



**British American Tobacco  
(Malaysia) Berhad**

**Global Consumer &  
Food Retail Conference**

10 June 2009

Paris



# Agenda



- Snapshot of Malaysia
- Industry review, market share and volumes
- Brand activities and performance
- Trade marketing & distribution
- Financial highlights
- Other highlights

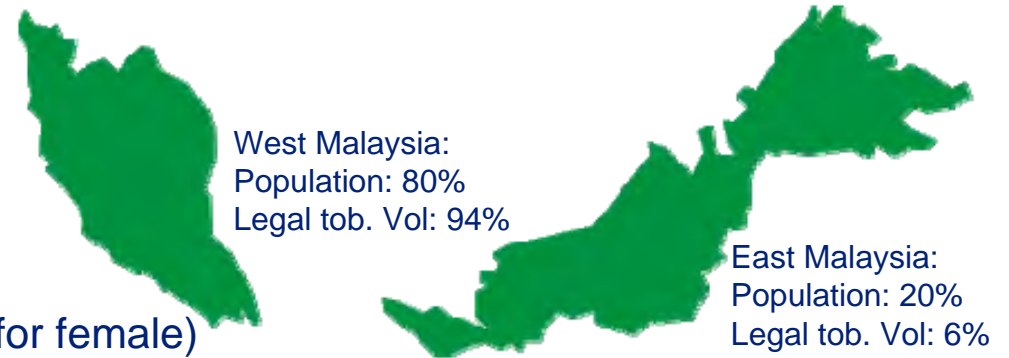


# Malaysia – Market snapshot



## TOBACCO MARKET (2008)

Industry Volume : 23.1 billion  
Legal Whites : 17 billion  
Illicit trade incidence: 25.7%  
Total Population : 27.7 million  
Smoker Population : 4.0 million (3.7 for male, 0.3 for female)  
Smoking Incidence : 30% (56% for male & 4% for female)  
Avg. Consumption : 14 sticks/day



## ECONOMY

GDP per Capita: USD 8,679 (2009 fct.)  
Inflation Rate: 0.8% (2009 fct.)  
Unemployment Rate: 4.8% (2009 fct.)  
Exchange rate: USD1 = RM 3.49  
GBP1 = RM 5.54

- A £1 billion industry, £240 million profit pool
- £448 million paid in taxes (estimated £396 million in indirect taxes, £52 million in corporate taxes)
- Contributes more than 2% of all Government revenue
- More than 50,000 in tobacco & cigarette related employment & 90,000 retailers

# British American Tobacco (Malaysia) Berhad

- More than 90 years of history in Malaysia
  - Employs approximately 2,000 staff
  - Works with over 3,000 tobacco growing and curing families
  - Partners close to 90,000 retailers nationwide
- 
- A fully equipped factory, which exports cut rag, DIET and cigarettes throughout Asia Pacific
  - DSS (Direct Store Sales) operation that covers over 50% of our sales
  - Listed since 27 October 1961
  - Ranked Top 15 in Bursa Malaysia with GBP 2.2 billion market cap
  - BAT plc holds exactly 50% of BATM shares



**GROW ,  
INVEST & ACCELERATE  
our HIGH VALUE  
BUSINESS MODEL**

**OUR FUTURE : OUTRIGHT LEADERSHIP**

- High single digit EPS growth
- 100% GDB portfolio
- #1 Supply chain
- Sensible regulatory environment
- Most respected organisation
- Talent development and export hub

