



BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2023**

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2023

	Note	Individual Period		Cumulative Period	
		For the 3 months ended		For the 3 months ended	
		31.3.2023	31.3.2022	31.3.2023	31.3.2022
		RM'000	RM'000	RM'000	RM'000
Revenue		390,225	521,559	390,225	521,559
Cost of sales		(303,301)	(391,970)	(303,301)	(391,970)
Gross profit		86,924	129,589	86,924	129,589
Other operating income		568	617	568	617
Operating expenses		(28,660)	(48,151)	(28,660)	(48,151)
Profit from operations		58,832	82,055	58,832	82,055
Finance costs		(5,800)	(4,979)	(5,800)	(4,979)
Profit before tax	B2	53,032	77,076	53,032	77,076
Tax expense	B3	(12,710)	(24,788)	(12,710)	(24,788)
Profit after tax		40,322	52,288	40,322	52,288
Profit attributable to the shareholders of the Company		40,322	52,288	40,322	52,288
Effective tax rate		24.0%	32.2%	24.0%	32.2%
EPS	B10	14.1	18.3	14.1	18.3
<u>Dividends</u>					
- Interim 1		13	17	13	17
		13	17	13	17

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 ENDED 31 MARCH 2023**

	Individual Period		Cumulative Period	
	For the 3 months ended		For the 3 months ended	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
Profit after tax	40,322	52,288	40,322	52,288
Other comprehensive income/(expense), net of tax				
Items that may be subsequently reclassified to income statement				
- changes in fair value of cash flow hedges	(662)	77	(662)	77
- deferred tax on fair value changes of cash flow hedges	158	(18)	158	(18)
Total other comprehensive income/(expense), net of tax	(504)	59	(504)	59
Total comprehensive income	39,818	52,347	39,818	52,347
Profit attributable to:				
Shareholders of the Company	40,322	52,288	40,322	52,288
Total comprehensive income attributable to:				
Shareholders of the Company	39,818	52,347	39,818	52,347

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 31 MARCH 2023

	Note	As at 31.3.2023 RM'000	As at 31.12.2022 RM'000
Assets			
Property, plant and equipment		51,536	56,282
Computer software		2,723	3,027
Goodwill		411,618	411,618
Deferred tax assets		8,507	7,812
Total non-current assets		474,384	478,739
Inventories		73,410	55,975
Tax recoverable		2,292	2,171
Trade and other receivables		501,259	803,772
Derivative financial instruments		1,655	1,928
Cash and bank balances		129,190	16,636
Total current assets		707,806	880,482
Total assets		1,182,190	1,359,221
Equity			
Share capital		142,765	142,765
Cash flow hedge reserve		154	164
Retained earnings		214,568	234,207
Total equity		357,487	377,136
Liabilities			
Lease liabilities		19,070	21,644
Total non-current liabilities		19,070	21,644
Trade and other payables		165,860	212,264
Borrowings	B5	600,000	695,000
Derivative financial instruments		1,402	1,606
Current tax liabilities		25,824	39,453
Lease liabilities		12,547	12,118
Total current liabilities		805,633	960,441
Total liabilities		824,703	982,085
Total equity and liabilities		1,182,190	1,359,221
Net assets per share (RM)		1.25	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 31 MARCH 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	-	-	-	40,322	40,322
Other comprehensive income/(expense):					
- changes in fair value of cash flow hedges	-	(13)	-	-	(13)
- deferred tax on fair value changes on cash flow hedges	-	3	-	-	3
Total comprehensive income/(expense)	-	(10)	-	40,322	40,312
Transaction with shareholders:					
Dividend for financial year ended 31 December 2022					
- fourth interim	-	-	-	(59,961)	(59,961)
Total transactions with shareholders of the Company	-	-	-	(59,961)	(59,961)
At 31 March 2023	142,765	154	-	214,568	357,487
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

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.

