

## REYNOLDS AMERICAN INC. ACQUISITION INVESTOR FAQ

### Reynolds American Inc. Shareholders

- 1) When did British American Tobacco p.l.c. (BAT) (LSE Ticker: BATS) complete the acquisition of Reynolds American Inc. (RAI) (NYSE Ticker: RAI)?  
*BAT completed the acquisition of RAI before the U.S. market opened on July 25, 2017, at which time RAI became an indirect, wholly owned subsidiary of BAT. As a result of the closing of the transaction, RAI ceased trading on the New York Stock Exchange on July 24, 2017.*
- 2) As a RAI shareholder, what will I receive as a result of the acquisition?  
*For every RAI share, holders will receive \$29.44 in cash, without interest, plus a number of BAT American Depositary Shares (BAT ADSs) which represents 0.5260 of a BAT ordinary share. Pursuant to the merger agreement, any resulting fractional BAT ADSs will also be sold at then-prevailing market prices and holders will receive their pro rata share of the net proceeds.*
- 3) Where will the new BAT ADSs be traded and what will the ticker symbol be?  
*BAT ADSs will be traded on the NYSE under ticker symbol BTI, and will be traded in U.S. dollars.*
- 4) Will I need to surrender my RAI stock certificates?  
*Yes. Certificated holders of RAI common stock will receive a package of information and instructions from Citibank, N.A. (Citibank), BAT's exchange agent for this transaction. You should not send your certificates until after you have received the letter of transmittal and further instructions from Citibank.*
- 5) When will I receive my cash and BAT ADSs?
  - a. **Certificated** holders of RAI common stock will need to follow the instructions received from Citibank in order to receive both their cash and BAT ADSs. Receipt of your cash and BAT ADSs will depend on how quickly you respond. Citibank anticipates that processing time, upon their receipt of a complete package, will be approximately five to ten business days.
  - b. For those holding RAI shares in **book-entry** form, we anticipate that your BAT ADSs will be deposited to a book-entry account approximately five business days following the closing. A check for the cash proceeds of the transaction should be mailed in approximately the same time frame.
  - c. If your RAI shares are held in a **brokerage** account, you will need to consult your broker for this information.
- 6) Will my BAT ADSs be certificated?
  - a. If you are a **certificated** holder of RAI shares or your RAI shares are currently held in **book-entry form**, your BAT ADSs will be held at Citibank in uncertificated form.
  - b. If your RAI shares are held in a **brokerage** account, you will need to consult your broker.

- 7) What is the cost basis of my new BAT ADSs?  
*The cost basis for U.S. tax purposes for BAT ADSs received by RAI shareholders as a result of the transaction is generally equal to the fair market value of each BAT ADS received multiplied by the number of BAT ADSs received. One method of determining the fair market value of each BAT ADS received is to use the closing price of a BAT ADS on July 24, 2017, the last trading day prior to the date the transaction was completed (\$69.25). Other reasonable methods may exist, however, and we urge you to consult your tax advisor regarding the determination of your cost basis for the BAT ADSs that you received.*
- 8) What is the tax treatment for the cash and shares I receive?  
*The transaction is considered a taxable event for RAI shareholders for U.S. tax purposes.*
- 9) When will Form 8937 be published?  
*A Form 8937 is not relevant because the merger was a taxable transaction for U.S. federal income tax purposes and RAI shareholders received BAT ADSs in respect of their RAI shares. The material U.S. federal income tax consequences of the merger are described beginning on page 137 of the Prospectus that was filed by BAT with the SEC on June 14, 2017. Page 139 states that a "U.S. holder's aggregate tax basis in such holder's BAT ADSs received in the merger will equal the fair market value of such ADSs at the completion of the merger". BAT has provided the exchange agent, Citibank, N.A., with BAT's determination of the fair market value of each ADS at the completion of the merger (\$69.25) so that the exchange agent may comply with its information reporting obligations for U.S. federal income tax purposes. Holders should consult their tax advisors as to the specific tax consequences to them of the merger and their receipt of the merger consideration, including the applicability and effect of U.S. federal, state, local and non-U.S. income and other tax laws in light of their particular circumstances.*
- 10) Who should I contact if I have questions about the receipt of my cash and BAT ADSs?  
*BAT has contracted with Citibank to serve as the exchange agent for this transaction. Your questions should be directed to:*
- Citibank, N.A.  
ATTN: Corporate Actions*
- Within the USA, US territories & Canada: 1-877-853-2191  
Outside the USA, US territories & Canada: 1-781-575-4555*
- 11) Who is the depositary bank and transfer agent for BAT's ADSs?  
*Citibank N.A. is the depositary bank and transfer agent for BAT's American depositary receipt (ADR) program relating to the BAT ADSs.*
- 12) Is dividend reinvestment available on BAT ADSs?  
*No. BAT has a dividend reinvestment plan (DRIP) in respect of its ordinary shares. The DRIP is not available to North American persons (as defined in the rules of the DRIP) or to persons who hold their shares in the form of ADSs.*
- 13) Can I purchase BAT ADSs directly through the transfer agent?  
*No. Neither BAT nor Citibank, as depositary bank, offers, at present, a direct stock investment plan for holders of ADSs to purchase shares.*