**Growth**

**Drive market  
and price  
leadership**

**Productivity**

**Leverage scale  
to invest**

**Responsibility**

**Shape  
regulatory  
environment**

**Winning  
Organisation**

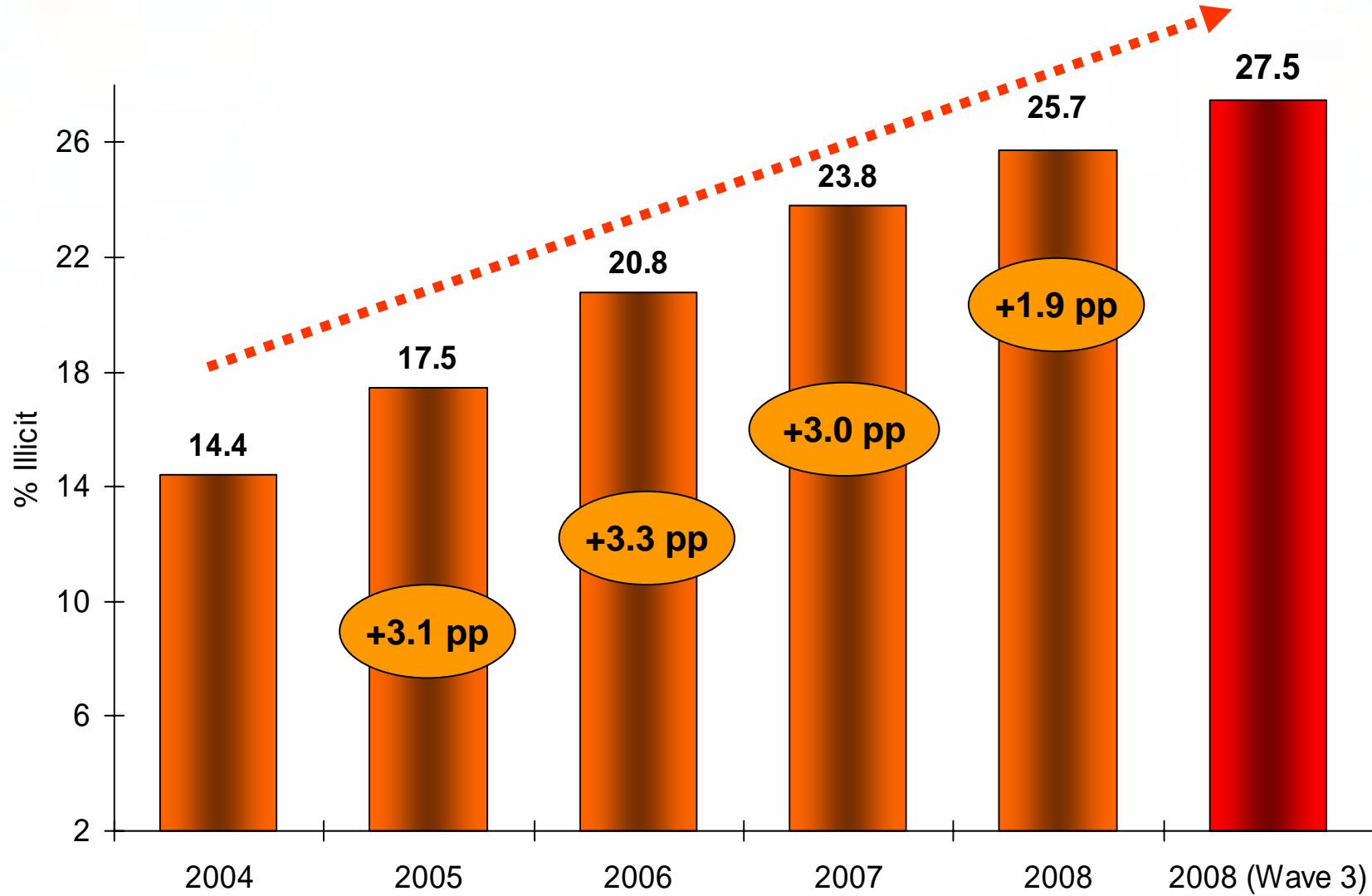
**Best employer  
in Malaysia**

**Cut the ...**

# Industry review, market share and volumes

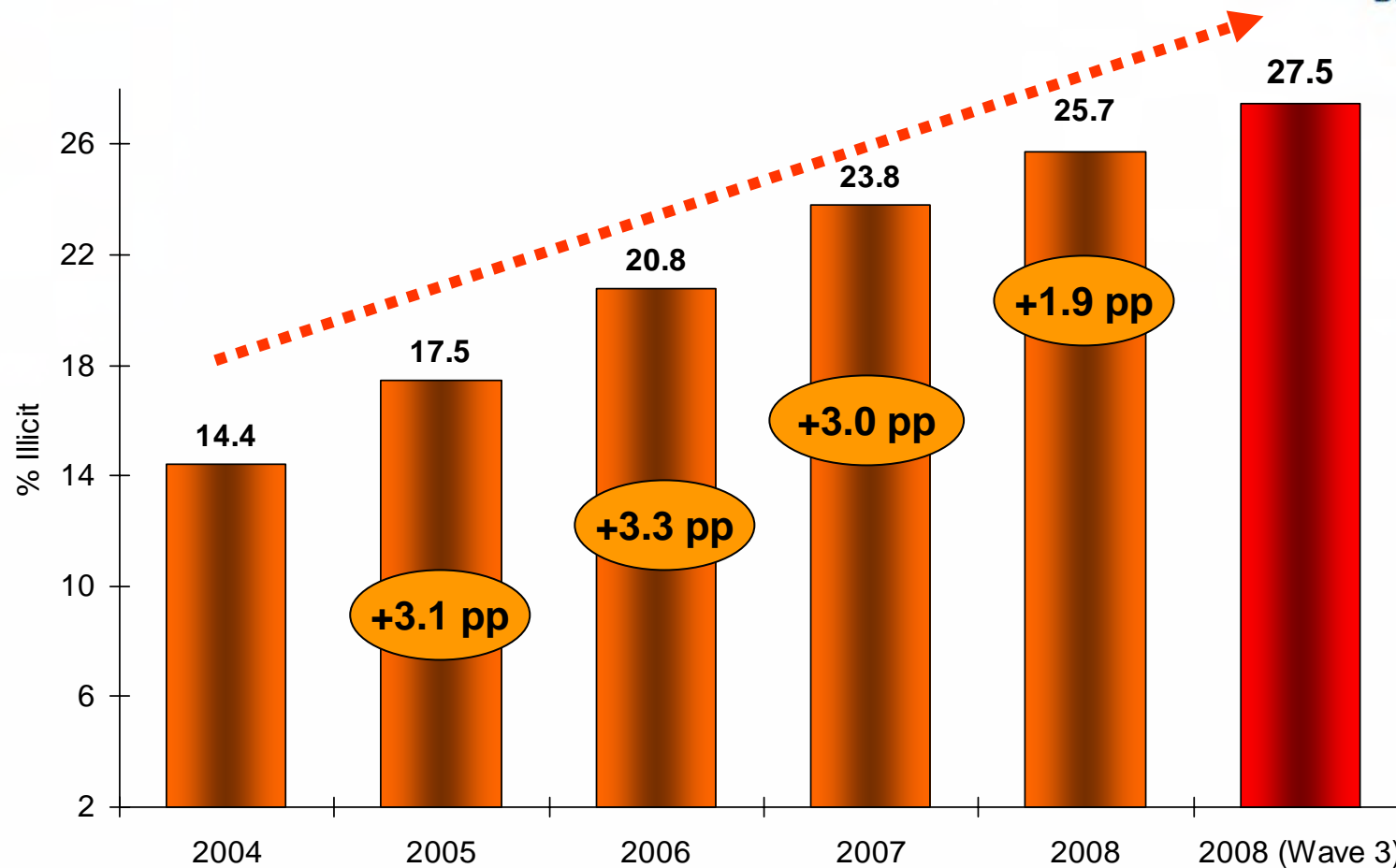


# Illicit trade incidence continues to grow





## Illicit trade incidence: moving forward

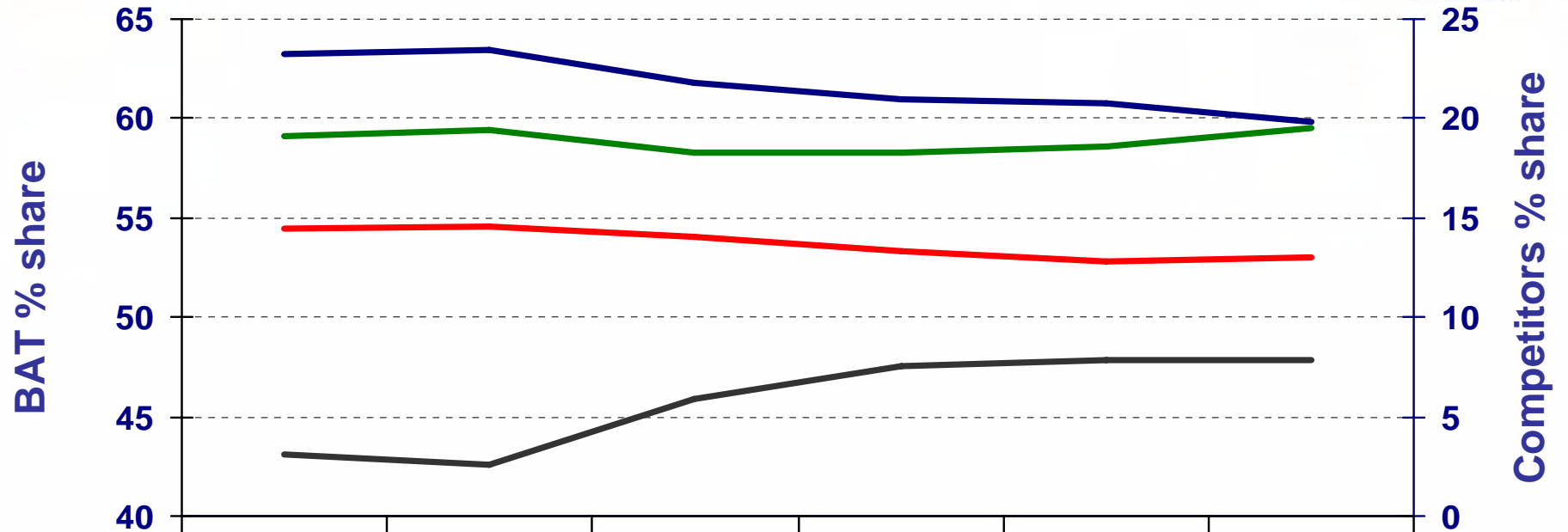


- Economic downturn will continue to drive demand
- Need a balanced approach to excise
- PHW may disrupt their supply chain as security ink did previously
- Enforcement is now good, but greater penalties are required





# Market share developments



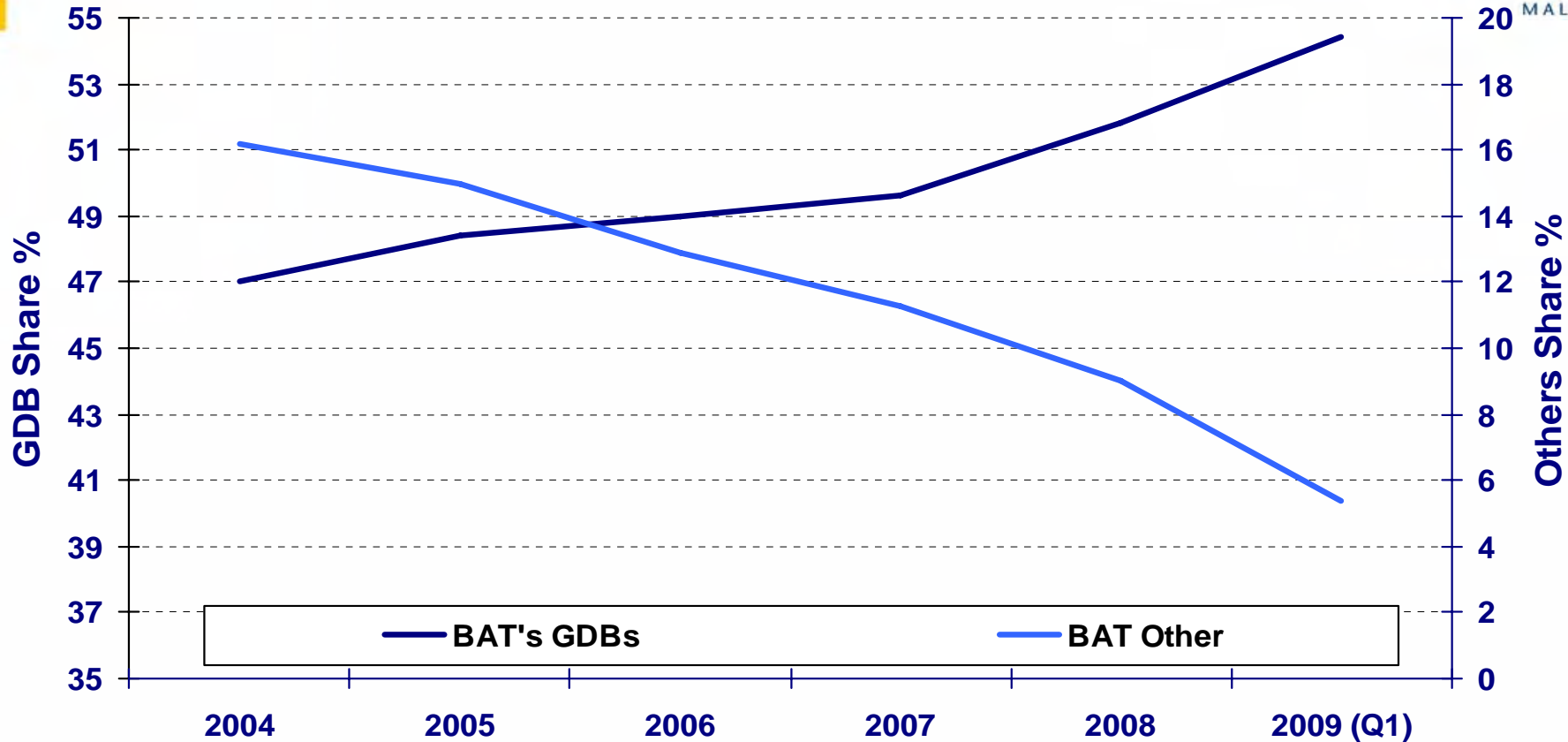
	2004	2005	2006	2007	2008	2009 (Q1)
— BAT(LHS)	63.2	63.4	61.8	61.0	60.8	59.8
— PMI	14.5	14.6	14.0	13.3	12.8	13.0
— JTI	19.1	19.4	18.3	18.3	18.6	19.5
— Others	3.1	2.6	5.9	7.5	7.8	7.8

Source: Nielsen Retail Audit

- Others (Sub Value) grew rapidly from 2005 - 07 then stabilised
- BAT share has declined by 3.4%pts since 2004



# BAT's portfolio strengthened

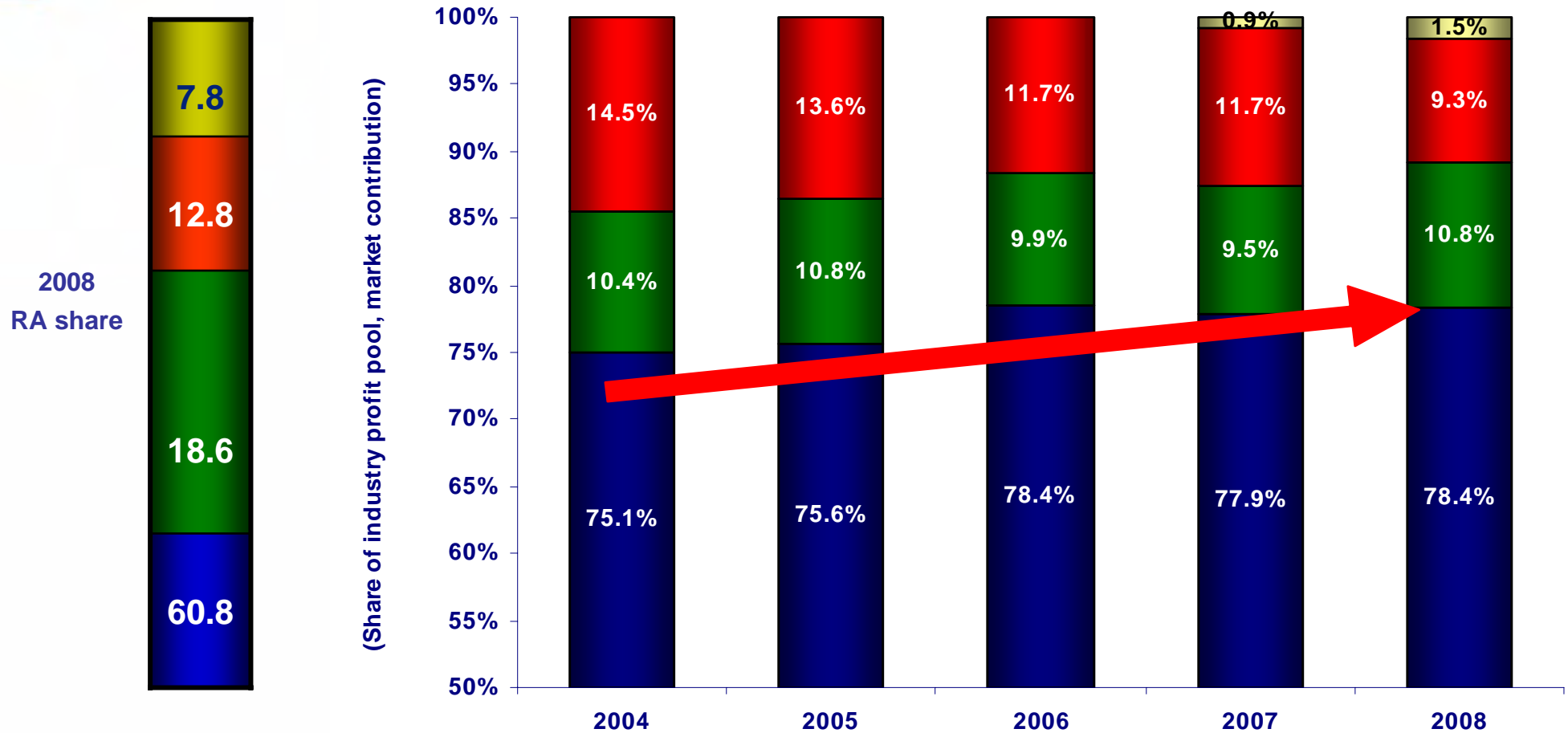


Source: Nielsen Retail Audit

- BAT's tail brands declined by over 10%pts, while our GDBs grew by over 7%pts, enhancing the strength and quality of the portfolio.
- This decline accelerated through active brand migrations in 2008 to reduce our exposure to the unsupported tail.



