BRITISH AMERICAN TOBACCO

news release

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BRITISH AMERICAN TOBACCO p.l.c.

INTERIM MANAGEMENT STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

ON TRACK FOR A GOOD YEAR

- **Year to date revenue grew by 4.2% at constant rates of exchange**
- **Year to date revenue declined by 6.5 % at current rates of exchange**
- **Year to date cigarette volume from subsidiaries decreased by 1.8% to 487 billion**
- **Cigarette market share[1] in Key Markets[2] increased by 40 bps year to date**
- **Global Drive Brands cigarette volume grew by 7.2% in the year to date**
- **Successful tender offer for Souza Cruz minorities and completion of acquisition of TDR in Croatia**

Nicandro Durante, Chief Executive, commented: "The Group continues to perform very well, with a strong third quarter. Our excellent market share growth was driven by the exceptional performance of our Global Drive Brands whilst the increase in revenue, at constant rates of exchange, was due to strong pricing in the majority of our markets. Performance will moderate in the final quarter partly due to a strong comparator and the impact of the deterioration in exchange rates. There will be increased marketing investment and geographic expansion of next generation products in Q4, however I remain confident that we are on track to deliver another year of good earnings growth at constant rates of exchange."

SUMMARY OF PERFORMANCE

The following provides a summary of the Group's revenue, volume and market share, for the nine months ended 30 September 2015.

Revenue

Group revenue for the nine months, at constant rates of exchange, grew by 4.2%. This was driven by continued strong pricing, partially offset by negative geographic mix, growth in the low price segment in some Key Markets and a difficult pricing environment in Australia. Excellent price mix of 6.0% for the year to date, at constant rates of exchange, is driven by a very strong third quarter, and is expected to moderate in the remainder of the year, partly due to a strong Q4 comparator. Significant movements in many of the Group's key trading currencies resulted in a 6.5% decline in reported revenue.

Volume and Market Share

The Group performed very well during the first nine months of the year. Volume was up in the third quarter by 0.4%. Volume for the nine months of 487 billion was down by 1.8% on 2014, a lower rate than the overall market decline. Growth in many markets, including Turkey, Bangladesh, Iran, Kazakhstan, Denmark and Mexico was more than offset by lower volume in Brazil, Russia, Egypt, Vietnam, and Italy.

Market share grew strongly, up 40 bps, notably in South Korea, Indonesia, Japan, Russia, Malaysia, Australia, Ukraine, Pakistan, Turkey, France and the UK, underpinned by the excellent performance of the Global Drive Brands, which grew market share by 100 bps.

[1] Key Market offtake share, as independently measured by AC Nielsen
[2] The Group's Key Markets represent over 75% of the Group's cigarette volume

The five Global Drive Brands grew volume by 7.2% in the nine months, with the third quarter higher by 9.5%. Dunhill's volume increased by 4.7% in the year to date, driven by a 20 bps increase in market share, with higher volume in Indonesia, Brazil, South Africa and Hungary partially offset by South Korea and Malaysia. Kent's market share was marginally higher, with volume up by 2.4% in the nine months as the performance in Iran, Turkey and Japan, more than offset lower volume in Russia.

Lucky Strike's volume grew by 3.4% in the nine months, with increases in Belgium, France and Mexico more than offsetting decreases in Russia and Spain, and an increase in market share of 10 bps. Pall Mall market share was higher by 10 bps, with the nine month volume marginally lower as growth in Poland, Mexico, Canada and Pakistan was offset by the effect of the brand migration to Rothmans in Italy. Rothmans market share was higher by over 50 bps as volume grew by 43.2% in the year to date with strong performances in Russia, Turkey, Ukraine, Italy, Kazakhstan, Australia, Algeria and the UK.

The segmental analysis of the volume of subsidiaries was as follows (cigarettes and cigarette equivalents):

	3 months to 30.09.15	3 months to 30.09.14	Variance	**9 months to 30.09.15**	9 months to 30.09.14	Variance	Year to 31.12.14
	bns	bns	% change	**bns**	bns	% change	bns
Asia-Pacific	**45**	47	-2.7%	**148**	150	-1.3%	197
Americas	**30**	32	-6.5%	**91**	95	-5.1%	131
Western Europe	**30**	29	+1.0%	**81**	82	-0.7%	112
EEMEA	**60**	56	+6.4%	**167**	168	-0.8%	227
Total cigarette volume	**165**	164	+0.4%	**487**	495	-1.8%	667
Total tobacco volume	**171**	171	+0.0%	**505**	515	-2.0%	694

Trading Environment

The trading environment remains challenging due to the slower than expected recovery in the global economy, continued pressure on consumer disposable income worldwide and significant currency headwinds. If exchange rates stay the same for the remainder of the year the Group would have adverse transactional and translational foreign exchange rate impacts to operating profit of approximately 6% and 12% respectively.

