14 JUNE 2017

BRITISH AMERICAN TOBACCO p.l.c.

FIRST HALF PRE-CLOSE TRADING UPDATE 2017

In 2014 the requirement for UK listed companies to produce an Interim Management Statement ("IMS") was removed. In July 2016, it was announced that British American Tobacco p.l.c. would no longer publish a quarterly IMS, and would instead issue short trading updates prior to start of the closed periods for the Interim and the Full Year results.

Trading update - ahead of closed period commencing 27 June 2017

- The business continues to perform very well and trading is in line with our expectations
- Continued market share growth, driven by the Global Drive Brands (GDBs)
- Profit growth expected to be weighted to the second half of the year, due to the phasing of volume shipments, Next Generation Product (NGP) investments and marketing spend
- First half EPS is expected to benefit from a significant currency translation tailwind of around 14%

The business continues to perform very well, in line with expectations.

First half revenue is expected to benefit from good pricing. As highlighted in February, first half volumes are lapping a strong prior year comparator and will be impacted by the phasing of shipments in a number of key markets, including Pakistan. Full year volume is expected to outperform the industry, which we anticipate will be down around 4%.

We expect our market share to continue to grow, driven by the GDBs.

Trading in our key markets continues to reflect the trends discussed at the Preliminary Results in February with Canada, Romania, Bangladesh and Ukraine performing well and conditions remaining challenging in Brazil, South Africa, Malaysia, France and the UK.

The performance of glo in Sendai, Japan continues to exceed our expectations and we are on track for further Japanese and international rollout in the second half. In vapour, our share growth in Western Europe continues and we are making encouraging progress with the rollout of Vype Pebble. A city test of Vype e-Pen III is on track for Q4.

As previously stated, profit growth is expected to be weighted to the second half of the year, mainly due to the timing of volume shipments, as well as the phasing of NGP investments and marketing spend.

If exchange rates stayed the same for the remainder of the year, there would be an adverse transactional impact on operating profit of 2% for both the first half and the full year. For translation, this would be a tailwind on operating profit of approximately 13% for the half year and 7% for the full year.

First half EPS is expected to benefit from a significant translational foreign exchange tailwind of around 14%.

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