

B.A.T CAPITAL CORPORATION

Financial Statements

December 31, 2025 and 2024

(With Independent Auditors' Report Thereon)

B.A.T CAPITAL CORPORATION

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KPMG LLP
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Suite 850
Raleigh, NC 27609

Independent Auditors' Report

The Board of Directors
B. A. T Capital Corporation:

Opinion

We have audited the financial statements of B. A. T Capital Corporation (the Company), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations, shareholder's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Raleigh, North Carolina
February 13, 2026

B.A.T CAPITAL CORPORATION

BALANCE SHEETS

(Dollars in thousands)

	As of December 31,	
Assets	2025	2024
Current assets:		
Cash and cash equivalents	\$ 184	\$ 110,159
Due from affiliates	3,043,106	4,111,889
Guarantee fee receivable from affiliates	39,124	33,302
Accrued interest receivable from affiliates	4,457	3,140
Loan receivable from affiliates	1,000,000	393,447
Other amounts due from affiliates	2,709	10,460
Derivative financial instruments	44,396	9,448
Income taxes receivable	12,681	25,597
Total current assets	4,146,657	4,697,442
Long-term assets:		
Loan receivable from affiliates	24,682,921	23,189,038
Derivative financial instruments	23,823	—
Deferred income tax assets, net	91,879	106,855
Total assets	\$ 28,945,280	\$ 27,993,335
Liabilities and shareholder's deficit		
Current liabilities:		
Due to affiliates	\$ 2,140,525	\$ 4,117,656
Guarantee fee payable to affiliate	40,013	33,370
Other amounts due to affiliates	1,388	10,402
Accounts payable and accrued liabilities	—	7
Accrued interest payable	437,164	377,399
Derivative financial instruments	—	19,719
Current portion of long-term debt	1,000,000	374,974
Total current liabilities	3,619,090	4,933,527
Long-term liabilities:		
Derivative financial instruments	127,871	307,522
Long-term debt	25,302,667	22,865,270
Total liabilities	29,049,628	28,106,319
Shareholder's deficit:		
Common shares, \$1 par value (2,000 shares authorized, issued and outstanding)	2	2
Paid-in capital	29,499	29,499
Accumulated other comprehensive loss	(191,913)	(234,871)
Retained earnings	58,064	92,386
Total shareholder's deficit	(104,348)	(112,984)
Total liabilities and shareholder's deficit	\$ 28,945,280	\$ 27,993,335

See accompanying notes to financial statements

B.A.T CAPITAL CORPORATION
STATEMENTS OF OPERATIONS
(Dollars in thousands)

	For the Years Ended December 31,	
	2025	2024
Interest income	\$ 3,632	\$ 9,658
Interest income from affiliates	1,409,998	1,312,045
Guarantee fee reimbursement from affiliates	205,231	224,533
Other reimbursement income from affiliates	10,143	67,229
Gain on early extinguishment of debt	—	382,923
Total income	1,629,004	1,996,388
Interest expense	1,285,647	1,254,110
Interest expense to affiliates	171,904	241,581
Other reimbursement expense to affiliates	11,831	371,092
Guarantee fee to affiliates	206,053	224,533
Net gain on derivatives	(36,899)	(3,897)
Foreign exchange losses	30,477	1,071
General and administrative and other expenses	3,437	1,458
Total expenses	1,672,450	2,089,948
Loss before income taxes	(43,446)	(93,560)
Income tax benefit	(9,124)	(19,648)
Net loss	\$ (34,322)	\$ (73,912)
Other comprehensive income (loss):		
Income on interest rate swaps, net of tax (2025 – \$11,419 expense; 2024 - \$15,994 expense)	42,958	60,166
Comprehensive income (loss)	\$ 8,636	\$ (13,746)

See accompanying notes to financial statements

B.A.T CAPITAL CORPORATION
STATEMENTS OF SHAREHOLDER'S DEFICIT
(Dollars in thousands)

	<u>Common shares</u>		<u>Paid-in capital</u>	<u>Accumulated other comprehensive loss</u>	<u>Retained earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2023	2,000	\$ 2	\$ 29,499	\$ (295,037)	\$ 166,298	\$ (99,238)
Net loss	—	—	—	—	(73,912)	(73,912)
Derivative, net of \$15,994 tax expense	—	—	—	60,166	—	60,166
Balance at December 31, 2024	2,000	2	29,499	(234,871)	92,386	(112,984)
Net loss	—	—	—	—	(34,322)	(34,322)
Derivative, net of \$11,419 tax expense	—	—	—	42,958	—	42,958
Balance at December 31, 2025	<u>2,000</u>	<u>\$ 2</u>	<u>\$ 29,499</u>	<u>\$ (191,913)</u>	<u>\$ 58,064</u>	<u>\$ (104,348)</u>

See accompanying notes to financial statements

B.A.T CAPITAL CORPORATION
STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the Years Ended December 31,	
	2025	2024
Cash flows provided by operating activities:		
Net loss	\$ (34,322)	\$ (73,912)
Adjustments to reconcile to net cash flows provided by operating activities:		
Amortization of loan fees received from affiliate	(8,898)	(8,341)
Amortization of debt issuance costs and discounts and termination of derivatives and long-term debt	62,570	(292,756)
Foreign exchanges losses	30,477	1,071
Derivative gains, net	(36,899)	(3,897)
Deferred income tax expenses	3,557	5,949
Other changes that provided (used) cash:		
Accrued interest receivable from affiliate	(1,317)	585,388
Other amounts due to / from affiliate	(442)	24,484
Accounts payable and accrued liabilities	(7)	(986)
Accrued interest payable	59,765	(12,405)
Income taxes receivable	12,916	6,750
Interest payable on derivative financial instruments	(36,985)	(2,325)
Other, net	737	(7,521)
Net cash flows provided by operating activities	51,152	221,499
Cash flows (used in) provided by investing activities:		
Net proceeds to cash agreements with affiliates	(902,581)	—
Loans issuance to affiliates	(2,500,000)	(1,700,000)
Loans receipts from affiliates	393,447	4,282,665
Loan fees received from affiliates	25,417	11,161
Net cash flows (used in) provided by investing activities	(2,983,717)	2,593,826
Cash flows provided by (used in) financing activities:		
Net proceeds to cash agreements with affiliates	(5,767)	(725,416)
Proceeds from issuance of notes, net of discount	3,242,388	1,695,215
Repayments of long-term debt	(406,695)	(3,890,257)
Net proceeds from termination of derivative contracts	16,941	667
Payment of debt issuance costs	(24,277)	(6,375)
Net cash flows provided by (used in) financing activities	2,822,590	(2,926,166)
Net decrease in cash and cash equivalents	(109,975)	(110,841)
Cash and cash equivalents - beginning of year	110,159	221,000
Cash and cash equivalents - end of year	\$ 184	\$ 110,159
Supplemental cash flow information:		
Interest paid	\$ 1,162,035	\$ 1,168,623
Interest paid to affiliates	\$ 171,904	\$ 241,581
Income taxes received	\$ (26,013)	\$ (32,310)

See accompanying notes to financial statements

B.A.T CAPITAL CORPORATION

Notes to Financial Statements

December 31, 2025 and 2024

(1) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The accompanying financial statements present the financial position, results of operations and cash flows of B.A.T Capital Corporation, referred to as the Company or BATCAP, an indirect wholly owned subsidiary of British American Tobacco p.l.c., referred to as BAT, a company incorporated under the laws of England and Wales. Until December 7, 2016, the Company was a direct subsidiary of BAT. On December 7, 2016, following a sale of the Company by BAT to Louisville Securities Limited, referred to as LSL, the Company was purchased by BATUS Holdings Inc., referred to as BHI, from LSL pursuant to a stock purchase agreement and BHI became the sole stockholder and parent of the Company. Both LSL and BHI are indirect wholly owned subsidiaries of BAT. The sale and purchase were at carrying value as the entities were under common control. The Company, incorporated in Delaware, has 2,000 common shares authorized, issued and outstanding with a par value of one dollar per share. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain reclassifications were made to conform the prior year's financial statements to current presentation.

