



**BRITISH AMERICAN
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MALAYSIA

ANALYST BRIEFING QUARTER 2, 2013

25th July 2013



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AGENDA

- **Industry Review, Market Share and Volumes**
- **BATM Review**
- **Quarter 2, 2013 Results**
- **Other Highlights**
- **Future Prospects**

Q2 2013 Headlines

- **YTD PAT/EPS flat v's SPLY**
- **Weak Q1 domestic volume, some recovery in Q2**
- **Significant y.o.y growth in contract manufacturing volume**
- **Growth in domestic market share**
 - Domestic Market Shrinkage
 - Growing illicit white segment
- **Good growth of new variants**
- **Upgraded Peter Stuyvesant July 2013**
- **30sen/pk consumer price increase (June 2013)**



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INDUSTRY REVIEW, MARKET SHARE, VOLUMES AND BATM REVIEW

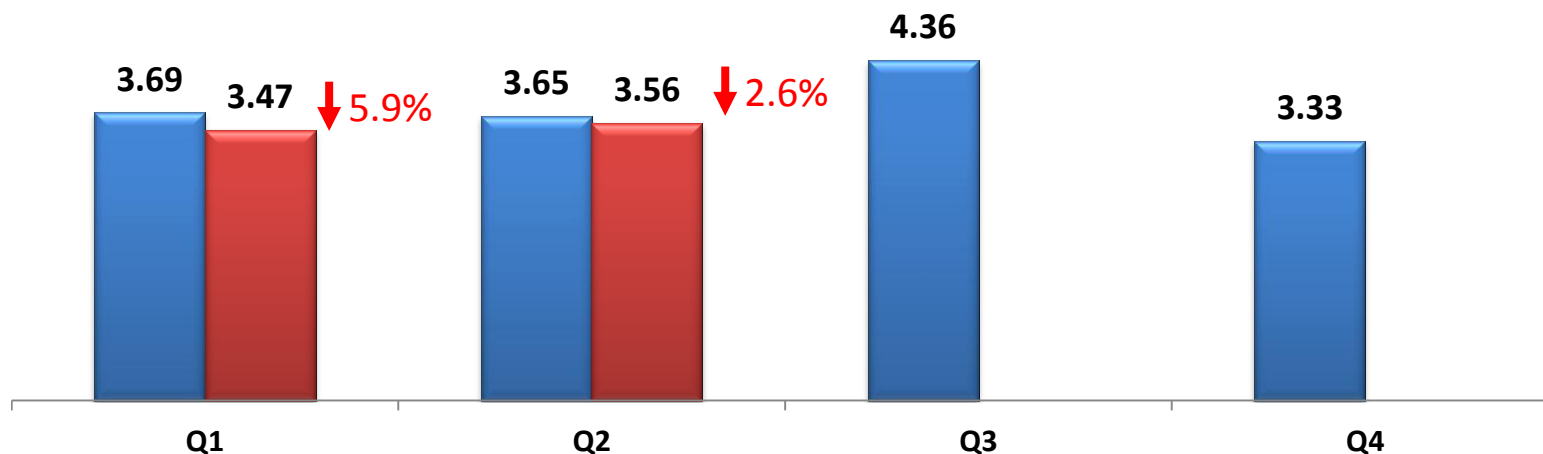
Industry Volume: Recovering in Q2'13

Source: Industry Exchange, IMS Volumes (Kretek + Whites)



Industry Volumes (bns)
Big3 + ELPC + Kretek

■ 2012 ■ 2013



| | Q2 2012 | | Q2 2013 | | YTD 2012 | | YTD 2013 vs. YTD2012 | |
|--------------------------|---------|------------|---------|------------|----------|------------|----------------------|------------|
| | Volume | % Variance | Volume | % Variance | Volume | % Variance | Volume Variance | % Variance |
| BATM | 2.18 | - | 2.12 | -2.9% | 4.37 | - | 4.15 | -5.0% |
| Total Big3 | 3.39 | - | 3.37 | -0.5% | 6.82 | - | 6.64 | -2.7% |
| Other Whites (estimate) | 0.15 | - | 0.08 | -44.7% | 0.31 | - | 0.17 | -44.6% |
| Kretek | 0.11 | - | 0.10 | -7.2% | 0.22 | - | 0.20 | -8.6% |
| Total Big3 + OW + Kretek | 3.65 | - | 3.56 | -2.6% | 7.35 | - | 7.01 | -4.6% |

Note: 1) Other Whites volumes extrapolated from Retail Audit

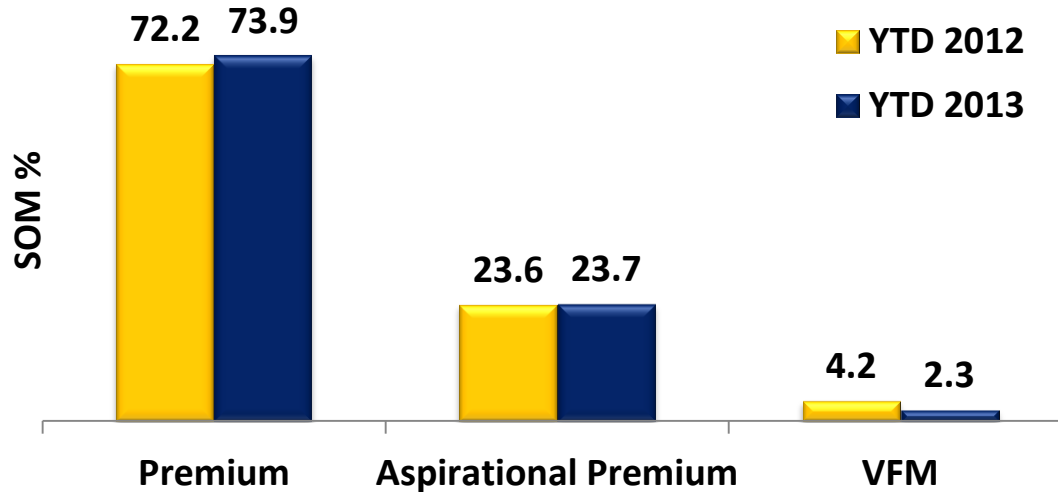
Q2 2013 v's SPLY: Big-3 -0.5% down by to close at 3.37 billion sticks
 YTD 2013 v's SPLY: Big-3 -2.7% down. Recovery in Q2 V's Q1

Premium segment further grew arriving at 73.9% SOM



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Source: YTD Jun'13 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



