BRITISH AMERICAN TOBACCO

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25 July 2012

BRITISH AMERICAN TOBACCO p.l.c.

HALF-YEARLY REPORT TO 30 JUNE 2012

GOOD RESULTS DESPITE CURRENCY HEADWINDS

Six Months Results - unaudited	**2012**	2011	**Change**
Revenue	**£7,452m**	£7,438m	-
Adjusted profit from operations	**£2,839m**	£2,760m	+3%
Profit from operations	**£2,740m**	£2,691m	+2%
Adjusted diluted earnings per share	**102.4p**	96.1p	+7%
Basic earnings per share	**98.9p**	94.5p	+5%
Interim dividend per share	**42.2p**	38.1p	+11%

- The Group's organic revenue at constant rates of exchange grew by 4 per cent as a result of continued good pricing momentum. Reported Group revenue was in line with last year as a result of adverse exchange rate movements.

- Adjusted Group profit from operations increased by 3 per cent and 6 per cent at constant rates of exchange.

- The reported profit from operations was 2 per cent higher at £2,740 million. The adjusting items are explained on pages 24 to 25.

- Group volumes were 344 billion, in line with last year. This strong performance was achieved against a comparator period which benefited from one-off events in Japan.

- The four Global Drive Brands achieved good volume growth of 4 per cent. Dunhill was up 3 per cent, Kent 2 per cent, Lucky Strike 19 per cent and Pall Mall grew by 3 per cent.

- Adjusted diluted earnings per share rose by 7 per cent, principally as a result of the growth in profit from operations. Basic earnings per share were up 5 per cent at 98.9p (2011: 94.5p).

- The Board has declared an interim dividend of 42.2p, an 11 per cent increase on last year, to be paid on 26 September 2012.

- 18 million shares were bought back at a cost of £553 million, excluding transaction costs.

- The Chairman, Richard Burrows, commented "Despite the global economic uncertainty and the adverse impact of exchange rates, British American Tobacco has delivered another good set of results. The underlying business continues to perform well and we are confident of another year of good earnings growth."

ENQUIRIES:

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BRITISH AMERICAN TOBACCO p.l.c.

HALF-YEARLY REPORT TO 30 JUNE 2012

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*Non-GAAP measures referred to and used in these condensed consolidated financial statements, such as adjusted profit from operations, organic growth and adjusted diluted earnings per share, are explained on page 20.

CHAIRMAN'S STATEMENT

Good Results Despite Currency Headwinds

Performance in the first half of the year has been good, with continued pricing momentum, Global Drive Brand growth and stable overall volumes.

Despite currency weaknesses in key markets and tough comparator one-off events in 2011, the underlying business is performing well.

Adjusted profit from operations at constant rates of exchange grew by 6 per cent to £2,929 million. Adjusted diluted earnings per share rose 7 per cent to 102.4 pence.

We repurchased some 18 million shares in the first half of the year through our buy-back programme at a cost of £553 million and at an average price of £31.47 per share.

The Board has declared an Interim Dividend of 42.2 pence per share, an increase of 11 per cent. As usual, the Interim Dividend has been set at one third of last year's total dividend and will be paid on 26 September to shareholders on the Register on 17 August 2012.

Despite the global economic uncertainty and the adverse impact of exchange rates, British American Tobacco has delivered another good set of results. The underlying business continues to perform well and we are confident of another year of good earnings growth.

Richard Burrows
24 July 2012

REGIONAL REVIEW

The Group delivered a good performance during the first half of the year, laying the foundation for another year of good results. This was achieved despite industry contraction in Southern Europe, instability in some EEMEA countries and tough comparators impacted by one-off events during 2011. The Group has been exposed to adverse exchange rate movements, in particular, weakness against Sterling of the Brazilian real, euro, South African rand and Russian rouble.

Reported revenue was in line with last year as the impact of the continued good pricing momentum and stable volumes were offset by adverse exchange rate movements. At constant rates of exchange, organic revenue was up 4 per cent.

Organic adjusted Group profit from operations, at constant rates of exchange, increased by 6 per cent. All regions contributed to this good profit performance. The reported profit from operations was 2 per cent higher at £2,740 million with a 3 per cent increase in adjusted profit from operations, as explained on pages 24 and 25.

Group cigarette volumes from subsidiaries was 344 billion, in line with the first half of last year. Excluding Protabaco in Colombia, organic volumes were 0.6 per cent lower. This is a strong performance against a comparator period which benefited from the one-off increased sales volumes in Japan and despite contracting industry volumes in some markets, notably Southern Europe.

The Group's cigarette market share in its Top 40 markets, excluding the impact of Japan, is essentially flat compared to full year 2011 and is showing a growing trend in 2012. Share of the premium segment continued to improve.

Other tobacco products performed well with a growth of 7 per cent to 6,954 tonnes in Fine Cut in Western Europe, mainly in Germany, Hungary, the Netherlands and the United Kingdom. Market share grew strongly and profit was higher. Pall Mall is by far the largest Fine Cut brand in Western Europe.

The four Global Drive Brands achieved good volume growth of 4 per cent following the successful geographic roll-out of innovations, resulting in continued improvement in market share. This growth would be 6 per cent if the one-off benefit of the additional sales in Japan last year was excluded.

Dunhill increased volumes by 3 per cent with growth in Malaysia, Indonesia, the GCC, South Africa, Nigeria and Romania, partially offset by a decline in South Korea. Kent volumes were higher in Russia, Ukraine and Switzerland, however, declines in Uzbekistan and Chile, as well as the high comparator in Japan, limited the growth to 2 per cent.

The excellent growth of 19 per cent by Lucky Strike was driven by increased volumes in Germany, Spain, France, Poland, Argentina, Chile and Brazil, partially offset by the lower volumes in Italy and Japan. Pall Mall volumes rose by 3 per cent with strong growth in Pakistan, Romania, Russia, Taiwan and Canada, partially offset by lower volumes in Chile, Italy and Spain.

Adjusted profit from operations* at constant and current rates of exchange is as follows:

	30.6.12		30.6.11
	Adjusted profit from operations*		Adjusted profit from operations*
	Constant rates	**Current rates**	
	£m	**£m**	£m
Asia-Pacific	**792**	**815**	766
Americas	**803**	**754**	768
Western Europe	**583**	**558**	572
EEMEA	**751**	**712**	654
	2,929	**2,839**	2,760

*Adjusted profit from operations (page 12) is derived after excluding adjusting items from profit from operations. Adjusting items include restructuring and integration costs and amortisation of trademarks, as explained on pages 24 and 25.

In **Asia-Pacific,** profit was up £49 million to £815 million as a result of strong performances in Japan, Malaysia, New Zealand, Pakistan, Bangladesh and Vietnam and favourable exchange rates. At constant rates of exchange, profit would have increased by £26 million or 3 per cent. If adjusted by Japan's one-off sales in the first half of 2011, profit at constant rates of exchange would have grown by 10 per cent. Volumes at 95 billion were in line with last year, with increases in Pakistan, Bangladesh, Malaysia, Taiwan and Vietnam, offset by lower volumes in South Korea, Japan and Indonesia.

In Australia, profit was up as a result of favourable exchange rate movements while the impact of lower volumes were partially offset by cost savings and higher pricing. Market share was lower, mainly as a result of increased competition in the low-priced segment. Profit was much higher in New Zealand, the result of volume growth, price increases and cost savings. A strong performance by Pall Mall contributed to the higher volumes.

Market share grew strongly in Malaysia, strengthening the Group's market leadership position, with an excellent performance from Dunhill. The improved product mix and increased volumes led to a significant rise in profit.

In Japan, volumes and market share were lower, following the additional one-off sales in the same period last year. Underlying market share was up, while profit for the period also benefited from cost savings and favourable exchange rate movements.

In Vietnam, volumes and market share grew, driven by Kent and State Express 555. Profit increased strongly as a result of higher pricing and volumes, as well as cost saving initiatives. In South Korea, the benefit of higher pricing and tight control of costs were offset by the impact of lower volumes due to competitor pricing activities.

In Indonesia, the launch of Dunhill Fine Cut Mild, an international kretek offer, performed well. The change in excise structure and the excise-driven price increases adversely impacted volumes, especially the low-priced brands. This, together with the significant marketing investment and higher clove prices, resulted in a decline in profit.

In Taiwan, both Dunhill and Pall Mall contributed to a growth in market share. Increased volumes and higher pricing resulted in a profit increase.

Volume growth in Pakistan led to a strong increase in market share. There was growth in profit as a result of higher margins, volumes and cost reductions. In Bangladesh, market share, profit and volumes grew due to the strong performances of Benson & Hedges and John Player Gold Leaf.

In **Americas**, profit declined by £14 million to £754 million, mainly due to exchange rate movements in Brazil. The results benefited from the acquisition of Protabaco in the fourth quarter of 2011. At constant rates of exchange, profit rose by £35 million or 5 per cent. Good performances from Brazil and Chile were partially offset by lower contributions from Mexico and Canada. Volumes were up 1 per cent at 71 billion, mainly as a result of the Protabaco acquisition and increases in Canada and Chile, partially offset by decreases in Mexico, Brazil, Argentina and Venezuela. On an organic basis, volumes were 2 per cent lower at 69 billion.

In Brazil, good profit growth was driven by an improved product mix and higher pricing. However, this was largely offset by exchange rate movements of the Brazilian real. Market share rose due to solid performances by Dunhill and Lucky Strike. Volumes were lower due to market contraction following the excise-led price increases.

Industry volumes increased in Canada as a result of more moderate pricing, driven by limited excise increases and stable illicit trade. Although market share was essentially flat, volumes were higher, mainly in the low-priced segment. Down-trading from the premium segment impacted profits, despite higher volumes and lower costs.

