

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**  
(Company No : 4372-M)

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

For the financial period ended 31 December 2018

	Note	3 months ended		Financial period ended	
		31.12.2018	31.12.2017 Restated*	31.12.2018	31.12.2017 Restated*
		RM'000	RM'000	RM'000	RM'000
Revenue		770,623	684,862	2,822,946	2,916,166
Cost of sales		(547,372)	(483,305)	(1,927,812)	(1,971,684)
Gross profit		223,251	201,557	895,134	944,482
Other operating income		19,663	8,062	22,189	9,513
Operating expenses		(80,480)	(102,901)	(280,785)	(294,158)
Restructuring expenses		-	(1,377)	-	(9,245)
Profit from operations		162,434	105,341	636,538	650,592
Finance cost		(3,482)	(3,346)	(13,529)	(11,367)
Profit before tax		158,952	101,995	623,009	639,225
Tax expense	5	(42,586)	(20,956)	(154,478)	(146,590)
Profit for the financial period		116,366	81,039	468,531	492,635
Profit attributable to the owners of the Company		116,366	81,039	468,531	492,635
Effective tax rate		26.8%	20.5%	24.8%	22.9%
EPS	20	40.8	28.4	164.1	172.5
<u>Dividends</u>					
- Interim 1				33	40
- Interim 2				35	43
- Interim 3				40	43
- Interim 4		47	43	47	43
		47	43	155	169

**The Condensed Consolidated Income Statements should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2017.**

\* 2017 Revenue and operating expenses restated in adoption of MFRS15 effective 1st Jan 2018

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**  
(Company No : 4372-M)

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the financial period ended 31 December 2018

	<b>3 months ended</b>		<b>Financial period ended</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit for the financial period	116,366	81,039	468,531	492,635
Other comprehensive income:				
<b>Items that may be subsequently reclassified to profit or loss</b>				
Change in fair value of cash flow hedges	(2,006)	(3,739)	2,876	(17,038)
- deferred tax on fair value changes of cash flow hedges	482	899	(690)	4,091
Total other comprehensive income for the financial period	<u>(1,524)</u>	<u>(2,840)</u>	<u>2,186</u>	<u>(12,947)</u>
Total comprehensive income for the financial period	<u>114,842</u>	<u>78,199</u>	<u>470,717</u>	<u>479,688</u>
Attributable to:				
Shareholders' equity	<u>114,842</u>	<u>78,199</u>	<u>470,717</u>	<u>479,688</u>

**The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2017.**

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**  
(Company No : 4372-M)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the financial period ended 31 December 2018

	Issued and fully paid ordinary shares		Non- distributable		Distributable	Attributable to Shareholders' Equity
	Number of shares	Nominal value	Cash flow hedge reserve	Shared based payment reserve	Retained earnings	Total
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018, as previously reported	285,530	142,765	(1,812)	-	241,170	382,123
Adjustment on initial application of MFRS9, net of tax	-	-	-	-	(22)	(22)
At 1 January 2018, restated	285,530	142,765	(1,812)	-	241,148	382,101
Profit for the financial year	-	-	-	-	468,531	468,531
Other comprehensive income for the financial period:						
- changes in fair value of cash flow hedges	-	-	2,876	-	-	2,876
- deferred tax on fair value changes on cash flow hedges	-	-	(690)	-	-	(690)
	-	-	2,186	-	468,531	470,717
Transaction with owners:						
Expense arising from equity-settled share based payment transactions	-	-	-	4,463	-	-
Recharge of share based payment	-	-	-	(4,463)	-	-
Dividend for financial year ended 31 December 2017						
- Interim 4	-	-	-	-	(122,778)	(122,778)
Dividend for financial year ended 31 December 2018						
- Interim 1	-	-	-	-	(94,225)	(94,225)
- Interim 2	-	-	-	-	(99,936)	(99,936)
- Interim 3	-	-	-	-	(114,212)	(114,212)
At 31 December 2018	285,530	142,765	374	-	278,528	421,667
At 1 January 2017	285,530	142,765	11,135	-	459,505	613,405
Profit for the financial year	-	-	-	-	492,635	492,635
<b>Other comprehensive income for the financial period:</b>						
- changes in fair value of cash flow hedges	-	-	(17,038)	-	-	(17,038)
- deferred tax on fair value changes on cash flow hedges	-	-	4,091	-	-	4,091
	-	-	(12,947)	-	492,635	479,688
<b>Transactions with owners:</b>						
Expense arising from equity-settled share based payment transactions	-	-	-	5,382	-	5,382
Recharge of share based payment	-	-	-	(5,382)	-	(5,382)
Dividend for financial year ended 31 December 2016						
- Interim 4	-	-	-	-	(219,858)	(219,858)
- Special Dividend	-	-	-	-	(131,344)	(131,344)
Dividend for financial year ended 31 December 2017						
- Interim 1	-	-	-	-	(114,212)	(114,212)
- Interim 2	-	-	-	-	(122,778)	(122,778)
- Interim 3	-	-	-	-	(122,778)	(122,778)
At 31 December 2017	285,530	142,765	(1,812)	-	241,170	382,123

