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

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the periods ended 31 December 2008

	Note	3 months ended		Financial year ended	
		31.12.2008	31.12.2007	31.12.2008	31.12.2007
		RM'000	RM'000	RM'000	RM'000
Revenue		1,002,447	948,236	4,135,220	3,830,869
Cost of sales		(605,933)	(574,748)	(2,465,472)	(2,262,781)
Gross profit		396,514	373,488	1,669,748	1,568,088
Other operating income		3,841	2,886	12,915	10,766
Operating expenses		(177,127)	(157,591)	(573,366)	(529,438)
Profit from operations		223,228	218,783	1,109,297	1,049,416
Finance cost		(7,432)	(10,656)	(28,131)	(46,515)
Profit before tax		215,796	208,127	1,081,166	1,002,901
Tax expense	5	(42,922)	(56,381)	(269,483)	(270,970)
Profit for the financial period		172,874	151,746	811,683	731,931
Earnings per share - basic (sen)	23	60.5	53.1	284.3	256.3
Earnings per share - diluted (sen)	23	60.5	53.1	284.3	256.3
Net dividends per share (sen)					
- Interim 1		-	-	113.0	109.5
- Interim 2		-	-	76.0	73.0
- Proposed Final		76.0	74.0	76.0	74.0

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 31 December 2008

	Note	As at 31.12.2008	As at 31.12.2007
		RM'000	RM'000
Non-current assets			
Property, plant and equipment	6	438,624	439,959
Leasehold land		20,455	20,826
Goodwill		411,618	411,618
Computer software		15,232	21,091
Deferred tax assets		4,978	4,978
		890,907	898,472
Current assets			
Assets held for sale		20,638	20,638
Inventories		224,958	243,988
Receivables		257,818	186,490
Tax recoverable		33,604	26,754
Deposits, cash and bank balances		59,387	70,666
		596,405	548,536
Current liabilities			
Borrowings	12	250,000	100,000
Payables		285,737	231,036
Current tax liabilities		96,512	56,493
		632,249	387,529
Net current (liabilities)/assets		(35,844)	161,007
		855,063	1,059,479
Capital and reserves			
Share capital	11	142,765	142,765
Retained earnings		264,009	203,147
Shareholders' funds		406,774	345,912
Non-current liabilities			
Borrowings (interest bearing)	12	400,000	650,000
Post employment benefit obligations		5,002	4,982
Deferred tax liabilities		43,287	58,585
		855,063	1,059,479
Net Assets per share (RM)		1.42	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 financial year ended 31 December 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	-	-	811,683	811,683
Deferred tax on revalued land and buildings	-	-	123	123
Dividends for financial year ended 31 December 2007				
- Final	-	-	(31,694)	(31,694)
- Final, tax exempt	-	-	(179,598)	(179,598)
Dividends for financial year ended 31 December 2008				
- Interim 1	-	-	(322,649)	(322,649)
- Interim 2	-	-	(217,003)	(217,003)
At 31 December 2008	285,530	142,765	264,009	406,774
At 1 January 2007	285,530	142,765	409,059	551,824
Profit for the financial period	-	-	731,931	731,931
Deferred tax on revalued land and buildings	-	-	123	123
Dividends for financial year ended 31 December 2006				
- Special	-	-	(62,531)	(62,531)
- Final	-	-	(354,343)	(354,343)
Dividends for financial year ended 31 December 2007				
- Interim 1	-	-	(312,655)	(312,655)
- Interim 2	-	-	(208,437)	(208,437)
At 31 December 2007	285,530	142,765	203,147	345,912

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 financial year ended 31 December 2008

	Note	Financial year ended 31.12.2008	Financial year ended 31.12.2007
		RM'000	RM'000
Operating activities			
Cash receipts from customers		4,071,077	3,794,460
Cash paid to suppliers and employees		(2,864,838)	(2,656,406)
Cash from operations		1,206,239	1,138,054
Income taxes paid		(251,489)	(300,723)
Net cash flow from operating activities		954,750	837,331
Investing activities			
Property, plant and equipment			
- additions		(101,536)	(55,163)
- disposals		9,132	37,982
Computer software			
- additions		(2,172)	(11,508)
- disposals		3	-
Interest income received		7,619	10,702
Net cash flow used in investing activities		(86,954)	(17,987)
Financing activities			
Dividends paid to shareholders		(750,944)	(937,966)
Proceeds from issuance of medium term notes		-	400,000
Proceeds from issuance of commercial papers		-	100,000
Repayment of commercial papers		(100,000)	(450,000)
Interest expense paid		(28,131)	(48,001)
Net cash flow used in financing activities		(879,075)	(935,967)
Decrease in cash and cash equivalents		(11,279)	(116,623)
Cash and cash equivalents as at 1 January		70,666	187,289
Cash and cash equivalents as at 31 December		59,387	70,666

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 audited 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		Financial year ended	
	31.12.2008 RM'000	**31.12.2007 RM'000**	**31.12.2008 RM'000**	**31.12.2007 RM'000**
In respect of current year				
Current tax				
- Malaysian income tax	58,606	55,568	284,614	269,316
- Foreign tax	44	42	44	42
Deferred tax	(15,728)	771	(15,175)	1,612
	42,922	56,381	269,483	270,970

The average effective tax rate of the Group for the financial year ended 31 December 2008 approximated the statutory tax rate of 26%.

The average effective tax rate of the Group for the financial year ended 31 December 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 was completed on 23 January 2009 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 was completed on 19 November 2008 with no material gains or losses arising.

