
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D/A

Under the Securities Exchange Act of 1934
(Amendment No. 3)*

REYNOLDS AMERICAN INC.

(Name of Issuer)

Common Stock (par value \$0.0001 per share)
(Title of Class of Securities)

761713106
(CUSIP Number)

Nicola Snook
British American Tobacco p.l.c.
Globe House
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United Kingdom
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With a copy to:

Philip A. Gelston, Esq.
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825 Eighth Avenue
New York, New York 10019
+1 (212) 474-1000

(Name, Address and Telephone Number of Persons
Authorized to Receive Notices and Communications)

October 20, 2016

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1	NAMES OF REPORTING PERSONS Brown & Williamson Holdings, Inc.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0
	8	SHARED VOTING POWER 446,668,038
	9	SOLE DISPOSITIVE POWER 0
	10	SHARED DISPOSITIVE POWER 446,668,038
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 446,668,038	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 31.3%	
14	TYPE OF REPORTING PERSON CO	

1	NAMES OF REPORTING PERSONS Louisville Securities Limited	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS AF, WC, BK and OO	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION England and Wales	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0
	8	SHARED VOTING POWER 601,368,171*
	9	SOLE DISPOSITIVE POWER 0
	10	SHARED DISPOSITIVE POWER 601,368,171*
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 601,368,171*	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 42.2%	
14	TYPE OF REPORTING PERSON CO	

* Consists of an aggregate of 446,668,038 shares of common stock ("Common Stock") of Reynolds American Inc. (the "Issuer") held by Brown & Williamson Holdings, Inc. ("B&W") and 154,700,133 shares of Common Stock held by Louisville Securities Limited ("Louisville"). B&W is a wholly owned subsidiary of BATUS Holdings Inc., which is a wholly owned subsidiary of Louisville.

1	NAMES OF REPORTING PERSONS British American Tobacco p.l.c.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS AF, WC, BK and OO	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION England and Wales	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0
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13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 42.2%	
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* Consists of an aggregate of 446,668,038 shares of common stock ("Common Stock") of Reynolds American Inc. (the "Issuer") held by Brown & Williamson Holdings, Inc. ("B&W") and 154,700,133 shares of Common Stock held by Louisville Securities Limited ("Louisville"). B&W is a wholly owned subsidiary of BATUS Holdings Inc., which is a wholly owned subsidiary of Louisville. Louisville is a wholly owned subsidiary of British-American Tobacco (Holdings) Limited, which is a wholly owned subsidiary of B.A.T. Industries p.l.c., which is a wholly owned subsidiary of Weston (2009) Limited, which is a wholly owned subsidiary of British American Tobacco (2009) Limited, which is a wholly owned subsidiary of British American Tobacco (1998) Limited, which is a wholly owned subsidiary of British American Tobacco p.l.c.

This statement constitutes Amendment No. 3 (“Amendment No. 3”) to the Schedule 13D (the “Original Schedule 13D” and, as amended, the “Amended Schedule 13D”) filed with the Securities and Exchange Commission (“SEC”) on June 19, 2015, amended by Amendment No. 1 filed on July 26, 2016 and Amendment No. 2 filed on September 15, 2016, relating to shares of the common stock (the “Common Stock”), par value \$0.0001 per share, of Reynolds American Inc. (the “Issuer”), a North Carolina corporation, beneficially owned by Brown & Williamson Holdings, Inc. (“B&W”), Louisville Securities Limited (“Louisville”) and British American Tobacco p.l.c. (“BAT”). This Amendment No. 3 amends the Amended Schedule 13D on behalf of the undersigned to furnish the information set forth herein. Except as set forth below, all Items of the Amended Schedule 13D remain unchanged. Capitalized terms used but not defined in this Amendment No. 3 have the meanings assigned to them in the Original Schedule 13D.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

Item 3 of the Amended Schedule 13D is hereby amended to add the following at the end thereof:

The description of the Proposal set forth in Item 4 below is incorporated by reference in its entirety into this Item 3. It is anticipated that the funding of such proposal will consist of newly issued BAT common stock and cash consideration financed by a combination of BAT’s available cash and debt financing.

