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CANADIAN LITIGATION | UPDATE

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Important Information

Forward-looking Statements (continued)

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Our vapour product Vuse, and oral products Grizzly, Camel Snus and Kodiak, which are only sold in the US, are subject to FDA regulation and no reduced-risk claims will be made to these products without agency clearance.

Revision

For presentation purposes within this presentation, all prior periods have been revised to be consistent with the current reporting structure. All of the information in this presentation is in respect to continuing operations, revised for the fully retrospective adoption of IFRS 15.

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CCAA Filing: Process and Next Steps

1. Canadian Litigation Environment

- › Canada has been an active jurisdiction for tobacco litigation, although, other than the Quebec Class Actions, only one other case was set down for trial
- › Majority of cases: Medicaid recoupment claims filed by all 10 provincial governments
- › Claims: Seeking recovery for past and future health care costs allegedly incurred by the provinces due to diseases caused by smoking
- › These cases are underpinned by special legislation which allows the provinces to use statistical evidence and presumptions of fact to make their case



2. Quebec Class Action: History

- › 1998: Two separate class actions were filed against Imperial Tobacco Canada Limited (ITCAN), BAT's Canadian subsidiary, as well as the Canadian subsidiaries of Japan Tobacco and Philip Morris International, alleging 'US-style' tobacco product liability claims:
 - › Blais case: A lung, larynx, throat cancer and emphysema class
 - › Letourneau case: An addiction class
- › Both cases were joined for a common certification hearing in November 2004
- › In February 2005, both class actions were authorized by the Superior Court of Quebec

3. Quebec Class Actions: First Instance Decision

- › March 2012: Trial begins, lasts for over two years
- › May 2015: Trial court's decision released, awarding a total of C\$15.4B against the three defendants
- › ITCAN was allocated a total share of C\$10.3B
- › ITCAN paid C\$758M as security into escrow in a series of seven instalments

4. Quebec Court of Appeal Decision

- › November 2016: Appeal argued before a panel of five judges
- › March 1, 2019: Court of Appeal released a 422 page unanimous decision upholding the trial decision on all issues
 - › A single adjustment on the allocation of interest was made, resulting in a reduction of the overall award from C\$ 15.4B to C\$ 13.7B
- › Decision confirmed the trial court's finding on the initial security payment, rendering the decision executory against Imperial only to the extent of C\$759M
- › This amount is essentially covered by the amount currently in escrow (C\$758M)

4. Quebec Court of Appeal Decision: Supreme Court Appeal

- › ITCAN continues to disagree with the judgments of the Quebec Court of Appeal and the Quebec Superior Court
- › While ITCAN intended to seek leave to appeal the decision to the Supreme Court of Canada, all proceedings are now stayed due to ITCAN's decision to seek protection under the Companies' Creditors Arrangement Act (CCAA) on 12 March 2019

5. CCAA Filing: Background

- › 12 March: Board of Directors of Imperial Tobacco Canada Limited informed BAT that it sought protection for the company under CCAA
 - › **CCAA:** A Federal Statute that allows corporations to restructure their affairs while continuing to operate in the ordinary course
- › The decision to file follows the Quebec Court of Appeal decision and the recent decision of a local competitor to seek CCAA protection
- › Initial Order obtained from the Ontario Superior Court of Justice on March 12

5. CCAA Filing: Process - Appointment of Monitor

FTI has been appointed as Monitor to the company. Monitor's role:

- › A Court Appointed position
- › Will have full access to the business and will monitor finances
- › Report periodically to the Court on business matters and matters related to the development of the plan
- › Assist with negotiations and the development of a final settlement
- › Can seek advice and directions from the Court as required

5. CCAA Filing: Expected Impact is 'Business as Usual' Operations

- › ITCAN will continue to operate as a going concern
 - › We expect the CCAA process to follow its normal course, under court supervision and that the company will continue to operate as usual in the meantime
- › All tobacco litigation is stayed with respect to the company and all of its affiliates, including BAT defendants
- › CCAA provides an opportunity to finally resolve all tobacco litigation in Canada within a structured negotiation process

5. CCAA Filing: Next Steps

- › A comeback hearing will occur on 4 April whereby:
 - › All claimants and stakeholders can appear and challenge any aspect of the Initial Order
 - › It is likely that challenges will occur, but none have yet been received
 - › In the meantime, all litigation is stayed and stakeholders are being informed of the filing
- › Imperial will now begin engagement with claimants and other stakeholders to advance a Plan of Arrangement



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Thank you.