(b) *Nature of Business*

The Company is a U.S. finance company that has historically been an issuer and a guarantor under the BAT Euro Medium Term Note Programme, referred to as the EMTN Program, (see note 2 and note 7) and has provided financing and cash management services to BAT companies in the U.S. Other than its role as a guarantor, the Company had been inactive for several years prior to 2017. On July 24, 2017, the Company borrowed \$20 billion from a syndicate of third party banks under a bridge facility agreement and loaned the proceeds to BHI to fund a portion of the acquisition price paid to purchase the remaining 58% of Reynolds American Inc., referred to as RAI, not already owned by the BAT group, referred to as the RAI merger. On August 15 and August 16, 2017, the Company repaid the borrowings under the bridge facility agreement and issued approximately \$20 billion of notes denominated in US dollars (USD), British pounds sterling (GBP) and euros (EUR) with tenors ranging from 3 years to 30 years.

Subsequent to the merger, the Company has been active in the capital markets with several new debt issuances. In addition to the financing provided to BHI, the Company is also providing financing and cash management services to RAI and its subsidiaries and guarantees certain debt of B.A.T. International Finance p.l.c., referred to as BATIF, an affiliated subsidiary of BAT. BATIF serves as the primary financing and cash management company for the BAT group.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents may include investments in money market funds, commercial paper and time deposits in major institutions made to minimize investment risk. As short-term, highly liquid investments readily convertible to known amounts of cash, with remaining maturities of three months or less at the time of purchase, cash equivalents have carrying values that approximate fair values.

The Company's cash is swept into an In-House Cash, or IHC, pooling structure managed by BATIF. The Company has an account which represents its interest in the IHC pooling structure. Amounts in the Company's IHC account are due on demand and earn interest. As further discussed below in note 4, the IHC agreement provides the Company with a \$2.3 billion overdraft facility.

(d) *Fair Value Measurement*

The Company determines the fair value of assets and liabilities using a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity, and the reporting entity's own assumptions about market participant assumptions based on the best information available in the circumstances.

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Notes to Financial Statements

December 31, 2025 and 2024

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price.

The levels of the fair value hierarchy are:

Level 1: inputs are quoted prices, unadjusted, in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. A Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: inputs are unobservable and reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The fair value of long-term debt and derivatives are discussed in notes 2 and 5, respectively.

(e) Derivative Financial Instruments

The Company uses derivative instruments to manage certain interest rate and foreign currency risks. All derivative contracts entered into by the Company are with BATIF as the counterparty.

Derivatives are recognized on the Company's Balance Sheets at fair value and are classified according to their asset or liability position and the expected timing of settlement. Changes in the fair values of derivatives are recorded in net income (loss) or other comprehensive income (loss) based on whether the instrument is designated and effective as a hedge transaction and, if so, the type of hedge transaction. The Company classifies cash flows from terminating its interest rate swaps in financing activities in the Company's Statements of Cash Flows.

(f) Income Recognition

Substantially all of the Company's income is from transactions with BHI and RAI and consist of interest income and reimbursements of guarantee fees and other related financing expenses incurred by the Company. Loan and reimbursement agreements provide the terms and conditions for these transactions. Interest income is recognized as earned in accordance with the interest provisions in the underlying loan agreements. Guarantee fees and other reimbursement income is recognized when qualified expenses under the reimbursement agreements are incurred by the Company.

(g) Income Taxes

Significant judgement is required in determining income tax provisions and in evaluating uncertain tax positions. Deferred tax assets and liabilities are based on the difference between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

For federal income tax purposes, the Company's results are included in the consolidated United States federal income tax return of BHI. For state and local income tax purposes, the Company's results are included in 29 combined state and local income tax returns that include members of the consolidated United States federal income tax return of BHI. For financial reporting purposes, the Company's current and deferred income taxes are calculated using the modified separate return method (with benefits for losses). All current and deferred tax expense and current and deferred tax liabilities are calculated as if the Company files separate federal and state income tax returns that exclude the income, deductions and tax attributes of BHI. In addition, under the benefits for losses method the consolidated group's ability to utilize net operating and capital losses generated by the Company is considered when assessing the realizability of its deferred tax assets.

The Company accounts for uncertain tax positions which require that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not (a likelihood of more than 50%)

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that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Interest and penalties related to uncertain tax positions are accounted for as tax expense. The Company did not have any uncertain tax positions for 2025 or 2024.

The Tax Cuts and Jobs Act, referred to as the Tax Reform Act, included significant changes to the U.S. corporate income tax system. Among other changes, the Tax Reform Act created a new minimum tax on certain payments to foreign related parties called the base erosion anti-abuse tax, referred to as BEAT.

The Inflation Reduction Act created a new corporate alternative minimum tax, referred to as CAMT, for tax years beginning on or after December 31, 2022. CAMT is a 15 percent minimum tax generally levied on large corporations with three-year average adjusted financial statement income of \$1 billion or more. This amount is reduced to \$100 million for corporations that are members of a foreign-parented multinational group. Although the Company does not expect to owe CAMT for the foreseeable future, management has made a policy election to treat CAMT, if applicable, as a current period tax expense and continue to measure deferred taxes at regular rates.

The One Big Beautiful Bill Act (“OBBA”) was signed into law on July 4, 2025. Among other changes, OBBA includes the restoration of favorable business-related tax provisions and modifications to the international tax framework. The OBBA has multiple effective dates, with some provisions effective in 2025, and others effective in 2026 and 2027. The Company does not expect these provisions to have a material impact on its financial statements.

(h) Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the valuation of derivatives.

(i) Contingencies

In accordance with ASC 450, *Contingencies*, the Company records any loss related to a contingency at the time that likelihood of a loss becomes probable and the amount of the loss can be reasonably estimated. When the reasonable estimate is a range, the best estimate within that range will be recorded. When no amount within the range is more likely, the lowest amount within the range will be recorded. No such amounts were recorded for the years ended December 31, 2025 and 2024.

(j) Subsequent Events

Subsequent events have been evaluated through February 13, 2026, the date the financial statements were issued. Aside from the matters disclosed in notes 2 and 8, the Company has determined that there are no other items to disclose.

(k) Recently Adopted Accounting Pronouncements

Effective January 1, 2025, BATCAP adopted the following new accounting standard:

- In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This guidance enhances the transparency around income tax disclosures by requiring additional information in the rate reconciliation and requiring information on income tax payments to international, federal, state and local jurisdictions. This ASU was effective for public business entities for annual periods beginning after December 15, 2024. To enhance comparability across reporting periods, the Company elected the option to retrospectively apply this ASU for the amounts presented as of and for the year ended December 31, 2024 (see note 3). The guidance did not have a material impact on the Company’s results of operations, cash flows or financial position.

B.A.T CAPITAL CORPORATION

Notes to Financial Statements

December 31, 2025 and 2024

(1) *Recently Issued Accounting Pronouncements*

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. This guidance requires entities to disclose, in the notes to the financial statements, specified information about certain costs and expenses at each annual reporting period. This ASU is effective for public business entities for annual periods beginning after December 15, 2026. The Company is currently evaluating whether this ASU will have a material impact on the Company's financial statements.

