



**BRITISH AMERICAN
TOBACCO**
MALAYSIA

ANALYST BRIEFING QUARTER 2, 2012

19 July 2012

Agenda

- **Industry Review, Market Share and Volumes**
- **BATM Review**
- **Financial Highlights**
- **Other Highlights**
- **Future Prospects**

INDUSTRY REVIEW, MARKET SHARE, VOLUMES AND BATM REVIEW

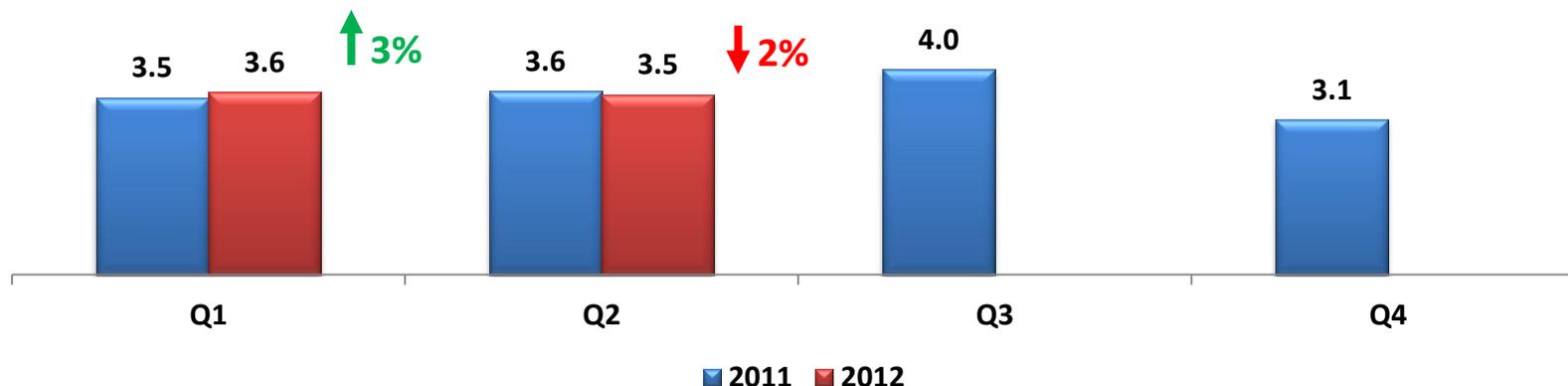
Industry Volumes

Source: Confederation of Malaysian Tobacco Manufacturers (CMTM)

Note: Sub-VFM volumes extrapolated from Retail Audit



Industry Volumes (bns) Big3 + Sub VFM

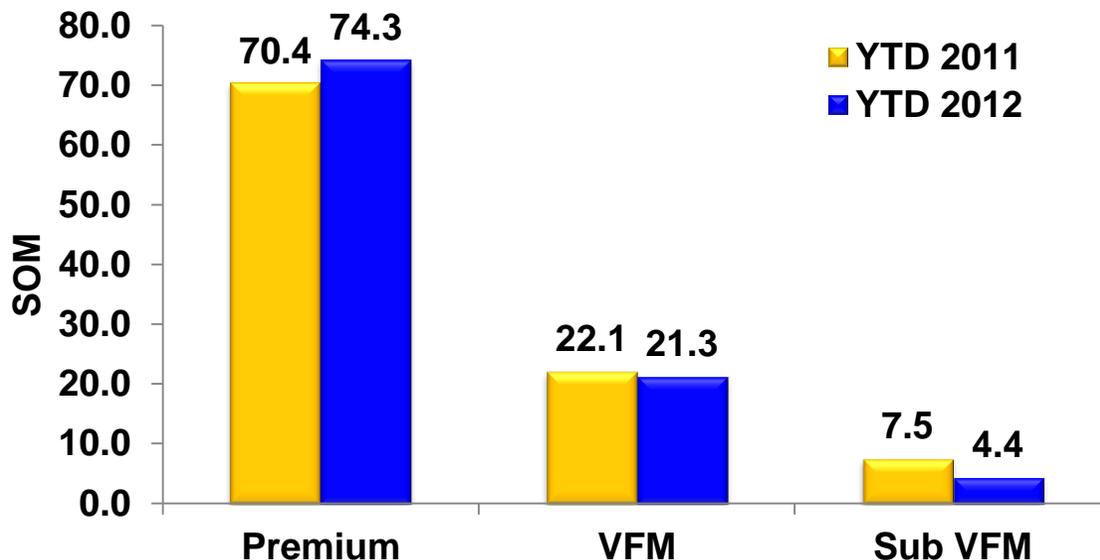


			Volume Variance	% Variance			Volume Variance	% Variance
	Q2 2011	Q2 2012	Q2 2012 vs. 2011	Q2 2012 vs. 2011	1H 2011	1H 2012	1H 2012 vs. 2011	1H 2012 vs. 2011
BATM	2.20	2.17	(0.03)	-1.2%	4.28	4.34	0.07	1.6%
Industry (CMTM Members)	3.36	3.38	0.01	0.4%	6.54	6.80	0.26	3.9%
Sub VFM (estimate)	0.24	0.16	(0.08)	-32.3%	0.54	0.32	(0.22)	-40.7%
Total	3.60	3.54	(0.06)	-1.8%	7.08	7.12	0.04	0.6%

Industry improved +0.6% in 1st Half compared to SPLY. BAT volumes increased 1.6%

Market remains Premium skewed

Source: Jun2012 Malaysia Retail Audit (Base: White Only)

