SECURITIES AND EXCHANGE COMMISSION

FORM SC 13E3

Schedule filed to report going private transactions(Issuer Self-Tender Offer)

Filing Date: **2017-05-12**
SEC Accession No. 0001193125-17-168761

(HTML Version on secdatabase.com)

SUBJECT COMPANY

REYNOLDS AMERICAN INC

CIK:**1275283**| IRS No.: **200546644** | Fiscal Year End: **1231**
Type: **SC 13E3** | Act: **34** | File No.: **005-80072** | Film No.: **17839819**
SIC: **2111** Cigarettes

Mailing Address
401 NORTH MAIN ST
WINSTON SALEM NC 27102

Business Address
401 NORTH MAIN ST
WINSTON SALEM NC 27102
3367412000

FILED BY

REYNOLDS AMERICAN INC

CIK:**1275283**| IRS No.: **200546644** | Fiscal Year End: **1231**
Type: **SC 13E3**
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13E-3

Rule 13e-3 Transaction Statement under Section 13(e)
of the Securities Exchange Act of 1934

REYNOLDS AMERICAN INC.
(Name of the Issuer)

Reynolds American Inc.
(Name of Person(s) Filing Statement)

Common Stock, par value $0.0001 per share and
Series B Preferred Stock, par value $0.01 per share
(Title of Class of Securities)

Common stock: 761713106
Series B preferred stock: N/A
(CUSIP Number of Class of Securities)

McDara P. Folan, III, Esq.
Senior Vice President, Deputy General Counsel
and Secretary
Reynolds American Inc.
401 North Main Street
Winston-Salem, NC 27101
United States
+1 (336) 741-2000
(Name, Address, and Telephone Numbers of Person Authorized to Receive Notices and Communications on Behalf of the Persons Filing Statement)

With copies to:

Randi C. Lesnick, Esq.
Timothy J. Melton, Esq.
Jones Day
250 Vesey Street

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New York, New York 10281
+1 (212) 326-3939

This statement is filed in connection with (check the appropriate box):

a. ☒ The filing of solicitation materials or an information statement subject to Regulation 14A (17 CFR 240.14a-1 to 240.14b-2), Regulation 14C (17 CFR 240.14c-1 to 240.14c-101) or Rule 13e-3(c) (§240.13e-3(c)) under the Securities Exchange Act of 1934.

b. ☒ The filing of a registration statement under the Securities Act of 1933.

c. ☐ A tender offer.

d. ☐ None of the above.

Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies: ☒

Check the following box if the filing is a final amendment reporting the results of the transaction: ☐

Calculation of Filing Fee

Transaction valuation*	Amount of filing fee**
$53,700,640,078	**$3,397,344.38**

(*) Calculated solely for the purpose of determining the filing fee. The transaction valuation was calculated as (1) the product of (a) 828,393,985 shares of common stock of RAI, par value $0.0001 per share ("RAI common stock") (being the maximum possible number of shares of RAI common stock that may be canceled and exchanged in the merger, including the total number of shares of RAI common stock issuable under outstanding RAI equity awards that are expected to be settled for BAT ADSs in connection with the merger) and (b) $64.825, the average of the high and low prices per share of RAI common stock, as quoted on the New York Stock Exchange on May 5, 2017, minus (2) $24,387,918,918, the estimated aggregate amount of cash to be paid by BAT in exchange for such maximum possible number of shares of RAI common stock.

(**) The amount of filing fee was calculated in accordance with Rule 0-11(b) of the Securities Exchange Act of 1934, as amended, by multiplying 0.0001159 by the transaction valuation.

☒ Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: $3,397,344.38 — Filing Party: British American Tobacco p.l.c.

Form or Registration No.: Registration Statement on Form F-4 — Date Filed: May 12, 2017

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INTRODUCTION

This Rule 13e-3 Transaction Statement on Schedule 13E-3, together with the exhibits hereto (this "Transaction Statement"), is being filed with the Securities and Exchange Commission (the "SEC") by Reynolds American Inc., a North Carolina corporation and the issuer of the equity securities that are the subject of the Rule 13e-3 transaction reported hereby ("RAI" or the "Filing Person").

On January 16, 2017, British American Tobacco p.l.c., a public limited company incorporated under the laws of England and Wales ("BAT"), BATUS Holdings Inc., a Delaware corporation and a wholly owned subsidiary of BAT and Flight Acquisition Corporation, a North Carolina corporation and a wholly owned subsidiary of BAT ("Merger Sub") entered into an Agreement and Plan of Merger (the "merger agreement") with RAI. The merger agreement provides that, on the terms and subject to the conditions in the merger agreement, and in accordance with the North Carolina Business Corporation Act ("NCBCA"), upon the completion of the merger, Merger Sub will merge with and into RAI. As a result of the merger, the separate corporate existence of Merger Sub will cease, and RAI will continue as the surviving corporation in the merger and as a wholly owned subsidiary of BAT (the "merger").

Under the terms of the merger agreement, upon the completion of the merger, each issued and outstanding share of RAI common stock automatically will be converted into the right to receive the merger consideration, consisting of (1) a number of BAT American depositary shares ("BAT ADSs") representing 0.5260 of an ordinary share, nominal value 25 pence per share, of BAT ("BAT ordinary share") plus (2) $29.44 in cash, without interest, and otherwise subject to adjustments to prevent dilution in accordance with the merger agreement, other than (i) such shares that are owned by BAT or any of its subsidiaries immediately prior to the completion of the merger (which will cease to be outstanding and automatically be canceled upon the completion of the merger, and no consideration will be delivered or deliverable in exchange thereof); and (ii) such shares that are held by a holder who has properly asserted (and not lost or effectively withdrawn) his, her or its appraisal rights for such shares in accordance with Article 13 of the NCBCA (which will not be converted into or represent the right to receive the merger consideration, but instead will only be entitled to receive such consideration as may be determined to be due with respect to such shares pursuant to and subject to the requirements of Article 13 of the NCBCA and in accordance with the merger agreement). Each share of RAI' s series B preferred stock issued and outstanding immediately prior to the completion of the merger, all of which were, as of the date of the merger agreement, held by a wholly owned subsidiary of RAI, will remain issued and outstanding as one share of series B preferred stock of RAI, as the surviving corporation. The exchange ratio is fixed and will not be adjusted in the event of any change in the market price of BAT ADSs, BAT ordinary shares or RAI common stock.

Upon the completion of the merger, upon the terms and subject to the conditions of the merger agreement, outstanding RAI equity awards will be adjusted as follows: (1) each outstanding RAI restricted stock unit award subject solely to time-based vesting and not performance-based vesting (other than performance-based vesting only for purposes of Section 162(m) of the Code), payable in shares of RAI common stock ("RAI RSU") and RAI performance share award subject to performance-based vesting, payable in shares of RAI common stock ("RAI performance share"), in each case, that was granted prior to the merger agreement, other than three RAI RSU grants that were made prior to the date of the merger agreement that will be assumed, and will not vest and settle upon the completion of the merger ("cash-out RSU") will be canceled and converted into the right to receive (i) the merger consideration for each share of RAI common stock subject to such cash-out RSU, subject to applicable proration, and (ii) cash for any dividend equivalent right in respect of such cash-out RSU, in each case, less any required withholding taxes; (2) each outstanding RAI deferred stock unit that is payable in shares of RAI common stock or the value of which is determined with reference to the value of shares of RAI common stock ("RAI DSU") will be (i) if attributable to the Deferred Compensation Plan for directors of RAI, converted into a number of deferred stock units tracking the value of BAT ADSs, determined by multiplying such RAI DSU by the sum of (1) 0.5260 plus (2) the quotient of (a) $29.44 over (b) the closing price of one BAT ADS on the last trading date preceding the completion date as reported on the NYSE MKT (the "RSU exchange ratio"), and the resulting deferred stock units will be payable in accordance with the terms of the plan and applicable existing deferral elections, (ii) if attributable to an initial stock award, a pro rata annual stock award or an annual stock award under the Equity Incentive Award Plan for directors of RAI ("EIAP"), converted into the right of the holder to receive, as soon as practicable upon the completion of the merger, either (a) cash equal in value to the merger consideration, (b) BAT ADSs, with the number of BAT ADSs received based on the RSU exchange ratio, or (c) the merger consideration, in all cases pursuant to each director' s election, less any applicable withholding taxes, and (iii) if attributable to a quarterly equity award under the EIAP converted into the right of the holder to receive cash equal in value to the merger consideration, payable as soon as practicable upon the completion of the merger, less any applicable withholding taxes; and (3) each outstanding RAI RSU or RAI performance share that, in either case, is not a cash-out RSU ("rollover RSU") will be converted into a restricted stock unit of BAT with respect to a target number of BAT ADSs (rounded down to the nearest whole BAT ADS and with any fractional BAT ADSs settled in cash) equal to the product of (i) the target number of shares of RAI common stock subject to the rollover RSU immediately prior to the completion of the merger and (ii) the RSU exchange ratio, subject to adjustment as provided in the merger agreement to prevent dilution (each referred to as an adjusted RSU).

Concurrently with the filing of this Transaction Statement, BAT is filing with the SEC its registration statement on Form F-4, which includes a proxy statement of RAI relating to the special meeting of RAI' s shareholders (the "special meeting") and a prospectus of BAT (the "proxy statement/prospectus").

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At the special meeting of RAI shareholders, RAI shareholders will be asked to consider and vote upon the proposals to (1) approve the merger agreement, including the plan of merger contained therein (the "RAI merger proposal"); (2) approve, on a non-binding, advisory basis, the compensation payments that will or may be paid by RAI or BAT to RAI' s named executive officers and that are based on or otherwise relate to the merger and the agreements and understandings pursuant to which such compensation may be paid or become payable, referred to as the transaction-related named executive officer compensation (the "RAI compensation proposal"); and (3) approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the merger agreement (the "RAI adjournment proposal"). The merger will not occur unless the RAI merger proposal is approved by a majority of the outstanding shares of RAI capital stock that are entitled to vote and a majority of the outstanding shares of RAI common stock that are entitled to vote and present (in person or by proxy) and voting at the special meeting and that are not owned, directly or indirectly, by BAT or its subsidiaries or any of RAI' s subsidiaries. The series B preferred stock of RAI, all of which is owned by a wholly owned subsidiary of RAI, is not entitled to vote. Approval of the RAI compensation proposal and RAI adjournment proposal are not conditions to the completion of the merger.

BAT has also agreed to hold a general meeting of its shareholders as soon as reasonably practicable for the purpose of obtaining the BAT shareholder approval of (1) the merger agreement and the applicable transactions contemplated thereby as a Class 1 transaction and (2) the authorization for BAT directors to allot and issue the BAT ordinary shares underlying the BAT ADSs constituting the stock portion of the merger consideration, in each case, on a poll by the holders of not less than a majority of BAT ordinary shares, present in person or by proxy who are entitled to vote at the BAT shareholders' meeting. Approval of the merger agreement and the applicable transactions contemplated thereby as a Class 1 transaction and the authorization for BAT directors to allot and issue the BAT ordinary shares underlying the BAT ADSs constituting the merger consideration are both conditions to the closing of the merger.

The cross-references below are being supplied pursuant to General Instruction G to Schedule 13E-3 and show the location in the proxy statement/prospectus of the information required to be included in responses to the items of Schedule 13E-3. Pursuant to General Instruction F to Schedule 13E-3, the information contained in the proxy statement/prospectus, including all annexes, exhibits and appendices thereto, is incorporated in its entirety herein by reference, and the responses to each item in this Transaction Statement are qualified in their entirety by the information in the proxy statement/prospectus. As of the date hereof, the proxy statement/prospectus is in preliminary form and is subject to completion or amendment. All information contained in this Transaction Statement concerning any of the Filing Persons has been provided by such Filing Person and no Filing Person has produced any disclosure with respect to any other Filing Person.

Each of Centerview Partners UK LLP, Deutsche Bank AG, London Branch, Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Lazard Frères & Co. LLC has consented to the inclusion of its respective materials filed as Exhibits under Item 16 of this Transaction Statement.

RAI does not believe it is controlled by BAT for purposes of North Carolina corporate law or otherwise. Under the SEC rules governing "going private" transactions, the Filing Person may be deemed to be an affiliate of BAT and engaged in a "going private" transaction for purposes of Rule 13e-3 under the Exchange Act.

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Item 1. Summary Term Sheet (*Regulation M-A, Item 1001*)

The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary"

Item 2. Subject Company Information *(Regulation M-A Item 1002)*

(a) **Name and Address.**

"Summary–The Companies–Reynolds American Inc."

"The Companies–Reynolds American Inc."

(b) **Securities.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Security Ownership of Certain Beneficial Owners and Management–Security Ownership of RAI Common Stock"

(c) **Trading Market and Price.** The information set forth in the proxy statement/prospectus under the caption "Comparative Per Share Market Price and Dividend Information" is incorporated herein by reference.

(d) **Dividends.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Comparative Per Share Market Price and Dividend Information"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Dividends and Share Repurchases"

"Merger Agreement–Conduct of Business"

"Comparison of Shareholder Rights–Dividends and Repurchases"

(e) **Prior Public Offerings.** Not applicable.

(f) **Prior Stock Purchases.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Security Ownership of Certain Beneficial Owners and Management–Transactions in RAI Common Stock"

Item 3. Identity and Background of Filing Persons *(Regulation M-A Item 1003)*

(a)-(c) **Name and Address, Business and Background of Entities, Business and Background of Natural Persons**. The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Summary–The Companies"

"The Companies"

"Business of BAT–Directors and Management Board"

"Other Important Information Regarding the Parties"

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"Security Ownership of Certain Beneficial Owners and Management"

"Where You Can Find More Information"

During the past five years none of RAI or any of its directors or executive officers has been (1) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (2) party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws, except for Mr. Oberlander, who, together with British American Tobacco France, referred to as BAT France, was found by the Court of First Instance of the Judicial District of Nanterre, France to have violated French criminal law relating to the illegal advertising of tobacco or tobacco products in his capacity as President of British American Tobacco France on October 5, 2012. Mr. Oberlander was found guilty on the basis that, as the President of BAT France, he was primarily involved in the campaign at issue. Mr. Oberlander was ordered to pay a sum of 5,000 euro in relation to such criminal charges and was also ordered to pay, jointly with BAT France, 20,000 euro in damages and interests and 2,000 euro in relation to the corresponding civil action brought by the association The Rights of Non-Smokers (Les Droits des Non-Fumeurs). On September 12, 2013, the criminal chamber of the Court of Appeal of Versailles confirmed the criminal conviction decided in first instance against Mr. Oberlander.

Item 4. Terms of the Transaction *(Regulation M-A Item 1004)*

(a) **Material Terms.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement"

"Special Meeting"

"The Merger Agreement"

"Comparison of Shareholder Rights"

Annex A–Merger Agreement

(c) **Different Terms.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary–The Merger and the Merger Agreement"

"Summary–Treatment of RAI Equity Awards"

"Summary–Interests of Certain RAI Directors and Executive Officers"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Interests of Certain RAI Directors and Executive Officers"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Treatment of RAI Equity Awards"

"The Merger Agreement"

Annex A–Merger Agreement

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(d) **Appraisal Rights.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary−Appraisal Rights"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Appraisal Rights"

"Appraisal Rights"

Annex E: North Carolina Business Corporation Act Article 13

(e) **Provisions for Unaffiliated Security Holders.** The information set forth in the proxy statement/prospectus under the caption "Provisions for Unaffiliated Shareholders" is incorporated herein by reference.

(f) **Eligibility for Listing or Trading.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Summary−Listing of BAT Ordinary Shares, Listing of BAT ADSs and Delisting and Deregistration of RAI Common Stock"

"Summary−Completion of the Merger is Subject to Certain Conditions"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Listing of BAT Ordinary Shares, Listing of BAT ADSs and Delisting and Deregistration of RAI Common Stock"

"The Merger Agreement−Conditions to the Merger"

"Description of BAT American Depositary Shares"

Item 5. Past Contacts, Transactions, Negotiations and Agreements *(Regulation M-A Item 1005)*

(a) **Transactions**. The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Certain Relationships between BAT and RAI"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Dividends and Share Repurchases"

"The Share Repurchase Agreement"

"Security Ownership of Certain Beneficial Owners and Management−Transactions in RAI Common Stock"

(b)-(c) **Significant Corporate Events, Negotiations or Contacts**. The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Background of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−BAT' s Purposes and Reasons for the Merger"

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"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Position of BAT and Merger Sub as to the Fairness of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−RAI' s Purposes and Reasons for the Merger; Recommendation of the Transaction Committee; Recommendation of the RAI Board of Directors"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Position of RAI as to the Fairness of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Interests of Certain RAI Directors and Executive Officers"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Certain Relationships between BAT and RAI"

"The Merger Agreement"

"The Governance Agreement"

Annex A−Merger Agreement

The Governance Agreement, dated as of July 30, 2004, among BAT, B&W and RAI, included as Exhibit 10.2 to the Form 8-K filed by RAI with the SEC on July 30, 2004, is incorporated by reference herein.

Amendment No. 1, dated as of November 18, 2004, to the Governance Agreement, dated as of July 30, 2004, among BAT, B&W and RAI, included as Exhibit 10.1 to the Form 8-K filed by RAI with the SEC on November 18, 2004, is incorporated by reference herein.

Amendment No. 2, dated as of April 29, 2008, to the Governance Agreement, dated as of July 30, 2004, among BAT, B&W and RAI, included as Exhibit 10.2 to the Form 8-K filed by RAI with the SEC on April 29, 2008, is incorporated by reference herein.

Amendment No. 3, dated as of November 11, 2011, to the Governance Agreement, dated as of July 30, 2004, among BAT, B&W and RAI, included as Exhibit 10.2 to the Form 8-K filed by RAI with the SEC on November 14, 2011, is incorporated by reference herein.

(e) **Agreements Involving the Subject Company' s Securities**. The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Interests of Certain RAI Directors and Executive Officers"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Certain Relationships between BAT and RAI"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Exchange of Shares in the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Treatment of RAI Equity Awards"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Dividends and Share Repurchases"

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"The Governance Agreement"

"The Share Repurchase Agreement"

"The Merger Agreement"

"Security Ownership of Certain Beneficial Owners and Management"

Annex A–Merger Agreement

The Share Repurchase Agreement, dated as of July 25, 2016, among RAI, Brown and Williamson Holdings, Inc. ("B&W") and Louisville Securities Limited, included as Exhibit 99.8 to the Amendment No. 2 to the Form 13-D filed by BAT, B&W and Louisville Securities Limited with the SEC on July 26, 2016, is incorporated by reference herein.

The Letter Agreement Re: Waiver, dated as of September 14, 2016, among B&W, RAI and BAT, included as Exhibit 99.9 to the Amendment No. 2 to the Form 13-D filed by BAT, B&W and Louisville Securities Limited with the SEC on September 16, 2016, is incorporated by reference herein.

The Governance Agreement, dated as of July 30, 2004, among BAT, B&W and RAI, included as Exhibit 10.2 to the Form 8-K filed by RAI with the SEC on July 30, 2004, is incorporated by reference herein.

Amendment No. 1, dated as of November 18, 2004, to the governance agreement, dated as of July 30, 2004, among BAT, B&W and RAI, included as Exhibit 10.1 to the Form 8-K filed by RAI with the SEC on November 18, 2004, is incorporated by reference herein.

Amendment No. 2, dated as of April 29, 2008, to the governance agreement, dated as of July 30, 2004, among BAT, B&W and RAI, included as Exhibit 10.2 to the Form 8-K filed by RAI with the SEC on April 29, 2008, is incorporated by reference herein.

Amendment No. 3, dated as of November 11, 2011, to the governance agreement, dated as of July 30, 2004, among BAT, B&W and RAI, included as Exhibit 10.2 to the Form 8-K filed by RAI with the SEC on November 14, 2011, is incorporated by reference herein.

The Letter Agreement Re: Share Repurchases, dated as of February 13, 2017, among BAT and RAI, is attached hereto as Exhibit (d)(10) and is incorporated by reference herein.

The Subscription and Support Agreement, dated as of July 15, 2014, among BAT, RAI and for limited purposes only, B&W, included as Exhibit 10.1 to the Form 8-K filed by RAI with the SEC on July 16, 2014, is incorporated by reference herein.

Amendment No. 1, dated as of May 28, 2015, to the Subscription and Support Agreement, dated as of July 15, 2014, among BAT, RAI and for limited purposes only, B&W, included as Exhibit 10.2 to the Form 8-K filed by RAI with the SEC on May 28, 2015, is incorporated by reference herein.

Item 6. Purposes of the Transaction and Plans or Proposals *(Regulation M-A Item 1006)*

(b) **Use of Securities Acquired.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–BAT' s Purposes and Reasons for the Merger"

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"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Exchange of Shares in the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Treatment of RAI Equity Awards"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Listing of BAT Ordinary Shares, Listing of BAT ADSs and Delisting and Deregistration of RAI Common Stock"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Certain Effects of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Plans for RAI after the Merger"

"The Merger Agreement–Merger Consideration"

(c)(1)-(8) **Plans.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Background of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–BAT' s Purposes and Reasons for the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Directors and Executive Officers of RAI Following the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Position of BAT and Merger Sub as to the Fairness of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–RAI' s Purposes and Reasons for the Merger; Recommendation of the Transaction Committee; Recommendation of the RAI Board of Directors"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Position of RAI as to the Fairness of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Financing of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Listing of BAT Ordinary Shares, Listing of BAT ADSs and Delisting and Deregistration of RAI Common Stock"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Certain Effects of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Plans for RAI after the Merger"

"Comparative Per Share Market Price and Dividend Information"

"The Merger Agreement"

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"Other Important Information Regarding the Parties"

Annex A–Merger Agreement

Item 7. Purposes, Alternatives, Reasons and Effects *(Regulation M-A Item 1013)*

(a) **Purposes.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Background of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–BAT' s Purposes and Reasons for the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–RAI' s Purposes and Reasons for the Merger; Recommendation of the Transaction Committee; Recommendation of the RAI Board of Directors"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Plans for RAI after the Merger"

"Special Meeting–Recommendations of the RAI Board of Directors"

(b) **Alternatives.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Background of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–BAT' s Purposes and Reasons for the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–RAI' s Purposes and Reasons for the Merger; Recommendation of the Transaction Committee; Recommendation of the RAI Board of Directors"

"Special Meeting–Recommendations of the RAI Board of Directors"

(c) **Reasons.** The information set forth in the joint proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Background of the Merger"

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"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–BAT' s Purposes and Reasons for the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–RAI' s Purposes and Reasons for the Merger; Recommendation of the Transaction Committee; Recommendation of the RAI Board of Directors"

"Special Meeting–Recommendations of the RAI Board of Directors"

(d) **Effects.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Board of Directors of BAT Following the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Directors and Executive Officers of RAI Following the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Material U.S. Federal Income Tax Consequences"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Material UK Tax Consequences"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Listing of BAT Ordinary Shares, Listing of BAT ADSs and Delisting and Deregistration of RAI Common Stock"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Appraisal Rights"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Certain Effects of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Plans for RAI after the Merger"

"The Merger Agreement"

"Provisions for Unaffiliated Shareholders"

Annex A: Merger Agreement

Item 8. Fairness of the Transaction *(Regulation M-A Item 1014)*

(a)-(b) **Fairness; Factors Considered in Determining Fairness.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement–Background of the Merger"

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"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−BAT' s Purposes and Reasons for the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Position of BAT and Merger Sub as to the Fairness of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−RAI' s Purposes and Reasons for the Merger; Recommendation of the Transaction Committee; Recommendation of the RAI Board of Directors"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Position of RAI as to the Fairness of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Opinions of RAI' s Financial Advisors"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Opinion of the Transaction Committee' s Financial Advisor"

"Special Meeting−Recommendations of the RAI Board of Directors"

"Security Ownership of Certain Beneficial Owners and Management−Transactions in RAI Common Stock"

Annex B: Opinion of Goldman Sachs

Annex C: Opinion of J.P. Morgan

Annex D: Opinion of Lazard

(c) **Approval of Security Holders.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary−Special Meeting"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Position of BAT and Merger Sub as to the Fairness of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Position of RAI as to the Fairness of the Merger"

"Special Meeting−Required Vote"

"The Merger Agreement"

Annex A: Merger Agreement

(d) **Unaffiliated Representatives.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Summary"

"Questions and Answers"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Background of the Merger"

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"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−RAI' s Purposes and Reasons for the Merger; Recommendation of the Transaction Committee; Recommendation of the RAI Board of Directors"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Position of RAI as to the Fairness of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Opinion of the Transaction Committee' s Financial Advisor"

"Special Meeting−Recommendations of the RAI Board of Directors"

Annex B: Opinion of Goldman Sachs

(e) **Approval of Directors.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Background of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−RAI' s Purposes and Reasons for the Merger; Recommendation of the Transaction Committee; Recommendation of the RAI Board of Directors"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Position of RAI as to the Fairness of the Merger"

"Special Meeting−Recommendations of the RAI Board of Directors"

(f) **Other Offers.** Not applicable.

Item 9. Reports, Opinions, Appraisals and Negotiations *(Regulation M-A Item 1015)*

(a)-(b) **Report, Opinion or Appraisal; Preparer and Summary of the Report, Opinion or Appraisal.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Background of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Opinion of the Transaction Committee' s Financial Advisor"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Opinion of RAI' s Financial Advisors"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Materials of BAT' s Financial Advisors"

Annex B: Opinion of Goldman Sachs

Annex C: Opinion of J.P. Morgan

Annex D: Opinion of Lazard

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The materials dated between October 2016 and November 2016, each prepared by Centerview Partners UK LLP and Deutsche Bank AG, London Branch and reviewed by senior management or the board of directors of BAT, are attached hereto as Exhibits (c)(1) through (c)(5) and are incorporated by reference herein.

The materials dated November 8, 2016, December 7, 2016, December 20, 2016, January 10, 2017, January 14, 2017 and January 16, 2017, each prepared by J.P. Morgan Securities LLC and reviewed by the board of directors of RAI, are attached hereto as Exhibits (c)(6) through (c)(11) and are incorporated by reference herein.

The materials dated October 28, 2016, November 4, 2016, November 8, 2016, November 23, 2016, December 7, 2016, December 20, 2016, January 5, 2017, January 10, 2017, January 14, 2017 and January 16, 2017, each prepared by Goldman Sachs & Co. LLC and reviewed by the Transaction Committee and, in some cases, by the entire board of directors of RAI, are attached hereto as Exhibits (c)(12) through (c)(21) and are incorporated by reference herein.

The presentation dated January 16, 2017, prepared by Lazard Frères & Co and reviewed by the board of directors of RAI, is attached hereto as Exhibit (c)(22) and is incorporated by reference herein.

(c) **Availability of Documents.** The reports, opinions or appraisals referenced in this Item 9 will be made available for inspection and copying at the principal executive offices of RAI during its regular business hours by any interested holder of RAI common stock or representative who has been so designated in writing.

Item 10. Source and Amounts of Funds or Other Consideration *(Regulation M-A Item 1007)*

(a)-(b) **Source of Funds; Conditions.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Summary−Financing of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Financing of the Merger"

"The Merger Agreement−Financing"

"The Merger Agreement−Conditions of the Merger"

Annex A: Merger Agreement

(c) **Expenses.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Summary−Merger Fees and Expenses"

"Summary−Expenses and Termination Fees Under the Merger Agreement"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Merger Fees and Expenses"

"The Merger Agreement−Expenses and Termination Fees Under the Merger Agreement"

(d) **Borrowed Funds.** The information set forth in the joint proxy statement/prospectus under the following captions is incorporated herein by reference:

"Summary−Financing of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Financing of the Merger"

"The Merger Agreement−Financing"

Annex A: Merger Agreement

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Acquisition facilities agreement, dated as of January 16, 2017, among B.A.T. International Finance p.l.c. and B.A.T Capital Corporation, as original borrowers, BAT, as guarantor, HSBC Bank plc, as agent, HSBC Bank USA, National Association, as U.S. agent and the lenders and financial institutions party thereto, included as Exhibit 99.13 to the Amendment No. 4 to Schedule 13D filed by BAT with the SEC on January 17, 2017, is incorporated by reference herein.

Item 11. Interest in Securities of the Subject Company *(Regulation M-A Item 1008)*

(a) **Securities Ownership.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Summary−Interests of Certain RAI Directors and Executive Officers"

"Summary−Share Ownership of and Voting by RAI Directors and Executive Officers"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Interests of Certain RAI Directors and Executive Officers"

"Special Meeting−Share Ownership of and Voting by RAI Directors and Executive Officers"

"Security Ownership of Certain Beneficial Owners and Management−Security Ownership of RAI Common Stock"

(b) **Securities Transactions.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Dividends and Share Repurchases"

"The Share Repurchase Agreement"

"Security Ownership of Certain Beneficial Owners and Management−Security Ownership of RAI Common Stock"

"Security Ownership of Certain Beneficial Owners and Management−Transactions in RAI Common Stock"

Item 12. The Solicitation or Recommendation *(Regulation M-A Item 1012)*

(d)-(e) **Intent to Tender or Vote in a Going Private Transaction and Recommendation of Others.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Background of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−BAT' s Purposes and Reasons for the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Position of BAT and Merger Sub as to the Fairness of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−RAI' s Purposes and Reasons for the Merger; Recommendation of the Transaction Committee; Recommendation of the RAI Board of Directors"

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"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Position of RAI as to the Fairness of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Interests of Certain RAI Directors and Executive Officers"

"Special Meeting"

"The Merger Agreement−Recommendation of the RAI Board of Directors and the Transaction Committee"

"The Merger Agreement−Recommendation of the BAT Board of Directors"

"The Merger Agreement−Efforts to Obtain Required Shareholder Votes"

"Security Ownership of Certain Beneficial Owners and Management−Security Ownership of RAI Common Stock"

Annex A−Merger Agreement

Item 13. Financial Statements *(Regulation M-A Item 1010)*

(a) **Financial Information.** The audited consolidated financial statements set forth in RAI' s Annual Report on Form 10-K for the year ended December 31, 2016 and the unaudited condensed consolidated financial statements set forth in RAI' s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 are incorporated by reference herein. The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Selected Historical Consolidated Financial Data of RAI"

"Comparative Per Share Market Price and Dividend Information"

"Ratio of Earnings to Fixed Charges"

"Where You Can Find More Information"

Annex G−Audited Consolidated Financial Statements of Reynolds American Inc. as of December 31, 2016 and 2015 and for Each of the Years in the Three-Year Period Ended December 31, 2016

Annex H−First Quarter Fiscal 2017 Unaudited Condensed Consolidated Financial Statements of Reynolds American Inc.

(b) **Pro Forma Information.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Selected BAT Unaudited Pro Forma Condensed Combined Financial Data"

"Comparative Historical and Unaudited Pro Forma Per Share Data"

"Ratio of Earnings to Fixed Charges"

"BAT Unaudited Pro Forma Condensed Combined Financial Information"

Item 14. Persons/Assets, Retained, Employed, Compensated and Used *(Regulation M-A Item 1009)*

(a)-(b) **Solicitations and Recommendations; Employees and Corporate Assets.** The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Questions and Answers"

"Summary"

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"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Background of the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−RAI' s Purposes and Reasons for the Merger; Recommendation of the Transaction Committee; Recommendation of the RAI Board of Directors"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Interests of Certain RAI Directors and Executive Officers"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Board of Directors of BAT Following the Merger"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Merger Fees and Expenses"

"Special Meeting"

"The Merger Agreement−Recommendation of the BAT Board of Directors"

Item 15. Additional Information *(Regulation M-A Item 1011)*

(b) The information set forth in the proxy statement/prospectus under the following captions is incorporated herein by reference:

"Summary"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Interests of Certain RAI Directors and Executive Officers"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Treatment of RAI Equity Awards"

"Special Factors Relating to RAI Proposal I: Approval of the Merger Agreement−Certain Effects of the Merger"

"RAI Proposal II: Non-Binding, Advisory Vote on Transaction-Related Named Executive Officer Compensation"

(c) **Other Material Information.** The information set forth in the proxy statement/prospectus, including all annexes, exhibits and appendices thereto, is incorporated herein by reference.

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Item 16. Exhibits (*Regulation M-A Item 1016*)

Exhibit No.	Description
(a)(1)	The preliminary proxy statement/prospectus of Reynolds American Inc. (incorporated by reference to the Registration Statement on Form F-4 filed by British American Tobacco p.l.c. with the Securities and Exchange Commission on May 12, 2017).
(a)(2)	Form of Proxy Card for Meeting of Shareholders of Reynolds American Inc. (incorporated by reference to Exhibit 99.1 of the Registration Statement on Form F-4 filed by British American Tobacco p.l.c. with the Securities and Exchange Commission on May 12, 2017).
(a)(3)	Letter to Reynolds American Inc. shareholders (incorporated by reference to the proxy statement/prospectus).
(a)(4)	Notice of Special Meeting of Reynolds American Inc. (incorporated by reference to the proxy statement/prospectus).
(a)(5)	Press release of Reynolds American Inc., dated January 17, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 17, 2017).
(a)(6)	Investor presentation of Reynolds American Inc., dated January 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 17, 2017).
(a)(7)	BAT Fact Sheet (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 17, 2017).
(a)(8)	Letter of Chief Executive of British American Tobacco p.l.c., dated January 17, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 17, 2017).
(a)(9)	Letter of President and Chief Executive Officer of Reynolds American Inc., dated January 17, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 17, 2017).
(a)(10)	Press release of British American Tobacco p.l.c., dated January 17, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 17, 2017).
(a)(11)	Investor presentation of British American Tobacco p.l.c., dated January 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 17, 2017).
(a)(12)	Manager Talking Points, dated January 17, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 17, 2017).
(a)(13)	Transcript of transaction webcast of British American Tobacco p.l.c., held on January 17, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 17, 2017).
(a)(14)	Screenshots of website relating to proposed merger (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 17, 2017).
(a)(15)	CEO Employee Video Script (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 17, 2017).
(a)(16)	Screenshots of website relating to proposed merger (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 17, 2017).

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Exhibit No.	Description
(a)(17)	Questions & Answers (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 18, 2017).
(a)(18)	Twitter communications of Reynolds American Inc. relating to the proposed merger (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 18, 2017).
(a)(19)	Letter of RAI Trade Marketing Services Company (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 18, 2017).
(a)(20)	Memorandum of RAI Trade Marketing Services Company (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 18, 2017).
(a)(21)	Key Messages (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 18, 2017).
(a)(22)	Questions & Answers (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 18, 2017).
(a)(23)	Transcript of transaction call of Reynolds American Inc., held on January 17, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 18, 2017).
(a)(24)	Screenshots of website relating to proposed merger (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 18, 2017).
(a)(25)	Presentation of Reynolds American Inc., dated January 18, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 18, 2017).
(a)(26)	Presentation of Reynolds American Inc., dated January 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 18, 2017).
(a)(27)	Screenshots of website relating to proposed merger (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 18, 2017).
(a)(28)	Twitter communications of Reynolds American Inc. relating to the proposed merger (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 19, 2017).
(a)(29)	Communication script of Reynolds American Inc. (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 20, 2017).
(a)(30)	Questions & Answers (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on January 23, 2017)
(a)(31)	Screenshots of website relating to proposed merger (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on February 2, 2017).
(a)(32)	Presentation of Reynolds American Inc., dated February 13, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on February 13, 2017).

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Exhibit No.	Description
(a)(33)	Speech of Chief Executive Officer of Reynolds American Inc., dated February 20, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on February 21, 2017).
(a)(34)	Presentation of Chief Executive Officer of Reynolds American Inc., dated February 21, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on February 21, 2017).
(a)(35)	Preliminary results for the year ended December 31, 2016 of British American Tobacco p.l.c., dated February 23, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on February 23, 2017).
(a)(36)	Communication script of Reynolds American Inc. (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on March 1, 2017).
(a)(37)	Press release of Reynolds American Inc., dated March 9, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on March 9, 2017).
(a)(38)	Screenshots of website relating to proposed merger (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on March 9, 2017).
(a)(39)	Press release of British American Tobacco p.l.c., dated March 9, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on March 9, 2017).
(a)(40)	Twitter communications of Reynolds American Inc. relating to the proposed merger (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on March 9, 2017).
(a)(41)	RAI Long-Term Incentive Program Design (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on March 13, 2017).
(a)(42)	Press release of Reynolds American Inc., dated April 5, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on April 5, 2017).
(a)(43)	Screenshots of website relating to proposed merger (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on April 5, 2017).
(a)(44)	Press release of British American Tobacco p.l.c., dated April 5, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on April 5, 2017).
(a)(45)	Twitter communications of Reynolds American Inc. relating to the proposed merger (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on April 5, 2017).
(a)(46)	Screenshots of website relating to proposed merger (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on April 26, 2017).
(a)(47)	Transcript of the speech by Richard Burrows at the Annual General Meeting of British American Tobacco p.l.c., held on April 26, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on April 26, 2017).
(a)(48)	Presentation of Reynolds American Inc., dated May 5, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on May 5, 2017).

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Exhibit No.	Description
(a)(49)	Transaction update script of Reynolds American Inc., dated May 5, 2017 (incorporated by reference to Reynolds American Inc.' s Schedule 14A filed with the Securities and Exchange Commission on May 5, 2017).
(b)(1)	Acquisition facilities agreement, dated as of January 16, 2017, among B.A.T. International Finance p.l.c. and B.A.T Capital Corporation, as original borrowers, British American Tobacco p.l.c., as guarantor, HSBC Bank plc, as agent, HSBC Bank USA, National Association, as U.S. agent and the lenders and financial institutions party thereto (incorporated by reference to Exhibit 99.13 to the Amendment No. 4 to Schedule 13D filed by British American Tobacco p.l.c. with the Securities and Exchange Commission dated January 17, 2017).
(c)(1)	Discussion Materials prepared by Centerview Partners UK LLP and Deutsche Bank AG, London Branch to the British American Tobacco p.l.c. Steering Committee, dated October 2016.
(c)(2)	Draft Financial Valuation and Operational Key Messages prepared by Centerview Partners UK LLP and Deutsche Bank AG, London Branch to senior management of British American Tobacco p.l.c., dated October 2016.
(c)(3)	Financial analysis entitled "Project Flight Discussion Materials," prepared by Centerview Partners UK LLP and Deutsche Bank AG, London Branch to the Board of Directors of British American Tobacco p.l.c., dated October 2016.
(c)(4)	Draft Valuation Reference Materials prepared by Centerview Partners UK LLP and Deutsche Bank AG, London Branch to senior management of British American Tobacco p.l.c., dated November 2016.
(c)(5)	Discussion Materials prepared by Centerview Partners UK LLP and Deutsche Bank AG, London Branch to senior management of British American Tobacco p.l.c., dated November 21, 2016.
(c)(6)	Board Discussion Materials of J.P. Morgan Securities LLC to the Board of Directors of Reynolds American Inc., dated November 8, 2016.
(c)(7)	Board Discussion Materials of J.P. Morgan Securities LLC to the Board of Directors of Reynolds American Inc., dated December 7, 2016.
(c)(8)	Board Discussion Materials of J.P. Morgan Securities LLC to the Board of Directors of Reynolds American Inc., dated December 20, 2016.
(c)(9)	Board Discussion Materials of J.P. Morgan Securities LLC to the Board of Directors of Reynolds American Inc., dated January 10, 2017.
(c)(10)	Board Discussion Materials of J.P. Morgan Securities LLC to the Board of Directors of Reynolds American Inc., dated January 14, 2017.
(c)(11)	Board Discussion Materials of J.P. Morgan Securities LLC to the Board of Directors of Reynolds American Inc., dated January 16, 2017.
(c)(12)	Discussion Materials of Goldman Sachs & Co. LLC to the Transaction Committee and the Board of Directors of Reynolds American Inc., dated October 28, 2016.
(c)(13)	Discussion Materials of Goldman Sachs & Co. LLC to the Transaction Committee of Reynolds American Inc., dated November 4, 2016.
*(c)(14)	Discussion Materials of Goldman Sachs & Co. LLC to the Transaction Committee and the Board of Directors of Reynolds American Inc., dated November 8, 2016.
*(c)(15)	Preliminary Discussion Materials of Goldman Sachs & Co. LLC to the Transaction Committee of Reynolds American Inc., dated November 23, 2016.
*(c)(16)	Preliminary Discussion Materials of Goldman Sachs & Co. LLC to the Transaction Committee of Reynolds American Inc., dated December 7, 2016.

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Exhibit No.	Description
*(c)(17)	Preliminary Discussion Materials of Goldman Sachs & Co. LLC to the Transaction Committee of Reynolds American Inc., dated December 20, 2016.
*(c)(18)	Preliminary Discussion Materials of Goldman Sachs & Co. LLC to the Transaction Committee of Reynolds American Inc., dated January 5, 2017.
*(c)(19)	Preliminary Discussion Materials of Goldman Sachs & Co. LLC to the Transaction Committee and the Board of Directors of Reynolds American Inc., dated January 10, 2017.
*(c)(20)	Preliminary Discussion Materials of Goldman Sachs & Co. LLC to the Transaction Committee and the Board of Directors of Reynolds American Inc., dated January 14, 2017.
*(c)(21)	Discussion Materials of Goldman Sachs & Co. LLC to the Board of Directors of Reynolds American Inc., dated January 16, 2017.
*(c)(22)	Presentation by Lazard Frères & Co. to the Board of Directors of Reynolds American Inc., dated January 16, 2017.
(c)(23)	Opinion of Goldman Sachs & Co. LLC to the Transaction Committee, dated January 16, 2017 (incorporated by reference to Annex B of the proxy statement/prospectus).
(c)(24)	Opinion of J.P. Morgan Securities LLC to the Board of Directors of Reynolds American Inc., dated January 16, 2017 (incorporated by reference to Annex C of the proxy statement/prospectus).
(c)(25)	Opinion of Lazard Frères & Co. to the Board of Directors of Reynolds American Inc., dated January 16, 2017 (incorporated by reference to Annex D of the proxy statement/prospectus).
(d)(1)	Agreement and Plan of Merger, dated as of January 16, 2017, among British American Tobacco p.l.c., BATUS Holdings Inc., Reynolds American Inc. and Flight Acquisition Corporation (incorporated by reference to Annex A of the proxy statement/prospectus).
(d)(2)	Governance Agreement, dated as of July 30, 2004, among British American Tobacco p.l.c., Brown & Williamson Tobacco Corporation (n/k/a Brown & Williamson Holdings, Inc.) and Reynolds American Inc. (incorporated by reference to Exhibit 10.2 to Reynolds American Inc.' s Form 8-K dated July 30, 2004).
(d)(3)	Amendment No. 1, dated as of November 18, 2004, to the Governance Agreement, dated as of July 30, 2004, among British American Tobacco p.l.c., Brown & Williamson Tobacco Holdings Inc. (f/k/a Brown & Williamson Corporation) and Reynolds American Inc. (incorporated by reference to Exhibit 10.1 to Reynolds American Inc.' s Form 8-K dated November 18, 2004).
(d)(4)	Amendment No. 2, dated April 29, 2008, to the Governance Agreement, dated as of July 30, 2004, as amended, by and among British American Tobacco p.l.c., Brown & Williamson Holdings, Inc. (f/k/a Brown & Williamson Corporation) and Reynolds American Inc. (incorporated by reference to Exhibit 10.2 to Reynolds American Inc.' s Form 8-K dated April 29, 2008).
(d)(5)	Amendment No. 3, dated November 11, 2011, to the Governance Agreement, dated as of July 30, 2004, as amended, by and among British American Tobacco p.l.c., Brown & Williamson Holdings, Inc. (f/k/a Brown & Williamson Corporation) and Reynolds American Inc. (incorporated by reference to Exhibit 10.2 to Reynolds American Inc.' s Form 8-K dated November 14, 2011).
(d)(6)	Subscription and Support Agreement, dated as of July 15, 2014, among British American Tobacco p.l.c., Reynolds American Inc. and for limited purposes only, Brown & Williamson Holdings Inc. (incorporated by reference to Exhibit 10.1 to Reynolds American Inc.' s Form 8-K dated July 16, 2014).
(d)(7)	Amendment No. 1 to the Subscription Agreement dated as of May 28, 2015, among British American Tobacco p.l.c., the Issuer and, for limited purposes only, Brown & Williamson Holdings Inc. (incorporated by reference to Exhibit 10.2 to Reynolds American Inc.' s Form 8-K dated May 28, 2015).

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Exhibit No.	Description
(d)(8)	Share Repurchase Agreement, dated July 25, 2016, between Reynolds American Inc., Brown & Williamson Holdings, Inc. and Louisville Securities Limited (incorporated by reference to Exhibit 10.1 to Reynolds American Inc.' s Form 8-K dated July 25, 2016).
(d)(9)	Letter Agreement re: Waiver, dated as of September 14, 2016, among Brown & Williamson Holdings, Inc., Reynolds American Inc. and British American Tobacco p.l.c. (incorporated by reference to Exhibit 99.9 to the Amendment No. 2 to Form 13-D filed by British American Tobacco p.l.c., Brown & Williamson Holdings, Inc. and Louisville Securities Limited with the Securities and Exchange Commission dated September 16, 2016).
*(d)(10)	Letter Agreement re: Share Repurchases, dated as of February 13, 2017, between British American Tobacco p.l.c. and Reynolds American Inc.
(f)(1)	Statutory merger dissenters' rights as described under the section titled Appraisal Rights (incorporated by reference to the proxy statement/prospectus).
(f)(2)	Article 13 of the North Carolina Business Corporation Act (incorporated by reference to Annex E of the proxy statement/ prospectus).
(g)	None.

* To be filed by amendment.

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SIGNATURES

After due inquiry and to the best of the undersigned' s knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated as of May 12, 2017

REYNOLDS AMERICAN INC.

By: /s/ McDara P. Folan, III
Name: McDara P. Folan, III
Title: Senior Vice President, Deputy General Counsel and Secretary

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Discussion Materials

October 2016

CENTER|VIEW PARTNERS Deutsche Bank

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Agenda

1. **Latest Transaction Metrics**
2. **Process Update**
3. **Proposed Timeline**
   - Timeline to approach and merger agreement
   - Timeline post signing merger agreement to completion
4. **Governance**
   - Steering Committee
   - Main Board
     - Meetings
     - Proposed Presentation
5. **Leak Announcement**
   - Form of announcement
   - Approval to announce
6. **Items to be discussed at next Steering Committee**
   - Negotiation and approach tactics
   - Review of draft Board Presentation
7. **AOB**

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Continuum AVP Scenarios

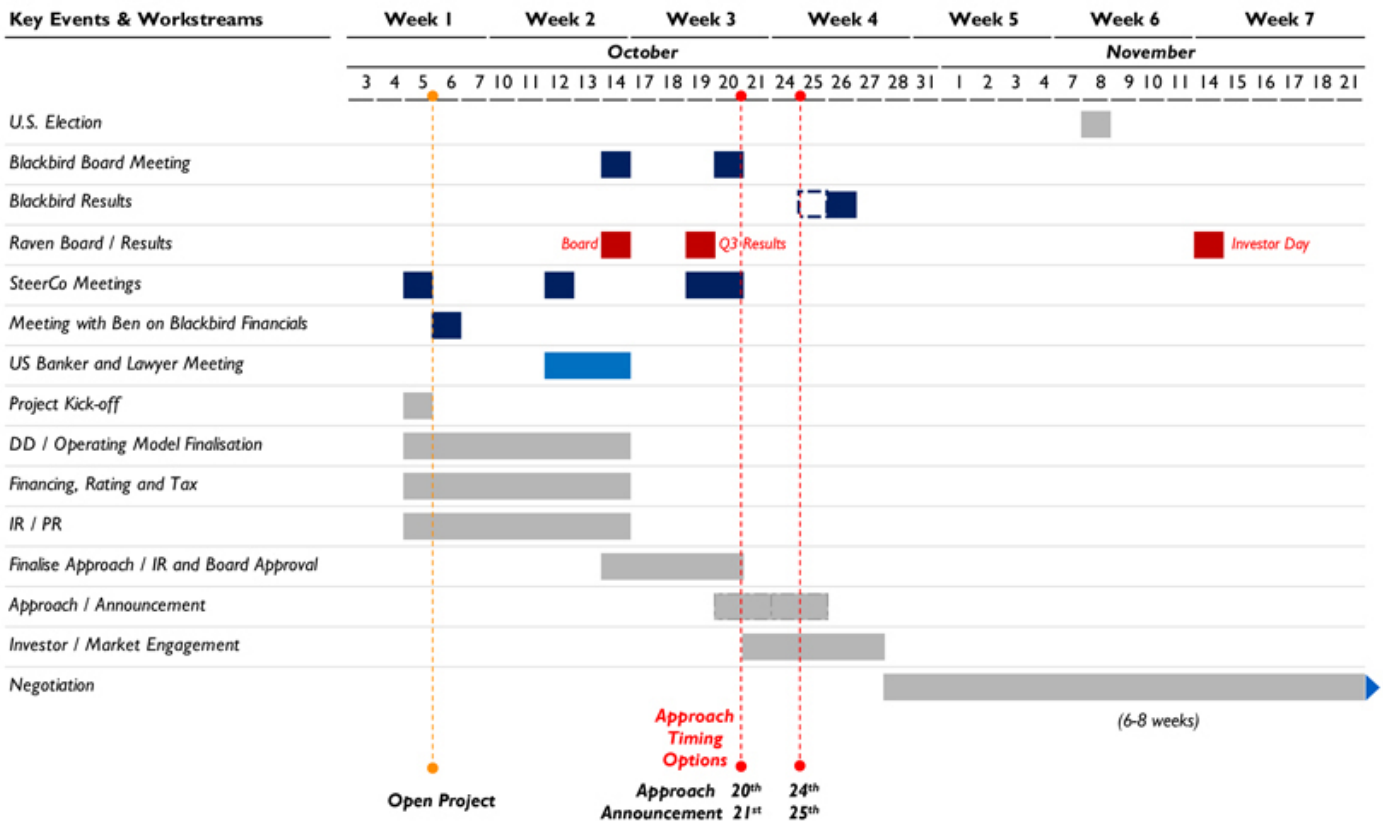
		Nil Premium Merger	Acquisition with $24bn Cash Consid.						
		$24bn BB	10.0% Prem.	15.0% Prem.	20.0% Prem.	25.0% Prem.	30% Prem.	35% Prem.	40% Prem.
Value	Current Share price	$46.80	$46.80	$46.80	$46.80	$46.80	$46.80	$46.80	$46.80
	Offer price	$46.80	$51.48	$53.82	$56.16	$58.50	$60.84	$63.18	$65.52
	Impl. MV of 58% ($bn)	38.8	42.7	44.7	46.6	48.5	50.5	52.4	54.4
	Cash Consid. ($bn)[1]	–	23.5	23.5	23.5	23.5	23.5	23.5	23.5
	Equity Consid. ($bn)	38.8	19.2	21.2	23.1	25.0	27.0	28.9	30.9
Premia	*Current Spot ($46.80)*	*–%*	*10.0%*	*15.0%*	*20.0%*	*25.0%*	*30.0%*	*35.0%*	*40.0%*
	3m VWAP ($50.02)	*(6.4%)*	*2.9%*	*7.6%*	*12.3%*	*17.0%*	*21.6%*	*26.3%*	*31.0%*
	52-wk / all-time high ($54.48)	*(14.1%)*	*(5.5%)*	*(1.2%)*	*3.1%*	*7.4%*	*11.7%*	*16.0%*	*20.3%*
Mult.	2016E EV/EBITDA	13.4x	14.5x	15.1x	15.7x	16.2x	16.8x	17.3x	17.9x
	2017E EV/EBITDA	12.1x	13.1x	13.6x	14.1x	14.6x	15.2x	15.7x	16.2x
ROIC	Y3 ROIC	6.1%	5.6%	5.4%	5.2%	5.1%	4.9%	4.7%	4.6%
	Y5 ROIC	6.7%	6.1%	5.9%	5.7%	5.5%	5.3%	5.2%	5.0%
EPS Acc./Dil.	Y1 EPS	1.5%	5.5%	4.7%	3.9%	3.2%	2.4%	1.7%	1.0%
	Y3 EPS	12.0%	12.5%	10.9%	9.4%	8.0%	6.5%	5.1%	3.8%
Net Debt / EBITDA	Jun. 17E PF (with RR Syn.)[2]	2.4x	4.0x	4.0x	4.0x	4.0x	4.0x	4.0x	4.0x
	YE'17E	2.1x	3.7x	3.7x	3.7x	3.7x	3.7x	3.7x	3.7x
	YE'18E	3.4x	3.4x	3.4x	3.4x	3.4x	3.4x	3.4x	3.4x
	YE'19E	3.0x	3.0x	3.0x	3.0x	3.0x	3.0x	3.1x	3.1x
Blackbird Val. Creation ($bn)	NPV Value creation	12.0[4]	14.7	12.3	10.0	7.7	5.5	3.4	1.3
	Synergy Net of Prem.[3]	5.1	2.5	0.8	(0.8)	(2.4)	(4.0)	(5.5)	(7.0)

Source: FactSet; Market data as of 4 October 2016 (Blackbird share price of £50.42, Raven share price of $46.80), assumes spot exchange rate USD:GBP of 1.28.

(1) Transaction fees assumed to be financed.
(2) June 2017E net leverage shown PF and includes assumed run rate synergies of $400m.
(3) Synergy NPV net of premium paid (adjusted for PF ownership) and net of fees.
(4) Buyback adjusted

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Project Flight - Illustrative Timetable



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Proposed Board Update Agenda

1. **Business Case and strategic rationale**
   - Raven business overview
   - Operating and business plan assumptions
   - Key strategic benefits of a combination
   - Why now?
2. **Valuation and financial impact**
   - Football field valuation summary
   - Transaction funding / consideration and structure constraints
   - Analysis at various prices
   - Potential financial impact analysis
3. **Legal analysis and considerations**
   - Timeline
   - Impact of SEC registration
   - Key risks
   - Tax considerations

Proposed attendees:

- Blackbird: Nicandro Durante, Ben Stevens, Tadeu Marroco, James Barrett, Craig Harris, Bob Casey
- DB: Nigel Meek
- CVP: Nick Reid
- UBS: John Woolland
- Cravath: Phil Gelston

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Financial Valuation and Operational Key Messages

October 2016

WIP - Draft

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Strategic rationale of the combination

Placeholder metrics

1 Creates the largest and most profitable tobacco company globally

- c.755bn SE and 24% global market share (ex China)(1)
- Over £24bn in revenue and £10bn of EBITDA expected in 2016E
- One of the largest consumer goods companies globally and largest in the FTSE100

2 Diversified revenues across the most attractive developed and emerging markets

- c. 40% of PF revenues from attractive US market the global number 1 profit pool with positive growth dynamics
- Balanced with ~30% from long-term growing EM(2)
- Overall enhanced end market growth exposure

3 Enhanced global tobacco brand position

- Unification of Pall Mall globally
- Newport to become a global drive brand providing new market access for the USA's #2 brand
- Increases GDB volume by 35bn stick s

4 NGP opportunity transformed with combined R&D and brand portfolio

- Addition of leading U.S. brand portfolio with Blackbird technology can expand US product portfolio
- Improved R&D and elimination of duplication

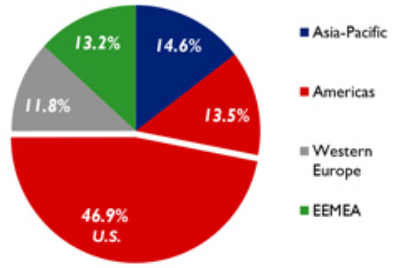
5 Significantly enhanced financial profile across all key metrics

- Attractive cost synergies excluding revenue opportunities
- Operating margins enhanced by +~5% and +0.3% margin growth
- Growth enhancing to both operating profit and EPS
- Group cash flow de-risked through lower exposure to associate dividends and reduced transactional FX from increased $ revenues

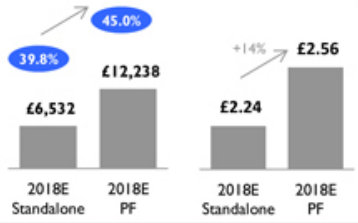
Pro-forma 2016E EBIT(3)



Pro-forma Geographic EBIT Split(4)



EBITDA Margin Expansion / FCF per share



Source: FactSet; Market data as of 4 October 2016 (Blackbird share price of £50.42, Red share price of $46.80), assumes spot exchange rate USD:GBP of 1.28. 2015A pro forma, 2015 total market volume from Euromonitor. (2) Based on analyst estimated Blackbird EM revenue split of ~50% in 2014. (3) Blackbird + Raven is calculated by adding manual consensus EBIT for both Raven and Blackbird. Blackbird converted to USD at M&A model 2016 FX of 1.24. Jay and Ibis are consensus 2016E EBIT from FactSet. (4) Geographic split based on EBIT segment disclosure in Blackbird's 2015 10K. Segment split applied to manual consensus EBIT for Blackbird, with the addition of Raven's EBIT assumed to be 100% U.S. domiciled.

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Illustrative Analysis at Various Prices

		Nil Premium Merger	Acquisition with $23bn Cash Consid.						
		$23bn BB	10.0% Prem.	15.0% Prem.	20.0% Prem.	25.0% Prem.	30% Prem.	35% Prem.	40% Prem.
Value	Current Share price	$46.64	$46.64	$46.64	$46.64	$46.64	$46.64	$46.64	$46.64
	Offer price	$46.64	$51.30	$53.64	$55.97	$58.30	$60.63	$62.96	$65.30
	Impl. MV of 58% ($bn)	38.7	42.5	44.5	46.4	48.3	50.3	52.2	54.1
	Cash Consid. ($bn)[1]	–	22.5	22.5	22.5	22.5	22.5	22.5	22.5
	Equity Consid. ($bn)	38.7	20.0	22.0	23.9	25.8	27.8	29.7	31.6
Premia	*Current Spot ($46.64)*	*–%*	*10.0%*	*15.0%*	*20.0%*	*25.0%*	*30.0%*	*35.0%*	*40.0%*
	1m VWAP ($47.60)	*(2.0%)*	*7.8%*	*12.7%*	*17.6%*	*22.5%*	*27.4%*	*32.3%*	*37.2%*
	3m VWAP ($49.59)	*(6.0%)*	*3.4%*	*8.2%*	*12.9%*	*17.6%*	*22.3%*	*27.0%*	*31.7%*
	52-wk high ($54.48)	*(14.4%)*	*(5.8%)*	*(1.5%)*	*2.7%*	*7.0%*	*11.3%*	*15.6%*	*19.9%*
Mult.	2016E EV/EBITDA	13.4x	14.5x	15.0x	15.6x	16.2x	16.7x	17.3x	17.8x
	2017E EV/EBITDA	12.1x	13.1x	13.6x	14.1x	14.6x	15.1x	15.6x	16.1x
ROIC	Y3 ROIC	6.2%	5.7%	5.5%	5.3%	5.1%	5.0%	4.8%	4.6%
	Y5 ROIC	6.8%	6.3%	6.0%	5.8%	5.6%	5.4%	5.2%	5.1%
EPS Acc./Dil.	Y1 EPS	0.4%	4.2%	3.4%	2.6%	1.9%	1.2%	0.5%	(0.2%)
	Y3 EPS	10.7%	11.1%	9.5%	8.0%	6.5%	5.0%	3.4%	2.0%
Net Debt / EBITDA	Jun. 17E PF (with RR Syn.)[2]	2.3x	3.8x	3.8x	3.8x	3.8x	3.8x	3.8x	3.8x
	YE'17E	2.1x	3.7x	3.7x	3.7x	3.7x	3.7x	3.7x	3.7x
	YE'18E	3.3x	3.3x	3.3x	3.3x	3.3x	3.3x	3.3x	3.3x
	YE'19E	3.0x	3.0x	3.0x	3.0x	3.0x	3.0x	3.0x	3.0x
Blackbird Val. Creation ($bn)	NPV Value creation	27.7[4]	12.7	10.4	8.3	6.1	4.0	2.0	0.1
	Synergy Net of Prem.[3]	4.7	2.1	0.4	(1.2)	(2.7)	(4.3)	(5.7)	(7.2)

Source: FactSet; Market data as of 7 October 2016 (Blackbird share price of £48.74, Raven share price of $46.64), assumes spot exchange rate USD:GBP of 1.24

(1) Transaction fees assumed to be financed.
(2) June 2017E net leverage shown PF and includes assumed run rate illustrative synergies.
(3) Synergy NPV net of premium paid (adjusted for PF ownership) and net of fees.
(4) Buyback adjusted

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Illustrative Impact on Blackbird operating & financial performance

		Blackbird Standalone	Nil Prem. Merger $23bn BB	$23bn Cash-in-Offer (no buyback) 10% Prem.	15% Prem.	20% Prem.	25% Prem.	30% Prem.	35% Prem.	40% Prem.
OCF Convers.[1]	FY18	91.0%	94.7%	94.7%	94.7%	94.7%	94.7%	94.7%	94.7%	94.7%
	FY19	91.6%	95.5%	95.5%	95.5%	95.5%	95.5%	95.5%	95.5%	95.5%
FCF/Share Accretion	FY18		14.9%	19.1%	17.3%	15.7%	14.0%	12.5%	10.9%	9.4%
	FY19		21.9%	22.4%	20.6%	18.9%	17.2%	15.6%	13.9%	12.4%
CGO 15A-20E CAGR[2]		8.3%	7.3%	7.2%	7.2%	7.2%	7.2%	7.2%	7.1%	7.1%
Fixed Charge Cover[3]	FY18	1.19x	1.29x	1.27x	1.27x	1.27x	1.26x	1.26x	1.25x	1.25x
	FY19	1.22x	1.31x	1.29x	1.29x	1.29x	1.29x	1.29x	1.29x	1.29x
Payout Ratio[4]	FY18	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
	FY19	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Dividend Coverage[5]	FY18	122.5%	137.2%	137.4%	136.8%	136.2%	135.5%	134.9%	134.3%	133.7%
	FY19	124.7%	141.6%	138.4%	138.4%	138.3%	138.3%	138.3%	138.2%	138.2%

Source: FactSet; Market data as of 7 October 2016 (Blackbird share price of £48.74, Raven share price of $46.64), assumes spot exchange rate USD:GBP of 1.24

(1) OCF (Operating cash flow per Blue internal definition) divided by EBITA; OCF: Adj. Op. Profit + D&A and Impairment +/- Change in Net Working Capital +/- Other non cash items in operating profit – Capex + Proceeds from Sale of Fixed Assets

(2) CGO (Cash generated from operations per Blue internal definition) – excludes impact of Blue HMRC tax refund in 2015; CGO: OCF - Pension Funds - Shortfall Funding - Net Interest Paid - Tax Paid + Tax and interest refunds - Dividends to non-controlling interests.

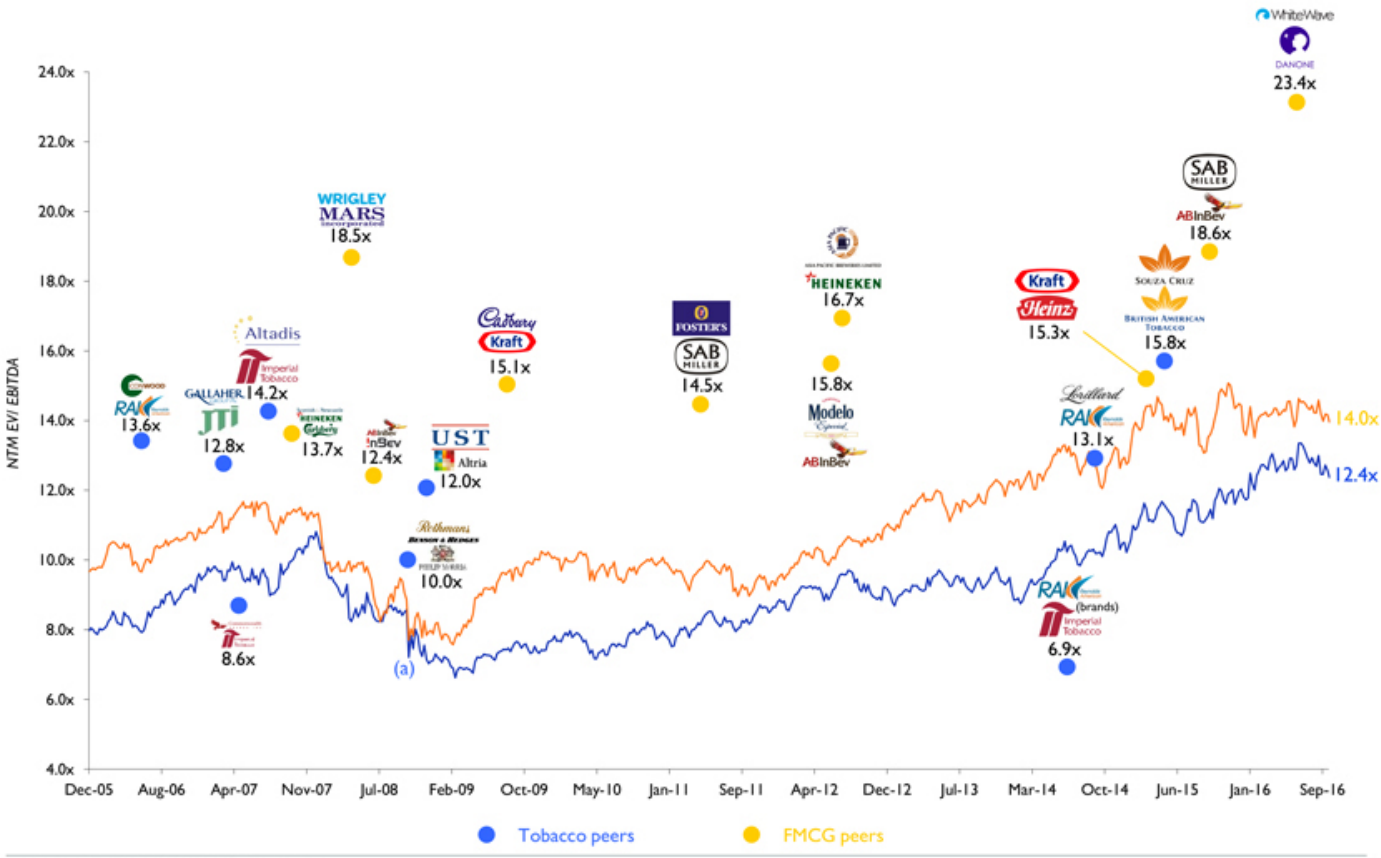
(3) Fixed charge cover defined as FCF before fixed expenses (excluding interest and pension costs) / fixed expenses (net interest, pension costs and dividends).

(4) PF dividend minimum growth of 4%, at least 65% payout ratio

(5) Defined as FCF pre-dividends / total cash dividend payment.

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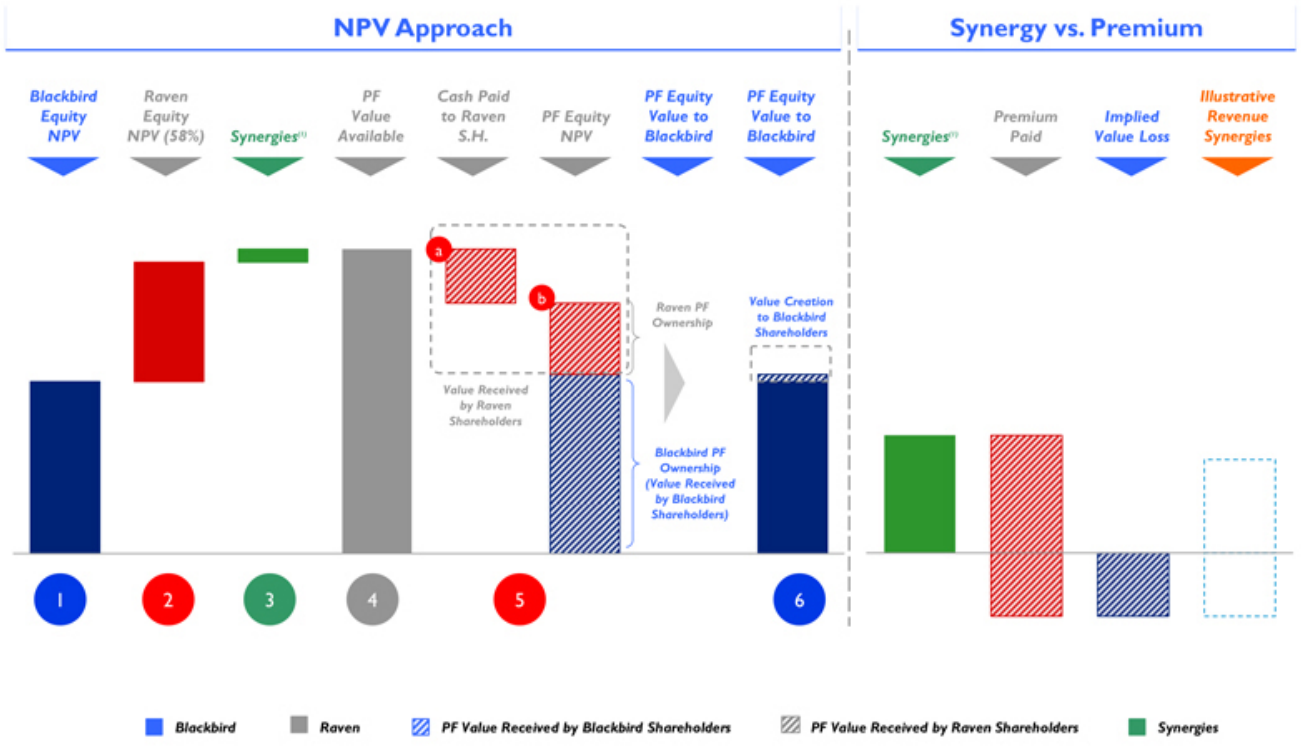
Trading Evolution Over Time



Source: Factset as of 06-Oct-16, Company information
Average NTM EV/EBITDA across tobacco peers incl. British American Tobacco (adj. for minorities), Imperial, Philip Morris, Japan Tobacco, Reynolds American and Altria (adj. for minorities) across FMCG peers incl. Diageo, SABMiller, Unilever, ABF, Reckitt, Tate, L'Oreal, Carlsberg, Kerry, Pernod Ricard, Remy, AB InBev, Svenska, Henkel, Beiersdorf, Orkla, Danone, Heineken, Nestle
(a) 28-Mar-08 Altria's spin-off of Philip Morris completed

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Comparison of Illustrative Approaches for Value Creation to Blackbird



Note: Illustrative values.
(1) NPV of synergies net of transaction fees.

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Raven Valuation Arguments

1. The illustrative offer ranges imply the highest multiple paid in developed market tobacco and a premium to Raven – Lapwing
2. Multiples consistent with those paid for large-cap global consumer companies many of which had larger synergy pots for the acquirer
3. Price at a premium to Ravens' all time NTM P/E
4. Unaffected premia in-line with typical U.S. market practice…
5. … Which is also true for 52-week high premia
6. Blackbird's offer would deliver full value to Raven shareholders for the upside delivered from the Lapwing acquisition (+47% EPS) and strong P/E with an annualised TSR of 38%-50% at illustrative range of 10%-40% offer premia p.a. over the period
7. Raven shareholders would nearly double their total shareholder return over next three years versus Raven stand-alone
8. The equity portion of the offer would deliver Raven shareholders an enhanced look through premium given upside in combined entity

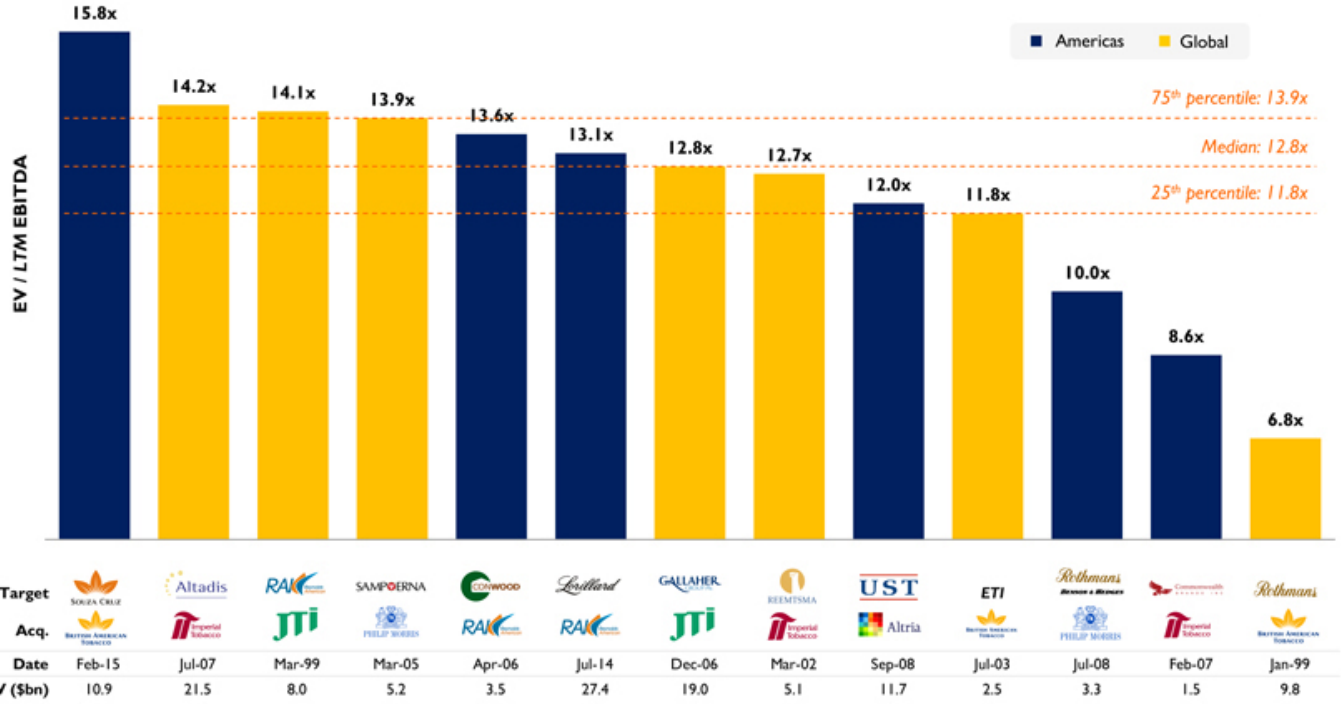
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Precedent Tobacco Multiples

19.1x **LTM EBITDA** 15.5x

16.7x **LTM EBITDA at June 17** 13.6x

Raven metrics based on illustrative 10%-40% premia range

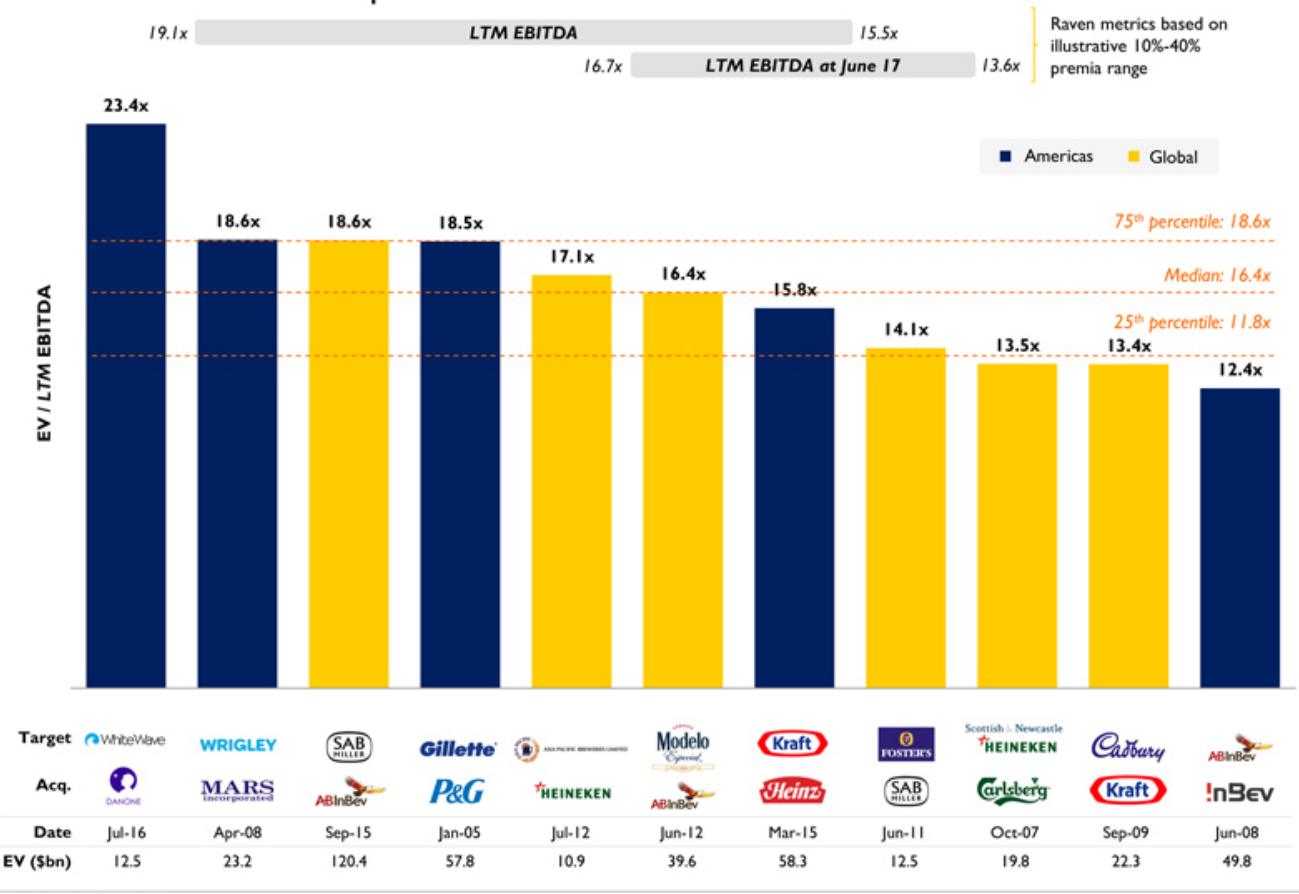


Target	Souza Cruz	Altadis	RAI	Sampoerna	Conwood	Lorillard	Gallaher	Reemtsma	UST	ETI	Rothmans	Commonwealth	Rothmans
Acq.	BAT	Imperial	JTI	Philip Morris	RAI	RAI	JTI	Imperial	Altria	BAT	Philip Morris	Imperial	BAT
Date	Feb-15	Jul-07	Mar-99	Mar-05	Apr-06	Jul-14	Dec-06	Mar-02	Sep-08	Jul-03	Jul-08	Feb-07	Jan-99
EV ($bn)	10.9	21.5	8.0	5.2	3.5	27.4	19.0	5.1	11.7	2.5	3.3	1.5	9.8

Source: FactSet and Company Filings.
Note: Implied multiples based on: Blackbird current share price of £48.74, Raven current share price of $46.64. Enterprise value based on market value at illustrative premium (calculated using outstanding basic shares of 1,425.8m and 4.4m RSUs as of June 2016), cash and cash equivalents of $1.9bn, debt of $13.7bn and post-tax pension liability of $1.2bn as of June 2016. Blackbird / Raven multiples based on consensus LTM EBITDA.

