Interim Management Statement for the 9 months ended 30 September 2013

23 October 2013

- **Good revenue growth of 3.5% at constant rates of exchange**
- **Revenue growth of 0.7% at current rates of exchange**
- **Cigarette volume from subsidiaries decreased by 3.2% to 501 billion**
- **Total tobacco volume was down by 3.0%**
- **Global Drive Brand cigarette volume grew by 1.9%**

Nicandro Durante, Chief Executive, commented: “The Group continued its good performance against a backdrop of adverse exchange rate movements, lower industry volume and instability in some parts of the world. We have grown revenue and market share, our pricing momentum remains strong and our Global Drive Brands continue to perform well. During the period, the Group launched its first next generation product, Vype, and early signs are encouraging. We remain on track for a year of solid earnings growth.”

SUMMARY OF PERFORMANCE

Trading update

British American Tobacco performed well in the nine months to the end of September 2013 with continued growth in revenue, market share and the Global Drive Brands. The Group’s reported results were adversely impacted by exchange rate movements. Volume was lower than last year as a result of industry volume declines, excise-driven trade inventory movements in Brazil and the leap year comparator.

Group revenue for the nine months, at constant rates of exchange, grew by 3.5%, driven by strong pricing. At current exchange rates, revenue grew by 0.7%, as movements in some of the Group’s key trading currencies continued to adversely impact reported revenues.

Cigarette volume from subsidiaries was 501 billion, down by 3.2%, with underlying cigarette volume declining 2.4%. Growth in many markets, including Bangladesh, Pakistan, Vietnam, the Middle East and the Philippines, was more than offset by lower volumes in Brazil, Russia, Turkey, Ukraine, Egypt and Western Europe.

Global Drive Brands’ cigarette volume was up by 1.9%, with their market share growing strongly in the Group’s Top 40 markets. Dunhill volume increased by 9.6%, with good growth in Indonesia, South Korea and the GCC. Kent was 4.0% lower, driven by market declines in Russia, Romania and Ukraine. Lucky Strike volume was down by 5.3%, with increases in the Philippines, Brazil and Poland, more than offset by market declines in Spain and lower volume in the Middle East. Pall Mall was up by 5.2%, largely as a result of growth in Pakistan, Romania, Chile and Argentina, partially offset by declines in Russia, Uzbekistan, Germany and Spain.

Other tobacco products performed well, with Fine Cut tobacco growing, driven by a 3.3% increase in Western Europe. Pall Mall, the biggest Fine Cut brand in Western Europe, was up by 10.7% with growth in Belgium, Spain, France, Italy and Germany. Total tobacco volume (including cigarettes) was 3.0% lower at 521 billion.

Trading environment

Despite industry volume declining and difficult trading conditions persisting in some parts of the world, the pricing environment remains strong. Exchange rate movements are adversely affecting the reported results.

Cigarette volumes

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

	9 months to 30.09.13 bns	9 months to 30.09.12 bns	Year to 31.12.12 bns
Asia-Pacific	**149**	141	188
Americas	**97**	104	142
Western Europe	**87**	95	129
EEMEA	**168**	177	235
	501	517	694
Total	**521**	**537**	**722**

SHARE BUY-BACK PROGRAMME

The Group resumed an on-market share buy-back programme from the end of February 2013. During the nine months to 30 September 2013, 31.4 million shares were bought at a cost of £1,095.9 million, excluding transaction costs.

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 were the issue in March of a new €650 million bond with a maturity of 2025, a new US$300 million bond with a maturity of 2016 and a new £650 million bond with a maturity of 2026. These issues were in anticipation of the repayment in July 2013 of a €519 million bond and the repayment in November and December 2013 of a US$300 million and a £152 million bond respectively.

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 22 October 2013, being the latest practicable date before the date of the publication of this Interim Management Statement.

On behalf of the Board
Nicola Snook
Secretary
22 October 2013

Interim Management Statement for the nine months ended 30 September 2013 - full announcement (267 kb)

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