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

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the 6 months ended 30 June 2011

	Note	3 months ended 30.6.2011	3 months ended 30.6.2010	Financial period ended 30.6.2011	Financial period ended 30.6.2010
		RM'000	RM'000	RM'000	RM'000
Revenue		1,043,306	993,874	2,035,455	2,012,694
Cost of sales		(671,101)	(612,461)	(1,307,138)	(1,236,628)
Gross profit		372,205	381,413	728,317	776,066
Other operating income		2,778	3,589	5,893	5,185
			-		-
Operating expenses		(120,354)	(128,123)	(232,498)	(259,488)
Profit from operations		254,629	256,879	501,712	521,763
Finance cost		(6,831)	(6,831)	(13,587)	(13,587)
Profit before tax		247,798	250,048	488,125	508,176
Tax expense	5	(63,658)	(64,208)	(125,428)	(130,441)
Profit for the financial period		184,140	185,840	362,697	377,735
Earnings per share - basic (sen)	23	64.5	65.1	127.0	132.3
Earnings per share - diluted (sen)	23	64.5	65.1	127.0	132.3
Net dividends per share (sen)					
- Interim 1 dividend		-	113.0	60.0	113.0
- Interim 2 dividend		60.0	-	60.0	-
- Special interim dividend		30.0	-	30.0	-
		90.0	113.0	150.0	113.0

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 2010.

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the 6 months ended 30 June 2011

	3 months ended		Financial period ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	184,140	185,840	362,697	377,735
Other comprehensive income:				
Change in fair value of cash flow hedges, net of tax	(984)	894	1,941	(3,375)
Deferred tax movement on other comprehensive income				
- deferred tax on revalued land and buildings	-	30	-	60
- deferred tax on fair value changes of cash flow hedges	246	(223)	(486)	844
Total other comprehensive income for the financial period	(738)	701	1,455	(2,471)
Total comprehensive income for the financial period	183,402	186,541	364,152	375,264
Attributable to:				
Shareholders' equity	183,402	186,541	364,152	375,264

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 2010.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 June 2011

	Issued and fully paid ordinary shares of 50 sen each		Non-distributable	Distributable	Attributable to Shareholders' Equity
	Number of shares	Nominal value	Cash flow hedge reserve	Retained earnings	Total
	'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	285,530	142,765	(1,374)	349,035	490,426
Profit for the financial period				362,697	362,697
Other comprehensive income for the financial period					
- changes in fair value of cash flow hedges, net of tax	-	-	1,941	-	1,941
- deferred tax on fair value changes on cash flow hedges	-	-	(486)	-	(486)
Total comprehensive income	285,530	142,765	81	711,732	854,578
Dividends for financial year ended 31 December 2010					
- Interim 3	-	-	-	(179,884)	(179,884)
Dividends for financial year ended 31 December 2011					
- Interim 1	-	-	-	(171,318)	(171,318)
At 30 June 2011	285,530	142,765	81	360,530	503,376
At 1 January 2010	285,530	142,765	-	296,520	439,285
Profit for the financial period	-	-	-	377,735	377,735
Other comprehensive income for the financial period					
- changes in fair value of cash flow hedges, net of tax	-	-	(3,375)	-	(3,375)
- deferred tax on fair value changes on cash flow hedges	-	-	844	-	844
- deferred tax on revalued land and buldings	-	-	-	60	60
Total comprehensive income	285,530	142,765	(2,531)	674,315	814,549
Dividends for financial year ended 31 December 2009					
- Final	-	-	-	(177,029)	(177,029)
At 30 June 2010	285,530	142,765	(2,531)	497,286	637,520

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 2010.

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

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2011

	Note	As at 30.6.2011 RM'000	As at 31.12.2010 RM'000
Non-current assets			
Property, plant and equipment	6	390,551	405,826
Investment property		1,636	1,636
Goodwill		411,618	411,618
Computer software		2,667	4,336
Deferred tax assets		15,158	15,158
		821,630	838,574
Current assets			
Assets held for sale		888	888
Inventories		223,447	193,572
Receivables		184,335	179,489
Derivative financial instruments	15	109	-
Deposits, cash and bank balances		413,738	356,623
		822,517	730,572
Current liabilities			
Payables		338,979	314,208
Current tax liabilities		106,393	66,758
Derivative financial instruments	15	-	1,832
		445,372	382,798
Net current assets		377,145	347,774
		1,198,775	1,186,348
Capital and reserves			
Share capital	11	142,765	142,765
Cash flow hedge reserve		81	(1,374)
Retained earnings		360,530	349,035
Shareholders' funds		503,376	490,426
Non-current liabilities			
Borrowings (interest bearing)	12	650,000	650,000
Post employment benefit obligations		4,769	4,117
Deferred tax liabilities		40,630	41,805
		1,198,775	1,186,348
Net Assets per share (RM)		1.76	1.72

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 2010.

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the 6 months ended 30 June 2011

	6 months ended 30.6.2011	**6 months ended 30.6.2010**
	RM'000	**RM'000**
Operating activities		
Cash receipts from customers	1,978,183	1,964,626
Cash paid to suppliers and employees	(1,471,618)	(1,363,447)
Cash from operations	506,565	601,179
Income taxes paid	(91,109)	(87,681)
Net cash flow from operating activities	415,456	513,498
Investing activities		
Property, plant and equipment		
- additions	(13,554)	(2,403)
- disposals	12,857	6,914
Interest income received	5,346	3,857
Net cash flow from investing activities	4,649	8,368
Financing activities		
Dividends paid to shareholders	(351,202)	(177,029)
Interest expense paid	(11,788)	(11,743)
Net cash flow used in financing activities	(362,990)	(188,772)
Increase in cash and cash equivalents	57,115	333,094
Cash and cash equivalents as at 1 January	356,623	168,686
Cash and cash equivalents as at 30 June	413,738	501,780

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 2010

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.