ITEM 4. PURPOSE OF TRANSACTION

Item 4 of the Amended Schedule 13D is hereby amended to add the following at the end thereof:

On October 20, 2016, BAT submitted a preliminary non-binding letter (the “Proposal Letter”) to the board of directors of the Issuer proposing a transaction whereby the Issuer would merge into a wholly owned subsidiary of BAT and each outstanding share of Common Stock not beneficially owned by the BAT Group would be converted into the right to receive 0.5502 BAT shares and \$24.13 in cash (the “Proposal”). As described in the Proposal Letter, the proposed transaction is subject to a number of conditions, including the approval of the independent directors of the Issuer not designated by BAT (the “Other Directors”) in compliance with the Governance Agreement, the completion of limited confirmatory due diligence and the negotiation and execution of definitive transaction documents mutually acceptable to and approved by the board of directors of both BAT and the Issuer. The definitive documents are expected to condition consummation of the merger on regulatory approvals, the approval of the stockholders of BAT and the Issuer, including a majority of the votes cast on the proposed transaction by holders of the Common Stock not owned by the BAT Group, registration of the BAT stock consideration with the SEC and other customary conditions. No assurances can be given that a definitive agreement with respect to the Proposal will be entered into or that a transaction will be consummated. On October 21, 2016, BAT issued a regulatory news service announcement (“RNS announcement”) in connection with the Proposal Letter.

The Proposal could result in one or more of the actions specified in clauses (a) through (j) of Item 4 of Schedule 13D, including a merger or other extraordinary transaction involving the Issuer, the delisting of the Issuer’s securities from the New York Stock Exchange, and a class of equity securities of the Issuer becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act. One or more members of the BAT Group are expected to take actions in furtherance of the Proposal or any amendment thereof.

Subject to compliance with the terms of the Governance Agreement, the BAT Group may at any time, or from time to time, acquire additional shares of Common Stock or dispose of their shares of Common Stock; propose, pursue, or choose not to pursue the Proposal; change the terms of the Proposal Letter, including the price, conditions, or scope of the transaction; take any action in or out of the ordinary course of business to facilitate or increase the likelihood of consummation of the transaction described in the Proposal Letter; otherwise seek control or seek to influence the management and policies of the Issuer; or change their intentions with respect to any such matters.

While the Proposal remains under consideration or negotiation by the Issuer and its board of directors, the BAT Group may respond to inquiries from the Issuer and its board of directors or their respective representatives. The BAT Group does not intend to update additional disclosures in the Amended Schedule 13D regarding the Proposal until a definitive agreement has been reached, or unless disclosure is otherwise required under applicable U.S. or UK securities laws.

The Proposal Letter provides that it does not create any legally binding obligations and that no such obligations will exist unless and until mutually acceptable definitive documentation has been executed and delivered. No binding obligation on the part of the Reporting Persons or any of its affiliates will arise with respect to the filing of this Amended Schedule 13D.

Other than as described above and in the Proposal Letter, none of the Reporting Persons has any plans or proposals of the type referred to in clauses (a) through (j) of Item 4 of Schedule 13D, although they and their affiliates reserve the right to formulate such plans or proposals in the future. If the proposed transaction is not consummated, BAT and its affiliates will continue to regularly review and assess its investment in the Issuer and depending on market conditions and other factors may determine, from time to time, to engage in any of the events set forth in clauses (a) through (j) of Item 4 of Schedule 13D.

A copy of the Proposal Letter submitted to the Issuer's board of directors is filed herewith as Exhibit 99.10 and incorporated herein by reference. A copy the RNS announcement is filed herewith as Exhibit 99.11 The foregoing descriptions of the Proposal Letter and RNS announcement do not purport to be complete and are qualified in their entirety by reference to the Proposal Letter and RNS announcement, respectively, filed herewith.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER

Item 5 of the Amended Schedule 13D is hereby amended by deleting the last sentence of paragraph (a) thereof and replacing it in its entirety with the following sentence:

The B&W owned shares comprise approximately 31.3% of the outstanding shares of Common Stock, the Louisville owned shares comprise approximately 10.9% of the outstanding shares of Common Stock and the Shares comprise approximately 42.2% of the outstanding shares of Common Stock.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS

Exhibit 99.10 Proposal Letter, dated October 20, 2016, from British American Tobacco p.l.c. to the board of directors of Reynolds American Inc.
Exhibit 99.11 RNS announcement, issued October 21, 2016

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

October 21, 2016

Brown & Williamson Holdings, Inc.

