

TRANSFORMING

TODAY FOR TOMORROW
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**2nd QUARTER 2017
PERFORMANCE**

20th July 2017

AGENDA

- **Business Review**
- **Q2 2017 Financial Results**

Business Review

Q2 Business Highlights

YTD 2017 share recovery
+1.3 ppt driven by Dunhill Classic

First decline in illicit
-1.0ppt in 10 months

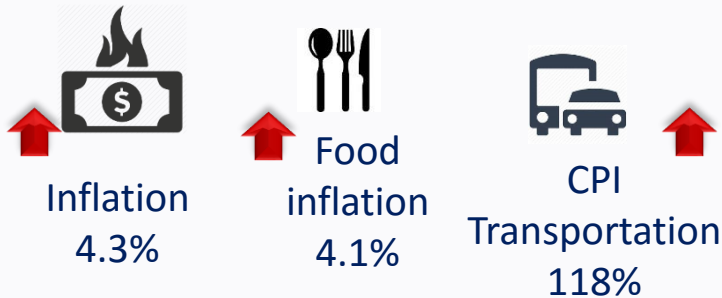
Volume recovery
+6.2%
Quarter on quarter

Revenue back to growth
+6.1%
Quarter on quarter (excl. exports)

Business recovering, however, environment remains challenging

Macro environment stabilizing, however, consumers still being cautious

Consumer expenditure still high