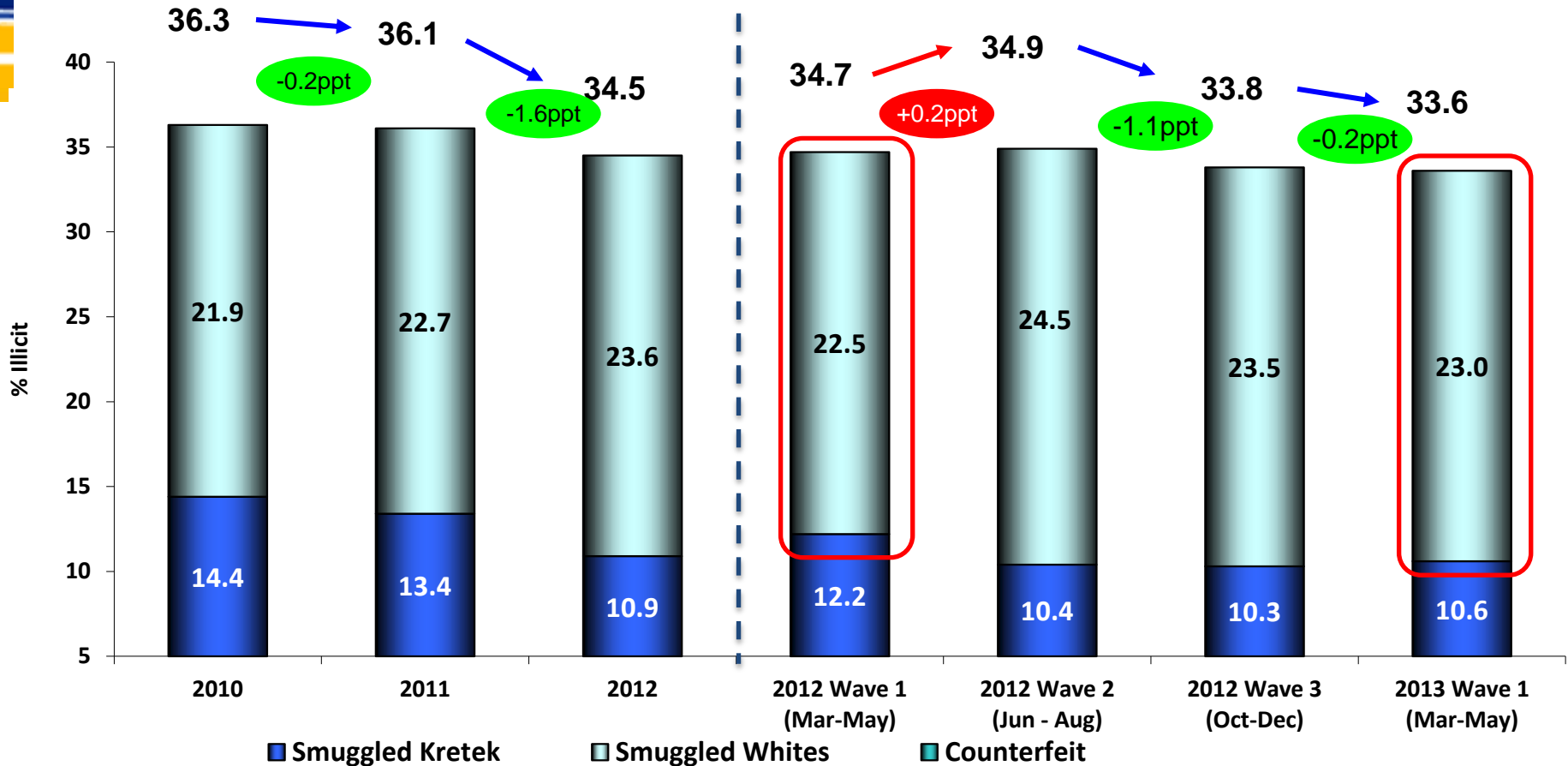
| SPLY 2012 | | YTD 2013 | |
|--------------------------------------|---------------------|--------------------------------------|---------------------|
| <u>Share of Premium</u> | <u>YTD Jun 2012</u> | <u>Share of Premium</u> | <u>YTD Jun 2013</u> |
| BAT | 71.9 | BAT | 72.0 |
| <u>Share of Aspirational Premium</u> | | <u>Share of Aspirational Premium</u> | |
| BAT | 36.3 | BAT | 35.1 |
| <u>Share of VFM</u> | | <u>Share of VFM</u> | |
| BAT | 0 | BAT | 0 |

Illicit whites a key concern.



Source: Illicit Cigarette Study, 2010 - 2013

*Survey methodology does not capture sub-VFM brands selling at below minimum price.



2012 vs. 2011

- Illicit down by 1.6ppt
- No excise increase in 2012 Budget
- Greater enforcement by LEAs

2013, Mar-May vs. 2012, Oct-Dec

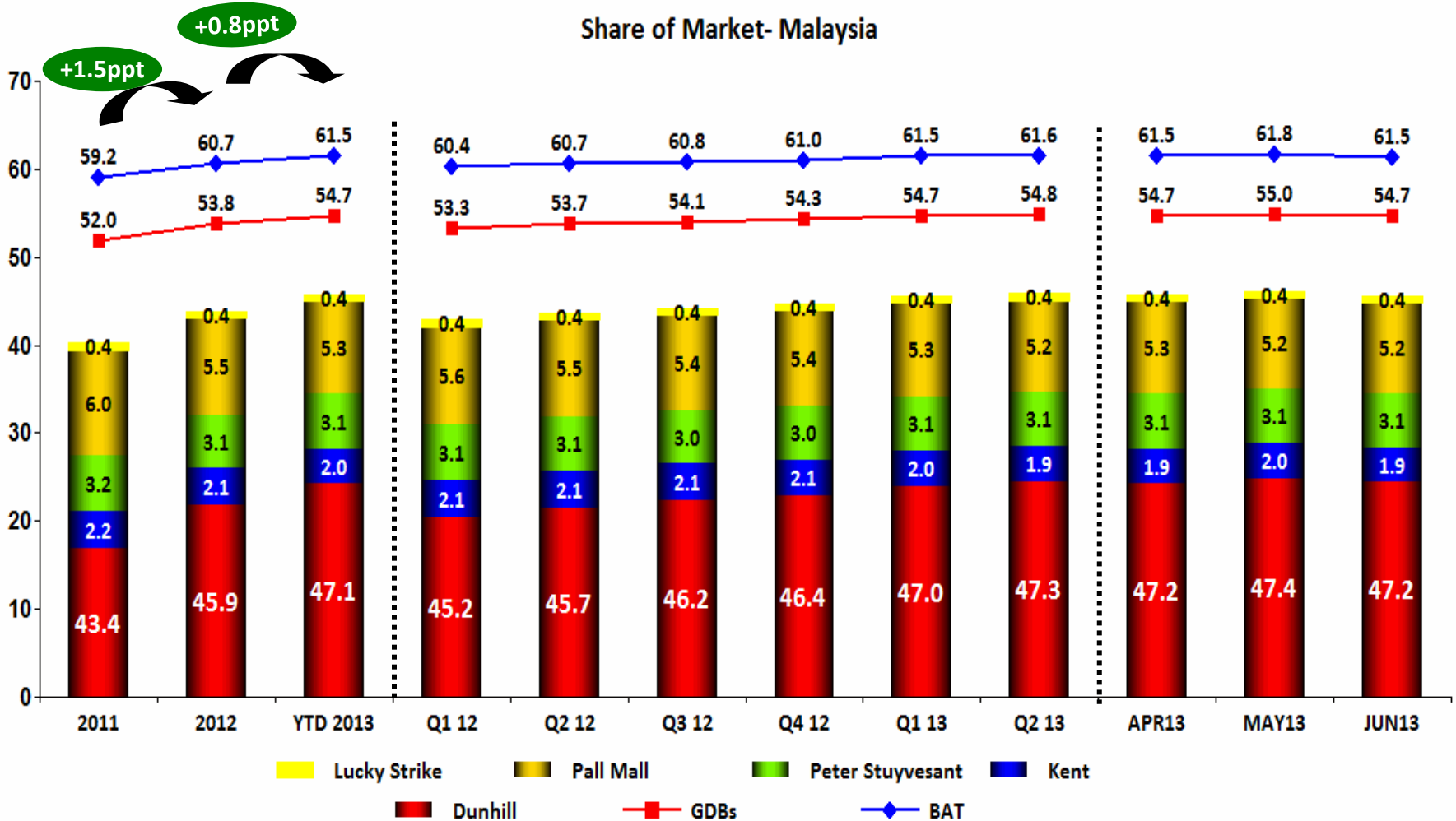
- Smuggled Whites down by 0.5ppt
- Smuggled Kretek up by 0.3ppt