Regional review cont...

In Mexico, industry volumes declined substantially as a result of high excise-led price increases during 2011, fuelling illicit trade. Market share was essentially flat against 2011 with the recent strong performance of Pall Mall. Profit was lower in line with the volume decline.

In Argentina, profit was stable as a result of higher pricing and cost savings, offset by lower volumes. Market share declined despite Lucky Strike's and Dunhill's strong growth. In Chile, Lucky Strike continued to deliver outstanding growth. Overall volumes increased, resulting in a significant rise in profit.

Profit in Venezuela grew strongly as a result of higher pricing, partially offset by increased costs, the adverse impact of down-trading and lower volumes, while market share was higher. In Colombia, the acquisition of Protabaco in the last quarter of 2011, resulted in increases in profit and volumes compared to last year. Profit benefited from the integration of the two businesses.

Profit in **Western Europe** decreased by £14 million to £558 million but at constant rates of exchange, increased by £11 million or 2 per cent. Profit was affected by difficult economic conditions, leading to market contraction and volume decline. There were strong performances in Germany, Switzerland, Denmark, the United Kingdom, France and Romania, partially offset by declines in Italy, Greece and Belgium. Regional volumes were 4 per cent lower at 62 billion, mainly as a result of market contractions in Italy, Spain, Poland and Belgium.

In Italy, market share was down on last year. However, Dunhill and Lucky Strike performed well. Overall volumes were lower mainly as a result of market contraction and declines in the tail brands. Despite price increases and lower costs, profit decreased due to the effect of the volume decline.

Profit in Germany increased as a result of improved margins and lower costs. Market share was higher, driven by excellent performances from Lucky Strike, Pall Mall and Vogue, with volumes stable in a declining overall market.

In France, good profit growth was the result of higher market share and growing volumes driven by Lucky Strike and Dunhill benefiting from the launch of innovations. In Spain, profit was up, driven by a stabilisation of the pricing environment and the excellent growth of Lucky Strike.

A strong increase in profit in Switzerland was the result of reduced costs, increased margins and higher volumes. Volumes rose with market share up through the performances of Kent and Parisienne. Profits in Belgium and the Netherlands were lower as industry volumes declined. Market share in the Netherlands rose on good performances by Kent and Lucky Strike.

In Romania, increases in profit, volumes and market share were achieved through good performances by Dunhill and Pall Mall. The decline in volumes in Poland was due to lower industry volumes, despite an increase in market share. Profit at constant rates of exchange was stable as a result of the lower cost base and good performances from Lucky Strike and Viceroy. Despite growth in market share in Greece, competitor pricing activity and the challenging economic conditions drove a decline in industry volumes and resulted in lower profit. In the United Kingdom, Pall Mall performed well and together with Vogue, resulted in market share growth. Price increases and cost management led to higher profit despite lower volumes.

Profit grew in Denmark as a result of price increases, although volumes and market share were lower. In Sweden, profit rose as a result of price increases and higher volumes, with market share also up.

Profit in the **Eastern Europe, Middle East and Africa** region increased by £58 million to £712 million. This was principally due to higher volumes and price increases, partly offset by the adverse impact of exchange rate movements. At constant rates of exchange, profit would have increased by £97 million or 15 per cent. Volumes at 116 billion were 2 billion higher than last year with the increases in GCC, South Africa and Ukraine, partially offset by the declines in Turkey and Egypt. Due to International sanctions the Group withdrew from the Syria market.

Regional review cont...

In Russia, market share grew compared to the full year 2011 with volumes stable. Premium share grew substantially driven by Kent. Strong profit growth was the result of price increases and an improved mix.

Higher market share in Ukraine led to volume growth. Competitor pricing activities in the low-priced segment and increased marketing investment resulted in lower profit. Profit improved in Kazakhstan due to pricing and market share gains.

In Turkey, volumes and market share declined mainly as a result of competitor pricing activities in the low-priced segment and volume losses of tail brands. Profit was up due to savings initiatives and higher margins resulting from last year's excise-driven price increase.

In the GCC, volumes and market share increased mainly due to good performances by Dunhill and Rothmans. Profit grew strongly with higher volumes, improved margins and cost savings. Trading conditions in the Egyptian market have rapidly deteriorated and combined with multiple excise increases, resulted in a steep increase in illicit trade and a corresponding decline in volumes.

In Nigeria, market share grew substantially while volumes were lower as industry volumes declined largely due to political and social unrest. Premium brands posted impressive growth with Dunhill, Benson & Hedges and Rothmans the main contributors. The lower volumes, partially offset by an improved product mix and cost savings, led to lower profit.

At constant rates of exchange, profit was higher in South Africa, following higher prices and increased volumes, driven by strong performances by Dunhill and Peter Stuyvesant. Industry volumes are still significantly behind previous years as a result of the major increase in the incidence of illicit trade.

CIGARETTE VOLUMES

The segmental analyses of the volumes of subsidiaries are as follows:

3 months to			**6 months to**		Year to
30.6.12	30.6.11		**30.6.12**	30.6.11	31.12.11
bns	bns		**bns**	bns	bns
50	51	Asia-Pacific	**95**	95	191
34	34	Americas	**71**	70	143
33	35	Western Europe	**62**	65	135
61	60	EEMEA	**116**	114	236
178	180		**344**	344	705

RESULTS OF ASSOCIATES

Associates principally comprise Reynolds American Inc. and ITC Limited.

The Group's share of the post-tax results of associates increased by £15 million, or 5 per cent, to £344 million. The Group's share of the adjusted post-tax results of associates increased by 10 per cent to £347 million, with a rise of 14 per cent to £358 million at constant rates of exchange. The adjusting items in 2011 and 2012 are explained on pages 26 and 27.

The segmental analyses of the Group's share of the adjusted* post-tax results of associates and joint ventures are as follows:

	30.6.12		30.6.11
	Adjusted share of post-tax results*		Adjusted share of post-tax results*
	Constant rates	**Current rates**	
	£m	**£m**	£m
Asia-Pacific	**143**	**126**	112
Americas	**214**	**220**	201
Western Europe	**-**	**-**	1
EEMEA	**1**	**1**	1
	358	**347**	315

*Adjusted share of post-tax results of associates and joint ventures is after the adjusting items, as shown on page 12 and explained on pages 26 and 27, have been eliminated from the share of post-tax results of associates and joint ventures.

The adjusted contribution from Reynolds American increased by 9 per cent to £219 million. This excludes restructuring costs, the financing of a smoking cessation programme in Louisiana, tax credits and interest, and costs related to a number of Engle progeny cases. At constant rates of exchange the increase was 7 per cent.

The Group's associate in India, ITC, contributed £122 million to the Group, up 12 per cent, after adjusting for the impact of the dilution in the shareholding. At constant rates of exchange, the contribution would have been 27 per cent higher than last year.

DIVIDENDS

Declaration

The Board has declared an Interim Dividend of 42.2 pence per ordinary share of 25 pence for the six months ended 30 June 2012. The Interim Dividend will be payable on 26 September 2012 to shareholders registered on either the UK main register or the South African branch register on 17 August 2012 (the record date).

Key Dates and South Africa Branch Register

In compliance with the requirements of Strate, the electronic settlement and custody system used by the JSE Limited (JSE), the following salient dates for the payment of the Interim Dividend are applicable:

Event	Date 2012
Last Day to Trade (LDT) cum dividend (JSE)	Friday 10 August
Shares commence trading ex dividend (JSE)	Monday 13 August
Shares commence trading ex dividend (LSE)	Wednesday 15 August
Record date (JSE and LSE)	Friday 17 August
Payment date	Wednesday 26 September

As the Group reports in sterling, dividends are declared and payable in sterling except for shareholders on the branch register in South Africa whose dividends are payable in rand. A rate of exchange of £:R = 13.10720 as at 23 July 2012 (the closing rate on that date as quoted by Bloomberg), results in an equivalent Interim Dividend of 553.12384 SA cents per ordinary share. From the commencement of trading on 25 July 2012 until the close of business on 17 August 2012, no removal requests between the UK main register and the South African branch register will be permitted and no shares may be dematerialised or rematerialised between 13 August 2012 and 17 August 2012, both days inclusive.

South Africa Branch Register: Dividend Withholding Tax Information

South African Dividend Withholding Tax will be withheld from the gross Interim Dividend of 82.96858 SA cents per ordinary share paid to shareholders on the South African branch register at the rate of 15 per cent unless a shareholder qualifies for an exemption. After Dividend Withholding Tax has been withheld, the net dividend will be 470.15526 SA cents per ordinary share.

At the close of business on 24 July 2012 (the latest practicable date prior to the date of the declaration of the Interim Dividend), British American Tobacco p.l.c. (the "Company") had a total of 1,948,105,224 ordinary shares in issue (excluding treasury shares). The Company held 78,149,808 ordinary shares in treasury giving a total issued share capital of 2,026,255,032 ordinary shares.

The Company, as a South Africa non-resident, was not subject to the secondary tax on companies (STC) regime which used to operate before the introduction of Dividend Withholding Tax. No STC credits are available for set-off against the Dividend Withholding Tax liability on the Interim Dividend which is regarded as a 'foreign dividend' for the purposes of the South Africa Dividend Withholding Tax.

British American Tobacco p.l.c. is registered with the South African Revenue Service (SARS) with tax reference number 9378193172.

For the avoidance of doubt, Dividend Withholding Tax and the information provided above is only of direct application to shareholders on the South African branch register. Shareholders on the South African branch register should direct any questions regarding the application of Dividend Withholding Tax to Computershare Investor Services (Pty) Ltd, contact details for which are given in the 'Corporate Information' on page 36.

