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

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the 6 months ended 30 June 2012

	Note	3 months ended 30.6.2012	3 months ended 30.6.2011	Financial period ended 30.6.2012	Financial period ended 30.6.2011
		RM'000	RM'000	RM'000	RM'000
Revenue		1,067,987	1,043,306	2,110,749	2,035,455
Cost of sales		(699,397)	(671,101)	(1,374,862)	(1,307,138)
Gross profit		368,590	372,205	735,887	728,317
Other operating income		7,415	2,778	10,032	5,893
Operating expenses		(72,454)	(120,354)	(173,974)	(232,498)
Profit from operations		303,551	254,629	571,945	501,712
Finance cost		(6,831)	(6,831)	(13,662)	(13,587)
Profit before tax		296,720	247,798	558,283	488,125
Tax expense	5	(75,872)	(63,658)	(142,925)	(125,428)
Profit for the financial period		220,848	184,140	415,358	362,697
Earnings per share - basic (sen)	21	77.3	64.5	145.5	127.0
Earnings per share - diluted (sen)	21	77.3	64.5	145.5	127.0
Net dividends per share (sen)					
- Interim 1 dividend		-	-	65.0	60.0
- Interim 2 dividend		65.0	60.0	65.0	60.0
- Special interim dividend		-	30.0	-	30.0
		65.0	90.0	130.0	150.0

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 STATEMENTS OF COMPREHENSIVE INCOME
For the 6 months ended 30 June 2012

	3 months ended		Financial period ended	
	30.6.2012 RM'000	30.6.2011 RM'000	30.6.2012 RM'000	30.6.2011 RM'000
Profit for the financial period	220,848	184,140	415,358	362,697
Other comprehensive income:				
Change in fair value of cash flow hedges	(175)	(984)	614	1,941
Deferred tax movement on other comprehensive income				
- deferred tax on fair value changes of cash flow hedges	44	246	(153)	(486)
Total other comprehensive income for the financial period	(131)	(738)	461	1,455
Total comprehensive income for the financial period	220,717	183,402	415,819	364,152
Attributable to:				
Shareholders' equity	220,717	183,402	415,819	364,152

The Condensed Consolidated Statements of Comprehesive 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 STATEMENTS OF CHANGES IN EQUITY

For the 6 months ended 30 June 2012

	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 2012	285,530	142,765	(242)	289,212	431,735
Profit for the financial period	-	-	-	415,358	415,358
Other comprehensive income for the financial period					
- changes in fair value of cash flow hedges	-	-	614	-	614
- deferred tax on fair value changes on cash flow hedges	-	-	(153)	-	(153)
	285,530	142,765	219	704,570	847,554
Dividends for financial year ended 31 December 2011					
- Interim 4	-	-	-	(188,450)	(188,450)
Dividends for financial year ended 31 December 2012					
- Interim 1	-	-	-	(185,594)	(185,594)
At 30 June 2012	285,530	142,765	219	330,526	473,510
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	-	-	1,941	-	1,941
- deferred tax on fair value changes on cash flow hedges	-	-	(486)	-	(486)
	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

The Condensed Consolidated Statements 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 30 June 2012

