Agenda

• Introduction
  – Morris Moore – Vice President of Investor Relations, RAI

• Overview
  – Susan Cameron – President and Chief Executive Officer, RAI

• Financial update
  – Andrew Gilchrist – Chief Financial Officer, RAI

• FDA update
  – Danny Herko – Executive Vice President of Regulatory Oversight, RAI Services Company

• Operating companies’ business and brand highlights
  – Debra Crew – President and Chief Operating Officer, R.J. Reynolds Tobacco
  – Brice O’Brien – Executive Vice President of Consumer Marketing, R.J. Reynolds Tobacco

• Closing comments / Q&A
  – Susan Cameron
Forward-looking information

This presentation contains forward-looking information. Future results or events can be impacted by a number of factors that could cause actual results to be materially different from our projections. These factors are listed in RAI’s third-quarter 2015 earnings release and in the company’s SEC filings. Except as provided by federal securities laws, RAI is not required to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Web Disclosure

RAI’s website, www.reynoldsamerican.com, is the primary source of publicly disclosed news about RAI and its operating companies. Those wishing to stay on top of company news are encouraged to sign up for email alerts on our website.

All brand references are for RAI’s operating companies’ brands
Adjusted vs. GAAP

RAI management uses ‘adjusted’ (non-GAAP) measurements to set performance goals and to measure the performance of the overall company, and believes that investors’ understanding of the underlying performance of the company’s continuing operations is enhanced through the disclosure of these metrics. ‘Adjusted’ (non-GAAP) results are not, and should not be viewed as, substitutes for ‘reported’ (GAAP) results. A reconciliation of GAAP to Adjusted results is at the end of this presentation.
Overview

Susan Cameron
President and CEO, RAI
Our to-do list

- Fully integrate Newport
- Continue to deliver robust business growth
- Maintain strong dividend
- Pay down debt
- Achieve targeted $800 million in synergies
Successfully integrating Newport
Delivered strong 2015 YTD performance
Increased dividend 7.5%, split stock
Reduced debt by $450 million
On track in capturing synergies
Other key developments

• R.J. Reynolds / BAT vapor technology - sharing term sheet agreement
• Sale of Natural American Spirit business outside U.S. to JT Group
• Consolidation of VUSE manufacturing
• R.J. Reynolds, Santa Fe / N.Y. settlement on NPM disputed claims
Our vision and strategy,

performance drivers

current environment
Our Vision:
We will achieve market leadership by transforming the tobacco industry.

We are leading change in our industry by:

- Driving innovation throughout our businesses
- Redefining enjoyment for adult tobacco consumers
- Reducing the harm caused by smoking
- Accelerating the decline in youth tobacco use
- Resolving controversial issues related to tobacco use
So how does transformation actually help us?

- Shapes a different future, not just for our company, but also for the industry
- Aligns our commercial strategy with societal expectations
- Resolves controversies by engaging stakeholders in new ways on shared goals
- Doing the right thing drives sustainable, long-term success
Our Core Values

Principled
Do the right thing
Respect others’ point of view
Speak with one voice after decision

Creative
Bring your ideas to the table
Think out of the box
Build on others’ ideas

Dynamic
Take ownership and drive change
Act decisively and quickly
Value diversity

Passionate
Engage in the debate
Listen and challenge each other
Have fun

RAI Reynolds American
Key dynamics

- Improved macroeconomic factors
- Adult tobacco consumers continue to use multiple categories
- Higher cigarette and moist-snuff pricing
- Newport benefiting R.J. Reynolds
- Successful management of challenging litigation environment
An all-star lineup

Brands positioned to win in key categories

- Cigarettes
- Moist
- Snus
- NRTs
- Vapor
Sustainability remains a core focus...
...and we’re committed to operating responsibly
Key commercial strengths

- Strong brands in key categories
- Leaders in developing innovations
- Efficiency and productivity gains
- Superior consumer and trade marketing
- Highly engaged talent base
Delivering excellent total shareholder return

Since 2004 …

902%
Financial update

Andrew Gilchrist
EVP & CFO, RAI
Agenda

• Financial approach
• Current financial position
• Business performance
• Growth outlook
• Summary
Focused on cost management
Strong balance sheet, cash flow
Commitment to investment-grade rating
Leveraging value-enhancing opportunities
Returning value to shareholders
### Policy and objectives