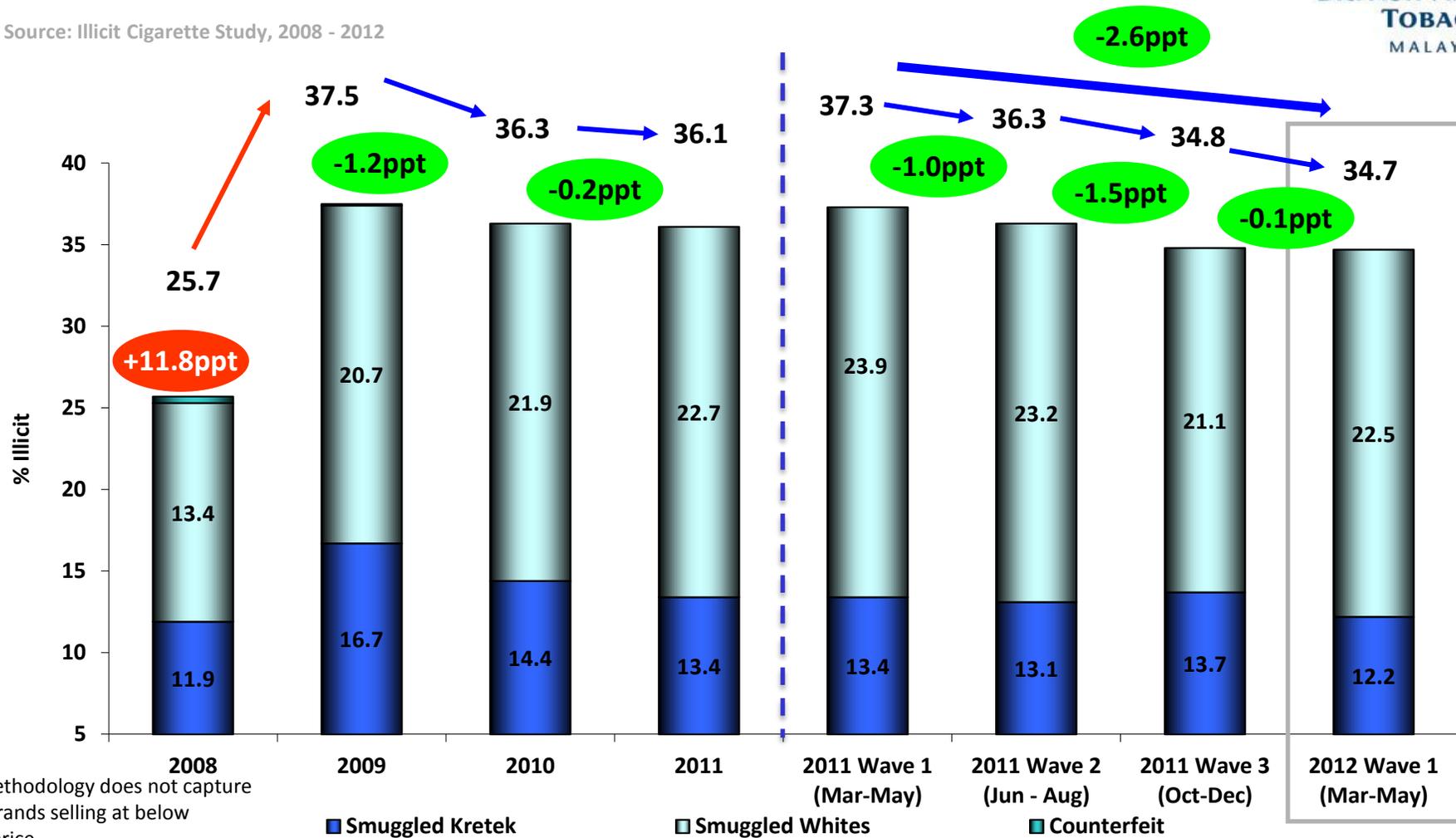


<u>BAT</u>	<u>YTD 2012</u>
Share of Premium	72.0
Share of Value for Money	41.3
Share of Sub-VFM	0

<u>BAT</u>	<u>YTD 2011</u>
Share of Premium	72.0
Share of Value for Money	42.6
Share of Sub-VFM	0

Illicit Trade

Source: Illicit Cigarette Study, 2008 - 2012

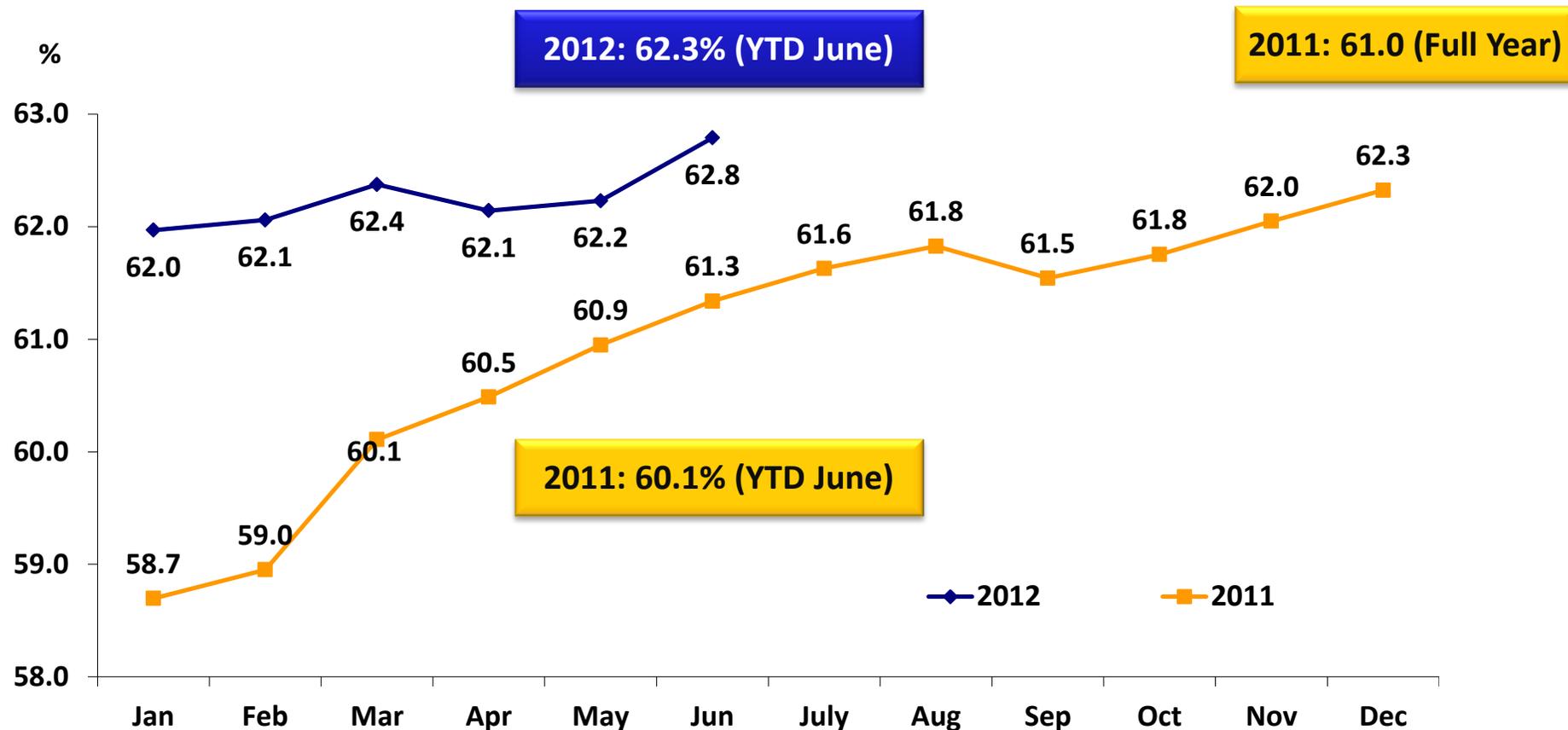


*Survey methodology does not capture sub-VFM brands selling at below minimum price.

Illicit incidence registered a decline in the latest wave, a function of zero excise and intensified enforcement by local authorities. Vs. Wave 3 2011, decline was driven by Illicit Kretek (-1.5%) as Illicit White grew +1.4%