BAT shares stable in the latest quarter

Source: YTD Jun'13 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



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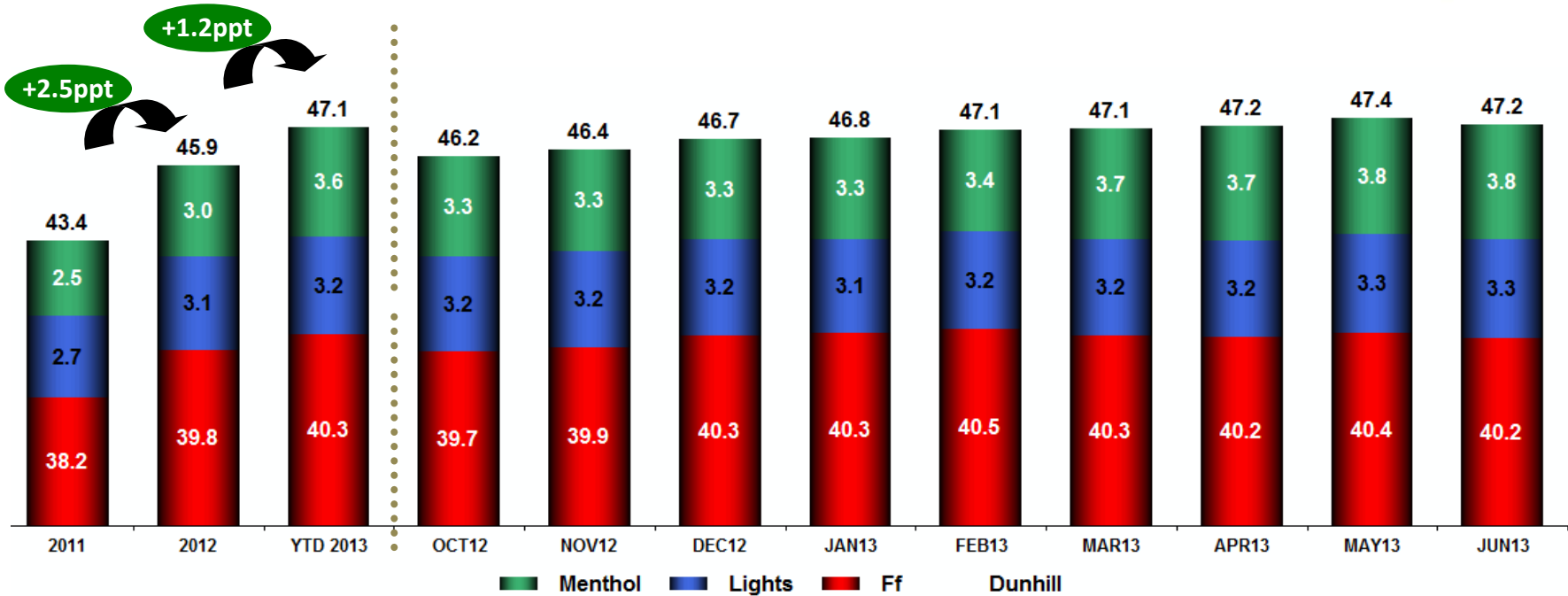
BAT share growth driven by Dunhill

Dunhill: Continue to strengthen brand portfolio stable in recent periods.



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Source: YTD Jun'13 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



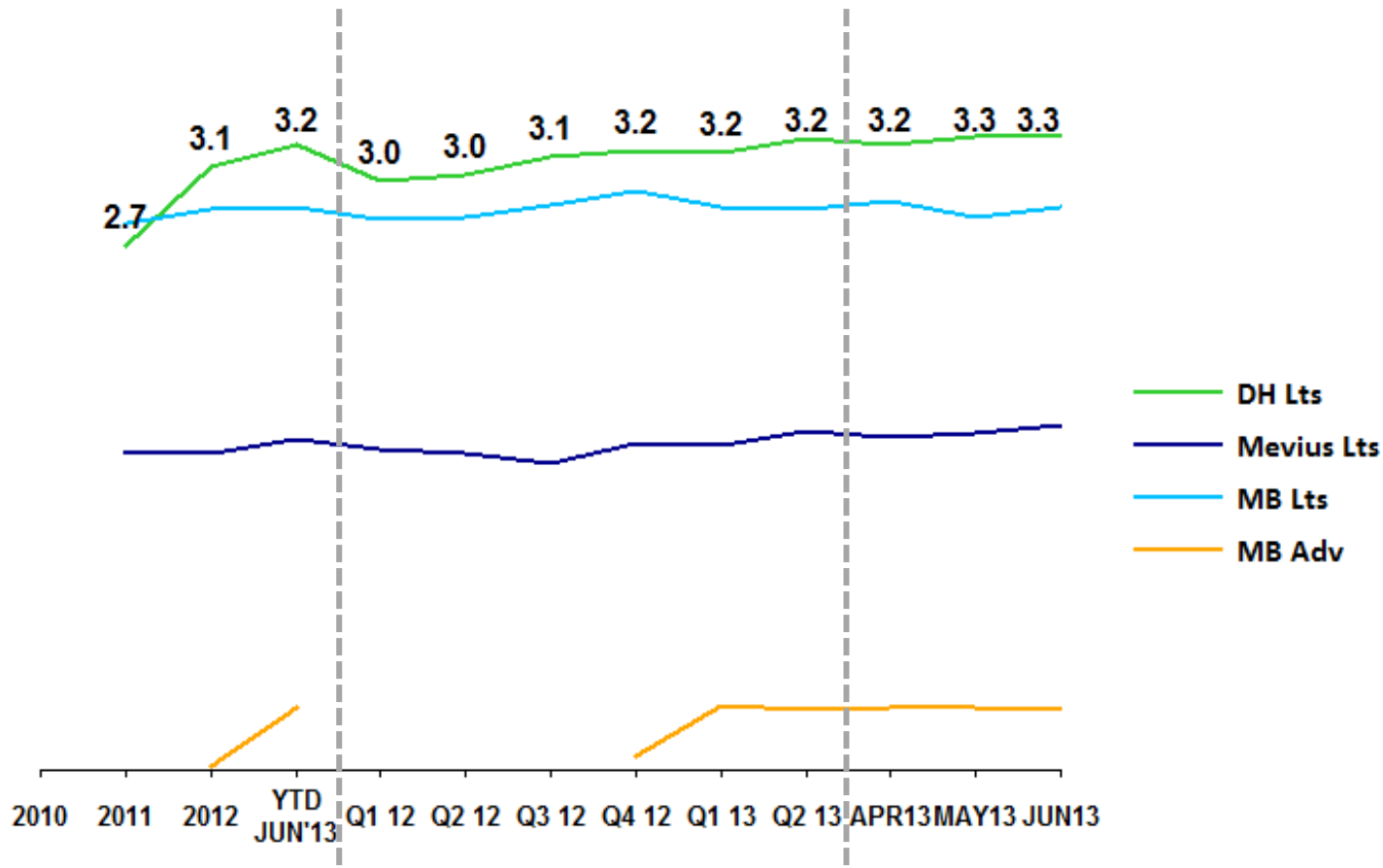
Q4 2012
New RELOC Seal Design

Q4 2012
Dunhill Switch Reinforcement campaign

Mar 2013
Dunhill Ice – High Menthol Capsule product: Nationwide launch

Dunhill Lights leads in Premium Lights

Source: YTD Jun'13 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



Dunhill Lights resilient at 3.3% SOM in May'13

Produk ini mengandungi lebih 4,000 bahan kimia termasuk tar, nikotina dan karbon monoksida yang membahayakan kesihatan.