By: /s/ Timothy J. Hazlett

Name: Timothy J. Hazlett

Title: Director

Louisville Securities Limited

By: /s/ Steve Dale

Name: Steve Dale

Title: Director

British American Tobacco p.l.c.

By: /s/ Nicola Snook

Name: Nicola Snook

Title: Company Secretary

EXHIBIT INDEX

Exhibit Number	Description
99.10	Proposal Letter, dated October 20, 2016, from British American Tobacco p.l.c. to the Board of Directors of Reynolds American Inc.
99.11	RNS announcement, issued October 21, 2016



The Board of Directors of Reynolds American Inc.
401 North Main Street
Winston-Salem, NC 27101
United States

Globe House
4 Temple Place
London WC2R 2PG
United Kingdom

For the attention of: Thomas C. Wajnert, Chairman and Susan M. Cameron,
President and Chief Executive Officer

Tel +44 (0)20 7845
1000
Fax +44 (0)20 7240
0555
www.bat.com

20 October 2016

Dear Board of Directors,

Proposed merger of British American Tobacco p.l.c. (“BAT”) and Reynolds American Inc. (“Reynolds” or the “Company”)

Since the combination of Brown & Williamson and R.J. Reynolds in 2004, BAT and Reynolds have enjoyed a tremendously successful alliance which has created great value for BAT and all the other Reynolds stockholders. Reynolds is our most significant investment and, as you know, BAT regularly evaluates the feasibility and attractiveness of acquiring the outstanding shares of Reynolds not already owned by BAT. We have just finished one of those reviews and the BAT Board has determined that now is the right time for us to merge our two companies. We believe that current unique industry and market conditions make possible a transaction that provides Reynolds’s public shareholders with a material premium and equity exposure to the enlarged company, while meeting BAT’s financial criteria.

Accordingly, on behalf of the Board of BAT, I am pleased to submit this non-binding proposal (this “**Proposal**”) for a merger of a BAT subsidiary and Reynolds in which each outstanding share of Reynolds’s common stock not owned by BAT would be converted into the right to receive 0.5502 BAT shares and \$24.13 in cash. Based on Reynolds’s share price of \$47.17, BAT’s share price of £48.03 and a £/\$ exchange rate of 1.2250 as of the close of business on 20 October 2016, this Proposal would value each Reynolds share at \$56.50, which represents:

- A premium of 20% to the closing share price on 20 October 2016 of \$47.17 / share;
- An Enterprise Value of \$93bn, which, based on reported LTM EBITDA to 30 September 2016 represents an EV/EBITDA of 16.3x; and
- A total return (excluding dividends) to Reynolds shareholders of 57% since the completion of the Lorillard acquisition.

This Proposal would provide Reynolds’s public shareholders with cash consideration as well as significant equity ownership in a stronger, truly global tobacco and Next Generation Products company. There is substantial overlap in the shareholder registers of our two companies. The merger would allow the shareholders of the combined company to enjoy the long-term benefits of the global scale, strength and diversification of the enlarged company. The merger and associated cost synergies would be accretive to BAT earnings in the first full year, which will directly benefit Reynolds shareholders through the equity in the offer.

We recognise that under the Governance Agreement, the proposed merger between BAT and Reynolds will require the approval of the independent directors of Reynolds not designated by BAT (the “**Other Directors**”). BAT will not pursue this Proposal without this endorsement of the Reynolds Board, and further expects that the definitive Merger Agreement will include a non-waivable condition requiring the approval by a majority of the votes cast on the merger by holders of the Reynolds shares not owned by BAT and its subsidiaries.

