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

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the financial year ended 31 December 2012

	Note	3 months ended 31.12.2012	3 months ended 31.12.2011	Financial year ended 31.12.2012	Financial year ended 31.12.2011
		RM'000	RM'000	RM'000	RM'000
Revenue		1,093,982	987,265	4,364,786	4,127,245
Cost of sales		(721,923)	(610,821)	(2,865,590)	(2,635,104)
Gross profit		372,059	376,444	1,499,196	1,492,141
Other operating income		550	5,716	11,887	14,243
Operating expenses		(121,458)	(146,422)	(431,188)	(522,716)
Profit from operations		251,151	235,738	1,079,895	983,668
Finance cost		(5,031)	(6,906)	(25,512)	(27,400)
Profit before tax		246,120	228,832	1,054,383	956,268
Tax expense	5	(49,405)	(48,184)	(256,637)	(236,653)
Profit for the financial period		196,715	180,648	797,746	719,615
Earnings per share - basic (sen)	21	68.9	63.3	279.4	252.0
Earnings per share - diluted (sen)	21	68.9	63.3	279.4	252.0
Net dividends per share (sen)					
- Interim 1 dividend		-	-	65.0	60.0
- Interim 2 dividend		-	-	65.0	60.0
- Special interim dividend		-	-	-	30.0
- Interim 3 dividend		-	-	65.0	60.0
- Interim 4 dividend		77.0	66.0	77.0	66.0
		77.0	66.0	272.0	276.0

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 financial year ended 31 December 2012

	3 months ended		Financial year ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	196,715	180,648	797,746	719,615
Other comprehensive income:				
Change in fair value of cash flow hedges	1,586	(2,118)	1,022	1,510
Defined benefit plan actuarial (loss)/gain	(159)	59	(159)	59
Deferred tax movement on other comprehensive income:				
- deferred tax on fair value changes of cash flow hedges	(396)	530	(255)	(378)
- deferred tax on defined benefit plan	40	-	40	-
Total other comprehensive income for the financial period	1,071	(1,529)	648	1,191
Total comprehensive income for the financial period	197,786	179,119	798,394	720,806
Attributable to:				
Shareholders' equity	197,786	179,119	798,394	720,806

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 financial year ended 31 December 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	Share based payment reserve	Retained earnings	Total
	'000	RM'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 year	-	-	-	-	797,746	797,746
Other comprehensive income for the financial year						
- changes in fair value of cash flow hedges	-	-	1,022	-	-	1,022
- defined benefit plan actuarial loss	-	-	-	-	(159)	(159)
- deferred tax on fair value changes on cash flow hedges	-	-	(255)	-	-	(255)
- deferred tax on defined benefit plan	-	-	-	-	40	40
	285,530	142,765	525	-	1,086,839	1,230,129
Transaction with owners:						
Expense arising from equity-settled share based payment transactions	-	-	-	5,135	-	5,135
Recharge of share based payment	-	-	-	(5,135)	-	(5,135)
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)
- Interim 2					(185,594)	(185,594)
- Interim 3					(185,595)	(185,595)
At 31 December 2012	285,530	142,765	525	-	341,606	484,896
At 1 January 2011	285,530	142,765	(1,374)	-	349,035	490,426
Profit for the financial year					719,615	719,615
Other comprehensive income for the financial year						
- changes in fair value of cash flow hedges	-	-	1,510	-	-	1,510
- defined benefit plan actuarial gain					59	59
- deferred tax on fair value changes on cash flow hedges	-	-	(378)	-	-	(378)
	285,530	142,765	(242)		1,068,709	1,211,232
Transaction with owners:						
Expense arising from equity-settled share based payment transactions	-	-	-	4,439	-	4,439
Recharge of share based payment	-	-	-	(4,439)	-	(4,439)
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)
- Interim 3					(171,318)	(171,318)
At 31 December 2011	285,530	142,765	(242)	-	289,212	431,735