General Dividend Information

The Interim Dividend amounts to £824 million. The comparative dividend for the six months to 30 June 2011 of 38.1 pence per ordinary share amounted to £738 million.

In accordance with IFRS, the Interim Dividend will be charged in the Group results for the third quarter. The condensed consolidated financial information for the six months to 30 June 2012 includes the final dividend paid in respect of the year ended 31 December 2011 of 88.4 pence per share amounting to £1,723 million (30 June 2011: 81.0 pence amounting to £1,620 million).

RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the business activities of the Group were identified under the heading 'Key Group risk factors', set out on pages 40 to 47 of the Annual Report for the year ended 31 December 2011, a copy of which is available on the Group's website www.bat.com. The Key Group risks are summarised under the headings of:

- Illicit trade;
- Excise and tax;
- Financial;
- Marketplace; and
- Regulation.

The Group continues to review its risks and exposures in the eurozone as part of the management of its ongoing exposure to foreign exchange rates and under the Key Group risk – Marketplace: Geopolitical tensions.

In the view of the Board, the key risks and uncertainties for the remaining six months of the financial year continue to be those set out in the above section of the 2011 Annual Report. These should be read in the context of the cautionary statement regarding forward looking statements on page 38.

Although the Group operates in all eurozone countries and has significant long-term debt, derivatives, and trade creditor and debtor balances, denominated in euros, the Board is satisfied that reasonable precautions have been taken to protect the Group, as far as is possible, to any potential adverse consequences of the risks related to the eurozone.

IMPLEMENTATION OF A NEW OPERATING MODEL

The Group has embarked on a medium-term programme to implement a new operating model. This includes revised organisation structures, standardised processes and shared back office services underpinned by a global single instance of SAP. The new organisation structures and processes are currently being implemented and the new SAP system will start to be deployed in the third quarter of 2012 and will take around four years to fully roll-out.

GOING CONCERN

A full description of the Group's business activities, its financial position, cash flows, liquidity position, facilities and borrowings position together with the factors likely to affect its future development, performance and position, are set out in the Regional Review and Financial Review and in the notes to the accounts, all of which are included in the 2011 Annual Report that is available on the Group's website, www.bat.com. This Half-Yearly Report provides updated information regarding the business activities for the six months to 30 June 2012 and of the financial position, cash flow and liquidity position at 30 June 2012.

The Group has, at the date of this report, sufficient financing available for its estimated existing requirements for at least the next twelve months. This, together with the proven ability to generate cash from trading activities, the performance of the Group's Global Drive Brands, its leading market positions in a number of countries and its broad geographical spread, as well as numerous contracts with established customers and suppliers across different geographical areas and industries, provides the Directors with the confidence that the Group is well placed to manage its business risks successfully in the context of the current financial conditions and the general outlook in the global economy.

After reviewing the Group's annual budgets, plans, current forecasts and financing arrangements, as well as the current trading activities of the Group, the Directors consider that the Group has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the Annual Report and this Half-Yearly Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that this condensed consolidated financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, and that this Half-Yearly Report includes a fair review of the information required by the Disclosure and Transparency Rules of the Financial Services Authority, paragraphs DTR 4.2.7 and DTR 4.2.8.

The Directors of British American Tobacco p.l.c. are as listed on pages 48 and 49 in the British American Tobacco Annual Report for the year ended 31 December 2011:

Details of all the current Directors of British American Tobacco p.l.c. are maintained on www.bat.com.

For and on behalf of the Board of Directors:

Richard Burrows	Ben Stevens
Chairman	Finance Director and Chief Information Officer
24 July 2012	

INDEPENDENT REVIEW REPORT TO BRITISH AMERICAN TOBACCO p.l.c.

Introduction

We have been engaged by the Company to review the condensed consolidated financial information in the Half-Yearly Report for the six months ended 30 June 2012, which comprises the Group income statement, the Group statement of comprehensive income, the Group statement of changes in equity, the Group balance sheet, the Group cash flow statement, the accounting policies and basis of preparation and the related notes. We have read the other information contained in the Half-Yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated financial information.

Directors' responsibilities

The Half-Yearly Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-Yearly Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed on page 19, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated financial information in the Half-Yearly Report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated financial information in the Half-Yearly Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial information in the Half-Yearly Report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
1 Embankment Place
London
24 July 2012

GROUP INCOME STATEMENT - unaudited

	6 months to 30.6.12 £m	6 months to 30.6.11 £m	Year to 31.12.11 £m
Gross turnover (including duty, excise and other taxes of £14,837 million (30.6.11: £14,740 million; 31.12.11: £30,494 million))	**22,289**	22,178	45,893
Revenue	**7,452**	7,438	15,399
Raw materials and consumables used	**(1,770)**	(1,716)	(3,507)
Changes in inventories of finished goods and work in progress	**138**	50	81
Employee benefit costs	**(1,167)**	(1,177)	(2,501)
Depreciation, amortisation and impairment costs	**(246)**	(262)	(817)
Other operating income	**124**	129	233
Other operating expenses	**(1,791)**	(1,771)	(4,167)
Profit from operations	**2,740**	2,691	4,721
Analysed as:			
– adjusted profit from operations	**2,839**	2,760	5,519
– restructuring and integration costs	**(68)**	(40)	(193)
– amortisation of trademarks	**(31)**	(29)	(58)
– goodwill impairment	-	-	(273)
– Fox River	-	-	(274)
	2,740	2,691	4,721
Finance income	**37**	57	117
Finance costs	**(248)**	(290)	(577)
Net finance costs	**(211)**	(233)	(460)
Share of post-tax results of associates and joint ventures	**344**	329	670
Analysed as:			
– adjusted share of post-tax results of associates and joint ventures	**347**	315	659
– issue of shares and change in shareholding	**24**	34	28
– smoking cessation programme	**-**	(23)	(23)
– gain on disposal of businesses	**-**	-	22
– restructuring and integration costs	**(25)**	(2)	(4)
– other (see page 26)	**(2)**	5	(12)
	344	329	670
Profit before taxation	**2,873**	2,787	4,931
Taxation on ordinary activities	**(787)**	(781)	(1,556)
Profit for the period	**2,086**	2,006	3,375
Attributable to:			
Owners of the parent	**1,929**	1,870	3,095
Non-controlling interests	**157**	136	280
	2,086	2,006	3,375
Earnings per share			
Basic	**98.9p**	94.5p	157.1p
Diluted	**98.4p**	94.0p	156.2p
Adjusted diluted earnings per share	**102.4p**	96.1p	194.6p

All of the activities during both years are in respect of continuing operations.

The accompanying notes on pages 19 to 35 form an integral part of this condensed consolidated financial information.

GROUP STATEMENT OF COMPREHENSIVE INCOME - unaudited

	6 months to 30.6.12 £m	6 months to 30.6.11 £m	Year to 31.12.11 £m
Profit for the period (page 12)	**2,086**	2,006	3,375
Other comprehensive income			
Differences on exchange			
– subsidiaries	**(182)**	(5)	(411)
– associates	**(68)**	(59)	(109)
Differences on exchange reclassified and reported in profit for the period	**-**	-	(4)
Cash flow hedges			
– net fair value gains/(losses)	**4**	13	(21)
– reclassified and reported in profit for the period	**22**	(5)	38
– reclassified and reported in net assets	**6**	(8)	(5)
Available-for-sale investments			
– net fair value gains	**1**	-	26
– reclassified and reported in profit for the period	**-**	-	(1)
Net investment hedges			
– net fair value gains/(losses)	**64**	(43)	62
– differences on exchange on borrowings	**44**	(48)	(104)
Retirement benefit schemes			
– net actuarial losses in respect of subsidiaries	**(255)**	(118)	(462)
– surplus recognition and minimum funding obligations in respect of subsidiaries	**-**	(11)	2
– actuarial (losses)/gains in respect of associates net of tax	**(47)**	23	(67)
Tax on items recognised directly in other comprehensive income	**33**	(23)	20
Total other comprehensive income for the period, net of tax	**(378)**	(284)	(1,036)
Total comprehensive income for the period, net of tax	**1,708**	1,722	2,339
Attributable to:			
Owners of the parent	**1,566**	1,588	2,094
Non-controlling interests	**142**	134	245
	1,708	1,722	2,339

The accompanying notes on pages 19 to 35 form an integral part of this condensed consolidated financial information.

