BASE PROSPECTUS

B.A.T. INTERNATIONAL FINANCE p.l.c.

(incorporated with limited liability in England and Wales)

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

(incorporated with limited liability in The Netherlands)

B.A.T. NETHERLANDS FINANCE B.V.

(incorporated with limited liability in The Netherlands)

£15,000,000,000 Euro Medium Term Note Programme

unconditionally and irrevocably guaranteed by

BRITISH AMERICAN TOBACCO p.l.c.

(incorporated with limited liability in England and Wales)

and each of the Issuers (except where it is the relevant Issuer)

On 6 July 1998, each of B.A.T. International Finance p.l.c. ("BATIF"), B.A.T Capital Corporation ("BATCAP") and B.A.T Finance B.V. ("BATFIN") entered into a Euro Medium Term Note Programme (the "Programme") for the issue of Euro Medium Term Notes (the "Notes"). On 16 April 2003, British American Tobacco Holdings (The Netherlands) B.V. ("BATHTN") acceded to the Programme as an issuer and, where relevant, a guarantor and BATFIN was removed as an issuer and a guarantor under the Programme. On 9 December 2011, BATCAP was removed as an issuer and a guarantor under the Programme. On 16 May 2014, B.A.T. Netherlands Finance B.V. ("BATNF") acceded to the Programme as an issuer and, where relevant, a guarantor. BATIF, BATHTN and BATNF are each, in their capacities as issuers under the Programme, an "Issuer" and together referred to as the "Issuers". This Base Prospectus supersedes any previous base prospectus, offering memorandum, programme memorandum, information memorandum or any amendments or supplements thereto. Any Notes issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions herein. This Base Prospectus does not affect any Notes already issued.

Prospective investors should be aware that any investment in Notes involves risks. See "Risk Factors" beginning on page 14.

Under the Programme, each of BATIF, BATHTN and BATNF may from time to time issue Notes in bearer form denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). If the applicable Final Terms state that Global Notes (each as defined herein) are to be issued in new global note ("NGN") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche (as defined herein) to a common safekeeper (the "Common Safekeeper") for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). Global notes which are not issued in NGN form ("Classic Global Notes" or "CGNs") and Certificates (as defined herein) will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "Common Depositary").

The payments of all amounts payable in respect of the Notes will be unconditionally and irrevocably guaranteed by British American Tobacco p.l.c. ("BAT") and each of BATIF, BATHTN and BATNF except where it is the relevant Issuer (the "Guarantors" and each a "Guarantor" and together with the Issuers, the "Obligors"). In certain circumstances, certain other companies may also become guarantors of Notes issued under the Programme.

Application has been made to the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (the "FSMA") (the "UK Listing Authority") for Notes issued under the Programme described in this Base Prospectus during the period of twelve months after the date hereof to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "Market"). References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Directive 2004/39/EC of the European Parliament and the Council on Markets in financial instruments ("MiFID").

The Programme has been rated A- by Fitch Ratings Ltd ("Fitch"), A3 by Moody's Investors Service Ltd ("Moody's") and A- by Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's"). Long term debt issued or guaranteed by BAT is rated A- by Fitch, A3 by Moody's and A- by Standard & Poor's. Short term debt issued or guaranteed by BAT is rated F2 by Fitch, P-2 by Moody's and A-2 by Standard & Poor's. Each of Fitch, Moody's and Standard & Poor's is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the "CRA Regulation"). Tranches of Notes to be issued under the Programme will either be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms.

Arranger

Deutsche Bank

Dealers

Barclays
BNP PARIBAS
Citigroup
Commerzbank
HSBC
Deutsche Bank
Lloyds Bank
J.P. Morgan
Santander Global Banking & Markets
Société Générale Corporate & Investment Banking
SMBC Nikko
The Royal Bank of Scotland

The date of this Base Prospectus is 18 May 2015

Each of BAT, BATIF, BATHTN and BATNF accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge and belief of BAT, BATIF, BATHTN and BATNF, each of the foregoing declares (each having taken all reasonable care to ensure that such is the case) that the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference as described in "Documents Incorporated by Reference" below. This Base Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Base Prospectus.

The Obligors have confirmed to the dealers (the "Dealers") named under "Subscription and Sale" below that this Base Prospectus is true and accurate in all material respects and not misleading in any material respect; that the opinions and intentions expressed therein are honestly held; that there are no other facts in relation to the information contained or incorporated by reference in this Base Prospectus the omission of which would, in the context of the issue of the Notes, make any statement therein or opinions or intentions expressed therein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing provided, however, that the confirmation expressed in this sentence does not extend to the information set out under "Subscription and Sale" below.

Notice of the aggregate nominal amount of the Notes, interest (if any) payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained in this Base Prospectus which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in a final terms document (the "Final Terms") which will be delivered to the UK Listing Authority and the London Stock Exchange and will be available on the website of the Regulatory News Service operated by the London Stock Exchange.

This Base Prospectus, together with supplements to this Base Prospectus from time to time (each a "Supplement" and together, the "Supplements"), comprises a base prospectus for the purpose of Article 5(4) of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended, including by Directive 2010/73/EU and includes any relevant implementing measure in the relevant Member State of the European Economic Area (the "Prospectus Directive") for the purpose of giving information with regards to the Issuers and the Guarantors which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuers and the Guarantors and of the rights attaching to the Notes. In relation to each separate issue of Notes, the final offer price and the amount of such Notes will be determined by the relevant Issuer and Guarantors and the relevant Dealer(s) in accordance with prevailing market conditions at the time of the issue of the Notes and will be set out in the relevant Final Terms.

No person has been authorised by the Obligors, any Dealer or The Law Debenture Trust Corporation p.l.c. (the "Trustee") to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any information supplied by the Obligors or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Obligors or the Trustee or any Dealer.

No representation or warranty is made or implied by the Dealers or the Trustee or any of their respective affiliates, and neither the Dealers, the Trustee nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Save as required by the rules of the UK Listing Authority, neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Notes shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been

most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuers or Guarantors since the date hereof or, as the case may be, the date upon which this Base Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are incorporated into this Base Prospectus by reference or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Obligors and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale" below. In particular, no action has been taken by the Obligors, the Dealers or the Trustee which would permit a public offering of any Notes outside the United Kingdom or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. In addition, Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

The Notes are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons (as defined below), except in certain transactions permitted by US Treasury Regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder.

Neither this Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Obligors, the Dealers, the Trustee or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Obligors.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed £15,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into Sterling at a rate to be determined either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, calculated in accordance with the provisions of the Programme Agreement). The maximum aggregate principal amount of Notes in respect of each Issuer which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement as defined under "Subscription and Sale" below.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities and each potential investor should consult its legal advisers or the appropriate regulators.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, ONE OR MORE RELEVANT DEALERS (THE "STABILISATION MANAGER(S)") (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OF THE SERIES OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) WILL UNDERTAKE SUCH STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In this Base Prospectus, unless otherwise specified, references to: a "Member State" are references to a Member State of the European Economic Area; "EUR", "€", "euro" or "Euro" refer to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time; "Japanese Yen", "Yen" or "¥" refer to the lawful currency of Japan; "Sterling" or "£" refer to the lawful currency of the United Kingdom; "U.S.$" or "US dollars" are to be lawful currency of the United States of America; "CAD$" refer to the lawful currency of Canada; "BRL" refer to the lawful currency of Brazil; and "ZAR" refer to the lawful currency of South Africa.

FORWARD-LOOKING STATEMENTS

This Base Prospectus may contain forward-looking statements. BAT and its subsidiaries (together, the "Group") may also make written or oral forward-looking statements in their audited annual financial statements, in their interim financial statements, in their offering circulars, in press releases and other written materials and in oral statements made by their officers, directors or employees to third parties. Statements that are not historical facts, including statements about BAT's and/or the Group's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections and such statements reflect BAT and/or the Group's judgement at the date of this document and are not intended to give any assurances as to future results. Forward-looking statements speak only as of the date they are made, and, save as required by the rules of the UK Listing Authority, BAT and the Group undertake no obligation to update publicly any of them in light of new information or future events. The Issuers and the Guarantor will comply with their obligations to publish updated information as required by law or by any regulatory authority but assume no further obligation to publish additional information.

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DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with:

1. the published consolidated audited annual financial information as at and for the year ended 31 December 2013, together with the audit report thereon, for BATIF contained on pages 5 to 36 of the BATIF 2013 Annual Report;

2. the published consolidated audited annual financial information as at and for the year ended 31 December 2014, together with the audit report thereon, for BATIF contained on pages 5 to 36 of the BATIF 2014 Annual Report;

3. the published non-consolidated audited annual financial information as at and for the year ended 31 December 2013, together with the audit report thereon, for BATHTN contained on pages 5 to 24 of the BATHTN Annual Report and Financial Statements for the Year Ended 31 December 2013;

4. the published non-consolidated audited annual financial information as at and for the year ended 31 December 2014, together with the audit report thereon, for BATHTN contained on pages 6 to 25 of the BATHTN Annual Report and Financial Statements for the Year Ended 31 December 2014;

5. the published non-consolidated audited annual financial information for the period from 23 April 2014 to and as at 31 December 2014, together with the audit report thereon, for BATNF contained on pages 6 to 24 of the BATNF Annual Report and Financial Statements for the Year Ended 31 December 2014;

6. the published consolidated audited annual financial information as at and for the year ended 31 December 2013, together with the audit report thereon, for BAT contained on pages 113 to 199 of the BAT Annual Report 2013;

7. the published consolidated audited annual financial information as at and for the year ended 31 December 2014, together with the audit report thereon, for BAT contained on pages 116 to 206 of the BAT Annual Report 2014;

8. the section entitled “Terms and Conditions” on pages 52 to 79 of the Prospectus dated 9 December 2011 relating to the Programme;

9. the section entitled “Terms and Conditions” on pages 48 to 72 of the Prospectus dated 11 December 2012 relating to the Programme;

10. the section entitled “Terms and Conditions” on pages 49 to 73 of the Prospectus dated 12 December 2013 relating to the Programme; and

11. the section entitled “Terms and Conditions” on pages 50 to 74 of the Prospectus dated 16 May 2014 relating to the Programme,

each of which have been previously published or are published simultaneously with this Base Prospectus and which have been approved by the Financial Conduct Authority or filed with it. Such information shall be incorporated in, and form part of, this Base Prospectus save that any statement contained in this Base Prospectus or in any information incorporated by reference in, and forming part of, this Base Prospectus shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any information subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement (whether expressly, by implication or otherwise). For the avoidance of doubt, information, documents or statements to be incorporated by reference into, or expressed to form part of, the information referred to in (1) to (6) above do not form part of this Base Prospectus.

Any non-incorporated parts of a document referred to above do not form part of this Base Prospectus as they are either not relevant for investors or are covered elsewhere in this Base Prospectus.

Each Obligor will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents containing the information deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the relevant Issuer and Guarantor at its office set out at the end of this Base Prospectus. In addition, such documents will be available from the principal office in England of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and BAT at Globe House, 4 Temple Place, London WC2R 2PG and on the Regulatory News Service of the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html for Notes (including Final Terms) admitted to the Official List of the UK Listing Authority and to trading on the Regulated Market of the London Stock Exchange.

In relation to any issue of Notes, the applicable Final Terms should be read in conjunction with this Base Prospectus.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, each Issuer may from time to time issue Notes denominated in any currency and having a minimum maturity of one month, subject as set out in this Base Prospectus. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as completed by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under "Form of the Notes" below. This Base Prospectus and any supplement will only be valid for admitting Notes to the Official List during the period of 12 months from the date hereof in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed £15,000,000,000 or its equivalent in other currencies. For the purpose of calculating the Sterling equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

1. the Sterling equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Notes, described under "Form of the Notes" below) shall be determined, at the discretion of the relevant Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the Sterling against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the relevant Issuer on the relevant day of calculation; and

2. the Sterling equivalent of Zero Coupon Notes (as specified in the applicable Final Terms in relation to the relevant Notes, described under "Form of the Notes" below) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer for the relevant issue.

As used herein "Specified Currency" means, in relation to an issue of Notes, the currency stated as such in the applicable Final Terms.

DESCRIPTION OF THE PROGRAMME

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this document and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this description.

Issuers	B.A.T. International Finance p.l.c. ("BATIF").
	British American Tobacco Holdings (The Netherlands) B.V. ("BATHTN").
	B.A.T. Netherlands Finance B.V. ("BATNF").
Guarantors	British American Tobacco p.l.c. ("BAT").
	BATIF (except where it is the Issuer).
	BATHTN (except where it is the Issuer).
	BATNF (except where it is the Issuer).
	In certain circumstances (as described on page 60), certain other companies may also become guarantors of Notes issued under the Programme.
Description	Euro Medium Term Note Programme.
Arranger	Deutsche Bank AG, London Branch.
Dealers	Banco Santander, S.A.
	Barclays Bank PLC.
	BNP Paribas.
	Citigroup Global Markets Limited.
	Commerzbank Aktiengesellschaft.
	Deutsche Bank AG, London Branch.
	HSBC Bank plc.
	J.P. Morgan Securities plc.
	Lloyds Bank plc.
	SMBC Nikko Capital Markets Limited.
	Société Générale.
	The Royal Bank of Scotland plc.
	and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Subscription and Sale").
Issuing and Principal Paying Agent	Citibank, N.A., London Branch.
Paying Agent	Banque Internationale à Luxembourg, *société anonyme*.

Trustee	The Law Debenture Trust Corporation p.l.c.
Programme Size	Up to £15,000,000,000 (or its equivalent in other currencies calculated as described under "General Description of the Programme") outstanding at any time. The Obligors may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer(s).
Maturities	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer, the relevant Guarantors or the relevant Specified Currency.
Issue Price	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer, the Guarantors and the relevant Dealer(s) at the time of issue in accordance with the prevailing market conditions.
Form of Notes	The Notes will be in bearer form and will on issue be represented by a Temporary Global Note. Each Temporary Global Note will be exchangeable for either (i) interests in a Permanent Global Note or (ii) definitive Notes, as indicated in the applicable Final Terms. Each Permanent Global Note will be exchangeable for definitive Notes upon either (a) in certain circumstances, not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event, all as described under "Form of the Notes".
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer(s) and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer(s).
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, in each case as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date

of the first Tranche of the Notes of the relevant Series; or

(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.

The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer(s) for each Series of Floating Rate Notes. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer(s).

Zero Coupon Notes

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving not more than 30 nor less than 15 days' notice (or such other notice period as specified in the applicable Final Terms) to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer(s).

Notes issued on terms that they must be redeemed before their first anniversary may be subject to restrictions on their denomination and distribution. See "Certain Restrictions" above and "Denominations of Notes" below.

Denomination of Notes

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area ("EEA") or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or the equivalent of such amounts in another currency as at the date of issue of the Notes).

In addition, unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are received by the Issuer in the United Kingdom and which have a maturity of less than one year will (A) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to (1) persons whose

	ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or (2) persons who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (B) be issued in other circumstances which do not constitute a contravention of Section 19 of the FSMA by the Issuer.
Taxation	All payments of principal and interest in respect of the Notes issued by BATIF will be made without withholding or deduction for or on account of taxes of the United Kingdom, unless such withholding is required by law. In the event that any such withholding or deduction is made, BATIF or, as the case may be, the relevant Guarantor will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so withheld or deducted. All payments of principal and interest in respect of the Notes issued by BATHTN or BATNF, as the case may be, will be made without withholding or deduction for or on account of taxes of the Netherlands, unless such withholding or deduction is required by law. In the event that such withholding or deduction is made, BATHTN or BATNF, as the case may be, or, as the case may be, the relevant Guarantor, will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so withheld or deducted.
Negative Pledge	The terms of the Notes will contain a negative pledge provision as further described in Condition 3.
Cross Default	The terms of the Notes will contain a cross default provision as further described in Condition 9.
Status of the Notes	The Notes will constitute direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the relevant Issuer and will rank *pari passu* and without any preference among themselves and (subject as aforesaid and save to the extent that laws affecting creditors' rights generally in a bankruptcy or winding up may give preference to any of such other obligations) equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer from time to time outstanding.
Guarantee	The Notes will be unconditionally and irrevocably and jointly and severally guaranteed by the Guarantors. The obligations of each Guarantor under such guarantee will be direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of such Guarantor and (subject as aforesaid and save to the extent that laws affecting creditors' rights generally in a bankruptcy or winding up may give preference to any of such other obligations) will rank equally

	with all other unsecured and unsubordinated obligations of such Guarantor from time to time outstanding.
Rating	The Programme has been rated A- by Fitch, A3 by Moody's and A- by Standard & Poor's. Each of Fitch, Moody's and Standard & Poor's is established in the European Union and registered under the CRA Regulation. Tranches of Notes to be issued under the Programme will either be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms.
Listing	Application has been made for Notes issued under the Programme to be admitted to the Official List of the UK Listing Authority and for such Notes to be admitted to trading on the Regulated Market. The applicable Final Terms will state on which stock exchange(s) the relevant Notes are to be listed.
Governing Law	The Notes, and any non-contractual matters arising out of or in connection with them, will be governed by, and construed in accordance with, English law.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, France and The Netherlands), Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes - see *"*Subscription and Sale*"* below.
United States Selling Restrictions	Regulation S, Category 2; TEFRA C or TEFRA D, as specified in the applicable Final Terms.

RISK FACTORS

The following factors may affect the ability of the Issuers and the Guarantors to fulfil their obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Issuers nor the Guarantors are in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which could be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Obligors believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme and any prospective purchasers of the Notes should note that, should any of the circumstances discussed in this risk factors section arise, they may lose the value of their entire investment. Prospective purchasers of the Notes offered under the Programme should note that the inability of the Issuers and Guarantors to pay interest, principal or other amounts on or in connection with any Notes may occur for reasons other than those stated below and neither the Issuers nor the Guarantors represent that such statements below regarding the risks of holding any Notes are exhaustive. Prospective purchasers of Notes should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decisions.

Factors that may affect the Issuers' ability to fulfil its obligations under Notes issued under the Programme and the Guarantors' ability to fulfil their obligations under the guarantees.

Significant increases in tobacco-related taxes have been proposed or enacted and are likely to continue to be proposed or enacted in numerous jurisdictions. These tax increases may result in a decline in overall sales volume for the Group's products or may alter the Group's sales mix in favour of value-for-money brands

Tobacco products are subject to high levels of taxation, including excise taxes, sales taxes and import duties in most markets in which the Group operates. In many of these markets, taxes are generally increasing but the rate of increase varies between markets and between different types of tobacco products. Significant or unexpected increases in tobacco taxes, the introduction of laws establishing minimum retail selling prices, changes in relative tax rates for different tobacco products or adjustments to excise structures, may result in a decline in overall sales volume for the Group's products or alter its sales mix in favour of value-for-money brands and may adversely impact working capital and lead to loss of profit. Increases in tobacco-related taxes or changes to excise structures can limit the Group's ability to increase the prices on tobacco products or could necessitate absorption of tax increases. Additionally, tax increases can also lead to portfolio erosion and growth in illicit trade.

Competition from illicit sources may have an adverse effect on the Group's overall sales volume, restricting the ability to increase selling prices and damaging brand equity

Illicit trade and tobacco trafficking in the form of counterfeit products, smuggled genuine products, and locally manufactured products on which applicable taxes are evaded, represent a significant and growing threat to the legitimate tobacco industry. Factors such as increasing tax regimes, regulatory restrictions, compliance requirements and economic downturn are encouraging more consumers to switch to illegal cheaper tobacco products and providing greater rewards for smugglers. Illicit trade can have an adverse effect on the Group's overall sales volume, restrict the ability to increase selling prices, damage brand equity and may lead to commoditisation of the Group's products.

The Group's business faces increasing tobacco-control and regulation which may have an impact on the Group's overall sales volume and profit

Regulation, often introduced without the industry's input, combined with a generally diminishing social acceptance of smoking, has in certain markets been associated with reduced legal industry volumes and increased illicit trade. In addition, further tobacco-control regulation is inevitable over the medium term in most of the Group's markets, and is driven by guidelines and protocols derived from the World Health Organization's Framework Convention on Tobacco Control ("FCTC"), and other tobacco-control activities undertaken outside the FCTC process (e.g. the European Union, the US Food and Drug Administration and domestic regulation). The FCTC is an international public health treaty that establishes a global agenda to regulate tobacco in an effort to reduce tobacco initiation and to encourage tobacco cessation. Over 170 governments worldwide have ratified the FCTC. The FCTC has led to increased efforts by tobacco-control advocates and public health organisations to reduce the supply and demand of tobacco products, and to encourage governments to further regulate the tobacco industry. Many of the measures outlined in the FCTC have been or are being implemented by means of national legislation in many markets in which the Group operates. Most regulation or potential regulatory initiatives can be categorised as follows:

- Place: regulations and restrictions on smoking in public and work places (e.g. smoking bans);
- Product: regulation on use of ingredients, product design and attributes (e.g. ceilings regarding tar, nicotine and carbon monoxide yields), as well as product disclosures (e.g. ingredients and emissions);
- Packaging and labelling: regulation on pictorial health warnings, rotating health warnings, use of descriptors, size of warnings and other government mandated messages, and plain packaging with all the attendant implications for the ability to fully utilise trademarks and other intellectual property rights;
- Promotion and advertising: regulation on communications to consumers regarding tobacco products;
- Purchase: regulation on the manner in which tobacco products are sold, such as type of outlet (e.g. supermarkets and vending machines) and how they are sold (e.g. above the counter versus beneath the counter); and
- Price: regulations which have implications on the prices which manufacturers can charge for their tobacco products (e.g. by excise or minimum prices).

These types of tobacco-control regulations can impact the Group's ability to compete, customers' ability to differentiate products and, in particular, may promote overall volumes of illicit tobacco products and may have an impact on the Group's overall sales volume and value, as well as increasing operational complexity and the Group's cost of doing business. The Group is further affected by the uncertain regulatory environment in respect of non-tobacco nicotine products, including the classification of products and restrictions on advertising.

Further, taking into account the significant number of regulations, including sanctions, that may apply to the Group's businesses across the world, it is possible that the Group may be subject to claims for breach of such regulations. Even when proven untrue, there are often financial costs and reputational impacts in defending against such claims, in particular, considering the speed and spread of any accusations through social media.

The Group's business faces significant tobacco-related and other litigation that could substantially reduce its profitability and could severely impair its liquidity

There are legal and regulatory proceedings related to tobacco products pending in 24 jurisdictions, including the United States and Canada. These proceedings comprise claims for personal injury (both individual claims and class actions); claims for economic loss arising from the treatment of smoking and

health-related diseases (such as medical recoupment claims brought by local governments); and challenges to tobacco regulation. There are also proceedings ongoing that are not directly related to tobacco products, including: an insolvency preference claim, a price fixing claim, a claim relating to a company acquisition and an indirect environmental pollution claim. These various proceedings could give rise to material liability.

In the United States, Brown & Williamson Holdings, Inc. (formerly Brown & Williamson Tobacco Corporation) ("B&W"), is a defendant in a number of product liability cases. In a number of cases, the amounts of compensatory and punitive damages sought may range into the millions and, in some cases, billions of dollars. Although the Group has the benefit of an indemnity from R.J. Reynolds Tobacco Company ("RJRT"), a subsidiary of Reynolds American Inc. ("Reynolds"), its associate company in which it holds an approximately 42 per cent. ownership interest through B&W, with respect to a broad range of US tobacco-related litigation concerning B&W, if RJRT is unable or unwilling under any particular circumstances to settle or honour the indemnity, the Group is at risk to the extent that the costs related to any liability cannot be recouped through the indemnity.

In Canada, claims for economic loss arising from the treatment of smoking and health-related diseases are being brought by provincial governments in ten provinces. Legislation in two of the three territories has received the Royal Assent but is still not in force. There are similar claims in five other jurisdictions: Nigeria, South Korea, Argentina, Brazil and the United States. In Nigeria there are six actions. In addition to the medical cost recoupment actions, there are also 11 class actions in Canada spread over seven provinces.

Regulations have been adopted in Brazil and Canada prohibiting the use of almost all additives in the manufacture of tobacco products. The Canadian ingredients ban became effective on 5 July 2012. The ingredients ban in Brazil was due to come into effect on 16 September 2013. However, both the federal Supreme Court and the federal court have issued injunctions suspending the effect of the regulations pending an appeal by a Brazilian tobacco industry union. In parallel, on 27 August 2013, the Brazilian health agency published a "normative instruction" authorising the use of 121 ingredients (excluding menthol) for a period of 12 months. On 18 November 2013, a favourable ruling was returned at first instance in one set of proceedings (which is under appeal). Further proceedings and a constitutional challenge are still underway.

