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

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the 6 months ended 30 June 2010

		3 months ended		Financial period ended	
	Note	**30.6.2010**	**30.6.2009**	**30.6.2010**	**30.6.2009**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue		993,874	977,648	2,012,694	1,983,274
Cost of sales		(612,461)	(600,675)	(1,236,628)	(1,201,665)
Gross profit		381,413	376,973	776,066	781,609
Other operating income		3,589	1,416	5,185	2,430
Operating expenses		(128,123)	(101,734)	(259,488)	(227,962)
Profit from operations		256,879	276,655	521,763	556,077
Finance cost		(6,831)	(6,524)	(13,587)	(13,163)
Profit before tax		250,048	270,131	508,176	542,914
Tax expense	5	(64,208)	(68,887)	(130,441)	(135,729)
Profit for the financial period		185,840	201,244	377,735	407,185
Earnings per share - basic (sen)	23	65.1	70.5	132.3	142.6
Earnings per share - diluted (sen)	23	65.1	70.5	132.3	142.6
Net dividends per share (sen)					
- Interim 1		113.0	113.0	113.0	113.00

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 2009.

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the 6 months ended 30 June 2010

	Note	3 months ended		Financial period ended	
		30.6.2010	**30.6.2009***	**30.6.2010**	**30.6.2009***
		RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the financial period		185,840	201,244	377,735	407,185
Other comprehensive income:					
Change in fair value of cash flow hedges		894	-	(3,375)	-
Deferred tax movement on other comprehensive income					
- deferred tax on revalued land and buildings		30	30	60	60
- deferred tax on fair value changes of cash flow hedges		(223)	-	844	-
Total other comprehensive income for the financial period		701	30	(2,471)	60
Total comprehensive income for the financial period		186,541	201,274	375,264	407,245
Attributable to:					
Shareholders' equity		186,541	201,274	375,264	407,245

*** The Group has applied FRS 139 from 2010 onwards, as the standard does not require retrospective application.**

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 2009.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 June 2010

	Issued and fully paid ordinary shares of 50 sen each		Distributable	Attributable to Shareholders' Equity
	Number of shares	Nominal value	Retained earnings	Total
	'000	RM'000	RM'000	RM'000
At 1 January 2010	285,530	142,765	296,520	439,285
Total comprehensive income for the financial period	-	-	375,264	375,264
Dividends for financial year ended 31 December 2009 - Final	-	-	(177,029)	(177,029)
At 30 June 2010	285,530	142,765	494,755	637,520
At 1 January 2009	285,530	142,765	263,714	406,479
Total comprehensive income for the financial period	-	-	407,245	407,245
Dividends for financial year ended 31 December 2008 - Final	-	-	(217,003)	(217,003)
At 30 June 2009	285,530	142,765	453,956	596,721

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 2009

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010

	Note	As at 30.6.2010 RM'000	As at 31.12.2009* (Restated) RM'000
Non-current assets			
Property, plant and equipment	6	424,926	451,069
Investment property		1,654	1,654
Goodwill		411,618	411,618
Computer software		3,718	6,550
Deferred tax assets		20,139	19,295
		862,055	890,186
Current assets			
Assets held for sale		887	4,288
Inventories		217,714	214,258
Receivables		174,121	164,712
Deposits, cash and bank balances		501,779	168,686
		894,501	551,944
Current liabilities			
Payables		288,586	219,088
Current tax liabilities		123,212	80,962
Derivative financial instruments	15	3,375	-
		415,173	300,050
Net current assets		479,328	251,894
		1,341,383	1,142,080
Capital and reserves			
Share capital	11	142,765	142,765
Retained earnings		494,755	296,520
Shareholders' funds		637,520	439,285
Non-current liabilities			
Borrowings (interest bearing)	12	650,000	650,000
Post employment benefit obligations		6,662	6,043
Deferred tax liabilities		47,201	46,752
		1,341,383	1,142,080
Net Assets per share (RM)		2.23	1.54

*** The restatement of the 2009 balance sheet reflects the change in the Group's accounting policy for classification of leasehold land required by FRS 117 (Leases) as explained in Note 1.**

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 2009.

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the 6 months ended 30 June 2010

	Note	6 months ended 30.6.2010	6 months ended 30.6.2009
		RM'000	RM'000
Operating activities			
Cash receipts from customers		1,964,626	2,019,025
Cash paid to suppliers and employees		(1,363,447)	(1,403,787)
Cash from operations		601,179	615,238
Income taxes paid		(87,681)	(95,099)
Net cash flow from operating activities		513,498	520,139
Investing activities			
Property, plant and equipment			
- additions		(2,403)	(13,452)
- disposals		6,914	28,499
Additions of computer software		-	(639)
Interest income received		3,857	2,196
Net cash flow from investing activities		8,368	16,604
Financing activities			
Dividends paid to shareholders		(177,029)	(217,003)
Repayment of medium term notes		-	(100,000)
Interest expense paid		(11,743)	(13,987)
Net cash flow used in financing activities		(188,772)	(330,990)
Increase in cash and cash equivalents		333,094	205,753
Cash and cash equivalents as at 1 January		168,686	59,387
Cash and cash equivalents as at 30 June		501,780	265,140

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 2009

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 2009.

