BRITISH AMERICAN TOBACCO

news release
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28 February 2013

BRITISH AMERICAN TOBACCO p.l.c.
PRELIMINARY ANNOUNCEMENT – YEAR ENDED 31 DECEMBER 2012

PROVEN STRATEGY CONTINUES TO DELIVER

KEY FINANCIALS	2012	2011	Change
Revenue at constant currency	**£15,999m**	£15,399m	+4%
Adjusted profit at constant currency	**£5,970m**	£5,519m	+8%
Profit from operations	**£5,412m**	£4,721m	+15%
Adjusted diluted earnings per share	**207.5p**	194.6p	+7%
Basic earnings per share	**198.1p**	157.1p	+26%
Dividends per share	**134.9p**	126.5p	+7%

The non-GAAP measures, including adjusting items and constant currencies, are set out on page 18.

FULL YEAR HIGHLIGHTS

- Revenue at constant rates of exchange grew by 4% with continued good pricing momentum.
- Reported revenue was down 1% due to adverse currency movements.
- Adjusted profit from operations at constant rates of exchange increased by 8%.
- Reported profit from operations increased by 15%.
- All four regions grew operating margin, contributing to the excellent growth of 160 basis points at Group level, to 37.4%.
- Group volumes were 694 billion, down 1.6%, mainly due to industry contractions in some of our larger markets.
- The four Global Drive Brands grew volume by 3%. Dunhill volumes were up 2%, Kent was up 1%, Lucky Strike grew 11%, and Pall Mall 3%.
- Adjusted diluted earnings per share rose by 7% and at constant rates, adjusted diluted earnings per share would have been up by 12%, principally as a result of the growth in profit from operations.
- Basic earnings per share were up 26% at 198.1p (2011: 157.1p).
- Recommended final dividend of 92.7p, taking the total dividend in respect of 2012 to 134.9p, an increase of 7%.
- Free cash flow was 81% of adjusted earnings.
- 38.9 million shares were bought back at a cost of £1.25 billion, excluding transaction costs. The Board agreed a £1.5 billion share buy-back programme for 2013.
- New Management Board appointees announced. Des Naughton, currently Group Operations Director, appointed as Managing Director Next Generation Product, and Alan Davy to take over as Group Operations Director, effective 1 March 2013.

Richard Burrows, Chairman, commenting on the year ended 31 December 2012

"BAT delivered strong profit growth in 2012, achieved through good pricing and an outstanding improvement in operating margin, partially offset by adverse exchange rate movements. Despite the difficult trading conditions in many parts of the world, particularly southern Europe, these results demonstrate the Company is in excellent shape and we remain confident that our strategy will continue to deliver superior shareholder returns."

CHIEF EXECUTIVE'S REVIEW

Very good business performance

We exceeded all of our financial objectives in 2012. We delivered organic revenue growth on a constant currency basis of 4% and adjusted profit from operations of 8% at constant rates of exchange. Despite the adverse exchange rates, once again we delivered excellent returns to shareholders, with adjusted diluted earnings per share up by 7% on last year, with an increase of 12% at constant exchange rates.

We grew our underlying market share in 2012, with good share momentum in the second half of the year. Pricing remains strong and, while our cigarette volumes were down slightly, this was mainly due to industry declines in some of our major markets.

Outstanding operating margin improvements

We achieved a substantial improvement in operating margin of 160 basis points, exceeding our target of increasing operating margin by 50 to 100 basis points each year. In addition to a strong price mix of 6%, we have continued to focus on productivity improvements, addressing our cost base through factory rationalisation, systems standardisation and productivity savings.

Innovations driving growth

Our Global Drive Brands (GDBs) – Dunhill, Lucky Strike, Kent and Pall Mall – continued to perform well, driven by our innovations, recording both volume and share growth. We saw outstanding volume growth of 11% for Lucky Strike in 2012. Dunhill volumes grew by 2%, Kent by 1% (or 4% adjusting for the one-off comparator in Japan) and Pall Mall by 3%. Collectively, our four GDBs achieved volume growth of 3% (or 4% excluding the impact of Japan) and now account for over one third of our total volumes. GDBs grew market share by 30 basis points.

Fine Cut tobacco grew volume by 8% in Western Europe and increased market share. This was driven by Pall Mall, by far the largest brand in this category.

Next-generation products

Alongside the innovations in the cigarette market, we are developing a portfolio of next-generation products. Nicoventures, a company we set up in 2011, is aiming to launch nicotine-based products. In December 2012, we acquired CN Creative, a UK-based company specialising in the development of e-cigarette technologies.

Management Board changes

I am pleased to announce the creation of a new role on the Management Board, that of 'Managing Director – Next Generation Products', encompassing Nicoventures and CN Creative. **Des Naughton**, currently Group Operations Director, will be appointed to this position from 1 March 2013. Des joined the group in 1995 and has extensive experience in Marketing, General Management and Operations.

Furthermore, it is a pleasure to announce that **Alan Davy**, currently Group Head of Supply Chain, will be promoted to Group Operations Director and join the Management Board also with effect from 1 March 2013. Alan joined the group in 1988 and has held various roles in Manufacturing, Supply Chain and General Management.

Challenges and opportunities ahead

Our geographic diversity, powerful brands, investment in innovations and strong positions in emerging markets remain key strengths and we are confident in the future of the tobacco business. We also believe that building a portfolio of next-generation products alongside our main tobacco business will provide us with significant new opportunities in the years ahead.

We ended 2012 with share growth in the majority of our markets. Pricing remains good and our GDBs get stronger every year. While we cannot underestimate the challenges ahead in 2013, I am confident that we have robust plans in place and the resources to succeed. We have momentum, proven capabilities and passionate people to deliver another year of good growth and I look forward to 2013 with optimism.

Nicandro Durante
27 February 2013

REGIONAL REVIEW

Profit references in the regional review are based on adjusted profit from operations.

Adjusted profit from operations* at constant and current rates of exchange and volumes are as follows for the twelve months ended 31 December:

	Adjusted profit from operations*			Cigarette Volumes	
	2012		2011	**31.12.12**	31.12.11
	Constant rates £m	**Current rates £m**	**£m**	**Bns**	**Bns**
Asia-Pacific	**1,653**	**1,666**	1,539	**188**	191
Americas	**1,544**	**1,415**	1,441	**142**	143
Western Europe	**1,262**	**1,186**	1,228	**129**	135
EEMEA	**1,511**	**1,414**	1,311	**235**	236
	5,970	**5,681**	5,519	**694**	705

** Refer to page 18 for the Group's non-GAAP measures. Adjusted profit from operations is derived after excluding adjusting items from profit from operations. Adjusting items include restructuring and integration costs, amortisation of trademarks and similar intangibles and the 2011 goodwill impairment and Fox River provision as explained on page 22.*

The Group delivered a very good performance in 2012. Exchange rate movements, especially the euro, Brazilian real, South African rand and Russian rouble, had an adverse impact on reported results.

Reported revenue was 1% lower. At constant rates of exchange, revenue was 4% higher, reflecting continued good pricing momentum.

The reported profit from operations was 15% higher at £5,412 million, with a 3% increase in adjusted profit from operations. At constant rates of exchange, the adjusted profit was 8% higher.

Group volumes from subsidiaries were 694 billion, down by 11 billion or 1.6%. This was principally as a result of industry volume declines in Western Europe, Brazil and Egypt, together with volume losses in low value brands in Indonesia and Turkey. Organic volumes were down 2.0% or 1.7%, excluding the effect of the one-off comparator in Japan in 2011.

Other tobacco products performed well. Fine Cut tobacco grew by 8% to 14,494 tonnes in Western Europe, mainly in Germany, Spain, the United Kingdom, the Netherlands and Italy. Market share was up 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 overall volume growth of 3% and increased market share by 30 basis points, driven by the successful roll-out of innovations. GDBs now account for over one third of total volumes. Dunhill volumes increased by 2% as strong growth in Indonesia, Malaysia, South Africa, Romania, Hungary and Chile was partially offset by a decline in South Korea. Kent was 1% higher than last year with increased volumes in Ukraine, Russia, Azerbaijan and Vietnam, offset by reduced volumes in Japan. Adjusting for the one-off comparator in Japan, Kent grew by 4%.