In Australia, the Tobacco Plain Packaging Act 2011 has now been adopted, and implementation regulations have been issued. Plain packaging measures have therefore been required in Australia as of 1 December 2012. There are, however, challenges to these regulations being brought before the World Trade Organisation by Ukraine, Honduras, the Dominican Republic, Cuba and Indonesia. Similar plain packaging measures have been enacted by Ireland and the UK, but will not take effect before May 2016.

In the European Union, the new Tobacco Products Directive (2014/40/EU) has been adopted, and EU Member States have been given until May 2016 to transpose its requirements into national law. Among other things, the Directive will ban the sale of flavoured tobacco products. Menthol-flavoured cigarettes will be exempted from the ban until May 2020. BAT and a number of other parties have challenged the validity of the Directive. Those challenges are currently pending before the Court of Justice of the European Union.

The FCTC encourages litigation against tobacco product manufacturers, and, accordingly, the Group anticipates that new legal claims may arise in the ordinary course of business. Certain rulings in respect of existing cases, if considered favourable to plaintiffs, may give rise to further litigation by others. The Group is increasingly involved in bringing regulatory challenges in response to the introduction of tobacco control measures which the Group believes to be unreasonable. Again, the adoption of such measures is, in part, being driven by the World Health Organization and the elaboration of guidelines for the implementation of the FCTC. Therefore, the Group's consolidated results of operations, cash flows and financial position could be materially affected in a particular fiscal quarter or fiscal year by an unfavourable outcome of certain pending or future litigation, including through exposure to substantial liabilities as a result of such outcomes. This, in turn, could materially increase the Group's costs, including costs associated with bringing

proceedings and defending such claims, which includes exposure to adverse costs orders. Any negative publicity resulting from these claims may adversely affect the Group's reputation.

The Group is exposed to funding and liquidity, foreign exchange rate, interest rate, and counterparty risks

Funding and liquidity risks expose the Group to shortages of cash and cash equivalents needed in its operations and for refinancing its existing debt. The Group cannot be certain that it will have access to bank finance or to the debt and equity capital markets at all times. Some markets in which the Group operates are subject to currency controls and other limitations on currency convertibility which can affect the ability to pay for imports as well as impede dividend remittances and similar payments, and access to cash balances. Failure to achieve access to funding and foreign exchange may have an adverse effect on its funding and liquidity position, its credit ratings or its ability to finance acquisitions.

The Group is exposed to changes in currency rates on the translation of the net assets of overseas subsidiaries into its reporting currency, the pound sterling. The Group is also exposed to currency changes from the translation of profits earned in overseas subsidiaries; these exposures are not normally hedged. Exposures also arise from the foreign currency denominated trading transactions undertaken by subsidiaries and dividend flows. The Group maintains both floating and fixed rate debt. Where appropriate, the Group also uses derivatives, primarily interest rate swaps, to vary the fixed to floating mix. Changes in currency values and interest rates could have an adverse impact on the Group's financial condition or operations.

Cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties. The failure of any counterparty to meet its payment obligations or performance undertakings to the Group or the deterioration in the financial condition of one or more trading partners could have an adverse effect on the Group's financial condition or operations. In addition, the failure of a transactional banking counterparty could cause disruption to the Group's operations.

The Group is exposed to risks inherent in operating in a global market

The Group operates in over 200 markets. The Group's results of operations and financial condition are influenced by the economic, regulatory and political situations in the markets and regions in which it has operations, which are often unpredictable and outside its control. Some markets in which the Group operates face the threat of increasing civil unrest and can be subject to frequent changes in regime. In others, terrorism, conflict, the threat of war or criminal activity may have a significant impact on the business environment. Some markets maintain trade barriers or adopt policies that favour domestic producers, preventing or restricting the Group's sales. Political, social, legal, economic, trade or other developments, sanctions, as well as theft and fraud, may have an adverse impact on the Group's investments and businesses or on its consolidated results of operations. National and international sanction regimes may affect jurisdictions where the Group operates or third parties with whom the Group may have commercial relationships and could lead to supply and payment chain disruptions.

The Group's results are also impacted by factors such as the prevailing economic climate, governmental austerity measures, levels of employment, inflation, governmental action to increase minimum wages, employment costs, interest rates, increase in raw material costs, consumer confidence and consumer perception of economic conditions, and any change to such factors in any of the markets in which it operates could affect consumer behaviour and have an impact on the Group's revenue, margins and cash flow.

The Group's business may be significantly impacted by constantly changing tax laws and tax rates from around the world

The Group operates in over 200 markets and pays tax in accordance with the tax legislation of those markets. Tax laws and tax rates around the world frequently change and these changes may have a

significant impact on the taxes the Group must pay and may have an impact on its net profits, which could be material. Further, taking into account the frequent changes to tax regulations, it is possible that the Group may be subject to claims for breach of such regulations, including for late or incorrect filings or for misinterpretation of rules. The Group could be subject to significant financial penalties, including payment of interest, in the event of an unfavourable ruling by a tax authority in a disputed area.

The Group may be faced with potentially onerous liabilities in the event that it breaches environmental, health and safety laws of the jurisdictions in which it operates

If the Group fails to manage properly the environmental risks and the operational, health and safety laws and regulations to which its business is subject, this could result in business disruption, additional and potentially significant remedial costs and damages, fines, sanctions or other legal consequences and could have a negative impact on the Group's reputation. In addition, changes to local regulations or of the legal environment in which the Group operates may result in additional costs which could adversely affect its operations and financial condition and the value of its assets.

The Group's licences to use certain brands and trademarks may be terminated or not renewed

Some of the brands and trademarks under which the Group's products are sold are licensed to it for a fixed period of time in respect of specified markets, such as the right to use the Camel, Winston and Salem brands and trademarks in various markets in Latin America. In the event that the licence to use any of such brands and trademarks is terminated or is not renewed after the end of the term of the relevant licence, the Group will no longer have the right to use, and to sell products under, such brand(s) and trademark(s) in the relevant markets and this could have an adverse effect on its business, results of operations and financial condition.

The Group is exposed to intellectual property rights infringements as a result of limitations in judicial protection and/or inadequate enforceability

The brand names under which the Group's products are sold are key assets of its business. Investments over a period of time have led to many of the Group's brands having significant brand equity and a global appeal to consumers, essential to delivering sustainable profit growth into the future. The protection and maintenance of the reputation of these brands is important to the Group's success. In some of the markets in which the Group operates the risk of intellectual property rights infringement remains high as a result of limitations in judicial protection and/or inadequate enforceability. Any substantial erosion in the value of the brands could have a material adverse effect on the Group's business, results of operations and financial condition. The Group's strategy or its execution may not maintain the value in any of its product brands. In addition, as third party rights are not always identifiable, it is possible that the Group may be subject to claims for infringement of third party intellectual property rights, which could result in interim injunctions, product recall and payment of damages.

The Group's market share and profitability may be adversely affected by competitive actions and pricing pressures in the marketplace

The Group operates in highly competitive businesses and geographical markets, which are experiencing industry consolidation. To maintain a competitive advantage the Group must anticipate and respond to new consumer trends through continuous innovation to ensure that brand offers remain consumer relevant. The Group also seeks to develop and market new products, packaging and technologies, including products which potentially have reduced risk such as non-tobacco nicotine products. The Group might be unsuccessful in developing or rolling out new generation products or other innovations which complement its product portfolio, or to extract value from such innovations and investments. Competitors' speed-to-market in branding changes, new product launches, or changes in product mix, as well as the potential failure by the Group to predict changes in consumer behaviour, to install sufficient manufacturing capacity to meet such new or increased demand or to take appropriate pricing decisions, could have an adverse effect on the Group's operations and results.

The Group's business is vulnerable to the effects of a tough trading environment

In tough competitive environments, where the price burden on consumers is high because of taxation, limited purchasing power or reduced affordability, the Group's ability to raise prices could be limited. In addition, the Group may be vulnerable to market size reduction, customer down-trading (including to fine cut), illicit trade and competitors aggressively taking market share through price repositioning, which generally has the impact of reducing the overall profit pool of the market and therefore its profits.

The Group may lose market share and profit due to the loss of production capacity or key suppliers, distribution interruption or commodity risk

There are some product categories in respect of which the Group does not have over-capacity or where substitution between different production plants is very difficult. The Group may lose market share and profit in the event of loss of or insufficient production capacity needed to supply its products or meet increased demand. The Group has an increasingly global approach to managing its supply chain, covering direct agronomy services support to leaf growers, direct and indirect procurement, tobacco products manufacturing and distribution, with the aim of reducing complexity and rationalising manufacturing sites and suppliers (where appropriate) to leverage economies of scale while maintaining quality standards. Supply chain rationalisation projects, including the factory footprint, require significant project management. Severe disruption to any aspect of the Group's supply chain or suppliers' operations or deterioration in the financial condition of a trading partner could have an adverse impact on its ability to produce and deliver products meeting customer demands. A continuing industry consolidation among distributors and suppliers could lead to reduced efficiency, higher costs and concentrated risk of supply chain interruptions. In certain markets, distribution of the Group's products is through channels managed by third parties, and is often licensed by governments. In these instances, the Group's sales volume may be adversely affected by the loss of such distributions.

Further, raw materials and other inputs, such as leaf, wood pulp and energy, used in the Group's businesses are commodities that are subject to price volatility caused by factors including weather conditions, growing conditions, climate change, local planting decisions, market fluctuations and changes in agricultural regulations. The Group's access to raw materials may be adversely affected by a significant event occurring in one or more major leaf growing areas. Climatic instability may have a negative impact on the business, which may include decreased quantity and/or quality of leaf, increased prices, reallocation of growing areas and factories or supply-chain disruptions. Commodity price changes beyond the Group's control may result in unexpected increases in raw materials and packaging costs for its products. The Group may not be able to increase its prices to offset these increased costs without suffering reduced sales volume and income.

The Group has operations in geographic areas where full insurance coverage against damage resulting from natural disasters may not be obtainable or coverage may be subject to other limitations. The Group may be unable to recover any damages covered by its insurance or obtain certain types of insurance in the future.

Contamination of the Group's products could adversely impact sales volume, market share and profitability

The Group's market position may be affected through the contamination of its products, either by accident or deliberately with malicious intent during the manufacturing process or supply chain. In these instances, significant costs may be incurred in recalling products from the market. In addition, consumers may lose confidence in the specific brand affected by the contamination, resulting in a loss of sales volume which may take a long time to recover, or the Group could be subject to legal action. During this time the Group's competitors may increase substantially their market share which would subsequently be difficult and costly to regain.

Failure to successfully design, implement and sustain an integrated operating model or to deliver costs savings may reduce profitability

The Group aims to improve profitability and productivity through supply chain improvements and the implementation of a new global operating model, including standardisation of processes and shared back-office services. The failure to successfully design, implement and sustain the integrated operating model and organisational structure could lead to unrealised benefits, increased costs, disruption to operations, decreased trading performance and reduced market share, which in turn could further reduce profitability and funds available for investment in long-term growth opportunities.

The Group may be exposed to reduced trading performance in key markets

A substantial majority of the Group's profit from operations is based on its operations in 13 markets. The Group's reported profits may be adversely affected by a significant downturn in one or more of these larger markets.

The Group may be adversely affected by its leading market position in certain markets

The Group has leading market shares, or is one of a small number of tobacco companies, in certain markets in which it operates. As a result, the Group may be subject to investigation for alleged abuse of its position in markets in which it has significant market shares or for alleged collusion with other market participants, which could result in adverse regulatory action by the authorities, including monetary fines and negative publicity.

The Group may not be able to expand its portfolio through successful mergers, acquisitions or joint ventures and may become liable for claims arising prior to such transactions

The Group's growth strategy includes a combination of organic growth as well as mergers, acquisitions and joint ventures. The Group may not be able to expand its business through successful mergers, acquisitions and joint ventures, to correctly value strategic opportunities or to successfully integrate the businesses that it acquires or establishes, or obtain the appropriate regulatory approvals for such acquisitions or joint ventures. The integration of businesses involves risks, including the risk that the integration may divert the Group's focus and resources from its goals and the risk that the integration may take longer and be more expensive than expected. Any of the foregoing risks could result in increased costs, decreased revenues or a loss of opportunities and have a material adverse effect on its business, results of operations and financial condition.

In addition, the Group may become liable for claims arising in respect of conduct prior to the merger or acquisition of the businesses in the event that it is deemed to be a successor to the liabilities of the acquired company. An adverse judgment against the Group may adversely affect its business.

The Group may be unsuccessful in its attempts to develop and commercialise consumer-appealing next-generation products

The Group devotes considerable resources into the research and development of a new generation of nicotine and non-combustible products, some of which may have the potential to reduce the risks of tobacco-related disease. Given the challenges in achieving consumer, regulatory and scientific acceptance of these products, there is a risk that these investments may incur significant costs without achieving financial success. If the Group does not succeed, but its competitors do, the Group may be at a competitive disadvantage. Furthermore, the regulatory environment of e-cigarettes, non-combustible products and other non-tobacco nicotine products, including classification of products and excise, is still developing and it cannot be predicted whether regulations will permit the marketing of next-generation products. Categorisation as medicines, for example, and restrictions on advertising could stifle innovation, increase complexity and significantly undermine the commercial viability of these products. The occurrence of any of the above described risks could have an adverse effect on the Group's business, financial condition and results of operations.

The Group may be unsuccessful in launching innovative products that offer consumers meaningful value added differentiation

The Group focuses its research and development activities on both creating new products and processes and maintaining and improving the quality of its existing products. In a competitive market, the Group believes that innovation is key to growth of its combustible portfolio. The Group considers that one of its key challenges in the medium and long-term is to provide consumers with high-quality products that take into account their changing preferences and expectations. The inability to develop and roll-out innovations or consumer relevant combustible products, including any failure to predict changes in consumer and societal behaviour and expectations, fill gaps in the product portfolio, as well as poor quality or the Group's inability to timely develop and bring products to market could lead to missed opportunities, under or over-supply, loss of competitive advantage, unrecoverable costs and/or the erosion of the Group's consumer base. Moreover, additional product regulation could further reduce the ability to innovate, as well as differentiate tobacco products as a result of increased restrictions on ingredients and design. The occurrence of any of the above described risks could have an adverse effect on the Group's business, financial condition and results of operations.

Loss of key personnel could have a negative impact on the Group's operations

The Group relies on a number of highly experienced employees with detailed knowledge of tobacco and other business-related issues. Unanticipated losses of key employees or the inability to identify, attract and retain qualified personnel in the future could adversely affect the Group's business operations.

Reliance on information technology means that a significant disruption could affect the Group's communications and operations

The Group increasingly relies on information technology systems for its internal communications, controls, reporting and relations with customers and suppliers. A significant disruption due to computer viruses, malicious intrusions, the failure of a key supplier of IT services or software for financial or technical reasons, the lack of infrastructure or application resilience, insufficient disaster recovery service levels, the setting up of shared services centres or the installation of new systems could affect the Group's communications and operations. Any data, including confidential information stored or transported by IT systems, could be corrupted, lost or disclosed, causing reputational, competitive or operational damage or legal liability. Restoring or recreating such information could be costly, difficult or even impossible.

The Group has net liabilities under its retirement benefit schemes which may increase in the future due to a number of factors

The Group operates approximately 170 retirement benefit arrangements worldwide. These arrangements have been developed in accordance with local practices in the markets concerned. The majority of the Group's scheme members belong to defined benefit schemes, most of which are funded externally, although it operates an increasing number of defined contribution schemes. The contributions to the Group's defined benefit schemes and their valuations are determined in accordance with the advice of independent, professionally qualified actuaries. Changes in asset returns, salary increases, inflation, long-term interest rates and other actuarial assumptions could have an adverse impact on the Group's financial condition and operations, hence adversely affect the Group's credit rating and its ability to raise funds.

The Group may be adversely affected by the performance of the Group's associates

Although the Group owns an approximately 42 per cent. interest in Reynolds, its associate company in the United States and the parent of RJRT, and an approximately 30 per cent. interest in ITC Limited ("ITC"), its associate company in India, the Group does not have control over either of these associates. The Group's ownership interest in Reynolds and ITC means it may be affected by their businesses and respective financial performances, as they are subject to tobacco-related industry and business risk factors similar to those the Group faces.

The Group's business may be negatively affected by the eurozone debt crisis

The Group's businesses and performance are influenced by local and global economic conditions and perceptions of those conditions and future economic prospects. In recent years, the global markets and economic conditions have been negatively impacted by market perceptions regarding the ability of certain EU Member States to service their sovereign debt obligations, together with the risk of contagion to other, more stable, countries. The large sovereign debts and/or fiscal deficits of a number of European countries and the United States have raised concerns regarding the financial condition of financial institutions, insurers and other corporates (i) located in these countries; (ii) that have direct or indirect exposure to these countries; and/or (iii) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions, as well as the breakup of or exits from the European Union and/or eurozone, could cause severe stress in the financial system generally and on the euro as a currency, could disrupt the banking system generally and adversely affect the markets in which the Group operates and the businesses and economic condition and prospects of the Group's counterparties, customers, suppliers or creditors, directly or indirectly, in ways which are difficult to predict. In addition, these risks, alone or in combination with regulatory changes, including devaluation of local currencies and increased inflation, or actions of market participants, may increase the Group's exposure to foreign exchange rate risks and cause a loss of competitiveness from increased production cost and lower revenue, increased customer down trading, significant write-downs of stock and a growth in illicit trade.

Factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme

BAT and BATHTN are holding companies

Each of BAT and BATHTN is a holding company dependent on its subsidiaries and associates for dividends and other payments to service the guarantee and the Notes respectively, and the other Obligors are special finance subsidiaries without operating company subsidiaries and are dependent on payments from other Group members to service their obligations.

BAT and the other Obligors do not directly conduct business operations. Consequently, the Obligors are dependent on dividend and other payments from Group members to make payments on the Notes or the Guarantees. Holders of the Notes will not have any direct claim on the cash flow or assets of any operating subsidiaries or BAT's associated companies. The operating subsidiaries in the Group and associated companies will have no obligation, contingent or otherwise, to pay amounts due under the Notes or the Guarantees, or make funds available to BAT or the other Obligors for those payments.

The ability of subsidiaries or associates to make dividends or other payments will depend on their cash flows and earnings which, in turn, will be affected by all of the factors discussed herein. In addition, under the corporate law of many jurisdictions, including the United Kingdom, the ability of some subsidiaries and associates to pay dividends is limited to the amount of distributable reserves of such companies.

The Notes are unsecured obligations of each Issuer and rank behind secured obligations on insolvency

Holders of secured obligations of each Issuer will have claims that are prior to the claims of holders of the Notes to the extent of the value of the assets securing those other obligations. The Notes are effectively subordinated to secured indebtedness to the extent of the value of the assets securing those other obligations. In the event of any distribution of assets or payment in any foreclosure, dissolution, winding-up, liquidation, reorganisation, or other bankruptcy proceeding, the assets securing the claims of secured creditors will be available to satisfy the claims of those creditors, if any, before they are available to unsecured creditors, including the holders of the Notes. In any of the foregoing events, there is no

assurance to holders of the Notes that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of Notes may receive less, rateably, than holders of any secured obligations.

The trading market for debt securities may be volatile and may be adversely impacted by many events

The market for debt securities is influenced by the economic and market conditions, interest rates, currency exchange rates and inflation rates in Europe and other industrialised countries and areas. There can be no assurance that events in Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect.

An active trading market for the Notes may not develop

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained or remain liquid. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies, or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. If additional and competing products are introduced in the markets, this may adversely affect the value of the Notes.

The Notes may be redeemed prior to maturity

In the event that an Issuer would be required to pay additional amounts in respect of any Notes due to any withholding as provided in Condition 7 of the Terms and Conditions of the Notes, such Issuer may redeem all of the Notes then outstanding in accordance with the Terms and Conditions of the Notes.

The Final Terms for a particular issue of Notes may provide for early redemption at the option of the relevant Issuer. Such right of termination is often provided for Notes issued in periods of high interest rates. If the market interest rates decrease, the risk to holders that the relevant Issuer will exercise its right of termination increases. As a consequence, the yields received upon redemption may be lower than expected, and the redeemed face amount of the Notes may be lower than the purchase price for the Notes paid by the holder. As a result, the holder may not receive the total amount of the capital invested. In addition, investors that choose to reinvest monies they receive through an early redemption may be able to do so only in securities with a lower yield than the redeemed Notes.

A holder's actual yield on the Notes may be reduced from the stated yield by transaction costs

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for their own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, holders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), holders must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

A holder's effective yield on the Notes may be diminished by the tax impact on that holder of its investment in the Notes

Payments of interest on the Notes, or profits realised by the holder upon the sale or repayment of the Notes, may be subject to taxation in the holder's home jurisdiction or in other jurisdictions in which it is required to pay taxes. Certain general tax considerations which may be relevant to holders are summarised under the section entitled "Taxation" below. However, this summary does not constitute tax advice and is not intended to be exhaustive. Furthermore, the tax impact on an individual holder may differ from the situation described for holders generally.

Exchange rate risks and exchange controls

The relevant Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Change in value of Fixed Rate Notes

Investors in Fixed Rate Notes are exposed to the risk that subsequent changes in interest rates may adversely affect the value of the Notes.

Investors will not be able to calculate in advance their rate of return on Floating Rate Notes

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the Notes provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. In addition, an Issuer's ability to issue Fixed Rate Notes may affect the market value and secondary market (if any) of the Floating Rate Notes (and vice versa).

Zero coupon notes are subject to higher price fluctuations than non-discounted notes

Changes in market interest rates generally have a substantially stronger impact on the prices of zero coupon notes than on the prices of ordinary notes because the discounted issue prices are substantially below par. If market interest rates increase, zero coupon notes can suffer higher price losses than other notes having the same maturity and credit rating.

Foreign currency notes expose investors to foreign exchange risk as well as to issuer risk

As purchasers of foreign currency notes, investors are exposed to the risk of changing foreign exchange rates. This risk is in addition to any performance risk that relates to the Issuer or the type of Note being issued.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Group may incur substantially more debt in the future

The Group may incur substantial additional indebtedness in the future, including in connection with future acquisitions, some of which may be secured by some or all of its assets. The terms of the Notes will not limit the amount of indebtedness the Group may incur. Any such incurrence of additional indebtedness could exacerbate the related risks that the Group faces.

EU Directive on the Taxation of Savings Income

Under the European Union Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive") EU member states are required to provide to the tax authorities of other EU member states details of certain payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU member state, except that Austria will instead impose a withholding system for a transitional period in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during that period it elects otherwise.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted Directive 2014/48/EU (the "Amending Directive") amending the Savings Directive which would, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above, including by expanding the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and by expanding the circumstances in which payments must be reported (or paid subject to withholding) and the type of entity or legal arrangement which may be subject to information reporting or withholding requirements. EU member states have until 1 January 2016 to adopt national legislation necessary to comply with the Amending Directive which legislation must apply from 1 January 2017.

The European Commission has published a proposal for a Council Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime proposed to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it is adopted, EU member states will not be required to implement the Amending Directive.

Holders of the Notes who are individuals should note that should any payment in respect of the Notes be subject to withholding or deduction imposed and required to be made pursuant to the Savings Directive, or the Amending Directive or any other Directive implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, no Additional Amounts (as defined in Condition 7) would be payable by the relevant Issuer or Guarantor (as the case may be) pursuant to the provisions of Condition 7 of the Terms and Conditions. If the Amending Directive is implemented and takes effect in EU member states, such withholding may occur in a wider range of circumstances than at present, as explained above. Each Issuer is required however, pursuant to Condition 11, to maintain a Paying Agent in a Member State

of the European Union that does not impose an obligation to withhold or deduct tax pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Noteholders should be aware that tax may be required to be withheld pursuant to the Savings Directive on payments or receipts in respect of Notes by certain other persons, such as intermediaries and custodians established in EU member states which have opted for a withholding system. The Amending Directive referred to above will, when implemented, broaden the circumstances in which such withholding may be imposed.

Trading in the Clearing Systems

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination of €100,000 plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of such minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

BATIF

Incorporation and business

BATIF was incorporated as a private limited company under the laws of England and Wales on 10 July 1972 with registration number 1060930 and was re-registered as a public limited company on 8 September 1981. BATIF is domiciled in the United Kingdom. BATIF has an issued share capital of £231,000,000 represented by shares of £1 each.

