



BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2023**

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD
Registration No. 196101000326 (4372-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 30 JUNE 2023

	Note	Individual Period		Cumulative Period	
		For the 3 months ended		For the 6 months ended	
		30.06.2023	30.06.2022	30.06.2023	30.06.2022
		RM'000	RM'000	RM'000	RM'000
Revenue		678,116	637,457	1,068,341	1,159,016
Cost of sales		(504,645)	(469,493)	(807,946)	(861,463)
Gross profit		173,471	167,964	260,395	297,553
Other operating income		191	1,231	759	1,848
Operating expenses		(100,798)	(60,581)	(129,458)	(108,732)
Profit from operations		72,864	108,614	131,696	190,669
Finance costs		(5,256)	(5,388)	(11,056)	(10,367)
Profit before tax	B2	67,608	103,226	120,640	180,302
Tax expense	B3	(20,082)	(29,977)	(32,792)	(54,765)
Profit after tax		47,526	73,249	87,848	125,537
Profit attributable to the shareholders of the Company		47,526	73,249	87,848	125,537
Effective tax rate		29.7%	29.0%	27.2%	30.4%
EPS	B10	16.6	25.7	30.8	44.0
<u>Dividends</u>					
- Interim 1		-	-	13	17
- Interim 2		16	25	16	25
		16	25	29	42

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 2022.

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD
Registration No. 196101000326 (4372-M)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND PERIOD ENDED 30 JUNE 2023

	Individual Period		Cumulative Period	
	For the 3 months ended		For the 6 months ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Profit after tax	47,526	73,249	87,848	125,537
Other comprehensive income/(expense), net of tax				
Items that may be subsequently reclassified to income statement				
- changes in fair value of cash flow hedges	8,618	5,860	7,956	5,937
- deferred tax on fair value changes of cash flow hedges	(2,067)	(1,406)	(1,909)	(1,424)
Total other comprehensive income, net of tax	6,551	4,454	6,047	4,513
Total comprehensive income	54,077	77,703	93,895	130,050
Profit attributable to:				
Shareholders of the Company	47,526	73,249	87,848	125,537
Total comprehensive income attributable to:				
Shareholders of the Company	54,077	77,703	93,895	130,050

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 2022.

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD
Registration No. 196101000326 (4372-M)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2023

	Note	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
Assets			
Property, plant and equipment		47,089	56,282
Computer software		2,418	3,027
Goodwill		411,618	411,618
Deferred tax assets		8,399	7,812
Total non-current assets		<u>469,524</u>	<u>478,739</u>
Inventories		32,319	55,975
Tax recoverable		2,287	2,171
Trade and other receivables		685,625	803,772
Derivative financial instruments		9,246	1,928
Cash and bank balances		14,894	16,636
Total current assets		<u>744,371</u>	<u>880,482</u>
Total assets		<u><u>1,213,895</u></u>	<u><u>1,359,221</u></u>
Equity			
Share capital		142,765	142,765
Cash flow hedge reserve		6,211	164
Retained earnings		224,975	234,207
Total equity		<u>373,951</u>	<u>377,136</u>
Liabilities			
Lease liabilities		16,262	21,644
Total non-current liabilities		<u>16,262</u>	<u>21,644</u>
Trade and other payables		200,571	212,264
Borrowings	B5	583,000	695,000
Derivative financial instruments		684	1,606
Current tax liabilities		28,053	39,453
Lease liabilities		11,374	12,118
Total current liabilities		<u>823,682</u>	<u>960,441</u>
Total liabilities		<u>839,944</u>	<u>982,085</u>
Total equity and liabilities		<u><u>1,213,895</u></u>	<u><u>1,359,221</u></u>
Net assets per share (RM)		1.31	1.32

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 2022.

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD
Registration No. 196101000326 (4372-M)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2023**

	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 2023	142,765	164	-	234,207	377,136
Profit after tax	-	-	-	87,848	87,848
Other comprehensive income/(expense):					
- changes in fair value of cash flow hedges	-	7,956	-	-	7,956
- deferred tax on fair value changes on cash flow hedges	-	(1,909)	-	-	(1,909)
Total comprehensive income	-	6,047	-	87,848	93,895
Transaction with shareholders:					
Dividend for financial year ended 31 December 2022					
- fourth interim	-	-	-	(59,961)	(59,961)
Dividend for financial year ended 31 December 2023					
- first interim	-	-	-	(37,119)	(37,119)
Total transactions with shareholders of the Company	-	-	-	(97,080)	(97,080)
At 30 June 2023	142,765	6,211	-	224,975	373,951
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

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 2022.