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2017.

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**  
(Company No : 4372-M)

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 31 December 2018

	<b>Note</b>	<b>As at 31.12.2018 RM'000</b>	<b>As at 31.12.2017 Restated* RM'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		44,031	34,836
Computer software		1,429	1,524
Goodwill		411,618	411,618
Deferred tax assets		31,311	37,666
		<u>488,389</u>	<u>485,644</u>
<b>Current assets</b>			
Asset held for sale		116	399
Inventories		162,282	236,636
Receivables		361,479	303,705
Derivative financial instruments		797	-
Tax Recoverable		9,416	6,595
Deposits, cash and bank balances		78,627	11,554
		<u>612,717</u>	<u>558,889</u>
		<b>As at 31.12.2018 RM'000</b>	<b>As at 31.12.2017 RM'000</b>
<b>Current liabilities</b>			
Payables		235,867	276,757
Derivative financial instruments		198	2,408
Current tax liabilities		33,374	5,267
Borrowings	10	410,000	378,000
		<u>679,439</u>	<u>662,432</u>
<b>Net current (liabilities) / assets</b>		<b>(66,722)</b>	<b>(103,543)</b>
		<u>421,667</u>	<u>382,101</u>
<b>Capital and reserves</b>			
Share capital		142,765	142,765
Cash flow hedge reserve		374	(1,812)
Retained earnings		278,528	241,148
<b>Shareholders' funds</b>		<u>421,667</u>	<u>382,101</u>
 Net assets per share (RM)		 1.48	 1.34

**The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2017.**

\* 2017 receivables and retained earnings restated in adoption of MFRS 9 effective 1st Jan 2018

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**  
(Company No : 4372-M)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**  
For the financial year ended 31 December 2018

	<b>Financial period ended 31.12.2018</b>	<b>Financial period ended 31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
Cash receipts from customers	2,950,649	3,167,321
Cash paid to suppliers and employees	(2,333,412)	(2,666,030)
Cash from operations	617,237	501,291
Income taxes paid	(123,530)	(128,941)
Net cash flow from operating activities	493,707	372,350
<b>Investing activities</b>		
Property, plant and equipment		
- additions	(19,566)	(23,855)
- disposals	2,324	9,899
Disposal of assets held for sale	2,000	93,214
Interest income received	1,288	1,477
Net cash flow from investing activities	(13,954)	80,735
<b>Financing activities</b>		
Dividends paid to shareholders	(431,151)	(710,970)
Interest expense paid	(13,529)	(11,367)
Drawdown from revolving credit	447,000	893,000
Repayment of revolving credit	(415,000)	(645,000)
Net cash flow used in financing activities	(412,680)	(474,337)
<b>Increase in cash and cash equivalents</b>	67,073	(21,252)
<b>Cash and cash equivalents as at 1 January</b>	11,554	32,806
<b>Cash and cash equivalents as at 31 December</b>	78,627	11,554

**The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2017.**

**Notes:**

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of the Malaysian Financial Reporting Standard (“MFRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Berhad. It should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2017.

