



**BRITISH AMERICAN
TOBACCO**

**BRITISH AMERICAN TOBACCO
HOLDINGS (THE NETHERLANDS) B.V.**

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**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2012

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BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

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BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Directors' report

INTRODUCTION

The directors submit their annual report and financial statements for British American Tobacco Holdings (The Netherlands) B.V. (the "Company") for the year ended 31 December 2012. These are to be presented at the Annual General Meeting to be held on 16 April 2013. The financial statements of the Company are presented on pages 5 to 20.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an intermediate holding and financing company whose subsidiary undertakings are primarily engaged in the manufacture, distribution and sale of tobacco products, including cigarettes and fine cut tobacco.

THE DIRECTORS

On 29 February 2012, Mr R L Allen resigned as Director of the Company and on 15 March 2012 Mr C J McAllister was appointed a Director of the Company. On 30 September 2012 Mr D J Booker and Mr A A de Haan resigned as Directors of the Company and on 1 October 2012 Mr H M J Lina was appointed a Director of the Company.

The present Directors of the Company are:

J E P Clot-Bollen
H M J Lina
C J McAllister
J C Nooij
C E Steyn
M Wiechers

RESULTS FOR THE YEAR

The profit after tax of the Company for the year ended 31 December 2012 amounted to EUR 802.6 million (2011: EUR 802.3 million).

DIVIDENDS

Interim dividends of, in the aggregate, EUR 801,862,527.71 were declared and paid during the year. The Directors recommend to transfer the remaining profit for the year of EUR 706,908.84 to other reserves.

RISK ANALYSIS

The Company periodically reviews the risks that are associated with its operations and has put in place a robust system of internal control and processes designed to safeguard shareholders' investment and the Company's assets. These are designed to manage risks that may impede the achievement of the Company's objectives rather than to eliminate these risks and can therefore provide only reasonable, not absolute, assurance against material misstatement or loss.

CASH FLOW AND BORROWINGS

The Company has sufficient access to funds from dividends paid by its subsidiary undertakings and borrowings from affiliated companies.

LIQUIDITY AND SOLVABILITY

The Company's liquidity and solvability position is reviewed periodically to ensure that the Company is able to meet its obligations.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Directors' report

FINANCING AND RISK MANAGEMENT

It is the Company's policy to maximise financial flexibility and minimise refinancing risk by issuing debt with a range of maturities.

As a further part of the Company's liquidity risk management, on 25 November 2010 the Company together with British American Tobacco p.l.c. and certain other British American Tobacco Group companies entered into a GBP 2,000 million multicurrency revolving credit facility agreement (the "Facility Agreement") with certain banks and financial institutions. The Company's obligations under the Facility Agreement are unconditionally and irrevocably guaranteed by British American Tobacco p.l.c.. The facility has a final maturity in 2015.

The Company's foreign exchange exposure on the Company's non-EUR denominated debt issues has been removed by swapping the liability under the notes denominated in Sterling into a floating EUR liability at fixed exchange rates with maturities consistent with the term of the issue.

The Company's borrowings are 45% floating and 55% fixed, a mix which is considered by the Directors to be appropriate in the current circumstances.

OUTLOOK

With the broad geographic spread of the businesses of the Company's indirect subsidiaries covering the Netherlands, West and East Europe, Australasia, South America and Asia prospects for the future remain sound.

BOARD COMPOSITION

As a consequence of the adoption of the Act on management and supervision (Wet bestuur en toezicht) on 1 January 2013, the Company is required to have a balanced composition in the members of its board, whereby as a minimum 30 per cent of board positions are filled by women.

The board of the Company is composed of five men and one woman and is not compliant with the Act on management and supervision. The board composition reflects the levels of expertise required in the board and for each board member to manage the Company at a professional level and to ensure the highest quality of corporate governance. The positions on the board have been determined to allow an optimal performance of the board, both in number of directors and expertise of each individual director, disregarding gender. Should any of the current board members resign from the board, the board and the shareholder are committed to review candidates for both the function and the board with the aim to appoint the best candidate and, at equal capabilities, to favour the female candidate.

REGISTERED OFFICE

Handelsweg 53 A, 1181 ZA Amstelveen
Registered in Amsterdam (No. 33236251)

AUDITORS

PricewaterhouseCoopers Accountants N.V.

