



BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE QUARTER AND YEAR ENDED 31
DECEMBER 2020**

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2020

	Note	For the 3 months ended		For the year ended	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
		RM'000	RM'000	RM'000	RM'000
Revenue		660,229	662,447	2,315,481	2,508,554
Cost of sales		(485,462)	(470,609)	(1,718,270)	(1,790,905)
Gross profit		174,767	191,838	597,211	717,649
Other operating income		66	461	899	5,622
Operating expenses		(70,469)	(53,872)	(251,653)	(245,054)
Profit from operations		104,364	138,427	346,457	478,217
Finance costs		(3,949)	(4,291)	(17,172)	(15,963)
Profit before tax	B2	100,415	134,136	329,285	462,254
Tax expense	B3	(27,695)	(36,433)	(87,446)	(116,555)
Profit after tax		72,720	97,703	241,839	345,699
Profit attributable to the shareholders of the Company		72,720	97,703	241,839	345,699
Effective tax rate		28%	27%	27%	25%
EPS	B10	25.5	34.2	84.7	121.1
<u>Dividends</u>					
- Interim 1		-	-	17	30
- Interim 2		-	-	18	26
- Interim 3		-	-	21	29
- Interim 4		27	33	27	33
		27	33	83	118

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 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2020

	For the 3 months ended		For the year ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Profit after tax	72,720	97,703	241,839	345,699
Other comprehensive income, net of tax				
Items that may be subsequently reclassified to income statement				
- changes in fair value of cash flow hedges	(4,647)	(5,051)	(4,815)	(2,480)
- deferred tax on fair value changes of cash flow hedges	2,415	1,212	1,155	595
Total other comprehensive expense, net of tax	<u>(2,232)</u>	<u>(3,839)</u>	<u>(3,660)</u>	<u>(1,885)</u>
Total comprehensive income	<u>70,488</u>	<u>93,864</u>	<u>238,179</u>	<u>343,814</u>
Profit attributable to:				
Shareholders of the Company	<u>72,720</u>	<u>97,703</u>	<u>241,839</u>	<u>345,699</u>
Total comprehensive income attributable to:				
Shareholders of the Company	<u>70,488</u>	<u>93,864</u>	<u>238,179</u>	<u>343,814</u>

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 2019.

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	As at 31.12.2020	As at 31.12.2019
		RM'000	RM'000
Assets			
Property, plant and equipment		57,540	65,505
Computer software		-	1,429
Goodwill		411,618	411,618
Deferred tax assets		15,455	19,376
Total non-current assets		<u>484,613</u>	<u>497,928</u>
Asset held for sale		-	234
Inventories		229,942	98,251
Tax recoverable		3,865	8,222
Trade and other receivables		396,454	402,947
Derivative financial instruments		93	177
Cash and bank balances		29,002	20,386
Total current assets		<u>659,356</u>	<u>530,217</u>
Total assets		<u><u>1,143,969</u></u>	<u><u>1,028,145</u></u>
Equity			
Share capital		142,765	142,765
Cash flow hedge reserve		(5,171)	(1,511)
Retained earnings		235,045	247,327
Total equity		<u>372,639</u>	<u>388,581</u>
Liabilities			
Lease liabilities		19,218	21,844
Total non-current liabilities		<u>19,218</u>	<u>21,844</u>
Trade and other payables		198,835	170,661
Borrowings	B5	510,000	421,000
Derivative financial instruments		7,002	2,171
Current tax liabilities		29,968	19,531
Lease liabilities		6,307	4,357
Total current liabilities		<u>752,112</u>	<u>617,720</u>
Total liabilities		<u>771,330</u>	<u>639,564</u>
Total equity and liabilities		<u><u>1,143,969</u></u>	<u><u>1,028,145</u></u>
Net assets per share (RM)		1.31	1.36

