

## **CHALLENGING MARKET ENVIRONMENT WITH ILLEGAL CIGARETTES REMAINS A CONCERN**

**Petaling Jaya, 16 October 2014** – British American Tobacco (Malaysia) Berhad (BAT Malaysia) today announced its financial results for the third quarter of the year ended 30 September 2014.

### **Year to date Q3 2014 financial highlights:**

- **Revenue** increased by 4.9 percent versus same period last year, largely attributed to the cumulative effect of pricing in June, and the excise led price increase in September last year.
- **Gross Profit** grew by 11.7 percent in Q3 2014 year on year as a result of revenue growth coupled with the implementation of additional productivity savings.
- **Contract Manufacturing Volume** for year to date September registered a reduction of 12.6 percent versus the same period last year. **Domestic and Duty Free sales volume** declined by 6.2 percent comparable to 2013.
- **Operating Expenses** for the first nine months of 2014 increased by 12.8 percent compared to the same period last year, resulting mainly from increased trade investment, and the impact of inflation on overall costs.
- **Profit from Operations** grew by 11.5 percent (RM99 million) in Q3 2014, and **Profit after Tax** increased by 12.6 percent (RM80 million) both compared to the same period of last year.

Arising from the Group's financial performance, the Board of Directors has declared a third interim dividend of 78 sen per share.

**Analysis of these results by Stefano Clini, Managing Director of BAT Malaysia:**

On the face of it, the Group's performance looks robust with total revenue recording a 4.9 percent growth year on year. However, this is offset, from a volume perspective, with the continued decline in domestic and duty free sales volumes by 6.2 percent, and another quarter of reduction in contract manufacturing volumes by 12.6 percent versus the same period last year.

Declining domestic volumes can be attributed to the still high level of illegal cigarette trade and an increasingly challenging market environment. These challenges have also impacted the Group's market share with a slight decrease of 0.4 percentage points compared to the same period last year. The launch of DUNHILL Taste, with a unique tube filter, and a Resealable Reloc feature for PALL MALL in July 2014 however contributed to the brands' market share momentum.

"Although Gross Profit increased 11.7 percent, this was due to revenue growth contributed by the cumulative pricing done last year coupled with the implementation of additional productivity savings. The Group will be hard pressed to find further productivity savings and will continue to be faced with mounting inflation in the long run," Clini added.

**Outlook for 2014**

The Group continues to be deeply concerned with the overall decline in the legal market, due largely to the impact of the illegal cigarette trade.

"There is no question that illegal cigarettes is an issue that necessitates robust enforcement and we commend the level of commitment shown by law enforcement agencies such as the Royal Malaysian Customs through their anti-illegal cigarette campaigns such as *OPS Outlet* and *OPS Pacak*, and the seriousness which the courts in Malaysia has shown towards illegal cigarette offences by meting out more deterrent penalties," said Clini.

Considering the magnitude of the illegal cigarette trade in Malaysia, the Group is cautiously optimistic of its performance in 2014.

For more information on British American Tobacco Malaysia's financial results, please visit [www.batmalaysia.com](http://www.batmalaysia.com)

**About British American Tobacco (Malaysia) Berhad**

British American Tobacco (Malaysia) Berhad (British American Tobacco Malaysia) emerged on 3<sup>rd</sup> 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 1,000 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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