

Outlook 2013: BAT Malaysia cautiously optimistic

- Illegal Kretek declining while illegal white cigarettes on the rise

PETALING JAYA, 23 April 2013: British American Tobacco (Malaysia) Berhad (BAT Malaysia) today reported a first quarter Profit after Tax growth of 5.0%, against a backdrop of higher contract manufacturing volume for export and lower operating expenses but a declining legal domestic volume due to illegal cigarettes.

Q1 Financial Highlights:

- **Revenue** grew by 5.1% versus same period last year, driven by higher contract manufacturing volume (+RM94 million). The increase was accelerated by the change in costing model from toll to contract manufacturing that occurred in the middle of 2012. This was, however, offset by a decline in domestic volume of RM41 million.
- **Gross profit** was 3.4% lower compared to the same period last year (SPLY) due to lower domestic volume, even though margins were relatively higher.
- **Profit from operations** was 3.8% ahead of SPLY, with lower operating expenses more than offsetting the lower gross profit.
- **Profit after tax** and **Earnings per share** improved by 5.0% on SPLY, with comparable year-on-year effective tax rates.

Arising from the Group's financial performance, The Board of Directors has declared a first interim dividend of 68 sen per share.

BAT Malaysia Managing Director, Datuk William Toh comments on the performance:

"The Group reported a 0.8 percentage point market share growth versus full year 2012 to arrive at 61.5%*. This was mainly driven by the continued strong performance of DUNHILL which charted a 47% share of market, a 1.1 percentage point increase versus full year 2012. PALL

MALL and PETER STUYVESANT remained relatively stable with a collective market share of 8.5%.

While the Group is pleased with its first quarter performance, we are however cautiously optimistic on the outlook for 2013.

The main reason for this outlook is the overall legal market size shrinkage of an estimated 6.0%, Q1 versus SPLY, as a result of the growth in illegal white cigarettes following the October 2012 price increase. Though we have seen a gradual declining trend in the overall illegal cigarette trade since 2009, it is important to note that this has been driven by a decrease in illegal Kretek cigarettes. Illegal white cigarettes have in fact, been constantly increasing, competing with the legal white market, and are now at an all-time high level.

In spite of these challenges, the Group will continue to focus on its robust strategy driven by the strategic pillars of Growth supported by efficient Productivity, Sustainability in a responsible manner, and delivered by a Winning Organisation.

****Note: With effect from 1st January 2013, all market shares are quoted for the overall legal cigarette market inclusive of Kretek cigarettes. In 2012 and prior years the Company's share had been expressed as a percentage of only the legal white cigarette market.***

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 leaf buying and processing to manufacturing, marketing and 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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