On behalf of the Board



M Wiechers



J E P Clot-Bollen

Amstelveen, 9 April 2013

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Balance sheet as at 31 December

Before appropriation of profit	2012	2011
All amounts in EUR'000	Notes	
Financial fixed assets		
Investments in subsidiaries	2	3,995,510
Pension assets	3	9,117

Total financial fixed assets		4,004,627

		4,018,803
Current assets		
Accounts receivable	4	584,861

Total current assets		584,861

		80,817
Current liabilities	5	(612,719)

Current assets less current liabilities		(27,858)

		9,644
Total assets less current liabilities		3,976,769
		=====

		4,028,447
		=====
Long-term debts		
	6	3,079,355

		3,116,946
Provisions		
	8	2,279

		2,073
Shareholder's equity		
	9	
Issued capital		112,502
Share premium account		637,453
Legal reserves		945
Other reserves		143,528
Undistributed profit		707

		895,135

		3,976,769
		=====

		909,428

		4,028,447
		=====

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Profit & loss account for the year ended 31 December

		2012	2011
All amounts in EUR'000	Notes		
Dividend income		904,920	910,112
Financial income	10	427	1,672
Financial expense	10	(129,560)	(140,856)
		775,787	770,928
Net financial and investment income		775,787	770,928
General and administrative expenses	11	(7,202)	(4,336)
		768,585	766,592
Profit from ordinary activities before tax		768,585	766,592
Taxation	12	33,984	35,690
		802,569	802,282
Profit after tax		802,569	802,282
		802,569	802,282

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Cash flow statement for the year ended 31 December

	2012	2011
All amounts in EUR'000		
Cash flow from operating activities		
Profit from ordinary activities before tax	768,585	766,592
<u>Adjustments for items not involving a movement in funds:</u>		
Amortisation of premium/discounts on bond issues/novations	(6,665)	(526)
Other non-cash items	(824)	(1,422)
	(7,489)	(1,948)
<u>Changes in working capital:</u>		
(Increase)/decrease in debtors	(169)	93
Increase/(decrease) in current liabilities	(297)	993
Increase/(decrease) in net interest payable	(1,135)	15,022
Increase/(decrease) in net payables to affiliated companies	(505,026)	(15,511)
	(506,627)	597
Taxation received	27,616	36,350
	282,085	801,591
Total cash flow from operating activities	282,085	801,591
Cash flow absorbed by investing activities		
Investment in subsidiary	--	(171,996)
Share premium repayment to the shareholder	(15,000)	--
Share premium repayment by a subsidiary company	15,000	12,000
	--	(159,996)
Total cash flow absorbed by investing activities	--	(159,996)
Cash flow from financing activities		
Proceeds from issue of notes	742,778	687,947
Repayments of notes	--	(530,262)
Repayment of loans to affiliated companies	(223,000)	-
Dividends paid to shareholder	(801,863)	(799,337)
Cash acquired through mergers	--	57
	(282,085)	(641,595)
Total cash flow absorbed by financing activities	(282,085)	(641,595)
Total net increase/(decrease) in cash	--	--
Cash at the beginning of the year	--	--
	Nil	Nil
Cash at the end of the year	Nil	Nil
	Nil	Nil

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

NOTE 1 ~ BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Principal activities

The Company is registered in Amsterdam and acts principally as an intermediate holding and financing company.

(b) Financial year

The financial year of the Company commences on 1 January and ends on 31 December.

(c) Parent undertakings

The Company is a wholly owned subsidiary undertaking of British American Tobacco International (Holdings) B.V.. The Company's ultimate parent undertaking is British American Tobacco p.l.c., a public limited company incorporated in England and Wales and registered as an external company in the Republic of South Africa.

Copies of the group report and accounts of British American Tobacco p.l.c. may be obtained from The Company Secretary, British American Tobacco p.l.c., Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom.

(d) Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company are considered a related party. In addition, statutory directors, other key management and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required for to provide the true and fair view.

(e) Acquisitions and disposals of affiliated companies

The acquisition price consists of the cash consideration, or equivalent, agreed for acquiring the company plus any directly attributable expenses. If the acquisition price exceeds the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalised as goodwill under intangible assets. If the acquisition price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (i.e. negative goodwill) is disclosed under accruals and deferred income.

(f) Accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles applied in the Netherlands.