(2) **Long-Term Debt**

Revolving Credit Facility

In March 2023, the Company, along with other subsidiaries of BAT, refinanced the £2.7 billion 364-day tranche of its revolving credit facility at the reduced amount of £2.5 billion with two one-year extension options and a term-out option. In February 2024, BAT exercised the first of the one-year extension options on the £2.5 billion 364-day tranche, with the second one-year extension subsequently exercised in February 2025 effective March 2025; therefore, the £2.5 billion 364-day tranche was extended to March 2026. Additionally, £2.85 billion of the five-year tranche remained available until March 2025, with £2.7 billion remaining available from March 2025 to March 2026 and £2.5 billion remaining available from March 2026 to March 2027.

In November 2025, the Company, along with other subsidiaries of BAT, refinanced its existing £5.2 billion facility at the reduced amount of £5.0 billion comprising, (i) a £2.5 billion 364-day tranche with two, one-year extension options and a one-year term out option and (ii) a £2.5 billion five-year tranche with two, one-year extension options.

Long-term Notes

On August 15, 2017 and August 16, 2017, the Company issued approximately \$20 billion in notes consisting of \$17.25 billion in USD denominated notes, referred to as the 2017 USD Notes, \$2.2 billion equivalent in EUR denominated notes, and \$0.6 billion equivalent in GBP denominated notes, in the aggregate referred to as the 2017 BATCAP Notes. The USD notes were issued in a private offering exempt from, or not subject to, the registration requirements of the federal securities laws and were subject to a registration rights agreement. The maturities of the 2017 USD Notes extended to 2047. The notes denominated in GBP and EUR were sold to investors under the existing EMTN Program. One EUR denominated note matured in 2021, the remaining EUR denominated note matured in 2023, and the GBP denominated notes matured in 2025. Under the terms of the EMTN Program, the notes were guaranteed by BAT, BATIF and certain other BAT affiliates. The 2017 BATCAP Notes were issued net of discounts of \$4.2 million and the Company paid \$79.8 million in fees and expenses. The discounts and debt issuance costs are being amortized, using the effective interest rate method, as interest expense over the life of the respective notes.

In July 2019, BAT filed a registration statement on Form F-3 with the U.S. Securities and Exchange Commission, referred to as the SEC, to allow the Company and BATIF to offer and sell, from time to time, debt securities over the next three years, referred to as the Shelf Registration. In March 2020, the Shelf Registration was amended to include the indenture under which the 2017 USD Notes had been issued. In July 2022 and July 2025, BAT filed a new registration statement on Form F-3 with the SEC to allow the Company and BATIF to continue the Shelf Registration over the following three years. Debt securities issued under this facility are guaranteed by BAT, BATIF and certain other BAT affiliates.

In September 2019, the Company issued \$3.5 billion of USD denominated notes under the Shelf Registration, referred to as the 2019 USD Notes, with maturities ranging from 2024 to 2049. Upon issuance of these notes, the Company paid \$16.0 million in fees that are being amortized, using the effective interest rate method, as interest expense over the life of the respective notes. With a portion of the proceeds from the 2019 USD Notes, the Company prepaid a \$2.25 billion USD note bearing fixed interest at 2.297% that was due August 14, 2020.

In March 2020 and September 2020, the Company issued \$2.4 billion and \$4.8 billion, respectively, of USD denominated notes under the Shelf Registration, referred to collectively as the 2020 USD Notes, with maturities ranging

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Notes to Financial Statements

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from 2027 to 2050. Upon issuance of these notes, the Company paid \$36.0 million in fees that are being amortized, using the effective interest rate method, as interest expense over the life of the respective notes.

The proceeds from the 2020 USD Notes were used to (i) repay \$1.0 billion in variable rate notes that matured in August 2020, (ii) repay \$1.6 billion of 2.764% notes due August 2022 tendered for in October 2020 and (iii) increase the amount lent under installment term loans to BHI, RAI and R.J. Reynolds Tobacco Company, an indirect subsidiary of RAI, referred to as RJRT, by \$3.3 billion (see note 4).

In March 2022 and October 2022, the Company issued \$1.5 billion and \$0.6 billion, respectively, of USD denominated notes under the Shelf Registration, referred to collectively as the 2022 USD Notes, with maturities ranging from 2032 to 2052. Upon issuance of these notes, the Company paid \$37.1 million in fees and discounts that are being amortized, using the effective interest rate method, as interest expense over the life of the respective notes.

The proceeds from the 2022 USD Notes were used to (i) repay \$0.8 billion in variable rate notes that matured in August 2022, (ii) repay \$0.6 billion of 2.764% notes due August 2022 and (iii) provide new term loans to BHI, RAI and RJRT, totaling \$0.6 billion (see note 4).

In August 2023, the Company issued \$4.0 billion of USD denominated notes under the Shelf Registration, referred to collectively as the 2023 USD Notes, with maturities ranging from 2030 to 2053. Upon issuance of these notes, the Company paid \$24 million in fees that are being amortized, using the effective interest rate method, as interest expense over the life of the respective notes.

The proceeds from the 2023 USD Notes were used to (i) repay \$0.9 billion in variable rate notes that matured in November 2023, (ii) repay \$0.6 billion of 3.222% notes due August 2024, (iii) repay \$0.2 billion of 2.125% notes due August 2025, (iv) repay \$1.2 billion of 3.557% notes due August 2027, and (v) provide new term loans to BHI, RAI and RJRT.

In February 2024, the Company issued \$1.7 billion of USD denominated notes under the Shelf Registration, referred to collectively as the 2024 USD Notes, with maturities in 2031 and 2034. Upon issuance of these notes, the Company paid \$11.2 million in fees and discounts that are being amortized, using the effective interest rate method, as interest expense over the life of the respective notes.

The proceeds from the 2024 USD Notes were used to (i) repay \$0.3 billion of 3.734% notes due September 2040, (ii) repay \$0.4 billion of 4.540% notes due August 2047, (iii) repay \$0.7 billion of 3.984% notes due September 2050, and (iv) provide new term loans to BHI, RAI and RJRT.

In December 2024, the Company accrued \$10.4 million in fees incurred associated with the issuance of the 2023 USD Notes and the 2024 USD Notes. These fees were paid in March 2025 and are being amortized, using the effective interest rate method, as interest expense over the life of the respective notes.

In March 2025, the Company issued \$2.5 billion of USD denominated notes under the Shelf Registration, referred to collectively as the 2025 USD Notes, with maturities in 2032, 2035 and 2055. Upon issuance of these notes, the Company paid \$15.0 million in fees and discounts that are being amortized, using the effective interest rate method, as interest expense over the life of the respective notes.

The proceeds from the 2025 USD Notes were used to (i) repay the \$0.4 billion 2.125% GBP notes due August 2025, and (ii) provide new term loans to BHI, RAI and RJRT.

In September 2025, the Company issued a \$750 million USD denominated note under the Shelf Registration maturing in 2033. Upon issuance of this note, the Company paid \$6.5 million in fees and discounts that are being amortized, using the effective interest rate method, as interest expense over the life of the note. The proceeds from the September 2025 USD Note were used to provide new term loans to RJRT and other RAI affiliates (see note 8).

The Company recognized interest expense of \$1.286 billion and \$1.254 billion, including \$54.4 million and \$76.2 million of amortization related to terminated derivatives, in 2025 and 2024, respectively. As of December 31, 2025 and December 31, 2024, the Company had accrued \$437.2 million and \$377.4 million in accrued interest payable related to the 2017 BATCAP Notes, the 2019 USD Notes, the 2020 USD Notes, the 2022 USD Notes, the 2023 USD notes, the 2024 USD notes, and the 2025 USD notes, collectively referred to as the BATCAP Notes.

