



**BRITISH AMERICAN
TOBACCO**

news release

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27 October 2010

BRITISH AMERICAN TOBACCO p.l.c.

**INTERIM MANAGEMENT STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

- **Good growth in revenue for the nine months**
- **Volumes decreased by 1 per cent to 526 billion**
- **On track for another year of good earnings growth**

SUMMARY OF PERFORMANCE

Trading update

British American Tobacco continued to perform well in the nine months to the end of September 2010. The Group increased overall market share across its top 40 markets and Global Drive Brands continued to grow, although Group volumes were lower.

Group revenue for the nine months grew well, driven by the favourable impact of exchange rate movements, continued good pricing and the acquisition of PT Bentoel Internasional Investama Tbk (Bentoel) in Indonesia in June 2009, partially offset by disposals.

While the Group's results continued to benefit from foreign exchange movements in the first nine months, this is expected to diminish in the fourth quarter.

Group volumes from subsidiaries were 526 billion, down 1 per cent. Organic volumes were 3 per cent lower than last year as a result of market size declines and an increase in illicit trade in some markets. Volumes were also impacted by the loss of sales in Pakistan after the floods.

The four Global Drive Brands continued their good performance and achieved overall volume growth of 8 per cent, flattered by increased consumer purchases in Japan ahead of a significant excise driven price increase. Dunhill was up 21 per cent mainly as a result of brand migrations in Brazil and South Africa, Kent and Lucky Strike grew 2 per cent each and Pall Mall increased by 7 per cent.

Trading environment

This good performance was achieved in trading conditions which continued to be challenging, with industry volumes markedly lower in a number of markets including Romania, Turkey, Pakistan, Germany and South Africa. In some markets, there was down-trading to illicit trade as a result of pressure on consumers' disposable income, exacerbated by high excise increases. This particularly affected the low price segment.

The Group continues to improve its operating margin by addressing the cost base and, amongst other initiatives, has started the information and consultation procedures to close the Lecce factory in Italy.

Cigarette volumes

The segmental analysis of the volumes of subsidiaries is as follows:

	9 months to		Year to
	30.09.10	30.09.09	31.12.09
	bns	bns	bns
Asia-Pacific	141	134	185
Americas	110	111	151
Western Europe	90	98	130
Eastern Europe	93	95	131
Africa and Middle East	92	95	127
	<u>526</u>	<u>533</u>	<u>724</u>

Comment

Paul Adams, Chief Executive, commented "The challenging economic conditions, excise driven price increases and high unemployment have led to some softening of our volumes. The recession's impact on consumers is still with us and shows no signs of abating. Despite this, we have increased market share in our largest markets, grown the Global Drive Brands and achieved good growth in revenue. We are on track for another year of good earnings growth."

CHANGES IN THE GROUP

On 7 April 2010, the Group announced that it had agreed to sell its Belgium distribution business, Lyfra NV, to Landewyck Group S.a.r.l. The transaction was completed on 25 June 2010.

On 17 June 2009, the Group acquired an 85 per cent stake in Indonesia's fourth largest cigarette maker PT Bentoel Internasional Investama Tbk (Bentoel). A public tender offer for the remaining shares was completed by 26 August 2009, resulting in the acquisition of a further 14 per cent share in the company, bringing the total shareholding in the Bentoel Group to 99.7 per cent.

On 20 October 2009, it was announced that Bentoel and BAT Indonesia had decided to enter into a merger plan whereby BAT Indonesia would merge into Bentoel. The merger was completed under the Bentoel name and the company remains listed on the Indonesian Stock Exchange.

FINANCIAL POSITION

The Group has sufficient financing and facilities available for the foreseeable future and at 30 September 2010 its guaranteed revolving credit facility of £1.75 billion was undrawn.

The changes in the financing arrangements since the beginning of the financial year were:

The repayment in May 2010 of a maturing €525 million bond. The repayment was financed from debt issued in November 2009.

On 25 June 2010, the terms of €470 million of the €1 billion bond maturing in 2011 were modified by extending the maturity to 2020; at the same time the Group issued an additional €130 million bond with a maturity of 2020. In addition, €413 million of the Group's €750 million bond maturing in 2012 was purchased and cancelled. At the same time the Group issued a new £275 million bond with a maturity of 2040.

There have been no material events, transactions or change in the financial position of the Group since the year end, other than as outlined in this statement. Further, the Board is not aware of any material events, transactions or change in the financial position of the Group which have occurred since 31 December 2009 up to and including 26 October 2010, being the latest practicable date before the date of the publication of this Interim Management Statement.

On behalf of the Board

Nicola Snook

Secretary

26 October 2010

NOTES AND ADDITIONAL INFORMATION

British American Tobacco is the world's second largest quoted tobacco group by global market share, with brands sold in more than 180 markets. We have four Global Drive Brands – Dunhill, Kent, Lucky Strike and Pall Mall - and over 300 brands in our portfolio. We hold robust market positions in each of our regions and have leadership positions in more than 50 markets.

Disclaimers

This Interim Management Statement (IMS) relates to the nine months ended 30 September 2010 and contains information that covers the nine months and the period since the third quarter end to 26 October 2010, being the latest practicable date before the date of the publication of this IMS.

This announcement does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any British American Tobacco p.l.c. shares or other securities.

This IMS contains certain forward looking statements which are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates. It is believed that the expectations reflected in this announcement are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

Distribution of this Interim Management Statement (IMS)

The IMS is released to the London Stock Exchange and the JSE Limited. It may be viewed and downloaded from our website, www.bat.com

Copies of the IMS may also be obtained during normal business hours from: (1) the Company's registered office; (2) the Company's representative office in South Africa; and (3) British American Tobacco Publications, details of which are given below.

FINANCIAL CALENDAR 2011

24 February	Preliminary Statement
28 April	Annual General Meeting and Interim Management Statement
27 July	Half-Yearly Report
26 October	Interim Management Statement

CORPORATE INFORMATION

Premium listing

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

Computershare Investor Services PLC

The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, UK

tel: 0800 408 0094; +44 (0)870 889 3159

Share dealing tel: 0870 703 0084 (UK only)

your account: www.computershare.com/uk/investor/bri

share dealing: www.computershare.com/dealing/uk

web-based enquiries: www.investorcentre.co.uk/contactus

Secondary listing

JSE (Share Code: BTI)

Shares are traded in electronic form only and transactions settled electronically through Strate.

Computershare Investor Services (Pty) Ltd

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 (ADRs)

NYSE Amex Equities (Symbol: BTI; CUSIP Number: 110448107; ISIN: US1104481072)

Sponsored ADR programme; each ADR represents two ordinary shares of British American Tobacco p.l.c.

Citibank Shareholder Services

PO Box 43077

Providence, Rhode Island 02940-3077, USA

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email enquiries: Citibank@shareholders-online.com

website: www.citi.com/dr

Publications

British American Tobacco Publications

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email enquiries: bat@team365.co.uk or

Computershare Investor Services (Pty) Ltd in South Africa using the contact details shown above.

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