Delivering today
Investing in tomorrow

British American Tobacco
Chairman’s introduction

The Group continued to perform extremely well in 2014 despite challenging trading conditions. We grew revenue and profit at constant rates of exchange and we increased our market share. Although significant exchange rate movements impacted our reported results, the underlying performance of our business remains strong. The increase in our total dividend for 2014 to 148.1p reflects our commitment to growing shareholder returns as well as our confidence in the strength of our business, our strategy and our future.

Richard Burrows
Chairman

Our year in numbers

### Group cigarette volume

667bn  
-1.4%  
2013: 676bn

### Revenue

£13,971m  
-8.4%  
2013: £15,260m

### Revenue at constant exchange rates\(^1\)

£15,682m  
+2.8%  
2013: £15,260m

### Profit from operations

£4,546m  
-17.7%  
2013: £5,526m

### Adjusted profit from operations\(^2\) at constant exchange rates\(^1\)

£6,075m  
+4.4%  
2013: £5,820m

### Adjusted diluted earnings per share\(^2\)

208.1p  
-3.9%  
2013: 216.6p

### Adjusted diluted earnings per share\(^2\) at constant rates of exchange\(^1\)

233.7p  
+7.9%  
2013: 216.6p

### Basic earnings per share

167.1p  
-18.6%  
2013: 205.4p

### Total dividends per share

148.1p  
+4.0%  
2013: 142.4p

Notes:
1. Constant currency provides the information based on a re-translation, at prior year exchange rates, of the current year information.
2. Adjusted profit from operations is derived after excluding the adjusting items from the profit from operations. These items include restructuring and integration costs, amortisation and impairment of trademarks and similar intangibles, a gain on deemed partial disposal of a trademark and a payment and release of provision relating to non-tobacco litigation.
We have the right strategy for our business – it has served us well in a changing and challenging market environment and it continued to deliver for our shareholders in 2014.

Nicandro Durante
Chief Executive
PERFORMANCE SUMMARY 2014

We are a global business with a proud history

Our heritage
Founded in 1902, the Group was first listed in 1912 and today we are one of the top 10 companies on the London Stock Exchange. We also have a secondary listing on the Johannesburg Stock Exchange. We are a global company with more than 200 brands sold in over 200 markets. We make the cigarettes chosen by around one in eight of the world’s one billion adult smokers and we are market leaders in more than 60 countries.

Few companies with our long history are still going from strength to strength. We continue to deliver value to shareholders today while investing in our markets, our brands, our new product categories and our people to ensure a sustainable future for our business.

Our products
Traditional tobacco range
We continue to deliver good growth across our core tobacco product range. This includes cigarettes, Fine Cut (roll-your-own and make-your-own tobacco) and cigars. Using our understanding of consumers, we develop high-quality products and market-leading innovations to differentiate our brands.

Next-generation products
We are investing in building a portfolio of innovative new tobacco and nicotine-based products alongside our traditional tobacco business. These next-generation products include e-cigarettes, medicinal nicotine products and tobacco heating products. We aim to provide adult consumers with a choice of less risky alternatives to regular cigarettes as part of our commitment to tobacco harm reduction.

Our portfolio
Dunhill, Kent, Lucky Strike, Pall Mall and Rothmans are our Global Drive Brands (GDBs). These famous brands continued to drive volume and share growth in our markets worldwide in 2014.

Our portfolio also comprises other popular international brands with strong market positions in many countries. They include Vogue, Viceroy, Kool, Peter Stuyvesant, Craven A, Benson & Hedges, John Player Gold Leaf, State Express 555 and Shuang Xi.

110+
Number of markets where Dunhill is sold
Dunhill’s roots date back to 1907 when Dunhill Tobacco of London Limited was established on Gentlemen’s Row. More than a century later, Dunhill is our premium international brand, embodying perfect taste, always.

80+
Number of markets where Kent is sold
Kent symbolises progress through technology in the cigarette category and stands out as the most innovative and forward-looking brand in the industry. It’s a pioneering brand, which has led the way since 1952.

70+
Number of markets where Lucky Strike is sold
Based on its rich legacy dating back to 1871 when the brand was created by its founder RA Patterson, Lucky Strike stands for the true and original American cigarette.

100+
Number of markets where Pall Mall is sold
Pall Mall is the third biggest cigarette brand in the world. For more than 115 years its core proposition has been centred on offering adult smokers round the world a combination of value and high quality.

60+
Number of markets where Rothmans is sold
Rothmans is an iconic brand established in London in 1890. A timeless classic with high quality standards, Rothmans is finding increasing appeal among adult smokers worldwide thanks to a contemporary proposition.
Our people

We employ more than 57,000 people worldwide. They work in a huge range of environments, from city offices to factories, from remote farms to research laboratories.

