BRITISH AMERICAN TOBACCO
MALAYSIA

News Release

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ENCOURAGING START TO 2014 DESPITE VOLUME DECLINE

Petaling Jaya, 24 April 2014 – British American Tobacco (Malaysia) Berhad (BAT Malaysia) today announced its financial results for the first quarter of the year ended 31 March 2014.

"Following the sharp Q3 2013 excise increase, it was no surprise to see Q1 2014 volumes -7.9 percent lower than the same period last year, principally due to illegal cigarette trade. Notably, Q4 2013 saw legal industry volumes suffer a year-on-year decline of almost -17 percent following the excise-led price increase. More positively however, we have observed some volume recovery over the preceding quarter. Despite the declining volumes, the margin improvement following 2013 pricing has led to Profit from Operations being up 9.3 percent versus comparable period in 2013," said Stefano Clini, Managing Director, BAT Malaysia.

<u>Year to date Q1 2014 financial highlights:</u>

- **Contract Manufacturing Volume** was -23 percent lower than Q1 2013 due to partial movement of volumes from Japan to another manufacturer and generally weak demand.
- **Revenue** increased by +5.3 percent despite the lower domestic and contract manufacturing volume; this increase resulting from the compound effect of pricing in June and the excise led price increase in September 2013.
- **Gross Profit** grew +14.7 percent year-on-year, flowing from a better mix of higher margin domestic volume.
- **Operating Expenses** increased by +34 percent (RM 26 million) versus the same period last year, largely due to timing of brand expenditure (RM13 million), increased investment in retail contracts (RM5 million) in addition to, higher incentives and cost increases (RM4 million).

- **Profit from Operations** grew +9.3 percent (+RM26 million) ahead of same period last year, and **Profit after Tax** increased by +10.4 percent.

Arising from the Group’s financial performance, the Board of Directors has declared a first interim dividend of 75 sen per share, a 95 percent payout on Q1 Earnings Per Share.

As of February 2014, BAT Malaysia’s corporate market share remained steady at 62 percent versus full year 2013. This marked a +0.3 percentage point increase ahead of the same period last year, propelled by the growth momentum of DUNHILL, the Company’s power house brand.

“DUNHILL, our leading brand, has been on a continued growth trajectory, and delivered strong results once again in Q1 2014. DUNHILL achieved 47.8 percent market share, recording a +0.2 percentage point increase versus full year 2013, and was up +0.5 percentage point compared to the same period last year,” said Clini.

“Our Aspirational Premium brand, PETER STUYVESANT, has also charted a steady month-on-month growth to achieve +0.6 percentage point growth ahead of Q1 2013. PETER STUYVESANT introduced its new packs with a Resealable Reloc feature in July 2013. For PALL MALL, in spite of significant improvements, the brand recorded a decline of -0.5 percentage point below the same period last year,” added Clini.

A promising start to the year aside, the Group remains highly concerned about the continued influx of illegal cigarettes into the country. Malaysia currently ranks third highest among 11 Asian countries in terms of illicit cigarette consumption, according to a recent report by the International Tax and Investment Centre and Oxford Economics. With an illegal cigarette incidence of 35.7 percent in 2013*, more than one in three cigarettes sold in the country are illegal.

Commenting on the illegal cigarette trade, Managing Director of BAT Malaysia, Stefano Clini said, “In light of the pressing situation of illegal cigarettes, we are very encouraged that the Government is taking this illegal activity seriously. Intensified enforcement campaigns such as the *Ops Outlet* carried out by the Royal Malaysian Customs (RMC) has been remarkably effective in combating illegal cigarettes by ensuring that errant retailers are held accountable for their law-breaking actions.”

“Furthermore, it is also encouraging to see, through news reports, that our courts are also serious about tackling illegal cigarette trade by meting out more severe sentences on those caught selling illegal cigarettes. These actions go far to serve as cautionary reminders against their dabbling in this illegal business,” Clini added.

Clini concluded that, “In view of the still high level of illegal cigarette incidence that is now under more scrutiny by law enforcement agencies and the court of law, the Group is cautiously optimistic for the year ahead.”

[*]Illegal Cigarettes Study (ICS) 2013 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:

Chin Tuck Weng, Senior Corporate Affairs Manager at 03-7491 7318 or Chin_Tuck_Weng@bat.com

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

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