The audited financial statements of the Group for the year ended 31 December 2017 were prepared in accordance with MFRS.

*MFRS 9 – Financial Instrument* and *MFRS 15 – Revenue from Contracts with Customers* has been applied for the first time in this interim report. The adoption of MFRS 9 and MFRS 15 from 1 January 2018 does not have any significant impact to the financial report of the Group. Additionally, see note 4.

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2017.

2. Audit Report of Preceding Annual Financial Statements

The audit report of the Group’s most recent annual audited financial statements for the year ended 31 December 2017 was unqualified.

3. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

4. Changes in Significant Accounting Policies

MFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. As a result, upon the adoption of MFRS 15 with effect from 1 January 2018, the Group will recognise the revenue from contracts with customers that requires customer-related costs that had previously been treated as distribution and marketing costs to be allocated as a deduction of revenue.

The following table presents the financial impact on initial adoption of MFRS 15 to the consolidated income statement for the corresponding comparative period ended 31 December 2017:

## British American Tobacco (Malaysia) Berhad

	<b>As previously stated</b>		<b>Restated</b>
	<b>31.12.2017</b>	<b>Changes</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	3,002,259	(86,093)	2,916,166
Operating expenses	(380,251)	86,093	(294,158)
Profit for the financial period	492,635	-	492,635
<i>Earnings per share</i>	<u>172.5</u>	<u>-</u>	<u>172.5</u>

### 5. Taxation

Taxation comprises:

	<b>3 months ended</b>		<b>Financial period ended</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>In respect of current year</u>				
Current tax				
- Malaysian income tax	38,528	32,327	153,523	157,871
Deferred tax charge/(credit)	4,058	(9,071)	5,665	(8,981)
<u>In respect of prior years</u>				
Over provision in respect of prior year				
- Malaysian income tax	-	(2,300)	(4,710)	(2,300)
	<u>42,586</u>	<u>20,956</u>	<u>154,478</u>	<u>146,590</u>

The average effective tax rate of the Group for the fourth quarter 2018 and financial period ended 31 December 2018 is 26.8% and 24.8% respectively. In 2017, the average effective tax rate of the Group for the fourth quarter and financial period ended 31 December 2017 was 20.5% and 22.9% respectively.

The increase in the average effective tax rates in 2018 was attributed mainly to tax adjustments on non deductible items.

**6. Notes to the Statements of Comprehensive Income**

	<b>3 months ended</b>		<b>Financial period ended</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	(362)	(320)	(1,288)	(1,477)
Interest expense	3,482	3,346	13,529	11,367
Depreciation and amortization	1,921	1,731	7,048	5,754
Loss on disposal of property, plant and equipments	330	-	549	69
Gain on disposal of asset held for sale	-	-	(1,601)	(93)
Provision for write-off / (write-back) of receivables	37	38	31	(234)
Provision for write-off / (write-back) of inventory	986	(59)	5,633	4,519
Provision for impairment of prepaid excise duties	-	20,525	-	20,525
Reversal of impairment loss for prepaid tax stamp	-	-	(19,300)	-
Net foreign exchange gain	(147)	(865)	(70)	(3,952)
(Gain)/ loss on derivatives	(611)	129	(441)	(1,416)
Restructuring expenses: Project related costs	-	1,377	-	9,245

**7. Changes in Composition of the Group**

There were no changes in the composition of the Group during the financial period under review.

**8. Corporate Proposals**

There were no new corporate proposals announced as at 14 February 2019 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

**9. Changes in Share Capital and Debt**

There were no issuances, cancellations, repurchases, resale of equity securities for the period under review.



10. Borrowings

The Group's borrowings as at 31 December 2018 are as follows:

<b>Current</b>	<b>RM'000</b>
1 week revolving credit maturing on 3 January 2019	30,000
2 weeks revolving credit maturing on 11 January 2019	20,000
4 weeks revolving credit maturing on 31 January 2019	360,000
	<u>410,000</u>

All borrowings are denominated in Ringgit Malaysia.

