MEDIA INFORMATION
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JTI Malaysia Records Share Growth Despite Significant External Challenges

First Quarter Financial Results for the Financial Year Ending 31 December 2014

Kuala Lumpur, 28 May, 2014

For the quarter under review, the Group registered revenues of RM345.9 million as compared with RM309.9 million for the same period last year. The increase in revenues was mainly attributed to higher cigarette prices but offset partially by a 6.4% decline in sales volume in the current quarter compared to the corresponding period last year. Profit before tax in the current quarter was higher at RM55.1 million compared with RM53.4 million for the same period last year, driven by higher net margins which was offset partially by lower sales volume, unfavourable product mix, higher marketing investments and higher operating expenditures.

Despite facing significant external challenges, the Group recorded a market share growth of 0.6 percentage points to 20.4% from 19.6% in the same period last year (*Nielsen Retail Audit Report*). Premium brand Mevius recorded a market share growth of 0.3 percentage points, increasing its market share to 4.7% compared with 4.4% in 2013. Winston, the leader in the value segment, grew its market share to 10.4% from 10.0% in 2013 despite the continued impact of illicit cigarettes and the sales of cigarettes below the government mandated minimum cigarette price.

Comparison with Preceding's Quarter Result

For the quarter under review, the Group registered revenues of RM345.9 million as compared with revenues of RM330.8 million for the preceding quarter. The increase in revenues was attributed to higher sales volume in the current quarter compared to the preceding quarter. Profit before tax in the current quarter was higher at RM55.1 million compared with RM28.1 million in the preceding quarter, mainly driven by higher sales volume, lower marketing investments and lower operating expenditures in the current quarter.

Prospects for this Financial Year

For the remainder of 2014, JTI Malaysia expects the operating environment to remain extremely challenging; driven by the 14% cigarettes price increase in October 2013 and the continued high prevalence of illegal cigarettes in the market. The incidence of illegal cigarettes recorded a 3 year high of 38.9% (Source: Wave 3, October to December 2013, Illicit Cigarette Survey (ICS) commissioned by Confederation of Tobacco Manufacturers) in the last quarter of 2013. In the first quarter of 2014, industry legal domestic consumption (as measured by AC Nielsen) declined 7.7 % compared to the same period last year.

While JTI Malaysia is concerned with the continued decline of the legal domestic market, it welcomes the recent increase in anti-illegal cigarettes enforcement efforts by the Royal Malaysian Customs via its *Ops Outlet* campaign. JTI Malaysia believes that concerted and continuous efforts such as the *Ops Outlet* campaign could lead to positive results in addressing the threat of illegal cigarettes in the country. In an environment of continued inflationary pressures and weak consumer sentiment, the outlook for the Group will be highly influenced by the enforcement efforts of all law enforcement agencies in driving for a reduction in the incidence of illegal cigarettes.

Despite this challenging operating environment, the Group is committed to maintain its competitiveness through continued effective investment behind its Global Flagship Brands: Mevius and Winston.

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JTI, a member of the Japan Tobacco Group of Companies, is a leading international tobacco manufacturer. It markets world-renowned brands such as Camel, Winston and Mevius With headquarters in Geneva, Switzerland, and about 27,000 employees worldwide, JTI has operations in more than 120 countries. Its core revenue in the fiscal year ended December 31, 2013, was USD 12.3 billion. For more information, visit www.jti.com.