

CHALLENGING MARKET ENVIRONMENT REMAINS A CONCERN

Petaling Jaya, 27 October 2015 – British American Tobacco (Malaysia) Berhad (BAT Malaysia) today announced its financial results for the third quarter of the year ended 30 September 2015.

“BAT Malaysia (The Group) recorded a contraction of 10 percent in domestic volumes in year-to-date September 2015, when compared to the same period in 2014 which was slightly better than the total domestic industry volume decline of 10.9 percent for the same period. This was largely driven by the softer demand amongst consumers due to weaker market sentiment after GST implementation. However, in spite of the volume decline, BAT Malaysia demonstrated steady performance with a lower rate of revenue decline of 1.9 percent and a Gross Profit increase of 2.8 percent when compared to year-to-date September last year”, said Stefano Clini, Managing Director, BAT Malaysia.

Year-to-Date Quarter 3 2015 Financial Highlights:

- **Revenue** declined at a lower rate of 1.9 percent (RM 67 million) from last year’s corresponding period, mainly attributed to the impact of the excise led price increase in November 2014 and the end June 2015 price increase on the domestic business.
- **Gross Profit** saw a growth of 2.8 percent (RM 35 million) compared to the same period last year as a consequence of lower cost of sales driven by productivity savings and a lower volume base.
- **Operating Expenses** were up 12.2 percent versus the same period last year, driven mainly by the timing of marketing expenditure, one-off expenses on business restructuring and the impact of inflation on the overall cost structure.
- **Profit from Operations** was consistent at RM 966 million when compared to the corresponding period last year.

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

As of August 2015 year-to-date, BAT Malaysia registered a market share of 62 percent, witnessing an increase of 0.8 percentage point versus full year 2014.

"DUNHILL, the flagship brand of BAT Malaysia, recorded a commendable result in the third quarter of the year, holding its leadership position in the market with a market share of 46.9 percent, despite a marginal decline of 0.1 percentage point versus full year 2014", said Clini.

"Within the Aspirational Premium segment, BAT Malaysia witnessed a growth of 1.2 percentage point in the market share versus full year 2014, fuelled by PETER STUYVESANT which continues to surpass the 5 percent market share benchmark, reaching 5.5 percent market share as of August 2015 year-to-date. PALL MALL on the other hand holds a market share of 4.6 percent as of August 2015 year to date, witnessing a share gain of 0.1 percentage point", added Clini.

The Group remains concerned as legal volumes continue to be affected by the steep excise increases in September 2013 and November 2014, the high incidence of illegal cigarette trade and the pressure on consumers' disposable income during the second and third quarter of 2015 arising from GST implementation.

Clini also commented, "In light of the pressing situation of illegal cigarettes, we are additionally encouraged with the onset of the authorities game-changing strategies such as Ops Outlet and the recent Anti Illicit Goods Campaign launched by Sandakan Municipal Council where errant retailers are continuously warned to not partake in the illegal cigarette trade for quick profits, as it could now result in the revocation of their business licences, blacklisting them from any future business prospect on top of severe penalties and imprisonment, lest caught."

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.

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