



BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2022**

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 30 JUNE 2022

	Note	Individual period 3 months ended		Cumulative period 6 months ended	
		30.6.2022 RM'000	30.6.2021 RM'000	30.6.2022 RM'000	30.6.2021 RM'000
Revenue		637,457	595,798	1,159,016	1,162,350
Cost of sales		(469,493)	(446,003)	(861,463)	(870,064)
Gross profit		167,964	149,795	297,553	292,286
Other operating income		1,231	91	1,848	374
Operating expenses		(60,581)	(43,291)	(108,732)	(99,308)
Profit from operations		108,614	106,595	190,669	193,352
Finance costs		(5,388)	(3,972)	(10,367)	(7,670)
Profit before tax	B2	103,226	102,623	180,302	185,682
Tax expense	B3	(29,977)	(31,005)	(54,765)	(50,951)
Profit after tax		73,249	71,618	125,537	134,731
Profit attributable to the shareholders of the Company		73,249	71,618	125,537	134,731
Effective tax rate		29.0%	30.2%	30.4%	27.4%
EPS	B10	25.7	25.1	44.0	47.2
<u>Dividends</u>					
- Interim 1		-	-	17	21
- Interim 2		25	24	25	24
		25	24	42	45

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 AND PERIOD ENDED 30 JUNE 2022

	Individual period 3 months ended		Cumulative period 6 months ended	
	30.6.2022 RM'000	30.6.2021 RM'000	30.6.2022 RM'000	30.6.2021 RM'000
Profit after tax	73,249	71,618	125,537	134,731
Other comprehensive income, net of tax				
Items that may be subsequently reclassified to income statement				
- changes in fair value of cash flow hedges	5,860	547	5,937	6,525
- deferred tax on fair value changes of cash flow hedges	(1,406)	(132)	(1,424)	(1,566)
Total other comprehensive income, net of tax	4,454	415	4,513	4,959
Total comprehensive income	77,703	72,033	130,050	139,690
Profit attributable to:				
Shareholders of the Company	73,249	71,618	125,537	134,731
Total comprehensive income attributable to:				
Shareholders of the Company	77,703	72,033	130,050	139,690

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.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2022

	Note	As at 30.6.2022 RM'000	As at 31.12.2021 RM'000
Assets			
Property, plant and equipment		54,318	46,445
Computer software		3,137	3,271
Goodwill		411,618	411,618
Deferred tax assets		-	6,220
Total non-current assets		469,073	467,554
Inventories		214,185	177,641
Tax recoverable		1,525	1,540
Trade and other receivables		650,477	723,030
Derivative financial instruments		5,932	456
Cash and bank balances		56,283	21,827
Total current assets		928,402	924,494
Total assets		1,397,475	1,392,048
Equity			
Share capital		142,765	142,765
Cash flow hedge reserve		4,183	(330)
Retained earnings		239,991	240,087
Total equity		386,939	382,522
Liabilities			
Lease liabilities		22,959	14,638
Deferred tax liabilities		492	-
Total non-current liabilities		23,451	14,638
Trade and other payables		160,892	190,960
Borrowings	B5	775,000	775,000
Derivative financial instruments		248	842
Current tax liabilities		40,973	22,812
Lease liabilities		9,972	5,274
Total current liabilities		987,085	994,888
Total liabilities		1,010,536	1,009,526
Total equity and liabilities		1,397,475	1,392,048
Net assets per share (RM)		1.36	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 PERIOD ENDED 30 JUNE 2022

	Non-distributable		Distributable		Total Equity RM'000
	Share Capital RM'000	Cash flow hedge reserve RM'000	Share-based payment reserve RM'000	Retained earnings RM'000	
At 1 January 2022	142,765	(330)	-	240,087	382,522
Profit after tax	-	-	-	125,537	125,537
Other comprehensive income/(expense):					
- changes in fair value of cash flow hedges	-	5,937	-	-	5,937
- deferred tax on fair value changes on cash flow hedges	-	(1,424)	-	-	(1,424)
Total comprehensive income	-	4,513	-	125,537	130,050
Transaction with shareholders:					
Dividend for financial year ended 31 December 2021					
- fourth interim	-	-	-	(77,093)	(77,093)
Dividend for financial year ended 31 December 2022					
- first interim	-	-	-	(48,540)	(48,540)
Total transactions with shareholders of the Company	-	-	-	(125,633)	(125,633)
At 30 June 2022	142,765	4,183	-	239,991	386,939
At 1 January 2021	142,765	(5,171)	-	235,045	372,639
Profit after tax	-	-	-	134,731	134,731
Other comprehensive income/(expense):					
- changes in fair value of cash flow hedges	-	6,525	-	-	6,525
- deferred tax on fair value changes on cash flow hedges	-	(1,566)	-	-	(1,566)
Total comprehensive income	-	4,959	-	134,731	139,690
Transaction with shareholders:					
Dividend for financial year ended 31 December 2020					
- fourth interim	-	-	-	(77,093)	(77,093)
Dividend for financial year ended 31 December 2021					
- first interim	-	-	-	(59,961)	(59,961)
Total transactions with shareholders of the Company	-	-	-	(137,054)	(137,054)
At 30 June 2021	142,765	(212)	-	232,722	375,275