<table>
<thead>
<tr>
<th>De-leveraging is priority focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target leverage of 1.5 to 2.5 times</td>
</tr>
<tr>
<td>Target dividend payout ratio of 75%</td>
</tr>
<tr>
<td>Evaluate share repurchase and dividend target after de-leveraging</td>
</tr>
<tr>
<td>Consistent operating income, EPS and dividend growth</td>
</tr>
</tbody>
</table>
Financial priorities for use of excess cash

1. Balance sheet metrics
2. Dividend payout
3. Share repurchases
Current financial position
Manageable debt structure

- Long-term debt of $17.0 billion
- Average interest rate of 4.5%
- Average maturity of 12.1 years
- Interest coverage of ~8 times
- Credit facility of $2.0 billion
Favorable debt maturities

- Assumed LO
- RAI Outstanding
- Newly Issued

- Millions

Pension plans well positioned

- More than 80% funded on a PBO basis
- Contributed $1.5 billion since 2008
- Five-year annualized return of more than 7%
- Asset allocation mitigates funded-status volatility
Future impacts from international sale of Natural American Spirit

- $5B sale of NAS business outside U.S.
- Approximately $3.2B proceeds, net of tax
- Minimal impact to ongoing operating income
- Focus on cash-use priorities
- Efficient targeting of balance sheet metrics
Business performance
EPS has doubled since 2004

Reconciliation of GAAP to Adjusted results is in Appendix 1. Adjusted results primarily exclude charges for Engle progeny lawsuits, trademark impairments, restructuring, merger integration and mark-to-market adjustments, and gain on divestiture and one-time benefit from the NPM partial settlement, and includes B&W/Lane 2004 pre-merger results.
Returning value

- $12 billion in dividends paid since 2004
- $2.7 billion in share repurchases since 2004

~$15 Billion

2004 – 2015 YTD
Attractive dividend

• Annualized split-adjusted $1.44 per share
• Up 24 percent in last three years, 200 percent since 2004
Shareholder value creation

Enterprise value* has grown by more than $70 billion since 2004

* Enterprise value = market capitalization plus long-term debt, minus cash
Growth outlook
### Strong 2015 YTD RAI performance

<table>
<thead>
<tr>
<th></th>
<th>GAAP</th>
<th>Adjusted</th>
<th>Adjusted 2015 vs. 2014 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$6,263</td>
<td>$3,181</td>
<td>+36.8%</td>
</tr>
<tr>
<td>Net income</td>
<td>$2,974</td>
<td>$1,817</td>
<td>+33.1%</td>
</tr>
<tr>
<td>EPS</td>
<td>$2.45</td>
<td>$1.50</td>
<td>+18.1%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>82.2%</td>
<td>41.7%</td>
<td>+5.0 ppt.</td>
</tr>
</tbody>
</table>

Reconciliation of GAAP to Adjusted results is in Appendix 2. Adjusted results exclude charges for transaction-related and financing costs for the Lorillard, Inc. acquisition and related divestiture, implementation costs, asset impairment and exit costs, Engle progeny lawsuits and tobacco-related and other litigation, a gain on divestiture and benefits from the 2003 Non-Participating Manufacturer (NPM) adjustment claim, and a 2014 gain on discontinued operations.
2015 RAI outlook (10/27/15)

Tightened 2015 earnings guidance

- Adjusted EPS of $1.94 to $2.00
- Adjusted EPS growth of 13% to 17%

Guidance excludes charges for transaction-related and financing costs for the Lorillard, Inc. acquisition and related divestiture, implementation costs, asset impairment and exit costs, Engle progeny lawsuits and tobacco-related and other litigation, a gain on divestiture and a benefit from the 2003 Non-Participating Manufacturer adjustment claim.
$27B purchase price, closed on 6/12/2015

$7.1B divestiture package to Imperial Tobacco

$800M of identified synergies, $500M on Day 1

18-month period to achieve synergy run-rate

Revenue synergies likely, but not quantified

Synergy update
Integration progressing smoothly

Manufacturing

Supply chain

R&D and product support
Cost synergies on track

$500 Million

June 2015

2016

January 2017

$800 Million
Proven track record of capturing cost savings

Intense focus on efficiency
Continued productivity improvements
Results reflected in strong adjusted operating margin improvement