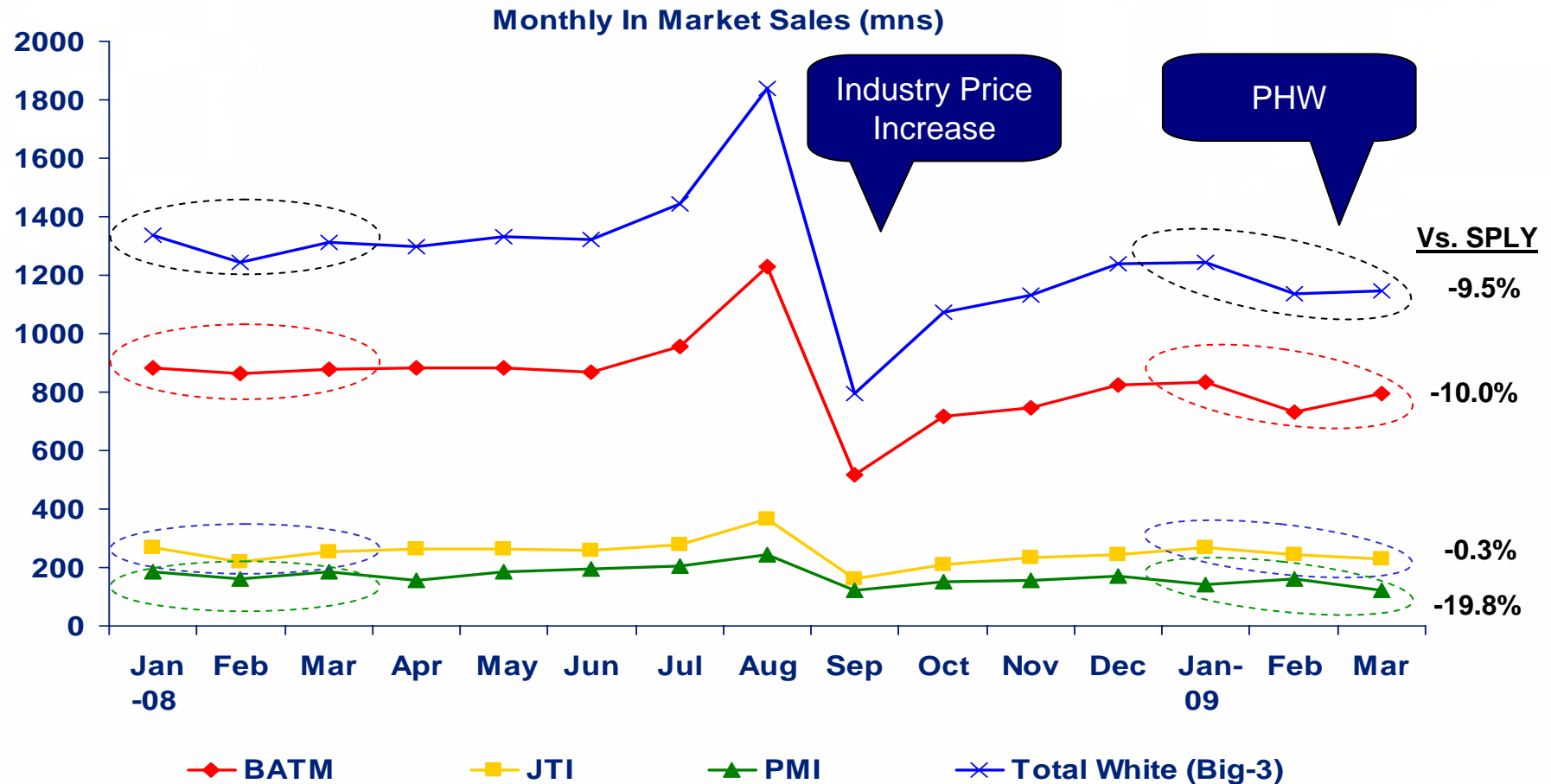
# Increased value share with the portfolio mix improvement



BATi's value share is at 130 index to our volume share, up from 118% in 2004



# Legal white volume trend in 2009

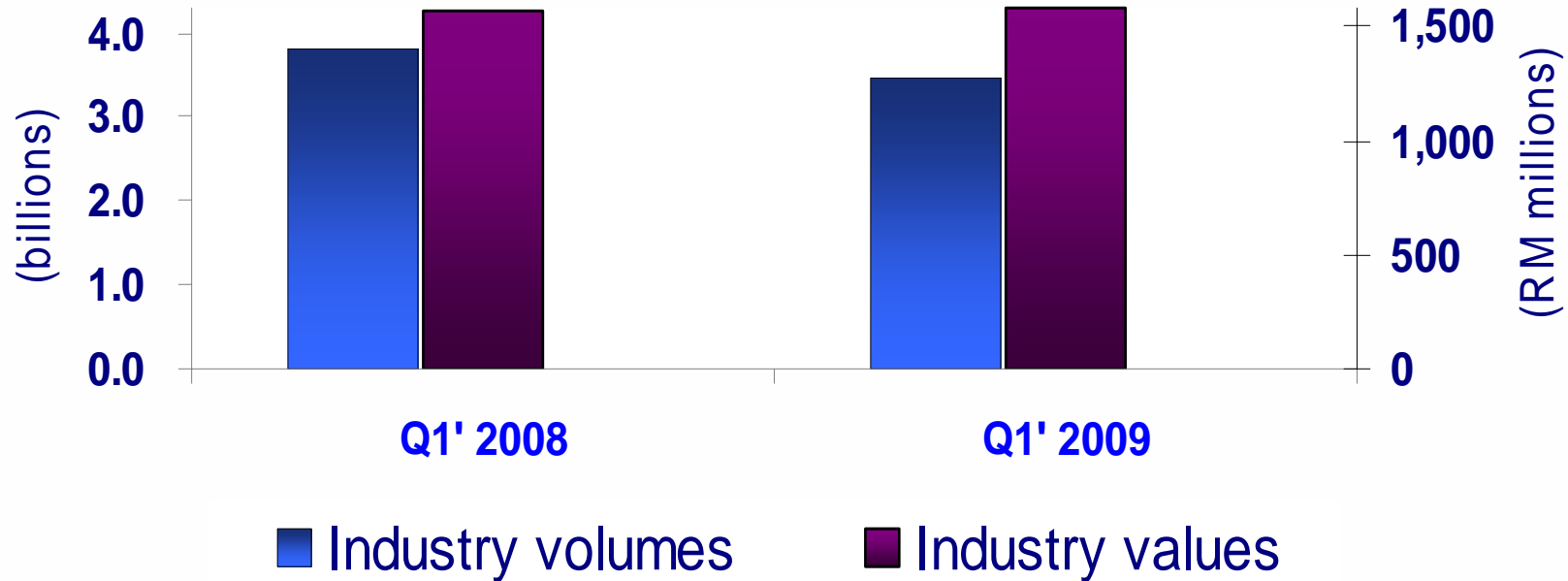


Source: Nielsen Retail Audit

Legal whites experienced a higher decline due to the economic downturn and the impact of PHW



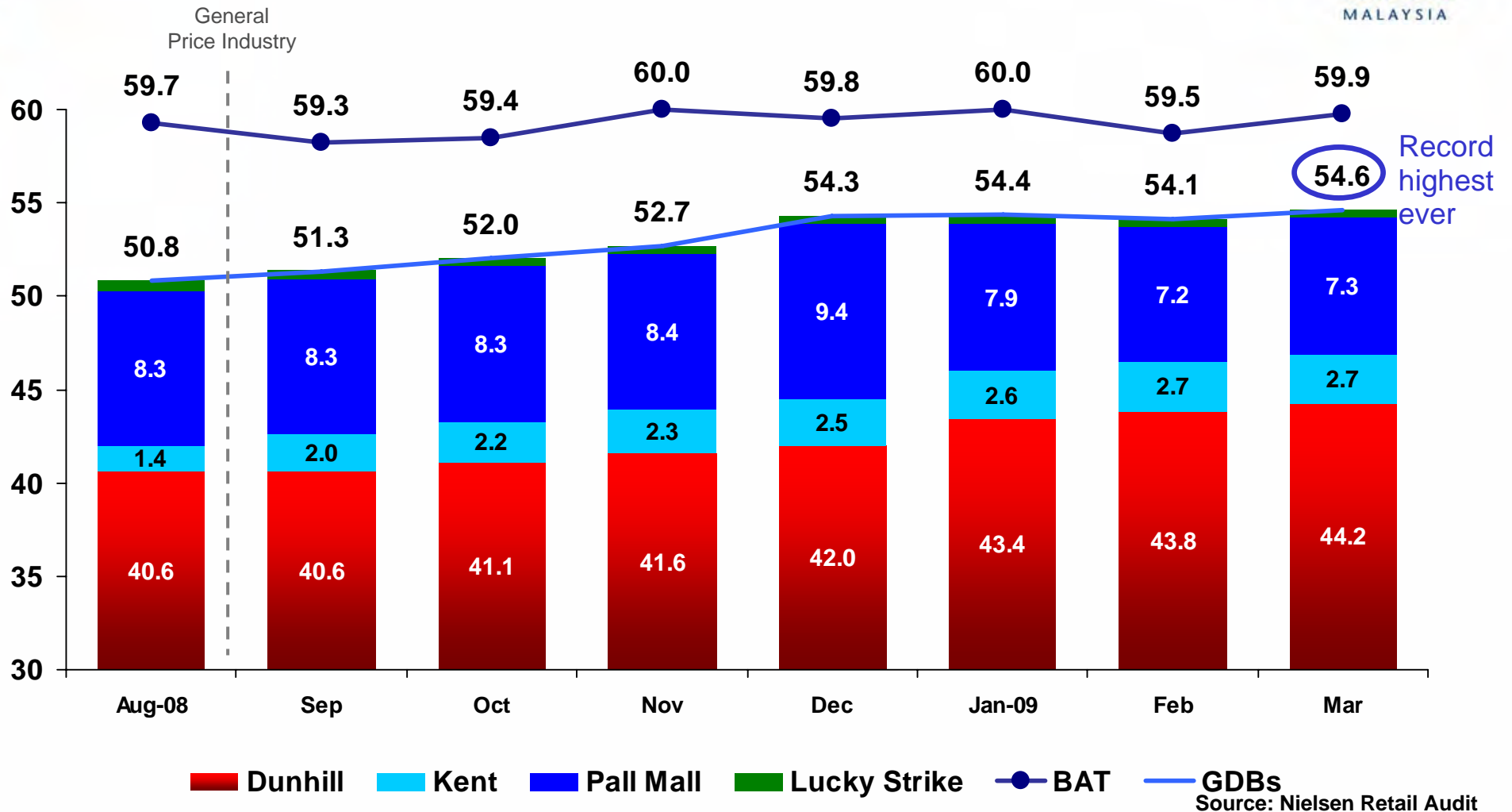
## Decline in industry volumes, but not value



Despite a sharp drop in industry volumes, the industry value continued to increase