In March 2015, BATIF issued €800,000,000 0.375 per cent. notes due 2019, €800,000,000 0.875 per cent. notes due 2023, €800,000,000 1.250 per cent. notes due 2027 and €600,000,000 2.000 per cent. notes due 2045 pursuant to the Programme.

Organisational structure

BATIF is a wholly-owned subsidiary of BAT and its principal function is to operate as a financing company for the Group.

BATIF has two subsidiaries, which are B.A.T Finance B.V. and BATIF Dollar Limited.

Administrative, management and supervisory bodies of BATIF

Directors

The following is a list of the Directors of BATIF:

Name	Function
R.R. Bakker	Director
R.J. Casey	Director
S.G. Dale	Director
T.L. Marroco	Director
J.B. Stevens	Director
N.A. Wadey	Director

None of the Directors listed above performs activities outside the Group which are significant with respect to the Group.

The business address of the Directors of BATIF is Globe House, 4 Temple Place, London WC2R 2PG.

Administrative, management and supervisory bodies' conflicts of interest

There are no potential conflicts of interest between any duties to BATIF of the Directors listed above and/or their private interests and other duties.

BATHTN

Incorporation and business

BATHTN was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of The Netherlands on 24 February 1992. It has its statutory seat (*statutaire zetel*) in Amstelveen and its registered office at Handelsweg 53A, 1181 ZA Amstelveen, The Netherlands. BATHTN is registered with the Trade Register (*Handelsregister*) of the Chamber of Commerce under number 33236251. BATHTN is domiciled in The Netherlands. BATHTN has an issued share capital of €112,501,800 represented by shares of €450 each.

Organisational structure

BATHTN is a wholly-owned indirect subsidiary of BAT and it is the investment holding company for the Dutch tobacco interests and a number of foreign tobacco interests of the Group.

Administrative, management and supervisory bodies of BATHTN

Directors

The following is a list of Directors of BATHTN:

Name	Function
J.E.P. Bollen	Director
D.P.I. Booth	Director
H.M.J. Lina	Director
J.C. Nooij	Director
N.A. Wadey	Director
M. Wiechers	Director

None of the Directors listed above performs activities outside the Group which are significant with respect to the Group.

Save for D.P.I. Booth and N.A. Wadey, each of whose business address is Globe House, 4 Temple Place, London WC2R 2PG, the business address of the Directors of BATHTN is Handelsweg 53A, 1181 ZA Amstelveen, The Netherlands.

Administrative, management and supervisory bodies' conflicts of interest

There are no potential conflicts of interest between any duties to BATHTN of the Directors listed above and/or their private interests and other duties.

BATNF

Incorporation and business

BATNF was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of The Netherlands on 23 April 2014. It has its statutory seat (*statutaire zetel*) in Amstelveen and its registered office at Handelsweg 53A, 1181 ZA Amstelveen, The Netherlands. BATNF is registered with the Trade Register (*Handelsregister*) of the Chamber of Commerce under number 60533536. BATNF is domiciled in The Netherlands. BATNF has an issued share capital of €18,000 represented by shares of €450 each.

Organisational structure

BATNF is a wholly-owned subsidiary of BATHTN and its principal function is to operate as a financing company for the Group.

Administrative, management and supervisory bodies of BATNF

Directors

The following is a list of Directors of BATNF:

Name	Function
J.E.P. Bollen	Director
D.P.I. Booth	Director
H.M.J. Lina	Director
J.C. Nooij	Director
N.A. Wadey	Director
M. Wiechers	Director

None of the Directors listed above performs activities outside the Group which are significant with respect to the Group.

Save for D.P.I. Booth and N.A. Wadey, each of whose business address is Globe House, 4 Temple Place, London WC2R 2PG, the business address of the Directors of BATNF is Handelsweg 53A, 1181 ZA Amstelveen, The Netherlands.

Administrative, management and supervisory bodies' conflicts of interest

There are no potential conflicts of interest between any duties to BATNF of the Directors listed above and/or their private interests and other duties.

BAT AND THE GROUP

History and development

BAT was incorporated on 23 July 1997 under the laws of England and Wales with registration number 03407696 as a public limited company. BAT was registered as an external company in the Republic of South Africa on 13 October 2008 with the registration number 2008/023963/10 and its representative office in South Africa is located at 34 Alexander Street, Stellenbosch 7600, South Africa (P.O. Box 631, Cape Town 8000, South Africa). BAT is domiciled in the United Kingdom. BAT is the parent holding company for the Group.

The financial information set out in the section below headed "British American Tobacco" has been extracted without material adjustment from the annual report and consolidated financial statements of BAT for the financial year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

British American Tobacco

The Group is a global tobacco group, which holds robust market positions in each of the regions it operates in, and has leadership positions in more than 60 countries. Adjusted profit from operations for 2014 decreased by 7 per cent. to £5,403 million, compared with £5,820 million in 2013. The Group profit for 2014 was £3,393 million, compared with £4,199 million in 2013. Group volumes (excluding associates) decreased by 1.4 per cent. in 2014 to 667 billion (676 billion in 2013), whereas the five Global Drive Brands (as defined below) achieved an overall growth of 5.8 per cent.

The Group sells over 200 brands of cigarettes in over 200 markets around the world. The portfolio of brands includes the global drive brands Lucky Strike, Kent, Dunhill, Pall Mall and Rothmans (the "Global Drive Brands"), together with internationally recognised brands such as Vogue, Viceroy, Kool, Peter Stuyvesant, Benson & Hedges, John Player Gold Leaf, and Craven A. The product portfolio includes a wide range of cigarettes and other tobacco products, including cigars and Fine Cut (roll-your-own and make-your-own tobacco). Alongside its tobacco products, the Group is investing in building a portfolio of innovative new tobacco and nicotine-based products. These next-generation products include e-cigarettes, medicinal nicotine products and tobacco heating products.

The Group's operations are organised into four regions (excluding the Group's associated companies, consisting primarily of Reynolds in the US and ITC Limited in India), namely Western Europe, Asia-Pacific, Americas and Eastern Europe, Middle East and Africa ("EEMEA").

Changes in the Group

On 3 March 2015, the Group announced that it, through its Brazilian controlled company British American Tobacco Prestação de Serviços Ltda., had filed with the Brazilian securities regulator, the Comissão de Valores Mobiliários, a request to register a public tender offer to acquire up to all of the 24.7 per cent. of Souza Cruz S.A. ("Souza Cruz") shares which are not currently owned by the Group and to delist Souza Cruz. In accordance with Brazilian regulatory procedures, on 9 April 2015 a special free float Souza Cruz shareholders' meeting approved the appointment of Credit Suisse (Brasil) S.A. to undertake a new valuation of Souza Cruz shares within 30 days of this date. Any actual offer which may be made by the Group for the Souza Cruz shares which it does not own must be at a price which is within or above such valuation. If an offer is made, it is expected that the financial settlement relating to such offer would occur in the third quarter of 2015.

On 15 July 2014, the Group announced it had agreed to invest U.S.$4.7 billion as part of Reynolds' proposed acquisition of Lorillard Inc. enabling the Group to maintain its 42 per cent. equity position in the enlarged business. The investment is contingent upon the completion of Reynolds' acquisition of Lorillard Inc., which has been approved by the shareholders of Reynolds and Lorillard, and the proposed acquisition, while subject to a number of regulatory approvals in the US, is anticipated to be completed in the first half of 2015.

On 30 August 2013, the Group announced that CTBAT International Limited ("CTBAT"), a joint investment incorporated in Hong Kong between subsidiaries of China National Tobacco Corporation ("CNTC") and British American Tobacco, had commenced official business operations. It owns and manages the worldwide international cigarette trademark State Express 555, and also the worldwide rights outside China to the leading CNTC brand Shuang Xi. All sales to mainland China are via CNTC.

On 8 July 2013, the Group announced the completion of a joint venture in Myanmar with I.M.U. Enterprise Limited to manufacture, distribute and market the Group's brands. Under the terms of the agreement, the Group has contributed plant and machinery and cash to the venture in return for a controlling stake, and will therefore account for the transaction as a business combination.

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 in 2012 and a further £16 million paid during 2013. The remaining balance of the consideration payable is contingent upon the achievement of certain post-acquisition events. The only material asset acquired was the company's intellectual property.

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 costs represent additional expenses incurred which are not related to the normal business and day-to-day activities. The new operating model includes revised organisation structures, standardised processes 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 started in the third quarter of 2012 and will take around a total of four years to fully roll-out. These initiatives also 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.

Restructuring and integration costs in 2014 principally relate to the restructuring initiatives directly related to implementation of a new operating model and the cost of packages in respect of permanent headcount reductions and permanent employee benefit reductions in the Group. The costs also cover factory closure and downsizing activities in Australia, Colombia and the Democratic Republic of Congo, and restructurings in Argentina, Indonesia, Canada, Switzerland and Germany.

Restructuring and integration costs in 2013 principally related to the restructuring initiatives directly related to implementation of a new operating model and the continuation of factory closure and downsizing activities in Australia and Russia, and restructuring of factories in the Democratic Republic of the Congo, Switzerland and Germany. The costs also cover packages in respect of permanent headcount reductions and permanent employee benefit reductions in the Group.

Other operating income in 2014 includes gains from the sale of land and buildings in Turkey, Uganda and the Democratic Republic of Congo. In 2013, other operating income includes gains from sale of land and buildings in Australia, Denmark and Russia.

Amortisation of trademarks and similar intangibles

The acquisitions of Productora Tabacalera de Colombia, S.A.S., PT Bentoel Internasional Investama Tbk, Tekel, Skandinavisk Tobakskompagni A/S, CN Creative Limited, and the creation of CTBAT, 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 £58 million is included in depreciation, amortisation and impairment costs in profit from operations for the year to 31 December 2014. For the year to 31 December 2013, the amortisation charge was £74 million.

Gain on deemed partial disposal of a trademark

The contribution of the State Express 555 brand to CTBAT is accounted for at fair value in the arrangement. This resulted in a £26 million gain on a deemed partial disposal of a trademark, which is included in other operating income, but has been treated as an adjusting item.

Fox River

A Group subsidiary has certain liabilities in respect of indemnities given on the purchase and disposal of former businesses in the United States and in 2011, the Group provided £274 million in respect of claims in relation to environmental clean-up costs of the Fox River.

On 30 September 2014, a Group subsidiary, NCR, Appvion and Windward (each as defined below) entered into a funding agreement with regard to the costs for Fox River. Based on this funding agreement, £56 million has been paid with legal costs incurred of £7 million. The Fox River provision has been reviewed and £27 million has been released in 2014 (see “Litigation” below).

Flintkote

In December 2014, a Group subsidiary entered into a settlement agreement in connection with various legal cases related to a former non-tobacco business in Canada. Under the terms of the settlement, the subsidiary will obtain protection from current and potential future Flintkote-related asbestos liability claims in the US. The settlement is contingent upon further documentation and approval of certain courts in the US. This agreement has led to a charge of £374 million in 2014 (see “Litigation” below).

Litigation

Product liability litigation

Group companies, notably Brown & Williamson Holdings, Inc. (formerly Brown & Williamson Tobacco Corporation) (“B&W”) 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.

Indemnity

On 30 July 2004, B&W completed the combination of the assets, liabilities and operations of its US tobacco business with R.J. Reynolds Tobacco Company (“RJRT”), a wholly-owned subsidiary of R.J. Reynolds Tobacco Holdings, Inc., pursuant to which Reynolds was formed (the “Business Combination”). As part of the Business Combination, B&W contributed to RJRT all of the assets and liabilities of its US cigarette and tobacco business, subject to specified exceptions, in exchange for a 42 per cent. equity ownership interest in Reynolds As a result of the Business Combination, RJRT assumed all liabilities of B&W (except liabilities to the extent relating to businesses and assets not contributed by B&W to RJRT and other limited categories of liabilities) and contributed subsidiaries or otherwise to the extent related to B&W’s tobacco business as conducted in the United States on or prior to 30 July 2004. In addition, RJRT agreed to indemnify B&W and each of its associates (other than Reynolds and its subsidiaries) against, among other matters, all losses (including those arising from Environmental Tobacco Smoke (“ETS”) claims), liabilities,

damages, expenses, judgments, attorneys' fees, etc., to the extent relating to or arising from such assumed liabilities or the assets contributed by B&W to RJRT (the "RJRT Indemnification").

The scope of the RJRT Indemnification includes all expenses and contingent liabilities in connection with litigation to the extent relating to or arising from B&W's US tobacco business as conducted on or prior to 30 July 2004, including smoking and health tobacco litigation, whether the litigation is commenced before or after 30 July 2004 (the "Tobacco Litigation").

Pursuant to the terms of the RJRT Indemnification, RJRT is liable for any possible judgments, the posting of appeal bonds or security, and all other expenses of and responsibility for managing the defence of the Tobacco Litigation. RJRT has assumed control of the defence of the Tobacco Litigation involving B&W, to which RJRT is also a party in most (but not all) of the same cases.

Included in the US litigation section below are all significant cases where B&W and/or a UK company is named as a defendant and all cases where RJRT is named as a defendant as a successor to B&W (the "RJRT Successor Cases"). The RJRT Successor Cases are covered by the RJRT Indemnification.

US litigation

The total number of US product liability cases pending at 31 December 2014 involving B&W was approximately 6,057 (compared to approximately 7,312 in 2013). Of these, 2,999 cases are RJRT Successor Cases. For all of the 6,057 cases involving B&W, British American Tobacco Group companies have the protection of the RJRT Indemnification. As at 31 December 2014, British American Tobacco (Investments) Limited ("Investments") has been served as a co-defendant in one of those cases (compared to one in 2013). No other UK-based Group company has been served as a co-defendant in any US product liability case pending as at 31 December 2014. Since many of these pending cases seek unspecified damages, it is not possible to quantify the total amounts being claimed, but the aggregate amounts involved in such litigation are significant, possibly totalling billions of US dollars. The cases fall into four broad categories: medical reimbursement cases; class actions; individual cases and other claims.

(a) Medical Reimbursement Cases

These civil actions seek to recover amounts spent by government entities and other third party providers on healthcare and welfare costs claimed to result from illnesses associated with smoking.

At 31 December 2014, one US medical reimbursement suit was pending against B&W by an Indian tribe in an Indian tribal court in South Dakota. No other suits are pending against B&W by county or other political subdivisions of the states.

(b) Class Actions

At 31 December 2014, B&W was named as a defendant in five separate actions attempting to assert claims on behalf of classes of persons allegedly injured or financially impacted through smoking or where classes of tobacco claimants have been certified. If the classes are or remain certified and the possibility of class-based liability is eventually established, it is likely that individual trials will be necessary to resolve any claims by individual plaintiffs. Class action suits have been filed in a number of states against individual cigarette manufacturers and their parent corporations, alleging that the use of the terms 'lights' and 'ultralights' constitutes unfair and deceptive trade practices.

Black is a 'lights' class action filed in November 2000 in the Circuit Court, City of St. Louis, Missouri. B&W removed the case to the US District Court for the Eastern District of Missouri on 23 September 2005. On 25 October 2005, the plaintiffs filed a motion to remand, which was granted on 17 March 2006. On 16 April 2008, the Court stayed the case pending US Supreme Court review in Good v. Altria Group, Inc. On 28 June 2011, the court issued a memorandum removing the case from the trial docket. A status conference is scheduled for 22 February 2016.

Howard is a 'lights' class action filed in February 2000 in the Circuit Court, Madison County, Illinois. A judge certified a class on 18 December 2001. On 6 June 2003, the trial judge issued an order staying all proceedings pending resolution of Price v. Philip Morris, Inc., a 'lights' class action against Philip Morris, Inc. in the Illinois state court. The plaintiffs appealed this stay order to the Illinois Fifth District Court of Appeals, which affirmed the Circuit Court's stay order on 19 August 2005. There is currently no activity in the case.

Jones is a case filed in December 1998 in the Circuit Court, Jackson County, Missouri. The defendants removed the case to the US District Court for the Western District of Missouri on 16 February 1999. The action was brought by tobacco product users and purchasers on behalf of all similarly situated Missouri consumers. The plaintiffs allege that their use of the defendants' tobacco products has caused them to become addicted to nicotine. The plaintiffs seek to recover an unspecified amount of compensatory and punitive damages. The case was remanded to the Circuit Court on 17 February 1999. There has been limited activity in this case.

Parsons is a case filed in February 1998 in the Circuit Court, Ohio County, West Virginia. The plaintiff sued asbestos manufacturers and US cigarette manufacturers, including B&W, seeking compensatory and punitive damages (U.S.$1 million individually and an unspecified sum for the class) for alleged personal injuries arising from their exposure to respirable asbestos fibres and cigarette smoke. The case has been stayed pending a final resolution of the plaintiffs' motion to refer tobacco litigation to the judicial panel on multidistrict litigation filed in *In Re: Tobacco Litigation in the Supreme Court of Appeals of West Virginia*. Moreover, Parsons has been stayed pursuant to the Bankruptcy Code because three defendants filed bankruptcy petitions on 26 December 2000.

Young is a case filed in November 1997 in the Circuit Court, Orleans Parish, Louisiana. The plaintiffs brought an Environmental Tobacco Smoke ("ETS") class action on behalf of all residents of Louisiana who, though not themselves cigarette smokers, have been exposed to second-hand smoke from cigarettes which were manufactured by the defendants, and who allegedly suffered injury as a result of that exposure. The plaintiffs seek to recover an unspecified amount of compensatory and punitive damages. On 13 October 2004, the trial court stayed this case pending the outcome of appellate review in the Scott class action in Louisiana. With appellate review completed and final judgment entered in the Scott class action, the trial court granted the plaintiffs' request to continue the stay of this action during the implementation of the *Scott* smoking cessation program on 6 March 2013.

In Engle (a case in Florida), a jury awarded a total of U.S.$12.7 million to three class representatives, and in a later stage of the three-phase trial procedure adopted in this case, a jury assessed U.S.$17.6 billion in punitive damages against B&W. On 21 May 2003, the intermediate appellate court reversed the trial court's judgment and remanded the case to the trial court with instructions to de-certify the class; this was upheld on 6 July 2006. Further, the Florida Supreme Court permitted the judgments entered for two of the three Engle class representatives to stand, but dismissed the judgment entered in favour of the third Engle class representative. Finally, the Florida Supreme Court permitted putative Engle class members to file individual lawsuits against the Engle defendants within one year of the court's decision (subsequently extended to 11 January 2008). The court's order precluded defendants from litigating certain issues of liability against the putative Engle class members in these individual actions. Upon the defendants' motion for rehearing before the Florida Supreme Court, the court addressed the claims on which the Engle jury's phase one verdict will be applicable to the individual lawsuits that were permitted to stand, but did not amend any of the prior significant rulings, including those decertifying the class, vacating the punitive damages judgment, and permitting individual members of the former class to file separate suits. On 1 October 2007, the United States Supreme Court denied the defendants' request for certiorari review of the Florida Supreme Court's decision.

As at 31 December 2014, B&W has been served in approximately 42 Engle progeny cases in both state and federal courts in Florida. These cases include approximately 98 plaintiffs. RJRT, as a successor to

B&W, is named in approximately 2,988 Engle progeny cases. These cases include approximately 3,773 plaintiffs. These 42 B&W cases and 2,988 RJRT cases have the benefit of the RJRT Indemnification.

The first 'phase three' trial of an individual Engle class member ("Lukacs"), ended in a plaintiff's verdict on 11 June 2002, which was affirmed on appeal. RJRT expensed and paid the final judgment in the amount of approximately U.S.$15.2 million on 18 June 2010.

As at 31 December 2014, approximately 73 additional phase three Engle trials naming RJRT as successor to B&W have proceeded to verdict. There have been no additional phase three Engle progeny trials naming B&W individually. Of these 73 trials, approximately 42 resulted in plaintiffs' verdicts. One of these plaintiffs' verdicts apportioned no liability or damages to RJRT. As at 31 December 2014, total damages awarded against RJRT as successor to B&W in final judgments in these cases are approximately U.S.$176,923,848. This number comprises approximately U.S.$90,273,848 in compensatory damages and approximately U.S.$86,650,000 in punitive damages. As at 31 December 2014, RJRT has appealed 36 of these 42 adverse judgments. 21 of these appeals remain pending before Florida intermediate appellate courts as at 31 December 2014. In one of the appeals that was decided, the Florida intermediate appellate court affirmed the liability finding but vacated the damages award and remanded the matter to the trial court. In four of the appeals that were decided, the Florida intermediate appellate courts reversed the final judgment and remanded the matter to the trial court for a new trial on all issues. In another 13 appeals that were decided, the Florida intermediate appellate courts affirmed final judgments in favour of plaintiffs. RJRT has paid damages to the plaintiffs in ten cases that are now closed.

In June 2009, the Florida legislature amended its existing bond cap statute by adding a U.S.$200 million bond cap that applies to all phase three Engle progeny cases in the aggregate and establishing individual bond caps for individual cases in amounts that vary depending on the number of judgments in effect at a given time. Plaintiff challenges to the bond cap have been unsuccessful.

(c) Individual Cases

Approximately 3,052 cases were pending against B&W as at 31 December 2014 (compared to 3,063 in 2013), which were filed by or on behalf of individuals and in which it is contended that diseases or deaths have been caused by cigarette smoking or by exposure to ETS. Of these cases, approximately: (a) 2,558 are ETS cases brought by flight attendants who were members of a class action ("Broin") that was settled on terms that allow compensatory but not punitive damages claims by class members; (b) 396 are cases brought in consolidated proceedings in West Virginia, where the first phase of the trial began on 15 April 2013 and on 15 May 2013 the jury returned a verdict for defendants on all but one plaintiffs' claims. The verdict is currently on appeal; (c) 42 are Engle progeny cases that have been filed directly against B&W; and (d) 56 are cases filed by other individuals.

In addition to the 2,988 Engle progeny cases which name RJRT as successor to B&W, there are 11 cases filed by other individuals naming RJRT as successor to B&W. These cases are subject to the RJRT Indemnification and are not detailed here.

In February 2005, a Missouri jury ("Lincoln Smith") awarded U.S.$500,000 in compensatory damages and U.S.$20 million in punitive damages against B&W. Following B&W's appeal, on 31 July 2007, an intermediate appellate court affirmed the compensatory damages award and reversed the punitive damages award, reasoning that the plaintiffs failed to produce sufficient evidence to justify the verdict. Following a transfer to the Missouri Supreme Court and a subsequent remand by that court, the intermediate appellate court on 16 December 2008 again upheld the award of compensatory damages, reversed the jury's award of U.S.$20 million in punitive damages, and ordered a new trial on punitive damages. On 20 August 2009, a Missouri jury awarded U.S.$1.5 million in punitive damages against B&W. On 24 September 2009, B&W filed a motion for a new trial and a motion for judgment notwithstanding the verdict. On the same date, the plaintiffs filed a motion for additur, seeking to increase the punitive damages

award to U.S.$20 million, and a motion to vacate, modify or set aside judgment, or in the alternative, for a new trial.

On 21 December 2009, the court denied the plaintiffs' and B&W's post-trial motions. After an initial oral argument on both parties' appeals in September 2011, the intermediate appellate court ordered the parties to reargue the case en banc. On 2 October 2012, the intermediate appellate court reversed the jury's award of punitive damages on the grounds that the trial court had exceeded the scope of its mandate, and remanded for a new trial solely to determine the amount of punitive damages. On 30 October 2012, the intermediate appellate court denied B&W's application for transfer to the Missouri Supreme Court, and overruled B&W's motion for rehearing. B&W filed in the Missouri Supreme Court an application for transfer to that court on 14 November 2012. This application was granted on 18 December 2012. On 10 September 2013, the Missouri Supreme Court affirmed the judgment of the circuit court. B&W filed a motion for rehearing on 25 September 2013, and that motion was overruled by the Missouri Supreme Court on 29 September 2013. On 7 November 2013, the court approved a confidential settlement.