Source: Appendix 1
Key NPM developments

• 2013 and 2014 settlement with 24 jurisdictions
  – Estimated $1.3 billion in credits (2012-2016)
• October 2015 settlement with N.Y. state
  – Estimated $290 million in credits (2015-2018)
• Litigation related to 2003 arbitration ongoing
Summary

Solid balance sheet, cash flow

Strong and growing margins

Consistent earnings growth

Strategic transactions driving transformation

Compelling shareholder value creation
Excellent total shareholder return

Outpacing S&P 500 over the long term

Through October 30, 2015.
Source: Bloomberg
Agenda

• Key principles
• Santa Fe warning letter
• Substantial equivalence
• SE guidance
• Other key topics
• Going forward
Key principles for effective regulatory framework

- Youth tobacco prevention
- Science-based regulatory decisions
- Comprehensive harm-reduction policy
- Truthful product communication
- Uniform regulatory enforcement
- Transparent communication and timely guidance
Santa Fe warning letter

- Received warning letter – Aug. 27, 2015
- FDA alleged “natural” and “additive free” violate the modified risk tobacco product provision
- Responded on Sept. 18, highlighting disagreements with FDA’s analysis and conclusions
- Engaging FDA in constructive dialogue
Not substantially equivalent

• On Sept. 15, 2015, Center for Tobacco Products notified R.J. Reynolds of four NSE orders
• R.J. Reynolds ceased manufacturing, distribution, sale, marketing and promotion of the affected styles
• We disagree with FDA’s analysis and conclusions
• Working to ensure clearance of future and provisional submissions
Substantially equivalent

- 378 SE clearance orders, 126 NSE orders, 898 withdrawn
- RAI operating companies have hundreds of submissions outstanding
SE guidance – label and quantity change

• Issued September 2015, requires pre-approval of changes to label and quantities of products in a package
• Three of RAI’s operating companies and other tobacco manufacturers filed legal challenge
• Guidance violates first amendment rights and exceeds the agency’s authority under the Tobacco Control Act
  – Attempts to redefine scope of “new tobacco product”
  – Circumvents rule-making process required for label authority
Other key topics

• Menthol
  – Not on FDA’s unified agenda
  – FDA funding menthol / flavor research

• Deeming regulations
  – Draft regulation published April 2014
  – More than 80,000 comments submitted
  – Final rule submitted to OMB on Oct. 19, 2015
Going forward

• Science-based decisions will prevail
• Commitment to constructive relationship
• Participating in the regulatory process
• Broad range of products provides ability to compete
• Innovative culture driving agility and adaptability
• RAI’s operating companies well positioned for future
Agenda

• Business transformation
• Industry dynamics
• RAI operating companies update
• Summary
We will achieve market leadership by transforming the tobacco industry.
Brands positioned for growth
# Sustainable Share and Profit Growth

**How we define success**

<table>
<thead>
<tr>
<th>Sustainable share and profit growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leader in growing smoke-free categories</td>
</tr>
<tr>
<td>Support growth platforms</td>
</tr>
<tr>
<td>Progress toward industry transformation</td>
</tr>
</tbody>
</table>
Cigarette industry dynamics
Competitive landscape

New ‘Big 3’ represent:

- 89% of combustibles
- 91% of moist snuff
- 85% of snus
- 36% of e-cigarettes
Cigarette industry dynamics

• Macroeconomic factors are positive for industry
  – Stronger volume trend: less than 1% decline

• ATC preference for menthol

• Migration and poly-use more prevalent

• Down-trading moderating
Menthol share poised for long-term growth

Source: MSA, Inc. shipments to retail, Tracker FY 2014
Cigarette portfolio
Portfolio strategies

• Organic premium growth
• Menthol focus
• Enhanced national EDLP footprint
• Sustain ASU30 momentum
Cigarette portfolio strength

Source: MSA, Inc. shipments to retail, Tracker FY 2014
Complementary geographic strengths and momentum

RAI Operating Companies’ Cigarette Share of Market

Source: MSA, Inc. shipments to retail, 3Q15 YTD
Commercial strength across all key areas

**Non-menthol**
- Unique brand proposition, on trend with growing consumer sentiment
- An American classic with rich heritage and mass appeal
- A great value and experience for the money