Overall cost of goods still high

Consumer confidence remains low

CCI Q1'17

77

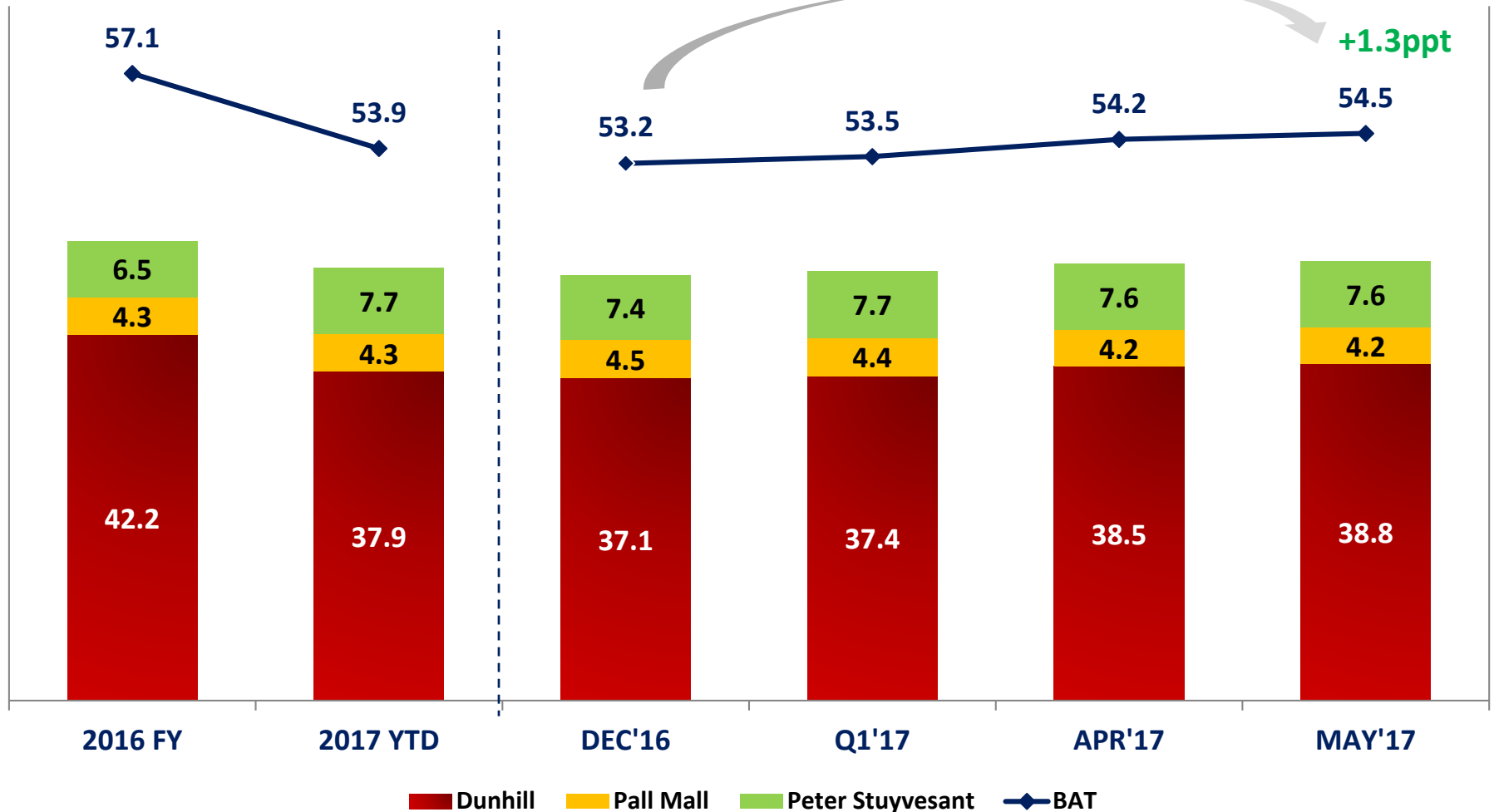


Consumer demand for finished goods still low
-1.1%

Indication of caution in spending

Corporate share growth driven by Dunhill

Share of Market – Malaysia (%)



Source: YTD May'17 Nielsen Retail Audit (Base: Total Legal Market – White + Kretek)

BAT brands continued to recover driven by Dunhill and Peter Stuyvesant

BAT Brands Performance

May
vs. Q4

Total Dunhill

38.8
(+1.7)

Total Peter Stuyvesant

7.6
(+0.2)

Total Pall Mall

4.2
(-0.3)

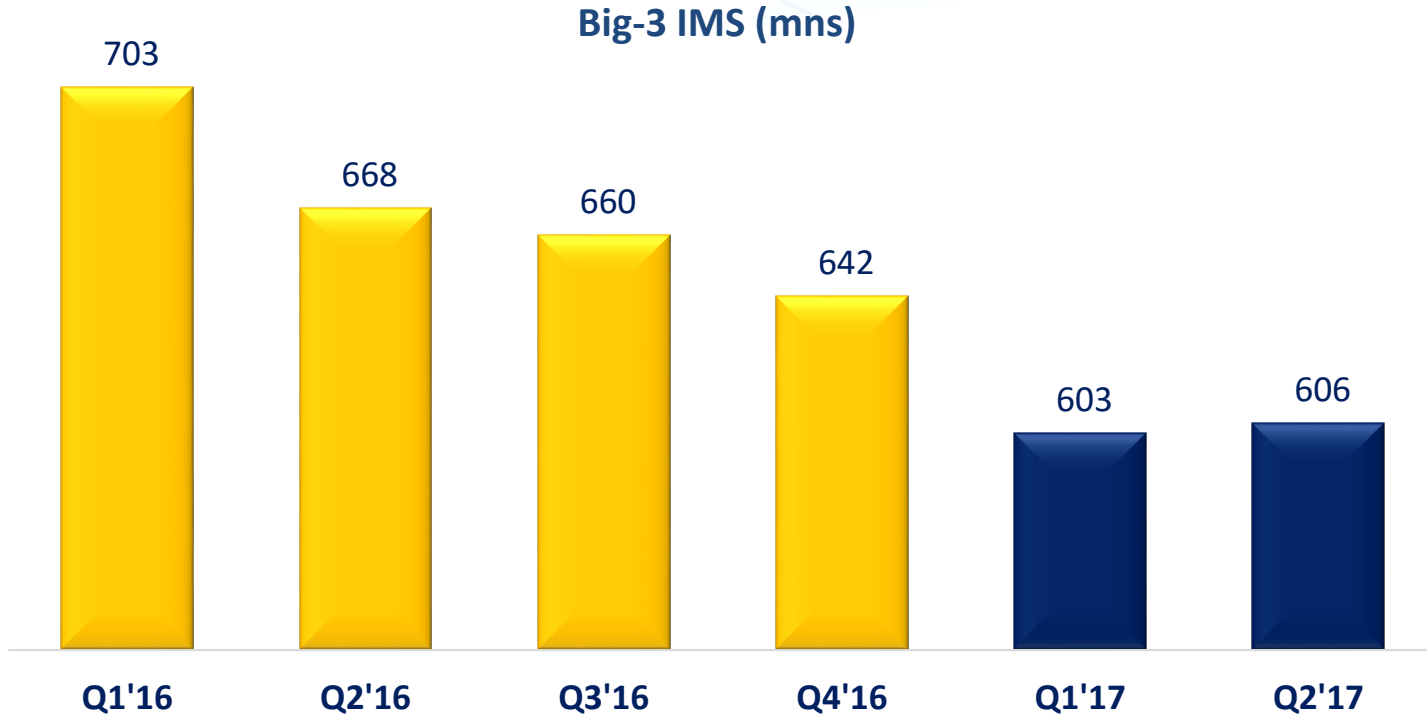
YTD Key Activities

Dunhill Classic
(14% SOB Illicit)