YTD 2013 DH Switch 0.8% SOM



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Source: YTD Jun'13 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)

Apr 2011

Apr 2012

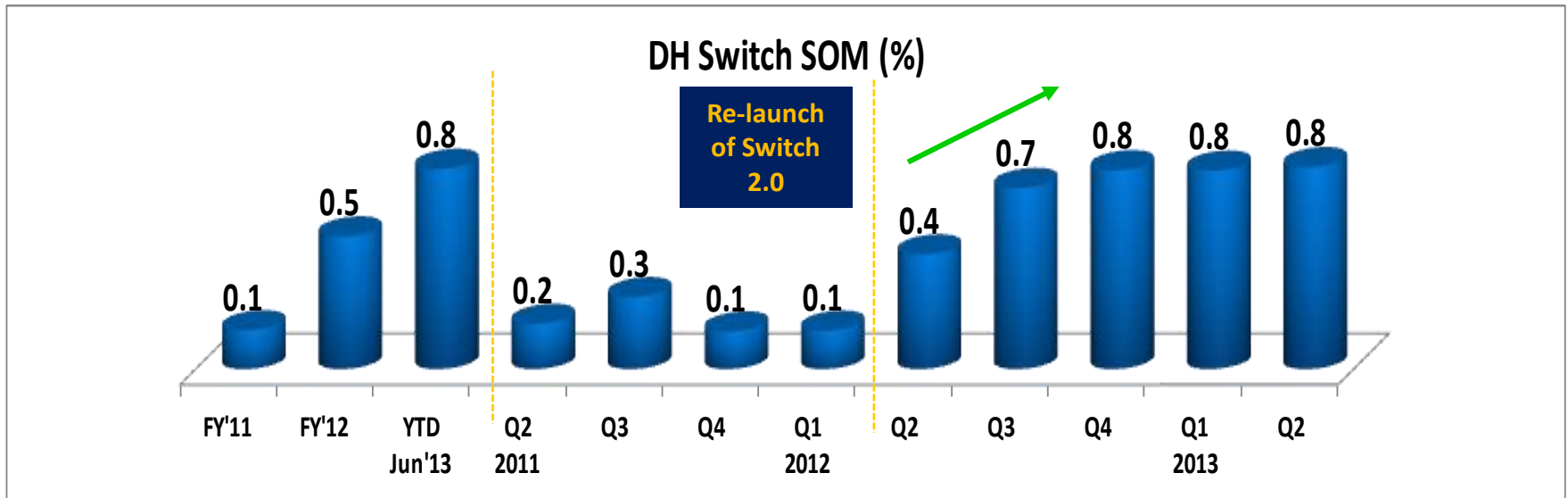
Oct – Dec 2012



CLICK TO SWITCH FROM LIGHTS TO
MENTHOL FINISH

GET THE BEST OF
BOTH WORLDS:
BEST IN LIGHTS &
BEST IN MINT

EXCEPTIONALLY
SMOOTH & RICH LIGHTS TASTE
WITH FRESH FINISH

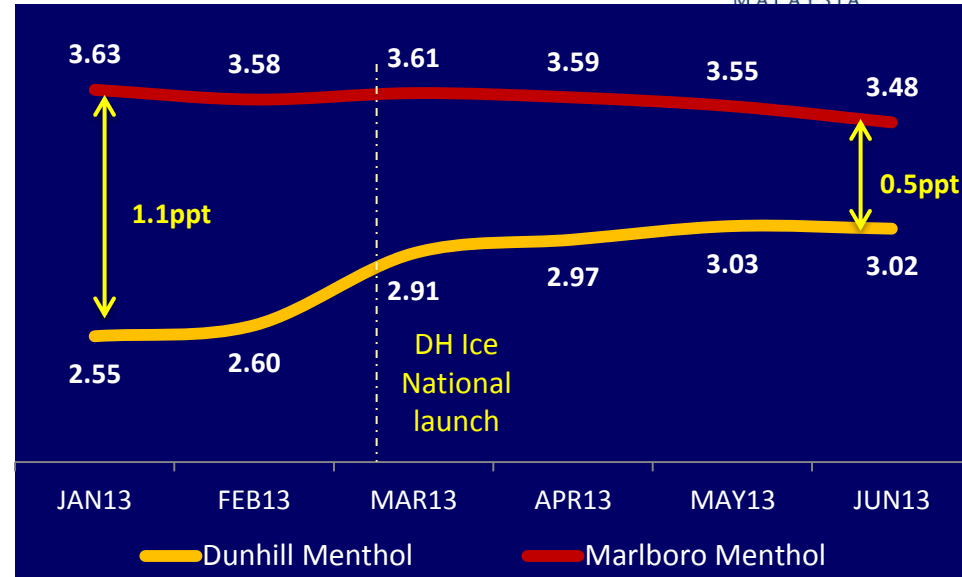
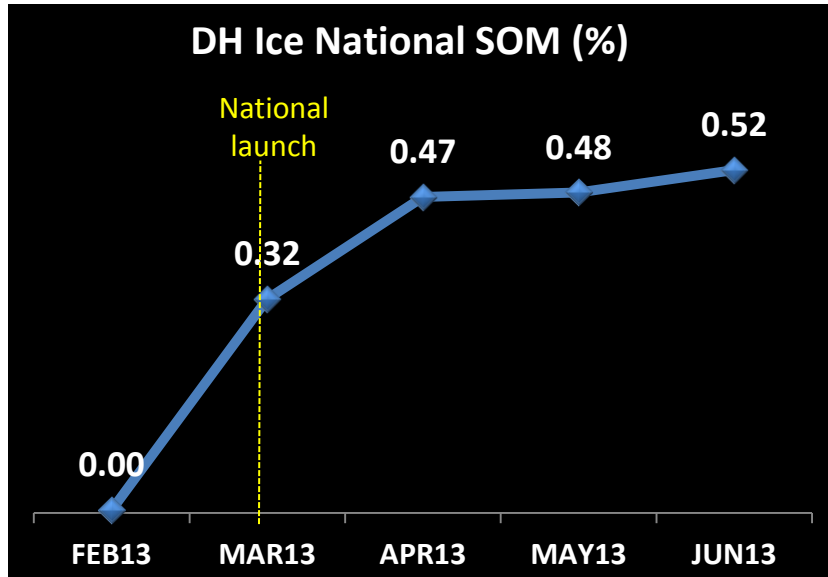