B.A.T CAPITAL CORPORATION

Notes to Financial Statements

December 31, 2025 and 2024

Details of the BATCAP Notes remaining outstanding at carrying value, including a schedule of maturities, included in the Company's long-term debt is as follows (in thousands):

	For the years ended December 31,	
	2025	2024
USD notes:		
3.215% notes due 09/6/2026	\$ 1,000,000	\$ 1,000,000
4.700% notes due 04/2/2027	900,000	900,000
3.557% notes due 08/15/2027	2,273,000	2,273,000
2.259% notes due 03/25/2028	1,750,000	1,750,000
3.462% notes due 09/6/2029	500,000	500,000
4.906% notes due 04/2/2030	1,000,000	1,000,000
6.343% notes due 08/02/2030	1,000,000	1,000,000
2.726% notes due 03/25/2031	1,250,000	1,250,000
4.742% notes due 03/16/2032	900,000	900,000
7.750% notes due 10/19/2032	600,000	600,000
6.421% notes due 08/02/2033	1,250,000	1,250,000
4.390% notes due 08/15/2037	2,500,000	2,500,000
3.734% notes due 09/25/2040	405,565	405,565
7.079% notes due 08/02/2043	750,000	750,000
4.540% notes due 08/15/2047	2,113,807	2,113,807
4.758% notes due 09/6/2049	1,000,000	1,000,000
5.282% notes due 04/2/2050	500,000	500,000
3.984% notes due 09/25/2050	312,962	312,962
5.650% notes due 03/16/2052	600,000	600,000
7.081% notes due 08/02/2053	1,000,000	1,000,000
5.834% notes due 02/20/2031	850,000	850,000
6.000% notes due 02/20/2034	850,000	850,000
5.350% notes due 08/15/2032	1,000,000	—
5.625% notes due 08/15/2035	1,000,000	—
6.250% notes due 08/15/2055	500,000	—
4.625% notes due 03/22/2033	750,000	—
GBP notes:		
2.125% notes due 08/15/2025, face value £300,000,000	—	375,480
Total principal	26,555,334	23,680,814
Unamortized discount	(35,378)	(29,468)
Unamortized debt issuance costs	(107,070)	(99,685)
Fair value adjustment	(110,219)	(311,417)
Total long-term debt at carrying value	26,302,667	23,240,244
Less current maturities of long-term debt at carrying value	1,000,000	374,974
Total long-term debt (less current maturities) at carrying value \$	25,302,667	\$ 22,865,270

The GBP denominated debt is valued using the foreign denominated face value and the related spot rate for the respective currency at the respective measurement date. Accordingly, in 2025, the Company recognized a loss of \$31.2 million from the revaluation of the carrying value of the GBP denominated debt. In 2024, the Company recognized a

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loss of \$6.4 million from the revaluation of the carrying value of the GBP denominated debt to the December 31, 2024 spot rate. The GBP denominated debt was paid off on August 15, 2025.

As of December 31, 2025, the maturities of the outstanding BATCAP Notes, excluding unamortized discount, debt issuance costs and fair value adjustments, for the next five years and thereafter are as follows (in thousands):

<u>Year</u>	<u>Total</u>
2026	\$ 1,000,000
2027	3,173,000
2028	1,750,000
2029	500,000
2030	2,000,000
2031 and thereafter	18,132,334
	<u>\$ 26,555,334</u>

Commercial Paper

The Company has the ability to issue commercial paper under a USD commercial paper program and a Euro-commercial paper program. No commercial paper was issued under this program in 2025 or 2024. No commercial paper was outstanding at December 31, 2025 or December 31, 2024.

Fair Value of Debt

The estimated fair value of the BATCAP Notes, in the aggregate, was \$26.2 billion as of December 31, 2025 and \$22.3 billion as of December 31, 2024. The fair value is derived from a third-party pricing source and is classified in Level 2 of the fair value hierarchy.

Registration of USD Notes and Subsequent Exchange Offer

In October 2018, the Company, as issuer of the USD notes, filed a Form F-4 with the SEC, to register notes, referred to as Registered Notes, under the Securities Act of 1933, referred to as the 1933 Act. The Registered Notes contained terms and conditions substantially identical to the \$17.25 billion in privately placed USD notes, referred to as the Exchange Notes, issued in August 2017. On October 22, 2018, upon the Form F-4 being declared effective by the SEC, the Company launched an exchange offer to exchange any and all (to the extent held by eligible holders) Exchange Notes for its Registered Notes. On November 20, 2018, the Company completed the exchange offer, and of the total \$17.25 billion in Exchange Notes outstanding, approximately \$17.2 billion, or 99.7%, were exchanged for Registered Notes. Each series of Registered Notes is substantially identical to the Exchange Notes of the corresponding series, except that the Registered Notes are registered under the 1933 Act and do not bear any legends restricting transfer, and except that the registration rights pertaining to the Exchange Notes do not apply to the Registered Notes.

The Company remains the principal obligor of the remaining outstanding Exchange Notes that were not tendered in the exchange offer. Both the Registered Notes and the Exchange Notes have been guaranteed by BAT and RAI.

(3) Income Taxes

The Company has been included in the consolidated United States federal income tax return of BHI since December 7, 2016 when BHI became its sole shareholder in the transaction discussed in note 1. For state and local income tax purposes, the Company's results are included in 29 combined state and local income tax returns that include members of the consolidated United States federal income tax return of BHI. For financial reporting purposes, the company's current and deferred income taxes are calculated using the modified separate return method (with benefits for losses) under ASC 740-10-30-27. All current and deferred tax expense and current and deferred tax liabilities are calculated as if the Company files separate federal and state income tax returns that exclude the income, deductions and tax attributes of BHI. In addition, under the benefits for losses method the consolidated group's ability to utilize net operating losses,

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capital losses and other attributes generated by the Company is considered when assessing the realizability of its deferred tax assets.

The components of the benefit from income taxes for the years ended December 31 were as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Current:		
Federal	\$ (12,681)	\$ (25,597)
State and other	<u>—</u>	<u>—</u>
	<u>(12,681)</u>	<u>(25,597)</u>
Deferred:		
Federal	3,557	5,949
State and other	<u>—</u>	<u>—</u>
	<u>3,557</u>	<u>5,949</u>
Benefit from income taxes	<u>\$ (9,124)</u>	<u>\$ (19,648)</u>

Significant components of deferred tax assets and liabilities for the years ended December 31 included the following (in thousands):

	<u>2025</u>	<u>2024</u>
Deferred tax assets (liabilities):		
Losses on derivatives	\$ 91,879	\$ 109,872
Unrealized foreign exchange (gains) losses	<u>—</u>	<u>(3,017)</u>
Net deferred tax asset	<u>\$ 91,879</u>	<u>\$ 106,855</u>

The Company generated a federal net operating loss and a federal net business interest expense limitation in 2025 on a modified separate return method basis. These tax attributes generated by the Company in 2025 were utilized by other members of the consolidated federal income tax return group of BHI. The tax benefit related to the federal net operating loss will be settled for cash in the following year.

Based upon all of the available positive and negative evidence to estimate whether sufficient future taxable income will be available over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences. As of December 31, 2025 and 2024, the Company had no valuation allowance recorded against deferred tax assets.

The differences between the provision for income taxes and income taxes computed at statutory U.S. federal income tax rates for the years ended December 31 were as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Income taxes computed at the statutory U.S. federal income tax rate	\$ (9,124)	\$ (19,648)
Provision for (benefit from) income taxes	<u>\$ (9,124)</u>	<u>\$ (19,648)</u>
Effective tax rate	21.00%	21.00%

The effective tax rate for 2025 and 2024 was 21.0% consistent with the statutory U.S. federal income tax rate. The Company recognized a net deferred tax expense of \$11.4 million and \$16.0 million in accumulated other comprehensive loss at December 31, 2025 and 2024. In 2025 and 2024, the deferred income tax benefit in accumulated other

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comprehensive loss is related to the loss from the change in the fair value of (i) the forward starting pay-fix interest rate swaps entered into in October 2018, (ii) the forward starting floating-to-fixed interest rate swaps entered into in February 2019 and (iii) the treasury locks entered into in March 2020, less the amortization of the forward starting pay-fix interest rate swaps that settled during September 2019 and March 2020.