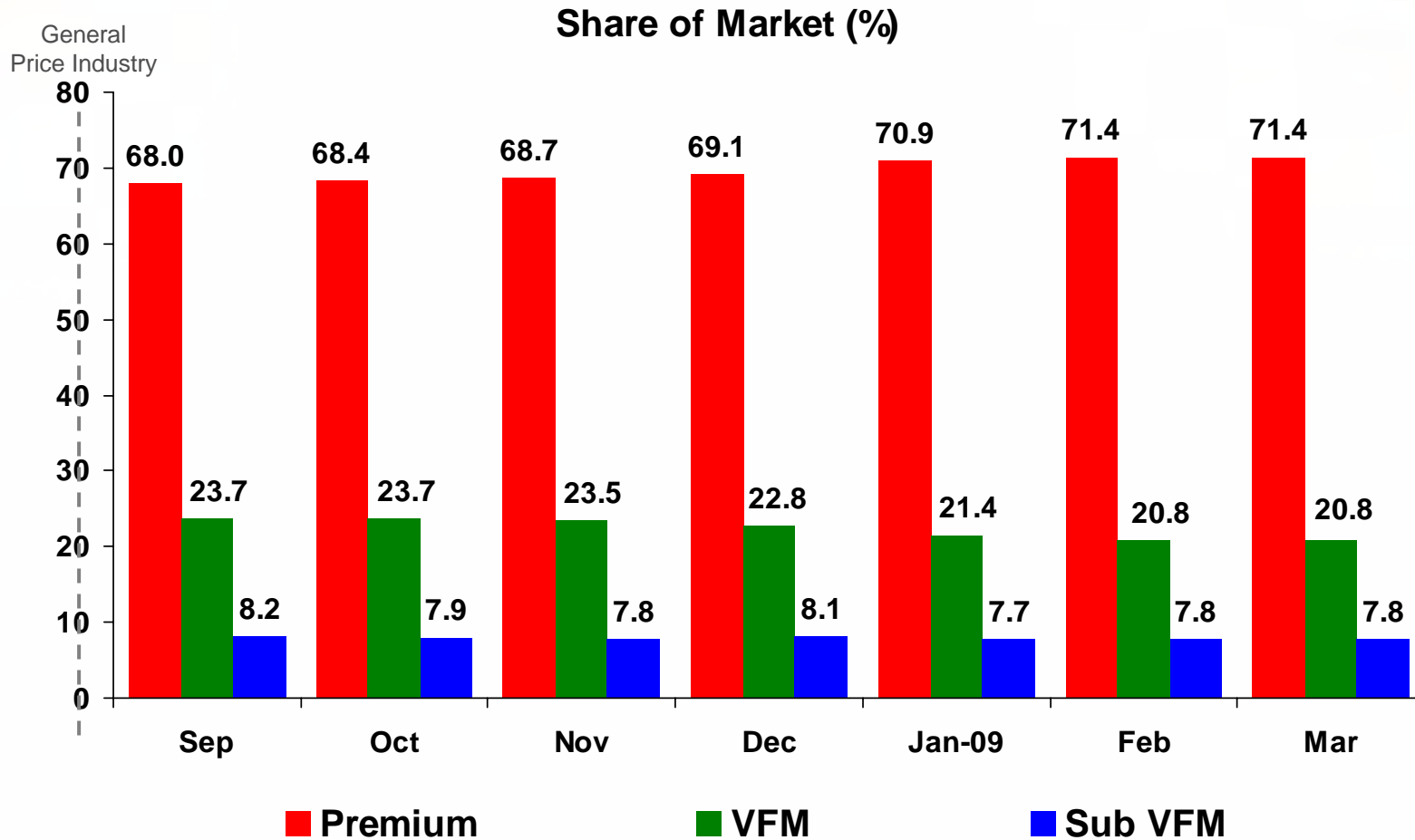
# BAT & GDB share



Despite Pall Mall 25s price increase, BATM is holding on its share with much stronger Dunhill performance, resulting in highest ever GDB share



# Price segments



Source: Nielsen Retail Audit

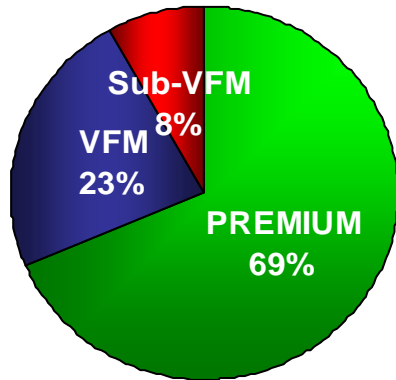
Though the industry volume is declining faster, premium remains more resilient



# Market remained strongly premium-skewed



**Q4 2008**

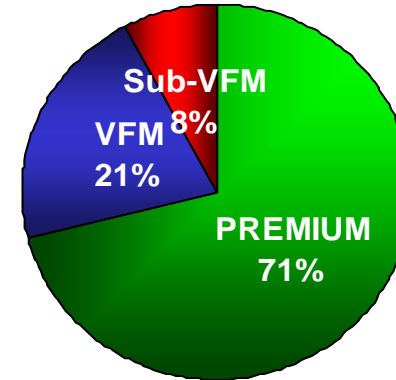


<u>Share of Premium</u>	<u>%</u>
BAT	72.3
JTI	13.2
PMI	14.6

<u>Share of Value for Money</u>	<u>%</u>
BAT	43.2
JTI	43.0
PMI	13.6

<u>Share of sub-VFM</u>	<u>%</u>
Others	100.0

**Q1 2009**



<u>Share of Premium</u>	<u>%</u>
BAT	73.2
JTI	12.7
PMI	14.1

<u>Share of Value for Money</u>	<u>%</u>
BAT	36.5
JTI	49.4
PMI	14.0

<u>Share of sub-VFM</u>	<u>%</u>
Others	100.0



# Brand activities and performance

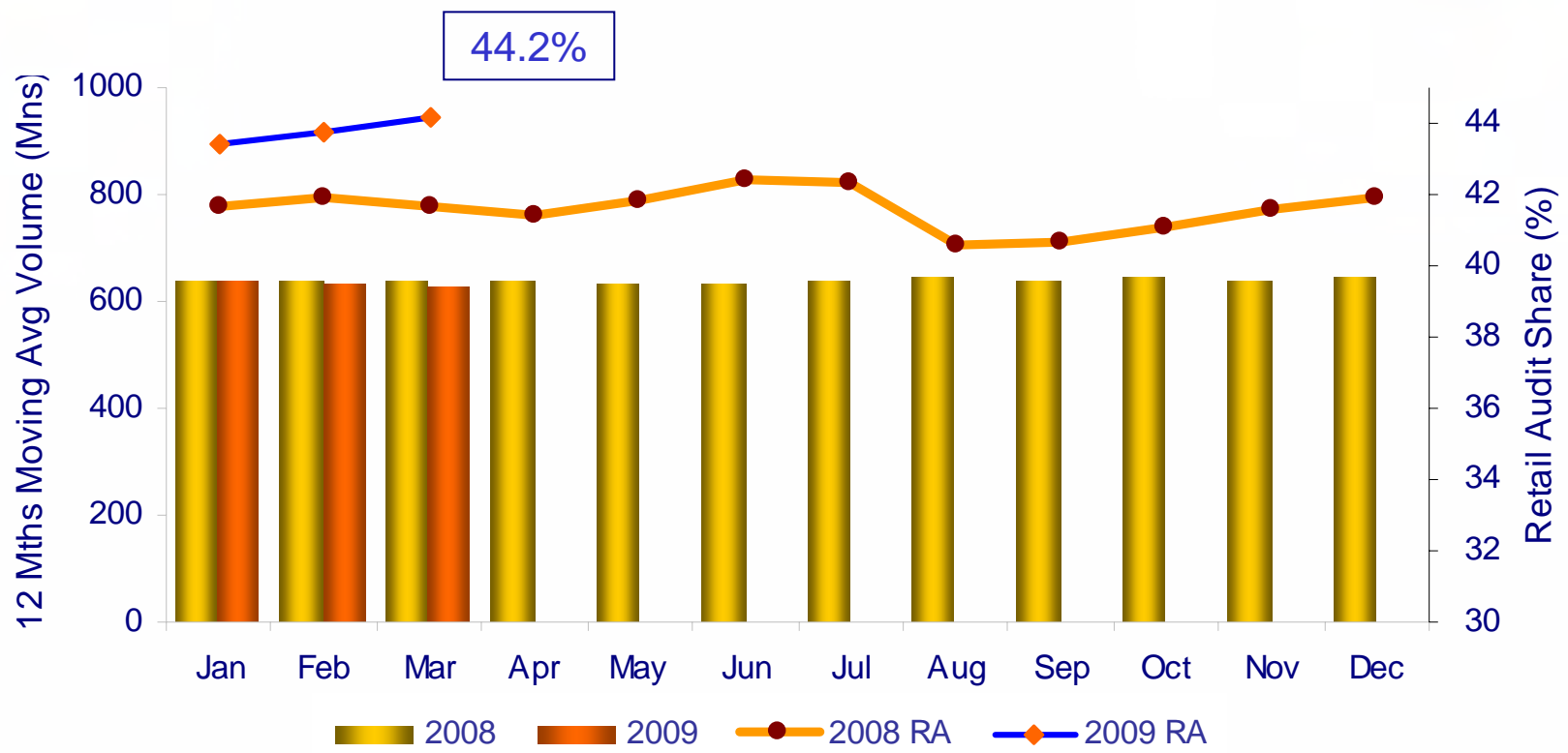
# Increased regulation of the industry in Malaysia



- ✓ Prohibition on tobacco advertising
- ✓ Ban on vending machines
- ✓ Ban on sampling and free gifts
- ✓ Ban on selling of loose sticks
- ✓ Ban on sponsorship (e.g. football, F1 etc)
- ✓ Public Place smoking restrictions e.g. government buildings, theatre, public transport etc.
- ✓ Prohibition on smoking & sale by under 18 of age
- ✓ Display of YSP signs at point of sales
- ✓ Pictorial Health Warnings implemented
- ✓ Descriptor Ban and additional mandatory labeling
- ✓ New directives limiting price discounting and the pack pricing of small packs (e.g. 14s and 18s)
- ✓ Ban on premiums with sale (e.g. lighters)