Non-Tobacco Related Litigation

Flintkote

The Flintkote Company ("Flintkote"), a US company formerly engaged in the production and sale of asbestos-containing products, was included in the acquisition of Genstar Corporation by Imasco Limited in 1986 and became a Group subsidiary following the restructuring of Imasco Limited (now Imperial Tobacco Canada Limited ("Imperial"), the Group's operating company in Canada) in 2000. Soon after this acquisition, and as part of the acquisition plan, Genstar Corporation began to sell most of its assets, including the non-asbestos related operations and subsidiaries of Flintkote. The liquidation of Flintkote assets produced cash proceeds and, having obtained advice from the law firm of Sullivan & Cromwell LLP ("S&C") and other advice that sufficient assets would remain to satisfy reasonably foreseeable liabilities, Flintkote's Board of Directors authorised the payment of a dividend of U.S.$170.2 million in 1986 and a further dividend of U.S.$355 million in 1987. In 2003, Imperial divested Flintkote and then, in 2004, Flintkote filed for bankruptcy in the United States Bankruptcy Court for the District of Delaware. In 2006, Flintkote, representatives of both the present and future asbestos plaintiffs (collectively, the "Flintkote Plaintiffs"), and certain individual asbestos plaintiffs (the "Hopkins Plaintiffs") were permitted by the Bankruptcy Court to file a complaint in the California State Court against Imperial and numerous other defendants, including a malpractice claim against S&C, for the recovery of the dividends and other compensation under various legal and equitable theories.

Following a multi-day bench trial, the California State Court issued a preliminary decision dismissing the claim against S&C. Before the decision was made final, Flintkote settled with S&C for a nominal sum. All claims and cross-claims in the litigation asserted by or against S&C have now been dismissed. After another series of bench trials, on 6 October 2011, the court issued preliminary orders deciding multiple preliminary issues regarding Flintkote's claims to recover the dividends and Flintkote's claim that Imperial is its "alter ego" for purposes of asbestos liabilities. Among other things, the court has concluded that Flintkote is barred from seeking to recover, under any theory, transfers that occurred after 31 December 1986. The court also concluded that Flintkote has no standing to pursue its claim that Imperial is its alter ego for purposes of asbestos liability, holding that any such claims must instead be pursued by individual asbestos plaintiffs. These rulings were made final on 6 January 2012. Thereafter, the Flintkote Plaintiffs agreed to dismiss certain of their claims, but continued to assert fraudulent conveyance claims and equitable restitution claims, as reflected in a Third Amended Complaint filed in January 2013. In August 2013, the Court implemented certain of its earlier decisions by granting summary judgment to Imperial on the plaintiffs' claims to recover the 1987 dividends. The Court also granted summary judgment to Imperial on the plaintiffs' fraudulent conveyance claims that were based on allegations that Flintkote was insolvent at the time of the dividend. Nonetheless, Flintkote continued to pursue claims that effectively sought recovery of the value of the 1987 dividend, plus interest. Procedurally, the claims of the Flintkote Plaintiffs are now

separated from the claims of the Hopkins Plaintiffs, and it was anticipated that, in the absence of the settlement described below, they would be tried separately.

On 17 December 2014, following a series of formal mediation sessions and other negotiations, Imperial and the Flintkote Plaintiffs executed a settlement agreement. In furtherance of this settlement, Imperial has placed into escrow the required settlement payment of U.S.$575 million. The settlement is contingent upon approval of the United States Bankruptcy Court for the District of Delaware, where Flintkote's bankruptcy case remains pending, and the United States District Court for the District of Delaware. Imperial filed bankruptcy motions and plan documents on 9 February 2015. The settlement will finally and completely resolve the existing Flintkote litigation, including the claims of the Hopkins Plaintiffs, and Imperial and its corporate affiliates will obtain protections from any potential future litigation related to Flintkote. The settlement was reported to the judge in the California litigation on 3 February 2015, and those proceedings have been stayed pending the settlement approval process. The judge in the California litigation retired from the bench at the end of February 2015 and a status hearing before the new judge has been set for 8 July 2015.

A hearing in the Bankruptcy Court on Flintkote's Motion to approve certain notice procedures in connection with the settlement was held on 17 March 2015. That motion was approved and Flintkote is now proceeding with a court-approved notice procedure. The approval hearing before the Bankruptcy Court is scheduled for August 2015.

Reynolds / Lorillard, Inc. Shareholder Litigation

On 15 July 2014, Reynolds announced that it had entered into a definitive merger agreement with Lorillard, Inc. ("Lorillard"), whereby Reynolds would acquire Lorillard in exchange for a combination of cash and Reynolds stock. As part of this transaction, the Company executed a Share Purchase Agreement to acquire a sufficient number of Reynolds shares to achieve a 42 per cent. equity stake in Reynolds after the merger with Lorillard, which is the same equity ownership it currently holds in Reynolds. In press releases announcing the transaction, Reynolds and BAT also announced that they had "agreed in principle" to pursue a technology-sharing initiative for the development and commercialisation of next-generation tobacco products.

In summer 2014, the Company was named as a defendant in three actions stemming from the announcement of Reynolds' intended acquisition of Lorillard and related transactions (the "Proposed Transaction"). Two of these actions were filed in the Delaware Court of Chancery on behalf of a putative class of Lorillard shareholders alleging that the directors of Lorillard breached their fiduciary duties by failing to obtain the highest value for Lorillard and that Reynolds and the Company aided and abetted that breach. Nine other related actions were filed in Delaware by Lorillard shareholders that did not name the Company as a defendant. All eleven Delaware actions were consolidated on 25 November 2014, and the Company was not named as a defendant in the consolidated action.

The third action against the Company was filed in state court in North Carolina on 8 August 2014. The action was brought on behalf of a putative class of Reynolds shareholders alleging that the Company is a controlling shareholder of Reynolds and breached its fiduciary duty to the other Reynolds shareholders by 1) entering into the Share Purchase Agreement to acquire Reynolds shares at an allegedly unfair price in order to maintain its 42 per cent. interest in Reynolds after the Lorillard acquisition while diluting the interest of the other shareholders, and 2) entering into a purported agreement with Reynolds under which the plaintiff contends Reynolds will share next-generation technology with BAT for inadequate consideration. The plaintiff also alleges certain claims against Reynolds and its directors. The plaintiff seeks to enjoin the Proposed Transaction and to recover damages in an unspecified amount and attorneys' fees and costs.

On 5 December and 8 December 2014, all defendants moved to dismiss the Amended Complaint and to stay discovery pending the motions to dismiss. On 2 January 2015, the plaintiff filed a motion for a preliminary injunction to enjoin the vote of Reynolds shareholders regarding aspects of the Proposed

Transaction pending additional disclosures to shareholders regarding issues that the plaintiff contended were material to the vote. On 17 January 2015, Reynolds and its directors settled the disclosure claims with the plaintiff pursuant to a Memorandum of Understanding filed with the Court and the plaintiff withdrew his motion for a preliminary injunction. Oral argument on the motions to dismiss is expected to occur in May 2015.

Fox River

In Wisconsin, the authorities have identified potentially responsible parties ("PRPs") to fund the clean-up of river sediments in the lower Fox River. The pollution was caused by discharges of polychlorinated biphenyls ("PCBs") from paper mills and other facilities operating close to the river. Among the PRPs is NCR Corporation ("NCR").

As regards the mid and lower portions of the Fox River, in March 2012, the US Government filed a motion in Wisconsin for a preliminary injunction against NCR and Appvion Inc. ("Appvion"), seeking to establish the scope of the clean-up operations to be carried out on the Fox River in 2012. In light of a subsequent ruling by the same court that Appvion is not a PRP, the injunction was granted against NCR alone on 27 April 2012. NCR appealed this decision and it was affirmed on 3 August 2012. Full trial of the merits of the US Government's application for a permanent injunction took place in December 2012 and the Court entered a permanent injunction against NCR. On 1 May 2013, the Wisconsin Court ruled that the pollution in the Fox River is not divisible.

In a series of rulings, the Wisconsin Court also held that NCR was not entitled to recover any amounts in contribution from other PRPs and that the other PRPs were entitled to recover Fox River clean-up costs from NCR. Cross-claims by Appvion against other PRPs to recover its own Fox River related expenditures were rejected by the Wisconsin Court on 25 June 2013. As a result of these decisions NCR was found wholly responsible for the clean-up of those portions of the river. NCR and Appvion appealed against these decisions before the United States Court of Appeals for the Seventh Circuit.

On 25 September 2014, the United States Court of Appeals for the Seventh Circuit vacated the decisions finding NCR wholly liable. The Court remanded the case to the district court for further consideration of defence of divisibility available to NCR. The Court also vacated the permanent injunction against NCR, reasoning that such relief is unnecessary. The Court also remanded the issue of contribution to the district court for reconsideration and found that Appvion is entitled to bring actions against other PRPs to recover its expenses, thereby reversing the trial court's finding in relation to this. As a result of the findings of the United States Court of Appeals for the Seventh Circuit, a trial of the matters remanded back to the district court is currently set to commence on 13 June 2016.

As regards the upper portion of the Fox River, a trial took place in Wisconsin in February 2012 to determine whether NCR is also liable for the clean-up costs in the upper portion of the Fox River. This trial addressed whether NCR is liable as a result of the sale, by a predecessor of NCR's Appleton Papers Division, of scrap paper, or "broke", to other PRPs which, in turn, discharged PCBs into the upper portion of the river in the course of recycling the broke. A judgment issued in July 2012 found NCR was not liable on this basis and this order was made final on 27 June 2013. On 25 September 2014, the United States Court of Appeals for the Seventh Circuit dismissed the other PRPs' appeal against this order.

On 3 March 2015, the Wisconsin District Court granted a motion for reconsideration brought by Glatfelter (another PRP) based on the Seventh Circuit's ruling that the portions of the Fox River are not separate sites. NCR have filed a writ of mandamus seeking to vacate the District Court's ruling.

In NCR's Form 10-K Report for the year ended 31 December 2014, the total clean-up costs for the Fox River are estimated at U.S.$825 million. This estimate is subject to uncertainties and does not include natural resource damages which NCR estimates may range from U.S.$0 to U.S.$246 million (albeit the US Government in one court filing in 2009 indicated that natural resource damages could be as high as

U.S.$382 million). There are however ongoing proceedings that may ultimately lead to the dismissal of all claims for natural resource damages.

In 1978, a subsidiary of B.A.T Industries p.l.c. ("Industries"), later known as Appleton Papers Inc. and now known as Appvion, purchased what was then NCR's Appleton Papers Division from NCR. In 1978, Industries also incorporated a US entity by the name of BATUS, Inc. ("BATUS"), which in 1980 became the holding company for all of Industries' US subsidiaries, including Appvion. As the holding company, BATUS obtained insurance policies for itself and its subsidiaries that included coverage for certain environmental liabilities. Industries/BATUS spun off the Appvion business in 1990 via a Demerger Agreement with Wiggins Teape Appleton p.l.c., now known as Windward Prospects Ltd ("Windward"), and Wiggins Teape Appleton (Holdings) p.l.c., now known as Arjo Wiggins US Holdings Ltd (collectively, the "AWA Entities"), obtaining what Industries believes were full indemnities from the AWA Entities and Appvion for past and future environmental claims.

Disputes between NCR, Appvion, and Industries as to the indemnities given and received under the original purchase agreement in 1978 have been the subject of litigation that was commenced in 1995, a settlement agreement effective from 1998 (the "Settlement Agreement"), and an arbitration award in 2005. NCR took the position that, under the terms of the Settlement Agreement and the arbitration award, Industries and Appvion generally had a joint and several obligation to bear 60 per cent. of the Fox River environmental remediation costs imposed on NCR. Until May 2012, Appvion and the AWA Entities paid the 60 per cent. share of the clean-up costs and Industries was never required to contribute.

Subsequent to the preliminary injunction entered and affirmed against NCR in 2012, and by letters dated 3 May 2012, NCR made demands on both Appvion and Industries for payment of the sum of U.S.$6.6 million, stated to be due on a joint and several basis pursuant to the terms of the Settlement Agreement and being 60 per cent. of costs paid by NCR so that remedial work could begin in accordance with the preliminary injunction. Appvion refused to pay this sum, whereupon NCR filed a motion in Wisconsin in order to enforce the terms of the Settlement Agreement and arbitration award against Appvion. In a ruling handed down in September 2012 the court declined to enforce the terms of the Settlement Agreement and arbitration award, holding that the amount of which Appvion is liable to pay 60 per cent. must be ascertained via the dispute resolution provisions of the Settlement Agreement. Industries understands that NCR subsequently invoked the dispute resolution provisions contained in the Settlement Agreement as against Appvion, and on 29 March 2013 commenced an arbitration against Appvion, seeking to recover incurred and ongoing clean-up costs of at least U.S.$39.9 million (plus interest and legal costs) and a declaration that Appvion is liable to NCR under the Settlement Agreement for 60 per cent. of all "Claims, Damages and Group Defence Costs" (as defined in the Settlement Agreement) it will incur. NCR has continued to make payment demands on Appvion since commencing the arbitration and, as at 15 November 2013, was seeking payment of approximately U.S.$80.7 million from Appvion. Appvion sought to join Industries to the arbitration on the basis it was a necessary party and included a new claim that Industries is liable for 50 per cent. of Appvion's past liability and future liability to NCR under the Settlement Agreement. An arbitration award has now been finalised, but under the terms of the Funding Agreement described below, the parties have agreed that the award will not be released.

In December 2011, following a request by Industries to confirm its indemnity obligation, Windward asserted that it did not indemnify Industries pursuant to the terms of the 1990 Demerger Agreement in respect of Industries' obligations under the Settlement Agreement. Industries disputed Windward's position and commenced proceedings in the High Court against both Windward and Appvion (which has also denied owing Industries an indemnity) (the "English Indemnity Proceedings"). Appvion also issued a Counterclaim seeking recovery of 50 per cent. of its previous clean-up related payments (alleged to be 50 per cent. of U.S.$211.25 million, or U.S.$105.6 million) (the "Appvion Counterclaim"). These proceedings were scheduled to go to trial in June 2015, but have now been discontinued pursuant to the Funding Agreement, described below.

Industries is aware that Windward settled the majority of Appvion's insurance claims (over which it had control) at what Industries believes constituted a significant discount, and has made dividend payments to its former and current shareholders of approximately U.S.$810 million, leaving it holding, according to its latest accounts for the year ended 31 October 2013, approximately U.S.$60 million of net assets. Appvion's own accounts indicated that it also had limited financial resources. Accordingly, Industries considered that there was a significant risk that the assets of Windward/Appvion would be insufficient to meet their obligations under the indemnities Industries believes it was granted.

It was possible that French law could govern some of the claims Industries considered Windward had against its former shareholder, Sequana S.A. ("Sequana") in relation to the dividend payments, which would have meant that the limitation period in respect of those claims could have potentially expired in December 2013. In order to protect its position in the event that French law was held to govern the claims, Industries applied to the English Court on 2 October 2013 to seek to appoint a receiver over the relevant causes of action. Judgment was handed down on 21 November 2013. The judge held that absent an appropriate undertaking from Windward, receivers should be appointed in order to commence the dividend claims in the name of Windward and thereby protect the limitation position. Windward consequently entered into a one year standstill agreement which stayed but preserved its claims against Sequana.

In addition to taking steps to protect claims which Industries considers Windward has against Sequana, Industries filed its own direct claims seeking to recover the dividend payments from Sequana in both the High Court of Justice of England and Wales (the "High Court") on 9 December 2013 and before the Commercial Court of Nanterre, France, on 13 December 2013. The Particulars of Claim in the English proceedings were served on Windward on 8 April 2014 and on Sequana on 29 April 2014.

In December 2011, Windward asserted that it did not indemnify Industries pursuant to the terms of the 1990 Demerger Agreement in respect of Industries' obligations under the Settlement Agreement. Industries disputes Windward's position and has commenced proceedings in the High Court against both Windward and Appvion (which has also denied owing Industries an indemnity). Windward served its defence on 8 July 2013 and Industries filed its reply, together with a request for Further Information on 13 September 2013. Appvion has challenged the jurisdiction of the English Court and a hearing took place on 2 and 3 October 2013. Judgment was handed down on 20 December 2013. The Court dismissed Appvion's challenge, holding that the English Court should exercise its jurisdiction to hear the claim. The proceedings are now continuing in the High Court against both Windward and Appvion. On 12 February 2014, Appvion served a Defence and Counterclaim. The Counterclaim seeks recovery of 50 per cent. of Appvion's previous clean-up related payments (alleged to be 50 per cent. of U.S.$211.25 million, or U.S.$105.6 million). Industries filed its defence and reply to the counterclaim on 4 April 2014.

On 30 September 2014, Industries entered into the Funding Agreement with Windward, Appvion, NCR and BTI 2014 LLC (a wholly owned subsidiary of Industries). Pursuant to the Funding Agreement, the English Indemnity Proceedings, Appvion Counterclaim and the NCR-Appvion arbitration described above were discontinued as part of an overall agreement between the parties providing a framework through which they would together fund the ongoing costs of the Fox River clean-up. Under the agreement, NCR has agreed to accept funding by BAT at the lower level of 50 per cent. of the ongoing clean-up related costs of the Fox River (rather than the 60 per cent. referenced above; this remains subject to an ability to litigate the extent to which a further 10 per cent. of the costs ought to be allocated at a later stage). In addition Windward and Appvion each committed to contribute to the funding – Windward has contributed U.S.$10 million and Appvion will contribute up to a maximum of U.S.$25 million respectively for each of Fox River and Kalamazoo River (see further below). The parties have also agreed to cooperate in order to maximise recoveries from certain claims that exist against third parties, including those claims which exist against Sequana (as referenced above). Any proceeds resulting from third party claims will be applied to meet river clean-up costs first, thereby reducing Industries' obligations under the Funding Agreement and Industries then ranks first in the agreed repayment waterfall should surplus remain. Windward has provided Industries

with an agreed direct indemnity to potentially cover shortfalls in recoveries by Industries against the amounts paid out. The Funding Agreement also assigned the claims which Windward has against Sequana, as well as certain claims against former advisers to Windward, to BTI 2014 LLC.

Sequana is seeking to challenge Windward's ability to enter into the Funding Agreement, on the basis of certain restrictions it alleges affect its ability to do so. The trial of this issue is scheduled to take place on 22 June 2015. The Funding Agreement contains provisions that mean that it will be set aside as between all of the parties to it if this challenge is successful, and the disputes between the parties described above will be revived.

The sums Industries has agreed to pay under the Funding Agreement are subject to ongoing adjustment, as clean-up costs can only be estimated in advance of the work being carried out and as certain sums payable are the subject of ongoing US litigation. In addition, Sequana's challenge referred to above is yet to be determined. Based on information currently at hand, Industries believes it may have a further exposure of some £177 million (as at 31 December 2014 and after payment of £56 million in 2014) in relation to clean-up related costs. Accordingly, Industries has retained a provision of £177 million, after releasing £27 million from the provision created in 2011 to the income statement as an adjusting item.

Industries is aware that NCR is also being pursued by Georgia-Pacific, as the owner of a facility on the Kalamazoo River in Michigan which released PCBs into that river. Georgia-Pacific has been designated as a PRP in respect of the river. Georgia-Pacific contends that NCR is responsible for, or should contribute to, the clean-up costs, because (i) a predecessor to NCR's Appleton Papers Division sold "broke" containing PCBs to Georgia-Pacific or others for recycling; (ii) NCR itself sold paper containing PCBs to Georgia-Pacific or others for recycling; and/or (iii) NCR is liable for sales to Georgia-Pacific or others of PCB containing broke by Mead Corporation, which, like the predecessor to NCR's Appleton Papers Division, coated paper with the PCB containing emulsion manufactured by NCR. A full trial on liability took place in February 2013. On 26 September 2013, the Michigan Court held that NCR was liable as a PRP on the basis that broke sales constituted an arrangement for the disposal of hazardous material for the purposes of CERCLA. The decision was based on NCR's knowledge of the hazards of PCBs from at least 1969, but the court did not specify directly the entity(ies) whose broke sales form the basis of NCR's liability. NCR will have the ability to appeal the ruling once a final judgment has been entered or it has been otherwise certified for appeal. The second phase of the Kalamazoo trial, scheduled to commence on 22 September 2015, will determine the apportionment of liability amongst NCR, Georgia-Pacific and the other PRPs (International Paper Company and Weyerhauser Company). Industries anticipates that NCR may seek to recover from Appvion and/or Industries 60 per cent. of any Kalamazoo clean-up costs for which it is found liable on the basis, it would be asserted, that the river constitutes a "Future Site" for the purposes of the Settlement Agreement. Industries believes it may have defences to any such claim by NCR. The Funding Agreement described above does not resolve any such claims, but does provide an agreed mechanism pursuant to which any surplus from the valuable recoveries of any third party claims that remains after all Fox River related clean-up costs have been paid and Industries and NCR have been made whole may be applied towards Kalamazoo clean-up costs, in the event that NCR were to be successful in any claim for a portion of them from Industries or Appvion. The quantum of the clean-up costs for the Kalamazoo River is presently unclear (as is the extent of NCR's liability in respect of such costs), but could run into the hundreds of millions of dollars.

As detailed above, Industries is taking active steps to protect its interests, including seeking to procure the repayment of the Windward dividends, pursuing the other valuable claims that are now within its control, and working with the other parties to the Funding Agreement to maximise recoveries from third parties with a view ensuring that amounts funded towards clean-up related costs are later recouped under the agreed repayment mechanisms.

UK — Based Group Companies

Investments has been served in the following US cases pending as at 1 April 2015; one class action alleging violations of Kansas antitrust and consumer protection laws, the Daric Smith case mentioned below; and one individual action, the Perry case.

Conduct-Based Claims

In the Daric Smith case, purchasers of cigarettes in the state of Kansas brought a class action in the Kansas State Court against B&W, Investments and certain other tobacco companies seeking injunctive relief, treble damages, interest and costs. The allegations are that the defendants participated in a conspiracy to fix or maintain the price of cigarettes sold in the US, including in the state of Kansas, in violation of the Kansas Restraint of Trade Act.

After the close of discovery, all defendants, including Investments, moved for summary judgment in late October and early November 2010. On 13 May 2011, Investments supplemented its summary judgment motion on the basis of its *de minimis* market share and the inapplicability of the Kansas Restraint of Trade Act to a non-resident (such as Investments) that did not purchase, sell or manufacture goods in the state of Kansas.

On 26 March 2012, the court entered an order granting all of the defendants' summary judgment motions and dismissing the plaintiff's first amended petition with prejudice. On 18 July 2012, the plaintiff filed a notice of appeal on various points. On or about 1 August 2012, all defendants filed notices of cross-appeal, with Investments filing its own separate notice of cross-appeal to address, among other issues, various orders denying the defendants' claims of privilege over certain categories of documents during discovery.

The plaintiff filed his appeal on 25 January 2013 and the defendants' opposition and cross-appeal briefs were filed on 29 May 2013. The plaintiff filed his combined reply/response to Investments' cross-appeal on 19 July 2013. Investments filed a reply brief addressing the novel arguments raised in the plaintiff's reply/response relating to Investments' cross-appeal on privilege issues. The Court of Appeals heard oral argument in the case on 11 December 2013.

On 18 July 2014, the Court of Appeals of Kansas affirmed the trial court's order granting summary judgment for all the defendants. On 18 August 2014, the plaintiff filed a Petition for Review by the Supreme Court of Kansas. On 29 August 2014, the defendants filed their response to the plaintiff's Petition for Review. On 12 September 2014, the plaintiff filed his reply. A decision in the matter is pending.

Product Liability Outside the United States

At 1 April 2015, active product liability claims against the Group's companies existed in 15 markets outside the US (2013:16) but the only markets with more than five claims were Argentina, Brazil, Canada, Chile, Italy and Nigeria. As at 1 April 2015, medical reimbursement actions are being brought in Argentina, Brazil, Canada, Nigeria and South Korea.

(a) Medical reimbursement cases

Argentina

In 2007, the non-governmental organisation the Argentina Tort Law Association ("ATLA") and Emma Mendoza Voguet brought a reimbursement action against Nobleza Piccardo S.A.I.C.y.F. ("Nobleza") and Massalín Particulares. Several defences were filed by Nobleza on 1 October 2009. Nobleza and the federal government's preliminary objections regarding lack of jurisdiction were considered by the Civil Court in late 2009. On 23 December 2009, the Civil Court declared its lack of jurisdiction to hear the claim. On 11 March 2010, the case was sent to the Contentious-Administrative Court, which determined that it had jurisdiction over the case. On 24 June 2011, the Contentious-Administrative Court issued an Order stating that it would decide defendants' outstanding procedural objections together with the merits of the case. The case is

currently at the evidentiary stage. Confessional hearings took place on 14 August 2013 (Emma Mendoza Voguet) and 29 August 2013 (ATLA).

