



BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2022**

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2022

	Note	For the 3 months ended		
		31.3.2022 RM'000	31.3.2021 RM'000	31.12.2021 RM'000
Revenue		521,559	566,552	861,885
Cost of sales		(391,970)	(424,061)	(640,937)
Gross profit		129,589	142,491	220,948
Other operating income		617	283	141
Operating expenses		(48,151)	(56,017)	(111,250)
Profit from operations		82,055	86,757	109,839
Finance costs		(4,979)	(3,698)	(4,935)
Profit before tax	B2	77,076	83,059	104,904
Tax expense	B3	(24,788)	(19,946)	(33,449)
Profit after tax		52,288	63,113	71,455
Profit attributable to the shareholders of the Company		52,288	63,113	71,455
Effective tax rate		32.2%	24.0%	31.9%
EPS	B10	18.3	22.1	25.0
<u>Dividends</u>				
- Interim 1		17	21	-
- Interim 4		-	-	27
		17	21	27

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2022

	For the 3 months ended		
	31.3.2022	31.3.2021	31.12.2021
	RM'000	RM'000	RM'000
Profit after tax	52,288	63,113	71,455
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to income statement			
- changes in fair value of cash flow hedges	77	5,978	(1,245)
- deferred tax on fair value changes of cash flow hedges	(18)	(1,434)	37
Total other comprehensive income/(expense), net of tax	59	4,544	(1,208)
Total comprehensive income	52,347	67,657	70,247
Profit attributable to:			
Shareholders of the Company	52,288	63,113	71,455
Total comprehensive income attributable to:			
Shareholders of the Company	52,347	67,657	70,247

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2021.

British American Tobacco (Malaysia) Berhad
Registration No. 196101000326 (4372-M)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2022

	Note	As at 31.3.2022 RM'000	As at 31.12.2021 RM'000
Assets			
Property, plant and equipment		42,200	46,445
Computer software		3,653	3,271
Goodwill		411,618	411,618
Deferred tax assets		6,413	6,220
Total non-current assets		463,884	467,554
Inventories		269,840	177,641
Tax recoverable		1,768	1,540
Trade and other receivables		541,717	723,030
Derivative financial instruments		469	456
Cash and bank balances		64,375	21,827
Total current assets		878,169	924,494
Total assets		1,342,053	1,392,048
Equity			
Share capital		142,765	142,765
Cash flow hedge reserve		(271)	(330)
Retained earnings		215,282	240,087
Total equity		357,776	382,522
Liabilities			
Lease liabilities		13,559	14,638
Total non-current liabilities		13,559	14,638
Trade and other payables		194,620	190,960
Borrowings	B5	735,000	775,000
Derivative financial instruments		808	842
Current tax liabilities		35,516	22,812
Lease liabilities		4,774	5,274
Total current liabilities		970,718	994,888
Total liabilities		984,277	1,009,526
Total equity and liabilities		1,342,053	1,392,048
Net assets per share (RM)		1.25	1.34

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 MARCH 2022

	Non-distributable		Share-based payment reserve	Distributable	
	Share capital	Cash flow hedge reserve		Retained earnings	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	142,765	(330)	-	240,087	382,522
Profit after tax	-	-	-	52,288	52,288
Other comprehensive income/(expense):					
- changes in fair value of cash flow hedges	-	77	-	-	77
- deferred tax on fair value changes on cash flow hedges	-	(18)	-	-	(18)
Total comprehensive income	-	59	-	52,288	52,347
Transaction with shareholders:					
Dividend for financial year ended 31 December 2021					
- fourth interim	-	-	-	(77,093)	(77,093)
Total transactions with shareholders of the Company	-	-	-	(77,093)	(77,093)
At 31 March 2022	142,765	(271)	-	215,282	357,776
At 1 January 2021	142,765	(5,171)	-	235,045	372,639
Profit after tax	-	-	-	63,113	63,113
Other comprehensive income/(expense):					
- changes in fair value of cash flow hedges	-	5,978	-	-	5,978
- deferred tax on fair value changes on cash flow hedges	-	(1,434)	-	-	(1,434)
Total comprehensive income	-	4,544	-	63,113	67,657
Transaction with shareholders:					
Dividend for financial year ended 31 December 2020					
- fourth interim	-	-	-	(77,093)	(77,093)
Total transactions with shareholders of the Company	-	-	-	(77,093)	(77,093)
At 31 March 2021	142,765	(627)	-	221,065	363,203