Lucky Strike increased volumes by 11% with growth in Argentina, France, Germany and Chile. Pall Mall volumes rose by 3%, with outstanding growth in Pakistan and increases in Canada, Romania and the United Kingdom partially offset by lower volumes in Italy, Spain and Uzbekistan.

Asia-Pacific: adjusted profit at constant rates of exchange increased by £114 million or 7%

Adjusted profit was up £127 million to £1,666 million as a result of strong performances by a number of markets in the region and favourable exchange rates. However, this was partially offset by lower profit from South Korea and the increased level of investment in the Indonesian business. Volumes at 188 billion were down 2%, with increases in Bangladesh, Pakistan, Taiwan and Vietnam more than offset by lower volumes in South Korea, Indonesia and Japan. Adjusting for the one-off comparator in Japan, volumes would have been stable.

Country	Performance
Malaysia	The growth in volumes, market share, profit and Global Drive Brands strengthened the Group's market leadership position. Dunhill achieved record share growth.
Australia	Profit was up as a result of cost saving initiatives, favourable exchange rate movements and higher pricing, partially offset by lower volumes. Market share was slightly down but ended the year with good momentum.
Japan	Profit grew, while volumes and market share were down, following the one-off sales in the same period last year. However, underlying market share reached a record high, driven by the success of new innovations in Kent and Kool.
Vietnam	Volumes and market share grew, driven by Kent, State Express 555 and Craven A. Profit increased as a result of productivity savings, higher pricing and increased volumes.
South Korea	Volumes and market share were down due to competitor pricing activities. Higher marketing investment stabilised market share during the last quarter impacting profits.
Taiwan	Strong performances by Dunhill and Pall Mall contributed to a record performance in market share. Increased volumes coupled with higher pricing resulted in a strong increase in profit.
Pakistan	A strong performance by Pall Mall and John Player Gold Leaf drove market share to a record high, strengthening the Group's leadership. Pall Mall is now the largest brand in the market. Higher volumes and pricing, coupled with productivity savings, drove a signficant profit increase.
Bangladesh	A significant increase in profit was the result of both market share and volume growth due to the strong performances of Benson & Hedges and the local brands.
Indonesia	The Group continues to invest behind strategic brands. Launched in March, Dunhill became the fastest growing and most successful launch of an international kretek brand in the market. Profit declined, however, due to lower volumes in low margin brands and higher marketing investment and clove prices.

Americas: adjusted profit at constant rates of exchange rose by £103 million or 7%

Adjusted profit declined by £26 million to £1,415 million, mainly attributable to adverse exchange rate movements and lower profit from Mexico. Volumes were down 1 billion to 142 billion, mainly as a result of industry decreases in Brazil, partially offset by increases in Colombia, following the Protabaco acquisition. Organic volumes were down 4 billion to 139 billion.

Regional review cont…

Country	Performance
Brazil	Strong profit growth was driven by an improved product mix and higher pricing. This was offset by the adverse exchange rate movement. Market share rose strongly but volumes were lower due to market contraction after a significant excise increase and a subsequent rise in illicit trade.
Canada	Volumes and market share increased, consolidating leadership in each of the segments. The company was the only one to increase market share. Profit was stable. Illicit trade was flat.
Mexico	There was good market share growth but lower volumes as a result of an increase in illicit trade following a significant excise-led price increase in 2011. Profits were down due to a tough comparator resulting from an excise windfall.
Argentina	Profit was higher, while volumes and market share were stable. The growth of Lucky Strike led to an increase in market share of the premium segment.
Chile	Higher volumes were achieved as a result of the strong performance of Lucky Strike and this led to an increase in profit.
Venezuela	Market share was higher and profit rose strongly as a result of price increases. This was partially offset by the inflationary pressure on costs and adverse product mix. Volumes were stable despite the growth in illicit trade.
Colombia	The integration of the companies following the acquisition resulted in a significant increase in volumes and profit. There was good growth from the Global Drive Brands and Mustang, the main brand acquired in the acquisition.

Western Europe: adjusted profit at constant rates of exchange increased by £34 million or 3%

Adjusted profit decreased by £42 million to £1,186 million, mainly as a result of adverse exchange rate movements and tough market conditions in southern Europe. This was partially offset by good performances in Germany, Romania, Switzerland, Sweden and the United Kingdom. Regional volumes were 5% lower at 129 billion mainly as a result of market contractions in Italy, Spain, Poland, Hungary and Denmark.

Country	Performance
Italy	The difficult economic environment resulted in lower industry volumes, with market share and profit declines. However, market share and profit in the Fine Cut segment grew strongly.
Germany	Profit increased as a result of higher pricing and good cost management. Volumes rose in a declining market as a result of the good performances of Lucky Strike and Pall Mall, leading to an increase in market share. In the Fine Cut segment, share grew strongly due to the performance of Pall Mall.
France	Industry volumes were lower but market share increased. This was achieved through a strong performance of Lucky Strike. Profit increased due to improved pricing.
Switzerland	Profit grew strongly as a result of higher pricing and lower costs. Volumes were stable but market share rose due to strong performances of Parisienne, Lucky Strike and Pall Mall.
Spain	Industry volumes continued to decline sharply. Despite the strong growth of Lucky Strike, market share was down. Profit grew on the back of both pricing and a lower cost base.
Romania	Higher market share was the result of strong performances of Dunhill and Pall Mall. Profit grew as a result of both higher volumes and pricing.
Poland	Industry volumes continued to decline, reducing volumes and profit. Lucky Strike and the international brands performed well despite difficult trading conditions.
United Kingdom	Strong performances from Pall Mall and Rothmans led both to increased volumes and market share. Profit grew strongly due to price increases and cost management.
Denmark	Significant market contraction led to a decline in volumes, however, exit market share grew compared to the previous year. Profit grew strongly and margins improved.
Sweden	Profit increased strongly as a result of lower costs and higher prices, with volumes stable. Market share grew due to the performances of Pall Mall and Lucky Strike.

Eastern Europe, Middle East and Africa: adjusted profit at constant rates of exchange increased by £200 million or 15%

Adjusted profit increased by £103 million to £1,414 million. This was principally due to stable volumes and price increases, partially offset by the adverse impact of exchange rate movements. Volumes were marginally lower than last year at 235 billion with increases in a number of markets including South Africa and Ukraine, partially offset by the declines in Egypt, Turkey and Nigeria.

Country	Performance
Russia	Kent maintained its leadership of the premium segment and the successful launch of Rothmans drove market share higher. Strong profit growth was the result of higher pricing, an improved mix and productivity savings, with volumes essentially flat.
Ukraine	Volumes and market share increased with a good performance from Kent. However, profit was lower due to a competitive pricing environment and increased marketing investment.
Turkey	Continued volume declines in low margin brands impacted profit and market share, despite growth by Kent and Lucky Strike.
GCC markets	Profit was up strongly due to a better product mix and price increases across all markets. Good growth in market share was mainly due to the performance of Dunhill and Rothmans. Volumes were in line with last year.
Egypt	Market instability led to record levels of illicit trade following multiple and significant excise increases over the past three years. Both profit and volumes decreased as a result.
Nigeria	Political and social unrest resulted in a substantial reduction in industry volumes, which led to lower profits.
South Africa	Profit in local currency grew but was more than offset by the adverse exchange rate movement. Volumes increased despite the continuing high incidence of illicit trade. Dunhill and Peter Stuyvesant confirmed their positions as market leaders.