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 PERIOD ENDED 30 JUNE 2022

	For the 6 months ended	
	30.6.2022	30.6.2021
	RM'000	RM'000
Operating activities		
Profit before tax	180,302	185,682
Adjustments for:		
- non-cash items	10,929	9,712
- interest income	(244)	(327)
- interest expense	10,367	7,670
Changes in working capital:		
- inventories	(40,899)	(134,213)
- trade and other receivables	72,331	19,617
- trade and other payables	(30,006)	(57,199)
Cash from operations	202,780	30,942
Income tax paid	(31,301)	(49,102)
Net cash flow from/(used in) operating activities	171,479	(18,160)
Investing activities		
Purchase of property, plant and equipment	(3,249)	(271)
Proceeds from disposals of property, plant and equipment	6,064	872
Interest received	244	327
Net cash flow from investing activities	3,059	928
Financing activities		
Dividends paid to shareholders	(125,633)	(137,054)
Interest expense paid	(9,930)	(7,315)
Net drawdown from revolving credit	-	160,000
Payment on lease liabilities	(4,082)	(3,290)
Interest paid in relation to lease liabilities	(437)	(355)
Net cash flow (used in)/from financing activities	(140,082)	11,986
Net increase/(decrease) in cash and cash equivalents	34,456	(5,246)
Cash and cash equivalents as at 1 January	21,827	29,002
Cash and cash equivalents as at 30 June	56,283	23,756

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 30 June 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 30 June 2022.

A6. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the current quarter ended 30 June 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		Financial period ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	RM'000	RM'000	RM'000	RM'000
Sale of cigarettes, pipe tobaccos, cigars and other tobacco products	<u>637,457</u>	<u>595,798</u>	<u>1,159,016</u>	<u>1,162,350</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 30 June 2022.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A10. CONTINGENT ASSETS AND LIABILITIES

There were no contingent liabilities or contingent assets as at 14 July 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 period are as follows:

	As at 30.6.2022 RM'000	As at 31.12.2021 RM'000
Property, plant and equipment:		
Approved and contracted for	78	-
Approved but not contracted for	8,865	-
	<u>8,943</u>	<u>-</u>

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		Financial period ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	RM'000	RM'000	RM'000	RM'000
Purchase of leaf, cigarette packaging, wrapping materials and tobacco products from:				
PT Bentoel Prima	37,757	52,952	80,901	87,020
Procurement of information technology services from:				
British American Shared Services (GSD) Limited	3,830	2,808	7,764	5,964
Royalties payable to:				
British American Tobacco Western Europe Commercial Trading Limited	21,281	19,031	38,176	36,765
Technical and advisory support services fee from:				
British American Tobacco Investments Ltd.	3,617	2,697	7,295	6,843
BAT Aspac Service Centre Sdn. Bhd.	3,161	1,878	6,422	4,421

**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		Financial period ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging:				
Finance costs:				
- lease liabilities	292	176	437	355
- borrowings	5,096	3,796	9,930	7,315
Property, plant and equipment:				
- depreciation	2,935	1,812	4,440	3,718
- depreciation of right-of-use assets	1,670	1,484	3,170	2,990
- loss on disposal	-	6	-	-
- write-off	-	-	25	1
Net loss on impairment of financial assets at amortised cost	186	4	88	-
Inventories written down	1,658	1,008	4,355	3,153
Net foreign exchange loss	1,383	297	1,304	1,227
Loss on derivatives	-	257	-	362
	<u>-</u>	<u>257</u>	<u>-</u>	<u>362</u>
and after crediting:				
Interest income on deposits	182	96	244	327
Property, plant and equipment:				
- gain on disposal	1,049	-	1,604	47
Reversal on impairment of financial assets at amortised cost	-	-	-	103
Gain on derivatives	769	-	755	-
	<u>769</u>	<u>-</u>	<u>755</u>	<u>-</u>

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

B3. TAX EXPENSE

	3 months ended		Financial period ended	
	30.6.2022 RM'000	30.6.2021 RM'000	30.6.2022 RM'000	30.6.2021 RM'000
Current tax expense				
- current tax	24,478	20,681	49,477	40,659
Deferred tax expense				
- additional of temporary differences	5,499	10,324	5,288	10,292
	29,977	31,005	54,765	50,951

The average effective tax rate of the Group for the second quarter 2022 and financial period ended 30 June 2022 were 29% (2021: 30.2%) and 30.4% (2021: 27.4%) respectively.