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 31 December 2012

	Note	As at 31.12.2012	As at 31.12.2011	As at 1.1.2011
		RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment		416,014	424,332	405,826
Investment property		134	138	1,636
Goodwill		411,618	411,618	411,618
Computer software		2,801	4,742	4,336
Deferred tax assets		21,089	20,102	15,158
		851,656	860,932	838,574
Current assets				
Asset held for sale		417	-	888
Inventories		312,217	192,959	193,572
Receivables		200,400	206,925	179,489
Tax recoverable		418	-	-
Derivative financial instruments		2,287	-	-
Deposits, cash and bank balances		78,391	306,647	356,623
		594,130	706,531	730,572
Current liabilities				
Payables		317,828	361,295	314,208
Deferred income		3,304	2,095	-
Borrowings	10	250,000	400,000	-
Current tax liabilities		85,828	67,566	66,758
Derivative financial instruments		2,670	322	1,832
		659,630	831,278	382,798
Net current (liabilities) / assets		(65,500)	(124,747)	347,774
		786,156	736,185	1,186,348
Capital and reserves				
Share capital	8	142,765	142,765	142,765
Cash flow hedge reserve		525	(242)	(1,374)
Retained earnings		341,606	289,212	349,035
Shareholders' funds		484,896	431,735	490,426
Non-current liabilities				
Deferred income		9,628	7,683	-
Borrowings	10	250,000	250,000	650,000
Post employment benefit obligations		5,115	4,511	4,117
Deferred tax liabilities		36,517	42,256	41,805
		786,156	736,185	1,186,348
Net assets per share (RM)		1.70	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 financial year ended 31 December 2012

	Financial year ended 31.12.2012	Financial year ended 31.12.2011
	RM'000	RM'000
Operating activities		
Cash receipts from customers	4,331,138	3,974,095
Cash paid to suppliers and employees	(3,351,934)	(2,925,388)
Cash from operations	979,204	1,048,707
Income taxes paid	(245,734)	(240,716)
Net cash flow from operating activities	733,470	807,991
Investing activities		
Property, plant and equipment		
- additions	(48,288)	(80,774)
- disposals	5,024	21,404
Additions of computer software	(613)	(2,305)
Interest income received	7,296	10,501
Net cash flow from investing activities	(36,581)	(51,174)
Financing activities		
Dividends paid to shareholders	(745,233)	(779,497)
Interest expense paid	(29,912)	(27,296)
Proceed from revolving credit	250,000	-
Repayment of medium term notes	(400,000)	-
Net cash flow used in financing activities	(925,145)	(806,793)
Decrease in cash and cash equivalents	(228,256)	(49,976)
Cash and cash equivalents as at 1 January	306,647	356,623
Cash and cash equivalents as at 31 December	78,391	306,647

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 unqualified.

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 quarter, the Group reassessed its Forest Development Expenditure prepayment asset, ultimately assessing it not to be realizable, and as a result recognised the full impairment of the asset, RM5 million in quarter four bringing a total impairment of RM19 million for the financial year 2012.

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 ended		Financial year ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
In respect of current year				
Current tax				
- Malaysian income tax	61,797	63,195	262,813	242,984
- Foreign tax	-	12	-	12
Deferred tax charge/ (credit)	(13,228)	(13,551)	(7,012)	(4,871)
In respect of prior years				
(Over)/ under provision in respect of prior years				
- Malaysian income tax	836	(1,472)	836	(1,472)
	49,405	48,184	256,637	236,653

The average effective tax rate of the Group for the financial year ended 31 December 2012 is 24.3%, which is lower than the statutory tax rate of 25% mainly due to the recognition of deferred tax asset arising from temporary timing difference of the tax base of assets and its carrying value in the financial statements.

The average effective tax rate of the Group for the financial period ended 31 December 2011 is 24.7%, which is in line with the statutory tax rate of 25% as the non-deductibility of interest expense following the Group's move to the single tier tax system is offset by utilisation of reinvestment allowances and capital allowances.