DH Ice adding to the growth with an SOM of 0.5%

Source: YTD Jun'13 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



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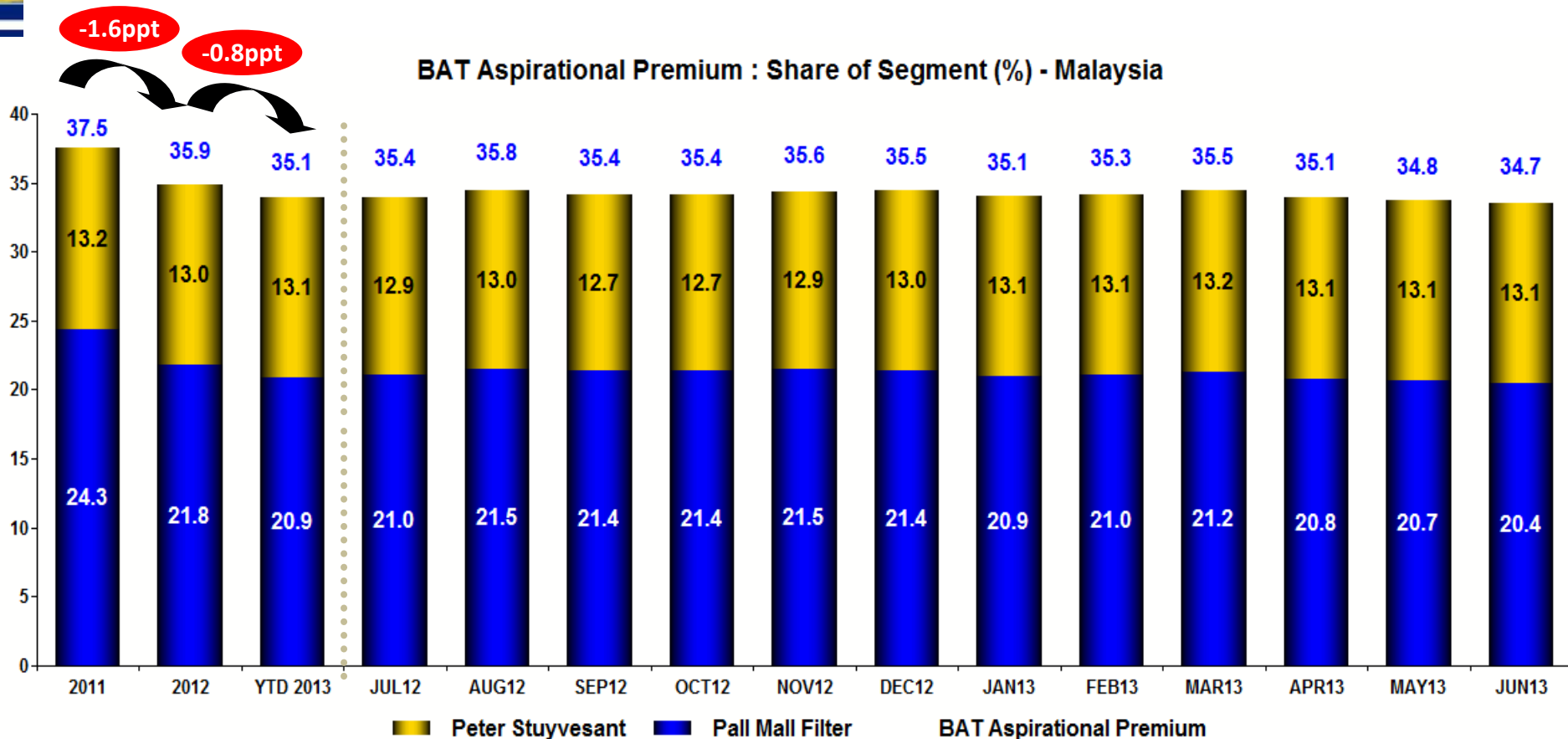
High level of awareness of all DH Ice POSMs (Point of Sales Materials) recorded
(Source: TNS Research Agency, 2013)

BAT Aspirational Premium segment share stabilizes



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Source: YTD Jun'13 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



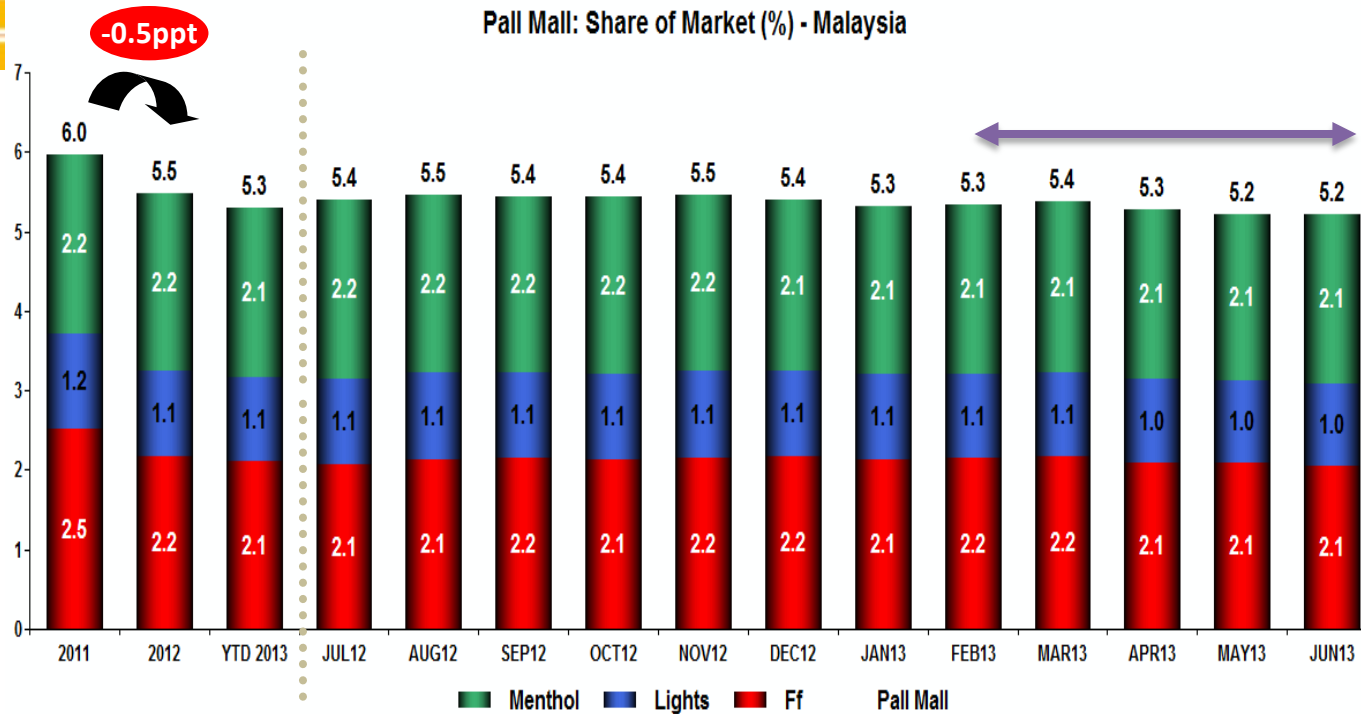
Remain resilient

Pall Mall stabilized at 5.3 SOM in YTD'13.

Source: YTD Jun'13 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



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**Feb 2012:
Launch of
Pall Mall
Mint**