We have more than 20,000 people in our trade marketing and distribution teams who work with retailers to help them sell our products profitably and responsibly.

Our products are made all over the world and in 2014 we employed more than 17,000 people in our manufacturing operations.

The international nature of our business is reflected in the diverse range of nationalities of our people – in 2014, for example, 71 nationalities were represented at our London head office.

Although we don’t employ them directly, we also work closely with over 100,000 independent tobacco farmers worldwide.

Our sustainable approach

Sustainability is a key pillar of our strategy. It is about creating shared value for both our shareholders and our stakeholders in wider society.

We work with farmers and suppliers to manage our supply chain and the environment responsibly. Our companies adhere to the high standards of our voluntary marketing principles. As part of our commitment to harm reduction, we are developing a range of innovative tobacco and nicotine products with the aim of offering adult consumers a choice of less risky alternatives to regular cigarettes.

We play a significant role in countries around the world.

In many countries we are a top employer and a company of choice for retailers, suppliers, farmers, distributors and other partners.

In 2014, our subsidiaries enabled governments worldwide to collect approximately £30 billion in duty, excise and other taxes on our products, which is eight times the Group’s profit after tax.

Our geographic diversity

We have strong market positions in each of our four regions. Our key markets, shown here, account for around 80% of both our total volume and Group profit.

We also have two principal associate companies – Reynolds American Inc. in the US and ITC Ltd in India – and we have a joint operation, CTBAT, with subsidiaries of China National Tobacco Corporation.

<table>
<thead>
<tr>
<th>Asia-Pacific</th>
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</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Pakistan</td>
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<td>Bangladesh</td>
<td>Philippines</td>
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<td>Indonesia</td>
<td>South Korea</td>
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<td>Japan</td>
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<td>Malaysia</td>
<td>Vietnam</td>
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<td>New Zealand</td>
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<th>Americas</th>
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<tr>
<td>Argentina</td>
<td>Colombia</td>
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<td>Brazil</td>
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<td>Canada</td>
<td>Venezuela</td>
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<td>Chile</td>
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<tr>
<th>Western Europe</th>
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<tbody>
<tr>
<td>Belgium</td>
<td>Poland</td>
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<td>Czech Republic</td>
<td>Romania</td>
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<td>Denmark</td>
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<td>France</td>
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<td>Germany</td>
<td>Switzerland</td>
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<td>Italy</td>
<td>United Kingdom</td>
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<td>The Netherlands</td>
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<tr>
<th>Eastern Europe, Middle East and Africa</th>
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<tr>
<td>Algeria</td>
<td>Nigeria</td>
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<td>Egypt</td>
<td>Russia</td>
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<td>The GCC</td>
<td>South Africa</td>
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<td>Iran</td>
<td>Turkey</td>
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<td>Kazakhstan</td>
<td>Ukraine</td>
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<tr>
<td>Morocco</td>
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</tbody>
</table>
Our five Global Drive Brands (GDBs) had another successful year in 2014, growing volume and share in key markets.

<table>
<thead>
<tr>
<th>Share and volume</th>
<th>Dunhill</th>
<th>Lucky Strike</th>
<th>Kent</th>
<th>Pall Mall</th>
<th>Rothmans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014 GDB overall market share growth</strong></td>
<td><strong>+90bps</strong></td>
<td><strong>+10bps</strong></td>
<td></td>
<td></td>
<td></td>
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<td><strong>bpts = basis points</strong></td>
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<tr>
<td><strong>2014 GDB cigarette volume growth</strong></td>
<td><strong>+5.8%</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Volume</strong></td>
<td><strong>55bn</strong></td>
<td><strong>64bn</strong></td>
<td><strong>31bn</strong></td>
<td><strong>92bn</strong></td>
<td><strong>36bn</strong></td>
</tr>
<tr>
<td><strong>2013: 54bn</strong></td>
<td><strong>+2.9%</strong></td>
<td><strong>65bn</strong></td>
<td><strong>31bn</strong></td>
<td><strong>87bn</strong></td>
<td><strong>26bn</strong></td>
</tr>
<tr>
<td><strong>Market share</strong></td>
<td><strong>+10bps</strong></td>
<td><strong>Flat</strong></td>
<td></td>
<td><strong>+30bps</strong></td>
<td><strong>+40bps</strong></td>
</tr>
</tbody>
</table>

Our Global Drive Brands in 2014
Adjusted profit from operations grew strongly at constant rates of exchange. As reported profit was adversely affected by exchange rate movements, the regional performance is presented at constant rates of exchange.