REGIONAL INFORMATION

For the year ended 31 December (£m)	Asia-Pacific	Americas	Western Europe	EEMEA	Total
SUBSIDIARIES					
Volume					
2012 (billions)	188	142	129	235	694
2011 (billions)	191	143	135	236	705
Change*	(1.7%)	(0.4%)	(4.6%)	(0.4%)	(1.6%)
Organic volumes					
2012 (billions)	188	139	129	235	691
2011 (billions)	191	143	135	236	705
Change*	(1.7%)	(2.8%)	(4.6%)	(0.4%)	(2.0%)
Revenue					
2012 (at constant)	4,224	3,742	3,682	4,351	15,999
2012 (at current)	4,214	3,460	3,442	4,074	15,190
2011	4,251	3,558	3,600	3,990	15,399
Change (at constant)	(1%)	5%	2%	9%	4%
Change (at current)	(1%)	(3%)	(4%)	2%	(1%)
Organic revenue					
2012 (at constant)	4,224	3,696	3,682	4,351	15,953
2011	4,251	3,558	3,576	3,990	15,375
Change	(1%)	4%	3%	9%	4%
Adjusted profit from operations					
2012 (at constant)	1,653	1,544	1,262	1,511	5,970
2012 (at current)	1,666	1,415	1,186	1,414	5,681
2011	1,539	1,441	1,228	1,311	5,519
Change (at constant)	7%	7%	3%	15%	8%
Change (at current)	8%	(2%)	(3%)	8%	3%
Organic adjusted profit from operations					
2012 (at constant)	1,653	1,527	1,262	1,511	5,953
2011	1,539	1,441	1,228	1,311	5,519
Change	7%	6%	3%	15%	8%
Operating margin based on adjusted profit					
2012 (at constant)	39.1%	41.3%	34.3%	34.7%	37.3%
2012 (at current)	39.5%	40.9%	34.5%	34.7%	37.4%
2011	36.2%	40.5%	34.1%	32.9%	35.8%

*Based on absolute volumes.

Regional review cont…

REGIONAL INFORMATION

For the year ended 31 December (£m)	Asia-Pacific	Americas	Western Europe	EEMEA	Total
ASSOCIATES AND JOINT VENTURES					
Share of post-tax results of associates and joint ventures					
2012 (at current)	265	425	-	2	692
2011	253	415	-	2	670
Change	5%	2%	-	0%	3%
Adjusted share of post-tax results of associates and joint ventures					
2012 (at constant)	277	445	-	2	724
2012 (at current)	245	450	-	2	697
2011	225	432	-	2	659
Change (at constant)	23%	3%	-	0%	10%
Change (at current)	9%	4%	-	0%	6%

GROUP

For the year ended 31 December	Total
Underlying tax rate of subsidiaries (%)	
2012	30.6%
2011	31.2%
Adjusted diluted earnings per share (pence)	
2012 (at constant)	217.8
2012 (at current)	207.5
2011	194.6
Change (at constant)	12%
Change (at current)	7%

RESULTS OF ASSOCIATES

The Group's share of post-tax results of associates increased by £22 million, or 3%, to £692 million. The Group's share of the adjusted post-tax results of associates increased by 6% to £697 million, with a rise of 10% at constant rates of exchange.

The adjusted contribution from Reynolds American increased by 4% to £448 million. At constant rates of exchange the increase was 3%. The Group's adjusted contribution from its associate in India, ITC, was £237 million, up 9%. At constant rates of exchange, the contribution would have been 23% higher than last year.

See page 23 and 24 for the adjusting items.

NET FINANCE COSTS

Net finance costs at £456 million were £4 million lower than last year, reflecting the Group's strong cash flow.

Net finance costs comprise:

	2012	2011
	£m	£m
Finance costs	**(505)**	(577)
Finance income	**49**	117
	(456)	(460)
Comprising:		
Interest payable	**(580)**	(567)
Interest and dividend income	**84**	82
Net impact of fair value and exchange	**40**	25
- fair value changes - derivatives	**71**	(12)
- exchange differences	**(31)**	37
	(456)	(460)

TAXATION

	2012	2011
	£m	£m
UK		
- current year tax	**13**	14
- double tax relief	**(13)**	(14)
Overseas		
- current year tax expense	**1,556**	1,449
- adjustment in respect of prior periods	**(18)**	21
Current tax	**1,538**	1,470
Deferred tax	**(12)**	86
	1,526	1,556

The tax rates in the income statement of 27.0 per cent in 2012 and 31.6 per cent in 2011 are 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 was 30.6 per cent in 2012 and 31.2 per cent in 2011. The decrease is mainly due to a change in the mix of profits.

Refer to page 33 for the Franked Investment Income Group Litigation Order.

FREE CASH FLOW AND NET DEBT

Operating cash flow decreased by £240 million or 5% to £5,087 million, reflecting working capital movements and higher net capital expenditure partially offset by the growth in underlying operating performance. The higher cash outflows in respect of taxation and the net movements relating to pension funds, were offset by lower net interest and higher dividends and other appropriations from associates due to the Reynolds share buy-back. These led to the Group's free cash flow reducing by £67 million or 2% to £3,259 million.

The ratio of free cash flow per share to adjusted diluted earnings per share was 81% (2011: 86%).

Closing net debt at £8,473 million was up £545 million from £7,928 million as at 31 December 2011.

The Group's alternative cash flow statement is shown on page 25 and explained on page 19 under non-GAAP measures.

RISKS AND UNCERTAINTIES

The Board's assessment of the key risks and uncertainties facing the Group has remained broadly unchanged over the past year, particularly with regard to illicit trade, excise and tax and financial risk. However, as a consequence of the Board's continuing reappraisal of Group risks and the activities in place to address them, some risks which have in previous years been considered as key Group risks are no longer assessed as such in terms of their impact and likelihood. They are nevertheless still addressed as Group risks, remain on the Group risk register and continue to be reviewed in accordance with the Group's risk management procedures. This applies, for example, to the management of the Group's cost base, which was considered to be a key risk last year but is no longer this year.

Conversely, the Group's internal audit procedures in 2012 identified a number of opportunities for the Group to enhance its Environment Health and Safety standards in multiple sites and operations. After a detailed consideration of the risks faced by operational employees, the Board decided to elevate the risk of injury, illness, or death in the workplace to the status of a key Group risk in the course of the year, in order to recognise this as a fundamental concern of the Group and to drive improvements.

Regulatory risks facing the Group have been addressed in the Group's risk management governance for a number of years, and reported as key risks previously. As this category of risk has become more important in the context of the future development of the Group's business, so has the need to ensure that all aspects of regulatory risk are specifically identified and addressed effectively. This year the Group has identified a number of sub-categories of regulatory risk that the Directors now consider to be key.

Full details of all key Group risks will be included in the Annual Report for the year ended 31 December 2012.

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 process 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 deployment of the new SAP system was piloted in the third quarter of 2012. This will take around four years to fully roll-out.

GOING CONCERN

A 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 this announcement. Further information will be provided in the Directors' Report and in the notes to the financial statements, all of which will be included in the 2012 Annual Report.

Going concern cont…

The Group has, at the date of this report, sufficient existing financing available for its estimated 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 current financial conditions and the general outlook in the global economy.

After reviewing the Group's annual budget, plans 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.

BOARD CHANGES

Sir Nicholas Scheele (Senior Independent Director) and Robert Lerwill (Chairman of the Audit Committee) will both be standing down as Non-Executive Directors of the Company at the conclusion of the Annual General Meeting on 25 April 2013, each having served eight years on the Board. At that time, Christine Morin-Postel, who has extensive experience as a director of publicly listed companies and who has been a Non-Executive Director of the Company since 2007, will become the Senior Independent Director. Further, Kieran Poynter, a former practising accountant until 2008 and a Non-Executive Director of the Company since 2010, will assume the responsibilities of Chairman of the Audit Committee.

In addition, Karen de Segundo, Robert Lerwill, Anthony Ruys and Sir Nicholas Scheele have all stood down as members of the Remuneration Committee with effect from 27 February 2013. Dr Gerry Murphy (Chairman of the Remuneration Committee), Ann Godbehere, Christine Morin-Postel and Kieran Poynter will all continue as members of the Committee; the slimmed-down membership brings this Committee into alignment with the other principal Committees of the Company's Board and with best practice. It will facilitate the Company's continuing review and focus on Directors' remuneration in the light of the Government's reforms on executive pay.