The principal policies of the Company are set out below.

Presentation of accounts

The accounts have been prepared in accordance with the provisions of Book 2, Title 9 of the Dutch Civil Code and according to the firm pronouncements in the DASs for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

Method of valuation

The financial statements have been prepared on the basis of historical costs. Unless otherwise stated in the notes, all assets and liabilities are stated at values at which they were acquired or incurred less any impairment. The balance sheet, profit & loss account and cash flow statement include references to the notes.

Prior-year comparison

The accounting policies have been consistently applied to all the years presented.

Foreign currency

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in euros, which is the functional and presentation currency of the Company.

Transactions, receivables and debts

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the profit & loss account, except when deferred in equity as qualifying hedges.

Investments in subsidiary undertakings

The Company applies Article 2:389, Paragraph 9 of the Dutch Civil Code. In accordance with this, shares in subsidiary undertakings are, due to the international structure of the British American Tobacco p.l.c. Group, recorded at original cost at the time of acquisition and impaired to the higher of net realisable value and value in use when, in the opinion of the directors, a permanent diminution in value has occurred. An impairment is directly recognised as an expense in the profit & loss account.

Income is recognised when dividends are received in cash.

Impairment of financial fixed assets

At each balance sheet date, the Company tests whether there are any indications of assets being subject to impairment. If any such indications exist, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Fair value less costs to sell is determined based on the active market. An impairment loss is directly expensed in the income statement.

If it is established that a previously recognized impairment loss no longer applies or has declined, the increased carrying amount of the assets in question is not set any higher than the carrying amount that would have been determined had no asset impairment been recognized.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognized in the income statement.

Pension assets

The Company along with other British American Tobacco Group subsidiaries in the Netherlands provides a pension scheme to its employees through a group defined benefit scheme ("the DBS") established with Stichting Pensioenfond British American Tobacco (the "Fund"). For joiners after 1 January 2010 a defined contribution scheme has been established, which is executed by an insurance company. The Company accounts for pensions in line with IAS 19 Employee Benefits.

The DBS provides defined pension benefits to the employees of the participating companies upon reaching retirement age, the amount of which depends on age, salary and years of service. The DBS currently provides that pensions in payment are conditionally indexed on the basis of the consumer price index if the reserves of the Fund are sufficient as allowed by DAS 271.

The pension asset carried on the balance sheet by the Company is an allocation of the total fair value of plan assets net of the present value of pension benefit obligations attributable to its employees and ex-employees under the DBS together with adjustments for unrecognised actuarial gains or losses and past service costs. The pension benefit obligation for each participating company is measured annually by independent actuaries using the projected unit credit method. The present value of the obligation is computed by discounting estimated future cash flows, using interest rates applying to high quality corporate bonds with a term roughly consistent with the term of the related pension obligation.

Where actuarial gains and losses of the Fund arising from changes in actuarial assumptions exceed 10% of the higher of the pension benefit obligations of the Fund and the fair value of plan assets of the Fund at the opening of the financial year, the Company's allocation of unrecognised gains and losses is credited or charged to the profit & loss account over the expected average future years of service of the employees concerned.

Unrecognised past service costs are taken directly to the profit & loss account unless the changes in the DBS depend on the employees remaining in service for a specific period (the qualifying period) in which case the past service costs are recognised on a straight-line basis over the qualifying period.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. When a receivable is uncollectible, it is written off against the allowance account for receivables.

Long-term debts

These include borrowings of more than one year's duration. Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit & loss account over the period of the borrowings using the effective interest method.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

Provisions

Provisions are recognised for legally enforceable or constructive obligations existing at the balance sheet date, the settlement of which is probable to require an outflow of resources whose extent can be reliably estimated. Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations at the balance sheet date. Unless indicated otherwise, provisions are stated at the present value of the expenditure expected to be required to settle the obligations.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Financial instruments and risk management

The Company utilises derivative financial instruments to manage its financial risks. The counterparty for these financial instruments are fellow subsidiary treasury units of the British American Tobacco p.l.c. Group. It is the Company's policy that such instruments are only used where there is an identified underlying exposure.

Forward foreign currency contracts are used to hedge existing assets and liabilities and future transactions. Resulting gains and losses arising from contracts related to existing assets and liabilities are taken to the profit & loss account.

