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

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the 9 months ended 30 September 2011

	Note	3 months ended 30.9.2011	3 months ended 30.9.2010	Financial period ended 30.9.2011	Financial period ended 30.9.2010
		RM'000	RM'000	RM'000	RM'000
Revenue		1,104,525	993,591	3,139,980	3,006,285
Cost of sales		(717,145)	(631,013)	(2,024,283)	(1,867,641)
Gross profit		387,380	362,578	1,115,697	1,138,644
Other operating income		2,634	2,822	8,527	8,007
Operating expenses		(143,797)	(135,915)	(376,294)	(395,403)
Profit from operations		246,217	229,485	747,930	751,248
Finance cost		(6,907)	(6,907)	(20,494)	(20,494)
Profit before tax		239,310	222,578	727,436	730,754
Tax expense	5	(63,041)	(51,924)	(188,469)	(182,365)
Profit for the financial period		176,269	170,654	538,967	548,389
Earnings per share - basic (sen)	23	61.7	59.8	188.8	192.1
Earnings per share - diluted (sen)	23	61.7	59.8	188.8	192.1
Net dividends per share (sen)					
- Interim 1 dividend		-	-	60.0	113.0
- Interim 2 dividend		-	64.0	60.0	64.0
- Special interim dividend		-	-	30.0	-
- Interim 3 dividend		60.0	-	60.0	-
		60.0	64.0	210.0	177.0

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 9 months ended 30 September 2011

	3 months ended		Financial period ended	
	30.9.2011	30.9.2010	30.9.2011	30.9.2010
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	176,269	170,654	538,967	548,389
Other comprehensive income:				
Change in fair value of cash flow hedges, net of tax	1,688	1,753	3,629	(1,622)
Deferred tax movement on other comprehensive income				
- deferred tax on revalued land and buildings	-	30	-	90
- deferred tax on fair value changes of cash flow hedges	(422)	(438)	(908)	406
Total other comprehensive income for the financial period	1,266	1,345	2,721	(1,126)
Total comprehensive income for the financial period	177,535	171,999	541,688	547,263
Attributable to:				
Shareholders' equity	177,535	171,999	541,688	547,263

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 9 months ended 30 September 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				538,967	538,967
Other comprehensive income for the financial period					
- changes in fair value of cash flow hedges, net of tax	-	-	3,629	-	3,629
- deferred tax on fair value changes on cash flow hedges	-	-	(908)	-	(908)
Total comprehensive income	285,530	142,765	1,347	888,002	1,032,114
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)
- Interim 2	-	-	-	(171,318)	(171,318)
- Special interim dividend	-	-	-	(85,659)	(85,659)
At 30 September 2011	285,530	142,765	1,347	279,823	423,935
At 1 January 2010	285,530	142,765	-	296,520	439,285
Profit for the financial period	-	-	-	548,389	548,389
Other comprehensive income for the financial period					
changes in fair value of cash flow hedges, net of tax			(1,622)		(1,622)
- deferred tax on fair value changes on cash flow hedges			406		406
- deferred tax on revalued land and buldings			90		90
Total comprehensive income	285,530	142,765	(1,126)	844,909	986,548
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	(1,126)	345,231	486,870

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 September 2011

	Note	As at 30.9.2011 RM'000	As at 31.12.2010 RM'000
Non-current assets			
Property, plant and equipment	6	395,942	405,826
Investment property		1,636	1,636
Goodwill		411,618	411,618
Computer software		2,394	4,336
Deferred tax assets		5,529	15,158
		817,119	838,574
Current assets			
Assets held for sale		888	888
Inventories		197,759	193,572
Receivables		206,384	179,489
Derivative financial instruments	15	1,796	-
Deposits, cash and bank balances		318,547	356,623
		725,374	730,572
Current liabilities			
Payables		347,399	314,208
Borrowings (interest bearing)	12	400,000	-
Current tax liabilities		74,304	66,758
Derivative financial instruments	15	-	1,832
		821,703	382,798
Net current assets		(96,329)	347,774
		720,790	1,186,348
Capital and reserves			
Share capital	11	142,765	142,765
Cash flow hedge reserve		1,347	(1,374)
Retained earnings		279,823	349,035
Shareholders' funds		423,935	490,426
Non-current liabilities			
Borrowings (interest bearing)	12	250,000	650,000
Post employment benefit obligations		5,091	4,117
Deferred tax liabilities		41,764	41,805
		720,790	1,186,348
Net Assets per share (RM)		1.48	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 9 months ended 30 September 2011

	9 months ended 30.9.2011	9 months ended 30.9.2010
	RM'000	RM'000
Operating activities		
Cash receipts from customers	3,024,725	2,940,285
Cash paid to suppliers and employees	(2,254,859)	(2,061,467)
Cash from operations	769,866	878,818
Income taxes paid	(172,242)	(184,483)
Net cash flow from operating activities	597,624	694,335
Investing activities		
Property, plant and equipment		
- additions	(26,204)	(31,082)
- disposals	14,766	24,464
Additions of computer software	-	(859)
Interest income received	8,123	6,713
Net cash flow from investing activities	(3,315)	(764)
Financing activities		
Dividends paid to shareholders	(608,179)	(499,677)
Interest expense paid	(24,206)	(25,419)
Net cash flow used in financing activities	(632,385)	(525,096)
Increase/ (Decrease) in cash and cash equivalents	(38,076)	168,475
Cash and cash equivalents as at 1 January	356,623	168,686
Cash and cash equivalents as at 30 September	318,547	337,161

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 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

During the period, the Group changed its distribution model from Company-owned distributorship to exclusive third party distributorship for 3 of its biggest areas; Klang Valley, Johor Bahru and Penang. This decision resulted in organisational restructuring which includes voluntary separation schemes (VSS) and reorganisation of certain employees. The financial impact of RM12 million as a result of this organisational restructuring has been recognised in Q3 2011.