Brazil

In August 2007, the São Paulo Public Prosecutor's office filed a medical reimbursement claim against Souza Cruz. A similar claim was lodged against Philip Morris. Souza Cruz's motion to consolidate the two claims was rejected and instead this case was removed to a different lower court. Souza Cruz filed a motion to reconsider the refusal for consolidation and an interlocutory appeal against assignment to the lower court. At the same time, the Public Prosecutor filed a motion challenging the connection between the two cases, which argument the State Court of Appeals accepted in August 2010 and ordered the two cases to progress independently. On 4 October 2011, the court dismissed the action against Souza Cruz, with a judgment on the merits. The plaintiff filed an appeal on 9 January 2012 and Souza Cruz filed its counter arguments on 17 February 2012. On 29 September 2012, the case records arrived at the São Paulo Court of Appeals.

On 7 March 2013, the case records returned from the Public Prosecutor's Office with a non-binding unfavourable opinion. On 23 April 2013, the Justices of the 2nd Civil Chamber of the Court of Appeals of the State of São Paulo, by unanimous vote (3 to 0), denied the appeal of the Prosecution Office, thereby confirming the favourable Lower Court ruling. In this ruling, the Justices, citing case precedents of the Superior Court of Justice, emphasised: (i) the widespread public knowledge of the risks associated with smoking cigarettes; (ii) the free will of the smokers; (iii) the absence of any defect in the product; (iv) the absence of any duty to provide information on the risks associated with smoking before 1988; and (v) the lawfulness of manufacturing and producing cigarettes. The Public Prosecutor's Office has filed a Special Appeal and the case is anticipated to be sent for judgment to the Superior Court of Justice within several months.

Canada

In Canada there are ten active statutory actions for recovery of healthcare costs arising from the treatment of smoking and health-related diseases. These proceedings name various Group companies as defendants including BAT, Investments, Industries, Carreras Rothmans Limited (collectively the "UK Companies") and Imperial Tobacco Canada Limited ("Imperial"), the Group's operating company in Canada. Legislation enabling provincial governments to recover the healthcare costs has been enacted in all ten provinces and two of three territories in Canada and has been proclaimed in force in ten provinces. The Acts have received Royal Assent in Nova Scotia, Northwest Territories and Nunavut but have yet to be proclaimed into force. Actions have begun against various Group companies, including Imperial, in British Columbia, New Brunswick, Newfoundland and Labrador, Ontario, Quebec, Manitoba, Alberta, Saskatchewan and Prince Edward Island ("PEI"). In Quebec, three Canadian manufacturers, including Imperial, are challenging the enabling legislation.

In 2001, the government of British Columbia brought a claim pursuant to the provisions of the Tobacco Damages and Health Care Costs Recovery Act 2000 (the "Recovery Act") against domestic and foreign 'manufacturers' seeking to recover the plaintiff's costs of smoking-related healthcare benefits. The statement of claim does not quantify the amount sought. Imperial, Investments, Industries and certain former Rothmans Group companies are named as defendants. Certain defendants challenged the constitutionality of the Recovery Act as beyond the competence of the British Columbia legislature. In September 2005, the Supreme Court of Canada issued a decision permitting the government's claims and declaring the Recovery Act to be constitutionally valid. Non-Canadian defendants challenged the court's jurisdiction based on the lack of a "real and substantial connection" between the foreign defendants and British Columbia. The British Columbia Supreme Court dismissed the motions on 23 June 2005, which decision was upheld on appeal to the British Columbia Court of Appeal. On 5 April 2007, the Supreme Court of Canada denied the non-Canadian defendants leave to appeal. A Third-Party Notice was issued

against the federal government, which moved to strike out the claim. On 29 July 2011, the Supreme Court of Canada delivered its opinion and struck out the third-party claims against the federal government.

The underlying medical reimbursement action remains at a preliminary case management stage. Given the prior pendency of the Supreme Court application, and a number of other factors including delay on the part of the plaintiff in producing damages modelling materials, the trial date was adjourned generally and no trial date is currently set. The federal government has commenced a cost assessment in connection with the motion and appeals relating to the federal government claim, seeking CAD$5 million jointly from all the defendants and an additional CAD$5 million from Imperial. No hearing date has been set.

The government of New Brunswick has brought a medical reimbursement claim against domestic and foreign tobacco 'manufacturers,' pursuant to the provisions of the Recovery Act passed in that Province in June 2006. The UK Companies and Imperial have all been named as defendants. The government filed a statement of claim on 13 March 2008. The statement of claim did not quantify the amount sought by the plaintiff. The Group defendants were served with the Notice of Action and Statement of Claim on 2 June 2008. A case management conference was held on 8 January 2009 so Imperial and other domestic defendants could challenge the use of a contingent fee arrangement for the plaintiff's lawyer. This challenge was refused at first instance. Leave to appeal was granted on limited grounds. On 13 May 2010, the New Brunswick Court of Appeal dismissed Imperial's appeal. The Supreme Court of Canada subsequently denied leave on all aspects of the contingent fee arrangement challenge, thus ending this preliminary challenge on 21 October 2010.

The UK Companies' challenge to the New Brunswick court's jurisdiction was heard in June 2010. The court of Queen's Bench dismissed the UK Companies' jurisdiction motions on 15 November 2010. The UK Companies sought leave to appeal this decision to the Court of Appeal of New Brunswick, which leave was denied on 11 April 2011 by a single judge of the Court of Appeal. The UK Companies' applications for leave to appeal that decision were dismissed by the Supreme Court of Canada on 13 October 2011. The UK Companies filed demands for particulars on 15 November 2011. The government filed statements of particulars on 18 January 2012. The UK Companies filed a motion to strike portions of the government's particulars and for further and better responses on 27 March 2012. The motion was heard on 8 June 2012 and denied. The UK Companies filed their respective statements of defence in August 2012. A first round of oral discoveries of the province began in September 2014 and will continue at least through the end of the second quarter of 2015. Damages have been quantified at CAD$19 billion. No trial date has been set.

Following the July 2011 Supreme Court of Canada decision on third party issues in the British Columbia claim, the domestic defendants filed amended third party notices to distinguish the pleadings from the British Columbia pleadings. The New Brunswick Court of Queen's Bench dismissed all Third Party Notices against the federal government.

The government of the Province of Ontario has filed a CAD$50 billion medical reimbursement claim against domestic and foreign tobacco 'manufacturers', pursuant to the provisions of the Tobacco Damages and Health Care Costs Recovery Act 2009. The UK Companies have all been named as defendants. Imperial was served on 30 September 2009 and the UK Companies were served on 8 October 2009. A case management judge has been appointed and the hearing on the UK Companies' jurisdiction motions commenced on 23 November 2011. Judgment was handed down on 4 January 2012 in favour of the plaintiff in respect of all the UK Companies. The effect of this order is that the court has determined that it has jurisdiction to hear the claim against the UK Companies. Thereafter, on 3 April 2012, the court awarded plaintiff costs in connection with the jurisdiction motions against the UK Companies on a joint and several basis. Appeals by all the UK Companies of both the jurisdictional and costs orders were heard on 5 – 7 November 2012. On 30 May 2013, the Court of Appeal dismissed the appeals and upheld the adverse costs award in respect of the first instance hearing. A motion for leave to appeal that decision to the Supreme Court of Canada was filed in August 2013. The Supreme Court of Canada dismissed the leave application on 19 December 2013. On 22 October 2013, the Court of Appeal issued an endorsement

awarding the plaintiff its costs of the appeals. Imperial filed a third-party notice against several First Nations manufacturers claiming contribution and indemnity as well as damages in the amount of CAD$1.5 billion. Imperial also filed a Third Party Claim against the Federal Government claiming malfeasance in public office due to the Government's failure to enforce the law against illicit manufacturers. These claims have been discontinued. Following the Supreme Court of Canada's dismissal of the jurisdiction leave application, the case is under case management. The province has stated its claim to be worth CAD$50 billion, but has not yet tendered evidence to substantiate this figure. No trial date has been set.

The government of the Province of Newfoundland and Labrador filed a health care reimbursement claim in February 2011 against domestic and foreign tobacco 'manufacturers,' pursuant to the provisions of the Tobacco Health Care Costs Recovery Act enacted in that Province. The statement of claim does not quantify the amount sought by the plaintiff. The UK Companies have all been named as defendants. Imperial was served on 1 April 2011, and the UK Companies were served on 22 March 2011. A case management judge has been appointed. The UK Companies have challenged the jurisdiction of the Newfoundland and Labrador court. There have been preliminary hearings, including a successful application in January 2012 to strike certain affidavits filed by the plaintiff in opposition to the UK Companies' jurisdiction motions, and a hearing in June 2013 at which, in response to a request of the case management judge, the parties debated the elements of the "legal framework" for a jurisdiction challenge. Judgment in respect of that hearing was issued on 19 December 2013. Jurisdiction has been resolved. Particulars and other preliminary motions were filed on 16 January 2015, and a case management conference took place on 22 January 2015. The hearing on the preliminary motions occurred on 4-6 March 2015 following which judgment was reserved. Damages have not been quantified by the province.

The government of the Province of Saskatchewan filed a health care reimbursement claim on 8 June 2012 against domestic and foreign tobacco 'manufacturers,' pursuant to the provisions of the Tobacco Damages and Health Care Costs Recovery Act enacted in that Province. The statement of claim does not quantify the amount sought by the plaintiff. The UK Companies have all been named as defendants. Imperial was served on 3 July 2012, and the UK Companies were served on 18 July 2012. A case management judge has been appointed. The UK Companies challenged the jurisdiction of the Saskatchewan court at a hearing that commenced on 29 April 2013. On 1 October 2013, the court denied the UK Companies' challenges. Leave to appeal this ruling was sought and a hearing was scheduled for 11 December 2013. This hearing was adjourned on consent of the parties pending the outcome of the Supreme Court of Canada leave application in the Ontario jurisdiction challenge, which was dismissed on 19 December 2013. The plaintiffs have yet to respond and no further dates have been scheduled by the court. There are no discovery motions to date in this jurisdiction. Damages have not been quantified by the province. No trial date has been set. Imperial served a motion (which was granted) to defer filing defences until pending jurisdictional challenges were resolved. Jurisdiction has been resolved. A standstill agreement has been negotiated under which the next step was to file defences by 27 February 2015 (which were so filed) and the matter will remain in abeyance until document production begins in September 2017.

The government of the Province of Manitoba filed a health care reimbursement claim on 31 May 2012 against domestic and foreign tobacco 'manufacturers,' pursuant to the provisions of the Tobacco Damages Health Care Costs Recovery Act enacted in that Province. The statement of claim does not quantify the amount sought by the plaintiff. The UK Companies have all been named as defendants. Imperial was served on 4 July 2012, and the UK Companies were served on 18 July 2012. The UK Companies have challenged the jurisdiction of the Manitoba court. Imperial served a motion (which was denied) to defer filing defences until pending jurisdictional challenges have been resolved. Imperial delivered a request for particulars on 30 September 2013. The province filed a response on 16 January 2014. The jurisdiction motions were scheduled to be heard on 25-28 November 2013. This hearing was adjourned on consent of the parties pending the outcome of the Supreme Court of Canada leave application in the Ontario jurisdiction challenge. The leave application was dismissed on 19 December 2013. Particulars motions have been argued and defences have been filed. Damages have not been quantified by the province. No

trial date has been set. A standstill agreement has been negotiated, under which the next step will be document production to commence in January 2017.

The government of the Province of Alberta filed a health care reimbursement claim on 8 June 2012 against domestic and foreign tobacco 'manufacturers,' pursuant to the provisions of the Crown's Right of Recovery Act enacted in that Province. According to the statement of claim the plaintiff seeks recovery in an amount of "at least CAD$10 billion". The UK Companies have all been named as defendants. Imperial was served on 8 August 2012 and the UK Companies were served on 15 May 2013. The UK Companies informed the plaintiff that they intended to challenge the jurisdiction of the Alberta court. A case management judge was appointed and an initial case management meeting was held on 17 December 2013 at which it was agreed to put preliminary matters on hold pending the outcome of the Supreme Court of Canada leave application in the Ontario jurisdiction challenge. The leave application was dismissed on 19 December 2013. Case management is ongoing. Particulars motions have been filed and were argued on 26 and 27 January 2015. Judgment was reserved. The province has stated its claim to be worth CAD$10 billion, but has not yet tendered evidence to substantiate this figure. No trial date has been set.

The government of the Province of Quebec filed a health care reimbursement claim on 8 June 2012 against domestic and foreign tobacco 'manufacturers,' pursuant to the provisions of the Tobacco Related Damages and Health Care Costs Recovery Act enacted in that Province. According to the statement of claim the plaintiff seeks recovery in an amount of CAD$60 billion. Imperial, Investments, Industries, and Carreras Rothmans Limited have been named as defendants. Imperial was served on 8 June 2012 and the three UK Companies were served on 13 June 2012. A case management judge has been appointed. Imperial and other Canadian defendants challenged the constitutionality of the Act as beyond the competence of the Quebec legislature. The Constitutional Challenge was heard on 30 September - 3 October 2013 and denied on 5 March 2014. Imperial and the other Canadian defendants have appealed this ruling. The three UK Companies filed jurisdictional challenges on 15 March 2013 which were heard on 3-5 June 2013. On 4 July 2013, the court denied the jurisdictional objections. Leave to appeal the ruling was refused in a judgment issued by a Court of Appeal judge on 4 October 2013. Defendants' motions for further and better particulars and concerning other pleadings issues were heard on 15 and 22 November and 20 December 2013. The court granted particulars in part but denied the motions to strike. On 28 March 2014 the plaintiff filed its amended and particularised claim. A case management judge has been appointed. Motions for particulars have been completed, defences filed, document subpoenas served on the AG and requests to admit the authenticity of documents were responded to on 21 January 2015. No trial date has been set.

The government of the Province of PEI filed a health care reimbursement claim on 12 September 2012 against domestic and foreign tobacco 'manufacturers,' pursuant to the provisions of the Tobacco Damages and Health Care Costs Recovery Act enacted in that Province. The statement of claim does not quantify the amount sought by the plaintiff. The UK Companies have all been named as defendants. Imperial was served on 15 November 2012 and the UK Companies were served on 13 November 2012. Motions to challenge jurisdiction were filed and served by the UK Companies on 11 January 2013 but no hearing was scheduled on consent of the parties pending the outcome of the Supreme Court of Canada leave application in the Ontario jurisdiction challenge. The leave application was dismissed on 19 December 2013. Accordingly, the jurisdictional challenges in this case were abandoned. The UK Companies filed requests for particulars on 17 February 2014. A case management judge has been appointed. A standstill agreement has been negotiated. Defences were filed before 27 February 2015 and the next step will be document production, which will commence in September 2017.

The government of the Province of Nova Scotia filed a health care reimbursement claim on 2 January 2015 against tobacco industry defendants pursuant to the provisions of the Tobacco Health Care Costs Recovery Act enacted in that Province. On 22 January 2015 Imperial and the UK Companies were served with the Nova Scotia Medicaid suit. Damages have not been quantified by the province. A standstill agreement has been negotiated. Under the agreement, the provinces agreed to respond to demands for particulars from

the defendants by 15 May 2015. Statements of defence are to be filed by 3 July 2015, and document production by the defendants is to commence on or before 1 September 2017.

Nigeria

As at 31 December 2014, six medical reimbursement actions filed by the federal government and five Nigerian states (Lagos, Kano, Gombe, Oyo, Ogun) were pending in the Nigerian courts. British American Tobacco (Nigeria) Limited, BAT and Investments have been named as defendants in each of the cases. The plaintiffs in the six cases seek a total of approximately £44.8 billion in damages, including special, anticipatory and punitive damages, restitution and disgorgement of profits, as well as declaratory and injunctive relief. On 13 and 25 May 2010, respectively, the plaintiffs in the Kano and Ogun state cases filed motions for preliminary injunctive relief, seeking, *inter alia*, orders to restrain the defendants from various alleged marketing and distribution practices including the sale of tobacco products within 1,000 meters of any public places that are predominantly locations for minors. BAT and Investments have filed preliminary objections challenging the jurisdiction of the Nigerian courts over them. On 22 June 2010, the Oyo High Court partially granted BAT's and Investments' preliminary objections and set aside the service of the writ of summons. BAT and Investments appealed the court's order insofar as it denied the remainder of the relief requested, and the Court of Appeal has yet to set a date for hearing of the appeals.

The Federal High Court and the High Courts of Lagos, Kano, Gombe and Ogun states denied the preliminary objections filed by BAT and Investments, and the companies have appealed. High Court proceedings in the Lagos and Kano state cases have been stayed pending the appeals filed by BAT and Investments. In the Gombe and Ogun cases, the High Courts have adjourned proceedings without date pending the resolution of appeals filed by BAT and Investments. As at 31 December 2014, the appeal filed by BAT in the Lagos case and the appeals filed by BAT and Investments in the Federal and Kano cases remain pending and have yet to be heard by the Court of Appeal. On 23 April 2013 and 16 May 2013, the Court of Appeal (Ibadan Judicial Division) issued decisions affirming the Ogun High Court's denial of the preliminary objections filed by BAT, Investments and British American Tobacco (Nigeria) Limited. On 13 June 2014, the Court of Appeal (Jos Judicial Division) affirmed the denial of BAT's and Investments' preliminary objections in the Gombe action, and on 30 June 2014 the Court of Appeal (Lagos Judicial Division) affirmed the denial of Investments' preliminary objections in the Lagos action. The companies have appealed the decisions to the Supreme Court of Nigeria.

South Korea

In April 2014, Korea's National Health Insurance Service ("NHIS") filed a healthcare recoupment action against KT&G (the state-owned former monopoly), PM Korea and BAT Korea (including BAT Korea Manufacturing). The lawsuit relates to health care costs allegedly incurred by the NHIS treating patients with lung (small cell and squamous cell) and laryngeal cancer between 2003 and 2012. The claim is based on allegations of defective design, failure to warn, fraud/misrepresentation, marketing to youth, use of additives and causing addiction. The NHIS is seeking damages of roughly £32 million from the defendants. The trial started in September 2014 and is expected to last for several years.

Spain

In early 2006, the Government of Andalusia and the Andalusian Health Services (hereinafter referred to as the "Junta"), in Spain, filed a medical reimbursement action against the State and tobacco companies (including BAT España S.A.) before the contentious-administrative courts. The State filed preliminary objections to the Junta's claim, with tobacco companies filing supporting briefs. The court upheld these preliminary objections and dismissed the claim in November 2007. The Junta's appeal of this ruling to the Supreme Court was dismissed in September 2009. However, in May 2009, the Junta filed a new contentious-administrative claim with similar allegations. The defendants filed procedural objections, which were rejected by the court.

On 31 May 2013, the court notified BAT España S.A. of the commencement of a 20 day period to answer the Junta's claim and produced copies of the documents attached to the statement of claim. BAT España S.A. filed its response to the claim by the deadline of 27 June 2013.

By order dated 26 July 2013, the court refused to open the evidence phase of the proceedings. The court accepted the defendants' allegations that the Junta did not fulfil its procedural duty to establish the issues of fact to which the evidence would relate. In October 2013, the court declared the proceedings closed pending its judgment. In a judgment dated 23 December 2013, the court rejected the Junta's claim against the tobacco companies as inadmissible. BAT España S.A. have confirmed that the Junta did not file an appeal and that the judgment is now final. This case is now closed.

(b) Class actions

Brazil

There are currently two class actions being brought in Brazil. One is also a medical reimbursement claim (São Paulo Public Prosecutor's Office), and is therefore discussed above. A third class action ended in July 2014 when a judgment in favour of the defendants became final, as described below.

In 1995, the Associação de Defesa da Saúde do Fumante ("ADESF") class action was filed against Souza Cruz and Philip Morris in the São Paulo Lower Civil Court alleging that the defendants are liable to a class of smokers and former smokers for failing to warn of cigarette addiction. The case was stayed in 2004 pending the defendants' appeal from a decision issued by the Lower Civil Court that held that the defendants had not met their burden of proving that cigarette smoking was not addictive or harmful to health, notwithstanding an earlier interlocutory order that the São Paulo Court of Appeals had issued, which directed the trial court to allow more evidence to be taken before rendering its decision. On 12 November 2008, the São Paulo Court of Appeals overturned the lower court's unfavourable decision of 2004, finding that the lower court had failed to provide the defendants with an opportunity to produce evidence. The case was returned to the lower court for production of evidence and a new judgment. On 19 March 2009, the Lower Civil Court ordered designation of court-appointed medical and advertising experts. The parties submitted questions to these court-appointed experts who subsequently delivered their reports. Each party also provided expert reports commenting on the court-appointed experts' conclusions. On 16 May 2011, the court granted Souza Cruz's motion to dismiss the action in its entirety on the merits. Plaintiffs filed an appeal of the dismissal on 22 July 2011. Souza Cruz filed its response on 5 October 2011. On 10 November 2011, the case records were sent to the Public Prosecutor's Office. On 20 December 2011, the Public Prosecutor's Office presented a non-binding, advisory opinion that rejected most of Souza Cruz's legal defence arguments. The case records were sent to the São Paulo State Court of Appeals and were immediately sent to the Public Prosecutor's office for General Public and Collective Interest. On 1 March 2012, the case files returned with an unfavourable opinion given by the Public Prosecutor, who advised that the Court should find in favour of the appeal brought by ADESF and thereby fully reverse the appealed judgment. On 6 September 2012, the case was assigned to a new temporary Reporting Justice in the 7th Chamber of Private Law of the São Paulo Court of Appeals, pending reference to a permanent Reporting Justice of the case. On 10 October 2013, a Reporting Justice of the case was designated. At a hearing on 28 January 2015, two of the three judges ruled in favour of Souza Cruz. The third judge stayed the trial and requested the case files for further examination. On 25 February 2015, the third judge also ruled in favor of Souza Cruz (though there were unfavorable elements to his opinion). The Plaintiff has filed a request for clarification to the Court, and Souza Cruz is preparing its answer to the request.

The Brazilian Association for the Defense of Consumers' Health ("Saudecon") filed a class action against Souza Cruz and Philip Morris in the City of Porto Alegre, Brazil on 3 November 2008. The plaintiff purported to represent all Brazilian smokers whom, it alleged were unable to quit smoking and lack access to cessation treatments. The plaintiff is seeking an order requiring the named defendants to fund, according to their market share, the purchase of cessation treatments for these smokers over a minimum period of two

years. Souza Cruz was served with this complaint on 19 November 2008. On 18 May 2009, the case was dismissed with judgment on the merits. The plaintiffs appealed in August 2009 and Souza Cruz and Philip Morris both responded. On 22 July 2011, the Public Prosecutor's Office issued a non-binding opinion saying that the favourable first instance ruling should be vacated based on procedural issues. On 25 August 2011, the reporting justice of the appellate court rejected the Public Prosecutor's Office's opinion, finding that the trial court ruling should not be nullified. On 1 November 2011, the 9th Chamber of the Rio Grande do Sul State Court of Appeals granted the Public Prosecutor's Office special appeal, ordering the remittance of the case records in the first instance to complete proper notification to the Public Prosecutor's Office of the sentence. On 14 December 2011, the Public Prosecutor's Office filed a special appeal. Souza Cruz's counter arguments were submitted on 10 February 2012. On 28 March 2012, the Rio Grande do Sul State Court of Appeals recognised the applicability of the special appeal and ordered it sent up to the Superior Court of Justice. On 5 June 2013, the Superior Court dismissed the interlocutory appeal filed by the Public Prosecution Office. On 7 June 2013, the case records were sent to 15th Civil Chamber of Rio Grande do Sul State Court of appeals and Justice Angelo Maraninchi Giammakos was designated as Reporting Justice. On 4 July 2013, the case records returned from the Public Prosecutor's Office with a non-binding favourable opinion, based on the free will and awareness of smokers, the fact that the products were not defective, and the lawfulness of manufacturing cigarettes. On 18 December 2013, the Rio Grande do Sul State Court of Appeal rendered a decision in favour of defendants, based on free will, awareness and lawful activity. The plaintiff did not appeal the decision and the judgment became final on 2 July 2014. The case is now closed.