In considering this Proposal, you should know that, in BAT's capacity as a shareholder of Reynolds, BAT is interested only in acquiring the shares of Reynolds not already owned by BAT and that in such capacity BAT has no interest in selling any of the Reynolds shares it owns, nor would BAT support any alternative sale, merger or similar transaction involving Reynolds.

As we are confident you will recognise, we believe this Proposal represents compelling value for Reynolds's shareholders. In particular, the enlarged company would have an enhanced equity story for all our shareholders, including the below benefits:

- A leading position in the US tobacco market, the largest global profit pool (ex-China) with strong growth dynamics.
- A significant presence in high growth emerging markets across South America, Africa, the Middle East and Asia, together with the most attractive developed markets.
- A unique portfolio of strong brands, bringing together ownership of Newport, Kent and Pall Mall.
- Combined Next Generation Products and R&D capabilities to deliver a world class pipeline of vapour and tobacco heating products across all the fastest growing NGP markets globally.
- Creating the world's largest listed tobacco company by net turnover and operating profit.

The proposed merger would be subject to the endorsement of the Other Directors, as discussed above, the completion of limited confirmatory due diligence and the negotiation and execution of mutually acceptable definitive transaction documents on customary terms approved by the BAT Board and the Reynolds Board. The conditions of the merger would be limited to obtaining mandatory or appropriate regulatory approvals, registration of BAT shares with the SEC, obtaining an affirmative vote for the transaction from our respective shareholders, including, as discussed above, a majority of the votes cast by the holders of Reynolds shares not owned by BAT, and other customary conditions.

The proposed transaction would not be subject to any financing condition. We have undertaken detailed work on the financing strategy, including with our financial advisors, and Deutsche Bank has informed us that it is highly confident that we will be able to obtain financing commitments for the cash portion of our offer. The Board of BAT is committed to the combined company maintaining a solid investment grade credit rating.

We would have preferred to present this Proposal to the Board of Reynolds confidentially. However, in compliance with its legal obligations, BAT will promptly file an amendment to its Schedule 13-D to include a copy of this letter. We are also required to issue a press release regarding our Proposal, which we plan to issue prior to the opening of trading in the UK on Friday and which will explain to the BAT shareholders our rationale for this Proposal.

For the avoidance of doubt, this Proposal is an expression of interest only, and shall not create any legally binding obligations. No such obligations shall arise unless and until execution and delivery of mutually acceptable definitive documentation by the parties thereto.

We and our advisors look forward to working with you and your advisors to complete a transaction that is attractive to our respective shareholders, and are available at your convenience to discuss any aspects of our Proposal. In connection with this Proposal, we have engaged Centerview Partners, Deutsche Bank and UBS as our financial advisors and Cravath, Swaine & Moore LLP and Herbert Smith Freehills LLP as our legal advisors.

Yours faithfully,

/s/ Nicandro Durante

Nicandro Durante
Chief Executive, British American Tobacco plc

NOTES

BAT is a global tobacco group with brands sold in more than 200 markets. It employs more than 50,000 people worldwide and has over 200 brands in its portfolio, with its cigarettes chosen by around one in eight of the world's one billion smokers. BAT has market leading positions in at least 55 markets around the world. The Group generated £5 billion adjusted profit from operations in 2015.

Centerview, Deutsche Bank and UBS are acting as financial advisers to BAT. Deutsche Bank and UBS are Joint Corporate Brokers to BAT and acting as Joint Sponsors to BAT in relation to this transaction. Cravath, Swaine & Moore LLP and Herbert Smith Freehills LLP are acting for BAT as US and UK legal counsel respectively. PwC are acting as accountants and advisors to BAT on this transaction.

Centerview Partners UK LLP ("**Centerview Partners**") is authorised and regulated by the Financial Conduct Authority. Centerview Partners is acting exclusively for BAT in connection with the potential acquisition. Centerview Partners is not, and will not be, responsible to anyone other than BAT for providing the protections afforded to its clients or for providing advice in relation to the potential merger or any other matters referred to in this announcement. Apart from the responsibilities and liabilities, if any, which may be imposed on it by the Financial Services and Markets Act 2000, Centerview accepts no responsibility whatsoever and makes no representation or warranty, express or implied, as to the contents of this announcement, including its accuracy, fairness, sufficiency, completeness or verification or for any other statement made or purported to be made by it, or on their behalf, in connection with BAT or the potential acquisition, and nothing in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. Centerview Partners accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this announcement.

