short and medium term for the legal tobacco industry after its sharp increase from 36.9% in 2015 to a record high of 57.1% in the month of December 2016 (Source: Illicit Cigarette Study). We are however, encouraged by the growing activity level against illicit trade by the Government in the recent months. The outlook of 2017 will be very much dependant 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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