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 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Issued and fully paid ordinary shares		Non-distributable		Distributable	Total Equity
	Number of shares	Nominal value	Cash flow hedge reserve	Share-based payment reserve	Retained earnings	
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	285,530	142,765	(1,511)	-	247,327	388,581
Profit after tax	-	-	-	-	241,839	241,839
Other comprehensive (expense)/income:						
- changes in fair value of cash flow hedges	-	-	(4,815)	-	-	(4,815)
- deferred tax on fair value changes on cash flow hedges	-	-	1,155	-	-	1,155
Total comprehensive income	-	-	(3,660)	-	241,839	238,179
Transaction with shareholders:						
Expense arising from equity-settled share based payment transactions	-	-	-	2,960	-	2,960
Recharge of share-based payment	-	-	-	(2,960)	-	(2,960)
Dividend for financial year ended 31 December 2019						
- fourth interim	-	-	-	-	(94,225)	(94,225)
Dividend for financial year ended 31 December 2020						
- first interim	-	-	-	-	(48,540)	(48,540)
- second interim	-	-	-	-	(51,395)	(51,395)
- third interim	-	-	-	-	(59,961)	(59,961)
Total transactions with shareholders of the Company	-	-	-	-	(254,121)	(254,121)
At 31 DECEMBER 2020	285,530	142,765	(5,171)	-	235,045	372,639
At 1 January 2019	285,530	142,765	374	-	278,528	421,667
Profit after tax	-	-	-	-	345,699	345,699
Other comprehensive (expense)/income:						
- changes in fair value of cash flow hedges	-	-	(2,480)	-	-	(2,480)
- deferred tax on fair value changes on cash flow hedges	-	-	595	-	-	595
Total comprehensive income	-	-	(1,885)	-	345,699	343,814
Transaction with shareholders:						
Expense arising from equity-settled share based payment transactions	-	-	-	5,775	-	5,775
Recharge of share based payment	-	-	-	(5,775)	-	(5,775)
Dividend for financial year ended 31 December 2018						
- fourth interim	-	-	-	-	(134,199)	(134,199)
Dividend for financial year ended 31 December 2019						
- first interim	-	-	-	-	(85,659)	(85,659)
- second interim	-	-	-	-	(74,238)	(74,238)
- third interim	-	-	-	-	(82,804)	(82,804)
Total transactions with shareholders of the Company	-	-	-	-	(376,900)	(376,900)
At 31 DECEMBER 2019	285,530	142,765	(1,511)	-	247,327	388,581

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 2019.

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	For the year ended	
	31.12.2020	31.12.2019
	RM'000	RM'000
Operating activities		
Cash receipts from customers and fellow subsidiaries	2,355,177	2,467,068
Cash paid to suppliers, employees and fellow subsidiaries	(2,091,486)	(2,019,307)
Cash from operations	<u>263,691</u>	<u>447,761</u>
Income tax paid	(67,576)	(116,673)
Net cash flow from operating activities	<u>196,115</u>	<u>331,088</u>
Investing activities		
Purchase of property, plant and equipment	(3,424)	(7,399)
Proceeds from disposals of property, plant and equipment	1,585	3,212
Proceeds from disposal of assets held for sale	620	1,330
Interest received	863	1,163
Net cash flow used in investing activities	<u>(356)</u>	<u>(1,694)</u>
Financing activities		
Dividends paid to shareholders	(254,121)	(376,900)
Interest expense paid	(16,280)	(14,849)
Net drawdown from revolving credit	89,000	11,000
Payment on lease liabilities	(4,850)	(5,772)
Interest paid in relation to lease liabilities	(892)	(1,114)
Net cash flow used in financing activities	<u>(187,143)</u>	<u>(387,635)</u>
Increase/(Decrease) in cash and cash equivalents	8,616	(58,241)
Cash and cash equivalents as at 1 January	<u>20,386</u>	<u>78,627</u>
Cash and cash equivalents as at 31 December	<u>29,002</u>	<u>20,386</u>

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 2019.

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 2019. 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 2019.

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 2019. 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 2021

- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments: Disclosures, MFRS 4, Insurance Contracts and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020)

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2021 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2021;
- from the annual period beginning on 1 January 2022 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2022; and
- 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.

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 and Financial year ended 31 December 2020, other than the exercise to restructure the business operations of the Group.