**Jul 2012:
Pall Mall Core Range Re-launch**

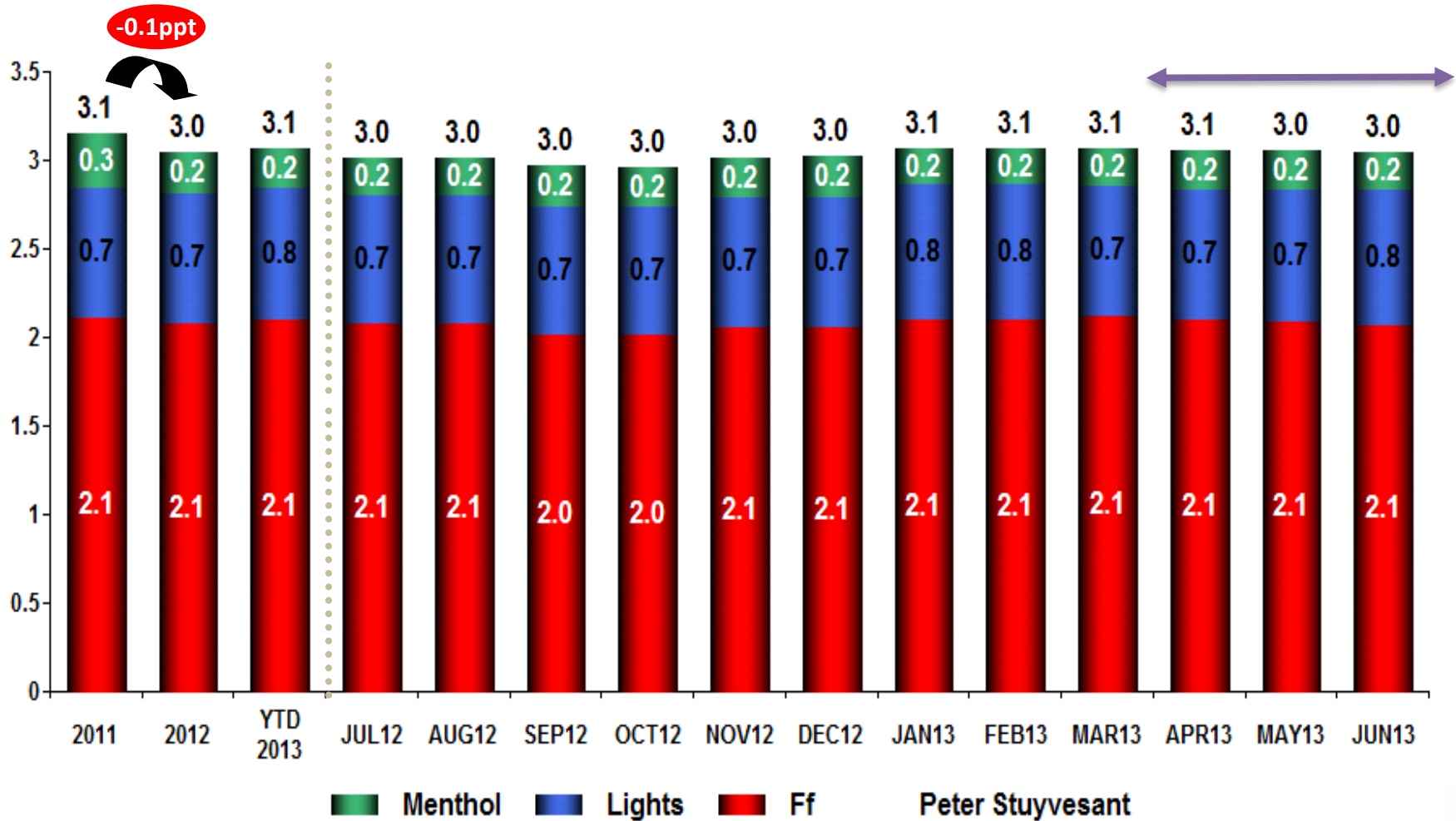
**Sep 2012:
Pall Mall Original
Taste Pack Upgrade**

Innovation Pack Upgrade: Peter Stuyvesant in July'13



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Source: YTD Jun'13 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



Produk ini mengandung lebih 4,000 bahan kimia termasuk tar, nikotina dan karbon monoksida yang membahayakan kesihatan.

Peter Stuyvesant Full Flavour has achieved 97% penetration in the 2 weeks launch.



MARKET COMMENTS:

Retailers

- Packaging is more premium and exclusive

Consumers

- Think its tastes better and are pleasantly surprise with the Freshness Seal feature

Fieldforce

- Kirin is a good launch to reinforce itself as catchment brand as PDTs tend to switch to Winston after GPI.
- Confident that PS Kirin is able to perform well with the pack change and Freshness Seal



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FINANCIAL HIGHLIGHTS

Q2 & YTD: Volume Mix

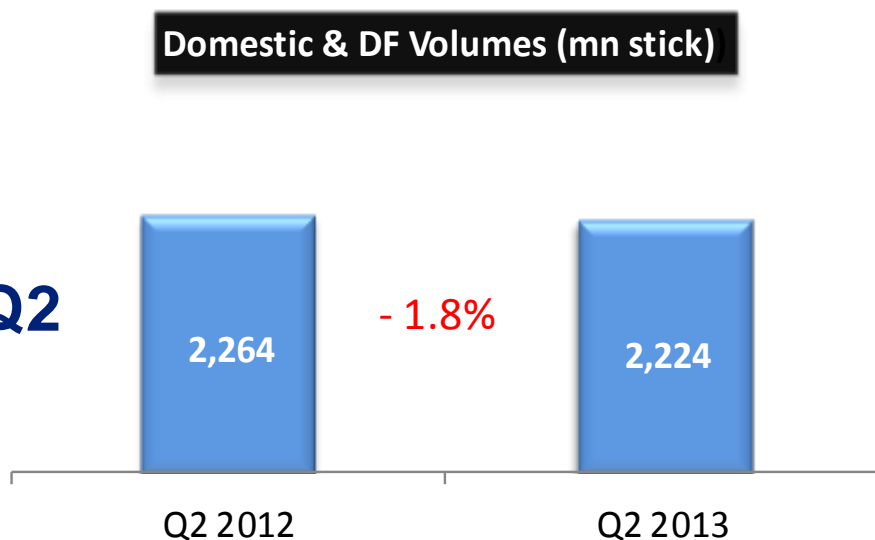
Lower volume and revenue from Domestic & DF. Higher Contract Manufacturing Volume and revenue increase



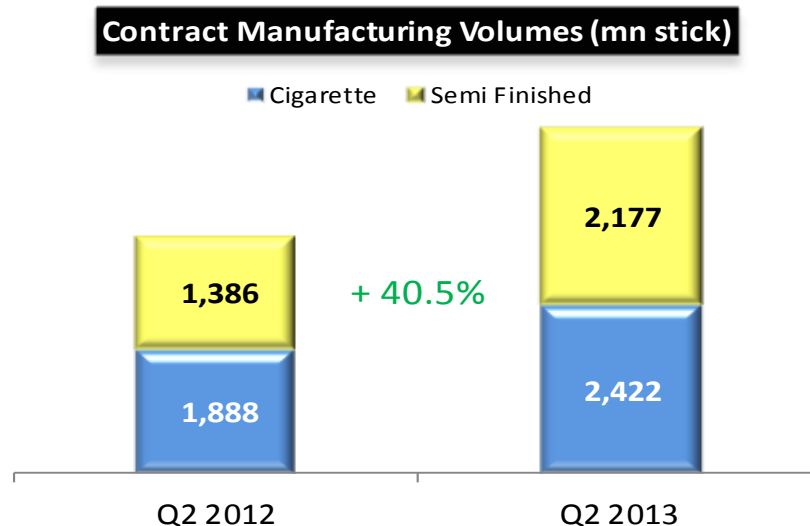
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Domestic & DF Volumes (mn stick)

Q2

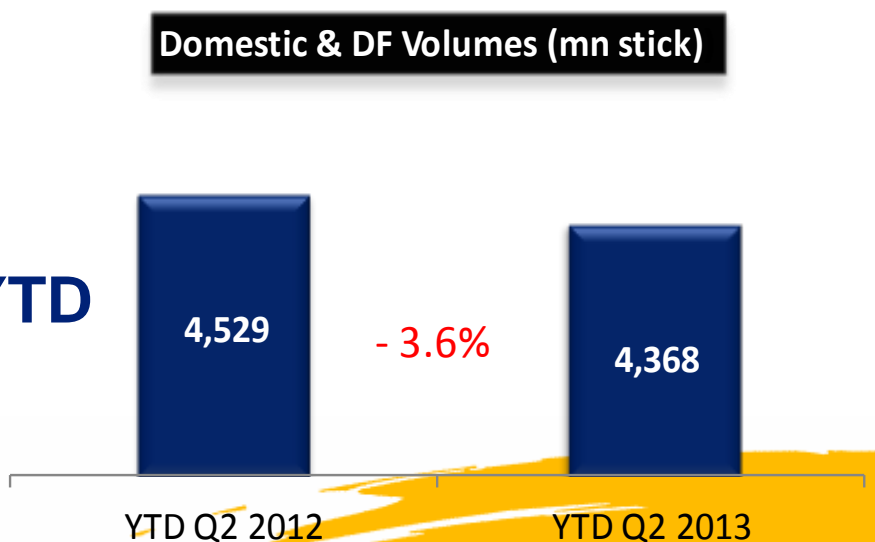


Contract Manufacturing Volumes (mn stick)