**Menthol**
- High menthol credibility
- Diverse, loyal buyer base
- Unique product
- Deep cultural connection
- Highly differentiated
- Increasing menthol credibility
- A great value and experience for the money
RAI OpCos cigarette performance
RAI operating companies cigarette performance

- Solid drive-brand share gains
- Positive impact from addition of Newport

### Nine-month pro forma results

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume (billions)</td>
<td>64.5</td>
<td>64.4</td>
<td>+0.2%</td>
</tr>
<tr>
<td>Drive brands</td>
<td>59.6</td>
<td>58.8</td>
<td>+1.3%</td>
</tr>
<tr>
<td>All other</td>
<td>5.0</td>
<td>5.6</td>
<td>-10.6%</td>
</tr>
<tr>
<td>Retail share of shipments</td>
<td>33.8%</td>
<td>33.7%</td>
<td>+0.1 ppt.</td>
</tr>
<tr>
<td>Drive brands</td>
<td>31.2%</td>
<td>30.8%</td>
<td>+0.4 ppt.</td>
</tr>
<tr>
<td>All other</td>
<td>2.6%</td>
<td>2.9%</td>
<td>-0.3 ppt.</td>
</tr>
</tbody>
</table>

Share Source: MSA, Inc. shipments to retail, 3Q15 YTD
Acquisition update

Synergies
Manufacturing transition
Retail contracts
Newport share performance

+0.5 ppt.
A stronger universe

Contracted Retail Outlets

R.J. Reynolds - No Lorillard 50K

100K Both R.J. Reynolds and Lorillard

Lorillard - No R.J. Reynolds 50K
Solid growth across all geographies

Natural American Spirit Share of Market

Source: MSA, Inc. shipments to retail, 3Q15 YTD
Same stores driving volume growth

NAS Volume Change vs. Previous Year

66% 70% 65% 67%

4Q14 1Q15 2Q15 3Q15

Source: MSA, Inc. shipments to retail
Moist-snuff industry
Moist-snuff industry dynamics

• Industry volume growing 2-3% annually
• Pouches and Wintergreen in the mainstream price tier providing all category growth
• Competitive environment
Industry moist-snuff volume

Shipments to Retail
(Billions of cans)

Source: MSA, Inc. shipments to retail
Grizzly leads moist snuff

Share of Market

2010 2011 2012 2013 2014 2015*

30.7%

* 3Q15 YTD
Source: MSA, Inc. shipments to retail
Grizzly’s competitive advantage

- Preferred Wintergreen - No. 1 SKU in fastest growth area
- Superior Pouch - Better mouth feel and convenience
- Broader range - More Pouch and Wintergreen offerings
- Consumer advantages - Positive switching, driven by ATU30
Net price realization

• ASC significantly outpacing competition
American Snuff performance

- Growth in growing category
- Volume outpacing category
- Strong margin and earnings

Nine-Month Results

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume (millions)</td>
<td>371</td>
<td>358</td>
<td>+3.7%</td>
</tr>
<tr>
<td>Retail share of market</td>
<td>33.5%</td>
<td>32.9%</td>
<td>+0.6 ppt.</td>
</tr>
<tr>
<td>Operating income</td>
<td>$369</td>
<td>$329</td>
<td>+12.1%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>58.6%</td>
<td>56.4%</td>
<td>+2.2 ppt.</td>
</tr>
</tbody>
</table>

Source: MSA, Inc. shipments to retail, 3Q15 YTD
R.J. Reynolds Vapor
The vapor category is at an inflection point....
But innovation can re-ignite growth...

Sustainable Growth

- Meaningful innovation
- Superior products
- Strong brands

Source: MSA, Inc. shipments to retail and R.J. Reynolds estimates
And VUSE is gaining momentum

VUSE Share of Market
(Traditional Retail)

Source: MSA, Inc. shipments to retail
Vapor strategy

- Solidify VUSE as the Vapor Authority
- Maximize potential for traditional e-cig / cartridge
- Leverage superior technology to compete in mods / tanks / liquids
VUSE evolution and innovation

Superior products  Superior performance  Trusted brand

Cig-A-Like Platform  Next Generation Innovation
R.J. Reynolds / BAT vapor tech-sharing

- Marriage of world-class vapor expertise and capability
- Competitive advantage in tobacco transformation
- Term sheet signed Sept. 22, 2015
  - Framework for collaboration / IP licensing
  - Critical step in reaching long-term agreement through 2022
Niconovum
ZONNIC highlights

National distribution in more than 30,000 outlets

Building the NRT category in convenience / gas

1 in 5 purchases of NRT-coated gum is ZONNIC
Strongest portfolio dynamics in the industry

- **Newport**
  - No. 1 menthol brand in the U.S.