The liabilities under foreign currency borrowings are swapped into floating EUR liabilities at fixed exchange rates with maturities consistent with the term of the liabilities. Cross currency swaps are accounted for in borrowings together with the related liabilities.

These derivative financial instruments are stated at amortised cost after initial recognition at fair value. Amortisation is based on the effective interest rate method. Derivatives that consist of foreign currencies are converted using the period end rate of exchange, and gains or losses are recognised in the profit & loss account.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. If the result of the hedged position is recognized in the income statement, the associated gains or losses of the hedging instrument shall be reclassified from equity to profit or loss.

In order to recognise the ineffective portion of the gain or loss on the hedging instrument in profit or loss in the correct period, the separate component of equity associated with the hedged item is adjusted to the lesser of the following (in absolute amounts) per each balance sheet date - the cumulative gain or loss on the hedging instrument from inception of the hedge; and the cumulative change in fair value (present value) of the expected future cash flows on the hedged item from inception of the hedge.

In any of the following circumstances the Company shall discontinue prospectively the hedge accounting - the hedging instrument is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been recognized in equity from the period when the hedge was effective shall remain separately in equity until the forecasted transaction occurs or the hedge no longer meets the criteria for hedge accounting. If the forecasted transaction still has to occur, the cumulative gain or loss on the hedging instrument is recognized in equity. If the forecasted transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognized in equity shall be reclassified from equity to profit or loss.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

Credit and Price risk

The Company does not have any significant concentrations of credit risk. The Company manages market risk by stratifying the portfolio and imposing limits.

Interest rate and cash flow risk

The Company incurs interest rate risk on interest bearing receivables and on interest bearing non-current and current liabilities (including borrowings). Where floating-interest loans and receivables are concerned, the Company incurs risk regarding future cash flows. In addition, the Company incurs risks on fixed interest loans and receivables with respect to the fair value due to changes in the market rate of interest. The Company has contracted interest rate swaps for specific fixed interest liabilities (borrowings), so that it receives fixed interest and pays floating interest.

Liquidity risk

The Company uses a cash pooling facility according to Group policies. As a further part of the Company's liquidity risk the Company has access to a GBP 2,000 million multicurrency revolving credit facility with certain banks and institutions. The Company's obligations as a borrower under the facility are unconditionally and irrevocably guaranteed by British American Tobacco p.l.c.. The facility has a final maturity in 2015.

Taxation and deferred tax assets and liabilities

Income tax is calculated based on the rates applicable in the Netherlands on the profit/loss before tax in the profit & loss account, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax-exempt items, and plus non-deductible expenses.

Deferred taxation arises from temporary differences between the recognition of certain items in the balance sheet for accounting and taxation purposes and is accounted for using the liability method in respect of all material temporary differences. Deferred tax liabilities and assets are calculated based on the nominal method and on the tax rate prevailing at the balance sheet date or the rates that will apply in the future, insofar as these have been set down by law. Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised. Account is also taken of changes in deferred income tax assets and liabilities owing to changes in the applicable tax rates.

Estimates

The preparation of the financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

Finance income and expense

Interest paid and received is recognised on a time-weighted basis taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

General and administrative expenses

Costs are recognised on the historical cost convention and are allocated to the reporting year to which they relate.

Short-term employee benefits

Salaries, wages and social security contributions are taken to the profit & loss account based on the terms of employment, when they are due to employees.

Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents except for deposits with a maturity over three months. Cash balances are zero as a result of the cash pooling arrangement with B.A.T. International Finance p.l.c. and are included in accounts receivable. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognized as cash used in financing activities. The purchase consideration paid for companies acquired are recognized as cash used in investing activities where it was settled in cash. Any cash and cash equivalents held by an acquired company is deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognized in the cash flow statement. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing activities and as interest paid under cash generated from operating activities.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 2 ~ INVESTMENTS IN SUBSIDIARIES

The direct investments in the following subsidiary undertakings are stated at cost net of any impairments.

<u>Name</u>	<u>Statutory Seat</u>	<u>% Holding</u>
Allen & Ginter (UK) Limited	London	100
British American Tobacco European Operations Centre B.V.	Amsterdam	100
British American Tobacco International Europe (Nederland) B.V.	Amsterdam	100
British American Tobacco Russia (Investments) Limited	London	100
The Raleigh Investment Company Limited	Douglas, Isle of Man	100

The investments comprise:

At 31 December 2011	4,010,510
Repayment of share premium	(15,000)

At 31 December 2012	3,995,510

During the year British American Tobacco International Europe (Nederland) B.V. repaid share premium in the amount of EUR 15,000,000 to the Company.

