

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

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the period ended 31 March 2012

	Note	3 months ended/ Financial period ended	
		31.03.2012	31.03.2011
		RM'000	RM'000
Revenue		1,042,762	992,149
Cost of sales		<u>(675,466)</u>	<u>(636,037)</u>
Gross profit		367,296	356,112
Other operating income		2,617	3,115
Operating expenses		<u>(101,520)</u>	<u>(112,144)</u>
Profit from operations		268,393	247,083
Finance cost		<u>(6,831)</u>	<u>(6,756)</u>
Profit before tax		261,562	240,327
Tax expense	5	<u>(67,053)</u>	<u>(61,770)</u>
Profit for the financial period		<u><u>194,509</u></u>	<u><u>178,557</u></u>
Earnings per share - basic (sen)	21	68.1	62.5
Earnings per share - diluted (sen)	21	68.1	62.5
Net dividends per share (sen)			
- Interim 1	22	65.0	60.0

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 2011.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 3 months ended 31 March 2012

	Note	3 months ended/ Financial period ended	
		31.03.2012	31.03.2011
		RM'000	RM'000
Profit for the financial period		194,509	178,557
Other comprehensive income:			
Change in fair value of cash flow hedges		789	2,925
Deferred tax credit / (charge) on other comprehensive income			
- deferred tax on fair value changes of cash flow hedges		(197)	(731)
		592	2,194
Total other comprehensive income for the financial period			
Total comprehensive income for the financial period		195,101	180,751
Attributable to:			
Shareholders' equity		195,101	180,751

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2011.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2012

	Issued and fully paid ordinary shares of 50 sen each		Non Distributable Cash flow hedge reserve	Distributable Retained earnings	Attributable to Shareholders' Equity Total
	Number of shares	Nominal value			
	'000	RM'000			
At 1 January 2012	285,530	142,765	(242)	289,212	431,735
Total comprehensive income for the financial period	-	-	592	194,509	195,101
Dividends for financial year ended 31 December 2011 - Interim 4	-	-	-	(188,450)	(188,450)
At 31 March 2012	<u>285,530</u>	<u>142,765</u>	<u>350</u>	<u>295,271</u>	<u>438,386</u>
At 1 January 2011	285,530	142,765	(1,374)	349,035	490,426
Total comprehensive income for the financial period	-	-	2,194	178,557	180,751
Dividends for financial year ended 31 December 2010 - Interim 3	-	-	-	(179,884)	(179,884)
At 31 March 2011	<u>285,530</u>	<u>142,765</u>	<u>820</u>	<u>347,708</u>	<u>491,293</u>

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 2011.

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 March 2012

	Note	As at 31.3.2012	As at 31.12.2011
		RM'000	RM'000
Non-current assets			
Property, plant and equipment		413,994	424,332
Investment property		138	138
Computer software		4,548	4,742
Goodwill		411,618	411,618
Deferred tax assets		20,102	20,102
		<u>850,400</u>	<u>860,932</u>
Current assets			
Inventories		231,486	192,959
Receivables		175,169	206,925
Derivative financial instruments		467	-
Deposits, cash and bank balances		290,583	306,647
		<u>697,705</u>	<u>706,531</u>
Current liabilities			
Payables		319,794	361,295
Deferred income		2,095	2,095
Borrowings (interest bearing)	10	400,000	400,000
Derivative financial instruments		-	322
Current tax liabilities		81,741	67,566
		<u>803,630</u>	<u>831,278</u>
Net current liabilities		(105,925)	(124,747)
		<u>744,475</u>	<u>736,185</u>
Capital and reserves			
Share capital	8	142,765	142,765
Cash flow hedge reserve		350	(242)
Retained earnings		295,271	289,212
Shareholders' funds		438,386	431,735
Non-current liabilities			
Borrowings (interest bearing)	10	250,000	250,000
Deferred income		7,159	7,683
Post employment benefit obligations		4,809	4,511
Deferred tax liabilities		44,121	42,256
		<u>744,475</u>	<u>736,185</u>
Net Assets per share (RM)		1.54	1.51

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 2011.