6. Notes to the Statements of Comprehensive Income

	3 months ended		Financial year ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Interest income	(1,121)	(2,316)	(7,110)	(10,425)
Interest expense	5,740	6,906	26,221	27,400
Depreciation and amortization	11,566	14,299	52,004	60.355
Impairment / (Reversal of impairment) of assets	5,368	-	18,706	(13,580)
Provision for and write-off of receivables	(900)	152	(616)	2,410
Provision for and write-off of inventory	0	1,629	2,608	2,132
Net foreign exchange (gain)/loss	822	1,407	5,694	1,432
(Gain)/loss on derivatives	11	1,588	840	(1,132)

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 19 February 2013 (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 of equity securities for the period under review.

The Group repaid its RM 400 million medium term note that matured in September 2012. Repayment was in part from cash on hand and in part financed through new revolving credit facilities. This initiative has improved our capital efficiency and will improve our effective tax rate through increased interest deductibility.

10. Borrowings

The Group's borrowings as at 31 December 2012 are as follows:

Current	**RM'000**
1-month revolving credits maturing on 9 January 2013	40,000
1-month revolving credits maturing on 21 January 2013	210,000
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
	500,000

All borrowings are denominated in Ringgit Malaysia.

11. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 19 February 2013 (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 December 2012 are as follows:

Property, plant and equipment:	RM'000
Authorised by the Directors and contracted for	-
Authorised by the Directors but not contracted for	20
	20

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 31.12.2012 RM'000	**As at 31.12.2011 RM'000**
Total retained profits of British American Tobacco (Malaysia) Berhad and its subsidiaries		
- Realised profit	525,882	494,238
- Unrealised loss	(16,608)	(36,321)
Less: Consolidation Adjustments	(167,668)	(168,705)
Total retained profits	341,606	289,212

The unrealised portion within unappropriated profits (retained earnings) as at 31 December 2012 predominantly relates to net deferred tax liability of RM15,356,000 and provisions for non-material litigation of RM1,665,000.

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

A claim for compensation by Mawadis Sdn Bhd in a legal suit against the Group following the termination of a distributorship arrangement has been dismissed in the appeal hearing on 22 January 2013.

Apart from the above, there was no other material litigation as at 19 February 2013 (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. The Group's management team review the financial information as a whole for decision making.

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

Profit From Operations declined by 2.2% compared to the preceding quarter primarily due to both lower domestic and contract manufacturing volume. The lower domestic volumes resulted from reversal of third quarter pre budget speculation, but also in reaction to the October price increase. In October 2012 the Royal Malaysia Customs imposed a transfer price uplift effectively increasing excise which the Group passed on to consumers in the form of higher prices.

Fourth quarter Gross Profit was 4.8% down on the third quarter for the reasons outlined above. This was however offset by lower Operating Expenses, 10.3% below the previous quarter. The lower fourth quarter expenses stemmed from lower recharges, IT costs and general administrative and other costs.

Profit before tax was 1.5% below the preceding quarter. After tax profit was 5.3% higher than the previous quarter. This swing was induced by a significantly lower fourth quarter effective tax rate due to the recognition of deferred tax timing differences on provisions, unutilized capital allowances and fixed assets.

17. Review of Performance

2012 was an accomplished centennial year for BAT Malaysia, with the Group achieving growth in share, volume and profit. BAT Malaysia strengthened its market leadership by +1.6 percentage point share growth, achieving a 62.6% share of legal white market.

BAT Malaysia registered volume growth for the first time since 2003, growing +0.24% compared to 2011, mainly contributed by Dunhill. In addition, BAT Malaysia's contract manufacturing volume for BAT Group companies grew significantly versus 2011, 17% growth in cigarette and 66% growth in semi-finished goods.