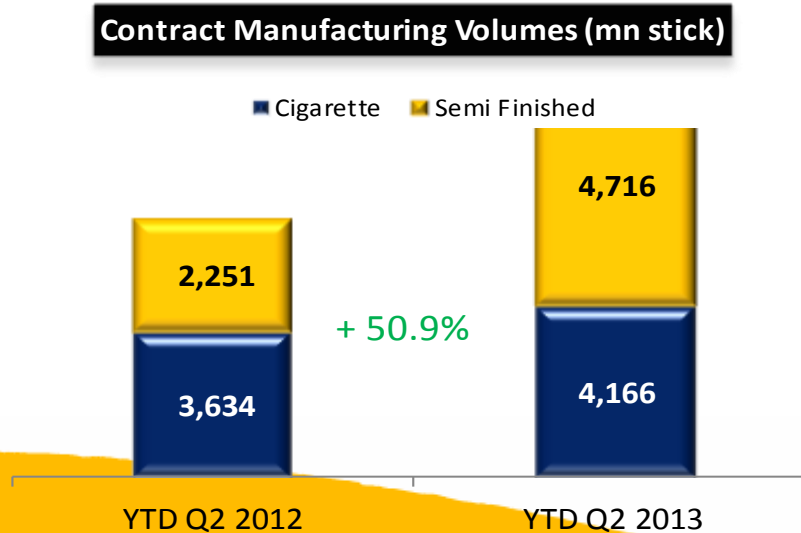


Domestic & DF Volumes (mn stick)

YTD

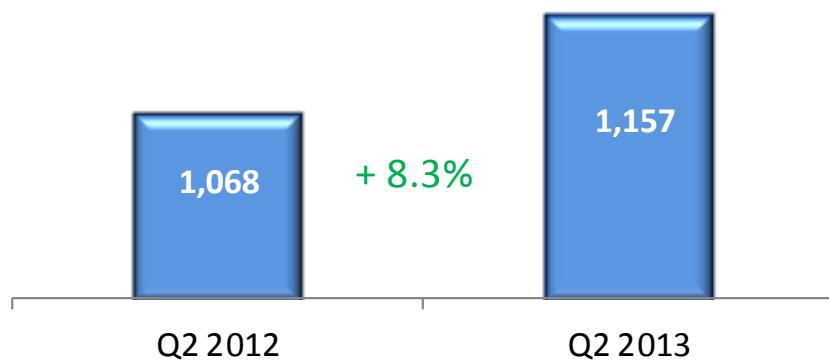


Contract Manufacturing Volumes (mn stick)

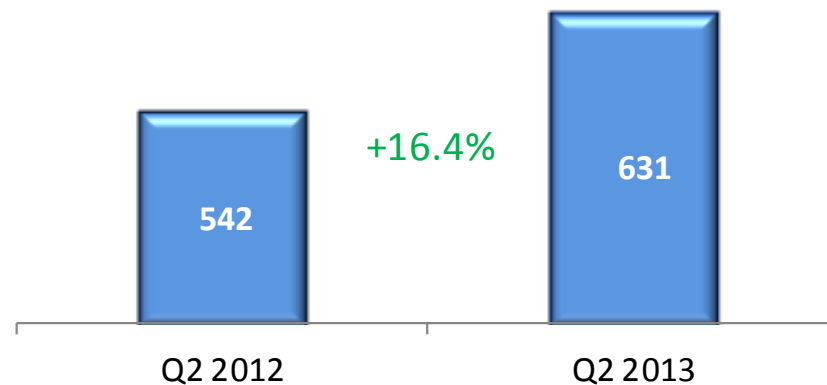


Quarter 2: 2013 v's SPLY

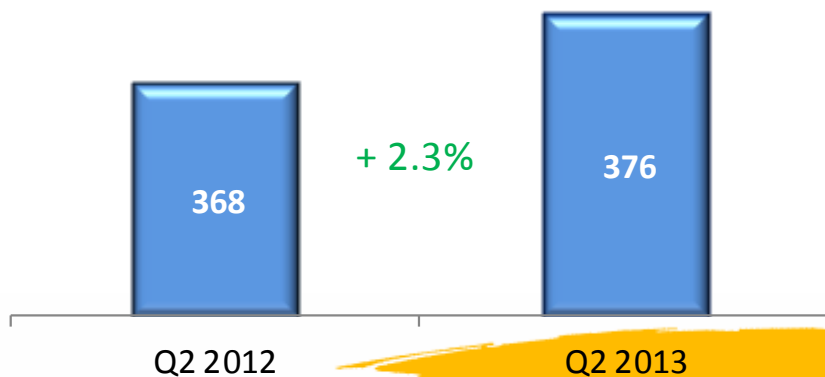
Revenue (RM'mn)



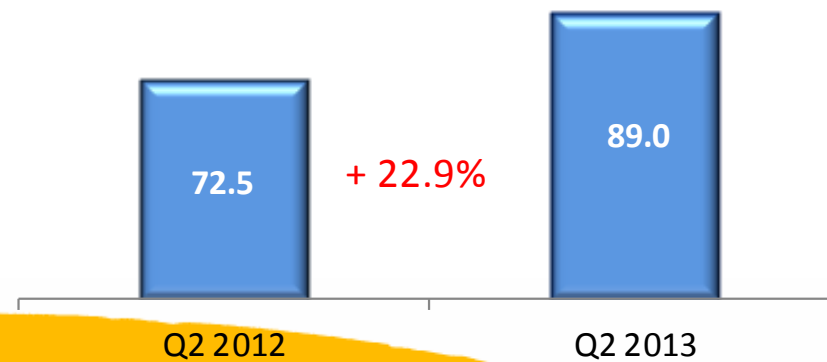
Net Turnover (RM'mn)



Gross Profit (RM'mn)

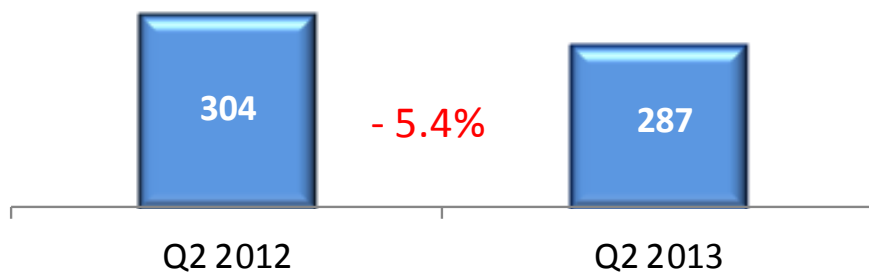


Operating Expenses (RM'mn)