GROUP STATEMENT OF CHANGES IN EQUITY - unaudited

At 30 June 2012

	Attributable to owners of the parent						
	Share capital £m	**Share premium, capital redemption and merger reserves £m**	**Other reserves £m**	**Retained earnings £m**	**Total attributable to owners of parent £m**	**Non-controlling interests £m**	**Total equity £m**
Balance at 1 January 2012	**506**	**3,913**	**1,112**	**2,636**	**8,167**	**307**	**8,474**
Total comprehensive income for the period (page 13)	**-**	**-**	**(111)**	**1,677**	**1,566**	**142**	**1,708**
Profit for the period (page 12)	-	-	-	1,929	1,929	157	2,086
Other comprehensive income for the period (page 13)	-	-	(111)	(252)	(363)	(15)	(378)
Employee share options							
– value of employee services	-	-	-	**37**	**37**	-	**37**
– proceeds from shares issued	**1**	**3**	-	**1**	**5**	-	**5**
Dividends and other appropriations							
– ordinary shares	-	-	-	**(1,723)**	**(1,723)**	-	**(1,723)**
– to non-controlling interests	-	-	-	-	-	**(143)**	**(143)**
Purchase of own shares							
– held in employee share ownership trusts	-	-	-	**(121)**	**(121)**	-	**(121)**
– share buy-back programme	-	-	-	**(676)**	**(676)**	-	**(676)**
Non-controlling interests - acquisitions	-	-	-	**(21)**	**(21)**	**(3)**	**(24)**
Other movements	-	-	-	**(10)**	**(10)**	-	**(10)**
Balance at 30 June 2012	**507**	**3,916**	**1,001**	**1,800**	**7,224**	**303**	**7,527**

At 30 June 2011

	Attributable to owners of the parent						
	Share capital £m	Share premium, capital redemption and merger reserves £m	Other reserves £m	Retained earnings £m	Total attributable to owners of parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2011	506	3,910	1,600	3,190	9,206	342	9,548
Total comprehensive income for the period (page 13)	-	-	(172)	1,760	1,588	134	1,722
Profit for the period (page 12)	-	-	-	1,870	1,870	136	2,006
Other comprehensive income for the period (page 13)	-	-	(172)	(110)	(282)	(2)	(284)
Employee share options							
– value of employee services	-	-	-	38	38	-	38
– proceeds from shares issued	-	2	-	3	5	-	5
Dividends and other appropriations							
– ordinary shares	-	-	-	(1,620)	(1,620)	-	(1,620)
– to non-controlling interests	-	-	-	-	-	(139)	(139)
Purchase of own shares							
– held in employee share ownership trusts	-	-	-	(122)	(122)	-	(122)
– share buy-back programme	-	-	-	(410)	(410)	-	(410)
Other movements	-	-	-	20	20	-	20
Balance at 30 June 2011	506	3,912	1,428	2,859	8,705	337	9,042

GROUP STATEMENT OF CHANGES IN EQUITY - unaudited cont…

At 31 December 2011

	Attributable to owners of the parent						
	Share capital £m	Share premium, capital redemption and merger reserves £m	Other reserves £m	Retained earnings £m	Total attributable to owners of parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2011	**506**	**3,910**	**1,600**	**3,190**	**9,206**	**342**	**9,548**
Total comprehensive income for the year (page 13)	-	-	(488)	2,582	**2,094**	245	**2,339**
Profit for the year (page 12)	-	-	-	3,095	3,095	280	3,375
Other comprehensive income for the year (pages 13)	-	-	(488)	(513)	(1,001)	(35)	(1,036)
Employee share options							
– value of employee services	-	-	-	**76**	**76**	**-**	**76**
– proceeds from shares issued	-	**3**	-	**2**	**5**	**-**	**5**
Dividends and other appropriations							
– ordinary shares	-	-	-	**(2,358)**	**(2,358)**		**(2,358)**
– to non-controlling interests	-	-	-	-	-	**(279)**	**(279)**
Purchase of own shares – held in employee share ownership trusts		-	-	**(123)**	**(123)**	**-**	**(123)**
– share buy-back programme	-	-	-	**(755)**	**(755)**	**-**	**(755)**
Non-controlling interests - acquisitions	-	-	-	**(10)**	**(10)**	**-**	**(10)**
Other movements	-	-	-	**32**	**32**	**(1)**	**31**
Balance at 31 December 2011	**506**	**3,913**	**1,112**	**2,636**	**8,167**	**307**	**8,474**

The accompanying notes on pages 19 to 35 form an integral part of the condensed consolidated financial information.

GROUP BALANCE SHEET - unaudited

	30.6.12	30.6.11	31.12.11
	£m	£m	£m
Assets			
Non-current assets			
Intangible assets	**11,795**	12,673	11,992
Property, plant and equipment	**2,919**	3,064	3,047
Investments in associates and joint ventures	**2,522**	2,809	2,613
Retirement benefit assets	**42**	113	105
Deferred tax assets	**304**	366	343
Trade and other receivables	**319**	311	305
Available-for-sale investments	**39**	30	40
Derivative financial instruments	**185**	110	179
Total non-current assets	**18,125**	19,476	18,624
Current assets			
Inventories	**3,984**	3,824	3,498
Income tax receivable	**95**	71	127
Trade and other receivables	**2,699**	2,517	2,423
Available-for-sale investments	**45**	46	57
Derivative financial instruments	**184**	136	159
Cash and cash equivalents	**1,749**	1,717	2,194
	8,756	8,311	8,458
Assets classified as held-for-sale	**53**	22	37
Total current assets	**8,809**	8,333	8,495
Total assets	**26,934**	27,809	27,119

The accompanying notes on pages 19 to 35 form an integral part of this condensed consolidated financial information.

GROUP BALANCE SHEET - unaudited cont…

	30.06.12	30.06.11	31.12.11
	£m	£m	£m
Equity			
Capital and reserves			
Share capital	**507**	506	506
Share premium, capital redemption and merger reserves	**3,916**	3,912	3,913
Other reserves	**1,001**	1,428	1,112
Retained earnings	**1,800**	2,859	2,636
Owners of the parent	**7,224**	8,705	8,167
after deducting			
– cost of treasury shares	**(2,259)**	(1,207)	(1,539)
Non-controlling interests	**303**	337	307
Total equity	**7,527**	9,042	8,474
Liabilities			
Non-current liabilities			
Borrowings	**9,526**	8,713	8,510
Retirement benefit liabilities	**1,076**	786	1,003
Deferred tax liabilities	**498**	527	556
Other provisions for liabilities and charges	**417**	181	458
Trade and other payables	**173**	194	184
Derivative financial instruments	**81**	97	87
Total non-current liabilities	**11,771**	10,498	10,798
Current liabilities			
Borrowings	**1,836**	2,303	1,766
Income tax payable	**475**	465	494
Other provisions for liabilities and charges	**346**	314	236
Trade and other payables	**4,871**	4,937	5,174
Derivative financial instruments	**108**	250	177
Total current liabilities	**7,636**	8,269	7,847
Total equity and liabilities	**26,934**	27,809	27,119

The accompanying notes on pages 19 to 35 are an integral part of the these consolidated financial statements.

GROUP CASH FLOW STATEMENT - unaudited

	6 months to		Year to
	30.6.12	30.6.11	31.12.11
	£m	£m	£m
Cash flows from operating activities			
Cash generated from operations (page 32)	**1,714**	2,099	5,537
Dividends received from associates	**176**	159	476
Tax paid	**(708)**	(744)	(1,447)
Net cash from operating activities	**1,182**	1,514	4,566
Cash flows from investing activities			
Interest received	**46**	34	79
Dividends received from investments	**2**	2	2
Purchases of property, plant and equipment	**(136)**	(106)	(510)
Proceeds on disposal of property, plant and equipment	**20**	38	45
Purchases of intangibles	**(77)**	(42)	(107)
Proceeds from associate's share buy-back	**117**	-	71
Purchases and proceeds on disposals of investments	**12**	13	3
Purchase of Protabaco	**-**	-	(295)
Net cash used in investing activities	**(16)**	(61)	(712)
Cash flows from financing activities			
Interest paid	**(290)**	(326)	(580)
Interest element of finance lease rental payments	**(1)**	(1)	-
Capital element of finance lease rental payments	**(3)**	(7)	(13)
Proceeds from issue of shares to owners of the parent	**4**	2	3
Proceeds from the exercise of options over own shares held in employee share ownership trusts	**1**	3	2
Proceeds from increases in and new borrowings	**2,601**	1,265	1,361
Movements relating to derivative financial instruments	**(7)**	(64)	5
Purchases of own shares	**(536)**	(317)	(755)
Purchases of own shares held in employee share ownership trusts	**(121)**	(122)	(123)
Purchases of non-controlling interests	**(24)**	-	(10)
Reductions in and repayments of borrowings	**(1,475)**	(820)	(1,304)
Dividends paid to owners of the parent	**(1,723)**	(1,620)	(2,358)
Dividends paid to non-controlling interests	**(135)**	(139)	(275)
Net cash used in financing activities	**(1,709)**	(2,146)	(4,047)
Net cash flows used in operating, investing and financing activities	**(543)**	(693)	(193)
Differences on exchange	**(43)**	7	(48)
Decrease in net cash and cash equivalents in the period	**(586)**	(686)	(241)
Net cash and cash equivalents at 1 January	**1,942**	2,183	2,183
Net cash and cash equivalents at period end	**1,356**	1,497	1,942

The accompanying notes on pages 19 to 35 form an integral part of this condensed consolidated financial information.

ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated financial information comprises the unaudited interim financial information for the six months to 30 June 2012 and 30 June 2011, together with the audited results for the year ended 31 December 2011. This condensed consolidated financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and the Disclosure and Transparency Rules issued by the Financial Services Authority. The condensed consolidated financial information is unaudited but has been reviewed by the auditors and their review report is set out on page 11.

The condensed consolidated financial information does not constitute statutory accounts within the meaning of Section 434 of the UK Companies Act 2006 and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2011, which were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and implemented in the UK. The annual consolidated financial statements for 2011 represent the statutory accounts for that year and have been filed with the Registrar of Companies. The auditors' report on those statements was unqualified and did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

These condensed consolidated financial statements have been prepared under the historical cost convention, except in respect of certain financial instruments, and on a basis consistent with the IFRS accounting policies as set out in the Annual Report for the year ended 31 December 2011.

The Group has not adopted any new and amended IFRSs and IFRIC interpretations with any significant effect on reported profit or equity or on the disclosures in the financial statements with effect from 1 January 2012.

The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of these condensed consolidated financial statements. Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgement at the date of the condensed consolidated financial statements. The key estimates and assumptions were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, apart from updating the assumptions used to determine the carrying value of liabilities for retirement benefit schemes. In the future, actual experience may deviate from these estimates and assumptions, which could affect these condensed consolidated financial statements as the original estimates and assumptions are modified, as appropriate, in the period in which the circumstances change.