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 2009, except that the Group has adopted the new/revised standards mandatory for annual periods beginning on or after 1 January 2010 that have an impact on the Group, detailed below:

(a) FRS 8 Operating Segments (effective for annual periods beginning on or after 1 July 2009). FRS 8 replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As the Group's chief operating decision maker, the Group's Board of Directors, relies on internal reports which are similar to those currently disclosed externally, no further segmental information disclosures will be necessary.

(b) FRS 139 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). This standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items and permits hedge accounting only under strict circumstances. In accordance with the requirement of this standard, the Group assessed its derivatives to see if they qualify for hedge accounting, and following that, have designated its derivatives arising from forward foreign exchange contracts as cash flow hedges. The Group recognises the changes in their fair values directly in equity, to the extent that the hedges are effective. As allowed under the transitional provisions of FRS 139, the Group has not applied the standard retrospectively.

(c) FRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2010). This standard requires additional disclosures regarding fair value measurements and liquidity risk in the full year financial statements, and has no effect on reported profit or equity. However, FRS 7 disclosures are not required in the interim financial statements, and hence, no further disclosures have been made in these interim financial statements.

(d) Amendments to FRS 101 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendment to FRS 101 requires changes in the format of the financial statements including the amounts directly attributable to shareholders in the primary statements, but does not affect the measurement of reported profit or equity. The Group has elected to show other comprehensive income in a separate statement from the income statement and hence, all owner changes in equity are presented in the consolidated statement of changes in equity, whereas non-owner changes in equity are shown in the consolidated statement of comprehensive income.

(e) Amendments to FRS 117 Leases (effective for annual periods beginning on or after 1 January 2010). The amendments to FRS 117 requires entities with existing leases of land and buildings (combined) to reassess the classification of land as a finance or operating lease. The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment, with no effect on reported profit or equity. However, as a result of the adoption of the Amendments to FRS 117, comparative balances have been restated as follows:

	As previously reported RM'000	Effects of changes in accounting policy RM'000	As restated RM'000
Property, plant and equipment	431,117	19,952	451,069
Leasehold land	19,952	(19,952)	-

The adoption of other interpretations and revisions to existing standards mandatory for annual periods beginning on or after 1 January 2010 did not result in significant changes in the reported profit or equity or on the disclosures in the financial statements.

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 2009 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 period ended	
	30.6.2010 RM'000	30.6.2009 RM'000	30.6.2010 RM'000	30.6.2009 RM'000
In respect of current year				
Current tax				
- Malaysian income tax	63,954	68,812	129,933	134,900
Deferred tax charge	254	75	508	829
	64,208	68,887	130,441	135,729

The average effective tax rate of the Group for the financial year ended 30 June 2010 is 25.7%, which is higher than the statutory tax rate of 25% mainly due to the non-deductibility of interest expense following the Group's move to the single tier tax system. This is in line with the average effective tax rate of the Group for the financial year ended 31 December 2009 of 25.7%.

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 2009. 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 29 June 2009, the Group agreed to dispose the property at Keningau for a consideration of RM1,950,000. This disposal was completed on 30 April 2010 with no gain or loss as in 2009, the Group recognised an impairment charge of RM500,000 on the property, representing the difference between its carrying value then and the consideration.

Except for the above property disposal, 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 15 July 2010 (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 June 2010 are as follows:

	RM'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
5-year medium-term notes 2009/2014 with a coupon rate of 4.48% per annum, maturing on 15 August 2014	250,000
	650,000

All borrowings are denominated in Ringgit Malaysia.

13. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 15 July 2010 (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 June 2010 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	3,017
Authorised by the Directors but not contracted for	9,019
	12,036

15. Financial Instruments

Derivatives

As at 30 June 2010, the foreign currency contracts which have been entered into by the Group to hedge its foreign purchases and sales in foreign currencies are as follows:

Forward Foreign Currency Contracts Designated as Cash Flow Hedges	Contract Value (RM'000)	Fair Value (RM'000)	Difference (RM'000)
US Dollar			
- Less than 1 year	12,793	12,584	(209)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
Euro			
- Less than 1 year	18,254	16,299	(1,955)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
Pound Sterling			
- Less than 1 year	34,712	33,501	(1,211)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
TOTAL	**65,759**	**62,384**	**(3,375)**

Derivative financial assets and liabilities are initially recognised, and subsequently measured at fair value. The fair values of derivatives are determined based on market data (primarily exchange rates) to calculate the present value of all estimated flows associated with each derivative at the balance sheet date. The Group's derivatives are principally in respect of forward foreign currency contracts used to hedge its foreign currency sales and purchases, where cash flow hedging can be obtained.