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Precedent FMCG Multiples



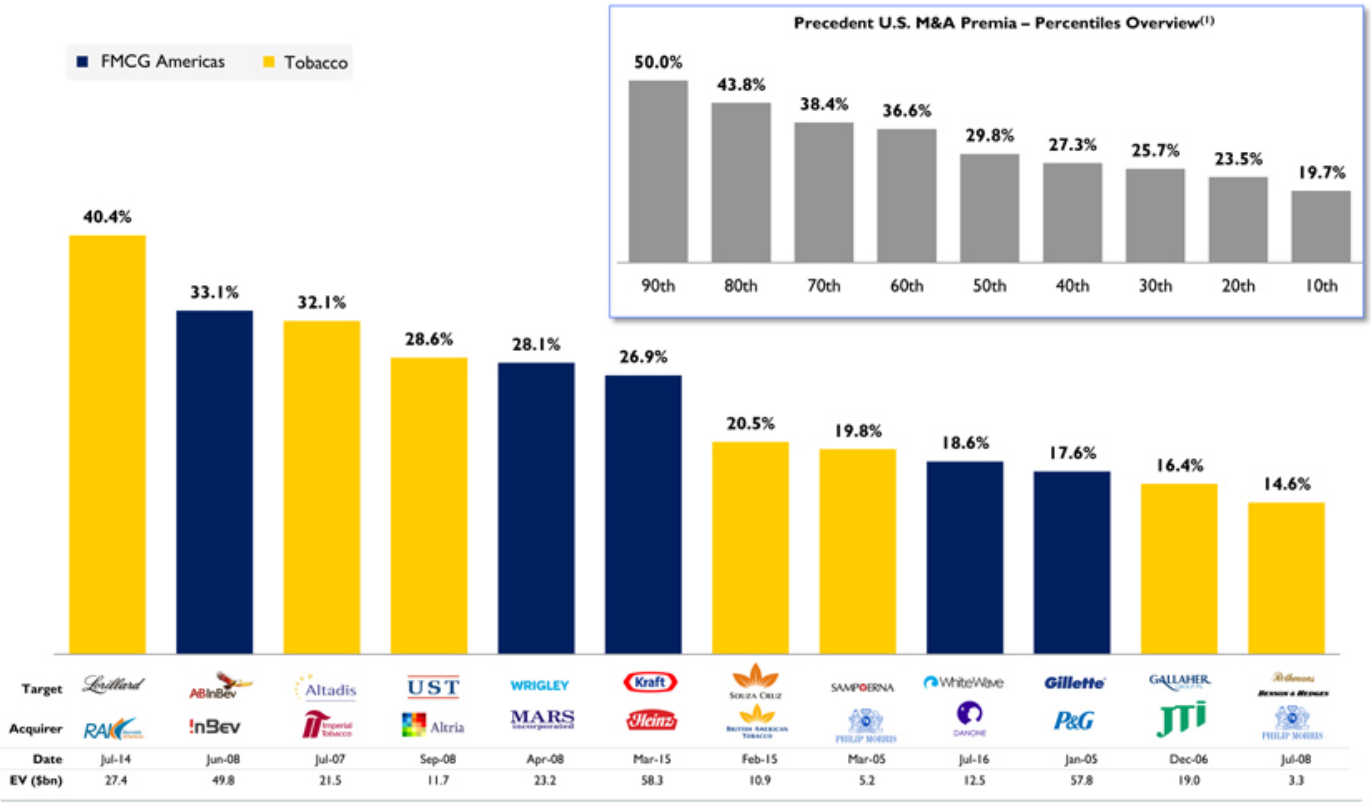
Target	WhiteWave	WRIGLEY	SAB MILLER	Gillette		Modelo Especial	Kraft	FOSTER'S	HEINEKEN	Cadbury	ABInBev
Acq.	DANONE	MARS incorporated	ABInBev	P&G	HEINEKEN	ABInBev	Heinz	SAB MILLER	Carlsberg	Kraft	InBev
Date	Jul-16	Apr-08	Sep-15	Jan-05	Jul-12	Jun-12	Mar-15	Jun-11	Oct-07	Sep-09	Jun-08
EV ($bn)	12.5	23.2	120.4	57.8	10.9	39.6	58.3	12.5	19.8	22.3	49.8

Source: FactSet and Company Filings.
Note: Implied multiples based on: Blackbird current share price of £48.74, Raven current share price of $46.64. Enterprise value based on market value at illustrative premium (calculated using outstanding basic shares of 1,425.8m and 4.4m RSUs as of June 2016), cash and cash equivalents of $1.9bn, debt of $13.7bn and post-tax pension liability of $1.2bn as of June 2016. Blackbird / Raven multiples based on consensus LTM EBITDA.

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Unaffected Premia

Select Tobacco & North American FMCG Premia



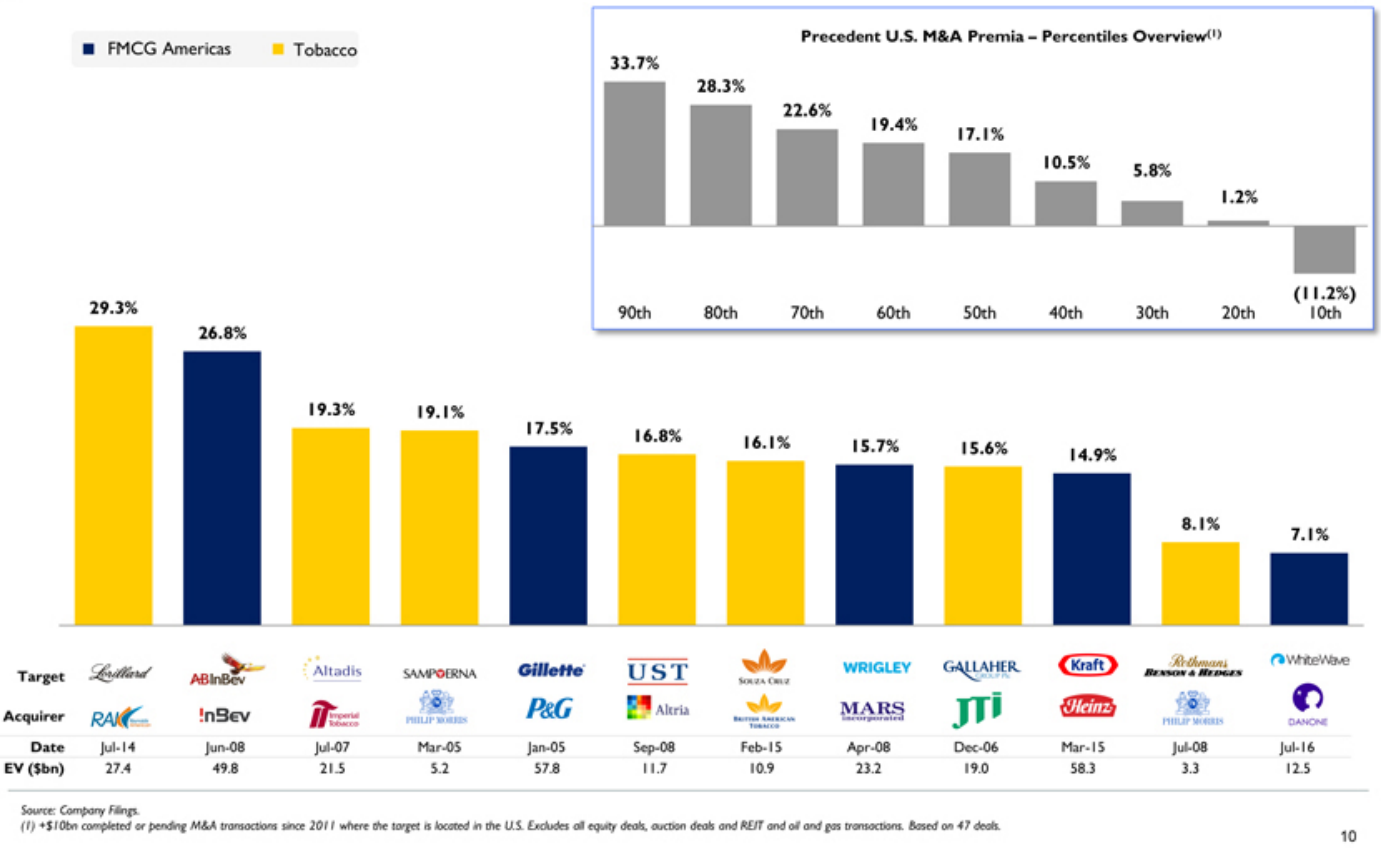
Target	Lorillard	AB InBev	Altadis	UST	Wrigley	Kraft	Souza Cruz	SAMPDERNA	WhiteWave	Gillette	Gallaher	Rothmans Benson & Hedges
Acquirer	RAI	InBev	Imperial Tobacco	Altria	Mars	Heinz	British American Tobacco	Philip Morris	Danone	P&G	JTI	Philip Morris
Date	Jul-14	Jun-08	Jul-07	Sep-08	Apr-08	Mar-15	Feb-15	Mar-05	Jul-16	Jan-05	Dec-06	Jul-08
EV ($bn)	27.4	49.8	21.5	11.7	23.2	58.3	10.9	5.2	12.5	57.8	19.0	3.3

Source: Company Filings.
(1) +$10bn completed or pending M&A transactions since 2011 where the target is located in the U.S. Excludes all equity deals, auction deals and REIT and oil and gas transactions. Based on 47 deals.

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52 Weeks High Premia

Select Tobacco & North American FMCG Premia

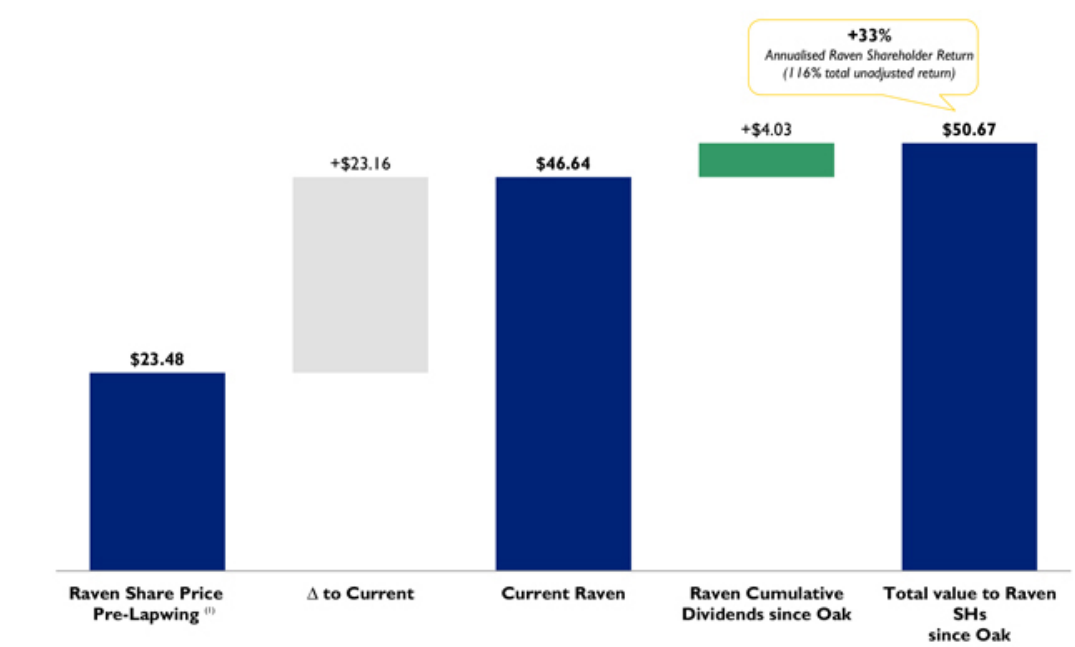


Target	Lorillard	AB InBev	Altadis	Sampoerna	Gillette	UST	Souza Cruz	Wrigley	Gallaher	Kraft	Rothmans Benson & Hedges	WhiteWave
Acquirer	RAI	InBev	Imperial Tobacco	Philip Morris	P&G	Altria	British American Tobacco	Mars	JTI	Heinz	Philip Morris	Danone
Date	Jul-14	Jun-08	Jul-07	Mar-05	Jan-05	Sep-08	Feb-15	Apr-08	Dec-06	Mar-15	Jul-08	Jul-16
EV ($bn)	27.4	49.8	21.5	5.2	57.8	11.7	10.9	23.2	19.0	58.3	3.3	12.5

Source: Company Filings.
(1) +$10bn completed or pending M&A transactions since 2011 where the target is located in the U.S. Excludes all equity deals, auction deals and REIT and oil and gas transactions. Based on 47 deals.

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Raven Total Shareholder Return since Oak



NTM EPS	$1.74	$0.81	$2.55
NTM P/E	13.5x	4.8x	18.3x

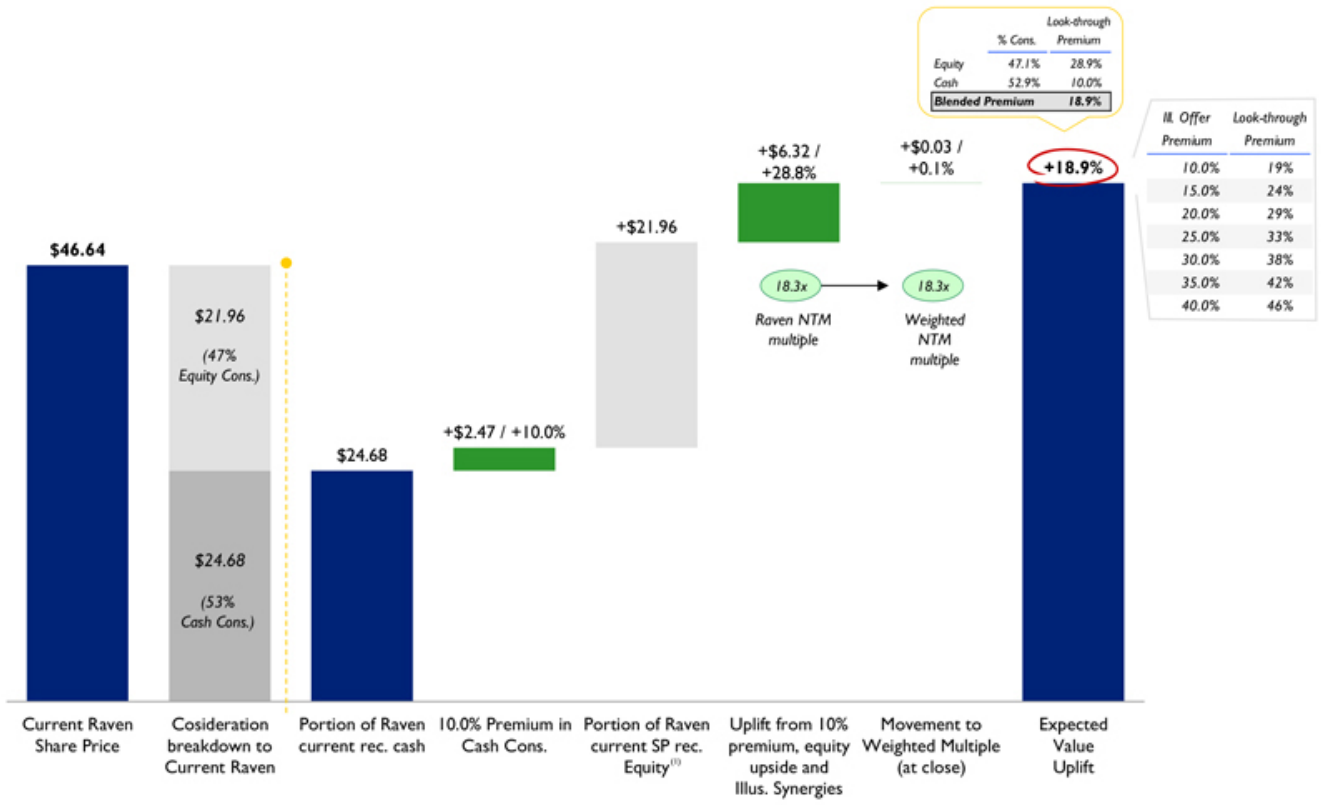
Implied annualised TSR to Red SH at various offer premia

Ill. Premium	Ann. TSR
10.0%	37.7%
15.0%	39.9%
20.0%	42.0%
25.0%	44.0%
30.0%	46.0%
35.0%	47.9%
40.0%	49.8%

Source: FactSet; Market data as of 7 October 2016 (Blackbird share price of £48.74, Red share price of $46.64), assumes spot exchange rate USD:GBP of 1.24. Assumes transaction closing on 30-June-2017 (Y1 only includes H2 contribution from Raven).
(1) Based on Oak unaffected date of 3 February 2014 (prior to market speculation); Adjusted for 2:1 Raven share split in September 2015. (2) Based on dividends per share paid since Oak unaffected date through October 2016.

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Illustrative Look Through Premium to Raven Shareholders



Source: FactSet; Market data as of 7 October 2016 (Blackbird share price of £48.74, Red share price of $46.64), assumes spot exchange rate USD:GBP of 1.24. P/E based on model EPS.
(1) Using P/E based on current share price and NTM EPS.

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Exhibit (c)(3)

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Project Flight Discussion Materials

October 2016

Deutsche Bank

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Reynolds and BAT Share Price Performance

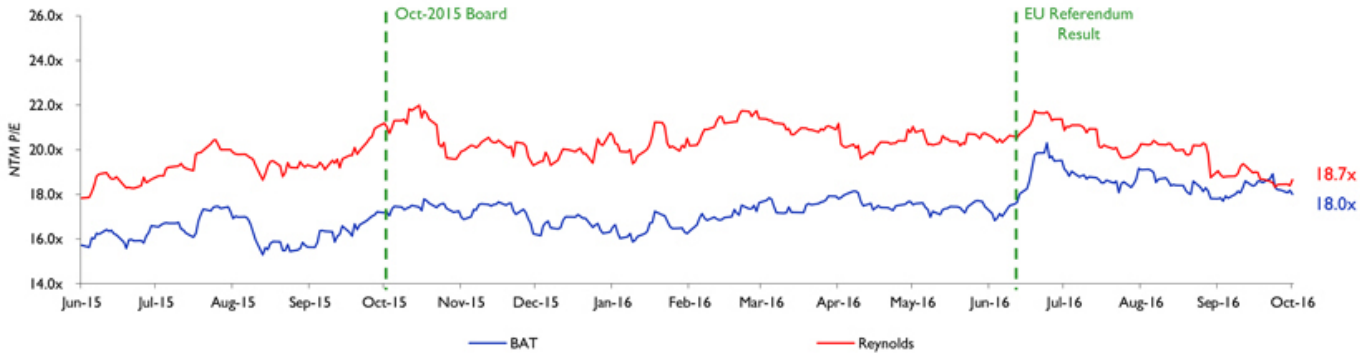


(a) Rebased to Reynolds share price as of 12-Jun-15, Reynolds share price adjusted for stock split
Source: FactSet as of 12-Oct-16 (BAT share price of £48.39, Reynolds share price of $47.08)

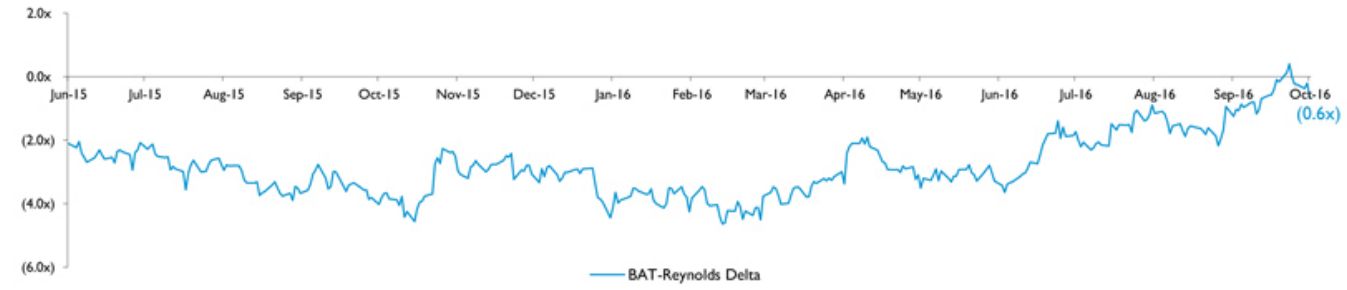
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Reynolds and BAT P/E Evolution

NTM P/E



NTM P/E Delta



Source: FactSet as of 12-Oct-16 (BAT share price of £48.39, Reynolds share price of $47.08)

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Selected Precedent Transaction Multiple Delta

Date	Target	Acquiror	Transaction Multiple	Tobacco Peers Index	Delta to Tobacco Peers Index
Feb-15	Souza Cruz	BAT	15.8x	11.3x	4.5x
Jul-14	RAI (brands)	Imperial Tobacco	6.9x	10.4x	(3.5x)
Jul-14	Lorillard	RAI	13.1x	10.4x	2.7x
Sep-08	UST	Altria	12.0x	8.5x	3.5x
Jul-08	Rothmans Benson & Hedges	Philip Morris	10.0x	8.5x	1.5x
Mar-07	Altadis	Imperial Tobacco	14.2x	9.4x	4.8x
Feb-07	Commonwealth Brands Inc	Imperial Tobacco	8.6x	9.8x	(1.2x)
Dec-06	Gallaher Group	JTI	12.8x	9.7x	3.2x
Apr-06	Conwood	RAI	13.6x	8.5x	5.1x
				Tobacco average	2.3x
			Tobacco average (ex. selected Imperial transactions)[a]		3.6x

Date	Target	Acquiror	Transaction Multiple	FMCG Peers Index	Delta to FMCG Peers
Jul-16	WhiteWave	Danone	23.4x	14.6x	8.8x
Sep-15	SABMiller	AB InBev	18.6x	13.1x	5.5x
Mar-15	Kraft	Heinz	15.8x	14.4x	1.4x
Jul-12	Fraser & Neave	Heineken	17.1x	10.5x	6.6x
Jun-12	Modelo	AB InBev	16.4x	10.2x	6.2x
Jun-11	Foster's	SABMiller	14.1x	9.7x	4.4x
Sep-09	Cadbury	Kraft	13.4x	9.4x	4.0x
Jun-08	Anheuser-Busch	InBev	12.4x	9.6x	2.8x
Apr-08	Wrigley	Mars Incorporated	18.6x	9.8x	8.8x
				FMCG average	5.4x

In precedent US large cap transactions (over $10bn since 2011), the average initial premium offered was 21.6% and the average bump to final offer was 12.5%

(a) Excludes Imperial acquisition of Reynolds brand portfolio and Commonwealth brands
Tobacco peers index incl. British American Tobacco (adj. for minorities), Imperial, Philip Morris, Japan Tobacco, Reynolds American and Altria
FMCG peers incl. Diageo, SABMiller, Unilever, ABF, Reckitt, Tate, L'Oreal, Carlsberg, Kerry, Pernod Ricard, Remy, AB InBev, Svenska, Henkel, Beiersdorf, Orkla, Danone, Heineken, Nestle
Note: Blue shading indicates Tobacco peer, orange shading indicates FMCG peer
Source: FactSet, Company information

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Cash Consideration Assumptions

- Cash component of the consideration has been modelled based on a desired credit outcome
- Targeting BBB/Baa2 rating for the enlarged group which is a solid investment grade credit rating and two notches below our current rating band
- Results in c.4.0x out-of-the-box leverage and 3.0x by year 3 (2019)
- Assume raise a total of $22.6bn in total transaction financing
  - $22.1bn cash consideration
  - $0.5bn in estimated total transaction costs

	Credit Rating Agency Metrics Scale	
	Moody's	S&P
Investment grade	A1	A+
	A2	A
	A3	A-
	Baa1	BBB+
	Baa2	BBB
	Baa3	BBB-
Non-investment grade	Ba1	BB+
	Ba2	BB
	Ba3	BB-

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Illustrative Analysis at Various Prices – Financial Metrics

		Nil Premium Merger	Acquisition with $22.6bn Cash Consid.						
		$22.6bn BB	10% Prem.	15% Prem.	20% Prem.	25% Prem.	30% Prem.	35% Prem.	40% Prem.
Value	Current Share price	$47.08	$47.08	$47.08	$47.08	$47.08	$47.08	$47.08	$47.08
	Offer price	$47.08	$51.79	$54.14	$56.50	$58.85	$61.20	$63.56	$65.91
	Impl. MV of 58% ($bn)	39.0	42.9	44.9	46.8	48.8	50.7	52.7	54.6
	Cash Consid. ($bn)[1]	–	22.1	22.1	22.1	22.1	22.1	22.1	22.1
	Equity Consid. ($bn)	39.0	20.8	22.8	24.7	26.7	28.6	30.6	32.5
Premia	*Current Spot ($47.08)*	*--%*	*10.0%*	*15.0%*	*20.0%*	*25.0%*	*30.0%*	*35.0%*	*40.0%*
	1m VWAP ($47.31)	*(0.5%)*	*9.5%*	*14.4%*	*19.4%*	*24.4%*	*29.4%*	*34.3%*	*39.3%*
	3m VWAP ($49.34)	*(4.6%)*	*5.0%*	*9.7%*	*14.5%*	*19.3%*	*24.1%*	*28.8%*	*33.6%*
	52-wk high ($54.48)	*(13.6%)*	*(4.9%)*	*(0.6%)*	*3.7%*	*8.0%*	*12.3%*	*16.7%*	*21.0%*
Mult.	2016E EV/EBITDA	13.5x	14.6x	15.2x	15.7x	16.3x	16.8x	17.4x	18.0x
	2017E EV/EBITDA	12.2x	13.2x	13.7x	14.2x	14.7x	15.2x	15.7x	16.2x
ROIC	Y3 ROIC	6.3%	5.8%	5.6%	5.4%	5.2%	5.0%	4.8%	4.7%
	Y5 ROIC	6.8%	6.3%	6.1%	5.8%	5.6%	5.4%	5.3%	5.1%
EPS Acc./Dil.	Y1 EPS	0.4%	4.0%	3.2%	2.5%	1.7%	1.0%	0.3%	(0.4%)
	Y3 EPS	10.6%	10.9%	9.3%	7.7%	6.2%	4.7%	3.3%	1.9%
Net Debt / EBITDA	Jun. 17E PF (with RR Syn.)[2]	2.2x	3.7x	3.7x	3.7x	3.7x	3.7x	3.7x	3.7x
	YE'17E	2.0x	3.6x	3.6x	3.6x	3.6x	3.6x	3.6x	3.6x
	YE'18E	3.3x	3.3x	3.3x	3.3x	3.3x	3.3x	3.3x	3.3x
	YE'19E	3.0x	2.9x	3.0x	3.0x	3.0x	3.0x	3.0x	3.0x
BAT Val. Creation ($bn)	NPV Value creation	27.2[4]	12.1	9.8	7.6	5.5	3.4	1.4	(0.6)
	Synergy Net of Prem.[3]	4.7	2.0	0.4	(1.2)	(2.8)	(4.3)	(5.8)	(7.2)

Source: FactSet; Market data as of 12 October 2016 (BAT share price of £48.39, Reynolds share price of $47.08), assumes spot exchange rate USD:GBP of 1.24

(1) Transaction fees assumed to be financed.

(2) June 2017E net leverage shown PF and includes assumed run rate synergies of $400m.

(3) Synergy NPV net of premium paid (adjusted for PF ownership) and net of fees.

(4) Buyback adjusted

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Analysis at Various Prices – Operational Metrics

		BAT Standalone	Nil Prem. Merger $22.6bn BB	Acquisition with $22.6bn Cash Consid. 10% Prem.	15% Prem.	20% Prem.	25% Prem.	30% Prem.	35% Prem.	40% Prem.
Operating margin	FY18	37.4%	43.2%	43.2%	43.2%	43.2%	43.2%	43.2%	43.2%	43.2%
	FY19	37.9%	44.5%	44.5%	44.5%	44.5%	44.5%	44.5%	44.5%	44.5%
OCF Convers.[1]	FY18	91.0%	94.7%	94.7%	94.7%	94.7%	94.7%	94.7%	94.7%	94.7%
	FY19	91.6%	95.5%	95.5%	95.5%	95.5%	95.5%	95.5%	95.5%	95.5%
FCF/Share Accretion	FY18		12.9%	16.8%	15.1%	13.4%	11.8%	10.3%	8.8%	7.3%
	FY19		19.8%	20.2%	18.4%	16.7%	15.1%	13.5%	11.9%	10.4%
Fixed Charge Cover[2]	FY18	1.19x	1.27x	1.25x	1.25x	1.24x	1.24x	1.23x	1.23x	1.22x
	FY19	1.21x	1.29x	1.27x	1.27x	1.27x	1.27x	1.27x	1.27x	1.27x
Payout Ratio[3]	FY18	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
	FY19	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Dividend Coverage[4]	FY18	122.0%	135.0%	134.5%	133.9%	133.2%	132.6%	132.0%	131.4%	130.9%
	FY19	124.6%	139.2%	136.0%	136.0%	136.0%	136.0%	135.9%	135.9%	135.9%

Source: FactSet; Market data as of 12 October 2016 (BAT share price of £48.39, Reynolds share price of $47.08), assumes spot exchange rate USD:GBP of 1.24

(1) OCF (Operating cash flow per BAT internal definition) divided by EBITA; OCF: Adj. Op. Profit + D&A and Impairment +/- Change in Net Working Capital +/- Other non cash items in operating profit – Capex + Proceeds from Sale of Fixed Assets

(2) Fixed charge cover defined as FCF before fixed expenses (excluding interest and pension costs) / fixed expenses (net interest, pension costs and dividends).

(3) PF dividend minimum growth of 4%, at least 65% payout ratio

(4) Defined as FCF pre-dividends / total cash dividend payment.

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Key Financing and Structuring Considerations

Debt financing

- Financing for transaction structured to target BBB/Baa2 rating for the enlarged group (two notches down from current rating)
- US$22.6bn new debt financing to fund cash consideration
- Financial policy commitments required to support rating outcome:
  - Significant M&A and share buyback moratorium
- RES/RAS private ratings confirmations not possible pre-approach and may be challenging thereafter – Key issues; recovery period, US litigation and Canadian newsflow
- Bridge taken out via capital markets, primarily through USD bonds and some Euro and Sterling with a modest term loan retained
- Combined liquidity requirement will result in significant increase in ongoing backstop facilities

Equity financing

- New BAT shares issued as consideration to Reynolds shareholders
  - In form of new ADR programme (ADR level III)
  - US listing
- Will require full SEC registration by BAT (also facilitating bond issuance)
  - Once obtained not possible to revert back to grandfathered ADR
- Flowback issues estimated to be manageable

	Credit Rating Agency Metrics Scale	
	Moody's	S&P
Investment grade	A1	A+
	A2	A
	A3	A-
	Baa1	BBB+
	Baa2	BBB
	Baa3	BBB-
Non-investment grade	Ba1	BB+
	Ba2	BB
	Ba3	BB-

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Exhibit (c)(4)

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Valuation Reference Materials

[November 2016]

WIP - Draft

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Blackbird Summary of Current Offer Rationale

- Our offer is recommendable – we wanted that to be the case – we consider our partnership with Raven as too important
- As such, valuation is stretched – reference the 16.3x LTM multiple – above any developed market tobacco company multiple paid before, despite limited synergies
- We are not solving for any one metric, our analysis of the financial case for this transaction utilises a range of different methodologies in keeping with our financial policy
- And, across the full range of metrics we are using, the deal is tight, some key examples
  - EPS – only mid-single digit in year 3 – below recent comparables
  - ROIC is very stretched
  - Capitalised synergies are less than premium paid
  - [Fundamental value on a multiple and DCF basis – 16.3x multiple]
  - [Financial leverage of Baa2 (a two notch downgrade) which is critical for us due to several reasons]
- This belief has been supported by the feedback we have received from shareholders post announcement and the range of analyst views published since
  - [Many shareholders, including some of our largest and others that are significant holders in Raven, have cautioned us against increasing our offer and strongly endorsing BAT's message of financial discipline]
- We therefore need any value increase to be derived from additional value sources

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Key Negotiation Perspectives

Illustrative Raven Arguments

1 Headline Offer Value

- Premium is low for a control transaction
- Approach is opportunistic due to a weak pre-trading period
- Multiples are incorrectly characterised - LTM should use 2016E - and Lapwing is not comparable given significant disposals and impact of QE on all sector multiples
- The offer does not accurately reflect upside Blackbird is receiving from the acquisition
  - Some analysts had higher price targets than the offer
  - The financing environment is favourable and there are tax benefits not priced into the offer

2 Value of Blackbird Equity

- Value of equity in offer should be discounted due to risk from Blackbird share price volatility, FX and flowback
- Raven shareholders should be entitled to full 2017 dividends

3 Pro Forma Business Plans

- There is capacity to increase offer via debt given cash generation of combined entity and potential for tax benefits
- The offer does not capture full upside of Raven standalone from Lapwing synergies and NGP growth
- Further synergies are achievable

Blackbird Negotiation Principles

1 Headline Offer Value

- LTM multiple represents the highest paid for a developed market company and a premium to the Lapwing acquisition multiple
- The price and implied multiples are also:
  - Consistent with those paid for large-cap global consumer companies, many of which had greater synergies, and
  - At a premium to both Raven's all-time-high share price and P/E
- The premium paid is greater than synergy value
- The reference share price included all Lapwing benefit and bid speculation

2 Value of Blackbird Equity

- Raven shareholders are given important exposure to the continuing upsides of the combined business
- The offer implies significant look-through value based on Blackbird price targets
- Volatility and risk are limited as there is strong support by Blackbird shareholders, Blackbird performance on a USD basis is in-line with Puffin and flow back risk (expected ~15 days trading) is manageable

3 Pro Forma Business Plans

- All financial metrics are stretched (ROIC, EPS accretion)
- Blackbird is not willing to be at leverage levels that risk a rating below Baa2, which is already a 2 notch downgrade from current
- Post-tax cost of debt has been minimised taking into account the related risks
- Until further diligence, Blackbird only sees value upside of up to $400m from synergies in the combined entity

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1 Potential Raven Arguments – Headline Offer Value

	Potential Raven Arguments	Blackbird Rebuttals	Pages
A Premium and Reference Trading	▪ Premium is low for a control transaction ▪ Opportunistic approach due to the weak trading period post Q2/Q3 results ▪ Premium has eroded due to reduction in Blackbird share price	▪ No defined rule for premia exists – premium is situation specific to valuation / trading pre offer – Danone / Whitewave low premium due to high valuation – Pepsico / Pepsi Bottlers high premium due to very weak pre approach trading ▪ Recent Raven trading levels appropriately reflect the underlying business trajectory ▪ 52 week high based on low volumes and before weak financial performance in Q2 and Q3 led to declining market growth outlook ▪ Premium paid greater than the value of synergies ▪ Some M&A bid speculation likely to have been in the Raven share price ▪ Blackbird share price moves due to technical (i.e. short-term arb pressure) and wider market moves that would have similarly affected Raven	7 - 9
B Relative Multiples	▪ NTM P/E differential of ~1x at approach versus ~3x average since the completion of Lapwing acquisition	▪ P/E differential has moved around over the last ten years with Blackbird often trading at a premium – Approach differential still above the long-run average ▪ Offer PE is ~1x above all time trading high ▪ Significant correlation of P/E with interest rates – increasing expectations for a rate rise in U.S. explains relative performance – Higher likelihood of a near-term rate increase in U.S. may lead to further Raven multiple deterioration and narrowing of multiple differential	10 - 11
C Offer Multiple	▪ LTM multiple should be referenced to 2016E given that is when the transaction will be agreed ▪ 2016E multiple only in-line with the Souza Cruz squeeze-out, should be at a premium given a control transaction ▪ Lapwing multiple is not a fair comparison as deal required significant disposals	▪ Offer represents the highest multiple paid for a tobacco company in a developed market ▪ Synergised multiples in precedent tobacco deals significantly below our proposal ▪ Fairly modest premium for Souza Cruz justified by high multiple paid, strong trading valuation prior to offer and low synergy opportunity ▪ Lapwing also had significantly higher synergies [$800m versus $400m] which reduced the synergised multiple to 11x from 13x (un-synergised multiple of 13x versus 18x adjusted for disposals)	12 - 13

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1 Potential Raven Arguments – Headline Offer Value

	Potential Raven Arguments	Blackbird Rebuttals	Pages
D Analyst Price Targets	▪ Prior to approach, three analysts had higher price targets than the offer ▪ Top end of range of $62 materially above offer level	▪ Nine analyst price targets are currently in line with or below the offer price ▪ Of the three price targets above the offer, two are forward price targets and the third is based on a multiple and EPS that are both significantly above consensus ▪ Blackbird target prices have been upgraded and support a look through offer value of c.$60	14
E Structuring Upsides	▪ The deal appears highly accretive to Blackbird ▪ Favourable financing environment and tax arbitrage opportunities are not appropriately reflected in the offer price	▪ ROIC is low and only meets our minimum level by year 5 ▪ Analysts as well as shareholders have expressed concerns about the returns profile ▪ Analysts believe EPS accretion is low single digits, and those with higher accretion forecasts have mistakes	15 - 17
F Raven Business Plan	▪ Stronger growth from lower volume decline, higher market share growth, higher pricing growth or more synergies ▪ Higher long-term growth from NGP in the 2019E-2021E management plan ▪ Enhanced buyback beyond the $2bn announced to the market	▪ Higher EBITA growth can be achieved by a combination of higher pricing growth, lower industry decline, higher market share and higher margin ▪ The business case ranges considered have been benchmarked against analyst expectations ▪ Benchmarking against Raven historical performance has also been undertaken	18

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2 Potential Raven Arguments – Value of Blackbird Equity

	Potential Raven Arguments	Blackbird Rebuttals	Pages
A **Share Price Volatility**	▪ Blackbird share price has declined after approach ▪ Blackbird has traded up to 11% below the unaffected price, highlighting the uncertain nature of the value of the equity in offer	▪ Positive response by Blackbird shareholders on day of announcement ▪ Negative trading has been a result of arbitrage funds which is shown by higher volume / price decline during U.S. trading hours ▪ Raven has traded consistently below the look through offer price showing the market believes in the value of the offer ▪ Blackbird target prices have increased following the announcement showing the fundamental value to Raven shareholders ▪ Consumer staple stocks have witnessed secular decline post approach driven by increased macro uncertainty and increase in Treasury/Gilt yield	19
B **FX Risk**	▪ Blackbird share price dependent upon a weak pound ▪ Value of equity would drop significantly if Sterling rates reverted to the long-term mean and would result in a Blackbird share price decline	▪ Fundamentally Blackbird is not a Sterling business, c.6% of earnings are UK / Sterling based ▪ Blackbird has performed in line with Puffin on a USD basis ▪ Stronger Sterling rate would reduce EPS but the share price impact would be offset by the rate change	20
C **Flowback**	▪ Equity portion of offer has to be discounted to factor in flowback from forced Raven sellers	▪ Significant expected index demand in the UK likely to reduce the impact ▪ Technical flowback calculated to be only 15 days of trading; therefore minimal price disruption is anticipated	21 - 23
D **Dividends**	▪ BAU dividends need to be allowed for Raven shareholders given uncertain and lengthy period to completion ▪ Raven shareholders should be eligible for the Blackbird final 2017 dividend payment (in 1H 2018) as well given timing differences of dividend payments	▪ [Base case for dividend to be discussed] **Key Messages** ▪ [Raven shareholders to receive dividends in line with past practice for the period of Raven ownership ▪ Any additional value from dividends either from Raven or Blackbird would need to be adjusted for in offer value]	24 - 25

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3 Potential Raven Arguments – Pro Forma Business Plan

	Potential Raven Arguments	Blackbird Rebuttals	Pages
A Higher Pro Forma Leverage	▪ More debt capacity within stated target of "solid investment grade credit rating" ▪ A Baa3 / BBB- rating in the combined entity should be acceptable given the strong cash generation of the combined group	▪ Reference materials with more detailed arguments **Key Messages** ▪ Financing and tax support a strategic transaction - this is not a financing and tax driven transaction ▪ We have minimised the post-tax cost of funding and can deliver the equivalent of a tax deduction for our full acquisition debt ▪ Our tax structure is something we have considered carefully, and represents a balanced level of risk given the scale of our investment ▪ There is currently significant public scrutiny on the tax affairs of large multi-national corporations such as ours and much could change in future – We will not pay more for taking on additional tax risks, even if it could be argued these create potential value ▪ Our financing delivers security through duration and currency mix and maintains just enough flexibility for future equity enhancing investment opportunities	
B Tax Structuring	▪ Base case 100% deductibility of acquisition interest ▪ Intercompany loan structures to drive reduced blended tax rate		
C Synergies	▪ Greater synergy opportunity than $400m ▪ Need to take into account the withholding tax	▪ We have done outside in work on our synergy case, but further diligence could unlock more opportunity which we would welcome ▪ Base case financial analysis based on $400m	

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1A Premium and Reference Trading

Raven Share Price Performance since 2014 and Illustrative VWAP Ranges

	VWAP	Price	Prem. @ $56.50
	Unaffected	47.17	19.8%
A	1 mo	47.05	20.1%
B	3 mo	48.65	16.1%
C	6 mo	49.62	13.9%
b	12 mo	48.72	16.0%
D	Post-Oak	46.26	22.1%
E	18 mo	45.13	25.2%
F	24 mo	42.82	31.9%
G	36 mo	37.90	49.1%



Source: FactSet, Bloomberg.

Note: VWAPs calculated from the unaffected date (20th October 2016). Premium calculation based on offer proposal set forth to Raven on the 21st October 2016 ($56.50 per share). Post-Oak is as of 12 June 2015, date closing of transaction.

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1A Premium and Reference Trading

Historical Raven Price Target and Share Price Relationship

There is an average $3.25 lag between the Raven share price and median Raven price target over the last two years, which, since Raven's Q2'16 earnings, has expanded to a gap of over $5

Raven Price Target and Share Price over the Last Two Years



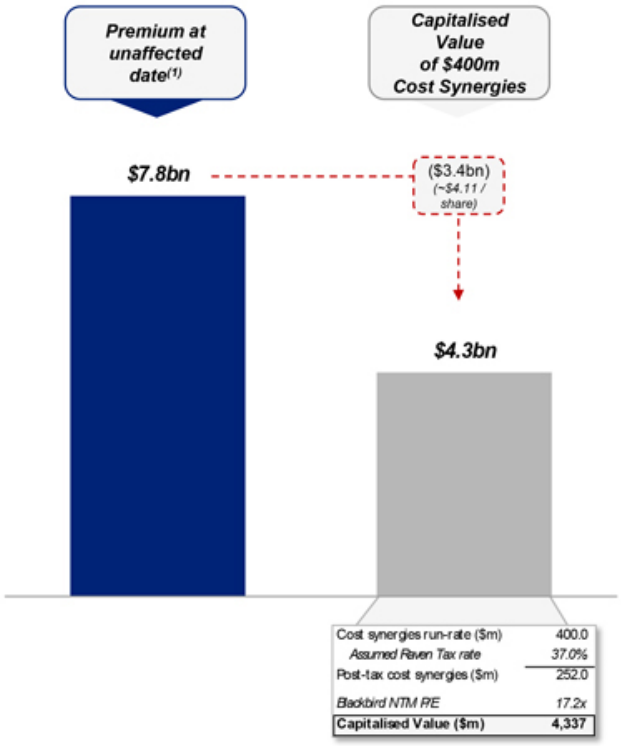
Source: Analyst Research and FactSet.
Note: All periods end at the unaffected date (20 October 2016).

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Premium vs. Synergies

Premium paid to Raven shareholders is greater than the value of the synergies



Analysts Views

J.P.Morgan

"Raven's offer implies a premium of **$8bn** above Raven's standalone value for the 58% stake it does not currently own, while the post-tax value of synergies applying a multiple of 18x earnings is JPMe **$4.5bn**"

(25-Oct-16)

SOCIETE GENERALE

"**The modest synergies available is a limiting factor on the potential takeout price**, therefore suggesting that Blackbird might walk away if the required price got too high"

(27-Oct-16)

Bank of America Merrill Lynch

"The $47bn total offer to the non-Blackbird shareholders in Raven (NBS) compares to the value of their holding pre the offer of $39bn. **This is a premium offer of $7.5bn**. We see the **capitalised value of the cost saves** ($400m) from integration equating to **$4.5bn**. With NBS owning 19% of the enlarged Blackbird-Raven entity at the end of the merger, the net value benefit to Blackbird shareholders of the cost saves is $3.6bn. So at this point, **Blackbird shareholders are down c$4bn of value**"

(21-Oct-16)

citi

"The **takeover premium (equivalent to $7.7B)** is already nearly 20x the pretax value of the synergies ($400MM) – which means in effect **the external shareholders are obtaining substantially the entire value of the synergies**"

(21-Oct-16)

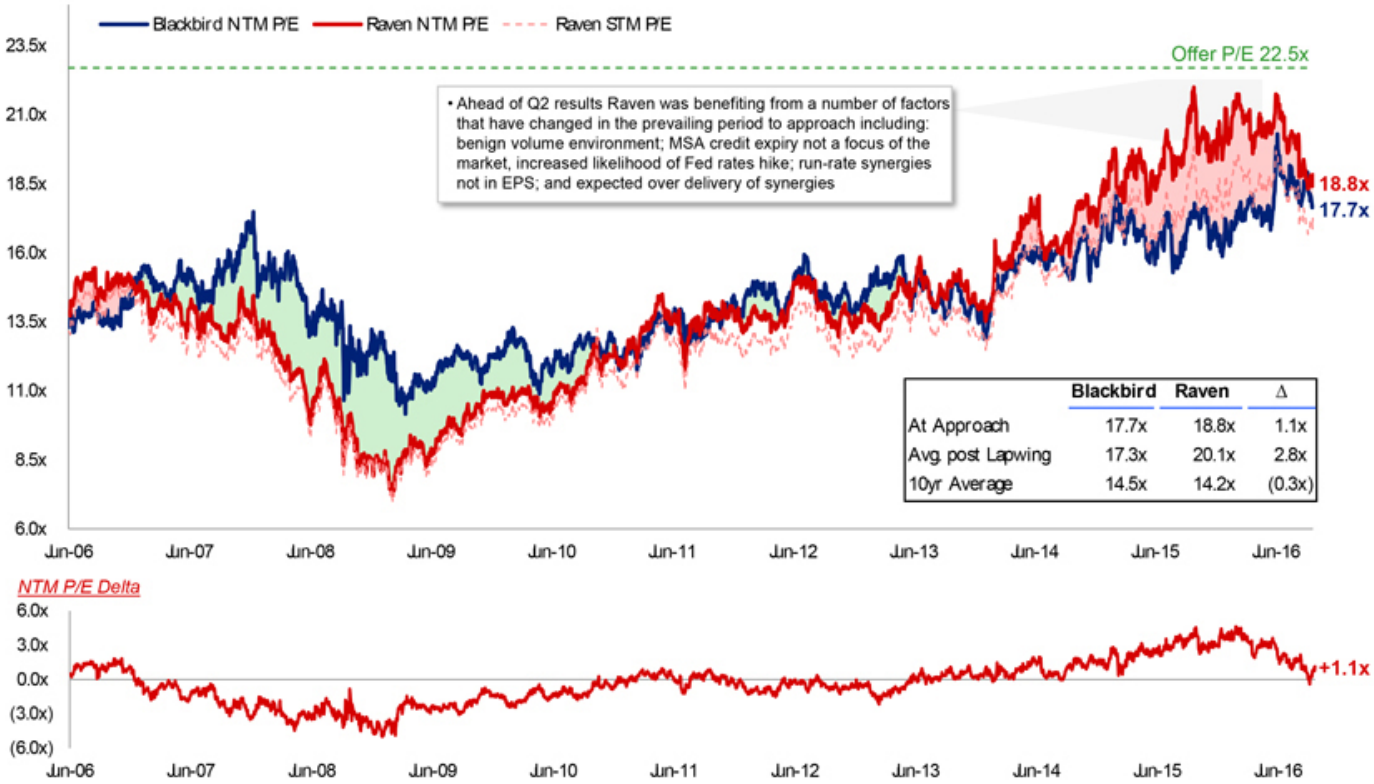
(1) Unaffected premium based on 831m shares at offer which include impact of 6.6m dilutive RSUs (excluding shares owned by Blackbird).

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1B Relative Multiple

Raven-Blackbird Long-Run P/E Differential

Blackbird and Raven NTM P/E Evolution and Differential over the Last 10 Years



	Blackbird	Raven	Δ
At Approach	17.7x	18.8x	1.1x
Avg. post Lapwing	17.3x	20.1x	2.8x
10yr Average	14.5x	14.2x	(0.3x)

Source: FactSet as of 20 October 2016 (unaffected date).
Note: Offer P/E calculated using offer price ($56.50) and consensus NTM EPS of $2.51.

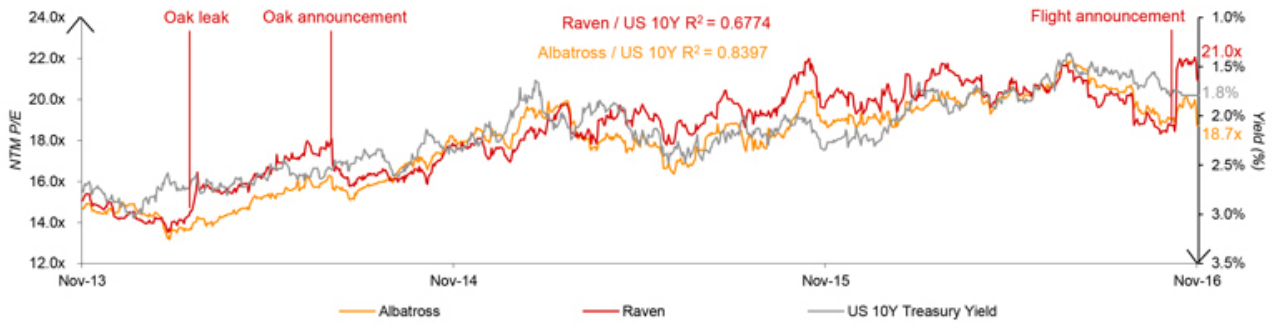
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1B Relative Multiple

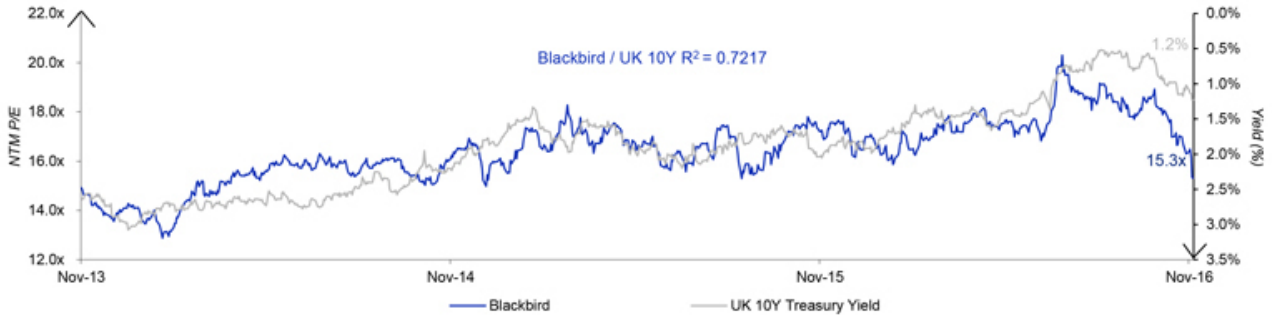
P/E and Treasury Yield Correlation

A likely increase in US rates first means more downside risk in Raven's P/E

Raven and Albatross NTM P/E Multiple vs. US 10Y Yield (L3Y)



Blackbird NTM P/E Multiple vs. UK 10Y Yield (L3Y)



Source: FactSet as of 10 November 2016

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1C Offer Multiple

Overview of Offer Multiple

		Post-Offer Low	Post-Offer High	Current	At Offer
Illustrative Look Through Offer Price ($)		**$52.69**	**$57.85**	**$53.33**	**$56.50**
Implied % Premium to Unaffected ($47.17)		*11.7%*	*22.6%*	*13.1%*	*19.8%*
Implied % Premium to 3-mo VWAP ($48.65)		*8.3%*	*18.9%*	*9.6%*	*16.1%*
Implied % Premium to Unaffected 52-wk intraday high ($54.48)		*(3.3%)*	*6.2%*	*(2.1%)*	*3.7%*
Cash Consideration Per Share		24.13	24.13	24.13	24.13
Equity Consideration Per Share[1]		28.56	33.72	29.20	32.37
Exchange Ratio		*0.5502*	*0.5502*	*0.5502*	*0.5502*
Blackbird Share Price (£)[2]		**42.37**	**50.03**	**43.32**	**48.03**
Cash Consideration Value[3]		20.1	20.1	20.1	20.1
% Cash Consideration		*45.8%*	*41.7%*	*45.2%*	*42.7%*
Equity Consideration Value[4]		23.7	28.0	24.3	26.9
% Equity Consideration		*54.2%*	*58.3%*	*54.8%*	*57.3%*
Offer Value ($bn)		**43.8**	**48.1**	**44.3**	**47.0**
Plus: Net Debt[5]		11.3	11.3	11.3	11.3
Plus: Other Adjustments[6]		1.5	1.5	1.5	1.5
Transaction Value ($bn)		**56.6**	**60.9**	**57.1**	**59.7**
Implied Enterprise Value for 100% of Raven ($bn)		***88.3***	***95.7***	***89.2***	***93.7***
Implied Multiples - Consensus Estimates	**Metric**				
LTM EV/EBITDA (30 Sep 2016)	$5.7bn	15.4x	16.7x	15.6x	16.4x
LTM EV/EBITDA (MSA NPM Adjusted)[7]	$5.4bn	16.3x	17.6x	16.4x	17.3x
2016E EV/EBITDA	$6.0bn	14.8x	16.1x	15.0x	15.7x
2016E EV/EBITDA (Incl. Full Lapwing Synergies)[8]	$6.1bn	14.5x	15.8x	14.7x	15.4x
2017E EV/EBITDA	$6.4bn	13.7x	14.9x	13.9x	14.6x
2016E P/E	$2.30	22.9x	25.1x	23.2x	24.5x
2016E P/E (Incl. Full Lapwing Synergies)[8]	$2.36	22.4x	24.6x	22.6x	24.0x
2017E P/E	$2.55	20.7x	22.7x	20.9x	22.2x

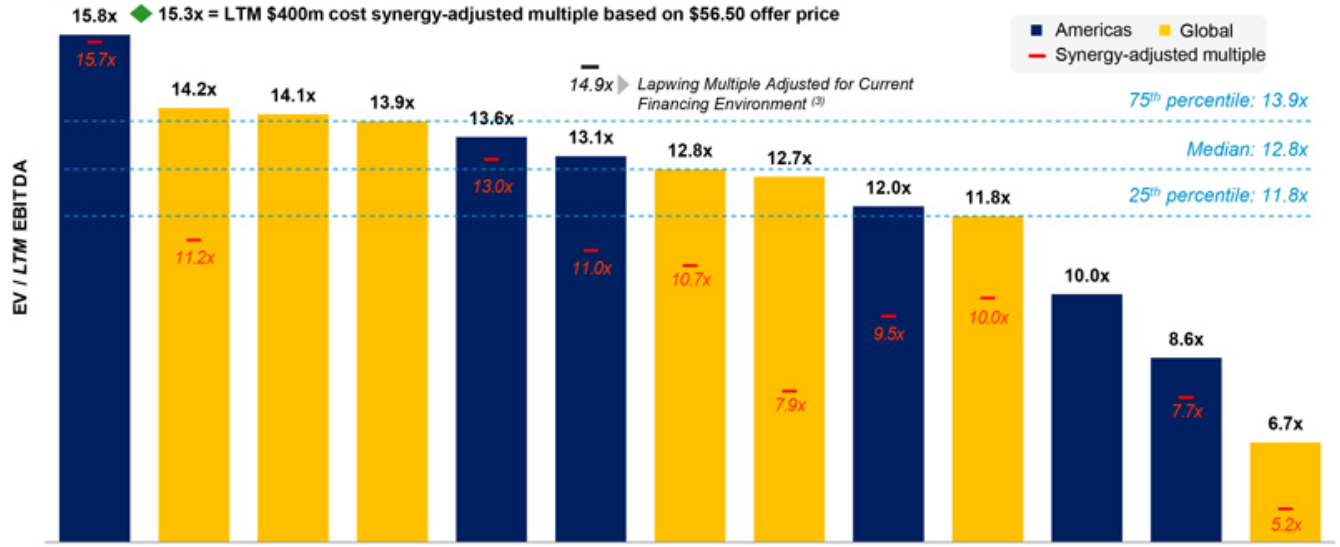
Source: Company filings and FactSet as of 10 November 2016.
Note: USD in millions except per share values.
(1) Reflects the implied equity consideration per share based on the reference Blackbird share price, a GBP:USD exchange rate of 1.2250x and offer exchange ratio of 0.5502x.
(2) Reflects the intraday low and high Blackbird share price post-offer (on 24 October 2016 and 21 October 2016, respectively), the current Blackbird share price and the Blackbird share price at offer.
(3) Based on the offer cash consideration per share and 1,432mm of "Raven fully diluted shares," which include1,426mm Raven basic shares and 6.6mm of RSUs, of which 2.2mm assume full issuance under Raven performance measures.
(4) Based on the implied equity consideration per share and 1,432mm of "Raven fully diluted shares," which include1,426mm Raven basic shares and 6.6mm of RSUs, of which 2.2mm assume full issuance under Raven performance measures.
(5) Based on $13.3bn debt outstanding and $2.0bn in cash and cash equivalents as of 30 September 2016 (does not include pension liability).
(6) Reflects after-tax pension lability based on $2.2bn of long-term retirement benefit liability as of 30 September 2016 and $91m of current retirement benefit liability as of 31 December 2016 and a 37% tax rate.
(7) EBITDA adjusted for $300m of LTM NPM credits, EV adjusted for $126m of NPM NPV value (6.5% cost of capital).
(8) Assumes 60% of the announced $300mm cost synergies are realised in 2016E; EBITDA metric reflects the sum of analyst consensus 2016E EBITDA of $6.0bn and $120mm of cost synergies; EPS metric reflects the sum of the analyst consensus 2016E EPS of $2.30 and after-tax per share value of $0.05 (based on a tax rate of 37% and diluted Raven shares outstanding of 1,432mm).

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Precedent Tobacco Multiples

- 17.3x = LTM NPM-adjusted offer multiple based on $56.50 offer price[1]
- 16.4x = LTM offer multiple based on $56.50 offer price
- 16.1x = LTM incl. full Lapwing synergies[2], based on $56.50 offer price
- 15.8x 15.3x = LTM $400m cost synergy-adjusted multiple based on $56.50 offer price



Target	Souza Cruz	Altadis	RAI	Sampoerna	Genwood	Lorillard	Gallaher	Reemtsma	UST	ETI	Rothmans	Commonwealth	Rothmans
Acq.	BAT	Imperial	JTI	Philip Morris	RAI	RAI	JTI	Imperial	Altria	BAT	Philip Morris	Imperial	BAT
Date	Feb-15	Jul-07	Mar-99	Mar-05	Apr-06	Jul-14	Dec-06	Mar-02	Sep-08	Jul-03	Jul-08	Feb-07	Jan-99
EV ($bn)	10.9	21.5	8.0	5.2	3.5	27.4	19.0	5.1	11.7	2.5	3.3	1.5	9.8

Source: FactSet and Company Filings.
Note: Announcement multiple based on Blackbird share price of £48.03 and Raven share price of $47.17 (as of 20 October 2016), offer exchange ratio of 0.5502x and cash offer per share of $24.13. Current implied multiple based on Blackbird share price of £48.03 as of 11 November 2016. Raven market value based on outstanding basic shares of 1,425.8m and 6.6m RSUs as of September 2016. Enterprise value adjustments of $2.0bn for cash & equivalents, debt of $13.3bn and post-tax pension liability of $1.2bn as of September 2016. Blackbird / Raven multiples based on consensus LTM EBITDA as of September 2016. (1) EBITDA adjusted for $300m of LTM NPM credits, EV adjusted for $126m of NPM NPV value (6% cost of capital). (2) Assumes 60% of the announced $300mm cost synergies are realised in LTM (as of September 30 2016); EBITDA metric reflects $120mm of cost synergies. (3) Please refer to appendix page for more detail.

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Analyst Price Target Analysis

Price target deltas and implied look-through value for Raven

Broker	Date	Target price [a]					Look-through offer based on Blackbird TP ($)
		Blackbird			Raven		
		Pre-offer (£)		Current (£)	Pre-offer ($)	Current ($)	
Credit Suisse	11-Nov-16	53.50 (Buy)	↓	51.75 (Buy)			59.01
Jefferies	09-Nov-16	60.00 (Buy)	↓	58.00 (Buy)	62.00 (Buy)	—	62.00 (Buy)	63.22
Morgan Stanley	02-Nov-16	51.00 (Hold)	↑	54.00 (Buy)	52.00 (Hold)	—	52.00 (Hold)	60.53
RBC	27-Oct-16	43.00 (Sell)	↑	44.00 (Sell)	54.00 (Buy)	—	54.00 (Buy)	53.79
SocGen	27-Oct-16	52.00 (Hold)	↑	54.00 (Buy)				60.53
Wells Fargo	27-Oct-16				55.00 (Buy)	—	55.00 (Buy)	
JP Morgan	25-Oct-16	54.20 (Buy)	—	54.20 (Buy)				60.66
BAML	24-Oct-16	58.00 (Buy)	—	58.00 (Buy)	55.00 (Buy)	—	55.00 (Buy)	63.22
BNP Paribas	24-Oct-16	49.00 (Hold)	↑	53.00 (Hold)				59.85
Citi	24-Oct-16	54.00 (Buy)	—	54.00 (Buy)	57.00 (Buy)	—	57.00 (Buy)	60.53
CLSA	24-Oct-16	51.00 (Sell)	—	51.00 (Sell)	52.00 (Buy)	↑↓	55.00 (Sell)	58.50
Cowen	23-Oct-16	48.40 (Hold)	↑	50.30 (Hold)	57.00 (Buy)	—	57.00 (Buy)	58.03
Barclays	21-Oct-16	49.75 (Hold)	↑	51.00 (Hold)	52.00 (Buy)	—	52.00 (Buy)	58.50
Berenberg	21-Oct-16	51.50 (Hold)	—	51.50 (Hold)	54.00 (Buy)	—	54.00 (Buy)	58.84
Cenkos	21-Oct-16	No TP (Buy)	—	No TP (Buy)				
SBG	21-Oct-16	49.25 (Hold)	↑	50.00 (Hold)				57.83
UBS	21-Oct-16	53.00 (Buy)	—	53.00 (Buy)	52.00 (Hold)	—	52.00 (Hold)	
Average		**51.84**		**52.52**	**54.73**		**55.00**	**59.50**
Δ to undisturbed [b]		7.9%		9.3%	16.0%		16.6%	26.1%

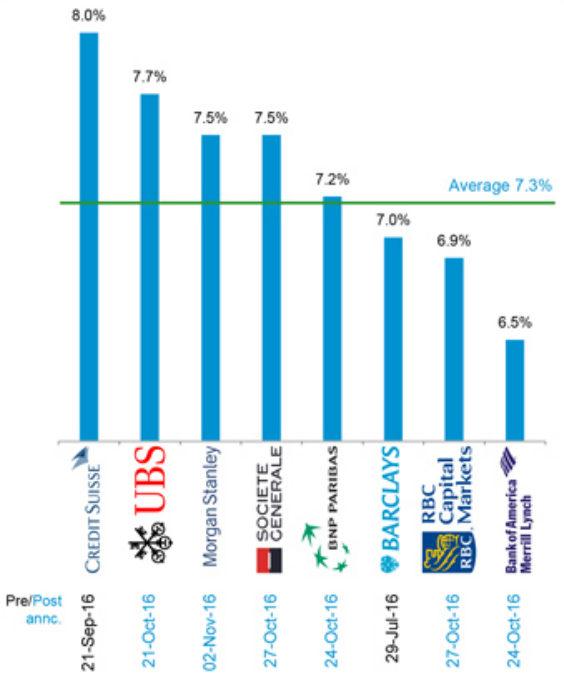
a) Arrows indicate change post offer announcement
b) Undisturbed pre-offer price (£48.03 for Blackbird, $47.17 for Raven)
Note: Look-through premium calculated as offer cash per share ($24.13) plus exchange ratio (0.5502) multiplied by Blackbird share price in USD
Source: Broker research

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Analyst ROIC and WACC Estimates

Analyst WACC Estimates



Selected analysts' ROIC commentary

RBC Capital Markets — 27-Oct-16

"Under the original offer…we estimate the deal would be 4.7% EPS enhancing and leave Blackbird with Net Debt/EBITDA of 3.1x, delivering an incremental ROIC post-synergies of 4.4%. Not exceptional, but adequate in our opinion."

citi — 24-Oct-16

"Because of the relatively high price paid, we estimate the deal is only very modestly EPS accretive, and the ROIC is low. …The ROIC on the deal is only about 4.5 - 5.5%."

BNP PARIBAS — 24-Oct-16

"Given the lack of overlap this was always likely to be a 'strategic' acquisition, and while we don't yet have all the detail that an agreed offer would entail we estimate that ROIC would not meet WACC until year 9."

BARCLAYS — 21-Oct-16

"Given the lack of overlap between the two businesses, cost synergies from a deal are likely to be limited to a "modest" $400m according to Blackbird. Using this, and the terms of Blackbird's current proposal as our Base Case, our merger model suggests the transaction would be 3.0% accretive to Blackbird earnings in F17E and delivery a ROIC of 6.1% in year 5."

Selected shareholder feedback

Shareholder 1	*"Transaction multiple is high, potentially delivering a lower than group average ROIC."*
Shareholder 2	*"Calculated ROIC of 5.2% in year 5 is not attractive."*
Shareholder 3	*"ROIC is stretched."*

Source: Broker research

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Blackbird ROIC Analysis (Based on Analyst Consensus)

Simple Outline of Blackbird's ROIC Analysis (at unaffected)

$m - December FYE	Y3 FY2019E	
Consensus EBITDA	7,217	*Selected analysts manual consensus as of November 10th 2016*
Impl. Consensus D&A	*154*	
Consensus EBIT	7,063	
Estimated Amortisation as % of D&A	*10%*	
Plus: Est. Amortisation	*16*	
EBITA	7,079	
58% of Acquired EBITA	**4,093**	
Illustrative Synergies	485	*$400m illustrative run-rate cost synergies plus expected savings from withholding tax on Raven associate income*
Implied PF EBITA Acquired	**4,578**	
Tax at Raven rate of 37.0%	*(1,694)*	
NOPAT	**2,884**	
Post-tax Cost to Achieve Synergies	252	*Assumes 1.0x cost to achieve*
Post-tax Illustrative Transaction Costs	315	*Taxed at Raven's assumed tax rate of 37%*
Enterprise Value Acquired	**54,377** (1)	
Total Invested Capital	**54,944**	
ROIC	**5.2%**	

Summary of EV Acquired (at unaffected)

Cash Offer / Share		**$24.13**
Blackbird Share Price (£)		£48.03
FX at unaffected date		*1.2250*
Blackbird Share Price ($)		$58.84
Exchange Ratio		0.5502x
Equity Offer / Share		**$32.37**
Current Offer Look-through Value		**$56.50**
Diluted Shares at Offer(1)		*831.1*
Offer Value ($m)		**46,955**
	100%	*58%*
Pension Deficit (post-tax) (2)	*1,467*	*848*
Est. Net Debt at Close ($m)	*11,368*	*6,573*
Enterprise Value Acquired ($m) (1)		**54,377**

Shareholders and Analysts Reactions

Shareholder 1: "Transaction multiple is high, potentially delivering a lower than group average ROIC"

Shareholder 2: "Calculated ROIC of 5.2% in year 5 is not attractive"

Shareholder 3: "ROIC is stretched"

citi: "the deal is only very modestly EPS accretive, and the ROIC is low" *(24-Oct-16)*

BNP PARIBAS: "we estimate that ROIC would not meet WACC until year 9. Given such a returns profile, some material EPS accretion would be a welcome offset" *(24-Oct-16)*

Source: FactSet; Assumes GBPUSD FX of 1.2250 per offer terms. Transaction assumed to close in Q2 2017. Note: ROIC analysis based on unaffected terms.
(1) 1,425.8m Raven shares per 10Q Q3 2016, plus estimated dilution impact of 6.6m RSUs, less 601.4m shares already owned by Blackbird per 28-Sep.-2016 F4 disclosure. (2) $2,237m long term retirement benefits as of September 2016, plus $91m current liability as of 2015 10K, after tax at assumed Raven tax rate of 37%.

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Blackbird ROIC Analysis (Based on Flight Model)

Simple Outline of Blackbird's ROIC Analysis (at unaffected)

Key assumptions

1. Offer Terms: $24.13 cash / share + 0.5502x Blackbird shares (ROIC analysis based on current prices look-through value)
2. Illustrative $500m run-rate cost synergies (50% in 2018, run-rate in 2019)
   - 1.0x cost to achieve
3. Raven assumed tax rate: 37%
4. Tax synergies from withholding tax on Raven associate income
5. Illustrative transaction costs of $500m
6. Raven estimated pension of liability of $2.3bn included on a post-tax basis (37% tax rate)
   - Constant FX of 1.2250 in forecast period

1 ROIC Analysis at Current Offer Terms

£m - December FYE	Y1 2017E	Y2 2018E	Y3 2019E	Y4 2020E	Y5 2021E	Y6 2022E
58% of Raven EBITA pre-synergies	*2,930*	*3,106*	*3,236*	*3,437*	*3,641*	*3,859*
Illustrative Synergies 2	*–*	*204*	*408*	*412*	*416*	*421*
EBITA (post synergies)	**2,930**	**3,310**	**3,644**	**3,850**	**4,057**	**4,279**
Unlevered tax (at Raven tax rate) 3	*(1,084)*	*(1,225)*	*(1,348)*	*(1,424)*	*(1,501)*	*(1,583)*
Illustrative Tax Synergies 4	*31*	*66*	*69*	*74*	*79*	*84*
Tax Savings on Expected Mgmt. Charges	*6*	*12*	*12*	*13*	*13*	*13*
NOPAT	**1,883**	**2,163**	**2,377**	**2,512**	**2,648**	**2,793**
Ill. Transaction / Financing Costs (Post-tax) 5	*257*	*257*	*257*	*257*	*257*	*257*
Ill. Cumulative Cost of Synergies (Post-tax)	*39*	*206*	*257*	*257*	*257*	*257*
Illustrative Cumul. Deal and Synergy Costs	*296*	*463*	*514*	*514*	*514*	*514*
Raven Equity Acquired (58%)	*38,332*	*38,332*	*38,332*	*38,332*	*38,332*	*38,332*
Raven Net Debt + Pension (58%) 6	*6,058*	*6,058*	*6,058*	*6,058*	*6,058*	*6,058*
Enterprise Valuation (58% of Raven)	*44,390*	*44,390*	*44,390*	*44,390*	*44,390*	*44,390*
Total Invested Capital	**44,686**	**44,853**	**44,905**	**44,905**	**44,905**	**44,905**
ROIC	**4.2%**	**4.8%**	**5.3%**	**5.6%**	**5.9%**	**6.2%**

Impact of $100m or less in synergies

Additional Cost Synergies ($m)	100.0
FX at unaffected date	*1.2250*
Additional Cost Synergies (£m)	81.6
Tax at Raven rate of 37.0%	*(30.2)*
Synergies post-tax (£m)	51.4
Aditional ROIC in Year 3 (2019)	**0.11%**
Addl. Syn. Equity Value at 5.3% (£m)	*971.5*
Raven DSO at Offer (m)	*831.1*
Value / Share from Addl. Synergies (£)	**1.17**
Value / Share from Addl. Synergies ($)	**1.43**

Source: FactSet; Note: ROIC analysis based on unaffected terms. Assumes GBPUSD FX of 1.2250 per offer terms. Transaction assumed to close in Q2 2017.

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Analysis of Potential Business Plan Sensitivities

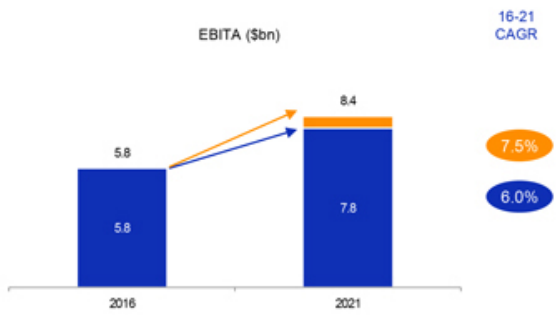
Potential sensitivities scenarios

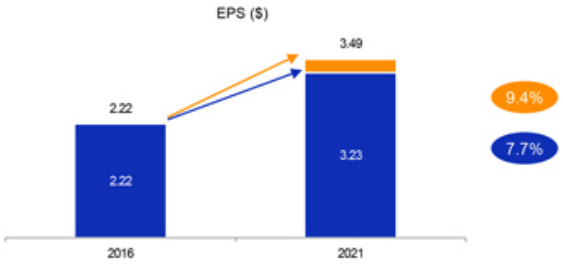
Upside	Description	9M to Sep-16 vs. Sep-15	Base	Potential Sensitivity	Average Δ
1 Industry volumes	Lower rate of decline	(1.8%)	Average industry volume decline (3.4)%	(2.5%)	+0.9%
2 Pricing	c.0.4% extra nominal retail pricing growth	c.5-7%[a]	Average NTO per mille growth 6.0%	6.9%	+0.9%
3 Margins	Reductions in COGS and SG&A	+3.9%	Average EBITA margin 50.9%	54.0%	+3.1% (24% SG&A)
4 Market share	Increases in Newport and NAS	+0.3%	Average total market share 35.0%	36.4%	+1.3%

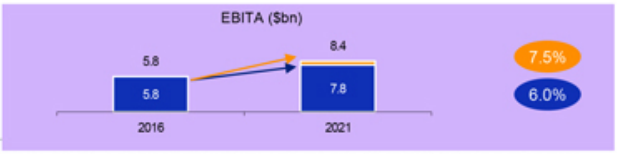
Base 17-21 avg. Upside 17-21 avg.

Upside	Description				
5 Blended	Combination of above	Industry vol decline p.a.	+30bps	EBITA margin	+1.2%
		NTO per mille growth p.a.	+30bps	Market share growth p.a.	+30bps

Impact on EBITA / EPS







(a) *CFO, Q3 Earnings Call 19-Oct-16: "What we've seen over the past couple of years is sort of 5% to 7% [pricing growth exc. mix impact] for our business, and I think that's right where we sit today."*

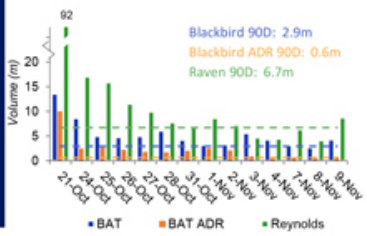
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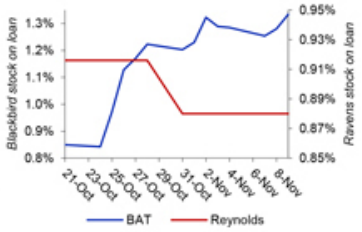
Drivers of the Share Price Post Announcement

Arb fund trading post announcement

Trading volumes

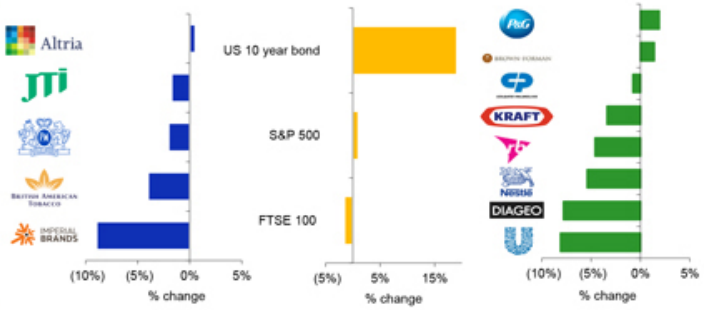


Stock on loan



- Trading volumes in Blackbird ordinary shares spiked on the day of announcement and remained very strong for two days, before moderating to be marginally higher than the 90 day average
- Marginal demand in the stock likely now driven by the bow wave of risk arbitrage and event driven money
- Disclosed short interest in Blackbird has steadily risen from 0.85% prior to announcement to 1.33% today, equating to increases in short position of 0.48% of ISC

Yields and broader staples performance



- Consumer Staples, as "bond like" equities, invariably benefit as bond yields move and investors hunt for yield, and vice versa
- Blackbird's closest peers and broader consumer peers have witnessed share price decline since Project Flight announcement, driven by the wider macroeconomic sentiment and bond yields
- Broader markets have been mixed over the same period (FTSE 100 -1.5%, S&P 500 +1.0%)

Shareholder views on "bump"

- While Blackbird investors are fully on board with strategic intent of acquisitions; shareholders have contacted us to be disciplined on approach
- Some negative price reaction has been driven by shareholder concerns on potential bump
- Any transaction would need to be beneficial to both shareholders

"Does not make sense for there to be a big bump; something close to the current offer."

