



BAT MALAYSIA RESILIENT FOR TOUGHER TIMES AHEAD

Petaling Jaya, 16 February 2015 - British American Tobacco (Malaysia) Berhad (BAT Malaysia) today announced its financial results for the fourth quarter of the year ended 31 December 2014.

“The BAT Malaysia Group (The Group) saw a decline of 3.7 percent in domestic and duty free sales volume in the face of falling legal consumption in 2014 versus 2013. Contract manufacturing volumes for export also saw a decline of 14.8 percent in 2014, resulting from a partial reallocation of volumes and a generally weaker demand. In spite of this overall domestic and export volume decline, the Group demonstrated a solid performance by delivering total revenue growth of 6.2 percent,” said Stefano Clini, Managing Director of BAT Malaysia.

Full year 2014 financial highlights:

- **Gross revenue** grew by 6.2 percent compared to 2013 due to pricing.
- **Gross profit** saw an increase of 12.5 percent compared to the previous year owing to the absence of non-recurring leaf restructuring expenses registered in 2013 and the implementation of additional productivity savings in the production process.
- **Operating expenses** were higher by 20.9 percent, due to the increase in brand and trade investments and the impact of inflation on overall costs.
- **Profit from Operations** was up by 9.6 percent or RM108 million compared to last year despite lower volume of cigarette under contract manufacturing for export business.

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

BAT Malaysia closed the year with 61.2 percent share of market, witnessing a decline of 0.7 percentage point versus same period last year, as a result of down trading and weaker performance from PALL MALL, amongst other brands. DUNHILL remains the number one brand in the market with 47.0 percent share of market on a full year basis, despite a decline of 0.6 percentage point.

“The 2014 overall performance showed resilience despite affordability concerns amongst consumers and the burgeoning illegal cigarette trade that continues to jeopardise the future of the legal industry. Nonetheless, we are extremely encouraged by the efforts of law enforcement agencies, especially the Royal Malaysian Customs, which embarked on a game-changing strategy in 2014 to step up on enforcement and push for harsher penalties such as jail sentences on those caught selling illegal cigarettes. We are also heartened to see law enforcement agencies working cohesively to increase enforcement on illegal cigarettes at the retail and consumer level,” commented Clini.

“These enforcement efforts in 2014 have undoubtedly made significant headway in tackling the pervasive problem of illegal cigarettes. The recent Illicit Cigarette Study (ICS)^[1] by Nielsen indicated an unprecedented 6.6 percentage point drop in illegal cigarette incidence, marking the biggest decline in the history of Malaysia in two decades. We are confident that with further intensified enforcement, coupled with stronger deterrent penalties, and widespread public awareness, the infestation of illegal cigarettes can be further diminished,” added Clini.

2015 Outlook

“With the implementation of the Goods and Service Tax from April 1, 2015, and its subsequent impact on consumer spending, coupled with further subsidy cuts and the continued threat of the illegal cigarette trade, it is certain that the industry will be facing tougher times ahead. We are ready to face these challenges head on and will continue to do what is necessary for the sustainability of the business, as we maintain the best interests of our shareholders and stakeholders at heart,” concluded Clini.

^[1] *Wave 2, (June – August), 2014 Illicit Cigarette Study (ICS) commissioned by the Confederation of Malaysian Tobacco Manufacturers.*

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 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.

For more information, please contact British American Tobacco Malaysia:

Fairuz Helmi, Head of Corporate and Regulatory Affairs at 03-7491 7100 or Fairuz_Helmi@bat.com

Maxine Lim, Corporate Affairs Manager at 03-7491 7539 or Maxine_Lim_Jen_Ai@bat.com

Prianka Krishnamurthy, Corporate Affairs Executive at 03-7491 3773 or

prianka_krishnamurthy@bat.com
