

29 APRIL 2015

BRITISH AMERICAN TOBACCO p.l.c.

INTERIM MANAGEMENT STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2015

GOOD UNDERLYING PERFORMANCE CONTINUES

- Revenue increased by 1.7% at constant rates of exchange
- Revenue declined by 5.8% at current rates of exchange
- Cigarette volume from subsidiaries decreased by 3.6% to 152 billion
- Strong market share growth of 40 basis points (bps)¹
- Global Drive Brands' cigarette volume grew by 5.7%
- The Group continues to make significant progress in next-generation products

Nicandro Durante, Chief Executive, commented: "The Group continued to perform well in the first three months of the year despite the challenging trading environment. Our market share increased by 40 bps driven by our Global Drive Brands which continue to deliver strong share and volume growth. Revenue increased at constant rates of exchange, driven by pricing more than offsetting lower volume, while adverse exchange rate movements led to a reduction in reported revenue. I remain confident that we will deliver another year of good earnings growth at constant rates of exchange, with performance significantly skewed to the second half of the year principally due to a strong first-half volume comparator and the timing of price increases."

SUMMARY OF PERFORMANCE

Trading environment

The trading environment remains challenging due to continued pressure on consumers' disposable income worldwide and the impact of adverse exchange rates at a transactional level.

Trading update

Cigarette volume from subsidiaries was 3.6% lower at 152 billion due to industry volume decline (in particular in Brazil, Russia and Vietnam), inventory movements and a strong volume comparator in the same period last year, the impact of which is expected to moderate during the year. This offset a good volume performance in a number of markets, including in South/Central Asia and Mexico, with the Group's market share higher by 40 bps driven by South Korea (which will partially unwind), Mexico, Bangladesh, Japan, France and Poland.


Revenue at constant rates of exchange grew by 1.7% driven by strong pricing, in part due to price increases in high inflation markets. At current rates of exchange revenue declined by 5.8%, as movements in the majority of the Group's key trading currencies continued to adversely impact reported revenue.


The five Global Drive Brands' cigarette volume was up by 5.7%, with their combined market share in the Group's key markets continuing to grow strongly.

Dunhill volume increased by 1.2%, as good growth in Indonesia and Brazil outweighed lower volume in South Korea and the GCC. Kent volume was 1.6% lower, as higher volume in Iran and Turkey was more than offset by

¹ T40 Offtake share, as independently measured by AC Nielsen

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lower volume in Russia, Japan and Romania. Lucky Strike was 5.0% higher with increases in Mexico, France and Belgium more than compensating for lower volume in Japan and Italy. Pall Mall volume was up 2.4% as growth in Pakistan, Poland and Mexico more than offset reductions in Italy and Russia. Rothmans volume increased by 36.9%, driven by a strong performance in a number of markets, including Russia, Australia, Kazakhstan, Turkey and Italy.

Vype continued to deliver excellent organic growth in the UK e-cigarette market, providing a strong platform for planned launches in other countries in 2015. We remain on track to launch Voke, a nicotine inhalation product licensed as a medicine, in the UK later this year, and we continue to make good progress in tobacco heating products, with plans to test market a product in 2015.

The Group is performing well and we are on track for another good year of earnings growth at constant rates of exchange. We continue to expect profit growth to be significantly weighted to the second-half of the year principally due to a strong first-half volume comparator and the timing of price increases.

Cigarette volumes

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


	3 months to 31.03.15	3 months to 31.03.14	Year to 31.12.14
	bns	bns	bns
Asia-Pacific	49	50	197
Americas	29	31	131
Western Europe	23	24	112
EEMEA	51	53	227
	152	158	667
Total tobacco volume	158	164	694

POTENTIAL TENDER OFFER FOR SOUZA CRUZ


On 3 March the Group announced a public tender offer to acquire up to all of the 24.7% of Souza Cruz shares not currently owned by the Group and to delist the company. The offer price of R\$26.75 per share to be paid in cash represented a premium of 30.0% to Souza Cruz's volume weighted average closing price per share in the three months prior to 20 February 2015 and would be reduced by any dividend paid by Souza Cruz after 3 March 2015. The current offer price is R\$26.13 per share.