Industry volume decline was in line with prior year, despite the continued impact of excise driven price increases in high volume markets. Pricing conditions are improving globally despite certain markets, notably Australia, remaining challenging.

SHARE BUY-BACK PROGRAMME

The Group suspended, with effect from 30 July 2014, its approved on-market share buy-back programme with a value of up to £1.5 billion. This was a result of the Group's announcement on 15 July 2014 that it planned to invest US$4.7 billion as part of Reynolds American's proposed acquisition of Lorillard.

During the seven months to 30 July 2014, 23.1 million shares were bought at a cost of £795.2 million, excluding transaction costs.

PUBLIC TENDER OFFER FOR SOUZA CRUZ

On 16 October 2015, the Group announced that it had concluded the auction related to the 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.

As a result of the auction, the Group will acquire 342,956,819 shares at a price of R$27.20 per share (the Offer Price), representing 22.4% of Souza Cruz. The Group's total ownership of Souza Cruz will therefore increase to 97.7%. At the Offer Price, the value of the 24.7% free float was approximately £1.7 billion.

Given the level of acceptance at the auction, Souza Cruz will now take the necessary steps to cancel its registration as a publicly listed company. In addition, as the Group now owns over 95% of Souza Cruz a process will be commenced to compulsorily purchase the remaining minority shares, upon which Souza Cruz will become a wholly owned subsidiary. This is anticipated to be completed by the end of the year.

ACQUISITION OF TDR d.o.o

On 30 September 2015, the Group completed its previously announced acquisition of TDR d.o.o. and other tobacco and retail assets (TDR) from Adris Grupa d.d. (Adris) for a total enterprise value of €550 million.

IMPERIAL TOBACCO CANADA – QUEBEC CLASS ACTION

Following the cancellation of the Order for Provisional Execution in the Quebec class action litigation on 23 July 2015, the Plaintiffs filed a motion against Imperial Tobacco Canada (ITCAN) and the Canadian subsidiaries of Philip Morris International (PMI) and Japan Tobacco International (JTI) seeking Security in the amount of CAD $5bn to guarantee, in whole or in part, the payment of costs of the appeal and the judgement. Following a hearing on 6 October 2015 the Quebec Court of Appeal granted, on 27 October 2015, the Order for Security in the amount of CAD $984 million, of which ITCAN's share is CAD $758 million. ITCAN believes the Order for Security is unprecedented and unjustified and intends to review its options to apply for leave to appeal this decision to the Supreme Court of Canada and to seek, in the interim, a Stay of the Order.

INVESTMENT IN NEXT GENERATION PRODUCTS

On 22 September 2015, the Group announced the conditional agreement to acquire 100% of the CHIC Group (subject to approval from the Polish anti-trust authority, the Office of Competition and Consumer Protection). The acquisition of CHIC provides the Group with scale and market reach, via 800 points of sale in Poland, a number of leading Polish e-cigarette brands, a dedicated e-liquids production facility and a modern research and development centre.

The Group also announced the agreement of a vapour products technology-sharing term sheet with R.J. Reynolds Tobacco Company (RJRTC), a subsidiary of the Group's associate Reynolds American Inc. This will provide a framework for collaboration and mutual cross-licensing of the parties' vapour product technologies up to 31 December 2022.

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 date of the announcement of the Half-Year Report 2015, include the partial cancellation in September of a one-year bridge facility of £2.5 billion. This facility is in respect of the potential tender offer to acquire up to all of the 24.7% of Souza Cruz shares which are not currently owned by BAT, which was launched in October. The limit was reduced to £2 billion, reflecting the devaluation of the Brazilian Real against sterling since the facility was signed.

In July 2015, the Group received £620 million from HM Revenue & Customs in connection with the Franked Investment Income Group Litigation Order. The case concerns the treatment for UK corporate tax purposes of profits earned overseas and distributed to the UK between 1973 and 1999. As the funds must be returned in the event that the litigation is ultimately unsuccessful, they will be treated as deferred income until the final outcome is known.

There have been no material events, transactions or changes in the financial position of the Group since the Half-Year Report to 30 June 2015, 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 27 October 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
27 October 2015

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 nine months ended 30 September 2015 and contains information that covers the nine months and the period since the third quarter end to 27 October 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 2016

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

British American Tobacco p.l.c. Globe House 4 Temple Place London WC2R 2PG
Registered in England and Wales no. 3407696

CORPORATE INFORMATION

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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Premium listing

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