- **CAMEL**
  - Leading total tobacco brand
  - No. 3 brand in the U.S.

- **PALL MALL**
  - No. 1 value brand in the U.S.

- **American Spirit**
  - No. 1 super-premium brand
  - Fastest growing brand in the U.S.

- **Grizzly**
  - No. 1 brand in the moist-snuff industry

- **VUSE**
  - No. 1 vapor brand
  - Superior technology
Summary

• Powerful brands in key categories
• Positioned for sustainable growth
• Expert marketing and sales force
• Track record of success!
Consumer and brand portfolio

Brice O’Brien
EVP, Consumer Marketing
R.J. Reynolds
Consumers’ behavior shifting

Prior to the recession: The Era of Indulgence

The immediate aftermath of the recession: The Era of Consequences

Today: The Era of Responsibility
Consumer macro trends

POLYCULTURALISM

TURNING BLUE

PENT-UP ASPIRATIONS

RECEPTIVITY

Source: Consumers Leaning Forward: A Trend Analysis, March 2015
The Era of Indulgence

The Era of Responsibility

Source: Consumers Leaning Forward: A Trend Analysis, March 2015
Polyculturalism drivers

- U.S. diversity in 2014 is 8%
- Millennial diversity is 44%
- Majority minority U.S. projected in 2044
  CA, TX, NM, HI are today
- Interracial or interethnic married couples
  7% (2000) to 10% (2010)

Source: U.S. Census Bureau
## Strongest brand portfolio

<table>
<thead>
<tr>
<th></th>
<th>Industry</th>
<th>Newport</th>
<th>Camel</th>
<th>NAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caucasian</td>
<td>70%</td>
<td>36%</td>
<td>70%</td>
<td>68%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>13%</td>
<td>18%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>African American</td>
<td>11%</td>
<td>41%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Asian</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Tracker
Turning blue

Source: Consumers Leaning Forward: A Trend Analysis, March 2015
Green is turning blue

THE WORLD: Environmental and global impact

“I do not want to compromise on the convenience of the products I already use to lead a more environmentally conscious lifestyle”

58%

ME: Personal convenience

“I am motivated to lead an environmentally-conscious life because it enables me to save money”

69%

MY WORLD: Local community impact

“Companies that make sincere efforts to be a part of the community deserve their loyalty”

78%

Source: The Futures Company 2014 Global MONITOR – U.S. sample, total 21+
RAI OpCos aligned with turning blue

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM
Migration to digital solution

- Greener, more relevant, cost effective
- 2012 test did not meet expectations
  - Too complex
  - Inconvenient
  - Could be copied and passed along
Migration to digital solution

• R.J. Reynolds developed proprietary technology platform

• Spot You More™
  – A simple, intuitive consumer experience
  – Fraud prevention with ‘One & Done’ coupons
  – Real-time redemption data
  – Open-technology platform
Spot You More™ test markets

- 64 stores in Columbus, OH and Des Moines, IA
- Over 14,000 redemptions in first 3 months
- Positive ATC response
  - 99% are “satisfied” with the experience
  - 94% claim digital “easier or same as” paper coupon
  - 90% “definitely will” redeem future digital promotions
Spot You More™ next steps

• Digital promotion platform for C-gas channel
  – Potential across all consumer products

• ‘Internet of Things’ for C-gas channel
  – Proximity marketing

• Working with third parties to develop broader applications
Pent-up aspirations

Source: Consumers Leaning Forward: A Trend Analysis, March 2015
Shifting pent-up aspirations

From

Stagnation
Constraint
Frustration

To

Progress
Boundlessness
Inspiration

Source: 2014 Yankelovish MONITOR Study. Insights Applicable to Adult (ages 21+) Tobacco Consumers Only
Consumers willing to spend more

"I am more open to spending money now than I have been in the past few years"

Source: The Futures Company 2014 Global MONITOR; Insights Applicable to Adult (ages 21+) Tobacco Consumers Only
Pent-up aspirations driving premium growth

Era of Indulgence
(Prior to recession)