The Company applies Article 2:408 of the Dutch Civil Code. In accordance with this, the accounts of the Company and its subsidiary undertakings are included in the group report and accounts of British American Tobacco p.l.c.. A copy of the Group report and accounts is filed with the trade register of the Chamber of Commerce in Amsterdam.

NOTE 3 ~ PENSION ASSETS

The closing assets relate entirely to pension benefits. The movements in the pension assets are analysed as follows:

Assets as at 31 December 2011	8,293
Net income recognised in the profit & loss account	263
Contributions by the Company	561

Assets as at 31 December 2012	9,117
	=====

The amounts recognised in the balance sheet as at 31 December are analysed as follows:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Fair value of plan assets	153,052	135,462
Present value of defined benefit obligations	(127,522)	(111,701)
	-----	-----
	25,530	23,761
Unrecognised actuarial gains	(16,422)	(15,480)
Past service costs attributable to future years	9	12
	-----	-----
Net pension assets	9,117	8,293
	=====	=====

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 3 ~ PENSION ASSETS (continued)

The amounts recognised in the profit & loss account for the year ended 31 December 2012 were as follows:

	<u>2012</u>	<u>2011</u>
Current service cost	(593)	(548)
Interest cost	(5,142)	(4,934)
Return on plan assets	6,279	6,116
Recognised past service costs	(3)	(3)
Curtailments or settlements	(278)	--
	263	631
Net pension income	=====	=====

The net pension income of EUR 263 (2011: EUR 631) is included in general administrative expenses.

The main actuarial assumptions were as follows:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Discount rate	3.90%	4.70%
Expected return on plan assets	4.30%	4.70%
Expected salary increases	2.00%	3.50%
Expected indexation of pensions	1.60%	1.60%
General inflation rate	2.00%	2.00%

The pension scheme currently provides that pensions in payment are indexed on the basis of 1.60% per annum (2011: 1.60%).

NOTE 4 ~ ACCOUNTS RECEIVABLE

	<u>31 December 2012</u>	<u>31 December 2011</u>
Receivables from affiliated companies	577,767	72,958
Taxation	6,901	7,835
Other receivables	193	24
	584,861	80,817

Receivables from affiliated companies include EUR 577,116 (2011: EUR 72,086) of interest bearing loans and deposits that are unsecured and repayable on demand. The interest rate is mainly based on EURIBOR taking into consideration the length and amount of the loans and deposits. Other amounts are unsecured, interest free and repayable on demand.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 5 ~ CURRENT LIABILITIES

	<u>31 December 2012</u>	<u>31 December 2011</u>
Current portion of long-term debts (Note 6)	523,703	--
Current portion of long-term debts to affiliated companies (Note 6)	27,000	--
Payables to affiliated companies	8,284	16,010
Interest payable on long-term debts to affiliated companies	298	1,435
Interest payable on long-term debts to third parties	50,708	50,706
Other payables	2,726	3,022
	612,719	71,173

Included in payables to affiliated companies is EUR 100 (2011: EUR 100) which incurs interest based on EURIBOR 1M. Other amounts are unsecured, interest free and repayable on demand.

NOTE 6 ~ LONG-TERM DEBTS

	<u>31 December 2012</u>	<u>31 December 2011</u>
Long-term debts to third parties	3,603,058	2,866,946
Long-term debts to affiliated companies	27,000	250,000
	3,630,058	3,116,946
Long-term debts to third parties:		
EUR 519 million 5.125% notes due 2013	523,703	530,157
EUR 600 million 4.375% notes due 2014	598,615	597,805
GBP 325 million 5.500% notes due 2016	471,749	471,379
EUR 600 million 4.000% notes due 2020	583,354	581,514
EUR 650 million 4.875% notes due 2021	682,811	686,091
EUR 750 million 2.375% notes due 2023	742,826	--
	3,603,058	2,866,946
Less: Current portion	(523,703)	--
	3,079,355	2,866,946
Long-term debts to affiliated companies:		
EUR 250 million EURIBOR 3M + 225 bps due 2013	27,000	250,000
Less: Current portion	(27,000)	--
	--	250,000
	3,079,355	3,116,946
	3,079,355	3,116,946

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 6 ~ LONG-TERM DEBTS (continued)

On 19 November 2012, the Company, as principle debtor, issued EUR 750,000,000 2.375 per cent notes due 2023, issued pursuant to the EMTN Programme.