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 12 February 2009 (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 31 December 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
5-year medium-term notes 2004/2009 with a coupon rate of 4.58% per annum, maturing on 2 November 2009	150,000
	250,000
Non-current	
5-year medium-term notes 2007/2012 with a coupon rate of 4.05% per annum, maturing on 21 September 2012	400,000
	400,000

All borrowings are denominated in Ringgit Malaysia.

The Group has assessed the net current liabilities position as at 31 December 2008 and is currently reviewing the options in meeting the repayment of its medium-term notes of RM100 million in May 2009 and RM150 million in November 2009. The Group will remain committed to meet its working capital requirements.

13. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 12 February 2009 (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 31 December 2008 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	84,434
Authorised by the Directors but not contracted for	7,538
	91,972

15. Financial Instruments

Forward Foreign Exchange Contracts

As at 12 February 2009 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report), the foreign exchange 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
Euro	18,250	30/9/2008 – 13/11/2008	1/7/2009 – 1/9/2009	83,583
Pound Sterling	8,068	30/9/2008 – 19/1/2009	17/2/2009 – 18/5/2010	44,236
US Dollar	1,000	30/9/2008	13/2/2009	3,429

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 12 February 2009 (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' declined by 13.7% as compared to the previous quarter volumes driven mainly by the large tax led price increase. BAT Malaysia's volumes registered a decline in the current quarter as compared to the last quarter in line with the industry decline.

Consequently, the Group's Turnover in the current period was lower by 8.7% versus the previous period.

Profit before taxation in the current quarter was lower at RM215.8 million compared to the preceding quarter of RM315.6 million, the decrease primarily driven by the lower domestic volumes partially offset by higher net pricing.

19. Review of Performance

The overall industry volumes for 2008 as measured by the Confederation of Malaysian Tobacco Manufacturers members' sales, declined by 1.5% versus last year due primarily to the increasing levels of illicit trade in and continued growth of exceptionally low priced cigarettes.

BAT Malaysia performed commendably for the period under review. The Group's continued investment under its Global Drive Brands, namely Dunhill, Pall Mall and Kent, have yielded exceptional results for the period under review. Dunhill continues to lead the premium segment registering a 1.3pp increase in market share versus the same period last year. Similarly, Pall Mall and Kent have both registered a growth of 0.4pp and 0.5pp respectively as compared to the same period last year.

For the financial period under review, the Group's turnover was 7.9% higher at RM4,135.2 million compared to RM3,830.9 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 RM1,081.2 million from RM1,002.9 million in the same period last year, driven by higher net pricing, better sales mix, continued productivity savings and lower financing costs.

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. Next Financial Year's Prospects

The recent survey on contraband and unauthorised incidence in Malaysia shows that illicit trade level persists at a high of 24.5%, which is higher than the 2007 reading. The issue of illicit trade should be a fiscal concern for the Government which is currently suffering huge tax losses to that trade. The greater use of illicit cigarettes also poses health challenges, as well as jeopardising local employment.

The Group supports the imposition of moderate and gradual tax increases complemented by strong continuous enforcement efforts and higher penalties to combat illicit trade.

Additionally, the global economic crisis will also impact the consumers spending power, adding another element in an already challenging environment for the industry.

The Group is however committed to enhancing our leadership position by leveraging on its strong fundamentals and continuing to focus on our Growth, Productivity, Responsibility and Winning Organisation strategic initiatives. Given the challenges above, we are cautiously optimistic on the outlook for 2009.

23. Earnings Per Share

	3 months ended		Financial year ended	
	31.12.2008	**31.12.2007**	**31.12.2008**	**31.12.2007**
Basic earnings per share				
Profit for the financial year (RM'000)	172,874	151,746	811,683	731,931
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	60.5	53.1	284.3	256.3

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 recommends the declaration of a net final dividend of 76.00 sen per share, tax exempt under the single-tier tax system, amounting to RM217,002,800 in respect of the financial year ended 31 December 2008 (for the financial year ended 31 December 2007 – a net final dividend of 74.00 sen per share amounting to RM211,292,200 comprising (i) 15.00 sen gross dividend per share, less tax of 26%, amounting to RM31,693,830 and (ii) 62.90 sen dividend per share, tax exempt under the single-tier tax system, amounting to RM179,598,370), which subject to the approval by shareholders, will be paid on **8 May 2009** to all shareholders whose names appear on the Register of Members and Record of Depositors on **24 April 2009.**

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from **24 April 2009 to 27 April 2009** (both dates inclusive) for the purpose of determining members' entitlement to the dividend.

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 22 April 2009 (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 24 April 2009, 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.

The total dividends (both declared and recommended) for the current financial year will therefore consist of (a) a first interim dividend of 113.00 sen per share, tax exempt under the single-tier tax system, amounting to RM322,648,900; (b) a second interim dividend of 76.00 sen per share, tax exempt under the single-tier tax system, amounting to RM217,002,800; and (c) a proposed net final dividend of 76.00 sen per share, tax exempt under the single-tier tax system, amounting to RM217,002,800 in respect of the financial year ended 31 December 2008 (for the financial year ended 31 December 2007 (a) an interim dividend of 150.00 sen gross per share, less tax of 27%, amounting to RM312,655,350; (b) a second interim dividend of 100.00 sen gross per share, less tax of 27%, amounting to RM208,436,900; and (c) a net final dividend of 74.00 sen per share, amounting to RM211,292,200 comprising a 15.00 sen gross dividend per share, less tax of 26%, amounting to RM31,693,830 and 62.90 sen dividend per share, tax exempt under the single-tier tax system, amounting to RM179,598,370).

By Order of the Board

NG PEI LING (LS09111)
Secretary
Petaling Jaya
19 February 2009