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

Registration No. 196101000326 (4372-M)

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2023**

	For the 6 months ended	
	30.06.2023	30.06.2022
	RM'000	RM'000
Operating activities		
Profit before tax	120,640	180,302
Adjustments for:		
- non-cash items	18,079	10,929
- interest income	(344)	(244)
- interest expense	11,056	10,367
Changes in working capital:		
- inventories	15,403	(40,899)
- trade and other receivables	114,887	72,331
- trade and other payables	(9,890)	(30,006)
Cash from operations	269,831	202,780
Income tax paid	(46,805)	(31,301)
Net cash flow from operating activities	223,026	171,479
Investing activities		
Purchase of property, plant and equipment	(173)	(3,249)
Proceeds from disposals of property, plant and equipment	2,013	6,064
Interest received	344	244
Net cash flow from investing activities	2,184	3,059
Financing activities		
Dividends paid to shareholders	(97,080)	(125,633)
Interest expense paid	(10,580)	(9,930)
Net repayment from revolving credit	(112,000)	-
Payment on lease liabilities	(6,816)	(4,082)
Interest paid in relation to lease liabilities	(476)	(437)
Net cash flow used in financing activities	(226,952)	(140,082)
Net (decrease)/increase in cash and cash equivalents	(1,742)	34,456
Cash and cash equivalents as at 1 January	16,636	21,827
Cash and cash equivalents as at 30 June	14,894	56,283

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 2022.

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 2022. 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 2022.

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 2022. 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 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures (Supplier Finance Arrangements)*

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 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The results of the Group's operations are affected by economic cycles and festive seasons.

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 2023.

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 2023.

A6. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the current quarter ended 30 June 2023.

A7. SEGMENT REPORTING

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

	Individual Period		Cumulative Period	
	For the 3 months ended		For the 6 months ended	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Sale of cigarettes, pipe tobaccos, cigars and other tobacco products	678,116	637,457	1,068,341	1,159,016

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.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A9. CHANGES IN COMPOSITION OF GROUP

There were no changes in the composition of the Group during the current quarter ended 30 June 2023.

A10. CONTINGENT ASSETS AND LIABILITIES

There were no contingent liabilities or contingent assets as at 17 July 2023 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

A11. CAPITAL COMMITMENTS

The Group has no capital commitments as at 30 June 2023.

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:

	Individual Period		Cumulative Period	
	For the 3 months ended		For the 6 months ended	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Purchase of leaf, cigarette packaging, wrapping materials and tobacco products from:				
PT Bentoel Prima	35,947	37,757	65,591	80,901
Procurement of information technology services from:				
British American Shared Services (GSD) Limited	4,871	3,830	9,608	7,764
Royalties payable to:				
British American Tobacco Exports Limited	22,914	21,281	34,806	38,176
Technical and advisory support services fee from:				
British American Tobacco Investments Ltd.	2,933	3,617	6,999	7,295
BAT Aspac Service Centre Sdn. Bhd.	3,667	3,161	7,029	6,422

**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 2022 was unqualified.

B2. PROFIT BEFORE TAX

	Individual Period		Cumulative Period	
	For the 3 months ended		For the 6 months ended	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging:				
Finance costs:				
- lease liabilities	229	292	476	437
- borrowings	5,027	5,096	10,580	9,930
Property, plant and equipment:				
- depreciation	1,455	2,935	2,680	4,440
- depreciation of right-of-use assets	2,927	1,670	5,816	3,170
- write-off	199	-	199	25
Computer software:				
- amortisation	305	-	609	-
Net loss on impairment of financial assets at amortised cost	161	186	-	88
Inventories written down	4,390	1,658	8,253	4,355
Net foreign exchange loss	2,554	1,383	2,365	1,304
and after crediting:				
Interest income on deposits	134	182	344	244
Property, plant and equipment:				
- gain on disposal	256	1,049	614	1,604
- gain on derecognition of lease contracts	39	-	39	-
Gain on derivatives	1,147	769	870	755
Reversal on impairment of financial assets at amortised cost	-	-	169	-

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

B3. TAX EXPENSE

	Individual Period		Cumulative Period	
	For the 3 months ended		For the 6 months ended	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- current tax	21,887	24,478	35,289	49,477
Deferred tax expense				
- reversal and origination of temporary differences	(1,805)	5,499	(2,497)	5,288
	20,082	29,977	32,792	54,765

The average effective tax rate of the Group for the second quarter 2023 and financial period ended 30 June 2023 were 29.7% (2022: 29%) and 27.2% (2022: 30.4%) respectively.

The average effective tax rate in the second quarter 2023 and financial period ended 30 June 2023 was higher than the 24% corporate tax rate mainly attributed to non-deductible expenses. The average effective tax rate in the prior period was higher than the corporate tax rate mainly attributed to the one-off Prosperity Tax (Cukai Makmur) applicable for 2022.

B4. CORPORATE PROPOSAL

There were no new corporate proposals announced as at 17 July 2023 (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 30.6.2023 RM'000	As at 31.12.2022 RM'000
Current – unsecured	583,000	695,000

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

B6. MATERIAL LITIGATION

There was no material litigation as at 17 July 2023 (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 legal industry combustible volume rebounded in the second quarter as compared to the first quarter which was reflective of yearly market trends. In addition, the tobacco black market incidence saw a decrease from 57.2% in the preceding quarter to 55.3% in the current quarter. The overall volume upside translated to a revenue growth of 73.8% (RM288 million) and gross profit margin rose by 3.3% to 25.6% in the current quarter.

