

**THIS LETTER IS IMPORTANT AND REQUIRES YOUR ATTENTION
– PLEASE READ IT CAREFULLY**

22 March 2017

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Dear Shareholder

British American Tobacco p.l.c. (the “Company”)

South Africa Branch Register: Increase in Dividend Withholding Tax by the South African Minister of Finance

Shareholders on the Company's branch register in South Africa are referred to the announcement by the South African Minister of Finance on 22 February 2017 that the dividend withholding tax rate has been increased from 15% to 20%. The Johannesburg Stock Exchange (JSE) confirmed on 24 February 2017 that the increase is effective for dividends declared with a payment date on or after 22 February 2017.

In its Preliminary Announcement for the year ended 31 December 2016 released on 23 February 2017, the Company announced that the Board had recommended a final dividend of 118.1p per ordinary share of 25p for the year ended 31 December 2016, resulting in an equivalent final dividend of 1,927.51010 SA cents per ordinary share for shareholders on the branch register in South Africa. If approved by shareholders at the Annual General Meeting to be held on 26 April 2017, the final dividend will be payable on 4 May 2017 to shareholders registered on either the UK main register or the South Africa branch register on 17 March 2017 (the record date).

With further reference to the Company's Preliminary Announcement for the year ended 31 December 2016 and the Company's later announcement on Dividends Tax released to the London Stock Exchange and the Johannesburg Stock Exchange on 24 February 2017, shareholders on the South Africa Branch register are advised to refer to the updated Dividends Tax Information paragraph set out below:

South Africa Branch Register: Dividends Tax Information

South Africa Dividends Tax (at a rate of 20%), equivalent to 385.50202 SA cents per ordinary share, will be withheld from the gross final dividend paid to shareholders on the South Africa branch register, unless a shareholder qualifies for an exemption. After Dividends Tax has been withheld, the net dividend will be 1542.00808 SA cents per ordinary share. The final dividend is regarded as a 'foreign dividend' for the purposes of the South Africa Dividends 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, Dividends Tax and the information provided above is of only direct application to shareholders on the South Africa branch register. Shareholders on the South Africa branch register should direct any questions regarding the application of Dividends Tax to Computershare Investor Services Proprietary Limited, contact details for which are given below:

Computershare Investor Services Proprietary Limited
PO Box 61051, Marshalltown 2107, South Africa
tel: 0861 100 634; +27 11 870 8216
email enquiries: web.queries@computershare.co.za

The salient dates and other information provided in respect of the dividend recommendation announced on 23 February 2017 and which is also published in the Annual Report 2016 remain unchanged.

Yours faithfully

Nicola Snook
Company Secretary