BAT Share of Market

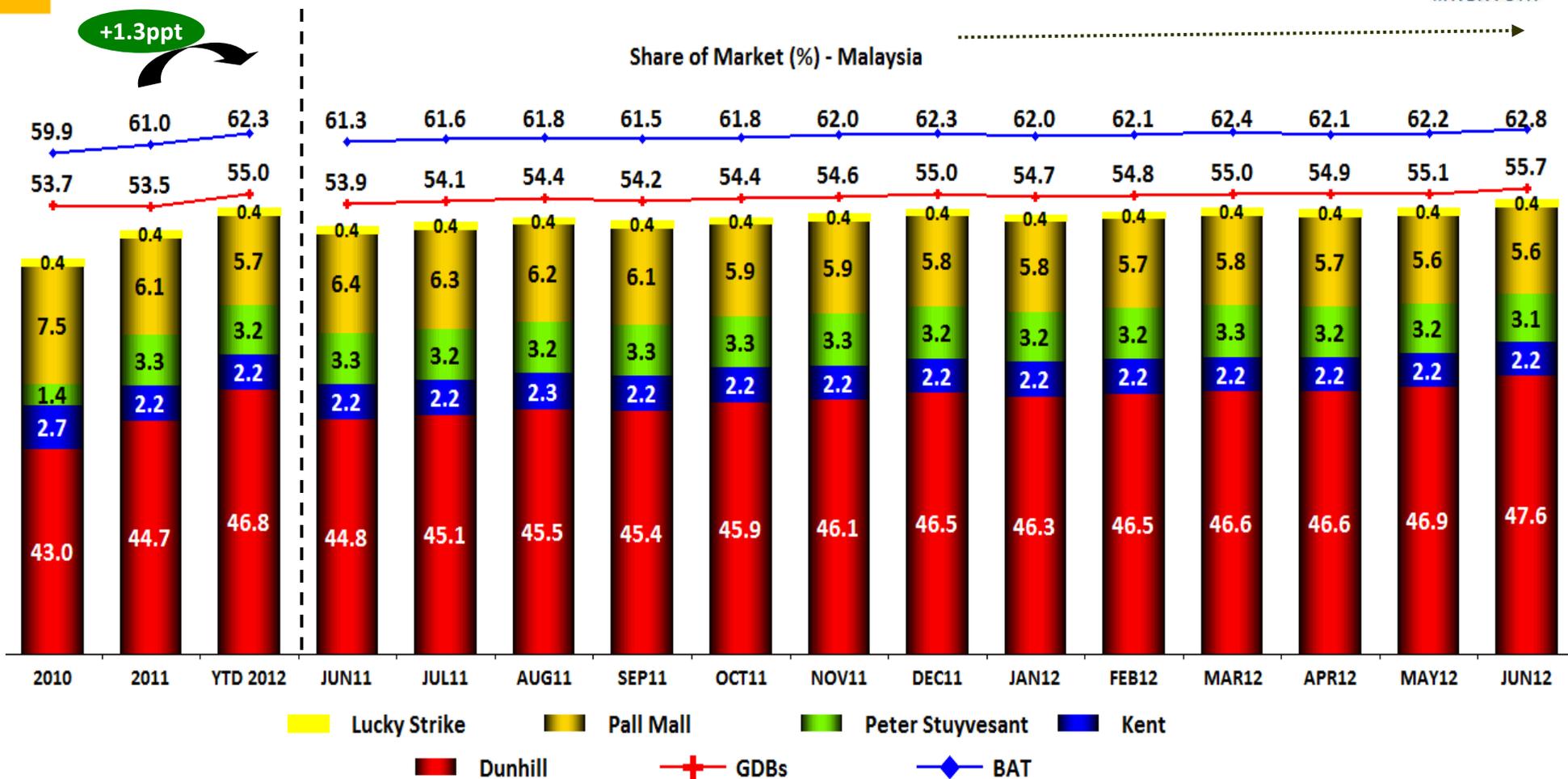
Source: Jun2012 Malaysia Retail Audit (Base: White Only)



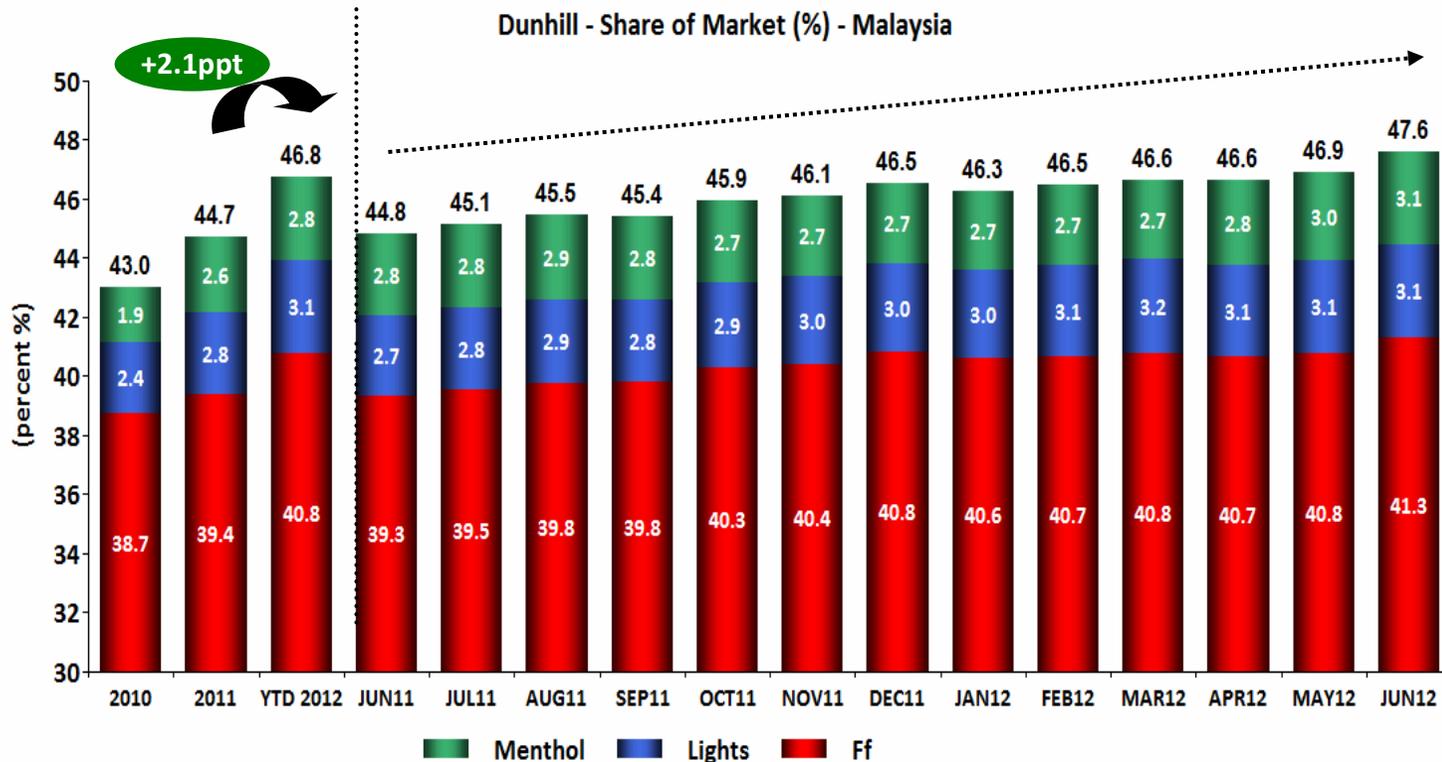
BAT continues to grow share for the 3rd consecutive year (after 9 years of share decline). YTD 2012 vs. FY2011 growth is +1.3ppt, resulting in corporate share of 62.3% SOM. Dunhill's strengthened performance is the main driver behind growth

BAT & GDB Share

Source: Jun2012 Malaysia Retail Audit (Base: White Only)



