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

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the nine months ended 30 September 2010

	Note	3 months ended 30.9.2010	3 months ended 30.9.2009	Financial period ended 30.9.2010	Financial period ended 30.9.2009
		RM'000	RM'000	RM'000	RM'000
Revenue		993,591	919,197	3,006,285	2,902,471
		-		-	
Cost of sales		(631,013)	(546,471)	(1,867,641)	(1,748,136)
Gross profit		362,578	372,726	1,138,644	1,154,335
Other operating income		2,822	1,764	8,007	4,194
		-		-	-
Operating expenses		(135,915)	(132,807)	(395,403)	(360,769)
Profit from operations		229,485	241,683	751,248	797,760
Finance cost		(6,907)	(7,181)	(20,494)	(20,344)
Profit before tax		222,578	234,502	730,754	777,416
Tax expense	5	(51,924)	(67,768)	(182,365)	(203,497)
Profit for the financial period		170,654	166,734	548,389	573,919
Earnings per share - basic (sen)	23	59.8	58.4	192.1	201.0
Earnings per share - diluted (sen)	23	59.8	58.4	192.1	201.0
Net dividends per share (sen)					
- Interim 1		113.0	113.0	113.0	113.00
- Interim 2		64.0	61.0	64.0	61.0

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 2009.

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the 9 months ended 30 September 2010

	Note	3 months ended		Financial period ended	
		30.9.2010	30.9.2009*	30.9.2010	30.9.2009*
		RM'000	RM'000	RM'000	RM'000
Profit for the financial period		170,654	166,734	548,389	573,919
Other comprehensive income:					
Change in fair value of cash flow hedges		1,753	-	(1,622)	-
Deferred tax credit / (charge) other comprehensive income					
- deferred tax on revalued land and buildings		30	-	90	60
- deferred tax on fair value changes of cash flow hedges		(438)	-	406	-
Total other comprehensive income for the financial period		1,345	-	(1,126)	60
Total comprehensive income for the financial period		171,999	166,734	547,263	573,979
Attributable to:					
Shareholders' equity		171,999	166,734	547,263	573,979

*** 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 9 months ended 30 September 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	-	-	547,263	547,263
Dividends for financial year ended 31 December 2009 - Final	-	-	(177,029)	(177,029)
Dividends for financial year ended 31 December 2010 - Interim 1	-	-	(322,649)	(322,649)
At 30 September 2010	285,530	142,765	344,105	486,870
At 1 January 2009	285,530	142,765	264,009	406,774
Total comprehensive income for the financial period	-	-	573,979	573,979
Dividends for financial year ended 31 December 2008 - Final	-	-	(217,003)	(217,003)
Dividends for financial year ended 31 December 2009 - Interim 1	-	-	(322,649)	(322,649)
At 30 September 2009	285,530	142,765	298,336	441,101

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 September 2010

	Note	As at 30.9.2010	As at 31.12.2009* (Restated)
		RM'000	RM'000
Non-current assets			
Property, plant and equipment	6	389,104	451,069
Investment property		1,654	1,654
Goodwill		411,618	411,618
Computer software		3,222	6,550
Deferred tax assets		19,701	19,295
		825,299	890,186
Current assets			
Assets held for sale		21,386	4,288
Inventories		200,228	214,258
Receivables		174,899	164,712
Deposits, cash and bank balances		337,161	168,686
		733,674	551,944
Current liabilities			
Payables		287,975	219,088
Current tax liabilities		75,806	80,962
Derivative financial instruments	15	1,622	-
		365,403	300,050
Net current assets		368,271	251,894
		1,193,570	1,142,080
Capital and reserves			
Share capital	11	142,765	142,765
Retained earnings		344,105	296,520
Shareholders' funds		486,870	439,285
Non-current liabilities			
Borrowings (interest bearing)	12	650,000	650,000
Post employment benefit obligations		6,971	6,043
Deferred tax liabilities		49,729	46,752
		1,193,570	1,142,080
Net Assets per share (RM)		1.71	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 9 months ended 30 September 2010