Deutsche Bank AG is authorised under German Banking Law (competent authority: European Central Bank) and, in the United Kingdom, by the Prudential Regulation Authority. It is subject to supervision by the European Central Bank and by BaFin, Germany's Federal Financial Supervisory Authority, and is subject to limited regulation in the United Kingdom by the Prudential Regulation Authority and Financial Conduct Authority. Details about the extent of its authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority, are available on request or from www.db.com/en/content/eu_disclosures.htm.

Deutsche Bank AG, acting through its London branch ("**DB London**"), and Deutsche Bank Securities Inc. ("**DBSI**" and with DB London, "**DB**") are acting as joint financial adviser and DB London is acting as joint corporate broker to BAT and no other person in connection with this announcement or its contents. DB will not be responsible to any person other than BAT for providing any of the protections afforded to clients of DB, nor for providing any advice in relation to any matter referred to herein.

UBS Limited, which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for BAT and no one else in connection with the matters referred to in this Announcement. In connection with such matters, UBS Limited, its affiliates, and its or their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the contents of this Announcement or any other matter referred to herein.

The person responsible for making this announcement is Nicola Snook, BAT's Company Secretary.

For further information

www.bat.com

Forward looking statements

Certain statements in this communication regarding the transaction proposed by BAT, the benefits and synergies of the transaction, future opportunities for the combined company and products and any other statements regarding BAT's future expectations, beliefs, plans, objectives, financial conditions, assumptions or future events or performance that are not historical facts are "forward-looking" statements made within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict(s)," "will," "expect(s)," "estimate(s)," "project(s)," "positioned," "strategy," "outlook" and similar expressions. All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed in the statements. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are the following: uncertainties as to whether an agreement in respect of the proposed transaction will be negotiated and executed; uncertainties as to whether Reynolds will cooperate with BAT regarding the proposed transaction and whether the Reynolds Board will endorse any transaction proposed by BAT; uncertainties as to whether the other conditions to the proposed transaction will be satisfied or satisfied on the anticipated schedule; the timing of the proposed transaction and whether the proposed transaction will be completed; failure to realize contemplated synergies and other benefits from the proposed transaction; incurrence of significant costs in connection with the proposed transactions; the effect of the announcement of the proposed transaction on the ability of Reynolds and BAT to retain customers, retain and hire key personnel, maintain relationships with suppliers and on their operating results and businesses generally; uncertainties as to the ability to maintain credit ratings; changes in general economic conditions, the tobacco industry, stock market trading conditions, foreign exchange rates, tax law requirements or government regulation; the impact of adverse governmental developments with respect to menthol in cigarettes; ability to develop, produce or market new alternative products profitably; ability to effectively implement strategic initiatives and actions taken to increase sales growth; uncertainties relating to the ability to enhance cash generation and pay dividends; adverse litigation and dispute outcomes; and changes in the market position, businesses, financial condition, results of operations or prospects of BAT and Reynolds. Additional information concerning these and other factors can be found in Reynolds's filings with the U.S. Securities and Exchange Commission ("**SEC**"), including Reynolds's most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and BAT's Annual Reports, which may be obtained free of charge from BAT's website www.BAT.com. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof and BAT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional information and where to find it

An agreement in respect of the proposed transaction described in this release has not yet been executed, and this release is neither a solicitation of a proxy nor a substitute for any proxy statement or other filings that may be made with the SEC should the proposed transaction go forward. Any solicitation will only be made through materials filed with the SEC. Nonetheless, this communication may be deemed to be solicitation material in respect of the transaction proposed by BAT. Should the proposed transaction go forward, BAT expects to file relevant materials with the SEC, including a registration statement on Form F-4 that may include a proxy statement of Reynolds that also constitutes a prospectus of BAT. Investors and security holders are urged to read all relevant documents filed with the SEC (if and when they become available), including the proxy statement/prospectus, because they will contain important information about the proposed transaction. Investors and security holders will be able to obtain the documents (if and when available) free of charge at the SEC's website, <http://www.sec.gov>, or for free from BAT by using the contact details above. Such documents are not currently available.