**Strong GDB performance, predominantly Dunhill.
 BAT YTD June 2012 SOM is 62.3%, up +1.3ppt vs. FY 2011**



April 2012
Dunhill SWITCH
New and improved pack



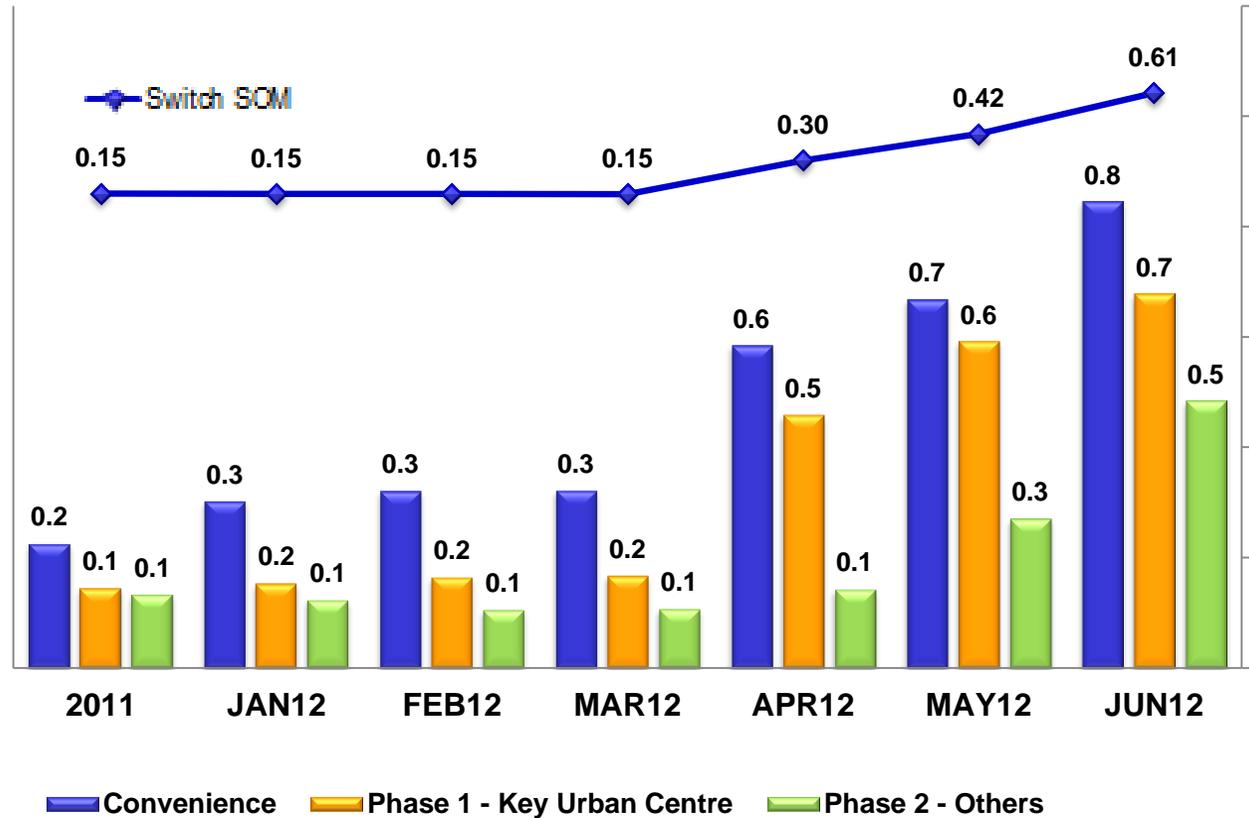
April 2012
Year-long equity
building campaign

Dunhill continue to stretch its leadership, with record breaking share of 47.6% SOM in June.
YTD2012 vs. FY 2011 SOM, Dunhill grew +2.1ppt

DH Switch: 0.6% SOM nationally post 3rd month of re-launch.



Source: Jun2012 Malaysia Retail Audit (Base: White Only)



Apr 2012: New & Improved Dunhill Switch

A clear indication that we now have a winning combination (DH Switch + DH Lights Regular) to win in Premium Lights

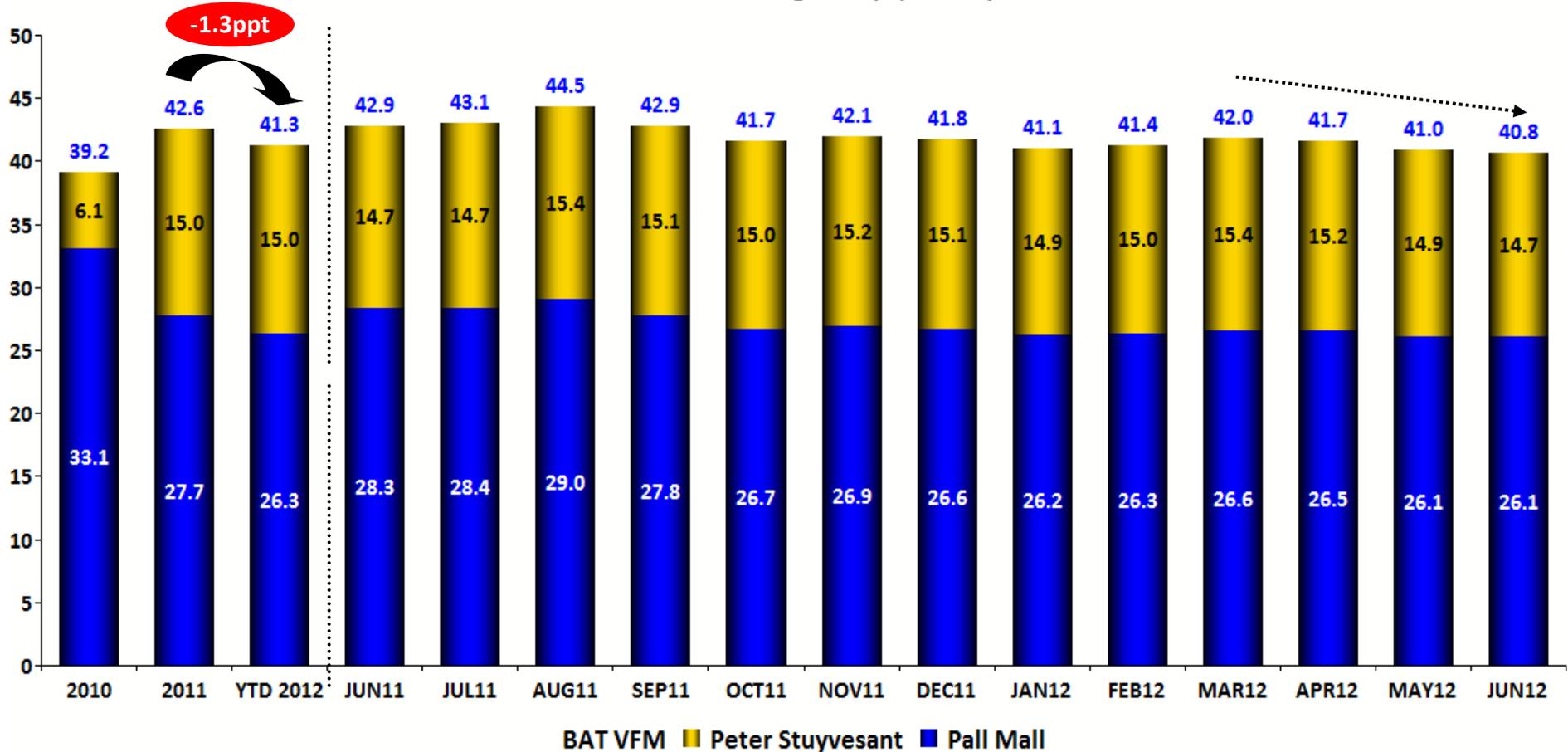
Produk ini mengandungi lebih 4,000 bahan kimia termasuk tar, nikotina dan karbon monoksida yang membahayakan kesihatan.

BAT VFM segment share

Source: Jun2012 Malaysia Retail Audit (Base: White Only)



BAT VFM : Share of Segment (%) - Malaysia



Decline in 2012 mainly attributed to Pall Mall's softening performance.
Growth in 2011 vs. 2010 driven by launch of Peter Stuyvesant.

