

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

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the nine months ended 30 September 2008

	Note	3 months ended		9 months ended	
		30.9.2008	30.9.2007	30.9.2008	30.9.2007
		RM'000	RM'000	RM'000	RM'000
Revenue		1,097,716	1,008,411	3,132,773	2,882,633
Cost of sales		(642,362)	(600,761)	(1,859,539)	(1,688,033)
Gross profit		455,354	407,650	1,273,234	1,194,600
Other operating income		3,954	1,391	9,074	7,880
Operating expenses		(136,955)	(116,114)	(396,239)	(371,847)
Profit from operations		322,353	292,927	886,069	830,633
Finance cost		(6,728)	(12,320)	(20,699)	(35,859)
Profit before tax		315,625	280,607	865,370	794,774
Tax expense	5	(83,408)	(75,764)	(226,561)	(214,589)
Profit for the financial period		232,217	204,843	638,809	580,185
Earnings per share - basic (sen)	23	81.3	71.7	223.7	203.2
Earnings per share - diluted (sen)	23	81.3	71.7	223.7	203.2
Net dividends per share (sen)					
- Interim		-	-	113.0	109.5
- Interim 2		76.0	73.0	76.0	73.0

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 2007.

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	Note	As at 30.9.2008	As at 31.12.2007
		RM'000	RM'000
Non-current assets			
Property, plant and equipment	6	418,152	439,959
Leasehold land	1	20,523	20,826
Goodwill		411,618	411,618
Computer software		16,976	21,091
Deferred tax assets		4,978	4,978
		<u>872,247</u>	<u>898,472</u>
Current assets			
Assets held for sale		21,190	20,638
Inventories		256,922	243,988
Receivables		205,566	186,490
Tax recoverable		26,754	26,754
Deposits, cash and bank balances		157,351	70,666
		<u>667,783</u>	<u>548,536</u>
Current liabilities			
Borrowings (interest bearing)	12	100,000	100,000
Payables		267,066	231,036
Current tax liabilities		107,253	56,493
		<u>474,319</u>	<u>387,529</u>
Net current assets		193,464	161,007
		<u>1,065,711</u>	<u>1,059,479</u>
Capital and reserves			
Share capital	11	142,765	142,765
Retained earnings		308,105	203,147
Shareholders' funds		<u>450,870</u>	<u>345,912</u>
Non-current liabilities			
Borrowings (interest bearing)	12	550,000	650,000
Post employment benefit obligations		5,793	4,982
Deferred tax liabilities		59,048	58,585
		<u>1,065,711</u>	<u>1,059,479</u>
Net Assets per share (RM)		1.58	1.21

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 2007.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2008

	Issued and fully paid ordinary shares of 50 sen each		Distributable	
	Number of shares	Nominal value	Retained earnings	Total
	'000	RM'000	RM'000	RM'000
At 1 January 2008	285,530	142,765	203,147	345,912
Profit for the financial period	-	-	638,809	638,809
Deferred tax on revalued land and buildings	-	-	90	90
Dividends for financial year ended 31 December 2007				
- Final	-	-	(211,292)	(211,292)
Dividends for financial year ended 31 December 2008				
- Interim 1	-	-	(322,649)	(322,649)
At 30 September 2008	<u>285,530</u>	<u>142,765</u>	<u>308,105</u>	<u>450,870</u>
At 1 January 2007	285,530	142,765	409,058	551,823
Profit for the financial period	-	-	580,185	580,185
Deferred tax on revalued land and buildings	-	-	90	90
Dividends for financial year ended 31 December 2006				
- Special final	-	-	(62,531)	(62,531)
- Final	-	-	(354,343)	(354,343)
Dividends for financial year ended 31 December 2007				
- Interim 1	-	-	(312,655)	(312,655)
At 30 September 2007	<u>285,530</u>	<u>142,765</u>	<u>259,804</u>	<u>402,569</u>

The 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 2007

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the nine months ended 30 September 2008

	Note	9 months ended 30.9.2008	9 months ended 30.9.2007
		RM'000	RM'000
Operating activities			
Cash receipts from customers		3,103,024	2,790,969
Cash paid to suppliers and employees		(2,135,050)	(1,949,561)
Cash from operations		<u>967,974</u>	<u>841,408</u>
Income taxes paid		(175,249)	(201,260)
Net cash flow from operating activities		<u>792,725</u>	<u>640,148</u>
Investing activities			
Property, plant and equipment			
- additions		(60,610)	(40,432)
- disposals		6,054	37,451
Additions of computer software		(1,727)	(63)
Interest income received		6,382	7,886
Net cash flow (used in)/from investing activities		<u>(49,901)</u>	<u>4,842</u>
Financing activities			
Dividends paid to shareholders		(533,941)	(729,529)
Proceeds from issuance of medium term notes		-	400,000
Repayment of commercial papers		(100,000)	-
Interest expense paid		(22,198)	(23,635)
Net cash flow used in financing activities		<u>(656,139)</u>	<u>(353,164)</u>
Increase in cash and cash equivalents		86,685	291,826
Cash and cash equivalents as at 1 January		<u>70,666</u>	<u>187,289</u>
Cash and cash equivalents as at 30 September		<u>157,351</u>	<u>479,115</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2007

Notes:

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 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 Securities Berhad. It should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2007.