Driving BAT Malaysia's performance was our leading brand Dunhill. The brand further reinforced its position as the number one choice for Malaysia consumers achieving a record share of 47.3% (+2.5 percentage point versus Full Year 2011). Dunhill growth has been across the board, both from the core range and newly introduced variants. Furthermore, Dunhill Lights achieved full year Share Of Market of 3.2% to claim leadership in the Premium Lights segment.

Through 2012 the market has witnessed up-trading to the Premium segment from both Value For Money and sub-Value For Money. The premium segment grew 3.0 percentage point at the expense of Value For Money (-0.5 percentage point) and sub-Value For Money (-2.4 percentage point). Given our strength in the Premium segment BAT Malaysia was the net beneficiary of this up-trading.

Full year 2012 profit from operations was 9.8% ahead 2011. The main factors driving this performance were lower operating expenses and volume and margin growth for both domestic and contract manufacturing. Domestic and duty free earnings improved by RM12 million, through a combination of volume, mix and pricing. Contract manufacturing, up RM26 million, benefited not only from the significant volume increase, but also improved margins following the change in the costing model from toll to contract manufacturing. Gross profit was up 0.5% but this was visibly suppressed by the different classification of distribution costs between the years following the change in distribution model. Otherwise gross profit would have been up by 1.7%. Other movements impacting gross profit (RM13 million) is a combination of current year provisions, provisions reversals in 2011 and a small foreign exchange impact.

The significant year on year reduction in operating expenses, is accounted for by four major movements: lower corporate incentives (RM42 million); absence of 2011 non-recurring charges (merchandising assets write down, redundancy costs and accounts related matters - RM 46million); movement of distribution costs above gross revenue (RM18 million); and offset by the impairment of our Forest Expenditure prepayment (RM19 million) in the current year.

Profit before tax increased 10.3% and after tax by 10.9%. The effective tax rate was similar between the two years with a small improvement from increased interest deductibility.

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 results of the Group are generally impacted by changes in excise typically announced annually during National Budget.

For the second consecutive year, there was no excise increase announced in the National Budget. The Royal Malaysian Customs did however mandate a transfer price uplift which was effective in October 2012. The uplift resulted in a moderate increase in excise payable.

20. Future Year's Prospects

The legal industry volume was largely stable in 2012, albeit industry invoiced sales increased by 2.8% from 2011 as a result of forward selling from competitors. Industry stability resulted from no excise increases for two consecutive years and tougher enforcement by government enforcement agencies on illicit cigarettes and a relatively stable pricing environment. The Group is encouraged by the aforementioned enforcement activities and the resultant reduction in illicit trade (2012 -1.6ppt). The Group very much hopes to see this continue into 2013. However, the illicit cigarettes trade and continuous illegal pricing below total applicable taxes and minimum price by certain local brands will continue to pose a threat to the legitimate business.

The Group has a relatively optimistic outlook on 2013. Barring any return to high ad-hoc excise increases, based on the strength of our portfolio and our recent market share performance, we seek to continue the momentum through the year ahead.

21. Earnings Per Share

	3 months ended		**Financial year ended**	
Basic earnings per share	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Profit for the financial period (RM'000)	196,715	180,648	797,746	719,615
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	68.9	63.3	279.4	252.0

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 a fourth interim dividend of 77.00 sen per share, tax exempt under the single-tier tax system amounting to RM219,858,100 in respect of the financial year ended 31 December 2012 (for the financial year ended 31 December 2011, fourth interim dividend of 66.00 sen per share tax exempt under the single-tier tax system, amounting to RM188,449,800), payable on 27 March 2013, to all shareholders whose names appear on the Register of Members and Record of Depositors on 14 March 2013.

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from 14 March 2013 to 18 March 2013 (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 12 March 2013, in respect of securities exempted from mandatory deposit;

(b) Securities transferred to the Depositor's Securities Account before 4.00 p.m. on 14 March 2013, 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
26 February 2013