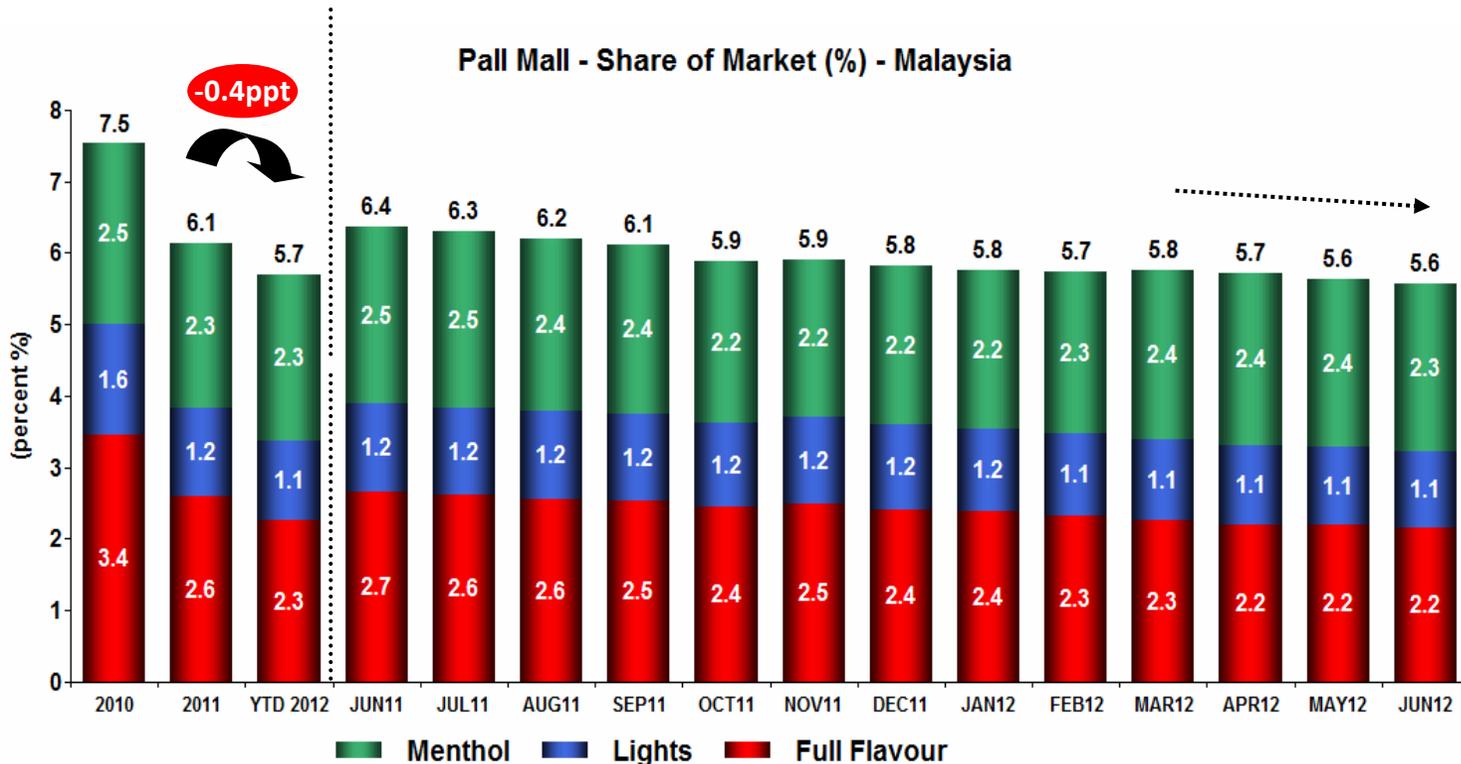
Pall Mall

Source: Jun2012 Malaysia Retail Audit (Base: White Only)



Pall Mall
Family of SKUs

Pall Mall - Share of Market (%) - Malaysia



Feb 2012:
Launch of Pall
Mall Mint

Jul 2012:
Pall Mall Pack Upgrade

Pall Mall's pack upgrade in July 2012 expected to strengthen the brand's equity, ultimately halting month-on-month decline and grow share in 2013

Produk ini mengandungi lebih 4,000 bahan kimia termasuk tar, nikotina dan karbon monoksida yang membahayakan kesihatan.

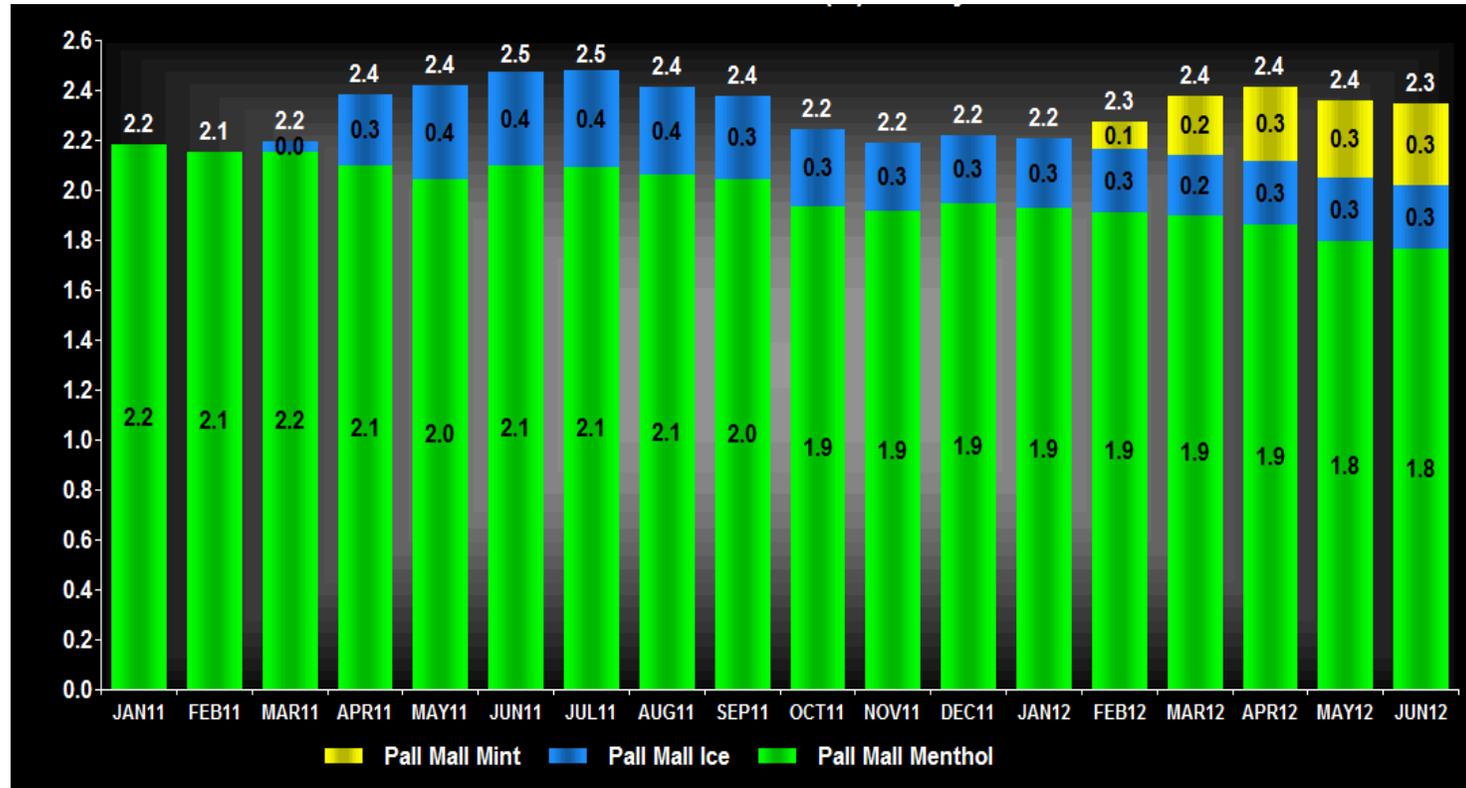
Pall Mall Mint

Source: Jun2012 Malaysia Retail Audit (Base: White Only)