	Note	9 months ended 30.9.2010	9 months ended 30.9.2009
		RM'000	RM'000
Operating activities			
Cash receipts from customers		2,940,285	2,907,347
Cash paid to suppliers and employees		(2,061,467)	(2,017,229)
Cash from operations		878,818	890,118
Income taxes paid		(184,483)	(200,911)
Net cash flow from operating activities		694,335	689,207
Investing activities			
Property, plant and equipment			
- additions		(31,082)	(51,603)
- disposals		24,464	29,766
Additions of computer software		(859)	(664)
Interest income received		6,713	4,117
Net cash flow from investing activities		(764)	(18,384)
Financing activities			
Dividends paid to shareholders		(499,677)	(539,652)
Repayment of medium term notes		-	(100,000)
Proceeds from issuance of commercial papers		-	250,000
Interest expense paid		(25,419)	(23,397)
Net cash flow used in financing activities		(525,096)	(413,049)
Increase in cash and cash equivalents		168,475	257,774
Cash and cash equivalents as at 1 January		168,686	59,387
Cash and cash equivalents as at 30 September		337,161	317,161

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 except for the purchase of new machinery during the period. This new machinery amounting to approximately RM24 million was purchased in the financial period under review in light of additional production volume requirements.

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	
	30.9.2010 RM'000	30.9.2009 RM'000	30.9.2010 RM'000	30.9.2009 RM'000
In respect of current year				
Current tax				
- Malaysian income tax	49,366	69,194	179,299	204,094
Deferred tax charge/(credit)	2,558	(1,426)	3,066	(597)
	51,924	67,768	182,365	203,497

The average effective tax rate of the Group for the financial period ended 30 September 2010 is 25%, which is in line with the statutory tax rate of 25%, due to a lower than expected final instalment for YA 2009 which offset the effects of the non-deductibility of interest expense.

The average effective tax rate of the Group for the nine months ended 30 September 2009 is 26%, 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, and a one off tax adjustment in Quarter 3 2009 for the shortfall of dividend franking credits due to tax refunds received.

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 and 1999 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

On 11 June 2010, the Group announced that the Group's application to the Companies Commission of Malaysia ("CCM") to remove Martins of Piccadilly, London, Sdn. Bhd., One World GSA Sdn. Bhd. and Perilly's Centre Sdn. Bhd. (all of which were non-operating subsidiaries) had been approved by CCM and the aforesaid entities had been removed from CCM's register.

10. Corporate Proposals

Subsequent to the financial period under review, on 8 October 2010, the Group entered into a sale and purchase agreement for the disposal of its property at Shah Alam for a consideration of RM36,000,000. This disposal is expected to be completed by the end of 2010, with an expected gain of approximately RM15,500,000. The property has since been classified as an Asset held for sale.

Except for the proposed disposal of property above, there were no new corporate proposals announced as at 13 October 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 September 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 13 October 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 September 2010 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	13,804
Authorised by the Directors but not contracted for	23,307
	37,111

15. Financial Instruments

Derivatives

As at 30 September 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	33,988	32,345	(1,643)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
Euro			
- Less than 1 year	35,525	35,774	249
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
Pound Sterling			
- Less than 1 year	42,949	42,721	(228)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
TOTAL	**112,462**	**110,840**	**(1,622)**

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 re-performed 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 September 2010 mainly relate to net fair values movements of the Group's derivatives that are designated as cash flow hedges as at 30 September 2010 (RM1.6 million) and foreign currency translation losses of cash balances, receivables and payables as at 30 September 2010 (RM1.4 million).

16. Material Litigation

There was no material litigation as at 13 October 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 grew by 1.5% in the current quarter as compared to the last quarter on the back of improved economic conditions influencing consumers spending power and trade speculation in anticipation of an excise led price increase.

However the Group's revenue remained flat versus the previous quarter as gains from volume increase was offset by unfavourable pack size mix from the withdrawal of packs less than 20 sticks in June 2010.

Consequently, Profit before taxation in the current quarter was lower at RM222 million compared to the preceding quarter of RM250 million, from the unfavourable pack size mix and higher market returns from withdrawal of packs less than 20 sticks.