DIRECTORS' RESPONSIBILITY STATEMENT

The responsibility statement below has been prepared in connection with the company's full Annual Report for the year ended 31 December 2012. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with UK GAAP and IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group respectively; and

- the Directors' report (which incorporates the Business Review), includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the Board of Directors on 27 February 2013 and is signed on its behalf by:

For and on behalf of the Board of Directors:

Richard Burrows	Ben Stevens
Chairman	Finance Director and Chief Information Officer

27 February 2013

ENQUIRIES:

INVESTOR RELATIONS:		**PRESS OFFICE:**	
Mike Nightingale	020 7845 1180	Kate Matrunola	020 7845 2888
Rachael Brierley	020 7845 1519	Jem Maidment	
		Will Hill	

Webcast and Conference Call

A live webcast of the results is available via www.bat.com/ir.
If you wish to listen to the presentation via a conference call facility please use the dial in details below:
Dial in number +44 (0) 20 3139 4830
Please quote Passcode: 6961450#

Conference Call Playback Facility

A replay of the conference call will also be available from 1:00 p.m. for 48 hours.
Dial in number: +44 (0) 20 3426 2807
Please quote passcode: 636263#

GROUP INCOME STATEMENT

For the year ended 31 December

	2012 £m	2011 £m
Gross turnover (including duty, excise and other taxes of £30,682 million (2011: £30,724 million))	**45,872**	46,123
Revenue	**15,190**	15,399
Raw materials and consumables used	**(3,445)**	(3,507)
Changes in inventories of finished goods and work in progress	**133**	81
Employee benefit costs	**(2,386)**	(2,501)
Depreciation, amortisation and impairment costs	**(475)**	(817)
Other operating income	**245**	233
Other operating expenses	**(3,850)**	(4,167)
Profit from operations	**5,412**	4,721
Analysed as:		
– adjusted profit from operations	**5,681**	5,519
– restructuring and integration costs	**(206)**	(193)
– amortisation of trademarks and similar intangibles	**(63)**	(58)
– goodwill impairment	**-**	(273)
– Fox River	**-**	(274)
	5,412	4,721
Net finance costs	**(456)**	(460)
Finance income	**49**	117
Finance costs	**(505)**	(577)
Share of post-tax results of associates and joint ventures	**692**	670
Analysed as:		
– adjusted share of post-tax results of associates and joint ventures	**697**	659
– issue of shares and change in shareholding	**20**	28
– smoking cessation programme	**-**	(23)
– gain on disposal of business	**-**	22
– restructuring and integration costs	**(24)**	(4)
– change in post-retirement obligations	**24**	-
– other	**(25)**	(12)
	692	670
Profit before taxation	**5,648**	4,931
Taxation on ordinary activities	**(1,526)**	(1,556)
Profit for the year	**4,122**	3,375
Attributable to:		
Owners of the parent	**3,841**	3,095
Non-controlling interests	**281**	280
	4,122	3,375
Earnings per share		
Basic	**198.1p**	157.1p
Diluted	**197.1p**	156.2p
Adjusted diluted	**207.5p**	194.6p

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

The accompanying notes on pages 8 and 18 to 34 form an integral part of this condensed consolidated financial information.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2012 £m	2011 £m
Profit for the year (page 12)	**4,122**	3,375
Other comprehensive income		
Differences on exchange		
– subsidiaries	**(379)**	(411)
– associates	**(145)**	(109)
Differences on exchange reclassified and reported in profit for the year	-	(4)
Cash flow hedges		
– net fair value losses	**(11)**	(21)
– reclassified and reported in profit for the year	**71**	38
– reclassified and reported in net assets	**12**	(5)
Available-for-sale investments		
– net fair value (losses)/gains	**(3)**	26
– reclassified and reported in profit for the year	**(1)**	(1)
Net investment hedges		
– net fair value gains	**106**	62
– differences on exchange on borrowings	**49**	(104)
Retirement benefit schemes		
– net actuarial losses in respect of subsidiaries	**(415)**	(462)
– surplus recognition and minimum funding obligations in respect of subsidiaries	**54**	2
– actuarial losses in respect of associates net of tax	**(55)**	(67)
Tax on items recognised directly in other comprehensive income	**28**	20
Total other comprehensive income for the year, net of tax	**(689)**	(1,036)
Total comprehensive income for the year, net of tax	**3,433**	2,339
Attributable to:		
Owners of the parent	**3,163**	2,094
Non-controlling interests	**270**	245
	3,433	2,339

The accompanying notes on pages 8 and 18 to 34 form an integral part of this condensed consolidated financial information.

GROUP STATEMENT OF CHANGES IN EQUITY

At 31 December

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 year	-	-	**(316)**	**3,479**	**3,163**	**270**	**3,433**
Profit for the year (page 12)	-	-	-	**3,841**	**3,841**	**281**	**4,122**
Other comprehensive income for the year (page 13)	-	-	**(316)**	**(362)**	**(678)**	**(11)**	**(689)**
Employee share options							
– value of employee services	-	-	-	**73**	**73**	-	**73**
– proceeds from shares issued	**1**	**3**	-	**1**	**5**	-	**5**
Dividends and other appropriations							
– ordinary shares	-	-	-	**(2,538)**	**(2,538)**	-	**(2,538)**
– to non-controlling interests	-	-	-	-	-	**(267)**	**(267)**
Purchase of own shares							
– held in employee share ownership trusts	-	-	-	**(121)**	**(121)**	-	**(121)**
– share buy-back programme	-	-	-	**(1,258)**	**(1,258)**	-	**(1,258)**
Non-controlling interests - acquisitions	-	-	-	**(21)**	**(21)**	**(3)**	**(24)**
Other movements	-	-	-	**2**	**2**	-	**2**
Balance at 31 December 2012	**507**	**3,916**	**796**	**2,253**	**7,472**	**307**	**7,779**

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	-	-	(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 (page 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 8 and 18 to 34 form an integral part of this condensed consolidated financial information.

GROUP BALANCE SHEET

At 31 December

	2012	2011
	£m	£m
Assets		
Non-current assets		
Intangible assets	**11,710**	11,992
Property, plant and equipment	**3,201**	3,047
Investments in associates and joint ventures	**2,330**	2,613
Retirement benefit assets	**105**	105
Deferred tax assets	**327**	343
Trade and other receivables	**224**	305
Available-for-sale investments	**37**	40
Derivative financial instruments	**207**	179
Total non-current assets	**18,141**	18,624
Current assets		
Inventories	**4,026**	3,498
Income tax receivable	**83**	127
Trade and other receivables	**2,741**	2,423
Available-for-sale investments	**26**	57
Derivative financial instruments	**166**	159
Cash and cash equivalents	**2,081**	2,194
	9,123	8,458
Assets classified as held-for-sale	**63**	37
Total current assets	**9,186**	8,495
Total assets	**27,327**	27,119

The accompanying notes on pages 8 and 18 to 34 form an integral part of this condensed consolidated financial information.

GROUP BALANCE SHEET

At 31 December

	2012 £m	2011 £m
Equity		
Capital and reserves		
Share capital	**507**	506
Share premium, capital redemption and merger reserves	**3,916**	3,913
Other reserves	**796**	1,112
Retained earnings	**2,253**	2,636
Owners of the parent	**7,472**	8,167
after deducting		
– cost of treasury shares	**(2,824)**	(1,539)
Non-controlling interests	**307**	307
Total equity	**7,779**	8,474
Liabilities		
Non-current liabilities		
Borrowings	**9,083**	8,510
Retirement benefit liabilities	**1,152**	1,003
Deferred tax liabilities	**500**	556
Other provisions for liabilities and charges	**419**	458
Trade and other payables	**166**	184
Derivative financial instruments	**86**	87
Total non-current liabilities	**11,406**	10,798
Current liabilities		
Borrowings	**1,636**	1,766
Income tax payable	**404**	494
Other provisions for liabilities and charges	**210**	236
Trade and other payables	**5,827**	5,174
Derivative financial instruments	**65**	177
Total current liabilities	**8,142**	7,847
Total equity and liabilities	**27,327**	27,119

The accompanying notes on pages 8 and 18 to 34 form an integral part of this condensed consolidated financial information.