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2023**

	For the 3 months ended	
	31.3.2023	31.3.2022
	RM'000	RM'000
Operating activities		
Profit before tax	53,032	77,076
Adjustments for:		
- non-cash items	7,483	5,007
- interest income	(210)	(62)
- interest expense	5,800	4,979
Changes in working capital:		
- inventories	(21,298)	(94,896)
- trade and other receivables	302,883	181,404
- trade and other payables	(46,277)	3,764
Cash from operations	301,413	177,272
Income tax paid	(27,152)	(12,523)
Net cash flow from operating activities	274,261	164,749
Investing activities		
Purchase of property, plant and equipment	(30)	-
Purchase of computer software	-	(382)
Proceeds from disposals of property, plant and equipment	1,527	1,770
Interest received	210	62
Net cash flow from investing activities	1,707	1,450
Financing activities		
Dividends paid to shareholders	(59,961)	(77,093)
Interest expense paid	(5,553)	(4,834)
Net repayment from revolving credit	(95,000)	(40,000)
Payment on lease liabilities	(2,653)	(1,579)
Interest paid in relation to lease liabilities	(247)	(145)
Net cash flow used in financing activities	(163,414)	(123,651)
Net increase in cash and cash equivalents	112,554	42,548
Cash and cash equivalents as at 1 January	16,636	21,827
Cash and cash equivalents as at 31 March	129,190	64,375

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*

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 31 March 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 31 March 2023.

A6. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the current quarter ended 31 March 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 3 months ended	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
Sale of cigarettes, pipe tobaccos, cigars and other tobacco products	390,225	521,559	390,225	521,559

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 31 March 2023.

A10. CONTINGENT ASSETS AND LIABILITIES

There were no contingent liabilities or contingent assets as at 22 May 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 31 March 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 3 months ended	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
Purchase of leaf, cigarette packaging, wrapping materials and tobacco products from:				
PT Bentoel Prima	29,644	43,144	29,644	43,144
Procurement of information technology services from:				
British American Shared Services (GSD) Limited	4,737	3,934	4,737	3,934
Royalties payable to:				
British American Tobacco Exports Limited	11,892	16,895	11,892	16,895
Technical and advisory support services fee from:				
British American Tobacco Investments Ltd.	4,066	3,678	4,066	3,678
BAT Aspac Service Centre Sdn. Bhd.	3,362	3,261	3,362	3,261

**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 3 months ended	
	31.3.2023 RM'000	31.3.2022 RM'000	31.3.2023 RM'000	31.3.2022 RM'000
Profit before tax is arrived at after charging:				
Finance costs:				
- lease liabilities	247	145	247	145
- borrowings	5,553	4,834	5,553	4,834
Property, plant and equipment:				
- depreciation	1,225	1,505	1,225	1,505
- depreciation of right-of-use assets	2,889	1,500	2,889	1,500
- write-off	-	25	-	25
Computer software:				
- amortisation	304	-	304	-
Inventories written down	3,863	2,697	3,863	2,697
Loss on derivatives	277	14	277	14
	<u>277</u>	<u>14</u>	<u>277</u>	<u>14</u>
and after crediting:				
Interest income on deposits	210	62	210	62
Property, plant and equipment:				
- gain on disposal	358	555	358	555
Net foreign exchange gain	189	79	189	79
Reversal on impairment of financial assets at amortised cost	330	98	330	98
	<u>330</u>	<u>98</u>	<u>330</u>	<u>98</u>

**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 3 months ended	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- current tax	13,402	24,999	13,402	24,999
Deferred tax expense				
- reversal of temporary differences	(692)	(211)	(692)	(211)
	12,710	24,788	12,710	24,788

The average effective tax rate of the Group for the current period was 24% (2022: 32.2%), in line with the statutory income tax rate.

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 22 May 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 31.3.2023 RM'000	As at 31.12.2022 RM'000
Current – unsecured	600,000	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 22 May 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 Group's share of market registered at 51.5%, decreased by 0.1% versus the preceding quarter. The Group's Value-For-Money (VFM) brands dropped marginally by 0.1% to 11.6% share of market while the Aspirational Premium (AP) and Premium brands held flat against the prior quarter at 6.7% and 33.2% respectively. Dunhill's share of premium segment has contracted by 0.3% to 62.3% while Peter Stuyvesant gained traction within the AP share of segment by 0.7% to 42.5% as compared to the previous quarter.

