

News Release

British American Tobacco to invest US\$4.7 billion as part of Reynolds American's proposed acquisition of Lorillard

15 July 2014

British American Tobacco to maintain its 42% shareholding in the enlarged Reynolds American.

British American Tobacco (BAT) has agreed to invest US\$4.7 billion as part of Reynolds American's proposed acquisition of Lorillard enabling BAT to maintain its 42% equity position in the enlarged business.

The boards of both Reynolds American, an associate company of BAT, and Lorillard have today announced in the USA the proposed purchase of Lorillard by Reynolds American.

BAT will be subscribing for new shares in Reynolds American with funding from existing resources and debt. BAT's investment is contingent upon the completion of Reynolds American's acquisition of Lorillard.

BAT will be suspending its £1.5 billion share buyback programme with effect from 30 July 2014.

Nicandro Durante, BAT's Chief Executive Officer, commented: "We believe this is a good investment for our shareholders. We fully support the proposed deal which maintains our position in what will be a larger, more competitive business."

The transaction, which is anticipated to be completed in the first half of 2015, is expected to be mildly accretive for BAT.

The proposed acquisition is subject to a number of regulatory approvals in the USA and the other parties' shareholder approvals.

BAT has agreed to vote its Reynolds American shares in favour of the transaction.

In addition, BAT and Reynolds American have agreed in principle to expand their existing cooperation to encompass the research, development, innovation, intellectual property and commercialisation of each other's next-generation vapour and heat-not-burn tobacco products.

Nicandro Durante added: "This strategic partnership will combine the experience and expertise of both companies to produce a world-class pipeline of next-generation products with global reach, better suited to meeting the emerging requirements of today's smokers."

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NOTES TO EDITORS

BAT is a global tobacco Group with brands sold in more than 200 markets. It employs more than 57,000 people worldwide and has over 200 brands in its portfolio, with its cigarettes chosen by one in eight of the world's one billion smokers. BAT has leadership in more than 60 markets around the world. The Group generated £5.5 billion profit from operations in 2013.

BAT is being advised by Deutsche Bank and UBS. The legal advisers to BAT are Cravath, Swaine & Moore and Herbert Smith Freehills.

For further information:

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www.bat.com/sustainability 

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