The average effective tax rate in the second quarter 2022 and financial period ended 30 June 2022 was higher than the 24% corporate tax rate mainly attributed to non-deductible expenses and the one-off Prosperity Tax of 33% for chargeable income above RM100 million (i.e. Cukai Makmur) introduced in 2022.

B4. CORPORATE PROPOSAL

There were no new corporate proposals announced as at 14 July 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 30.6.2022 RM'000	As at 31.12.2021 RM'000
Current Borrowings – unsecured	775,000	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 14 July 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 51.5%, decreased by 0.4ppt versus the preceding quarter. The Group's Value-for-Money (VFM) brands Rothmans and KYO had declined by 0.2ppt to 34.8% share of segment as compared to the previous quarter. The Group's Aspirational Premium (AP) brands held constant at 41.1% share of segment while Dunhill's share of premium segment has grown by 0.3ppt to 62.1% thus strengthening its market leadership position.

The Group's volume increased by 20.7% due to the improvement in consumer sentiments as the country transitioned into the endemic phase with the reopening of international borders and easing of restrictions. The volume upside translated to a revenue increase of 22.2% (RM115 million) and gross profit improvement of 29.6% (RM38 million). Profit from operations was RM109 million in the second quarter of 2022 versus RM82 million for the immediate preceding quarter, representing an increase of 32.4% largely driven by domestic volume growth.

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

The Group's strategic brands, Dunhill, Rothmans and KYO continued to show encouraging share performances with Dunhill increasing its Premium segment share by 0.9ppt to 62.0%; and Rothmans and KYO by 0.7ppt to 34.9% in the Value-for-Money (VFM) segment. The Group's share of Aspirational Premium segment has contracted by 3.3ppt to 41.2% as a result of the portfolio optimization strategy in delisting Pall Mall during the first half of 2022.

The Group's volume for the first half of 2022 remained consistent with the first half of 2021 due to the dip in demand during the onset of the Omicron variant in Q1 2022 offset by the gradual consumption recovery during the endemic phase in Q2 2022. The Group's revenue of RM1,159 million also remained steady against same period last year of RM1,162 million despite a contraction in the Group's total market share of 0.6ppt when compared to same period last year. Gross profit margin improved from 25.1% to 25.7% due to cost of sales optimization despite global inflationary pressures. Profit from operations was at RM191 million year-to-date 2022 versus RM193 million 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 continues to be 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 in the near future.

Nevertheless, the tobacco black market issue remains at a crisis point, with smugglers now being more creative in smuggling via small coastal jetties. 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 pressures that consumers in Malaysia currently face. As such the Group is hopeful that there will be no excise increase in Budget 2023 as any increase would further drive more consumers to the tobacco black market.

Whilst we see improvement from Malaysia transitioning into the endemic phase of COVID-19, we are carefully assessing the impact of local inflationary pressures on consumers.

B10. EARNINGS PER SHARE

	3 months ended		Financial period ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
Basic earnings per share				
Profit for the financial period (RM’000)	73,249	71,618	125,537	134,731
Weighted average number of ordinary shares in issue (’000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	25.7	25.1	44.0	47.2

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 and financial period ended 30 June are as follows:

	Sen per share	Total amount RM'000
2022		
Fourth interim dividend 2021	27.0	77,093
First interm dividend 2022	17.0	48,540
	44.0	125,633
2021		
Fourth interim dividend 2020	27.0	77,093
First interm dividend 2021	21.0	59,961
	48.0	137,054

The Board of Directors had on 21 July 2022 declared a second interim ordinary dividend of 25.0 sen per ordinary share (tax exempted under single-tier tax system) amounting to RM71,382,500 in respect of the financial year ending 31 December 2022, payable on 18 August 2022 to shareholders whose names appear on the Record of Depositors on 5 August 2022. This equates to a 97% payout on Q2 2022 earnings per share and dividend yield of 9%*.

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 5 August 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 second 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 21 July 2022.