Era of Consequences
(Recession)

Era of Responsibility
(2015 YTD)

RAI OpCos
Premium Drive Brand Share

Pall Mall Share

Source: MSA, Inc. shipments to retail
Receptivity

Source: Consumers Leaning Forward: A Trend Analysis, March 2015
Increasing receptivity

New Experiences
- Novelty
- Innovation
- Experimentation

Guilt-Free Consumption

Era of Responsibility
Consumers more open to change

ATC 21+
(2014)

69%

“I would welcome more novelty and change in my life”

59%

“I am more likely to choose a brand if it exposes me to new sensations or experiences”

Source: The Futures Company 2014 Global MONITOR; Insights Applicable to Adult (ages 21+) Tobacco Consumers Only
Greater acceptance of alternatives

Adult Smoker Product Usage

Source: Tracker
Brand portfolio positioned for growth
Newport

“THE MENTHOL AUTHORITY”
Strong history and bright future

1970 - #24 selling brand
1980 - #18
1990 - #5
1993 - #1 menthol brand
1996 - #2 selling brand
2015 Newport joins R.J. Reynolds
1970 - #24 selling brand
Newport growth momentum

Source: MSA, Inc. shipments to wholesale
Future demographics aligned

Newport Menthol ATCs
- Caucasians: 33%
- African American: 46%
- Hispanic: 21%

ASU30 Indices
- Newport: 160
- Largest Competitor: 80

Source: Tracker YTD Aug. 2015 – Past 7 Day AS 21+
Proud, loyal buyer base

Net Promoter Score

Newport

Largest Competitor

Source: Tracker
Key strategic initiatives

- Strengthen portfolio appeal
- Strengthen brand relevance
- Optimize retail leadership
Menthol portfolio opportunity

Newport

- Full Flavor Menthol 92%

Key Competitor

- Full Flavor Menthol 53%
- Other Menthol 47%

Source: Tracker and 2008-14 shipments to retail style analysis
Newport menthol portfolio opportunity

Awareness
Adult Smokers 21+

87% 33% 35%
Newport non-menthol styles
Newport non-menthol growth

• Steady organic share growth
• Low awareness (under 40%)
• Strong demographic profile
• National distribution opportunity

Source: MSA, Inc. shipments to retail
Significant retail impact for Newport

- More than 190,000 contracted outlets
- Greater merchandising and impact
- New contracts and presence
- Supported by more than 2,000 trade marketing representatives
Trade marketing impact
Enhanced equity programming

- National consumer engagement
- Enhanced database reach
- Strong, relevant programming
Leading and complementary menthol portfolio

Camel Menthol SOM > Newport Menthol
Newport Menthol SOM > Camel Menthol
Camel share of market growth

2008: 7.1%
2009: 7.2%
2010: 7.5%
2011: 7.6%
2012: 7.6%
2013: 7.9%
2014: 8.1%
3Q15 YTD: 8.1%

Source: MSA, Inc. shipments to retail
Camel’s consumer equities

- Stands out in a crowd
- Pursues a life of challenge and novelty
- Embraces challenge to learn and grow
Camel sparking originality
Unique and engaging brand programs

In Focus project

Mobile photography

Integrated promotion
Passionate, artistic consumers
Consistent and accelerating growth

NASDAQ Share of Market

- 2012: 1.2%
- 2013: 1.4%
- 2014: 1.6%
- 3Q15 YTD: 1.8%

Source: MSA, Inc. shipments to retail
ASU30 growth outpacing share

Source: Tracker and MSA, Inc. shipments to retail
NAS share strengths

Los Angeles - 8%
Portland – 11%
Denver – 6%
Minneapolis – 5%
Austin – 9%
Chicago – 6%
Seattle – 11%
NYC – 8%
San Francisco – 11%
Asheville – 9%

Source: MSA, Inc. shipments to retail
Growth highest in underdeveloped states

3Q15 YTD volume growth:
- > 23%
- < 23%

Source: MSA, Inc. shipments to retail
Differentiated marketing programs

- Values-driven
- Enhanced retail impact
- Increased marketing investment
Pall Mall performance

- Stable market share
- Growing financial contribution
- Unique and appealing brand equity

