



FINANCIALS RESILIENT BUT ILLEGAL TRADE CONTINUE TO PUT INDUSTRY UNDER PRESSURE

Bukit Damansara, 21 February 2019 – British American Tobacco (Malaysia) Berhad (BAT Malaysia) today announced its financial results for the fourth quarter of the year that ended 31 December 2018.

The total legal market volume declined by 1% versus the third quarter of 2018, impacted by the growth of the illegal cigarette trade and the SST led pricing. The illegal trade market stood at 64% of the total consumption in Malaysia – registering an increase of 1% compared to the third quarter of 2018, driven primarily by affordability pressure.

The domestic volumes for BAT Malaysia remained stable during the fourth quarter versus preceding quarter, despite the SST led price increase of 40 sen per pack on 2nd November 2018. Domestic volumes for the Group registered recovery at 2.2% compared to the preceding quarter. As a result, revenue registered growth of 4.8% versus previous quarter from higher volumes and pricing. Profit from operations decline by 15.5% in the fourth quarter as the revenue growth was offset by increased cost of sales following introduction of SST and absence of one-off GST benefit in the third quarter.

Based on this quarter's financial performance, the Board of Directors has declared a fourth interim dividend of 47 sen per share.

On a full year basis, BAT Malaysia managed to further strengthen its position in the market, showing resilience during this challenging year and registered a market share of 56.3%, which is stable versus previous year. From a double digit decline in the last 2 years, the Group's domestic volume experienced a smaller contraction of 4.6%. As a result, domestic and duty-free revenue declined by 1.6% whilst profit from operations declined by 2.2% – which are a significantly lower decline rate compared to 2016 and 2017.

Erik Stoel, Managing Director of BAT Malaysia said: "Despite 2018 being a challenging year, we are very encouraged by our overall results for the fourth quarter and throughout 2018. Even with the re-introduction of SST and the resulting SST led price increase, the company's results demonstrate our market leadership in executing sound strategic decisions that helped us retain market share while driving growth where it matters."

“The results are in line with the company’s projections, and this growth demonstrates that our new cost-based transformation initiative and business model to optimise strategic investments is adding value to our future sustainability.”

“There have been positive changes as well as new challenges to the industry since the change of administration in May 2018. We are encouraged that more serious measures are being adopted to fight the illegal trade. The newly amended stronger penalties, which include a minimum fine of RM100,000 and 6 months jail for smuggling offences, are the first steps towards tackling the illegal cigarette trade that continues to be a thorn in the side of the industry, society and nation.”

“There is still much more work to be done, turning intent into sustained enforcement. The string of crackdown initiatives and court cases by the Royal Malaysian Customs and other relevant authorities is a positive indication for the industry but will need to be driven at much higher intensity.”

“Nevertheless, we remain cautious that the illegal trade is still very big, and the recent SST led price increases further widen the price disparity between legal and illegal cigarettes. Affordability pressure continues to be a key factor driving consumers to cheap illegal cigarettes. In addition, with the newly introduced smoking ban at eateries, we expect to have an impact of 1% to 2% on the legal industry volumes.”

“Whilst 2018 has been a stable year for us, our outlook remains dependent on Government’s success towards curbing illegal cigarettes, and therefore recovery of the legal tobacco market, and the introduction of consistent policies on existing tobacco products and new categories like Potentially Reduced Risk Products (PRRPs), which will be important for 2019.”

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 is the leading tobacco company in Malaysia. The company markets high quality tobacco products designed to meet diverse consumer preferences. Our portfolio includes world- famous brands like DUNHILL, KENT, PETER STUYVESANT, PALL MALL and ROTHMANS.

British American Tobacco Malaysia employs 497 employees who are involved in a wide spectrum of disciplines, from generating insights, developing brands and making these available on a national level. In addition, we also set leading edge talent development practices as well as ensure a strong foundation of corporate governance and shareholder relations.

The company 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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