GROUP CASH FLOW STATEMENT

For the year ended 31 December

	2012	2011
	£m	£m
Cash flows from operating activities		
Cash generated from operations	**5,437**	5,537
Dividends received from associates	**486**	476
Tax paid	**(1,496)**	(1,447)
Net cash generated from operating activities	**4,427**	4,566
Cash flows from investing activities		
Interest received	**72**	79
Dividends received from investments	**2**	2
Purchases of property, plant and equipment	**(664)**	(510)
Proceeds on disposal of property, plant and equipment	**56**	45
Purchases of intangibles	**(140)**	(107)
Purchases and proceeds on disposals of investments	**24**	3
Proceeds from associates' share buy-backs	**262**	71
Purchases of subsidiaries	**(12)**	(295)
Net cash used in investing activities	**(400)**	(712)
Cash flows from financing activities		
Interest paid	**(564)**	(580)
Interest element of finance lease rental payments	**(1)**	-
Capital element of finance lease rental payments	**(5)**	(13)
Proceeds from issue of shares to owners of the parent	**4**	3
Proceeds from the exercise of options over own shares held in employee share ownership trusts	**1**	2
Proceeds from increases in and new borrowings	**2,539**	1,361
Movements relating to derivative financial instruments	**93**	5
Purchases of own shares	**(1,258)**	(755)
Purchases of own shares held in employee share ownership trusts	**(121)**	(123)
Purchases of non-controlling interests	**(24)**	(10)
Reductions in and repayments of borrowings	**(1,821)**	(1,304)
Dividends paid to owners of the parent	**(2,538)**	(2,358)
Dividends paid to non-controlling interests	**(259)**	(275)
Net cash used in financing activities	**(3,954)**	(4,047)
Net cash flows generated from/(used in) operating, investing and financing activities	**73**	(193)
Differences on exchange	**(176)**	(48)
Decrease in net cash and cash equivalents in the year	**(103)**	(241)
Net cash and cash equivalents at 1 January	**1,942**	2,183
Net cash and cash equivalents at 31 December	**1,839**	1,942

The accompanying notes on pages 8 and 18 to 34 form an integral part of this condensed consolidated financial information.

ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information has been extracted from the Annual Report, including the audited financial statements for the year ended 31 December 2012. This financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The Group has prepared its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These 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. 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 measures which the Group uses are adjusted profit from operations and 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 analysis, 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. See pages 22 to 24 and page 28.

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. As an additional measure to indicate the impact of the exchange rate movement on the Group results, the principal measure of adjusted diluted earnings per share is also shown at constant rates of exchange. See page 21.

Non-GAAP measures cont…

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. See page 20.

The Group prepares an alternative cash flow, which includes a measure of 'free cash flow', to illustrate the cash flows before transactions relating to borrowings. A net debt summary is also provided. See pages 25 and 26. The Group publishes 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 3/2012 'Headline Earnings' issued by the South African Institute of Chartered Accountants. These are shown on page 29.

ANALYSIS OF REVENUE, PROFIT FROM OPERATIONS AND DILUTED EARNINGS PER SHARE

REVENUE

	2012				
	Reported revenue £m	Impact of exchange £m	Revenue at CC(2) £m	Organic adjustments(3) £m	Organic revenue at CC(2) £m
Asia-Pacific	**4,214**	**10**	**4,224**	**-**	**4,224**
Americas	**3,460**	**282**	**3,742**	**(46)**	**3,696**
Western Europe	**3,442**	**240**	**3,682**	**-**	**3,682**
EEMEA	**4,074**	**277**	**4,351**	**-**	**4,351**
Total	**15,190**	**809**	**15,999**	**(46)**	**15,953**

	2011		
	Reported revenue £m	Organic adjustments(3) £m	Organic revenue £m
Asia-Pacific	4,251	-	4,251
Americas	3,558	-	3,558
Western Europe	3,600	(24)	3,576
EEMEA	3,990	-	3,990
Total	15,399	(24)	15,375

PROFIT FROM OPERATIONS

	2012						
	Reported PFO(1) £m	Adjusting items £m	Adjusted PFO(1) £m	Impact of exchange £m	Adjusted PFO(1) @ CC(2) £m	Organic adjustments(3) £m	Organic PFO(1) @ CC(2) £m
Asia-Pacific	**1,586**	**80**	**1,666**	**(13)**	**1,653**	**-**	**1,653**
Americas	**1,351**	**64**	**1,415**	**129**	**1,544**	**(17)**	**1,527**
Western Europe	**1,087**	**99**	**1,186**	**76**	**1,262**	**-**	**1,262**
EEMEA	**1,388**	**26**	**1,414**	**97**	**1,511**	**-**	**1,511**
Total	**5,412**	**269**	**5,681**	**289**	**5,970**	**(17)**	**5,953**

	2011				
	Reported PFO(1) £m	Adjusting items £m	Adjusted PFO(1) £m	Organic adjustments.(3) £m	Adjusted PFO(1) £m
Asia-Pacific	1,481	58	1,539	-	1,539
Americas	1,426	15	1,441	-	1,441
Western Europe	1,075	153	1,228	-	1,228
EEMEA	1,013	298	1,311	-	1,311
Total Regions	4,995	524	5,519	-	5,519
Fox River (4)	(274)	274	-	-	-
Total	4,721	798	5,519	-	5,519

Analysis of revenue, profit from operations and earnings per share cont…

DILUTED EARNINGS PER SHARE

	2012				
	Reported £m	**Adjusting items £m**	**Adjusted £m**	**Impact of exchange £m**	**Adjusted @ CC(2) £m**
Profit from subsidiaries	**5,412**	**269**	**5,681**	**289**	**5,970**
Net Finance costs	**(456)**	**-**	**(456)**	**(23)**	**(479)**
Associates and joint ventures	**692**	**5**	**697**	**27**	**724**
Profit before tax	**5,648**	**274**	**5,922**	**293**	**6,215**
Taxation	**(1,526)**	**(70)**	**(1,596)**	**(71)**	**(1,667)**
Non controlling interest	**(281)**	**(1)**	**(282)**	**(21)**	**(303)**
Profit attributable to shareholders	**3,841**	**203**	**4,044**	**201**	**4,245**
Diluted number of shares	**1,949**		**1,949**		**1,949**
Diluted earnings per share (pence)	**197.1**		**207.5**		**217.8**

	2011		
	Reported £m	Adjusting items £m	Adjusted £m
Profit from subsidiaries	4,721	798	5,519
Net Finance costs	(460)	-	(460)
Associates and joint ventures	670	(11)	659
Profit before tax	4,931	787	5,718
Taxation	(1,556)	(24)	(1,580)
Non controlling interest	(280)	(1)	(281)
Profit attributable to shareholders	3,095	762	3,857
Diluted number of shares	1,982		1,982
Diluted earnings per share (pence)	156.2		194.6

Notes:

(1) PFO: Profit from operations

(2) CC: Constant currencies

(3) Organic adjustments: Mergers and acquisitions and discontinued operations – adjustments for 2012 are made for the Protabaco acquisition during 2011, while 2011 is adjusted for the termination of the distribution agreement in Norway (see page 23).

(4) The Fox River provision made in 2011 (see page 23), was not 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

Adjusting items are significant items in the profit from operations which individually or, if of a similar type, in aggregate, are relevant to an understanding of the Group's underlying financial performance. See page 18. These items are separately disclosed as memorandum information on the face of the income statement and in the segmental analyses.

(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, including the relevant operating costs of implementing the new operating model. These initiatives include a review of the Group's manufacturing operations, supply chain, 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:

	2012	2011
	£m	£m
Employee benefit costs	**96**	100
Depreciation and impairment costs	**26**	39
Other operating expenses	**100**	72
Other operating income	**(16)**	(18)
Total	**206**	193

Restructuring and integration costs in 2012 principally relate to the implementation of the new operating model, the continuation of the factory closure and downsizing activities in Australia and the restructuring in Argentina. The costs also cover the social plan and other activities relating to the Bremen factory closure in Germany, the integration of Productora Tabacalera de Colombia, S.A.S. (Protabaco) into existing operations, as well as the write-off of non-compliant products and materials related to the implementation of plain packaging in Australia. In addition they also include separation packages in respect of permanent headcount reductions and permanent employee benefit reductions in the Group.

Restructuring and integration costs in 2011 principally relate to factory closure and downsizing activities in Denmark and Australia respectively; a voluntary separation scheme and closure of the printing unit in Argentina; the closure of the Jawornik factory in Poland, the Tire factory closure in Turkey and the Lecce factory in Italy. The costs also cover the social plan and other closure activities relating to the Bremen factory closure in Germany and the 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. In addition, they also include separation packages in respect of permanent headcount reductions and permanent employee benefit reductions in the Group.