	Note	As at 30.6.2012 RM'000	As at 31.12.2011 RM'000	As at 1.1.2011 RM'000
Non-current assets				
Property, plant and equipment		409,434	424,332	405,826
Investment property		138	138	1,636
Goodwill		411,618	411,618	411,618
Computer software		3,979	4,742	4,336
Deferred tax assets		20,102	20,102	15,158
		845,271	860,932	838,574
Current assets				
Asset held for sale		-	-	888
Inventories		337,537	192,959	193,572
Receivables		203,945	206,925	179,489
Derivative financial instruments		292	-	-
Deposits, cash and bank balances		274,471	306,647	356,623
		816,245	706,531	730,572
Current liabilities				
Payables		367,556	361,295	314,208
Deferred income		2,095	2,095	-
Borrowings	10	400,000	400,000	-
Current tax liabilities		110,952	67,566	66,758
Derivative financial instruments		-	322	1,832
		880,603	831,278	382,798
Net current (liabilities) / assets		(64,358)	(124,747)	347,774
		780,913	736,185	1,186,348
Capital and reserves				
Share capital	8	142,765	142,765	142,765
Cash flow hedge reserve		219	(242)	(1,374)
Retained earnings		330,526	289,212	349,035
Shareholders' funds		473,510	431,735	490,426
Non-current liabilities				
Deferred income		6,635	7,683	-
Borrowings	10	250,000	250,000	650,000
Post employment benefit obligations		5,021	4,511	4,117
Deferred tax liabilities		45,747	42,256	41,805
		780,913	736,185	1,186,348
Net assets per share (RM)		1.66	1.51	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 2011.

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

For the 6 months ended 30 June 2012

	6 months ended 30.6.2012	6 months ended 30.6.2011
	RM'000	**RM'000**
Operating activities		
Cash receipts from customers	2,008,880	1,978,183
Cash paid to suppliers and employees	(1,549,498)	(1,471,618)
Cash from operations	459,382	506,565
Income taxes paid	(96,201)	(91,109)
Net cash flow from operating activities	363,181	415,456
Investing activities		
Property, plant and equipment		
- additions	(14,933)	(13,554)
- disposals	3,037	12,857
Additions of computer software	(443)	-
Interest income received	4,751	5,346
Net cash flow from investing activities	(7,588)	4,649
Financing activities		
Dividends paid to shareholders	(374,044)	(351,202)
Interest expense paid	(13,725)	(11,788)
Net cash flow used in financing activities	(387,769)	(362,990)
Increase in cash and cash equivalents	(32,176)	57,115
Cash and cash equivalents as at 1 January	306,647	356,623
Cash and cash equivalents as at 30 June	274,471	413,738

The Condensed Consolidated Cash Flow Statements 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 Malaysian Financial Reporting Standard ("MFRS") 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.

In compliant with MFRS, "MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards" has been applied in this interim report. The transition from FRS to MFRS does not have any significant impact to the financial report of the Group.

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the significant accounting policies and method of computation adopted in these quarterly interim financial reports 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

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	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RM'000	RM'000	RM'000	RM'000
In respect of current year				
Current tax				
- Malaysian income tax	74,203	63,658	139,587	126,357
Deferred tax charge/ (credit)	1,669	-	3,338	(929)
	75,872	63,658	142,925	125,428

The average effective tax rate of the Group for the financial period ended 30 June 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 30 June 2011 of 25.7%.

6. Notes to the Statements of Comprehensive Income

	3 months ended		Financial period ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RM'000	RM'000	RM'000	RM'000
Interest income	(2,097)	(2,598)	(4,714)	(5,485)
Interest expense	6,831	6,831	13,662	13,587
Depreciation and amortization	12,076	15,256	26,177	30,128
(Gain)/ Loss on disposal of property, plant and equipments	1,872	75	1,673	(22)
Impairment / (Reversal of impairment) of assets	(5,515)	0	2,262	(11,558)
Net foreign exchange (gain)/loss	(143)	(310)	399	(88)
(Gain)/Loss on derivatives	131	738	(461)	(1,455)

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 12 July 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 30 June 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
	650,000

All borrowings are denominated in Ringgit Malaysia.

11. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 12 July 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 30 June 2012 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	19,514
Authorised by the Directors but not contracted for	5,590
	25,104

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.