Peter Stuyvesant Limited
Edition pack

Market review update

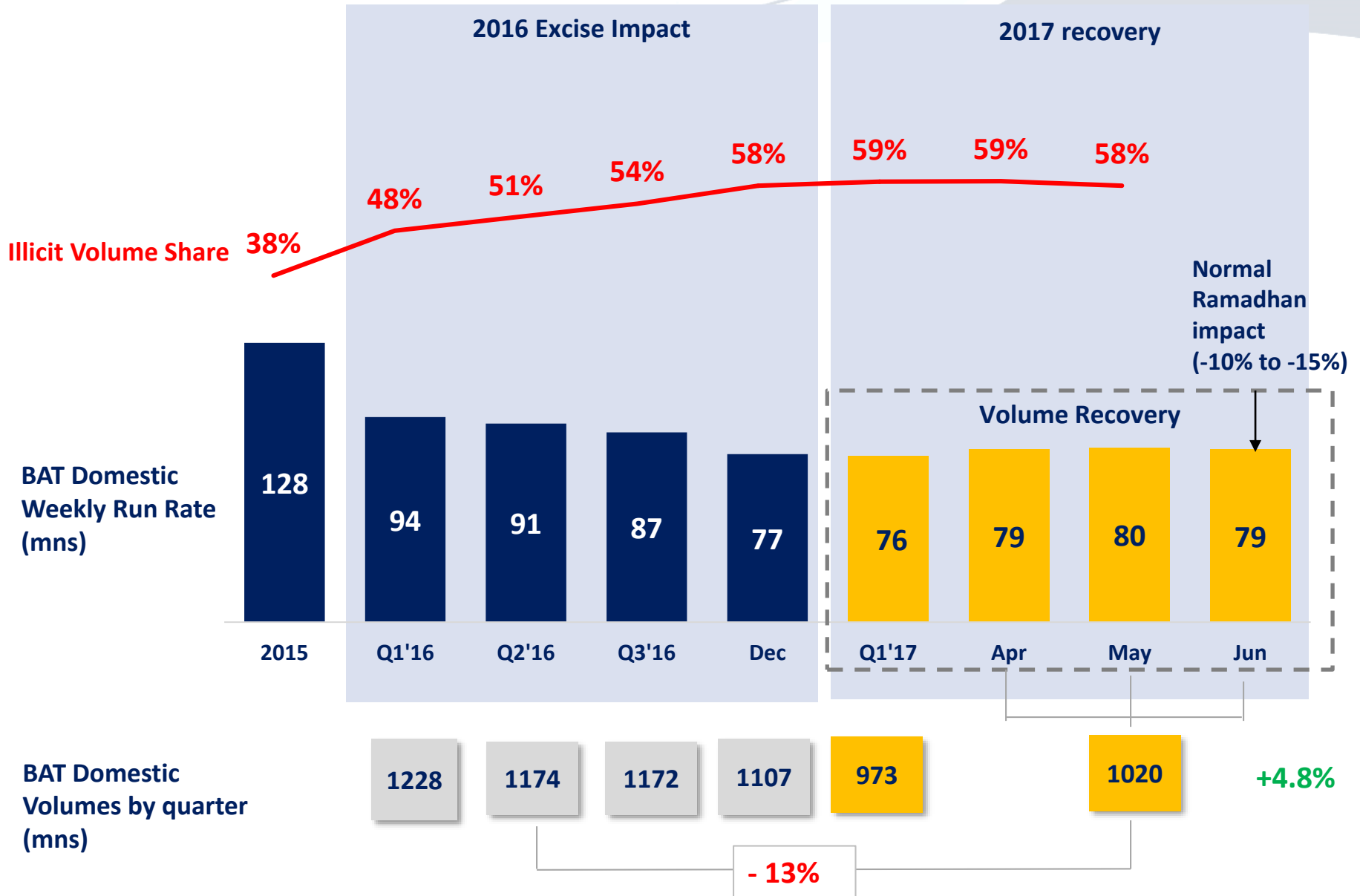
Legal market stabilized in Q2'17



2017 vs. 2016:

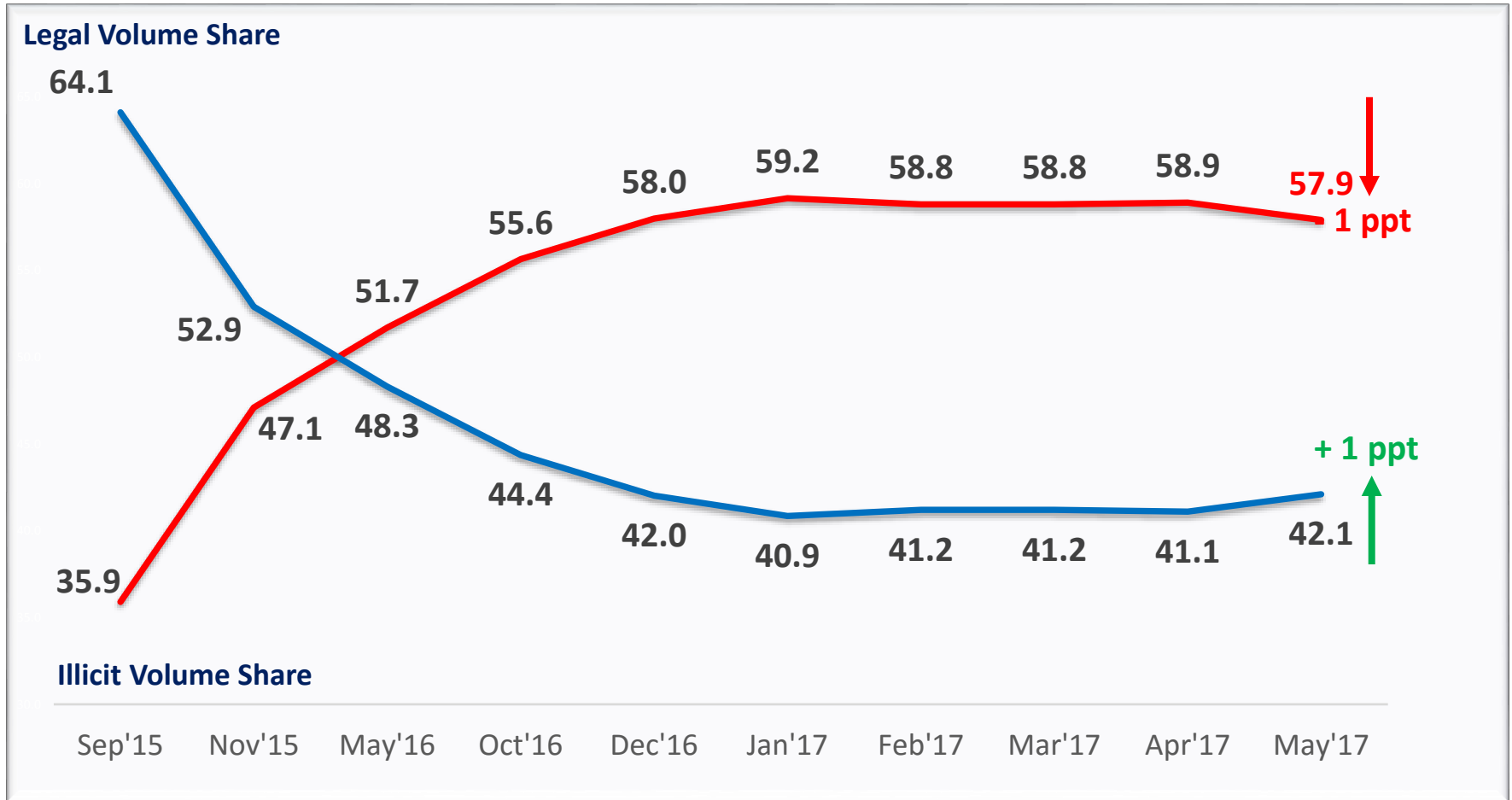
Q2 Discrete Avg.	2016	2017	Change
Industry	668	606	-9.3%
BAT	390	340	-13.0%