Other operating income in 2012 includes gains from the sale of land and buildings in the UK and South Africa and the release of deferred income from a disposal in 2007. In 2011, other operating income includes gains from sale of surplus land and buildings in Argentina and the release of deferred income from a disposal in 2007.

(b) Amortisation of trademarks and similar intangibles

The acquisitions of Protabaco, Bentoel, Tekel, ST and CN Creative Limited resulted in the capitalisation of trademarks and similar intangibles which are amortised over their expected useful lives, which do not exceed 20 years. The amortisation charge of £63 million (2011: £58 million) is included in depreciation, amortisation and impairment costs in the profit from operations.

(c) Goodwill impairment

In 2011, the Group impaired the remaining balance of the goodwill in respect of the Tekel acquisition in 2008, amounting to £273 million. Although cost savings 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. Turkey remains an important strategic market for the Group.

Adjusting items included in profit from operations cont…

(d) Fox River

In 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. See note 30 on contingent liabilities on page 182 of the 2011 Annual Report for full details.

OTHER CHANGES IN THE GROUP

(a) CN Creative Limited

On 18 December 2012, the Group acquired CN Creative Limited, a UK-based start-up company specialising in the development of e-cigarette technologies. The company's entire share capital was acquired for £40 million, of which £14 million was paid at year end. The only material asset acquired was the company's intellectual property.

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

On 11 October 2011, the Group acquired a 100 per cent stake in 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.

Goodwill of £132 million arose on the acquisition of the cigarette business of Protabaco, stated at the exchange rates ruling at the date of the transaction.

(c) 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.

ADJUSTING ITEMS INCLUDED IN SHARE OF POST-TAX RESULTS OF ASSOCIATES AND JOINT VENTURES

The share of post-tax results of associates and joint ventures is after the following adjusting items which are excluded from the calculation of adjusted earnings per share as set out on page 28.

In 2012, the Group's interest in ITC decreased from 31.04% to 30.72% 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 £20 million, which is treated as a deemed partial disposal and included in the income statement.

During the year, Reynolds American recognised restructuring charges of US$149 million in respect of its overall activities. The Group's share of these charges is £24 million (net of tax).

In addition, Reynolds American amended a post-retirement medical plan that resulted in a gain of US$157 million and the Group's share of this gain is £24 million (net of tax).

Reynolds American has also recognised amounts which have been combined in the table of adjusting items and reported in other. These mainly consist of a charge of US$37 million in respect of a number of Engle progeny lawsuits; the Group's share of these costs is £6 million (net of tax); and trademark amortisation and impairment of US$86 million; the Group's share of these charges amounts to £16 million (net of tax).

In 2011, the Group's interest in ITC decreased from 31.43% to 31.04% as a result of ITC issuing ordinary shares under the company's employee stock option scheme. This resulted in a gain of £28 million, which was treated as a deemed partial disposal and included in the income statement.

Adjusting items included in share of post-tax results of associates and joint ventures cont…

During 2011, Reynolds American, along 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 amounted to £23 million (net of tax).

In March 2011, Reynolds American sold Lane Limited for US$205 million in cash. The Group's share of the gain on the disposal of this business amounted to £22 million (net of tax).

In addition, during 2011, Reynolds American recognised restructuring charges of US$23 million and the Group's share of these charges amounted to £4 million (net of tax).

In the year ended 31 December 2011, Reynolds American recognised amounts which have been combined in the table of adjusting items and reported in other. These include of 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 Group's share of this charge amounted to £10 million (net of tax). It also includes trademark amortisation and impairment of US$47 million; the Group's share of these charges amounted to £8 million (net of tax); and US$16 million and US$11 million of tax credits and interest, respectively, the Group's share of these credits amounted to £6 million (net of tax).

CASH FLOW AND NET DEBT MOVEMENTS

a) Alternative cash flow

The IFRS cash flow statement on page 17 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.

	2012	2011 Restated*
	£m	£m
Adjusted profit from operations (page 12)	**5,681**	5,519
Depreciation, amortisation and impairment	**385**	447
Other non-cash items in operating profit	**45**	68
Profit from operations before depreciation and impairment	**6,111**	6,034
Increase in working capital	**(282)**	(141)
Net capital expenditure	**(742)**	(566)
Gross capital expenditure	**(798)**	(611)
Sale of fixed assets	**56**	45
Operating cash flow	**5,087**	5,327
Pension funds' shortfall funding net of one-off receipts	**(164)**	(140)
Net interest paid	**(429)**	(469)
Tax paid	**(1,496)**	(1,447)
Dividends paid to non-controlling interests	**(259)**	(275)
Cash generated from operations	**2,739**	2,996
Restructuring costs	**(228)**	(217)
Dividends and other appropriations from associates	**748**	547
Free cash flow	**3,259**	3,326
Dividends paid to shareholders	**(2,538)**	(2,358)
Share buy-back (including transaction costs)	**(1,258)**	(755)
Net investment activities	**(43)**	(311)
Net flow from share schemes and other	**(57)**	(93)
Net cash outflow	**(637)**	(191)
External movements on net debt		
Exchange rate effects**	**89**	123
Change in accrued interest and other	**3**	(19)
Change in net debt	**(545)**	(87)
Opening net debt	**(7,928)**	(7,841)
Closing net debt	**(8,473)**	(7,928)

* 2011 numbers have been restated to separately show the pension funds' shortfall funding
** Including movements in respect of debt related derivatives.

Operating cash flow decreased by £240 million, or 5%, to £5,087 million, reflecting working capital movements and the increase in net capital expenditure partially offset by growth in underlying operating performance. The higher cash outflows in respect of taxation, and the net movement relating to pension funds, were offset by lower net interest and higher dividends and other appropriations from associates due to the Reynolds American share buy-back - £262 million (2011: £71 million). These led to the Group's free cash flow reducing by £67 million or 2% to £3,259 million.

The ratio of free cash flow per share to adjusted diluted earnings per share was 81% (2011: 86%), with free cash flow per share decreasing by 0.4% (2011: increasing by 3%).

Cash flow and net debt movements cont…

Below free cash flow, the principal cash outflows for 2012 comprise the payment of the prior year final dividend and the 2012 interim dividend, which was £180 million higher at £2,538 million, as well as a £1,258 million outflow due to the continuation of the on-market share buy-back programme in 2012, including transaction costs.

During 2012, the cash outflow from net investing activities of £43 million relates mainly to the £14 million cash consideration paid on the purchase of CN Creative Limited and a cash outflow of £24 million for the acquisition of non-controlling interests in Bangladesh. In 2011, the cash outflow of £311 million mainly relates to the £295 million purchase of Protabaco, comprising the purchase price less acquired net cash and cash equivalents. In addition, there was a cash outflow of £10 million for the acquisition of non-controlling interests in Chile and £6 million in respect of the purchase of trademarks.

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.

These flows resulted in a net cash outflow of £637 million (2011: £191 million outflow). After taking account of other changes, especially exchange rate movements, total net debt was £545 million higher at £8,473 million at 31 December 2012 (2011: £7,928 million).

During 2012 it was decided to separately show the additional cash flows in respect of the funding of pension funds in deficit, or where one-off amounts have been repaid from pension fund surpluses to the Group companies. The amount is shown after operating cash flow but is included in the free cash flow. 2011 has been restated accordingly.

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:

	2012	2011
	£m	£m
Net debt due within one year:		
Borrowings	**(1,636)**	(1,766)
Related derivatives	**41**	5
Cash and cash equivalents	**2,081**	2,194
Current available-for-sale investments	**26**	57
	512	490
Net debt due beyond one year:		
Borrowings	**(9,083)**	(8,510)
Related derivatives	**98**	92
	(8,985)	(8,418)
Total net debt	**(8,473)**	(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 and net debt movements cont…

c) IFRS cash generated from operations

The cash generated from operating activities in the IFRS cash flows on page 17 includes the following items:

	2012	2011
	£m	£m
Profit from operations	**5,412**	4,721
Adjustments for:		
Amortisation of trademarks and similar intangibles	**63**	58
Amortisation and impairment of intangible assets	**53**	365
Depreciation and impairment of property, plant and equipment	**359**	394
Increase in inventories	**(755)**	(47)
Increase in trade and other receivables	**(329)**	(87)
Increase in trade and other payables	**840**	46
Decrease in net retirement benefit liabilities	**(200)**	(208)
(Decrease)/increase in provisions for liabilities and charges	**(45)**	232
Other non-cash items	**39**	63
Cash generated from operations	**5,437**	5,537

d) IFRS net cash and cash equivalents

The net cash and cash equivalents in the IFRS Group cash flow statement on page 17 comprise:

	2012	2011
	£m	£m
Cash and cash equivalents per balance sheet	**2,081**	2,194
Overdrafts	**(242)**	(252)
Net cash and cash equivalents	**1,839**	1,942

e) Liquidity

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

It is Group policy that short-term sources of funds (including drawings under both the US$2 billion commercial paper programme and the £1 billion euro commercial paper programme) are backed by undrawn committed lines of credit and cash. At 31 December 2012, no commercial paper was outstanding (2011: £85 million).