The derivative transactions, as discussed in note 4, with exception of the Foreign Currency Forward Contracts have been properly identified as hedging transactions for U.S. federal income tax purposes and are therefore being accounted for as hedging transactions for U.S. federal income tax purposes under the relevant sections of the Internal Revenue Code and underlying regulations.

The federal statute of limitations remains open for the year 2022 and forward.

(4) Related Party Transactions

As needed, the Company enters into transactions with multiple BAT affiliates, including its direct parent, BHI. The following is a summary of balances and transactions with BAT and its affiliates.

Installment Notes Receivable from BHI

On August 15, 2017 and August 16, 2017, the Company issued the 2017 BATCAP Notes (see note 2). The proceeds from the 2017 BATCAP Notes were loaned to BHI in a series of eleven separate term loans denominated in U.S. dollars with amounts and maturity dates that matched the corresponding 2017 BATCAP Notes issued by the Company. BHI paid the Company \$83.9 million in upfront fees related to the loans and the Company is amortizing those fees over the life of the respective notes using the effective interest method.

On December 20, 2019, the Company entered into a \$20.0 billion installment term loan with BHI, referred to as the BHI Installment Note, that was effective on January 2, 2020 and effectively refinanced, in total, the eleven separate term loans made to BHI in August 2017. The BHI Installment Note had an interest rate of 3.582% and a maturity date of September 2049. Installment payment dates under the BHI Installment Note matched the payment dates of the outstanding 2017 BATCAP Notes and the 2019 USD Notes.

In May 2020, the BHI Installment Note was amended to extend the maturity date to April 2050 and adjust the interest rate to 3.663%. In addition, the installment payment dates were amended to match the maturity dates of the BATCAP Notes outstanding as of that date.

In September 2020, BATCAP lent an additional \$1.14 billion to BHI under the BHI Installment Note and further amended the note to extend the maturity date to September 2050 and adjust the interest rate to 3.6% payable semi-annually. In addition, the installment payment dates were amended to match the maturity dates of the outstanding BATCAP Notes. In October 2022, the installment term loans were amended to revise the interest rates to match the expected rate increases as each installment was paid. The rates were revised to a range of 3.78% to 4.65%. In September 2023, the installment term loans were amended to revise the interest rates to match the expected rate increases as each installment was paid. These rates were revised to a range of 3.85% to 4.65%. In June 2024, the installment term loans were amended to revise the interest rates to match the expected rate increases as each installment was paid. These rates were revised to a range of 3.85% to 4.88%.

In January 2025, the BHI Installment Term Loans were amended to revise the interest rate on two of the fourteen outstanding installments due in 2027 and 2031 from a fixed to floating interest rate. The interest rate on the installment of \$1.858 billion, due in 2027 is based on Secured Overnight Financing Rate, referred to as SOFR, plus a margin of 2.675% and the interest rate on the installment of \$1.022 billion due in 2031 is based on SOFR minus a margin of 0.226%.

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Installment Notes Receivable from RAI and RJRT

On December 20, 2019, the Company entered into a \$1.25 billion installment term loan with RAI, referred to as the RAI Installment Note, that was effective on January 2, 2020.

Also in May 2020, the Company advanced an additional \$1.4 billion to RAI under the RAI Installment Note, increasing the outstanding balance to \$2.65 billion. The maturity date on the RAI Installment Note was extended to April 2050 and the interest rate was adjusted to 3.663%. In addition, the installment payment dates were amended to match the maturity dates of the BATCAP Notes outstanding as of that date.

Additionally, in September 2020, the Company advanced an additional \$1.72 billion under the RAI Installment Note to RAI. The Company also entered into an installment term loan with RJRT, referred to as the RJRT Installment Note, and advanced \$242.8 million to RJRT. The maturity dates on the RAI Installment Note and the RJRT Installment Note were extended to September 2050 and the interest rate was adjusted to 3.6% payable semi-annually. The installment payment dates match the maturity dates of the outstanding BATCAP Notes.

In October 2022, the RAI Installment Note and the RJRT Installment Note were amended to revise the interest rates to match the expected rate increases as each installment was paid. The rates were revised to a range of 3.78% to 4.65%. In September 2023, the RAI Installment Note and RJRT Installment Note were amended to revise the interest rates to match the expected rate increases as each installment was paid. These rates were revised to a range of 3.85% to 4.65%. In June 2024, the installment term loans were amended to revise the interest rates to match the expected rate increases as each installment was paid. These rates were revised to a range of 3.85% to 4.88%.

In January 2025, the RAI Installment Term Loans and RJRT Installment Term Loans were amended to revise the interest rate on two of the fourteen outstanding installments due in 2027 and 2031 from a fixed to floating interest rate. The interest rates on the installments of \$0.392 billion for RAI and \$0.023 billion for RJRT due in 2027 are based on SOFR plus a margin of 2.675% and the installments of \$0.216 billion for RAI and \$0.012 billion for RJRT due in 2031 are based on SOFR minus a margin of 0.226%.

On July 19, 2019, the Company entered into a \$5.5 million three-year amortizing term loan agreement, due July 2022, with VapeWild Holdings, LLC, an indirect subsidiary of RAI. This term loan was drawable in one or more tranches and bore interest at the three-month U.S. dollar London Interbank Offered Rate plus a margin of 2.12%, per annum. At December 31, 2024, the Company had reserved the entire outstanding balance of \$3.6 million under this note as VapeWild Holdings, LLC filed for bankruptcy in December 2020. On February 21, 2025, the VapeWild Holdings, LLC bankruptcy cases were all officially closed, and the Chapter 7 bankruptcy trustee was discharged with the Company unable to recover any of the outstanding balance.

Details of the installment term notes at carrying value at December 31, 2025 and December 31, 2024 are as follows (in thousands):

	2025	2024
BHI	\$ 12,677,624	\$ 12,999,318
RAI	2,673,865	2,741,714
RJRT	153,845	157,749
Total principal	15,505,334	15,898,781
BHI Facility commitment fees	(36,439)	(40,137)
Total loan receivable from affiliates	\$ 15,468,895	\$ 15,858,644
Less current maturities	(1,000,000)	(393,447)
	\$ 14,468,895	\$ 15,465,197

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Installments under the BHI Installment Note, the RAI Installment Note and the RJRT Installment Note are due and payable per the terms of an installment schedule in each respective agreement. Not less than ten business days prior to the installment due date, BHI, RAI and RJRT have the ability to request the payable date of a term loan installment be extended. The Company, in its sole discretion, may accept or decline the extension request. The interest rate for each respective term loan may be adjusted from time to time to reflect changes to the Company's weighted average cost of borrowing as defined in the agreements.

As of December 31, 2025, the maturities of these installment term loans receivable from affiliates, excluding facility commitment fees, were as follows (in thousands):

<u>Year</u>	<u>Total</u>
2026	\$ 1,000,000
2027	3,173,000
2028	1,750,000
2029	500,000
2030	1,000,000
2031 and thereafter	8,082,334
	<u>\$ 15,505,334</u>

Term Loans Receivable from BHI, RAI and RJRT

In 2022 the Company entered into three new loan agreements with BHI, RAI and RJRT with interest at fixed rates payable semi-annually (in thousands). BHI, RAI and RJRT paid the Company \$37.1 million in upfront fees related to the loans and the Company is amortizing those fees over the life of the respective notes using the effective interest method. In 2023 the Company entered into four new loan agreements with BHI, RAI and RJRT with interest at fixed rates payable semi-annually. BHI, RAI and RJRT paid the Company \$24.0 million in upfront fees related to the loans and the Company is amortizing those fees over the life of the respective notes using the effective interest method. In 2024 the Company entered into two new loan agreements with BHI, RAI and RJRT with interest at fixed rates payable semi-annually. BHI, RAI and RJRT paid the Company \$11.2 million in upfront fees related to the loans and the Company is amortizing those fees over the life of the respective notes using the effective interest method.