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2021.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2022

	For the 3 months ended	
	31.3.2022	31.3.2021
	RM'000	RM'000
Operating activities		
Profit before tax	77,076	83,059
Adjustments for:		
- non-cash items	5,007	5,577
- interest income	(62)	(231)
- interest expense	4,979	3,698
Changes in working capital:		
- inventories	(94,896)	12,758
- trade and other receivables	181,404	47,924
- trade and other payables	3,764	(46,581)
Cash from operations	177,272	106,204
Income tax paid	(12,523)	(24,886)
Net cash flow from operating activities	164,749	81,318
Investing activities		
Purchase of property, plant and equipment	-	(265)
Purchase of computer software	(382)	-
Proceeds from disposals of property, plant and equipment	1,770	407
Interest received	62	231
Net cash flow from investing activities	1,450	373
Financing activities		
Dividends paid to shareholders	(77,093)	(77,093)
Interest expense paid	(4,834)	(3,519)
Net (repayment)/drawdown from revolving credit	(40,000)	10,000
Payment on lease liabilities	(1,579)	(1,928)
Interest paid in relation to lease liabilities	(145)	(179)
Net cash flow used in financing activities	(123,651)	(72,719)
Net increase in cash and cash equivalents	42,548	8,972
Cash and cash equivalents as at 1 January	21,827	29,002
Cash and cash equivalents as at 31 March	64,375	37,974

The unaudited Condensed Consolidated Cash Flows Statement should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2021.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

These condensed consolidated financial statements ("Condensed Report") are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting*, the International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and the requirements of the Companies Act 2016 in Malaysia, where applicable. This Condensed Report has also been prepared in accordance with paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This Condensed Report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021. The explanatory notes attached to the Condensed Report provide explanations of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2021.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of this Condensed Report are consistent with those adopted in the preparation of the Group's audited financial statements for the financial year ended 31 December 2021. As at the date of authorisation of this Condensed Report, the following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17 Insurance Contracts
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Group plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2023 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2023.

The Group does not plan to apply MFRS 17, Insurance Contracts that is effective for annual period beginning on 1 January 2023 as it is not applicable to the Group. The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impact to the Group.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The results of the Group are generally impacted by changes in excise typically announced during the National Budget.

A4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no significant unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter ended 31 March 2022.

A5. SIGNIFICANT CHANGES IN ESTIMATE

There were no significant changes in estimates for prior periods that have had a material effect on the results for the current quarter ended 31 March 2022.

A6. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the current quarter ended 31 March 2022.

A7. SEGMENT REPORTING

The Group is domiciled in Malaysia. The analysis of revenue from external customers in Malaysia is as follows:

	3 months ended	
	31.3.2022	31.3.2021
	RM'000	RM'000
Sale of cigarettes, pipe tobaccos, cigars and other tobacco products	<u>521,559</u>	<u>566,552</u>

The Group does not have any non-current assets that are located in countries other than Malaysia.

Segment analysis has not been prepared as the Group operates a single product business primarily engaged in the manufacture, importation and sale of cigarettes and other tobacco products and this forms the focus of the Group's internal reporting systems. While the Group has clearly differentiated brands, segmentation within a wide portfolio of brands is not part of the regular internally reported financial information to the chief operational decision maker and it is not possible to segment the Group results by brand without a high degree of estimation.

A8. EVENTS AFTER THE REPORTING PERIOD

There were no material events subsequent to the end of the financial period under review that have not been reflected in the quarterly report.