Pall Mall Menthol Range

Pall Mall Menthol : Share of Market (%) - Malaysia

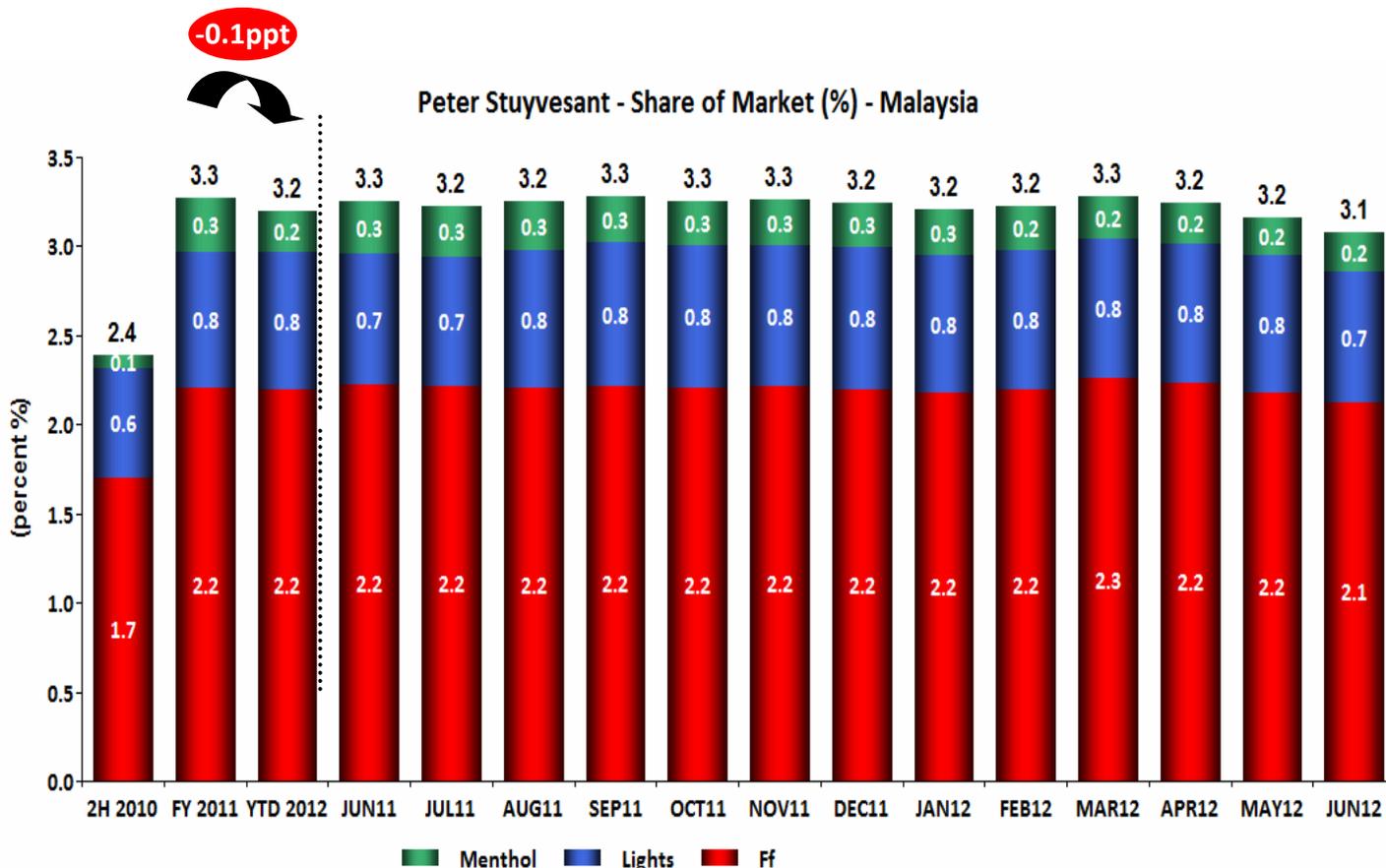


Pall Mall Mint stabilized at 0.3% SOM, post 5 months of launch. This SKU has assisted in strengthening Pall Mall's VFM Menthol leadership

Produk ini mengandung lebih 4,000 bahan kimia termasuk tar, nikotina dan karbon monoksida yang membahayakan kesehatan.

Peter Stuyvesant

Source: Jun2012 Malaysia Retail Audit (Base: White Only)



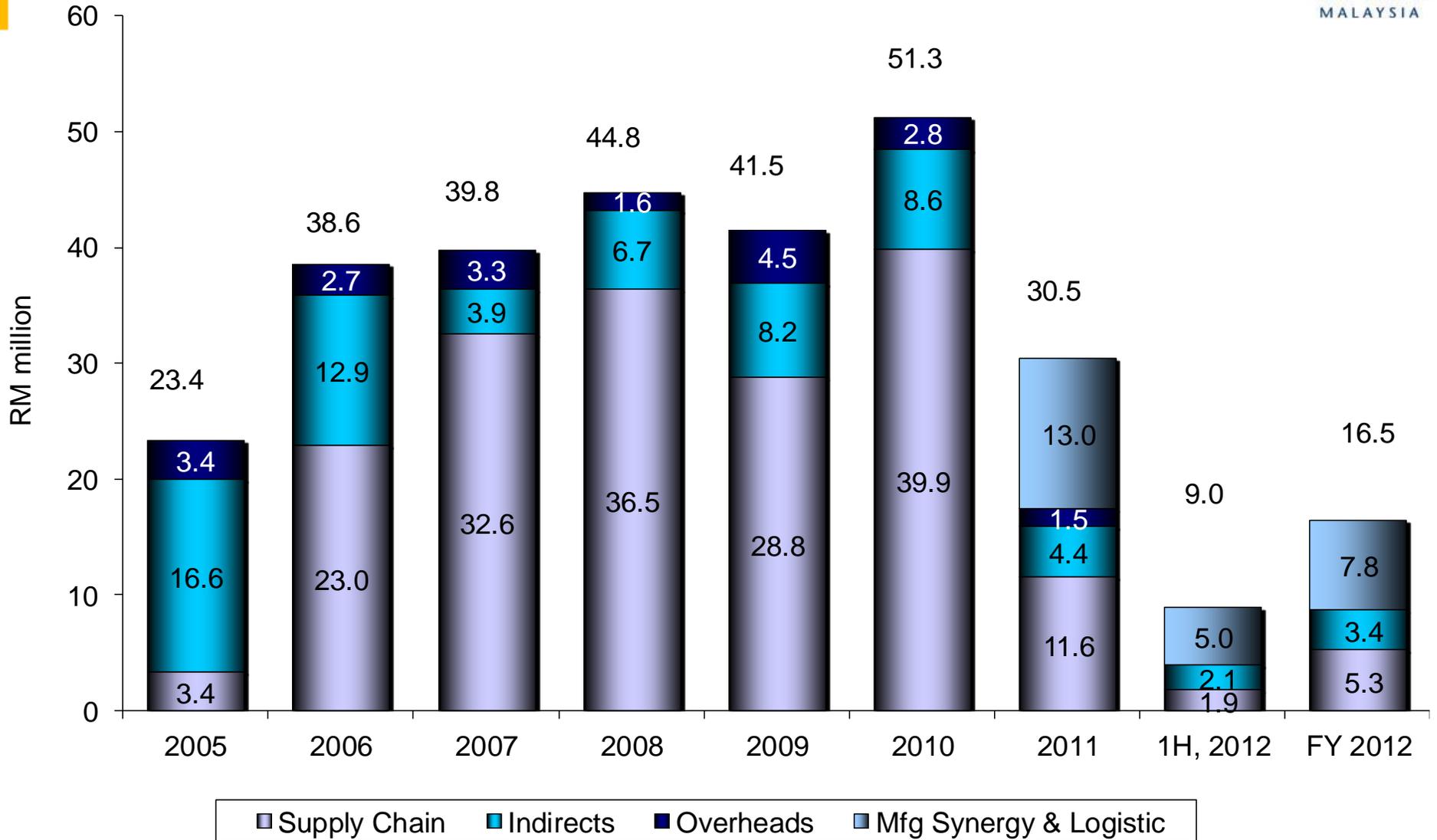
Peter Stuyvesant Family of SKUs

Peter Stuyvesant declined marginally, 3.2% SOM YTD June 2012

Produk ini mengandungi lebih 4,000 bahan kimia termasuk tar, nikotina dan karbon monoksida yang membahayakan kesihatan.