Participants in solicitation

This release is neither a solicitation of a proxy nor a substitute for any proxy statement or other filings that may be made with the SEC should the proposed transaction go forward. Nonetheless, BAT and its affiliates and their directors and executive officers and certain employees may be deemed to be participants in the solicitation of proxies from the holders of Reynolds common stock with respect to the proposed transaction. Information about such parties and a description of their interests are set forth in BAT's 2015 Annual Report, which may be obtained free of charge from BAT's website www.bat.com and the proxy statement for Reynolds's 2016 Annual Meeting of Stockholders, which was filed with the SEC on March 23, 2016. To the extent holdings of Reynolds securities have changed since the amounts contained in the proxy statement for Reynolds's 2016 Annual Meeting of Stockholders, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. Additional information regarding the interest of such participants will also be included in the materials that BAT expects to file with the SEC should the proposed transaction go forward. These documents (if and when available) may be obtained free of charge from the SEC's website <http://www.sec.gov>, or from BAT using the contact information above.

Non-solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

This announcement contains inside information

For immediate release: 21 October 2016

BAT proposes merger with Reynolds

British American Tobacco p.l.c. (“BAT”), which owns 42.2% of Reynolds American Inc. (“Reynolds”), has made a proposal to merge with Reynolds through the acquisition of the remaining 57.8% in the company. US securities laws require BAT to announce its merger proposal promptly after it was made to the Board of Reynolds. As a result, BAT has been unable to have prior negotiations with Reynolds regarding the proposal.

BAT’s proposal to merge with Reynolds:

- Values Reynolds at \$56.50 per share, of which \$24.13 would be in cash and \$32.37 would be in BAT shares.¹
- Represents a premium of 20% over the closing price of Reynolds common stock on 20 October 2016.

This would create a stronger, truly global tobacco and Next Generation Products (“NGP”) company with:

- A leading position in the US tobacco market, the largest global profit pool (ex-China) with strong growth dynamics.
- A significant presence in high growth emerging markets across South America, Africa, the Middle East and Asia, together with the most attractive developed markets.
- A unique portfolio of strong brands, bringing together ownership of Newport, Kent and Pall Mall.
- Combined Next Generation Products and R&D capabilities to deliver a world class pipeline of vapour and tobacco heating products across all the fastest growing NGP markets globally.
- Creating the world’s largest listed tobacco company by net turnover and operating profit.

There is a strong financial rationale for the transaction that supports long-term delivery for all stakeholders:

- This is a premium offer, supported by modest cost synergies, with a significant share consideration enabling participation in the long-term benefits.
- It is earnings accretive in the first full year.
- It is expected to be accretive to dividends per share.
- The transaction would create a broader, larger business, delivering more diversified sources of profit growth.
- The combined company would maintain a strong financial profile, with a target of maintaining a solid investment grade credit rating and enhanced cash generation.

Key terms of proposed transaction

The proposed transaction would be effected through a US statutory merger in which Reynolds shareholders, other than BAT, would receive \$24.13 in cash and 0.5502 BAT shares for each of their Reynolds shares.

The total consideration for the remaining 57.8% of Reynolds would be \$47 billion, of which approximately \$20 billion would be in cash and \$27 billion in BAT shares.

The Proposal represents a premium of 20% over the closing price of Reynolds common stock on 20 October 2016 and an Enterprise Value of \$93 billion which, based on reported LTM EBITDA to 30 September 2016 represents a multiple of 16.3x.

The proposed merger is subject to endorsement of Reynolds’s independent directors (not designated by BAT) and approval by BAT and Reynolds shareholders.