"There is no need to be crazy with the price as there are no other buyers for RAI."

"Would be against increasing premium further than 20%."

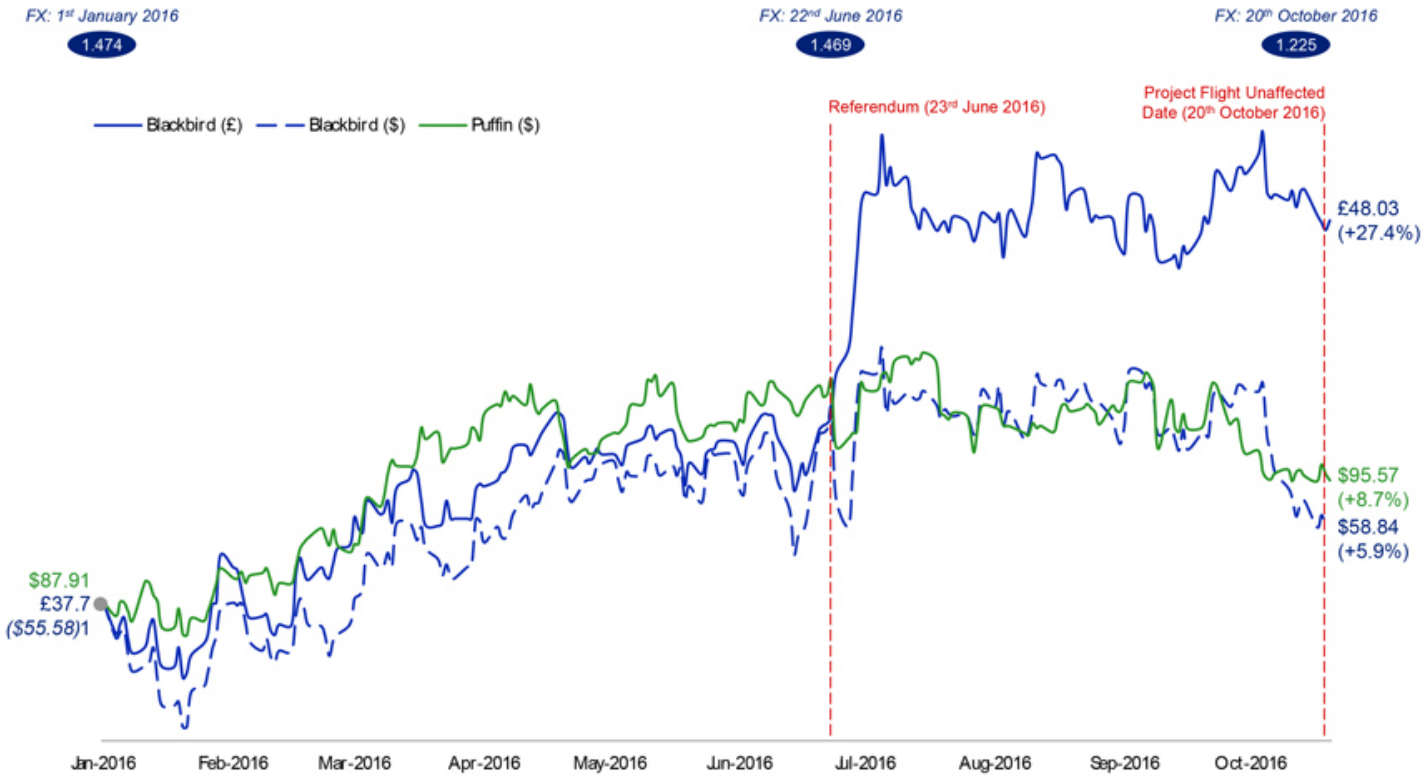
Source: Factset, DataStream
Note: Stock on loan data is delayed by T+2

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Limited FX Risk in Blackbird Shares Given Offset in Earnings

Blackbird has performed in-line with Puffin on a USD basis since EU Referendum



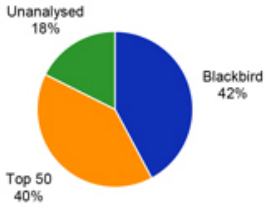
Source: FactSet.
Note: Blackbird and Puffin share prices indexed to 100 on the 1st of January 2016.

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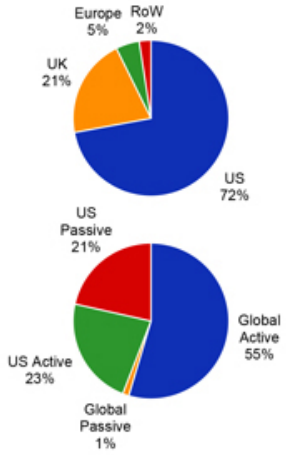
2C Flowback

Overview of Raven share register

Analysis of total Raven register



Analysis of top 50 Raven holders



Ability to hold Blackbird

Which holders can hold UK equity?

Global Active

— Global or International long only and hedge funds with broad investment mandates

— Focus is on income/growth rather than geography

— Assume minimal to no technical flowback from these funds

Global Passive

— Funds that track a global index of which Blackbird is a part, are able to hold UK paper

— Passive huggers are able to deviate "off-benchmark" within certain restrictions (e.g. no more than 20% of the fund)

— Ability to hold UK equity or ADRs minimises technical flowback

US Active

— Funds largely focused on domestic investments; i.e. do not hold equity investments outside of US (including ADRs)

— Whilst may go off benchmark similar to global passive, as a US mandate a holding in Blackbird is less natural

— Expect some technical selling pressure from these funds

US Passive

— Unable to hold international paper (including ADRs)

— Forced sellers once Raven ceases to form part of US indices

Source: Bloomberg

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Summary of top Raven top 20 shareholders

Raven current top 20

Rank	Institution	Type	Raven total holding	Raven free float holding	Free float analysed	Proportion analysed	Sub fund holdings: Hold international equity?	Sub fund holdings: Hold ADRs?	Sub fund holdings: Blackbird sub-fund holding	Proportion of forced sellers	Free float flowback
1	Capital	Global Active	4.8%	8.3%	8.1%	97%	✓	✓	✓	-	-
2	Vanguard	US Passive	4.4%	7.6%	7.6%	100%[a]	✓	✓	×	91.9%	7.0%
3	Invesco	Global Active	4.2%	7.3%	3.3%	45%	✓	✓	✓	8.6%	0.6%
4	Blackrock	US Active	3.3%	5.8%	5.3%	91%	✓	✓	✓	25.9%	1.5%
5	FMR	Global Active	2.3%	4.1%	4.1%	100%[a]	✓	✓	✓	19.8%	0.8%
6	State Street	US Passive	2.2%	3.8%	1.7%	45%	✓	×	×	98.1%	3.7%
7	BNY Mellon	Global Active	1.5%	2.6%	1.7%	65%	✓	✓	✓	8.9%	0.2%
8	JP Morgan Chase	US Active	1.1%	1.8%	1.3%	72%	✓	✓	✓	44.1%	0.8%
9	Bank of America	Global Active	1.1%	1.8%	1.8%	100%	×	✓	×	-	-
10	Federated	Global Active	0.8%	1.5%	1.0%	65%	✓	✓	×	0.2%	0.0%
11	Franklin Mutual	Global Active	0.8%	1.5%	1.4%	93%	✓	✓	✓	1.2%	0.0%
12	Woodford	Global Active	0.7%	1.1%	1.1%	100%	✓	×	×	-	-
13	Capita/Woodford EI	Global Active	0.6%	1.1%	1.1%	100%	✓	✓	✓	-	-
14	Evercore	US Active	0.6%	1.1%	1.1%	100%	×	×	×	100.0%	1.1%
15	Janus	US Active	0.6%	1.1%	1.1%	100%[a]	✓	×	✓	99.1%	1.1%
16	Northern Trust	US Passive	0.6%	1.1%	0.1%	5%	✓	×	✓	93.4%	1.0%
17	Vontobel	Global Active	0.5%	0.9%	0.5%	53%	✓	✓	✓	24.8%	0.2%
18	TIAA-Cref	Global Active	0.5%	0.9%	0.9%	100%[a]	✓	✓	×	25.4%	0.2%
19	UBS	US Active	0.5%	0.9%	0.2%	27%	✓	✓	✓	33.9%	0.3%
20	Wells Fargo	US Passive	0.5%	0.8%	0.1%	18%	✓	✓	✓	30.1%	0.2%
	Holders 1-20			54.9%	43.3%	78.9%				34.2%	18.8%
	Holders 21-50			14.6%	10.4%	71.3%				27.5%	4.0%
	Top 50 total			**69.5%**	**53.7%**	**77.3%**				**32.8%**	**22.8%**
	Holders 51 -			30.5%	n/a	n/a				27.5%	8.4%
	Total			**100%**	**53.7%**	**53.7%**				**31.2%**	**31.2%**

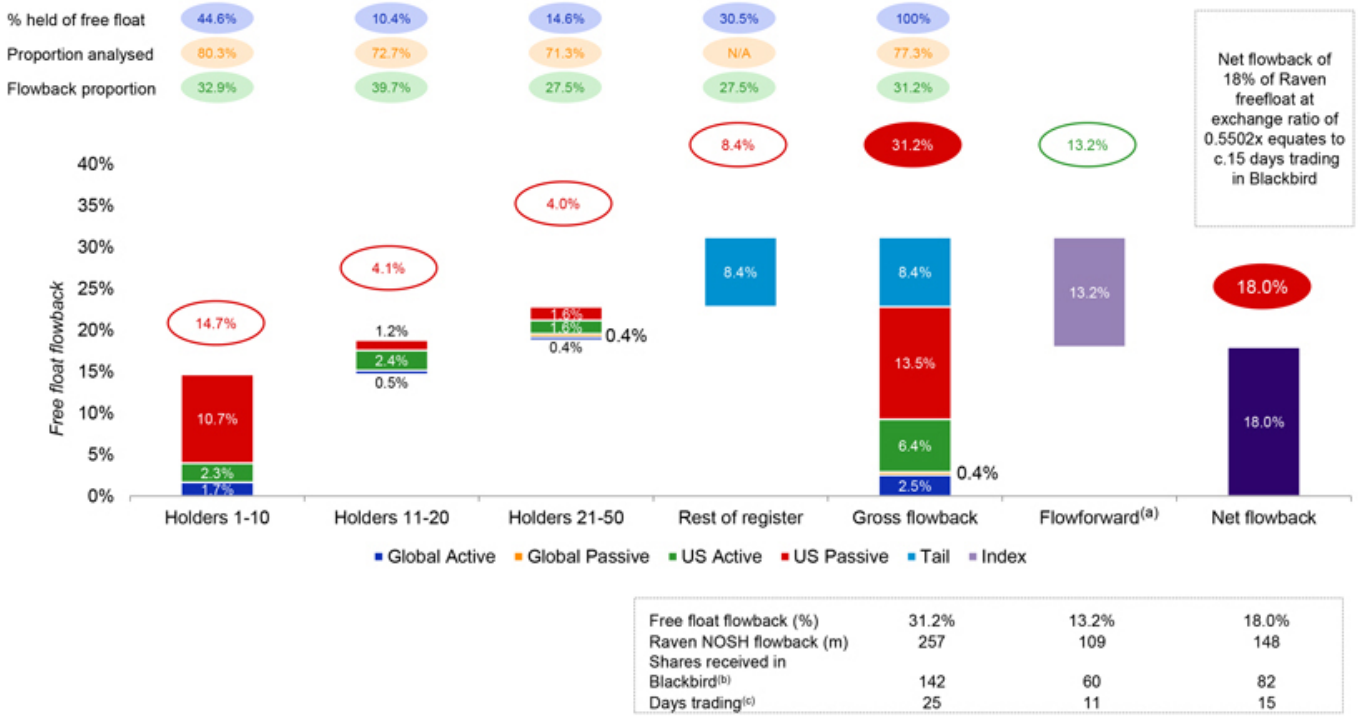
(a) – owing to discrepancies in the available public data from Bloomberg, the sub-fund positions analysed sum to greater than 100% of the stated institutional holding
Source: Bloomberg

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Summary of Flowback Analysis

Flowback waterfall



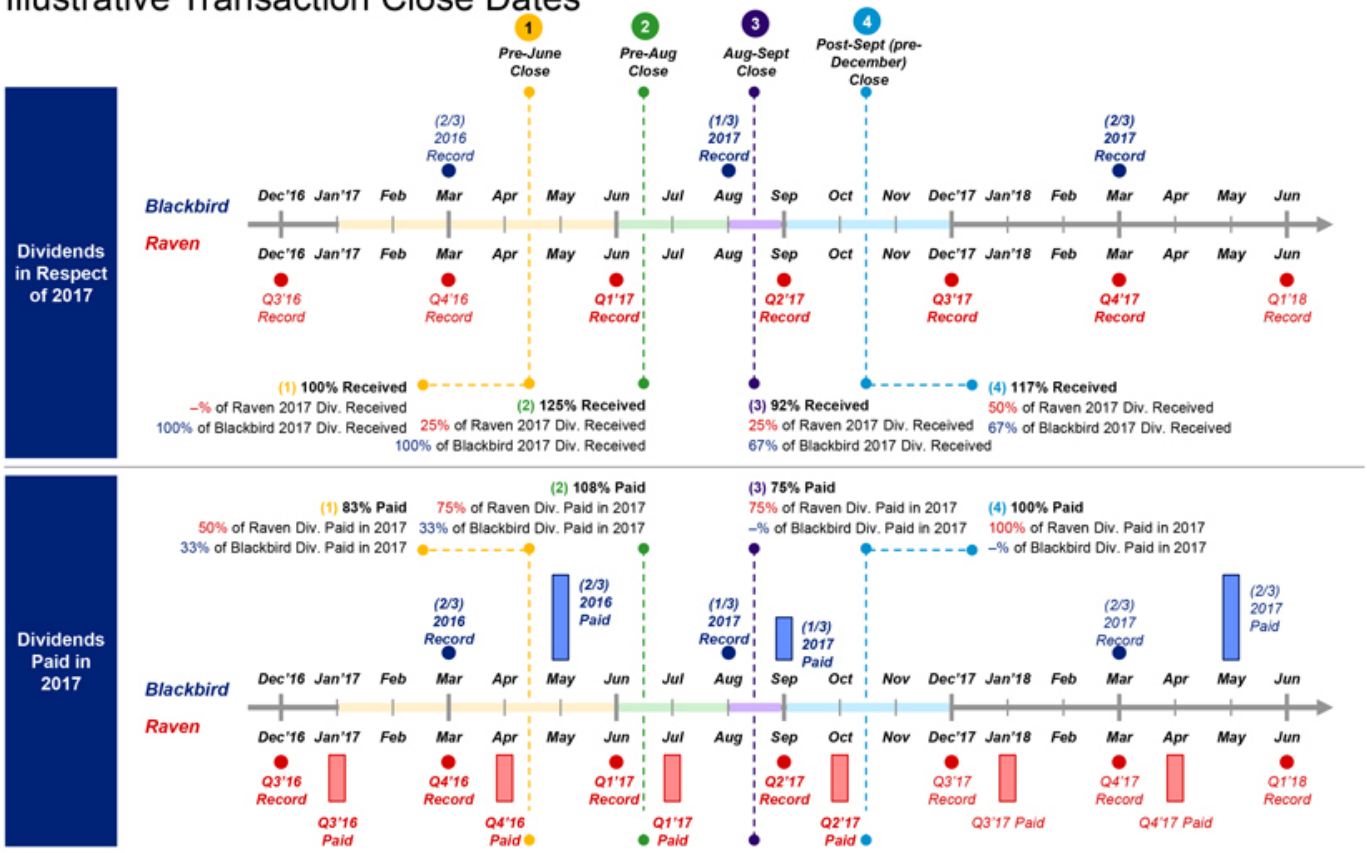
Free float flowback (%)	31.2%	13.2%	18.0%
Raven NOSH flowback (m)	257	109	148
Shares received in Blackbird(b)	142	60	82
Days trading(c)	25	11	15

(a) index take-up assumed to be 13.2% (Blackbird's current total index holding)
(b) based on exchange ratio of 0.5502x
(c) average total daily trading in Blackbird on Tier 1 exchanges including SA of 5.59 million shares
Source: Bloomberg, Sharetrak

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Overview of Raven and Blackbird BAU Dividend Timing and Implications of Illustrative Transaction Close Dates



Note: Based on public filings and analyst consensus dividend per share estimates.

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Summary Overview of Value Implications at Various Transaction Close Dates

Dividends in Respect of 2017

	(1) Illus. Pre-June Close	(2) Illus. Pre-Aug Close	(3) Illus. Aug-Sep Close	(4) Illus. Post-Sep Close
Blackbird and Raven Aligned?	✓	×	×	×
At Close				
% Blackbird Shareholders Have Received	–%	–%	33%	50%
% Raven Shareholders Have Received (A)	–%	25%	25%	67%
Post-Close				
% Raven Shareholders to Receive from Blackbird (B)	100%	100%	67%	50%
Total % Raven Shareholders Has Received in Respect of 2017 (A)+(B)	**100%**	**125%**	**92%**	**117%**
Total Dividends to Raven Share Holders - $ / Share	1.23	1.74	1.33	1.83
Total Dividends to Raven Share Holders - $mm	1,022	1,444	1,103	1,525
Total Dividends to Raven Share Holders - $ / Share (if adjusted to 100%)	1.23	1.43	1.43	1.63
Total Dividends to Raven Share Holders - $mm (if adjusted to 100%)	1,022	1,188	1,188	1,355
Lower / (Higher) Payment to BAU - $ / Share	***$–***	***+$0.31***	***($0.10)***	***+$0.20***
Lower / (Higher) Payment to BAU - $mm	***$–***	***+$256***	***($85)***	***+$170***

Dividends Paid in 2017

	(1) Illus. Pre-June Close	(2) Illus. Pre-Aug Close	(3) Illus. Aug-Sep Close	(4) Illus. Post-Sep Close
Blackbird and Raven Aligned?	×	×	×	✓
At Close				
% Blackbird Shareholders Have Received	67%	67%	100%	100%
% Raven Shareholders Have Received (A)	50%	75%	75%	100%
Post-Close				
% Raven Shareholders to Receive from Blackbird (B)	33%	33%	–%	–%
Total % Raven Shareholders Has Received in 2017 (A)+(B)	**83%**	**108%**	**75%**	**100%**
Total Dividends to Raven Share Holders - $ / Share	1.33	1.84	1.43	1.94
Total Dividends to Raven Share Holders - $mm	1,105	1,527	1,186	1,608
Total Dividends to Raven Share Holders - $ / Share (if adjusted to 100%)	1.53	1.73	1.73	1.94
Total Dividends to Raven Share Holders - $mm (if adjusted to 100%)	1,276	1,442	1,442	1,608
Lower / (Higher) Payment to BAU - $ / Share	***($0.20)***	***+$0.10***	***($0.31)***	***$–***
Lower / (Higher) Payment to BAU - $mm	***($170)***	***+$85***	***($256)***	***$–***

Note: Based on public filings and analyst consensus dividend per share estimates.

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Appendix

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Raven's Unaffected Price Includes Value From Bid Speculation

Consistent Speculation and Rumours of Potential Consolidation

"As part of the agreement between the organizations, a 10-year standstill agreement was initiated, which, in simplest terms, restricted Blackbird from purchasing shares of Raven that would move the ownership level above the 42% level. At the end of July, this 10-year standstill will expire, effectively allowing Blackbird to, if they so desire, purchase shares of Raven in the market. As a result, some on **the Street have begun to ask whether this could result in a larger transaction between the two companies**"

Barclays, 11th February 2014

"Expiration of the **standstill will gain attention** but we do not see why any material change would make sense (despite the fact that a debt-financed acquisition of the 58% public stake would be ~7% accretive to Blackbird's EPS)…An acquisition would be **unlikely to generate material cost synergies**"

Morgan Stanley, 13th February 2014

"Raven rumored to be making a bid for Lapwing – we continue to view a combination as likely but question timing. Also, there has been **speculation that Blackbird, which currently owns ~42% of Raven's stock, could take a majority stake in Raven** after the standstill ends in July 2014"

Wells Fargo, 3rd March 2014

"Having reviewed Blackbird's strategic options, we conclude that it is **quite likely (say, 50-50) that Blackbird goes for Option 1, and does buy the rest of Raven fairly soon**, because we think there are now arguments that make the acquisition strategically advantageous that didn't exist previously"

Citi, 10th March 2014

"She [SC] is also known for her savvy integration during key M&A transactions. This last point makes for interesting dialogue given the recent Financial Times article regarding a potential Raven bid for Lapwing or **ongoing investor expectations that Blackbird might want to have a larger stake in Raven**"

RBC, 16th April 2014

"Blackbird has hired a team of heavyweight bankers that handled its recent purchase of a stake in Raven, **fueling speculation it is mulling a full takeover of the US company [Raven].**

The Sunday Telegraph, 5th March 2016

Analyst Speculation Around a Potential Takeout Valuation

Upside price target reflects potential Blackbird purchase of Raven: "[13x 2017e pro-forma EV/EBITDA] reflects greater than expected EPS accretion in 2016 from the Lapwing transaction of ~10% and/or a **potential Blackbird purchase of Raven**"

Morgan Stanley, 29th July 2015

"At some point, as we have written on in the past, **we think Blackbird buys the remaining 58% of Raven** that it does not currently own, as has been discussed in the media (Reuters, Bloomberg, Daily Mail and FT Alphaville) but unconfirmed by the companies. This could occur in either one transaction or over time to preserve Blackbird's balance sheet strength"

Wells Fargo, 30th March 2016

"Probability of **Blackbird acquiring Raven remains elevated in our view**"

Wells Fargo, 11th February 2016

M&A value included in Goldman Price Target for Raven (prior to suspension given potential advisory position): "We maintain our 12-month price target of $54, based on a blend of 20.5X forward P/E (unchanged) [85% weight] and **12.4X 12-24month EV/EBITDA (M&A value, unchanged) [15% weight]**"

Goldman Sachs, 16th March 2016

"Raven isn't exactly cheap, trading on 22x earnings. The back of our fag packet suggests that acquiring the remaining 58% of Raven at a **30% premium** would cost Blackbird just over £39bn"

Jefferies, 7th March 2016

"Our upside case of $65 assumes a Blackbird takeout of the remaining 58% stake in Raven. While we believe the possibility of the takeout happening in the near term is remote, **we do acknowledge that Blackbird ultimately acquiring Raven is likely**"

RBC, 20th October 2016

Source: Research analysts and news articles.

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Lapwing Multiple Adjusted for Current Financing Environment

Lapwing acquisition equity value adjusted using Raven and Albatross share prices correlation with 10-year treasury yields and current 10-year treasury yield

Lapwing Consideration Summary

Equity Value	24.8
Cash	(1.0)
Debt	3.6
Enterprise Value	**$27.4**
LTM EBITDA	2.1
Implied EV/EBITDA	**13.1x**

Illustrative Adjusted Multiple

U.S. Rate change post Lapwing close to unaffected date:	22.5%
Average of Albatross and Raven share price correlation to rates over 5-years pre-Lapwing unaffected date	0.67
Impl. impact on Lapwing Equity Value	**15.1%**

Equity Value	28.6
Cash	(1.0)
Debt	3.6
Enterprise Value	**$31.2**
LTM EBITDA	2.1
Implied EV/EBITDA	**14.9x**

Source: FactSet as of 8 November 2016.

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Analyst Transaction Financial Effects Commentary

Broker	Date	Estimated offer price	Transaction financial effects estimate (on current offer price)	Transaction ROIC estimate (on current offer price)	Cost of debt estimate	Synergy estimate	Rebuttal vs. estimate
Morgan Stanley	02-Nov-16	n.a.	6.5% accretive in year 1		2.5% (implied)	$400m	
RBC	27-Oct-16	$59.00[a]	4.7% accretive in year 1	4.1% excl. synergies, 4.4% incl. synergies		$400m	– Lowest analyst view on Blackbird and undervalues the potential benefit of the equity component of the offer and the sharing of the potential upside of the combined company
Societe Generale	27-Oct-16	n.a.	6% accretive in year 1		2.0%	$400m	– Aggressive financing cost assumption
Wells Fargo	27-Oct-16	$60.00[b]				$500m	– Relies on $100m extra synergies – Standalone Raven valuation ($55 per share) towards upper end of analyst range – Assumes revenue synergies in NGP – Relies on Raven best-in-class R&D
JP Morgan	25-Oct-16	$59.00[c]	4% accretive in year 1	ROIC to cover current WACC by 2020	2.75%	$400m	– Analysis based on aggressive cost of financing assumption (2.75%) – Assumption that the full quantum of transaction debt could be put in US entity needs to be validated
BAML	24-Oct-16	n.a.	7% accretive in year 1		2.7%	$400m	
BNP Paribas	24-Oct-16	n.a.	4% accretive in year 1, 6% in year 3	ROIC would not meet WACC until year 9, 5.7% 2020, 6.3% 2022		$400m	
Citi	24-Oct-16	"Few dollars higher"	3% in 2018, 6% in 2019	5.5% in 2020	2.5%	$400m 'high'	– Aggressive financing cost assumption
CLSA	24-Oct-16	$56.50[d]	1 – 2% accretive in year 1			$400m	

a) 'Fair value' for Raven based on $400m synergies and WACC of 6.9%
b) Assumed "sweetened offer"
c) Expected final offer price
d) Blackbird "does not seem inclined to raise its offer price" – however could adjust to maintain $56.50 value given share price move
Note: Estimated offer price only included if explicitly mentioned in broker report, not implied based on any sensitivities shown.
Kd: Cost of debt
Source: Broker research

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Analyst Transaction Financial Effects Commentary

Broker	Date	Estimated offer price	Transaction financial effects estimate (on current offer price)	Transaction ROIC estimate (on current offer price)	Cost of debt estimate	Synergy estimate	Rebuttal vs. estimate
Cowen	23-Oct-16	$62.00[a]	8.5% accretive in 2018, 10.1% if Raven's debt refinanced		3.0%	$400m	– Analysis does not factor in correct tax rates and leverage metrics misses assumed Raven debt – Analysis assumes refinancing of Raven existing debt which, while helping to bump future year accretion, will require significant upfront premium which would be NPV negative
Barclays	21-Oct-16	n.a.	3% accretive in 2017	6.1% in year 5 (FY2022)	3.0%	$400m	
Berenberg	21-Oct-16	n.a.	5% accretive in 2017		2.0%	$400m	– Aggressive financing cost assumption
Cenkos	21-Oct-16	n.a.	5% accretive in 2018		5.0%	$400m	– Too conservative assumption on financing cost – Details not disclosed on how accretion number achieved given high financing cost
Credit Suisse	21-Oct-16	n.a.	Mid-single-digit accretive incl. synergies		3.0%	$400m	
Jefferies	21-Oct-16	n.a.	5% accretive in year 1			$400m	– Valuation based on P/E multiple which is c.-1.0x higher than high for Albatross and Raven since Lapwing transaction – Given similar EPS growth profile we believe P/E premium to Blackbird is not justified – If Jefferies target for Raven used, offer price should be looked through using target price for Blackbird
SBG	21-Oct-16	n.a.	5% accretive in 2017		2.8%	$400m	
UBS	21-Oct-16	n.a.				$400m	

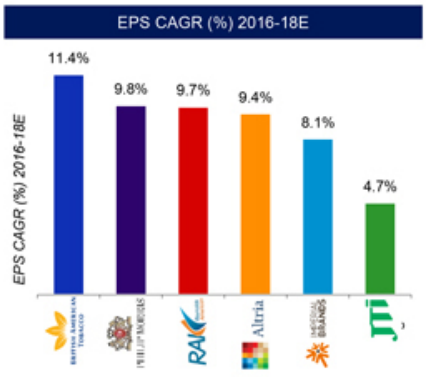
a) Expected final offer price of $62
Note: Estimated offer price only included if explicitly mentioned in broker report, not implied based on any sensitivities shown.
Kd: Cost of debt
Source: Broker research

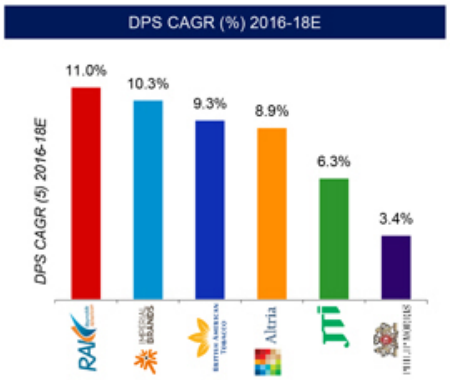
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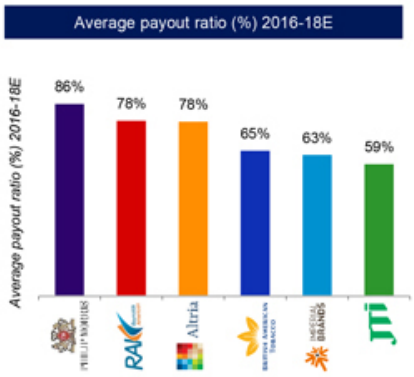
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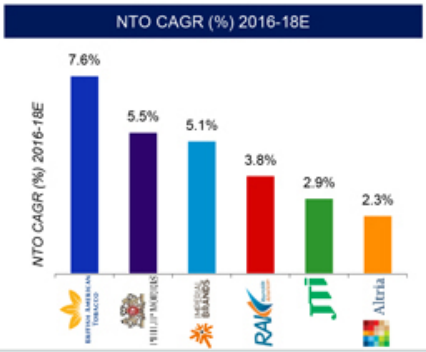
Forecast Performance Overview

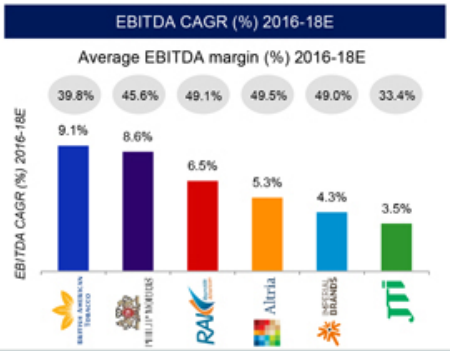
Shareholder and Growth Metrics (based on FactSet consensus)

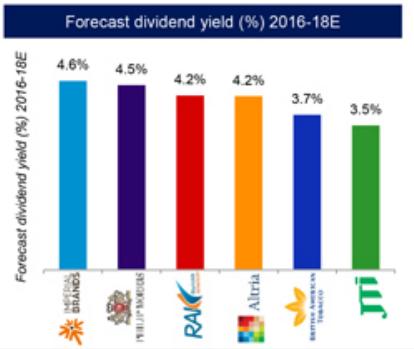












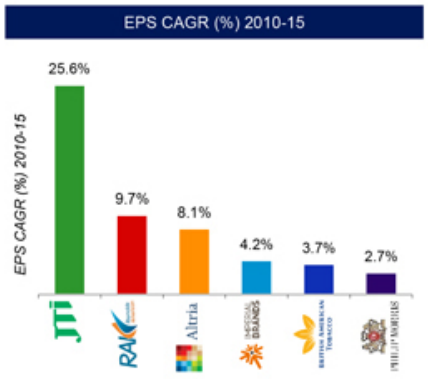
(a) Based on unaffected share price as of 20 October 2016
Source: Company information, FactSet as of 27 October 2016

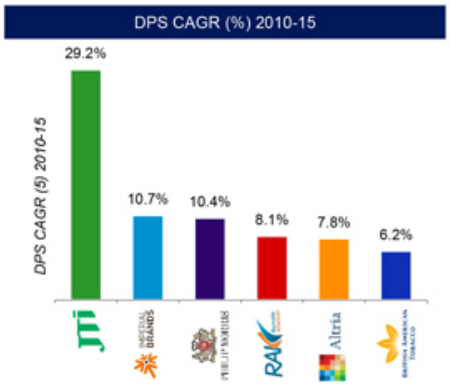
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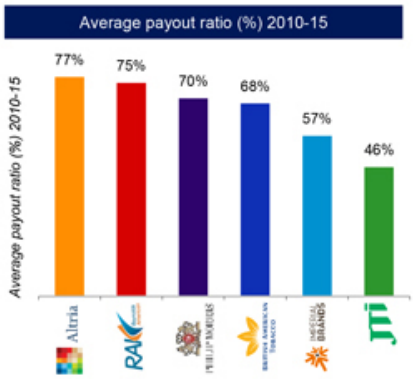
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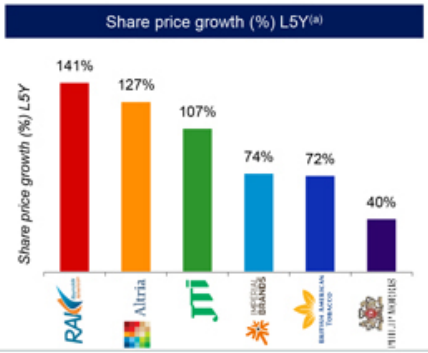
Historical Performance Overview

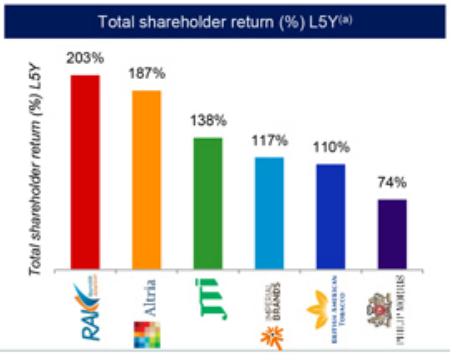
Shareholder Metrics

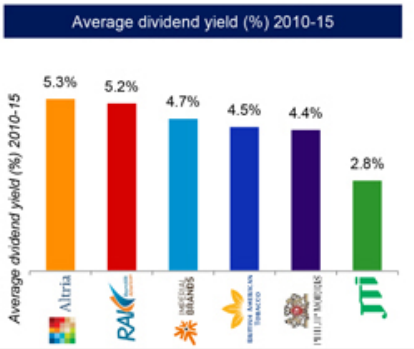












(a) Based on unaffected share price as of 20 October 2016
Source: Company information, FactSet as of 27 October 2016

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Implications on Value under BAU at Various Transaction Close Dates

Dividends in Respect of 2017

	(2) Illus. Pre-August Close				(3) Illus. August-September Close				(4) Illus. Post-September Close			
	Receive?	*% BAU*	*£*	*$*	*Receive?*	*% BAU*	*£*	*$*	*Receive?*	*% BAU*	*£*	*$*
Raven Dividends												
Q1'17 Dividend (Dec. May-17 / Rec. Jun-17)	✓	25%		0.51	✓	25%		0.51	✓	25%		0.51
Q2'17 Dividend (Dec. Jul-17 / Rec. Sep-17)	×	–%		–	×	–%		–	✓	25%		0.51
Q3'17 Dividend (Dec. Dec-17 / Rec. Dec-17)	×	–%		–	×	–%		–	×	–%		–
Q4'17 Dividend (Dec. Feb-18 / Rec. Mar-18)	×	–%		–	×	–%		–	×	–%		–
Raven Dividends in Respect of 2017 (A)		**25%**		**0.51**		**25%**		**0.51**		**50%**		**1.02**
Memo: Implied Cash to 831mm (58%) Shares from Raven ($mm)				*$422*				*$422*				*$844*
Blackbird Dividends												
1/3 2017 Dividend (Dec. Jul-17 / Rec. Aug-17)	✓	33%	0.61	0.75	×	–%	–	–	×	–%	–	–
2/3 2017 Dividend (Dec. Feb-18 / Rec. Mar-18)	✓	67%	1.22	1.49	✓	67%	1.22	1.49	✓	67%	1.22	1.49
Total Blackbird 2017 DPS on Record		**100%**	**1.82**	**2.24**		**67%**	**1.22**	**1.49**		**67%**	**1.22**	**1.49**
Adj. from per Blackbird Share to per Raven Share (Exchange Ratio)			0.5502	0.5502			0.5502	0.5502			0.5502	0.5502
Blackbird Dividends in Respect of 2017 (B)		**100%**	**1.00**	**1.23**		**67%**	**0.67**	**0.82**		**67%**	**0.67**	**0.82**
Memo: Implied Cash to 831mm (58%) Shares from Blackbird ($mm)				*$1,022*				*$681*				*$681*
Total Dividends to Raven Shareholders in Respect of 2017 (A)+(B)		**125%**		**1.74**		**92%**		**1.33**		**117%**		**1.83**
Memo: Implied Cash to 831mm (58%) Shares ($mm)				*$1,444*				*$1,103*				*$1,525*
Surplus / (Shortage) to Model[1]				*+$98*				*($243)*				*+$179*

Dividends Paid in 2017

	(2) Illus. Pre-August Close				(3) Illus. August-September Close				(4) Illus. Post-September Close			
	Paid?	*% BAU*	*£*	*$*	*Paid?*	*% BAU*	*£*	*$*	*Paid?*	*% BAU*	*£*	*$*
Raven Dividends												
Q3'16 Dividend (Rec. Dec-16 / Paid Jan-17)	✓	25%		0.46	✓	25%		0.46	✓	25%		0.46
Q4'16 Dividend (Rec. Mar-17 / Paid Apr-17)	✓	25%		0.46	✓	25%		0.46	✓	25%		0.46
Q1'17 Dividend (Rec. Jun-17 / Paid Jul-17)	✓	25%		0.51	✓	25%		0.51	✓	25%		0.51
Q2'17 Dividend (Rec. Sep-17 / Paid Oct-18)	×	–%		–	×	–%		–	✓	25%		0.51
Raven Dividends Paid in 2017 (A)		**75%**		**1.43**		**75%**		**1.43**		**100%**		**1.94**
Memo: Implied Cash to 831mm (58%) Shares from Raven ($mm)				*$1,186*				*$1,186*				*$1,608*
Blackbird Dividends												
2/3 2016 Dividend (Rec. Mar-17 / Paid May-17)	✓	–%	–	–	×	–%	–	–	×	–%	–	–
1/3 2017 Dividend (Rec. Aug-17 / Paid Sep-17)	✓	33%	0.61	0.75	×	–%	–	–	×	–%	–	–
Total Blackbird DPS Paid in 2017		**33%**	**0.61**	**0.75**		**–%**	–	–		**–%**	–	–
Adj. from per Blackbird Share to per Raven Share (Exchange Ratio)			0.5502	0.5502			0.5502	0.5502			0.5502	0.5502
Blackbird Dividends Paid in 2017 (B)		**33%**	**0.33**	**0.41**		**–%**	–	–		**–%**	–	–
Memo: Implied Cash to 831mm (58%) Shares from Blackbird ($mm)				*$341*				*$–*				*$–*
Total Dividends Paid to Raven Shareholders in 2017 (A)+(B)		**108%**		**1.84**		**75%**		**1.43**		**100%**		**1.94**
Memo: Implied Cash to 831mm (58%) Shares ($mm)				*$1,527*				*$1,186*				*$1,608*
Surplus / (Shortage) to Model[1]				*+$39*				*($301)*				*+$120*

(1) Based on dividend payment of $1,346m ($1.62 per share) in respect of 2017 and dividend payment of $1,488m ($1.79 per share) in 2017.

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Flowback Materials

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Agenda

1. Understanding the Raven register
2. Flowback and shareholder vote
3. Timetable / phases of the transaction

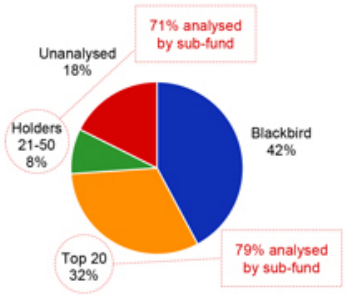
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Register analysis methodology

Bottom up analysis

- Bottom-up approach to Raven register analysis, sourced from Bloomberg which includes 13F filings in addition to Bloomberg's direct mutual fund sources
  - Institution level holding reliable, provides reasonable composition of full register (c.97% of FF)
  - Sub-fund level data more sporadic, covering only a proportion of each institution's holding, data increasingly unreliable further down the register
  - Sub-fund data below Top 50 holdings highly unreliable or unavailable
  - For Top 20 holders of Raven, we have been able to analyse 79% of each institution's holding by sub-fund. This figure drops to 71% for shareholders 21-50
  - As limited sub-fund data is available for Raven holders below Top 50, we have made an assumption on the composition of the balance of the register, which recognises that
    - index or passive holders are ordinarily confined to higher up; and
    - smaller holders are often US domestic focused and unnatural holders of UK paper

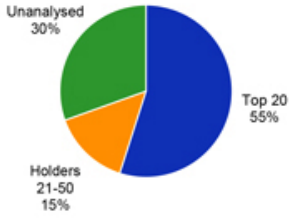
Full Raven register – free float analysed



Global v Domestic

- For each sub-fund we assess type by analysing existing international holdings (both Equities and ADRs) and reference benchmark
  - Global – able to hold international equities and/or ADRs
    - Index funds that track international indices that Blackbird may well be part of
    - Quasi-passive funds that are benchmarked to international indexes but have capacity within mandate to hold stocks "off-benchmark"
    - Active holders, some of whom already own Blackbird
  - Domestic – unable to hold international equities or ADRs
    - Can be domiciled in US or elsewhere, but closely benchmark or track domestic indices only and hold no international equities or ADRs

% Raven free float analysed



Source: Bloomberg

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Register analysis methodology (continued)

Expected technical flowback

- In calculating expected technical flowback, we assess the proportion of analysed sub-funds we believe would be forced sellers of Blackbird equity
- Figure is then extrapolated over the entire institution's holding, providing an approximate level of expected forced selling
- For Raven holders below Top 50, where sub-fund analysis is not possible, we make an assumption on the overall level of flowback
  - As index holders are largely contained at the top of the register, and smaller holders can often be domestic focused, we extrapolate the proportion of expected technical flowback from shareholders 21-50, as a representation of the balance of the register, over the tail
- In addition to technical flowback from those funds unable to hold Blackbird equity, we have also assessed large cross-holdings to assess the risk of forced selling from overweight positions where combined holding concentration could be too high for sub-fund mandates
  - Capital (Income Fund of America & American Capital Income Builder), Invesco UK High Income, Woodford Equity Income and Government Pension Investment Fund of Japan all have existing positions in Blackbird > 0.5% of total ISC and therefore sizeable cross-holding
  - We believe only Invesco UK High Income may experience technical mandate pressure as holdings in Raven and Blackbird are the two largest positions in the fund and over 10% in total, however fund manager Mark Barnett may be able to reallocate holdings to alternative mandates within the very sizeable organisation

Flowforward

- Level of flowback is mitigated to a certain extent by flowforward from index/passive trackers of indices of which Blackbird is a part
  - Increased weighting of the enlarged Blackbird in those indices creates technical buying demand
- The approximate total index holding of Blackbird is 13.2% as sourced from the company share register, flowback will therefore be offset by 13.2% of the freefloat of Raven flowing-forward given the equivalent increased weighting of Blackbird in indexes tracked

Vote Risk

- Whilst each individual institution's view of the transaction may be influenced by their ability (or inability) to hold Blackbird stock, they have a fiduciary duty to assess each corporate action on its merits
  - If Raven's share price does not trade up on the deal announcement (either due to a premium in the offer or due to deal value being capitalised in Blackbird's share price and thereby increasing the offer value to Raven shareholders) then the level of technical flowback may be a reasonable approximation of minimum vote risk. This is because forced sellers would be unable to realise value
- Although it is not possible to analyse the register by sub-fund below Top 50, from a vote perspective smaller holders can be more inclined to rely on external proxy research recommendations from advisory agencies such as ISS, PIRC and Glass-Lewis

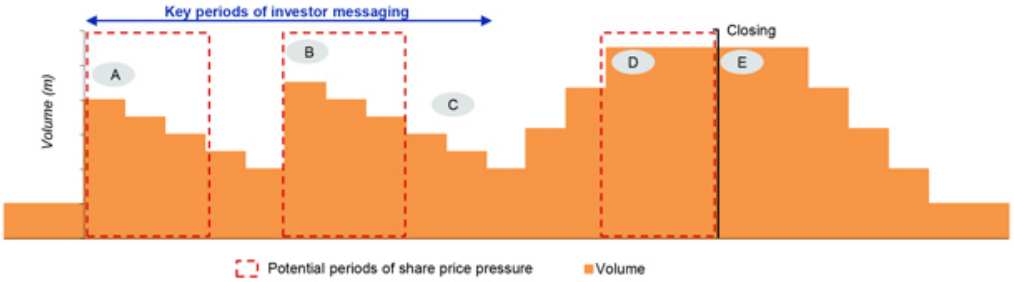
Source: Bloomberg, Sharetrak

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Illustrative assessment of flowback timing

- Our experience suggests that cross border offers typically exhibit volume characteristics similar to those highlighted here
- There are usually two principal phases of technical flowback (announcement of agreed deal and completion) and both have different drivers
- Share price (and therefore offer value) can be volatile as a result of the impact of flowback

Illustrative trading pattern



A – Announcement of approach	B – Announcement of agreed deal	C – After announcement	D – Near closing (close to shareholder vote)	E – Closing (post shareholder vote)
– Blackbird **price under pressure** initially – Risk can be mitigated through careful messaging around being disciplined on value – Volumes higher than usual although, investors and arbitrage funds likely await more certainty	– Blackbird **price may come under pressure in initial days** while market digests the deal terms although heavily dependent on investors' initial perception of value – Investor roadshow commences – Volumes high during this time as arbitrage funds buy Raven and sell short Blackbird in anticipation of flowback	– After any initial price pressure and exceptional volumes, marketing efforts and roadshows should create a **positive share price momentum** driven by deal benefits – Volumes fall to more normal levels – This will continue until regulatory clearances are received and market can ascertain likely result of shareholder votes	– **Real flowback** begins as deal certainty increases – Volumes high and price volatile – Refreshed investor campaign – Arbitrage funds who took short positions in Blackbird in period A use flowback to close their positions – Selling pressure partially absorbed by demand from active investors supportive of deal	– On closing, Raven index holders will sell and other flowback not already traded will take place – Blackbird index buyers will now participate (flowforward) – Volumes fall to **normal trading levels** and enlarged group is valued on fundamentals
Level of flowback				

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Exhibit (c)(5)

[STRICTLY CONFIDENTIAL]

Discussion Materials

21 November 2016

CENTERVIEW PARTNERS Deutsche Bank

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Executive Summary

A ***BAT offer gives Reynolds shareholders the benefit of Lorillard and reflects changing operating and valuation environment***

1. Proposal provides Reynolds shareholders full benefit of Lorillard plus a premium
2. Fading earnings momentum reflected in Reynolds' recent share price
3. Reynolds' relative P/E was above long-term average
4. Timing advantageous for Reynolds with forecast rising bond yields
5. Reynolds' unaffected price includes value from bid speculation
6. Analyst price targets being reassessed at time of approach
7. Analysts with highest target prices for Reynolds are also positive about BAT value which benefits Reynolds shareholders
8. Altria is not an appropriate metric for deriving the hypothetical undisturbed share price ("HUSP")
9. Using US Consumer index derives a HUSP of $44.69
10. BAT share price impacted by merger-arb trading with an unaffected share price of £45.25 based on UK consumer index which excludes positive deal and Q3 impact
11. At unaffected share prices (HUSPs) premium is 27%

B ***Compelling value reflecting both stand-alone prospects and transaction effects***

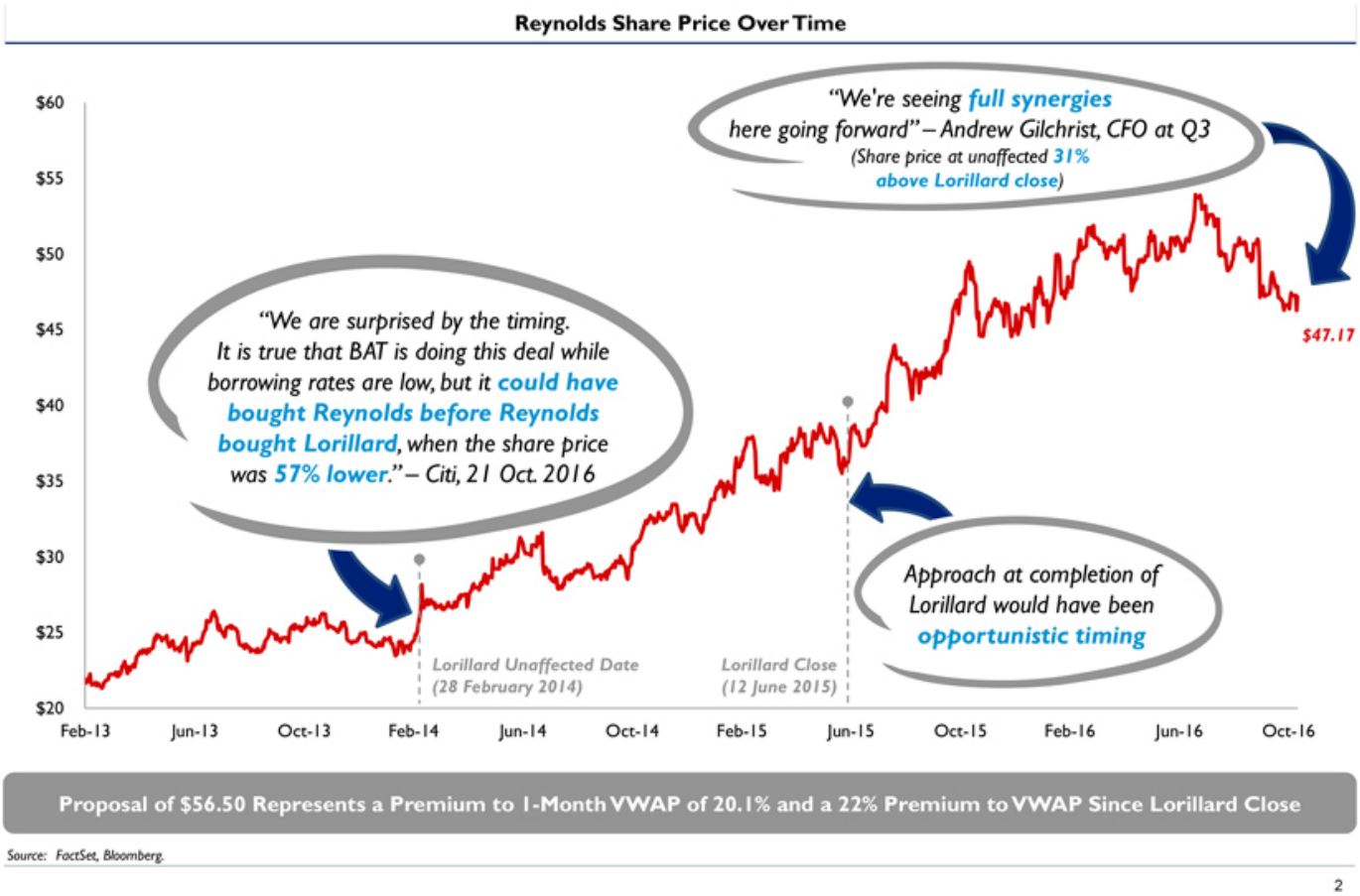
1. The proposal represents the highest multiple paid for a developed market tobacco company
2. The proposal pays more than 100% of synergy value to Reynolds shareholders
3. Market perception that ROIC is challenged

C ***Transaction effects have to be sustainable long-term and based on known, robust and quantifiable assumptions***

1. Tax structure is sustainable and provides efficient post-tax funding cost
2. Stretching synergy case requires ratification by Reynolds management
3. Additional value items raised already considered in depth

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A-1 Proposal Provides Reynolds Shareholders Full Benefit of Lorillard Plus a Premium



Proposal of $56.50 Represents a Premium to 1-Month VWAP of 20.1% and a 22% Premium to VWAP Since Lorillard Close

Source: FactSet, Bloomberg.

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A-2 Fading Earnings Momentum Reflected in Reynolds' Recent Share Price



Reynolds' share price in mid-2016 reflected inflated expectations:

- ***Expectations of upgrade to Lorillard synergy target***
- ***Benign market backdrop (volume and pricing)***

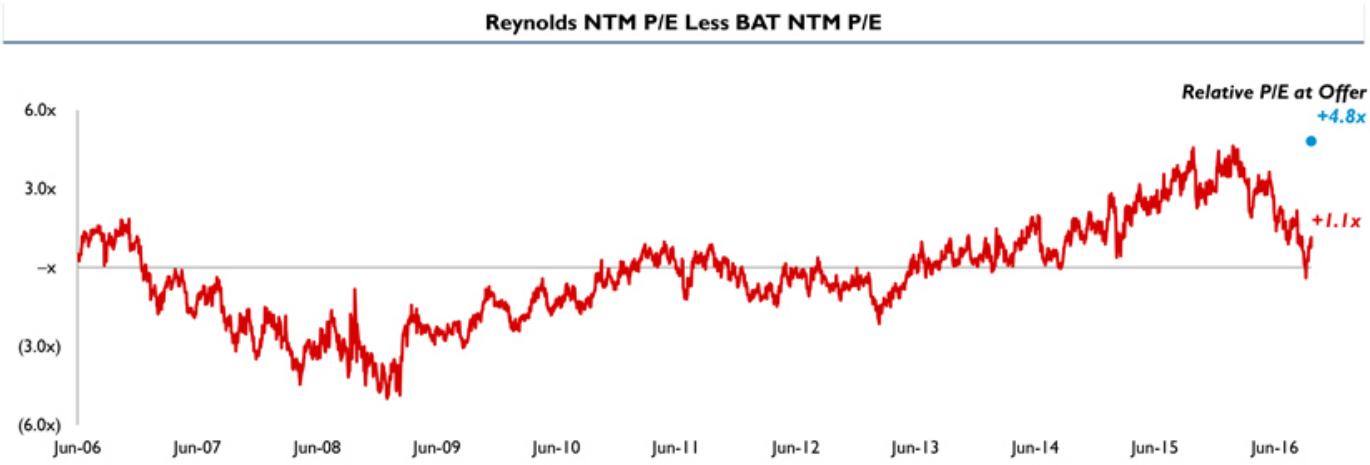
Reynolds' share price decline in 3 months prior to approach driven by reset expectations:

- ***Limited further growth from Lorillard synergies***
- ***No upgrade to synergy target***
- ***Industry volume declines reverting to historical trends***
- ***Market concern about P&L impact of losing MSA Credits***
- ***Q2 and Q3 results perceived "misses"***
- ***The first time consensus estimates have declined since H1 2014***

Note: 2Y EPS CAGR calculated based on consensus, by comparing growth of Second Twelve Month EPS forecasts vs LTM EPS
Source: FactSet as of unaffected date 20 October 2016

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A-3 Reynolds' Relative P/E is Above Long-term Average



"BAT's multiple had recently moved back close to parity with RAI after trading at a discount over the last 2 years as RAI bought Lorillard and BAT saw EM-linked downgrades. Having said that, being close to parity is far from exceptional looking further back."

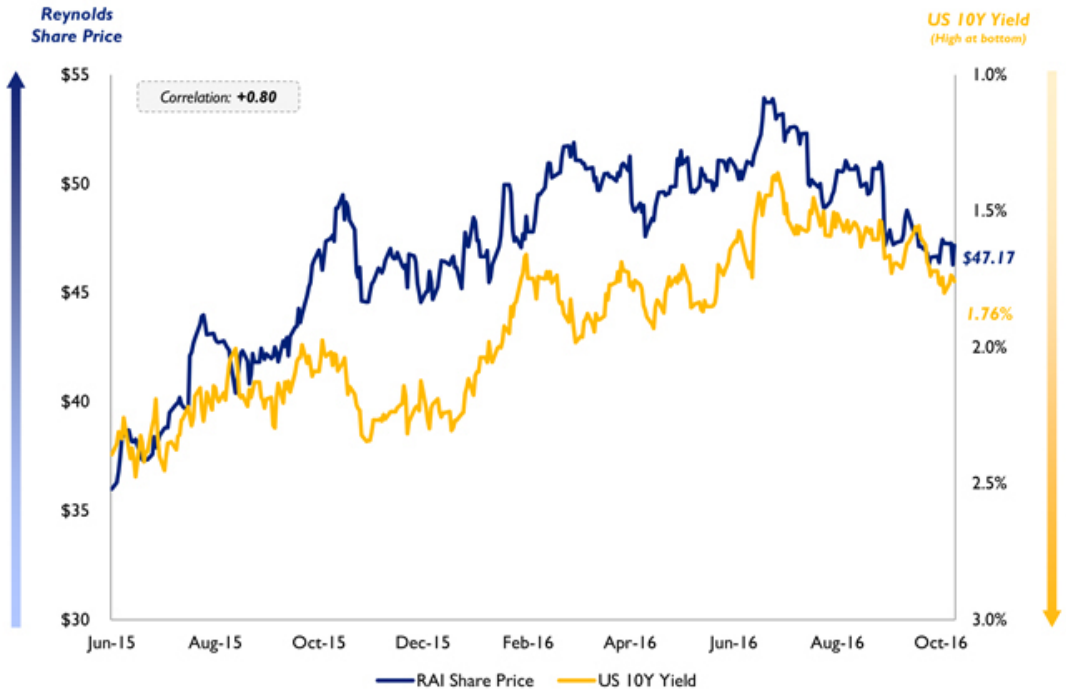
BNP Paribas, 24 October 2016

Source: FactSet as of 20 October 2016 (unaffected date).

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A-4 Timing Advantageous for Reynolds With Forecast Rising Bond Yields

Reynolds Share Price and US Treasury Yields (10Y) from Lorillard close to Unaffected date



Reynolds' share price decline since the summer has tracked rising bond yields

Rates forecast to rise further

Higher rates drive:

- *Lower Reynolds value*
- *Higher financing cost*

Sources: FactSet.
Note: Based on unaffected date of 20 October 2016 and Lorillard close date of 12 June 2015.

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A-5 Reynolds' Unaffected Price Included Value From Bid Speculation

Consistent Speculation and Rumours of Potential Consolidation

"As part of the agreement between the organizations, a 10-year standstill agreement was initiated, which, in simplest terms, restricted BAT from purchasing shares of Reynolds that would move the ownership level above the 42% level. At the end of July, this 10-year standstill will expire, effectively allowing BAT to, if they so desire, purchase shares of Reynolds in the market. As a result, some on **the Street have begun to ask whether this could result in a larger transaction between the two companies**"

Barclays, 11th February 2014

"Expiration of the **standstill will gain attention** but we do not see why any material change would make sense (despite the fact that a debt-financed acquisition of the 58% public stake would be ~7% accretive to BAT's EPS)…An acquisition would be **unlikely to generate material cost synergies**"

Morgan Stanley, 13th February 2014

"Reynolds rumored to be making a bid for Lorillard – we continue to view a combination as likely but question timing. Also, there has been **speculation that BAT, which currently owns ~42% of Reynolds' stock, could take a majority stake in Reynolds** after the standstill ends in July 2014"

Wells Fargo, 3rd March 2014

"Having reviewed BAT's strategic options, we conclude that it is **quite likely (say, 50-50) that BAT goes for Option 1, and does buy the rest of Reynolds fairly soon**, because we think there are now arguments that make the acquisition strategically advantageous that didn't exist previously"

Citi, 10th March 2014

"She [SC] is also known for her savvy integration during key M&A transactions. This last point makes for interesting dialogue given the recent Financial Times article regarding a potential Reynolds bid for Lorillard or **ongoing investor expectations that BAT might want to have a larger stake in Reynolds**"

RBC, 16th April 2014

"BAT has hired a team of heavyweight bankers that handled its recent purchase of a stake in Reynolds, **fueling speculation it is mulling a full takeover of the US company [Reynolds].**

The Sunday Telegraph, 5th March 2016

Analyst Speculation Around a Potential Takeout Valuation

Upside price target reflects potential BAT purchase of Reynolds: "[13x 2017e pro-forma EV/EBITDA] reflects greater than expected EPS accretion in 2016 from the Lorillard transaction of ~10% and/or a **potential BAT purchase of Reynolds**"

Morgan Stanley, 29th July 2015

"At some point, as we have written on in the past, **we think BAT buys the remaining 58% of Reynolds** that it does not currently own, as has been discussed in the media (Reuters, Bloomberg, Daily Mail and FT Alphaville) but unconfirmed by the companies. This could occur in either one transaction or over time to preserve BAT's balance sheet strength"

Wells Fargo, 30th March 2016

"Probability of **BAT acquiring Reynolds remains elevated in our view**"

Wells Fargo, 11th February 2016

M&A value included in Goldman Price Target for Reynolds (prior to suspension given potential advisory position): "We maintain our 12-month price target of $54, based on a blend of 20.5X forward P/E (unchanged) [85% weight] and **12.4x 12-24month EV/EBITDA (M&A value, unchanged) [15% weight]"**

Goldman Sachs, 16th March 2016

"Our upside case of $65 assumes a BAT takeout of the remaining 58% stake in Reynolds. While we believe the possibility of the takeout happening in the near term is remote, **we do acknowledge that BAT ultimately acquiring Reynolds is likely**"

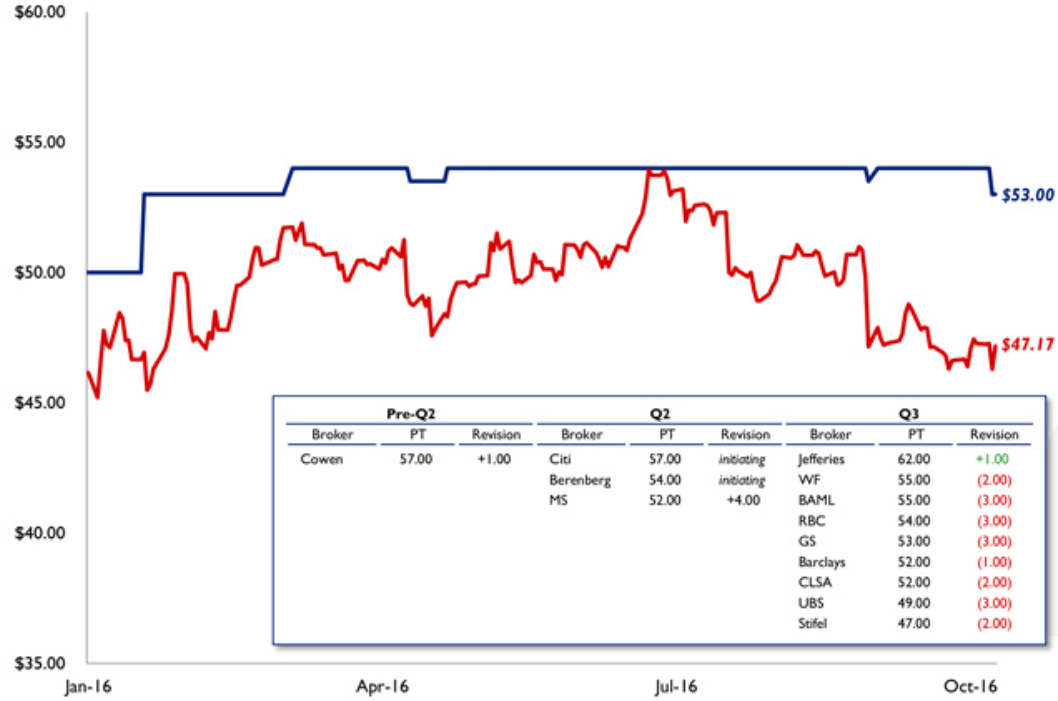
RBC, 20th October 2016

Source: Research analysts and news articles.

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A-6 Analyst Price Targets Being Reassessed at Time of Approach

Reynolds Price Target and Share Price YTD



Pre-Q2			Q2			Q3		
Broker	PT	Revision	Broker	PT	Revision	Broker	PT	Revision
Cowen	57.00	+1.00	Citi	57.00	*initiating*	Jefferies	62.00	+1.00
			Berenberg	54.00	*initiating*	WF	55.00	(2.00)
			MS	52.00	+4.00	BAML	55.00	(3.00)
						RBC	54.00	(3.00)
						GS	53.00	(3.00)
						Barclays	52.00	(1.00)
						CLSA	52.00	(2.00)
						UBS	49.00	(3.00)
						Stifel	47.00	(2.00)

Since Lorillard close, gap between price targets and share price averaged $3.73. At approach gap was $5.83 but was starting to narrow as analysts downgraded for Q3 results

Coming into Q3, pre approach, eight analysts downgraded for Q3 by an average of over $2 to $52

Four analysts have not revised price targets coming into Q3 including Citi and Cowen, two of Reynolds' highest price targets

— Reynolds Share Price
— Reynolds Price Target (Median)

Source: Analyst Research and FactSet.

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A-7 Analysts With Highest Target Prices for Reynolds are Also Positive About BAT Value Which Benefits Reynolds Shareholders

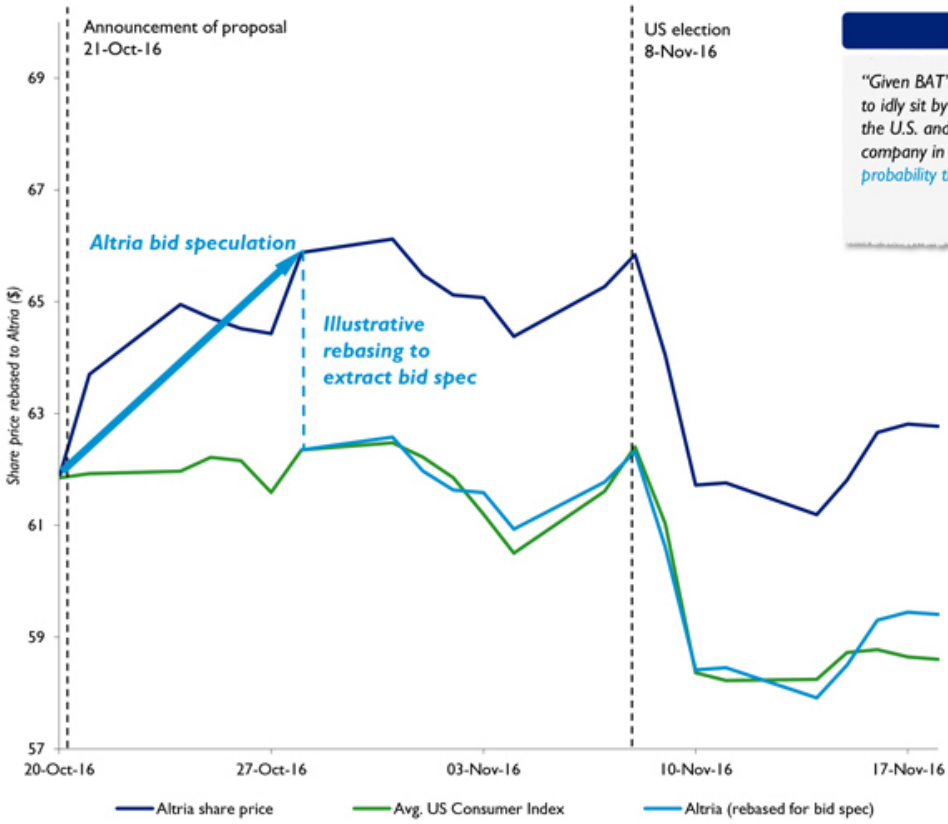
	RAI Target Price	RAI TP last updated	BAT Target Price	Implied look through price[a]	Premium to unaffected[b]
Jefferies	$62.00	11-Oct-2016	£57.00	$62.74	33%
citi	$57.00	12-Sep-2016[d]	£54.00	$60.71	29%
COWEN AND COMPANY	$57.00	26-Apr-2016	£46.20	$55.42	17%
Bank of America Merrill Lynch	$55.00	19-Oct-2016[c]	£58.00	$63.42	34%
BERENBERG	$54.00	13-Jun-2016[d]	£51.50	$59.01	25%
RBC Capital Markets	$54.00	13-Oct-2016	£44.00	$53.93	14%
Goldman Sachs	$53.00	12-Sep-2016	£55.00	$61.38	30%
BARCLAYS	$52.00	20-Oct-2016[c]	£51.00	$58.67	24%
CLSA	$52.00	20-Oct-2016[c]	£51.00	$58.67	24%
Morgan Stanley	$52.00	26-Jul-2016	£54.00	$60.71	29%
UBS	$49.00	20-Oct-2016[c]	£53.00	$60.03	27%
Median	$54.00		£53.00	$60.03	27%

Look-through based on analyst target prices suggests meaningful upside

(a) *Based on cash of $24.13, exchange ratio of 0.5502x and FX rate of 1.2311.*
(b) *Premium compared to Reynolds unaffected price of $47.17*
(c) *Updated post Q3 results*
(d) *Initiating coverage*
Note: *Analysis reflects only brokers who cover both Reynolds and BAT i.e. Stifel and Wells Fargo excluded*
Source: *Broker research, FactSet as of 18 November 2016*

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A-8 Altria is Not an Appropriate Metric for Deriving the HUSP



Analyst commentary around possible bid

"Given BAT's proposed acquisition of Reynolds, we don't expect PMI to idly sit by and allow BAT to gain the upper hand in expansion into the U.S. and to become the largest listed global tobacco and RRP company in the world. Therefore, we believe this increases the probability that PMI will acquire Altria."

Wells Fargo, 23-Oct-16

Performance since announcement		
To US election	Post US election	Since Annc.
6.5%	(4.7)%	1.5%
0.9%	(6.1)%	(5.3)%

- US Consumer Index and Altria performed in line post bid speculation
- Altria and US Consumer Index reacted negatively post US election

Note: "HUSP" refers to "hypothetical undisturbed price, an indication of share price absent the announcement of the transaction
Average US Consumer index includes the constituents of the S&P 500 Consumer Staples index, excluding US Tobacco and Retailers
Source: FactSet as of 18 November 2016

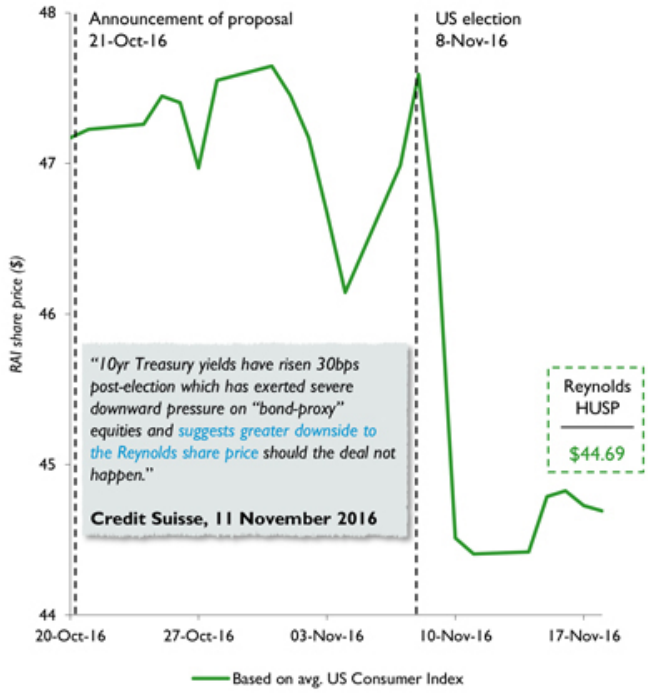
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A-9 Using US Consumer Index Derives a HUSP of $44.69

Strong correlation between Reynolds and US Consumer Index historically (12 months pre-Lorillard Unaffected)



US Consumer Index derived HUSP



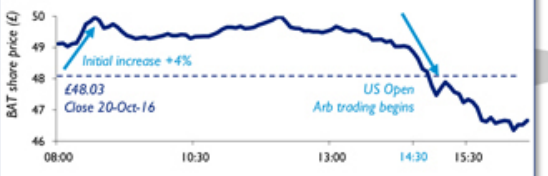
Note: *Historical range shown from 1 year prior to Lorillard leak given subsequent impact on share price*
Average US Consumer Index includes the constituents of the S&P 500 Consumer Staples index, excluding US Tobacco and Retailers
Source: *FactSet as of 18 November 2016*

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A-10 BAT Share Price Impacted by Merger-Arb Trading With an Unaffected Share Price of £45.25 Based on UK Consumer Index Which Excludes Positive Deal and Q3 Impact

Merger-arb trading

BAT intraday share price on day of announcement

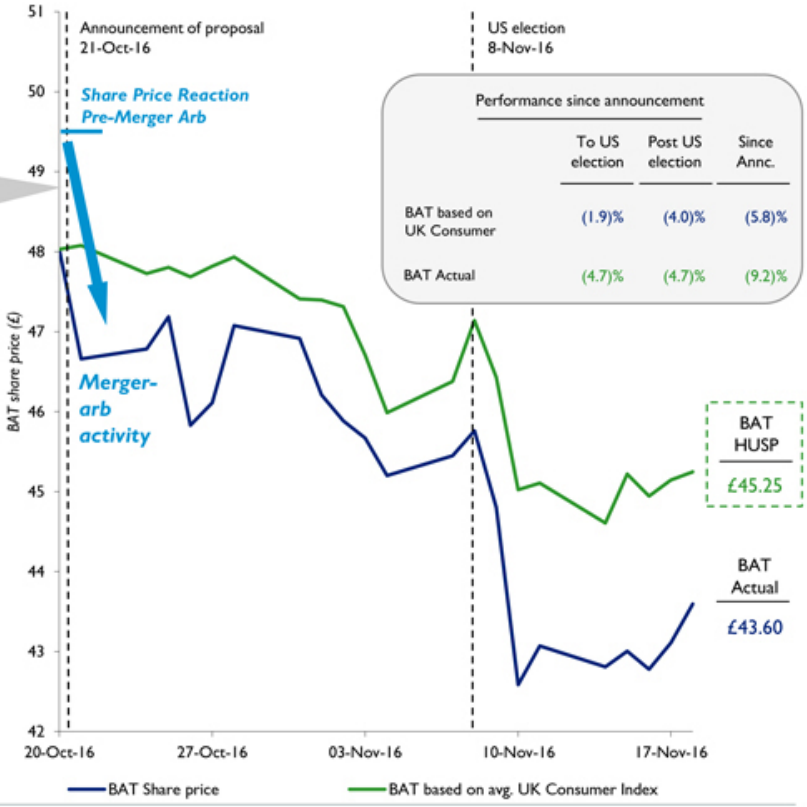


"Initially BAT's shares opened about 3% higher on the news of the offer, but by the London close the shares had fallen 3%, and the ADRs closed down 4% (having fallen by 7% soon after London closed). We believe this is primarily driven by arbitrage funds buying Reynolds and selling BAT, and doesn't reflect a fundamental negative view on the transaction."