Volume recovery driven by share growth and illicit decline



The first decline in illicit trend in 10 months

Encouraging government drive to make illicit a national agenda

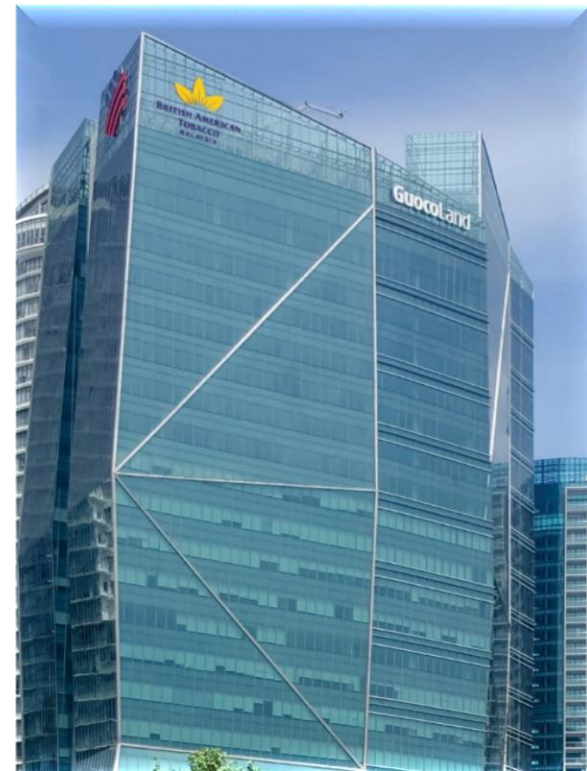


Welcome to the Next Chapter

**Virginia Park,
Petaling Jaya**



**Wisma Guocoland,
Bukit Damansara**



New corporate office @ 4th Sep 2017

Brandlaureate Bestbrands Awards 2016-2017



Winner of the illustrious Brand Transformational Leadership Award



Most Sustainable Brand Award in the Business and Community Leadership category

Malaysia Best Employer Brand Awards 2017



“Malaysia Best Employer Brand Awards” from the Employer Branding Institute.

1. Comprehensive talent management strategies
2. Senior leadership commitment
3. Culture of continuous innovation at work
4. Meaningful engagement initiatives

Q2 2017 Financial Performance

Key Highlights

Q2'17 vs. previous quarter

- Strong quarter on quarter performance across financial metrics
- Revenue back to growth driven by volume and market share
- Cost base transformation continues to drive efficiencies on operating expenses
- Solid profit growth vs. previous quarter

YTD Q2'17 vs. SPLY

- Volume & Revenue impacted by lower legal market (YTD Illicit 59% vs 50% SPLY)
- Operating Expenses reduced by -26.3%, driven by cost base transformation
- Profit flat due to 2016 restructuring expenses (RM 86m)