In January 2025, three of the outstanding term loans with BHI, RAI and RJRT were amended to revise the interest rate from a fixed to floating rate. Effective March 16, 2026, the interest rates on the term loans of \$0.736 billion for BHI, \$0.155 billion for RAI and \$0.009 billion for RJRT due in 2032 will be based on SOFR plus a margin of 1.580%. Effective February 1, 2025, the interest rates on the term loans of \$0.902 billion for BHI, \$0.337 billion for RAI and \$0.011 billion for RJRT due in 2033 are based on SOFR plus a margin of 2.988%. Effective February 20, 2025, the interest rates on the term loans of \$0.695 billion for BHI, \$0.147 billion for RAI and \$0.008 billion for RJRT due in 2034 are based on SOFR plus a margin of 2.105%.

In March 2025, the Company entered into three new loan agreements with BHI, RAI and RJRT with interest at fixed rates payable semi-annually. BHI, RAI and RJRT paid the Company \$15.0 million in upfront fees related to the loans and the Company is amortizing those fees over the life of the respective notes using the effective interest method.

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Details of the term loans at carrying value at December 31, 2025 are as follows (in thousands):

Date Entered	Maturity Date	Interest Rate	BHI	RAI	RJRT	Total
March 16, 2022	March 16, 2032	4.842%	\$ 735,867	\$ 155,203	\$ 8,930	\$ 900,000
March 16, 2022	March 16, 2052	5.750%	490,578	103,469	5,953	600,000
October 19, 2022	October 19, 2032	7.850%	1,614	579,554	18,832	600,000
August 2, 2023	August 2, 2030	6.443%	721,894	269,341	8,765	1,000,000
August 2, 2023	August 2, 2033	SOFR + 2.988%	902,367	336,677	10,956	1,250,000
August 2, 2023	August 2, 2043	7.179%	541,420	202,006	6,574	750,000
August 2, 2023	August 2, 2053	7.181%	721,894	269,341	8,765	1,000,000
February 20, 2024	February 20, 2031	5.934%	694,985	146,581	8,434	850,000
February 20, 2024	February 20, 2034	SOFR + 2.105%	694,985	146,581	8,434	850,000
March 13, 2025	August 15, 2032	5.450%	153,061	845,082	1,857	1,000,000
March 13, 2025	August 15, 2035	5.725%	153,060	845,082	1,858	1,000,000
March 13, 2025	August 15, 2055	6.350%	76,530	422,541	929	500,000
Total			\$ 5,888,255	\$ 4,321,458	\$ 90,287	\$ 10,300,000

As of December 31, 2025, the Company had \$85.974 million of unamortized debt issuance fees associated with the above discussed term notes. These amounts combined with the BHI facility commitment fees are included in the chart below.

Combined loans receivable from affiliates at December 31, 2025, were as follows (in thousands):

	BHI	RAI	RJRT	Total
Current	\$ 817,630	\$ 172,448	\$ 9,922	\$ 1,000,000
Long Term	17,654,030	6,795,391	233,500	24,682,921
Total	\$ 18,471,660	\$ 6,967,839	\$ 243,422	\$ 25,682,921

Related to the BHI loans receivable, the Company recognized \$946.0 million and \$918.2 million in interest income in 2025 and 2024, respectively, and had \$3.2 million and \$2.4 million accrued as interest receivable at December 31, 2025 and December 31, 2024, respectively.

For the loans receivable for RAI and the RJRT, the Company recognized in aggregate \$384.3 million and \$283.5 million in interest income in 2025 and 2024, respectively, and had \$1.3 million and \$0.8 million accrued as interest receivable at December 31, 2025 and December 31, 2024, respectively.

Due from (to) affiliates

The Company's cash is swept into a IHC pooling structure managed by BATIF. The Company's interest in the cash pooling structure is represented by its balances in its IHC account.

IHC cash balances earn interest and IHC account overdrafts incur interest expense based on an index rate plus a margin, referred to as the all-in rate. Beginning December 1, 2021, the index rate used was SOFR.

Excess cash advances on deposit at BATIF are payable to the Company on demand and bear interest at a rate of 0.275% under the applicable index rate, capped at 0% if the all-in rate is negative. If necessary, the Company has the ability to overdraft its IHC account at BATIF by up to approximately \$2.3 billion. Overdraft positions bear interest at 0.75% over the applicable index rate. At December 31, 2025 and December 31, 2024, the Company had advanced \$3.0 billion and \$4.1 billion, respectively, through its IHC account to BATIF. These amounts are classified as Due from affiliates in the Company's accompanying Balance Sheets.

The Company provides cash management services through separate IHC agreements with RAI and certain of its subsidiaries. Under the terms of these IHC agreements, excess daily cash balances in RAI and its subsidiaries bank accounts are advanced to the Company. Excess cash balances on deposit with the Company are payable to each respective entity on demand and bear interest at a rate of 0.275% under the applicable index rate, capped at 0% if the rate is negative.

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Certain IHC agreements with RAI and certain of its subsidiaries provide a separate overdraft facility that provides for advances from the Company that may not exceed the overdraft limits set forth in each respective agreement. Collectively, RAI and its subsidiaries maintain a total of \$2.6 billion in overdraft facilities. Among these are a \$1.1 billion overdraft facility provided to RAI and a \$800 million overdraft facility provided to RJRT. Overdraft advances bear interest at a rate of 0.75% over the applicable rate. The IHC agreements will remain in effect until cancelled and have no maturity date specified.

The net amount on deposit in the IHC accounts for the benefit of RAI and its subsidiaries was \$2.1 billion at December 31, 2025 and \$4.1 billion at December 31, 2024 and was classified as Due to affiliates in the Company's accompanying Balance Sheets. In 2025, for IHC accounts, the Company recognized \$79.7 million in interest income, and \$81.0 million in interest expense. In 2024, for IHC accounts, the Company recognized \$110.3 million in interest income, and \$138.1 million in interest expense.

Guarantee Fees

The Company entered into an agreement with BAT whereby BAT provides an unconditional guarantee of the outstanding BATCAP Notes in exchange for a guarantee fee based on a fee rate and the nominal amount of the notes issued and outstanding. At December 31, 2025 and December 31, 2024, the Company recognized a payable to BAT for \$40.0 million and \$33.4 million, respectively. In 2025 and 2024, the Company recognized guarantee fee expense of \$206.1 million and \$224.5 million, respectively.

The Company has reimbursement agreements with BHI, RAI and RJRT wherein, among other things, the Company is reimbursed for the guarantee fees it incurs on its issued and outstanding notes. BHI, RAI and RJRT reimburse the Company based on the proportionate share of the BATCAP notes directly benefitting the respective entity. Accordingly, at December 31, 2025 and December 31, 2024, the Company recognized a reimbursement receivable for \$39.1 million and \$33.3 million, respectively, for guarantee fees. In addition, in 2025 and 2024, the Company recognized reimbursement income of \$205.2 million and \$224.5 million, respectively, related to reimbursements of guarantee fees under the reimbursement agreements.

Derivatives

(a) Cross-Currency Interest Rate Swaps

In order to manage currency fluctuation risk on the GBP denominated notes, the Company entered into cross-currency interest rate swaps pursuant to which it swapped the GBP denominated principal amounts bearing fixed or floating interest rates, as applicable, for a USD denominated principal amount bearing a corresponding fixed or floating interest rate, as applicable. The objective of these cross-currency swaps is to reduce volatility of cash flows associated with the underlying debt from changes in foreign currency exchange rates. Under the terms of these contracts, the Company made interest payments in U.S dollars and received interest in British pounds sterling. Upon the maturity of these contracts, the Company paid the principal amount of the loans in U.S dollars and received British pounds sterling. BATIF is the counterparty in these contracts.