In 2004, the State of Sergipe instigated a class action seeking compensation for smokers in Sergipe State who purportedly tried to quit smoking. The lower court denied the plaintiffs' request for early relief and determined ANVISA (a federal government health agency) be ordered to join the case as co-defendants. As ANVISA is a federal agency, the case was removed to the federal court where ANVISA successfully argued that it lacked standing to be sued. The claim against ANVISA was dismissed and the federal court sent the case back to the lower state court for proceedings to continue. However, the action was stayed on 18 December 2009 pending a decision by the Superior Court on which court has jurisdiction. On 26 March 2010 the Superior Court determined that the civil court had jurisdiction of the matter. On 19 October 2011, the court dismissed the action with judgment on the merits. The plaintiff filed an appeal on 9 January 2012. Souza Cruz's counter-arguments were submitted on 9 February 2012. The case records were sent to the 1st Chamber of the Sergipe State Court of Appeals as well as to the Public Prosecutor's Office for it to consider an advisory opinion. On 9 July 2012, the 1st Chamber of the Sergipe State Court of Appeals by unanimous decision upheld the lower court ruling that dismissed the case. Plaintiffs did not file a Special Appeal from this judgment and the case is now closed.

Italy

In or about June 2010, BAT Italia was served with a class action filed in the Civil Court of Rome by the consumer association, Codacons, and three class representatives. Plaintiffs primarily asserted addiction-related claims. The class action lawsuit was rejected at the first instance (Civil Court of Rome) and appellate (Rome Court of Appeal) court levels. In July 2012, Codacons filed an appeal before the Italian Supreme Court. BAT Italia filed its answer to the appeal on 13 November 2012. At a hearing on 21 January 2015, the Public Prosecutor's Office agreed that the appeal should be rejected, and the Supreme Court reserved its decision with no firm date for issuing judgment.

Canada

There are 11 class actions being brought in Canada against Group companies.

Knight is a 'lights' class action in which the plaintiff alleges that the marketing of light and mild cigarettes is deceptive because it conveys a false and misleading message that those cigarettes are less harmful than regular cigarettes. Although the claim arises from health concerns, it does not seek compensation for

personal injury. Instead it seeks compensation for amounts spent on 'light and mild' products and a disgorgement of profits from Imperial.

The Supreme Court of British Columbia certified a class of all consumers who purchased in British-Columbia Imperial cigarettes bearing 'light' or 'mild' descriptors since 1974. Imperial filed an appeal against the certification which was heard in February 2006. The appellate court confirmed the certification of the class but has limited any financial liability, if proven, to 1997 onward.

The motion of the federal government to strike out the third-party notice issued against it by Imperial was upheld by the Supreme Court which dismissed the third-party claim on the basis that the federal government's impugned conduct constituted valid policy benefiting public health and was therefore not subject to civil liability. The federal government is seeking a parallel cost order in this action as it is in the British Columbia government recoupment case.

On 9 December 2009, Imperial was served with a class action filed by Ontario tobacco farmers and the Ontario Flue-Cured Tobacco Growers' Marketing Board ("Growers' claim"). The plaintiffs allege that, during a specific timeframe, Imperial and two other domestic defendants improperly paid lower prices for tobacco leaf destined for duty-free products that were then smuggled back into Canada and sold in the domestic market. In reaction to the suit, Imperial deposited the amount owing to the Government of Ontario, pursuant to the Comprehensive Agreement, into an escrow account, alleging that the Comprehensive Agreement permitted Imperial to set-off that amount against costs incurred as a result of the claim (including damages, if any). In response, the Ontario Government commenced an application against Imperial, seeking the release of the funds ("Ontario claim"). No monetary damages are being claimed against Imperial by the Government of Ontario.

On 26 July 2010, Imperial argued a preliminary motion in the Ontario claim seeking a stay in favour of arbitration given an arbitration clause in the Comprehensive Agreement. Imperial was successful in its application and the Court ordered that the Ontario claim be stayed. The Court of Appeal denied the Ontario Government's appeal in July 2011, but also ruled that the question of whether the Growers' Claim constitutes a 'Released Claim' under the Comprehensive Agreement must be determined by the courts, thereby splitting the issues. On 2 January 2013, the Court rendered a decision in favour of Ontario and held that the Grower's claim is not a "Released Claim" brought by a "Releasing Entity". On 16 July 2013, the Court of Appeal dismissed Imperial's appeal on whether the Growers' claim is a "Released Claim" made by a "Released Entity", allowing the class action to proceed.

The question of whether Imperial may continue to set-off payments due to Ontario under the Comprehensive Agreement against costs incurred as a result of the Growers' claim proceeded to arbitration in September 2014. By decision dated 24 October 2014, the tribunal ruled against Imperial, holding that the Growers' claim was not captured by the set-off provisions of the Comprehensive Agreement. Imperial has now released the previously escrowed funds, plus accrued interest.

As a further preliminary challenge, Imperial has alleged that the Growers' claim is time barred. The other domestic defendants have made the same preliminary challenge. That preliminary issue was heard by the Court on 30 and 31 January 2014. By decision dated 30 June 2014, the Court dismissed the preliminary challenge. Imperial and the domestic defendants have sought leave to appeal that decision. If Imperial is ultimately successful, the Growers' claim will be dismissed; if not successful, the action will proceed to a class action certification hearing.

There are currently two class actions in Quebec. On 21 February 2005, the Quebec Superior Court granted certification in two class actions against Imperial and two other domestic manufacturers, which have a combined value of CAD$21 billion plus interest and costs. The court certified two classes, which include residents of Quebec who suffered from lung, throat and laryngeal cancer or emphysema as of November 1998 or developed these diseases thereafter and who smoked a minimum of 15 cigarettes a day for at least five years, and residents who were addicted to nicotine at the time the proceedings were filed and who have

since remained addicted. The plaintiffs' application to amend the scope of the definition of the disease and addiction classes was granted on 3 July 2013. The trial in this matter commenced on 12 March 2012 and was completed in December 2014. Judgment is anticipated in 2015 and is appealable.

In June 2009, four new smoking and health class actions were filed in Nova Scotia, Manitoba, Saskatchewan and Alberta, against Canadian manufacturers and foreign companies, including the UK Companies and Imperial. In Saskatchewan, BAT and Carreras Rothmans have been released from the action. No date has been set for the certification motion hearing. There are service issues in relation to the UK Companies in Alberta and Manitoba.

In July 2010, two further smoking and health class actions in British Columbia were served on Imperial and the UK Companies. The Bourassa claim is allegedly on behalf of all individuals who have suffered chronic respiratory disease and the McDermid claim proposes a class based on heart disease. Both claims state that they have been brought on behalf of those who have "smoked a minimum of 25,000 cigarettes". The UK Companies objected to the court's jurisdiction. Subsequently a number of the UK Companies were released from the action. No certification motion hearing date has been set. In Bourassa, the case management judge ordered the claim to be amended which has been done. Plaintiffs were due to deliver certification motion materials by 31 January 2015, but have not yet done so. Once the materials are delivered, the motions regarding abuse of process will be dealt with.

In June 2012, a new smoking and health class action was filed in Ontario against the domestic manufacturers and foreign companies, including Imperial and the UK Companies. Imperial was served on 20 November 2012, and the UK Companies were served on 30 November 2012. The claim is presently in abeyance.

Venezuela

The Venezuelan Federation of Associations of Users and Consumers filed a class action against the Venezuelan Government seeking regulatory controls on tobacco and recovery of medical expenses for future expenses of treating smoking-related illnesses in Venezuela. On 19 January 2009, C.A Cigarrera Bigott Sucs. ("Cigarrera Bigott") notified the court of its intention to appear as a third party. The court adjourned a public hearing, initially scheduled for 28 July 2009, where Cigarrera Bigott's status as a third party would be determined and parties would present evidence and make arguments. On 16 September 2009, the Venezuelan Republic ordered the court to continue the judicial process.

On 12 April 2011, however, the Constitutional Chamber of the Supreme Court of Justice issued decision number 494, which established the rules for class action procedures. On 5 December 2012 Cigarrera Bigott was admitted as a third party and presented its defences and evidence on 26 February 2013. The parties will now be asked to attend a hearing at the Constitutional Chamber; however, no date for the hearing has yet been scheduled by the Court. On 23 October 2014, ASUSELECTRIC, which is not a party to the case, filed a petition requiring the Constitutional Chamber to schedule the hearing.

(c) Individual personal injury claims

As at 1 April 2015, the jurisdictions with the most number of active individual cases against Group companies were, in descending order: Brazil (135), Italy (23), Argentina (21), Chile (11), Canada (5) and Ireland (2). There were a further seven jurisdictions with one active case only.

Litigation Conclusion

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 RJRT Indemnification, excluding the litigation brought by the shareholders of Reynolds and Lorillard. 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 particular quarterly or annual periods 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 Fox River, the Group (i) does not consider it appropriate to make any provision in respect of any pending litigation and (ii) does not believe that the ultimate outcome of this litigation will significantly impair the Group's financial condition.

Tax Disputes

The Group has exposures in respect of the payment or recovery of a numbers of taxes. The Group is and has been subject to a number of tax audits covering, among 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 the Group's accounts in accordance with 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.

The following matters may proceed to litigation:

Brazil

The Brazilian Federal Tax Authority has filed two claims against Souza Cruz seeking to reassess the profits of overseas subsidiaries to corporate income tax and social contribution tax. The first reassessment was for the years 2004-2006 in the sum of BRL495 million (£119 million) to cover tax, interest and penalties. The second reassessment was for the years 2007 and 2008 in the amount of BRL248m (£60 million) to cover tax, interest and penalties.

Souza Cruz appealed both reassessments and the matters are at the second tier administrative appeal process. Regarding the first assessment the Souza Cruz appeal was rejected although the written judgment of that tribunal is still awaited. The appeal against the second assessment was upheld at the second tier tribunal and is closed. There is one further administrative appeal level before the matter enters the judicial system. Souza Cruz received a further reassessment in 2014 for 2009 in the sum of BRL219m (£53 million) covering tax, interest and penalties and have appealed against the reassessment in full.

Canada

The Canada Revenue Agency ("CRA") had challenged the treatment of dividend income received by Imperial from its investments in fellow group subsidiaries. Following the outcome of other cases in Canada, CRA have decided not to pursue the matter. A refund of payments made by Imperial to pursue the appeal has been received from the federal and provincial authorities, including interest, with CAD$53 million (£29 million) being refunded in 2014 and the final balance of CAD$10 million (£5 million) being received in January 2015.

South Africa

In 2011 the South African Revenue Service challenged the debt financing of British American Tobacco South Africa ("BATSA") and reassessed the years 2006 to 2008. BATSA has objected to and appealed this reassessment. In 2014, the South African Revenue Service have also reassessed the years 2009 and 2010. BATSA have filed a detailed objection letter to the 2009/10 reassessments. Across the period from 2006 to 2010 the reassessments are for ZAR1.74 billion (£96 million) covering both tax and interest.

The Group believes that the Group's companies have meritorious defences in law and fact in each of the above matters and intends to pursue each dispute through the judicial system as necessary. The Group

does not consider it appropriate to make provision for these amounts assessed nor for any potential further amounts which may be assessed in subsequent years.

While the amounts that may be payable or receivable in relation to tax disputes 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.

VAT and Duty Disputes

British American Tobacco Bangladesh Company Limited ("BATBC") received a retrospective notice of imposition and realization of VAT and supplementary duty on low price category brands from the National Board of Revenue ("NBR") for approximately £158 million. BATBC is alleged to have evaded tax by selling the products in the low price segments rather than the mid-tier price segments. Litigation has proceeded during 2014. A High Court Order to conclude the NBR hearing in 120 days (by 24 March 2015) was served to the Commissioner on 24 November 2014. Hearings scheduled for January and February 2015 were postponed and a new date for the hearing of the case by the NBR has not been set. The Ministry of Law has issued an opinion in respect of retrospective claims, supporting BATBC's view.

Franked Investment Income Group Litigation Order

BAT 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 judgment in November 2008 concluded, amongst other things, that the corporation tax provisions relating to dividend income from EU subsidiaries breached EU law. 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 creditable against advance corporation tax ("ACT") liabilities with the consequence that 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 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 BAT'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 judgment 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 judgment 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 detailed technical issues of the quantification mechanics of the claim were heard by the High Court during May and June 2014 and the judgment handed down on 18 December 2014. The High Court determined that in respect of issues concerning the calculation of unlawfully charged corporation tax and advanced corporation tax, the law of restitution including the defence on change of position and questions concerning the calculation of overpaid interest, the approach of the Group was broadly preferred. The conclusion reached by the High Court would, if upheld, produce an estimated receivable of £1.2 billion for BAT. Appeals on a majority of the issues have been made to the Court of Appeal, which is likely to hear the case in 2016.

No potential receipt has been recognised in the current period or the prior year, in the results of the Group, due to the uncertainty of the amounts and eventual outcome.

MANAGEMENT

Administrative, management and supervisory bodies

Directors

The Directors of BAT and their functions within the Group and their principal activities outside the Group are as follows:

Executive Directors	Principal Activities outside the Group
Nicandro Durante (Chief Executive)	Reckitt Benckiser Group plc (Non-Executive Director)
J. Benedict Stevens (Finance Director)	None

Chairman	Principal Activities outside the Group
Richard G.W. Burrows	Rentokil Initial plc (Non-Executive Director)
	Carlsberg A/S (Supervisory Board Member)

Non-Executive Directors	Principal Activities outside the Group
Sue Farr	Chime plc (Director)
	Dairy Crest Group (Non-Executive Director)
	Millennium & Copthorne Hotels (Non-Executive Director)
	Accsys Technologies (Non-Executive Director)
Ann F. Godbehere	Rio Tinto plc and Rio Tinto Limited (Non-Executive Director)
	UBS Group AG and UBS AG (Non-Executive Director)
	Prudential plc (Non-Executive Director)
Savio Kwan	A&K Consulting Co Ltd (Chief Executive Officer)
	Henley Business School (Visiting Professor)
Dr Pedro Malan	Itaú Unibanco (Chairman of the International Advisory Board)
	EDP – Energias do Brasil SA (Advisory Board Member)
	Mills Estruturas e Servicos de Engenharia SA (Non-Executive Director)
Christine J.M. Morin-Postel	Groupe Bruxelles Lambert S.A. (Non-Executive Director)
Dr Gerard M. Murphy	The Blackstone Group International Partners LLP (Member and Chairman of the Executive Committee)
	Jack Wolfskin (Board Member)

	Intertrust Group (Board Member)
Dimitri Panayotopoulos	Boston Consulting Group (Senior Advisor)
	Logitech (Board Member)
Kieran C. Poynter	International Consolidated Airlines Group S.A. (Non-Executive Director)
	Nomura International PLC (Non-Executive Chairman)
	F&C Asset Management PLC (Non-Executive Chairman)
Karen M.A. de Segundo	E.ON SE (Supervisory Board Member)
	Pöyry Oyj (Board Member)
Dr Richard Tubb	Brigadier General (retired), US Air Force
	White House Physician Emeritus
	Project Rescue (Member of Board of Reference)
	Shoreland, Inc (Senior Managing Director)

Management Board

The Executive Directors of BAT together with the following executives:

Jerome Abelman
(Director, Legal & External Affairs and General Counsel)

Jack Bowles
(Regional Director, Asia-Pacific)

Alan Davy
(Operations Director)

Giovanni Giordano
(Director, Group Human Resources)

Andrew Gray
(Director, Marketing)

Tadeu Marroco
(Business Development Director)

Ricardo Oberlander*
(Regional Director, Americas)

Dr David O'Reilly
(Group Scientific Director)

Naresh Sethi
(Regional Director, Western Europe)

Johan Vandermuelen
(Regional Director, Eastern Europe, Middle East and Africa)

Kingsley Wheaton
(Managing Director, Next Generation Products)

*Ricardo Oberlander's principal activity outside the Group is as a Non-Executive Director of Reynolds.

The business address of the Directors and Management Board of BAT is Globe House, 4 Temple Place, London WC2R 2PG, save for the business address of Jack Bowles which is 16 Floor, 2 IFC, 8 Finance Street, Central, Hong Kong.

Administrative, Management and Supervisory bodies conflicts of interest

During the last 12 months, a number of conflicts were notified to BAT in accordance with the conflicts of interest procedures. All matters authorised by the Board and the Conflicts Committee were recorded in the register of interests maintained by the Company Secretary. They included a potential conflict of interest for Christine Morin-Postel that arose in respect of the Group's exposure to clean-up costs for pollution in the Lower Fox River, Wisconsin. On 24 April 2009, BAT's Board of Directors authorised Ms Morin-Postel's appointment to the Board of Exor S.p.a. ("Exor") with effect from 15 April 2009. On 20 February 2012 Ms Morin-Postel resigned from the Audit Committee of BAT. On 21 February 2012 BAT's Board of Directors discussed her appointment to the Board of Exor again in connection with BAT's exposure to clean-up costs for pollution in the Lower Fox River, Wisconsin in relation to which BAT has potential claims against Sequana SA, a subsidiary of Exor. In May 2012 Ms Morin-Postel's position as a Director of Exor ended. In January 2014 Ms Morin-Postel was reappointed to the Audit Committee of BAT. In February 2015 BAT's Board of Directors reviewed and authorised the conflict again, as proceedings against Sequana have reached a critical point, and it appears that for a brief period of time, Ms Morin-Postel may have been on the board of Exor at the same time as the issues in dispute took place.

A potential conflict of interest for Kieran Poynter arose in February 2015. Mr Poynter was Chairman and Senior Partner of PwC (retired in June 2008). Given that potential proceedings against PwC may be pursued (or potentially settled) in relation to Fox River, and that Mr Poynter was a partner at PwC during the period in which PwC was auditing the Group's accounts, it is possible that a conflict may arise. Mr Poynter was not involved in the account or audit in question and did not therefore have any personal involvement in, or knowledge of, the matters underlying the dispute, but he indicated that a potential situational conflict might arise by virtue of the fact that he benefits from pension entitlements under a PwC pension scheme. In February 2015, BAT's Board of Directors authorised this potential situational conflict of interest given the possibility of litigation against PwC.

Other than as described above, there are no potential conflicts of interest between any duties to BAT of the Directors and the members of the Management Board listed above and/or their private interests and other duties.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. Part A of the applicable Final Terms in relation to any Tranche (as defined below) of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, complete the following Terms and Conditions for the purpose of such Notes. Part A of the applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for the form of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by B.A.T. International Finance p.l.c. ("**BATIF**"), British American Tobacco Holdings (The Netherlands) B.V. ("**BATHTN**") or B.A.T. Netherlands Finance B.V. ("**BATNF**") as indicated in the applicable Final Terms (each in its capacity as the issuer of the Notes, the "**Issuers**" and, together with the other in its capacity as issuer of other notes, the "**Issuers**") constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 6 July 1998 made between, *inter alios*, each of BATIF, BATHTN and BATNF as an Issuer, and where it is not the Issuer of the Notes, as guarantor of notes issued by the other Issuers, British American Tobacco p.l.c. ("**British American Tobacco**") as a guarantor and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include any successor as trustee). Each of BATIF, BATHTN, BATNF and British American Tobacco in its capacity as a guarantor is herein referred to as a "**Guarantor**" and all together in such capacities are herein referred to as the "**Guarantors**". The Issuer and the Guarantors in relation to the Notes are specified in the applicable Final Terms (as defined below) and such expressions shall be construed accordingly.

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;

(ii) any Global Note; and

(iii) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 16 May 2014 and made between the same parties as are parties to the Trust Deed, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the "**Agent**", which expression shall include any successor agent) and the other paying agent named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agent).

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent

inconsistent with these Terms and Conditions, complete these Terms and Conditions for the purposes of this Note. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series with an existing Tranche of Notes; and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed, the Agency Agreement and the applicable Final Terms are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at the date of this Base Prospectus at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of and definitions contained in the Trust Deed.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, "**Euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions, the Trust Deed and the Agency Agreement are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Guarantors and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any

previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantors and the Paying Agents as the holder of such nominal amount of such Notes for all purposes, other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantors and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms, or as may otherwise be approved by the Issuer, the Guarantors, the Agent and the Trustee.

2. STATUS OF THE NOTES AND THE GUARANTEE

(a) Status of the Notes

The Notes and Coupons constitute direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank and will rank *pari passu* and without any preference among themselves and (subject as aforesaid and save to the extent that laws affecting creditors' rights generally in a bankruptcy or winding up may give preference to any of such other obligations) equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

(b) Status of the Guarantee

The payment of principal of, and interest on, the Notes together with all other amounts payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably and jointly and severally guaranteed in the Trust Deed by the Guarantors (other than the Issuer).

The obligations of each Guarantor under its guarantee constitute direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the relevant Guarantor and (subject as aforesaid and save to the extent that laws affecting creditors' rights generally in a bankruptcy or winding up may give preference to any of such other obligations) rank and will rank equally with all other unsecured and unsubordinated obligations of the relevant Guarantor from time to time outstanding.

The Trust Deed contains a covenant on the part of the Issuers and the Guarantors in the event that any other company, the share capital of which is or is to be admitted to the official list of the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (the "**Official List**") and admitted to trading on the London Stock Exchange plc's Regulated Market (the "**Market**"), becomes the ultimate Holding Company

of British American Tobacco, to procure that such other Holding Company shall become a guarantor under the Trust Deed, jointly and severally with the Guarantors, with effect from the later of (i) the date on which such other company becomes the ultimate Holding Company of British American Tobacco and (ii) the date on which the share capital of such other Holding Company is admitted to the Official List and admitted to trading on the Market. In such event, the term "**Guarantors**" herein shall be deemed to include such other Holding Company.

3. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Trust Deed) neither the Issuer nor any Guarantor will secure or allow to be secured any Quoted Borrowing or any payment under any guarantee by any of them of any Quoted Borrowing by any mortgage, charge, pledge or lien (other than arising by operation of law) upon any of its undertaking or assets, whether present or future, unless at the same time the same mortgage, charge, pledge or lien is extended, or security which is in the opinion of the Trustee not materially less beneficial to the Noteholders than the security given as aforesaid or which shall be approved by Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders is extended, or (as the case may be) created, in favour of the Trustee to secure equally and rateably the principal of, and interest on, and all other payments (if any) in respect of the Notes and under the Trust Deed.

For the purposes of this Condition 3, "**Quoted Borrowing**" means any indebtedness which (a) is represented by notes, debentures or other securities issued otherwise than to constitute or represent advances made by banks and/or other lending institutions; (b) is denominated, or confers any right to payment of principal and/or interest, in or by reference to any currency other than the currency of the country in which the issuer of the indebtedness has its principal place of business or is denominated, or confers any right to payment of principal and/or interest, in or by reference to the currency of such country but is placed or offered for subscription or sale by or on behalf of, or by agreement with, the issuer of such indebtedness as to over 20 per cent. outside such country; and (c) at its date of issue is, or is intended by the issuer of such indebtedness to become, quoted, listed, traded or dealt in on any stock exchange or other organised and regulated securities market in any part of the world.

4. INTEREST

(a) Interest on Fixed Rate Notes

The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4*(a)* for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify, as applicable, the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as otherwise provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding amount of the Fixed Rate Notes represented by such Global Note; or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means in respect of the calculation of an amount of interest in accordance with Condition 4*(a)*:

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date (or, if none, the Interest Commencement Date), the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in one calendar year;

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

(iii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date divided by 365.

In these Terms and Conditions:

"**Determination Period**" means the period from (and including) a Determination Date to (but excluding) the next Determination Date.

"**sub-unit**" means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

(b) Interest on Floating Rate Notes

The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4*(b)* for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify, as applicable, any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each "**Interest Period**" (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 4*(b)*(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest

Payment Date shall be the last Business Day in the month in which the Specified Period falls after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, "**Business Day**" means a day (other than a Saturday or a Sunday) which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (if any) specified in the applicable Final Terms; and

(B) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007, or any successor thereto (the "**TARGET System**") is operating.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") or on the Euro-zone interbank offered rate ("**EURIBOR**") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), (i) "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Euro-**zone" have the meanings given to those terms in the ISDA Definitions and (ii) the definition of "**Banking Day**" in the ISDA Definitions shall be amended to insert after the words "are open for" in the second line thereof the word "general".

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate(s) which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(C) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period, provided however, that if there is no rate available for the period of time next

shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period:

(i) if "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(v) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30

(vi) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30; and

(vii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366.