Citi, 24-Oct-16

Derived impact of merger-arb trading

BAT perf. since announcement	(9.2)%
BAT perf. based on UK Consumer index	(5.8)%
Derived Impact of merger-arb trading	(3.4)%



Performance since announcement

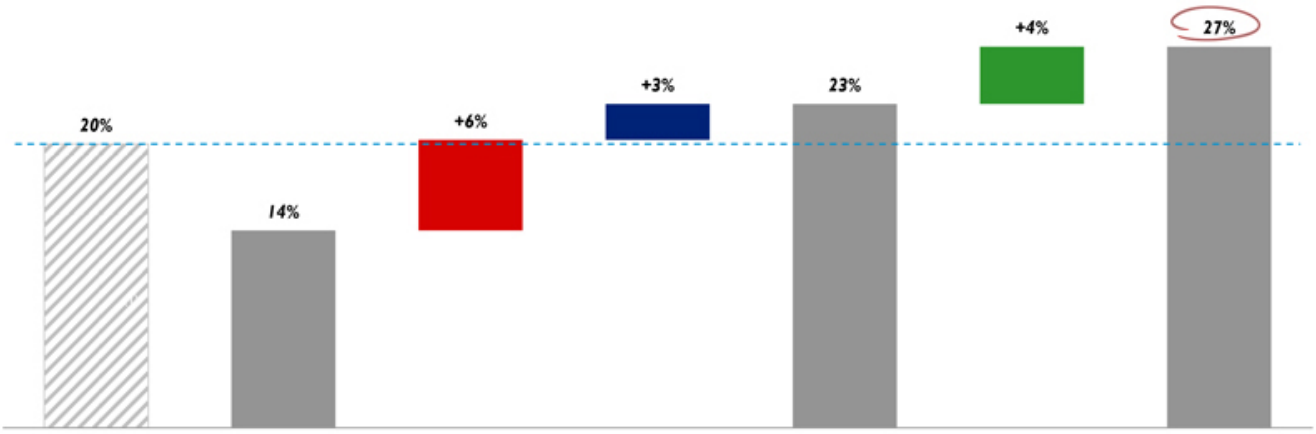
	To US election	Post US election	Since Annc.
BAT based on UK Consumer	(1.9)%	(4.0)%	(5.8)%
BAT Actual	(4.7)%	(4.7)%	(9.2)%

Note: UK Consumer Index based on relevant companies within FTSE 100 Consumer Goods Index (ABF, Coca-Cola HBC, Diageo, Reckitt and Unilever)
Source: FactSet as of 18 November 2016

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A-11 At Unaffected Share Prices (HUSPs) Premium is 27%

Implied Offer Premium to Reynolds



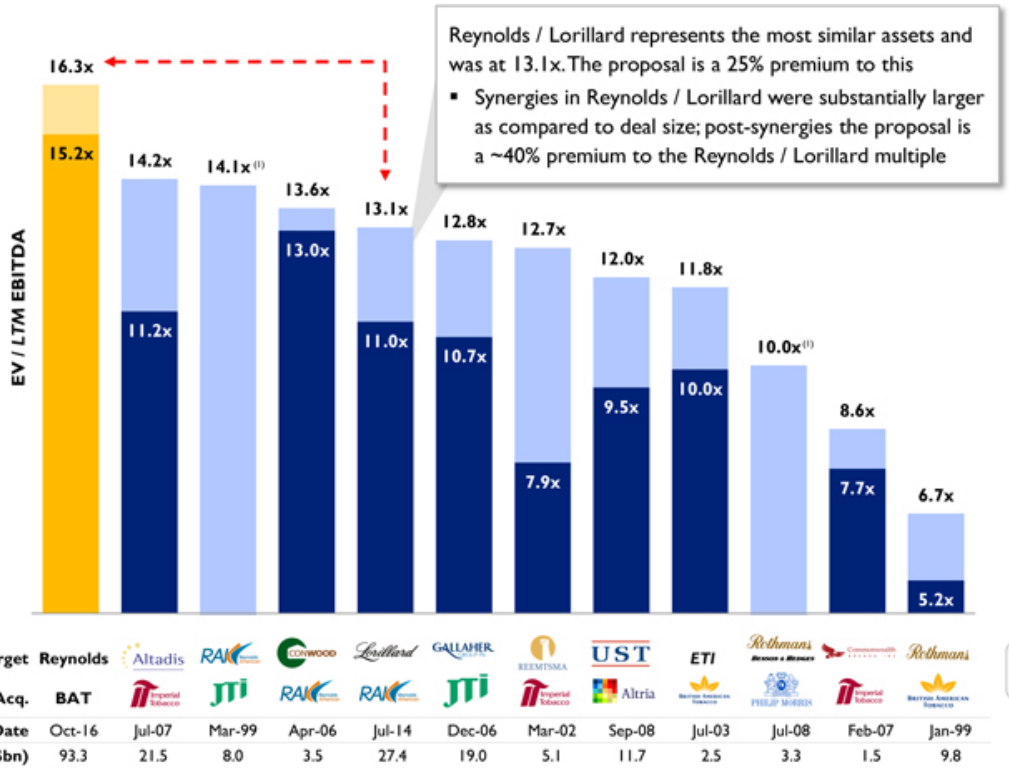
RAI Share Price:	$47.17	$47.17	$44.69	$44.69	
BAT Share Price:	£48.03	£43.60	£43.60	£45.25	

Source: FactSet as of 18 November 2016.

Note: Based on cash consideration per share of $24.13, an exchange ratio of 0.5502 BAT shares per Reynolds fully diluted share and an FX rate at offer (unaffected) of 1.2250x and spot rate of 1.2311x. Unaffected premium calculated based on BAT share price at offer (unaffected) of £48.03 and Reynolds share price at offer (unaffected) of $47.17; Look-through offer value to Reynolds unaffected calculated based on current BAT share price of £43.60 and Reynolds share price at offer (unaffected) of $47.17; Look-through offer value to Reynolds HUSP premium calculated based on current BAT share price of £43.60 and Reynolds HUSP of $44.69; Look-through offer value adjusted for BAT HUSP premium calculated based on BAT HUSP of £45.25 and Reynolds HUSP of $44.69.

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B-1 The Proposal Represents the Highest Multiple Paid for a Developed Market Tobacco Company

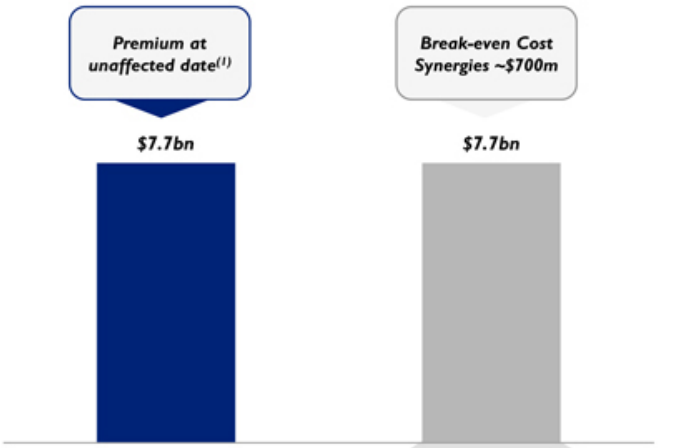


- The 16.3x multiple represented by the proposal is 15% higher than the highest multiple ever paid for a developed market tobacco company (Ibis / Altadis at 14.2x)
- After synergies the proposed multiple is 36% higher

Source: FactSet and Company Filings.
Note: Exclude brand acquisitions and pure developing market (BAT / Souza Cruz, Philip Morris / Sampoerna).
(1) Synergy-adjusted multiple not available.

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B-2 The Proposal Pays More Than 100% of Cost Synergy Value to Reynolds Shareholders



Run-rate cost synergies ($m)	694
Assumed RAI Tax rate	*37.0%*
Post-tax cost synergies ($m)	437
BAT NTM P/E	*17.7x*
Capitalised Value ($m)	**7,733**

- Total cost synergies of ~$700m required to fund premium of $7.7bn
- Every $1bn of premium requires ~$90m of pre-tax cost synergies to fund

Analysts Views

J.P.Morgan

"BAT's offer implies a premium of **$8bn** above Reynolds' standalone value for the 58% stake it does not currently own, while the post-tax value of synergies applying a multiple of 18x earnings is JPMe **$4.5bn**"

(25-Oct-16)

SOCIETE GENERALE

"**The modest synergies available is a limiting factor on the potential takeout price**, therefore suggesting that BAT might walk away if the required price got too high"

(27-Oct-16)

Bank of America Merrill Lynch

"The $47bn total offer to the non-BAT shareholders in Reynolds (NBS) compares to the value of their holding pre the offer of $39bn. **This is a premium offer of $7.5bn**. We see the **capitalised value of the cost saves** ($400m) from integration equating to **$4.5bn**. With NBS owning 19% of the enlarged BAT-RAI entity at the end of the merger, the net value benefit to BAT shareholders of the cost saves is $3.6bn. So at this point, **BAT shareholders are down c$4bn of value**"

(21-Oct-16)

citi

"The **takeover premium (equivalent to $7.7B)** is already nearly 20x the pretax value of the synergies ($400MM) – which means in effect **the external shareholders are obtaining substantially the entire value of the synergies**"

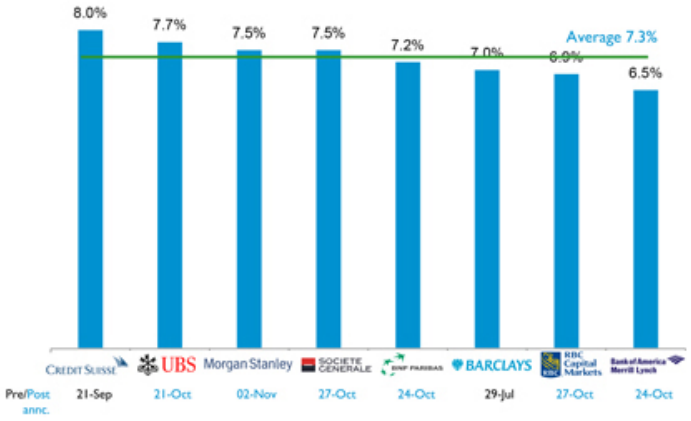
(21-Oct-16)

(1) Unaffected premium based on 829m shares at offer which include impact of 4.4m dilutive RSUs (excluding shares owned by BAT).

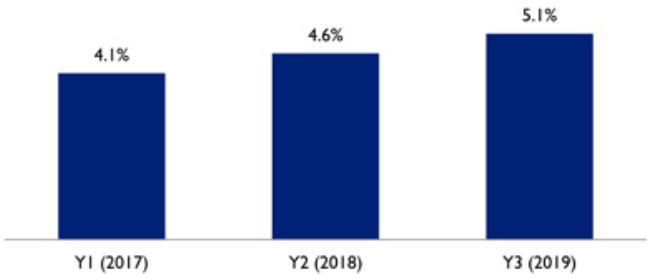
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B-3 Market Perception That ROIC is Challenged

Analyst WACC Estimates



Expected ROIC Evolution Based on Consensus Estimates (Includes Synergies)



Selected Analysts' ROIC Commentary

RBC Capital Markets 27-Oct-16

"Under the original offer…we estimate the deal would be 4.7% EPS enhancing and leave BAT with Net Debt/EBITDA of 3.1x, delivering an incremental ROIC post-synergies of 4.4%. Not exceptional, but adequate in our opinion."

BNP PARIBAS 24-Oct-16

"Given the lack of overlap this was always likely to be a 'strategic' acquisition, and while we don't yet have all the detail that an agreed offer would entail we estimate that ROIC would not meet WACC until year 9."

citi 24-Oct-16

"Because of the relatively high price paid, we estimate the deal is only very modestly EPS accretive, and the ROIC is low. …The ROIC on the deal is only about 4.5 - 5.5%."

BARCLAYS 21-Oct-16

"Given the lack of overlap between the two businesses, cost synergies from a deal are likely to be limited to a "modest" $400m according to BAT. Using this, and the terms of BAT's current proposal as our Base Case, our merger model suggests the transaction would be 3.0% accretive to BAT earnings in F17E and delivery a ROIC of 6.1% in year 5."

Source: Broker research; Analyst consensus..

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C-I Tax Structure is Sustainable and Provides Efficient Post-Tax Funding Cost

Summary

BAT has received extensive specialist advice on developing an appropriate financing & tax structure

Four key principles applied when establishing the tax structure:

- Pro forma funding currency matches earnings mix (and avoids currency mismatch risks on subsidiary balance sheets)
- All debt is sustainably, long-term financeable
- Risk profile is prudent and reflects the nature and scale of our enlarged business; and
- Post tax cost of financing minimised to the extent possible

"Intercompany" financing structures have been carefully considered and rejected:

High Level of Scrutiny

- Intense scrutiny of IRS, US tax courts and international tax authorities on intercompany loans
- Ongoing key focus of tax reform agenda worldwide – increased risk of restrictive rule changes
- Potential reputational risk from tax structuring

Pricing

- Undertaken detailed pricing analysis to IRS standards
- Detailed benchmarking analysis indicates pricing closely aligned to the cost of third party debt
- Any differential at risk of elimination from implicit pricing given US materiality to parent group
- The form of the debt does not affect the pricing i.e. pricing of an intercompany loan is not significantly different to the cost of third party debt plus an appropriate guarantee fee

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C-2 Stretching Synergy Case Requires Ratification by Reynolds Management

Functional Area	Potential Scope for Synergies	Additional Validation Required
COGS	• Direct procurement savings due to better contract terms from greater global scale • Efficiency savings from sharing capabilities to deliver improvements in equipment efficiency and reduce waste in manufacturing	Medium
SG&A: Legal IT Marketing HR Finance	**Integration of key business functions to deliver Target Operating Model** • Integration of Reynolds' key functions with BAT's, such as IT, Finance, HR and Global Marketing • Operate Reynolds as End Market with support from Global/Regional functions in the broader business • Roll-out of enterprise planning software for efficient business planning and leverage shared services capabilities **Procurement savings** • Indirect savings delivered by Reynolds operating as part of the wider BAT group with global supply chain and increased purchasing power	Medium
Corporate costs / Other	• Savings from removal of duplicated central costs and costs related to operating a US listed entity	Low / Medium
R&D NGP	• Integration of research & development ("R&D") and next generation product ("NGP") functions to build on complementary strengths of each organisation	Medium
Withholding tax	• Elimination of withholding tax on dividends that BAT receives from Reynolds	Low

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C-3 Additional Value Items Raised Already Considered in Depth

		As Presented	Comment
Ongoing P&L Items	Refinance $5bn Reynolds Bonds	▪ $100m pre-tax impact	▪ Potential positive for EPS, but NPV neutral/negative ▪ Fair value of acquired debt taken into account
	Operational Cost Transfer	▪ $50m - $60m	▪ Transferred costs included, reviewing for additional upside
Ongoing CF Items	MSA Timing	▪ ~$1bn	▪ Previously discussed with Reynolds management, no value found
	Reynolds Dividend Savings		▪ Given transaction outlay, Reynolds cashflow important in combined model to fund increased dividends, interest, debt repayment and shareholder returns
One-Time Cash Items	Leaf Inventory	▪ $100m - $150m leaf inventory reduction	▪ Have included more significant amount, requires validation with Reynolds management
	Japan Contract	▪ Elimination of $80m-$85m due Reynolds	▪ Cash effect included in model
	Offshore Cash	▪ $120m of tax implication	▪ Have assumed all cash is fungible

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BAT is Committed to a Positive Engagement With RAI During This Process

- This is a friendly offer
- BAT supports the management and strategy
- BAT is also a highly successful company and would welcome the opportunity to present itself to the RAI Board
- BAT believes these are two great companies
  - Would be better together
  - But only limited synergies, which need ratifying by RAI management
  - All of the identified synergy is being paid to RAI shareholders
- This is a good deal – a "want to do", a friendly offer at a significant multiple, but, not a "need to do"
- If it happens it is business as usual
    - RAI management
    - RAI strategy
    - RAI brands
    - RAI factory and field force
- So this deal has unique characteristics
  - Stretched financial metrics
  - Relevance of 42% shareholding
  - Value cross-over is very tight
- This deal needs to be attractive to both sets of shareholders. BAT's are positive in principle, but stress the need for financial discipline
  - If RAI can find extra value that would help the offer
- If not, BAT is happy to retain a significant non-controlling interest in RAI and, like other shareholders, look to RAI to deliver an equivalent value reflected in the share price
- BAT appreciates the assistance it has received which gave confidence in the assumptions. Although this has not yet established material additional P&L or cash value, we remain open to further discussions

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BOARD DISCUSSION MATERIALS

Project Baseball

November 8, 2016

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Summary of Braves' October 20th proposal to acquire the remaining shares not currently owned in Royals

Proposed purchase price	▪ $24.13 in cash and 0.5502x Braves shares per Royals share ▪ Stock consideration represents $32.37 per Royals share based on Braves' share price of £48.03 and a £/$ exchange rate of 1.2250 as of October 20, 2016 and, together with cash consideration, results in a total purchase price of $56.50 per Royals share

Consideration	▪ Based on above October 20 data:
	  ▪ $47 billion of total consideration to Royals shareholders for the remaining 57.8%
	  ▪ Consideration comprised of $20 billion in cash and $27 billion in Braves shares

Implied premium & valuation	▪ 20% premium to Royals' closing share price on October 20, 2016 of $47.17 per share ▪ An implied firm value of $93bn, which, based on reported September 30, 2016 LTM EBITDA, represents a FV/EBITDA multiple of 16.3x according to Braves' proposal

Transaction rationale	▪ Per Braves' October 20, 2016 proposal and October 21 press release, the transaction creates a stronger, truly global tobacco and Next Generation Products company with:
	  ▪ A leading position in the US market, the largest global profit pool (ex-China) with strong growth dynamics
	  ▪ A significant presence in high growth emerging markets together with the most attractive developed markets
	  ▪ A unique portfolio of brands combined with joint Next Generation Products ("NGP") and R&D capabilities
	▪ Accretive to earnings in the first year and accretive to dividends per share

Synergies	▪ Braves estimated cost synergies of $400mm associated with the proposed merger
Proposed capital structure & financing sources	▪ Braves stated its commitment to maintaining an investment grade credit rating for the combined company, using a combination of existing cash, new bank credit lines and the issuance of new bonds for the cash portion of the consideration ▪ Proposal not subject to any financing condition; Braves has received a highly confident letter from Deutsche Bank indicating that Braves will be able to obtain financing commitments for the cash portion of consideration; UBS is also an advisor to Braves
Approval process	▪ The proposed merger is subject to the endorsement of Royals' independent directors (who are not designated by Braves) and approval by Braves shareholders as well as a majority of the votes cast by holders of Royals shares not owned by Braves

Source: Braves' letter to the Royals Board of Directors dated 10/20/16 and Braves' October 21, 2016 press release

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Implied valuation summary of Braves' October 20th proposal

	Royals			Braves
	Royals unaffected share price 10/20/16	Braves' proposal @ 10/20/16	Braves' proposal @ 11/04/16	Braves unaffected share price 10/20/16
Stock price	$47.17	£48.03	£45.20	£48.03
Exchange rate	--	1.2250	1.2548	1.2250
Braves share price ($)	--	$58.84	$56.72	$58.84
Exchange ratio	--	0.5502	0.5502	--
Stock consideration per Royals share ($)	--	$32.37	$31.20	--
Cash consideration per Royals share ($)	--	$24.13	$24.13	--
Total Braves implied offer price ($)	--	**$56.50**	**$55.33**	--
% premium to unaffected share price	--	19.8%	17.3%	--
Implied equity value ($mm)[1]	**$67,497**	**$80,848**	**$79,179**	**$110,276**
Implied firm value ($mm)[2,3]	**$78,488**	**$91,839**	**$90,170**	**$91,806**
FV / LTM Sep-16 EBITDA[4]	13.8x	16.1x	15.8x	14.1x
FV / Adjusted LTM Sep-16 EBITDA[5]	13.4x	15.7x	15.4x	--
FV / 2016E EBITDA[6, 8]	13.2x	15.5x	15.2x	12.8x
FV / Adjusted FY 2016E EBITDA[5, 8]	13.0x	15.2x	14.9x	--
FV / 2017E EBITDA[7, 8]	12.4x	14.5x	14.3x	11.2x

Source: Royals and Braves filings, broker estimates, FactSet as of 11/04/16; Note: GBP/USD exchanged at a rate of 1.2250
[1] Assumes Royals and Braves diluted share count of 1,431mm and 1,874mm, respectively; [2] Royals debt of $12,950mm at principle value and cash of $1,959mm; Braves net debt of $19,981mm, $3,034mm minority interests and $41,485mm market value of affiliates; [3] Assumes Braves debt outstanding as of 09/15/16 per Braves debt investor microsite and Braves cash as of 06/30/16; [4] LTM EBITDA of $5,694mm and $6,522mm for Royals and Braves, respectively, exchanged at a GBP/USD rate of 1.2250; [5] Includes adjustments for run-rate Lorillard synergies in the amount of $155mm for LTM Sep-16 and $113mm for FY2016, per management guidance; [6] FY2016E EBITDA of $5,933mm and $7,190mm for Royals and Braves, respectively, exchanged at a GBP/USD rate of 1.2250; [7] FY17E EBITDA of $6,313mm and $8,175mm for Royals and Braves, respectively, exchanged at a GBP/USD rate of 1.2250; [8] Metrics represent management numbers for Royals and equity analyst estimates for Braves

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Equity analyst themes on the potential transaction

Highly attractive asset in a complementary geography[1]	*"We think [Royals] makes [Braves] a better company as [Royals] has the fastest growing brands in what we regard as the most attractive major tobacco market in the world."* Citi – October 24, 2016
Favorable deal environment[1]	*"We expect this deal to go through quickly as there are no anti-trust issues and the two boards are on friendly terms."* Citi – October 21, 2016
Conservative synergies estimate[2]	*"… [Braves'] $400mm synergy is conservative since it likely underestimates the global opportunity the combined entity would have in reduced risk products (RRPs) and only modestly represents procurement, R&D and other cost considerations…"* Wells Fargo – October 23, 2016
Immediately accretive[1]	*"While the multiple looks expensive vs. recent deals, given first-year accretion of c.5%, we are very supportive of this deal…"* Jefferies – October 21, 2016
Combined NGP development[1]	*"We would also highlight that the deal provides full control ahead of next generation product development especially heat not burn in the next 2 years."* BAML – October 21, 2016
Improved offer expected[2]	*"… we would not rule out the possibility of [Royals] negotiating a modest premium relative to this offer. We would note that we would not expect these negotiations to be protracted, given that this deal could face far less regulatory scrutiny…"* Cowen – October 21, 2016

Source: Equity research
[1] Research report on Braves; [2] Research report on Royals

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Braves and Royals trading update

($mm, except per share data)

Merger arbitrage metrics (11/04/16)

Proposed deal consideration[1]	**1.0 Royals = $24.13 cash + 0.2751 Braves ADRs**	
Implied offer price[1]	$24.13 + 0.5502 * $47.17 =	**$55.33**
Implied offer price using Braves ADR[1]	$24.13 + 0.2751 * $112.46 =	**$55.07**
Royals share price		$54.46
Gross deal spread[2]		**$0.61**
% spread of deal value		1.1%
Net dividends[3]		**$0.09**
Cost of borrowing[4]		($0.25)
Net spread[5]		**$0.45**
% net spread of deal value		0.8%
Street assumed closing date		**03/31/17**
Annualized IRR for Arbs[7]		2.0%

Potential deal value implied by current stock prices

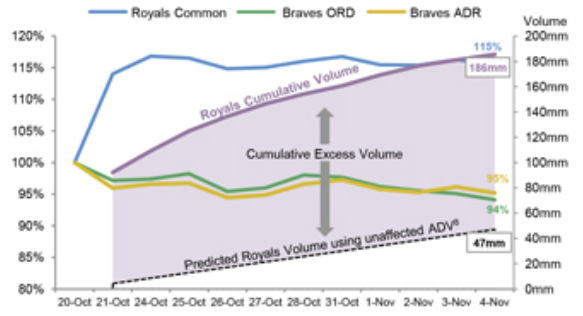
Extrapolated deal value

Targeted annualized IRR[7]	Assumed probability deal closes[6] 90%	80%	70%
6%	$56.95	$58.22	$59.85
8%	$57.40	$58.68	$60.32
10%	$57.84	$59.13	$60.79
12%	$58.29	$59.59	$61.26

Increase from current offer

Targeted annualized IRR[7]	Assumed probability deal closes[6] 90%	80%	70%
6%	3.4%	5.7%	8.7%
8%	4.2%	6.6%	9.5%
10%	5.0%	7.4%	10.4%
12%	5.9%	8.2%	11.2%

Price performance & Royals' trading volume



Market developments since public proposal for Royals

- Royals' share price has responded positively to the offer, trading up 15.5% from the unaffected price of $47.17
  - 186mm Royals shares have traded, almost 23% of the public float
  - We estimate that hedge funds / arbitrageurs now own ~12% ($5bn+) of Royals' public float
  - Gross deal spread has fluctuated in a narrow band of $0.50 - $0.70 (0.9% - 1.3%) for the past week
- Braves' share price has underperformed its peers by ~6% since 10/20/16
  - Braves shareholders and equity analysts voiced surprise at the timing of the offer, but not at the offer amount
  - Equivalent of 130mm Braves shares (almost 6% of outstanding) have traded

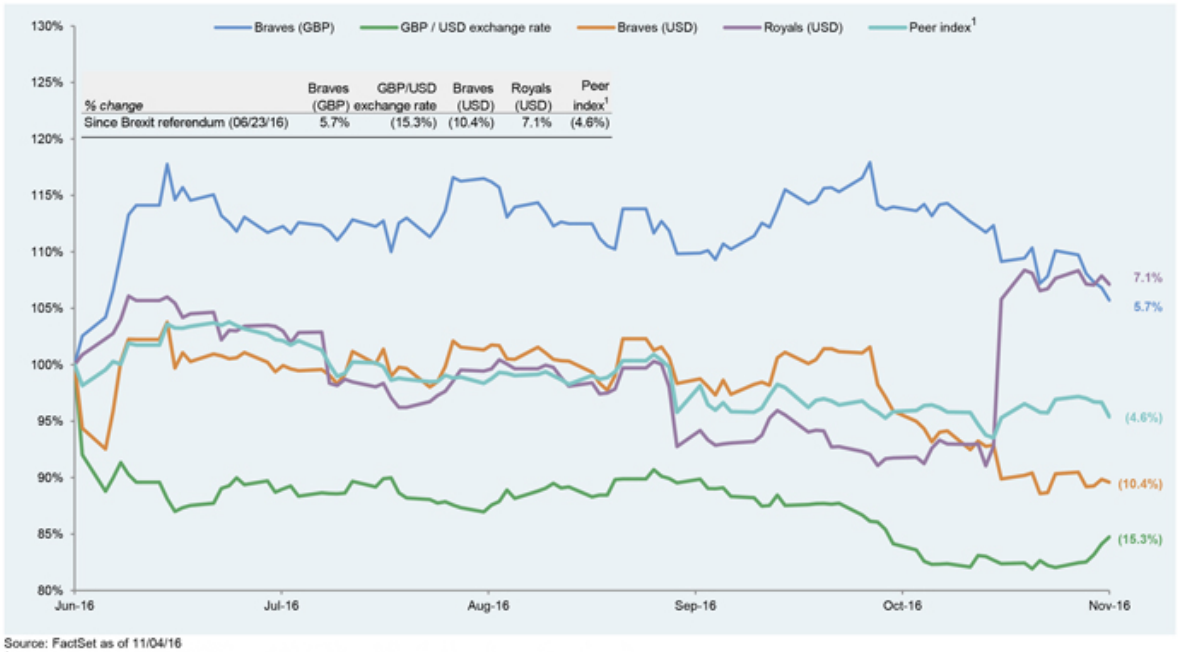
Source: Bloomberg, Lending Pit, Braves' 10/20/16 proposal; Note: Market data as of 11/04/16, unaffected date as of 10/20/16
[1] Announced as $24.13 cash + 0.5502 Ordinary shares, adjusted for ADRs (1 ADR = 2 Ords), four hour time difference between closing price of BAT ORD and ADR; [2] Gross Spread = Implied deal Value – Royals' stock price; [3] Net dividends expected before closing = 1 Royals dividend of $0.92 less Braves ADR dividend of $3.02 * 0.2751; [4] Borrowing Braves ADRs to hedge Royals currently costs 2% annualized per Lending Pit; [5] Net Spread = Gross Spread + net dividends to closing – cost to borrow shares shorted to hedge; [6] "Assumed probability deal closes" is the probability where the expected value of owning Royals and hedging with Braves would be zero; [7] Assumed internal rate of return desired from now until the deal closes (assumed street closing date of 3/31/17); [8] "Predicted Royals volume" = unaffected average daily volume of 4.3mm * # of days

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Braves and Royals stock price performance since Brexit

Share price performance since Brexit referendum date (06/23/16)



% change	Braves (GBP)	GBP/USD exchange rate	Braves (USD)	Royals (USD)	Peer index[1]
Since Brexit referendum (06/23/16)	5.7%	(15.3%)	(10.4%)	7.1%	(4.6%)

Source: FactSet as of 11/04/16

[1] Peers include Japan Tobacco, Altria Group, Philip Morris, Imperial Brands; price performance based on median

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Overview of rating agencies' commentary of Braves' proposed transaction with Royals

Ratings trajectory: Potential downgrade

Pro-forma Braves ratings commentary

Moody's: A3 | Review For Downgrade

10-27-2016

- On Review for Downgrade, with downgrade **likely not to exceed two notches (down to Baa2)**
- Pro-forma 2016E adjusted debt/EBITDA of 4.7x vs. 3.1x for Braves standalone

Current rating: A3

Potential rating trajectory: Baa1 / Baa2

S&P: A- | CreditWatch Negative

10-24-2016

- On CreditWatch Negative, with downgrade **likely limited to one notch (down to BBB+)**
- Pro-forma 2016E adjusted debt/EBITDA of 4.0x vs. 2.7x

Current rating: A-

Potential rating trajectory: BBB+

Fitch: A- | Ratings Watch Negative

10-24-2016

- On Ratings Watch Negative, with downgrade **likely to be up to two notches (down to BBB)**
- Pro-forma 2017E adjusted debt/EBITDA of 4.5x vs. 2.8x at 2015 YE

Current rating: A-

Potential rating trajectory: BBB+ / BBB

Source: Moody's, S&P and Fitch Rating Agencies
Note: Pro-forma Braves rating agency commentary is from agencies commenting on proposed transaction

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Royals management standalone financial projections

Net sales[1] ($mm)



EBITDA ($mm)



Capital expenditures[2] ($mm)



Unlevered Free Cash Flow[3] ($mm)



Source: Royals management projections provided 10/31/16 (hereinafter referred to as "Royals management projections")
[1] Net of excise tax
[2] Assumes capex of $150mm between 2019E and 2021E per Royals management's guidance
[3] EBIT * (1 – tax rate) + D&A – Capex – Δ in NWC; tax rate per Royals management projections

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Royals management standalone financial projections

Summary financials ($mm)

	Management projections						
FYE 12/31	4Q'16E	2016E	2017E	2018E	2019E	2020E	2021E
Net Sales[1]	**$3,162**	**$12,479**	**$13,009**	**$13,621**	**$14,331**	**$15,095**	**$15,909**
% growth	*3.5%*	*16.9%*	*4.3%*	*4.7%*	*5.2%*	*5.3%*	*5.4%*
COGS	$1,208	$4,834	$5,117	$5,163	$5,409	$5,498	$5,606
% of sales	*38.2%*	*38.7%*	*39.3%*	*37.9%*	*37.7%*	*36.4%*	*35.2%*
Gross profit	**$1,954**	**$7,645**	**$7,893**	**$8,458**	**$8,922**	**$9,597**	**$10,303**
% margin	*61.8%*	*61.3%*	*60.7%*	*62.1%*	*62.3%*	*63.6%*	*64.8%*
SG&A	$477	$1,811	$1,689	$1,700	$1,716	$1,702	$1,741
% of sales	*15.1%*	*14.5%*	*13.0%*	*12.5%*	*12.0%*	*11.3%*	*10.9%*
EBITDA	**$1,504**	**$5,933**	**$6,313**	**$6,877**	**$7,329**	**$8,026**	**$8,696**
% margin	*47.6%*	*47.5%*	*48.5%*	*50.5%*	*51.1%*	*53.2%*	*54.7%*
D&A	$32	$123	$132	$141	$139	$146	$148
% of capex	*39.0%*	*53.7%*	*51.8%*	*74.6%*	*92.7%*	*97.3%*	*98.7%*
Operating income	**$1,472**	**$5,810**	**$6,181**	**$6,736**	**$7,190**	**$7,880**	**$8,548**
% margin	*46.5%*	*46.6%*	*47.5%*	*49.5%*	*50.2%*	*52.2%*	*53.7%*
Tax rate	*37.2%*	*37.2%*	*36.2%*	*36.4%*	*36.5%*	*36.6%*	*36.6%*
EPS	$0.61	$2.31	$2.53	$2.78	$2.98	$3.28	$3.59
Select cash flow items:							
Capex	$82	$229	$255	$189	$150[2]	$150[2]	$150[2]
% net sales	*2.6%*	*1.8%*	*2.0%*	*1.4%*	*1.0%*	*1.0%*	*0.9%*
(Inc.) / Dec. in NWC	($89)[3]	($160)	$184	$14	$116	$114	$122[4]
% change in net sales	--	*(8.9%)*	*34.7%*	*2.3%*	*16.3%*	*14.9%*	*15.0%*

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Source: Royals management projections; [1] Net of excise tax; [2] Assumes capex of $150mm between 2019E and 2021E per Royals management's guidance; [3] Calculated as 9/30/16 reported NWC, less 2016E Royals management projected NWC; [4] Assumes current income tax liability in 2021E equals to the 2020E ending balance per Royals management's guidance

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Potential factors that may impact Royals management's financial projections

Potential upside factors

- Accelerated growth from new potential revenue streams
- Further potential expansion of next-generation, heat-not-burn products
- Future credits on MSA settlements / transition years
- Favorable pension revaluation impact

Potential downside factors

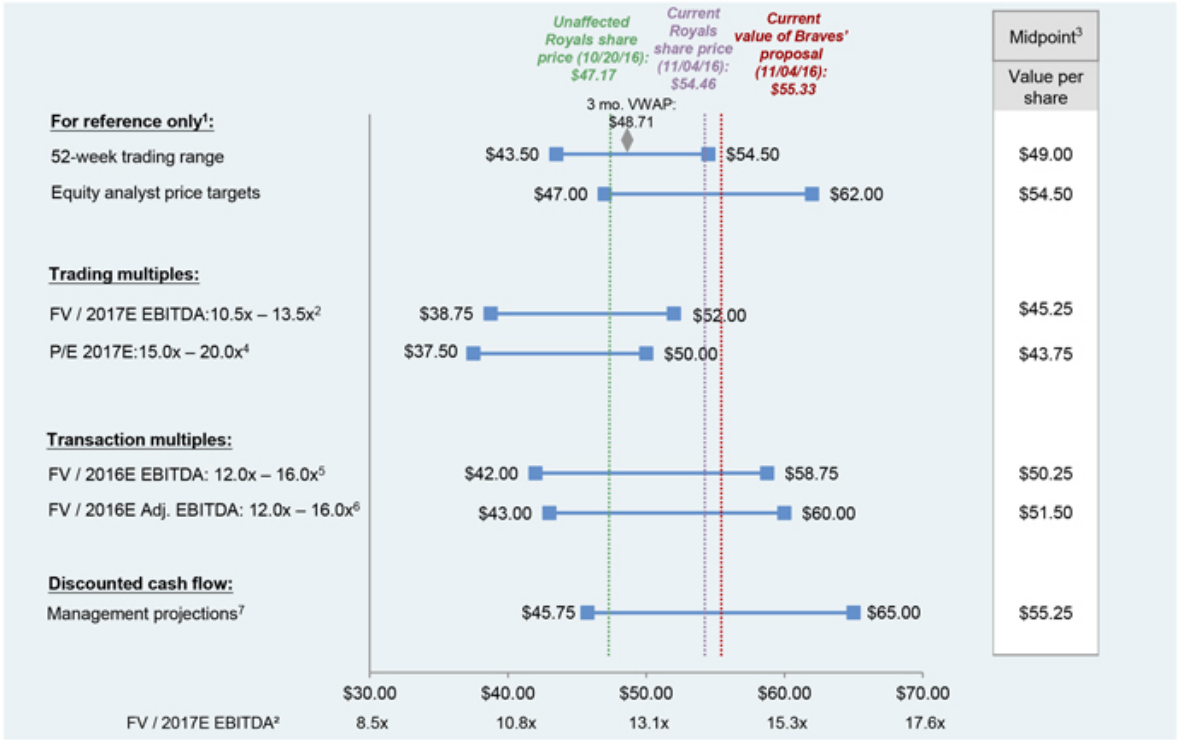
- Altria financial flexibility resulting from AB InBev's acquisition of SABMiller
- Potentially more aggressive state excise tax environment following the recent California vote
- Effects of potential economic downturn such as unemployment and higher gas prices impacting adult tobacco consumers
- MSA - higher inflation leads to increased obligations
- FDA product standards and process risk
- Ongoing Engle Litigation

Source: Per Royals management

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Royals implied valuation perspectives

Implied equity value per share (rounded to the nearest $0.25)



Source: Royals management projections; Equity analyst consensus; FactSet

Note: Valuation date as of 09/30/16; market data as of 11/04/16; net debt of $10,991mm as of 09/30/16; diluted share count of 1,431mm as of 09/30/16; 3 month VWAP as of unaffected date of 10/20/16; [1] Values as of 10/20/16 to represent unaffected share price; [2] Based on 2017E EBITDA of $6,313mm per Royals management guidance; [3] Represents the arithmetic midpoint of each valuation range; [4] Based on 2017E net income of $3,576mm; [5] Based on 2016E EBITDA of $5,933mm; [6] Based on 2016E EBITDA of $6,046mm adjusted by $113mm for synergies related to the acquisition of Lorillard, per Royals management guidance; [7] Assumes a discount rate of 6.0% - 7.0% and a terminal growth rate of 0.0% - 1.0%

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Tobacco peers – Implied valuation comparables



Source: Equity analyst consensus, FactSet as of 11/04/16; assumes a GBP/USD exchange rate of 1.2548 as of 11/04/16; assumes a GBP/USD exchange rate of 1.2250 as of 10/20/16
Note: Unaffected Royals and Braves implied values are as of 10/20/16; Total debt for Royals at principal value; Braves' debt balance as of 09/15/16 and cash balance as of 06/30/16
[1] Dividend yield = annualized dividend per share / share price; [2] Payout ratio = 2016E dividend per share / 2016E EPS; [3] Braves' firm value includes net debt of $19,981mm and minority interest unaffected market value of $3,034mm, 2016E EBITDA of $7,190mm ($8,175mm in 2017E EBITDA) increased by $2,503mm ($2,663mm in 2017E) and $700mm ($770mm in 2017E) to reflect its proportionate ownership in Royals and ITC, respectively; [4] Braves' firm value excludes $28,469mm and $13,016mm respectively, to reflect its proportionate ownership in the unaffected market value of equity of Royals and ITC; [5] No ordinary dividend announced in YTD2016, only a special dividend (company's dividend policy = 40-60% of EPS)

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Tobacco sector transaction comparables

Key selected tobacco transactions

Announcement	Target	Acquiror	Implied Firm value ($mm)	Multiples[1]		EBITDA margin
				FV/sales	FV/EBITDA	
01-Jun-15	TDR	Braves	599	3.9x	12.5x	31.3%
23-Feb-15	Souza Cruz (24.7%)	Braves	14,185	6.3x	16.0x	39.6%
15-Jul-14	Lorillard	Royals	27,949[2]	5.6x	13.8x	40.4%
15-Jul-14	Lorillard and Royals assets	Imperial Tobacco	7,056	2.9x	8.8x	33.3%
26-May-11	Protabaco	Braves	452	4.1x	11.3x	36.4%
17-Jun-09	Bentoel (85.1%)	Braves	744	1.3x	14.0x	9.0%
08-Sep-08	UST	Altria	11,681	5.9x	12.0x	48.9%
31-Jul-08	Rothmans	PMI	1,934[3]	4.9x	9.7x	50.8%
28-Feb-08	Skandinavisk	Braves	4,141	N/A	11.2x	N/A
22-Feb-08	Tekel	Braves	1,720	3.3x	11.4x	29.0%
01-Nov-07	John Middleton	Philip Morris USA	2,900[4]	8.1x	15.8x	51.0%
18-Jul-07	Altadis	Imperial Tobacco	22,619[5]	4.1x	14.1x	29.3%
08-Feb-07	Commonwealth Brands	Imperial Tobacco	1,900	5.5x	10.9x	50.0%
19-Jan-07	Lakson Tobacco	PMI	675	2.1x	14.8x	14.4%
15-Dec-06	Gallaher	Japan Tobacco	18,938	3.6x	13.0x	28.0%
24-Apr-06	Conwood	Royals	3,500	7.8x	13.2x	59.1%
13-Mar-05	PTHM Sampoerna	PMI	5,082	2.7x	13.9x	19.5%
07-Mar-02	Reemtsma	Imperial Tobacco	5,103	2.5x	13.4x	18.5%
22-Jun-01	Austria Tabak	Gallaher Group	1,871	1.6x	7.4x	21.4%
Mean				**4.2x**	**12.5x**	**33.9%**
Median				**4.0x**	**13.0x**	**32.3%**

Source: Press releases, annual reports and information brochures of target, broker reports; based on most recent available financials at time of announcement of the transaction
[1] Multiples based on transaction value in local currency
[2] Implied firm value is pension-adjusted and based on fully diluted equity
[3] Transaction value reflects 100% of RI and 60% of RBH not currently owned by PMI (100% of RI cash & ST investments, 60% of RBH cash, and 60% of RBH debt) as of 07/31/08; financials reflect 60% of RI consolidated revenue and EBITDA
[4] Firm value excludes $700mm in present value of tax benefits (multiples based on brokers' estimates)
[5] Firm value adjusted by minority in Logista valued at market value

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FV/EBITDA NTM evolution vs. historical transaction multiples – Tobacco industry

10-year FV/EBITDA NTM evolution vs. historical transaction multiples



Source: Company information, Equity research, FactSet as of 11/04/16; Tobacco indexes represents median valuation of tobacco peers over time
Note: Yellow diamonds denote FV/EBITDA multiples
[1] International Tobacco index includes Braves, PMI, SWMA, IMB and JT
[2] US Tobacco index includes Royals and Altria

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Illustrative Royals discounted cash flow analysis

5-year projections

($mm) – Implied valuation date as of 09/30/16

	Management projections						
FYE 12/31	Q4'16E	2017E	2018E	2019E	2020E	2021E	Terminal
Net sales[1]	**$3,162**	**$13,009**	**$13,621**	**$14,331**	**$15,095**	**$15,909**	**$15,988**
% growth	*3.5%*	*4.3%*	*4.7%*	*5.2%*	*5.3%*	*5.4%*	*0.5%*
EBITDA	**$1,504**	**$6,313**	**$6,877**	**$7,329**	**$8,026**	**$8,696**	**$8,739**
% margin	*47.6%*	*48.5%*	*50.5%*	*51.1%*	*53.2%*	*54.7%*	*54.7%*
EBIT	1,472	6,181	6,736	7,190	7,880	8,548	8,591
Less: Taxes	(548)	(2,237)	(2,450)	(2,625)	(2,881)	(3,128)	(3,144)
% tax rate	*37.2%*	*36.2%*	*36.4%*	*36.5%*	*36.6%*	*36.6%*	*36.6%*
EBIAT	**$924**	**$3,944**	**$4,286**	**$4,565**	**$5,000**	**$5,420**	**$5,447**
Plus: D&A	32	132	141	139	146	148	149
% of net sales	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*0.9%*	*0.9%*
% of capex	*39.0%*	*51.8%*	*74.6%*	*92.7%*	*97.3%*	*98.7%*	*98.7%*
Less: Capex	(82)	(255)	(189)	(150)	(150)	(150)	(151)
% of net sales	*(2.6%)*	*(2.0%)*	*(1.4%)*	*(1.0%)*	*(1.0%)*	*(0.9%)*	*(0.9%)*
Less: (Inc) / dec in NWC	(89)	184	14	116	114	122	12
Unlevered FCF for discounting	**$785**	**$4,005**	**$4,252**	**$4,670**	**$5,110**	**$5,540**	**$5,457**

Implied firm value ($mm)

Discount rate	Perpetuity growth rate 0.00%	0.50%	1.00%
6.00%	$89,203	$95,965	$104,079
6.50%	$82,278	$87,911	$94,567
7.00%	$76,346	$81,098	$86,643

Implied equity value per share[2]

Discount rate	Perpetuity growth rate 0.00%	0.50%	1.00%
6.00%	$54.66	$59.38	$65.05
6.50%	$49.82	$53.75	$58.41
7.00%	$45.67	$48.99	$52.87

Terminal forward EBITDA multiple

Discount rate	Perpetuity growth rate 0.00%	0.50%	1.00%
6.00%	10.7x	11.7x	13.0x
6.50%	9.9x	10.8x	11.9x
7.00%	9.2x	10.0x	10.9x

Source: Royals management projections

Note: Assumes net debt of $10,991mm and 1,431mm diluted shares outstanding as of 09/30/16 per Royals management projections; Assumes mid-period discounting

[1] Net of excise tax per Royals management projections; [2] 52-week low/high: $43.38 – $54.50 per FactSet

ROYALS IMPLIED VALUATION ANALYSIS

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Braves standalone financial estimates

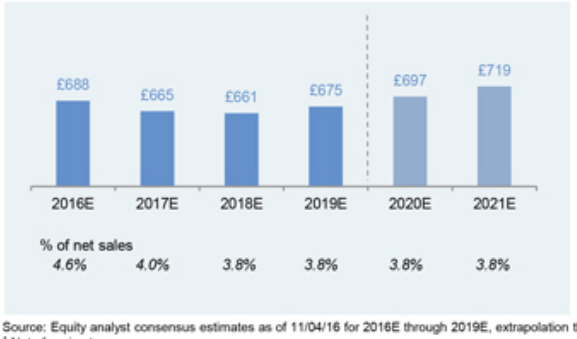
Net sales[1] (£mm)



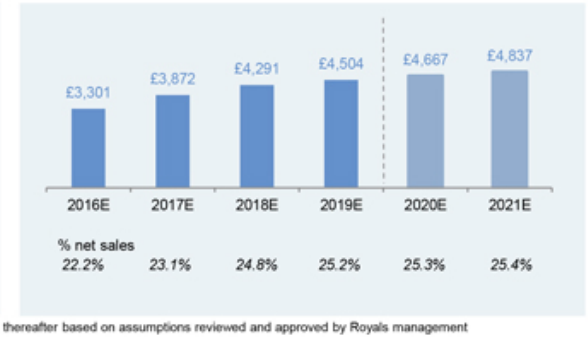
EBITDA[2] (£mm)



Capital expenditures (£mm)



Unlevered Free Cash Flow[3] (£mm)



Source: Equity analyst consensus estimates as of 11/04/16 for 2016E through 2019E, extrapolation thereafter based on assumptions reviewed and approved by Royals management
[1] Net of excise tax
[2] EBITDA exclude income from associates in Royals and ITC
[3] EBIT * (1–30.5% tax rate) + D&A - Capex - Δ in NWC

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Braves consolidated standalone financial estimates

Summary financials (£mm)

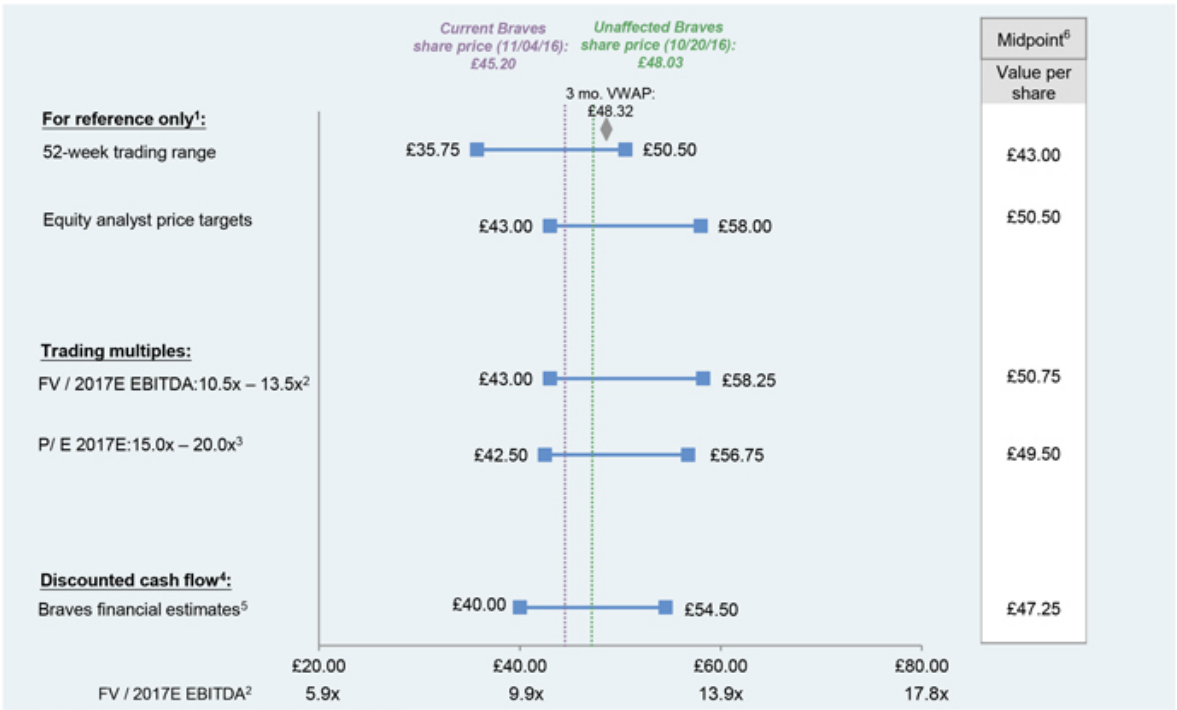
	Street consensus					Extrapolations	
FYE 12/31	Q4'16E[1]	2016E	2017E	2018E	2019E	2020E	2021E
Net Sales[2]	**£4,094**	**£14,857**	**£16,758**	**£17,291**	**£17,847**	**£18,419**	**£19,011**
% growth	--	*13.4%*	*12.8%*	*3.2%*	*3.2%*	*3.2%*	*3.2%*
EBITDA	**£1,620**	**£5,869**	**£6,674**	**£7,027**	**£7,319**	**£7,554**	**£7,797**
% margin	*39.6%*	*39.5%*	*39.8%*	*40.6%*	*41.0%*	*41.0%*	*41.0%*
D&A	£110	£397	£419	£433	£521	£600	£683
% of capex	*40.7%*	*57.6%*	*63.0%*	*65.6%*	*77.1%*	*86.1%*	*95.0%*
Operating income	**£1,510**	**£5,473**	**£6,255**	**£6,594**	**£6,798**	**£6,954**	**£7,113**
% margin	*36.9%*	*36.8%*	*37.3%*	*38.1%*	*38.1%*	*37.8%*	*37.4%*
Tax rate	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*
EPS	--	£2.46	£2.83	£3.04	£3.19	£3.36	£3.53
Select cash flow items:							
Capex	£269	£688	£665	£661	£675	£697	£719
% net sales	*6.6%*	*4.6%*	*4.0%*	*3.8%*	*3.8%*	*3.8%*	*3.8%*
(Inc.) / Dec. in NWC	(£53)[3]	(£211)	(£229)	(£64)	(£67)	(£69)	(£71)

Source: Equity analyst consensus estimates as of 11/04/16 for 2016E through 2019E, extrapolation thereafter based on assumptions reviewed and approved by Royals management (hereinafter referred to as "Braves financial estimates")
[1] Q4'16E figures are calculated as half of the difference between 2016E consensus estimates and 1H'16 reported numbers
[2] Net of excise tax
[3] Q4'16E (Inc.) / Dec. in NWC is calculated as one quarter of the annual value projected by equity analyst research consensus

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Implied Braves valuation perspectives

Implied equity value per share (rounded to the nearest £0.25)



Source: Braves financial estimates; Equity analyst consensus; FactSet

Note: Valuation date as of 09/30/16; market data as of 11/04/16; Debt balance of £18,254mm as of 09/15/16, cash balance of £1,943mm as of 06/30/16, minority interest unaffected market value of £2,476mm, and equity affiliate adjustments of £23,241mm and £10,619mm for the unaffected market value of equity in Royals and ITC, respectively; diluted share count of 1,874mm as of 10/31/16; [1] Values as of 10/20/16 represent unaffected share price; [2] Based on 2017E EBITDA of £9,476mm, which includes £2,174mm and £628mm to reflect Braves' proportionate ownership in Royals and ITC, respectively, per equity analyst consensus; [3] Based on 2017E net income of £5,307mm; [4] Implied equity value reflects equity affiliates including 42% of Royals DCF equity value range of £21,968mm - £31,290mm at an GBP/USD exchange rate of 1.2548, and 30% of ITC's unaffected market equity value; [5] Assumes a discount rate of 7.0% - 8.0% and a terminal growth rate of 0.0% - 1.0%; [6] Represents the arithmetic midpoint of each valuation range before rounding

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Illustrative Braves discounted cash flow analysis

5-year estimates, investment in Royals valued at DCF and ITC valued at market value

BRAVES IMPLIED VALUATION ANALYSIS

(£mm) – Implied valuation date as of 09/30/16

	Street consensus				Extrapolation		
FYE 12/31	Q4 16E[1]	2017E	2018E	2019E	2020E	2021E	Terminal
Net sales[2]	**£4,094**	**£16,758**	**£17,291**	**£17,847**	**£18,419**	**£19,011**	**£19,106**
% growth	*3.5%*	*12.8%*	*3.2%*	*3.2%*	*3.2%*	*3.2%*	*0.5%*
EBITDA	**£1,620**	**£6,674**	**£7,027**	**£7,319**	**£7,554**	**£7,797**	**£7,835**
% margin	*39.6%*	*39.8%*	*40.6%*	*41.0%*	*41.0%*	*41.0%*	*41.0%*
EBIT	1,510	6,255	6,594	6,798	6,954	7,113	7,149
Less: Taxes	(461)	(1,908)	(2,011)	(2,073)	(2,121)	(2,170)	(2,180)
% tax rate	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*
EBIAT	**£1,050**	**£4,347**	**£4,583**	**£4,725**	**£4,833**	**£4,944**	**£4,968**
Plus: D&A	110	419	433	521	600	683	687
% of net sales	*2.7%*	*2.5%*	*2.5%*	*2.9%*	*3.3%*	*3.6%*	*3.6%*
% of capex	*40.7%*	*63.0%*	*65.6%*	*77.1%*	*86.1%*	*95.0%*	*95.0%*
Less: Capex	(269)	(665)	(661)	(675)	(697)	(719)	(723)
% of net sales	*(6.6%)*	*(4.0%)*	*(3.8%)*	*(3.8%)*	*(3.8%)*	*(3.8%)*	*(3.8%)*
Less: (Inc) / dec in NWC	(53)[3]	(229)	(64)	(67)	(69)	(71)	(11)
Unlevered FCF for discounting	**£837**	**£3,872**	**£4,291**	**£4,504**	**£4,667**	**£4,837**	**£4,921**

Implied firm value (£mm)[4]

Discount rate \ Perpetuity growth rate	0.00%	0.50%	1.00%
7.00%	£70,031	£74,088	£78,821
7.50%	£65,371	£68,819	£72,797
8.00%	£61,295	£64,253	£67,635

Implied equity value per share[5,6]

Discount rate \ Perpetuity growth rate	0.00%	0.50%	1.00%
7.00%	£47.03	£50.41	£54.39
7.50%	£43.30	£46.15	£49.47
8.00%	£40.07	£42.50	£45.29

Terminal forward EBITDA multiple

Discount rate \ Perpetuity growth rate	0.00%	0.50%	1.00%
7.00%	9.3x	10.0x	10.9x
7.50%	8.7x	9.3x	10.1x
8.00%	8.2x	8.7x	9.4x

Source: Braves financial estimates; Debt balance of £18,254mm as of 09/15/16, cash balance of £1,943mm as of 06/30/16 and minority interest market value of £2,476mm
Note: Braves diluted share count of 1,874mm as of 10/31/16
[1] Q4'16E numbers are calculated as half of the difference between 2016E consensus estimates and 1H'16 reported numbers
[2] Net of excise tax
[3] Q4'16E (Inc.) / Dec. in NWC is calculated as one quarter of the annual value of equity analyst consensus
[4] Firm value excludes investments in associates
[5] Equity value reflects £2,476mm of minority interests and equity affiliates, including 42% of Royals which has a DCF equity value range of £21,968mm - £31,290mm at an GBP/USD exchange rate of 1.2548, and £10,619mm of equity affiliates which represents their 30% ownership stake in ITC
[6] 52-week low/high: £35.75 – £50.50 (rounded to the nearest £0.25)

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Royals and Braves exchange ratio evolution

Royals and Braves exchange ratio since the day before the announcement of the Lorillard acquisition (07/14/14)



	Exchange ratio
1 month	0.7668x
6 months	0.8046x
1 year	0.8287x
Since Lorillard acquisition (07/14/14)	0.7200x
Since Lorillard acquisition completion (6/12/15)	0.8075x

Source: Royals filings; FactSet as of 11/04/16

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Overview of potential operating synergies in a combination with Braves

Potential operating synergies

- Braves' proposal includes an assumption of $400mm in annual run-rate synergies which can potentially provide meaningful value to Royals shareholders in a transaction that includes stock consideration
- Per Royals management, we assume a range of $300mm-$500mm which would include, but is not limited to the following:
  - Consolidation of manufacturing (Mexico vs. Tobaccoville)
  - Consolidation of R&D platforms
  - Reduced supply chain expenses (procurement, etc.)
  - Reduction in certain administrative expenses (IR, SEC expenses, Board costs, other various public company costs)
  - Leadership/structure efficiencies
  - Consolidated marketing expenses
  - Consolidated finance, audit and communications departments
  - Conform certain HR related expenses (Payroll, annual bonus)
  - Combined portfolio of Next-Generation Products (vapor, Heat-not-burn, Niconovum AB)
- In addition, there are likely to be significant working capital improvement opportunities which would enhance cash flow for the pro forma company including, but not limited to:
  - Difference in size of respective dividends payouts
  - Ability to consolidate leaf purchasing/durations
  - Optimization of cash usage throughout the year to reduce borrowing costs
  - Elimination of payment by Braves to Royals for ceasing of manufacturing in Japan
  - Ability to utilize off-shore cash

Post-tax NPV of assumed $400mm run-rate operating synergies ($mm)

		Perpetuity growth		
		0.0%	0.5%	1.0%
Discount rate	6.00%	$4,314	$4,638	$5,027
	6.50%	$3,973	$4,242	$4,561
	7.00%	$3,681	$3,908	$4,173

Post-tax NPV of synergy levels

		NPV[1]
Run-rate operational synergies	$300	$3,182
	$400	$4,242
	$500	$5,303

Source: $400mm in annual synergies as per Braves proposal on 10/20/16
Note: Assumes synergies are phased in over two years, net of cost to achieve per Royals management
[1] Assumes a terminal growth rate of 0.5%, a constant blended tax rate of 33.4% and a discount rate of 6.5%

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Overview of potential tax efficiencies in a combination with Braves

Potential tax efficiencies

- In acquisitions of U.S. targets by non-U.S. multinationals, a significant amount of tax efficiencies can add to the economics of a combination with Braves
  - In Braves' proposed acquisition of Royals, anticipated total annual tax efficiencies of $550mm+ in 2018 and growing annually
- Braves could capitalize the legacy Royals business with intercompany debt following the acquisition, increasing tax shield from interest for the legacy Royals business
- Total present value of tax efficiencies could be significant, and can vary depending on the following factors:
  - Amount of cash consideration paid by Braves to Royals shareholders
  - Interest rate on intercompany debt
  - Discount rate used to calculate present value tax efficiencies
  - Tax applicable to interest income in the U.K.
  - Adjustments (if any) for potential future legislative changes
- In addition to intercompany debt, Braves would realize tax efficiencies through elimination of U.S. income tax currently applied to Braves' share of its Royals dividends (and share repurchases)
- Furthermore, although not quantified in this analysis, Braves has the opportunity to drive further tax efficiencies in the U.S. by using intercompany purchases and cost-sharing agreements to allocate R&D and other general corporate expense to the U.S. operations

Net present values of potential assumed tax efficiencies ($550mm+ in 2018 and growing annually)

Discount rate used to PV tax efficiencies	Tax rate differential: 32.5%	35.0%	37.5%
4.50%	$16,917	$17,872	$18,795
5.00%	$15,197	$16,056	$16,887
5.50%	$13,790	$14,571	$15,326

Source: Royals management. Note: Sensitivity assumes interest rate on intercompany debt and intercompany target leverage are held constant and discount rate and net effective tax rate differential between U.S. and U.K. are varied. Assumes tax efficiencies are achieved through incremental intercompany debt at 6.5% interest on a maximum of 6.5x (debt/EBITDA) leverage

Discount rate used to PV tax efficiencies	Interest rate on intercompany debt: 5.5%	6.5%	7.5%
4.50%	$15,635	$17,872	$20,028
5.00%	$14,044	$16,056	$17,995
5.50%	$12,744	$14,571	$16,332

Note: Sensitivity assumes net effective tax rate differential between U.S. and U.K. and intercompany target leverage are held constant and discount rate and the interest rate on intercompany debt are varied. Assumes tax efficiencies are achieved on 6.5x maximum leverage at a net tax rate differential of 35.0%

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Illustrative accretion / dilution analysis

Accretion / dilution detail (current proposal)

$mm FYE Dec-31	2017E	2018E
Braves standalone		
Net income	$6,657	$7,157
Diluted EPS	$3.55	$3.82
Transaction adjustments		
Royals EBIT	$6,181	$6,736
(+) Synergies achieved[1]	200	400
(-) IFRS adjustments[2]	(160)	(160)
(+) Incremental interest income / (expense)	(1,148)	(1,071)
Incremental EBT	**$5,073**	**$5,905**
(+) Incremental income tax credit / (expense)[3]	(1,902)	(2,192)
(+) Increase /(decrease) of post-tax results of associates and JVs	(1,508)	(1,646)
Total Net Adjustments	**$1,663**	**$2,066**
PF Net Income with operating synergies	**$8,320**	**$9,223**
Tax efficiencies adjustments		
(+) Tax efficiencies through intercompany debt[4]	454	518
(+) Dividend withholding tax efficiencies[5]	59	64
Total tax efficiencies adjustments	$513	$582
(-) Adjustment for tax efficiencies from acquisition debt	(158)	(123)
Adjusted incremental tax efficiencies	$355	$459
PF Net Income with operating synergies and tax efficiencies	**$8,675**	**$9,682**
Braves' current share outstanding (mm)[6]	1,874	1,874
Shares issued to Royals (mm)[6]	455	455
PF shares O/S after combination	**2,329**	**2,329**
PF diluted EPS (w/ operating synergies)	**$3.57**	**$3.96**
Cash EPS acc/dil ($)	**$0.02**	**$0.14**
Cash EPS acc/dil (%)	**0.6%**	**3.7%**
PF diluted EPS (w/ operating synergies and tax efficiencies)	**$3.72**	**$4.16**
Cash EPS acc/dil ($)	**$0.17**	**$0.34**
Cash EPS acc/dil (%)	**4.9%**	**8.8%**

Braves cash EPS accretion / (dilution)

With run-rate operational synergies of $400mm per Braves proposal

	Premium (holding cash consideration constant)				
	17%	20%	25%	30%	50%
	Price per share				
	$55.33	$56.60	$58.96	$61.32	$70.76
2017E	0.6%	(0.2%)	(1.7%)	(3.1%)	(8.3%)
2018E	3.7%	2.9%	1.4%	(0.1%)	(5.4%)

With run-rate operational synergies of $400mm per Braves proposal and also including $550mm+ of tax efficiencies[3,4]

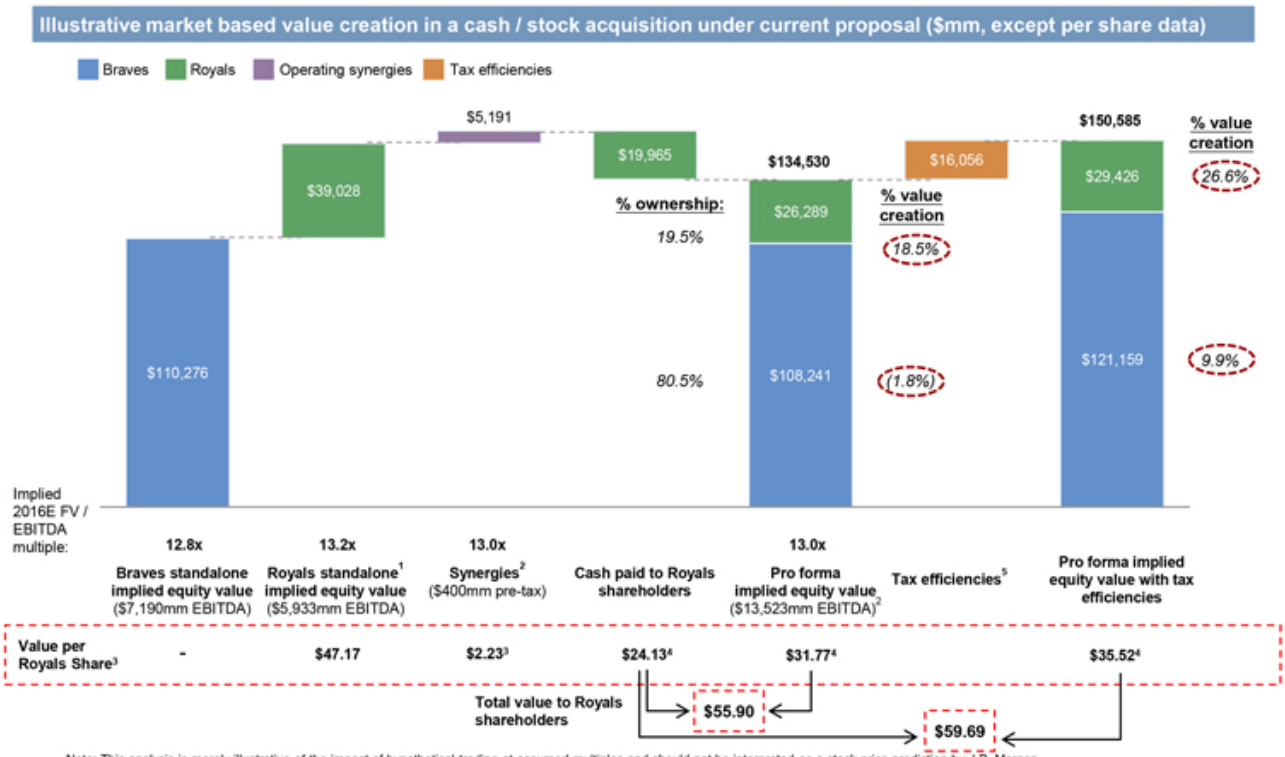
	Premium (holding cash consideration constant)				
	17%	20%	25%	30%	50%
	Price per share				
	$55.33	$56.60	$58.96	$61.32	$70.76
2017E	4.9%	4.0%	2.5%	1.1%	(4.4%)
2018E	8.8%	8.0%	6.4%	4.9%	(0.7%)

Source: Royals management projections; Royals management; Braves financial estimates; Note: Analysis assumes a 9/30/16 transaction date; GBP/USD exchange rate of 1.2548 as of 11/04/16; assumes 3.0% cost of acquisition debt; [1] Operating synergies, phased in over 2 years and net of cost to achieve; [2] Annual impact assumed for IFRS treatment of Royals on a pro forma basis; [3] Assumes a constant blended tax rate of 33.4%, based on the EBIT contribution in 2017E; [4] Assumes tax efficiencies are achieved through incremental intercompany debt at a 6.5% interest rate on 6.5x leverage and a 35.0% tax rate; [5] Assumes withholding tax efficiencies of 5.0% of Royals dividend attributable to Braves (42%); [6] Assumes Braves and Royals diluted shares outstanding of 1,874mm as of 10/31/16 and 1,431mm as of 09/30/16, respectively

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Illustrative market based value creation



Note: This analysis is merely illustrative of the impact of hypothetical trading at assumed multiples and should not be interpreted as a stock price prediction by J.P. Morgan
Source: Royals management projections; Royals management; Braves financial estimates; broker estimates; FactSet
Note: GBP/USD exchange rate of 1.2250 as of 10/20/16; [1] Implied equity value as of 10/20/16 represents the 58% currently not owned by Braves; [2] Braves' estimated synergies of $400mm of run-rate synergies; capitalized at a blended multiple of 13.0x; [3] Pro forma diluted shares outstanding of 2,329mm; [4] Royals diluted shares outstanding of 1,431mm as of 9/30/2016; [5] Assumes tax efficiencies are achieved through incremental intercompany debt at 6.5% interest on 6.5x leverage and at a 35.0% tax rate, as well as dividend withholding savings and benefits

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Market based value creation sensitivities

Illustrative value creation with various assumed operational synergies[2] and no tax efficiencies

Braves

				Premium (holding cash consideration constant)				
				17%	20%	25%	30%	50%
				Price per share				
	Pre-tax		Post-tax	$55.33	$56.60	$58.96	$61.32	$70.76
Synergies[1]	$300	NPV	$3,893	(2.8%)	(3.6%)	(5.0%)	(6.3%)	(11.4%)
	$400		$5,191	(1.8%)	(2.6%)	(4.0%)	(5.4%)	(10.5%)
	$500		$6,488	(0.9%)	(1.7%)	(3.1%)	(4.5%)	(9.6%)

Royals

				Premium (holding cash consideration constant)				
				17%	20%	25%	30%	50%
				Price per share				
	Pre-tax		Post-tax	$55.33	$56.60	$58.96	$61.32	$70.76
Synergies[1]	$300	NPV	$3,893	17.9%	20.0%	24.0%	27.8%	42.1%
	$400		$5,191	18.5%	20.7%	24.7%	28.5%	42.9%
	$500		$6,488	19.2%	21.4%	25.4%	29.3%	43.8%

Illustrative value creation with assumed $400mm operational synergies[3] and $550mm+ of tax efficiencies[4]

Braves

				Premium (holding cash consideration constant)				
				17%	20%	25%	30%	50%
				Price per share				
			Post-tax	$55.33	$56.60	$58.96	$61.32	$70.76
Illustrative % potential of tax efficiencies	0%	NPV	$0	(1.8%)	(2.6%)	(4.0%)	(5.4%)	(10.5%)
	50%		$8,028	4.0%	3.2%	1.7%	0.3%	(5.1%)
	100%		$16,056	9.9%	9.0%	7.4%	5.9%	0.2%

Royals

				Premium (holding cash consideration constant)				
				17%	20%	25%	30%	50%
				Price per share				
			Post-tax	$55.33	$56.60	$58.96	$61.32	$70.76
Illustrative % potential of tax efficiencies	0%	NPV	$0	18.5%	20.7%	24.7%	28.5%	42.9%
	50%		$8,028	22.5%	24.9%	29.1%	33.2%	48.4%
	100%		$16,056	26.6%	29.0%	33.5%	37.8%	53.9%

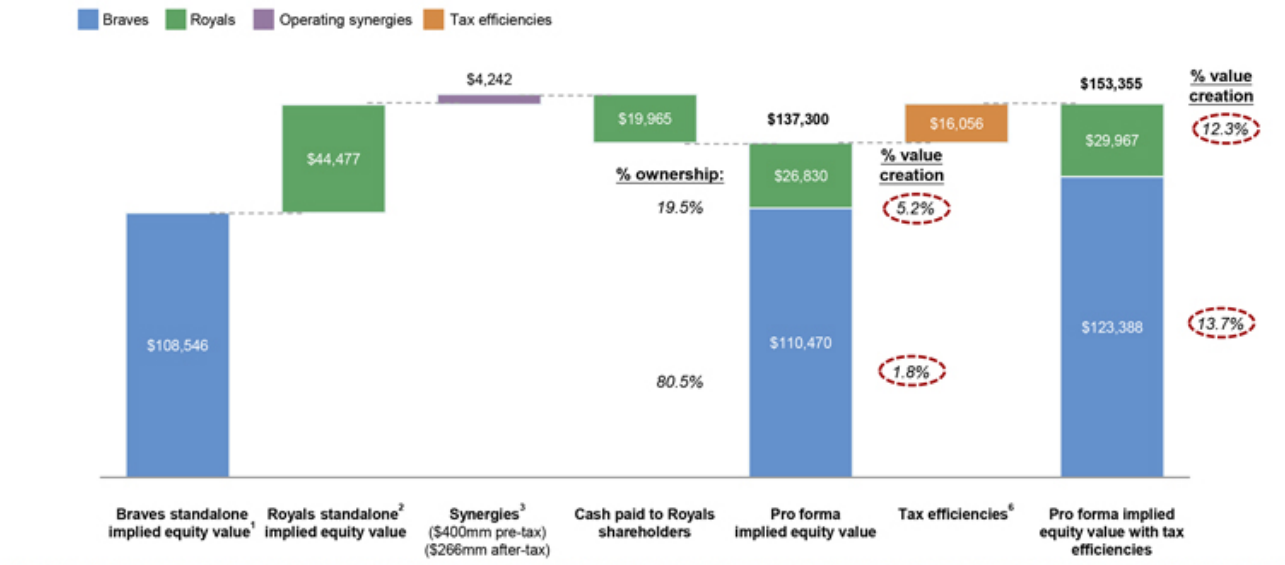
Source: Royals management projections; Royals management; Braves financial estimates; Equity analyst consensus; FactSet
[1] Represents pre-tax operational run-rate synergies; [2] Assumes synergies are phased in over 2 years, net of costs to achieve; present value calculated assuming a 6.5% discount rate; [3] Assumes synergies of $400mm per Braves proposal phased in over 2 years, net of costs to achieve; present value calculated assuming a blended multiple of 13.0x; [4] Assumes tax efficiencies are achieved through incremental intercompany debt at 6.5% interest on 6.5x leverage and 35.0% tax rate, as well as dividend withholding savings and benefits

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Illustrative intrinsic value creation under the current proposal

Illustrative intrinsic value creation in a cash / stock acquisition under current proposal ($mm, except per share data)



Value per Royals Share[3]	-	$53.75	$1.82[4]	$24.13[5]	$32.43[5]	$36.22[5]

Total value to Royals shareholders: $56.56 | $60.35

Note: This analysis is merely illustrative of the impact of hypothetical trading at assumed multiples and should not be interpreted as a stock price prediction by J.P. Morgan
Source: Royals management projections; Royals management; Braves financial estimates; broker estimates; FactSet
Note: Assumes intrinsic standalone implied equity value is the mid-point of the DCF range; GBP/USD exchange rate of 1.2548 as of 11/04/16; [1] Reflects a WACC range of 7.0%-8.0% and a terminal growth rate of 0.0%-1.0%; [2] Implied equity value represents 58% currently not owned by Braves; Reflects a WACC range of 6.0%-7.0% and a terminal growth rate range of 0.0%-1.0%; [3] Estimates assume synergies of $400mm per Braves proposal are phased in over 2 years, net of costs to achieve; present value calculated assuming 6.5% discount and long-term growth rate of 0.5%; [4] Pro forma diluted shares outstanding of 2,329mm; [5] Royals diluted shares outstanding of 1,431mm as of 9/30/2016; [6] Assumes tax efficiencies are achieved through incremental intercompany debt at 6.5% interest on 6.5x leverage and 35.0% tax rate, as well as dividend withholding savings and benefits;

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Intrinsic value creation sensitivities

Illustrative value creation with various assumed operational synergies[2] and no tax efficiencies

Braves

				Premium (holding cash consideration constant)				
				17%	20%	25%	30%	50%
				Price per share				
	Pre-tax		Post-tax	$55.33	$56.60	$58.96	$61.32	$70.76
Synergies[1]	$300	NPV	$3,182	1.0%	0.2%	(1.3%)	(2.7%)	(7.9%)
	$400		$4,242	1.8%	1.0%	(0.5%)	(1.9%)	(7.2%)
	$500		$5,303	2.6%	1.7%	0.3%	(1.1%)	(6.5%)

Royals

				Premium (holding cash consideration constant)				
				17%	20%	25%	30%	50%
				Price per share				
	Pre-tax		Post-tax	$55.33	$56.60	$58.96	$61.32	$70.76
Synergies[1]	$300	NPV	$3,182	4.7%	6.7%	10.2%	13.7%	26.5%
	$400		$4,242	5.2%	7.2%	10.7%	14.2%	27.1%
	$500		$5,303	5.7%	7.7%	11.2%	14.7%	27.7%

Illustrative value creation with assumed $400mm operational synergies[3] and $550mm+ of tax efficiencies[4]

Braves

				Premium (holding cash consideration constant)				
				17%	20%	25%	30%	50%
				Price per share				
			Post-tax	$55.33	$56.60	$58.96	$61.32	$70.76
Illustrative % potential of tax efficiencies	0%	NPV	$0	1.8%	1.0%	(0.5%)	(1.9%)	(7.2%)
	50%		$8,028	7.7%	6.9%	5.3%	3.8%	(1.8%)
	100%		$16,056	13.7%	12.8%	11.1%	9.6%	3.7%

Royals

				Premium (holding cash consideration constant)				
				17%	20%	25%	30%	50%
				Price per share				
			Post-tax	$55.33	$56.60	$58.96	$61.32	$70.76
Illustrative % potential of tax efficiencies	0%	NPV	$0	5.2%	7.2%	10.7%	14.2%	27.1%
	50%		$8,028	8.7%	10.8%	14.6%	18.2%	31.9%
	100%		$16,056	12.3%	14.5%	18.4%	22.3%	36.7%

Source: Royals management projections; Royals management; Braves financial estimates; Equity analyst consensus; FactSet
[1] Represents post-tax operational run-rate synergies; [2] Assumes synergies are phased in over 2 years, net of costs to achieve; present value calculated assuming a 6.5% discount rate; [3] Assumes synergies of $400mm per Braves proposal are phased in over 2 years, net of costs to achieve; present value calculated assuming a 6.5% discount and a long-term growth rate of 0.5%; [4] Assumes tax efficiencies are achieved through incremental intercompany debt at 6.5% interest on 6.5x leverage and 35.0% tax rate, as well as dividend withholding savings and benefits

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Braves debt capacity considerations

($mm, except per share amounts)

Illustrative transaction date: 12/31/16	10/20 proposal at current Braves price and FX **$19bn of acquisition debt**	Max leverage at BBB+ / Baa2 assuming same equity consideration as 10/20 proposal **$24bn of acquisition debt**
Illustrative offer price	$55.33[1]	$61.32[2]
Implied premium to unaffected price	17%	30%
Cash / stock mix ($)	$24.13 / $31.20	$30.12 / $31.20
Cash / stock mix (%)	44% / 56%	49% / 51%
Royals pro forma ownership[3]	20%	20%
Shares issued as % of Braves DSO[3]	24%	24%
Combined standalone debt	$35,856	$35,856
Incremental acquisition debt	18,965	23,919
Total pro forma debt	$54,821	$59,774
Expected rating	BBB+ / Baa2	BBB+ / Baa2
Moody's PF leverage (Debt / EBITDA)	4.1x, 3.5x, 3.0x	4.5x, 3.8x, 3.4x
	PF2016E, 2017E, 2018E	PF2016E, 2017E, 2018E
Cash EPS acc / (dil) with operating synergies	0.6%, 3.7%	(0.6%), 2.6%
Cash EPS acc / (dil) with operating synergies and tax efficiencies[4]	*4.9%, 8.8%*	*3.8%, 7.8%*

Note: Assumes synergies of $400mm per Braves proposal are phased in over 2 years, net of costs to achieve; [1] Implied offer price per share calculated as Braves closing price of £45.20 as of 11/04/16 at a GBP/USD exchange rate of 1.2548 as of 11/04/16 assuming an equity exchange ratio of 0.5502x plus cash consideration of $24.13; [2] Implied offer price per share calculated as Braves closing price of £45.20 as of 11/04/16 at a GBP/USD exchange rate of 1.2548 assuming an equity exchange ratio of 0.5502x plus cash consideration of $31.12; [3] 827mm of Royals diluted shares outstanding as of 9/30/16 and currently not owned by Braves at an exchange ratio of 0.5502x; [4] Assumes a 35.0% tax rate in the U.S.; intercompany debt assumes a 6.5% interest rate on 6.5x maximum leverage; third party debt assumes a 3.0% interest rate; assumes a constant Royals dividend payout of 80% of net income; present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.