Financial Metrics: Q2 2017 vs. Previous Quarter

Domestic & Duty Free Volume

1,144mns

+6.2% vs Q1'17

Revenue

774 mil

+0.4% vs Q1'17

+6.1% vs Q1'17

Excluding contract manufacturing in Q1 2017

Operating Expenses

80mil

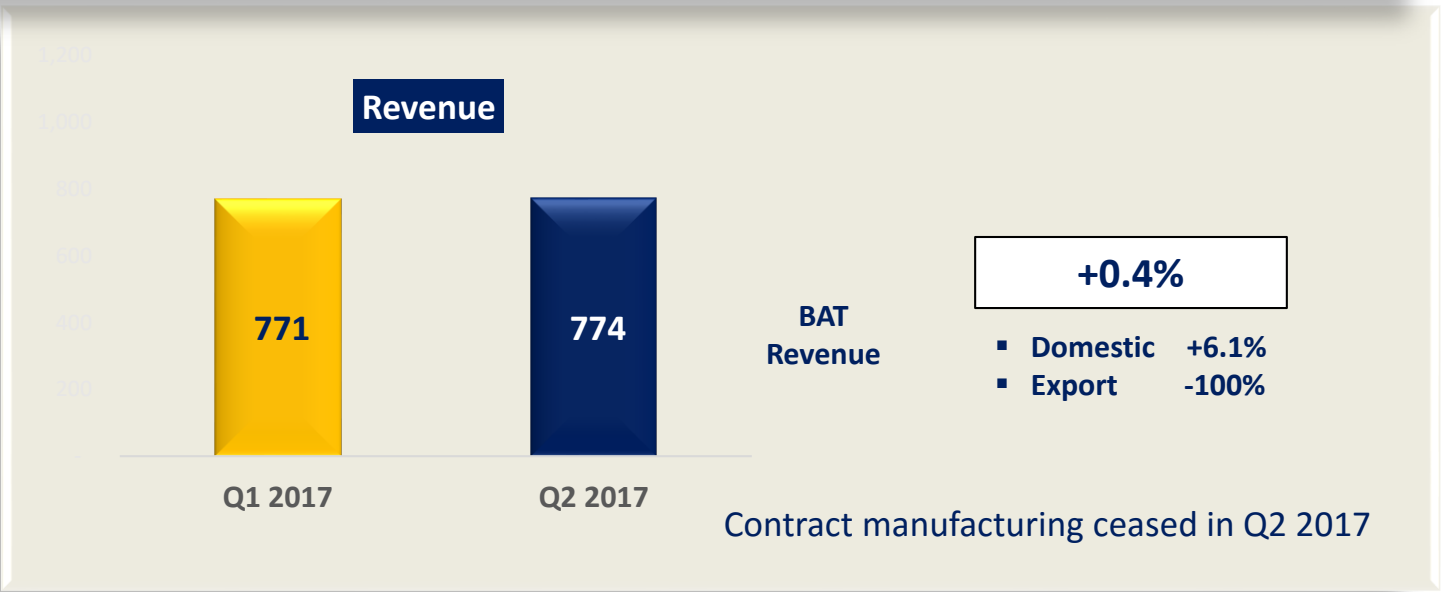
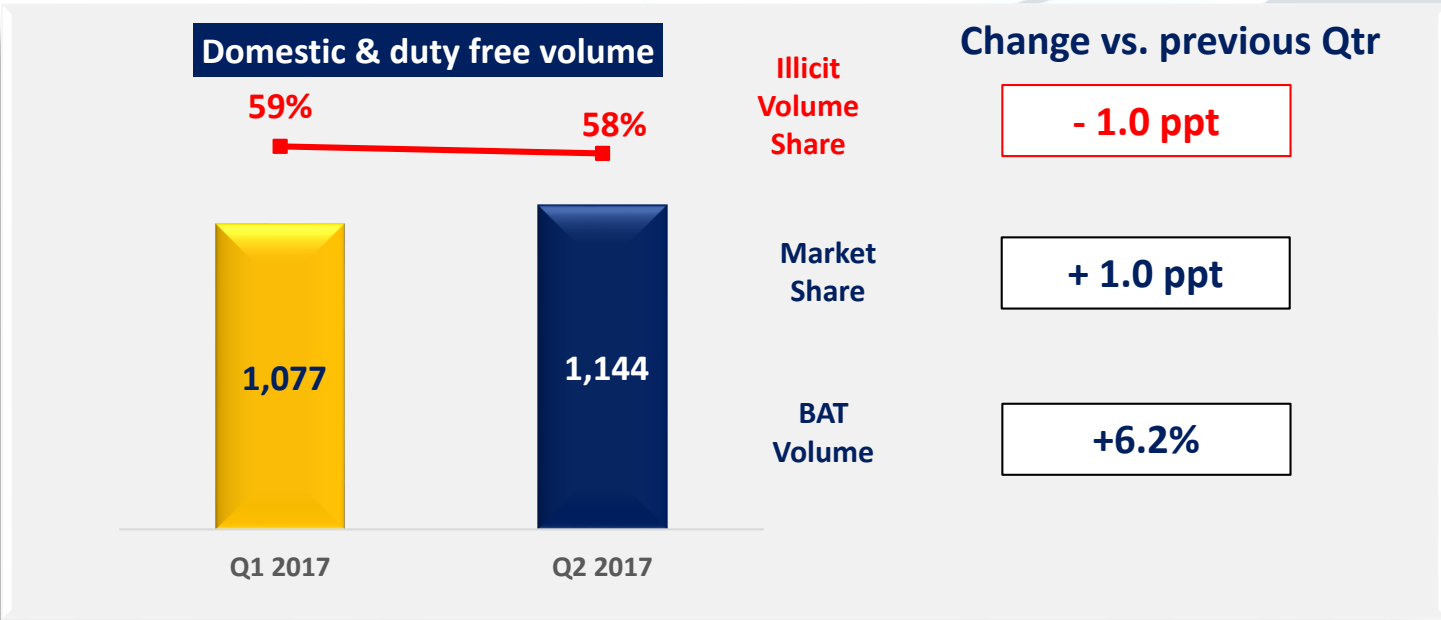
-18.4% vs Q1'17

Profit from Operations

198 mil

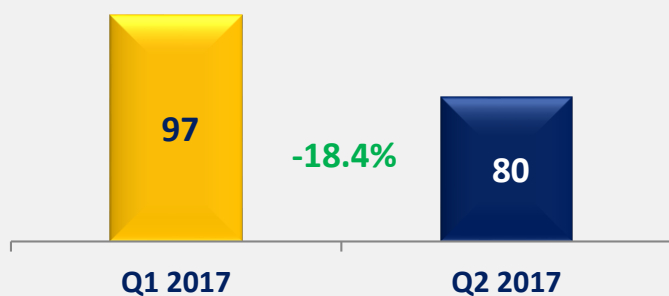
+25.3% vs Q1'17

Revenue back to growth in Q2

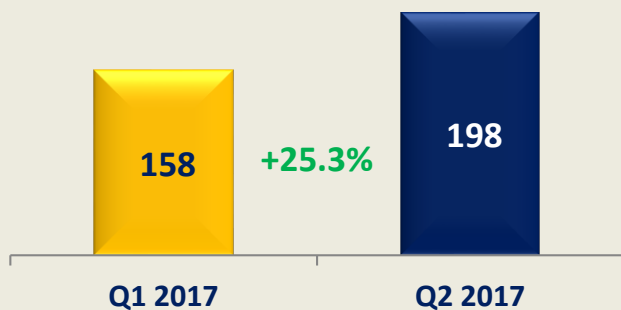


Cost Base and Profit improved driven by cost base initiatives and one offs

Operating Expenses (RM'mn)