# Dunhill achieved highest ever market share

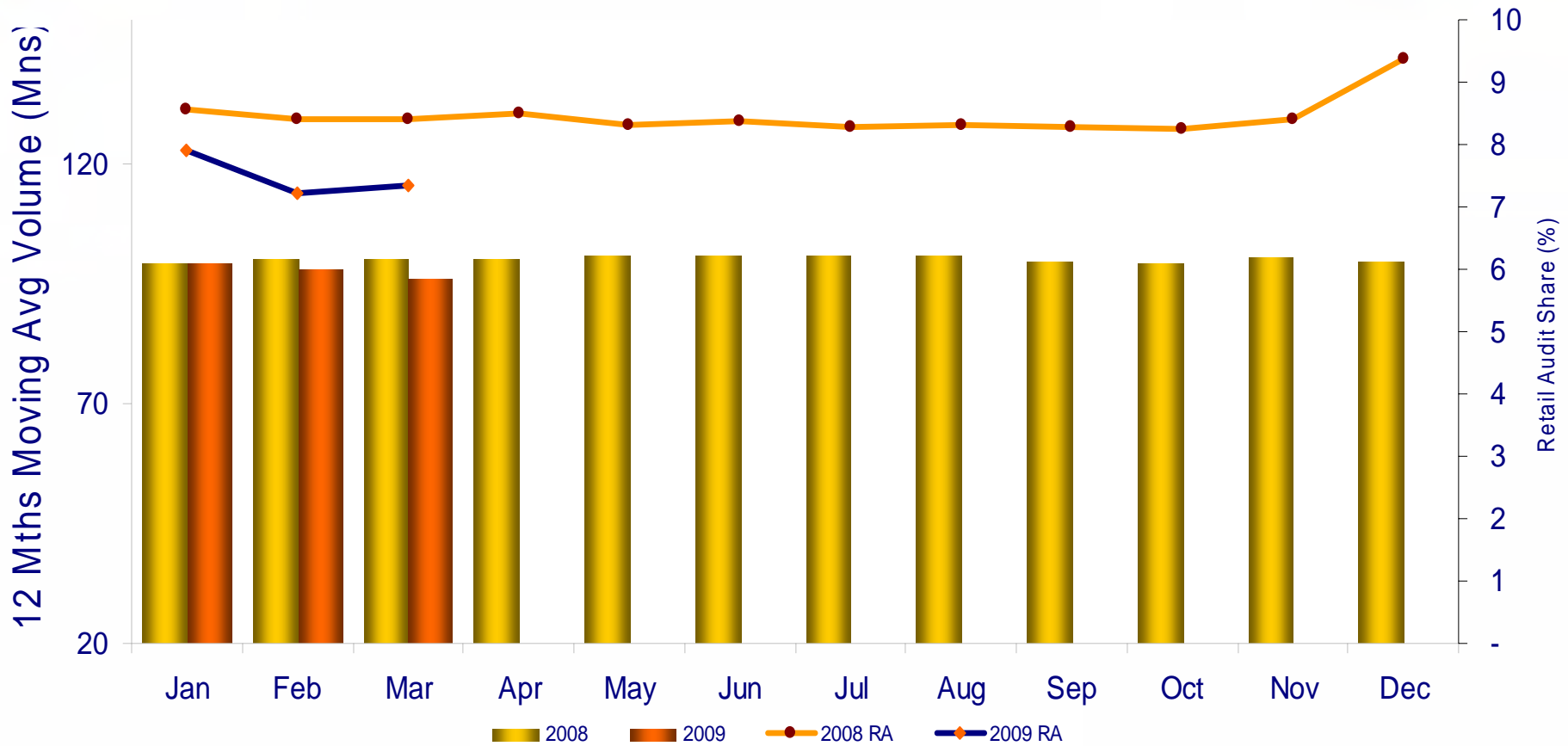


Source: Nielsen Retail Audit

March market share at 44.2 % (+3.6 pp post GPI price increase)



# Pall Mall performance softens

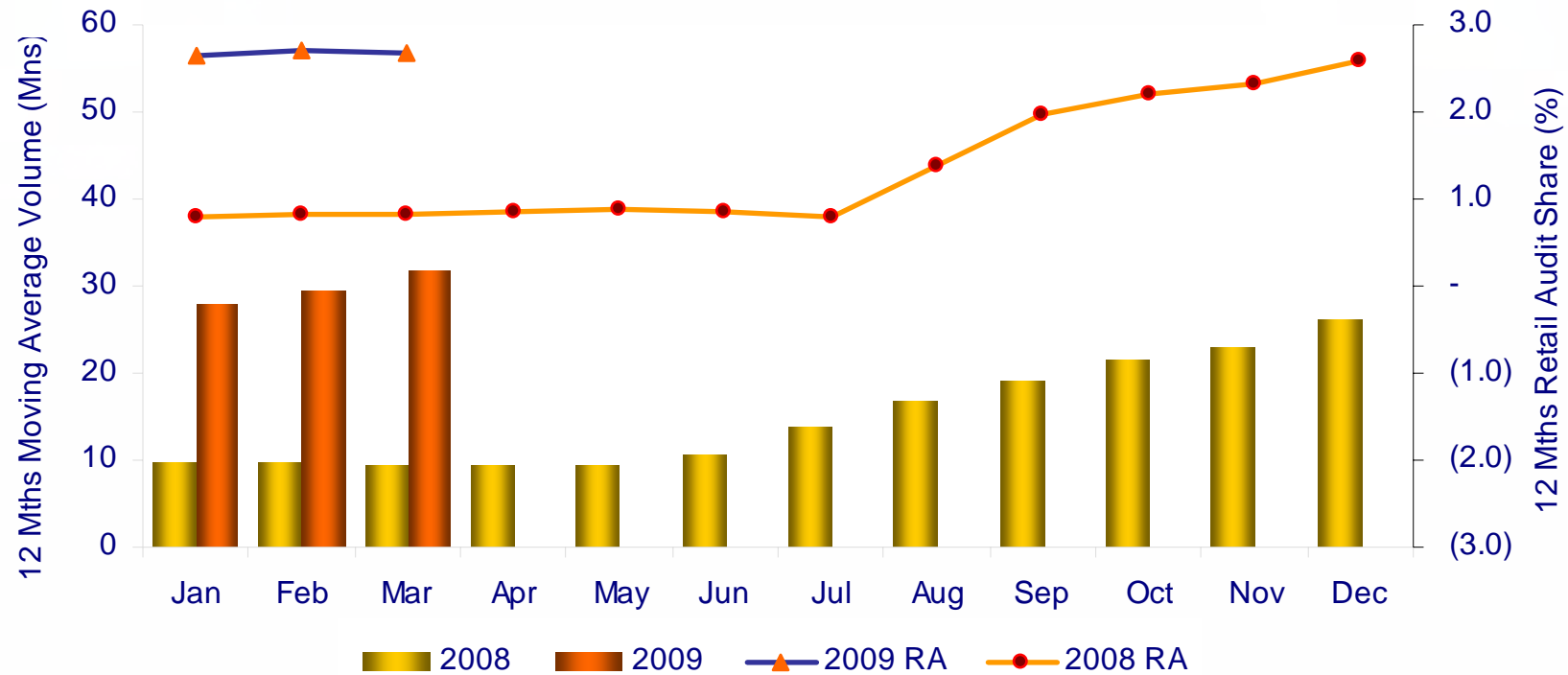


Source: Nielsen Retail Audit

YTD Pall Mall market share at 7.5% (-1.0pp vs. SPLY)