NON-GAAP MEASURES

In the reporting of financial information, the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles (GAAP) under which the Group reports. The Group believes that these additional measures, which are used internally, are useful to users of the financial information in helping them understand the underlying business performance.

The principal non-GAAP measure which the Group uses is adjusted diluted earnings per share, which is reconciled to diluted earnings per share. Adjusting items are significant items in the profit from operations, net finance costs, taxation and the Group's share of the post-tax results of associates and joint ventures which individually or, if of a similar type, in aggregate, are relevant to an understanding of the Group's underlying financial performance. While the disclosure of adjusting items is not required by IFRS, these items are separately disclosed either as memorandum information on the face of the income statement and in the segmental analyses, or in the notes to the accounts as appropriate. The adjusting items are used to calculate the additional non-GAAP measures of adjusted profit from operations and adjusted share of post-tax results of associates and joint ventures. All adjustments to profit from operations and diluted earnings per share are explained in this announcement.

The Management Board as the chief operating decision maker, reviews current and prior year adjusted segmental income statement information of subsidiaries and associates and joint ventures at constant rates of exchange which provides an approximate guide to performance in the current year had they been translated at last year's rate of exchange. The constant rate comparison provided for reporting segment information is based on a retranslation, at prior year exchange rates, of the current year results of the Group's overseas entities but other than in exceptional circumstances, does not adjust for the normal transactional gains and losses in operations which are generated by exchange movements.

In the presentation of financial information, the Group also uses another measure, organic growth, to analyse underlying business performance. Organic growth is the growth after adjusting for mergers and acquisitions and discontinued activities. Adjustments are made to current and prior year numbers, based on the 2012 Group position as explained on page 39.

The Group also prepares an alternative cash flow, which includes a measure of 'free cash flow', to illustrate the cash flows before transactions relating to borrowings. The Group also provides gross turnover as an additional disclosure to indicate the impact of duty, excise and other taxes.

Due to the secondary listing of the ordinary shares of British American Tobacco p.l.c. on the main board of the JSE Limited (JSE) in South Africa, the Group is required to present headline earnings per share and diluted headline earnings per share, as alternative measures of earnings per share, calculated in accordance with Circular 3/2009 'Headline Earnings' issued by the South African Institute of Chartered Accountants. These are shown on pages 28 and 29.

FOREIGN CURRENCIES

The income and cash flow statements of overseas subsidiaries and associates and joint ventures have been translated at the average rates for the respective periods. Assets and liabilities have been translated at the relevant period end rates. For hyper-inflation countries, the local currency results are adjusted for the impact of inflation prior to translation to sterling at closing exchange rates.

The principal exchange rates used were as follows:

	Average			Closing		
	30.6.12	30.6.11	31.12.11	**30.6.12**	30.6.11	31.12.11
US dollar	**1.577**	1.617	1.604	**1.568**	1.605	1.554
Canadian dollar	**1.586**	1.579	1.586	**1.599**	1.549	1.583
Euro	**1.216**	1.152	1.153	**1.236**	1.107	1.197
South African rand	**12.521**	11.146	11.632	**12.828**	10.883	12.547
Brazilian real	**2.941**	2.636	2.683	**3.166**	2.508	2.899
Australian dollar	**1.528**	1.564	1.554	**1.530**	1.500	1.516
Russian rouble	**48.255**	46.239	47.116	**50.876**	44.817	49.922
Japanese yen	**125.689**	132.429	127.826	**125.147**	129.656	119.572
Indian rupee	**82.267**	72.744	74.802	**87.574**	71.768	82.531

SEGMENTAL ANALYSES OF REVENUE AND PROFIT

The four geographic regions are the reportable segments for the Group as they form the focus of the Group's internal reporting systems and are the basis used by the chief operating decision maker, identified as the Management Board, for assessing performance and allocating resources.

The Management Board reviews current and prior year segmental revenue, adjusted profit from operations of subsidiaries and adjusted post-tax results of associates and joint ventures at constant rates of exchange. As a result, the 2012 segmental results are translated using the average rates of exchange for the six months to 30 June 2011. The 2011 comparative figures are also stated at the 2011 actual average rates of exchange.

The analyses of revenue for the six months to 30 June 2012, 30 June 2011 and the year to 31 December 2011, based on location of sales, are as follows:

	30.6.12			30.6.11	31.12.11
	Revenue Constant rates £m	**Translation exchange £m**	**Revenue Current rates £m**	Revenue £m	Revenue £m
Asia-Pacific	**2,015**	**35**	**2,050**	2,025	4,251
Americas	**1,803**	**(97)**	**1,706**	1,744	3,558
Western Europe	**1,742**	**(93)**	**1,649**	1,719	3,600
EEMEA	**2,197**	**(150)**	**2,047**	1,950	3,990
Total	**7,757**	**(305)**	**7,452**	7,438	15,399

Segmental analysis of revenue and profit cont…

The analyses of profit from operations and the Group's share of the post-tax results of associates and joint ventures for the six months to 30 June 2012, reconciled to profit before tax, are as follows:

	30.6.12				
	Adjusted* segment result Constant rates £m	**Translation exchange £m**	**Adjusted* segment result Current rates £m**	**Adjusting items* £m**	**Segment result Current rates £m**
Asia-Pacific	**792**	**23**	**815**	**(22)**	**793**
Americas	**803**	**(49)**	**754**	**(29)**	**725**
Western Europe	**583**	**(25)**	**558**	**(42)**	**516**
EEMEA	**751**	**(39)**	**712**	**(6)**	**706**
Profit from operations	**2,929**	**(90)**	**2,839**	**(99)**	**2,740**
Net finance costs					**(211)**
Asia-Pacific	**143**	**(17)**	**126**	**24**	**150**
Americas	**214**	**6**	**220**	**(27)**	**193**
Western Europe	**-**	**-**	**-**	**-**	**-**
EEMEA	**1**	**-**	**1**	**-**	**1**
Share of post-tax results of associates and joint ventures	**358**	**(11)**	**347**	**(3)**	**344**
Profit before taxation					**2,873**

*The adjustments to profit from operations and the Group's share of the post-tax results of associates and joint ventures are explained on pages 24 to 27.

Segmental analysis of revenue and profit cont…

The analyses of profit from operations and the Group's share of the post-tax results of associates and joint ventures for the six months to 30 June 2011 and the year to 31 December 2011, reconciled to profit before tax, are as follows:

	30.6.11			31.12.11		
	Adjusted* Segment result Current rates £m	Adjusting items* £m	Segment result Current rates £m	Adjusted* Segment result Current rates £m	Adjusting items* £m	Segment result Current rates £m
Asia-Pacific	766	(22)	744	1,539	(58)	1,481
Americas	768	12	780	1,441	(15)	1,426
Western Europe	572	(49)	523	1,228	(153)	1,075
EEMEA	654	(10)	644	1,311	(298)	1,013
	2,760	(69)	2,691	5,519	(524)	4,995
Fox River**					(274)	(274)
Profit from operations	2,760	(69)	2,691	5,519	(798)	4,721
Net finance costs			(233)			(460)
Asia-Pacific	112	34	146	225	28	253
Americas	201	(20)	181	432	(17)	415
Western Europe	1	-	1	-	-	-
EEMEA	1	-	1	2	-	2
Share of post-tax results of associates and joint ventures	315	14	329	659	11	670
Profit before taxation			2,787			4,931

*The adjustments to profit from operations and the Group's share of the post-tax results of associates and joint ventures are explained on pages 24 to 27.

** The Fox River provision made in 2011 (see page 25), has not been allocated to a segment or segments as it relates to a 1998 settlement agreement. It is presented separately from the segmental reporting which is used to evaluate segment performance and to allocate resources.

ADJUSTING ITEMS INCLUDED IN PROFIT FROM OPERATIONS

Included in profit from operations are the following adjusting items:

(a) Restructuring and integration costs

Restructuring costs reflect the costs incurred as a result of initiatives to improve the effectiveness and the efficiency of the Group as a globally integrated enterprise. These initiatives include a review of the Group's manufacturing operations, overheads and indirect costs, organisational structure and systems and software used. The costs of these initiatives together with the costs of integrating acquired businesses into existing operations, including acquisition costs, are included in profit from operations under the following headings:

	6 months to		Year to
	30.6.12	30.6.11	31.12.11
	£m	£m	£m
Employee benefit costs	**25**	23	100
Depreciation, amortisation and impairment costs	**21**	10	39
Other operating expenses	**22**	24	72
Other operating income	**-**	(17)	(18)
Total	**68**	40	193

Restructuring and integration costs in the six months to 30 June 2012 principally relate to the continuation of factory closure and downsizing activities in Australia and restructuring in Argentina. The costs also cover the social plan and other activities relating to the Bremen factory closure in Germany, integration of Productora Tabacalera de Colombia, S.A.S. (Protabaco) into existing operations, as well as other restructuring initiatives directly related to implementation of a new operating model (see page 9).

Restructuring and integration costs in the six months to 30 June 2011 principally relate to the continuation of the factory closure in Denmark, a voluntary separation scheme and the closure of the printing unit in Argentina, the continued integration of Tekel into existing operations and downsizing activities in Australia. In addition, the costs also include the closure of the Jawornik factory in Poland, the Lecce factory in Italy and the Tire factory in Turkey.

Other operating income in 2011 includes gains on sale of surplus land and buildings in Argentina.

For the year ended 31 December 2011, the charge of £193 million for restructuring and integration costs includes the activities referred to in respect of the six months to 30 June 2011. In addition, the costs also cover the social plan and other closure activities relating to the Bremen factory closure in Germany, integration of Productora Tabacalera de Colombia, S.A.S. (Protabaco) into existing operations, including acquisition costs, as well as other restructuring initiatives directly related to improving the efficiency and effectiveness of the Group as a globally integrated enterprise.