11. Contingent Liabilities and Contingent Assets

There were no other contingent liabilities or contingent assets as at 14 February 2019 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

12. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 December 2018 are as follows:

<b>Property, plant and equipment:</b>	<b>RM'000</b>
Authorised by the Directors and contracted for	41
Authorised by the Directors but not contracted for	4,353
	<u>4,394</u>

13. Material Litigation

There was no material litigation as at 14 February 2019 (the last practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

14. Segment Reporting

No segmental analysis is prepared as the Group is primarily engaged in the manufacture and sale of cigarettes and other tobacco products. The Group's management team review the financial information as a whole for decision making.

15. Material Changes in the Quarterly Results as Compared with the Preceding Quarter

Total legal market continues to be on a stabilizing trend since early 2018, registering a 1% volume decline in the fourth quarter versus preceding quarter.

In the fourth quarter of 2018, illegal volume share grew 1ppt to 64% of total consumption versus previous quarter (Source: Consumer Track by Kantar Research Agency/ Illicit Cigarettes Study). The high level of illegal cigarette trade continues to put pressure on the legal market.

Nevertheless, the Group is encouraged by the intensifying enforcement by Royal Malaysian Custom on smuggling cigarettes and fake tax stamps.

Following Sales and Services Tax (SST) implementation, price increased by 40 sen per pack on 2<sup>nd</sup> November 2018. Domestic volume for the Group registered recovery at 2.2% during the fourth quarter versus the preceeding quarter, attributed to seasonality and speculation prior to pricing. As a result, revenue registered growth of 4.8% (RM35 million) versus previous quarter from higher volume and pricing.

The above revenue growth flowed through to profit from operations however offset by increased cost of sales following introduction of SST, removal of one-off GST benefit registered in the third quarter and timing of expenses, leading to a decline in the fourth quarter by 15.5% (RM30 million).

#### 16. Review of Performance

Total industry legal volumes declined 3.5% as compared to same period of last year, led primarily by high illegal cigarette trading.

The Group's volume was impacted slightly higher than industry legal volume, registered a decline of 4.6% versus same period of last year largely due to geographical spread, affordability stretch and retailer capital outlay constrain.

Revenue for the year declined slightly by 3.2% (RM93 million) versus the same period of last year mainly from legal market contraction partially offset by the price increase post SST implementation. The absence of contract manufacturing revenue of RM47 million contributed to 1.6% lower revenue versus same period of last year.

Operating expenses declined by 4.5% (RM13 million) from the Group's continuous effort in undertaking cost efficiencies whilst investing in strategic opportunities and segments. This had translated into a marginal decline on profit from operations of 2.2% (RM14 million).

#### 17. Events Subsequent to the End of the Period

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

#### 18. Seasonal or Cyclical Factors

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

#### 19. Future Year's Prospects

The Group remains concerned with legal volumes continuing to be impacted by the current high incidence of illegal cigarette trade. However, the Group is very encouraged by the heightened enforcement and hope that it will be intensified in the coming months. The outlook for 2019 will be very much dependent on the recovery of the legal market.

20. Earnings Per Share

	3 months ended		Financial year ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
<b>Basic earnings per share</b>				
Profit for the financial period (RM'000)	116,366	81,039	468,531	492,635
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	40.8	28.4	164.1	172.5

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

21. Dividends

The Board of Directors has declared a fourth interim dividend of 47.00 sen per share, tax exempt under the single-tier tax system, amounting to RM134,199,100 in respect of the financial year ended 31 December 2018 (Fourth Quarter 2017 : 43 sen per), payable on 19 March 2019, to all shareholders whose names appear on the Record of Depositors on 8 March 2019.

A Depositor shall qualify for entitlement only in respect of:

- (a) Securities transferred to the Depositor's Securities Account before 4.00 p.m. on 8 March 2018, in respect of ordinary transfers; and
- (b) Securities bought on Bursa Malaysia Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Berhad.

By Order of the Board

**LEE MI RYOUNG (MAICSA 7058423)**

Company Secretary

Kuala Lumpur

21 February 2019