Source: MSA, Inc. shipments to retail
Grizzly No. 1 brand where it matters

Category Leader
No. 1 in Wintergreen
No. 1 in Pouches

31%
45%
45%

Source: MSA, Inc. shipments to retail
Industry-leading consumer dynamics

Key competitor

Buyer profile
- ATO35
- ATU35

ATU30 index to share
- 106
- 82

Source: Tracker
Innovative products driving growth

• Dark family
  – Extends Wintergreen leadership
  – 3.0 share of market

• Big Can promotion
  – ATC excitement drove 4 million page views at MyGrizzly.com

Source: Tracker
Engaging equity programs

- Aspirational promotions
- Seasonal packaging
- Relevant cause marketing
DIGITAL VAPOR CIGARETTE
VUSE expanding market leadership

Source: MSA, Inc. shipments to retail, traditional retail outlets.
Added styles increasing consumer appeal
Innovation essential for category growth

Usage of Vapor Products

- 59% part-time 1-6 days/wk
- 28% daily 7 days/wk
- 13% 0 days/wk

Adult Smokers 21+

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trial - Vapor</td>
<td>37%</td>
<td>49%</td>
<td>58%</td>
</tr>
<tr>
<td>Loyal (Vapor Only)</td>
<td>3%</td>
<td>5%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Tracker
BASE: 18+ E-cigarette consumers
Source: Tracker
Vapors are looking for performance of a tank with simplicity of a cig-a-like
VUSE Port – refillable v-liquid system
VUSE innovations

VUSE Pro

VUSE Connect

VUSE Fob
VUSE summary

- Market leadership
- Flavors expansion
- Continuous innovation
Portfolio summary

Newport #1 Menthol Brand
CAMEL The Leading Innovative Total Tobacco Brand
American Spirit #1 Super Premium
SNUS #1 SNUS Brand
Pall Mall #1 Value Brand
Grizzly #1 Moist Snuff Brand
VUSE #1 Vapor Brand
Closing comments

Susan Cameron
Now a bigger business, stronger competitor

Bold, innovative, driving change in our industry

Leader in key growth categories
And so our transformation journey continues
### Appendix 1

**Reynolds American Inc.**

Reconciliation of GAAP to Adjusted Results
(Dollars in Millions, Except Per Share Amounts)
(Unaudited)

RAI management uses "adjusted" (non-GAAP) measurements to set performance goals and to measure the performance of the overall company, and believes that investors' understanding of the underlying performance of the company's continuing operations is enhanced through the disclosure of these metrics. "Adjusted" (non-GAAP) results are not, and should not, be viewed as, substitutes for "reported" (GAAP) results.

<table>
<thead>
<tr>
<th>3Q YTD</th>
<th>GAAP Operating Income:</th>
<th>Adjusted operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$882</td>
<td>$1,470</td>
</tr>
<tr>
<td>2005</td>
<td>$1,459</td>
<td>$1,846</td>
</tr>
<tr>
<td>2006</td>
<td>$1,930</td>
<td>$2,057</td>
</tr>
<tr>
<td>2007</td>
<td>$2,418</td>
<td>$2,440</td>
</tr>
<tr>
<td>2008</td>
<td>$567</td>
<td>$2,502</td>
</tr>
<tr>
<td>2009</td>
<td>$1,763</td>
<td>$2,525</td>
</tr>
<tr>
<td>2010</td>
<td>$2,432</td>
<td>$2,563</td>
</tr>
<tr>
<td>2011</td>
<td>$2,399</td>
<td>$2,591</td>
</tr>
<tr>
<td>2012</td>
<td>$2,214</td>
<td>$2,647</td>
</tr>
<tr>
<td>2013</td>
<td>$2,132</td>
<td>$3,080</td>
</tr>
<tr>
<td>2014</td>
<td>$2,531</td>
<td>$3,105</td>
</tr>
<tr>
<td>2015</td>
<td>$6,263</td>
<td>$3,181</td>
</tr>
</tbody>
</table>

The GAAP results include the following expense (income):

- **B&W/Lane GAAP results**: 328
- **Proforma adjustments**: (128)
- **Premerger B&W integration costs**: 35
- **Goodwill and trademark impairment charges**: 5
- **Restructuring charge**: 5
- **Merger integration costs**: 130
- **RAI settlements**: 50
- **Phase II growers' trust offset**: (69)
- **RAI returned goods reserve adjustment**: 38
- **Federal tobacco buyout assessment**: 81
- **Loss on sale of assets**: 24
- **Implementation costs**: 60
- **Scott lawsuit**: 139
- **Engle progeny lawsuits**: 64
- **Other tobacco-related litigation charges**: 5
- **Asset impairment and exit charges**: 38
- **Gain on divestiture**: (3,506)
- **One-time benefit from NPM Partial Settlement**: (219)
- **Transaction-related costs**: 38
- **MTM pension/postretirement adjustment**: 329