Adjusting items included in profit from operations cont…

(b) Amortisation of trademarks

The acquisitions of Protabaco, Bentoel, Tekel and ST resulted in the capitalisation of trademarks which are amortised over their expected useful lives, which do not exceed 20 years. The amortisation charge of £31 million is included in depreciation, amortisation and impairment costs in the profit from operations for the six months to 30 June 2012 (30 June 2011: £29 million). For the year to 31 December 2011, the amortisation charge was £58 million.

(c) Impairment of goodwill and trademarks

During the second half of 2011, the Group impaired the remaining balance of the goodwill in respect of the Tekel acquisition in 2008, amounting to £273 million. Although cost saving initiatives in the acquisition plan have been delivered successfully, the impairment charge arose as a result of further increases in excise announced by the Turkish government effective from October 2011 and an additional increase effective from January 2013. The excise increases to date have resulted in the growth of illicit trade and a loss of volumes and market share and this is expected to continue.

(d) Fox River

For the year ended 31 December 2011 a provision of £274 million was made for a potential claim under a 1998 settlement agreement entered into by a Group subsidiary in respect of the clean up of sediment in the lower Fox River. More details of the claim are provided in note 30 of the Annual Report for the year ended 31 December 2011.

OTHER CHANGES IN THE GROUP

(a) Productora Tabacalera de Colombia, S.A.S. (Protabaco)

On 11 October 2011, the Group acquired from Flentex Holdings Limited and Trioumvir Enterprises Limited, both private investor shareholders, a 100 per cent stake in Productora Tabacalera de Colombia, S.A.S. (Protabaco). The purchase price was subject to the final agreement of adjustments for working capital and net debt with the vendors. This was finalised in July 2012 with a reduction of £2 million to the previously reported purchase price and goodwill.

The goodwill of £132 million on the acquisition of the cigarette business of Protabaco, stated at the exchange rates ruling at the date of the transaction, arises as follows:

	Final Fair Value
	£m
Net assets acquired	164
Goodwill	132
Total consideration (US$458m)	296

The goodwill of £132 million on the acquisition of the business represents a strategic premium to strengthen the Group's position in Latin America's fourth largest market, building on British American Tobacco's existing business and anticipated synergies, that will arise from combining the businesses in Colombia, post-acquisition.

(b) Termination of distributor arrangement

With effect from 1 July 2011, the arrangement by which the Group acted as a distributor for a third party in Norway, was terminated. This arrangement contributed £24 million to revenue and less than a £1 million to profit from operations in the Western Europe region in the six months ended 30 June 2011.

(c) British American Tobacco Bangladesh

On 27 June 2012, the Group acquired a further 7 per cent interest in British American Tobacco Bangladesh Company Limited at a cost of £24 million. This increased the Group's total shareholding to 73 per cent as at 30 June 2012.

NET FINANCE COSTS

Net finance costs comprise:

	6 months to		Year to
	30.6.12	30.6.11	31.12.11
	£m	£m	£m
Finance costs	**(248)**	(290)	(577)
Finance income	**37**	57	117
	(211)	(233)	(460)
Comprising:			
Interest payable	**(283)**	(287)	(567)
Interest and dividend income	**50**	42	82
Net impact of fair value and exchange	**22**	12	25
- fair value changes - derivatives	**32**	(88)	(12)
- exchange differences	**(10)**	100	37
	(211)	(233)	(460)

Net finance costs at £211 million were £22 million lower than last year, principally reflecting higher interest income from derivatives.

The net £22 million gain (2011: £12 million) of fair value changes and exchange differences reflects a £6 million loss (2011: £2 million) from the net impact of exchange rate movements and a gain of £28 million (2011: £14 million) principally due to interest related changes in the fair value of derivatives.

ASSOCIATES AND JOINT VENTURES

The Group's share of the post-tax results of associates and joint ventures was £344 million (2011: £329 million) after net adjusting items (see page 12), amounting to a £3 million loss (2011: £14 million gain) and after tax of £180 million (2011: £157 million). For the year to 31 December 2011, the share of post-tax results was £670 million after net adjusting income of £11 million and after tax of £331 million. For the six months to 30 June 2012, excluding the adjusting items, the Group's share of the post-tax results increased by 10 per cent to £347 million (2011: £315 million). The Group's share is after the adjusting items explained below, which are excluded from the calculation of adjusted diluted earnings per share (page 28).

In the six months to 30 June 2012:

Reynolds American recognised restructuring charges of US$93 million in respect of its overall activities. The Group's share of these charges is £25 milion (net of tax).

In addition, Reynolds American has recognised costs of US$7 million in respect of a number of Engle progeny lawsuits and the Group's share of these costs is £2 million (net of tax).

The Group's interest in ITC decreased from 31.04 per cent to 30.86 per cent as a result of ITC issuing ordinary shares under the Company's Employee Share Option Scheme. The issue of these shares and change in the Group's share of ITC resulted in a gain of £24 million, which is treated as a partial deemed disposal and included in the income statement.

Associates and joint ventures cont…..

In the six months to 30 June 2011:

Reynolds American, with other tobacco companies, was refused by the US Supreme Court a request to revoke a 2009 order requiring them to finance a US$278 million smoking cessation programme in Louisiana (Scott case). The Group's share of this charge amounts to £23 million (net of tax).

Reynolds American recognised restructuring charges of US$15 million in respect of a factory closure. The Group's share of the restructuring charges amounted to £2 million (net of tax). Reynolds American reported US$16 million of tax credits and interest respectively. The Group's share of these tax credits amounts to £5 million (net of tax).

The Group's interest in ITC decreased from 31.43 per cent to 31.18 per cent as a result of ITC issuing ordinary shares under the Company's Employee Stock Option Scheme. The issue of shares and change in the Group's share of ITC resulted in a gain of £34 million, which is treated as a partial deemed disposal and included in the income statement.

For the year ended 31 December 2011:

Reynolds American, with other tobacco companies, was refused by the US Supreme Court a request to revoke a 2009 order requiring them to finance a US$278 million smoking cessation programme in Louisiana (Scott case). The Group's share of this charge amounts to £23 million (net of tax).

Reynolds American sold Lane Limited for US$205 million in cash. The Group's share of the gain on disposal of this business amounts to £22 million (net of tax). Reynolds American recognised restructuring costs of US$23 million. The Group's share of these charges amounts to £4 million (net of tax).

Reynolds American has also recognised the following amounts which have been combined in adjusting items and reported as other: Reynolds American reported a charge of US$64 million in respect of four Engle progeny lawsuits that have proceeded through the appellate process in the state of Florida. The amount includes compensatory and punitive damages as well as attorneys' fees and statutory interest. The Group's share of this charge amounts to £10 million (net of tax). Reynolds American recognised trademark amortisation and impairment of US$47 million and the Group's share of these charges amounted to £8 million (net of tax). Reynolds American reported US$16 million and US$11 million of tax credits and interest respectively. The Group's share of these credits amounts to £6 million (net of tax).

The Group's interest in ITC decreased from 31.43 per cent to 31.04 per cent as a result of ITC issuing ordinary shares under the company's employee stock option scheme. The issue of shares and change in the Group's share of ITC resulted in a gain of £28 million, which is treated as a partial deemed disposal and included in the income statement.

TAXATION

The tax rate in the income statement of 27.4 per cent for the six months to 30 June 2012 (30 June 2011: 28.0 per cent; 31 December 2011: 31.6 per cent) is affected by the inclusion of the share of associates' post-tax profit in the Group's pre-tax results and by adjusting items. The underlying tax rate for subsidiaries reflected in the adjusted earnings per share below was 30.8 per cent in 2012 and 31.4 per cent for the six months to 30 June 2011. For the year to 31 December 2011 it was 31.2 per cent. The decrease is mainly due to a change in the mix of profits. The charge relates to taxes payable overseas.

EARNINGS PER SHARE

	6 months to		Year to
	30.6.12	30.6.11	31.12.11
	pence	pence	pence
Earnings per share			
- basic	**98.9**	94.5	157.1
- diluted	**98.4**	94.0	156.2
Adjusted earnings per share			
- basic	**102.9**	96.6	195.8
- diluted	**102.4**	96.1	194.6
Headline earnings per share			
- basic	**98.4**	93.0	168.7
- diluted	**97.9**	92.5	167.7

Basic earnings per share are based on the profit for the year attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period (excluding treasury shares).

For the calculation of the diluted earnings per share, the weighted average number of shares reflects the potential dilutive effect of employee share schemes.

The presentation of headline earnings per share, as an alternative measure of earnings per share, is mandated under the JSE Listing Requirements. It is calculated in accordance with Circular 3/2009 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Earnings have been affected by a number of adjusting items which impact profit from operations (see pages 24 and 25) and share of post-tax results of associates and joint ventures (see pages 26 and 27). For the year to 31 December 2011 earnings were also affected by the write-off of deferred tax assets of £43 million, which has also been treated as an adjusting item. In order to illustrate the impact of these items, the adjusted diluted earnings per share are shown below:

	Adjusted diluted earnings per share		
	6 months to		Year to
	30.6.12	30.6.11	31.12.11
	pence	pence	pence
Unadjusted earnings per share	**98.4**	94.0	156.2
Effect of restructuring and integration costs	**2.7**	1.7	7.4
Effect of impairment of goodwill and trademarks	**-**	-	13.3
Effect of deferred tax asset written off	**-**	-	2.2
Effect of amortisation of trademarks	**1.2**	1.1	2.2
Effect of Fox River	**-**	-	13.8
Effect of associates' adjusting items	**0.1**	(0.7)	(0.5)
Adjusted diluted earnings per share	**102.4**	96.1	194.6

Similar types of adjustments would apply to basic earnings per share.