	As at 30.6.2012 RM'000	**As at 31.12.2011 RM'000**
Total retained profits of British American Tobacco (Malaysia) Berhad and its subsidiaries		
- Realised profit	538,384	494,238
- Unrealised loss	(38,283)	(36,321)
Less: Consolidation Adjustments	(169,575)	(168,705)
Total retained profits	330,526	289,212

The unrealised portion within unappropriated profits (retained earnings) as at 30 June 2012 predominantly relates to net deferred tax liability of RM25,645,000 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 12 July 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

Whilst domestic volume remained relatively flat compared to previous quarter, revenue increased by 2.4%. This increase is mainly attributable to the contract manufacturing business, a combination of higher volume (20% increase compared to Q1) and improved margin following the change from toll to full contract manufacturing model.

Profit after tax increased by 13.7% mainly from lower marketing expenses due to timing of brand and trade related activities.

17. Review of Performance

As at June 2012 BAT Malaysia had further strengthened its market leadership, achieving a 1.3 percentage point market share growth as compared to full year 2011 (2.2 percentage point growth compared to same period last year). June YTD market share achievement was 62.3%, Dunhill performance being the key contributor, with the brand achieving its highest ever market share of 47.6% in June. The combined strength of Dunhill together with the enforcement by Government agencies in curbing illegal cigarette and sub-value for money brands selling below the Government mandated price has led to the recovery of volume and market share compared with first half of 2011. June YTD the Group's volume grew by 1.6% compared to same period last year.

Revenue for the first half of 2012 grew by 3.7% compared to corresponding period in 2011, the growth being attributed to both higher domestic volume and higher contract manufacturing revenue. The increase in contract manufacturing revenue is due to higher volume and higher margin following the change from toll to full contract manufacturing model.

Gross profit YTD was only 1.0% ahead of same period last year. This modest achievement is in part due to a strong 2011 comparator that included machine impairment reversal of RM11mn, and partly due to higher production overheads, RM6mn (repairs and maintenance, utilities and staff costs) above comparable period last year.

Profit before tax increased by 14.4% compared to same period last year, significantly ahead of gross profit growth. This difference is owing to operating expenses being 25% lower than the comparable period last year. The lower operating expenses are partly permanent and partly timing. Permanent reductions stem from lower distribution cost after the change in distribution model in 2011, and the absence of merchandising depreciation following the change in accounting treatment in Q4 2011. Timing difference are predominantly brand and trade related activities.

Profit after tax increased by 14.5%, 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

Through the first half of 2012 the Group has continued to show good growth momentum. Dunhill continues its excellent performance registering share growth behind its core range as well as the newly re-launched Dunhill Switch. The performance of the Group's value for money brands, mostly Pall Mall, have not been as strong. However, plans are in place to strengthen Pall Mall's brand equity, with the re-launch of Pall Mall's new global pack design in July 2012.

Illicit incidence remains very high at 34.7% based on the first wave (March to May 2012) of the Illegal Cigarettes Study commissioned by the Confederation of Malaysian Tobacco Manufacturers (CMTM). However this latest result posted a 2.6% drop in illicit trade compared to same period last year. The Government's decision not to increase cigarette excise in the 2012 budget together with the continuous enforcement efforts by its law enforcement agencies to combat illicit trade and curb sales of cigarettes way below the mandated minimum selling and total taxes are clearly starting to deliver results.

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

21. Earnings Per Share

	3 months ended		**Financial period ended**	
	30.6.2012	**30.6.2011**	**30.6.2012**	**30.6.2011**
Basic earnings per share				
Profit for the financial period (RM'000)	220,848	184,140	415,358	362,697
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	77.3	64.5	145.5	127.0

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.

22. Dividends

The Board of Directors has declared second 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, second interim dividend of 60.00 sen per share and special dividend of 30 sen per share, tax exempt under the single-tier tax system, amounting to RM171,318,000 and RM85,659,000 respectively), payable on 24 August 2012, to all shareholders whose names appear on the Register of Members and Record of Depositors on 9 August 2012.

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from 9 August 2012 to 10 August 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 7 August 2012, in respect of securities exempted from mandatory deposit;

(b) Securities transferred to the Depositor's Securities Account before 4.00 p.m. on 9 August 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
19 July 2012