



28 October 2009

**BRITISH AMERICAN TOBACCO p.l.c.**

**INTERIM MANAGEMENT STATEMENT FOR THE NINE MONTHS ENDED  
30 SEPTEMBER 2009**

- **Strong revenue growth at both constant and current exchange rates**
- **Volumes from subsidiaries increased 2 per cent to 533 billion**
- **Global Drive Brands volumes grew by 4 per cent**

**SUMMARY OF PERFORMANCE**

**Trading update**

British American Tobacco performed well in the nine months to the end of September, although total volume growth slowed.

Group revenue for the nine months grew strongly in constant currency terms, driven by the continued good pricing momentum and volume growth from the acquisitions made in the middle of last year (Skandinavisk Tobakskompagni (ST) in Denmark and Tekel in Turkey), as well as the acquisition of PT Bentoel Internasional Investama Tbk (Bentoel) in Indonesia on 17 June 2009. All regions contributed to this good result. Revenue benefited further from the favourable impact of significant exchange rate movements.

Group volumes from subsidiaries were 533 billion, up 2 per cent, as a result of the acquisitions of ST, Tekel and Bentoel. Organic volumes were 3 per cent lower than last year as a result of a sharp decline in the low margin volumes acquired in the ST and Tekel transactions, which were included, on a comparable basis, for the first time in the third quarter.

The four Global Drive Brands had a good performance and achieved overall volume growth of 4 per cent. Dunhill was up 6 per cent, Lucky Strike 5 per cent and Pall Mall grew by 9 per cent; Kent volumes were 2 per cent lower mainly driven by industry volume declines in its key markets.

**Trading environment**

This strong performance was achieved against deteriorating trading conditions, with industry volumes lower in a number of markets including Japan, Russia, Brazil, Italy and South Africa, as well as a decline in the premium segment in the third quarter. In some markets, particularly in Central and Eastern Europe, there was down-trading to illicit trade as a result of excise increases, affecting the low price segment.

The Group continued to address its cost base and, amongst other initiatives, started the consultation process with a view to closing the Soeborg factory in Denmark.

**Cigarette volumes**

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

	<b>9 months to</b>		<b>Year to</b>
	<b>30.09.09</b>	30.09.08	31.12.08
	<b>bns</b>	bns	bns
Asia-Pacific	<b>134</b>	134	180
Americas	<b>111</b>	119	161
Western Europe	<b>98</b>	89	123
Eastern Europe	<b>95</b>	102	137
Africa and Middle East	<b>95</b>	80	114
	<b>533</b>	524	715

## **Comment**

Paul Adams, Chief Executive, commented "Our consumers are clearly finding the current economic conditions difficult, as unemployment continues to rise. This has led to a softening of our volumes, although I am encouraged by the growth in our Global Drive Brands and the strong growth in revenue."

## **CHANGES IN THE GROUP**

The acquisition of the cigarette and snus businesses of ST was subject to regulatory approval which was received on the condition that the Group divest a small number of local trademarks, primarily in Norway. The disposal of the trademarks was completed earlier this year and the total proceeds resulted in a gain of £2 million.

On 17 June 2009, the Group acquired an 85 per cent stake in Indonesia's fourth largest cigarette maker PT Bentoel Internasional Investama Tbk (Bentoel) for US\$494 million (£303 million). A public tender offer for the remaining shares was announced after the acquisition and was completed by 26 August 2009, resulting in the acquisition of a further 14 per cent share in the company, for £52 million, bringing the total shareholding in the Bentoel Group to 99.7 per cent.

On 20 October 2009, it was announced that Bentoel and BAT Indonesia decided to enter into a merger plan whereby BAT Indonesia will merge into Bentoel. The Bentoel name will be retained and the company will remain listed on the Indonesia Stock Exchange.

## **FINANCIAL POSITION**

The Group has sufficient financing and facilities available for the foreseeable future and at 30 September 2009 its guaranteed revolving credit facility of £1.75 billion was undrawn. This facility acts as a backstop for the Group's re-established euro commercial paper (ECP) programme (£1 billion) of which £663 million was outstanding on 30 September 2009.

The main change in financing arrangements since the beginning of the financial year was the repayment of the €900 million maturing debt at the end of February 2009, financed from bonds issued during 2008 and from cash generated from operations. In June and in August 2009 respectively, the Group issued a £250 million bond with maturity of June 2022, and a new 5 year Malaysian MYR250 million bond. It repaid a MYR100 million bond and EUR 395 million of the Turkish acquisition facilities respectively in May 2009 and in September 2009. In addition, the remaining EUR759 million Turkish acquisition facility was repaid during October with EUR 700 million refinanced to October 2012 with an option to extend it by a year to 2013, at the discretion of the banking participants in the syndicated facility.

There have been no material events, transactions or change 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 change in the financial position of the Group which have occurred since 30 September 2009 up to and including 27 October 2009, 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 2009

## 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 180 markets. We have four Global Drive Brands – Dunhill, Kent, Lucky Strike and Pall Mall - and over 300 brands in our portfolio. We hold robust market positions in each of our regions and have leadership positions in more than 50 markets.

As previously announced, Jan du Plessis is stepping down as Chairman on 30 October, after over five successful years as Chairman, having joined the Board as a Non-Executive Director in 1999. Richard Burrows, who joined the Board as a Non-Executive Director on 1 September, is becoming Chairman.

### **About this Interim Management Statement (IMS)**

This IMS relates to the nine months ended 30 September 2009 and contains information that covers the third quarter and the period since the quarter end to 27 October 2009, 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.

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](http://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 2010**

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

### **CORPORATE INFORMATION**

#### **Primary listing**

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

Computershare Investor Services PLC

The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, UK

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Share dealing tel: 0870 703 0084 (UK only)

Your account: [www.computershare.com/uk](http://www.computershare.com/uk)

Share dealing: [www.computershare.com/dealing/uk](http://www.computershare.com/dealing/uk)

Queries: [www.investorcentre.co.uk/contactus](http://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 (Pty) Limited  
PO Box 61051, Marshalltown 2107, South Africa

tel: 0861 100 950; +27 11 373 0017

Queries: [web.queries@computershare.co.za](mailto:web.queries@computershare.co.za)

**American Depositary Receipts (ADRs)**

NYSE Alternext US (Share Code: BTI; CUSIP Number: 110448107;

ISIN: US1104481072)

Sponsored ADR programme; each ADR represents two ordinary shares of British American Tobacco p.l.c.

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**Publications**

British American Tobacco Publications

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