The tobacco black market experienced a resurgence during the quarter, reaching 57.2% this quarter compared to 54.8% in the preceding quarter. The legal industry combustible volume contracted in the first quarter as compared with the preceding quarter in line with previous trends mainly attributed to the year-end seasonal sales. Likewise, the Group's volume saw a decline in the current quarter which was exacerbated by the start of the fasting month.

The overall volume downside translated to a revenue decline of 49% (RM381 million) and gross profit decline of 58% (RM120 million). In the first quarter of 2023, profit after tax was RM40 million, registering a decrease of 35% (RM22 million) versus the immediate preceding quarter.

B8. REVIEW OF CURRENT QUARTER VS QUARTER END 31 MARCH 2022

Following the Group's portfolio optimisation in 2022, the Group experienced share of segment growth in its three key brands. Dunhill's premium share of segment registered an increase of 0.4%, while Peter Stuyvesant and Rothmans' share of segment rose by 5.3% and 2.7% respectively within the AP and VFM segments.

The fall in the Group's volume of 24% in the current quarter when compared to the same period last year has resulted in a dip in revenue of 25% (RM132 million). Market demand in the first quarter of the current year was softer due to increased vapour interaction, tobacco black market and the start of the fasting month. Gross profit margin fell by 2.6% when compared to the same period last year from 24.8% to 22.3% as a result of downtrading as well as inflationary pressures.

The Group persisted with its rigorous cost optimisation efforts to mitigate higher inflationary pressures on its cost of doing business and delivered profit from operations of RM59 million as compared to RM82 million in the same quarter last year, equivalent to profit from operations margin of 15.1% as compared to 15.7%. Profit after tax decreased by 23% from RM52 million to RM40 million.

B9. CURRENT YEAR PROSPECTS

In the short-term, the Group anticipates an impact from the volatile economic environment driven by inflationary pressures and disruptions on the global supply chain. The Group anticipates this challenging operating landscape to stretch disposable income, leading to switching from legal products to tobacco black market options.

Nevertheless, the Group is buoyed by the Government's recent move to exempt nicotine vapour from the Poisons Act, 1952 and introduce excise onto nicotine vapour which signals the intent to establish regulations for vapour products.

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

B9. CURRENT YEAR PROSPECTS (CONT'D)

In the medium term, the Group is confident that economic conditions will improve, the Government will introduce balanced regulations on vapour and accelerate their interventions to reduce the tobacco black market. The Group aims to continue growing its tobacco heating product, glo™, which represents its efforts to offer a choice of reduced-risk* alternatives to adult smokers. The Group will also focus on investing in its Value-for-Money (VFM) brands and maintaining leadership in the Premium segment.

The Group continues to urge the Government to establish a balanced science and evidence-based regulatory framework for vapour products. The Group continues its work with the relevant authorities in the fight against the tobacco black market. With the incidence of black market cigarettes continuing to hover above 55%, the Group remains firm that this issue is detrimental not only to public health, but also has a significant adverse impact on the country's economy.

The Group is steadfast in its commitment to champion its sustainability agenda which is supported by four pillars that prioritise Harm Reduction, Environmental, Social and Governance. In FY2023, the Group will focus on driving its carbon neutrality efforts, building its community projects and work towards reducing the health impact of its business.

For its 2023 financial year (FY2023), the Group remains committed to driving its purpose of A Better Tomorrow™.

*(*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		For the 3 months ended	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
Basic earnings per share				
Profit for the financial period (RM'000)	<u>40,322</u>	<u>52,888</u>	<u>40,322</u>	<u>52,888</u>
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	<u>14.1</u>	<u>18.3</u>	<u>14.1</u>	<u>18.3</u>

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 2022 are as follows:

	Sen per share	Total amount RM'000
2023		
Fourth interim dividend 2022	<u>21.0</u>	<u>59,961</u>
2022		
Fourth interim dividend 2021	<u>27.0</u>	<u>77,093</u>

The Board of Directors had on 29 May 2023 declared a first interim ordinary dividend of 13.0 sen per ordinary share (tax exempted under single-tier tax system) amounting to RM37,118,900 in respect of the financial period ending 31 March 2023, payable on 26 June 2023 to shareholders whose names appear on the Record of Depositors on 15 June 2023. This equates to a 92% payout on Q1 2023 earnings per share and dividend yield of 7.7%*.

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 15 June 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 first 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 29 May 2023.