In accordance with Brazilian regulatory procedures, on 9 April 2015 a special free float Souza Cruz shareholders meeting approved the appointment of Credit Suisse (Brasil) S.A. to undertake a new valuation of Souza Cruz shares within 30 days of this date. Any actual offer which may be made by the Group for the Souza Cruz shares which it does not own must be at a price which is within or above such valuation. If an offer is made, we expect that the financial settlement relating to such offer would occur in Q3 2015.

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INVESTMENT IN REYNOLDS AMERICAN, INC.

On 15 July 2014, the Group announced that it had agreed to invest US\$4.7 billion as part of Reynolds American Inc.'s proposed acquisition of Lorillard, enabling the Group to maintain its 42% equity position in the enlarged business. The transaction has been approved by both Reynolds American Inc. and Lorillard shareholders. The acquisition is subject to approval from the US anti-trust authority, the Federal Trade Commission, with a decision expected shortly.

AUDIT TENDER

The Group appointed KPMG LLP as external auditors on 23 March 2015 following a competitive tender process. Shareholder approval to confirm the appointment of KPMG LLP will be sought at the AGM on 29 April 2015.

PricewaterhouseCoopers LLP, who had been the Company's auditors since it listed on the London Stock Exchange in September 1998, resigned with effect from 23 March 2015.

FINANCIAL POSITION

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

The changes in the financing arrangements of the Group since the beginning of the financial year included the issue in March of four bonds in the Euro market for a total of €3 billion. They comprised an €800 million bond with a maturity of 2019, an €800 million bond with a maturity of 2023, an €800 million bond with a maturity of 2027 and a €600 million bond with a maturity of 2045. These issues were for general corporate purposes, including financing of working capital, refinancing of bonds and commercial paper.

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 28 April 2015, being the latest practicable date before the date of the publication of this Interim Management Statement.


On behalf of the Board

Nicola Snook

Secretary

28 April 2015

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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 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 60 markets.

Disclaimers

This Interim Management Statement (IMS) relates to the three months ended 31 March 2015 and contains information that covers the three months and the period since the first quarter end to 28 April 2015, 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 2015


7 May	Payment date of 2014 final dividend
29 July	Half-Yearly Report
28 October	Interim Management Statement


HALF-YEARLY REPORT AND INTERIM DIVIDEND

With particular reference to the Company's obligations in respect of the secondary listing of its ordinary shares on the JSE, the proposed dates in respect of the Half-Yearly Report and the interim dividend for the year ending 31 December 2015 are currently scheduled as follows:

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Wednesday 29 July	Half-Yearly Report (to include announcement of declaration of interim dividend: amount of dividend per share in both sterling and rand; applicable exchange rate and conversion date – 27 July 2015; plus additional applicable information as required in respect of South African dividend tax).
Wednesday 29 July to Friday 21 August	From the commencement of trading on Wednesday 29 July 2015 to Friday 21 August 2015 (inclusive), no removal requests in either direction between the UK main register and the South Africa branch register will be permitted.
Friday 14 August	Last Day to Trade or LDT (JSE)
Monday 17 August to Friday 21 August	From the commencement of trading on Monday 17 August 2015 to Friday 21 August 2015 (inclusive), no transfers between the UK main register and the South Africa branch register will be permitted; no shares may be dematerialised or rematerialised.
Monday 17 August	Ex-dividend date (JSE)
Thursday 20 August	Ex-dividend date (LSE)
Friday 21 August	Record date (LSE and JSE)
Wednesday 9 September	Last date for receipt of Dividend Reinvestment Plan (DRIP) elections (UK main register only).
Wednesday 30 September	Payment date (sterling and rand)

Note: Any changes to the dates set out above will be announced. This timetable will be included in the Half-Yearly Report scheduled for release on Wednesday 29 July 2015.

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; +44 870 889 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 Proprietary Limited
PO Box 61051, Marshalltown 2107, South Africa
tel: 0861 100 925; +27 11 870 8222
email enquiries: web.queries@computershare.co.za

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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

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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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