The liabilities under the notes denominated in Sterling have been swapped into floating EUR liabilities at fixed exchange rates with maturities consistent with the term of the issues. The notes are admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange p.l.c.'s Regulated Market and are unconditionally and irrevocably guaranteed by British American Tobacco p.l.c. and the other guarantors under the EMTN Programme.

NOTE 7 ~ FINANCIAL INSTRUMENTS

The fair values and book values of the external borrowings and the related cross-currency swaps are as follows:

	<u>31 December 2012</u>		<u>31 December 2011</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Notes	3,533,019	3,851,348	2,791,941	2,963,122
Cross-currency/Interest rate swaps	70,039	(7,789)	75,005	13,714
	<u>3,603,058</u>	<u>3,843,559</u>	<u>2,866,946</u>	<u>2,976,836</u>

The fair values represent mark to market values excluding interest accruals as at 31 December 2012 and 31 December 2011, respectively.

For all other financial assets and financial liabilities, excluding the investment in subsidiary undertakings, the fair value is considered to be equal to the book value.

NOTE 8 ~ PROVISIONS

	<u>31 December 2012</u>	<u>31 December 2011</u>
Deferred tax liability	2,279	2,073
	<u>2,279</u>	<u>2,073</u>
At 31 December 2011	2,073	
Current year charge	206	
	<u>2,279</u>	
At 31 December 2012	2,279	

Deferred taxes relate to timing differences on long-term pension assets.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000 except for share capital details

NOTE 9 ~ SHAREHOLDER'S EQUITY

The shareholder's equity of the Company was as follows:

	<u>Share capital</u>	<u>Share premium</u>	<u>Legal reserves</u>	<u>Other reserves</u>	<u>Undistr. profit</u>	<u>Total</u>
At 31 December 2011	112,502	652,453	945	132,401	11,127	909,428
Appropriation of profit	--	--	--	11,127	(11,127)	--
Share premium repayment	--	(15,000)	--	--	--	(15,000)
Profit for the year	--	--	--	--	802,569	802,569
Interim dividends	--	--	--	--	(801,862)	(801,862)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	112,502	637,453	945	143,528	707	895,135
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<u>Authorised capital</u>	<u>Number of ordinary shares</u>	<u>Par value</u>
At 31 December 2011	300,000	EUR 450.00
At 31 December 2012	300,000	EUR 450.00

<u>Issued and fully paid capital</u>	<u>Number of ordinary shares</u>	<u>Par value</u>
At 31 December 2011	250,004	EUR 450.00
At 31 December 2012	250,004	EUR 450.00

NOTE 10 ~ FINANCIAL INCOME/(EXPENSE)

	<u>2012</u>		<u>2011</u>	
	<u>Financial income</u>	<u>Financial expense</u>	<u>Financial income</u>	<u>Financial expense</u>
Affiliated companies	262	(2,544)	1,372	(14,757)
Other	165	(127,016)	300	(126,099)
	<hr/>	<hr/>	<hr/>	<hr/>
	427	(129,560)	1,672	(140,856)

Transactions with affiliated companies are at market rates.

The interest expense on long-term debt, including discount and commission on bonds, of EUR 133,274 (2011: EUR 135,187) is included in financial expense to affiliated companies for EUR 6,892 (2011: EUR 9,172) and in financial expenses other for EUR 126,382 (2011: EUR 126,015).

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 11 ~ GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2012</u>	<u>2011</u>
Salaries and wages	7,224	4,668
Social security	311	280
Pension income from DBS	(263)	(631)
Other pension cost	69	98
Other expenses	2,858	2,850
Other income	(2,997)	(2,929)
	7,202	4,336
	7,202	4,336

The average number of employees during the year was 31 (2011: 31). There are no employees working outside the Netherlands (2011: nil). Other income relates to service fees for the provision of services to other group undertakings.