# Kent's continuous momentum

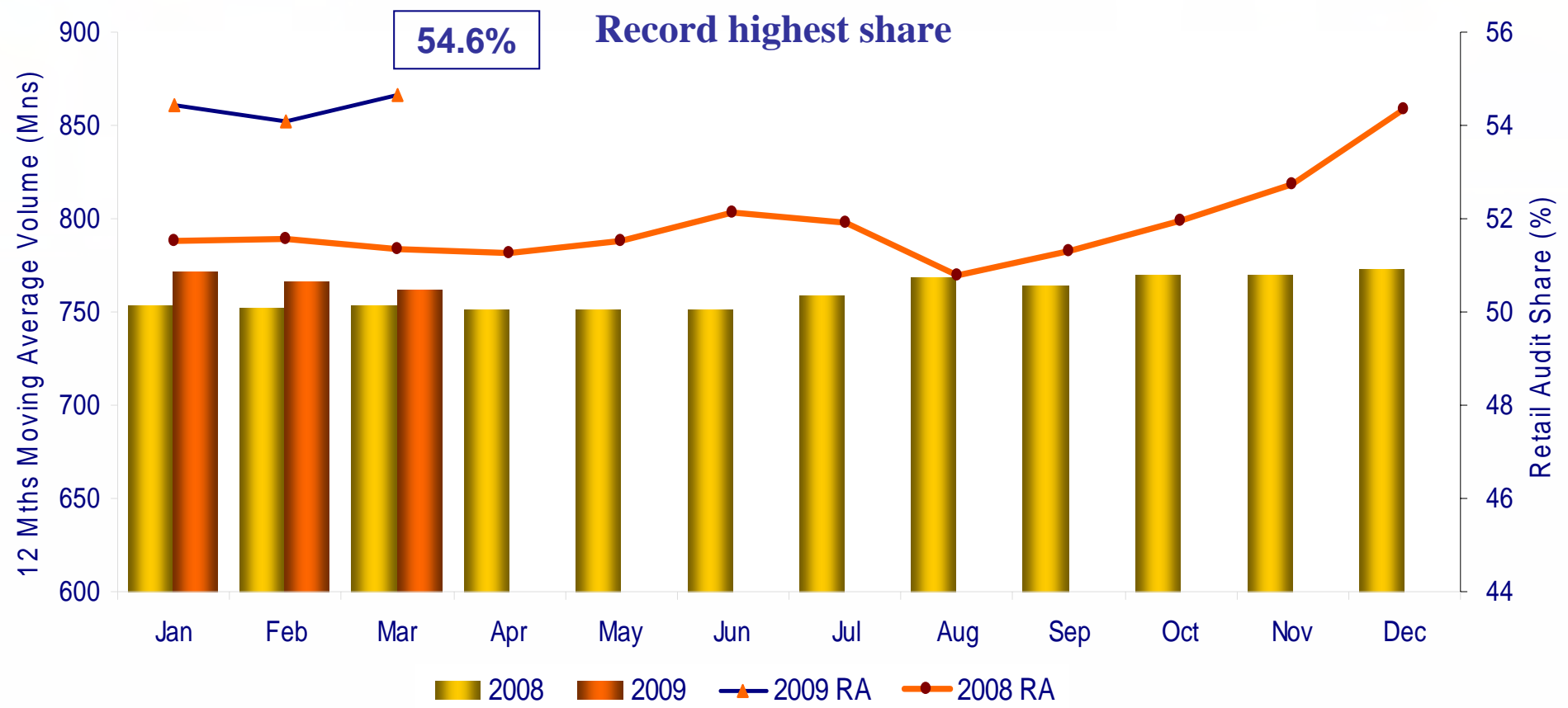


Source: Nielsen Retail Audit

**Kent YTD 2009 market share at 2.7pp (+1.9 vs SPLY)**



# Global drive brands strong performance



Source: Nielsen Retail Audit

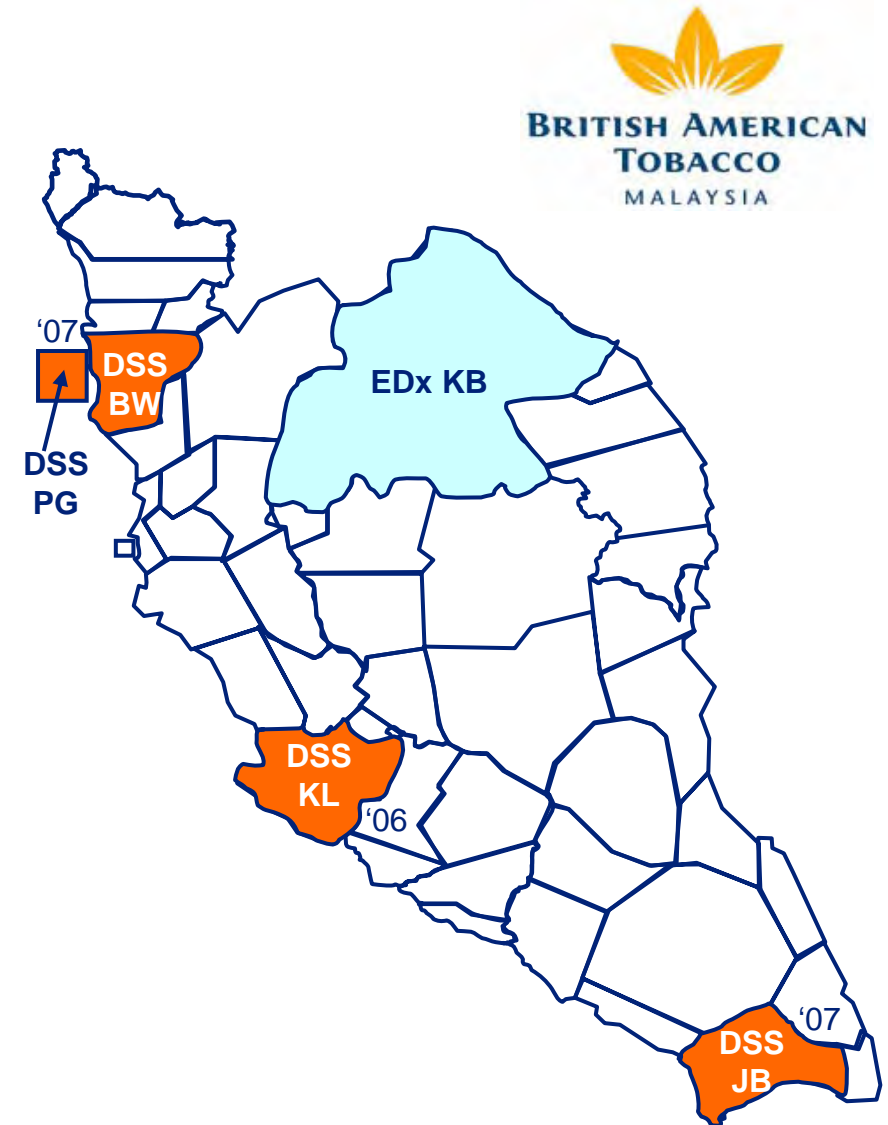
**March market share at 54.6pp (+3.8 pp since Aug 2008)**

# Trade marketing & distribution



# DSS and route to market

- BAT Direct Selling Operations now expanded to 58% of volume coverage
- It gives us significantly greater:
  - speed to market
  - control over brand activities
  - reduction in out of stocks
  - reduced market returns
  - better relationship with our trade partners



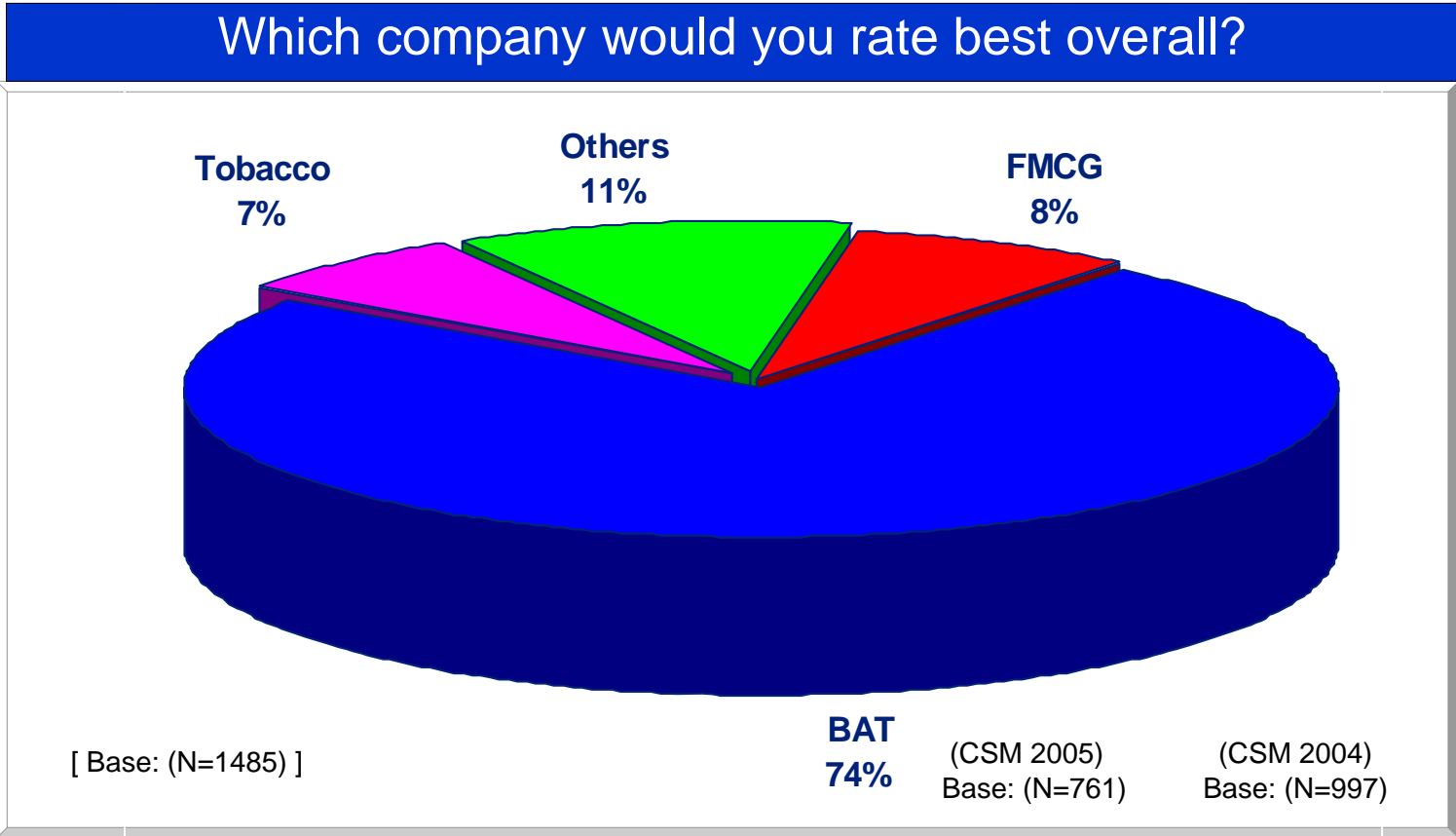
Expansion of DSS Operations provides superior performance of Trade Marketing and Distribution in Key Urban Centres

\* source DWH  
\*\* Excluding Duty Free





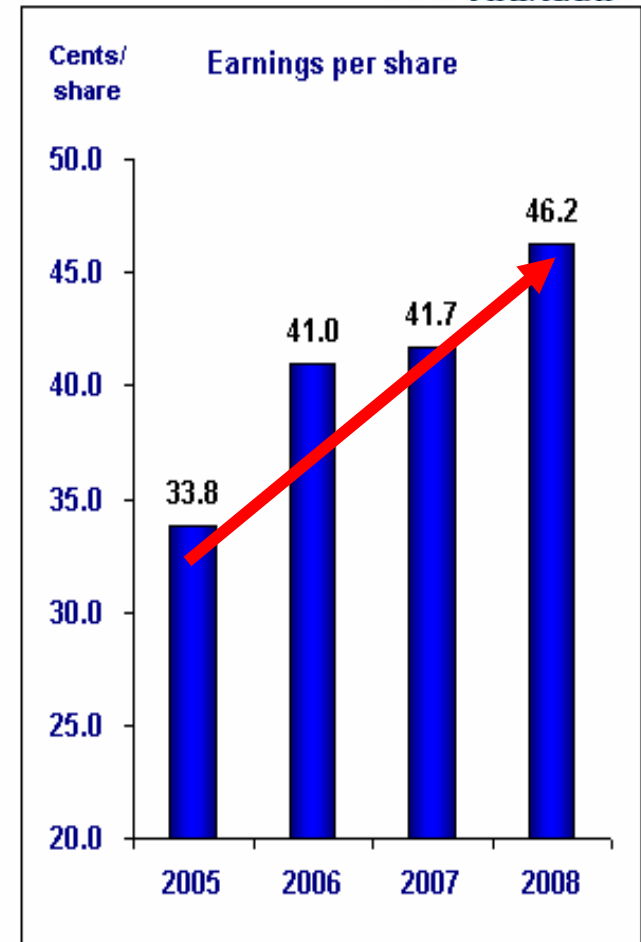
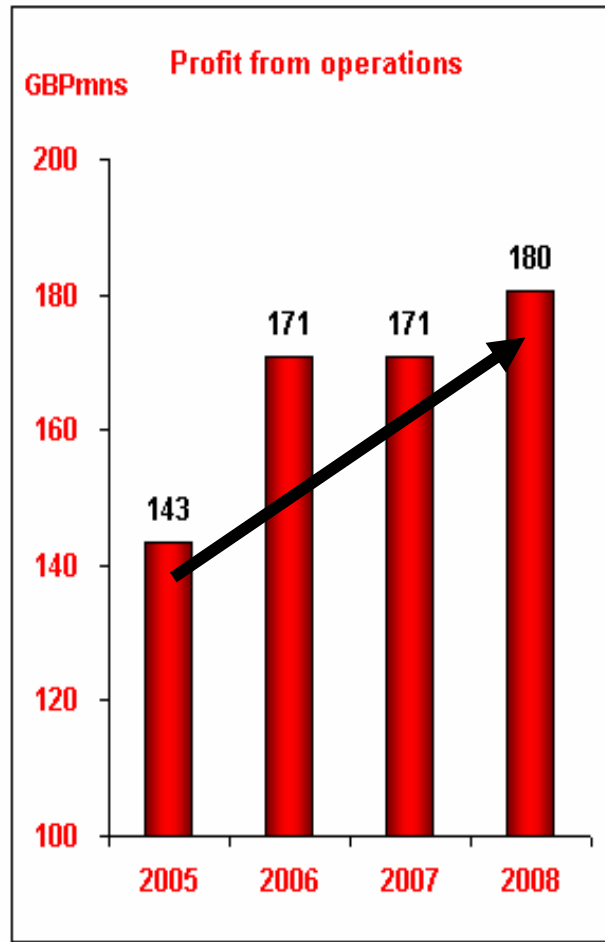
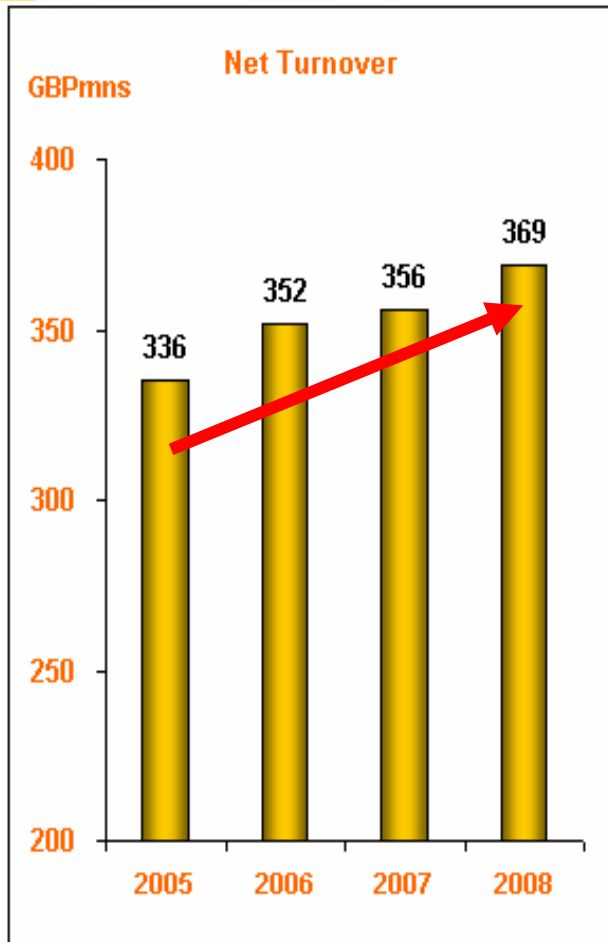
# Customer satisfaction measurement 2008