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 March 2012

	Note	3 months ended 31.3.2012	3 months ended 31.3.2011
		RM'000	RM'000
Operating activities			
Cash receipts from customers		1,034,768	963,051
Cash paid to suppliers and employees		(797,416)	(748,253)
Cash from operations		<u>237,352</u>	<u>214,798</u>
Income taxes paid		(50,311)	(46,082)
Net cash flow from operating activities		<u>187,041</u>	<u>168,716</u>
Investing activities			
Property, plant and equipment			
- additions		(5,300)	(2,924)
- disposals		1,994	1,093
Additions of computer software		(265)	(3)
Interest income received		2,639	2,895
Net cash flow from investing activities		<u>(932)</u>	<u>1,061</u>
Financing activities			
Dividends paid to shareholders		(188,450)	(179,884)
Interest expense paid		(13,723)	(11,785)
Net cash flow used in financing activities		<u>(202,173)</u>	<u>(191,669)</u>
Increase in cash and cash equivalents		(16,064)	(21,892)
Cash and cash equivalents as at 1 January		306,647	356,623
Cash and cash equivalents as at 31 March		<u>290,583</u>	<u>334,731</u>

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 2011.

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 2011.

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 2011.

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 2011 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

During the year, the Group reviewed its Forest Development Expenditure prepayment and has revalued this asset to the lower of cost amortised over its useful life and net present value of expected future market price of carbon credits as traded in the European market. As a result, an impairment of RM7.8 million was recognised in the financial period under review.

There were no other 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	
	31.3.2012	31.3.2011
	RM'000	RM'000
<u>In respect of current year</u>		
Current tax		
- Malaysian income tax	65,384	62,699
Deferred tax charge/ (credit)	1,669	(929)
	<u>67,053</u>	<u>61,770</u>

The average effective tax rate of the Group for the financial period ended 31 March 2012 is 25.6%, 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 2011 of 25.7%.

6. Notes to the Statements of Comprehensive Income

	3 months /	
	Financial period ended	
	31.3.2012	31.3.2011
	RM'000	RM'000
Interest income	(2,617)	(2,887)
Interest expense	6,831	6,756
Depreciation and amortization	14,101	14,872
Gain on disposal of property, plant and equipment	(199)	(97)
Impairment / (Reversal of impairment) of assets	7,777	(11,558)
Net foreign exchange loss	542	222
Gain on derivatives	(592)	(2,194)

7. Changes in Composition of the Group

There were no changes in the composition of the Group during the financial period under review.

8. Corporate Proposals

There were no new corporate proposals announced as at 16 April 2012 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

9. 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.

10. Borrowings

The Group's borrowings as at 31 March 2012 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
	<u>650,000</u>

All borrowings are denominated in Ringgit Malaysia.

11. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 16 April 2012 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

12. Capital Commitments

Capital commitments not provided for in the financial statements as at 31 March 2012 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	10,293
Authorised by the Directors but not contracted for	14,485
	<u>24,778</u>

13. 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 31.3.2012 RM'000	Financial year ended 31.12.2011 RM'000
Total retained profits of British American Tobacco (Malaysia) Berhad and its subsidiaries		
- Realised profit	499,535	494,238
- Unrealised loss	(34,806)	(36,321)
Less: Consolidation Adjustments	(169,458)	(168,705)
Total retained profits	<u>295,271</u>	<u>289,212</u>

The unrealised portion within unappropriated profits (retained earnings) as at 31 March 2012 predominantly relates to net deferred tax liability of RM24,019,000 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.

14. Material Litigation

There was no material litigation as at 16 April 2012 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

15. 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.