14) Can I convert my BAT ADSs to BAT ordinary shares?

*Yes, you can convert BAT ADSs into BAT ordinary shares, subject to the payment of any fees charged by Citibank relating to such conversion of BAT ADSs into BAT ordinary shares. For more information regarding converting your BAT ADSs into BAT ordinary shares, you are encouraged to review the Deposit Agreement.*

*You may also contact BAT Shareholder Services at Citibank:*

*Tel: 1-888 985-2055 (toll free)*

*Tel: 1-781-575-4555 (outside US)*

*Fax 1-201-324-3284*

*E-mail at: Citibank@shareholders-online.com*

*Citibank Shareholder Services*

*P.O. Box 43077*

*Providence, Rhode Island 02940-3077*

*USA*

15) How can I go about selling my ADSs?

*If your BAT ADSs are registered in your name, then Citibank holds or records the BAT ADSs directly for you in a 'book-entry' form in the books of Computershare, the transfer agent. This 'Direct Registration System' (known as DRS) allows investors to transfer or sell ADSs held in this way. If you wish to sell your BAT ADSs you should contact BAT Shareholder Services at Citibank:*

*Tel: 1-888 985-2055 (toll free)*

*Tel: 1-781-575-4555 (outside US)*

*Fax 1-201-324-3284*

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*Alternatively, you can complete a DRS Transaction Request Form which you will receive with your DRS Statement which evidences your BAT ADSs.*

*If your BAT ADSs are registered in the name of your brokerage firm, then it is the name of the brokerage firm that is recorded in a 'book-entry' form in the books of Computershare, the transfer agent. Your broker will keep a record in its books that you own the BAT ADSs – this is known as a 'Street Name Registration'. You will need to contact your broker if you wish to sell your BAT ADSs.*

16) Are there any fees associated with my holding BAT ADSs?

*Fees are payable to Citibank in connection with various services under the terms of the deposit agreement and the amount of these fees may be amended from time to time without the consent of holders of BAT ADSs. The fees currently charged include a dividend fee of up to \$0.02 per BAT ADS per year (a fee of \$0.01 per dividend based on the distribution of an interim and a final cash dividend per year or a fee of \$0.005 per dividend based on the distribution of four quarterly cash dividends per year). A fee of up to \$0.05 per BAT ADS is also payable in connection with the issuance of BAT ADSs upon deposit of BAT ordinary shares (excluding certain issuances). Citibank will not charge an issuance fee in connection with the issuance of the BAT ADSs issued in this transaction. A fee of up to \$0.05 per BAT ADS is payable upon the cancellation of a BAT ADS in exchange for a BAT ordinary share. For more information regarding the fees for which you may be responsible, you are encouraged to review the deposit agreement, which is available free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov).*

17) How often does BAT pay dividends?

*Through the end of 2017, BAT will continue its current policy of paying dividends biannually. Beginning in 2018, the company will pay four quarterly dividends on both BAT shares and BAT ADSs.*

*The total 2018 dividend will be announced when BAT announces its preliminary results for the year ending December 31, 2017 in February 2018, and the amount will be paid in four equal installments in May, August and November 2018, and February 2019. As part of the transition to quarterly dividend payments, and to ensure BAT shareholders receive the equivalent amount of total cash payments in 2018 as they would have under the previous payment policy, an additional interim dividend will be announced in December 2017 for payment in February 2018 and will be calculated as 25% of the total cash dividend paid in 2017.*

18) Will the dividend on BAT ADSs be paid in U.S. dollars or in British pounds?

*Dividends paid in respect of BAT ADSs will be paid in U.S. dollars following conversion from British pound sterling by Citibank upon the terms and subject to the limitations contained in the deposit agreement.*