- 74% retailers rate BAT as best supplier overall
- BAT significantly ahead of FMCG & tobacco benchmarks on all process areas since 2004

# Financial highlights

# 2005 to 2008 results

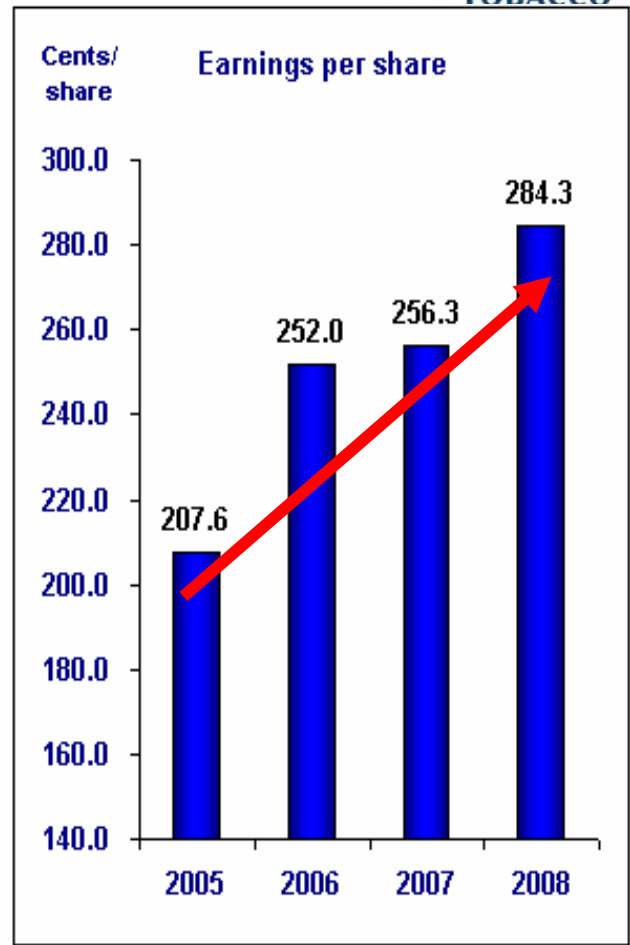
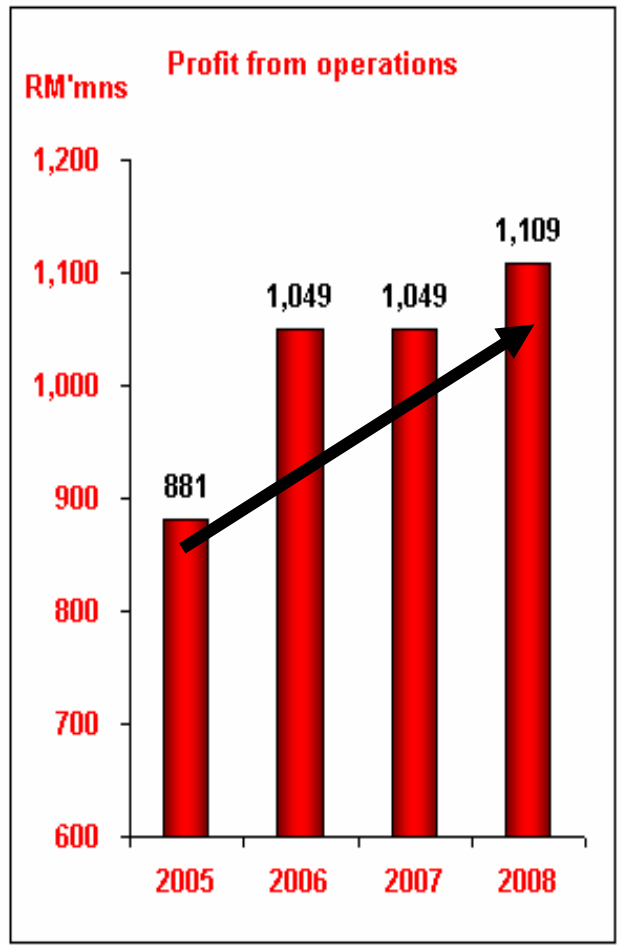
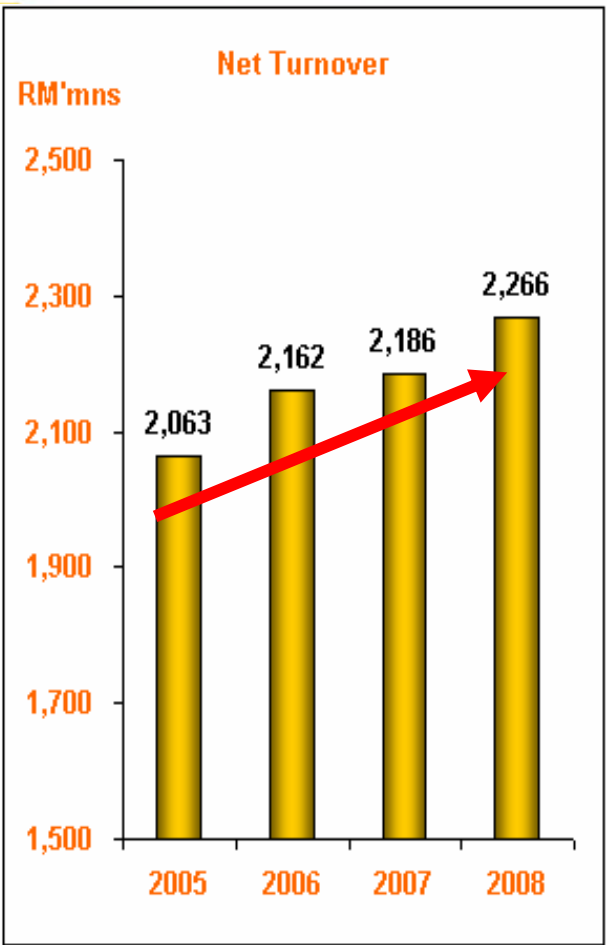


\*MYR/GBP = 6.148

**Strong and consistent financial performance**



# 2005 to 2008 (RM)



**Strong and consistent financial performance**



# Maintained excellent cash flow delivery

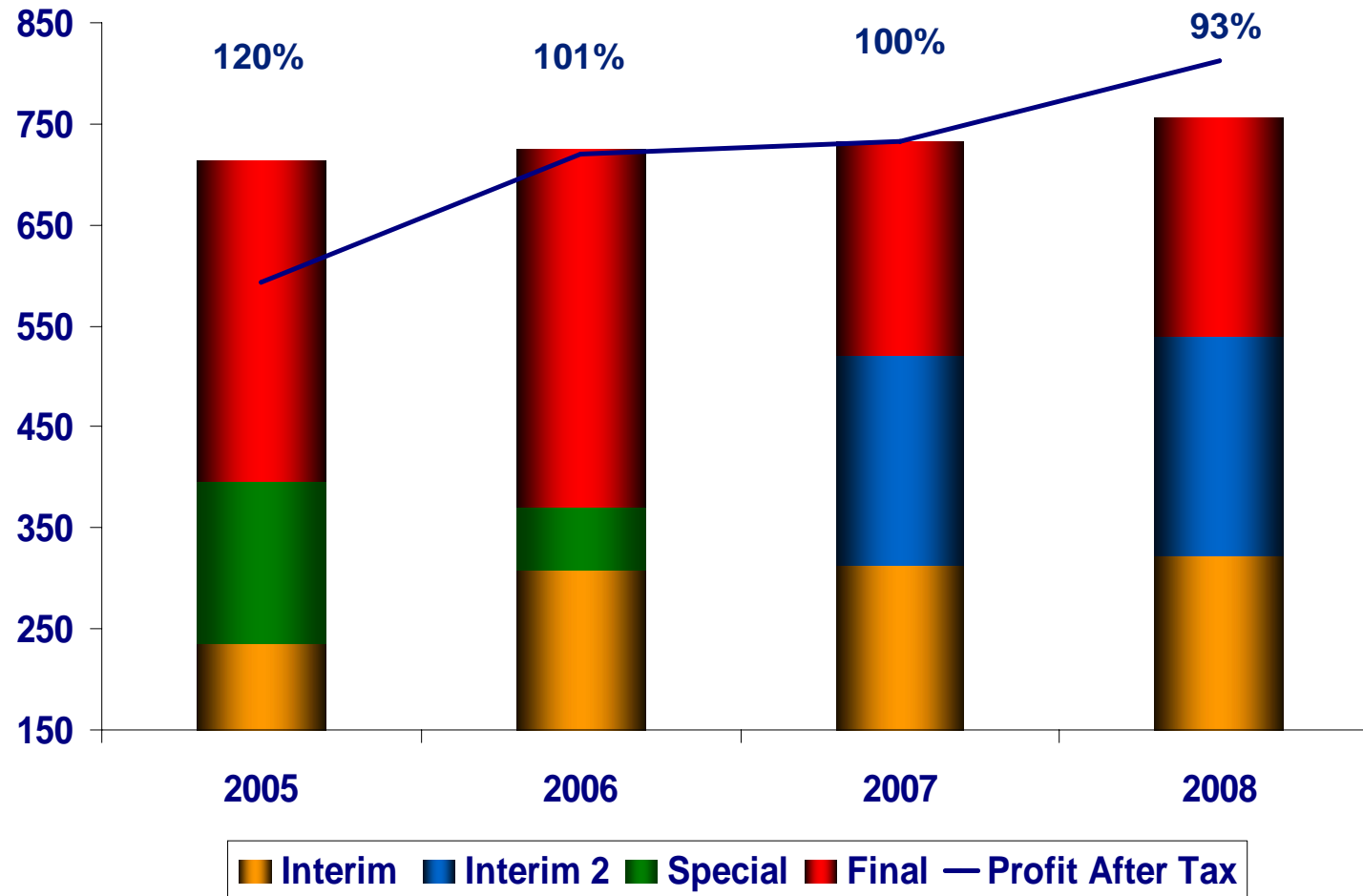


Year	2003	2004	2005	2006	2007	2008
OCF/UOP Conversion %	100%	97%	97%	99%	108%	101%

