

26 APRIL 2016

BRITISH AMERICAN TOBACCO p.l.c.

INTERIM MANAGEMENT STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2016

SHARE AND VOLUME GROWTH DRIVES GOOD START TO YEAR

- **Cigarette volume from subsidiaries increased by 3.6% to 158 billion, or 2.4% on an organic basis¹**
- **Continued organic market share growth of 20 basis points (bps)²**
- **Revenue increased by 7.5% at constant rates of exchange, or 6.1% on an organic, constant rate basis**
- **Revenue was up 1.7% at current rates of exchange**
- **Global Drive Brands' cigarette volume grew by 10.5%**
- **Continuing growth in our Next Generation Products (NGP) business**

Nicandro Durante, Chief Executive, commented: "Our momentum has continued with market share in our Key Markets increasing by a further 20 bps. Cigarette volume was up 3.6%, with our GDBs growing by 10.5%. This excellent volume performance reflects the strength of the business combined with the uplift from recent acquisitions and some benefit from inventory movements in the comparator period. Revenue increased by 7.5% at constant rates of exchange, or 6.1% on an organic basis. Our UK NGP business continued to grow, we made good progress with the expansion of Vype to other markets and launched glo iFUSE, our first tobacco heating device, in Romania. While profit growth will be weighted to the second half of the year, partly due to the impact of foreign exchange on our cost base, I remain confident that we will deliver another year of good earnings growth at constant rates of exchange."

SUMMARY OF PERFORMANCE

Trading update

Cigarette volume from subsidiaries grew by 3.6% to 158 billion with organic volume up 2.4%. Excluding the effect of inventory movements in the comparator period, like for like volume was up by 1.1% demonstrating the strength of the portfolio. Volume increased in a number of markets including Ukraine, Middle East, Bangladesh, Indonesia, Russia, Turkey, Vietnam, Japan, Romania, France, Spain and Mexico. This more than offset lower volume in markets including Pakistan and Malaysia, which were impacted by significant excise led price increases.

GDB volume was up by 10.5%. Dunhill increased by 5.5%, as growth in Indonesia and South Korea more than offset lower volume in Malaysia. Kent was 9.7% higher driven by growth in Chile, Turkey and Japan. Lucky Strike was up by 12.6%, due to higher volume in Colombia, France and Italy. Pall Mall was lower by 5.1% as growth in a number of markets including Venezuela, Poland and Mexico was more than offset by lower volume in Pakistan and following the migration to Rothmans in Italy. Rothmans built on an exceptional 2015 with further volume growth of 49.4% in the quarter, driven by Ukraine, Russia, Italy, Turkey and Algeria.


We continue to grow market share, up by a further 20 bps on a strong performance in 2015, as growth in Ukraine, Indonesia, Turkey, Russia, Bangladesh, Philippines and Japan more than offset lower market share in Brazil, GCC and South Korea.


Revenue was up by 7.5% at constant rates of exchange or 6.1% on an organic basis. Price/mix was nearly 4%, with the impact of exceptional pricing in high inflation markets being offset by increased adverse geographic mix.

¹ Organic basis excludes acquisitions in 2015

² T40 Offtake share, as independently measured by AC Nielsen. Movement indicated is versus 2015 full year average share

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At current rates of exchange, revenue was up by 1.7% as movements in the majority of the Group's key trading currencies relative to the same period last year adversely impacted reported revenue.

We have strengthened our NGP business with the recently completed acquisition of Ten Motives in the UK. Vype continues to perform well, growing market share in the UK and delivering ahead of expectations in Germany, France, Poland and Italy. The integration of CHIC, our e-cigarette business in Poland, is on track, with Vype volume benefitting from the CHIC distribution network. Test market results of glo iFUSE, our first tobacco heating device, in Romania are exceeding expectations with distribution expanded across Bucharest.

The Group is performing well and we are on track for another year of good earnings growth at constant rates of exchange. We expect profit growth to be weighted to the second half of the year, mainly due to the timing of the effect of transactional foreign exchange headwinds and an improving price/mix.

Trading environment

The trading environment remains challenging, notably due to the continued impact of adverse exchange rates at a transactional level which is estimated to be a profit headwind of approximately 7%, with a consequent impact on operating margin. If sterling stays at the current rate for the rest of the year, there would be a positive translational effect of approximately 3% on earnings.

Cigarette volume

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

	3 months to 31.03.16	3 months to 31.03.15	Year to 31.12.15
	bns	bns	bns
Asia-Pacific	50	49	198
Americas	28	29	124
Western Europe	26	23	112
EEMEA	54	51	229
Total cigarette volume	158	152	663
Total cigarette volume (organic)	156	152	661
Total tobacco volume	163	158	689

FINANCIAL POSITION


The Group has sufficient financing and facilities available for the foreseeable future.

There have been no material events, transactions or changes 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 changes in the financial position of the Group which have occurred up to and including 25 April 2016, 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 April 2016

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NOTES AND ADDITIONAL INFORMATION

British American Tobacco is the world's second largest quoted tobacco and next generation products group by global market share, with brands sold in more than 200 markets. We have five Global Drive Brands – Dunhill, Kent, Lucky Strike, Pall Mall and Rothmans – and over 200 brands in our portfolio. We hold robust market positions in each of our regions and have leadership positions in more than 55 markets.

Disclaimers

This Interim Management Statement (IMS) relates to the three months ended 31 March 2016 and contains information that covers the three months and the period since the first quarter end to 25 April 2016, 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 2016

5 May	Payment date of 2015 final dividend
28 July	Half-Yearly Report
26 October	Interim Management Statement

HALF-YEARLY REPORT AND INTERIM DIVIDEND

As a result of proposed regulatory changes at the JSE in South Africa, we are currently unable to finalise the timetable for the interim dividend for the year ending 31 December 2016. We will publish the timetable via a separate RNS announcement as soon as we are able to do so.

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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; +44 370 889 3159
Share dealing tel: 0370 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 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 (ADRs)

NYSE MKT (Symbol: BTI; CUSIP Number: 110448107)
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
tel: 1-888-985-2055 (toll-free) or +1 781 575 4555
email enquiries: citibank@shareholders-online.com
website: www.citi.com/dr

Publications

British American Tobacco Publications
Unit 80, London Industrial Park, Roding Road, London E6 6LS, UK
tel: +44 20 7511 7797; facsimile: +44 20 7540 4326
e-mail enquiries: bat@team365.co.uk or
The Company's Representative office in South Africa using the contact details shown below.


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British American Tobacco p.l.c. is a public limited company which is listed on the London Stock Exchange and the JSE Limited in South Africa. British American Tobacco p.l.c. is incorporated in England and Wales (No. 3407696) and domiciled in the UK.

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news release

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