There were no other 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	
	30.9.2011 RM'000	30.9.2010 RM'000	30.9.2011 RM'000	30.9.2010 RM'000
In respect of current year				
Current tax				
- Malaysian income tax	53,432	49,366	179,789	179,299
Deferred tax charge/ (credit)	9,609	2,558	8,680	3,066
	63,041	51,924	188,469	182,365

The average effective tax rate of the Group for the financial period ended 30 September 2011 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.

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.

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 13 October 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 September 2011 are as follows:

	RM'000
Current	
5-year medium-term notes 2007/2012 with a coupon rate of 4.05% per annum, maturing on 21 September 2012	400,000
Non- current	
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 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 September 2011 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	32,473
Authorised by the Directors but not contracted for	14,155
	46,628

15. Financial Instruments

Derivatives

As at 30 September 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	26,366	27,432	1,066
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
Euro			
- Less than 1 year	51,345	51,730	385
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
Pound Sterling			
- Less than 1 year	35,093	35,438	345
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
TOTAL	**112,804**	**114,600**	**1,796**

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 30.9.2011 RM'000	**Financial year ended 31.12.2010 RM'000**
Total retained profits of British American Tobacco (Malaysia) Berhad and its subsidiaries		
- Realised profit	492,261	523,619
- Unrealised loss	(44,552)	(46,955)
Less: Consolidation Adjustments	(167,886)	(127,629)
Total retained profits	279,823	349,035

The unrealised portion within unappropriated profits (retained earnings) as at 30 September 2011 predominantly relates to net deferred tax liability of RM31,485,000 and provisions for non-material litigation of RM12,727,000.

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

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. Provision for this litigation of RM5.8 million has been reversed out in Q3 2011.

There is no other material litigation as at 13 October 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

Profit before tax declined by 3.4% compared to the preceding quarter as Gross profit increase of 4.1% driven by higher volumes was offset by a 19.5% increase in operating expenses from one off costs for change in distribution model.

Profit after tax declines by 4.3% from higher effective tax rate due to revised tax payable for 2009 finalised in 2010.

19. Review of Performance

The Group's market share has grown month on month to register a year to date August 2011 performance of 60.6%, up 0.6 percentage points compared to the same period last year. From a low of 58.7% market share in January 2011, impacted by the high excise led price increase in October 2010 and pricing activities of certain sub-value for money brands selling below Government mandated minimum price, the Group's market share has registered 62% in August 2011 from stronger enforcement efforts by the authorities.

Dunhill, the largest cigarette brand in the market, supported by the launch of its capsule products, was the key driver behind the Group's performance, growing by 0.8 percentage points compared to the same period last year to register a market share of 44.1% for the year to date August 2011.

Industry volumes amongst the Confederation of Malaysian Tobacco Manufacturers' (CMTM) members for the year to date September 2011 compared to same period last year declined by 3.0% driven by the high excise led price increase in October 2010 and pricing activities of certain sub-value for money brands selling below Government mandated minimum price. The Group's volume only declined by 1.9%, outperforming the industry average contraction 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 2.0% impacted by lower volumes and loss of 14's pack size margin, partially offset by higher net pricing and increased contract manufacturing volumes. Operating expenses reduced by 4.8% from absence of marketing expenditure such as launch of Peter Stuyvesant and migration of 14's pack size, partially offset by one off costs from change in distribution model. Consequently profit before tax declined by only 0.5%.

Profit after tax declines by 1.7% primarily due to lower 2010 tax charge as a result of a 2009 tax credit realised in 2010.

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

The combination of the Government's recent decision in the 2012 budget not to increase cigarette excise, together with the enhanced efforts of the enforcement agencies to control sales below Government mandated minimum price and increase seizures of illicit products will help address the persistent threat of illicit trade.

Industry (Confederation of Malaysia Tobacco Manufacturers' members, British American Tobacco (M) Berhad, JT International Berhad & Philip Morris (M) Sdn Bhd) volumes declined by 3% for the year to date 2011 compared to the same period last year impacted by the high levels of illicit trade and pricing activities of certain sub-value for money brands selling below Government mandated minimum price. The Group has however consistently outperformed the industry average in the last 3 quarters declining by only 1.9%, supported by new product launches and trade activities.

The Group's profit outlook for 2011 is improved versus the previous quarter as a result of no excise increase. However, the prevailing high incidence of illicit cigarette trade and pricing activities of certain sub-value for money brands selling below Government mandated minimum price remain a concern. The support of the Government in addressing these concerns are vital.

23. Earnings Per Share

	3 months ended		**Financial period ended**	
	30.9.2011	**30.9.2010**	**30.9.2011**	**30.9.2010**
Basic earnings per share				
Profit for the financial period (RM'000)	176,269	170,654	538,967	548,389
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	61.7	59.8	188.8	192.1

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 third interim dividend of 60.00 sen per share, tax exempt under the single-tier tax system amounting to RM171,318,000 in respect of the financial year ending 31 December 2011, payable on 25 November 2011, to all shareholders whose names appear on the Register of Members and Record of Depositors on 15 November 2011.

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from 15 November 2011 to 16 November 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 11 November 2011, in respect of securities exempted from mandatory deposit;

(b) Securities transferred to the Depositor's Securities Account before 4.00 p.m. on 15 November 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
20 October 2011