- Consistently delivering high levels of OCF/UOP conversion ratios
- Average of > 100% over the 6 years



# Dividend policy

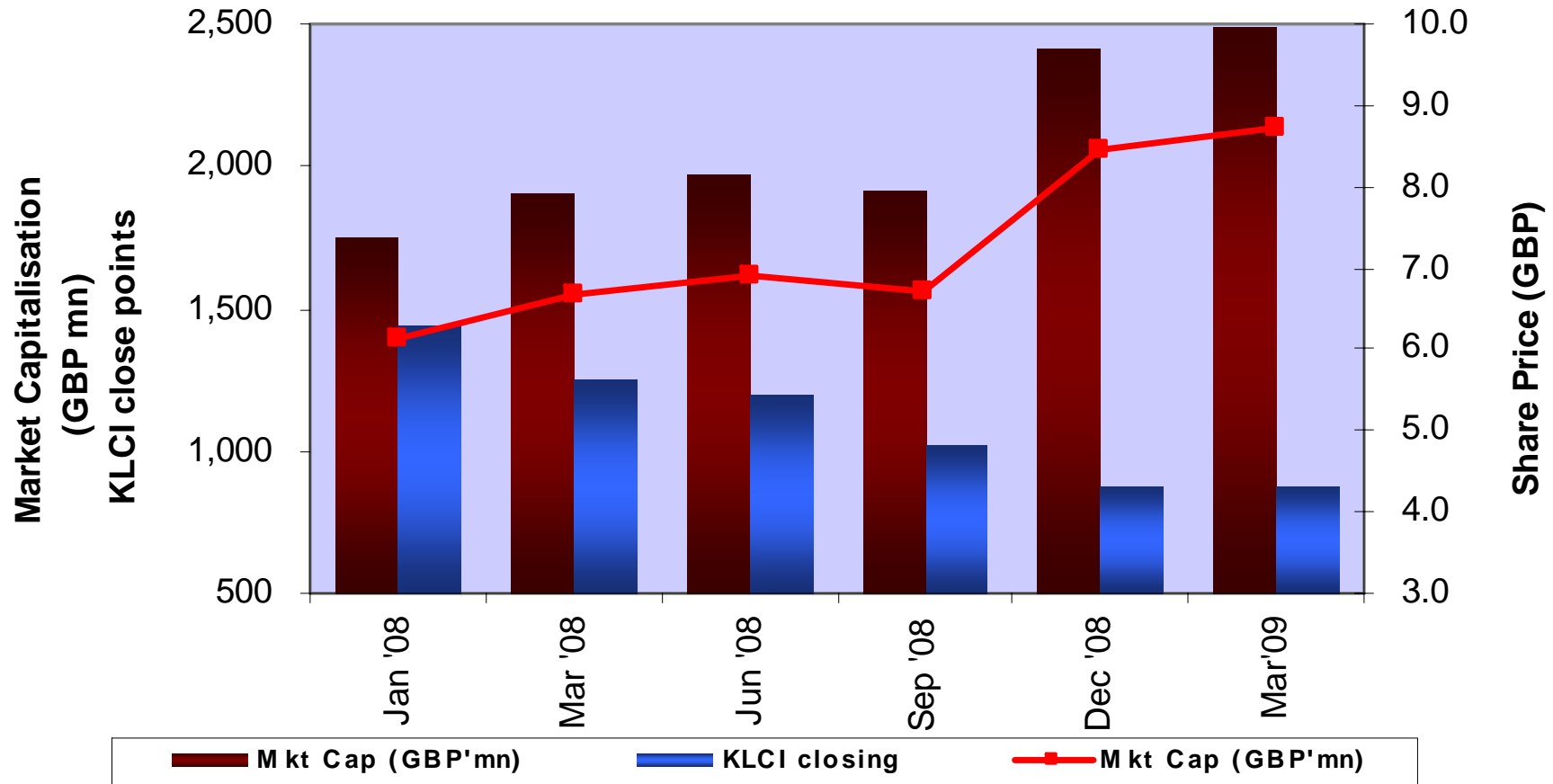


BAT Malaysia' s dividend policy is:

- To return excess cash to shareholders by paying at least 90% of PAT in dividends
- In addition to this, we aim to increase the annual dividend per share



# Increased market capitalisation



The market capitalisation has increased by GBP 735mn (+42%) since Jan 08 v. the index which declined by 39% over the same period

# Other highlights





# BATM's Corporate Responsibility (CR) framework



## Community



### BATM Foundation



Scholarship Programmes:  
Employees' Children, Leaf  
Growers & Curers children  
Retailers children



HESK

Employee  
Volunteer  
Prog.



Appeals &  
Donations



## Workplace



Business + Guiding  
Principles + Standards of  
Business Conduct



Employees  
Scholarship



Smoking &  
Health  
Updates

Internal  
Employees  
Survey



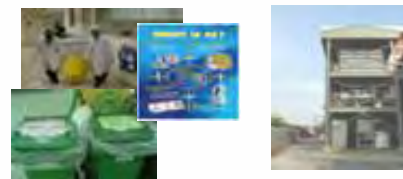
## Environment



Responsible Operation



Afforestation  
Programme



EHS Programmes



Field Training for Staff



Philosophy for  
Supplier  
Partnership

## Marketplace



Social Reporting



Stakeholder Dialogue



Illicit tobacco  
awareness  
programme



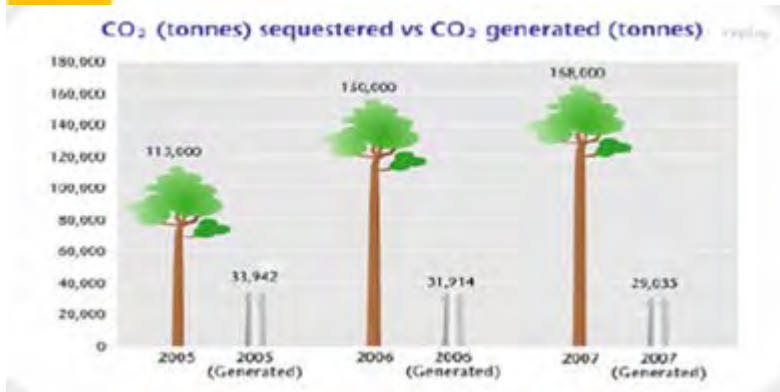
YSP campaign



Tobacco Ingredients  
website



# CR for the environment



Through our afforestation programme, we remain a carbon positive business until 2024



Continued certification by external auditors, LRQA on:  
ISO9001:2000 for Quality Management Systems  
ISO14001:2004 for Environmental Management Systems  
OHSAS18001:2007 for Occupational Health & Safety Mgt Systems



We practice responsible waste disposal  
Recycle, licensed landfills and scheduled waste treatment facility  
We have reduced our total waste by 53.6% in 2008 from 2006



# External recognition on our commitment to shareholder value and corporate governance



## National Annual Corporate Report Awards (NACRA) 2008

- Silver Overall Excellence Award
- Award for the Main Board, Consumer Products category



## Top 10 in FinanceAsia's Best Managed Companies 2008

- Best Managed Company
- Best Corporate Governance
- Most Committed to Strong Dividend Policy



## Watchdog Group (MSWG) & Nottingham University Business Corporate Governance Survey 2008

- Fourth Overall Excellence Award
- Industry Excellence Award



## Top 3 in The Asset Magazine Corporate Governance 2008

- Best Corporate Governance in Malaysia

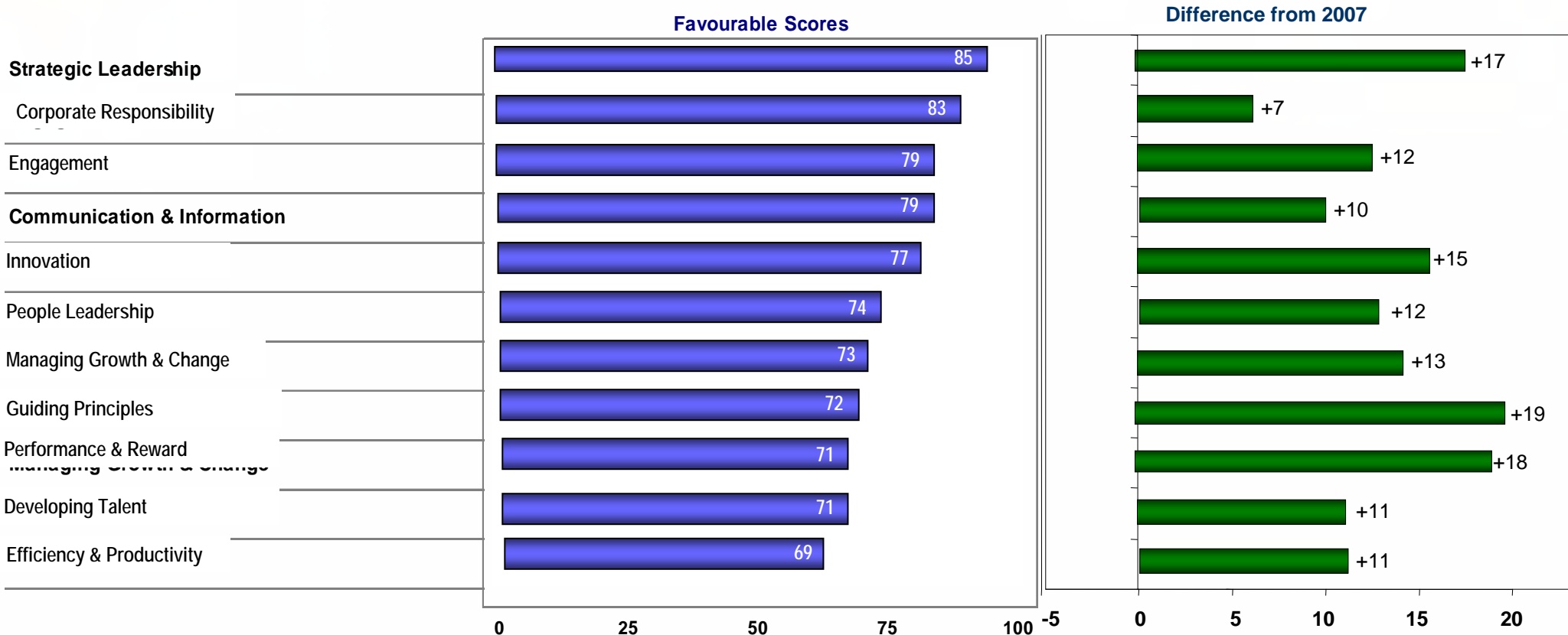


## KPMG/The Edge Shareholder Value Awards 2008

- Overall Award Winner
- Overall Sector Winner for the Consumer Markets category



2008 vs 2007 BAT Malaysia (Grade 34+)



We value our people and aim to be the Best Employer in Malaysia. To achieve this we need to recruit, develop, reward and retain the best people. This survey shows that we are well on the way to achieving this target.



# Q & A