The key terms for the cross-currency swaps were as follows (USD/GBP amounts in thousands):

<u>Cross-currency swaps</u>	<u>Inception Date</u>	<u>Maturity Date</u>	<u>Pay Notional Amount</u>	<u>Interest Rate (Pay USD)</u>	<u>Receive Notional Amount</u>	<u>Interest Rate (Receive GBP)</u>
GBP-USD	8/16/2017	8/15/2025	389,823	3.370%	£300,000	2.125%

On August 15, 2025, the GBP-USD cross-currency swap with a notional value of \$389.8 million matured with a net settlement receipt by the Company of \$16.9 million. At December 31, 2024, the Company recognized a net liability of \$17.7 million plus associated accrued interest payable of \$2.0 million related to the cross-currency swap. The change in fair value of the cross-currency interest rate swaps excluding cash received or paid was a gain of \$17.7 million and a loss of \$3.3 million, respectively, in 2025 and 2024 and is reported in net gain on

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derivatives in the accompanying Statements of Operations. In addition, the Company recognized net interest expense of \$2.7 million and \$5.2 million, respectively, in 2025 and 2024 related to the cross-currency swaps.

(b) Foreign Currency Forward Contracts

From time to time, the Company will enter into foreign currency exchange contracts with BATIF to minimize the financial impact from exposure to changes in the exchange rates for GBP and EUR on certain liabilities denominated in those currencies. At December 31, 2025 and December 31, 2024, the Company had no liability for the fair value of forward exchange contracts. In 2025 and 2024, the Company recognized income of \$0.1 million and \$0.8 million, respectively, related to foreign currency forward contracts recorded in net gain on derivatives. Changes in the fair value are recognized as either income or expense, as applicable, as derivative (gains) losses, net in the accompanying Statements of Operations.

(c) Forward Starting Interest Rate Swaps and Treasury Locks

In October 2018, in anticipation of highly probable future note issuances to be used to refinance certain note maturities, the Company entered into forward starting pay-fix interest rate swaps, referred to as forward swaps, for a notional amount of \$3.4 billion to lock in the five and ten year forward swap rates. The forward swaps anticipated note issuances in 2019 and 2020. The counterparty exposure under these forward swaps was with BATIF where in turn BATIF entered into identical swaps with external banks. The Company utilized cash flow hedge accounting for these forward swaps.

In 2019, the Company settled forward swaps with a notional amount of \$1.35 billion associated with an issuance of notes in September 2019 and incurred a loss of \$158.6 million, before tax. This loss was recognized in accumulated other comprehensive loss and, accordingly, is being amortized to interest expense over the life of the related notes using the effective interest method.

The remaining forward swaps with a notional amount of \$2.05 billion were associated with an anticipated debt issuance in 2020. In March 2020, the Company terminated these remaining forward swaps with the anticipated issuance of the notes in April 2020 and incurred a loss of \$427.7 million, before tax, which the Company settled with a cash payment. Concurrent with the termination of the forward swaps, the Company entered into treasury locks with a notional amount of \$2.05 billion that the Company subsequently terminated on the date of the note issuance at a loss of \$25.7 million, before tax, and which the Company settled with a cash payment. These losses were recognized in accumulated other comprehensive loss and, accordingly, are being amortized to interest expense over the life of the related notes using the effective interest method.

In 2025 and 2024, the Company amortized \$54.4 million and \$76.2 million, respectively, to interest expense related to the losses from termination of the forward starting interest rate swaps and treasury locks included in accumulated other comprehensive loss. The Company had no similar derivatives outstanding at December 31, 2025 or December 31, 2024. The estimated amount expected to be amortized to interest expense in 2026 is \$52.0 million. The life of the related notes extend through 2030.

(d) Fixed to Floating Interest Rate Swaps

In March 2021, the Company entered into nine fixed to floating interest rate swaps for an aggregate notional amount of \$3.5 billion with BATIF as the counterparty. With these derivatives, the Company has effectively swapped the 3.557% fixed interest rate on the \$3.5 billion in notes maturing in 2027 for a floating interest rate based on SOFR plus a margin of approximately 250 basis points. The interest rate swaps expire in May 2027. The Company elected to use fair value hedge accounting for these interest rate swaps and accordingly changes in the fair value of these derivatives adjust the carrying amount of the hedged debt with an offsetting adjustment to net gain on derivatives. During 2023, three of the nine fixed to floating interest rate swaps with a total notional value of \$1.150 billion were terminated and one of the nine fixed to floating interest rate swaps was partially terminated (\$77 million notional value) when the related hedged debt was prepaid, resulting in a net settlement payment of \$140.5 million related to the swaps and a loss of \$134.9 million, before tax, reported in net gain on derivatives in the accompanying Statements of Operations.

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In January 2024, the Company entered into three forward starting fixed to floating interest rate swaps for an aggregate principal amount of \$1.250 billion with BATIF as the counterparty. With these derivatives, the Company has effectively swapped the 6.421% fixed interest rate, beginning February 2025, on the \$1.250 billion in notes maturing in 2033 for a floating interest rate based on SOFR plus a margin of 2.776% to 2.951%. The interest rate swaps expire in 2033.

In April 2024, the Company entered into three forward starting fixed to floating interest rate swaps for an aggregate principal amount of \$850 million with BATIF as the counterparty. With these derivatives, the Company has effectively swapped the 6% fixed interest rate, beginning February 2025, on the \$850 million in notes maturing in 2034 for a floating interest rate based on SOFR plus a margin of 1.9320% to 2.1365%. The interest rate swaps expire in 2034.

During August and September 2024, the Company entered into three forward starting fixed to floating interest rate swaps for an aggregate principal amount of \$900 million with BATIF as the counterparty. With these derivatives, the Company has effectively swapped the 4.742% fixed interest rate, beginning March 2026, on the \$900 million in notes maturing in 2032 for a floating interest rate based on SOFR plus a margin of 1.4520% to 1.5540%. The interest rate swaps expire in 2032.

During September 2024, the Company entered into five forward starting fixed to floating interest rate swaps for an aggregate principal amount of \$1.250 billion with BATIF as the counterparty. With these derivatives, the Company has effectively swapped the 2.726% fixed interest rate, beginning March 2026, on the \$1.250 billion in notes maturing in 2031 for a floating interest rate based on SOFR minus a margin of 0.3250% to 0.3280%. The interest rate swaps expire in 2031.

During March 2025, the Company entered into three forward starting fixed to floating interest rate swaps for an aggregate principal amount of \$650 million with BATIF as the counterparty. With these derivatives, the Company has effectively swapped the 5.350% fixed interest rate, beginning February 2026, on the \$650 million in notes maturing in 2032 for a floating interest rate based on SOFR plus a margin of 1.554% to 1.563%. The interest rate swaps expire in 2032.

During April 2025, the Company entered into two forward starting fixed to floating interest rate swaps for an aggregate principal amount of \$600 million with BATIF as the counterparty. With these derivatives, the Company has effectively swapped the 5.625% fixed interest rate, beginning February 2026, on the \$600 million in notes maturing in 2035 for a floating interest rate based on SOFR plus a margin of 1.761% to 1.8255%. The interest rate swaps expire in 2035.