In the year ended 31 December 2012, the Group continued with transactions in the capital markets.

In June 2012, the Group issued new US$2 billion bonds; US$500 million with a maturity of 2015, US$600 million with a maturity of 2017 and US$900 million with a maturity of 2022. In June 2012, the Group repaid a maturing €337 million bond and prepaid and cancelled a $690 million syndicated facility due October 2012, a Mexican Peso 1,444 million borrowing due 2014 and a Mexican Peso 1,025 million borrowing due 2014. In July 2012 the Group also prepaid and cancelled a €450 million syndicated facility due October 2013. The repayments were financed from Group cash balances. In November 2012, the Group issued a new €750 million bond with a maturity of January 2023.

Cash flow and net debt movements cont…

In June 2011, the Group repaid a maturing €530 million bond with the repayment financed from Group cash balances. In August 2011, the Group extended the maturity date of a US$200 million facility from 2011 to 2016, and simultaneously increased the size of the facility to US$240 million. The facility is drawable in Chilean peso and was drawn to the value of US$225 million at 31 December 2012 (2011: US$225 million). 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 September 2014. In November 2011, the Group issued a new €600 million bond with a maturity of November 2021.

EARNINGS PER SHARE

Adjusted diluted earnings per share rose by 7% at 207.5p (2011: 194.6p), principally as a result of the growth in profit from operations. Basic earnings per share were up 26% at 198.1p (2011: 157.1p).

	2012 pence	2011 pence
Earnings per share		
- basic	**198.1**	157.1
- diluted	**197.1**	156.2
Adjusted earnings per share		
- basic	**208.6**	195.8
- diluted	**207.5**	194.6
Headline earnings per share		
- basic	**197.4**	168.7
- diluted	**196.4**	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 3/2012 'Headline Earnings', as issued by the South African Institute of Chartered Accountants. Circular 3/2012 superseded Circular 3/2009 for periods ending on or after 31 July 2012 and requires comparative figures to be restated. The comparative headline earnings per share for 2011, however, remain unchanged when calculated in accordance with the new Circular.

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

	2012 pence	2011 pence
Unadjusted diluted earnings per share	**197.1**	156.2
Effect of restructuring and integration costs	**8.3**	7.4
Effect of goodwill impairment	**-**	13.3
Effect of deferred tax (credit)/write-offs	**(0.6)**	2.2
Effect of amortisation of trademarks and similar intangibles	**2.4**	2.2
Effect of Fox River	**-**	13.8
Effect of associates' adjusting items	**0.3**	(0.5)
Adjusted diluted earnings per share	**207.5**	194.6

As well as the adjusting items explained on pages 22 to 24, the above adjustments also take into account a tax credit/write offs to the income statement, included in the taxation of ordinary activities. In 2012, the merger of the Group's Colombian companies resulted in a reduction of £11 million against a deferred tax liability set up on the acquisition of Protabaco in 2011. In 2011, following the goodwill impairment of Turkey, the Group wrote off deferred tax assets of £43 million.

Earnings per share cont…

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

	2012 pence	2011 pence
Diluted unadjusted earnings per share	**197.1**	156.2
Effect of impairment of intangibles and property, plant and equipment	**0.4**	14.4
Effect of gains on disposal of property, plant and equipment and held-for-sale assets	**(0.8)**	(0.5)
Effect of gains reclassified from the available-for-sale reserve	**(0.1)**	(0.1)
Effect of share of associates' trademark and other asset impairments	**0.8**	0.4
Effect of share of associates' gains on disposal of assets held-for-sale	**-**	(1.3)
Effect of issue of shares and change in shareholding in associate	**(1.0)**	(1.4)
Diluted headline earnings per share	**196.4**	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 23); this measure is in addition to that mandated by the JSE Listing Requirements.

Diluted headline earnings per share amended for Fox River	**196.4**	181.5

The earnings per share are based on:

	2012		2011	
	Earnings £m	**Shares m**	Earnings £m	Shares m
Earnings per share				
- basic	**3,841**	**1,939**	3,095	1,970
- diluted	**3,841**	**1,949**	3,095	1,982
Adjusted earnings per share				
- basic	**4,044**	**1,939**	3,857	1,970
- diluted	**4,044**	**1,949**	3,857	1,982
Headline earnings per share				
- basic	**3,828**	**1,939**	3,323	1,970
- diluted	**3,828**	**1,949**	3,323	1,982

DIVIDENDS

Recommendation

The Board recommends a final dividend of 92.7 pence per ordinary share of 25p for the year ended 31 December 2012. If approved by shareholders at the Annual General Meeting to be held on 25 April 2013, the final dividend will be payable on 8 May 2013 to shareholders registered on either the UK main register or the South African branch register on 15 March 2013 (the record date).

General Dividend Information

The following is a summary of the dividends declared/recommended for the years ended 31 December 2012 and 2011:

	2012		2011	
	Pence per share	**£m**	Pence per share	£m
Ordinary shares				
Interim				
- 2012 paid 26 September 2012	**42.2**	**815**		
- 2011 paid 28 September 2011			38.1	738
Final				
- 2012 payable 8 May 2013	**92.7**	**1,789**		
- 2011 paid 3 May 2012			88.4	1,723
	134.9	**2,604**	126.5	2,461

Key Dates and South Africa Branch Register

In compliance with the requirements of the London Stock Exchange (LSE) and of Strate, the electronic settlement and custody system used by the JSE Limited (JSE), the following salient dates for the payment of the final dividend are applicable:

Event	**Date 2013**
Last Day to Trade (LDT) cum dividend (JSE)	Friday 8 March
Shares commence trading ex dividend (JSE)	Monday 11 March
Shares commence trading ex dividend (LSE)	Wednesday 13 March
Record date (JSE and LSE)	Friday 15 March
Payment date	Wednesday 8 May
No removal requests permitted between the UK main register and the South Africa branch register	Thursday 28 February to Friday 15 March (inclusive)
No transfers permitted between the UK main register and the South Africa branch register	Monday 11 March to Friday 15 March (inclusive)
No shares may be dematerialised or rematerialised	Monday 11 March to Friday 15 March (inclusive)

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 = 13.34290 as at 26 February 2013 (the closing rate on that date as quoted by Bloomberg), results in an equivalent final dividend of 1236.88683 SA cents per ordinary share.

South Africa Branch Register: Dividend Tax Information

South Africa Dividend Tax will be withheld from the gross final dividend of 1236.88683 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 Tax has been withheld, the net dividend will be 1051.35381 SA cents per ordinary share.

Dividends cont…

At the close of business on 26 February 2013 (the latest practicable date prior to the date of the recommendation of the final dividend), British American Tobacco p.l.c. (the "Company") had a total of 2,026,389,292 ordinary shares in issue (excluding treasury shares). The Company held 95,892,487 ordinary shares in treasury giving a total issued share capital of 1,930,496,805 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 Tax. No STC credits are available for set-off against Dividend Tax liability on the final dividend which is regarded as a 'foreign dividend' for the purposes of the South Africa Dividend 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 Tax and the information provided above is of only 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 Tax to Computershare Investor Services (Pty) Ltd, contact details for which are given in the 'Corporate Information' section below.

RETIREMENT BENEFIT SCHEMES

The Group's subsidiaries operate around 180 retirement benefit arrangements worldwide. The majority of the scheme members belong to defined benefit schemes, most of which are funded externally and many are closed to new entrants. The Group also operates a number of defined contribution schemes.