The earnings per share are based on:

	30.6.12		30.6.11		31.12.11	
	Earnings £m	**Shares m**	Earnings £m	Shares m	Earnings £m	Shares m
Earnings per share						
- basic	**1,929**	**1,951**	1,870	1,979	3,095	1,970
- diluted	**1,929**	**1,961**	1,870	1,990	3,095	1,982
Adjusted earnings per share						
- basic	**2,008**	**1,951**	1,912	1,979	3,857	1,970
- diluted	**2,008**	**1,961**	1,912	1,990	3,857	1,982
Headline earnings per share						
- basic	**1,920**	**1,951**	1,841	1,979	3,323	1,970
- diluted	**1,920**	**1,961**	1,841	1,990	3,323	1,982

Earnings per share cont…

The diluted headline earnings per share are calculated by taking the following adjustments into account:

	Diluted headline earnings per share		
	6 months to		Year to
	30.6.12	30.6.11	31.12.11
	pence	pence	pence
Unadjusted earnings per share	**98.4**	94.0	156.2
Effect of impairment of intangibles and property, plant and equipment	**0.7**	0.9	14.4
Effect of gains on disposal of non-current assets held-for-sale	**-**	(0.6)	(0.5)
Effect of gains reclassified from the available-for-sale reserve	**-**	-	(0.1)
Effect of share of associates' trademark and other asset impairments and termination of joint venture	**-**	-	0.4
Effect of share of associates' gains on disposal of assets held-for-sale	**-**	(0.1)	(1.3)
Effect of issue of shares and change in shareholding in associate	**(1.2)**	(1.7)	(1.4)
Diluted headline earnings per share	**97.9**	92.5	167.7
An alternative measure of headline earnings per share has been presented below to take account of the effect of Fox River (see page 25); this measure is in addition to that mandated by the JSE Listing Requirements.			
Diluted headline earnings per share amended for Fox River	**97.9**	92.5	181.5

CASH FLOW AND NET DEBT MOVEMENTS

(a) Alternative cash flow

The IFRS cash flow statement on page 18 includes all transactions affecting cash and cash equivalents, including financing. The alternative cash flow statement below is presented to illustrate the cash flows before transactions relating to borrowings.

	6 months to		Year to
	30.6.12	30.6.11	31.12.11
	£m	£m	£m
Adjusted profit from operations (page 12)	**2,839**	2,760	5,519
Depreciation, amortisation and impairment	**194**	223	447
Other non-cash items in operating profit	**23**	33	68
Profit from operations before depreciation, amortisation and impairment	**3,056**	3,016	6,034
Increase in working capital	**(1,247)**	(802)	(281)
Net capital expenditure	**(190)**	(110)	(566)
Gross capital expenditure	**(210)**	(148)	(611)
Sale of fixed assets	**20**	38	45
Operating cash flow	**1,619**	2,104	5,187
Net interest paid	**(253)**	(309)	(469)
Tax paid	**(708)**	(744)	(1,447)
Dividends paid to non-controlling interests	**(135)**	(139)	(275)
Restructuring costs	**(95)**	(115)	(217)
Dividends and other appropriations from associates	**293**	159	547
Free cash flow	**721**	956	3,326
Dividends paid to shareholders	**(1,723)**	(1,620)	(2,358)
Share buy-back (including transaction costs)	**(536)**	(317)	(755)
Net investment activities	**(27)**	-	(311)
Purchases of subsidiaries, non-controlling interests and other intangibles	**(27)**	-	(311)
Net flow from share schemes and other	**(85)**	(107)	(93)
Net cash flow	**(1,650)**	(1,088)	(191)
External movements on net debt			
Exchange rate effects*	**140**	(372)	123
Change in accrued interest and other	**43**	40	(19)
Change in net debt	**(1,467)**	(1,420)	(87)
Opening net debt	**(7,928)**	(7,841)	(7,841)
Closing net debt	**(9,395)**	(9,261)	(7,928)

* Including movements in respect of debt related derivatives.

Free cash flow is the Group's cash flow before dividends, share buy-back and investing activities. Operating cash flow decreased by £485 million or 23 per cent to £1,619 million, primarily reflecting working capital movements and the increase in net capital expenditure, partially offset by growth in underlying operating performance. Taking into account the reduced outflows relating to taxation and interest paid of £36 million and £56 million respectively, as well as higher dividends and other appropriations from associates (increase of £134 million), mainly due to the Reynolds share buy-back, the Group's free cash flow was £235 million or 25 per cent lower at £721 million.

Cash flow cont…

The ratio of free cash flow per share to adjusted diluted earnings per share was 36 per cent (2011: 50 per cent), with free cash flow per share decreasing by 23 per cent.

Below free cash flow, the principal cash outflows for the six months to 30 June 2012 comprise the payment of the prior year final dividend which was £103 million higher at £1,723 million, as well as an outflow of £536 million due to the increased level of the on-market share buy-back programme in 2012 (2011: £317 million). Also reflected below free cash flow are the cash outflows of £27 million (2011: £nil) in respect of investing activities.

The other net flows principally relate to the impact of the level of shares purchased by the employee share ownership trusts and cash flows in respect of certain derivative financial instruments.

The above flows resulted in net cash outflows of £1,650 million (2011: £1,088 million). After taking account of exchange rate movements and the charge in accrued interest and other, total net debt was £9,395 million at 30 June 2012 (30 June 2011: £9,261 million and 31 December 2011: £7,928 million).

(b) Net debt

The Group defines net debt as borrowings including related derivatives, less cash and cash equivalents and current available-for-sale investments. The maturity profile of net debt is as follows:

	30.6.12	30.6.11	31.12.11
	£m	£m	£m
Net debt due within one year:			
Borrowings	**(1,836)**	(2,303)	(1,766)
Related derivatives	**72**	(34)	5
Cash and cash equivalents	**1,749**	1,717	2,194
Current available-for-sale investments	**45**	46	57
	30	(574)	490
Net debt due beyond one year:			
Borrowings	**(9,526)**	(8,713)	(8,510)
Related derivatives	**101**	26	92
	(9,425)	(8,687)	(8,418)
Total net debt	**(9,395)**	(9,261)	(7,928)

The Group remains confident about its ability to access the debt capital markets successfully and reviews its options on a continuing basis.

Cash flow cont...

(c) IFRS cash generated from operations

The cash generated from operating activities in the IFRS cash flows on page 18 include the following items:

	6 months to		Year to
	30.6.12	30.6.11	31.12.11
	£m	£m	£m
Profit from operations	**2,740**	2,691	4,721
Adjustments for:			
Amortisation and impairment of trademarks	**31**	29	58
Amortisation and impairment of other intangible assets	**27**	35	365
Depreciation and impairment of property, plant and equipment	**188**	198	394
(Increase) in inventories	**(593)**	(171)	(47)
(Increase) in trade and other receivables	**(382)**	(85)	(87)
(Decrease)/increase in trade and other payables	**(167)**	(459)	46
(Decrease) in net retirement benefit liabilities	**(116)**	(104)	(208)
(Decrease)/increase in provisions for liabilities and charges	**(37)**	(64)	232
Other non-cash items	**23**	29	63
Cash generated from operations	**1,714**	2,099	5,537

(d) IFRS Investing and financing activities

The investing and financing activities in the IFRS cash flows on page 18 include the following items:

The purchases and proceeds on disposals of investments (which comprise available-for-sale investments and loans and receivables) comprises a net cash inflow in respect of current investments of £12 million for the six months ended 30 June 2012 (30 June 2011: £13 million and 31 December 2011: £3 million).

The proceeds from associates' share buy-backs reflects proceeds of £117 million (30 June 2011: £nil and 31 December 2011: £71 million) in respect of the Group's participation in the share buy-back programme conducted by Reynolds American Inc.

In 2012, the purchase of the non-controlling interest of £24 million relates to the acquisition of part of non-controlling interests in British American Tobacco Bangladesh. For 2011, the £10 million relates to the acquisition of non-controlling interests in Chile.

In 2011, the cash outflow of £295 million arising on the purchase of Protabaco reflects the settlement of the purchase consideration of £298 million less acquired net cash and cash equivalents of £3 million.

The movement relating to derivative financial instruments is in respect of derivatives taken out to hedge cash and cash equivalents and external borrowings, derivatives taken out to hedge inter company loans and derivatives treated as net investment hedges. Derivatives taken out as cash flow hedges in respect of financing activities are also included in the movement relating to derivative financial instruments, while other such derivatives in respect of operating and investing activities are reflected along with the underlying transactions.

Cash flow cont...

(e) IFRS net cash and cash equivalents

The net cash and cash equivalents in the Group cash flow statement comprise:

	30.6.12 £m	30.6.11 £m	31.12.11 £m
Cash and cash equivalents per balance sheet	**1,749**	1,717	2,194
Overdrafts	**(393)**	(220)	(252)
Net cash and cash equivalents	**1,356**	1,497	1,942

(f) Liquidity

The Central Treasury Department is responsible for managing, within an overall policy framework, the Group's exposure to funding and liquidity, interest rate, foreign exchange and counterparty risk arising from the Group's underlying operations.

The Group has a target average centrally managed debt maturity of at least 5 years with no more than 20 per cent of centrally managed debt maturing in a single rolling year. As at 30 June 2012, the average centrally managed debt maturity was 7.1 years (31 December 2011: 7.0 years, 30 June 2011: 7.2 years) and the highest proportion of centrally managed debt maturing in a single rolling year was 19.4 per cent (31 December 2011: 18.3 per cent, 30 June 2011: 19.3 per cent).