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 2007, except that the Group has adopted the new/revised standards mandatory for annual periods beginning on or after 1 January 2008, which are as follows:

- a) FRS 107 Cash Flow Statements
- b) FRS 112 Income Taxes
- c) FRS 118 Revenue
- d) FRS 134 Interim Financial Reporting
- e) FRS 137 Provisions, Contingent Liabilities and Contingent Assets
- f) Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
- g) IC Interpretation 8 Scope of FRS2

The adoption of these new/revised standards and interpretation does not result in significant changes in accounting policies of the Group.

As at the date of this report, the Group has not applied the new standard FRS 139 Financial Instruments: Recognition and Measurement which has been issued by the Malaysian Accounting Standards Board, but is not yet effective. The effective date for FRS 139 will be financial periods on or after 1 January 2010.

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 2007 was not qualified.

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 Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

5. Taxation

Taxation comprises:

	3 months ended		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
<u>In respect of current year</u>				
Current tax				
- Malaysian income tax	83,604	78,290	226,008	213,748
Deferred tax	(196)	(2,526)	553	841
	<u>83,408</u>	<u>75,764</u>	<u>226,561</u>	<u>214,589</u>

The average effective tax rate of the Group for the nine months ended 30 September 2008 approximated the statutory tax rate of 26%.

The average effective tax rate of the Group for the nine months ended 30 June 2007 approximated the statutory tax rate of 27%.

6. Valuations of Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without amendment, from the most recent annual audited financial statements for the year ended 31 December 2007. The carrying value is based on a valuation carried out in 1983 by independent qualified valuers less depreciation.

7. Sale of Unquoted Investments and/or Properties

On 8 October 2007, the Group entered into a sale and purchase agreement for the disposal of the final part of its property at Sungai Besi, Kuala Lumpur for a consideration of RM21,000,000. This disposal is expected to be completed in the next financial year with no material gains or losses arising. The asset is currently classified as an Asset Held For Sale.

On 12 September 2008, the Group entered into a sale and purchase agreement for the disposal of its property at Taman Mayang Jaya, Petaling Jaya for a consideration of RM1,050,000. This disposal is expected to be completed in the current financial year with no material gains or losses arising. The asset is currently classified as an Asset Held For Sale.

Except for the above property disposals, there were no other sales of unquoted investments or properties during the financial period under review.

8. Quoted Securities

- a) There were no purchases or sales of quoted securities during the financial period under review.
- b) There were no investments in quoted securities as at the end of the financial period under review.

9. Changes in Composition of the Group

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

10. Corporate Proposals

There were no new corporate proposals announced as at 16 October 2008 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

11. Changes in Share Capital and Debt

There were no issuances, cancellations, repurchases, resale and repayment of either debt or equity securities for the period under review.

12. Borrowings

The Group's borrowings as at 30 September 2008 are as follows:

RM'000

Current

4½-year medium-term notes 2004/2009 with a coupon rate of 4.95% per annum, maturing on 2 May 2009	100,000
	<u>100,000</u>

Non-current

5-year medium-term notes 2004/2009 with a coupon rate of 4.58% per annum, maturing on 2 November 2009	150,000
5-year medium-term notes 2007/2012 with a coupon rate of 4.05% per annum, maturing on 21 September 2012	400,000
	<u>550,000</u>

All borrowings are denominated in Ringgit Malaysia.

13. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 16 October 2008 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

14. Capital Commitments

Capital commitments not provided for in the financial statements as at 30 September 2008 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	80,555
Authorised by the Directors but not contracted for	12,871
	<hr/> 93,426 <hr/>

15. Financial Instruments**Forward Foreign Currency Contracts**

As at 16 October 2008 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report), the foreign currency contracts which have been entered into by the Group to hedge its foreign purchases are as follows:

Currency	Contract amount in foreign currency '000	Date of contract	Value date of contract	Equivalent amount in RM'000
Pound Sterling	3,800	2 September 2008 - 30 September 2008	14 November 2008 - 15 April 2009	23,548
US Dollar	6,300	19 June 2008 - 30 September 2008	13 February 2009 - 20 February 2009	21,839
Euro	4,700	30 September 2008	15 July 2009 - 14 August 2009	22,935

Foreign currency transactions in Group companies are accounted for at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

There are no cash requirement risks as the Group uses fixed forward foreign currency contracts as its hedging instrument.