Notes:
1. Profit refers to adjusted profit from operations and is derived after excluding the adjusting items from the profit from operations. These items include restructuring and integration costs, amortisation and impairment of trademarks and similar intangibles, a gain on deemed partial disposal of a trademark and a payment and release of provision relating to non-tobacco litigation.
2. Constant currency (CC) provides the information based on a re-translation, at prior year exchange rates, of the current year information.
Our strategy enables our business to deliver growth today, while ensuring we generate the funds to invest in our future. Tobacco remains at the core of our business and will continue to provide us with opportunities for growth. We are also committed to developing and promoting a range of next-generation tobacco and nicotine products.
Our vision
World’s best at satisfying consumer moments in tobacco and beyond.

Our mission
Delivering our commitments to society, while championing informed consumer choice.

Strategic focus areas
The foundations upon which our strategy is built have been in place for many years, but we continue to refocus our activities in all four areas and constantly review our ways of working.

Satisfying consumer moments
We believe that by being the world’s best at satisfying consumer moments, we will become the leader in our industry. Consumers are at the core of everything we do and our success depends on addressing their evolving concerns, needs and behaviours.

Deliver our commitments to society
As society changes and priorities and needs shift, we must be ready to meet new challenges and take advantage of new opportunities. We are a major international business and with this status comes responsibilities such as being open about the risks of our products, supporting rural communities worldwide and minimising our impact on the environment.

Tobacco and beyond
The second part of our vision – tobacco and beyond – recognises the strength of our traditional tobacco business and the opportunities we see in next-generation tobacco and nicotine products. There is a great potential business opportunity because consumers are looking for choices and product categories in which we are uniquely placed to succeed.

Champion informed consumer choice
We need to continue to ensure that our adult consumers are fully aware of the choices they are making when they purchase our products. We recognise that we have a responsibility to offer a range of products across the risk continuum, but we will also defend people’s right to make an informed choice.

Growth
Developing brands, innovations and new products to meet consumers’ evolving needs.

Productivity
Effectively deploying resources to increase profits and generate funds.

Winning organisation
Great people, great teams, great place to work.

Sustainability
Ensuring a sustainable business that meets stakeholders’ expectations.

Guiding Principles
Our Guiding Principles provide clarity about what we stand for. They form the core of our culture and guide how we deliver our strategy.

Enterprising Spirit
We value enterprise from all of our employees across the world, giving us a great breadth of ideas and viewpoints to enhance the way we do business. We have the confidence to passionately pursue growth and new opportunities while accepting the considered entrepreneurial risk that comes with it. We are bold and strive to overcome challenges. This is the cornerstone of our success.

Open Minded
Our corporate culture is a great strength of the business and one of the reasons we have been and will continue to be successful. We are forward-looking and anticipate consumer needs, winning with innovative, high-quality products. We listen to and genuinely consider other perspectives and changing social expectations. We are open to new ways of doing things.

Freedom through Responsibility
We give our people the freedom to operate in their local environment, providing them with the benefits of our scale but the ability to succeed locally. We always strive to do the right thing, exercising our responsibility to society and other stakeholders. We use our freedom to take decisions and act in the best interest of consumers.

Strength from Diversity
Our management population comprises people from approximately 140 nations, giving us unique insights into local markets and enhancing our ability to compete across the world. We respect and celebrate each other’s differences and enjoy working together. We harness diversity – of our people, cultures, viewpoints, brands, markets and ideas – to strengthen our business. We value what makes each of us unique.
**PERFORMANCE SUMMARY 2014**

**Our KPIs and business measures**

A summary of our KPIs (key performance indicators) and business measures and how we performed against them in 2014.

We use these measures and indicators to assess our performance. To ensure management’s focus is aligned with the interests of our shareholders, our KPIs are reflected in our management incentive schemes. Although our business measures are not directly included in these incentives, they reflect our performance, improve the quality of our business and contribute to shareholder value.