The present total value of funded scheme liabilities was £6,217 million (2011: £5,675 million), while unfunded scheme liabilities amounted to £378 million (2011: £346 million). The scheme assets increased from £5,200 million in 2011 to £5,563 million in 2012.

After excluding unrecognised scheme surpluses of £15 million (2011: £77 million), the overall net liability for all pension schemes and healthcare schemes amounted to £1,047 million at the end of 2012, an increase from £898 million at the end of 2011.

Contributions to the defined benefit schemes are determined after consultation with the respective trustees and actuaries of the individual externally funded schemes, taking into account the regulatory environment.

With effect from 1 January 2013 the Group will adopt the revised accounting for employee benefits (IAS 19). Had IAS 19 (Revised) been applied to the 2012 results, profit from operations would have been £40 million lower at £5,372 million and profit for the year would have reduced by £47 million to £4,075 million with a corresponding credit in other comprehensive income.

SHARE BUY-BACK PROGRAMME

In 2012, the Board approved the continuation of the on-market share buy-back programme with a value of up to £1,250 million, excluding transaction costs. During the year ended 31 December 2012, 38.9 million shares were bought at a cost of £1,250 million, excluding transaction costs of £8 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 Board has approved an on-market share buy-back programme for 2013 with a value of up to £1,500 million, excluding costs.

CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

The Group has contingent liabilities in respect of litigation, taxes and guarantees in various countries. The Group is subject to contingencies pursuant to requirements that it complies with relevant laws, regulations and standards. Failure to comply could result in restrictions in operations, damages, fines, increased tax, increased cost of compliance, interest charges, reputational damage or other sanctions. These matters are inherently difficult to quantify.

In cases where the Group has an obligation as a result of a past event existing at the balance sheet date, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated, a provision will be recognised based on best estimates and management judgment. There are, however, contingent liabilities in respect of litigation, taxes in some countries and guarantees for which no provisions have been made.

Taxes

The Group has exposures in respect of the payment or recovery of a number of taxes. The Group is and has been subject to a number of tax audits covering, amongst others, excise tax, value added taxes, sales taxes, corporate taxes, withholding taxes and payroll taxes.

The estimated costs of known tax obligations have been provided in these accounts in accordance with the Group's accounting policies. In some countries, tax law requires that full or part payment of disputed tax assessments be made pending resolution of the dispute. To the extent that such payments exceed the estimated obligation, they would not be recognised as an expense. In some cases disputes are proceeding to litigation.

While the amounts that may be payable or receivable could be material to the results or cash flows of the Group in the period in which they are recognised, the Board does not expect these amounts to have a material effect on the Group's financial condition.

Product liability

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 a particular period could be materially affected by this.

While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Group believes that the defences of the Group's companies to all these various claims are meritorious on both the law and the facts, and a vigorous defence is being made everywhere. If an adverse judgment is entered against any of the Group's companies in any case, an appeal will be made. Such appeals could require the appellants to post appeal bonds or substitute security in amounts which could in some cases equal or exceed the amount of the judgment. In any event, with regard to US litigation, the Group has the benefit of the indemnity from R. J. Reynolds Tobacco Company, a wholly-owned subsidiary of Reynolds American Inc. At least in the aggregate, and despite the quality of defences available to the Group, it is not impossible that the Group's results of operations or cash flows in a particular period could be materially affected by this and by the final outcome of any particular litigation.

Having regard to all these matters, with the exception of the Fox River matter included in the adjusting items section above (and further described in that section), the Group (i) does not consider it appropriate to make any provision in respect of any pending litigation, save insofar as stated above and (ii) does not believe that the ultimate outcome of this litigation will significantly impair the Group's financial condition.

Full details of the litigation will be included in the Annual Report for the year ended 31 December 2012. There were no material developments during the year that would impact on the financial position of the Group.

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 judgement 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 (ACT) 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 on 23 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 British American Tobacco Group'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 ECJ judgement of 13 November 2012 confirms that the UK treatment of EU dividends was discriminatory and produces the same outcome for third country dividends from 1994 in certain circumstances. The judgement also confirms that the claim can cover dividends from all indirect as well as direct EU subsidiaries and also ACT paid by a superior holding company.

The case will now revert to the UK High Court to apply the ECJ judgement and the date of the trial 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.

RELATED PARTIES

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. In the year to 31 December 2012, there were no material changes in related parties or in related party transactions except for the increased level of shares bought back by Reynolds American resulting in an amount of £262 million (2011: £71 million) being received by the Group, as well as the extension of a manufacturing agreement between a Group subsidiary and Reynolds American, which was due to expire on 31 December 2014.

FOREIGN CURRENCIES

The principal exchange rates used were as follows:

	Average		Closing	
	2012	2011	**2012**	2011
US dollar	**1.586**	1.604	**1.626**	1.554
Canadian dollar	**1.584**	1.586	**1.619**	1.583
Euro	**1.234**	1.153	**1.233**	1.197
South African rand	**13.054**	11.632	**13.791**	12.547
Brazilian real	**3.109**	2.683	**3.328**	2.899
Australian dollar	**1.532**	1.554	**1.566**	1.516
Russian rouble	**49.277**	47.116	**49.656**	49.922
Japanese yen	**126.633**	127.826	**140.549**	119.572
Indian rupee	**84.838**	74.802	**89.061**	82.531

ANNUAL REPORT

Statutory accounts

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2012 or 2011. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company's Annual General Meeting. The auditors' reports on both the 2011 and 2012 accounts were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of Companies Act 2006 or equivalent preceding legislation.

Publication

The Annual Report will be published on bat.com on 25 March 2013. At that time, a printed copy will be mailed to shareholders on the UK main register who have elected to receive it. Otherwise, such shareholders will be notified that the Annual Report is available on the website and will, at the time of that notification, receive a Performance Summary (which sets out an overview of the Group's performance, headline facts and figures and key dates in the Company's financial calendar) together with a Proxy Form and Notice of Annual General Meeting. Specific local mailing and/or notification requirements will apply to shareholders on the South African branch register.

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 PRELIMINARY STATEMENT

This announcement is released to the London Stock Exchange and the JSE Limited. It may be viewed and downloaded from our website bat.com.

Copies of the announcement 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

27 February 2013

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR 2013

25 April	Interim Management Statement
25 April	Annual General Meeting at 11.30am The Banqueting House, Whitehall, London SW1A 2ER
31 July	Half-Yearly Report
23 October	Interim Management Statement

CALENDAR FOR THE FINAL DIVIDEND 2012

2013	
Thursday 28 February	Dividend announced: amount of dividend per share in both sterling and rand; applicable exchange rate and conversion date – Tuesday 26 February 2013; plus additional applicable information as required in respect of South Africa Dividend Tax(1).
Thursday 28 February to Friday 15 March	From the commencement of trading on Thursday 28 February 2013 to Friday 15 March 2013, no removal requests in either direction between the UK main register and the South Africa branch register will be permitted.
Friday 8 March	Last Day to Trade or LDT (JSE)
Monday 11 March to Friday 15 March	No transfers between the UK main register and the South Africa branch register will be permitted; no shares may be dematerialised or rematerialised between these inclusive dates.
Monday 11 March	Ex-dividend date (JSE)
Wednesday 13 March	Ex-dividend date (LSE)
Friday 15 March	Record date (LSE and JSE)
Wednesday 8 May	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 30.

For holders of American Depositary Receipts (ADRs), the record date for ADRs is also Friday 15 March 2013 with an ADR payment date of Monday 13 May 2013.

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; +44 870 889 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
email enquiries: web.queries@computershare.co.za

American Depositary Receipts (ADRs)
NYSE MKT Equities (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
tel: 1-888-985-2055 (toll-free) or +1 781 575 4555
email enquiries: citibank@shareholders-online.com
website: www.citi.com/dr

Publications
British American Tobacco Publications
Unit 80, London Industrial Park, Roding Road, London E6 6LS, UK
tel: +44 20 7511 7797; facsimile: +44 20 7540 4326
e-mail enquiries: bat@team365.co.uk or
Computershare Investor Services (Pty) Ltd in South Africa using the contact details shown above.

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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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