COMBINATION ANALYSIS

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Price sensitivity analysis based on incremental cash consideration up to maximum leverage capacity under a BBB+/Baa2 rating with stock consideration thereafter

Price increases based on incremental cash consideration (stock held constant at current amount)

Max leverage capacity at BBB+ / Baa2

Reflects incremental stock above 30% scenario

Premium to unaffected [1]		***17.3%***	***20.0%***	***25.0%***	***30.0%***	***50.0%***
Price per share		$55.33	$56.60	$58.96	$61.32	$70.76
Cash component [2]		$24.13	$25.40	$27.76	$30.12	$30.12
Stock component [2]		$31.20	$31.20	$31.20	$31.20	$40.64
% cash / stock split [2]		*44% / 56%*	*45% / 55%*	*47% / 53%*	*49% / 51%*	*43% / 57%*
Implied Royals % of PF ownership		*19.5%*	*19.5%*	*19.5%*	*19.5%*	*24.0%*
Implied equity purchase price	*57.8%*	45,783	46,834	48,785	50,737	58,542
Implied transaction value [3]		$56,774	$57,825	$59,776	$61,728	$69,533
Acqusition debt financing		$18,965	$20,016	$21,967	$23,919	$23,919
Moody's adjusted leverage		4.2x	4.3x	4.4x	4.6x	4.6x
FV / EBITDA	**EBITDA**					
FY 2016E EBITDA	$5,933	15.2x	15.5x	16.1x	16.6x	18.9x
Adjusted FY 2016E EBITDA [4]	$6,047	14.9x	15.2x	15.8x	16.3x	18.6x
FY 2017E EBITDA	$6,313	14.3x	14.6x	15.1x	15.6x	17.8x
Cash acc/dil w/ operating synergies [5]						
FY 2017E EPS		*0.6%*	*0.3%*	*(0.2%)*	*(0.6%)*	*(6.2%)*
FY 2018E EPS		*3.7%*	*3.4%*	*3.0%*	*2.6%*	*(3.2%)*
Cash acc/dil w/ operating synergies and tax efficiencies [6]						
FY 2017E EPS		*4.9%*	*4.8%*	*4.5%*	*3.8%*	*(2.0%)*
FY 2018E EPS		*8.8%*	*8.7%*	*8.5%*	*7.8%*	*1.8%*

Source: Royals management projections; Royals management; Royals filings, broker estimates, FactSet as of 11/04/16; Note: Assumes GBP / USD exchange rate of 1.2548 as of 11/04/16

[1] Unaffected closing price of $47.17 as of 10/20/16; [2] Assuming stock component is held constant and cash component is varied except for the 50% scenario where the cash component is held constant at the 30% level and the stock component is increased; [3] Assumes net debt of $10,991mm as of 09/30/16; [4] Includes adjustments for run-rate Lorillard synergies in the amount of $113mm, per Royals management guidance; [5] Assumes synergies of $400mm per Braves proposal are phased in over 2 years, net of costs to achieve; [6] Assumes a 35.0% tax rate in the U.S. and a 20.0% tax rate in the U.K.; intercompany debt assumes a 6.5% interest rate on 6.5x maximum leverage; third party debt assumes a 3.0% interest rate; assumes a constant Royals dividend payout of 80% of net income; assumes a benefit from foregone dividend withholding tax; present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.

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Price sensitivity analysis based on incremental equity consideration

Price increases based on incremental equity consideration (cash held constant at current amount)

Premium to unaffected [1]		***17.3%***	***20.0%***	***25.0%***	***30.0%***	***50.0%***
Price per share		$55.33	$56.60	$58.96	$61.32	$70.76
Cash component [2]		$24.13	$24.13	$24.13	$24.13	$24.13
Stock component [2]		$31.20	$32.47	$34.83	$37.19	$46.63
% cash / stock split [2]		*44% / 56%*	*43% / 57%*	*41% / 59%*	*39% / 61%*	*34% / 66%*
Implied Royals % of PF ownership		*19.5%*	*20.2%*	*21.3%*	*22.4%*	*26.6%*
Implied equity purchase price	*57.8%*	$45,783	$46,834	$48,785	$50,737	$58,542
Implied transaction value		$56,774	$57,825	$59,776	$61,728	$69,533
Acqusition debt financing		$18,965	$18,965	$18,965	$18,965	$18,965
Moody's adjusted leverage		4.2x	4.2x	4.2x	4.2x	4.2x
FV / EBITDA	**EBITDA**					
FY 2016E EBITDA	$5,933	15.2x	15.5x	16.1x	16.6x	18.9x
Adjusted FY 2016E EBITDA [3]	$6,047	14.9x	15.2x	15.8x	16.3x	18.6x
FY 2017E EBITDA	$6,313	14.3x	14.6x	15.1x	15.6x	17.8x
Cash acc/dil with operating synergies [4]						
FY 2017E EPS		*0.6%*	*(0.2%)*	*(1.7%)*	*(3.1%)*	*(8.3%)*
FY 2018E EPS		*3.7%*	*2.9%*	*1.4%*	*(0.1%)*	*(5.4%)*
Cash acc/dil with operating synergies and tax efficiencies [5]						
FY 2017E EPS		*4.9%*	*4.0%*	*2.5%*	*1.1%*	*(4.4%)*
FY 2018E EPS		*8.8%*	*8.0%*	*6.4%*	*4.9%*	*(0.7%)*

Source: Royals management; Royals filings, equity research, FactSet as of 11/01/16; Note: Assumes GBP / USD exchange rate of 1.2548 as of 11/04/16
[1] Unaffected closing price of $47.17 as of 10/20/16; [2] Assuming cash component is held constant and stock component is varied; [3] Includes adjustments for run-rate Lorillard synergies in the amount of $155mm for LTM Sep-16 and $113mm FY2016E, per Royals management guidance; [4] Assumes synergies of $400mm per Braves proposal are phased in over 2 years, net of costs to achieve; [5] Assumes a 35.0% tax rate in the U.S. intercompany debt; Assumes a 6.5% interest rate on 6.5x maximum leverage; third party debt assumes a 3.0% interest rate; assumes a constant Royals dividend payout of 80% of net income; present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.

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Financing considerations for the cash portion of Braves' October 20th offer

Financing overview	■ Under the current offer, Braves will need to source $19bn in incremental debt financing to finance the cash portion of Braves' current offer (assuming $1bn of balance sheet cash is used) ■ We believe Braves has additional debt capacity under their pro forma rating of BBB+/Baa2 to raise in total up to $24bn of incremental debt ■ To fund any debt portion of the consideration, Braves will likely tap the U.S. and European bond markets for the majority of financing need; with the remainder coming from the term loan market

Source markets and estimated capacity	■ Braves is estimated to have access to ~$18-20bn of global bond market capacity assuming current market conditions and BBB+/Baa2 ratings
	  ■ Braves will rely on the U.S. bond market for deepest capacity, estimated as ~$12-13bn
	  ■ European bond markets (largely through combination of EUR and GBP issuances) expected to provide ~$6-7bn of capacity
	■ The remaining need (~$1-4bn) can be addressed through the term loan market

Debt tranching / structuring considerations	■ Pro forma for the transaction, Braves will have over ~$14bn of bonds maturing over the next 5 years and ~$3bn annually on average (not inclusive of any newly issued debt), providing significant deleveraging flexibility going forward ■ As such, Braves will likely look to issue debt across the full maturity spectrum (including long-dated tenors) in order to manage their near-term debt load and optimize market capacity / execution ■ Braves has the ability to supplement bond financing with term loan borrowings, which provides further deleveraging flexibility as cash flow is generated ■ From a cost of financing perspective, it is likely that Braves will benefit from a marginally lower cost of borrowing than Royals despite relatively similar ratings on pro forma basis. Over time, this differential is expected to further improve as Braves delevers and integrates the acquisition

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Flowback, or the likelihood that Royals shareholders sell their shares of Braves, may factor into what percentage of the merger consideration Braves may issue as ADRs

- Given large percentage of Braves outstanding equity being issued in the deal, flowback will be a consideration
- If the sell-down causes a dislocation in Braves' share price, it would decrease the near term value of the total consideration received by Royals shareholders
- Impact of flowback can be mitigated by overlap in shareholder bases, U.S. and U.K. re-weightings, and positive shareholder perception of the combination

Current proposal

	100% common stock
Cash shortfall	$26
Rights issue amount	$0
Common stock issued	**$26**
Estimated gross outflows	**~$11 - 19bn**
Estimated demand from index re-weighting	~$5 - 7bn
Estimated net outflow	**~$7 - 13bn**
% of Pre-deal O/S[1]	6% -11%
% of Post-deal O/S[1]	4% -8%

Source: Thomson, FactSet, and most recent filings as of 08/26/16; [1] Represents net flowback as a percentage of pre- / post- deal O/S

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Braves could consider issuing stock to the market for cash to further increase the cash component of its offer and reduce flowback

Braves could consider issuing stock to the market to raise cash proceeds in order to be able to increase the cash component of its offer to Royals and reduce flowback

- Potential alternatives for issuing stock could include:
  - Cash placing up to 5% of market capitalization or vendor placing up to 10% of market capitalization
    - Under UK rules, Braves could offer up to 10% of its current market capitalization to investors on a non pre-emptive basis if the cash is used for an acquisition
  - A rights issue if it were considering issuing over 10% of Braves' market capitalization
    - Braves shareholders receive a tradeable right to acquire their pro-rata share of stock being offered at the offer price
      - Depending on timing of execution, to the extent Braves uses a rights issue to raise cash for the merger consideration, the exchange ratio would need to be adjusted to reflect the lower ex-rights price
- Investors in the UK are very familiar with these methods of stock issuance and UK companies have used them to finance M&A transactions previously
- Greater than a third of precedent UK capital raisings are in excess of 30% of market cap and such offers are common but market conditions at the time will be key given sheer size

Source: Dealogic U.K. Main Market follow on transactions, Thomson, FactSet

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Potential strategic alternatives



Bolt-on acquisition	▪ Limited number of targets available, especially those that offer new capabilities or access to new markets ▪ Does not immediately create substantial value for shareholders
Partnership / JV	▪ Limited number of partners that offer new products or distribution capabilities in a significant manner
Asset sale / separation	▪ No business units of scale within the Royals portfolio is likely to unlock meaningful value as a standalone company or under new ownership ▪ Potential dis-synergies
Leveraged recapitalization	▪ Does not create long-term incremental value for shareholders ▪ Does not enhance company's operational capabilities or competitiveness ▪ Increases indebtedness and financial risk profile of the company
Transformational merger or sale of company	▪ Limited universe of executable counterparties ▪ Per Braves' October 20th proposal, Braves is not interested in selling its 42.2% ownership stake in Royals and would not support an alternative transaction

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Illustrative discussion points regarding a potential transaction

Royals & Braves valuation	■ Discussion regarding each company's standalone value as reflected in the current market
Exchange ratio	■ Braves' offered exchange ratio captures the lowest relative valuation for Royals in over a year and does not reflect normalized relative valuations
Synergies	■ Incremental value from potential synergies likely higher than what Braves has articulated
Consideration mix	■ Optimize mix of cash and stock consideration to maximize tax efficiencies and minimize financing costs
Consideration election	■ Provide Royals shareholders the ability to elect cash versus stock consideration (subject to proration)
Downside protection	■ Possibility of a collar on Braves' stock price between announcement and closing to provide downside protection to Royals shareholders
Governance	■ Royals representation on the combined company Board given Royals' significant ownership in the pro forma company
Break fee	■ Reverse break fee to be paid by Braves if their shareholders do not vote in favor of the acquisition of Royals
Dividend record dates	■ Payment of respective dividends up to closing of any transaction
Tax treatment to Royals shareholders	■ Structuring considerations which may allow Royals shareholders to defer taxes on capital gains for the portion of consideration received in Braves stock

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Braves and Royals – public market overview

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Braves public market overview

(£mm / $mm, except per share data)		GBP	USD[1]
Closing price (11/04/16)		£45.20	$56.72
% 52-wk high		*89.6%*	*89.6%*
Shares outstanding		1,874.3	1,874.3
Market cap		**£84,717**	**$106,303**
+ Debt as of 09/15/16		£18,254	$22,906
- Cash as of 06/30/16		(1,943)	(2,438)
- Other adj. as of 06/30/16[2]		(34,631)	(43,455)
Implied firm value		**£66,397**	**$83,315**
FYE 12/31	2015A	2016E	2017E
Revenues	£13,104	£14,857	£16,758
% growth	(6.2%)	*13.4%*	*12.8%*
EBITDA	£5,355	£5,869	£6,674
% margin	*40.9%*	*39.5%*	*39.8%*
EPS	£2.30	£2.46	£2.83
% growth	*38.2%*	*7.0%*	*14.9%*
Implied valuation		2016E	2017E
FV / EBITDA		11.3x	9.9x
P/E		18.3x	16.0x
Credit metrics	Debt as of 09/15/16	(cash as of 06/30/16)	
Debt / 2016E EBITDA			3.1x
Net debt / 2016E EBITDA			2.8x
Credit ratings			A- / A3

Royals public market overview

($mm, except per share data)			USD[1]
Closing price (11/04/16)			$54.46
% 52-wk high			*98.8%*
Shares outstanding			1,430.9
Market cap			**$77,929**
+ Debt as of 09/30/16			$12,950
- Cash as of 09/30/16			(1,959)
- Other adj. as of 09/30/16			0
Implied firm value			**$88,920**
FYE 12/31	2015A	2016E	2017E
Revenues	$10,675	$12,479	$13,009
% growth	26.0%	*16.9%*	*4.3%*
EBITDA	$4,529	$5,933	$6,313
% margin	*42.4%*	*47.5%*	*48.5%*
EPS	$2.57	$2.31	$2.53
% growth	--	*(10.1%)*	*9.7%*
Implied valuation		2016E	2017E
FV / EBITDA		15.0x	14.1x
P/E		23.6x	21.5x
Credit metrics		As of 9/30/2016	
Debt / 2016E EBITDA			2.2x
Net debt / 2016E EBITDA			1.9x
Credit ratings			BBB / Baa3

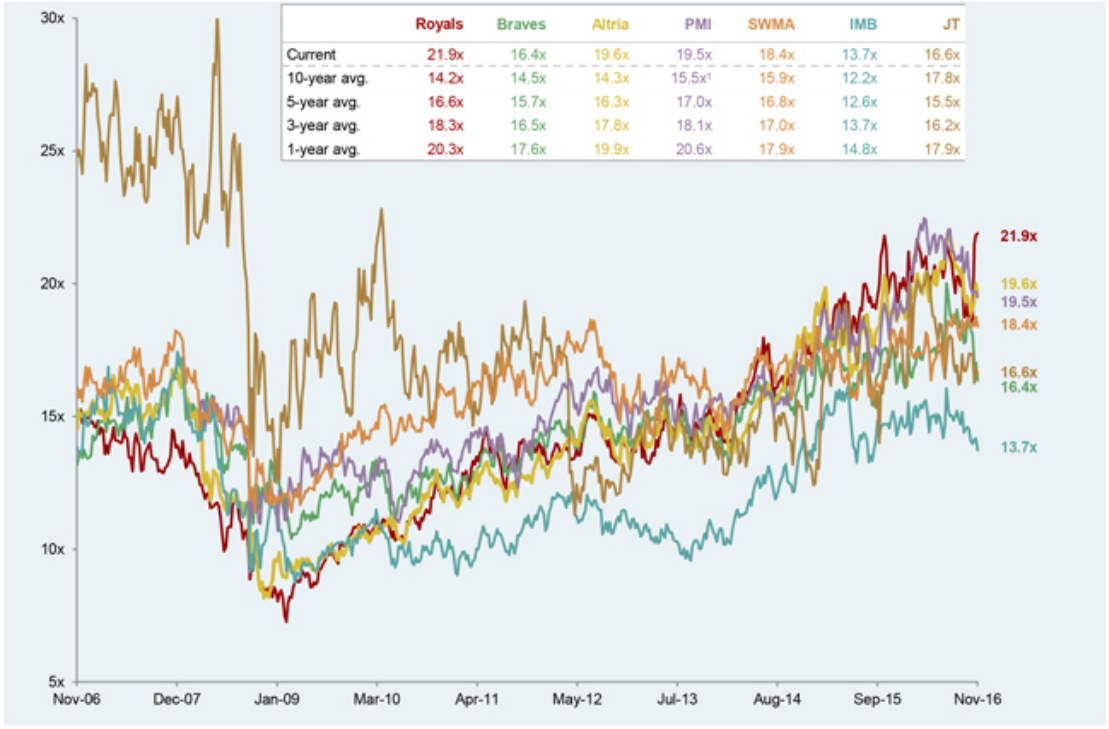
Source: FactSet, equity research and Royals filings. Market data as of 11/04/16
Note: Braves 2015A and 2016E financials adjusted for TDR acquisition
[1] GBP/USD exchange rate of 1.2548 as of 11/04/16
[2] Assumes Braves net other adjustment of £34,631mm, consisting of £2,371mm in current market value of minority interests and (£37,002mm) in associates current market value

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P/E NTM over time – Tobacco peers

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10-year P/E NTM evolution



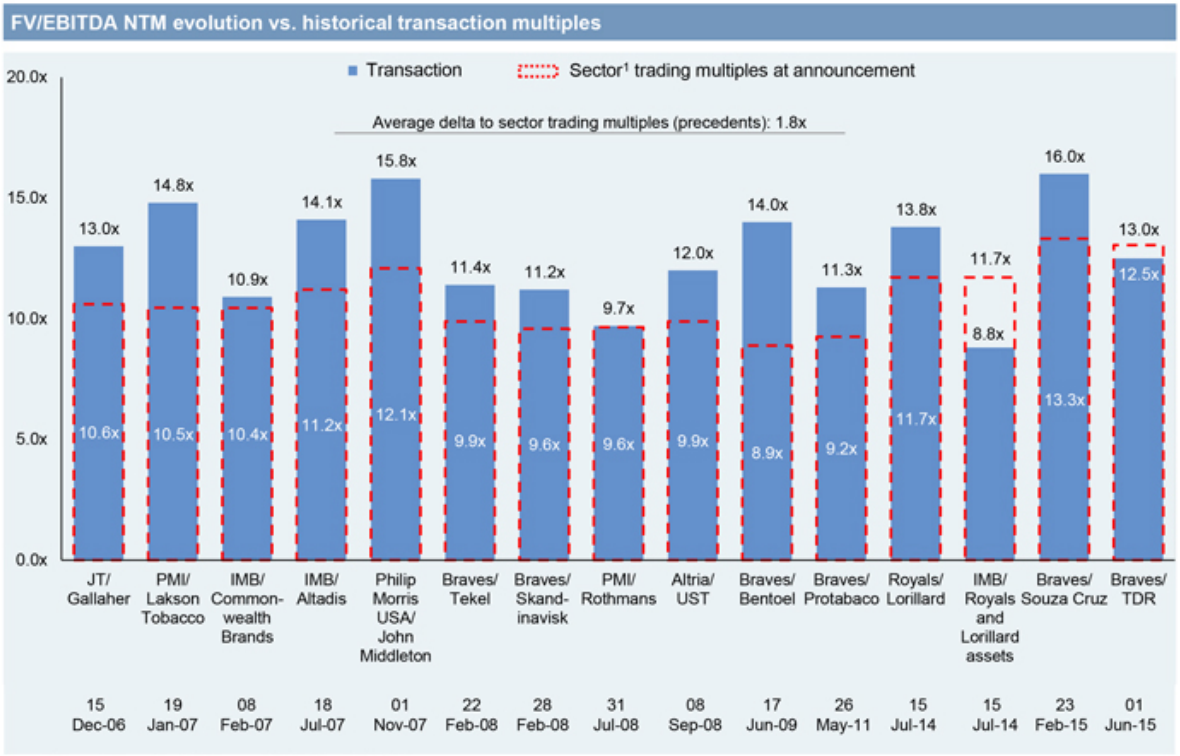
	Royals	Braves	Altria	PMI	SWMA	IMB	JT
Current	21.9x	16.4x	19.6x	19.5x	18.4x	13.7x	16.6x
10-year avg.	14.2x	14.5x	14.3x	15.5x[1]	15.9x	12.2x	17.8x
5-year avg.	16.6x	15.7x	16.3x	17.0x	16.8x	12.6x	15.5x
3-year avg.	18.3x	16.5x	17.8x	18.1x	17.0x	13.7x	16.2x
1-year avg.	20.3x	17.6x	19.9x	20.6x	17.9x	14.8x	17.9x

Source: FactSet as of 11/04/16
[1] Since PMI listing on 03/31/08

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FV/EBITDA NTM evolution vs. historical transaction multiples – Tobacco industry



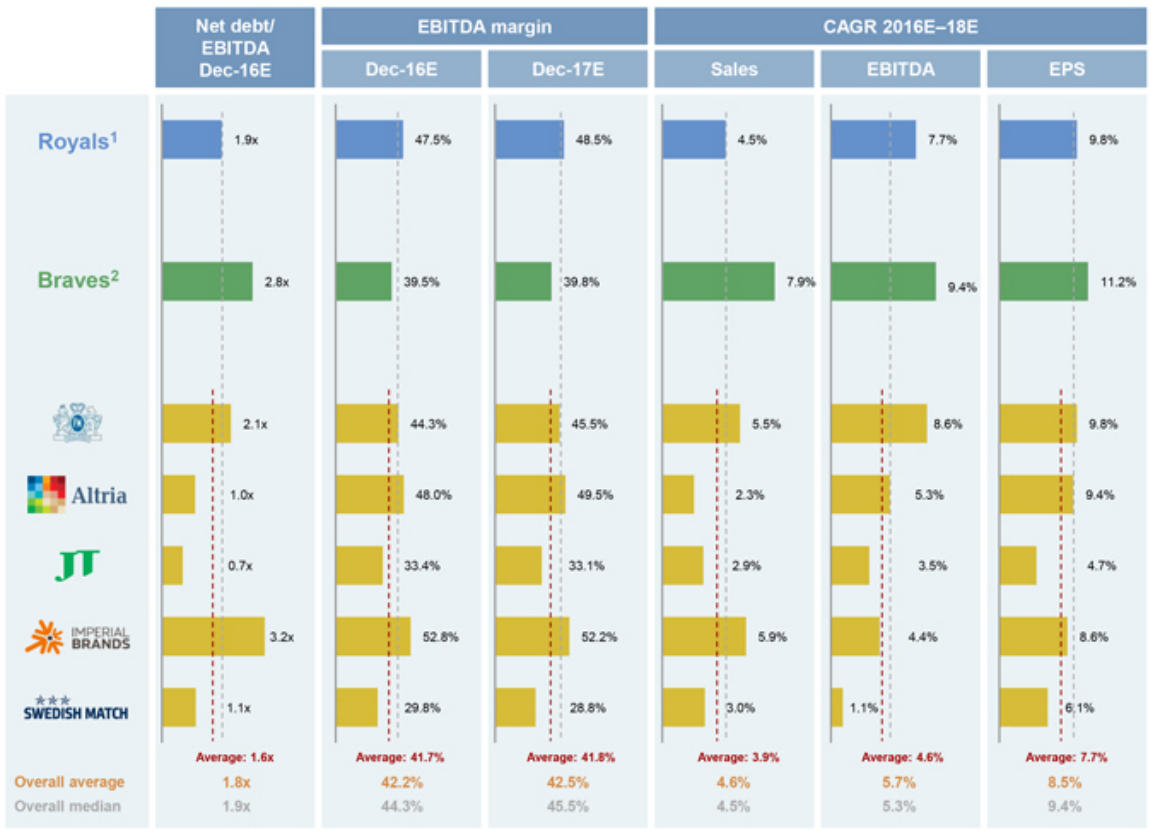
Source: Company information, Equity research, FactSet as of 11/04/16
Note: Implied transaction multiple based on LTM EBITDA
[1] Sector index represents median valuation of tobacco peers in the week of the announcement; index includes Royals, Braves, Altria, PMI, SWMA, IMB and JT

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Tobacco peers – Operational benchmarking



Source: FactSet consensus as of 11/04/16
[1] Per management projections
[2] EBITDA exclude income from associates in Royals and ITC

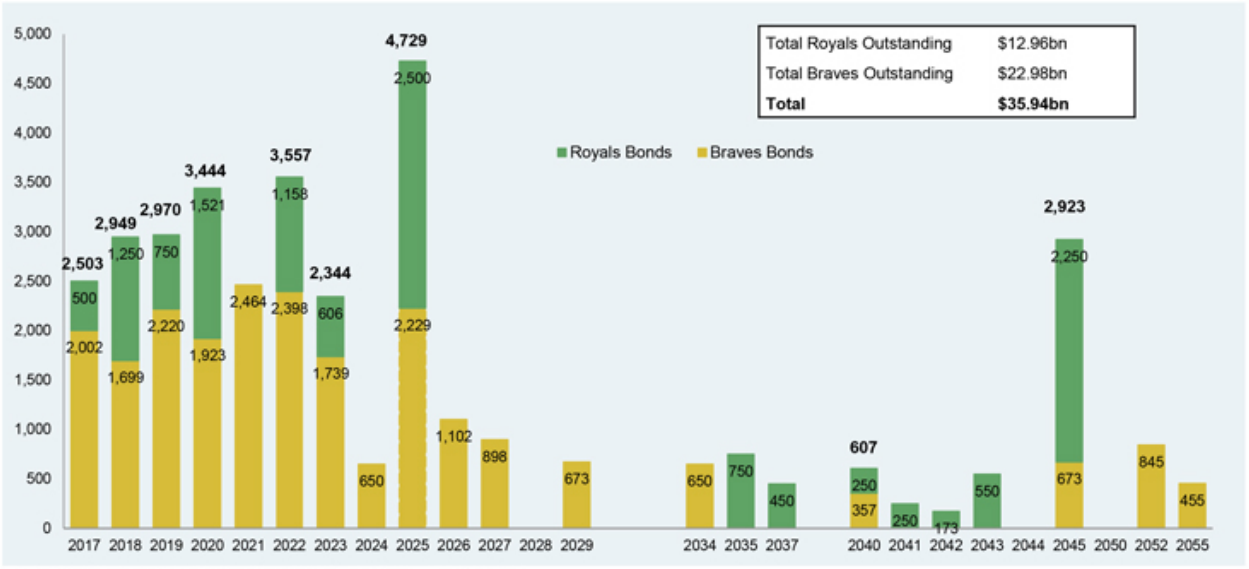
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Combined bond maturity profile for Braves and Royals

Combined bond maturity profile ($mm, USD equivalent) – 2017 and beyond



Source: Bloomberg, all figures shown as USD equivalent; data and FX rates as of 9/29/16

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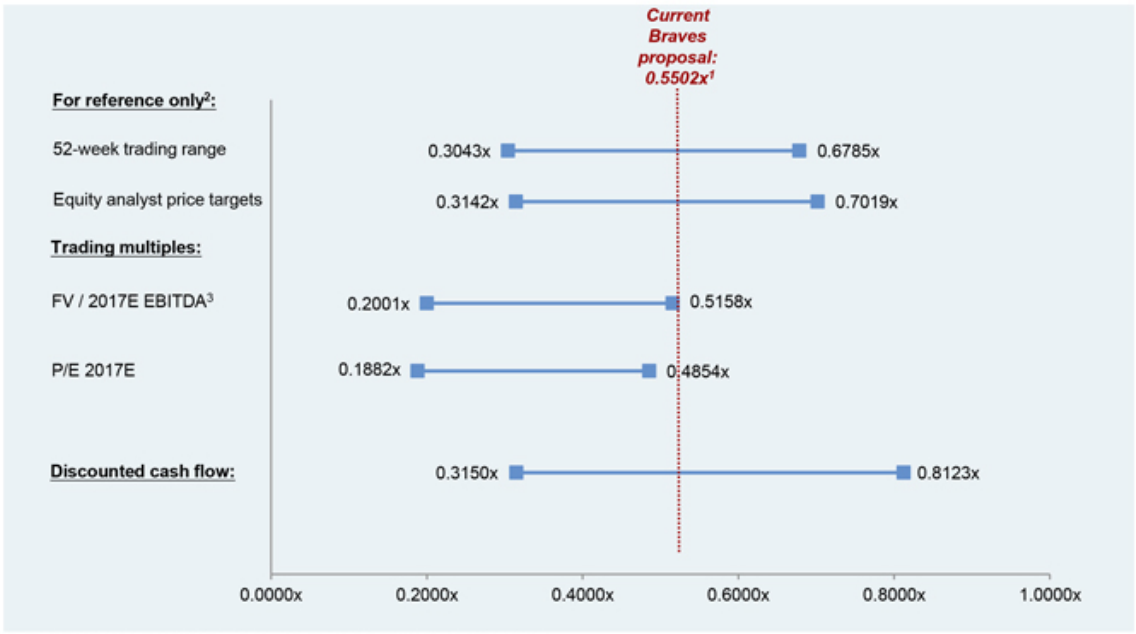
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Implied relative value analysis

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Braves shares per Royals share



Source: Royals management projections; Braves financial estimates; broker estimates; FactSet
Note: Market data as of 11/04/16; Exchange ratios based on high/low and low/high valuation range for each corresponding valuation methodology; GBP/USD exchange rate of 1.2548 as of 11/04/16
[1] Exchange ratio as per Braves 10/20/16 proposal
[2] Values as of 10/20/16 to represent unaffected share price
[3] Based on 2017E EBITDA of £9,476mm, which is adjusted by £2,174mm and £628mm to reflect Braves' proportionate ownership in Royals and ITC, respectively

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Contribution analysis

Contribution analysis ($mm, % represents equity ownership)

	Braves[1]	Royals	Pro forma	Gross contribution		Equity contribution		Ex. Ratio
				Braves	Royals	Braves	Royals	
Firm value metrics								
2016E revenue	$18,643	$12,479	$31,122	60%	40%	68%	32%	0.614x
2017E revenue	21,029	13,009	34,038	62%	38%	70%	30%	0.565x
2016E EBITDA	7,365	5,933	13,298	55%	45%	64%	36%	0.742x
2017E EBITDA	8,374	6,313	14,688	57%	43%	65%	35%	0.694x
Equity value metrics								
2016E net income	4,619	3,254	7,872	59%	41%	59%	41%	0.651x
2017E net income	5,308	3,576	8,884	60%	40%	60%	40%	0.622x

Source: Royals management projections; Braves financial estimates; FactSet as of 11/04/16
Note: GBP/USD of 1.2548
[1] Braves' firm value includes adjustment for 42% of Royals DCF equity value and 30% of ITC market equity value (£10,619mm) and minority interest market value of £2,476
[2] Represents Braves October 20 proposal based on Braves' share price of £48.03 at the exchange rate of 1.2250 as of 10/20/16

Current offer price: $56.50[2]
Exchange ratio: 0.5502x
Royals ownership: 19.5%
Braves ownership: 80.5%

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Royals / Braves – illustrative tax efficiencies – cash / stock acquisition

Tax efficiencies ($mm)

FYE 12/31	2017E	2018E	2019E	2020E	2021E	
5-year forward projections						
EBITDA	**$6,313**	**$6,877**	**$7,329**	**$8,026**	**$8,696**	
D&A	(132)	(141)	(139)	(146)	(148)	
Interest expense, net	($577)	($601)	($646)	($657)	($646)	
EBT	$5,604	$6,134	$6,544	$7,224	$7,902	
Tax at 35.0%	$1,961	$2,147	$2,290	$2,528	$2,766	
Benefit of intercompany debt at Royals						
EBITDA	**$5,933**	**$6,313**	**$6,877**	**$7,329**	**$8,026**	
Target debt / EBITDA	6.5x	6.5x	6.5x	6.5x	6.5x	
Maximum US debt capacity	$38,567	$41,036	$44,699	$47,638	$52,172	
Less: Standalone debt	$12,950	$12,450	$12,450	$11,781	$11,781	
Maximum US intercompany debt	**$25,617**	**$28,586**	**$32,249**	**$35,857**	**$40,391**	
Memo: Cash consideration	$19,965					
(+) Current year E&P	$0	$2,799	$3,026	$3,164	$3,472	
Memo: Maximum IC debt under new regulations	$19,965	$22,764	$25,790	$28,953	$32,426	
Total intercompany debt	**$19,965**	**$22,764**	**$25,790**	**$28,953**	**$32,426**	
Internal debt rate	6.5%	6.5%	6.5%	6.5%	6.5%	
Intercompany interest expense	$1,298	$1,480	$1,676	$1,882	$2,108	
Memo: Section 163 (j) limit	$2,967	$3,157	$3,438	$3,664	$4,013	
Intercompany interest expense (post 163(j))	$1,298	$1,480	$1,676	$1,882	$2,108	
Net increase in US interest expense	**$1,298**	**$1,480**	**$1,676**	**$1,882**	**$2,108**	
Incremental tax efficiencies at 35.0%	**$454**	**$518**	**$587**	**$659**	**$738**	Base tax efficiencies
Terminal value of tax efficiencies at 35.0%					$14,754	
PV of tax efficiencies (5% discount rate)	$443	$481	$519	$555	$12,438	
PV of tax efficiencies (2017 and after)	**$14,437**					
Dividend withholding tax efficiencies						
Royals dividend attributable to Braves	$1,186	$1,278	$1,381	$1,499	$1,634	
Incremental tax efficiencies at 5.0%	**$59**	**$64**	**$69**	**$75**	**$82**	Base tax efficiencies
Terminal value of tax efficiencies at 5.0%					$1,634	
PV of tax efficiencies (5% discount rate)	$58	$59	$61	$63	$1,377	
PV of tax efficiencies (2017 and after)	**$1,619**					
Benefit of new third party debt at Braves						
Principal amount of refinanced Royals debt	$12,450	$12,450	$11,781	$11,781	$11,781	
Interest on refinanced debt at 3.0%	$374	$374	$353	$353	$353	
Incremental tax efficiencies at 20.0%	**$75**	**$75**	**$71**	**$71**	**$71**	Optimized tax efficiencies
Terminal value of tax efficiencies at 20.0%					$1,414	
PV of tax efficiencies (5% discount rate)	$73	$69	$63	$60	$1,192	
PV of tax efficiencies (2017 and after)	**$1,456**					
Total incremental tax efficiencies	**$529**	**$593**	**$657**	**$729**	**$808**	
Total PV of tax efficiencies (2017 and after)	**$17,512**					

Note: Royals management projections; Royals management; assumes a 35.0% tax rate in the U.S. and a 20.0% tax rate in the U.K.; intercompany debt assumes a 6.5% interest rate on 6.5x maximum leverage; third party debt assumes a 3.0% interest rate; assumes a constant Royals dividend payout of 80% of net income; present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.

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Royals discount rate analysis

Discount rate summary

Risk free rate[1]		1.8%	
Equity risk premium	6.5%	—	7.5%
Levered beta	0.55	—	0.95
Country risk premium	0.0%	—	0.0%
Cost of equity	**5.4%**	—	**8.9%**
Pre-tax cost of debt		3.3%	
Post-tax cost of debt		2.1%	
Debt/total cap target		15.0%	
Calculated discount rate	**4.9%**	—	**7.9%**
Selected range	**6.0%**	—	**7.0%**

Capital structure benchmarks

Company	Market cap ($bn)	Debt / Total cap.	Levered beta Barra	Levered beta Historical	Relevered historical[2]
Philip Morris	$148.6	16.8%	0.590	0.651	0.633
Altria	$125.8	9.9%	0.522	0.535	0.556
Braves	$106.3	17.7%	0.949	0.793	0.768
Japan Tobacco	$67.7	8.4%	1.269	0.916	0.956
Imperial Brands	$46.1	28.0%	0.770	0.631	0.555
SWMA	$6.3	15.2%	0.670	0.538	0.526
Mean		**16.0%**	**0.795**	**0.677**	**0.666**
Median		**16.0%**	**0.720**	**0.641**	**0.594**
Royals	**$77.9**	**14.2%**	**0.570**	**0.528**	**0.532**

Cost of equity vs. Debt/total cap target[3]

Debt/total cap	Cost of equity 5.4%	6.6%	7.7%	8.9%
10.0%	5.0%	6.1%	7.2%	8.2%
12.5%	5.0%	6.0%	7.0%	8.1%
15.0%	4.9%	5.9%	6.9%	7.9%
17.5%	4.8%	5.8%	6.8%	7.7%
20.0%	4.7%	5.7%	6.6%	7.6%

Cost of equity vs. Pre-tax cost of debt[3]

Pre-tax cost of debt	Cost of equity 5.4%	6.6%	7.7%	8.9%
2.3%	4.8%	5.8%	6.8%	7.8%
2.8%	4.8%	5.8%	6.8%	7.9%
3.3%	4.9%	5.9%	6.9%	7.9%
3.8%	4.9%	5.9%	6.9%	7.9%
4.3%	5.0%	6.0%	7.0%	8.0%

Source: FactSet, Barra, J.P. Morgan estimates; Note: Market data as of 11/04/16

[1] U.S. 10-year treasury bond yield as of 10/14/16; [2] Historic levered beta is implied based on unlevering beta for each respective company based on their current capital structure and relevering beta based on assumed debt/total cap target of 15.0%; [3] Assumes pre-tax cost of debt of 3.25%, debt/total cap target of 15.0% and tax rate of 36.0%

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Braves discount rate analysis

Discount rate summary

UK Risk free rate[1]		1.3%	
UK Equity risk premium	7.2%	—	7.2%
Levered beta	0.60	—	1.00
Country risk premium	1.6%	—	1.6%
Cost of equity	**7.2%**	—	**10.1%**
Pre-tax cost of debt		2.1%	
Post-tax cost of debt		1.4%	
Debt/total cap target		15.0%	
Calculated discount rate	**6.3%**	—	**8.8%**
Selected range	**7.0%**	—	**8.0%**

Capital structure benchmarks

	Market	Debt /	Levered beta		Relevered
Company	cap ($bn)	Total cap.	Barra	Historical	historical[2]
Philip Morris	$148.6	16.8%	0.590	0.651	0.638
Altria	$125.8	9.9%	0.522	0.535	0.561
Royals	$77.9	14.2%	0.570	0.528	0.537
Japan Tobacco	$67.7	8.4%	1.269	0.916	0.965
Imperial Brands	$46.1	28.0%	0.770	0.631	0.560
SWMA	$6.3	15.2%	0.670	0.538	0.530
Mean		**15.5%**	**0.732**	**0.633**	**0.632**
Median		**14.7%**	**0.630**	**0.584**	**0.561**
Braves	**$106.3**	**17.8%**	**0.949**	**0.793**	**0.774**

Cost of equity vs. Debt/total cap target[3]

	Cost of equity			
Debt/total cap	7.2%	8.2%	9.1%	10.1%
5.0%	6.9%	7.8%	8.7%	9.7%
10.0%	6.6%	7.5%	8.4%	9.2%
15.0%	6.3%	7.2%	8.0%	8.8%
20.0%	6.1%	6.8%	7.6%	8.4%
25.0%	5.8%	6.5%	7.2%	7.9%

Cost of equity vs. Pre-tax cost of debt[3]

	Cost of equity			
Pre-tax cost of debt	7.2%	8.2%	9.1%	10.1%
1.1%	6.2%	7.1%	7.9%	8.7%
1.6%	6.3%	7.1%	7.9%	8.7%
2.1%	6.3%	7.2%	8.0%	8.8%
2.6%	6.4%	7.2%	8.0%	8.8%
3.1%	6.4%	7.3%	8.1%	8.9%

Source: FactSet, Barra, J.P. Morgan estimates; Note: Market data as of 11/04/16;
[1] Yield from British Government Securities as of 11/01/16, 10 year; [2] Historic levered beta is implied based on unlevering beta for each respective company based on their current capital structure and relevering beta based on assumed debt/total cap target of 15.0%; [3] Assumes pre-tax cost of debt of 2.1%, debt/total cap target of 15.0% and tax rate of 30.5%

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BOARD DISCUSSION MATERIALS

December 7, 2016

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Summary of Braves' December 5th and October 20th proposals to acquire the remaining shares not currently owned in Royals

	October 20th Braves' proposal	December 5th Braves' proposal
Proposed purchase price	■ $24.13 in cash and 0.5502x Braves shares per Royals share ■ Represents an implied total purchase price of $56.50 per Royals share[1]	■ $29.44 in cash and 0.4923x Braves shares per Royals share ■ Represents an implied total purchase price of $56.60 per Royals share[2]
Consideration	■ $46.8 billion of total consideration to Royals shareholders for the remaining 57.8% ■ Consideration comprised of $20.0 billion in cash and $26.8 billion in Braves shares	■ $46.9 billion of total consideration to Royals shareholders for the remaining 57.8% ■ Consideration comprised of $24.4 billion in cash and $22.5 billion in Braves shares
Implied premium & valuation	■ Represents a 15.5% premium to Royals' closing share price on October 20th of $47.17 per share and an implied firm value of $89bn, which represents a FV/LTM Sep-16 EBITDA multiple of 15.6x[3]	■ This represents a 20.0% premium to Royals' closing share price on October 20th of $47.17 per share and an implied firm value of $92bn, which represents a FV/LTM Sep-16 EBITDA multiple of 16.2x[3]
Synergies	■ Braves estimated cost synergies of $400mm associated with the proposed merger	■ Cost synergies not discussed in proposal, but assumed to be $500mm based on prior discussions
Proposed capital structure & financing sources	■ Commitment to maintaining an investment grade rating ■ Indicated use of existing cash, new bank credit lines and new bonds for the cash portion ■ Proposal not subject to any financing condition	■ According to Braves, this proposal "stretched" their financial metrics as it relates to the cash portion of the proposal

Transaction rationale	■ Creates a stronger, truly global tobacco and Next Generation Products company with
	  ■ A leading position in the US market
	  ■ A significant presence in high growth emerging markets
	  ■ A unique portfolio of brands combined with joint Next Generation Products ("NGP") and R&D capabilities
	■ Accretive to earnings in the first year
		■ Transaction rationale not mentioned, but emphasized timing to "remove uncertainty by Christmas" in order to allow for the "time required for due diligence and documentation"

Approval process	■ Subject to endorsement of Royals' independent directors, Royals shareholders not owned by Braves and Braves shareholders	■ Proposal is an expression of interest only and subject to approval by respective Boards

Source: Braves' letter to the Royals Board of Directors dated 10/20/16 and Braves' October 21, 2016 press release; Braves' proposal letter as of 12/05/16

[1] Based on Royals and Braves share prices and GBP/USD exchange rate as of October 20th

[2] Based on Royals and Braves share prices and GBP/USD exchange rate as of December 5th

[3] Including adjustments for run-rate Lorillard synergies in the amount of $155mm for LTM Sep-16 per Royals management guidance, the resulting multiple is 15.2x for the October 20th proposal and 15.7x for the December 5th proposal

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Implied valuation summary of Braves' December 5th and October 20th proposals

	Braves	Royals			
	Braves unaffected share price 10/20/16	Royals unaffected share price 10/20/16	Braves' 10/20/2016 proposal @ 10/20/16	Braves' 10/20/2016 proposal @ 12/05/16	Braves' 12/05/2016 proposal @ 12/05/16
Stock price	£48.03	$47.17	£48.03	£43.43	£43.43
Exchange rate	*1.2250*	--	*1.2250*	*1.2703*	*1.2703*
Braves price ($)	$58.84	--	$58.84	$55.17	$55.17
Exchange ratio	--	--	*0.5502*	*0.5502*	*0.4923*
Stock consideration per Royals share ($)	--	--	$32.37	$30.35	$27.16
Cash consideration per Royals share ($)	--	--	$24.13	$24.13	$29.44
Total Braves offer price ($)	--	--	**$56.50**	**$54.48**	**$56.60**
% premium to unaffected	--	--	*19.8%*	*15.5%*	*20.0%*
Implied equity value ($mm)[1]	**$110,276**	**$67,497**	**$80,848**	**$77,961**	**$80,991**
% Royals implied pro forma ownership			*19.5%*	*19.5%*	*17.9%*
Implied firm value ($mm)[2,3]	**$91,806**	**$78,488**	**$91,839**	**$88,952**	**$91,982**
FV / LTM Sep-16 EBITDA[4]	14.1x	13.8x	16.1x	15.6x	16.2x
FV / Adjusted LTM Sep-16 EBITDA[5]	--	13.4x	15.7x	15.2x	15.7x
FV / 2016E EBITDA[6, 8]	12.8x	13.2x	15.5x	15.0x	15.5x
FV / Adjusted FY 2016E EBITDA[5, 8]	--	13.0x	15.2x	14.7x	15.2x
FV / 2017E EBITDA[7, 8]	11.2x	12.4x	14.5x	14.1x	14.6x

Source: Royals and Braves filings, broker estimates, FactSet as of 12/05/16

[1] Assumes Royals and Braves diluted share count of 1,431mm and 1,874mm, respectively; [2] Royals debt of $12,950mm at principal value and cash of $1,959mm; Braves net debt of $19,981mm, $3,034mm minority interests and $41,485mm market value of affiliates; [3] Assumes Braves debt outstanding as of 09/15/16 per Braves debt investor microsite and Braves cash as of 06/30/16; [4] LTM EBITDA of $5,694mm and $6,522mm for Royals and Braves, respectively; [5] Includes adjustments for run-rate Lorillard synergies in the amount of $155mm for LTM Sep-16 and $113mm for FY2016, per Royals management guidance; [6] FY2016E EBITDA of $5,933mm and $7,186mm for Royals and Braves, respectively; [7] FY2017E EBITDA of $6,313mm and $8,179mm for Royals and Braves, respectively; [8] Metrics represent management numbers for Royals and equity analyst estimates for Braves

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Royals management standalone financial projections

Net sales[1] ($mm)



	2016E	2017E	2018E	2019E	2020E	2021E
% growth	16.9%	4.3%	4.7%	5.2%	5.3%	5.4%

EBITDA ($mm)



	2016E	2017E	2018E	2019E	2020E	2021E
% margin	47.5%	48.5%	50.5%	51.1%	53.2%	54.7%

Capital expenditures ($mm)



	2016E	2017E	2018E	2019E	2020E	2021E
% of net sales	1.8%	2.0%	1.4%	1.0%	1.0%	0.9%

Unlevered Free Cash Flow[2] ($mm)



	2016E	2017E	2018E	2019E	2020E	2021E
% of net sales	27.1%	30.8%	31.2%	32.6%	33.8%	34.8%

Source: Royals management projections provided 10/31/16 (hereinafter referred to as "Royals management projections")
[1] Net of excise tax
[2] EBIT * (1 – tax rate) + D&A – Capex – Δ in NWC; tax rate per Royals management projections

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Royals management standalone financial projections

Summary financials ($mm)

	Management projections						
FYE 12/31	4Q'16E	2016E	2017E	2018E	2019E	2020E	2021E
Net Sales[1]	**$3,162**	**$12,479**	**$13,009**	**$13,621**	**$14,331**	**$15,095**	**$15,909**
% growth	*3.5%*	*16.9%*	*4.3%*	*4.7%*	*5.2%*	*5.3%*	*5.4%*
COGS	$1,208	$4,834	$5,117	$5,163	$5,409	$5,498	$5,606
% of sales	*38.2%*	*38.7%*	*39.3%*	*37.9%*	*37.7%*	*36.4%*	*35.2%*
Gross profit	**$1,954**	**$7,645**	**$7,893**	**$8,458**	**$8,922**	**$9,597**	**$10,303**
% margin	*61.8%*	*61.3%*	*60.7%*	*62.1%*	*62.3%*	*63.6%*	*64.8%*
SG&A	$477	$1,811	$1,689	$1,700	$1,716	$1,702	$1,741
% of sales	*15.1%*	*14.5%*	*13.0%*	*12.5%*	*12.0%*	*11.3%*	*10.9%*
EBITDA	**$1,504**	**$5,933**	**$6,313**	**$6,877**	**$7,329**	**$8,026**	**$8,696**
% margin	*47.6%*	*47.5%*	*48.5%*	*50.5%*	*51.1%*	*53.2%*	*54.7%*
D&A	$32	$123	$132	$141	$139	$146	$148
% of capex	*39.0%*	*53.7%*	*51.8%*	*74.6%*	*92.7%*	*97.3%*	*98.7%*
Operating income	**$1,472**	**$5,810**	**$6,181**	**$6,736**	**$7,190**	**$7,880**	**$8,548**
% margin	*46.5%*	*46.6%*	*47.5%*	*49.5%*	*50.2%*	*52.2%*	*53.7%*
Tax rate	*37.2%*	*37.2%*	*36.2%*	*36.4%*	*36.5%*	*36.6%*	*36.6%*
EPS	$0.61	$2.31	$2.53	$2.78	$2.98	$3.28	$3.59
Select cash flow items:							
Capex	$82	$229	$255	$189	$150	$150	$150
% net sales	*2.6%*	*1.8%*	*2.0%*	*1.4%*	*1.0%*	*1.0%*	*0.9%*
(Inc.) / Dec. in NWC	($89)	($160)	$184	$14	$116	$114	$122
% change in net sales	--	*(8.9%)*	*34.7%*	*2.3%*	*16.3%*	*14.9%*	*15.0%*

Source: Royals management projections; [1] Net of excise tax

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Potential factors that may impact Royals management's financial projections and valuation

Potential upside factors

- Accelerated growth from new potential revenue streams
- Further potential expansion of next-generation, heat-not-burn products
- Future credits on MSA settlements / transition years
- Potential favorable pension revaluation impact with lower interest rates
- Potential for U.S. corporate tax reform

Potential downside factors

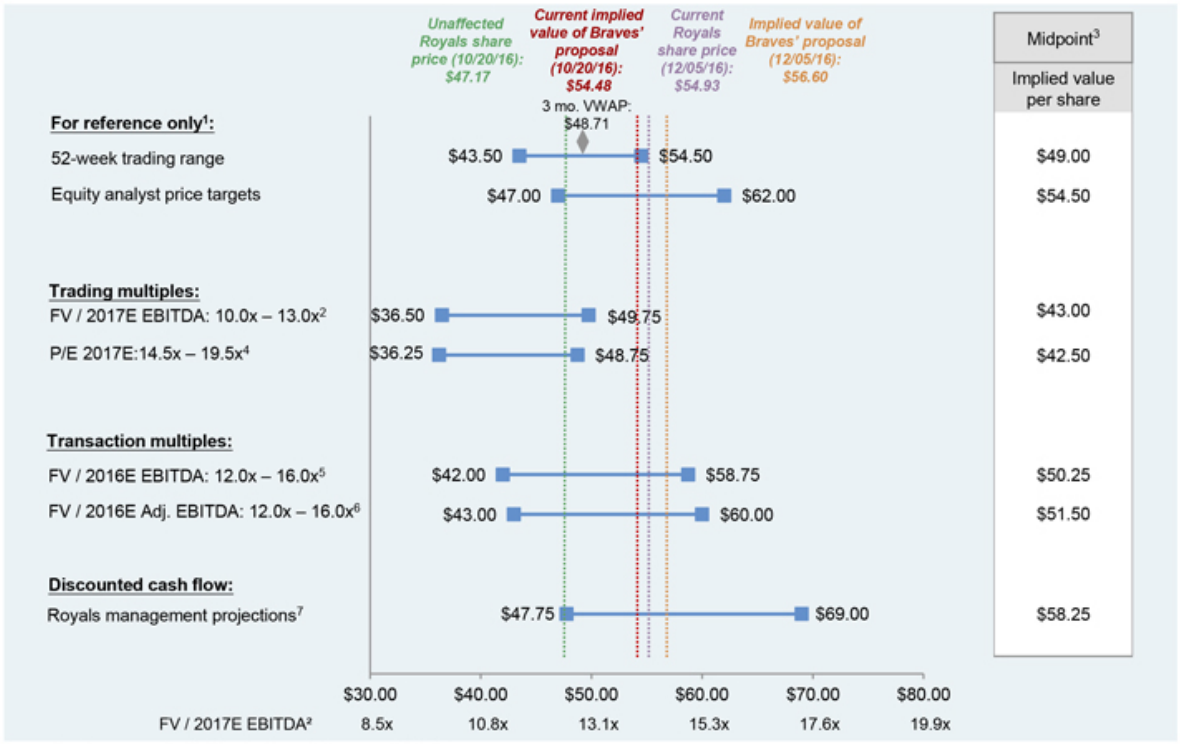
- Altria financial flexibility resulting from AB InBev's acquisition of SABMiller
- Potentially more aggressive state excise tax environment following the recent California vote
- Effects of potential economic downturn such as unemployment and higher gas prices impacting adult tobacco consumers
- MSA - higher inflation leads to increased obligations
- FDA product standards and process risk
- Ongoing Engle Litigation
- Potential impact to future earnings and implications to sector multiples in a rising interest rate environment

Source: Royals management

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Royals implied valuation perspectives as of December 5, 2016

Implied equity value per share (rounded to the nearest $0.25)



Source: Royals management projections; Equity analyst consensus; FactSet

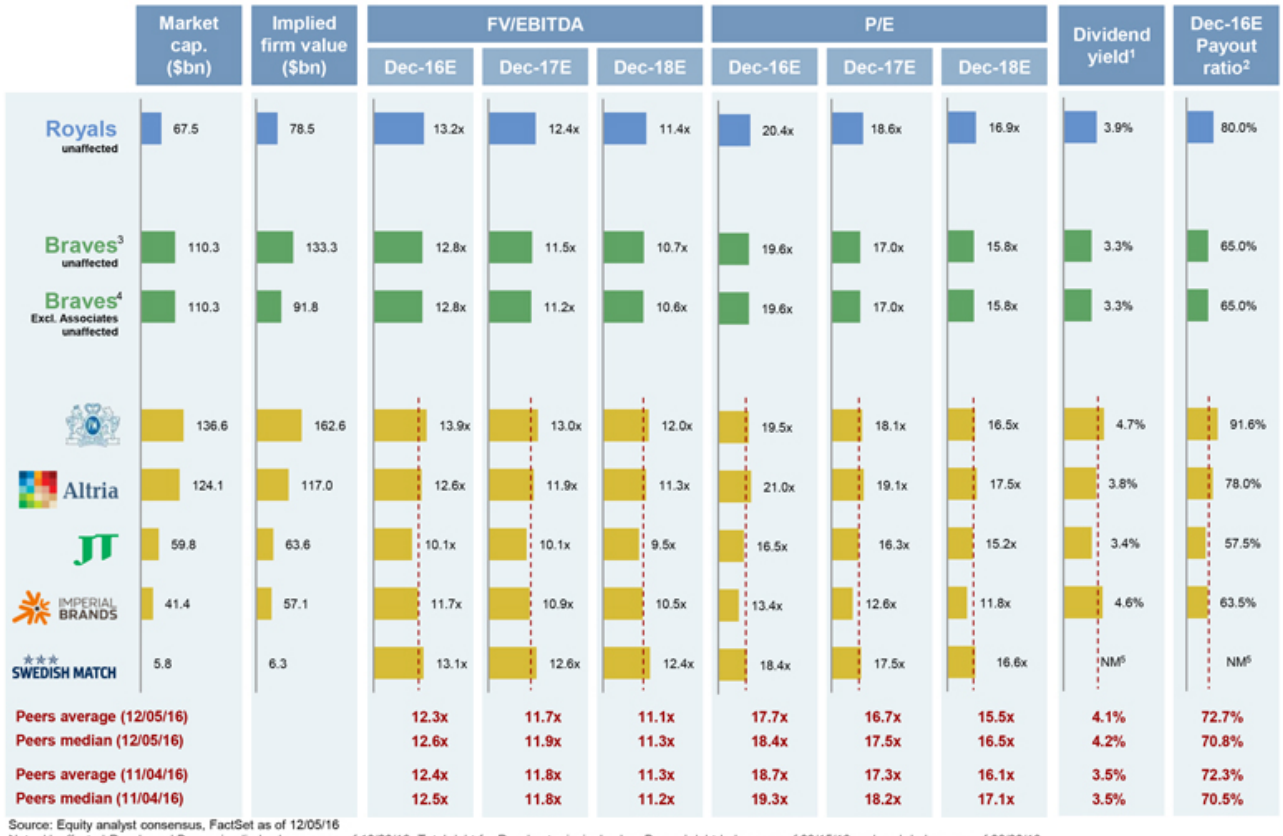
Note: Valuation date as of 09/30/16; market data as of 12/05/16; net debt of $10,991mm as of 09/30/16; diluted share count of 1,431mm as of 09/30/16; 3 month VWAP as of unaffected date of 10/20/16; [1] Values as of 10/20/16 to represent unaffected share price; [2] Based on 2017E EBITDA of $6,313mm per Royals management guidance; [3] Represents the arithmetic midpoint of each valuation range; [4] Based on 2017E net income of $3,576mm and 2017E EPS of $2.53; [5] Based on 2016E EBITDA of $5,933mm; [6] Based on 2016E EBITDA of $6,046mm adjusted by $113mm for synergies related to the acquisition of Lorillard, per Royals management guidance; [7] Assumes a discount rate of 5.75% - 6.75% and a terminal growth rate of 0.0% - 1.0%

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Hypothetical illustrative analysis only – no prediction as to future share trading

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Tobacco peers – Implied valuation comparables



	Market cap. ($bn)	Implied firm value ($bn)	FV/EBITDA Dec-16E	FV/EBITDA Dec-17E	FV/EBITDA Dec-18E	P/E Dec-16E	P/E Dec-17E	P/E Dec-18E	Dividend yield[1]	Dec-16E Payout ratio[2]
Royals unaffected	67.5	78.5	13.2x	12.4x	11.4x	20.4x	18.6x	16.9x	3.9%	80.0%
Braves[3] unaffected	110.3	133.3	12.8x	11.5x	10.7x	19.6x	17.0x	15.8x	3.3%	65.0%
Braves[4] Excl. Associates unaffected	110.3	91.8	12.8x	11.2x	10.6x	19.6x	17.0x	15.8x	3.3%	65.0%
	136.6	162.6	13.9x	13.0x	12.0x	19.5x	18.1x	16.5x	4.7%	91.6%
Altria	124.1	117.0	12.6x	11.9x	11.3x	21.0x	19.1x	17.5x	3.8%	78.0%
	59.8	63.6	10.1x	10.1x	9.5x	16.5x	16.3x	15.2x	3.4%	57.5%
IMPERIAL BRANDS	41.4	57.1	11.7x	10.9x	10.5x	13.4x	12.6x	11.8x	4.6%	63.5%
SWEDISH MATCH	5.8	6.3	13.1x	12.6x	12.4x	18.4x	17.5x	16.6x	NM[5]	NM[5]
Peers average (12/05/16)			**12.3x**	**11.7x**	**11.1x**	**17.7x**	**16.7x**	**15.5x**	**4.1%**	**72.7%**
Peers median (12/05/16)			**12.6x**	**11.9x**	**11.3x**	**18.4x**	**17.5x**	**16.5x**	**4.2%**	**70.8%**
Peers average (11/04/16)			**12.4x**	**11.8x**	**11.3x**	**18.7x**	**17.3x**	**16.1x**	**3.5%**	**72.3%**
Peers median (11/04/16)			**12.5x**	**11.8x**	**11.2x**	**19.3x**	**18.2x**	**17.1x**	**3.5%**	**70.5%**

Source: Equity analyst consensus, FactSet as of 12/05/16

Note: Unaffected Royals and Braves implied values are as of 10/20/16; Total debt for Royals at principal value; Braves' debt balance as of 09/15/16 and cash balance as of 06/30/16

[1] Dividend yield = annualized dividend per share / share price; [2] Payout ratio = 2016E dividend per share / 2016E EPS; [3] Braves' implied firm value includes net debt of $19,981mm and minority interest unaffected market value of $3,034mm, 2016E EBITDA of $7,186mm ($8,179mm in 2017E EBITDA) increased by $2,503mm ($2,663mm in 2017E) and $693mm ($770mm in 2017E) to reflect its proportionate ownership in Royals and ITC, respectively; assumes a GBP/USD unaffected exchange rate of 1.2250 as of 10/20/16; [4] Braves' implied firm value excludes $28,469mm and $13,016mm respectively, to reflect its proportionate ownership in the unaffected market value of equity of Royals and ITC; assumes a GBP/USD unaffected exchange rate of 1.2250 as of 10/20/16; [5] No ordinary dividend announced in YTD2016, only a special dividend (company's dividend policy = 40-60% of EPS)

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Consumer peers – Implied valuation comparables

Consumer peers – Implied valuation comparables

	Market cap	Firm Value	ND/EBITDA	FV/EBITDA			P/E			Dividend yield	Payout ratio
	($bn)	($bn)	Dec-16E	Dec-16E	Dec-17E	Dec-18E	Dec-16E	Dec-17E	Dec-18E	Dec-16E	Dec-16E
Food & Beverage											
Coca Cola	177.8	179.9	1.8x	15.3x	15.5x	15.3x	21.2x	20.6x	19.2x	3.4%	72.4%
Pepsi Co	146.5	165.5	1.6x	13.0x	12.3x	11.6x	21.0x	19.4x	17.8x	2.9%	61.0%
Mondelez	64.4	74.2	3.2x	15.2x	14.1x	13.1x	21.1x	19.3x	17.0x	1.7%	35.2%
Kraft Heinz	98.7	127.7	3.7x	16.4x	14.9x	13.9x	24.5x	20.5x	18.9x	2.8%	69.8%
Hershey	21.0	23.9	1.6x	13.4x	13.0x	12.7x	22.7x	21.1x	19.7x	2.5%	56.1%
General Mills	37.1	45.9	2.3x	13.2x	12.5x	12.0x	20.2x	18.7x	17.4x	3.0%	61.3%
Kellogg	25.4	32.5	3.0x	13.1x	12.3x	11.7x	19.5x	18.0x	16.5x	2.9%	55.7%
Average			**2.5x**	**14.2x**	**13.5x**	**12.9x**	**21.5x**	**19.7x**	**18.1x**	**2.7%**	**58.8%**
Median			**2.3x**	**13.4x**	**13.0x**	**12.7x**	**21.1x**	**19.4x**	**17.8x**	**2.9%**	**61.0%**
Alcoholic beverages											
ABI	202.1	310.8	3.9x	15.3x	13.8x	12.9x	NM[1]	20.9x	18.6x	3.7%	NM[1]
Molson Coors	20.7	32.8	5.0x	13.4x	12.7x	11.9x	NM[2]	14.5x	14.3x	1.7%	NM[2]
Constellation	31.3	39.1	3.3x	16.2x	14.6x	13.4x	23.7x	20.5x	18.1x	1.0%	24.3%
Diageo	62.7	73.4	3.1x	15.4x	13.9x	13.1x	20.3x	18.1x	16.7x	3.1%	63.3%
Average			**3.8x**	**15.1x**	**13.7x**	**12.8x**	**22.0x**	**18.5x**	**16.9x**	**2.4%**	**43.8%**
Median			**3.6x**	**15.3x**	**13.9x**	**13.0x**	**22.0x**	**19.3x**	**17.4x**	**2.4%**	**43.8%**
HPC											
P&G	226.1	239.0	0.9x	13.9x	13.4x	12.8x	22.0x	20.6x	19.2x	3.2%	71.3%
Unilever	113.8	127.1	1.3x	12.7x	11.8x	11.1x	20.0x	18.7x	17.2x	3.4%	67.9%
Reckitt	59.8	61.8	0.6x	17.0x	14.7x	13.7x	22.1x	19.3x	17.9x	2.3%	51.4%
Colgate	58.0	63.2	1.1x	14.2x	13.2x	12.3x	22.9x	21.0x	19.2x	2.4%	55.4%
Kimberly Clark	41.0	47.8	1.7x	11.9x	11.4x	10.8x	18.9x	17.9x	16.7x	3.2%	60.3%
Average			**1.1x**	**13.9x**	**12.9x**	**12.1x**	**21.2x**	**19.5x**	**18.0x**	**2.9%**	**61.3%**
Median			**1.1x**	**13.9x**	**13.2x**	**12.3x**	**22.0x**	**19.3x**	**17.9x**	**3.2%**	**60.3%**
Overall average (12/05/2016)			**2.4x**	**14.3x**	**13.4x**	**12.6x**	**21.5x**	**19.3x**	**17.8x**	**2.7%**	**57.5%**
Overall median (12/05/2016)			**2.1x**	**14.0x**	**13.3x**	**12.8x**	**21.2x**	**19.4x**	**17.9x**	**2.9%**	**60.6%**
Overall average (11/04/2016)			**2.4x**	**14.9x**	**13.8x**	**13.1x**	**22.2x**	**20.1x**	**18.5x**	**2.6%**	**57.5%**
Overall median (11/04/2016)			**2.1x**	**14.7x**	**13.9x**	**13.1x**	**22.0x**	**20.5x**	**18.9x**	**2.8%**	**60.6%**

Source: Equity analyst consensus, FactSet as of 12/05/16
Note: Financials calendarized to December year end
[1] Dec-16 P/E and Dec-16 Payout ratio not pro forma for SABMiller acquisition
[2] Dec-16 P/E and Dec-16 Payout ratio not pro forma for MillerCoors stake acquisition from SABMiller

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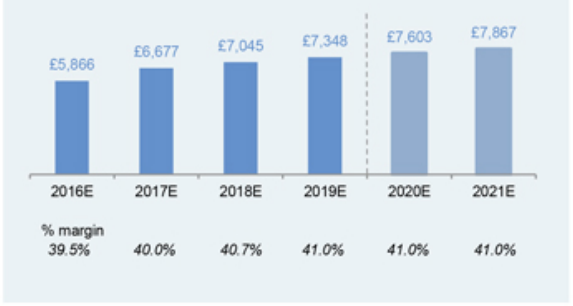
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Braves standalone financial estimates

Net sales[1] (£mm)



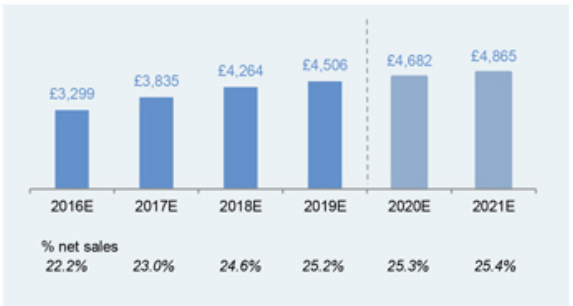
EBITDA[2] (£mm)



Capital expenditures (£mm)



Unlevered Free Cash Flow[3] (£mm)



Source: Equity analyst consensus estimates as of 12/02/16 for 2016E through 2019E, extrapolation thereafter based on assumptions reviewed and approved by Royals management
[1] Net of excise tax
[2] EBITDA exclude income from associates in Royals and ITC
[3] EBIT * (1–30.5% tax rate) + D&A - Capex - Δ in NWC

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Braves consolidated standalone financial estimates

Summary financials (£mm)

	Street consensus					Extrapolations	
FYE 12/31	Q4'16E[1]	2016E	2017E	2018E	2019E	2020E	2021E
Net Sales[2]	**£4,092**	**£14,852**	**£16,671**	**£17,310**	**£17,911**	**£18,533**	**£19,176**
% growth	--	*13.3%*	*12.2%*	*3.8%*	*3.5%*	*3.5%*	*3.5%*
EBITDA	**£1,619**	**£5,866**	**£6,677**	**£7,045**	**£7,348**	**£7,603**	**£7,867**
% margin	*39.6%*	*39.5%*	*40.0%*	*40.7%*	*41.0%*	*41.0%*	*41.0%*
D&A	£110	£396	£419	£437	£531	£614	£703
% of capex	*40.6%*	*57.5%*	*58.7%*	*63.5%*	*76.9%*	*86.0%*	*95.0%*
Operating income	**£1,509**	**£5,470**	**£6,257**	**£6,608**	**£6,817**	**£6,989**	**£7,164**
% margin	*36.9%*	*36.8%*	*37.5%*	*38.2%*	*38.1%*	*37.7%*	*37.4%*
Tax rate	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*
EPS	--	£2.45	£2.82	£3.03	£3.18	£3.36	£3.53
Select cash flow items:							
Capex	£270	£689	£714	£689	£691	£715	£740
% net sales	*6.6%*	*4.6%*	*4.3%*	*4.0%*	*3.9%*	*3.9%*	*3.9%*
(Inc.) / Dec. in NWC	(£53)[3]	(£210)	(£219)	(£77)	(£72)	(£75)	(£77)

Source: Equity analyst consensus estimates as of 12/02/16 for 2016E through 2019E, extrapolation thereafter based on assumptions reviewed and approved by Royals management (hereinafter referred to as "Braves financial estimates")

[1] Q4'16E figures are calculated as half of the difference between 2016E consensus estimates and 1H'16 reported numbers

[2] Net of excise tax

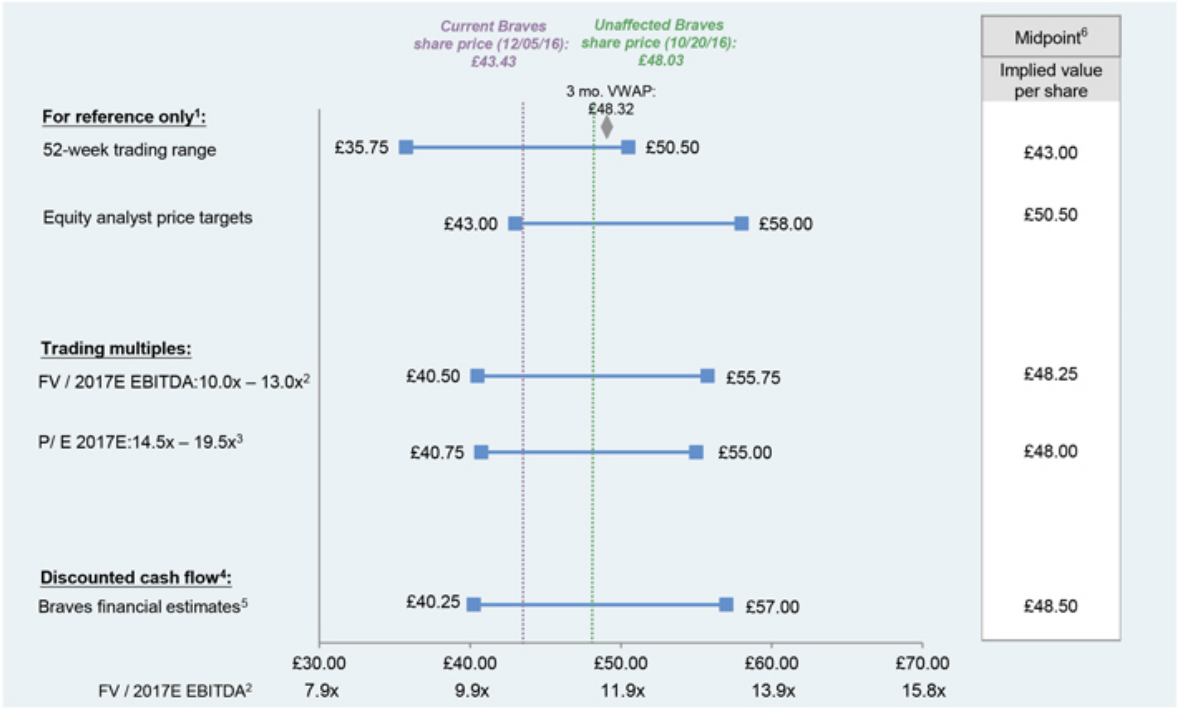
[3] Q4'16E (Inc.) / Dec. in NWC is calculated as one quarter of the annual value projected by equity analyst research consensus

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Implied Braves valuation perspectives as of December 5, 2016

Implied equity value per share (rounded to the nearest £0.25)



Source: Braves financial estimates; Equity analyst consensus; FactSet
Note: Valuation date as of 09/30/16; market data as of 12/05/16; Debt balance of £18,254mm as of 09/15/16, cash balance of £1,943mm as of 06/30/16, minority interest unaffected market value of £2,477mm, and equity affiliate adjustments of £23,241mm and £10,619mm for the unaffected market value of equity in Royals and ITC, respectively; diluted share count of 1,874mm as of 10/31/16
[1] Values as of 10/20/16 represent unaffected share price; [2] Based on 2017E EBITDA of £9,479mm, which includes £2,174mm and £628mm to reflect Braves' proportionate ownership in Royals and ITC, converted at unaffected FX rates respectively, per equity analyst consensus; [3] Based on 2017E EPS of £2.82; [4] Implied equity value reflects equity affiliates including 42% of Royals DCF equity value range of £22,648mm - £32,737mm at an GBP/USD exchange rate of 1.2703, and 30% of ITC's market equity value; [5] Assumes a discount rate of 6.75% - 8.00% and a terminal growth rate of 0.0% - 1.0%; [6] Represents the arithmetic midpoint of each valuation range before rounding

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Overview of potential operating synergies in a combination with Braves

Potential operating synergies

- Per Royals management, this analysis includes an assumption of $500mm in annual run-rate synergies which can potentially provide meaningful value to Royals shareholders in a transaction that includes stock consideration
- Per Royals management, we assume a range of $400mm-$600mm which would include, but is not limited to the following:
  - Consolidation of manufacturing (Mexico vs. Tobaccoville)
  - Consolidation of R&D platforms
  - Reduced supply chain expenses (procurement, etc.)
  - Reduction in certain administrative expenses (IR, SEC expenses, Board costs, other various public company costs)
  - Leadership/structure efficiencies
  - Consolidated marketing expenses
  - Consolidated finance, audit and communications departments
  - Conform certain HR related expenses (Payroll, annual bonus)
  - Combined portfolio of Next-Generation Products (vapor, Heat-not-burn, Niconovum AB)
- In addition, there are likely to be significant working capital improvement opportunities which would enhance cash flow for the pro forma company including, but not limited to:
  - Difference in size of respective dividends payouts
  - Ability to consolidate leaf purchasing/durations
  - Optimization of cash usage throughout the year to reduce borrowing costs
  - Elimination of payment by Braves to Royals for ceasing of manufacturing in Japan
  - Ability to utilize off-shore cash

Post-tax NPV of assumed $500mm run-rate operating synergies ($mm)

Discount rate	Perpetuity growth (0.5%)	Perpetuity growth 0.0%	Perpetuity growth 0.5%
5.75%	$5,257	$5,633	$6,080
6.25%	$4,856	$5,171	$5,540
6.75%	$4,510	$4,777	$5,086

Post-tax NPV[1] of synergy levels

Run-rate operational synergies	NPV
$400	$4,136
$500	$5,171
$600	$6,205

Source: Royals management
Note: Assumes $500mm of operational synergies are phased in over 2 years, net of costs to achieve
[1] Assumes a terminal growth rate of 0.0%, a constant blended tax rate of 33.4% and a discount rate of 6.25%

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Overview of illustrative tax efficiencies under various assumptions

NPV of Braves assumed tax efficiencies vs. Royals assumed tax efficiencies

Tax efficiencies implications under various assumptions ($bn)

	Braves assumed tax efficiencies[1]	Royals assumed tax efficiencies[2]
Intercompany debt[1]	$3.0	$16.0
Dividend and share repurchase withholding tax savings[3]	$1.6	$2.6
Corporate allocation efficiencies	$1.1	$1.5
Total	$5.8	$20.1