Credit Risks

The above financial instruments were executed with creditworthy financial institutions in Malaysia in line with the Group's policy.

16. Material Litigation

There was no material litigation as at 16 October 2008 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

17. Segment Reporting

No segmental analysis is prepared as the Group is primarily engaged in the manufacture and sale of cigarettes and other tobacco products in Malaysia.

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

Industry volumes, as measured by the Confederation of Malaysian Tobacco Manufacturers' members' showed improvement of 2.9% as compared to the previous quarter volumes driven mainly by the retail investment purchase, i.e. trade speculation, in anticipation of the September cigarette price increase. BAT Malaysia's volumes registered an increase of 3.9% as compared to the last quarter.

Consequently, the Group's Turnover in the current period was higher by 8.3% higher versus the previous period.

Profit before taxation in the current quarter was higher at RM315.6 million compared to the preceding quarter of RM264.6 million, the increase primarily driven by the higher domestic volumes, higher net pricing following the GPI in September and timing of expenses.

19. Review of Performance

The overall industry volumes for the first three quarters of 2008 as measured by the Confederation of Malaysian Tobacco Manufacturers members' sales, declined by 2.2% versus the same period last year due primarily to the increasing levels of illicit trade and continued growth of exceptionally low priced cigarettes.

BAT Malaysia performed commendably for the period under review. The Group's year to date sales volumes outperformed the industry, declining by only 1.5% driven by the continued exceptional performance of our Global Drive Brands, namely Dunhill and Pall Mall. Additionally, the Group maintained its growth versus the same period last year, which effectively means that BATM has returned to the growth path in terms of market share for the first time since 2003. Dunhill and Pall Mall have both grown their YTD market shares, registering increases of 1.4pp and 0.6pp respectively as compared to the similar period last year.

For the financial period under review, the Group's turnover was 8.7% higher at RM3,132.8 million compared to RM2,882.6 million in 2007, as higher pricing and better sales mix offset lower sales volumes from the domestic market.

The Group's profit before taxation in the current financial period improved to RM865.4 million from RM794.8 million in the same period last year, driven by higher net pricing, better sales mix, despite a decline in overall industry mix, the reduced competitive price discounting activities, continued productivity savings and lower financing costs.

The Government has passed the amendments to the Control of Tobacco Products Regulations 2004 on 15 September 2008 which amongst others mandated pictorial health warnings and banning descriptors like lights, low tar and mild. The impact of these changes will be felt in 2009. The Group has made all the necessary preparations and the associated costs have been provided for in the year to date financials.

20. Events Subsequent to the End of the Period

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

21. Seasonal or Cyclical Factors

The business operations of the Group were not materially affected by any seasonal or cyclical factors during the financial period under review.

22. Current Financial Year's Prospects

The recent National Budget 2009 saw another significant excise hike, resulting in large tax-led price increases being taken by the industry. This will inevitably fuel the growth of illicit trade which is already at a high of 24.9% and it is anticipated that legal volumes will continue to be pressured and impacted as a result.

The Group, however, will meet these challenges and protect its business by maintaining its strategy of investing in its drive brands and reducing the cost base through various productivity initiatives, while continuing to run its business in a responsible manner. Barring any unforeseen circumstances, we expect our financial results for the year to be satisfactory.

23. Earnings Per Share

	3 months ended		9 months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
Basic earnings per share				
Profit for the financial period (RM'000)	232,217	204,843	638,809	580,185
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	81.3	71.7	223.7	203.2

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.

24. Dividends

The Board of Directors has declared a second interim dividend of 76.00 sen per share, tax exempt under the single tier tax system amounting to RM217,002,800 (for the financial year ended 31 December 2007 – 100.00 sen gross per share, less tax of 27% amounting to RM208,436,900) in respect of the financial year ending 31 December 2008, payable on 17 November 2008, to all shareholders whose names appear on the Register of Members and Record of Depositors on 6 November 2008.

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from 6 November 2008 to 7 November 2008 (both dates inclusive) for the purpose of determining members' entitlement to the dividend.

British American Tobacco (Malaysia) Berhad

A Depositor shall qualify for entitlement only in respect of:

- (a) securities deposited into the Depositor's Securities Account before 12.30 p.m. on 4 November 2008 (in respect of securities which are exempted from mandatory deposit);
- (b) securities transferred to the Depositor's Securities Account before 4.00 p.m. on 6 November 2008, in respect of ordinary transfers; and
- (c) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

NG PEI LING
Secretary
23 October 2008