### Key performance indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Result</th>
<th>Target</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group share of key subsidiary markets</td>
<td>+10bps</td>
<td>To continue to grow market share (bps = basis points).</td>
<td>Growth</td>
</tr>
<tr>
<td>Global Drive Brands’ (GDBs) cigarette volume</td>
<td>278bn +5.8%</td>
<td>To increase our GDBs’ share faster than the rest of our portfolio.</td>
<td>Growth</td>
</tr>
<tr>
<td>Net turnover at constant rates of exchange</td>
<td>£15,682m +2.8%</td>
<td>To grow net turnover by 2–5% per year.</td>
<td>Growth</td>
</tr>
<tr>
<td>Adjusted diluted earnings per share at current rates</td>
<td>-3.9%</td>
<td>To grow at the rate of high single figures per annum, on average, over the medium to long term.</td>
<td>Growth</td>
</tr>
<tr>
<td>Total shareholder return (TSR) (compound annual growth rate)</td>
<td>11.4%</td>
<td>Increase shareholder value, which we measure by comparing our TSR to a FMCG peer group.</td>
<td>Growth</td>
</tr>
<tr>
<td>Adjusted profit from operations at constant rates</td>
<td>£6,075m +4.4%</td>
<td>To grow adjusted profit from operations on average by 5–7% per year.</td>
<td>Productivity</td>
</tr>
<tr>
<td>Cash generated from operations at current rates</td>
<td>£2,660m</td>
<td>A specific target is set each year for the cash flow from operations.</td>
<td>Productivity</td>
</tr>
</tbody>
</table>

### Business measures

<table>
<thead>
<tr>
<th>Measure</th>
<th>Result</th>
<th>Target</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating margin</td>
<td>38.7% +54bps</td>
<td>To increase operating margin by 50–100 basis points per annum.</td>
<td>Productivity</td>
</tr>
<tr>
<td>Free cash flow as a percentage of adjusted earnings (excl. non-tobacco litigation)</td>
<td>76%</td>
<td>To convert around 80% of our adjusted earnings per share to free cash flow.</td>
<td>Productivity</td>
</tr>
<tr>
<td>Adjusted profit from operations at constant rates (CO₂e) (tonnes CO₂e per million cigarettes equivalent produced)</td>
<td>0.83 45% lower than 2000 baseline</td>
<td>To reduce Group CO₂e by 50% by 2030 from our 2000 baseline of 1.52 and by 80% by 2050.</td>
<td>Sustainability</td>
</tr>
<tr>
<td>Water use (cubic metres per million cigarettes equivalent produced)</td>
<td>3.69 24% lower than 2007 baseline</td>
<td>To reduce water use to 3.6 by 2017, 26% lower than our 2007 baseline.</td>
<td>Sustainability</td>
</tr>
<tr>
<td>Free cash flow as a percentage of adjusted earnings (excl. non-tobacco litigation)</td>
<td>76%</td>
<td>To convert around 80% of our adjusted earnings per share to free cash flow.</td>
<td>Productivity</td>
</tr>
<tr>
<td>Group energy use (gigajoules per million cigarettes equivalent produced)</td>
<td>10.26 13% lower than 2007 baseline</td>
<td>To reduce energy use to 9.82 by 2017, 17% lower than our 2007 baseline.</td>
<td>Sustainability</td>
</tr>
<tr>
<td>Recycling (percentage of waste recycled)</td>
<td>92.6%</td>
<td>To recycle more than 85% of waste generated in each year.</td>
<td>Sustainability</td>
</tr>
</tbody>
</table>
Shareholder and contact information

Listings and shareholder services

Premium listing
London Stock Exchange (Share Code: BATS; ISIN: GB0002875804)

United Kingdom Registrar
Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
tel: 0800 408 0094; +44 870 889 3159
web-based enquiries: www.investorcentre.co.uk/contactus
www.computershare.com/uk/investor/ bri

Access the web-based enquiry service of Computershare Investor Services PLC for holders of shares on the UK share register; view details of your British American Tobacco shareholding and recent dividend payments and register for shareholder electronic communications to receive notification of British American Tobacco shareholder mailings by email.

www.computershare.com/dealing/uk
Go online or telephone 0870 703 0084 (UK) to buy or sell British American Tobacco shares traded on the London Stock Exchange. The internet share dealing service is only available to shareholders resident in countries in the European Economic Area.

Secondary listing
JSE (Share Code: BTI)
Shares are traded in electronic form only and transactions settled electronically through Strate.

South Africa Registrar
Computershare Investor Services Proprietary Limited
PO Box 61051, Marshalltown 2107, South Africa
tel: 0861 100 925; +27 11 870 8222
email enquiries: web.queries@computershare.co.za

American Depositary Receipts
NYSE MKT (Symbol: BTI); CUSIP No. 110448107)
British American Tobacco sponsors an American Depositary Receipt (ADR) programme in the United States. Each ADR represents two of the Company’s ordinary shares.
Enquiries regarding ADR holder accounts and payment of dividends should be directed to:
Citibank Shareholder Services
PO Box 43077, Providence, Rhode Island 02940-3077, USA
tel: 1-888 985-2055 (toll-free) or +1 781 575 4555
email enquiries: citibank@shareholders-online.com
website: www.citi.com/dr

Publications
Copies of current and past Annual Reports are available on request. Copies of the Group corporate brochure, We are BAT, are also available. Highlights from these publications can be produced in alternative formats such as Braille, audio tape and large print.