At December 31, 2025 and December 31, 2024, as the result of the change in the fair value of the fixed to floating interest rate swaps, the carrying value of the hedged debt was offset by approximately \$110.2 million and \$311.4 million respectively. For the fair value of the fixed to floating interest rate swaps at December 31, 2025, the Company had a liability recorded of \$127.9 million and an asset recorded of \$23.8 million, while at December 31, 2024, the Company had a liability recorded of \$307.5 million. At December 31, 2025 and December 31, 2024, the Company had an accrued interest receivable of \$44.4 million and \$9.4 million for the fair value of the fixed to floating interest rate swaps, respectively. In addition, the Company recognized net interest expense of \$88.2 million and \$98.2 million respectively, in 2025 and 2024 related to the fixed to floating interest rate swaps.

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The following is a summary of amounts included in the accompanying balance sheets and statements of operations related to derivatives (in thousands):

	Balance Sheet Location	Derivative Assets		Derivative Liabilities	
		2025	2024	2025	2024
Derivatives designated as hedging instruments under Subtopic 815-20		Fair Value	Fair Value	Fair Value	Fair Value
Interest rate contracts	Derivative financial instruments (current)	\$ 44,396	\$ 9,448	\$ —	\$ —
	Derivative financial instruments (long-term)	23,823	—	127,871	307,522
Total derivatives designated as hedging instruments under Subtopic 815-20		<u>\$ 68,219</u>	<u>\$ 9,448</u>	<u>\$ 127,871</u>	<u>\$ 307,522</u>
Derivatives not designated as hedging instruments under Subtopic 815-20		Fair Value	Fair Value	Fair Value	Fair Value
Cross-Currency Interest Rate Swaps	Derivative financial instruments (current)	\$ —	\$ —	\$ —	\$ 19,719
	Derivative financial instruments (long-term)	—	—	—	—
Total derivatives not designated as hedging instruments under Subtopic 815-20		<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 19,719</u>
Total Derivatives		<u>\$ 68,219</u>	<u>\$ 9,448</u>	<u>\$ 127,871</u>	<u>\$ 327,241</u>

	2025		2024	
	Interest Expense	Net gain (loss) on derivatives	Interest Expense	Net gain (loss) on derivatives
The effects of fair value and cash flow hedging:				
Gain or (loss) on fair value hedging relationships in Subtopic 815-20:				
Interest Contracts:				
Hedged items	\$ —	\$ (201,198)	\$ —	\$ 117,455
Derivatives designated as hedging instruments	—	203,474	—	(110,975)
Gain or (loss) on fair value hedging relationships in Subtopic 815-20:				
Interest Contracts:				
Amount of gain or (loss) reclassified from accumulated other comprehensive income into income	(54,377)	—	(76,160)	—
Gain or (loss) on derivatives not designated as hedging instruments				
Cross-currency	—	34,623	—	(2,583)
Total amounts of income and expense line items presented in the statements of operations	<u>\$ (54,377)</u>	<u>\$ 36,899</u>	<u>\$ (76,160)</u>	<u>\$ 3,897</u>

Other income and expense – affiliates

The Company entered into separate agreements with each of BHI, RAI and RJRT whereby the Company is reimbursed for certain expenses or income related to financing transactions that directly benefit these respective entities. Reimbursements are based on the proportionate share of the financing transactions directly benefitting each respective entity. In 2025 and 2024, the Company recognized \$10.1 million and \$67.2 million, respectively, as other income from

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affiliates for these reimbursements. Additionally, the Company recognized \$11.8 million and \$371.1 million as other reimbursement expense to affiliates in 2025 and 2024, respectively.

General and administrative expenses

The Company had no direct employees in 2025 and 2024. The Company has a services agreement with Louisville Corporate Services Inc., a direct subsidiary of BHI, for the provision of general and administrative services to the Company consisting primarily of administrative, accounting, income tax and other support services. Additionally, from time to time the Company will incur charges for financing support services provided through service agreements with various BAT affiliates. Expenses incurred under the services agreement are included in general and administrative and other expenses on the accompanying Statements of Operations.

(5) Fair Value

The Company records its derivative contracts at their fair value as of the balance sheet date. All derivatives held by the Company at December 31, 2025 and December 31, 2024, are categorized in Level 2 of the fair value hierarchy. Level 2 financial instruments are not traded in an active market but rather the fair values are determined based on market data, primarily yield curves and exchange rates, to calculate the present value of all estimated flows associated with each derivative contract at the balance sheet date. In the absence of sufficient market data, fair values would be based on the quoted market price of similar derivatives.

(6) Shareholder's Deficit

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of \$11.4 million and \$16.0 million in tax expense in 2025 and 2024, respectively, were as follows (in thousands):

	Forward Starting Interest Rate Swaps
Balance at December 31, 2023	\$ (295,037)
Amortization, net of tax expense of \$15,994	60,166
Balance at December 31, 2024	\$ (234,871)
Amortization, net of tax expense of \$11,419	42,958
Balance at December 31, 2025	<u>\$ (191,913)</u>

(7) Contingent Liabilities

On December 9, 2011, the Company ceased to be a party to the EMTN Program under which the issuers, that also include BATIF, B.A.T. Netherlands Finance B.V. and British American Tobacco Holdings (The Netherlands) B.V., can from time-to-time issue notes in amounts not to exceed the EMTN Program limits or its equivalent in other currencies. The payments of all amounts in respect of any notes issued under the EMTN Program prior to December 9, 2011 are unconditionally and irrevocably guaranteed by BAT, the Company and each of the other issuers (except where it is the relevant issuer).

On May 31, 2017, the EMTN Program was amended and restated to increase the size of the EMTN Program from £15.0 billion to £25.0 billion and to add the Company as an issuer and a guarantor. At December 31, 2024, the Company had outstanding approximately \$0.4 billion equivalent of notes under the EMTN Program at the related spot rate for the respective currency at the measurement date. At December 31, 2025, the Company no longer has any balances outstanding under the EMTN Program.

Effective February 13, 2018, the Company became an additional guarantor of the notes issued pursuant to the EMTN Program that it was not already a guarantor of during the period since it ceased participation. With the additional

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guarantees in place, as of December 31, 2025 and December 31, 2024, the Company was a guarantor of securities with maturities ranging from 2026 to 2055 in the amount of approximately \$9.5 billion and \$9.1 billion, respectively, plus accrued interest which represents the maximum potential exposure (at applicable year-end exchange rates) had the relevant issuers defaulted.

The Company's guarantee of the notes issued under the EMTN is unconditional and irrevocable, joint and several with the other guarantors and is triggered when the issuer of the EMTN securities defaults on its payment obligations. If the Company is required by law to withhold any U.S. taxes (or taxes of any of its political subdivisions) from payments it makes under its guarantee, the Company is required to pay additional amounts so that security holders receive the same payment they would receive absent such withholding, subject to exceptions. The Company does not maintain a guarantee liability related to its guarantees with respect to the EMTN Program.

The Company also guarantees any notes issued by BATIF under the Shelf Registration. The obligations of BATIF under any series of notes and the accompanying indenture are fully and unconditionally guaranteed on a joint and several and senior and unsecured basis by the Company in addition to BAT, B.A.T. Netherlands Finance B.V., and, unless its guarantee is released in accordance with the relative indenture, RAI. As of December 31, 2025 and December 31, 2024, the Company was a guarantor of notes issued under the Shelf Registration by BATIF with maturities ranging from 2026 to 2029 in the amount of approximately \$3.5 billion plus accrued interest, which represents the maximum potential exposure in the event of a default.

(8) Subsequent events

On January 2, 2026, the Company entered into three new loan agreements with certain subsidiaries of RAI, including RJRT, Santa Fe Natural Tobacco Company, Inc. and Conwood Holdings, Inc. On that date under these agreements, the Company loaned RJRT, Santa Fe Natural Tobacco Company, Inc. and Conwood Holdings, Inc. amounts of \$562.5 million, \$105.0 million and \$82.5 million, respectively. These loans bear interest at a fixed rate of 4.725% payable semi-annually and have a maturity date of March 2033.