The pressure on the Group's share of market intensified in the second quarter of 2023 as the Group's market share declined by 0.5% to 51.0%. The Group's Premium brands and Value-for-Money (VFM) brands contracted by 0.3% and 0.2% to 32.9% and 11.4% share of market respectively while the Aspirational Premium (AP) held flat against the prior quarter at 6.7% share of market.

The Group amplified its operational spending in the current quarter to facilitate the transformation into a true multi-category organisation. Besides allocating resources to reinforce the combustible portfolio, the Group has also invested in the launch of tobacco heating product (THP) and to prepare for the upcoming vapour launch. As a result, operating expenses increased by RM72 million versus the immediate preceding quarter while profit from operations grew by 23.9% from RM59 million to RM73 million.

B8. REVIEW OF PERFORMANCE YEAR-TO-DATE YEAR 2023 VS YEAR-TO-DATE 2022

Though the Group's volume had trended upwards in the second quarter, the overall volume for the first half of 2023 was impacted by the soft market demand in the first quarter of the current year due to increased vapour interaction, tobacco black market and the start of the fasting month.

The Group's Premium and Aspirational Premium brands experienced a drop in share of market of 0.8% and 0.1% respectively to 33.0% and 6.7% when compared with the same period last year. Consistent with the downtrading trend observed within the legal combustible market, the Group's VFM brands saw an increase of 0.5% share of market to 11.6%.

The fall in the Group's volume of 7.3% in the first half of the year when compared to the same period last year has resulted in the decrease of revenue of 7.8% (RM91 million). Profit from operations registered a drop of 30.8% (RM58 million) when compared to the same period last year as a result of the Group's heightened investment towards the launch of its vapour products in the coming months.

B9. CURRENT YEAR PROSPECTS

The Group anticipates an impact to its financial performance in the short-term, driven by the tough economic landscape due to inflationary pressures, accelerated vapour interaction, and the Group's amplified investment into the launch of vapour products. The challenging operating landscape is expected to stretch disposable income, further leading consumers to switch from legal products to black market options.

In the fight against the tobacco black market, the Group will continue working with the relevant authorities to reduce the incidence of black-market cigarettes trade which is persistently hovering above 55%. The Group is positive that the Government will continue to drive the fight against the high level of tobacco black market and hopes that the 2024 Budget tabling will continue to see current measures like tightening controls on the importation of cigarettes, enhancing controls along the Malaysian coastline and at landing points including private jetties, and the continued implementation of a special rewards scheme for enforcement agencies be maintained. The Group remains firm that the tobacco black market issue is detrimental not only to public health but also to the country's economy.

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

B9. CURRENT YEAR PROSPECTS (CONT'D)

As the Group progresses into a multi-category organisation, the Group is optimistic of its long-term potential, backed by its trajectory in the new category segment. In this segment, the Group aims to continue growing its tobacco heating product, glo™, while preparing for the launch of its vapour product, Vuse, which is currently the number one global vaping brand. Both glo™ and Vuse represent the Group's efforts into new segments which offer a choice of reduced-risk* alternatives to adult smokers. The Group will also continue advocating for science-based, balanced regulations on vapour.

The Group also remains steadfast in its commitment to champion its sustainability agenda which is supported by four pillars that prioritise Harm Reduction, Environmental, Social and Governance. In this space, the Group will focus on reducing the health impact of its business, driving its carbon neutrality efforts, and building its community projects.

*(*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.)*

B10. EARNINGS PER SHARE

	Individual Period		Cumulative Period	
	For the 3 months ended 30.6.2023	30.6.2022	For the 6 months ended 30.6.2023	30.6.2022
Basic earnings per share				
Profit for the financial period (RM'000)	47,526	73,249	87,848	125,537
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	16.6	25.7	30.8	44.0

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
2023		
Fourth interim dividend 2022	21.0	59,961
First interim dividend 2023	13.0	37,119
	<u>34.0</u>	<u>97,080</u>
2022		
Fourth interim dividend 2021	27.0	77,093
First interim dividend 2022	17.0	48,540
	<u>44.0</u>	<u>125,633</u>

The Board of Directors had on 24 July 2023 declared a second interim ordinary dividend of 16.0 sen per ordinary share (tax exempted under single-tier tax system) amounting to RM45,684,800 in respect of the financial period ending 30 June 2023, payable on 22 August 2023 to shareholders whose names appear on the Record of Depositors on 10 August 2023. This equates to a 96% payout on Q2 2023 earnings per share and dividend yield of 7.4%*.

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 10 August 2023, 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 2023 declared*

B12. AUTHORISED FOR ISSUE

The quarterly report was authorised for issue by the Board in accordance with a resolution of the Directors on 24 July 2023.