During the fourth quarter of 2019, the Group had undertaken measures in restructuring the organisation to be more efficient, agile and focused to enable the Group to operate in a challenging business environment. This restructuring resulted in a reduction of the workforce and reconstructed a new base for sustainable cost structure. The restructuring commenced in the fourth quarter of 2019 and was completed in this quarter.

The financial impact arising from the abovementioned restructuring of business operations is set out below:

	3 months ended		Financial year ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Restructuring expenses	4,863	15,420	18,825	15,420

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A5. SIGNIFICANT CHANGES IN ESTIMATE

There were no significant changes in estimates that have had a material effect during the current quarter and financial year ended 31 December 2020.

A6. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the current quarter and financial year ended 31 December 2020.

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 year ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Sale of cigarettes, pipe tobaccos, cigars and other tobacco products	<u>660,229</u>	<u>662,447</u>	<u>2,315,481</u>	<u>2,508,554</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 and financial year ended 31 December 2020.

A10. CONTINGENT ASSETS AND LIABILITIES

There were no other contingent liabilities or contingent assets as at 3 February 2021 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A11. CAPITAL COMMITMENTS

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

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
Property, plant and equipment:		
Approved and contracted for	2	15

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 year ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Purchase of leaf, cigarette packaging, wrapping materials and tobacco products from:				
PT Bentoel Prima	43,556	-	164,334	-
PT Bentoel Internasional Investama, Tbk	-	32,776	-	157,546
Royalties payable to/ (receivable from):				
British American Tobacco Western Europe Commercial Trading Limited	60,173	-	60,173	-
British-American Tobacco (Holdings) Ltd.	(37,712)	23,027	15,626	85,116
Technical and advisory support services fee payable to/ (receivable from):				
British American Tobacco Investments Ltd.	2,512	(447)	17,081	18,343

**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 2019 was unqualified.

B2. PROFIT BEFORE TAX

	3 months ended		Financial year ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging:				
Finance costs:				
- lease liabilities	175	259	892	1,114
- borrowings	3,774	4,032	16,280	14,849
Property, plant and equipment:				
- depreciation	1,811	1,912	7,519	7,501
- depreciation of right-of-use assets	1,328	1,676	6,269	6,732
- loss on disposal	145	265	351	26
- write-off	1	10	5	10
Computer software:				
- amortisation	-	-	3	-
- write-off	-	-	1,426	-
Net loss on impairment of financial assets at amortised cost	77	-	99	18
Inventories written down	1,377	6,346	11,341	11,478
Net foreign exchange loss	-	-	930	-
Loss on derivatives	83	-	-	-
Restructuring expenses	4,863	15,420	18,825	15,420
	<u>4,863</u>	<u>15,420</u>	<u>18,825</u>	<u>15,420</u>
and after crediting:				
Interest income on deposits	210	258	863	1,163
Property, plant and equipment:				
Gain on disposal of assets held for sale	-	465	386	1,031
Reversal on impairment of financial assets at amortised cost	-	32	-	-
Net foreign exchange gain	286	640	-	1,050
Gain on derivatives	-	22	846	44
	<u>-</u>	<u>22</u>	<u>846</u>	<u>44</u>

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

B3. TAX EXPENSE

	3 months ended		Financial year ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- current tax	23,976	17,903	80,661	101,989
- under provision in prior year	1,709	-	1,709	2,036
	<u>25,685</u>	<u>17,903</u>	<u>82,370</u>	<u>104,025</u>
Deferred tax expense				
- additional of temporary differences	2,776	20,658	5,842	14,658
- over provision in prior year	(766)	(2,128)	(766)	(2,128)
	<u>2,010</u>	<u>18,530</u>	<u>5,076</u>	<u>12,530</u>
	<u>27,695</u>	<u>36,433</u>	<u>87,446</u>	<u>116,555</u>

The average effective tax rate of the Group for the fourth quarter 2020 and financial year ended 31 December 2020 were 27.6% (2019: 27.2%) and 26.6% (2019: 25.2%) respectively.

The average effective tax rate in the fourth quarter 2020 and financial year ended 31 December 2020 was higher than the corporate tax rate mainly attributed to non-deductible expenses.