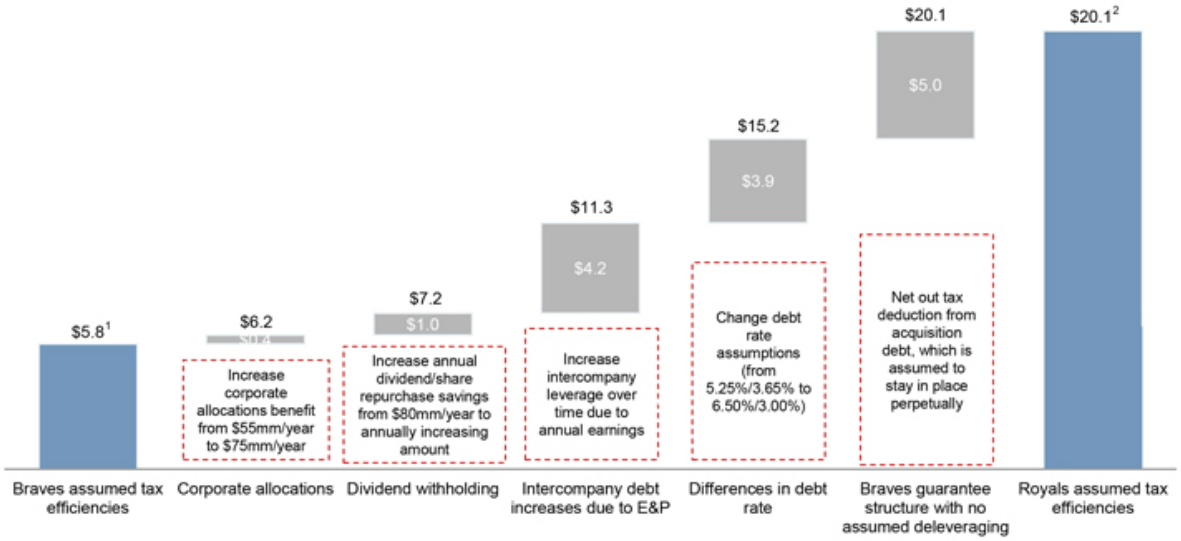
Source: Royals assumed tax efficiencies per Royals management (hereinafter referred to as the "Royals tax efficiencies"); Braves assumed tax efficiencies per Braves management (hereinafter referred to as "Braves tax efficiencies")
[1] Assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 5.25% interest rate; third party debt assumes a 3.65% interest rate; assumes a constant dividend withholding benefit for $80mm/year; net present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; assumes no E&P benefit over time; assumes $55mm of annual corporate allocation efficiencies; [2] Assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 6.5% interest rate; third party debt assumes a 3.0% interest rate; assumes a constant Royals dividend payout of 80% of net income; net present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; includes E&P benefit increasing intercompany debt capacity over time; assumes withholding tax efficiencies of 6.5% of Royals dividend and share repurchases attributable to Braves (42%); assumes $75mm of annual corporate allocation efficiencies

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Illustrative tax efficiencies valuation bridge

Braves assumed tax efficiencies to Royals assumed tax efficiencies

Illustrative bridge of net present value of tax efficiencies ($bn)



Source: Royals tax efficiencies; Braves tax efficiencies ; Royals management
Note: Royals tax efficiencies assumes all tax planning opportunities are utilized by Braves
[1] Assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 5.25% interest rate; third party debt assumes a 3.65% interest rate; assumes a constant dividend withholding benefit for $80mm/year; net present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; assumes no E&P benefit over time; assumes $55mm of annual corporate allocation efficiencies; [2] Assumes a net 35.0% tax rate benefit in the U.S.; intercompany debt assumes a 6.5% interest rate; third party debt assumes a 3.0% interest rate; net present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; includes E&P benefit increasing intercompany debt capacity over time; assumes a constant Royals dividend payout of 80% of net income; assumes withholding tax efficiencies of 6.5% of Royals dividend and share repurchases attributable to Braves (42%); assumes $75mm of annual corporate allocation efficiencies

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Illustrative transaction overview and accretion/dilution assuming Braves tax efficiencies

Transaction overview assuming Braves assumed tax efficiencies ($mm, except per share amounts)

	10/20 proposal at current Braves price and FX	12/05 proposal at current Braves price and FX
	$19bn of acquisition debt	**$23bn of acquisition debt**
Illustrative offer price	$54.48[1]	$56.60[2]
Implied premium to unaffected price	16%	20%
Cash / stock mix ($)	$24.13 / $30.35	$29.44 / $27.16
Cash / stock mix (%)	44% / 56%	52% / 48%
Royals pro forma ownership[3]	20%	18%
Shares issued as % of Braves DSO[3]	24%	22%
Combined standalone debt[4]	$36,139	$36,139
Incremental acquisition debt	18,965	23,359
Total pro forma debt	$55,104	$59,497
Expected rating	BBB+ / Baa2	BBB+ / Baa2
Moody's PF leverage (Debt / EBITDA)	4.4x / 3.6x / 3.1x (PF Sept-2016 / 2017E / 2018E)	4.7x / 3.9x / 3.4x (PF Sept-2016 / 2017E / 2018E)
Cash EPS acc / (dil) with operating synergies and tax efficiencies[5]	2.7% / 5.9%	3.8% / 7.2%

Source: Braves tax efficiencies; Royals management; Royals management projections; Braves financial statements

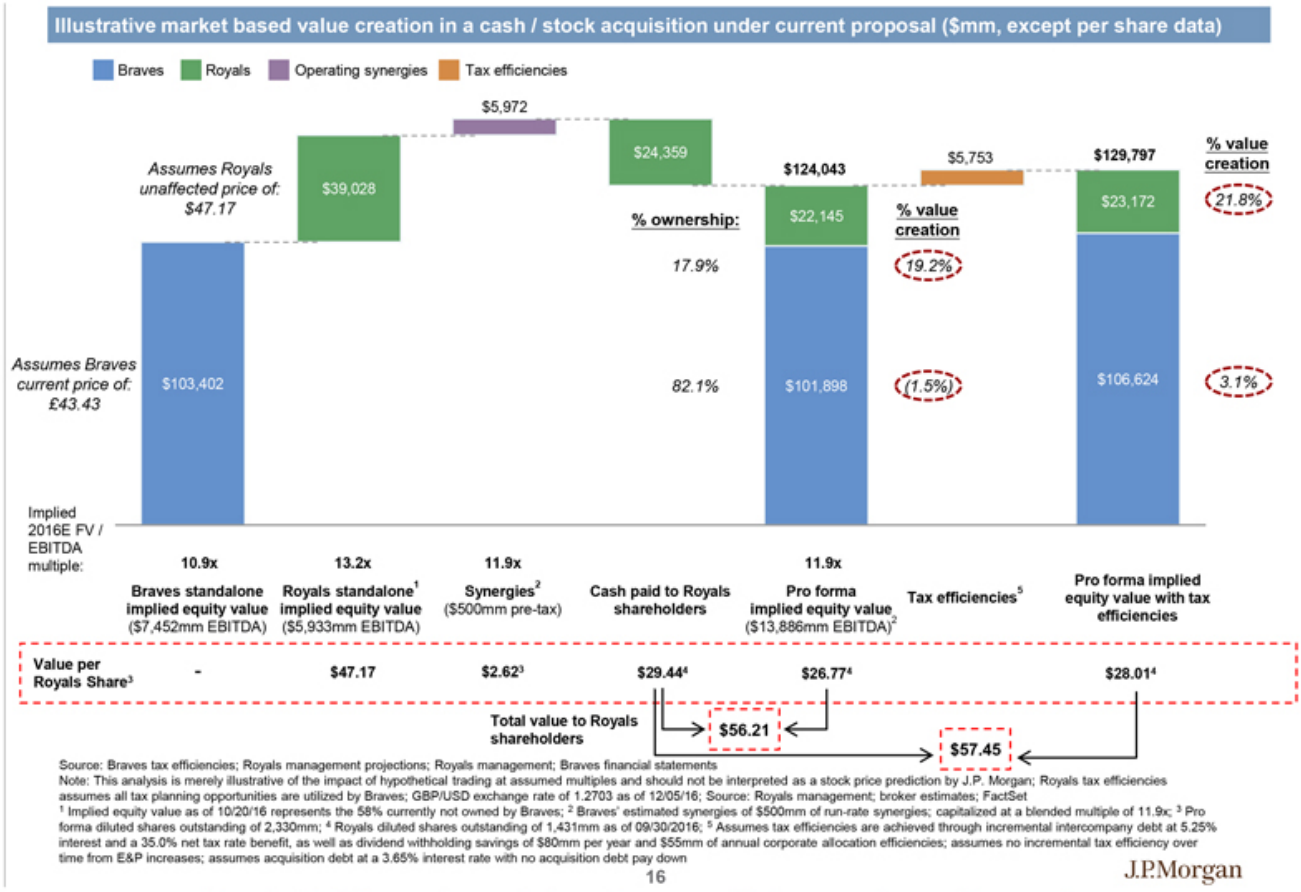
Note: Assumes synergies of $500mm per Braves proposal are phased in over 2 years, net of costs to achieve; Royals tax efficiencies assumes all tax planning opportunities are utilized by Braves

[1] Implied offer price per share calculated as Braves closing price of £43.43 at a GBP/USD exchange rate of 1.2703 as of 12/05/16 assuming an equity exchange ratio of 0.5502x plus cash consideration of $24.13; [2] Implied offer price per share calculated as Braves closing price of £43.43 at a GBP/USD exchange rate of 1.2703 assuming an equity exchange ratio of 0.4923x plus cash consideration of $29.44; [3] 830mm of Royals diluted shares outstanding as of 09/30/16 and currently not owned by Braves at an exchange ratio of 0.5502x at prior offer and 0.4923x at current offer; [4] Braves outstanding debt converted to USD at a GBP/USD exchange rate of 1.2250; [5] Assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 5.25% interest rate; third party debt assumes a 3.65% interest rate; assumes a constant dividend withholding benefit for $80mm/year; net present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; assumes no E&P benefit over time; assumes $55mm of annual corporate allocation efficiencies

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Illustrative market based value creation at December 5th Braves proposal assuming Braves tax efficiencies



Source: Braves tax efficiencies; Royals management projections; Royals management; Braves financial statements

Note: This analysis is merely illustrative of the impact of hypothetical trading at assumed multiples and should not be interpreted as a stock price prediction by J.P. Morgan; Royals tax efficiencies assumes all tax planning opportunities are utilized by Braves; GBP/USD exchange rate of 1.2703 as of 12/05/16; Source: Royals management; broker estimates; FactSet

[1] Implied equity value as of 10/20/16 represents the 58% currently not owned by Braves; [2] Braves' estimated synergies of $500mm of run-rate synergies; capitalized at a blended multiple of 11.9x; [3] Pro forma diluted shares outstanding of 2,330mm; [4] Royals diluted shares outstanding of 1,431mm as of 09/30/2016; [5] Assumes tax efficiencies are achieved through incremental intercompany debt at 5.25% interest and a 35.0% net tax rate benefit, as well as dividend withholding savings of $80mm per year and $55mm of annual corporate allocation efficiencies; assumes no incremental tax efficiency over time from E&P increases; assumes acquisition debt at a 3.65% interest rate with no acquisition debt pay down

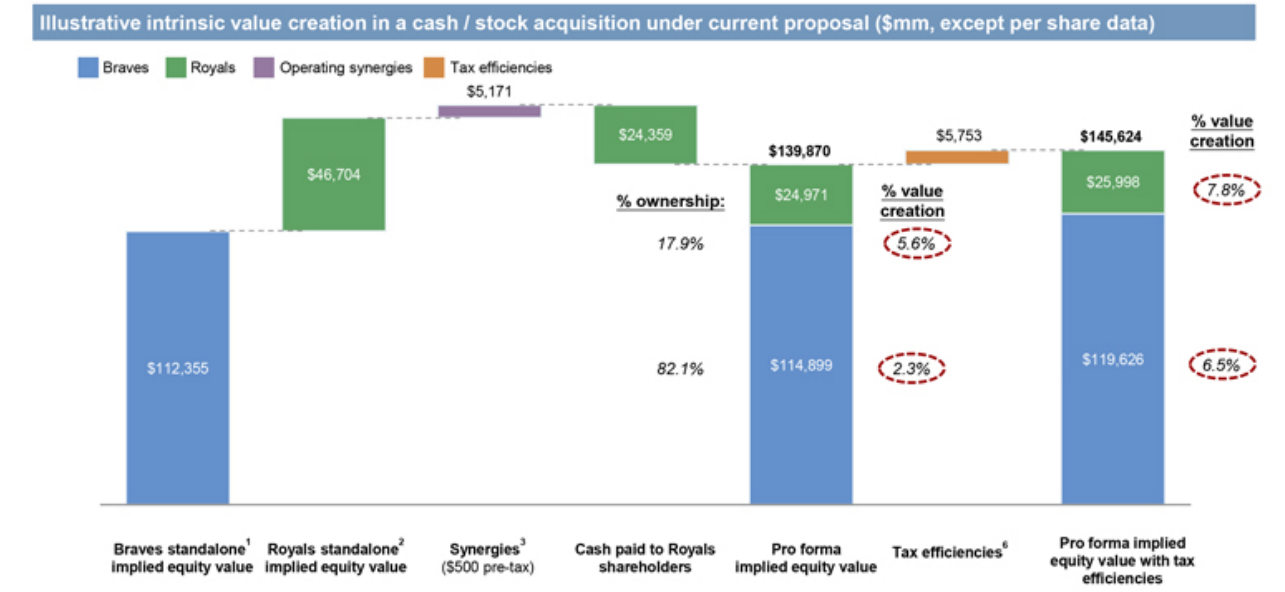
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Illustrative intrinsic value creation at December 5th Braves proposal assuming Braves tax efficiencies



Value per Royals Share[3]	-	$56.45	$2.27[4]	$29.44[5]	$30.18[5]	$31.42[5]
Total value to Royals shareholders				$59.62		$60.86

Source: Braves tax efficiencies; Royals management projections; Royals management; Braves financial statements

Note: This analysis is merely illustrative of the impact of hypothetical trading at assumed multiples and should not be interpreted as a stock price prediction by J.P. Morgan; Royals tax efficiencies assumes all tax planning opportunities are utilized by Braves; assumes intrinsic standalone implied equity value is the mid-point of the DCF range; GBP/USD exchange rate of 1.2703 as of 12/05/16; Source: Royals management; broker estimates; FactSet; [1] Reflects a WACC range of 6.75%-8.0% and a terminal growth rate of 0.0%-1.0%; [2] Implied equity value represents 58% currently not owned by Braves; Reflects a WACC range of 5.75%-6.75% and a terminal growth rate range of 0.0%-1.0%; [3] Estimates assume synergies of $500mm per Braves proposal are phased in over 2 years, net of costs to achieve; present value calculated assuming 6.25% discount and long-term growth rate of 0.0%; [4] Pro forma diluted shares outstanding of 2,330mm; [5] Royals diluted shares outstanding of 1,431mm as of 09/30/2016; [6] Assumes tax efficiencies are achieved through incremental intercompany debt at 5.25% interest and a 35.0% net tax rate benefit, as well as dividend withholding savings of $80mm per year and $55mm of annual corporate allocation efficiencies; assumes no incremental tax efficiency over time from E&P increases; assumes acquisition debt at a 3.65% interest rate with no acquisition debt pay down

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Summary financial and valuation impact of varying tax efficiency assumptions

Operational synergy assumptions same in all scenarios

	Braves assumed tax efficiencies[1]	Royals assumed tax efficiencies[2]
Accretion / dilution with operational synergies and tax efficiencies		
2017E	3.8%	7.7%
2018E	7.2%	11.6%
Market based value creation with operational synergies and tax efficiencies		
Royals	21.8%	28.4%
Braves	3.1%	14.5%
Intrinsic value creation with operational synergies and tax efficiencies		
Royals	7.8%	13.3%
Braves	6.5%	17.0%

Source: Royals management; Royals tax efficiencies; Braves tax efficiencies

[1] Assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 5.25% interest rate; third party debt assumes a 3.65% interest rate; assumes a constant dividend withholding benefit for $80mm/year; net present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; assumes no E&P benefit over time; assumes $55mm of annual corporate allocation efficiencies; [2] Assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 6.5% interest rate; third party debt assumes a 3.0% interest rate; net present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; includes E&P benefit increasing intercompany debt capacity over time; assumes a constant Royals dividend payout of 80% of net income; assumes withholding tax efficiencies of 6.5% of Royals dividend and share repurchases attributable to Braves (42%); assumes $75mm of annual corporate allocation efficiencies

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Price sensitivity analysis assuming Braves tax efficiencies

Price sensitivity analysis ($mm, except per share data)

		Assumed max cash consideration	Additional stock							
Premium to unaffected	***$47.17***	***20.0%***	***20.8%***	***21.9%***	***23.0%***	***24.0%***	***25.1%***	***26.1%***	***26.8%***	***27.2%***
Price per share		**$56.60**	**$57.00**	**$57.50**	**$58.00**	**$58.50**	**$59.00**	**$59.50**	**$59.79**	**$60.00**
Cash per share ($24.4bn total cash consideration)[1]		$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44
Stock per share		$27.16	$27.56	$28.06	$28.56	$29.06	$29.56	$30.06	$30.35	$30.56
Implied exchange ratio		*0.4923*	*0.4996*	*0.5086*	*0.5177*	*0.5267*	*0.5358*	*0.5449*	*0.5502*	*0.5539*
% cash / stock split		*52% / 48%*	*52% / 48%*	*51% / 49%*	*51% / 49%*	*50% / 50%*	*50% / 50%*	*49% / 51%*	*49% / 51%*	*49% / 51%*
Implied Royals % of PF ownership		*17.9%*	*18.1%*	*18.3%*	*18.6%*	*18.9%*	*19.1%*	*19.4%*	*19.5%*	*19.6%*
Implied equity purchase price	***57.8%***	46,831	47,162	47,575	47,989	48,403	48,816	49,230	49,472	49,644
Implied transaction value[2]		$57,822	$58,153	$58,566	$58,980	$59,394	$59,807	$60,221	$60,463	$60,635
LTM Sep-16 EBITDA	**$5,694**	16.2x	16.3x	16.4x	16.5x	16.6x	16.8x	16.9x	17.0x	17.0x
Adjusted LTM Sep-16 EBITDA[3]	**$5,849**	15.7x	15.8x	15.9x	16.1x	16.2x	16.3x	16.4x	16.5x	16.6x
Braves assumed tax efficiencies[4]										
Royals – Market based value creation		*21.8%*	*22.5%*	*23.4%*	*24.3%*	*25.2%*	*26.0%*	*26.9%*	*27.4%*	*27.8%*
Braves – Market based value creation		*3.1%*	*2.8%*	*2.5%*	*2.2%*	*1.8%*	*1.5%*	*1.2%*	*1.0%*	*0.9%*
Royals – Intrinsic value creation		*7.8%*	*8.5%*	*9.3%*	*10.2%*	*11.0%*	*11.8%*	*12.6%*	*13.1%*	*13.4%*
Braves – Intrinsic value creation		*6.5%*	*6.2%*	*5.8%*	*5.5%*	*5.2%*	*4.8%*	*4.5%*	*4.3%*	*4.1%*
Cash acc / dil – FY 2017E EPS		*3.8%*	*3.6%*	*3.2%*	*2.9%*	*2.6%*	*2.2%*	*1.9%*	*1.7%*	*1.6%*
Cash acc / dil – FY 2018E EPS		*7.2%*	*6.9%*	*6.6%*	*6.2%*	*5.9%*	*5.5%*	*5.2%*	*5.0%*	*4.9%*

Source: Braves tax efficiencies; Royals management; Royals filings; broker estimates; FactSet
Note: Assumes GBP / USD exchange rate of 1.2703 as of 12/05/16; Royals closing price of $54.93 and Braves closing price of £43.43 as of 12/05/16
[1] Assumes $1bn of balance sheet cash is used in the transaction; implies 4.7x pro forma Moody's adjusted leverage; [2] Assumes net debt of $10,991mm as of 09/30/16; [3] Includes adjustments for run-rate Lorillard synergies in the amount of $155mm; [4] Assumes operational synergies of $500mm are phased in over 2 years, net of costs to achieve; tax efficiencies assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 5.25% interest rate; third party debt assumes a 3.65% interest rate; assumes a constant dividend withholding benefit for $80mm/year; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; assumes no E&P benefit over time; assumes $55mm of annual corporate allocation efficiencies

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Price sensitivity analysis assuming Royals tax efficiencies

COMBINATION ANALYSIS

Price sensitivity analysis ($mm, except per share data)

Assumed max cash consideration

Additional stock

Premium to unaffected	***$47.17***	***20.0%***	***20.8%***	***21.9%***	***23.0%***	***24.0%***	***25.1%***	***26.1%***	***26.8%***	***27.2%***
Price per share		**$56.60**	**$57.00**	**$57.50**	**$58.00**	**$58.50**	**$59.00**	**$59.50**	**$59.79**	**$60.00**
Cash per share ($24.4bn total cash consideration)[1]		$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44
Stock per share		$27.16	$27.56	$28.06	$28.56	$29.06	$29.56	$30.06	$30.35	$30.56
Implied exchange ratio		*0.4923*	*0.4996*	*0.5086*	*0.5177*	*0.5267*	*0.5358*	*0.5449*	*0.5502*	*0.5539*
% cash / stock split		*52% / 48%*	*52% / 48%*	*51% / 49%*	*51% / 49%*	*50% / 50%*	*50% / 50%*	*49% / 51%*	*49% / 51%*	*49% / 51%*
Implied Royals % of PF ownership		*17.9%*	*18.1%*	*18.3%*	*18.6%*	*18.9%*	*19.1%*	*19.4%*	*19.5%*	*19.6%*
Implied equity purchase price	***57.8%***	46,831	47,162	47,575	47,989	48,403	48,816	49,230	49,472	49,644
Implied transaction value[2]		$57,822	$58,153	$58,566	$58,980	$59,394	$59,807	$60,221	$60,463	$60,635
LTM Sep-16 EBITDA	**$5,694**	16.2x	16.3x	16.4x	16.5x	16.6x	16.8x	16.9x	17.0x	17.0x
Adjusted LTM Sep-16 EBITDA[3]	**$5,849**	15.7x	15.8x	15.9x	16.1x	16.2x	16.3x	16.4x	16.5x	16.6x
Royals assumed tax efficiencies[4]										
Royals – Market based value creation		*28.4%*	*29.2%*	*30.2%*	*31.1%*	*32.1%*	*33.1%*	*34.0%*	*34.6%*	*35.0%*
Braves – Market based value creation		*14.5%*	*14.2%*	*13.9%*	*13.5%*	*13.1%*	*12.8%*	*12.4%*	*12.2%*	*12.0%*
Royals – Intrinsic value creation		*13.3%*	*14.1%*	*15.0%*	*15.9%*	*16.8%*	*17.7%*	*18.6%*	*19.1%*	*19.5%*
Braves – Intrinsic value creation		*17.0%*	*16.7%*	*16.3%*	*15.9%*	*15.5%*	*15.2%*	*14.8%*	*14.6%*	*14.4%*
Cash acc / dil – FY 2017E EPS		*7.7%*	*7.4%*	*7.0%*	*6.7%*	*6.3%*	*6.0%*	*5.6%*	*5.4%*	*5.3%*
Cash acc / dil – FY 2018E EPS		*11.6%*	*11.3%*	*10.9%*	*10.5%*	*10.2%*	*9.8%*	*9.5%*	*9.3%*	*9.1%*

Source: Royals tax efficiencies; Royals management; Royals filings; broker estimates; FactSet
Note: Assumes GBP / USD exchange rate of 1.2703 as of 12/05/16; Royals closing price of $54.93 and Braves closing price of £43.43 as of 12/05/16
[1] Assumes $1bn of balance sheet cash is used in the transaction; implies 4.7x pro forma Moody's adjusted leverage; [2] Assumes net debt of $10,991mm as of 09/30/16; [3] Includes adjustments for run-rate Lorillard synergies in the amount of $155mm; [4] Assumes operational synergies of $500mm are phased in over 2 years, net of costs to achieve; tax efficiencies assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 6.5% interest rate; third party debt assumes a 3.0% interest rate; assumes a constant Royals dividend payout of 80% of net income; net present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; includes E&P benefit increasing intercompany debt capacity over time; assumes withholding tax efficiencies of 6.5% of Royals dividend and share repurchases attributable to Braves (42%); assumes $75mm of annual corporate allocation efficiencies

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Braves and Royals – public market overview

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Braves public market overview

(£mm / $mm, except per share data)	GBP	USD[1]
Closing price (12/05/16)	£43.43	$55.17
% 52-wk high	*84.6%*	*84.6%*
Shares outstanding	1,874.3	1,874.3
Market cap	**£81,399**	**$103,402**
+ Debt as of 09/15/16	£18,254	$23,189
- Cash as of 06/30/16	(1,943)	(2,468)
- Other adj. as of 06/30/16[2]	(33,642)	(42,735)
Implied firm value	**£64,069**	**$81,387**

FYE 12/31	2015A	2016E	2017E
Revenues	£13,104	£14,852	£16,671
% growth	*(6.2%)*	*13.3%*	*12.2%*
EBITDA	£5,355	£5,866	£6,677
% margin	*40.9%*	*39.5%*	*40.0%*
EPS	£2.30	£2.45	£2.82
% growth	*38.2%*	*6.4%*	*15.0%*

Implied valuation	2016E	2017E
FV / EBITDA	10.9x	9.6x
P/E	17.7x	15.4x

Credit metrics	Debt as of 09/15/16 (cash as of 06/30/16)
Debt / 2016E EBITDA	3.1x
Net debt / 2016E EBITDA	2.8x
Credit ratings	A- / A3

Royals public market overview

($mm, except per share data)	USD[1]
Closing price (12/05/16)	$54.93
% 52-wk high	*97.0%*
Shares outstanding	1,430.9
Market cap	**$78,601**
+ Debt as of 09/30/16	$12,950
- Cash as of 09/30/16	(1,959)
- Other adj. as of 09/30/16	0
Implied firm value	**$89,592**

FYE 12/31	2015A	2016E	2017E
Revenues	$10,675	$12,479	$13,009
% growth	26.0%	*16.9%*	*4.3%*
EBITDA	$4,529	$5,933	$6,313
% margin	*42.4%*	*47.5%*	*48.5%*
EPS	$1.98	$2.31	$2.53
% growth	–	*16.6%*	*9.8%*

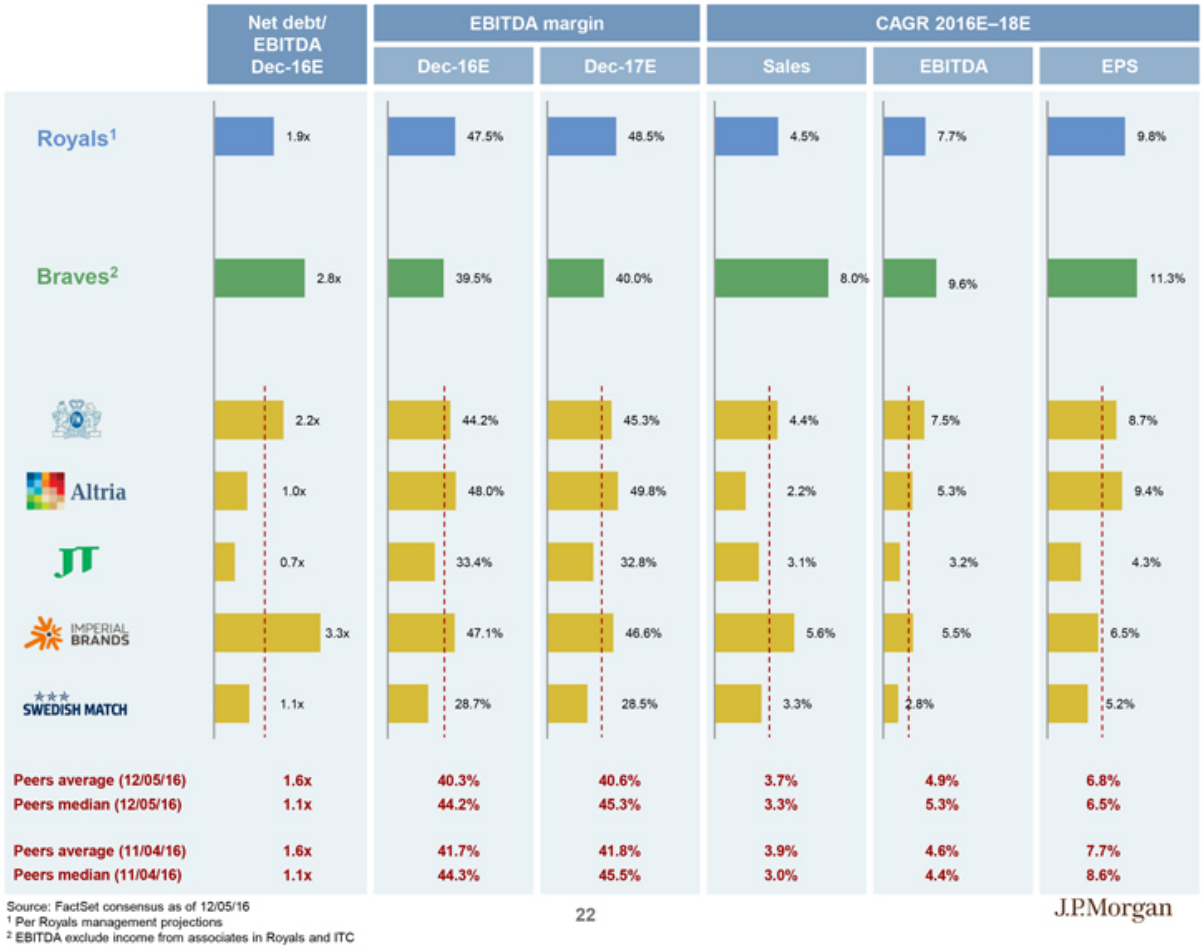
Implied valuation	2016E	2017E
FV / EBITDA	15.1x	14.2x
P/E	23.8x	21.7x

Credit metrics	As of 9/30/2016
Debt / 2016E EBITDA	2.2x
Net debt / 2016E EBITDA	1.9x
Credit ratings	BBB / Baa3

Source: Royals management, FactSet, equity research, Royals filings and Braves filings. Market data as of 12/05/16
Note: Braves 2015A and 2016E financials adjusted for TDR acquisition
[1] GBP/USD exchange rate of 1.2703 as of 12/05/16
[2] Assumes Braves net other adjustment of £33,642mm, consisting of £2,199mm in current market value of minority interests and (£35,841mm) in associates current market value

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Tobacco peers – Operational benchmarking



Source: FactSet consensus as of 12/05/16
[1] Per Royals management projections
[2] EBITDA exclude income from associates in Royals and ITC

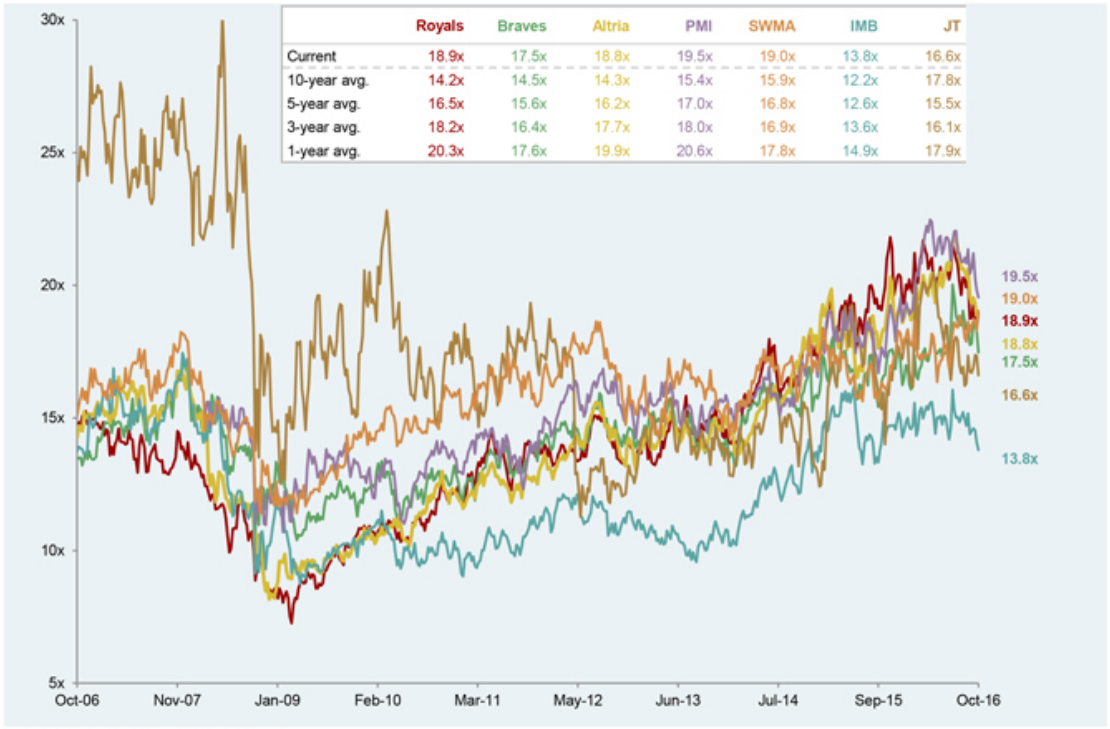
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P/E NTM over time – Tobacco peers

10-year P/E NTM evolution



	Royals	Braves	Altria	PMI	SWMA	IMB	JT
Current	18.9x	17.5x	18.8x	19.5x	19.0x	13.8x	16.6x
10-year avg.	14.2x	14.5x	14.3x	15.4x	15.9x	12.2x	17.8x
5-year avg.	16.5x	15.6x	16.2x	17.0x	16.8x	12.6x	15.5x
3-year avg.	18.2x	16.4x	17.7x	18.0x	16.9x	13.6x	16.1x
1-year avg.	20.3x	17.6x	19.9x	20.6x	17.8x	14.9x	17.9x

Source: FactSet as of 10/20/16 (unaffected date)
[1] Since PMI listing on 03/31/08

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FV/EBITDA NTM evolution vs. historical transaction multiples – Tobacco industry

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10-year FV/EBITDA NTM evolution vs. historical transaction multiples

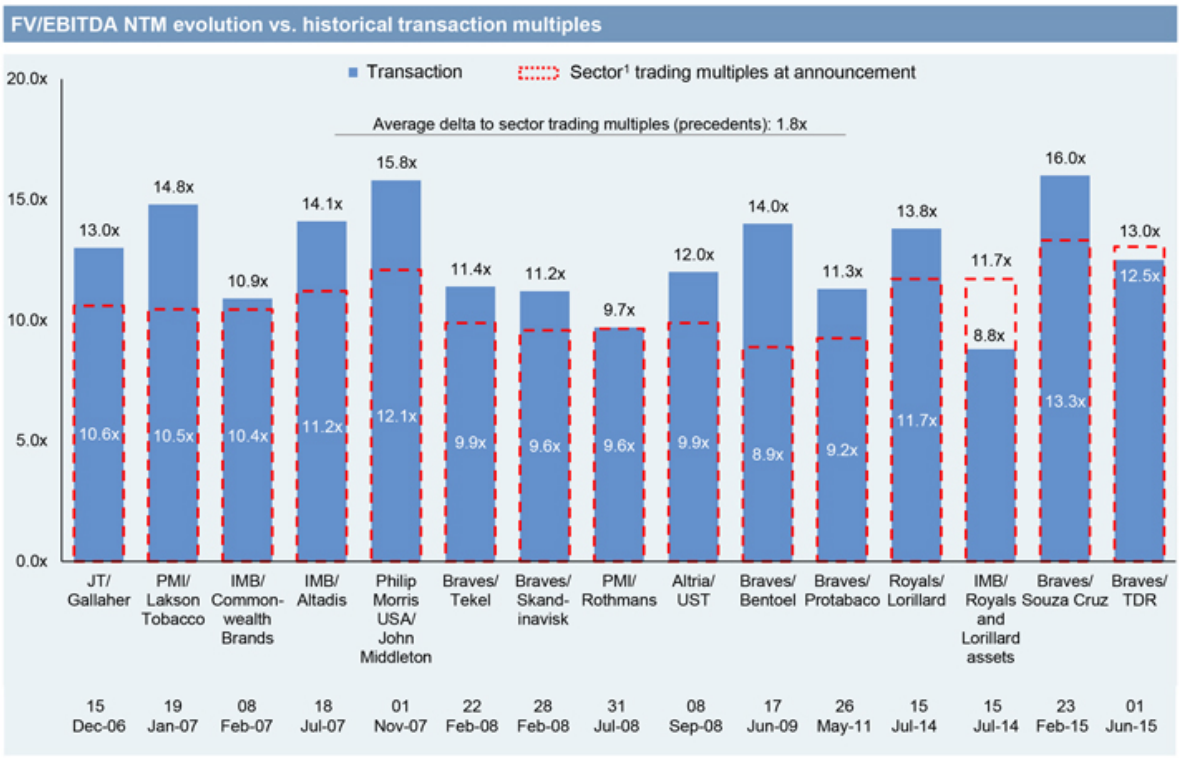


Source: Company information, Equity research, FactSet as of 10/20/16 (unaffected date); Tobacco indexes represents median valuation of tobacco peers over time
Note: Yellow diamonds denote FV/EBITDA multiples
[1] International Tobacco index includes Braves, PMI, SWMA, IMB and JT
[2] US Tobacco index includes Royals and Altria

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FV/EBITDA NTM evolution vs. historical transaction multiples – Tobacco industry



Source: Company information, Equity research, FactSet
Note: Implied transaction multiple based on LTM EBITDA
[1] Sector index represents median valuation of tobacco peers in the week of the announcement; index includes Royals, Braves, Altria, PMI, SWMA, IMB and JT

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Tobacco sector transaction comparables

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Key selected tobacco transactions

Announcement	Target	Acquiror	Implied Firm value ($mm)	LTM Multiples[1]		*EBITDA margin*
				FV/sales	FV/EBITDA	
01-Jun-15	TDR	Braves	599	3.91x	12.5x	*31.3%*
23-Feb-15	Souza Cruz (24.7%)	Braves	14,185	6.33x	16.0x	*39.6%*
15-Jul-14	Lorillard	Royals	27,949[2]	5.58x	13.8x	*40.4%*
15-Jul-14	Lorillard and Royals assets	Imperial Tobacco	7,056	2.94x	8.8x	*33.3%*
26-May-11	Protabaco	Braves	452	4.11x	11.3x	*36.4%*
17-Jun-09	Bentoel (85.1%)	Braves	744	1.27x	14.0x	*9.0%*
08-Sep-08	UST	Altria	11,681	5.87x	12.0x	*48.9%*
31-Jul-08	Rothmans	PMI	1,934[3]	4.94x	9.7x	*50.8%*
28-Feb-08	Skandinavisk	Braves	4,141	4.42x	11.2x	*N/A*
22-Feb-08	Tekel	Braves	1,720	3.31x	11.4x	*29.0%*
01-Nov-07	John Middleton	Philip Morris USA	2,900[4]	8.06x	15.8x	*51.0%*
18-Jul-07	Altadis	Imperial Tobacco	22,619[5]	4.12x	14.1x	*29.3%*
08-Feb-07	Commonwealth Brands	Imperial Tobacco	1,900	5.46x	10.9x	*50.0%*
19-Jan-07	Lakson Tobacco	PMI	675	2.13x	14.8x	*14.4%*
15-Dec-06	Gallaher	Japan Tobacco	18,938	3.64x	13.0x	*28.0%*
24-Apr-06	Conwood	Royals	3,500	7.78x	13.2x	*59.1%*
13-Mar-05	PTHM Sampoerna	PMI	5,082	2.70x	13.9x	*19.5%*
07-Mar-02	Reemtsma	Imperial Tobacco	5,103	2.47x	13.4x	*18.5%*
22-Jun-01	Austria Tabak	Gallaher Group	1,871	1.60x	7.4x	*21.4%*
Mean				**4.24x**	**12.5x**	***33.9%***
Median				**4.11x**	**13.0x**	***32.3%***

Source: Press releases, annual reports and information brochures of target, broker reports; based on most recent available financials at time of announcement of the transaction
[1] LTM multiples based on transaction value in local currency
[2] Implied firm value is pension-adjusted and based on fully diluted equity
[3] Transaction value reflects 100% of RI and 60% of RBH not currently owned by PMI (100% of RI cash & ST investments, 60% of RBH cash, and 60% of RBH debt) as of 07/31/08; financials reflect 60% of RI consolidated revenue and EBITDA
[4] Implied firm value excludes $700mm in present value of tax benefits (multiples based on brokers' estimates)
[5] Implied firm value adjusted by minority in Logista valued at market value

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Selected consumer sector transaction comparables

Transactions with $10bn+ implied firm value

Selected consumer sector transactions with $10bn+ implied firm value

Announcement	Target	Acquiror	Implied Firm value ($mm)	LTM Multiples[1]		*EBITDA margin*
				FV/sales	FV/EBITDA	
14-Dec-15	Jarden	Newell Rubbermaid	17,936	2.13x	17.6x	*12.1%*
07-Dec-15	Keurig Green Mountain	JAB Holdings	14,273	3.16x	13.2x	*23.9%*
11-Nov-15	SABMiller	AB InBev	111,608[2]	5.63x[2]	15.7x[2]	*35.8%*[2]
24-Mar-15	Kraft Foods	Heinz	55,871	3.07x	15.8x	*19.4%*
13-Jan-14	Beam	Suntory	15,723	6.17x	19.7x	*31.3%*
14-Feb-13	Heinz	3G Capital	27,482	2.35x	13.2x	*17.8%*
29-Jun-12	Modelo	AB InBev	37,546[3]	5.07x[3]	16.8x[3]	*31.1%*[3]
23-Apr-12	Pfizer Nutrition	Nestle	11,850	5.15x	20.6x	*25.0%*
21-Jun-10	Foster's Group	SABMiller	11,249	5.22x	13.6x	*38.2%*
07-Sep-09	Cadbury	Kraft Foods	21,679	2.22x	12.9x	*17.2%*
11-Jun-08	Anheuser-Busch	InBev	49,050	2.86x	12.4x	*23.0%*
28-Apr-08	Wrigley	Mars	23,142	4.14x	18.3x	*22.6%*
09-Jul-07	Numico	Danone	16,449	4.40x	21.6x	*20.4%*
28-Jan-05	Gillette	P&G	57,214	5.46x	18.6x	*29.4%*
	Mean			**4.07x**	**16.4x**	***24.8%***
	Median			**4.27x**	**16.3x**	***23.4%***

Source: Press releases, annual reports and information brochures of target, broker reports; based on most recent available financials at time of announcement of the transaction
[1] LTM multiples based on transaction value in local currency
[2] Based on ABI latest offer proposed on 07/26/2016 and a GBP/USD of 1.312 as of 07/26/2016; SABMiller implied firm value and financials are pre-divestments of MillerCoors, European Premium Brands and CR Snow; SABMiller implied FV/EBITDA multiple post-divestments of MillerCoors, European Premium Brands and CR Snow of 17.5x based on SABMiller implied firm value of $97.2bn and LTM EBITDA of $5.5bn
[3] Modelo implied firm value and LTM financials exclude 53.5% DIFA acquisition and 50% disposal of Crown to Constellation Brands

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Illustrative accretion / dilution analysis assumes Braves tax efficiencies

Accretion / dilution detail (12/05 proposal)

$mm FYE Dec-31	2017E	2018E
Braves standalone		
Net income	$6,702	$7,213
Diluted EPS	$3.58	$3.85
Transaction adjustments		
Royals EBIT	$6,181	$6,736
(+) Synergies achieved[1]	250	500
(-) IFRS adjustments[2]	(160)	(160)
(+) Incremental interest income / (expense)	(1,465)	(1,394)
Incremental EBT	**$4,806**	**$5,682**
(+) Incremental income tax credit / (expense)[3]	(1,813)	(2,118)
(+) Increase /(decrease) of post-tax results of associates and JVs	(1,508)	(1,646)
Total Net Adjustments	**$1,485**	**$1,917**
PF Net Income with operating synergies	**$8,187**	**$9,130**
Tax efficiencies adjustments		
(+) Tax efficiencies through intercompany debt[4]	149	149
(+) Dividend withholding tax efficiencies[5]	80	80
(+) Intercompany cost / purchase agreement[6]	55	55
Total tax efficiencies adjustments	$284	$284
PF Net Income with operating synergies and tax efficiencies	**$8,471**	**$9,414**
Braves' current share outstanding (mm)[7]	1,874	1,874
Shares issued to Royals (mm)[7]	407	407
PF shares O/S after combination	**2,282**	**2,282**
PF diluted EPS (w/ operating synergies and tax efficiencies)	**$3.71**	**$4.13**
Cash EPS acc/dil ($)	**$0.14**	**$0.28**
Cash EPS acc/dil (%)	**3.8%**	**7.2%**

Source: Braves tax efficiencies; Royals management; Braves financial estimates; Note: Analysis assumes a 9/30/16 transaction date; GBP/USD exchange rate of 1.2703 as of 12/05/16; [1] Operating synergies, phased in over 2 years and net of cost to achieve; [2] Annual impact assumed for IFRS treatment of Royals on a pro forma basis; [3] Assumes a constant blended tax rate of 33.4%, based on the EBIT contribution in 2017E; [4] Intercompany debt assumes a 5.25% interest rate; third party debt assumes a 3.65% interest rate and a 35.0% net tax rate benefit; [5] Assumes a constant dividend withholding benefit for $80mm/year; [6] Assumes $55mm of annual corporate allocation efficiencies; [7] Assumes Braves and Royals diluted shares outstanding of 1,874mm as of 10/31/16 and 1,431mm as of 09/30/16, respectively

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Value creation sensitivities at December 5th proposal assuming Braves efficiencies

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Market based value creation sensitivities[1,2]

Braves

			Assumed Royals price per share		
			$44.92	$47.17	$49.53
			Implied equity value (58%)		
			$37,170	$39,028	$40,980
Assumed Braves price per share	£41.36	$98,478	2.6%	4.2%	5.8%
	£43.43	$103,402	1.6%	3.1%	4.7%
	£45.60	$108,572	0.7%	2.1%	3.6%

Implied equity value ($)

Royals

			Assumed Royals price per share		
			$44.92	$47.17	$49.53
			Implied equity value (58%)		
			$37,170	$39,028	$40,980
Assumed Braves price per share	£41.36	$98,478	24.6%	19.5%	14.7%
	£43.43	$103,402	27.0%	21.8%	16.8%
	£45.60	$108,572	29.5%	24.2%	19.1%

Implied equity value ($)

Intrinsic value creation sensitivities[2,3]

Braves

			Assumed Royals price per share		
			$47.67	$56.45	$68.90
			Implied equity value (58%)		
			$39,441	$46,704	$57,011
Assumed Braves price per share	£40.25	$95,841	4.4%	10.7%	19.5%
	£47.19	$112,355	1.2%	6.5%	14.0%
	£56.88	$135,430	(2.1%)	2.3%	8.6%

Implied equity value ($)

Royals

			Assumed Royals price per share		
			$47.67	$56.45	$68.90
			Implied equity value (58%)		
			$39,441	$46,704	$57,011
Assumed Braves price per share	£40.25	$95,841	16.9%	1.5%	(13.6%)
	£47.19	$112,355	24.4%	7.8%	(8.4%)
	£56.88	$135,430	34.8%	16.6%	(1.2%)

Implied equity value ($)

Source: Royals management; broker estimates; FactSet as of 12/05/16
Note: Assumes GBP / USD exchange rate of 1.2703 as of 12/05/16
[1] Assumes synergies of $500mm phased in over 2 years, net of costs to achieve; present value calculated assuming a blended multiple of 11.9x; [2] Assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 5.25% interest rate; third party debt assumes a 3.65% interest rate; assumes a constant dividend withholding benefit for $80mm/year; net present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; assumes no E&P benefit over time; assumes $55mm of annual corporate allocation efficiencies; [3] Assumes operational synergies of $500mm are phased in over 2 years, net of costs to achieve; present value calculated assuming a 6.25% discount rate

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Royals / Braves – illustrative optimized tax efficiencies – cash / stock acquisition

Tax efficiencies ($mm)

FYE 12/31	2017E	2018E	2019E	2020E	2021E	
5-year forward projections						
EBITDA	**$6,313**	**$6,877**	**$7,329**	**$8,026**	**$8,696**	
D&A	(132)	(141)	(139)	(146)	(148)	
Interest expense, net	($577)	($601)	($646)	($657)	($646)	
EBT	$5,604	$6,134	$6,544	$7,224	$7,902	
Tax at 35.0%	$1,961	$2,147	$2,290	$2,528	$2,766	
Benefit of intercompany debt at Royals						
EBITDA	**$5,933**	**$6,313**	**$6,877**	**$7,329**	**$8,026**	
Target debt / EBITDA	6.5x	6.5x	6.5x	6.5x	6.5x	
Maximum US debt capacity	$38,567	$41,036	$44,699	$47,638	$52,172	
Less: Standalone debt	$12,950	$12,450	$12,450	$12,057	$11,845	
Maximum US intercompany debt	**$25,617**	**$28,586**	**$32,249**	**$35,581**	**$40,327**	
Memo: Cash consideration	$24,359					
(+) Current year E&P	$0	$2,613	$2,848	$2,994	$3,309	
Memo: Maximum IC debt under new regulations	$24,359	$26,972	$29,820	$32,813	$36,123	
Total intercompany debt	**$24,359**	**$26,972**	**$29,820**	**$32,813**	**$36,123**	
Internal debt rate	6.5%	6.5%	6.5%	6.5%	6.5%	
Intercompany interest expense	$1,583	$1,753	$1,938	$2,133	$2,348	
Memo: Section 163 (j) limit	$2,967	$3,157	$3,438	$3,664	$4,013	
Intercompany interest expense (post 163(j))	$1,583	$1,753	$1,938	$2,133	$2,348	
Net increase in US interest expense	**$1,583**	**$1,753**	**$1,938**	**$2,133**	**$2,348**	
Incremental tax efficiencies at 35.0%	**$554**	**$614**	**$678**	**$747**	**$822**	Base tax efficiencies
Terminal value of tax efficiencies at 35.0%					$16,436	
PV of tax efficiencies (5% discount rate)	$534	$563	$593	$622	$13,688	
PV of tax efficiencies (2017 and after)	**$16,000**					
Dividend and share repurchases withholding tax efficiencies						
Royals dividend attributable to Braves	1,186	1,278	1,381	1,499	1,634	
Royals share repurchase attributable to Braves	$333	$359	$422	$422	$422	
Total distribution to Braves	**1,518**	**1,637**	**1,803**	**1,920**	**2,055**	
Incremental tax efficiencies at 6.5%	**$99**	**$106**	**$117**	**$125**	**$134**	Base tax efficiencies
Terminal value of tax efficiencies at 6.5%					$2,672	
PV of tax efficiencies (5% discount rate)	$95	$98	$102	$104	$2,225	
PV of tax efficiencies (2017 and after)	**$2,624**					
Tax efficiencies through intercompany cost / purchase agreement						
Intercompany cost / purchase agreement	**$75**	**$75**	**$75**	**$75**	**$75**	Base tax efficiencies
Terminal value of tax efficiencies at 35.0%					$1,500	
PV of tax efficiencies (5% discount rate)	$72	$69	$66	$62	$1,249	
PV of tax efficiencies (2017 and after)	**$1,518**					
Total incremental tax efficiencies	**$728**	**$795**	**$871**	**$946**	**$1,030**	
Total PV of tax efficiencies (2017 and after)	**$20,143**					

Note: Royals tax efficiencies; Royals management projections; assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 6.5% interest rate; third party debt assumes a 3.0% interest rate; assumes a constant Royals dividend payout of 80% of net income; present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.

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Royals discount rate analysis

Discount rate summary

Risk free rate[1]		2.2%	
Equity risk premium	6.0%	—	7.0%
Levered beta	0.45	—	0.95
Country risk premium	0.0%	—	0.0%
Cost of equity	**4.9%**	—	**8.9%**
Pre-tax cost of debt		3.7%	
Post-tax cost of debt		2.3%	
Debt/total cap target		15.0%	
Calculated discount rate	**4.5%**	—	**7.9%**
Selected range	**5.75%**	—	**6.75%**

Capital structure benchmarks

	Market	Debt /	Levered beta		Relevered
Company	cap ($bn)	Total cap.	Barra	Historical	historical[2]
Philip Morris	$136.6	18.1%	0.523	0.631	0.605
Altria	$124.1	10.1%	0.458	0.532	0.551
Braves	$103.4	18.3%	0.850	0.805	0.774
Japan Tobacco	$59.8	8.6%	0.504	1.000	1.042
Imperial Brands	$41.4	29.9%	0.785	0.633	0.535
SWMA	$5.8	15.9%	0.684	0.546	0.529
Mean		**16.8%**	**0.634**	**0.691**	**0.673**
Median		**17.0%**	**0.604**	**0.632**	**0.578**
Royals	**$78.6**	**14.1%**	**0.616**	**0.556**	**0.560**

Cost of equity vs. Debt/total cap target[3]

Debt/total cap	Cost of equity 4.9%	6.2%	7.6%	8.9%
5.0%	4.8%	6.1%	7.3%	8.6%
10.0%	4.7%	5.9%	7.0%	8.2%
15.0%	4.5%	5.7%	6.8%	7.9%
20.0%	4.4%	5.5%	6.5%	7.6%
25.0%	4.3%	5.3%	6.3%	7.2%

Cost of equity vs. Pre-tax cost of debt[3]

Pre-tax cost of debt	Cost of equity 4.9%	6.2%	7.6%	8.9%
2.7%	4.4%	5.6%	6.7%	7.8%
3.2%	4.5%	5.6%	6.7%	7.9%
3.7%	4.5%	5.7%	6.8%	7.9%
4.2%	4.6%	5.7%	6.8%	7.9%
4.7%	4.6%	5.8%	6.9%	8.0%

Source: FactSet, Barra, J.P. Morgan estimates; Note: Market data as of 12/05/16

[1] U.S. 10-year treasury bond yield as of 11/15/16; [2] Historic levered beta is implied based on unlevering beta for each respective company based on their current capital structure and relevering beta based on assumed debt/total cap target of 15.0%; [3] Assumes pre-tax cost of debt of 3.7%, debt/total cap target of 15.0% and tax rate of 37.0%

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Illustrative Royals discounted cash flow analysis

5-year projections

($mm) – Implied valuation date as of 09/30/16

	Roayls management projections						
FYE 12/31	Q4 2016E	2017E	2018E	2019E	2020E	2021E	Terminal
Net sales[1]	**$3,162**	**$13,009**	**$13,621**	**$14,331**	**$15,095**	**$15,909**	**$15,988**
% growth	*3.5%*	*4.3%*	*4.7%*	*5.2%*	*5.3%*	*5.4%*	*0.5%*
EBITDA	**$1,504**	**$6,313**	**$6,877**	**$7,329**	**$8,026**	**$8,696**	**$8,739**
% margin	*47.6%*	*48.5%*	*50.5%*	*51.1%*	*53.2%*	*54.7%*	*54.7%*
EBIT	1,472	6,181	6,736	7,190	7,880	8,548	8,591
Less: Taxes	(548)	(2,237)	(2,450)	(2,625)	(2,881)	(3,128)	(3,144)
% tax rate	*37.2%*	*36.2%*	*36.4%*	*36.5%*	*36.6%*	*36.6%*	*36.6%*
EBIAT	**$924**	**$3,944**	**$4,286**	**$4,565**	**$5,000**	**$5,420**	**$5,447**
Plus: D&A	32	132	141	139	146	148	149
% of net sales	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*0.9%*	*0.9%*
% of capex	*39.0%*	*51.8%*	*74.6%*	*92.7%*	*97.3%*	*98.7%*	*98.7%*
Less: Capex	(82)	(255)	(189)	(150)	(150)	(150)	(151)
% of net sales	*(2.6%)*	*(2.0%)*	*(1.4%)*	*(1.0%)*	*(1.0%)*	*(0.9%)*	*(0.9%)*
Less: (Inc) / dec in NWC	(89)	184	14	116	114	122	12
Unlevered FCF for discounting	**$785**	**$4,005**	**$4,252**	**$4,670**	**$5,110**	**$5,540**	**$5,457**

Implied firm value ($mm)

Discount rate	Perpetuity growth rate 0.00%	0.50%	1.00%
5.75%	$93,118	$100,569	$109,588
6.25%	$85,602	$91,762	$99,096
6.75%	$79,202	$84,368	$90,432

Implied equity value per share[2]

Discount rate	Perpetuity growth rate 0.00%	0.50%	1.00%
5.75%	$57.39	$62.60	$68.90
6.25%	$52.14	$56.45	$61.57
6.75%	$47.67	$51.28	$55.52

Terminal forward EBITDA multiple

Discount rate	Perpetuity growth rate 0.00%	0.50%	1.00%
5.75%	11.1x	12.3x	13.7x
6.25%	10.3x	11.2x	12.4x
6.75%	9.5x	10.4x	11.4x

Source: Royals management projections
Note: Assumes net debt of $10,991mm and 1,431mm diluted shares outstanding as of 09/30/16 per Royals management projections; Assumes mid-period discounting
[1] Net of excise tax per Royals management projections
[2] Unaffected 52-week low/high: $43.50 – $54.50 per FactSet (rounded to the nearest $0.25)

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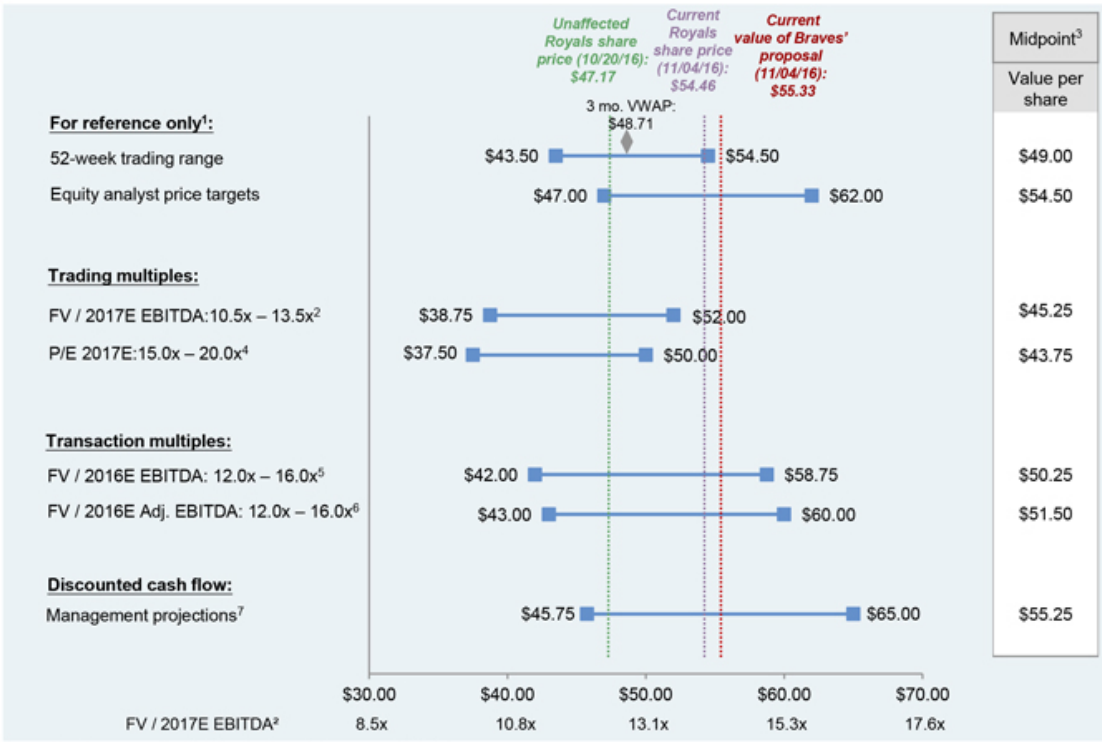
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Royals implied valuation perspectives as of November 4, 2016

Implied equity value per share (rounded to the nearest $0.25)



Source: Royals management projections; Equity analyst consensus; FactSet

Note: Valuation date as of 09/30/16; market data as of 11/04/16; net debt of $10,991mm as of 09/30/16; diluted share count of 1,431mm as of 09/30/16; 3 month VWAP as of unaffected date of 10/20/16; [1] Values as of 10/20/16 to represent unaffected share price; [2] Based on 2017E EBITDA of $6,313mm per Royals management guidance; [3] Represents the arithmetic midpoint of each valuation range; [4] Based on 2017E net income of $3,576mm; [5] Based on 2016E EBITDA of $5,933mm; [6] Based on 2016E EBITDA of $6,046mm adjusted by $113mm for synergies related to the acquisition of Lorillard, per Royals management guidance; [7] Assumes a discount rate of 6.0% - 7.0% and a terminal growth rate of 0.0% - 1.0%

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Braves discount rate analysis

Discount rate summary

UK Risk free rate[1]		1.5%	
UK Equity risk premium	7.0%	—	7.0%
Levered beta	0.50	—	1.00
Country risk premium	1.6%	—	1.6%
Cost of equity	**6.6%**	—	**10.1%**
Pre-tax cost of debt		2.4%	
Post-tax cost of debt		1.7%	
Debt/total cap target		15.0%	
Calculated discount rate	**5.9%**	—	**8.9%**
Selected range	**6.75%**	—	**8.00%**

Capital structure benchmarks

	Market	Debt /	Levered beta		Relevered
Company	cap ($bn)	Total cap.	Barra	Historical	historical[2]
Philip Morris	$136.6	18.1%	0.523	0.631	0.611
Altria	$124.1	10.1%	0.458	0.532	0.557
Royals	$78.6	14.1%	0.616	0.556	0.565
Japan Tobacco	$59.8	8.6%	0.504	1.000	1.052
Imperial Brands	$41.4	29.9%	0.785	0.633	0.540
SWMA	$5.8	15.9%	0.684	0.546	0.535
Mean		**16.1%**	**0.595**	**0.650**	**0.643**
Median		**15.0%**	**0.570**	**0.593**	**0.561**
Braves	**$103.4**	**18.3%**	**0.850**	**0.805**	**0.782**

Cost of equity vs. Debt/total cap target[3]

	Cost of equity			
Debt/total cap	6.6%	7.8%	8.9%	10.1%
5.0%	6.3%	7.5%	8.6%	9.7%
10.0%	6.1%	7.2%	8.2%	9.3%
15.0%	5.9%	6.9%	7.9%	8.9%
20.0%	5.6%	6.6%	7.5%	8.4%
25.0%	5.4%	6.2%	7.1%	8.0%

Cost of equity vs. Pre-tax cost of debt[3]

	Cost of equity			
Pre-tax cost of debt	6.6%	7.8%	8.9%	10.1%
1.4%	5.8%	6.8%	7.7%	8.7%
1.9%	5.8%	6.8%	7.8%	8.8%
2.4%	5.9%	6.9%	7.9%	8.9%
2.9%	5.9%	6.9%	7.9%	8.9%
3.4%	6.0%	7.0%	8.0%	9.0%

Source: FactSet, Barra, J.P. Morgan estimates; Note: Market data as of 12/05/16
[1] Yield from British Government Securities as of 12/01/16, 10 year; [2] Historic levered beta is implied based on unlevering beta for each respective company based on their current capital structure and relevering beta based on assumed debt/total cap target of 15.0%; [3] Assumes pre-tax cost of debt of 2.4%, debt/total cap target of 15.0% and tax rate of 30.5%

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Illustrative Braves discounted cash flow analysis

5-year estimates, investment in Royals valued at DCF and ITC valued at market value

APPENDIX

(£mm) – Implied valuation date as of 09/30/16

		Street consensus			Extrapolation		
FYE 12/31	Q4 16E[1]	2017E	2018E	2019E	2020E	2021E	Terminal
Net sales[2]	**£4,092**	**£16,671**	**£17,310**	**£17,911**	**£18,533**	**£19,176**	**£19,272**
% growth	*3.5%*	*12.2%*	*3.8%*	*3.5%*	*3.5%*	*3.5%*	*0.5%*
EBITDA	**£1,619**	**£6,677**	**£7,045**	**£7,348**	**£7,603**	**£7,867**	**£7,906**
% margin	*39.6%*	*40.0%*	*40.7%*	*41.0%*	*41.0%*	*41.0%*	*41.0%*
EBIT	1,509	6,257	6,608	6,817	6,989	7,164	7,200
Less: Taxes	(460)	(1,908)	(2,015)	(2,079)	(2,132)	(2,185)	(2,196)
% tax rate	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*
EBIAT	**£1,049**	**£4,349**	**£4,592**	**£4,738**	**£4,857**	**£4,979**	**£5,004**
Plus: D&A	110	419	437	531	614	703	706
% of net sales	*2.7%*	*2.5%*	*2.5%*	*3.0%*	*3.3%*	*3.7%*	*3.7%*
% of capex	*40.6%*	*58.7%*	*63.5%*	*76.9%*	*86.0%*	*95.0%*	*95.0%*
Less: Capex	(270)	(714)	(689)	(691)	(715)	(740)	(743)
% of net sales	*(6.6%)*	*(4.3%)*	*(4.0%)*	*(3.9%)*	*(3.9%)*	*(3.9%)*	*(3.9%)*
Less: (Inc) / dec in NWC	(53)[3]	(219)	(77)	(72)	(75)	(77)	(12)
Unlevered FCF for discounting	**£836**	**£3,835**	**£4,264**	**£4,506**	**£4,682**	**£4,865**	**£4,956**

Implied firm value (£mm)[4]

Discount rate	Perpetuity growth rate 0.00%	0.50%	1.00%
6.750%	£72,970	£77,419	£82,643
7.375%	£66,784	£70,396	£74,576
8.000%	£61,567	£64,547	£67,952

Implied equity value per share[5,6]

Discount rate	Perpetuity growth rate 0.00%	0.50%	1.00%
6.750%	£48.80	£52.50	£56.88
7.375%	£44.17	£47.19	£50.72
8.000%	£40.25	£42.76	£45.65

Terminal forward EBITDA multiple

Discount rate	Perpetuity growth rate 0.00%	0.50%	1.00%
6.750%	9.6x	10.4x	11.3x
7.375%	8.8x	9.5x	10.3x
8.000%	8.2x	8.7x	9.4x

Source: Braves financial estimates; Debt balance of £18,254mm as of 09/15/16, cash balance of £1,943mm as of 06/30/16 and minority interest market value of £2,199mm
Note: Braves diluted share count of 1,874mm as of 10/31/16
[1] Q4'16E numbers are calculated as half of the difference between 2016E consensus estimates and 1H'16 reported numbers
[2] Net of excise tax
[3] Q4'16E (Inc.) / Dec. in NWC is calculated as one quarter of the annual value of equity analyst consensus
[4] Firm value excludes investments in associates
[5] Equity value reflects £2,199mm of minority interests and equity affiliates, including 42% of Royals which has a DCF equity value range of £22,648mm - £32,737mm at an GBP/USD exchange rate of 1.2703 and £9,742mm of equity affiliates which represents their 30% ownership stake in ITC
[6] Unaffected 52-week low/high: £35.75 – £50.50 (rounded to the nearest £0.25)

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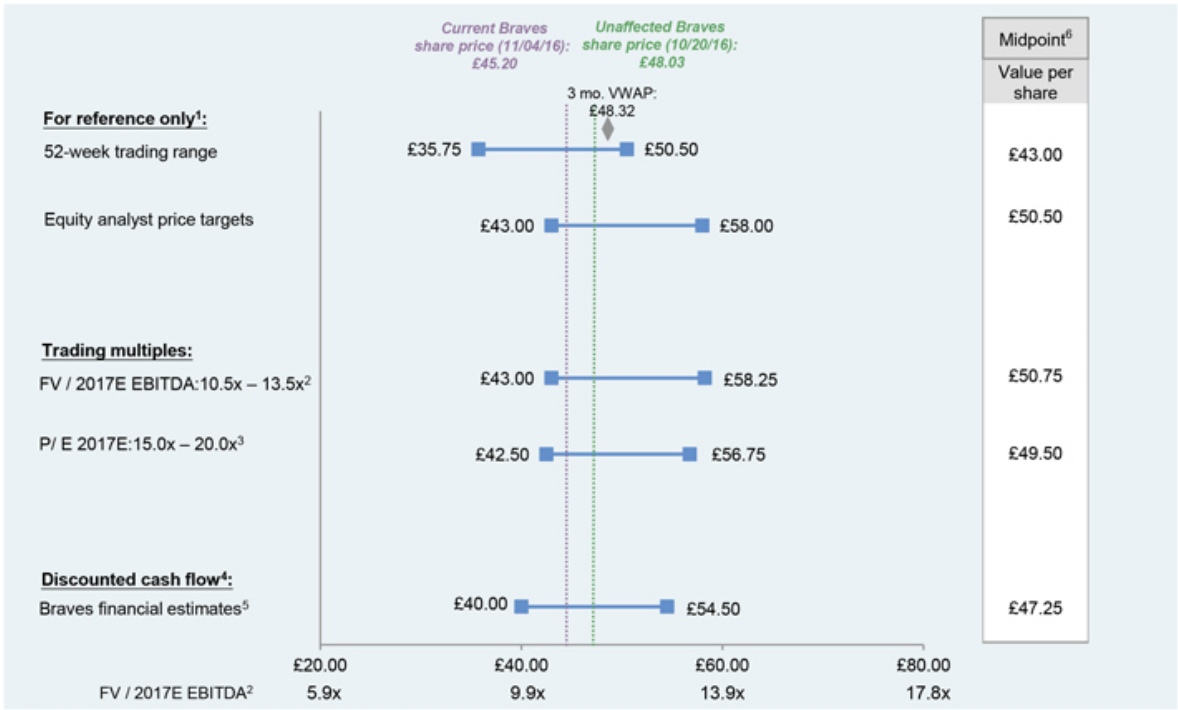
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Implied Braves valuation perspectives as of November 4, 2016

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Implied equity value per share (rounded to the nearest £0.25)



Source: Braves financial estimates; Equity analyst consensus; FactSet

Note: Valuation date as of 09/30/16; market data as of 11/04/16; Debt balance of £18,254mm as of 09/15/16, cash balance of £1,943mm as of 06/30/16, minority interest unaffected market value of £2,476mm, and equity affiliate adjustments of £23,241mm and £10,619mm for the unaffected market value of equity in Royals and ITC, respectively; diluted share count of 1,874mm as of 10/31/16; [1] Values as of 10/20/16 represent unaffected share price; [2] Based on 2017E EBITDA of £9,476mm, which includes £2,174mm and £628mm to reflect Braves' proportionate ownership in Royals and ITC, respectively, per equity analyst consensus; [3] Based on 2017E net income of £5,307mm; [4] Implied equity value reflects equity affiliates including 42% of Royals DCF equity value range of £21,968mm - £31,290mm at an GBP/USD exchange rate of 1.2548, and 30% of ITC's unaffected market equity value; [5] Assumes a discount rate of 7.0% - 8.0% and a terminal growth rate of 0.0% - 1.0%; [6] Represents the arithmetic midpoint of each valuation range before rounding

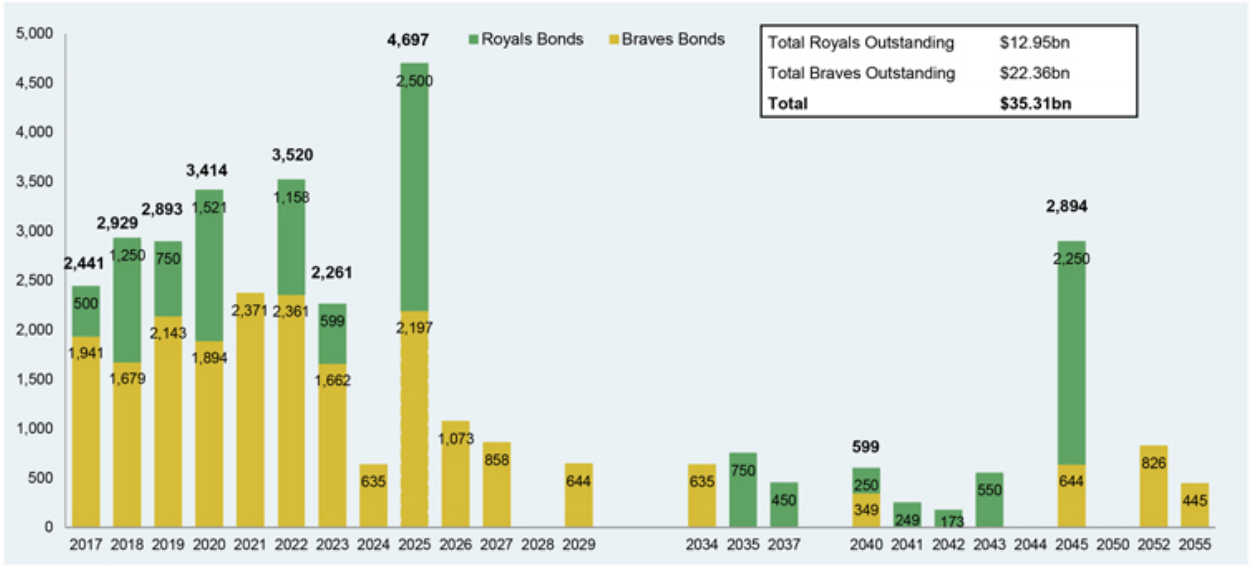
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Combined bond maturity profile for Braves and Royals

Combined debt maturity profile ($mm, USD equivalent)



Source: Bloomberg
Note: Exchange rates as of 12/05/16; GBP/USD: 1.2703, EUR/USD: 1.0725, CHF/USD: 0.9890

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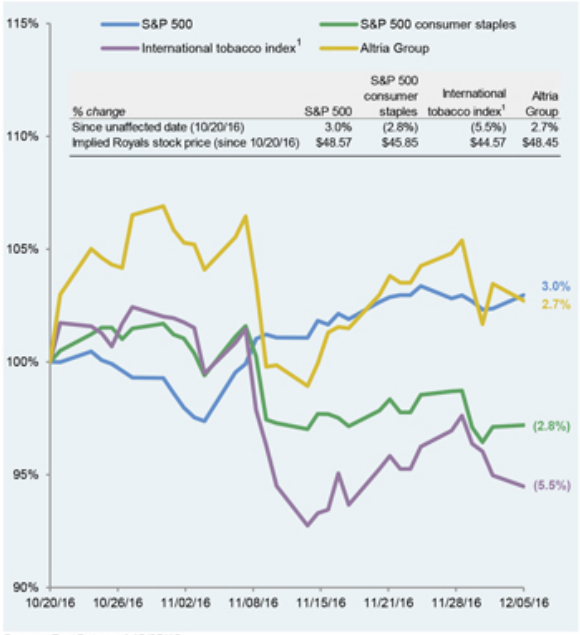
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Royals historical stock price performance since unaffected date (10/20/16)

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Market performance since unaffected date (10/20/16)



% change	S&P 500	S&P 500 consumer staples	International tobacco index[1]	Altria Group
Since unaffected date (10/20/16)	3.0%	(2.8%)	(5.5%)	2.7%
Implied Royals stock price (since 10/20/16)	$48.57	$45.85	$44.57	$48.45

Source: FactSet as of 12/05/16
[1] International tobacco index includes Japan Tobacco, Altria Group, Philip Morris, Imperial Brands; price performance based on median

Overview

- Market-adjusted, unaffected Royals share price likely to be in the $46-$48 range
  - While international tobacco stocks[1] are down 5.5% since 10/20/16, Altria is actually up 2.7%
  - S&P 500 Consumer Staples index down 2.8% over the same period, after having dropped as much as 3.3%
  - Royals, like Altria, benefits from
    - Perceived new "regulatory light" approach of the Trump administration that does not help Consumer Staples at large
    - 100% of pre-tax earnings being in the U.S.
  - Combination of the above indicates Royals share price would be flat (a little better than Consumer Staples overall) to up as much as 2.7% (no better than Altria)
- To the extent the Market believes Braves may come back again, the Royals share price may trade with some premium to the $46-$48 range

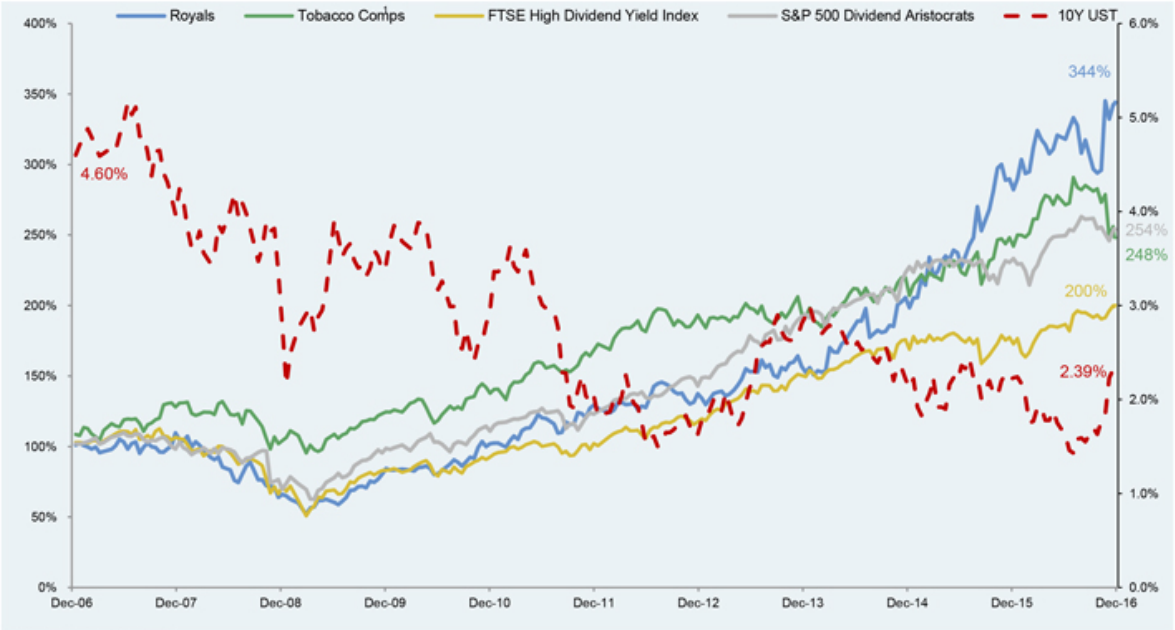
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Historical share price performance vs. 10-year US treasury yields

Price returns since 12/01/2006



Source: FactSet as of 12/05/16
Note: Price returns shown, median of Tobacco comps used, with PMI being rebased to the index when spun from Altria in March of 2008; The S&P 500 Dividend Aristocrats Index is comprised of companies within the S&P 500 that have followed a policy of consistently increasing dividends every year for at least 25 consecutive years
[1] Tobacco comps include Altria, Japan Tobacco, IMB and PMI