BAT’s Chief Executive, Nicandro Durante commented:

“We have been a shareholder in Reynolds since its creation in 2004 and have benefited from its growth in the US market. The acquisition of Lorillard in 2015 has further strengthened Reynolds’s business. The proposed merger of our two great companies is the logical progression in our relationship and offers all shareholders a stake in a stronger, truly global tobacco and Next Generation Products company. BAT is proud of its track record of consistent delivery for shareholders and this transaction would further strengthen that delivery in the future.”

¹ Based on reference share prices and exchange rates as at market close on 20 October 2016 as quoted by Bloomberg.

Additional information

The BAT Board is committed to maintaining a solid investment grade credit rating. The cash component of the merger would be financed by a combination of existing cash resources, new bank credit lines and the issuance of new bonds.

The combined Group would be the world's largest listed tobacco and Next Generation Products business by net turnover and operating profit with exposure to both cash generative developed and high growth developing markets, giving a unique capacity to exploit industry opportunities as they develop.

The cost synergies associated with the proposed merger are estimated by BAT to be relatively modest at around \$400 million, however this would need to be verified following engagement with Reynolds.

Under the long-standing Governance Agreement between Reynolds and BAT, the proposed merger must be approved by the independent directors of Reynolds not designated by BAT (the "**Other Directors**"). BAT will not pursue its proposal without this endorsement. The proposal is also subject to the completion of limited confirmatory due diligence and the negotiation and execution of definitive transaction documents mutually acceptable to and approved by the Boards of BAT and Reynolds. The consummation of any merger would further be subject to regulatory approvals and shareholder approvals, including the approval by a majority of the votes cast on the proposed merger by holders of the Reynolds shares not owned by BAT or its subsidiaries and approval by BAT's shareholders, and other customary conditions. The proposed merger would not be subject to any financing conditions.

BAT's existing manufacturing footprint would be enhanced by the inclusion of Reynolds's high quality production facility in Tobaccoville, North Carolina.

There can be no assurance that BAT's proposal or any transaction with BAT will be acceptable to the Other Directors or Reynolds's Board, or that if such proposed transaction is acceptable, that the conditions to a proposed transaction would be satisfied or that a transaction will be consummated.

The Board of BAT intends to register BAT under the US securities laws in connection with the proposed transaction. As part of the SEC registration process, BAT and its auditors will need to satisfy the SEC that they are complying with the applicable US auditing requirements which differ in some respects from those in the UK.

As BAT is a significant existing shareholder of Reynolds, US securities laws require BAT to announce publicly its merger proposal to Reynolds by promptly filing an amendment to BAT's Schedule 13-D.

To view the letter BAT sent to the Board of Reynolds on 20 October 2016 detailing the merger proposal, please paste the following URL into the address bar of your browser.

http://www.rns-pdf.londonstockexchange.com/rns/1162N_-2016-10-20.pdf

Further announcements will be made if and when appropriate.

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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 50,000 people worldwide and has over 200 brands in its portfolio, with its cigarettes chosen by around one in eight of the world's one billion smokers. BAT has market leading positions in at least 55 markets around the world. The Group generated £5 billion adjusted profit from operations in 2015.

Centerview, Deutsche Bank and UBS are acting as financial advisers to BAT. Deutsche Bank and UBS are Joint Corporate Brokers to BAT and acting as Joint Sponsors to BAT in relation to this transaction. Cravath, Swaine & Moore LLP and Herbert Smith Freehills LLP are acting for BAT as US and UK legal counsel respectively. PwC are acting as accountants and advisors to BAT on this transaction.

Centerview Partners UK LLP ("**Centerview Partners**") is authorised and regulated by the Financial Conduct Authority. Centerview Partners is acting exclusively for BAT in connection with the potential acquisition. Centerview Partners is not, and will not be, responsible to anyone other than BAT for providing the protections afforded to its clients or for providing advice in relation to the potential merger or any other matters referred to in this announcement. Apart from the responsibilities and liabilities, if any, which may be imposed on it by the Financial Services and Markets Act 2000, Centerview accepts no responsibility whatsoever and makes no representation or warranty, express or implied, as to the contents of this announcement, including its accuracy, fairness, sufficiency, completeness or verification or for any other statement made or purported to be made by it, or on their behalf, in connection with BAT or the potential acquisition, and nothing in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. Centerview Partners accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this announcement.