NOTE 12 ~ TAXATION

The Company forms a fiscal unity with a number of its subsidiary undertakings. The Company is the taxpayer of this fiscal unity and settles taxes directly with affiliated fiscal unity companies. Under the Dutch Collection of State Taxes Act, the Company and its fellow fiscal unity members are jointly and severally liable for any taxes payable by the tax group.

The tax charge includes EUR 36 related to prior years.

The effective rate of tax relief is 4.4% (2011: 4.7%). The applicable tax rate is 25.0% (2011: 25.0%).

The effective tax rate differs from the applicable tax rate in the Netherlands mainly due to exempt dividend income and non-deductible share scheme costs.

NOTE 13 ~ DIRECTORS' REMUNERATION

The remuneration of the Directors in office during the year amounted to:

	<u>2012</u>	<u>2011</u>
Salaries and wages	4,879	1,796
Social security	39	86
Pensions	322	60
Employer's financial crisis levy	463	--
	5,703	1,942
	5,703	1,942

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 14 ~ CONTINGENT LIABILITIES

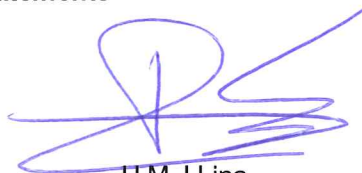
Since acceding to the British American Tobacco Euro Medium Term Note Programme (the "EMTN Programme") as an issuer and guarantor in 2003, the Company, together with British American Tobacco p.l.c., B.A.T. International Finance p.l.c. and in respect of the notes issued prior to 9 December 2011, B.A.T Capital Corporation, guarantees all notes issued under the EMTN Programme other than where such entity is the issuer. The maximum aggregate nominal amount of all notes that may from time to time be outstanding under the EMTN Programme is USD 16,000 million. At the balance sheet date, the Company is the guarantor of notes issued under the EMTN Programme of GBP 2,177 million and EUR 3,100 million.

In addition, the Company guarantees, together with British American Tobacco p.l.c., five series of notes totaling USD 3,000 million issued by B.A.T. International Finance p.l.c. in 2008 and 2012 pursuant to Rule 144A and Regulation S under the United States Securities Act of 1933 (as amended). The notes mature between 2013 and 2022.

The Directors hereby approve the financial statements



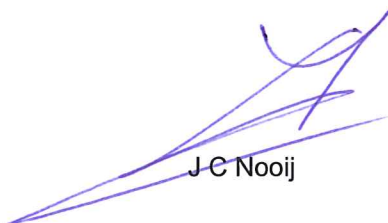
J E P Clot-Bollen



H M J Lina



C J McAllister



J C Nooij



C E Steyn



M Wiechers

Amstelveen, 9 April 2013

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Other information

(a) Appropriation of profit

In accordance with Article 19 of the Company's Articles of Association, the profit for the year is at the disposal of the General Meeting of Shareholders.

(b) Proposed distribution of profit

During the year interim dividends of EUR 801,862,527.71 were paid out of current year's profit.

The directors recommend to transfer the remaining profit for the year of EUR 706,908.84 to other reserves.

(c) Post balance sheet events

As set out above in Note 14 ~ Contingent liabilities, the Company guarantees all notes issued under the British American Tobacco group financing programmes other than where the Company is the issuer.

On 25 March 2013, B.A.T. International Finance p.l.c. issued EUR 650 million and USD 300 million of notes under the EMTN programme, which are guaranteed by the Company. The notes mature in 2025 and 2016 respectively.

(d) Independent auditors' report

The report of the independent auditors, PricewaterhouseCoopers Accountants N.V., is set out on the following pages.



Independent auditor's report

To: the General Meeting of Shareholders of British American Tobacco Holdings (The Netherlands) B.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of British American Tobacco Holdings (The Netherlands) B.V., Amsterdam, which comprise the balance sheet as at 31 December 2012, the profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Board of directors' responsibility

The board of directors is responsible for the preparation and fair presentation of these financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of British American Tobacco Holdings (The Netherlands) B.V. as at 31 December 2012, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, The Netherlands
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'PwC' is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At www.pwc.nl more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.



Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 9 April 2013
PricewaterhouseCoopers Accountants N.V.

A handwritten signature in blue ink, appearing to be 'F.S. van der Ploeg', is written over a horizontal line. The signature is stylized and somewhat illegible due to the cursive nature of the handwriting.

drs. F.S. van der Ploeg RA