**Total adjustments**: (1,527) 171 145 329

**Adjusted operating income**: $1,470 $1,846 $2,057 $2,440 $2,502 $2,525 $2,563 $2,591 $2,647 $3,080 $3,105 $3,181

**Net income per diluted share**:

- **Reported GAAP**: $0.69 $0.89 $1.03 $1.18 $0.38 $0.82 $0.96 $1.20 $1.12 $1.57 $1.37 $2.45
- **Non-GAAP adjusted**: $0.83 $0.98 $1.02 $1.19 $1.20 $1.32 $1.32 $1.41 $1.49 $1.59 $1.71 $1.50

**Net Sales**: $8,323 $8,256 $8,510 $9,023 $8,845 $8,551 $8,541 $8,304 $8,236 $8,471 $7,621

**Operating margins**:

- **GAAP**: 10.6% 17.7% 22.7% 26.8% 6.4% 20.9% 28.4% 28.1% 26.7% 38.0% 29.9% 82.2%
- **Adjusted**: 17.7% 22.4% 24.2% 27.0% 28.3% 28.9% 31.2% 33.0% 34.5% 36.6% 36.7% 41.7%

---

(1) Includes proforma GAAP adjustments as if the merger of B&W/Lane had been completed on January 1, 2004.
(2) Not adjusted to reflect change in accounting for pension and postretirement.
REYNOLDS AMERICAN INC.
Reconciliation of GAAP to Adjusted Results
(Dollars in Millions, Except Per Share Amounts)
(Unaudited)

RAI management uses "adjusted" (non-GAAP) measurements to set performance goals and to measure the performance of the overall company, and believes that investors’ understanding of the underlying performance of the company’s continuing operations is enhanced through the disclosure of these metrics. “Adjusted” (non-GAAP) results are not, and should not be viewed as, substitutes for “reported” (GAAP) results.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th></th>
<th>2014</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating</td>
<td>Net</td>
<td>Diluted</td>
<td>Operating</td>
</tr>
<tr>
<td></td>
<td>Income</td>
<td>Income</td>
<td>EPS</td>
<td>Income</td>
</tr>
<tr>
<td>GAAP results</td>
<td>$ 6,263</td>
<td>$ 2,974</td>
<td>$ 2.45</td>
<td>$ 2,238</td>
</tr>
<tr>
<td>The GAAP results include the following:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on divestiture</td>
<td>(3,506)</td>
<td>(1,473)</td>
<td>(1.21)</td>
<td>-</td>
</tr>
<tr>
<td>2003 NPM adjustment claim</td>
<td>(70)</td>
<td>(43)</td>
<td>(0.03)</td>
<td>-</td>
</tr>
<tr>
<td>One-time benefit from the NPM Partial Settlement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(34)</td>
</tr>
<tr>
<td>Implementation costs</td>
<td>197</td>
<td>125</td>
<td>0.10</td>
<td>12</td>
</tr>
<tr>
<td>Gain on discontinued operations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Engle Progeny cases</td>
<td>125</td>
<td>79</td>
<td>0.06</td>
<td>84</td>
</tr>
<tr>
<td>Tobacco-related and other litigation</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Transaction-related costs</td>
<td>54</td>
<td>43</td>
<td>0.04</td>
<td>23</td>
</tr>
<tr>
<td>Asset impairment and exit charges</td>
<td>99</td>
<td>63</td>
<td>0.05</td>
<td>-</td>
</tr>
<tr>
<td>Financing costs</td>
<td>-</td>
<td>38</td>
<td>0.03</td>
<td>-</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>(3,082)</td>
<td>(1,157)</td>
<td>(0.95)</td>
<td>87</td>
</tr>
<tr>
<td>Adjusted results</td>
<td>$ 3,181</td>
<td>$ 1,817</td>
<td>$ 1.50</td>
<td>$ 2,325</td>
</tr>
</tbody>
</table>