B4. CORPORATE PROPOSAL

Tobacco Importers and Manufacturers Sdn. Berhad ("TIM"), a wholly-owned subsidiary of the Company had undertaken a selective capital reduction pursuant to Section 116(7) of the Companies Act 2016 to cancel 250,000,000 ordinary shares in TIM resulting in TIM's paid up capital being reduced from 310,988,952 ordinary shares to 60,988,952 ordinary shares and the credit of RM250,000,000 arising from the cancellation of 250,000,000 ordinary shares in TIM held by the Company had been distributed in cash to the Company.

On 4th February 2020, TIM effected the capital repayment of RM250,000,000 to the Company. The cancellation does not have any financial and/or operational impact on the Group for the year ended 31 December 2020.

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

B5. BORROWINGS

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

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
Current Borrowings – unsecured	<u>510,000</u>	<u>421,000</u>

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

On 14 November 2019, Commercial Marketers and Distributors (CMD), one of the subsidiaries of the Company, filed an application for judicial review proceedings against the decisions of the Ministry of Health (MOH) in recategorising its non-cigarette tobacco product, Dunhill HTL Cigarillo, as a cigarette and revoking its approval granted on 12 July 2018 for CMD to sell Dunhill HTL Cigarillo ("MOH Decisions"). In its application, CMD is asking for the MOH Decisions to be nullified and damages to be assessed by the Court.

On 8 January 2020, CMD managed to obtain leave from the Court to commence judicial review proceedings against MOH with hearings conducted on 27 August 2020, 24 September 2020, 17 November 2020 and subsequently adjourned to 11 March 2021. There is no estimated potential liability to BATM group arising at this point in time.

**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 Domestic industry volume stabilised in quarter 4 and remained flat as compared to the preceding quarter. The tobacco black market continued to record a high illegal cigarette incidence at 64% ⁽¹⁾.

The Group's volume achievement outperformed the legal Domestic industry with a growth of 3% over the previous quarter. This positive volume performance of the Group was mainly due to the market leadership position of Dunhill coupled with strong results of our Value for Money (VFM) portfolio with Rothmans and KYO.

The Group's Duty-Free business operations remained impacted by COVID19 travel restrictions that continued in quarter 4.

In line with the volume results, the Group registered a 52.4% share of market during the quarter, stable as compared to the third quarter. Dunhill remains strong and continues to strengthen its market leadership position in the premium segment with 60.1% share of segment. The Group's share in the VFM segment remained stable; at 35.2% in quarter 4 with Rothmans and KYO combined ⁽²⁾.

The overall volume performance translated to another quarter of strong financial performance for the Group. The Group's revenue increased by 5% (RM33 million) and gross profit by 10% (RM15 million) resulting in 19% increase in profit from operations to RM104 million in the fourth quarter versus RM88 million for the immediate preceding quarter.

B8. REVIEW OF PERFORMANCE FULL YEAR 2020 VS FULL YEAR 2019

Full year 2020 performance was overshadowed by the growth of the tobacco and vaping black market which grew to 70% ⁽¹⁾. The crisis has been underscored by Euromonitor International stating in October that Malaysia had the highest illegal tobacco incidence in the world. The Group firmly believes that significant enforcement and structural excise reforms are currently and urgently needed.

Despite the quarter on quarter growth from quarter 2 onwards in 2020, when compared to previous year, the full year results registered a decline. Profit from operations was RM346 million for 2020 versus RM478 million for the 2019 financial year, decreased by RM132 million (28%). The decline was mainly attributed to legal market contraction as a result of high illicit cigarette volume, growth of illicit vaping, market downtrading and lower Duty-Free sales as a result of the COVID19-related regional and international travel restrictions.

The Group's total market share registered significant growth reaching 51.7%, up by 1.1ppt when compared to 2019, driven by the strength of our flagship brand Dunhill and growing VFM portfolio, Rothmans and KYO. Dunhill grew by 2.0ppt whilst Rothmans and KYO grew by 5.3ppt versus same period of last year respectively in the share of Premium and VFM segments ⁽¹⁾.