In June 2012, the Group repaid a €337 million bond due in June 2012, repaid and cancelled a US$690 million syndicated term credit facility due September 2012, repaid a Mexican Peso 1,444 million borrowing due September 2014 and repaid a Mexican Peso 1,025 million borrowing due December 2014. These repayments were financed from Group cash balances.

In June 2012, the Group issued new US$2 billion bonds, US$500 million with a maturity of June 2015, US$600 million with a maturity of June 2017 and US$900 million with a maturity of June 2022.

During the period to 30 June 2012, the Group's subsidiary in Brazil received proceeds of £548 million (2011 full year: £401 million, to 30 June 2011: £342 million) from short-term borrowings in respect of advance payments on leaf export contracts and repaid £464 million (31 December 2011: £519 million, 30 June 2011: £311 million).

In July 2012, post the 30 June 2012 balance sheet date, the Group repaid and cancelled a €450 million syndicated term credit facility due October 2013. This repayment was financed from Group cash balances.

In June 2011, the Group established a US$2 billion commercial paper programme. It is Group policy that short-term sources of funds (including drawings under both the US$ programme and the existing Group £1 billion euro commercial paper (ECP) programme) are backed by undrawn committed lines of credit and cash. At 30 June 2012, £589 million of commercial paper was outstanding (31 December 2011 £85 million, 30 June 2011 £729 million).

In June 2011, the Group repaid a €530 million bond due in June 2011. The repayment was financed from Group cash balances.

In August 2011, the Group extended the maturity date of a US$200 million facility from August 2011 to August 2016, and simultaneously increased the size of the facility to US$240 million. This facility is drawable in Chilean pesos and was drawn to the value of US$225 million at 30 June 2012. The undrawn element is available for drawing until February 2013.

In September 2011, the Group repaid a Mexican Peso 1,444 million borrowing which was due in September 2011 with a new Mexican Peso 1,444 million borrowing due 2014.

In November 2011, the Group issued a new €600 million bond with a maturity of November 2021.

LITIGATION: FRANKED INVESTMENT INCOME GROUP LITIGATION ORDER

British American Tobacco is the principal test claimant in an action in the United Kingdom against HM Revenue and Customs in the Franked Investment Income Group Litigation Order (FII GLO). There are 25 corporate groups in the FII GLO. The case concerns the treatment for UK corporate tax purposes of profits earned overseas and distributed to the UK. The claim was filed in 2003 and the case was heard in the European Court of Justice (ECJ) in 2005 and a decision of the ECJ received in December 2006. In July 2008, the case reverted to a trial in the UK High Court for the UK Court to determine how the principles of the ECJ decision should be applied in a UK context.

The High Court judgment in November 2008 concluded, amongst many other things, that dividends received from EU subsidiaries should have been exempt from UK taxation. It also concluded that certain dividends received before 5 April 1999 from the EU, and in some limited circumstances after 1993 from outside the EU, should have been treated as franked investment income with the consequence that advance corporation tax need not have been paid. Claims for the repayment of UK tax incurred where the dividends were from the EU were allowed back to 1973. The tentative conclusion reached by the High Court would, if upheld, produce an estimated receivable of about £1.2 billion for British American Tobacco.

The case was heard by the Court of Appeal in October 2009 and the judgment handed down in February 2010. The Court of Appeal determined that various questions, including which companies in the corporate tree can be included in a claim, should be referred back to the ECJ for further clarification. In addition, the Court determined that the claim should be restricted to six years and not cover claims dating back to 1973. The issue of time limits was heard by the Supreme Court in February 2012 and in May 2012 the Supreme Court decided in the company's favour, that claims submitted before 8 September 2003 can go back to 1973. A hearing took place in February 2012 at the ECJ on the questions referred from the Court of Appeal. The decision of the ECJ is awaited.

No potential receipt has been recognised in the current year or the prior year, in the results of the Group, due to the uncertainty of the amounts and eventual outcome.

CONTINGENT LIABILITIES

As noted on pages 177 to 190 of the Annual Report for the year ended 31 December 2011, there are contingent liabilities in respect of litigation, overseas taxes and guarantees in various countries.

Group companies, as well as other leading cigarette manufacturers, are defendants in a number of product liability cases. In a number of these cases, the amounts of compensatory and punitive damages sought are significant. At least in the aggregate and despite the quality of the defences available to the Group, it is not impossible that the results of operations or cash flows of the Group in particular quarterly or annual periods could be materially affected by this.

Having regard to these matters, the Directors (i) do not consider it appropriate to make any provision in respect of any pending litigation, save insofar as stated in the 2011 Annual Report and (ii) do not believe that the ultimate outcome of this litigation will significantly impair the financial condition of the Group.

RELATED PARTY DISCLOSURES

In the six months to 30 June 2012, there were no material changes in related parties or related party transactions. The Group's related party transactions and relationships for 2011 were disclosed on page 176 of the Annual Report for the year ended 31 December 2011.

SHARE BUY-BACK PROGRAMME

The Board has approved the continuation of the on-market share buy-back programme in 2012 with a value of up to £1,250 million, excluding transaction costs. During the six months to 30 June 2012, 18 million shares were bought at a cost of £553 million, excluding transaction costs of £3 million (30 June 2011: 13 million shares at a cost of £333 million, excluding transaction costs of £2 million). For the year ended 31 December 2011, 28 million shares were bought at a cost of £750 million excluding transaction costs of £5 million.

The purchase of own shares in the Group statement of changes in equity, includes an amount of £120 million (30 June 2011: £75 million) provided for the potential buy-back of shares during July 2012 under an irrevocable non-discretionary contract.

FINANCIAL CALENDAR

Wednesday 24 October 2012	Interim Management Statement
Thursday 28 February 2013	Preliminary Statement

CALENDAR FOR THE INTERIM DIVIDEND 2012

2012	
Wednesday 25 July	Declaration of interim dividend: amount of dividend per share in both sterling and rand; applicable exchange rate and conversion date – 23 July 2012; plus additional applicable information as required in respect of South African Dividend Tax[1].
Wednesday 25 July to Friday 17 August	From the commencement of trading on Wednesday 25 July 2012 to Friday 17 August 2012, no removal requests in either direction between the UK main register and the South African branch register will be permitted.
Friday 10 August	Last Day to Trade or LDT (JSE)
Monday 13 August to Friday 17 August	No transfers between the UK main register and the South African branch register will be permitted; no shares may be dematerialised or rematerialised between these inclusive dates.
Monday 13 August	Ex-dividend date (JSE)
Wednesday 15 August	Ex-dividend date (LSE)
Friday 17 August	Record date (LSE and JSE)
Wednesday 26 September	Payment date (sterling and rand)

Note:

(1) Details of the applicable exchange rate and the South African Dividend Tax information can be found under the heading 'Dividends' on page 8.

For holders of American Depositary Receipts (ADRs), the record date for ADRs is also 17 August 2012 with an ADR payment date of 1 October 2012.

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 (0)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 (Pty) Ltd
PO Box 61051, Marshalltown 2107, South Africa
tel: 0861 100 925; +27 11 870 8222
e-mail 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
Providence, Rhode Island 02940-3077, USA
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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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DISCLAIMERS

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 announcement 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 REPORT

This Half-Yearly Report 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 Half-Yearly Report 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, as above.

Nicola Snook
Secretary
24 July 2012

ANALYSES OF REVENUE AND PROFIT FROM OPERATIONS

REVENUE

	30.6.12					30.6.11		
	Reported revenue £m	Impact of exchange £m	Revenue at CC(1) £m	Organic adjust-ments(3) £m	Organic revenue at CC(1) £m	Reported revenue £m	Organic adjust-ments(3) £m	Organic revenue £m
Asia-Pacific	**2,050**	**(35)**	**2,015**	**-**	**2,015**	2,025	-	2,025
Americas	**1,706**	**97**	**1,803**	**(32)**	**1,771**	1,744	-	1,744
Western Europe	**1,649**	**93**	**1,742**	**-**	**1,742**	1,719	(24)	1,695
EEMEA	**2,047**	**150**	**2,197**	**-**	**2,197**	1,950	-	1,950
Total	**7,452**	**305**	**7,757**	**(32)**	**7,725**	7,438	(24)	7,414

PROFIT FROM OPERATIONS

	30.6.12							30.6.11		
	Profit(2) £m	Adjusting items £m	Adjusted Profit(2) £m	Impact of exchange £m	Adjusted Profit(2) at CC(1) £m	Organic adjust-ments(3) £m	Organic Adjusted Profit(2) at CC(1) £m	Adjusted Profit(2) £m	Organic adjust-ments(3) £m	Organic Adjusted Profit(2) £m
Asia-Pacific	**793**	**22**	**815**	**(23)**	**792**	**-**	**792**	766	-	766
Americas	**725**	**29**	**754**	**49**	**803**	**(11)**	**792**	768	-	768
Western Europe	**516**	**42**	**558**	**25**	**583**	**-**	**583**	572	-	572
EEMEA	**706**	**6**	**712**	**39**	**751**	**-**	**751**	654	-	654
Total	**2,740**	**99**	**2,839**	**90**	**2,929**	**(11)**	**2,918**	2,760	-	2,760

Notes:

(1) CC: Constant currencies

(2) Profit: Profit from operations

(3) Organic adjustments: Mergers and acquisitions and discontinued activities - adjustments are made to the 2011 numbers, based on the 2012 Group position. This means that:

- the results of any discontinued operations in 2011 are excluded entirely for that year
- for any mergers or acquisitions in 2011, only the results for the corresponding period are included for 2012
- for any discontinued operations in 2012, only the results for the corresponding period are included for 2011
- the results of any mergers or acquisitions in 2012 are excluded entirely for that year.