Profit from Operation (RM'mn)



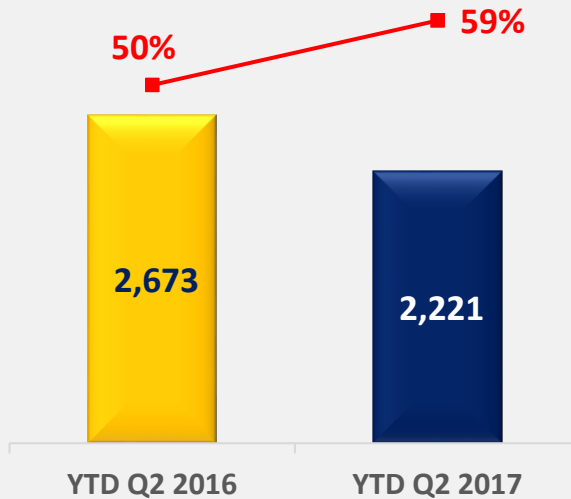
Main Drivers

- Cost base transformation
- Sub-lease rental
- Timing of spend

YTD Q2 Performance vs. SPLY

Revenue and volumes impacted by illicit trade

Domestic & duty free volume



Illicit
Volume
Share

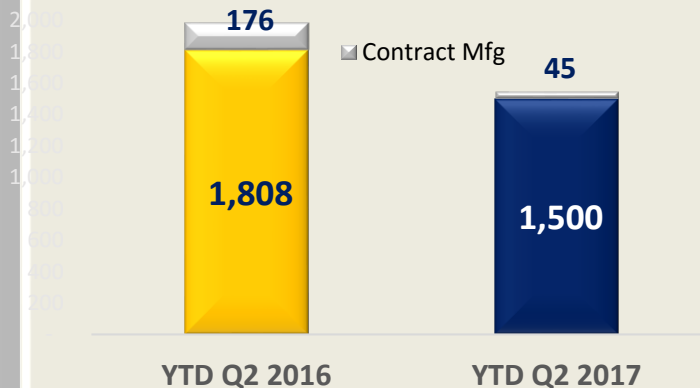
Change vs. previous Qtr

+18%

BAT
Volume

-16.9%

Revenue



BAT
Revenue

-22.1%

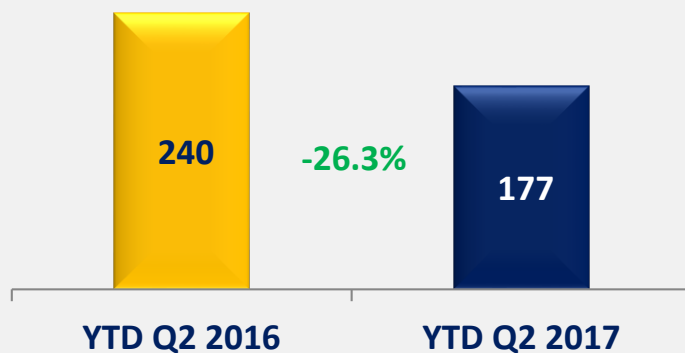
- Dom & Duty Free -17.0%
- Export -74.0%

Contract manufacturing ceased in Q2 2017

YTD Q2 Performance vs. SPLY

Optimizing cost in delivering bottom line

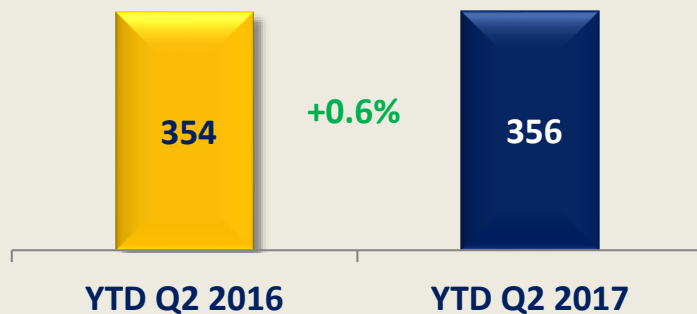
Operating Expenses (RM'mn)



