



**BRITISH AMERICAN
TOBACCO**

news release
www.bat.com

26 October 2011

BRITISH AMERICAN TOBACCO p.l.c.

INTERIM MANAGEMENT STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

- **Good organic revenue growth of 7 per cent at constant rates of exchange**
- **Volumes from subsidiaries decreased by 0.6 per cent to 523 billion, organic volumes reduced by 0.4 per cent**
- **Global Drive Brand volumes grew by 8 per cent**

Nicandro Durante, Chief Executive, commented "While the challenging economic conditions continued to impact consumers in some markets, other markets are showing signs of recovery. Excise-driven price increases in a few markets will continue to affect industry volumes. However, we have grown our Global Drive Brands and achieved good growth in revenue and profit. We are on track for another year of good earnings growth."

SUMMARY OF PERFORMANCE

Trading update

British American Tobacco performed well in the nine months to the end of September 2011 with the Group increasing overall market share across its top 40 markets and with continued growth in the Global Drive Brands. Group volumes were slightly lower than last year as a result of the industry volume decline, although there are signs that this is moderating.

Group revenue for the nine months, on an organic basis and at constant rates of exchange, grew by 7 per cent, driven by continued good pricing.

Group volumes from subsidiaries were 523 billion, down 0.6 per cent, while organic volumes were 0.4 per cent lower. The benefit to Group volumes from exceptional sales in Japan was offset by industry volume decline following the significant excise-driven price increases in that market last year.

The four Global Drive Brands continued their good performance and achieved overall volume growth of 8 per cent. Kent was up 9 per cent, growing in all of its top ten markets, driven by Russia, Romania and Ukraine. Dunhill was only slightly higher than last year with strong performances in many markets, such as the GCC, Taiwan and Brazil, offset by the adverse impact of pricing activity in South Korea. Good performances in Pakistan, Russia, Germany and Romania contributed to a 12 per cent increase in Pall Mall volumes. Lucky Strike was up 9 per cent following good growth in Germany, France, Argentina and Chile.

The Group continues to improve its operating margin by addressing the cost base through factory rationalisation, systems standardisation and productivity savings.

Trading environment

The environment continues to be challenging due to the current economic climate although there are some signs that the impact on volume is moderating. However, the expansion of illicit trade remains a threat, driven by shock excise increases and pressure on consumers' disposable income. In addition, a number of currencies weakened against sterling during the quarter.

Cigarette volumes

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

| | 9 months to | | Year to |
|----------------|-------------|------------|------------|
| | 30.09.11 | 30.09.10 | 31.12.10 |
| | bns | bns | bns |
| Asia-Pacific | 141 | 141 | 188 |
| Americas | 105 | 110 | 149 |
| Western Europe | 100 | 101 | 136 |
| EEMEA | 177 | 174 | 235 |
| | <u>523</u> | <u>526</u> | <u>708</u> |

CHANGES IN THE GROUP

On 26 May 2011, the Group announced that it had agreed to acquire 100 per cent of privately owned Productora Tabacalera de Colombia, S.A.S. (Protabaco), the second largest cigarette company in Colombia, for an enterprise value of US\$452 million. The transaction was completed on 12 October 2011 and was financed from internal resources.

SHARE BUY-BACK PROGRAMME

The Group resumed an on-market share buy-back programme from the beginning of March 2011. During the nine months to 30 September 2011, 23 million shares were bought at a total cost of £622 million.

SOUTH AFRICAN LISTING

The Board welcomes yesterday's Medium Term Policy Statement that the South African Government has agreed reforms that will allow inward-listed shares on the JSE to be classified as domestic assets and be included in the JSE indices.

FINANCIAL POSITION

The Group has sufficient financing and facilities available for the foreseeable future and at 30 September 2011 its guaranteed revolving credit facility of £2.0 billion was undrawn.

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

The repayment in June 2011 of a €530 million bond, financed from Group cash balances.

In June 2011, the Group established an US\$ commercial paper facility and together with the euro commercial paper, £364 million of commercial paper was outstanding at 30 September 2011. At 30 September 2010 and at 31 December 2010 the commercial paper programme was undrawn.

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 up to and including 25 October 2011, being the latest practicable date before the date of the publication of this Interim Management Statement.

On behalf of the Board

Nicola Snook

Secretary

25 October 2011

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 2011 and contains information that covers the nine months and the period since the third quarter end to 25 October 2011, 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 2012

| | |
|-------------|---|
| 23 February | Preliminary Statement |
| 26 April | Annual General Meeting and Interim Management Statement |
| 25 July | Half-Yearly Report |
| 24 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

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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.

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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.

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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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