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Royals trading near historical NTM P/E highs

Illustrative potential stock price at various historical NTM P/E multiples

- Royals 2017E EPS: $2.53

Historical Period	USG 10-year	Royals NTM P/E	Illustrative Potential Price	S&P 500 NTM P/E	International tobacco index [1] NTM P/E
1-year average	1.8%	20.3x	$51.44	16.5x	18.8x
3-year average	2.2%	18.2x	$46.24	16.0x	16.7x
5-year average	2.1%	16.5x	$41.94	14.8x	15.6x
2011-2013 [2]	2.3%	13.9x	$35.15	12.8x	13.7x
2006-2007 [3]	4.7%	13.9x	$35.27	14.9x	15.0x
2004-2005 [4]	4.3%	11.0x	$28.00	16.1x	12.2x

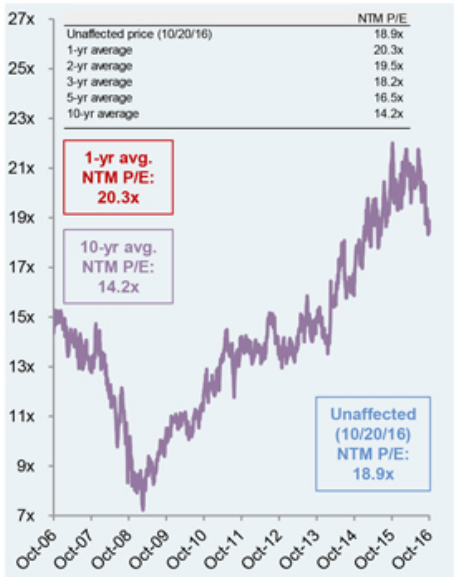
Source: FactSet data as of 10/20/16; Royals management guidance
[1] International tobacco index includes Japan Tobacco, Altria Group, Philip Morris, Imperial Brands; price performance based on median
[2] 2011-2013: three years post the worst of the global financial crisis, but pre-Lorillard rumors (which started Feb-2014)
[3] 2006-2007: highest growth period for the US economy since 2000 and pre-global financial crisis, with USG 10-year at its highs of 4.7%
[4] 2004-2005: period post B&W merger, reflecting a relatively low multiple

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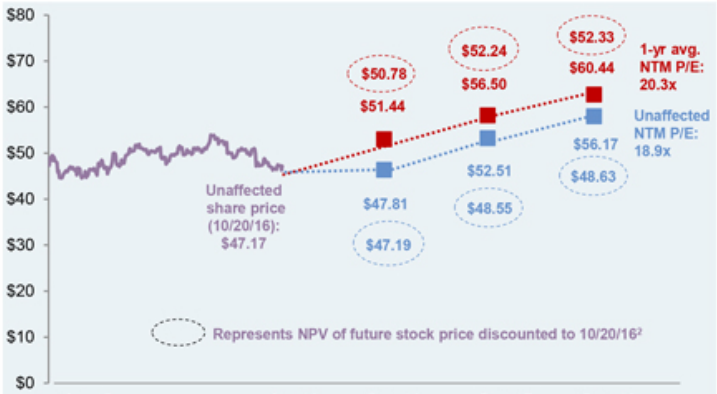
Illustrative Royals present value of future stock price

Royals NTM P/E (10/20/15-10/20/16)



The unaffected trading multiple is below the 1-year average but above the 3, 5 and 10-year averages

Royals illustrative trading valuation analysis



	Oct-15	Oct-16	Dec-16	Dec-17	Dec-18
NTM EPS estimate[1]			$2.53	$2.78	$2.98
1-yr average NTM P/E multiple			**20.3x**	**20.3x**	**20.3x**
Future stock price			$51.44	$56.50	$60.44
PV of Royals shares standalone[2]			$50.78	$52.24	$52.33
PV of Royals dividends [2,3]			-	$1.90	$3.84
Value to Royals shareholders			**$50.78**	**$54.14**	**$56.16**
Total Royals shareholder return[4]			*7.7%*	*14.8%*	*19.1%*

Assuming stable NTM P/E multiples (at the 1-year average) and dividends[2,3], the three-year shareholder return is ~19.1%[4]

Source: FactSet data as of 10/20/16
[1] Per Royals management guidance
[2] Assumes levered beta of 0.70 and 6.5% market risk premium (both are the midpoint of the ranges presented in Royals WACC analysis), and 2.23% risk free rate implying cost of equity of 6.8%
[3] Per Royals management guidance of dividends per share of $1.99 (Dec-17) and $2.16 (Dec-18). Assumes cumulative dividends
[4] Calculation based on share price of $47.17 as of 10/20/16

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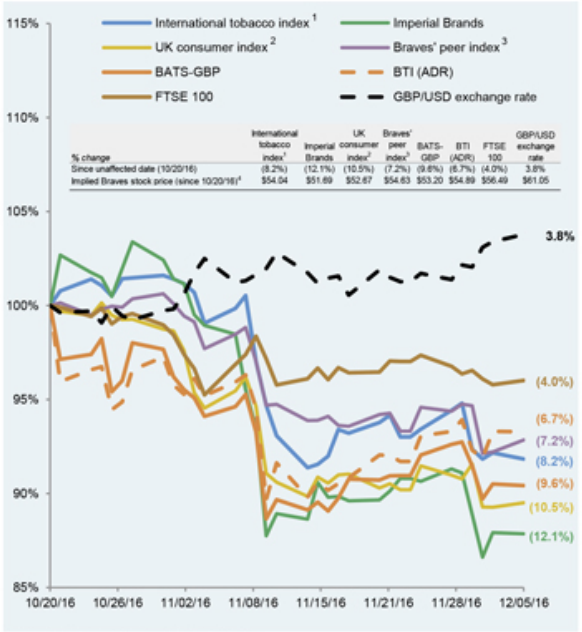
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Braves historical stock price performance since unaffected date (10/20/16)

Market performance since unaffected date (10/20/16)



% change	International tobacco index[1]	Imperial Brands	UK consumer index[2]	Braves' peer index[3]	BATS-GBP	BTI (ADR)	FTSE 100	GBP/USD exchange rate
Since unaffected date (10/20/16)	(8.2%)	(12.1%)	(10.5%)	(7.2%)	(9.6%)	(6.7%)	(4.0%)	3.8%
Implied Braves stock price (since 10/20/16)[4]	$54.04	$51.69	$52.67	$54.63	$53.20	$54.89	$56.49	$61.05

Overview

- Market-adjusted, unaffected Braves share price likely to still be in the $53-$55 range
  - The UK consumer index[2] is down 10.5% since 10/20/16, while Braves' peer index[3] has traded down by 7.2%
  - While Imperial Brands is down 12.1%, Braves has only traded down by 9.6%
  - Therefore, Braves' share price is unlikely to move significantly if Braves withdrew its proposal

Source: FactSet as of 12/05/16, Braves filings

[1] International tobacco index includes Japan Tobacco, Philip Morris, Imperial Brands; price performance based on median

[2] UK consumer index includes Diageo, Unilever, Reckitt Benckiser Group; price performance based on median

[3] Braves' peer index includes Anheuser-Busch InBev, Diageo, Kimberly Clark, Philip Morris, Campbell Soup, Heineken, LVMH, Proctor & Gamble, Carlsberg, Imperial Brands, Mondelez International, Reckitt Benckiser, Coca-Cola, Japan Tobacco, Nestle, SABMiller, Colgate-Palmolive, Johnson & Johnson, PepsiCo, Unilever, Danone, Kellogg, Pernod Ricard; sourced from Braves 2015 Annual Report; price performance based on median

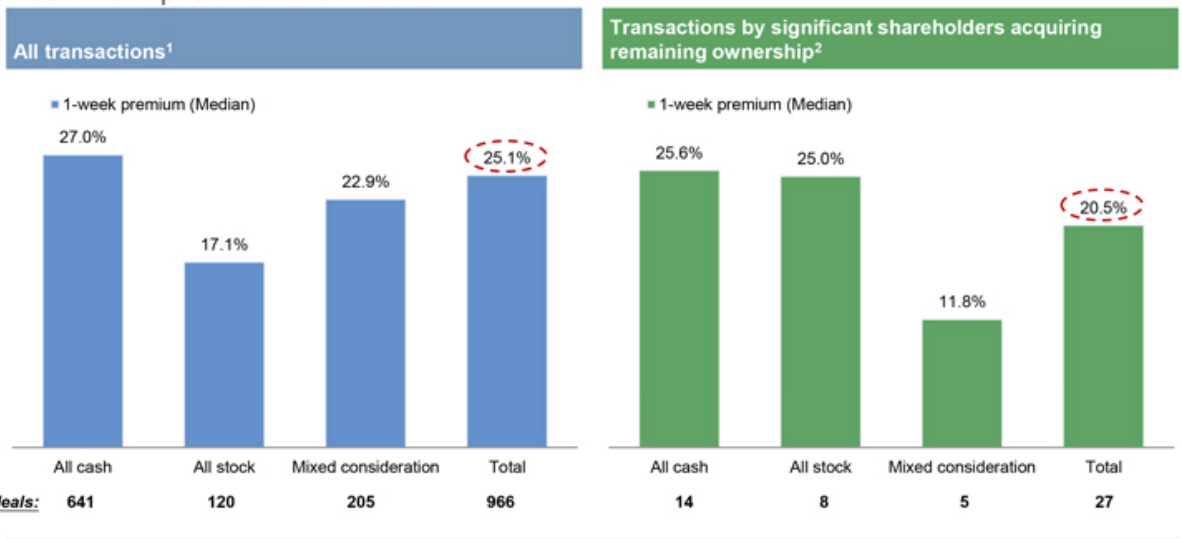
[4] Braves stock price based on GBP/USD exchange rate of 1.2250 as of 10/20/16

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Precedent transactions by significant shareholders acquiring remaining ownership represent a median control premium of ~21%, which is slightly lower than broader historical M&A premiums of ~25%[1]



- The median premium paid by acquirers to target shareholders has historically been 25.1%
  - Acquisitions that include cash generally have higher premiums; all-cash transactions and mixed consideration transactions had 27.0% and 22.9% median premiums, respectively, while all-stock transactions had a median premium of 17.1%
  - All-stock transaction premiums tend to be lower because target shareholders retain upside in the combined company through their ongoing ownership
- For transactions in which the acquirer owned a significant stake in the target prior to the acquisition (30%-49% ownership) the median premium was 20.5%
  - The slightly lower premium relative to overall transactions may reflect an embedded M&A premium in the target's pre-acquisition share price
  - Albeit, a limited number of precedent transactions may limit the comparison

Source: Dealogic, Bloomberg; Note: See pages 20-24 for detailed backup data; [1] Precedent deals, including deals from 01/01/2007 to 06/30/2016 which are public deals that have an initial stake <50% and final stake >51% and are greater than $500mm in size, have 1-week total median premium of 25%; [2] Precedent deals include global acquirers and U.S. targets since 1995 with deal value greater than $1bn, acquirer pre-deal ownership between 30% - 49%, and acquirer post-deal ownership of 100%

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BOARD DISCUSSION MATERIALS

December 20, 2016

J.P.Morgan

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Implied valuation summary of Braves' December 20th, December 5th and October 20th proposals

	Implied valuation summary				
	Braves' 10/20/2016 proposal @ 10/20/16	Braves' 10/20/2016 proposal @ 12/20/16	Braves' 12/05/2016 proposal @ 12/05/16	Braves' 12/05/2016 proposal @ 12/20/16	Braves' 12/20/2016 proposal @ 12/20/16
Stock price	£48.03	£45.52	£43.43	£45.52	£45.52
Exchange rate	*1.2250*	*1.2421*	*1.2703*	*1.2421*	*1.2421*
Braves price ($)	$58.84	$56.53	$55.17	$56.53	$56.53
Exchange ratio	*0.5502*	*0.5502*	*0.4923*	*0.4923*	*0.5105*
Stock consideration per Royals share ($)	$32.37	$31.10	$27.16	$27.83	$28.86
Cash consideration per Royals share ($)	$24.13	$24.13	$29.44	$29.44	$29.44
Total Braves offer price ($)	**$56.50**	**$55.23**	**$56.60**	**$57.27**	**$58.30**
% premium to unaffected	*19.8%*	*17.1%*	*20.0%*	*21.4%*	*23.6%*
Implied equity value ($mm)[1]	**$80,848**	**$79,035**	**$80,991**	**$81,953**	**$83,425**
% Royals pro forma ownership	*19.5%*	*19.5%*	*17.9%*	*17.9%*	*18.4%*
Implied firm value ($mm)[2,3]	**$91,839**	**$90,026**	**$91,982**	**$92,944**	**$94,416**
FV / LTM Sep-16 EBITDA[4]	16.1x	15.8x	16.2x	16.3x	16.6x
FV / Adjusted LTM Sep-16 EBITDA[5]	15.7x	15.4x	15.7x	15.9x	16.1x
FV / 2016E EBITDA[6, 8]	15.5x	15.2x	15.5x	15.7x	15.9x
FV / Adjusted FY 2016E EBITDA[5, 8]	15.2x	14.9x	15.2x	15.4x	15.6x
FV / 2017E EBITDA[7, 8]	14.5x	14.3x	14.6x	14.7x	15.0x

Source: Royals and Braves filings, broker estimates, FactSet as of 12/19/16

[1] Assumes Royals and Braves diluted share count of 1,431mm and 1,874mm, respectively; [2] Royals debt of $12,950mm at principal value and cash of $1,959mm; Braves net debt of $19,981mm, $3,034mm minority interests and $41,485mm market value of affiliates; [3] Assumes Braves debt outstanding as of 09/15/16 per Braves debt investor microsite and Braves cash as of 06/30/16; [4] LTM EBITDA of $5,694mm and $6,522mm for Royals and Braves, respectively; [5] Includes adjustments for run-rate Lorillard synergies in the amount of $155mm for LTM Sep-16 and $113mm for FY2016, per Royals management guidance; [6] FY2016E EBITDA of $5,933mm and $7,186mm for Royals and Braves, respectively; [7] FY2017E EBITDA of $6,313mm and $8,179mm for Royals and Braves, respectively; [8] Metrics represent management numbers for Royals and equity analyst estimates for Braves

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Price sensitivity analysis

Price sensitivity analysis ($mm, except per share data)

		Assumed max cash consideration	Additional stock					
Premium to unaffected	***$47.17***	***23.6%***	***24.0%***	***25.1%***	***26.1%***	***27.2%***	***28.3%***	***28.4%***
Price per share		**$58.30**	**$58.50**	**$59.00**	**$59.50**	**$60.00**	**$60.50**	**$60.54**
Cash per share ($24.4bn total cash consideration)[1]		$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44
Stock per share		$28.86	$29.06	$29.56	$30.06	$30.56	$31.06	$31.10
Implied exchange ratio		*0.5105*	*0.5140*	*0.5229*	*0.5317*	*0.5406*	*0.5494*	*0.5502*
% cash / stock split		*50% / 50%*	*50% / 50%*	*50% / 50%*	*49% / 51%*	*49% / 51%*	*49% / 51%*	*49% / 51%*
Implied Royals % of PF ownership		*18.4%*	*18.5%*	*18.8%*	*19.0%*	*19.3%*	*19.5%*	*19.5%*
Implied equity purchase price	***57.8%***	48,238	48,403	48,816	49,230	49,644	50,057	50,093
Implied transaction value[2]		$59,229	$59,394	$59,807	$60,221	$60,635	$61,048	$61,084
LTM Sep-16 EBITDA	**$5,694**	16.6x	16.6x	16.8x	16.9x	17.0x	17.1x	17.1x
Adjusted LTM Sep-16 EBITDA[3]	**$5,849**	16.1x	16.2x	16.3x	16.4x	16.6x	16.7x	16.7x

Source: Braves tax efficiencies; Royals management; Royals filings; broker estimates; FactSet
Note: Assumes GBP / USD exchange rate of 1.2421 as of 12/19/16; Royals closing price of $54.93 and Braves closing price of £45.52 as of 12/19/16
[1] Assumes $1bn of balance sheet cash is used in the transaction; implies 4.7x pro forma Moody's adjusted leverage; [2] Assumes net debt of $10,991mm as of 09/30/16; [3] Includes adjustments for run-rate Lorillard synergies in the amount of $155mm

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Implied offer price at various Braves stock prices

Implied offer price at various Braves stock prices

	Offer price at various Braves stock prices								
% premium / discount to current price (£45.52)	(3.0%)	(2.0%)	(1.0%)	(0.5%)	0.0%	0.5%	1.0%	2.0%	3.0%
Braves share price (£)	**£44.15**	**£44.60**	**£45.06**	**£45.29**	**£45.52**	**£45.74**	**£45.97**	**£46.43**	**£46.88**
Exchange rate	1.2421	1.2421	1.2421	1.2421	1.2421	1.2421	1.2421	1.2421	1.2421
Braves share price ($)	$54.84	$55.40	$55.97	$56.25	$56.53	$56.82	$57.10	$57.66	$58.23
Exchange ratio	0.5105x	0.5105x	0.5105x	0.5105x	0.5105x	0.5105x	0.5105x	0.5105x	0.5105x
Stock consideration	$27.99	$28.28	$28.57	$28.72	$28.86	$29.01	$29.15	$29.44	$29.73
Cash consideration	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44
Total consideration	**$57.43**	**$57.72**	**$58.01**	**$58.16**	**$58.30**	**$58.45**	**$58.59**	**$58.88**	**$59.17**
Premium to unaffected ($47.17)	*21.8%*	*22.4%*	*23.0%*	*23.3%*	*23.6%*	*23.9%*	*24.2%*	*24.8%*	*25.4%*

Source: FactSet
Note: Assumes GBP / USD exchange rate of 1.2421 as of 12/19/16

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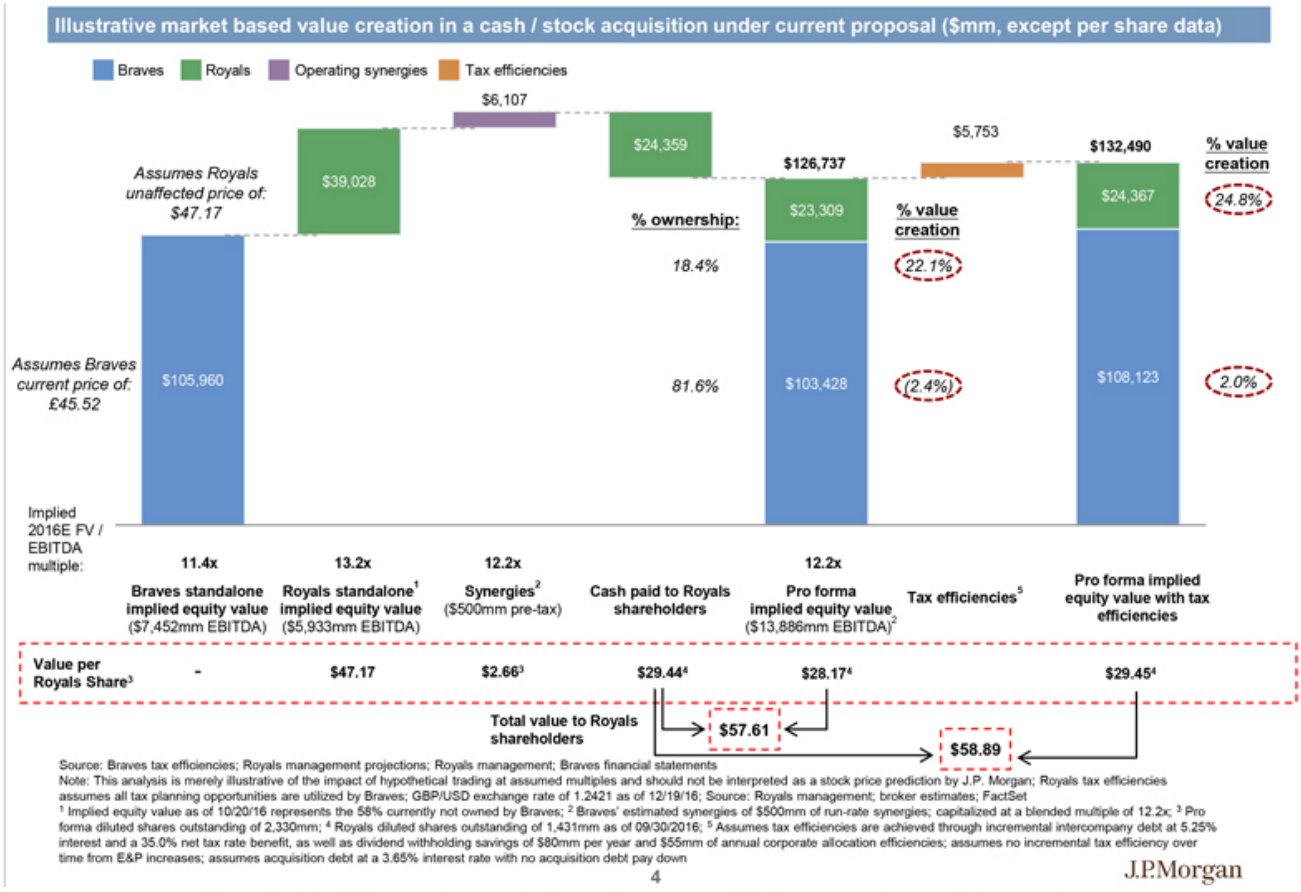
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Illustrative market based value creation at December 20th Braves proposal assuming Braves tax efficiencies



Source: Braves tax efficiencies; Royals management projections; Royals management; Braves financial statements

Note: This analysis is merely illustrative of the impact of hypothetical trading at assumed multiples and should not be interpreted as a stock price prediction by J.P. Morgan; Royals tax efficiencies assumes all tax planning opportunities are utilized by Braves; GBP/USD exchange rate of 1.2421 as of 12/19/16; Source: Royals management; broker estimates; FactSet

[1] Implied equity value as of 10/20/16 represents the 58% currently not owned by Braves; [2] Braves' estimated synergies of $500mm of run-rate synergies; capitalized at a blended multiple of 12.2x; [3] Pro forma diluted shares outstanding of 2,330mm; [4] Royals diluted shares outstanding of 1,431mm as of 09/30/2016; [5] Assumes tax efficiencies are achieved through incremental intercompany debt at 5.25% interest and a 35.0% net tax rate benefit, as well as dividend withholding savings of $80mm per year and $55mm of annual corporate allocation efficiencies; assumes no incremental tax efficiency over time from E&P increases; assumes acquisition debt at a 3.65% interest rate with no acquisition debt pay down

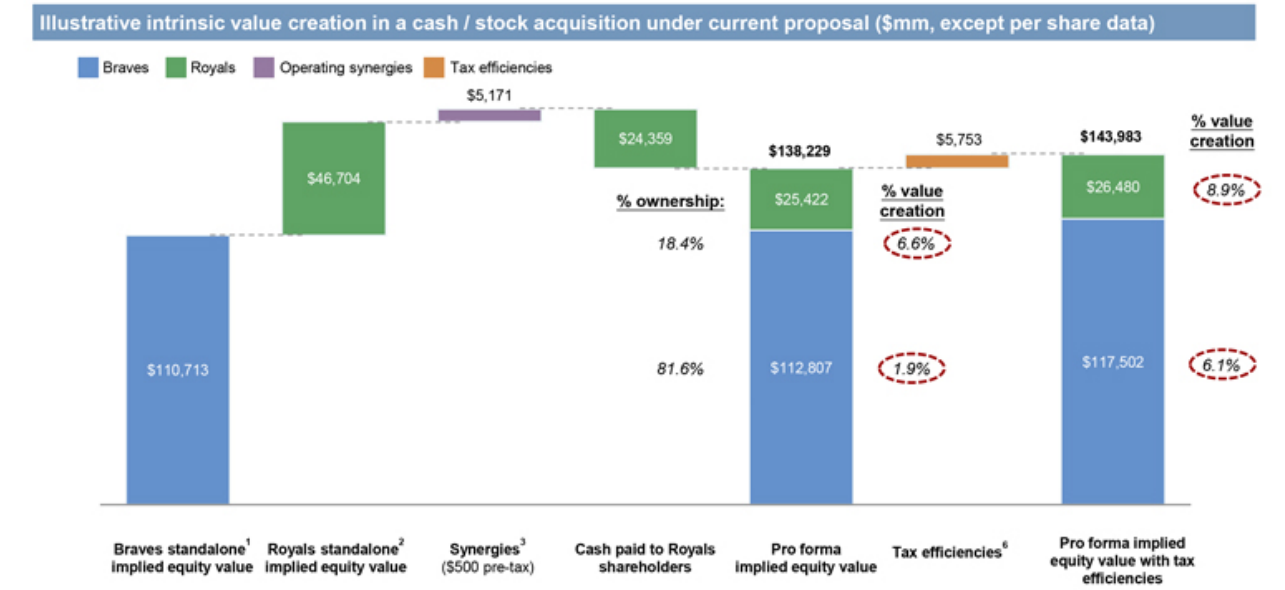
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Illustrative intrinsic value creation at December 20th Braves proposal assuming Braves tax efficiencies



Source: Braves tax efficiencies; Royals management projections; Royals management; Braves financial statements

Note: This analysis is merely illustrative of the impact of hypothetical trading at assumed multiples and should not be interpreted as a stock price prediction by J.P. Morgan; Royals tax efficiencies assumes all tax planning opportunities are utilized by Braves; assumes intrinsic standalone implied equity value is the mid-point of the DCF range; GBP/USD exchange rate of 1.2421 as of 12/19/16; Source: Royals management; broker estimates; FactSet; [1] Reflects a WACC range of 6.75%-8.0% and a terminal growth rate of 0.0%-1.0%; [2] Implied equity value represents 58% currently not owned by Braves; Reflects a WACC range of 5.75%-6.75% and a terminal growth rate range of 0.0%-1.0%; [3] Estimates assume synergies of $500mm per Braves proposal are phased in over 2 years, net of costs to achieve; present value calculated assuming 6.25% discount and long-term growth rate of 0.0%; [4] Pro forma diluted shares outstanding of 2,330mm; [5] Royals diluted shares outstanding of 1,431mm as of 09/30/2016; [6] Assumes tax efficiencies are achieved through incremental intercompany debt at 5.25% interest and a 35.0% net tax rate benefit, as well as dividend withholding savings of $80mm per year and $55mm of annual corporate allocation efficiencies; assumes no incremental tax efficiency over time from E&P increases; assumes acquisition debt at a 3.65% interest rate with no acquisition debt pay down

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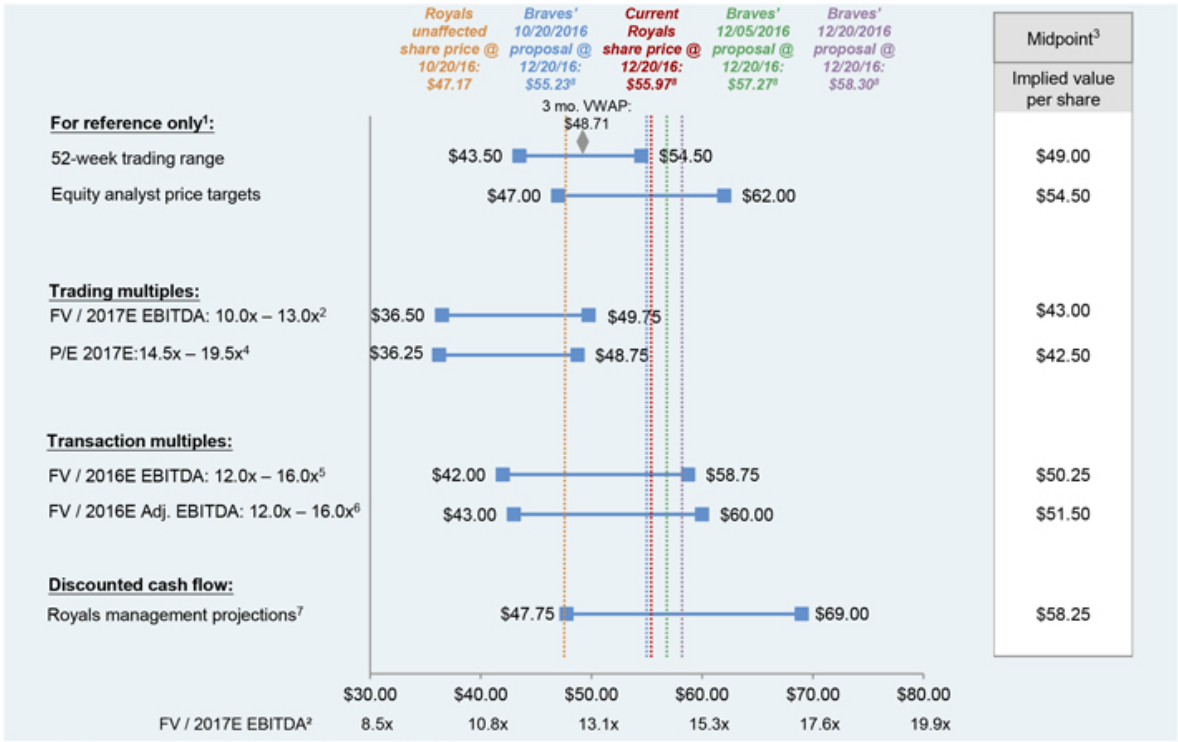
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Royals implied valuation perspectives

Valuation as of December 5, 2016 for December 7, 2016 Board Meeting

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Implied equity value per share (rounded to the nearest $0.25)



Source: Royals management projections; Equity analyst consensus; FactSet

Note: Valuation date as of 09/30/16; market data as of 12/05/16; net debt of $10,991mm as of 09/30/16; diluted share count of 1,431mm as of 09/30/16; 3 month VWAP as of unaffected date of 10/20/16; [1] Values as of 10/20/16 to represent unaffected share price; [2] Based on 2017E EBITDA of $6,313mm per Royals management guidance; [3] Represents the arithmetic midpoint of each valuation range; [4] Based on 2017E net income of $3,576mm and 2017E EPS of $2.53; [5] Based on 2016E EBITDA of $5,933mm; [6] Based on 2016E EBITDA of $6,046mm adjusted by $113mm for synergies related to the acquisition of Lorillard, per Royals management guidance; [7] Assumes a discount rate of 5.75% - 6.75% and a terminal growth rate of 0.0% - 1.0%; [8] Market data as of 12/19/16

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Price sensitivity analysis assuming Braves tax efficiencies

Price sensitivity analysis ($mm, except per share data)

		Assumed max cash consideration	Additional stock					
Premium to unaffected	***$47.17***	***23.6%***	***24.0%***	***25.1%***	***26.1%***	***27.2%***	***28.3%***	***28.4%***
Price per share		**$58.30**	**$58.50**	**$59.00**	**$59.50**	**$60.00**	**$60.50**	**$60.54**
Cash per share ($24.4bn total cash consideration)[1]		$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44
Stock per share		$28.86	$29.06	$29.56	$30.06	$30.56	$31.06	$31.10
Implied exchange ratio		*0.5105*	*0.5140*	*0.5229*	*0.5317*	*0.5406*	*0.5494*	*0.5502*
% cash / stock split		*50% / 50%*	*50% / 50%*	*50% / 50%*	*49% / 51%*	*49% / 51%*	*49% / 51%*	*49% / 51%*
Implied Royals % of PF ownership		*18.4%*	*18.5%*	*18.8%*	*19.0%*	*19.3%*	*19.5%*	*19.5%*
Implied equity purchase price	***57.8%***	48,238	48,403	48,816	49,230	49,644	50,057	50,093
Implied transaction value[2]		$59,229	$59,394	$59,807	$60,221	$60,635	$61,048	$61,084
LTM Sep-16 EBITDA	**$5,694**	16.6x	16.6x	16.8x	16.9x	17.0x	17.1x	17.1x
Adjusted LTM Sep-16 EBITDA[3]	**$5,849**	16.1x	16.2x	16.3x	16.4x	16.6x	16.7x	16.7x
Braves assumed tax efficiencies[4]								
Royals – Market based value creation		*24.8%*	*25.2%*	*26.1%*	*26.9%*	*27.8%*	*28.7%*	*28.7%*
Braves – Market based value creation		*2.0%*	*1.9%*	*1.6%*	*1.3%*	*0.9%*	*0.6%*	*0.6%*
Royals – Intrinsic value creation		*8.9%*	*9.2%*	*10.0%*	*10.8%*	*11.5%*	*12.3%*	*12.4%*
Braves – Intrinsic value creation		*6.1%*	*6.0%*	*5.7%*	*5.3%*	*5.0%*	*4.7%*	*4.6%*
Cash acc / dil – FY 2017E EPS		*3.5%*	*3.3%*	*3.0%*	*2.7%*	*2.4%*	*2.0%*	*2.0%*
Cash acc / dil – FY 2018E EPS		*6.9%*	*6.7%*	*6.4%*	*6.1%*	*5.7%*	*5.4%*	*5.4%*
Cash acc / dil – FY 2019E EPS		*8.2%*	*8.1%*	*7.7%*	*7.4%*	*7.0%*	*6.7%*	*6.7%*

Source: Braves tax efficiencies; Royals management; Royals filings; broker estimates; FactSet
Note: Assumes GBP / USD exchange rate of 1.2421 as of 12/19/16; Royals closing price of $54.93 and Braves closing price of £45.52 as of 12/19/16
[1] Assumes $1bn of balance sheet cash is used in the transaction; implies 4.7x pro forma Moody's adjusted leverage; [2] Assumes net debt of $10,991mm as of 09/30/16; [3] Includes adjustments for run-rate Lorillard synergies in the amount of $155mm; [4] Assumes operational synergies of $500mm are phased in over 2 years, net of costs to achieve; tax efficiencies assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 5.25% interest rate; third party debt assumes a 3.65% interest rate; assumes a constant dividend withholding benefit for $80mm/year; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; assumes no E&P benefit over time; assumes $55mm of annual corporate allocation efficiencies

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Price sensitivity analysis assuming Royals tax efficiencies

Price sensitivity analysis ($mm, except per share data)

Assumed max cash consideration

Additional stock →

Premium to unaffected	***$47.17***	***23.6%***	***24.0%***	***25.1%***	***26.1%***	***27.2%***	***28.3%***	***28.4%***
Price per share		**$58.30**	**$58.50**	**$59.00**	**$59.50**	**$60.00**	**$60.50**	**$60.54**
Cash per share ($24.4bn total cash consideration)[1]		$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44
Stock per share		$28.86	$29.06	$29.56	$30.06	$30.56	$31.06	$31.10
Implied exchange ratio		*0.5105*	*0.5140*	*0.5229*	*0.5317*	*0.5406*	*0.5494*	*0.5502*
% cash / stock split		*50% / 50%*	*50% / 50%*	*50% / 50%*	*49% / 51%*	*49% / 51%*	*49% / 51%*	*49% / 51%*
Implied Royals % of PF ownership		*18.4%*	*18.5%*	*18.8%*	*19.0%*	*19.3%*	*19.5%*	*19.5%*
Implied equity purchase price	***57.8%***	48,238	48,403	48,816	49,230	49,644	50,057	50,093
Implied transaction value[2]		$59,229	$59,394	$59,807	$60,221	$60,635	$61,048	$61,084
LTM Sep-16 EBITDA	**$5,694**	16.6x	16.6x	16.8x	16.9x	17.0x	17.1x	17.1x
Adjusted LTM Sep-16 EBITDA[3]	**$5,849**	16.1x	16.2x	16.3x	16.4x	16.6x	16.7x	16.7x
Royals assumed tax efficiencies[4]								
Royals – Market based value creation		*31.6%*	*32.0%*	*33.0%*	*34.0%*	*34.9%*	*35.9%*	*36.0%*
Braves – Market based value creation		*13.1%*	*13.0%*	*12.6%*	*12.3%*	*11.9%*	*11.6%*	*11.5%*
Royals – Intrinsic value creation		*14.5%*	*14.9%*	*15.7%*	*16.6%*	*17.5%*	*18.3%*	*18.4%*
Braves – Intrinsic value creation		*16.7%*	*16.6%*	*16.2%*	*15.9%*	*15.5%*	*15.1%*	*15.1%*
Cash acc / dil – FY 2017E EPS		*7.3%*	*7.2%*	*6.9%*	*6.5%*	*6.2%*	*5.8%*	*5.8%*
Cash acc / dil – FY 2018E EPS		*11.2%*	*11.1%*	*10.8%*	*10.4%*	*10.1%*	*9.7%*	*9.7%*
Cash acc / dil – FY 2019E EPS		*13.2%*	*13.1%*	*12.7%*	*12.4%*	*12.0%*	*11.7%*	*11.6%*

Source: Royals tax efficiencies; Royals management; Royals filings; broker estimates; FactSet
Note: Assumes GBP / USD exchange rate of 1.2421 as of 12/19/16; Royals closing price of $54.93 and Braves closing price of £45.52 as of 12/19/16
[1] Assumes $1bn of balance sheet cash is used in the transaction; implies 4.7x pro forma Moody's adjusted leverage; [2] Assumes net debt of $10,991mm as of 09/30/16; [3] Includes adjustments for run-rate Lorillard synergies in the amount of $155mm; [4] Assumes operational synergies of $500mm are phased in over 2 years, net of costs to achieve; tax efficiencies assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 6.5% interest rate; third party debt assumes a 3.0% interest rate; assumes a constant Royals dividend payout of 80% of net income; net present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; includes E&P benefit increasing intercompany debt capacity over time; assumes withholding tax efficiencies of 6.5% of Royals dividend and share repurchases attributable to Braves (42%); assumes $75mm of annual corporate allocation efficiencies

APPENDIX

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Value creation sensitivities at December 20th proposal assuming Braves efficiencies

APPENDIX

Market based value creation sensitivities[1,2]

Braves

				Assumed Royals price per share		
				$44.92	$47.17	$49.53
				Implied equity value (58%)		
				$37,170	$39,028	$40,980
Assumed Braves price per share	£43.35	Implied equity value ($)	$100,914	1.6%	3.1%	4.6%
	£45.52		$105,960	0.6%	2.0%	3.5%
	£47.79		$111,258	(0.3%)	1.1%	2.5%

Royals

				Assumed Royals price per share		
				$44.92	$47.17	$49.53
				Implied equity value (58%)		
				$37,170	$39,028	$40,980
Assumed Braves price per share	£43.35	Implied equity value ($)	$100,914	27.7%	22.5%	17.5%
	£45.52		$105,960	30.2%	24.8%	19.8%
	£47.79		$111,258	32.8%	27.3%	22.2%

Intrinsic value creation sensitivities[2,3]

Braves

				Assumed Royals price per share		
				$47.67	$56.45	$68.90
				Implied equity value (58%)		
				$39,441	$46,704	$57,011
Assumed Braves price per share	£40.57	Implied equity value ($)	$94,449	4.1%	10.4%	19.3%
	£47.56		$110,713	0.8%	6.1%	13.7%
	£57.32		$133,443	(2.5%)	2.0%	8.3%

Royals

				Assumed Royals price per share		
				$47.67	$56.45	$68.90
				Implied equity value (58%)		
				$39,441	$46,704	$57,011
Assumed Braves price per share	£40.57	Implied equity value ($)	$94,449	17.9%	2.4%	(12.7%)
	£47.56		$110,713	25.5%	8.9%	(7.5%)
	£57.32		$133,443	36.1%	17.8%	(0.2%)

Source: Royals management; broker estimates; FactSet as of 12/19/16
Note: Assumes GBP / USD exchange rate of 1.2421 as of 12/19/16
[1] Assumes synergies of $500mm phased in over 2 years, net of costs to achieve; present value calculated assuming a blended multiple of 12.2x; [2] Assumes a 35.0% net tax rate benefit in the U.S.; intercompany debt assumes a 5.25% interest rate; third party debt assumes a 3.65% interest rate; assumes a constant dividend withholding benefit for $80mm/year; net present value calculated assuming a 5.0% discount rate; domestic / foreign mix assumes 100% of revenues are booked in the U.S.; assumes no E&P benefit over time; assumes $55mm of annual corporate allocation efficiencies; [3] Assumes operational synergies of $500mm are phased in over 2 years, net of costs to achieve; present value calculated assuming a 6.25% discount rate

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Illustrative accretion / dilution analysis assumes Braves tax efficiencies

Accretion / dilution detail (12/20 proposal)

$mm FYE Dec-31	2017E	2018E	2019E
Braves standalone			
Net income	$6,603	$7,108	$7,461
Diluted EPS	$3.52	$3.79	$3.98
Transaction adjustments			
Royals EBIT	$6,181	$6,736	$7,190
(+) Synergies achieved[1]	250	500	500
(-) IFRS adjustments[2]	(160)	(160)	(160)
(+) Incremental interest income / (expense)	(1,466)	(1,396)	(1,331)
Incremental EBT	**$4,806**	**$5,680**	**$6,199**
(+) Incremental income tax credit / (expense)[3]	(1,812)	(2,118)	(2,299)
(+) Increase /(decrease) of post-tax results of associates and JVs	(1,508)	(1,646)	(1,752)
Total Net Adjustments	**$1,485**	**$1,916**	**$2,148**
PF Net Income with operating synergies	**$8,088**	**$9,024**	**$9,608**
Tax efficiencies adjustments			
(+) Tax efficiencies through intercompany debt[4]	149	149	149
(+) Dividend withholding tax efficiencies[5]	80	80	80
(+) Intercompany cost / purchase agreement[6]	55	55	55
Total tax efficiencies adjustments	$284	$284	$284
PF Net Income with operating synergies and tax efficiencies	**$8,372**	**$9,308**	**$9,892**
Braves' current share outstanding (mm)[7]	1,874	1,874	1,874
Shares issued to Royals (mm)[7]	422	422	422
PF shares O/S after combination	**2,297**	**2,297**	**2,297**
PF diluted EPS (w/ operating synergies and tax efficiencies)	**$3.65**	**$4.05**	**$4.31**
Cash EPS acc/dil ($)	**$0.12**	**$0.26**	**$0.33**
Cash EPS acc/dil (%)	**3.5%**	**6.9%**	**8.2%**

Source: Braves tax efficiencies; Royals management; Braves financial estimates; Note: Analysis assumes a 9/30/16 transaction date; GBP/USD exchange rate of 1.2421 as of 12/19/16; [1] Operating synergies, phased in over 2 years and net of cost to achieve; [2] Annual impact assumed for IFRS treatment of Royals on a pro forma basis; [3] Assumes a constant blended tax rate of 33.4%, based on the EBIT contribution in 2017E; [4] Intercompany debt assumes a 5.25% interest rate; third party debt assumes a 3.65% interest rate and a 35.0% net tax rate benefit; [5] Assumes a constant dividend withholding benefit for $80mm/year; [6] Assumes $55mm of annual corporate allocation efficiencies; [7] Assumes Braves and Royals diluted shares outstanding of 1,874mm as of 10/31/16 and 1,431mm as of 09/30/16, respectively

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January 10, 2017

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Implied valuation summary of Braves' offers over time

	Implied valuation summary					
	Braves' 10/20/16 proposal @ 10/20/16	Braves' 10/20/16 proposal @ 01/10/17	Braves' 12/05/16 proposal @ 12/05/16	Braves' 12/05/16 proposal @ 01/10/17	Braves' 12/20/16 proposal @ 12/20/16	Braves' 12/20/16 proposal @ 01/10/17
Stock price	£48.03	£46.75	£43.43	£46.75	£45.52	£46.75
Exchange rate	*1.2250*	*1.2167*	*1.2703*	*1.2167*	*1.2421*	*1.2167*
Braves price ($)	$58.84	$56.88	$55.17	$56.88	$56.53	$56.88
Exchange ratio	*0.5502*	*0.5502*	*0.4923*	*0.4923*	*0.5105*	*0.5105*
Stock consideration per Royals share ($)	$32.37	$31.30	$27.16	$28.00	$28.86	$29.04
Cash consideration per Royals share ($)	$24.13	$24.13	$29.44	$29.44	$29.44	$29.44
Total Braves offer price ($)	**$56.50**	**$55.43**	**$56.60**	**$57.44**	**$58.30**	**$58.48**
% premium to unaffected	*19.8%*	*17.5%*	*20.0%*	*21.8%*	*23.6%*	*24.0%*
Implied equity value ($mm)[1]	**$80,848**	**$79,311**	**$80,991**	**$82,196**	**$83,425**	**$83,678**
% Royals pro forma ownership	*19.6%*	*19.6%*	*17.9%*	*17.9%*	*18.5%*	*18.5%*
Implied firm value ($mm)[2]	**$91,839**	**$90,302**	**$91,981.96**	**$93,187**	**$94,416**	**$94,669**
FV / LTM Sep-16 EBITDA[3]	16.1x	15.9x	16.2x	16.4x	16.6x	16.6x
FV / Adjusted LTM Sep-16 EBITDA[4]	15.7x	15.4x	15.7x	15.9x	16.1x	16.2x
FV / 2016E EBITDA[5]	15.5x	15.2x	15.5x	15.7x	15.9x	16.0x
FV / Adjusted FY 2016E EBITDA[4]	15.2x	14.9x	15.2x	15.4x	15.6x	15.7x
FV / 2017E EBITDA[6]	14.5x	14.3x	14.6x	14.8x	15.0x	15.0x

Source: Royals management projections; Royals filings, broker estimates, Bloomberg, FactSet as of 01/09/17
[1] Assumes Royals diluted share count of 1,431mm; [2] Royals debt of $12,950mm at principal value and cash of $1,790mm as of 12/31/16; [3] LTM EBITDA of $5,694mm for Royals; [4] Includes adjustments for run-rate Lorillard synergies in the amount of $155mm for LTM Sep-16 and $113mm for FY2016, per Royals management guidance; [5] FY2016E EBITDA of $5,933mm for Royals; [6] FY2017E EBITDA of $6,313mm for Royals

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Each 0.0050x exchange ratio difference correlates to $0.28 / share or $235mm in equity value

Illustrative exchange ratio sensitivity

Exchange ratio	0.5105x	0.5150x	0.5200x	Mid-point 0.5228x	0.5250x	0.5300x	0.5350x
Implied stock consideration / share[1]	$29.04	$29.29	$29.58	$29.74	$29.86	$30.15	$30.43
Cash consideration / share	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44	$29.44
Total offer / share	$58.48	$58.73	$59.02	$59.18	$59.30	$59.59	$59.87
Premium to unaffected ($47.17)	*24.0%*	*24.5%*	*25.1%*	*25.5%*	*25.7%*	*26.3%*	*26.9%*
Total equity purchase price ($mm)[2]	$48,511	$48,723	$48,959	$49,092	$49,195	$49,431	$49,667

Source: Royals and Braves filings, Bloomberg, FactSet as of 01/09/17
[1] Assumes Braves' share price of £46.75 and GBP/USD exchange rate of 1.2167 as of 01/09/17, equating to a price in USD of $56.88
[2] Represents the total consideration to Royals shareholders for the remaining 57.8%

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Agenda

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Precedent premiums paid by significant shareholders acquiring remaining ownership in targets

The median control premium of ~21% is slightly lower than broader historical M&A premiums of 25%[2]

Precedent 100% acquisitions by significant shareholders (1995 - Q2 2016)

Cross-border transactions

Date	Target	Acquirer	Deal size ($mm) [1]	% owned prior to deal	% 1-week premium
06/03/16	Talen Energy	Riverstone Holdings	$5,045	35%	25.2%
01/19/16	Rouse Properties	Brookfield Asset Management	2,345	33%	20.5%
10/26/15	Northern Tier Energy	Western Refining	1,473	38%	9.7%
08/10/14	El Paso Pipeline	Kinder Morgan	10,821	41%	17.4%
08/10/14	Kinder Morgan Energy	Kinder Morgan	53,404	34%	11.8%
06/11/13	Dole Food	Castle & Cooke; Management	1,050	40%	29.5%
12/05/12	McMoRan Exploration	Freeport-McMoRan Copper & Gold	2,430	36%	80.1%
06/13/11	M&F Worldwide	MacAndrews & Forbes Holdings	2,327	43%	26.5%
11/15/10	Mediacom Comm.	Existing Management	3,597	42%	25.9%
09/21/10	Penn Virginia Resource	Penn Virginia GP Holdings	1,490	38%	(6.0%)
09/23/09	SkyTerra Comm.	Harbinger Capital	1,191	48%	72.4%
04/27/09	Atlas Energy Resources	Atlas America	1,880	47%	7.5%
04/20/09	Pepsi Bottling Group	PepsiCo	11,134	33%	20.0%
04/20/09	PepsiAmericas	PepsiCo	4,337	43%	18.1%
11/06/06	Swift Transportation	Private Investor (Jerry Moyes)	2,007	39%	15.0%
12/20/05	Nextel	Sprint Nextel	7,563	31%	8.5%
09/01/05	Chiron	Novartis AG	5,884	44%	13.3%
11/06/01	Storage USA	Security Capital Group	2,258	43%	5.7%
05/07/01	BancWest	BNP Paribas	2,399	45%	40.3%
01/25/01	Sodexho Marriott	Sodexho Alliance	2,002	48%	7.2%
09/07/00	Delhaize America	Delhaize Group	1,878	45%	24.5%
09/18/99	COMSAT	Lockheed Martin	1,233	49%	25.8%
08/09/99	Jones Intercable	Comcast	3,968	40%	63.2%
07/12/99	Infoseek	Walt Disney	2,521	43%	28.0%
09/12/97	Western National	American General	1,517	46%	3.7%
10/30/96	Vons Companies	Safeway	2,556	35%	29.2%
10/28/96	Loctite	Henkel KGaA	1,424	35%	25.5%
Median					**20.5%**
Mean					**24.0%**

Source: Dealogic; Bloomberg. Note: Precedent deals include global acquirers and U.S. targets since 1995 with deal value greater than $1bn, acquirer pre-deal ownership between 30% - 49%, and acquirer post-deal ownership of 100%; [1] Deal size represents full firm value and not just portion acquired; [2] Precedent deals, including deals from 01/01/2007 to 06/30/2016 which are public deals that have an initial stake <50% and final stake >51% and are greater than $500mm in size, have 1-week total median premium of 25%

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Tobacco sector transaction comparables

Key selected tobacco transactions

Announcement	Target	Acquiror	Implied Firm value ($mm)	LTM Multiples[1]		*EBITDA margin*
				FV/sales	FV/EBITDA	
01-Jun-15	TDR	Braves	599	3.91x	12.5x	*31.3%*
23-Feb-15	Souza Cruz (24.7%)	Braves	14,185	6.33x	16.0x	*39.6%*
15-Jul-14	Lorillard	Royals	27,949[2]	5.58x	13.8x	*40.4%*
15-Jul-14	Lorillard and Royals assets	Imperial Tobacco	7,056	2.94x	8.8x	*33.3%*
26-May-11	Protabaco	Braves	452	4.11x	11.3x	*36.4%*
17-Jun-09	Bentoel (85.1%)	Braves	744	1.27x	14.0x	*9.0%*
08-Sep-08	UST	Altria	11,681	5.87x	12.0x	*48.9%*
31-Jul-08	Rothmans	PMI	1,934[3]	4.94x	9.7x	*50.8%*
28-Feb-08	Skandinavisk	Braves	4,141	4.42x	11.2x	*N/A*
22-Feb-08	Tekel	Braves	1,720	3.31x	11.4x	*29.0%*
01-Nov-07	John Middleton	Philip Morris USA	2,900[4]	8.06x	15.8x	*51.0%*
18-Jul-07	Altadis	Imperial Tobacco	22,619[5]	4.12x	14.1x	*29.3%*
08-Feb-07	Commonwealth Brands	Imperial Tobacco	1,900	5.46x	10.9x	*50.0%*
19-Jan-07	Lakson Tobacco	PMI	675	2.13x	14.8x	*14.4%*
15-Dec-06	Gallaher	Japan Tobacco	18,938	3.64x	13.0x	*28.0%*
24-Apr-06	Conwood	Royals	3,500	7.78x	13.2x	*59.1%*
13-Mar-05	PTHM Sampoerna	PMI	5,082	2.70x	13.9x	*19.5%*
07-Mar-02	Reemtsma	Imperial Tobacco	5,103	2.47x	13.4x	*18.5%*
22-Jun-01	Austria Tabak	Gallaher Group	1,871	1.60x	7.4x	*21.4%*
Mean				**4.24x**	**12.5x**	***33.9%***
Median				**4.11x**	**13.0x**	***32.3%***

Source: Press releases, annual reports and information brochures of target, broker reports; based on most recent available financials at time of announcement of the transaction
[1] LTM multiples based on transaction value in local currency
[2] Implied firm value is pension-adjusted and based on fully diluted equity
[3] Transaction value reflects 100% of RI and 60% of RBH not currently owned by PMI (100% of RI cash & ST investments, 60% of RBH cash, and 60% of RBH debt) as of 07/31/08; financials reflect 60% of RI consolidated revenue and EBITDA
[4] Implied firm value excludes $700mm in present value of tax benefits (multiples based on brokers' estimates)
[5] Implied firm value adjusted by minority in Logista valued at market value

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Illustrative comparison of Braves' January 10th and October 20th proposals

	Braves' 10/20/16 proposal @ 10/20/16[1]	Braves' 10/20/17 proposal @ 01/13/17[2]	Braves' 01/10/17 proposal @ 01/13/17[2]
Cash per share	$24.13	$24.13	$29.44
Exchange ratio	0.5502x	0.5502x	0.5260x
Stock per share	$32.37	$31.71	$30.32
Total offer per share	$56.50	$55.84	$59.76
% change vs. 10/20 @ 10/20			**5.8%**
% change vs. 10/20 @ 01/13			**7.0%**

Source: Royals management projections; Royals filings, broker estimates, Bloomberg, FactSet
[1] Assumes Braves' share price of £48.03 and GBP/USD exchange rate of 1.2250 as of 10/20/16, equating to a price in USD of $58.84
[2] Assumes Braves' share price of £47.30 and GBP/USD exchange rate of 1.2186 as of 01/13/17, equating to a price in USD of $57.63

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Implied valuation summary of Braves' January 10th and October 20th proposals

	Implied valuation summary			
	Braves' 10/20/16 proposal @ 10/20/16	Braves' 10/20/16 proposal @ 01/13/17	Braves' 01/10/17 proposal @ 01/09/17	Braves' 01/10/17 proposal @ 01/13/17
Braves stock price	£48.03	£47.30	£46.75	£47.30
Exchange rate	*1.2250*	*1.2186*	*1.2167*	*1.2186*
Braves price ($)	$58.84	$57.63	$56.88	$57.63
Exchange ratio	*0.5502*	*0.5502*	*0.5260*	*0.5260*
Stock consideration per Royals share ($)	$32.37	$31.71	$29.92	$30.32
Cash consideration per Royals share ($)	$24.13	$24.13	$29.44	$29.44
Total Braves offer price ($)	**$56.50**	**$55.84**	**$59.36**	**$59.76**
% premium to unaffected	*19.8%*	*18.4%*	*25.8%*	*26.7%*
Implied equity value ($mm) [1]	**$80,848**	**$79,904**	**$85,040**	**$85,608**
% Royals pro forma ownership	*19.6%*	*19.6%*	*18.9%*	*18.9%*
Implied firm value ($mm) [2]	**$91,839**	**$90,895**	**$95,939**	**$96,507**
FV / LTM Sep-16 EBITDA [3]	16.1x	16.0x	16.8x	16.9x
FV / Adjusted LTM Sep-16 EBITDA [4]	15.7x	15.5x	16.4x	16.5x
FV / 2016E EBITDA [5]	15.5x	15.3x	16.2x	16.3x
FV / Adjusted FY 2016E EBITDA [4]	15.2x	15.0x	15.9x	16.0x
FV / 2017E EBITDA [6]	14.5x	14.4x	15.2x	15.3x

Source: Royals management projections; Royals filings, broker estimates, Bloomberg, FactSet
[1] Assumes Royals diluted share count of 1,430.9mm as of 09/30/16 for 10/20/16 offer and 1,432.6mm as of 12/31/16 for 01/10/17 offer
[2] Royals debt of $12,950mm at principal value and cash of $1,790mm as of 09/30/16 for 10/20/16 offer and debt of $12,950mm at principal value and cash of $2,051mm as of 12/31/16 for 01/10/17 offer
[3] LTM EBITDA of $5,694mm for Royals
[4] Includes adjustments for run-rate Lorillard synergies in the amount of $155mm for LTM Sep-16 and $113mm for FY2016, per Royals management guidance
[5] FY2016E EBITDA of $5,933mm for Royals; [6] FY2017E EBITDA of $6,313mm for Royals

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January 16, 2017

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Implied valuation summary of Braves' January 10th and October 20th proposals

	Implied valuation summary			
	Braves' 10/20/16 proposal @ 10/20/16	Braves' 10/20/16 proposal @ 01/13/17	Braves' 01/10/17 proposal @ 01/13/17	Braves' 01/10/17 proposal @ 01/13/17
Braves stock price	£48.03	£47.30	£47.30	
Exchange rate	*1.2250*	*1.2186*	*1.2186*	
Braves ADS price ($)				$115.21
Adjusted ADS price ($)[1]				$57.61
Braves price ($)	$58.84	$57.63	$57.63	$57.61
Exchange ratio	*0.5502*	*0.5502*	*0.5260*	*0.5260*
Stock consideration per Royals share ($)	$32.37	$31.71	$30.32	$30.30
Cash consideration per Royals share ($)	$24.13	$24.13	$29.44	$29.44
Total Braves offer price ($)	**$56.50**	**$55.84**	**$59.76**	**$59.74**
% premium to unaffected	*19.8%*	*18.4%*	*26.7%*	*26.6%*
Implied equity value ($mm)[2]	**$80,848**	**$79,904**	**$85,630**	**$85,608**
% Royals pro forma ownership	*19.7%*	*19.7%*	*19.0%*	*19.0%*
Implied firm value ($mm)[3]	**$91,839**	**$90,895**	**$96,529**	**$96,507**
FV / LTM Sep-16 EBITDA[4]	16.1x	16.0x	17.0x	16.9x
FV / Adjusted LTM Sep-16 EBITDA[4,5]	15.7x	15.5x	16.5x	16.5x
FV / 2016E EBITDA[6]	15.5x	15.3x	16.3x	16.3x
FV / Adjusted FY 2016E EBITDA[5,6]	15.2x	15.0x	16.0x	16.0x
FV / 2017E EBITDA[7]	14.5x	14.4x	15.3x	15.3x

Source: Royals management projections provided 10/31/16 (as updated on 01/15/17); Royals filings, broker estimates, Bloomberg, FactSet

[1] Calculated as Braves ADS price divided by 2. Currently, each Braves ADS represents two Braves ordinary shares. Prior to the Closing, Braves intends to effect a forward split of the Braves ADSs such that each Braves ADS will represent one Braves ordinary share; [2] Assumes Royals diluted share count of 1,430.9mm as of 09/30/16 for 10/20/16 offer and 1,433.0mm as of 01/15/17 for 01/10/17 offer; [3] Royals debt of $12,950mm at principal value and cash of $1,959mm as of 09/30/16 for 10/20/16 offer and debt of $12,950mm at principal value and cash of $2,051mm as of 12/31/16 for 01/10/17 offer; [4] LTM EBITDA of $5,694mm for Royals; [5] Includes adjustments for run-rate Lorillard cost synergies in the amount of $155mm for LTM Sep-16 and $113mm for FY2016, per Royals management guidance; [6] FY2016E EBITDA of $5,933mm for Royals; [7] FY2017E EBITDA of $6,313mm for Royals

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Royals management standalone financial projections

Net sales[1] ($mm)



EBITDA ($mm)



Capital expenditures ($mm)



Unlevered Free Cash Flow[2] ($mm)



Source: Royals management projections provided 10/31/16 (as updated on 01/12/17) and hereinafter referred to as "Royals management projections"
[1] Net of excise tax per Royals management projections
[2] Operating income * (1 – tax rate) + D&A – Capex – Δ in NWC; tax rate per Royals management projections

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Royals management standalone financial projections (cont'd)

Summary financials ($mm)

	Royals management projections				
FYE 12/31	2017E	2018E	2019E	2020E	2021E
Net Sales[1]	**$13,009**	**$13,621**	**$14,331**	**$15,095**	**$15,909**
% growth	*4.3%*	*4.7%*	*5.2%*	*5.3%*	*5.4%*
COGS	$5,117	$5,163	$5,409	$5,498	$5,606
% of sales	*39.3%*	*37.9%*	*37.7%*	*36.4%*	*35.2%*
Gross profit	**$7,892**	**$8,458**	**$8,922**	**$9,597**	**$10,303**
% margin	*60.7%*	*62.1%*	*62.3%*	*63.6%*	*64.8%*
SG&A	$1,688	$1,701	$1,716	$1,702	$1,741
% of sales	*13.0%*	*12.5%*	*12.0%*	*11.3%*	*10.9%*
EBITDA	**$6,313**	**$6,877**	**$7,329**	**$8,026**	**$8,696**
% margin	*48.5%*	*50.5%*	*51.1%*	*53.2%*	*54.7%*
D&A	$132	$141	$139	$146	$148
% of capex	*51.8%*	*74.6%*	*92.7%*	*97.3%*	*98.7%*
Operating income	**$6,181**	**$6,736**	**$7,190**	**$7,880**	**$8,548**
% margin	*47.5%*	*49.5%*	*50.2%*	*52.2%*	*53.7%*
Tax expense	$2,028	$2,231	$2,389	$2,641	$2,892
% tax rate	*36.2%*	*36.4%*	*36.5%*	*36.6%*	*36.6%*
Net income	$3,576	$3,903	$4,155	$4,583	$5,010
Select cash flow items:					
Capex	$255	$189	$150	$150	$150
% net sales	*2.0%*	*1.4%*	*1.0%*	*1.0%*	*0.9%*
(Inc.) / Dec. in NWC and other	$43	($191)	($70)	($40)	$3[3]
% change in net sales	*8.1%*	*(31.2%)*	*(9.9%)*	*(5.2%)*	*0.4%*
Unlevered FCF[2]	$3,864	$4,047	$4,484	$4,956	$5,421
% net sales	*29.7%*	*29.7%*	*31.3%*	*32.8%*	*34.1%*

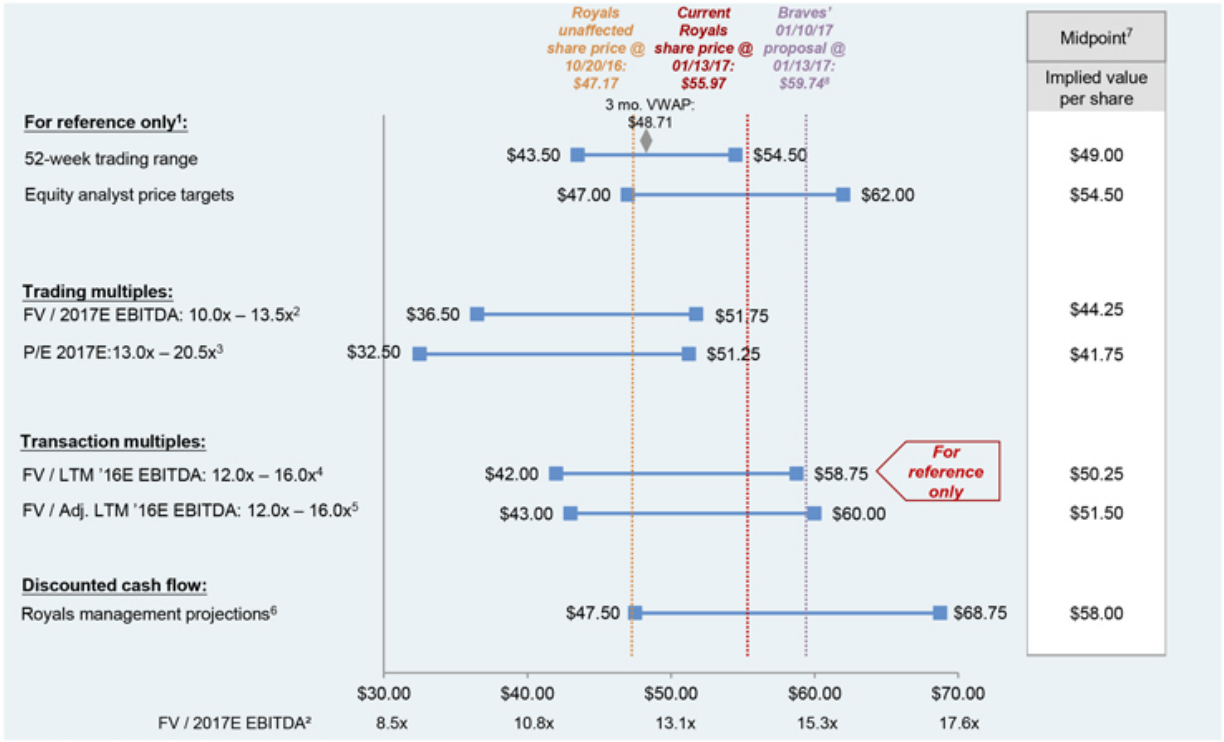
Source: Royals management projections
[1] Net of excise tax per Royals management projections
[2] Operating income * (1 – tax rate) + D&A – Capex – Δ in NWC and other; tax rate per Royals management projections
[3] Per Royals management, 2021 normalized to exclude $225mm in income tax benefit

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Royals implied valuation perspectives

Implied equity value per share (rounded to the nearest $0.25)



Source: Royals management projections; Equity analyst consensus; FactSet

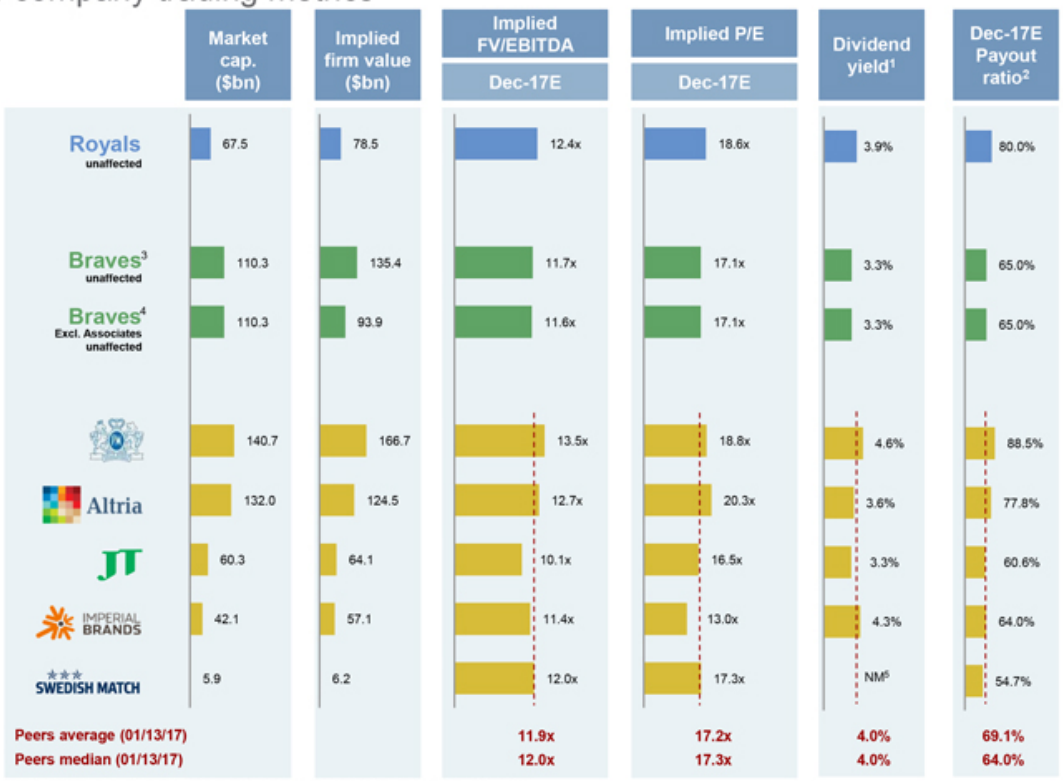
Note: Implied valuation date as of 12/31/16; market data as of 01/13/17; net debt of $10,899mm as of 12/31/16; diluted share count of 1,433.0mm as of 01/15/17; 3 month VWAP as of unaffected date of 10/20/16; [1] Values as of 10/20/16 to represent unaffected share price; [2] Based on 2017E EBITDA of $6,313mm per Royals management guidance; [3] Based on 2017E net income of $3,576mm and 2017E EPS of $2.53; [4] Based on 2016E EBITDA of $5,933mm; [5] Based on 2016E EBITDA of $6,046mm adjusted by $113mm for cost synergies related to the acquisition of Lorillard, per Royals management guidance; [6] Assumes a discount rate of 5.75% - 6.75% and a terminal growth rate of 0.0% - 1.0%; [7] Represents the arithmetic midpoint of each valuation range; [8] Calculated based on Braves ADS of $115.21 as of 01/13/17 divided by 2. Currently, each Braves ADS represents two Braves ordinary shares. Prior to the Closing, Braves intends to effect a forward split of the Braves ADSs such that each Braves ADS will represent one Braves ordinary share

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Public company trading metrics



Source: Royals management projections; equity analyst consensus, FactSet as of 01/13/17

Note: Unaffected Royals and Braves implied values are as of 10/20/16; total debt for Royals at principal value; Braves' debt balance as of 09/15/16 and cash balance as of 06/30/16; Royals' projections are as per Royals management projections; Braves' projections are as per consensus estimates; [1] Dividend yield = annualized dividend per share / share price; [2] Payout ratio = 2017E dividend per share / 2017E EPS; [3] Braves' implied firm value includes net debt of $22,070mm and minority interest unaffected market value of $3,034mm, 2017E EBITDA of $8,112mm ($8,541mm in 2018E EBITDA) increased by $2,663mm ($2,900mm in 2018E) and $770mm ($876mm in 2018E) to reflect its proportionate ownership in Royals and ITC, respectively; assumes a GBP/USD unaffected exchange rate of 1.2250 as of 10/20/16; [4] Braves' implied firm value excludes $28,469mm and $13,016mm respectively, to reflect its proportionate ownership in the unaffected market value of equity of Royals and ITC; assumes a GBP/USD unaffected exchange rate of 1.2250 as of 10/20/16; [5] No ordinary dividend announced in YTD2016, only a special dividend (company's dividend policy = 40-60% of EPS)

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Selected precedent transaction metrics

Key selected tobacco transactions

Announcement	Target	Acquiror	Implied firm value ($mm)	Implied FV/ LTM EBITDA[1]	EBITDA margin
01-Jun-15	TDR	BAT	599	12.5x	31.3%
23-Feb-15	Souza Cruz (24.7%)	BAT	14,185	16.0x	39.6%
15-Jul-14	Lorillard	Reynolds American	27,949[2]	13.8x	40.4%
15-Jul-14	Lorillard and Reynolds American assets	Imperial Tobacco	7,056	8.8x	33.3%
26-May-11	Protabaco	BAT	452	11.3x	36.4%
17-Jun-09	Bentoel (85.1%)	BAT	744	14.0x	9.0%
08-Sep-08	UST	Altria	11,681	12.0x	48.9%
31-Jul-08	Rothmans	PMI	1,934[3]	9.7x	50.8%
28-Feb-08	Skandinavisk	BAT	4,141	11.2x	39.4%
22-Feb-08	Tekel	BAT	1,720	11.4x	29.0%
01-Nov-07	John Middleton	Philip Morris USA	2,900[4]	15.8x	51.0%
18-Jul-07	Altadis	Imperial Tobacco	22,619[5]	14.1x	29.3%
08-Feb-07	Commonwealth Brands	Imperial Tobacco	1,900	10.9x	50.0%
19-Jan-07	Lakson Tobacco	PMI	675	14.8x	14.4%
15-Dec-06	Gallaher	Japan Tobacco	18,938	13.0x	28.0%
24-Apr-06	Conwood	Reynolds American	3,500	13.6x	57.0%
13-Mar-05	PTHM Sampoerna	PMI	5,082	13.9x	19.5%
07-Mar-02	Reemtsma	Imperial Tobacco	5,103	13.4x	18.5%
22-Jun-01	Austria Tabak	Gallaher Group	1,871	7.4x	21.4%
Mean				**12.5x**	**34.1%**
Median				**13.0x**	**33.3%**

Source: Press releases, annual reports and information brochures of target, broker reports; based on most recent available financials at time of announcement of the transaction; Note: Median pre- and median global represent average vs. median figure

[1] Implied multiples based on transaction value in local currency

[2] Implied firm value is pension-adjusted and based on fully diluted equity

[3] Implied transaction value reflects 100% of RI and 60% of RBH not currently owned by PMI (100% of RI cash & ST investments, 60% of RBH cash, and 60% of RBH debt) as of 07/31/08; financials reflect 60% of RI consolidated revenue and EBITDA

[4] Implied firm value excludes $700mm in present value of tax benefits (multiples based on brokers' estimates)

[5] Implied firm value adjusted by minority in Logista valued at market value

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Illustrative Royals discounted cash flow analysis

5-year projections

ROYALS IMPLIED STANDALONE VALUATION ANALYSIS

($mm) – Implied valuation date as of 12/31/16

	Royals management projections					
FYE 12/31	2017E	2018E	2019E	2020E	2021E	Terminal
Net sales[1]	**$13,009**	**$13,621**	**$14,331**	**$15,095**	**$15,909**	**$15,988**
% growth	*4.3%*	*4.7%*	*5.2%*	*5.3%*	*5.4%*	*0.5%*
EBITDA	**$6,313**	**$6,877**	**$7,329**	**$8,026**	**$8,696**	**$8,739**
% margin	*48.5%*	*50.5%*	*51.1%*	*53.2%*	*54.7%*	*54.7%*
EBIT	6,181	6,736	7,190	7,880	8,548	8,591
Less: Taxes	(2,237)	(2,450)	(2,625)	(2,881)	(3,128)	(3,144)
% tax rate	*36.2%*	*36.4%*	*36.5%*	*36.6%*	*36.6%*	*36.6%*
EBIAT	**$3,944**	**$4,286**	**$4,565**	**$5,000**	**$5,420**	**$5,447**
Plus: D&A	132	141	139	146	148	149
% of net sales	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*0.9%*	*0.9%*
% of capex	*51.8%*	*74.6%*	*92.7%*	*97.3%*	*98.7%*	*98.7%*
Less: Capex	(255)	(189)	(150)	(150)	(150)	(151)
% of net sales	*(2.0%)*	*(1.4%)*	*(1.0%)*	*(1.0%)*	*(0.9%)*	*(0.9%)*
Less: (Inc) / dec in NWC and other	43	(191)	(70)	(40)	3	0
Unlevered FCF for discounting	**$3,864**	**$4,047**	**$4,484**	**$4,956**	**$5,421**	**$5,445**

Implied firm value ($mm)

Discount rate	Perpetuity growth rate 0.00%	0.50%	1.00%
5.75%	$92,932	$100,311	$109,243
6.25%	$85,419	$91,516	$98,774
6.75%	$79,023	$84,132	$90,129

Implied equity value per share[2]

Discount rate	Perpetuity growth rate 0.00%	0.50%	1.00%
5.75%	$57.25	$62.39	$68.63
6.25%	$52.00	$56.26	$61.32
6.75%	$47.54	$51.10	$55.29

Terminal forward EBITDA multiple

Discount rate	Perpetuity growth rate 0.00%	0.50%	1.00%
5.75%	11.1x	12.3x	13.6x
6.25%	10.3x	11.2x	12.4x
6.75%	9.5x	10.4x	11.3x

Source: Royals management projections
Note: Assumes net debt of $10,889mm as of 12/31/16 and 1,433.0mm diluted shares outstanding as of 01/15/17; assumes mid-period discounting
[1] Net of excise tax per Royals management projections
[2] Unaffected 52-week low/high: $43.50 – $54.50 per FactSet (rounded to the nearest $0.25)

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Royals' financial projections for standalone Braves

- Royals management has provided J.P. Morgan with five year projections for Braves, which were based in part on certain financial information for Braves prepared by Braves management and provided to Royals (referred to herein as "Royals' management projections for Braves")

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Royals' financial projections for standalone Braves (cont'd)

Net sales[1] (£mm)



% growth	2017E	2018E	2019E	2020E	2021E
	10.2%	4.0%	4.0%	4.0%	4.0%

EBITDA[2] (£mm)



% margin	2017E	2018E	2019E	2020E	2021E
	39.3%	39.9%	40.4%	40.9%	41.4%

Capital expenditures (£mm)



% of net sales	2017E	2018E	2019E	2020E	2021E
	3.7%	3.5%	3.4%	3.3%	3.1%

Unlevered Free Cash Flow[3] (£mm)



% net sales	2017E	2018E	2019E	2020E	2021E
	20.3%	21.7%	22.8%	23.3%	23.9%

Source: Royals' management projections for Braves
[1] Net of excise tax as per Royals' management projections for Braves
[2] EBITDA exclude income from associates in Royals and ITC
[3] Operating income * (1–29.0% tax rate) + D&A - Capex - Δ in NWC – pension & restructuring

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Royals' financial projections for standalone Braves (cont'd)

Summary financials (£mm)