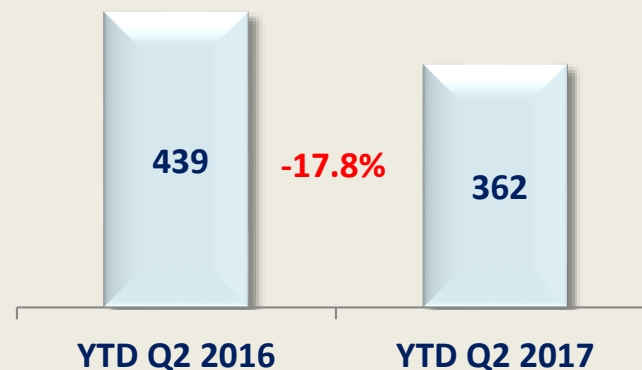
Main Drivers

- Sub-lease rental
- Reduction of recharges
- Cost base transformation
- Timing of spend

Profit from Operations (RM'mn)



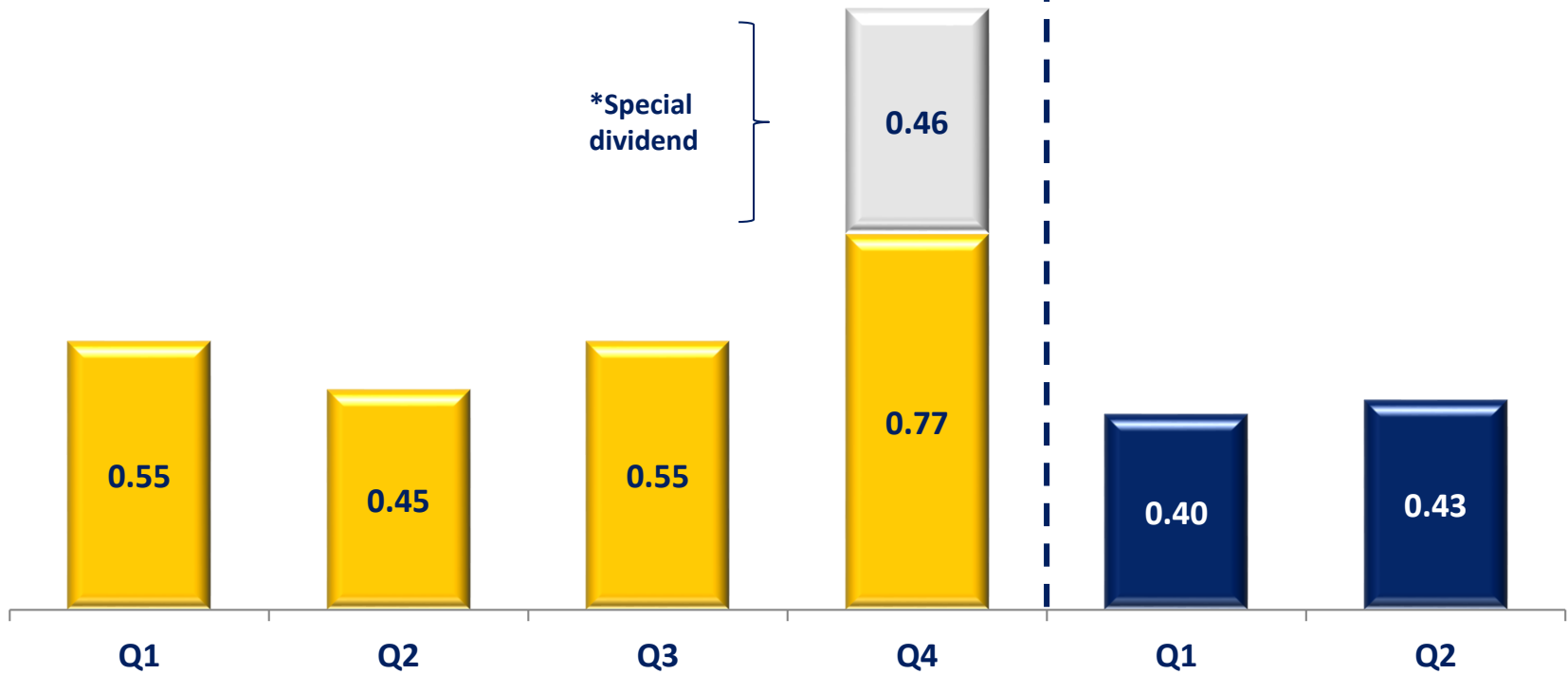
Profit from Operations (Excl. restructuring expenses)



Dividend payout

2016
RM 2.78
110.0% Payout

2017
YTD



Good Q2 performance, however business remains challenging

High illicit level

Consumer Affordability

Macro environment will need to improve for long term sustainable growth

THANK YOU