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RAMPANT TOBACCO BLACK MARKET OVERSHADOWS BAT MALAYSIA'S STRONG Q3FY2020 FINANCIAL RESULTS

Bukit Damansara, 28 October 2020 – British American Tobacco (Malaysia) Berhad (BAT Malaysia) announced its financial results for the third quarter ended 30 September 2020 (Q3FY2020) today.

Q3FY2020 Financial Highlights:

- Profit from operations for the quarter under review stood at RM88 million, a 6% increase compared to the preceding quarter.
- Revenue for the quarter under review increased by 15% to RM628 million compared to the preceding quarter.
- The Board of Directors has declared a third interim dividend of 21.0 sen per share, totalling RM60 million to be paid out on 25 November 2020.

The Legal domestic industry volume increased by 7% compared with the preceding quarter (Q2FY2020). This was mainly driven by volume recovery post the Movement Control Order (MCO) and the normalisation of consumer sales and trade inventories in the market.

Overall, BAT Malaysia recorded a growth in Q3FY2020 outperforming the legal domestic industry with a growth of 14% compared with Q2FY2020 mainly due to Dunhill and the introduction of KYO, BAT Malaysia's new brand in the Value for Money (VFM) segment.

Market share stood at 52.5%, a 1.0ppt increase compared with the preceding quarter, driven by KYO and reinforced by Dunhill's consistent leadership within the Premium segment. Combined with Rothmans, BAT Malaysia's share of the VFM segment achieved a 35.8% market share, a 5.6ppt increase compared with Q2FY2020. The Premium segment remains stable compared with the preceding quarter as a result of Dunhill's continued market leadership.

This overall improvement translated to the Company's revenue increase of 15% in Q3FY2020, which resulted in a 6% rise in profit from operations against the preceding quarter.

Despite registering a positive quarter, the Company's year-to-date performance continued to be overshadowed by the growing tobacco and vaping black market. The tobacco black market grew to 64.5% during the quarter under review, translating to an increase of 4ppt (representing an additional RM80 million loss in tax revenue for the Government). This was despite the increase in enforcement activities this year, clearly indicating that this solution alone is not enough to curb this issue.

For the nine months, profit from operations stood at RM242 million, a 29% decrease from last year, attributed to legal market contraction as a result of high illicit cigarette volume, growth of illicit vaping, market down-trading and lower Duty-Free sales as a result of regional and international travel restrictions. However, the decline was partially offset by the benefit of cost rationalisation that the Group has undertaken since the end of 2019.

Jonathan Reed, Managing Director of BAT Malaysia said:

"The Q3FY2020 performance marks our second consecutive quarter of financial growth for the Company. This momentum resulted from Dunhill's continued and stable leadership position within the Premium segment and a robustly positioned portfolio in the VFM segment that includes the introduction of KYO, which has recorded a positive share of market since launching."

"However, consumer affordability will continue to come under pressure due to the global pandemic, leading to further downtrading in the legal market and the growth of the tobacco and vaping black market."

"At 64.5%, Malaysia is already the number one tobacco black market in the world^[1]. The impact of the tobacco black market is far-reaching, it funds crime, fuels corruption and will hamper the country's economic recovery from the global Covid-19 pandemic."

"In response to this worrying trend, we launched an awareness campaign to STOP THE BLACK MARKET seeking the views and opinions of Malaysians on this crisis. From the feedback received, we have found that Malaysians want urgent action to be taken against the tobacco black market. In fact, many would like to see the government adopt a holistic approach to solving the issue via increased enforcement initiatives and structural excise reform."

"Budget 2021 provides an excellent opportunity for the Government to unite, demonstrate leadership and collective will to address the problem by tabling broader solutions that includes strategic policy changes and taxation reforms."

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^[1] <https://www.nst.com.my/news/nation/2020/10/633398/holistic-solutions-needed-stop-tobacco-black-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 is the leading tobacco company in Malaysia. This strong position is built upon a portfolio of high-quality tobacco products designed to meet diverse consumer preferences. Our portfolio includes world-famous brands like DUNHILL, KENT, PETER STUYVESANT, PALL MALL and ROTHMANS. British American Tobacco Malaysia employs almost 500 employees who are involved in a wide spectrum of disciplines, from generating insights, developing brands and making these available on a national level. In addition, we also set leading edge talent development practices as well as ensure a strong foundation of corporate governance and shareholder relations. The company 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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