FINANCIAL HIGHLIGHTS

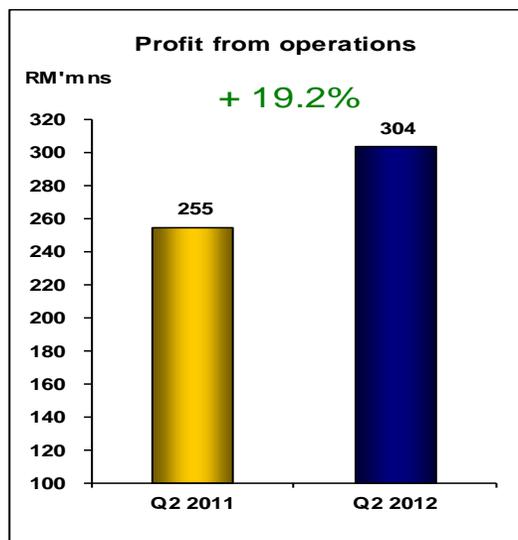
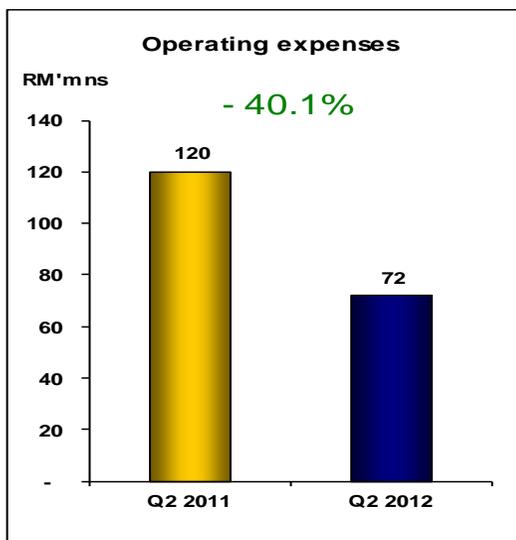
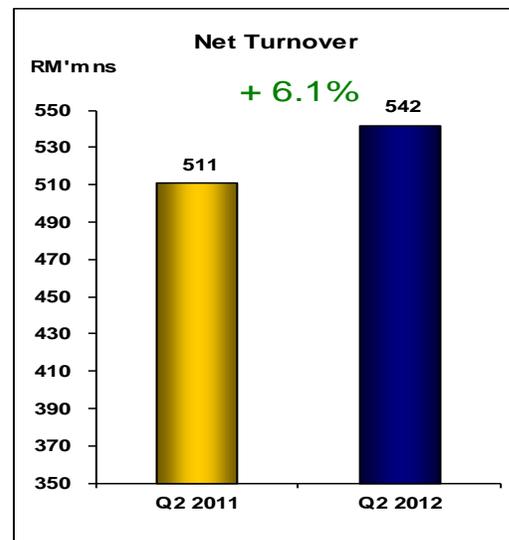
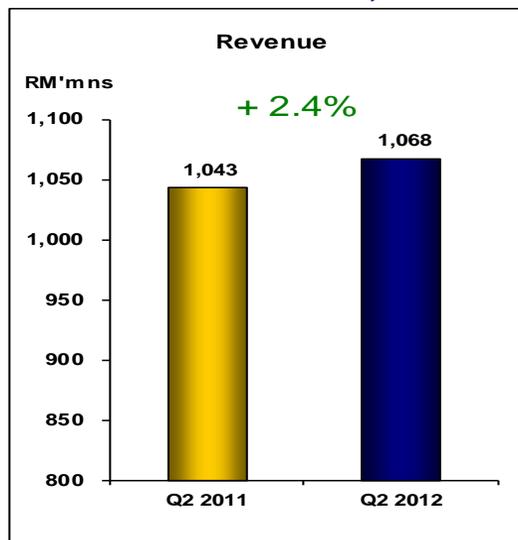
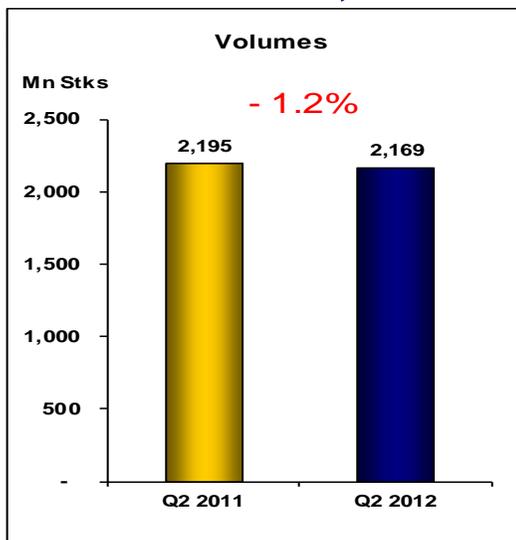
Productivity Savings



Quarter 2, 2012 vs Quarter 2, 2011



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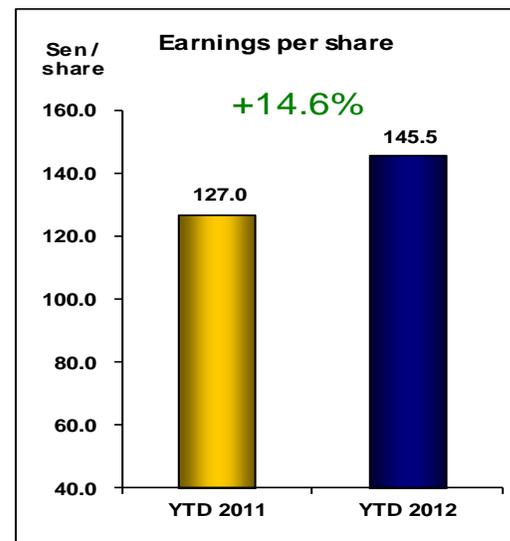
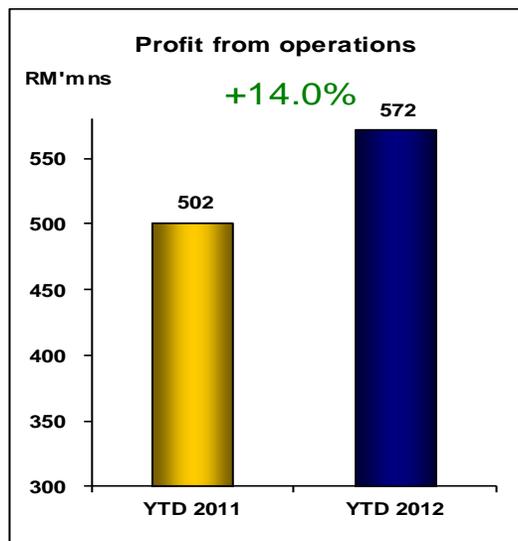
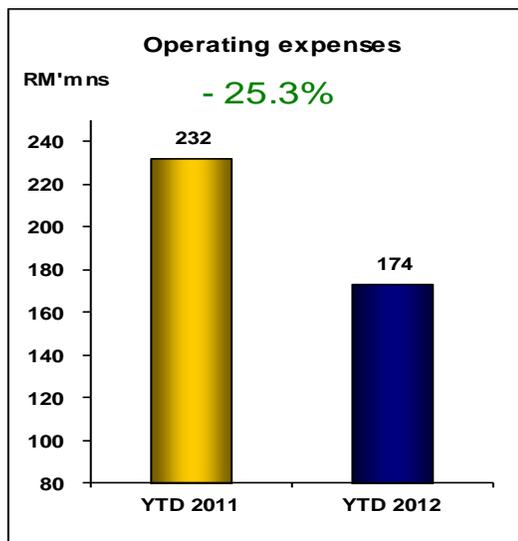
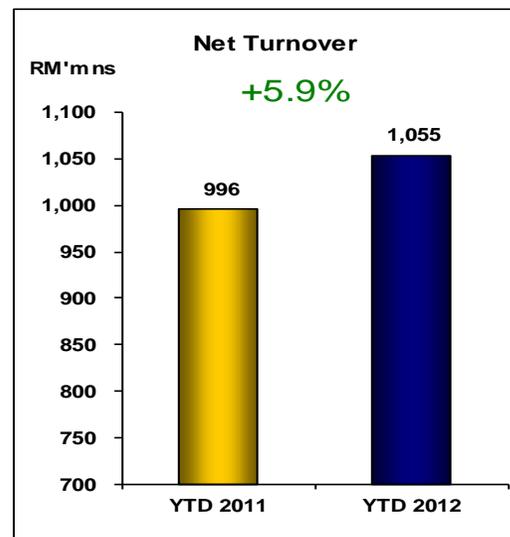
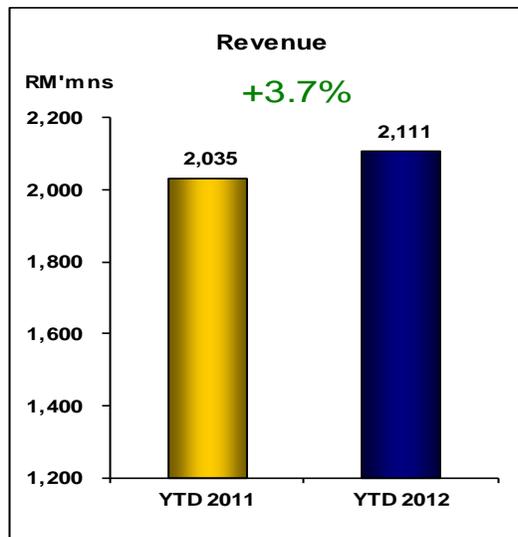
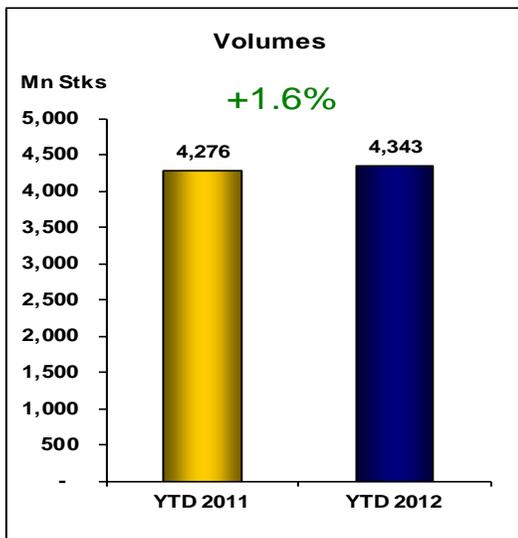