A9. CHANGES IN COMPOSITION OF GROUP

There were no changes in the composition of the Group during the current quarter ended 31 March 2022.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A10. CONTINGENT ASSETS AND LIABILITIES

There were no contingent liabilities or contingent assets as at 20 May 2022 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

A11. CAPITAL COMMITMENTS

Capital commitments of the Group as at the end of the financial year are as follows:

	As at 31.3.2022 RM'000	As at 31.12.2021 RM'000
Property, plant and equipment:		
Approved but not contracted for	11,811	-

A12. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of this quarterly report, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationships with its holding company, subsidiaries and key management personnel. Significant related party transactions are as follows:

	3 months ended	
	31.3.2022 RM'000	31.3.2021 RM'000
Purchase of leaf, cigarette packaging, wrapping materials and tobacco products from:		
PT Bentoel Prima	43,144	34,068
Procurement of information technology services from:		
British American Shared Services (GSD) Limited	3,934	3,156
Royalties payable to:		
British American Tobacco Exports Limited	16,895	17,734
Technical and advisory support services fee from:		
British American Tobacco Investments Ltd.	3,678	4,146
BAT Aspac Service Centre Sdn. Bhd.	3,261	2,543

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B1. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the annual financial statements of the Group for the year ended 31 December 2021 was unqualified.

B2. PROFIT BEFORE TAX

	3 months ended	
	31.3.2022	31.3.2021
	RM'000	RM'000
Profit before tax is arrived at after charging:		
Finance costs:		
- lease liabilities	145	179
- borrowings	4,834	3,519
Property, plant and equipment:		
- depreciation	1,505	1,906
- depreciation of right-of-use assets	1,500	1,506
- write-off	25	1
Inventories written down	2,697	2,145
Net foreign exchange loss	-	930
Loss on derivatives	14	105
	<u>14</u>	<u>105</u>
and after crediting:		
Interest income on deposits	62	231
Property, plant and equipment:		
- gain on disposal	555	53
Net foreign exchange gain	79	-
Reversal on impairment of financial assets at amortised cost	98	107
	<u>98</u>	<u>107</u>

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B3. TAX EXPENSE

	3 months ended	
	31.3.2022	31.3.2021
	RM'000	RM'000
Current tax expense		
- current tax	24,999	19,978
Deferred tax expense		
- reversal of temporary differences	(211)	(32)
	24,788	19,946

The average effective tax rate of the Group for the current period was 32.2% (2021: 24%).

The average effective tax rate in current period was higher than the corporate tax rate mainly attributed to the one-off Prosperity Tax (Cukai Makmur) introduced in 2022 and other non-deductible expenses.

B4. CORPORATE PROPOSAL

There were no new corporate proposals announced as at 20 May 2022 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

B5. BORROWINGS

The Group's borrowings as at the end of the financial period are as follows:

	As at	As at
	31.3.2022	31.12.2021
	RM'000	RM'000
Current		
Borrowings – unsecured	735,000	775,000

The Group's borrowings relate to revolving credits maturing between one week to one month. The Group's borrowings are denominated in Ringgit Malaysia.

B6. MATERIAL LITIGATION

There was no material litigation as at 20 May 2022 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B7. MATERIAL CHANGES IN THE QUARTERLY RESULTS AS COMPARED WITH THE PRECEDING QUARTER

The Group's share of market registered at 51.9%, decreased by 0.3ppt versus the preceding quarter. The Group's Aspirational Premium (AP) brands dropped by 0.8ppt to 6.8% share of market during the transition of Pall Mall to Peter Stuyvesant as part of the portfolio optimisation strategy. Dunhill's share of premium segment has grown by 0.5ppt to 61.9% thus strengthening its market leadership position. The Group's Value-for-Money (VFM) brands Rothmans and KYO had also grown by 0.8ppt to 35% share of segment as compared to the previous quarter.

The Group's volume decreased by 38.5% as a result of seasonality in sales and a one-off stock in trade transition with the activation of the future-fit route-to-market (RtM) distributor model in the previous quarter, as well as consumption contraction with the emergence of the Omicron variant in the current quarter.

The overall volume downside translated to a revenue decline of 39% (RM340 million) and gross profit decline of 41% (RM91 million). Profit from operations was RM82 million in the first quarter of 2022 versus RM110 million for the immediate preceding quarter, registering a decrease of 25%. The Group's efforts in restructuring and introducing the RtM distributor model further delivered cost savings which resulted in lower expenses of 57% (RM63 million) as compared to the previous quarter.

