

News Release

A good performance in a challenging environment

22 October 2014

Interim Management Statement for the nine months ended 30 September 2014

- Revenue grew by 2.4% at constant rates of exchange
- Revenue declined by 9.6% at current rates of exchange
- Cigarette volume from subsidiaries decreased by 1.0% to 495 billion
- Global Drive Brand cigarette volume grew by 6.2%

Nicandro Durante, Chief Executive, commented: “The Group grew revenue at constant rates of exchange as a result of a slightly better price mix, despite increased competitive pricing activity in some of our key markets. Our volume performance reflects our broad geographic spread, increased market share and excellent growth of our Global Drive Brands. Although currency movements impacted our reported results, the Group continues to perform well and we are on track to deliver another year of good earnings growth at constant rates of exchange.”

SUMMARY OF PERFORMANCE

Trading environment

The trading environment remains challenging due to continuing pressure on consumer disposable income worldwide and the slow economic recovery in Western Europe.

Industry volume has declined at a lower rate than last year, but is being impacted by large excise-driven price increases. Pricing is weighted to the second half of the year, although recent competitive pricing activity in some key markets, notably Australia and Malaysia, and the growth of the low price segment have resulted in some moderation of the improvement in price mix.

Trading update

British American Tobacco performed well during the first nine months of the year, with continued strong growth of the Global Drive Brands, good market share performance in key markets and a 1% decrease in volume.

Group revenue for the nine months, at constant rates of exchange, grew by 2.4%. This was driven by good pricing, offset by increased competitive pricing activity and growth in the low price segment in some key markets. Movements in many of the Group’s key trading currencies resulted in a 9.6% decline in reported revenue.

Cigarette volume from subsidiaries was 495 billion, down by 1.0%, with growth in many markets, including the Middle East, Bangladesh, Venezuela, Pakistan, Ukraine, Turkey and Indonesia, more than

offset by lower volume in Russia, Vietnam, Brazil, Poland and Canada, mainly driven by industry decline. Total tobacco volume was also 1.0% lower.

The five Global Drive Brands' cigarette volume was up by 6.2%, and their combined market share continued to grow strongly in the Group's key markets. Dunhill's volume increased by 3.5%, with good growth in Indonesia, Brazil and South Korea partially offset by market decline in Malaysia. Kent's volume decreased by 2.7% mainly due to market contraction in Russia and Romania, partially offset by good growth in the Middle East and Japan.

Lucky Strike's volume was slightly down, with increases in Mexico, Russia and Spain more than offset by decreases in Chile and Poland. Pall Mall was up by 7.7% as a result of growth in Pakistan, South Africa, Chile, Mexico, Argentina and Poland, partially offset by declines in Italy, Russia and the UK. Rothmans grew by 37.0% with strong performances in Russia, Italy, Ukraine and the UK, slightly offset by decline in Egypt.

Fine Cut volume continued to grow, up by 0.3%, with good performances in Hungary, Germany and Belgium. Both Pall Mall and Lucky Strike Fine Cut grew volume. Pall Mall remains the leading fine cut brand in Western Europe.

Volumes

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

**Please refer to table attached below*

SHARE BUY-BACK PROGRAMME

The Group suspended, with effect from 30 July 2014, its approved 2014 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. The investment will enable British American Tobacco to maintain its 42% equity position in the enlarged Reynolds American business.

During the seven months to 30 July 2014, 23.1 million shares were bought at a cost of £795.2 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 included the issue in March of a new €400 million bond with a maturity of 2018, and a new €600 million bond with a maturity of 2029. In September, the Group issued three bonds in the Swiss market for a total of SFr.1 billion. They comprised a SFr.350 million bond with a maturity of 2016; a SFr.400 million bond with a maturity of 2021; and a SFr.250 million bond with a maturity of 2026.

These issues were for further financing needs of the Group and in anticipation of the repayment of bonds that will expire later in 2014.

In May 2014, the Group negotiated a new central banking facility of £3 billion with a final maturity of May 2019 (with two additional one-year extensions at the option of the banks). This facility is provided by 22 banks. The new facility is on significantly improved terms compared to the previous central banking facility of £2 billion, with a maturity of December 2015, which was cancelled at the same time. The new facility was undrawn as at 30 September 2014.

In September 2014, the Group signed a bridge facility of US\$4.7 billion with an extension option of up to one year for its proposed investment in Reynolds American Inc.

There have been no material events, transactions or changes in the financial position of the Group since the Half-yearly Report to 30 June 2014, 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 21 October 2014, being the latest practicable date before the date of the publication of this Interim Management Statement.

On behalf of the Board

Nicola Snook

Secretary

21 October 2014

[Interim Management Statement for the nine months ended 30 September 2014 - full announcement \(271 kb\)](#) 

Enquiries

British American Tobacco Press Office

Will Hill / Simon Millson

+44 (0) 20 7845 2888 (24 hours) | [@BATPress](#) 

Investor Relations

Mike Nightingale / Rachael Brierley

+44 (0) 20 7845 1180 / 1519

	9 months to 30.09.14 bns	9 months to 30.09.13 bns	Year to 31.12.13 bns
Asia-Pacific	150	149	197
Americas	95	97	134
Western Europe	82	87	119
EEMEA	168	168	226
Total cigarette volumes	495	501	676
Total tobacco volume	515	521	703