

## **MEDIA INFORMATION**

For immediate release



# **JTI Malaysia's Financial Performance Continues to be Affected by Growth of Illegal Cigarettes Trade**

*Third Quarter Financial Results For The Financial Year Ending 31 December,  
2012*

**Kuala Lumpur, Wednesday, 28 November 2012**

### **Third Quarter Results For Period Under Review**

JT International Berhad (JTI Malaysia) registered consolidated revenues of RM319.2 million for the third quarter ended 30<sup>th</sup> September 2012, a 4.7% decline as compared with RM334.9 million for the same period last year. Profit before tax in the current quarter declined to RM41.8 million compared with RM53.4 million for the same period last year. The decline in revenue was attributed to lower pre-National budget speculative purchases in the current quarter. Profit before tax declined by 21.6% mainly driven by lower sales volume and higher marketing and operating expenditures.

### **Cumulative Third Quarter Results For Period Under Review**

For the cumulative period to 30<sup>th</sup> September 2012, the Group achieved revenues of RM944.3 million as compared with RM932.2 million for the corresponding period last year. Profit before tax was lower at RM132.0 million as compared with RM140.6 million for the same period last year due to higher marketing and operating expenditures. The 1.3% increase in revenues was attributed to better product mix.

For the first nine months of 2012, Group market share declined from 19.9% to 19.6% as compared to the same period last year (*Nielsen Retail Audit Report*). Mild Seven recorded an increase in market share of 0.3 percentage point, increasing its market share to 4.3% compared with 4.0% in 2011. Winston, the leader in the Value segment, registered a decline in its market share to 9.8% from 10.1% in 2011 driven by the continued impact of illegal cigarette sales and the sales of cigarettes below the government mandated Minimum Cigarette Price.

## **Tobacco Industry Outlook**

For the remainder of 2012, JTI Malaysia expects the operating environment to remain challenging, with the sale of illegal cigarettes continuing to be a major concern to the legitimate tobacco industry. The incidence of illegal cigarettes remained high at 34.9% based on the results of the latest illegal cigarette study for the period June to August 2012 (*Source: Wave 2, 2012, Illicit Cigarette Survey (ICS) commissioned by Confederation of Tobacco Manufacturers*). Comparing with the preceding study in March to May 2012 (*Wave 1, 2012*), incidence of illegal cigarettes increased marginally by 0.2 percentage point, from 34.7% to 34.9%. However, this latest result showed only a marginal decline of 1.4 percentage point in incidence of illegal cigarettes compared to the same period last year (*36.3% in June to August 2011*). The Group remains confident that the incidence of illegal cigarettes can be reduced if the enforcement efforts by Malaysian law enforcement agencies are intensified.

JTI Malaysia strongly supports the Government's decision not to impose a cigarette excise tax increase in the 2013 Federal Budget. Unfortunately, effective 19<sup>th</sup> October 2012, the Royal Malaysian Customs (RMC) imposed a mandatory increase in the Group's ex-factory pricing resulting in higher ad-valorem excise and sales taxes<sup>1</sup> to the Group. As a result, the Group has taken a 20 sen per pack price increase for all its brands with effect from 25<sup>th</sup> October 2012.

The first nine months of 2012 have been challenging for the Group. Winston, the Group's leading volume contributor, continues to face headwinds from the high prevalence of illicit cigarettes and the impact from certain local brands selling below the Government mandated minimum price. However, the Group is committed to maintaining its competitiveness through continued investment behind its Global Flagship Brands: Winston and Mild Seven.

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JTI is a member of Japan Tobacco Group of Companies, a leading international tobacco product manufacturer. It markets world-renowned brands such as Winston, Mild Seven and Camel. Other global brands include Benson & Hedges, Silk Cut, Sobranie, Glamour and LD. With its headquarters in Geneva, Switzerland, and net sales of USD 11.2 billion in the fiscal year ended December 31, 2011, JTI has operations in more than 120 countries and about 25,000 employees. For more information, visit [www.jti.com](http://www.jti.com).

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<sup>1</sup> A directive was issued by RMC on 18 September 2012 for a revision to the ex-factory price base of all JTI Malaysia's products, resulting in a mandatory recalculation of excise and sales tax payable.