B8. REVIEW OF PERFORMANCE YEAR-TO-DATE YEAR 2022 VS YEAR-TO-DATE YEAR 2021

Despite a reduction in illicit incidence by 2% when compared to same period last year, the Group's volume has declined by 7% mainly due to consumption contraction following the emergence of the Omicron variant in the current quarter. Duty-free sales continued to be impacted due to regional and international travel restrictions. Overall, the unfavorable volume impact has resulted in a decrease of 8% in the Group's revenue (RM45 million) when compared to same period last year.

Profit from operations was at RM82 million in the first quarter of 2022 versus RM87 million same period last year, representing a decrease of 5% (RM5 million). Cost rationalisation efforts and timing of spend on ground activation and cycle activities reduced operating expenses by 14% (RM8 million) when compared to same period last year.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B9. CURRENT YEAR PROSPECTS

2022 will see continued focus on the Group's purpose of building "A Better Tomorrow" with a particular emphasis on tobacco harm reduction. Related to this, the Group is greatly encouraged by the Government's announcement in October 2021 to legalise vaping products and urges the Government to urgently establish specific, science-based regulations for this category which will convert in excess of 1 million Malaysians currently vaping to the legal market and enable the Government to collect the relevant taxes on these products.

Nevertheless, traditional cigarettes will continue to be at the core of our business for some time. While we continue to optimise investments that will drive commercial growth in the legal tobacco segment, we continue to be impacted by the tobacco black market. The tobacco black market issue remains at a crisis point, with smugglers now turning from ports which currently have transshipment restrictions imposed to small coastal jetties as smuggling ingress. The Group urges the Government to take effective enforcement actions to shut these channels down to further address illegal supplies of tobacco.

To effectively address the tobacco black market, measures like enforcement actions to stop illegal supplies from being smuggled into the country must be complemented with measures that address the affordability pressure that consumers in Malaysia currently face. As such, the Group urges the Government to take cognisance of this so as not to drive more consumers to the tobacco black market.

As Malaysia transitions into the endemic phase of COVID-19, we are cautiously optimistic of a gradual recovery in duty free sales at airports from the second quarter onwards with the reopening of international borders. On the other hand, the Group expects higher tax payments in 2022 arising from the one-off "Prosperity Tax" (Cukai Makmur). With the Prosperity Tax, companies with chargeable income in excess of RM100 million will be taxed at 33% as opposed to the current statutory tax rate of 24%. The 24% rate remains applicable to the first RM100 million chargeable income.

B10. EARNINGS PER SHARE

	3 months ended	
	31.3.2022	31.3.2021
Basic earnings per share		
Profit for the quarter (RM'000)	52,288	63,113
Weighted average number of ordinary shares in issue ('000)	285,530	285,530
Basic earnings per share (sen)	18.3	22.1

The Group does not have in issue any financial instrument or other contract that may entitle its holders to ordinary shares and therefore, diluted earnings per share is not disclosed.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B11. DIVIDENDS

Dividends paid or declared in respect of the quarter ended 31 December are as follows:

	Sen per share	Total amount RM'000
2022		
Fourth interim dividend 2021	27.0	77,093
2021		
Fourth interim dividend 2020	27.0	77,093

The Board of Directors had on 27 May 2022 declared a first interim ordinary dividend of 17.0 sen per ordinary share (tax exempted under single-tier tax system) amounting to RM48,540,100 in respect of the financial year ending 31 December 2022, payable on 24 June 2022 to shareholders whose names appear on the Record of Depositors on 16 June 2022. This equates to a 93% payout on Q1 2022 earnings per share and dividend yield of 7%*.

A Depositor shall qualify for entitlement only in respect of:

- (a) Securities transferred to the Depositor's Securities Account before 4.30 p.m. on 16 June 2022, in respect of ordinary transfers; and
- (b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

** Based on last 3 quarters dividend paid out and first interim dividend 2022 declared*

B12. AUTHORISED FOR ISSUE

The quarterly report was authorised for issue by the Board in accordance with a resolution of the Directors on 27 May 2022.