16. Material Changes in the Quarterly Results as Compared with the Preceding Quarter

While the Group's volume grew by 6.9% as compared to the previous quarter, profit before tax increased by 14.3% mainly due to absence of the one-off impact on merchandising assets from change in accounting policy in Q4' 2011 (RM15 million), as well as lower marketing expenses due to timing of brand activities.

Profit after tax improved by 7.7% only as a result of high utilisation of reinvestment allowance in the previous quarter, bringing down the effective tax rate of 21% as compared to 26% in the current quarter. The Group's reinvestment allowance expired in 2011.

17. Review of Performance

Quarter 1 last year was a period which saw the Group's volume and market share adversely impacted by the activities of certain local sub-value for money brands selling below the Government mandated minimum price. With the Government's decision not to increase excise tax in 2011, increased effort by relevant Government agencies in curbing illegal cigarette trade and illegal pricing activities, as well as strong performance by Dunhill, the Group's volume grew by 4.5% as compared to same period last year. The Group's market share year to date of 62.5% was stable, up 0.2 percentage point as compared to preceding quarter. Dunhill continues to uphold its strong performance momentum last year, maintaining its highest ever market share of 46.6% in March 2012, whilst the rest of the brands continue to remain resilient.

Revenue grew by 5.1% compared to same period last year in line with higher domestic volume as well as higher sub-contract manufacturing revenue. Gross profit however only increased by 3.1% mainly due to reversal of 14s machine impairment in Q1' 2011 (RM11.6 million) and higher variable costs in 2012 coupled with higher distributor margin quantum this quarter following the change in the Group's distribution model in Q3' 2011. With the change from Company-owned to exclusive third party distributorship, the Group incurs a higher distributor margin to third party (hence lower gross profit) but this is mostly offset in lower own distribution costs (classified under operating expenses).

Profit before tax increased by 8.8%, higher than the increase in gross profit, mainly due to lower spend in marketing and distribution costs as explained above, as well as timing of brand related activities. Profit after tax increased by 8.9%, in line with profit before tax.

18. 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.

19. Seasonal or Cyclical Factors

The business operations of the Group are generally impacted by increase in excise typically announced during Malaysia Budget. Notably there was no excise increase in 2011.

20. Current Financial Year's Prospects

The Group continues to show growth momentum behind its portfolio of brands, increasing market share by 1.4 percentage point year to date as compared to 2011 full year. Dunhill in particular continues with its commendable performance as displayed last year, and with the recent new product launch in April 2012, the Group is confident that it will take Dunhill into greater heights.

Nevertheless, the threat of illicit trade is still prevalent with illicit incidence of 36.1% recorded for full year 2011 Illegal Cigarettes Study commissioned by CMTM. However, the Government's decision not to increase cigarette excise in the 2012 budget and its continuous efforts to combat illicit trade is welcomed as it is a positive move to address the issue.

Supported by a strong portfolio of products the Group is relatively optimistic on its outlook for 2012.

21. Earnings Per Share

	3 months /	
	Financial period ended	
	31.3.2012	31.3.2011
Basic earnings per share		
Profit for the financial period (RM'000)	194,509	178,557
Weighted average number of ordinary shares in issue ('000)	285,530	285,530
Basic earnings per share (sen)	68.1	62.5

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.

22. Dividends

The Board of Directors has declared first interim dividend of 65.00 sen per share, tax exempt under the single-tier tax system amounting to RM185,594,500 in respect of the financial year ending 31 December 2012 (for the financial year ended 31 December 2011, first interim dividend of 60.00 sen per share, tax exempt under the single-tier tax system, amounting to RM171,318,000), payable on 25 May 2012, to all shareholders whose names appear on the Register of Members and Record of Depositors on 14 May 2012.

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from 14 May 2012 to 15 May 2012 (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 May 2012, in respect of securities exempted from mandatory deposit;
- (b) Securities transferred to the Depositor's Securities Account before 4.00 p.m. on 14 May 2012, 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

23 April 2012