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	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	RM'000	RM'000	RM'000	RM'000
In respect of current year				
Current tax				
- Malaysian income tax	63,658	63,954	126,357	129,933
Deferred tax charge/ (credit)	-	254	(929)	508
	63,658	64,208	125,428	130,441

The average effective tax rate of the Group for the financial period ended 30 June 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 30 June 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 July 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 30 June 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 July 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 30 June 2011 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	11,994
Authorised by the Directors but not contracted for	7,093
	19,087

15. Financial Instruments

Derivatives

As at 30 June 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	17,453	17,040	(413)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
Euro			
- Less than 1 year	28,430	29,347	917
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
Pound Sterling			
- Less than 1 year	33,119	32,724	(395)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
TOTAL	**79,002**	**79,111**	**109**

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 30.6.2011 RM'000	**Financial year ended 31.12.2010 RM'000**
Total retained profits of British American Tobacco (Malaysia) Berhad and its subsidiaries		
- Realised profit	574,944	523,619
- Unrealised loss	(44,468)	(46,955)
Less: Consolidation Adjustments	(169,946)	(127,629)
Total retained profits	360,530	349,035

The unrealised portion within unappropriated profits (retained earnings) as at 30 June 2011 predominantly relates to net deferred tax liability of RM25,472,000 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 and hence realised.

16. Material Litigation

There is no material litigation as at 14 July 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 volumes increased by 5.5% compared to the preceding quarter from the strong performance of Dunhill through its new product launches, Dunhill Boost and Switch and enforcement efforts by the authorities in penalising errant traders selling below minimum price.

The Group has seen growth in its Revenue (+5.2%) and Net Turnover (+5.3%) on the back of a 5.5% increase in volume from the preceding quarter. Profit after tax increased by 3.1% from higher volumes, partially offset by increased operating expenses from timing of overhead spend.

19. Review of Performance

The Group's year to date June 2011 market share stands at 60.1%, an increase of 0.1 percentage points compared to the same period last year. This is a commendable result taking into consideration the ban of packs less than 20 sticks in June last year, down trading pressure from excise led price increase in October 2010 (BATM has a larger 14's and premium portfolio), and from certain sub-value for money brands selling below the mandatory minimum price. Stronger enforcement efforts by the authorities and heightened public awareness have helped reduce the illegal sale of cigarettes below minimum price, and as a result, BAT Malaysia's share in June 2011 hit 61.3%, a fifth consecutive month of growth (up 2.6 percentage points since January 2011). This growth came from Dunhill, supported by 2 successful Dunhill capsule product launches in the first half of 2011.

Industry volumes amongst the Confederation of Malaysian Tobacco Manufacturers' (CMTM) members for the year to date June 2011 compared to same period last year had declined by 5.5% driven by the high excise led price increase in October 2010. The Group's volume only declined by 4.4%, outperforming the industry average contraction of 5.5% as a result of strong performance of Dunhill and its capsule product launches.

Gross profit year to date versus same period last year declined by 6.2% impacted by lower volumes and loss of 14's pack size margin, partially offset by higher net pricing and productivity savings. Furthermore, the comparative period last year saw higher marketing expenditure incurred during the introduction of Dunhill Reloc and trade activities to migrate the 14's to 20's pack size. Combined with the reduction in overhead spend in 2011 of 10.4% versus same period last year, this limits the net decline in Profit before / after tax to only 4% versus same period last 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.

Subsequent to the end of the period, the legal case with Bright Surplus Sdn Bhd has been struck off by the High Court order pursuant to the plaintiff failing to comply with the requirements by due date. The appeal dateline has lapsed on 8 July 2011 without any further action taken by Bright Surplus. Due to its immateriality, the provision for this litigation of RM5.8 million will only be reversed in Q3 2011.

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 Group's volume year to date declined 4.4% versus same period last year, following the hefty excise increase in October 2010. Quarter 2 volumes have improved versus the previous quarter in response to increased enforcement of illegal pricing activities by certain sub-value for money brands.

Despite the 4.4% decline the Group outperforms the industry which declined by 5.5% for the corresponding period. High level of illicit trade and the illegal pricing activities by certain sub-value for money brands continue to pose as threats to the legal industry, in particular the Group given its leadership position in the premium segment.

With regards to the loss of margin from the ban on packs less than 20 sticks, the annualised financial impact remains at our previously reported estimate of RM80 million per annum. Quarter 2 was the last quarter where the loss of margin from the ban distorted the financial comparative.

The Group's profit outlook for 2011 remains cautious although improved in comparison to the outlook in Quarter 1. Key concerns are the prevailing high incidence of illicit cigarette trade and directly impacting this high rate of illicit trade is the Government's future excise increases and continued illegal pricing activities by certain sub-value for money brands.

However, BAT remains committed to maintaining and enhancing its leadership position in the tobacco industry through the strength of its brand portfolio and in delivering long term shareholder value.

23. Earnings Per Share

	3 months ended		Financial period ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
Basic earnings per share				
Profit for the financial period (RM'000)	184,140	185,840	362,697	377,735
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	64.5	65.1	127.0	132.3

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 has declared a second interim dividend of 60.00 sen per share amounting to RM171,318,000 and a special interim dividend of 30.00 sen per share amounting to RM85,659,000, both tax exempt under the single-tier tax system, in respect of the financial year ending 31 December 2011, payable on 26 August 2011, to all shareholders whose names appear on the Register of Members and Record of Depositors on 11 August 2011.

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from 11 August 2011 to 12 August 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 August 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 August 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 July 2011