Better EPS as result of higher contract manufacturing margin from conversion of toll to contract manufacturing and lower operating expenses

YTD 2012 vs YTD 2011



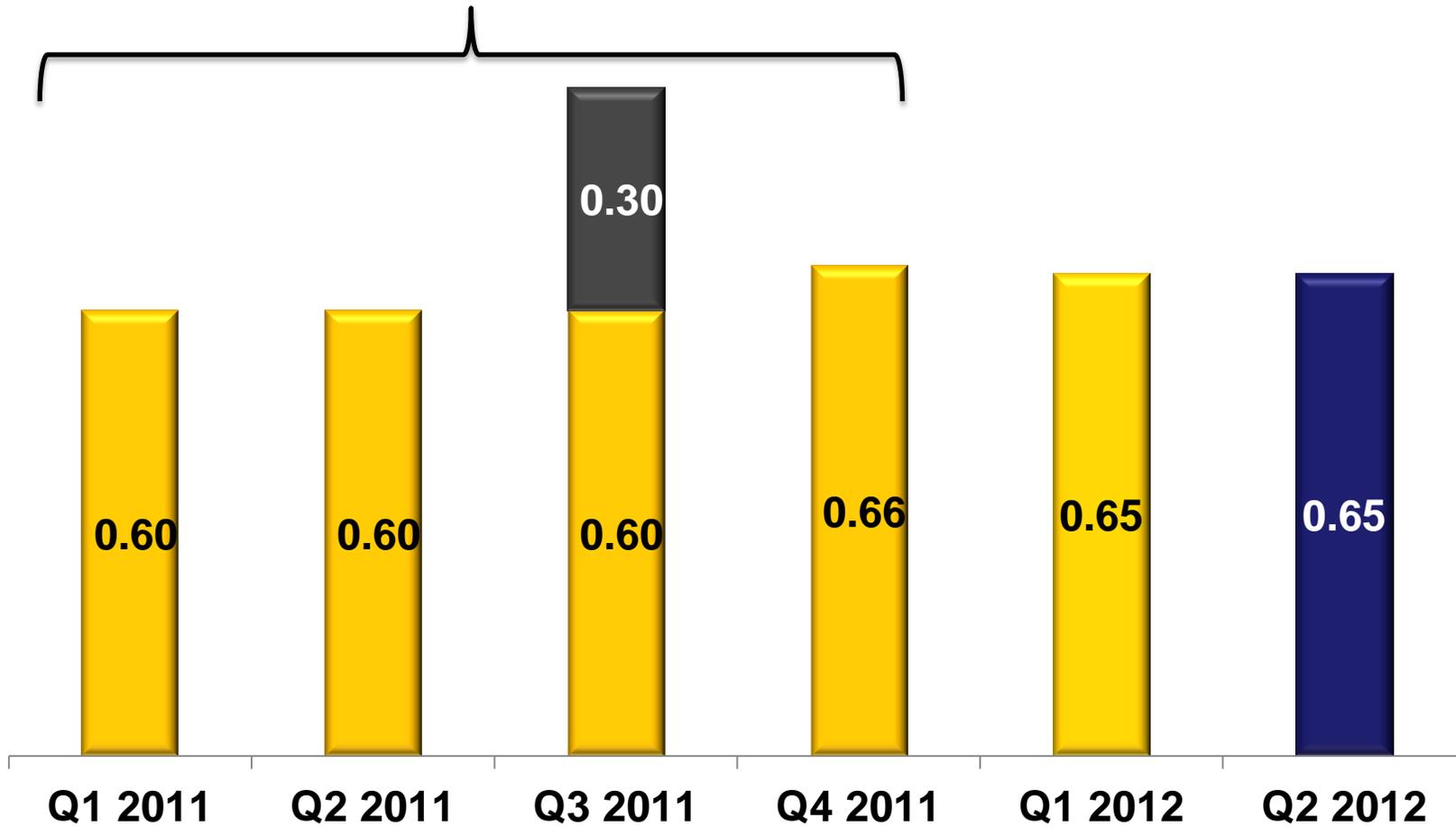
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Higher volume and revenue from contract manufacturing and lower operating expenses result in higher EPS

Q2 Dividends

2011: 98% Payout (110% inc. Special)



Dividends for Q2 2012 at 65 cents per share

OTHER HIGHLIGHTS

Recent CR Highlights

BAT Malaysia Family Day – Big Day Out at Putrajaya Wetlands

More than 1,300 employees and their family members joined in the Big Day Out which was organised as part of the 100 years celebration.



Recent CR Highlights (cont'd)

BAT Malaysia Safety & Health Week

Held from 23rd – 27th April, employees and contractors were educated on road and industrial safety through various games and information booths.



Seat Belt Convincer



Handphone Impairment



Alcohol Impairment



Safety Helmet Demo

FUTURE PROSPECTS

Future Prospects

- The unprecedented zero excise increase in 2011 coupled with robust enforcement has allowed the legal market to register marginal increase in volume.
- Given this environment and the weakening of the sub-VFM, BAT has continued to grow market share by 1.3ppt vs FY2011.
- 2012 profit from operations expected to grow due to better domestic volume, contribution from higher margin from contract manufacturing and lower spend.
- Group relatively optimistic on 2012 outlook.
- However, illicit trade and continuous illegal pricing below Minimum Price by certain local brands continue to be of concern.



Thank You