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed or by which they have been admitted to trading (if the rules of that stock exchange or other relevant authority so require) and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than (a) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such stock exchange of a Rate of Interest and Interest Amount, or (b) in all other cases, the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed or by which they have been admitted to trading (if the rules of that stock exchange or other relevant authority so require) and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

(vi) *Determination or calculation by Trustee*

If for any reason at any relevant time the Agent defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above or as otherwise specified in the applicable Final Terms, as the case may be, and, in each, case in accordance with

paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4*(b)*, whether by the Agent or, if applicable, the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantors, the Agent, the other Paying Agents, the Trustee and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantors, the Noteholders or the Couponholders shall attach to the Agent or (if applicable) the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

5. PAYMENTS

(a) Method of payment

Subject as provided below:

(i) payments in a Specified Currency other than Euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

(b) Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (*a*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein,

means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Where any definitive Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any definitive Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

(c) Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

(d) General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, any Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by

the Issuer or, as the case may be, any Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the provisions of paragraph *(a)* above, if any amount of principal and/or interest in respect of Notes is payable in US dollars, such US dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in US dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in US dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantors, adverse tax consequences to the Issuer or the Guarantors.

(e) Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day (other than a Saturday or a Sunday) which (subject to Condition 8) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in:

(A) in the case of definitive Notes only, the relevant place of presentation;

(B) each Additional Financial Centre (if any) specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET System is operating.

(f) Interpretation of principal and interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 7 or pursuant to any undertaking or covenant to pay additional amounts given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6*(e)*(iii)); and

(vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertaking or covenant to pay additional amounts given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

6. REDEMPTION AND PURCHASE

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) Redemption for tax reasons

(i) Where the Issuer is BATIF

(1) The provisions of this paragraph shall only apply where the Issuer is BATIF.

(2) The Notes may be redeemed in whole but not in part, at the option of the Issuer, at any time or, if the Notes are Floating Rate Notes, on any Interest Payment Date, upon not more than 30 nor less than 15 days' (or, in each case, such other number of days as specified in the applicable Final Terms) prior notice given in accordance with Condition 13 (which notice will be irrevocable), at their Early Redemption Amount referred to in paragraph *(e)* below, together, if applicable, with interest accrued to (but excluding) the date fixed for redemption, if the Issuer satisfies the Trustee that, as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official application or interpretation of such laws or regulations, which amendment or change becomes effective on or after the Issue Date of the first Tranche of the Notes, the Issuer will become obliged to pay any Additional Amounts pursuant to Condition 7*(a)* on the next succeeding Interest Payment Date in respect of the Notes; provided, however, that (1) no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due and (2) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Immediately prior to the publication of any notice of redemption pursuant to this paragraph *(b)*(i) the Issuer will deliver to the Trustee a certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the same in which event it shall be conclusive and binding on the Noteholders and the Couponholders. Upon the

expiry of any notice of redemption pursuant to this paragraph *(b)*(i), the Issuer shall be bound to redeem the Notes as provided herein.

(ii) Where the Issuer is BATHTN or BATNF

(1) The provisions of this paragraph shall only apply where the Issuer is BATHTN or BATNF.

(2) The Notes may be redeemed in whole but not in part, at the option of the Issuer, at any time or, if the Notes are Floating Rate Notes, on any Interest Payment Date, upon not more than 30 nor less than 15 days' (or, in each case, such other number of days as specified in the applicable Final Terms) prior notice given in accordance with Condition 13 (which notice will be irrevocable), at their Early Redemption Amount referred to in paragraph *(e)* below, together, if applicable, with interest accrued to (but excluding) the date fixed for redemption, if, as a result of any amendment to, or change in, the laws or regulations of The Netherlands or any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official application or interpretation of such laws or regulations, which amendment or change becomes effective on or after the Issue Date of the first Tranche of the Notes, the Issuer will become obliged to pay any Additional Amounts pursuant to Condition 7*(b)* on the next succeeding Interest Payment Date in respect of the Notes; provided, however, that (1) no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due and (2) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Immediately prior to the publication of any notice of redemption pursuant to this paragraph *(b)*(ii) the Issuer will deliver to the Trustee a certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the same in which event it shall be conclusive and binding on the Noteholders and the Couponholders. Upon the expiry of any notice of redemption pursuant to this paragraph *(b)*(ii), the Issuer shall be bound to redeem the Notes as provided herein.

(c) Redemption at the option of the Issuer (Issuer Call)

This Condition 6*(c)* applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an "**Issuer Call**". The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 6*(c)* for full information on any Issuer Call. In particular, the applicable Final Terms will identify, as applicable, the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

(i) not less than 15 nor more than 30 days' (or, in each case, such other number of days as specified in the applicable Final Terms) notice to the Noteholders in accordance with Condition 13; and

(ii) not less than 15 days (or such shorter notice as such party shall accept) before the giving of the notice referred to in (i), notice to the Agent and the Trustee;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such partial redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/ or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 14 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph *(c)* and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

(d) Redemption at the option of the Noteholders (Investor Put)

This Condition 6*(d)* applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an "**Investor Put**". The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 6*(d)* for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' (or, in each case, such other number of days as specified in the applicable Final Terms) notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of a Note the holder of this Note must, if the relevant Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by the relevant Note or evidence satisfactory to the Paying Agent concerned that such Note will, following delivery of the Put Notice, be held to its order or under its control. If a Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of such Note the holder must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or

common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if the relevant Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

(e) Early Redemption Amounts

For the purpose of paragraph *(b)* above and Condition 9, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

(i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; or

(iii) in the case of Zero Coupon Notes, at an amount (the "Amortised Face Amount") equal to the sum of:

(A) the Reference Price; and

(B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Notes become due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made (i) in the case of a Zero Coupon Note payable in a Specified Currency other than Sterling, on the basis of a 360-day year consisting of 12 months of 30 days each or (ii) in the case of a Zero Coupon Note payable in Sterling, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365).

(f) Purchases

The Issuer, the Guarantors or any other subsidiary (as defined in the Trust Deed) of the Issuer or any Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer or the relevant Guarantor, surrendered to any Paying Agent for cancellation.

(g) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph *(f)* above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(h) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph *(a)*, *(b)*, *(c)* or *(d)* above or upon its becoming due and

repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph *(e)*(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

7. TAXATION

(a) Where the Issuer is BATIF

(1) The provisions of this paragraph shall only apply where the Issuer is BATIF.

(2) All payments of principal and interest by the Issuer or any Guarantor will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges (together, "**Taxes**") of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority thereof or therein having power to levy the same unless such withholding or deduction is required by law. In that event, the Issuer or the relevant Guarantor (as the case may be) shall pay such amounts (the "**Additional Amounts**") as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such Taxes been required to be withheld or deducted; provided that no such Additional Amounts will be payable in respect of Notes or Coupons:

(i) presented for payment by or on behalf of a Noteholder or Couponholder who is liable for such withheld or deducted Taxes by reason of his having some connection with the United Kingdom other than the mere holding of a Note or Coupon; or

(ii) to, or to a third party on behalf of, a holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom, unless such holder proves that he is not entitled so to comply or to make such declaration or claim; or

(iii) presented for payment in the United Kingdom; or

(iv) presented for payment more than 30 days after the Relevant Date except to the extent that a Noteholder or Couponholder would have been entitled to payment of such Additional Amounts if he had presented his Note or Coupon for payment on the thirtieth day after the Relevant Date; or

(v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(vi) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

(b) Where the Issuer is BATHTN or BATNF

(1) The provisions of this paragraph shall only apply where the Issuer is BATHTN or BATNF.

(2) All payments of principal and interest by the Issuer or any Guarantor will be made without withholding or deduction for or on account of any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of The Netherlands or any political subdivision thereof or any authority thereof or therein having power to levy the same unless such withholding or deduction is required by law. In that event, the Issuer or the relevant Guarantor (as the case may be) shall pay such Additional Amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such Taxes been required to be withheld or deducted; provided that no such Additional Amounts will be payable in respect of Notes or Coupons:

(i) presented for payment by or on behalf of a Noteholder or Couponholder who is liable for such withheld or deducted Taxes by reason of his having some connection with The Netherlands other than the mere holding of a Note or Coupon; or

(ii) to, or to a third party on behalf of, a holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in The Netherlands, unless such holder proves that he is not entitled so to comply or to make such declaration or claim; or

(iii) presented for payment in The Netherlands; or

(iv) presented for payment more than 30 days after the Relevant Date except to the extent that a Noteholder or Couponholder would have been entitled to payment of such Additional Amounts if he had presented his Note or Coupon for payment on the thirtieth day after the Relevant Date; or

(v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(vi) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

(d) The Trust Deed contains provisions (*mutatis mutandis*) to those contained in paragraphs *(a)* and *(b)* above in relation to the relevant taxing jurisdiction of each Guarantor.

(e) For the purpose of this Condition 7, "**Relevant Date**" means, in respect of any payment, the date on which such payment became due and payable or the date on which payment thereof was duly provided for, whichever occurs the later.

8. PRESCRIPTION

The Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(*b*) or any Talon which would be void pursuant to Condition 5(*b*).

9. EVENTS OF DEFAULT

(a) The Trustee at its discretion may, and if so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified to its satisfaction), (provided that, except in the case of the happening of any of the events mentioned in paragraph (i) below, the Trustee shall have certified in writing to the Issuer that, in its opinion, such event is materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall thereupon immediately become, due and repayable at their Early Redemption Amount referred to in Condition 6*(e)*, together with accrued interest as provided in the Trust Deed, if any of the following events occurs and is continuing (each, an "**Event of Default**"):

(i) default is made for a period of seven days or more in the payment on the due date of any principal on the Notes or any of them or for a period of 14 days or more in the payment of any interest due in respect of the Notes or any of them; or

(ii) default is made by the Issuer or any Guarantor in the performance or observance of any covenant or provision binding on it under or pursuant to the Trust Deed or the Notes (other than a covenant for the payment of principal or interest due on or in respect of the Notes) and (except where the Trustee considers such default to be incapable of remedy when no notice as is referred to below is required, and for this purpose, something shall remain capable of remedy notwithstanding that it was required to have been previously done) such default continues on the thirtieth day after service by the Trustee on the Issuer or, as the case may be, the relevant Guarantor of written notice requiring the same to be remedied (or such later date as the Trustee may permit); or

(iii) any other Borrowed Moneys Indebtedness (as defined below) of either the Issuer or any Guarantor becomes due and repayable by reason of any event of default (howsoever described) prior to its stated date of payment or any other Borrowed Moneys Indebtedness of either the Issuer or any Guarantor is not paid within the longer of seven days of its due date or any applicable grace period therefor (and for such purpose there shall be deemed to be a grace period of not less than seven days in respect of any obligation under any guarantee or indemnity or otherwise as surety), provided that no such event shall constitute an Event of Default unless the Borrowed Moneys Indebtedness either (a) in any particular case amounts to at least £25,000,000 or the equivalent thereof in any other currency, or (b) when aggregated with other Borrowed Moneys Indebtedness then so due and repayable or not so paid amounts to at least £100,000,000 or the equivalent thereof in any other currency; or

(iv) where the Issuer or any Guarantor is incorporated in England and Wales:

(1) an order is made or an effective resolution is passed for the winding-up of the Issuer or a relevant Guarantor, or any similar action is taken in any other jurisdiction; or

(2) a distress or execution or other legal process is levied or enforced against or an encumbrancer takes possession of or a receiver, administrative receiver or other similar officer is appointed of the whole or a part of its assets which is substantial in relation to the Group (as defined below) taken as a whole and is not discharged, stayed, removed or paid out within 45 days after such execution or appointment; or

(3) an administration order is made in relation to the Issuer or a relevant Guarantor which is not discharged, stayed or removed within 45 days of such order being made; or

(v) where the Issuer or the relevant Guarantor is BATHTN or BATNF:

(1) an order is made or an effective resolution is passed for the winding-up of BATHTN or BATNF or any similar action is taken in any other jurisdiction, including, without limitation, an application being made by BATHTN or BATNF for a '*surséance van betaling*' (within the meaning of The Netherlands Bankruptcy Code (*Faillissementswet*)); or

(2) a distress or execution or other legal process is levied or enforced against or an encumbrancer takes possession of or a receiver, administrative receiver or other similar officer is appointed of the whole or a part of its assets which is substantial in relation to the Group taken as a whole and is not discharged, stayed, removed or paid out within 45 days after such execution or appointment; or

(3) an administration order is made in relation to BATHTN or BATNF which is not discharged, stayed or removed within 45 days of such order being made; or(vi) either the Issuer or any Guarantor:

(1) admits in writing its inability to pay its debts generally as they fall due or makes or enters into a general assignment or composition with or for the benefit of its creditors generally; or

(2) stops or threatens to stop payment of its obligations generally or ceases or threatens to cease to carry on its business (except in either case for the purposes of amalgamation, reconstruction or corporate reorganisation, the terms of which shall have been previously approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders); or

(vii) for any reason whatsoever any guarantee ceases to be binding on and enforceable against the relevant Guarantor other than with the prior written consent of the Trustee or the sanction of an Extraordinary Resolution of the Noteholders.

For this purpose, "**Borrowed Moneys Indebtedness**" means, in relation to any person, any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent comprising or constituted by:

(1) any liability to repay the principal of or to pay interest on borrowed money or deposits; or

(2) any liability (i) under or pursuant to any (a) letter of credit, (b) acceptance credit facility or (c) note purchase facility; or (ii) in relation to (a) any foreign currency

transaction or (b) any liability in respect of any purchase price for property or services payment of which is deferred for a period in excess of 180 days after the later of taking possession or becoming the legal owner thereof; or (iii) with regard to any guarantee or indemnity in respect of repayment of obligations as referred to in (i) and (ii) above or of any other borrowed money,

provided that nothing in Condition 9*(a)*(iv), (v) or (vii) shall apply to any matter or event resulting from or in connection with a disposal or divestiture of all or part of the interests in financial services businesses of the Group or any reconstruction, amalgamation or corporate reorganisation (or any similar action in any other jurisdiction), the terms of which shall have been approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders.

For the purposes of these Terms and Conditions, "**Group**" means British American Tobacco and its Subsidiaries together with its or their ultimate Holding Company (if any) (as defined in the Trust Deed) and any such ultimate Holding Company's Subsidiaries.

(b) At any time after the Notes become due and repayable pursuant to paragraph *(a)* of this Condition the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or any Guarantor as it may think fit to enforce payment of the Notes, but it shall not be bound to take any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in principal amount of the Notes outstanding and (ii) it shall have been indemnified to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer or any relevant Guarantor unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure is continuing.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity the Issuer may reasonably require. Mutilated or defaced Notes Coupons or Talons must be surrendered before replacements will be issued.

11. AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(i) there will at all times be an Agent;

(ii) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or any other relevant authority;

(iii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in Western Europe outside the United Kingdom and The Netherlands; and

(iv) it undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the

conclusions of the ECOFIN council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Guarantors shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5*(d)*. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantors and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes on the fourth day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, any Guarantor or the Trustee and shall (subject to being indemnified to its satisfaction) be convened by the Trustee upon a request by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or Coupons) the quorum shall be one or more persons holding or representing not less than three-fourths in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-fourth in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders. Notwithstanding the foregoing, a resolution in writing signed by persons holding or representing not less than 75 per cent. of the nominal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions contained in the Trust Deed.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature, to correct a manifest error or to comply with mandatory provisions of applicable law.

The Trustee may also agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or Couponholders, to the substitution (i) in place of the Issuer as the principal debtor under the Notes and the Trust Deed of any Guarantor or any successor in business or Holding Company of any Guarantor or any other subsidiary of any Guarantor, such successor in business or such Holding Company provided that all payments in respect of the Notes continue to be unconditionally and irrevocably guaranteed by each Guarantor or the successor in business or Holding Company of each Guarantor in the manner provided in the Trust Deed (or, where a Guarantor or its successor in business or Holding Company is the new principal debtor, by the other Guarantors or their successors in business or Holding Companies); or (ii) in place of any Guarantor as guarantor of the Notes under the Trust Deed, of any successor in business or Holding Company of any Guarantor. In the case of any proposed substitution, the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed, provided that such change would not, in the opinion of the Trustee, be

materially prejudicial to the interests of the Noteholders. Any such modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, any Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

15. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other Series where the Trustee so decides.

16. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTORS

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any Guarantor and/or any Subsidiaries of any of them and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any Guarantor and/or any Subsidiaries of any of them, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) The Trust Deed, the Notes and the Coupons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.

(b) Each of the parties to the Trust Deed has in the Trust Deed irrevocably agreed that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and that accordingly any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Trust Deed, the Notes and the Coupons (including any proceedings relating to any non-contractual obligations arising out of or in connection with them) may be brought in such courts.

(c) Each of the parties to the Trust Deed has in the Trust Deed irrevocably and unconditionally waived any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agreed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

(d) Nothing contained in this Condition shall limit any right to take Proceedings against any of the parties to the Trust Deed in any other court of competent jurisdiction (outside the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982, as amended), nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(e) Each of BATHTN and BATNF has in the Trust Deed appointed British American Tobacco at its registered office for the time being (being at the date of this Base Prospectus at Globe House, 4 Temple Place, London WC2R 2PG) as its agent for service of process, and undertaken that, in the event of British American Tobacco ceasing so to act or ceasing to be registered in England, each of BATHTN and BATNF will appoint another person as its agent for service of process in England in respect of any Proceedings.

(f) Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

FORM OF FINAL TERMS

Dated [●]

[B.A.T. INTERNATIONAL FINANCE p.l.c.]
[BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.]
[B.A.T. NETHERLANDS FINANCE B.V.]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by [B.A.T. INTERNATIONAL FINANCE p.l.c.]
[BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.]
[BRITISH AMERICAN TOBACCO p.l.c.]
[B.A.T. NETHERLANDS FINANCE B.V.]

under the £15,000,000,000 Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Prospectus dated 18 May 2015 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis and of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [The Base Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at *www.londonstockexchange.com/exchange/news/market-news/market-news-home.html* and copies may be obtained from British American Tobacco p.l.c., Globe House, 4 Temple Place, London WC2R 2PG or Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.]]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") contained in the Trust Deed dated [original date] and set forth in the Base Prospectus dated [original date] [and the supplemental Prospectus dated [●]] and incorporated by reference into the Prospectus dated [●] and which are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the "Prospectus Directive") and must be read in conjunction with the Prospectus dated [●] [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. [The Base Prospectuses [and the supplemental Prospectuses] are available for viewing at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html and copies may be obtained from British American Tobacco p.l.c., Globe House, 4 Temple Place, London WC2R 2PG or Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.]]

1	(i)	Issuer:	[●]
	(ii)	Guarantors:	[●]
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[On [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●]], the Notes will be consolidated and form a single Series with

			the existing [●] Notes due [●] issued on [●]]
			[●]
3	Specified Currency or Currencies:		[●]
4	Aggregate Nominal Amount:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5	Issue Price of Tranche:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]
6	(i)	Specified Denominations:	[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]].
	(ii)	Calculation Amount:	[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[[●]/Issue Date/Not Applicable]
8	Maturity Date:		[●] [Interest Payment Date falling in or nearest to [●]]
9	Interest Basis:		[Fixed Rate] [Floating Rate] [Zero Coupon] [●] (Further particulars specified below in paragraph [14/15/16])
10	Redemption Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount
11	Change of Interest:		[●] [Not Applicable]
12	Put/Call Options:		[Investor Put] [Issuer Call] [Not Applicable] (Further particulars specified below in paragraph [18/19])
13	(i)	Status of the Notes:	Senior
	(ii)	Status of the Guarantee:	Senior

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note Provisions		[Applicable/Not Applicable]
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[[●] [and [●]] in each year, commencing on [●], up to and including the Maturity Date

(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
(iv)	Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [Not Applicable]
(v)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)] [Actual/365 (Fixed)]
(vi)	[Determination Dates:	[[●] in each year] [Not Applicable]]
15	Floating Rate Note Provisions	[Applicable/Not Applicable]
(i)	Specified Period(s)/Specified Interest Payment Dates:	[●] [, subject to adjustment in accordance with the Business Day Convention set out in (ii) below/, not subject to any adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
(ii)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable]
(iii)	Additional Business Centre(s):	[●]
(iv)	Manner in which the Rate(s) of Interest and Interest Amount is/are to be determined:	[Screen Rate Determination] [ISDA Determination]
(v)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):	[●]
(vi)	Screen Rate Determination:	
	- Reference Rate:	[●] month [LIBOR/EURIBOR]
	- Interest Determination Date(s):	[Second London business day prior to the start of each Interest Period] [First day of each Interest Period] [Second day on which the TARGET System is open prior to the start of each Interest Period] [●]
	- Relevant Screen Page:	[●]
(vii)	ISDA Determination:	
	- Floating Rate Option:	[●]
	- Designated Maturity:	[●]
	- Reset Date:	[●]
(viii)	Margin(s):	[+/-] [●] per cent. per annum
(ix)	Linear Interpolation:	[Not Applicable][Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(x)	Minimum Rate of Interest:	[[●] per cent. per annum] [Not Applicable]
(xi)	Maximum Rate of Interest:	[[●] per cent. per annum] [Not Applicable]

	(xii) Day Count Fraction:	[Actual/Actual] [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]
16	Zero Coupon Note Provisions	[Applicable/Not Applicable]
	(i) Accrual Yield:	[●] per cent. per annum
	(ii) Reference Price	[●]
	(iii) Day Count Fraction in relation to Early Redemption Amounts and late payment	[Conditions 6(e)(iii) and 6(h) apply]

PROVISIONS RELATING TO REDEMPTION

17	Notice periods for Condition 6(b):	Minimum period: [15] [●] days Maximum period: [30] [●] days
18	Issuer Call	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s):	[[●] per Calculation Amount]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice periods:	Minimum period: [15] [●] days Maximum period: [30] [●] days
19	Investor Put	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s):	[[●] per Calculation Amount]
	(iii) Notice periods:	Minimum period: [15] [●] days Maximum period: [30] [●] days
20	Final Redemption Amount:	[●] per Calculation Amount
21	Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default or other early redemption:	[As set out in Condition 6(e)] [[●] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22	Form of Notes:	**Bearer Notes**:
	(i) Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/upon an Exchange Event.]]

		[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date and subject to 60 days' notice] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/upon an Exchange Event.]]
	(ii) New Global Note:	[Yes/No]
23	Additional Financial Centre(s):	[Not Applicable] [●]
24	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
25	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[TEFRA D/ TEFRA C/ TEFRA Not Applicable]

Signed on behalf of [name of the Issuer]:

By: .....
Duly authorised

Signed on behalf of [name of the Guarantor]:

By: .....
Duly authorised

Signed on behalf of [name of the Guarantor]:

By: .....
Duly authorised

Signed on behalf of [name of the Guarantor]:

By: .....
Duly authorised

PART B - OTHER INFORMATION

1 **LISTING**

(i)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange plc with effect from [●].]
(ii)	Estimate of total expenses related to admission to trading:	[●]

2 **RATINGS**

Ratings: [The Issuer has not applied, and does not intend to apply, for a credit rating to be assigned to the Notes] [The Notes to be issued [have been/are expected to be] rated:

[Fitch: [●]]

[Moody's: [●]]

[Standard & Poor's: [●]]

3 **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

[Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions, and may perform other services for the Issuer and its affiliates in the ordinary course of business.]

4 **[Fixed Rate Notes only - YIELD**

Indication of yield: [●]

5 **OPERATIONAL INFORMATION**

(i)	ISIN:	[●]
(ii)	Common Code:	[●]
(iii)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* and the relevant identification number(s):	[Not Applicable]/[●]
(iv)	Names and addresses of additional Paying Agent(s) (if any):	[Not Applicable/[●]]

6 **[THIRD PARTY INFORMATION]**

[[●]] has been extracted from [●]. [Each of the] [The] Issuer [and the Guarantors] confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

FORM OF THE NOTES

The Notes of each Series will be in bearer form, with or without interest coupons ("Coupons") attached.

Each Tranche of Notes will be initially issued in the form of a temporary global note (a "Temporary Global Note") or, if so specified in the applicable Final Terms, a permanent global note (a "Permanent Global Note" and together with the Temporary Global Note, the "Global Notes"). The relevant Global Note will be delivered on or prior to the original issue date of the Tranche (if the relevant Global Note is an NGN) to a Common Safekeeper for Euroclear and Clearstream, Luxembourg or (if the relevant Global Note is a CGN) to a Common Depositary for Euroclear and Clearstream, Luxembourg. Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is in CGN form) only to the extent that certification (in a form satisfactory to Euroclear and Clearstream, Luxembourg) to the effect that the beneficial owners of interests in such Note are not United States persons or persons who have purchased for resale to any United States person, as required by US Treasury Regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. The Issuer will procure that, at the time of issue of each Tranche of Notes, Euroclear and Clearstream, Luxembourg are notified whether or not such Notes are intended to be held in a manner which would allow Eurosystem eligibility and whether the Notes are to be issued in NGN form. The fact that Notes are intended to be held in a manner which would allow Eurosystem eligibility simply means that the Notes are intended upon issue to be deposited with one of Euroclear and Clearstream, Luxembourg as Common Safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

If, in respect of any Tranche of Notes, the applicable Final Terms specifies that the Global Note may be exchanged for definitive Notes in circumstances other than upon the occurrence of an Exchange Event, such Notes will be issued with only one Specified Denomination or all Specified Denominations of such Notes will be an integral multiple of the lowest Specified Denomination, as specified in the applicable Final Terms.