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The person responsible for making this announcement is Nicola Snook, BAT's Company Secretary.

For further information

www.bat.com

Forward looking statements

Certain statements in this communication regarding the transaction proposed by BAT, the benefits and synergies of the transaction, future opportunities for the combined company and products and any other statements regarding BAT's future expectations, beliefs, plans, objectives, financial conditions, assumptions or future events or performance that are not historical facts are "forward-looking" statements made within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict(s)," "will," "expect(s)," "estimate(s)," "project(s)," "positioned," "strategy," "outlook" and similar expressions. All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed in the statements. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are the following: uncertainties as to whether an agreement in respect of the proposed transaction will be negotiated and executed; uncertainties as to whether Reynolds will cooperate with BAT regarding the proposed transaction and whether Reynolds's Other Directors will endorse any transaction proposed by BAT; uncertainties as to whether the other conditions to the proposed transaction will be satisfied or satisfied on the anticipated schedule; the timing of the proposed transaction and whether the proposed transaction will be completed; failure to realize contemplated synergies and other benefits from the proposed transaction; incurrence of significant costs in connection with the proposed transactions; the effect of the announcement of the proposed transaction on the ability of Reynolds and BAT to retain customers, retain and hire key personnel, maintain relationships with suppliers and on their operating results and businesses generally; uncertainties as to the ability to maintain credit ratings; changes in general economic conditions, the tobacco industry, stock market trading conditions, foreign exchange rates, tax law requirements or government regulation; the impact of adverse governmental developments with respect to menthol in cigarettes; ability to develop, produce or market new alternative products profitably; ability to effectively implement strategic initiatives and actions taken to increase sales growth; uncertainties relating to the ability to enhance cash generation and pay dividends; adverse litigation and dispute outcomes; and changes in the market position, businesses, financial condition, results of operations or prospects of BAT and Reynolds. Additional information concerning these and other factors can be found in Reynolds's filings with the U.S. Securities and Exchange Commission ("**SEC**"), including Reynolds's most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and BAT's Annual Reports, which may be obtained free of charge from BAT's website www.BAT.com. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof and BAT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional information and where to find it

An agreement in respect of the proposed transaction described in this release has not yet been executed, and this release is neither a solicitation of a proxy nor a substitute for any proxy statement or other filings that may be made with the SEC should the proposed transaction go forward. Any solicitation will only be made through materials filed with the SEC. Nonetheless, this communication may be deemed to be solicitation material in respect of the transaction proposed by BAT.

Should the proposed transaction go forward, BAT expects to file relevant materials with the SEC, including a registration statement on Form F-4 that may include a proxy statement of Reynolds that also constitutes a prospectus of BAT. Investors and security holders are urged to read all relevant documents filed with the SEC (if and when they become available), including the proxy statement/prospectus, because they will contain important information about the proposed transaction. Investors and security holders will be able to obtain the documents (if and when available) free of charge at the SEC's website, <http://www.sec.gov>, or for free from BAT by using the contact details above. Such documents are not currently available.

Participants in solicitation

This release is neither a solicitation of a proxy nor a substitute for any proxy statement or other filings that may be made with the SEC should the proposed transaction go forward. Nonetheless, BAT and its affiliates and their directors and executive officers and certain employees may be deemed to be participants in the solicitation of proxies from the holders of Reynolds common stock with respect to the proposed transaction. Information about such parties and a description of their interests is set forth in BAT's 2015 Annual Report, which may be obtained free of charge from BAT's website www.bat.com and the proxy statement for Reynolds's 2016 Annual Meeting of Stockholders, which was filed with the SEC on March 23, 2016. To the extent holdings of Reynolds securities have changed since the amounts contained in the proxy statement for Reynolds's 2016 Annual Meeting of Stockholders, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. Additional information regarding the interest of such participants will also be included in the materials that BAT expects to file with the SEC should the proposed transaction go forward. These documents (if and when available) may be obtained free of charge from the SEC's website <http://www.sec.gov>, or from BAT using the contact information above.

Non-solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.