

**LEGAL VOLUMES TOOK A HIT FOLLOWING NOVEMBER
MASSIVE EXCISE INCREASE**

Petaling Jaya, 17 February 2016 - British American Tobacco (Malaysia) Berhad (BAT Malaysia) today announced its financial results for the fourth quarter of the year ended 31 December 2015.

“The BAT Malaysia Group (The Group) registered a domestic volume contraction of 13.5 percent in the face of falling legal consumption in 2015 versus 2014. This is mainly a consequence of the overall softer demand amongst consumers due to weaker market sentiments after GST implementation, and the impact of the unprecedented November 2015 excise increase. Additional productivity savings and the tax driven price increases during 2015 could only partially mitigate the overall impact of the loss in volumes, the inflationary costs increases and escalating cost pressures due to lower production volumes. This affected the financial performance of the business and translated into a reduction of revenue of 4.5 percent and gross profit of 2.2 percent when compared to 2014. However, in spite of the challenging economic climate, BAT Malaysia managed to record a marginal 0.5 percent increase in profit from operations.” said Stefano Clini, Managing Director of BAT Malaysia.

Full year 2015 financial highlights:

- **Gross revenue** decreased by 4.5 percent compared to 2014 due to overall volume decline and escalating costs.
- **Gross profit** saw a decline of 2.2 percent compared to the previous year owing to the rise in inflationary costs and lower volumes.
- **Operating expenses** were 8.7 percent lower than 2014 despite inflationary pressures, largely attributed to year on year savings and the Group’s continuous efforts in driving further efficiencies in marketing expenses and overhead costs.

- **Operating Income** recorded an increase of RM1.7 million in 2015 owing to the gains from the disposal of assets.
- **Profit from Operations** was up by a marginal 0.5 percent or RM6 million compared to the previous year despite the overall volume loss in 2014.

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 62.1 percent share of market, witnessing a rise of 0.9 percentage point versus same period in 2014, mainly driven by the remarkable performance of PETER STUYVESANT within the Aspirational Premium segment.

"DUNHILL, the flagship brand of BAT Malaysia, capped the year with a strong performance despite the challenging operating environment. It maintained its market leadership with a market share of 46.9 percent, witnessing a marginal decline of 0.1 percentage point when compared to the previous year." said Clini.

Within the Aspirational Premium segment, the group witnessed a growth of 1.3 percentage point compared to full year 2014, driven by PETER STUYVESANT which continued to show gains in share of market, reaching a 6.4 percent share of market in December 2015. PALL MALL remained stable, holding a market share of 4.5 percent.

"Illegal cigarette trade continues to jeopardise revenue collection given its impact on legal volumes. Nonetheless, we remain encouraged by the concerted efforts undertaken by various law enforcement agencies (LEAs), in particular the Royal Malaysian Customs (RMC) for their unwavering commitment towards addressing the illegal cigarette trade." commented Clini.

2016 Outlook

"The outlook for 2016 will be impacted by the massive excise increase in November of last year and the recovery of the legal market will depend on enforcement efforts to reduce the high illegal cigarette incidence" concluded Clini.

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 additional information, please contact British American Tobacco Malaysia:

Fairuz Helmi, Head of Corporate and Regulatory Affairs at 03-7491 7268 or Fairuz_Helmi@bat.com

Prianka Krishnamurthy, Corporate Affairs Manager at 03-7491 3773 or Prianka_Krishnamurthy@bat.com
