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 2010.

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 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 2010 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 reversal of impairment on 14's machine amounting to RM11.6 million. Based on the confirmed offer that we have obtained for this machine, it indicated that the impairment on this machine is no longer required and hence the carrying value was restated to its recoverable amount in 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 / Financial period ended	
	31.3.2011	**31.3.2010**
	RM'000	**RM'000**
In respect of current year		
Current tax		
- Malaysian income tax	62,699	65,979
Deferred tax charge/ (credit)	(929)	254
	61,770	66,233

The average effective tax rate of the Group for the financial period ended 31 March 2011 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 period ended 31 March 2010 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 2010. 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

There were no 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 14 April 2011 (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 March 2011 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 14 April 2011 (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 March 2011 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	22,237
Authorised by the Directors but not contracted for	5,965
	28,202

15. Financial Instruments

Derivatives

As at 31 March 2011, 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	8,082	7,831	(251)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
Euro			
- Less than 1 year	27,991	29,262	1,271
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
Pound Sterling			
- Less than 1 year	25,660	25,733	73
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
TOTAL	**61,733**	**62,826**	**1,093**

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.

Breakdown of realised and unrealised profit / (loss)

The following analysis of realised and unrealised retained profits / (accumulated losses) is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Financial period ended 31.3.2011 RM'000
Total retained profits of British American Tobacco (Malaysia) Berhad and its subsidiaries	
- Realised profit	561,176
- Unrealised loss	(44,230)
Less: Consolidation Adjustments	(169,238)
Total retained profits	347,708

The unrealised portion within unappropriated profits (retained earnings) as at 31 March 2011 predominantly relates to net deferred tax liability of RM25,718,000 and provisions for litigation of RM18,527,000.

The consolidation adjustments recognised for the Group mainly relate to accumulated goodwill amortisation recognised from years 2000 to 2005.

16. Material Litigation

There is no material litigation as at 14 April 2011 (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 revenue and gross profit improved by 3.4% and 1.7% respectively as the Group showed recovery from the steep excise led price increase in October 2010 and normalisation of volumes after exhaustion of the trade load prior to the excise increase.

Profit before tax grew more than gross profit increasing by 5.2% from lower operating expenses due to absence of one off market returns and sale of assets in the pervious quarter. However, profit after tax declined by 2.3% due to lower tax expenses in the previous quarter from lower YA2009 tax expense and higher utilisation of reinvestment allowance.

19. Review of Performance

The Group's volumes declined by 7.5% in Quarter 1 as compared to the same period last year, performing better than the industry average decline, due to the steep excise increase in October 2010.

The Group's revenue declined by 2.6% as a result of lower volumes and unfavourable pack size mix with the ban on packs less than 20 sticks, which was partially offset by higher excise and pricing. Net turnover (Revenue less Government levies) declined more than revenue, reducing by 9.2% as the industry takes a smaller portion of the price increase.

The Group's profit from operations only declined by 6.7% as the lower net turnover and higher packing costs for the Dunhill Reloc pack was partially offset by lower marketing expenditure due to absence of Dunhill Reloc launch activities and lower IT expenses.

Profit after tax declined by 7.0% in line with profit from operations adjusted by flat financing costs as compared to the previous year.

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 amongst the Confederation of Malaysian Tobacco Manufacturers' (CMTM) members declined dramatically by 9.0% for Quarter 1 2011 when compared to the same period last year. The significant decrease in industry volumes was a result of the higher price due to steep excise increase (15%) in October 2010 and illegal sale of locally produced products below minimum price.

BAT, however, performed marginally better than the industry (CMTM members) average despite its larger premium portfolio and higher proportion of 14's stick pack (14's was only banned in Jun 2010), declining by 7.5% in Quarter 1, 2011 as compared to the same period last year. This was through the strong performance of Dunhill's new product launches such as Dunhill Reloc pack and Dunhill Boost with capsule technology, and Peter Stuyvesant International which gained 3.3% market share since its launch.

The annualised financial impact of the ban on packs less than 20 sticks due to lower margins remains in line with our previously reported estimate of RM80 million per annum.

The Group's profit outlook for 2011 remains cautious given volume declines from steep excise increase, lower margins from the ban of packs less than 20 sticks and continuing high incidence of illicit trade. We remain committed to building long term shareholder value through our aligned strategic initiatives on growth, productivity, responsibility and winning organisation.

23. Earnings Per Share

	3 months / Financial period ended	
	31.3.2011	**31.3.2010**
Basic earnings per share		
Profit for the financial period (RM'000)	178,557	191,894
Weighted average number of ordinary shares in issue ('000)	285,530	285,530
Basic earnings per share (sen)	62.5	67.2

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 first interim dividend of 60.00 sen per share, tax exempt under the single-tier tax system amounting to RM171,318,000 (for the financial year ended 31 December 2010 – 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 2011, payable on 20 May 2011, to all shareholders whose names appear on the Register of Members and Record of Depositors on 11 May 2011.

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from 11 May 2011 to 12 May 2011 (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 9 May 2011, in respect of securities exempted from mandatory deposit;

(b) Securities transferred to the Depositor's Securities Account before 4.00 p.m. on 11 May 2011, 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
21 April 2011