Changes in fair values for derivatives that are designated as cash flow hedges are recognised directly in equity, to the extent that they are effective, with the ineffective portion being recognised in the income statement. Where the hedged item results in a non-financial asset, the accumulated gains and losses, previously recognised in equity, are included in the initial carrying value of the asset. Where the underlying transaction does not result in such an asset, the accumulated gains and losses are recognised in the income statement in the same periods as the hedged item. For derivatives that do not qualify for hedge accounting or are not designated as hedges, the changes in their fair values are recognised in the income statement in the period in which they arise.

In order to qualify for hedge accounting, the Group is required to document prospectively the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is reperformed periodically to ensure that the hedge has remained, and is expected to remain, highly effective.

Credit Risks

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

Cash Requirements

The Group will fund the cash requirements of these derivatives from its net cash flow from operating activities when the payments fall due.

Unrealised unappropriated profits

The unrealised portion within unappropriated profits (retained earnings) as at 30 June 2010 relate to net fair values movements of the Group's derivatives that are designated as cash flow hedges as at 30 June 2010.

16. Material Litigation

There was no material litigation as at 15 July 2010 (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

The Group's volumes registered a marginal decline in the current quarter as compared to the last quarter.

Consequently, the Group's revenue in the current quarter was lower by 2.4% versus the previous quarter.

Profit before taxation in the current quarter was lower at RM250 million compared to the preceding quarter of RM258 million, from lower volumes and unfavourable pack size mix from the ban on packs less than 20 sticks in June 2010, which had higher margins. This was partially offset by higher interest income from increased cash reserves and sale of machinery.

19. Review of Performance

The Group's volumes had declined by 1.6% for the six months to 30 June in comparison to the same period last year impacted by consumers down trading and high levels of illicit trade in tandem with the decline in industry volumes.

The Group has however performed commendably within the contracted industry recording a year to date May market share of 60.3%, up 0.3 percentage points as compared to the same period last year. This growth was delivered by the Group's Global Drive Brands, Kent and Pall Mall. The Group continues to lead the premium segment of the market with Dunhill, Kent and Benson & Hedges, owning 73.9% of this segment for the year to date May.

For the six months to 30 June, the Group's revenue was 1.5% higher at RM2,012.7 million compared to RM1,983.3 million in 2009, from higher excise led pricing, partially offset by unfavourable pack size mix due the ban on packs less than 20 sticks and lower sales volumes. Profit from operations declined by 6.2% in comparison to the same period last year from lower volumes, higher costs of Dunhill Reloc packs and, timing of marketing and overhead expenditure.

Profit after tax declined by 7.2% to RM377.7 million from RM407.2 million in 2009 from movements in operating profit, marginally higher finance costs, due to the timing of bond refinancing in 2009, and higher effective tax rate.

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

Industry volumes contracted marginally by 0.9% in the first half of 2010 in comparison to the same period last year, a much smaller decline after the double digit contractions experienced in 2009, benefiting from Malaysia's double digit economic growth registered in the 1st quarter of 2010, and a slight reduction in the illicit cigarette trade in the second half of 2009.

The Government's moderate excise increase of 1 cent per stick during the last Budget and strong enforcement efforts have contributed to the reduction in illicit cigarette trade. However, the illicit cigarette trade which is currently at 37.1% continues to pose a threat to the legal industry. Therefore, such efforts should be continued to ensure that the illicit cigarette trade issues can be further addressed.

As for the implementation of the ban on packs less than 20 sticks by the Government, it is still in its early stages and the full impact of this ban has yet to be seen.

Given the demanding environment and barring unforeseen circumstances, we maintain our expectation that the financial results for the year will be satisfactory at best. The Group nevertheless will continue to protect and enhance its leadership of the Malaysian tobacco market by remaining focused on reinforcing its brand portfolio, trade effectiveness, enhancing productivity and running its business responsibly.

23. Earnings Per Share

	3 months ended		**Financial period ended**	
	30.6.2010	**30.6.2009**	**30.6.2010**	**30.6.2009**
Basic earnings per share				
Profit for the financial period (RM'000)	185,840	201,244	377,735	407,185
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	65.1	70.5	132.3	142.6

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 first interim dividend of 113.00 sen per share, tax exempt under the single tier tax system amounting to RM322,648,900 (for the financial year ended 31 December 2009 – 113.00 sen per share, tax exempt under the single tier tax system amounting to RM322,648,900) in respect of the financial year ending 31 December 2010, payable on 20 August 2010, to all shareholders whose names appear on the Register of Members and Record of Depositors on 12 August 2010.

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from 12 August 2010 to 13 August 2010 (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 10 August 2010, in respect of securities exempted from mandatory deposit;

b) Securities transferred to the Depositor's Securities Account before 4.00 p.m. on 12 August 2010, 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

CHAN MEI MAE (LS0009460)
Company Secretary
Petaling Jaya
22 July 2010