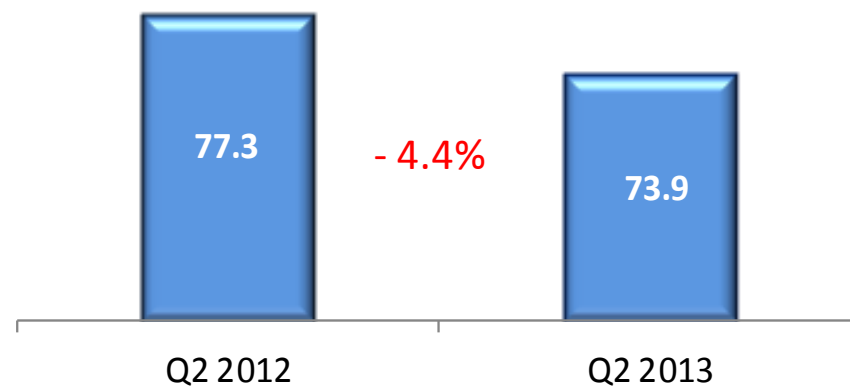


Quarter 2: 2013 v's SPLY

Profit from Operation (RM'mn)



Earning per Share (Sen/share)



YTD Quarter 2: 2013 v's SPLY

Revenue (RM'mn)



Net Turnover (RM'mn)



Gross Profit (RM'mn)

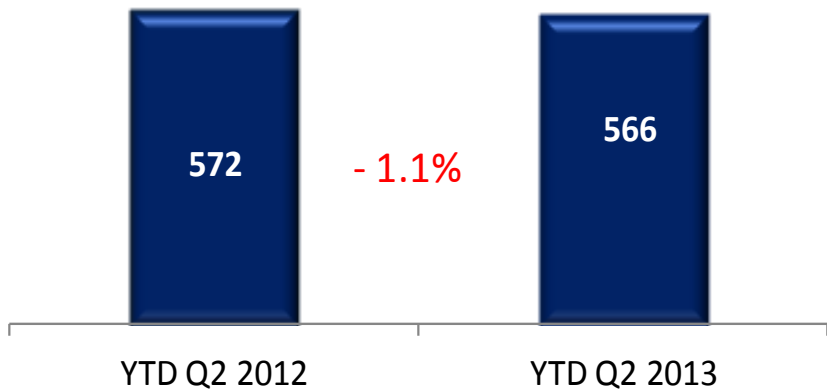


Operating Expenses (RM'mn)

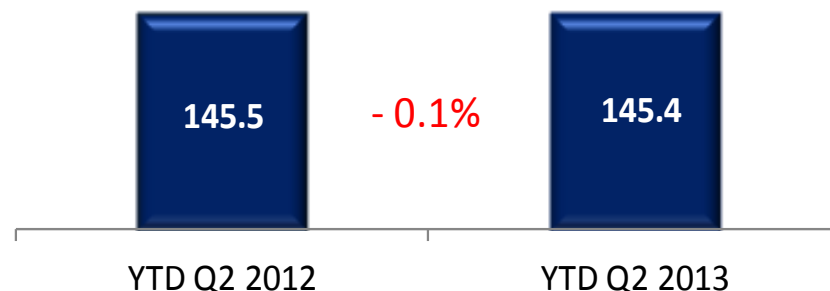


YTD Quarter 2: 2013 v's SPLY

Profit from Operation (RM'mn)

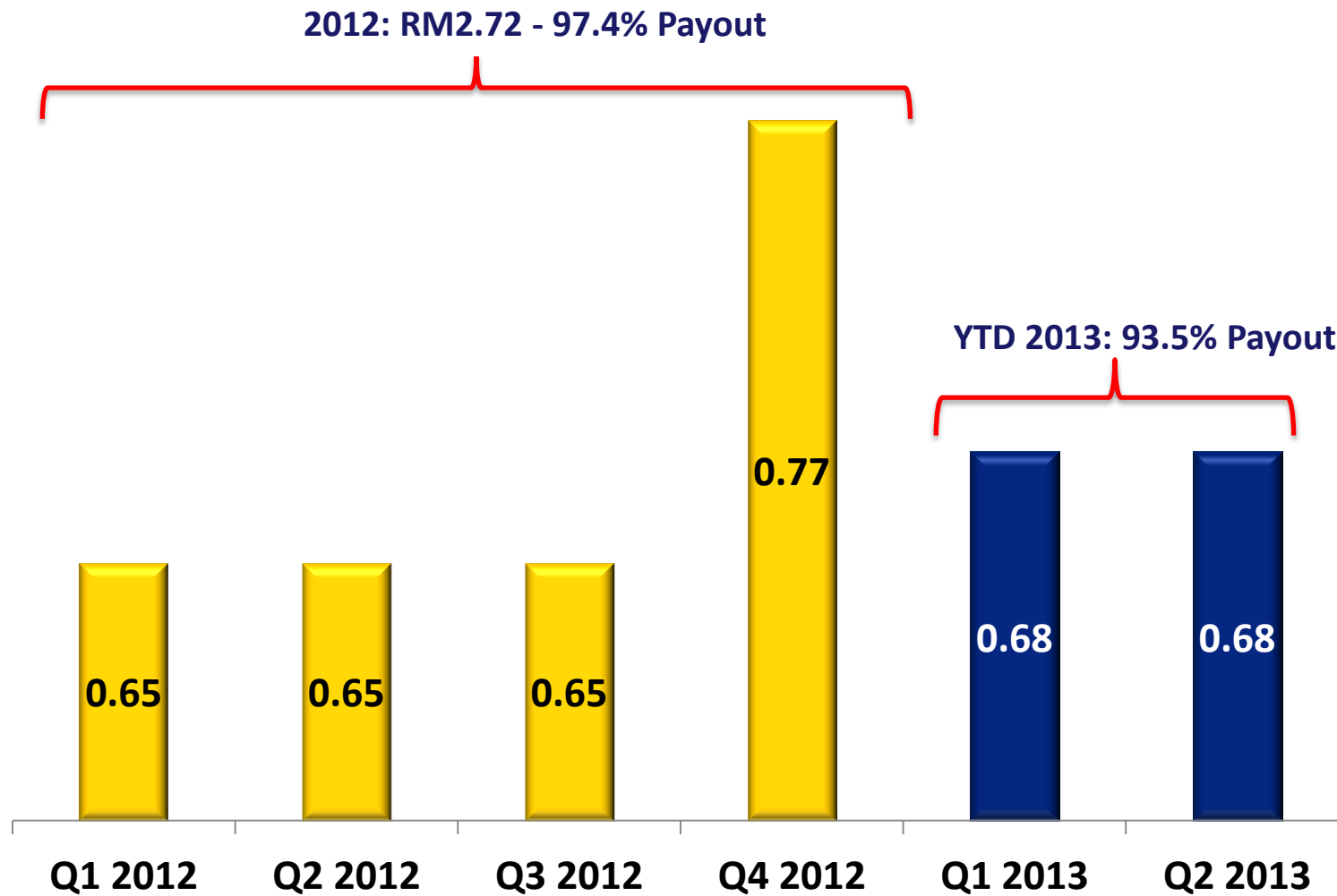


Earning per Share (Sen/share)





Q2 Dividends



Dividends for Q2 2013 at 68 cents per share



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OTHER HIGHLIGHTS

Recent External Recognition and Corporate Responsibility Highlights

FinanceAsia Best Companies Poll 2013

BAT Malaysia achieves recognition for 13th year running in FinanceAsia's Best Companies Poll.

- Most Committed to a Strong Dividend Policy (3rd place)



Workplace Responsibility: First Aid & CPR Training

- BAT Malaysia organised its yearly First Aid & CPR Training for employees, facilitated by external trainers.
- Training is part of our continuous efforts to improve safety in the workplace.



Future Prospects



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- Group seeks to continue its recent strong share momentum.
- Given YTD Performance and overall market dynamics the Group has a cautious outlook on the second half of 2013



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THANK YOU