19. Review of Performance

The Group's volumes had increased marginally by 1.3% for the year to date 30 September in comparison to the same period last year driven by trade speculation and improved economic conditions.

The Group's market shares have also performed strongly by recording a year to date September market share of 60.2%, up 0.7 percentage points in comparison to the same period last year. This growth in market share was derived from BAT's new offering Peter Stuyversant International which had gained 2.6% market share since its launch in June 2010. Additionally, the Global Drive Brands, Dunhill, Kent and Pall Mall have remained resilient maintaining their market share in comparison to the same period last year. The Group continues to lead the premium segment of the industry and with the addition of Peter Stuyversant International has an additional offering in the value for money segment.

For the nine months to 30 September, the Group's revenue was 3.6% higher at RM3,006.3 million compared to RM2,902.5 million in 2009, from higher excise, pricing and increased volumes, partially offset by unfavourable pack size mix due the ban on packs less than 20 sticks. However, Net Turnover (Revenue less Government levies) had decreased by 0.3% during the same period. Consequently, Profit from operations declined by 5.8% in comparison to the previous year from the decrease in Net Turnover, higher cost of Dunhill Reloc packs, market returns from withdrawal of packs less than 20 sticks and, increased marketing expenditure from the launch of Peter Stuyversant International.

The strong performance of Dunhill in retaining its market share and the strategic introduction of Peter Stuyvesant to capture potential down-traders, in June, has seen BAT grow share despite the withdrawal of packs less than 20 sticks limiting the financial impact of the withdrawal to the lower margin on 20s packs.

Profit after tax only declined by 4.4% to RM548.4 million from RM573.9 million in 2009 from operating profit movements, marginally higher finance costs, due to the timing of bond refinancing in 2009, and lower effective tax rate from revised tax payable for 2009.

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 increased by 5.1% for the year to date as compared to the same period last year on improved economic conditions and trade speculation in the 3rd quarter in anticipation of the excise led price increase.

The significant excise increase of 3 sen per stick announced on 1 October will no doubt fuel the illicit trade further, which is at an all time high of 39.7%, based on Wave 1 (March to May 2010) of the survey conducted by the Confederation of Malaysian Tobacco Manufacturers. The illicit trade incidence recorded in this latest wave is one of the highest worldwide and thus, requires effective action from the relevant authorities to prevent the situation worsening.

The financial impact from the withdrawal of packs less than 20s in late Quarter 2 remains in line with the previously reported estimate of RM 80 million annualised loss resulting from the lower margins of the 20s pack size. There was no share loss coming from the change in pack size due to the strong performance of Dunhill and introduction of Peter Stuyvesant in the value for money segment. The performance of these brands has in fact seen BAT grow share in comparison to the same period last year and the aim is to continue with this momentum moving forward.

The Group remains committed to enhancing shareholder value in the long term and maintaining its leadership in the Malaysian tobacco industry. This will be carried out through its enhanced brand portfolio and strategic initiatives on growth, productivity, responsibility and winning organisation. Barring unforeseen circumstances, the Group expects the financial results for the year to be satisfactory at best.

23. Earnings Per Share

	3 months ended		Financial period ended	
	30.9.2010	**30.9.2009**	**30.9.2010**	**30.9.2009**
Basic earnings per share				
Profit for the financial period (RM'000)	170,654	166,734	548,389	573,919
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	59.8	58.4	192.1	201.0

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 64.00 sen per share, tax exempt under the single tier tax system amounting to RM182,739,200 (for the financial year ended 31 December 2009 – 61.00 sen per share, tax exempt under the single tier tax system amounting to RM174,173,300) in respect of the financial year ending 31 December 2010, payable on 19 November 2010, to all shareholders whose names appear on the Register of Members and Record of Depositors on 10 November 2010.

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from 10 November 2010 to 11 November 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 8 November 2010, in respect of securities exempted from mandatory deposit;

b) Securities transferred to the Depositor's Securities Account before 4.00 p.m. on 10 November 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

20 October 2010