The combination of high illegal cigarette volume, illicit vaping growth, downtrading and reduced Duty-Free sales led to a decline of 8% in the Group's volume (decline of 3% excluding COVID-19 Duty-Free impact) and a decline of 8% in the Group's revenue (RM193 million) when compared to 2019.

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

B8. REVIEW OF PERFORMANCE FULL YEAR 2020 VS FULL YEAR 2019 (CONTINUED)

The Group's operating expenses were slightly higher by 3% (RM7 million) which was partly attributable to restructuring expenses incurred in 2020 (RM19 million). The Group's restructuring exercise delivered a 10% savings which sets up a sustainable structure for 2020 and beyond. These savings were offset by strategic investments in our growing brands Dunhill, Rothmans and KYO as well as additional cost resulting from the COVID19 pandemic.

B9. CURRENT YEAR PROSPECTS

The Group is encouraged by the measures that were announced in the recent Malaysia Budget 2021 which include stricter transshipments regulation and the set-up of the Multi Agency Taskforce (MATF) to focus on enforcement to counter the black market in Malaysia. New tax framework in regulating the vaping industry was also introduced imposing tax on electronic cigarettes devices and vaping excise duties on zero nicotine consumables demonstrating the Government's intention to tackle the vaping black market. The Group is encouraged by the announced measures and the potential impact they can bring to the legal market.

However, 2021 started with a further lockdown in the nation with states being governed by various degrees of Movement Control Order (MCO) as a result of the escalation of COVID-19 pandemic cases. The Group is agile and fast in responding to the MCO and is able to manage the situation and minimise the impact in the Domestic market. Nevertheless, the Group's Duty-Free volume will continue to be impacted as the Regional and International travel restrictions are still being imposed in Malaysia.

The Group has robust plans for 2021 to get back to growth. The strategies include strengthening Premium leadership and leading in VFM by offering robust portfolio in this segment to capture its fair share of down traders as a result of consumer affordability stretch given the economic slowdown. To accelerate growth, it will be very much dependent on the recovery of the legal cigarette market, a regulated nicotine landscape and a resolution to the affordability issues affecting consumers. The Group is unable to compete against the black market without significant enforcement and effective excise reform by the Government.

Sources:

1. Ipsos Retail Audit
2. Illegal Cigarettes Study, Kantar Consumer Track

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

B10. EARNINGS PER SHARE

	3 months ended		Financial year ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Basic earnings per share				
Profit for the financial period (RM'000)	<u>72,720</u>	<u>97,703</u>	<u>241,839</u>	<u>345,699</u>
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	<u>26</u>	<u>34</u>	<u>85</u>	<u>121</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.

B11. DIVIDENDS

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

	Sen per share	Total amount RM'000
2020		
Fourth interim dividend 2019	33.0	94,225
First interim dividend 2020	17.0	48,540
Second interim dividend 2020	18.0	51,395
Third interim dividend 2020	<u>21.0</u>	<u>59,961</u>
Total amount	<u>89.0</u>	<u>254,121</u>
2019		
Fourth interim dividend 2018	47.0	134,199
First interim dividend 2019	30.0	85,659
Second interim dividend 2019	26.0	74,238
Third interim dividend 2019	<u>29.0</u>	<u>82,804</u>
Total amount	<u>132.0</u>	<u>376,900</u>

The Board of Directors declared a fourth interim ordinary dividend of 27.0 sen per ordinary share (tax exempted under single-tier tax system) at the Board of Directors' meeting on 10 February 2021 amounting to RM77,093,100 in respect of the financial year ended 31 December 2020 which will be paid on 9 March 2021 to shareholders registered in the Company's Register of Members at the close of business on 26 February 2021. This equates to a 106% payout on Q4 2020 earnings per share and with dividend yield of 7%* based on the average share price of 2020.

* Based on last 3 quarters dividend paid out and fourth interim dividend 2020 declared

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

B11. DIVIDENDS (CONTINUED)

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 26 February 2021, 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.

B12. AUTHORISED FOR ISSUE

The quarterly report was authorised for issue by the Board in accordance with a resolution of the Directors on 10 February 2021.