If the Global Note is a CGN, upon the initial deposit of a Global Note with the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

On and after the date (the "Exchange Date") which is the later of (i) 40 days after the Temporary Global Note is issued and (ii) 40 days after the completion of the distribution of the relevant Tranche, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue) (the "Distribution Compliance Period"), interests in such Temporary Global Note will be exchangeable (free of charge) upon request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Notes of the same Series with, where applicable, Coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case against

certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is a CGN) without any requirement for certification.

If the relevant Global Note is a CGN, a record of each payment so made will be endorsed on the Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is an NGN, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, Coupons and talons attached upon (i) in the case of Notes other than those with a minimum Specified Denomination plus a higher integral multiple of a smaller amount, not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein, or upon the occurrence of an Exchange Event, or (ii) in other cases only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required were the Notes represented by the Permanent Global Note to be in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent. The following legend will appear on all Global Notes and definitive Notes, Coupons and talons in bearer form with a maturity of more than one year that rely on TEFRA D (or in the case of an obligation evidenced by a book entry, the same legend must appear in the book or record in which the entry is made):

"Any United States person who holds this obligation will be subject to limitations under the United States Income Tax Laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or Coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes" above) the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the relevant Guarantors and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the relevant Issuer, the relevant Guarantors and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly.

Any reference in this Base Prospectus to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Obligors, the Agent and the Trustee.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuers or the Guarantors unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

TAXATION

United Kingdom

The following is a general summary of certain aspects of current United Kingdom tax law as applied in England and Wales and published HM Revenue & Customs ("HMRC") practice (which may not be binding on HMRC) and is not intended to be exhaustive. It relates only to persons who are the absolute beneficial owners of Notes and related Coupons and may not apply to certain classes of persons such as dealers or certain professional advisors. It does not necessarily apply where the income is deemed for tax purposes to be the income of any other person.

Any Noteholders who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should seek independent professional advice without delay.

Withholding Tax on Interest Paid by BATIF as Issuer

Payments of interest made in respect of Notes issued by BATIF ("UK Notes") which carry a right to interest and are listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 may be made without withholding or deduction for or on account of United Kingdom income tax (the "Quoted Eurobond exemption").

The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of, and in accordance with, the provisions of Part 6 of the Financial Services and Markets Act 2000) by the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange.

In addition to the Quoted Eurobond exemption referred to above, BATIF is entitled to make payments of interest on the UK Notes without withholding or deduction for or on account of United Kingdom income tax if, at the time the relevant payments are made, BATIF reasonably believes that, broadly, the person beneficially entitled to the income is a United Kingdom resident company or a non-United Kingdom resident company within the charge to United Kingdom corporation tax in respect of the interest or falls within a list of specified entities and bodies (unless HMRC has given a direction that this exemption shall not apply, having reasonable grounds for believing the conditions for the exemption will not be met at the time the payment is made).

Payments of interest in respect of UK Notes issued for a term of less than one year (and which are not issued under a scheme of arrangement the intention or effect of which is to render the UK Notes part of a borrowing with a total term of one year or more) may also be paid by BATIF without withholding or deduction for or on account of United Kingdom income tax.

In other cases an amount must generally be withheld from payments of interest on UK Notes that have a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to the availability of other reliefs or to any direction by HMRC in respect of such reliefs as may be available under the provisions of an applicable double taxation treaty.

If UK Notes are issued at a discount to their principal amount, any such discount element should not be subject to any United Kingdom withholding tax but holders should note that the amount payable on redemption of such UK Notes may be subject to the reporting requirements outlined below. If UK Notes are redeemed at a premium to their principal amount (as opposed to being issued at a discount) then, depending on the circumstances, such premium may constitute a payment of interest for United Kingdom tax purposes and hence be subject to the United Kingdom withholding tax rules outlined above and reporting requirements outlined below.

Withholding Tax on Interest Paid by BATHTN or BATNF as an Issuer

Payments of interest made in respect of Notes issued by BATHTN or BATNF, each, in this section and the next section referred to as an Issuer and together, the Issuers ("Non-UK Notes"), may be paid by the Issuers without withholding or deduction for or on account of United Kingdom income tax except in circumstances when such interest has a United Kingdom source. Interest on Non-UK Notes may have a UK source; for example, interest on Non-UK Notes principally funded by assets situated in the UK may have a UK source.

The following applies only where interest on the Non-UK Notes has a UK source

Payments of interest with a UK source may be made without withholding or deduction for or on account of United Kingdom income tax if the Quoted Eurobond exemption applies (as described above).

In addition to the Quoted Eurobond exemption referred to above, each Issuer is entitled to make payments of interest on the Non-UK Notes without withholding or deduction for or on account of United Kingdom income tax if, at the time the relevant payments are made, that Issuer reasonably believes that, broadly, the person beneficially entitled to the income is a United Kingdom resident company or a non-United Kingdom resident company within the charge to United Kingdom corporation tax in respect of the interest or falls within a list of specified entities and bodies (unless HMRC has given a direction that this exemption shall not apply, having reasonable grounds for believing the conditions for the exemption will not be met at the time the payment is made).

Payments of interest made in respect of Non-UK Notes issued for a term of less than one year (and which are not issued under a scheme of arrangement the intention or effect of which is to render the Non-UK Notes part of a borrowing with a total term of one year or more) may also be paid by each Issuer without withholding or deduction for or on account of United Kingdom income tax.

In other cases, interest will generally be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to the availability of other reliefs or to any direction by HMRC in respect of such reliefs as may be available under the provisions of an applicable double taxation treaty.

If Non-UK Notes are issued at a discount to their principal amount, any such discount element should not be subject to any United Kingdom withholding tax but holders should note that the amount payable on redemption of such Non-UK Notes may be subject to the reporting requirements outlined below. If Non-UK Notes are redeemed at a premium to their principal amount (as opposed to being issued at a discount) then, depending on the circumstances, such premium may constitute a payment of interest for United Kingdom tax purposes and hence be subject to the United Kingdom withholding tax rules outlined above and reporting requirements outlined below.

Withholding tax on payments by a guarantor

If BATIF or BAT is required to make a payment as a guarantor or if BATHTN or BATNF is required to make a payment as a guarantor (to the extent that payment has a United Kingdom source) the payment may be subject to United Kingdom withholding tax at the basic rate, which is currently 20 per cent., subject to the availability of other reliefs or any relief as may be available under any applicable double tax treaty. Such payments may not be eligible for any of the exemptions outlined above.

General/reporting requirements

HMRC has powers, in certain circumstances, to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, the value of the Notes, details of payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners and of their ownership of the Notes, details of the persons for whom the Notes are held and details of the persons to whom payments derived from the Notes are or may be paid.

Information may be required to be provided by, amongst others, the Noteholders, persons by (or via) whom payments derived from the Notes are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators.

In certain circumstances, the information obtained by HMRC may be exchanged with tax authorities in other countries.

The Netherlands

This section provides a general description of certain Dutch tax consequences of the acquisition, holding or disposal of the Notes issued by BATHTN or BATNF, each is, in this section, referred to as an Issuer and together, the Issuers. This summary provides general information only and is restricted to the matters of Dutch taxation stated herein. It is intended neither as tax advice nor as a comprehensive description of all Dutch tax considerations that may be relevant to a decision to acquire, to hold, or to dispose of the Notes. This summary does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as investment institutions, pension funds and dealers in securities) may be subject to special rules.

The summary provided below is based on the Dutch tax laws as generally interpreted and applied by the Dutch courts at the date of this Base Prospectus, without prejudice to any changes in law or the interpretation or application thereof, which changes may be implemented with or without retroactive effect. All references in this section to The Netherlands and Dutch tax, taxation or law are to the European part of the Kingdom of The Netherlands and its tax, taxation or law, respectively.

For Netherlands tax purposes, a holder of the Notes may include an individual who, or an entity that does not, have the legal title to the Notes, but to whom nevertheless the Notes are attributed based either on such individual or entity holding a beneficial interest in the Notes or based on specific statutory provisions, including statutory provisions pursuant to which the Notes are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the Notes.

Each of the Issuers has been advised that the following Dutch tax treatment will apply to the Notes provided that:

(i) in each and every respect the terms and conditions of this Base Prospectus, the Notes and the documents relating to the Notes, the performance by the parties thereto of their respective obligations and the exercise of their rights thereunder and the transactions contemplated therein, including, without limitation all payments made thereunder, are at arm's length as this term is understood under Netherlands tax law; and

(ii) no Notes will be issued under such terms and conditions that they actually function as equity of the Issuer within the meaning of article 10, paragraph 1, under d, of the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

Withholding Tax

All payments made by either of the Issuers of interest and principal under the Notes may be made free of withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on Income and Capital Gains

A holder of Notes who derives income from a Note or who realises a gain from the disposal or redemption of a Note will not be subject to Dutch taxation on such income or gain, provided that such Noteholder:

(i) is neither resident nor deemed to be resident in The Netherlands for Dutch tax purposes;

(ii) does not have an enterprise or deemed enterprise (as defined in Dutch tax law) or an interest in or a co-entitlement to the net worth of an enterprise or deemed enterprise (as defined in Dutch tax law) that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands and to which enterprise or part of that enterprise, as the case may be, the Notes are attributable;

(iii) in the event such person is not an individual, neither entitled to a share in the profits of an enterprise effectively managed in the Netherlands nor co-entitled to the net worth of such enterprise, other than by way of the holding of securities, to which enterprise the Notes or payments in respect of the Notes are attributable;

(iv) in the event such person who is an individual, is not entitled to a share in the profits of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the Notes or payments in respect of the Notes are attributable;

(v) in the event such person is an individual, does not have, and certain persons related or deemed related to that Noteholder do not have, directly or indirectly, a substantial interest (*aanmerkelijk belang*) as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), in an Issuer, or in any company that has, or that is part of a cooperation (*samenwerkingsverband*) that has, legally or in fact, directly or indirectly, the disposition of any part of the proceeds of the Notes;

(vi) in the event such person is not an individual, does not have, directly or indirectly, a substantial interest (*aanmerkelijk belang*) as defined in the Dutch Income Tax Act 2001, in an Issuer, or, in the event that the Noteholder does have such interest, either it forms part of the assets of an enterprise or the Noteholder does not hold such interest with the main purpose or one of the main purposes to avoid the levy of income tax (*inkomstenbelasting*) or dividend withholding tax (*dividendbelasting*) of another person or entity; and

(vii) does not derive benefits from the Notes that are taxable as benefits from miscellaneous activities in The Netherlands (*resultaat uit overige werkzaamheden in Nederland)* as defined in the Dutch Income Tax Act 2001, which include, but are not limited to, activities in respect of the Notes which are beyond the scope of "regular active asset management" (*normaal actief vermogensbeheer*).

Gift and Inheritance Taxes

No gift or inheritance taxes will arise in The Netherlands with respect to the acquisition of the Notes by way of gift by, or on the death of, a Noteholder who is neither resident nor deemed to be resident in The Netherlands, unless:

(i) such transfer is construed as an inheritance, a bequest or a gift by or on behalf of a person who, at the time of the gift or his death, is or was a resident or a deemed resident of The Netherlands;

(ii) in the case of a gift of the Notes by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands; or

(iii) the gift is made under a condition precedent and such holder is or is deemed to be a resident of the Netherlands at the time the condition is fulfilled.

For the purpose of Dutch gift and inheritance tax, an individual who has the Dutch nationality will be deemed to be a resident of The Netherlands at the date of the gift or the date of his death if he has been a resident of The Netherlands at any time during the ten years preceding the date of the gift or the date of his death.

For the purposes of Dutch gift tax, an individual will, irrespective of his nationality, be deemed to be a resident of The Netherlands at the date of the gift if he has been a resident of The Netherlands at any time during the 12 months preceding the date of the gift.

Value added Tax

No Netherlands value added tax will be payable by a holder of the Notes in consideration for the issue of the Notes (other than value added taxes on fees payable in respect of services not exempt from Netherlands value added tax).

Other taxes and duties

No registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in The Netherlands in respect of or in connection with the issue of the Notes.

Residence

Under the laws of The Netherlands a Noteholder will not be deemed a resident of The Netherlands by reason only of its holding of the Notes or the performance by an Issuer of its obligations under the Notes.

General

EU information reporting requirements

Under the European Union Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain limited types of entities established, in that other EU Member State, except that Austria will instead operate a withholding system for a transitional period in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during that period it elects otherwise. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted Directive 2014/48/EU (the "Amending Directive") amending the Savings Directive which would, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above, including by expanding the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and by expanding the circumstances in which payments must be reported or paid subject to withholding and the type of entity or legal arrangement which may be subject to information reporting or withholding requirements. EU Member States have until 1 January 2016 to adopt national legislation necessary to comply with the Amending Directive which legislation must apply from 1 January 2017.

The Council of the European Union has also adopted a Directive (the "Amending Cooperation Directive") amending Council Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. The Amending Cooperation Directive requires EU Member States to adopt national legislation necessary to comply with it by 31 December 2015, which legislation must apply from 1 January 2016 (1 January 2017 in the case of Austria). The Amending Cooperation Directive is generally broader in scope than the Savings Directive, although it does not impose withholding taxes, and provides that to the extent there is overlap of scope, the Amending Cooperation Directive prevails. The European Commission has therefore published a proposal for a Council Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). The proposal also provides that, if it is adopted, EU Member States will not be

required to implement the Amending Savings Directive. Information reporting and exchange will however still be required under Council Directive 2011/16/EU (as amended).

THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS CONCERNING THE CONSEQUENCES OF AN INVESTMENT IN THE NOTES AND OF THEIR PARTICULAR SITUATION.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "Participating Member States").

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

Joint statements issued by Participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation. Additional EU member states may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement (such Programme Agreement as amended and/or supplemented and/or restated from time to time, the "Programme Agreement") dated 18 May 2015, agreed with the Obligors a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes". In the Programme Agreement, the Obligors have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US Treasury Regulations. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, United States persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, United States persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In respect of Notes in bearer form where TEFRA D is specified in the applicable Final Terms, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that: (1) except to the extent permitted under United States Treas. Reg. § 1.163-5(c)(2)(i)(D) (the "TEFRA D Rules"), (i) it has not offered or sold, and during the restricted period (as defined in the TEFRA D Rules), it will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and it will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period; (2) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, excepted as permitted by the TEFRA D Rules; and (3) if it is a United States person, it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes for its own account, it will do so only in accordance with the requirements of United States Treas. Reg. § 1.163-5(c)(2)(i)(D)(6). With respect to each affiliate that acquires Notes from a Dealer for the purpose of offering or selling such Notes during the restricted period, each Dealer will repeat and confirm or will obtain the representations and agreements in the preceding paragraph on such affiliate's behalf.

In respect of Notes in bearer form where TEFRA C is specified in the applicable Final Terms, each Dealer acknowledges, understands and agrees and each further Dealer appointed under the Programme will be required to acknowledge and agree that under US Treas. Reg. § 1.163-5(c)(2)(i)(C) (the "TEFRA C Rules") the Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, pursuant to the TEFRA C Rules, (i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, the Notes within the United States or its possessions in connection with their original issuance and (ii) in connection with the original issuance of the Notes, it has not communicated and will not communicate, directly or indirectly, with a prospective purchaser if either such Dealer or such purchaser is within the United States or its possessions or otherwise involve its United States office in the offer and sale of the Notes. Terms used in this paragraph have the meanings given them by the Code and the regulations thereunder, including the TEFRA C Rules.

Until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prospectus Directive Public Offer Selling Restriction

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(A) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(C) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (A) to (C) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(A) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

(B) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantors; and

(C) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Dealer has represented and agreed that unless otherwise specified in the relevant Final Terms it will not make an offer of Notes in The Netherlands unless such offer is made exclusively to persons who or legal entities which are qualified investors (*gekwalificeerde beleggers*) as defined in section 1:1 of the Financial Supervision Act (*Wet op het financieel toezicht*) of the Netherlands.

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. in accordance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations (which include registration requirements). Such restrictions do not apply (a) to the initial issue of Zero Coupon Notes to the first holders thereof, (b) to a transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (c) to a transfer and acceptance of Zero Coupon Notes in definitive form within, from or into The Netherlands if all Zero Coupon Notes of any particular series are issued outside The Netherlands and are not distributed within The Netherlands in the course of their initial distribution or immediately thereafter. For the purposes of this paragraph, "Zero Coupon Notes" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

France

Each of the Dealers and each of the Obligors has represented and agreed that:

(A) it has only made and will only make an offer of Notes to the public (*appel public à l'épargne*) in France in the period beginning on the date of notification to the *Autorité des marchés financiers* ("AMF") of the approval of the prospectus relating to those Notes by the competent authority of a member state of the European Economic Area, other than the AMF, which has implemented the EU Prospectus Directive 2003/71/EC (as amended by Directive 2010/73/EU), all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF, and ending at the latest on the date which is 12 months after the date of the approval of the Base Prospectus; or

(B) it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France, it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and such offers, sales and distributions have been and shall

only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*), and/or (iii) a limited circle of investors (*cercle restraint*) acting for their own account, all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the relevant Issuer or any of the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change or changes in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the preceding paragraph.

Selling Restrictions may be supplemented or modified with the agreement of the Issuers.

GENERAL INFORMATION

1. The admission to trading of the Notes on the Market will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Notes intended to be admitted to the Official List and admitted to trading on the Market will be so admitted to trading upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Final Terms and any other information required by the UK Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Notes.

2. The admission of the Programme to the Official List and to trading on the London Stock Exchange is expected to take effect on or around 21 May 2015. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Market will normally be effected for delivery on the third working day after the day of the transaction.

3. The establishment of the Programme and the issue of Notes and the execution by each Obligor of the documents relating thereto and the incurring by each Obligor of its obligations as Issuer and/or Guarantor thereunder have been duly authorised (i) in the case of BAT, by resolutions of Meetings of the Board of Directors on 18 June 1998, 5 March 1999, 24 May 2000, 28 July 2000, 14 April 2003, 20 February 2004, 29 October 2007 and 25 February 2014, by resolutions of the Executive Committee of the Board of Directors on 24 April 2002 and 24 June 2002, by resolutions of the Transactions Committee of the Board of Directors on 11 April 2005, 21 November 2005, 16 November 2006, 20 November 2007, 21 November 2008, 17 November 2009, 19 November 2010, 23 November 2011, 30 November 2012, 29 November 2013, 12 May 2014 and 23 April 2015 and by resolutions of a Committee of the Board of Directors on 1 July 1998; (ii) in the case of BATIF, by resolutions of Meetings of the Board of Directors on 30 June 1998, 23 February 1999, 23 May 2000, 24 July 2000, 24 June 2002, 14 April 2003, 25 February 2004, 12 April 2005, 21 November 2005, 23 November 2006, 23 November 2007, 21 November 2008, 25 November 2009, 19 November 2010, 23 November 2011, 30 November 2012, 29 November 2013, 15 May 2014 and 24 April 2015; (iii) in the case of BATHTN, by resolutions of Meetings of the Board of Directors on 14 April 2003, 25 February 2004, 14 April 2005, 21 November 2005, 16 November 2006, 23 November 2007, 21 November 2008, 20 November 2009, 19 November 2010, 23 November 2011, 30 November 2012, 2 December 2013, 12 May 2014 and 28 April 2015; and (iv) in the case of BATNF, by resolutions of Meetings of the Board of Directors on 12 May 2014 and 28 April 2015.

4. Save as disclosed in the section “BAT and the Group – Litigation” of this Base Prospectus, (pages 32 to 54 inclusive), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any Obligor and its subsidiaries taken as a whole is aware) during the period covering at least the 12 months prior to the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of any Obligor and its subsidiaries taken as a whole. Since many of the pending cases seek unspecified damages it is not possible to quantify the total amount being claimed.

5. Save as disclosed in the second paragraph of page 27 of this Base Prospectus in respect of BATIF, BATHTN and BATNF only and in the second paragraph of page 27 and in the sixth paragraph of page 30 of this Base Prospectus in respect of BATIF, BATHTN, BATNF and BAT and its subsidiaries, there has been no significant change in the financial or trading position of BAT, BATIF, BATHTN or BATNF and their respective subsidiaries taken as a whole since 31 December 2014, nor has there been any material adverse change in the prospects of BATIF, BATHTN, BATNF, or BAT and their respective subsidiaries taken as a whole since 31 December 2014.

6. In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

7. The auditors of BAT and BATIF made reports under section 495 of the Companies Act 2006 (the "Companies Act") in respect of the statutory accounts, and each report in respect of the 12 months ended 31 December 2013 and 31 December 2014 was an unqualified report and did not contain a statement under section 498(2) and (4) of the Companies Act.

   Effective 23 March 2015, KPMG LLP are the auditors of BAT and BATIF. The auditors of BAT and BATIF were previously PricewaterhouseCoopers LLP (Chartered Accountants and Registered Auditors (members of the Institute of Chartered Accountants in England and Wales)) who audited the accounts of BAT and BATIF without qualification in accordance with applicable law and International Standards on Auditing (UK and Ireland) for each of the two financial years ended 31 December 2013 and 31 December 2014.

   Effective 1 May 2015, KPMG Accountants N.V. are the auditors of BATHTN. The auditors of BATHTN were previously PricewaterhouseCoopers Accountants N.V. (Chartered Accountants and Registered Auditors (members of the Institute of Chartered Accountants in The Netherlands)) who audited the accounts of BATHTN without qualification in accordance with Part 9 of Book 2 of the Dutch Civil Code for each of the two financial years ended 31 December 2013 and 31 December 2014.

   Effective 1 May 2015, KPMG Accountants N.V. are the auditors of BATNF. The auditors of BATNF were previously PricewaterhouseCoopers Accountants N.V. (members of the Institute of Chartered Accountants in The Netherlands) who audited the accounts of BATNF without qualification in accordance with Part 9 of Book 2 of the Dutch Civil Code for the period from 23 April 2014 to 31 December 2014.

8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and the International Securities Identification Number (ISIN) in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with the identification number.

9. Neither any of the Issuers nor any of the Guarantors has entered into any contract outside the ordinary course of its business which could result in any Issuer or any Guarantor being under an obligation or entitlement that is material to any Issuer's ability to meet its obligations to the holders of its Notes in respect of the Notes being issued or to any Guarantor's ability to meet its obligations under the Guarantee.

10. The address of Euroclear is Euroclear SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, *société anonyme*, 42 Avenue JF Kennedy, L-1855, Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

11. For so long as the Programme remains in effect or any Notes issued hereunder shall remain outstanding, the following documents may be inspected during normal business hours at the specified office of the Issuing and Principal Paying Agent and from the head offices of the relevant Issuer, namely:

    (a) the constitutional documents of each Obligor (including an English translation of the constitutional documents of BATHTN and BATNF);

(b) a copy of this Base Prospectus, together with any Supplements to this Base Prospectus;

(c) the Trust Deed;

(d) the Agency Agreement (along with the supplemental agency agreement dated 18 May 2015 made between the same parties as are parties to the Agency Agreement);

(e) the most recent publicly available audited financial statements (together in each case with the audit report thereon) of BAT (consolidated), BATIF (consolidated) and BATHTN (non-consolidated) for the years ended 31 December 2013 and 31 December 2014 and of BATNF (non-consolidated) for the year ended 31 December 2014;

(f) reports, letters, balance sheets, valuations and statements of experts included or referred to in this Base Prospectus (other than consent letters); and

(g) any Final Terms relating to Notes which are admitted to listing on the Official List and to trading on the Market.

The English translation referred to above is a direct and accurate translation of the original Dutch document.

In addition, copies of this Base Prospectus, each Final Terms relating to Notes which are listed on the London Stock Exchange and each document incorporated by reference are available at the website of the Regulatory News Service operated by the London Stock Exchange at *www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.*

12. The issue price and amount of Notes to be issued under the Programme will be determined, before filing of the relevant Final Terms of each Tranche, by the relevant Issuer, the Guarantors and the Dealer(s) at the time of issue in accordance with prevailing market conditions.

13. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Obligors and their affiliates in the ordinary course of business.

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