Contact:
British American Tobacco Publications
Unit 80, London Industrial Park, Roding Road, London E6 6LS
tel: +44 20 7511 7797; facsimile: +44 20 7540 4326
e-mail: bat@team365.co.uk

Holders of shares held on the South Africa register can contact the Company’s Representative office in South Africa using the contact details shown overleaf.

Our website – www.bat.com
Access comprehensive information about British American Tobacco and download shareholder publications at the corporate website; visit the Investors section for valuation and charting tools and dividend and share price data and subscribe to the email alert services for key financial events in the British American Tobacco financial calendar; download the British American Tobacco Investor Relations app to access all the latest financial information on your iPad, iPhone or Android device.

Dividend Reinvestment Plan
Available to the majority of shareholders on the UK register, this is a straightforward and economic way of utilising your dividends to build up your shareholding in British American Tobacco. Contact Computershare Investor Services PLC in the UK for details.

Individual Savings Accounts (ISAs)
A British American Tobacco sponsored ISA.

Contact:
The Share Centre
PO Box 2000, Aylesbury, Bucks HP21 8ZB
tel: 0800 800 008; +44 1296 414 141
e-mail enquiries: service@share.co.uk
website: www.share.co.uk

(The tax advantages of ISAs depend on your individual circumstances and the benefits of ISAs could change in the future. You should note that investments, their value and the income they provide can go down as well as up and you might not get back what you originally invested.)

Capital gains tax
Fact sheet for British American Tobacco historical UK capital gains tax information; contact the British American Tobacco Company Secretarial Department, tel: +44 20 7845 1000 or access online at www.bat.com/cgt
Final dividend 2014 – dates in 2015
For further details, please see ‘Other corporate disclosures’ in the Annual Report at www.bat.com/review2014.

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>26 February</td>
<td>Dividend announced (including amount of dividend per share in both sterling and rand, applicable exchange rate and conversion date – 24 February 2015; plus additional applicable information as required in respect of South Africa Dividends Tax)</td>
</tr>
<tr>
<td>26 February to 20 March</td>
<td>From the commencement of trading on 26 February to 20 March 2015 (inclusive), no removal requests in either direction between the UK main register and the South Africa branch register will be permitted</td>
</tr>
<tr>
<td>13 March</td>
<td>Last day to trade (JSE)</td>
</tr>
<tr>
<td>16 March to 20 March</td>
<td>From the commencement of trading on 16 March to 20 March 2015 (inclusive), no transfers between the UK main register and the South Africa branch register; no shares may be dematerialised or rematerialised</td>
</tr>
<tr>
<td>16 March</td>
<td>Ex-dividend date (JSE)</td>
</tr>
<tr>
<td>19 March</td>
<td>Ex-dividend date (LSE)</td>
</tr>
<tr>
<td>20 March</td>
<td>Record date (LSE and JSE)</td>
</tr>
<tr>
<td>13 April</td>
<td>Last day for receipt of Dividend Reinvestment Plan (DRIP) elections (UK main register only)</td>
</tr>
<tr>
<td>7 May</td>
<td>Payment date (sterling and rand)</td>
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Financial calendar 2015

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
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<tbody>
<tr>
<td>29 April</td>
<td>Interim Management Statement</td>
</tr>
<tr>
<td>29 April</td>
<td>Annual General Meeting</td>
</tr>
<tr>
<td></td>
<td>Milton Court Concert Hall, Silk Street, London EC2Y 9BH</td>
</tr>
<tr>
<td>29 July</td>
<td>Half-Yearly Report</td>
</tr>
<tr>
<td>28 October</td>
<td>Interim Management Statement</td>
</tr>
</tbody>
</table>

Registered office
Globe House, 4 Temple Place, London WC2R 2PG
tel: +44 20 7845 1000, facsimile: +44 20 7240 0555
Incorporated in England and Wales No. 3407696

Representative Office in South Africa
34 Alexander Street, Stellenbosch 7600, South Africa
PO Box 631, Cape Town 8000, South Africa
tel: +27 21 888 3194

Investor relations
Enquiries should be directed to Mike Nightingale or Rachael Brierley
tel: +44 20 7845 1180

Press office
Enquiries should be directed to Will Hill or Anna Vickerstaff
tel: +44 20 7845 2888
e-mail: press_office@bat.com