	Royals' management projections for Braves				
FYE 12/31	2017E	2018E	2019E	2020E	2021E
Net Sales[1]	**£16,316**	**£16,969**	**£17,647**	**£18,353**	**£19,087**
% growth	*10.2%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*
EBITDA	**£6,405**	**£6,769**	**£7,128**	**£7,505**	**£7,900**
% margin	*39.3%*	*39.9%*	*40.4%*	*40.9%*	*41.4%*
D&A	£365	£365	£365	£365	£365
% of capex	*60.8%*	*60.8%*	*60.8%*	*60.8%*	*60.8%*
Operating income	**£6,040**	**£6,404**	**£6,763**	**£7,140**	**£7,535**
% margin	*37.0%*	*37.7%*	*38.3%*	*38.9%*	*39.5%*
Tax rate	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*
Select cash flow items:					
Capex	£600	£600	£600	£600	£600
% net sales	*3.7%*	*3.5%*	*3.4%*	*3.3%*	*3.1%*
(Inc.) / Dec. in NWC	(£120)	(£300)	(£300)	(£300)	(£300)
% of increase in sales	*(7.9%)*	*(45.9%)*	*(44.2%)*	*(42.5%)*	*(40.9%)*
Pension & Restructuring	($626)	($328)	($250)	($250)	($250)
Unlevered FCF[2]	£3,307	£3,684	£4,017	£4,284	£4,565
% net sales	*20.3%*	*21.7%*	*22.8%*	*23.3%*	*23.9%*

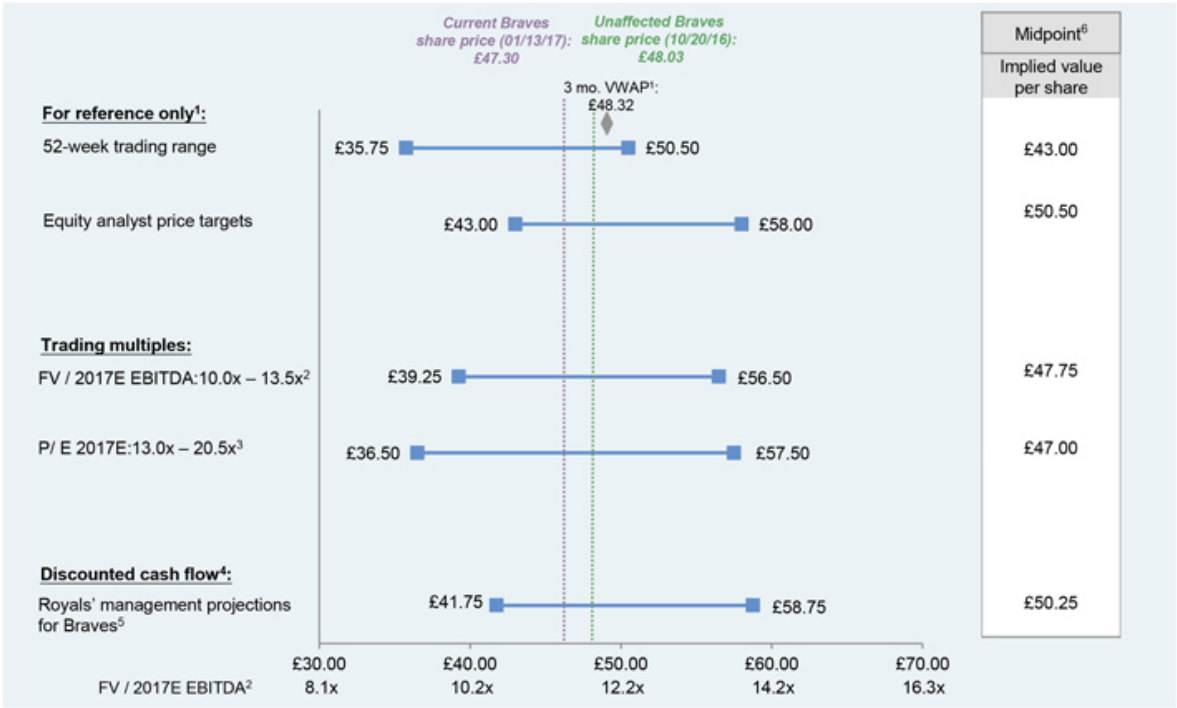
Source: Royals' management projections for Braves
[1] Net of excise tax as per Royals' management projections for Braves
[2] Operating income * (1–29.0% tax rate) + D&A - Capex - Δ in NWC – pension & restructuring

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Braves implied valuation perspectives

BRAVES IMPLIED STANDALONE VALUATION ANALYSIS

Implied equity value per share (rounded to the nearest £0.25)



Source: Royals' management projections for Braves; FactSet

Note: Implied valuation date as of 12/31/16; market data as of 01/13/17; Debt balance of £19,633mm per Braves as of 12/31/16, cash balance of £3,427mm per Braves as of 12/31/16, minority interest unaffected market value of £2,477mm, and equity affiliate adjustments of £23,240mm and £10,625mm for the unaffected market value of equity in Royals and ITC, respectively; diluted share count per Braves of 1,870.6mm as of 01/13/17 per Braves management; [1] Values as of 10/20/16 represent unaffected share price; [2] Based on 2017E EBITDA of £9,207mm, which includes £2,174mm and £628mm to reflect Braves' proportionate ownership in Royals and ITC, converted at unaffected FX rates respectively; [3] Based on 2017E EPS of £2.80; [4] Implied equity value includes £2,275mm of minority interests, plus equity affiliates consisting of 42% ownership in Royals (stake has a DCF implied equity value range of £23,576mm - £34,035mm at a GBP/USD exchange rate of 1.2186) and 30% ownership in ITC (stake has a market value of £10,920mm); [5] Assumes a discount rate of 6.75% - 8.00% and a terminal growth rate of 0.0% - 1.0%; [6] Represents the arithmetic midpoint of each implied valuation range before rounding

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Illustrative Braves discounted cash flow analysis

5-year projections, investment in Royals valued at DCF and ITC valued at market value

BRAVES IMPLIED STANDALONE VALUATION ANALYSIS

(£mm) – Implied valuation date as of 12/31/16

	Royals' management projections for Braves					
FYE 12/31	2017E	2018E	2019E	2020E	2021E	Terminal
Net sales [1]	**£16,316**	**£16,969**	**£17,647**	**£18,353**	**£19,087**	**£19,182**
% growth	*10.2%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*0.5%*
EBITDA	**£6,405**	**£6,769**	**£7,128**	**£7,505**	**£7,900**	**£7,940**
% margin	*39.3%*	*39.9%*	*40.4%*	*40.9%*	*41.4%*	*41.4%*
EBIT	6,040	6,404	6,763	7,140	7,535	7,370
Less: Taxes	(1,752)	(1,857)	(1,961)	(2,071)	(2,185)	(2,137)
% tax rate	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*
EBIAT	**£4,288**	**£4,547**	**£4,802**	**£5,069**	**£5,350**	**£5,232**
Plus: D&A	365	365	365	365	365	570
% of net sales	*2.2%*	*2.2%*	*2.1%*	*2.0%*	*1.9%*	*3.0%*
% of capex	*60.8%*	*60.8%*	*60.8%*	*60.8%*	*60.8%*	*95.0%*
Less: Capex	(600)	(600)	(600)	(600)	(600)	(600)
% of net sales	*(3.7%)*	*(3.5%)*	*(3.4%)*	*(3.3%)*	*(3.1%)*	*(3.1%)*
Less: (Inc) / dec in NWC	(120)	(300)	(300)	(300)	(300)	(39)
Less: Pension & Restructuring	(626)	(328)	(250)	(250)	(250)	0
Unlevered FCF for discounting	**£3,307**	**£3,684**	**£4,017**	**£4,284**	**£4,565**	**£5,163**

Implied firm value excluding Associates and others (£mm)

			Perpetuity growth rate		
			0.00%	0.50%	1.00%
Dis. rate	High	6.750%	£73,897	£78,337	£83,550
	Mid	7.375%	£67,455	£71,044	£75,195
	Low	8.000%	£62,026	£64,972	£68,340

Implied equity value per share including Associates and others (£mm)[2,3]

			Perpetuity growth rate		
			0.00%	0.50%	1.00%
Dis. rate	High	6.750%	£50.64	£54.38	£58.82
	Mid	7.375%	£45.80	£48.85	£52.41
	Low	8.000%	£41.72	£44.24	£47.15

Terminal forward EBITDA multiple

			Perpetuity growth rate		
			0.00%	0.50%	1.00%
Dis. rate	High	6.750%	10.0x	10.8x	11.7x
	Mid	7.375%	9.2x	9.9x	10.6x
	Low	8.000%	8.5x	9.1x	9.7x

Source: Royals' management projections for Braves; Net debt balance of £16,206mm as of 12/31/16 (debt of £19,633mm and cash of £3,427mm) and minority interest market value of £2,275mm

[1] Equity affiliates consisting of 42% ownership in Royals (stake has a DCF implied equity value range of £23,576mm - £34,035mm at an GBP/USD exchange rate of 1.2186) and 30% ownership in ITC (stake has a market value of £10,920mm)

[2] Implied equity value includes £2,275mm of minority interests, plus equity affiliates consisting of 42% ownership in Royals (stake has a DCF implied equity value range of £23,576mm - £34,035mm at an GBP/USD exchange rate of 1.2186) and 30% ownership in ITC (stake has a market value of £10,920mm)

[3] Unaffected 52-week low/high: £35.75 – £50.50 (rounded to the nearest £0.25)

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Illustrative Braves discounted cash flow analysis – bridge to equity value per share

Investment in Royals valued at DCF and ITC valued at market value

BRAVES IMPLIED STANDALONE VALUATION ANALYSIS

Implied firm value excluding Associates and others (£mm)

Discount rate	Perpetuity growth rate: Low	Medium	High
High	£73,897	£78,337	£83,550
Medium	£67,455	£71,044	£75,195
Low	£62,026	£64,972	£68,340

Implied firm value including Associates and others (£mm)[1]

Discount rate	Perpetuity growth rate: Low	Medium	High
High	£110,933	£117,927	£126,230
Medium	£101,890	£107,589	£114,252
Low	£94,248	£98,962	£104,405

Implied equity value including Associates and others (£mm)[2]

Discount rate	Perpetuity growth rate: Low	Medium	High
High	£94,727	£101,721	£110,024
Medium	£85,684	£91,383	£98,046
Low	£78,042	£82,756	£88,199

Implied equity value per share including Associates and others (£)[2,3]

Discount rate	Perpetuity growth rate: Low	Medium	High
High	£50.64	£54.38	£58.82
Medium	£45.80	£48.85	£52.41
Low	£41.72	£44.24	£47.15

Source: Royals' management projections for Braves; Net debt balance of £16,206mm as of 12/31/16 (debt of £19,633mm and cash of £3,427mm) and minority interest market value of £2,275mm

[1] Equity affiliates consisting of 42% ownership in Royals (stake has a DCF implied equity value range of £23,576mm - £34,035mm at an GBP/USD exchange rate of 1.2186) and 30% ownership in ITC (stake has a market value of £10,920mm)

[2] Implied equity value includes £2,275mm of minority interests, plus equity affiliates consisting of 42% ownership in Royals (stake has a DCF implied equity value range of £23,576mm - £34,035mm at an GBP/USD exchange rate of 1.2186) and 30% ownership in ITC (stake has a market value of £10,920mm)

[3] Unaffected 52-week low/high: £35.75 – £50.50 (rounded to the nearest £0.25)

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Illustrative potential operating synergies

Potential operating synergies

- Per Braves and Royals management, this analysis includes an assumption of $500mm in annual run-rate operating synergies which can potentially provide meaningful value to Royals shareholders in a transaction that includes stock consideration
- Areas of potential operating synergies may include, but are not limited to:
  - Consolidation of certain manufacturing, R&D, marketing, human resources, finance, audit and corporate communications functions
  - Reduced supply chain / procurement expenses
  - Leadership / management structure efficiencies
  - Reduction in certain administrative expenses (IR, SEC expenses, Board costs, other public company costs, etc.)
  - Combined portfolio of Next-Generation Products (vapor, Heat-not-burn, Niconovum AB)

Post-tax NPV of assumed $500mm run-rate operating synergies ($mm)

		Perpetuity growth		
		(0.5%)	0.0%	0.5%
Discount rate	5.75%	$4,836	$5,221	$5,679
	6.25%	$4,433	$4,756	$5,134
	6.75%	$4,086	$4,360	$4,677

Post-tax NPV[1] of synergy levels

Run-rate operational synergies	NPV
$400	$3,804
$500	$4,756
$600	$5,707

Source: Royals management; Braves management
Note: Assumes synergies are phased in 50% in year 2 and 100% in year 3; costs to achieve are equal to 100% of run-rate cost synergies phased in 50% in year 1 and 50% in year 2
[1] Assumes a perpetuity growth rate of 0.0% with a discount rate of 6.25% and a blended tax rate

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Illustrative potential tax efficiencies

COMBINATION ANALYSIS

Potential tax efficiencies

- **Guarantee fee:** Braves management has indicated that following the closing of the transaction, it will implement an intercompany financing arrangement that will create a tax-deductible intercompany guarantee fee in the U.S., the net benefit of which is estimated to be approximately $45mm per year
- **Intercompany expenses:** Braves management has also indicated that a greater amount of intercompany expenses will be allocated to the U.S., resulting in incremental tax deductions for U.S. tax purposes of approximately $15mm per year
- **Elimination of dividend withholding:** Per Braves management, annual tax costs of approximately $80mm resulting from Royals share repurchases and dividend payments to Braves will be eliminated upon completion of the transaction
- The total estimated tax efficiencies resulting from the items listed above are approximately $140mm per year

NPV of assumed $140mm run-rate tax efficiencies ($mm)

		Perpetuity growth		
		(0.5%)	0.0%	0.5%
Discount rate	4.50%	$2,844	$3,111	$3,444
	5.00%	$2,585	$2,800	$3,062
	5.50%	$2,370	$2,545	$2,757

NPV[1] of efficiencies levels

Run-rate tax efficiencies	NPV
$120	$2,400
$140	$2,800
$160	$3,200

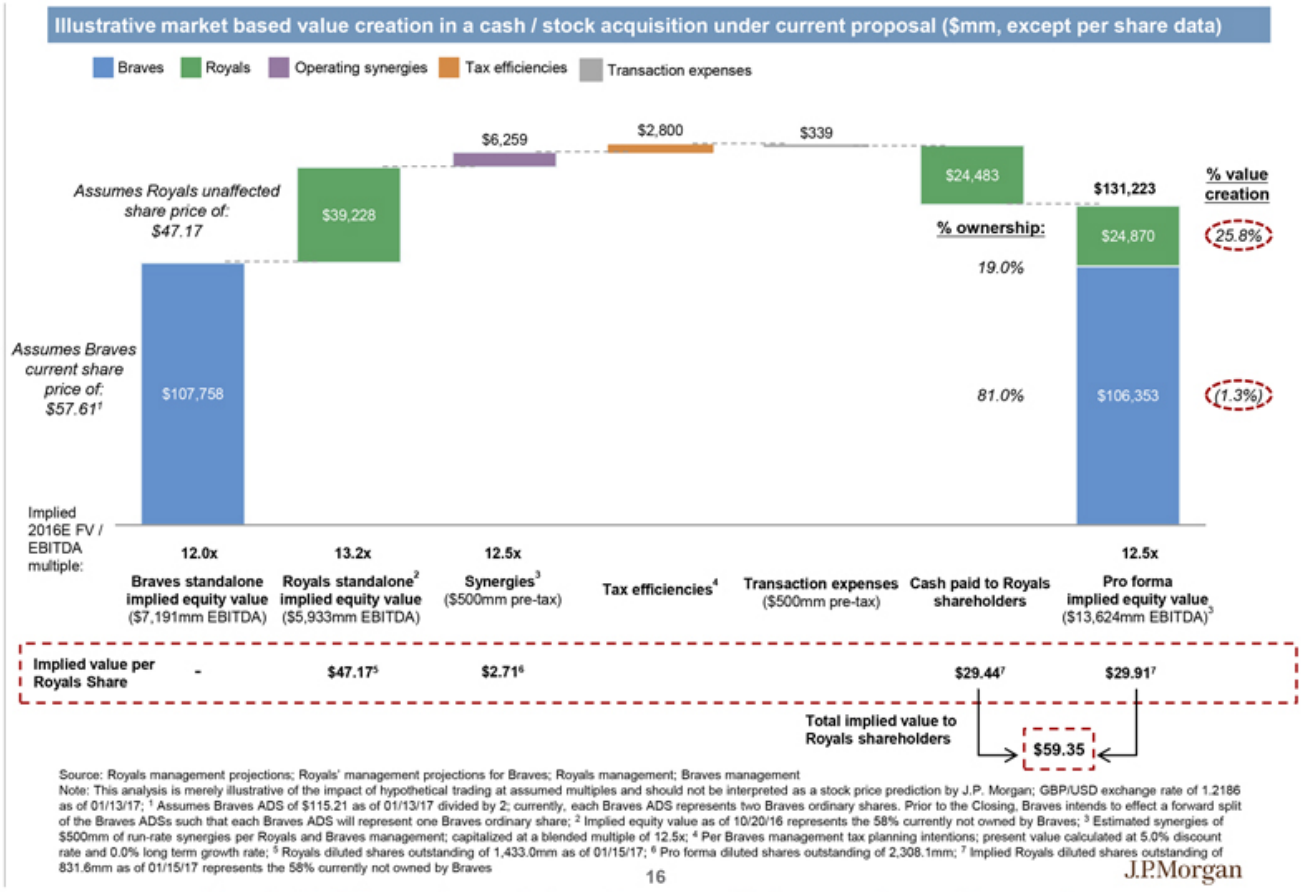
Source: Royals management; Braves management
[1] Assumes a terminal growth rate of 0.0% with a discount rate of 5.0%

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Illustrative market based value creation

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Source: Royals management projections; Royals' management projections for Braves; Royals management; Braves management

Note: This analysis is merely illustrative of the impact of hypothetical trading at assumed multiples and should not be interpreted as a stock price prediction by J.P. Morgan; GBP/USD exchange rate of 1.2186 as of 01/13/17; [1] Assumes Braves ADS of $115.21 as of 01/13/17 divided by 2; currently, each Braves ADS represents two Braves ordinary shares. Prior to the Closing, Braves intends to effect a forward split of the Braves ADSs such that each Braves ADS will represent one Braves ordinary share; [2] Implied equity value as of 10/20/16 represents the 58% currently not owned by Braves; [3] Estimated synergies of $500mm of run-rate synergies per Royals and Braves management; capitalized at a blended multiple of 12.5x; [4] Per Braves management tax planning intentions; present value calculated at 5.0% discount rate and 0.0% long term growth rate; [5] Royals diluted shares outstanding of 1,433.0mm as of 01/15/17; [6] Pro forma diluted shares outstanding of 2,308.1mm; [7] Implied Royals diluted shares outstanding of 831.6mm as of 01/15/17 represents the 58% currently not owned by Braves

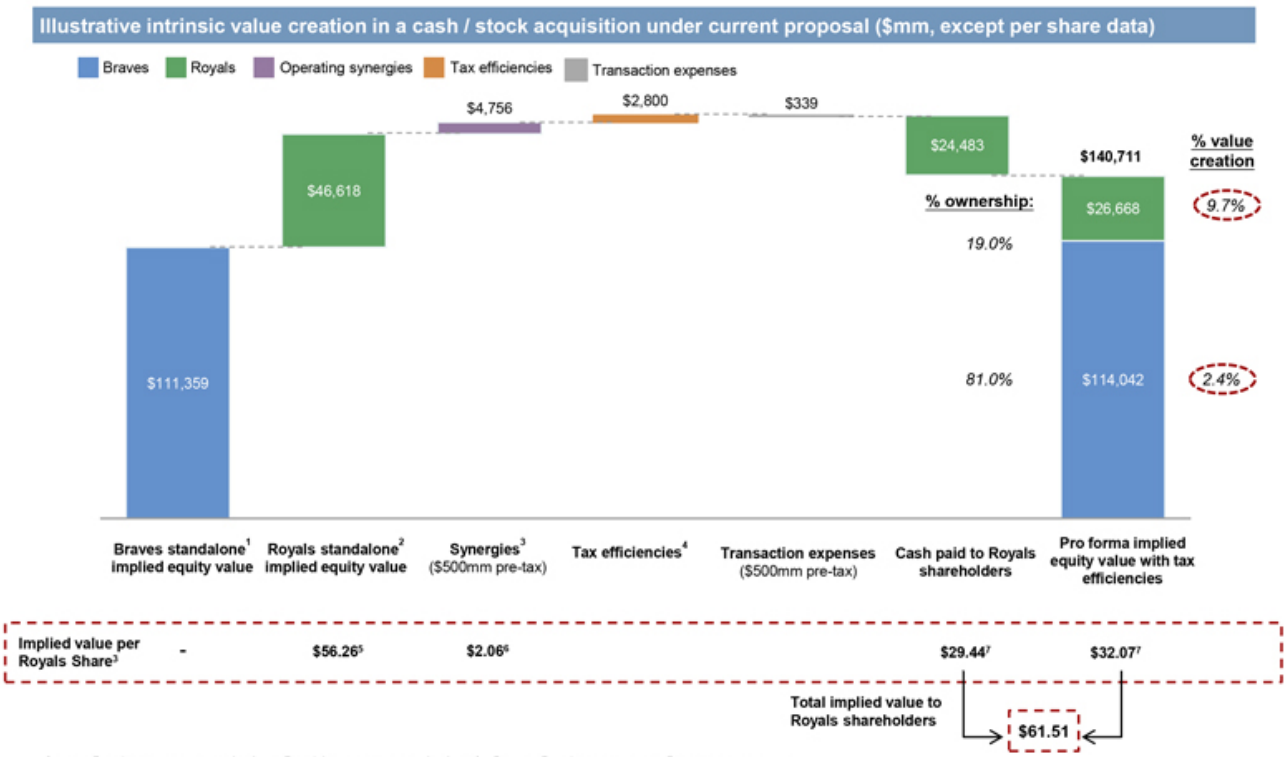
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COMBINATION ANALYSIS

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Illustrative intrinsic value creation



Source: Royals management projections; Royals' management projections for Braves; Royals management; Braves management

Note: This analysis is merely illustrative of the impact of hypothetical trading at assumed multiples and should not be interpreted as a stock price prediction by J.P. Morgan; Assumes intrinsic standalone implied equity value is the mid-point of the DCF range; GBP/USD exchange rate of 1.2186 as of 01/13/17; [1] Reflects a WACC range of 6.75%-8.0% and a terminal growth rate of 0.0%-1.0%; [2] Implied equity value represents 58% currently not owned by Braves; Reflects a WACC range of 5.75%-6.75% and a terminal growth rate range of 0.0%-1.0%; per share amount assumes the midpoint of DCF range using a WACC of 6.25% and a terminal growth rate of 0.5%; [3] Synergies of $500mm per Royals and Braves management ; present value calculated assuming 6.25% discount and long-term growth rate of 0.0%; [4] Per Braves management tax planning intentions; present value calculated at 5.0% discount rate and 0.0% long term growth rate; [5] Royals diluted shares outstanding of 1,433.0mm as of 01/15/17; [6] Pro forma diluted shares outstanding of 2,308.1mm; [7] Implied Royals diluted shares outstanding of 831.6mm as of 01/15/17 represents the 58% currently not owned by Braves

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Royals and Braves exchange ratio evolution

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COMBINATION ANALYSIS

Royals and Braves exchange ratio since the day before the announcement of the Lorillard acquisition (07/14/14)



	Cash adj. exchange ratio[1]	Exchange ratio
1-month average ended 10/20/16	0.2897x	0.7680x
6-month average ended 10/20/16	0.3298x	0.8046x
1-year average ended 10/20/16	0.3299x	0.8287x
Average since Lorillard completion (06/11/15) ended 10/20/16	0.3001x	0.8071x
Average since 10/21/16	0.4582x	0.9864x
Exchange ratio high since Lorillard completion ended 10/20/16	0.4027x	0.9538x

Source: Company filings; FactSet; Market data as of 01/13/17
[1] Adjusted for $29.44 in cash as per 01/10/17 proposal

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Braves and Royals – public market overview

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Braves public market overview

(£mm / $mm, except per share data)	GBP	ADS USD[1]
Closing price (01/13/17)	£47.30	$57.61[2]
% 52-wk high	*92.1%*	*87.7%*
Shares outstanding	1,874.3	1,874.3
Market cap	**£88,643**	**$107,967**
+ Debt as of 09/15/16	£19,959	$24,323
- Cash as of 06/30/16	(1,943)	(2,368)
- Other adj. as of 06/30/16[3]	(36,266)	(44,194)
Implied firm value	**£70,394**	**$85,728**

FYE 12/31	2015A	2016E	2017E
Revenues	£13,104	£14,835	£16,541
% growth	*(6.2%)*	*13.2%*	*11.5%*
EBITDA	£5,355	£5,860	£6,622
% margin	*40.9%*	*39.5%*	*40.0%*
EPS	£2.30	£2.44	£2.80
% growth	*38.2%*	*6.1%*	*14.6%*

Implied valuation	2016E	2017E
FV / EBITDA	12.0x	10.6x
P/E	19.4x	16.9x

Credit metrics	Debt as of 09/15/16 (cash as of 06/30/16)
Debt / 2016E EBITDA	3.4x
Net debt / 2016E EBITDA	3.1x
Credit ratings	A- / A3

Royals public market overview

($mm, except per share data)	USD[1]
Closing price (01/13/17)	$55.97
% 52-wk high	*98.8%*
Shares outstanding	1,430.9
Market cap	**$80,089**
+ Debt as of 09/30/16	$12,950
- Cash as of 09/30/16	(1,959)
- Other adj. as of 09/30/16	0
Implied firm value	**$91,080**

FYE 12/31	2015A	2016E	2017E
Revenues	$10,675	$12,479	$13,009
% growth	*26.0%*	*16.9%*	*4.3%*
EBITDA	$4,529	$5,933	$6,313
% margin	*42.4%*	*47.5%*	*48.5%*
EPS	$1.98	$2.31	$2.53
% growth	*44.1%*	*16.6%*	*9.8%*

Implied valuation	2016E	2017E
FV / EBITDA	15.4x	14.4x
P/E	24.3x	22.1x

Credit metrics	As of 9/30/2016
Debt / 2016E EBITDA	2.2x
Net debt / 2016E EBITDA	1.9x
Credit ratings	BBB / Baa3

Source: Royals and Braves filings, Royals management projections, Royals' management projections for Braves, FactSet market data as of 01/13/17

[1] GBP/USD exchange rate of 1.2186 as of 01/13/17

[2] Calculated as Braves ADS price divided by 2. Currently, each Braves ADS represents two Braves ordinary shares. Prior to the Closing, Braves intends to effect a forward split of the Braves ADSs such that each Braves ADS will represent one Braves ordinary share

[3] Assumes Braves net other adjustment of £36,266mm, consisting of £2,275mm in current market value of minority interests and (£38,541mm) in associates current market value

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Public company operating metrics



Source: Royals management projections, FactSet as of 01/13/17
[1] Per Royals management projections; Royals' management projections for Braves
[2] EBITDA exclude income from associates in Royals and ITC

APPENDIX

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Royals discount rate analysis

APPENDIX

Discount rate summary

Risk free rate[1]		2.4%	
Equity risk premium	5.8%	—	6.8%
Levered beta	0.45	—	0.95
Country risk premium	0.0%	—	0.0%
Cost of equity	**5.0%**	—	**8.8%**
Pre-tax cost of debt		3.8%	
Post-tax cost of debt		2.4%	
Debt/total cap target		15.0%	
Calculated discount rate	**4.6%**	—	**7.8%**
Selected range	**5.75%**	—	**6.75%**

Capital structure benchmarks

	Market	Debt /	Levered beta		Relevered
Company	cap ($bn)	Total cap.	Barra	Historical	historical[2]
Philip Morris	$140.7	17.6%	0.554	0.633	0.610
Altria	$132.0	9.5%	0.442	0.553	0.575
Braves	$108.0	18.4%	0.806	0.807	0.775
Japan Tobacco	$60.3	8.5%	0.473	1.009	1.052
Imperial Brands	$42.1	28.8%	0.798	0.633	0.542
SWMA	$5.9	16.0%	0.721	0.575	0.557
Mean		**16.5%**	**0.632**	**0.702**	**0.685**
Median		**16.8%**	**0.638**	**0.633**	**0.593**
Royals	**$80.1**	**13.9%**	**0.521**	**0.552**	**0.557**

Cost of equity vs. Debt/total cap target[3]

Debt/total cap	Cost of equity 5.0%	6.3%	7.5%	8.8%
5.0%	4.9%	6.1%	7.3%	8.5%
10.0%	4.7%	5.9%	7.0%	8.2%
15.0%	4.6%	5.7%	6.8%	7.8%
20.0%	4.5%	5.5%	6.5%	7.5%
25.0%	4.3%	5.3%	6.2%	7.2%

Cost of equity vs. Pre-tax cost of debt[3]

Pre-tax cost of debt	Cost of equity 5.0%	6.3%	7.5%	8.8%
2.8%	4.5%	5.6%	6.7%	7.8%
3.3%	4.5%	5.6%	6.7%	7.8%
3.8%	4.6%	5.7%	6.8%	7.8%
4.3%	4.6%	5.7%	6.8%	7.9%
4.8%	4.7%	5.8%	6.9%	7.9%

Source: FactSet, Barra, J.P. Morgan estimates; Note: Market data as of 01/13/17

[1] U.S. 10-year treasury bond yield as of 01/13/17; [2] Historic levered beta is implied based on unlevering beta for each respective company based on their current capital structure and relevering beta based on assumed debt/total cap target of 15.0%; [3] Assumes pre-tax cost of debt of 3.8%, debt/total cap target of 15.0% and tax rate of 37.0%

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Braves discount rate analysis

APPENDIX

Discount rate summary

UK Risk free rate[1]		1.4%	
UK Equity risk premium	7.0%	—	7.0%
Levered beta	0.50	—	1.00
Country risk premium	1.6%	—	1.6%
Cost of equity	**6.5%**	—	**10.0%**
Pre-tax cost of debt		2.4%	
Post-tax cost of debt		1.7%	
Debt/total cap target		15.0%	
Calculated discount rate	**5.8%**	—	**8.8%**
Selected range	**6.75%**	—	**8.00%**

Capital structure benchmarks

	Market	Debt /	Levered beta		Relevered
Company	cap ($bn)	Total cap.	Barra	Historical	historical[2]
Philip Morris	$140.7	17.6%	0.554	0.633	0.618
Altria	$132.0	9.5%	0.442	0.553	0.583
Royals	$80.1	13.9%	0.521	0.552	0.564
Japan Tobacco	$60.3	8.5%	0.473	1.009	1.065
Imperial Brands	$42.1	28.8%	0.798	0.633	0.549
SWMA	$5.9	16.0%	0.721	0.575	0.564
Mean		**15.7%**	**0.585**	**0.659**	**0.657**
Median		**15.0%**	**0.538**	**0.604**	**0.574**
Braves	**$108.0**	**18.4%**	**0.806**	**0.807**	**0.785**

Cost of equity vs. Debt/total cap target[3]

	Cost of equity			
Debt/total cap	6.5%	7.7%	8.9%	10.0%
5.0%	6.3%	7.4%	8.5%	9.6%
10.0%	6.0%	7.1%	8.2%	9.2%
15.0%	5.8%	6.8%	7.8%	8.8%
20.0%	5.6%	6.5%	7.4%	8.4%
25.0%	5.3%	6.2%	7.1%	8.0%

Cost of equity vs. Pre-tax cost of debt[3]

	Cost of equity			
Pre-tax cost of debt	6.5%	7.7%	8.9%	10.0%
1.4%	5.7%	6.7%	7.7%	8.7%
1.9%	5.8%	6.7%	7.7%	8.7%
2.4%	5.8%	6.8%	7.8%	8.8%
2.9%	5.9%	6.9%	7.9%	8.8%
3.4%	5.9%	6.9%	7.9%	8.9%

Source: FactSet, Barra, J.P. Morgan estimates; Note: Market data as of 01/13/17

[1] Yield from British Government Securities as of 01/11/17, 10 year; [2] Historic levered beta is implied based on unlevering beta for each respective company based on their current capital structure and relevering beta based on assumed debt/total cap target of 15.0%; [3] Assumes pre-tax cost of debt of 2.4%, debt/total cap target of 15.0% and tax rate of 29.0%

J.P.Morgan

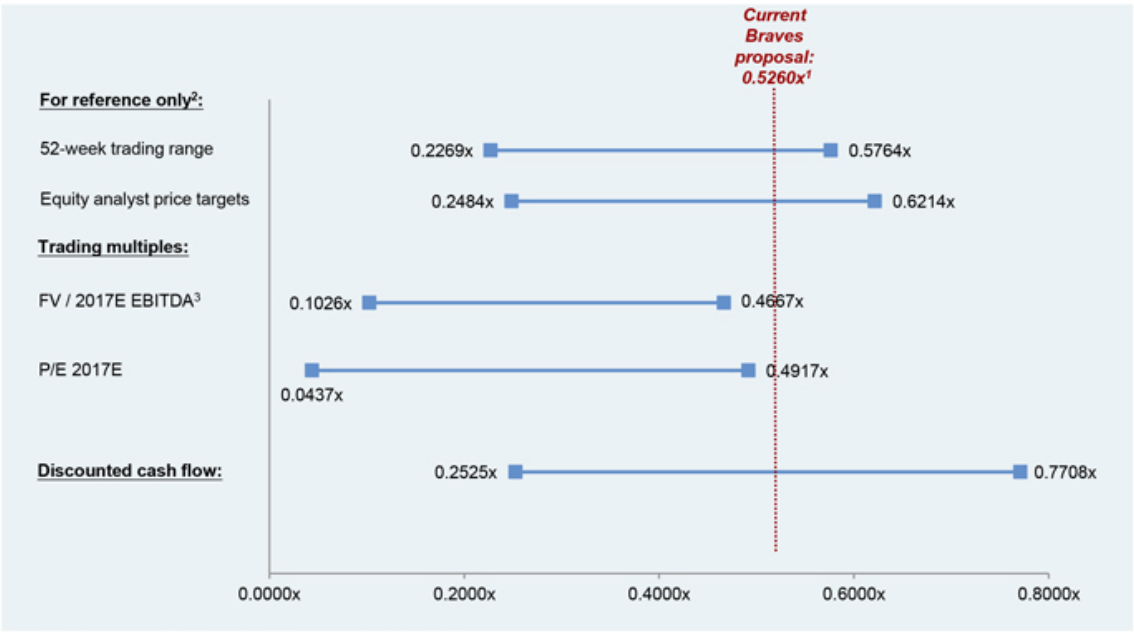
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Relative value analysis

Adjusted for $29.44 in cash as per Braves' 01/10/17 proposal

Hypothetical illustrative analysis only – no prediction as to future share trading

Braves shares per Royals share adjusted for $29.44 in cash as per Braves' 01/10/17 proposal



Source: Royals management projections; Royals' management projections for Braves
Note: Market data as of 01/13/17; Exchange ratios based on high/low and low/high valuation range for each corresponding valuation methodology; GBP/USD exchange rate of 1.2186 as of 01/13/17
[1] Exchange ratio as per Braves 01/10/17 proposal
[2] Values as of 10/20/16 to represent unaffected share price
[3] Braves' 2017E EBITDA of £9,207mm (Braves' EBITDA adjusted by £2,174mm and £628mm to reflect Braves' proportionate ownership in Royals and ITC, respectively)

APPENDIX

J.P.Morgan

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Overview of operational synergies and cost to achieve

Annual operational synergy phase-in and cost to achieve ($mm)

	Year 1	Year 2	Year 3	Year 4	Year 5
Pre-tax synergies achieved	$0.0	$250.0	$500.0	$500.0	$500.0
Pre-tax cost to achieve synergies	(250.0)	(250.0)	0.0	0.0	0.0
Net pre-tax synergies	(250.0)	0.0	500.0	500.0	500.0
Blended tax rate [1]	*32.3%*	*32.4%*	*32.5%*	*32.6%*	*32.7%*
Net post-tax net synergies	($169.3)	$0.0	$337.5	$337.0	$336.7

Source: Royals management projections; Royals' management projections for Braves; Royals management; Braves management
Note: Assumes a transaction closing date of 06/30/17; Run-rate pre-tax operational synergies of $500mm annually assumed to continue after 2021 into perpetuity
[1] Tax rate is blended based on Royals and Braves respective EBIT contributions to the combined company

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Illustrative accretion / dilution analysis

For illustrative purposes and reference only

APPENDIX

Accretion / dilution detail

FYE Dec-31 ($mm, except per share)	2018E $mm	2018E PF $/share[1]	2019E $mm	2019E PF $/share[1]
Braves standalone diluted EPS	**$3.67**		**$3.95**	
Royals standalone net income	$3,903	$1.69	$4,155	$1.80
(-) Incremental net interest expense post-tax[2]	(607)	(0.26)	(563)	(0.24)
(+) Operational synergies post-tax	169	0.07	337	0.15
(-) IFRS pension adjustment post-tax	(121)	(0.05)	(121)	(0.05)
(+) Purchase accounting debt mark-to-market post-tax	82	0.04	66	0.03
(+) Other tax implications[3]	60	0.03	60	0.03
Royals net income contribution	**$3,486**	**$1.51**	**$3,933**	**$1.70**
(+) Braves standalone net income ex. Royals	5,363	2.32	5,722	2.48
PF net income	**$8,849**	**$3.83**	**$9,655**	**$4.18**
PF shares outstanding		2,308		2,308
vs. standalone Braves		$0.16		$0.23
% accretion		**4.3%**		**5.9%**

Commentary

- Per Royals' management projections for Braves
- Per Royals management guidance
- Assumes 4.18% cost of debt in the US and 1.80% cost of debt in the UK, per Braves management
- $500mm of operating synergies per Royals management and Braves management
- Estimated $190mm pre-tax IFRS treatment of Royals' pension on a pro forma basis, per Braves management
- Estimated IFRS treatment of Royals' debt, per Braves management
- Group management charges tax benefit of $15mm and guarantee fee of $45mm, per Braves management
- Excludes Braves equity income from Royals, net of IFRS pension adjustment and withholding tax, per Braves management

Source: Royals management; Braves management; Note: GBP/USD exchange rate of 1.2186 as of 01/13/17; Royals management projections; Royals' management projections for Braves

[1] Assumes Braves and Royals diluted shares outstanding of 1,870.6mm as of 01/13/17 per Braves management and 1,433.0mm as of 01/15/17, respectively and shares issued at a 0.5260x exchange ratio

[2] Reflects additional interest from new acquisition debt and adjusts Royals standalone debt and interest assumptions to account for the elimination of share repurchases

[3] Per Braves management stated tax planning intentions

J.P.Morgan

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INVESTMENT BANKING DIVISION

Project Baseball Discussion Materials

Goldman, Sachs & Co.

October 28, 2016

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Discussion Topics

1. **Background on Goldman Sachs**
   - Introduction to Global GS Team
   - M&A, Raid Defense, Cross Border and Squeeze-out Transaction Credentials

2. **Review of Braves Proposal**
   - Public View of Transaction – First Impression
   - Closer Look at Transaction – Timing of Braves Offer and Implied Transaction Premia
   - Proposed Transaction Multiple in Context, Including Potential Additional Drivers of Value
   - Assessment of Current Market Expectations
   - Preliminary Accretion / Dilution and Braves Ability to Pay

3. **Lessons Learned from Comparable Situations**
   - Analysis of Precedent Squeeze-Out Transactions
   - Recommended Work Plan
   - Summary of Critical Valuation Analyses
   - Key Financial Items for Further Due Diligence
   - Review of Key Shareholder / Structuring Items

Appendix A: Detailed Background on Precedent Squeeze-Outs
Appendix B: Additional Shareholder Considerations
Appendix C: Tobacco Sector Landscape

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1 Highly Seasoned Core Investment Banking Leadership Team

Jo Natauri
Managing Director

Royals Relationship



- Responsible for coverage of large, multinational companies across healthcare and consumer sectors
- Serves on Firmwide Partnership Committee
- Joined GS in 2006 and was named managing director in 2008 and partner in 2012
- Prior M&A experiences at Deutsche Bank and CSFB Corporation

19 years of investment banking experience

Tim Ingrassia
Managing Director

Co-Chairman of Global M&A



- Co-Chairman of GS' Global M&A Group
- Active coverage of clients across consumer, retail, healthcare, media and communications sectors
- Joined GS as an analyst in 1986 in the M&A department within IBD
- Prior roles include Americas head of M&A, global head of Consumer Retail Group, Co-COO Communications, Media and Entertainment Group in IBD

30 years of investment banking experience

Selected Transaction Experience

- Sale of inVentiv to Advent and THL (undisclosed)
- Sale of Pall Corporation to Danaher ($14bn)
- Schering-Plough response to unsolicited bid from Merck ($45bn)
- Schering-Plough acquisition of Organon BioSciences ($14bn)
- Becton Dickinson acquisition of CareFusion ($12bn)
- Hologic acquisition of Gen Probe ($4bn)
- Sale of Par to TPG ($12bn)
- Sale of Covance to LabCorp ($6bn)
- Spin-off of Agilent Technologies from Keysight ($6bn)
- Carlyle Group acquisition of Johnson & Johnson Ortho-Clincal diagnostics ($4bn)
- Sale of Conceptus to Bayer ($1bn)
- Sale of Phadia to Thermo Fisher ($4bn)
- Hologic acquisition of Cytyc ($7bn)
- Sale of Millipore to Merck ($7bn)
- Sale of Pharmaceutical Product Development to Carlyle Group / Hellman & Friedman (Undisclosed)
- Sale of Athena Diagnostics to Quest ($1bn)
- Immucor with respect to activism initiated by Jana Partners and subsequent sale to TPG ($2bn)
- Reynolds American investment grade financing ($9bn)
- PepsiCo investment grade financing ($4.5bn)
- Becton Dickinson investment grade financing ($6bn)
- Endo Pharmaceuticals equity financing ($2bn)
- Schering-Plough Euro financing ($11bn)
- Agilent with respect to activism by Relational ($13bn)
- Hologic acquisition of Third Wave ($1bn)
- Thermo Fisher divestiture of Cole-Parmer ($1bn)

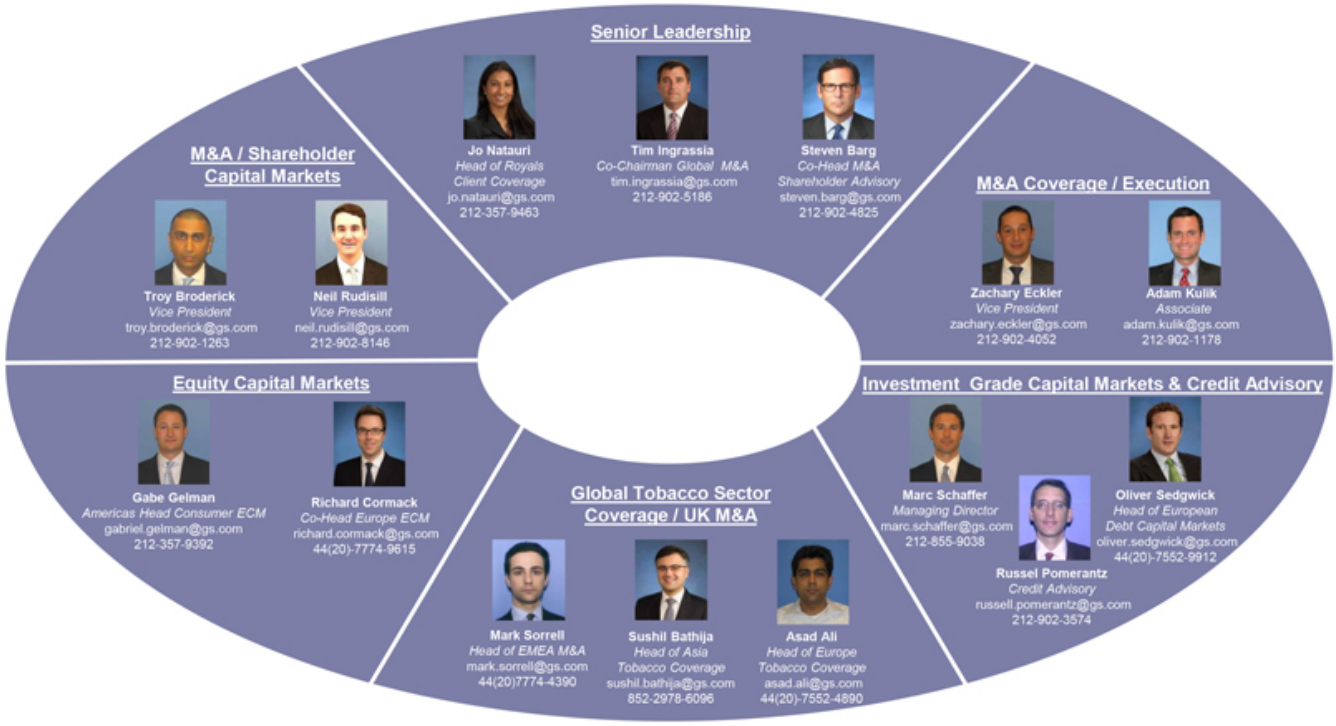
Selected Transaction Experience

- Anheuser Busch response to unsolicited bid from Inbev ($55bn)
- Syngenta response to unsolicited bid from Monsanto ($47bn) and pending sale to ChemChina ($43bn)
- Schering-Plough response to unsolicited bid from Merck ($45bn)
- Sale of White Wave to Danone ($12bn)
- Cadbury Schweppes response to unsolicited bid from Kraft ($18bn)
- Procter & Gamble with respect to activism initiated by Pershing Square ($230bn)
- Amgen with respect to activism initiated by Third Point ($120bn)
- Vulcan Materials response to unsolicited bid from Martin Marrieta ($5bn)
- Mylan with respect to unsolicited bid from Teva ($40bn) and offer for Perrigo ($26bn)
- Newell Brands acquisition of Jarden ($20bn)
- Charter Communications cumulative acquisitions of Time Warner Cable and Brighthouse Networks ($90bn)
- Procter & Gamble's spin/merger of its Beauty business into Coty Inc. ($12.5bn)
- Immucor with respect to activism initiated by Jana Partners and subsequent sale to TPG ($2bn)
- Energy Transfer's proposed merger with Williams Company ($33bn)
- Sale of Covidien to Medtronic ($48bn)
- Hologic acquisition of Gen Probe ($4bn)
- Hillshire Foods response to unsolicited bids and sale to Tyson ($10bn)
- ConAgra with respect to activism initiated by Jana ($25bn)
- Sale of Safeway to Albertsons/Cerberus ($9bn)
- Sale of Safeway's Canadian operations to Empire/Sobeys ($6bn)
- Human Genome Sciences response to unsolicited bid from GSK ($4bn)
- Sale of Procter & Gamble's Duracell Assets to Berkshire Hathaway ($5bn)
- Chiquita on its response to unsolicited bid from Cutrale ($1bn)

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1 Royals' Goldman Sachs Team

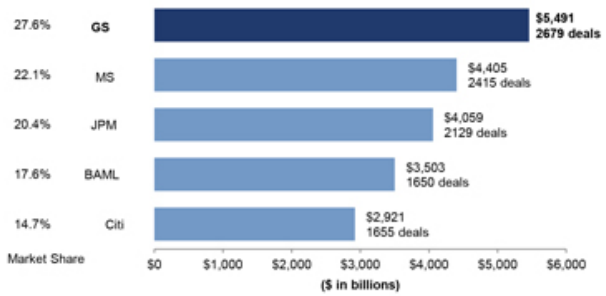
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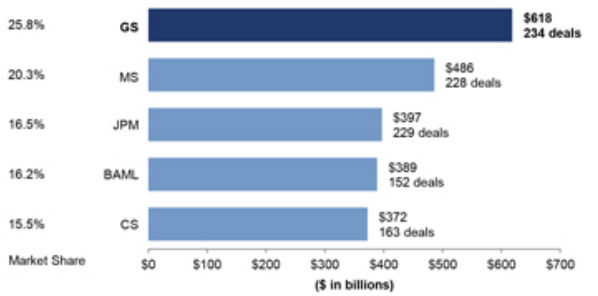
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1 Goldman Sachs Ranks #1 in Global M&A

Global M&A (2010-2016 YTD)



Global M&A (2016 YTD)



Global M&A (2000-2016 YTD)

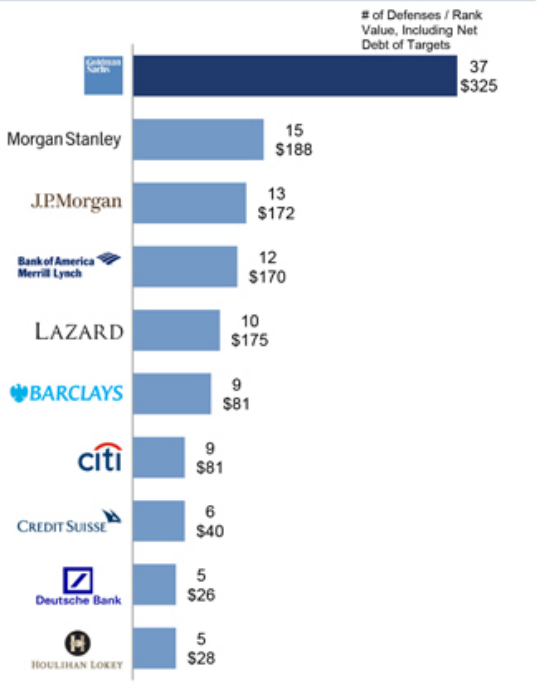
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 YTD	2000-2016 YTD
Goldman Sachs	***1***	***1***	***1***	***1***	***1***	***1***	***1***	***1***	***1***	***1***	***1***	***1***	***1***	***1***	***1***	***1***	***1***	***1***
Morgan Stanley	2	3	4	3	5	2	2	2	6	2	2	2	2	3	2	2	2	2
JP Morgan	6	4	2	4	3	3	3	3	2	3	3	3	3	2	3	3	3	3
BoA Merrill Lynch	4	2	6	2	4	4	5	4	4	5	7	5	5	4	4	4	4	4
Citi	5	6	3	5	2	5	4	5	3	4	8	6	4	8	5	5	9	5
Credit Suisse	3	5	5	9	11	8	6	7	8	5	4	4	6	9	9	6	5	6
UBS	8	8	10	7	10	6	7	6	6	7	6	10	7	6	10	11	8	7
Deutsche Bank	12	7	8	8	7	7	8	8	7	9	5	8	8	7	8	9	11	8
Barclays	11	13	12	10	9	10	10	9	9	9	10	7	4	5	6	8	6	9
Lazard	9	10	7	6	6	9	9	12	10	8	9	10	10	10	7	7	10	10

Source: Thomson Reuters and Dealogic. 2016 YTD as of 30 Sep
Note: Reflects league table as of the end of each respective calendar year

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1 Goldman Sachs is the Leading Advisor for Complex Situations

U.S. Raid Defense (2010 – 2016 YTD)



Selected Squeeze-Out Credentials

RIVER STONE On 65% acquisition of TALEN ENERGY $4.3 billion; Pending	FIAT INDUSTRIAL On 12% acquisition of CNH $1.2 billion; Sep. 28, 2013	DSW On 62% acquisition of $785 million; May 26, 2011	NOVARTIS On 23% acquisition of Alcon $12.1 billion; Apr. 8, 2011	
PEPSI AMERICAS On 57% sale to PEPSICO $4.3 billion; Feb 26, 2010	BNSF On 43% acquisition of BERKSHIRE HATHAWAY INC $35.9 billion; Feb 12, 2010	Genentech On 48% sale to Roche $46.7 billion; Mar 26, 2009	On 76% acquisition of Sovereign Bancorp $1.9 billion; Jan 30, 2009	On 65% acquisition of Nationwide Financial $2.5 billion; Jan 1, 2009
LVB Acquisition Inc On 18% acquisition of BIOMET $2.1 billion; Sep 25, 2007	TD Bank On 43% acquisition of TD Banknorth $3.2 billion; Apr 20, 2007	Sprint On 71% acquisition of Centennial Partners $7.5 billion; Jun 26, 2006	NOVARTIS On 58% acquisition of CHIRON $6.6 billion; Apr 20, 2006	News Corporation On 18% acquisition of $7.1 billion; Mar 21, 2005

Selected Cross Border Raid Defense Credentials

syngenta $46.5 billion bid from MONSANTO	Allergan $45.7 billion bid from VALEANT	illumina $6.2 billion bid from Roche	HUMAN GENOME SCIENCES $2.8 billion bid from GSK	genzyme $18.8 billion bid from SANOFI	NYSE Euronext $11.1 billion bid from HOCHTIEF	$21.4 billion bid from kraft foods
PotashCorp $43.2 billion bid from	EQUINOX MINERALS LIMITED $6.5 billion bid from	ANGLO AMERICAN $67 billion bid from	$46.4 billion bid from !nBev	VENTANA $3.0 billion bid from Roche	ABN AMRO $98 billion bid from The Royal Bank of Scotland	

Selected U.S. Raid Defense Credentials

OSHKOSH $3.0 billion bid from ICAHN	Vulcan Materials Company $4.7 billion bid from	FERRO $0.6 billion bid from A. Schulman	Compuware $2.4 billion bid from Elliott	Temple-Inland $3.3 billion bid from	Hertz $2.1 billion bid from Hertz
MACERICH $16.8 billion bid from SIMON	Aaron's $2.1 billion bid from Vintage Capital	GGP $27.5 billion bid from SIMON	COLE $9.7 billion bid from AR	Southern Union $4.9 billion bid from Williams	TRW $12.0 billion bid from

Source: Thomson Financial Securities Data, 01-Jan-2010 – 31-May-2016; excludes deal jumps. Squeeze-out include deals >$1bn, 2005 – present.

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2 Public View of Transaction – First Impression

$ in millions, except per share data

		Standalone		Pro Forma Implied By	
		Braves	Royals	20-Oct-16	27-Oct-16
Cash Offer Per Share				$ 24.13	$ 24.13
Exchange Ratio				0.5502 x	0.5502 x
Undisturbed Share Price / Implied Transaction Share Price	£	48.03	$ 47.17	$ 56.50	$ 55.02
Premium To Undisturbed Price (20-Oct-2016)				19.8 %	16.6 %
Illustrative Equity Value	£	89,758	$ 67,464	$ 80,811	$ 78,695
Enterprise Value	£	108,188	$ 78,684	$ 92,031	$ 89,915
Enterprise Value / LTM EBITDA		14.1 x	13.8 x	16.1 x	15.7 x
Enterprise Value / 2016E EBITDA		12.4	13.2	15.5	15.1
Enterprise Value / 2017E EBITDA		11.0	12.3	14.3	14.0
2016E P / E		18.9 x	20.5 x	24.5 x	23.9 x
2017E P / E		16.1 x	18.4 x	22.0 x	21.5 x
Royals Shareholders				19.6 %	19.6 %
Braves Shareholders				80.4 %	80.4 %

The New York Times

Tobacco Giant Royals American Unlikely to Get a Sweeter Offer

October 21, 2016

"British American Tobacco is offering $47 billion for the 58 percent of the Camel cigarette maker that it does not already own. **At an enterprise value of 16x the last 12 months' EBITDA, that is a decent price**…British American Tobacco's offer is worth $56.50 a share based on Thursday's closing prices. **That is around a 20% premium to where Royals' stock traded before the bid was announced**. That is no knockout, but because the two companies have long been considered likely merger partners, some kind of takeover premium may have already been baked into the target's worth."

Source: Bloomberg, IBES, New York Times
Note: Multiples based on Wall Street Research estimates. Assumes USD / GBP FX rate of 1.2250x as of 20-Oct-16 and 1.2177x as of 27-Oct-16

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2 Closer Look – Timing of Braves Offer

Selected Elements from the Braves Proposal

- "The proposal is earnings accretive in the first full year, including modest cost synergies and is expected to result in an accretive dividend per share for shareholders."
- "The cost synergies associated with the proposed merger are estimated by Braves to be relatively modest at around $400 million, however this would need to be verified following engagement with Royals."
- "The combined company would maintain a strong financial profile, with a target of maintaining a solid investment grade credit rating and enhanced cash generation."

Research Analyst Perspectives

"**Braves' timing was clearly opportunistic, as Royals' shares had pulled back 12% from its all-time high in early July**. What is more, by making an offer on LTM EBITDA as of 3Q16, **Braves is also not giving Royals' shareholders credit for the total cost savings from the LO acquisition**."
– Cowen, 23-Oct-16

"[We believe] the 3% synergies would come from **Procurement ($200mm)**, **SG&A savings ($150mm)**, **Japan production control ($30mm)** and **Canada production control ($20-$30mm)**."
– Bank of America Merrill Lynch, 24-Oct-2016

"We see a **relatively high likelihood of the transaction ultimately closing at a modestly higher price** for a few reasons: (i) We assume Braves would have approached this proposal with a strong intent to complete a transaction with minimal disruption and benefits to both parties' shareholders; (ii) Braves' 42% ownership reduces the likelihood of a competitive bidder, providing Royals with only moderate negotiating leverage; and (iii) As in most acquisition scenarios, we find it unlikely that Braves would have initially approached its target with its "best and final" offer."
– Morgan Stanley, 21-Oct-2016

Analysis of Royals Trading Over Time



Source: CapIQ, Bloomberg, Company filings, Press Releases, Wall Street Research

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2 Closer Look - Implied Transaction Premia

Current Braves Proposal

	20-Oct-16	Volume Weighted 6 Month Average[1]	23-Jun-16 (Pre-Brexit)	5-Jul-16 (July High)[2]
Braves Share Price	**£ 48.03**	**£ 46.02**	**£ 42.76**	**£ 50.35**
(x) USD / GBP	1.2250 x	1.3542 x	1.4800 x	1.3048 x
(x) Exchange Ratio	0.5502 x	0.5502 x	0.5502 x	0.5502 x
Implied Equity Value / Share	**$ 32.37**	**$ 34.29**	**$ 34.82**	**$ 36.15**
Cash / Share	**$ 24.13**	**$ 24.13**	**$ 24.13**	**$ 24.13**
Implied Offer Value / Share	**$ 56.50**	**$ 58.42**	**$ 58.95**	**$ 60.28**
Implied Royals Equity Value	$80,811	$83,550	$84,305	$86,209
Royals Enterprise Value	$92,031	$94,770	$95,525	$97,429

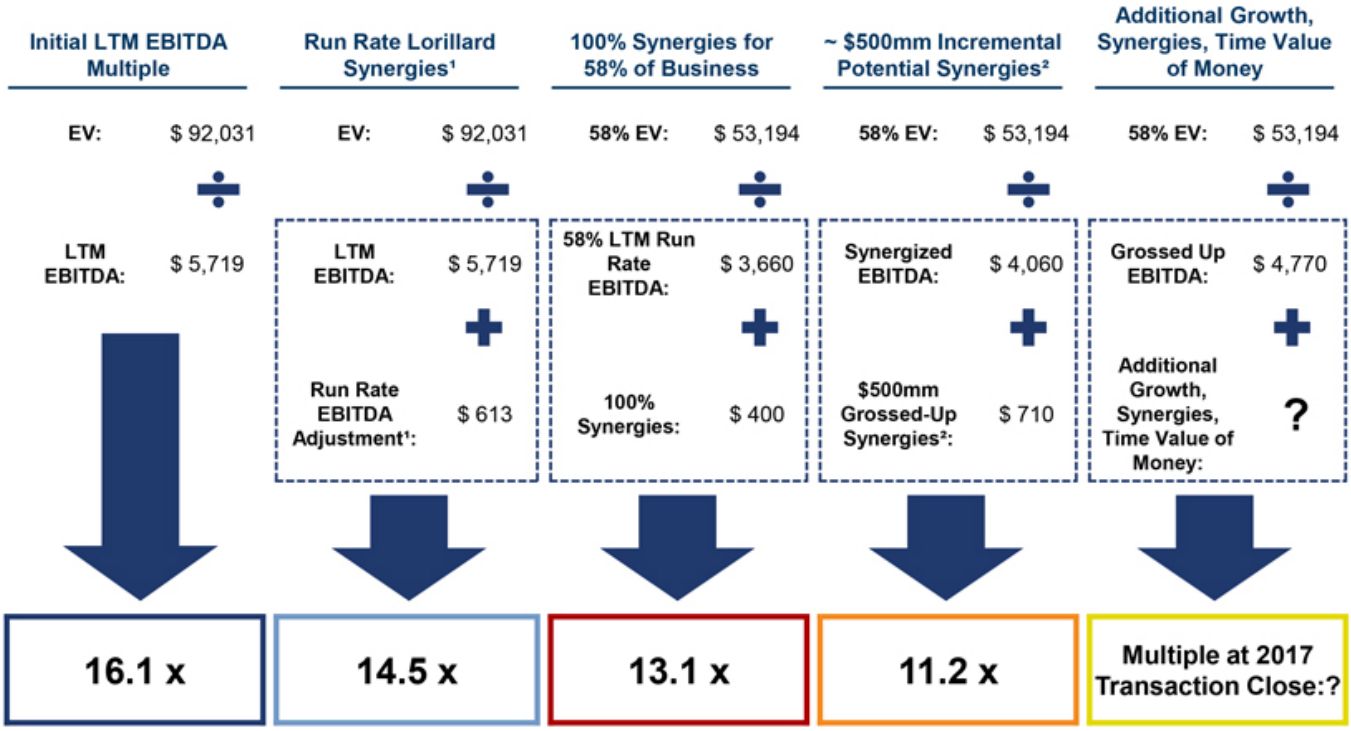
Royals		Premium
20-Oct-16	$ 47.17	20 %
Volume Weighted 6 Month Average[1]	$ 49.87	17 %
Pre-Brexit	$ 50.84	16 %
July High[2]	$ 54.48	11 %

Source: CapIQ, market data as of 20-Oct-2016.
[1] Calculated as daily closing share price weighted by daily volume.
[2] Reflects Royals high on 5-Jul-2016 (Braves high was 6-Jul-2016).

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2 Proposed Transaction Multiple in Context, Including Additional Drivers of Value

($ in millions)

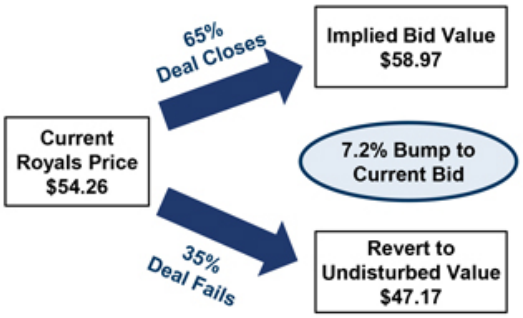


Source: Wall Street Research and market data as of 20-Oct-2016
¹ Lorillard synergies estimated based on management's stated $300mm run rate synergies after Q2 2016 and $800mm from Q4 2016 onwards.
² $500mm tax efficiencies grossed up to "pre-tax" value using effective tax rate of 29.6%.

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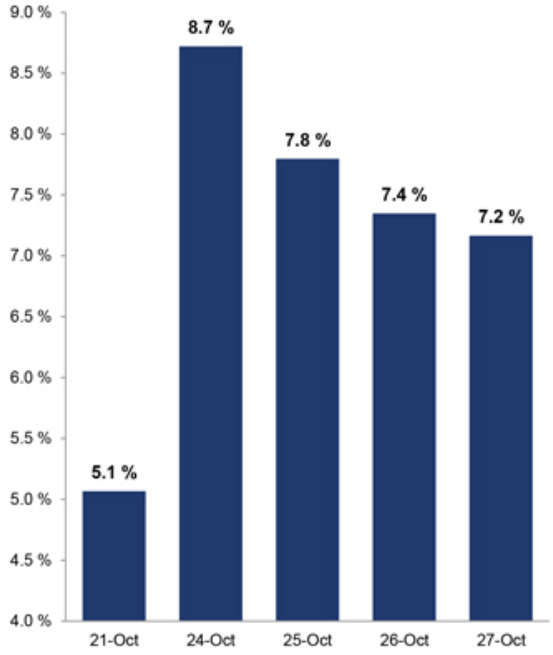
2 Assessment of Current Market Expectations

Probability-Implied Price Bump (30-Jun-17 Close)[1]



Assumed Probability of Deal	Implied Eventual Bid Value	% Bump to Current Bid Value
55.0 %	$ 61.03	10.9 %
60.0 %	$ 59.91	8.9 %
65.0 %	$ 58.97	7.2 %
70.0 %	$ 58.16	5.7 %
75.0 %	$ 57.46	4.4 %

Implied Price Bump Over Time[2]



Source: Bloomberg; market data as of 27-Oct-16

Note: (1) Undisturbed Royals value defined as share price on 20-Oct-16. (2) Current Braves bid valued at $55.02 per Royals share. (3) Royals is expected to pay a $0.46 quarterly dividend to shareholders of record in the second week of December 2016, March 2017, and June 2017. Braves is expected to pay a GBP 1.11 final dividend to shareholders of record in the third week of March 2017.

[1] Assumes an annual equity return of 6.0% and three $0.46 Royals dividends paid before deal close.

[2] Assumes constant probability of deal close (65%), closing date of 30-Jun-17, and constant currency.

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2 Preliminary Braves Accretion / Dilution and Incremental Capacity to Pay

Based on Wall Street Research Estimates

	Current Offer - $ 56.50 Per Share	Illustrative 10 % Offer Increase - $62.15 Per Share		
		Cash Increase	50% Cash / 50 % Stock Increase	Stock Increase
Cash / Share	$ 24.13	$29.78	$26.96	$ 24.13
Exchange Ratio	0.5502 x	0.5502 x	0.5982 x	0.6462 x
Implied Equity / Share	$32.37	$32.37	$35.20	$38.02
2018 Accretion	*5.7 %*	*4.3 %*	*3.0 %*	*2.1 %*
Adj Debt / EBITDA (Including $400mm Synergies)[1]	*4.1 x*	*4.5 x*	*4.3 x*	*4.1 x*
Preliminary Estimated Credit Rating	Mid-BBB	Low / Mid-BBB	Mid-BBB	Mid-BBB
2018 Accretion With $ 500mm Additional Tax Synergies		*9.8 %*	*8.4 %*	*7.4 %*

Source: Wall Street Research, CapIQ as of 20-Oct-2016

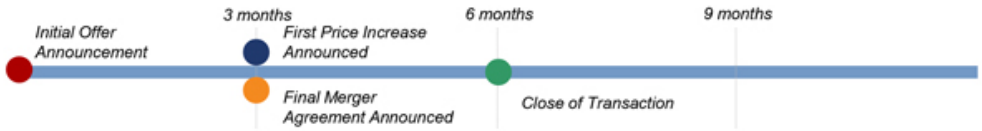
Note: Assumes interest rates of 2.85%, 3.05% and 3.10% at 4.1x, 4.3x and 4.5x leverage levels respectively, $400mm stated synergies fully implemented in 2018. Additional synergies accretion represents illustrative estimate of $500mm in additional post-tax synergies and other tax efficiencies. Assumes GBP / USD FX rate of 1.225. Assumes $1bn existing cash used in transaction and financing fees of 1% of new debt issued.

[1] For Adjusted Leverage calculation, EBITDA adjusted $167mm for pension liabilities and $431mm for run rate Lorillard synergies. Debt adjusted $2,077mm for pension liabilities per Moody's.

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3 Lessons Learned from Precedent Squeeze Out Transactions

Illustrative Timeline from Precedents



Summary Statistics from Precedent Squeeze Out Transactions

Criteria

- **US targets**
- **>$1bn transaction value**
- **Acquiror ownership of Target >15%**
- **Completed or pending transactions**
- **29 transactions**

	Average
Average Premium to Initial Offer[1]	17.4 %
Average Total Increase in Offer Price	11.1 %
Average Premium to Final Offer[1]	30.1 %
Average No. of Price Bumps	1
Average Time to First Price Bump	~3 months
Average Time to Close	~6 months

Source: Thomson Reuters
[1] Premium calculations are determined using the offer price relative to the undisturbed price (T-1).

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3 Recommended Work Plan

Key Advisory Items

- Perform detailed due diligence on offer and analyze key value drivers
- Review stand-alone valuation, potential sources of value and implications of a transaction
- Provide view on Braves offer and engage with Board on alternatives
- Provide recommendation and assist in determining appropriate path forward

Near-Term Action Items for Royals

- ✓ Develop external communication plan and influence public dialogue
- ✓ Monitor and listen to clues from the market / assess investor objectives
- ✓ Progress diligence and review of valuation alternatives
- ✓ Determine timing and nature of response to Braves
- ✓ **Note:** tactical considerations may influence choice of public vs. private negotiation

"We recognize that under the Governance Agreement, the proposed merger between Braves and Royals will **require the approval of the independent directors of Royals** not designated by Braves (the "Other Directors"). Braves will not pursue this Proposal without this endorsement of the Royals Board"

- Braves letter to Board, 20-Oct-2016

Royals Board has complete discretion to block, endorse or negotiate a different deal

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3 Summary of Critical Valuation Analyses

	Valuation of Royals Standalone Plan	Assessment of Additional Sources of Value	Combination Analysis With Braves
Summary of Analysis	■ Valuation analytics based on a DCF and current/future share prices — Wall Street research consensus estimates — Management standalone projections plan plus any identifiable upside opportunities that may not be reflected in base plan — Management standalone projections plan plus financial initiatives (e.g. levered recapitalization)	■ Magnitude and timing of operational synergies between Royals and Braves ■ Analysis of additional tax efficiencies achieved through proposed combination ■ Identification of other potential sources of value not previously identified (growth, timing, etc.)	■ Accretion / dilution and Braves ability to pay analysis (including impact of any changes to pro forma credit rating) ■ Expected pro forma "NewCo" trading value for Royals shareholders ■ Impact of transaction on shareholder base, flow back and taxation considerations
Key Considerations	■ Value of offer based upon — Previous transactions — Historical and current trading ■ Investor communications regarding value of standalone projections plan ■ Incremental debt capacity for share repurchases, dividends and business development alternatives	■ Value creation opportunities previously presented to Braves from Board representation? ■ Potential savings from tax structuring (rate, dividends, etc.) ■ Additional operational overlaps between Braves and Royals	■ Braves pro forma credit ratings and adjusted leverage based on debt capacity and cash flow generation ■ Impact of IFRS vs GAAP financial reporting ■ Optimal level of Braves ownership for Royals shareholders ■ Transaction closing date relative to timing of Braves and Royals dividend payment dates

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3 Key Financial Items for Further Due Diligence

Cost Synergies	■ **Board participation** has likely provided Braves with an **initial perspective on potential synergies** ■ That said, investors generally believe that the **$400mm public synergies** (or 3.2% of Royals revenues) **guidance is likely conservative** (median synergies as % of sales achieved in precedent tobacco transactions was 4.7% of revenues) ■ There are a number of areas to review where **incremental synergies can potentially be identified** (e.g. SG&A, shared R&D, contract manufacturing, etc.) ■ **Phasing/timing and costs to achieve** synergies are also important elements to consider for the overall financial picture
Tax Synergies	■ We believe there may be significant potential for incremental value creation from **tax savings through tax structuring / intercompany** debt (Braves consolidated tax rate currently ~25% vs. Royals ~35%) ■ Braves would likely also realize **tax savings of 6.5% on dividend tax currently paid by Braves on dividends received from Royals** (approx. $80mm of annual savings) ■ **Refinancing existing Royals debt and replacing with new debt at Braves** could also provide additional tax savings
Pro Forma Credit Profile	■ Preliminary **views from ratings agencies** are that the transaction will result in a **one to two notch downgrade at Braves** (guidance of one notch at S&P and not more than two notches at Moody's) ■ Accordingly, Braves appears to have the **capacity to increase the cash component of the transaction** without jeopardizing its investment grade credit rating ■ Given current low interest rate environment, Braves is also likely to be **capable of financing a meaningful increase in the cash purchase price without significantly impacting accretion**
Financial Reporting	■ Key considerations for converting **Royals financial reporting from U.S. GAAP to IFRS** need to be evaluated in further detail ■ Accounting for **pension expense and purchase accounting treatment of future MSA** payments could be two primary areas of focus (changes to returns estimates relative to discount rate could have ~$100mm+ impact on net income / EPS)

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3 Review of Key Shareholder / Structuring Items

Continuous Monitoring of Shareholder Dialogue To Inform Tactics by GS M&A Shareholder Advisory	■ **Investors** generally believe that there is a **reasonably high likelihood of a deal being signed** — The biggest consideration is the ultimate purchase price — General consensus (even amongst their own shareholders) that **Braves can (and will) improve terms and still deliver a financially and strategically compelling deal to their shareholders** — Views on the size / level of improvement are evolving and **need to be monitored real-time** ■ Investors believe a **deal can be signed within 6-8 weeks** and can be closed within 8 months of signing — Widely held view in the market that regulatory review process will be straightforward
Detailed Analysis of Shareholder Base	■ Despite being listed in different markets, there is **shareholder overlap between Royals and Braves** — At the fund-level, common portfolio managers hold ~11% of Royals and ~8% of Braves — At the parent-level, common institutions hold ~38% of Royals and 50% of Braves ■ Our preliminary shareholder flow-back analysis indicates there **will likely be a substantial amount of selling by U.S. index (and other) funds, which could be largely offset by UK demand** — 18.1% Royals is held by US index funds who will need to sell all the Braves shares issued to them in the merger because of hard mandate restrictions — However, we expect UK index funds currently tracking Braves will need to acquire 24.6% of the newly issued Braves shares (in order to keep their portfolio balanced with the FTSE 100), largely offsetting the US index supply — It will be important to understand when the FTSE is likely to update their indices (relative to the merger closing / share issuance), as that will determine the extent to which these forced buy / sell flows will likely offset, and therefore the amount of stock price dislocation that could result ■ **Pro Forma Braves** would likely be attractive to its investors primarily because of its anticipated **high profit margin and total shareholder return**
Considerations For Optimal Deal Structure For Royals Shareholders	■ **Some Royals shareholders** may be **taxed differently** depending on **if consideration is cash or stock** — Cash / Stock Election could be used to help mitigate this concern ■ **Timing of dividends** in relation to **transaction close** (Royals quarterly, Braves interim plus final) ■ Potential impact of transaction structure on **appraisal rights**

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Appendix A: Precedent Squeeze-out Analysis

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Selected Precedent Squeeze Outs Since 2005 (1/3)

Includes US Targets; >$1bn Transaction Value; Acquiror Ownership of Target >15% and <50% Prior to Transaction

Target	Acquiror	Acq. % Ownership of Target Prior to Transaction	Date Initial Offer Announced	Deal Value ($mm)	Timeline (Dashes = Months)	Initial / Final Premium to 1 Day	Value (Consideration) Progression	Total % Increase in Offer
Talen Energy Corp[1]	Riverstone Holdings LLC	35.0 %	06/03/2016	$ 4,293		17.3 % / 17.3 %	$14.00 (100/0)	-
Rouse Properties	Brookfield Asset Management	31.5	1/19/2016	2,378		26.0 / 35.3	$17.00 (100/0) → $18.25 (100/0)	7.4
Northern Tier Energy LP	Western Refining	38.4	10/26/2015	1,782		14.0 / 16.9	$27.62 (63/37) → $28.34 (53/47)	2.6
GrafTech International[2]	Brookfield Asset Management	21.9	04/29/2015	1,054		13.1 / 14.3	$5.00 (100/0) → $5.05 (100/0)	1.0
Dole Food Co.	David H Murdock *Chairman, CEO*	37.6	06/11/2013	1,018		17.6 / 32.4	$12.00 (100/0) → $13.50 (100/0)	12.5
Jefferies Group	Leucadia National	28.6	11/12/2012	2,561		23.8 / 23.8	$21.38 (0/100)	-
M&F Worldwide	MacAndrews & Forbes Holdings	42.7	06/13/2011	2,289		41.5 / 47.4	$24.00 (100/0) → $25.00 (100/0)	4.2
Mediacom Communications	Rocco Commisso *Founder, CEO, Chairman*	38.9	06/01/2010	3,613		12.6 / 64.2	$6.00 (100/0) → $8.75 (100/0)	45.8
Burlington Northern Santa Fe	Berkshire Hathaway	23.0	11/03/2009	35,948		31.5 / 31.5	$100.00 (60/40)	-
Pepsi Bottling Group	PepsiCo	29.2	04/20/2009	4,279	3M 6M 9M	17.1 / 44.8	$29.50 (50/50) → $36.50 (50/50)	23.7

Source: Public filings, DealPoint

Initial Offer Announcement · First Price Increase · Second Price Increase · Final Merger Agreement Announced · Close of Transaction

Note: (1) Transactions listed by order of initial offer date. (2) Parentheses in price progression represents % cash / % stock breakdown. (3) M represents merger and T represents tender offer.

[1] Transaction is expected to close by end of the year 2016.

[2] Tender offer opened 26-May-2015 and expired 7-July-2015.

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Selected Precedent Squeeze Outs Since 2005 (2/3)

INVESTMENT BANKING DIVISION

Includes US Targets; >$1bn Transaction Value; Acquiror Ownership of Target >15% and <50% Prior to Transaction

Target	Acquiror	Acq. % Ownership of Target Prior to Transaction	Date Initial Offer Announced	Deal Value ($mm)	Timeline (Dashes = Months)	Initial / Final Premium to 1 Day	Value (Consideration) Progression	Total % Increase in Offer
PepsiAmericas	PepsiCo	42.5 %	04/20/2009	$10,758		17.1 % / 43.4 %	$23.27 (50/50) → $28.50 (50/50)	22.5 %
Sovereign Bancorp	Banco Santander	24.3	10/13/2008	1,910		3.5 / 3.5	$3.81 (0/100)	-
ASE Test	ASE Group	36.0	09/04/2007	1,200		25.6 / 25.6	$14.78 (100/0)	-
Pacific Energy Partners	Plains All American Pipeline	24.5	06/12/2006	1,615		10.6 / 10.6	$17.75 (0/100)	-
Trizec Properties	Brookfield Properties Corp. / Blackstone Group	37.1	06/05/2006	4,747		17.9 / 17.9	$29.01 (100/0)	-
William Lyon Homes	General William Lyon	46.7	03/17/2006	1,221		22.9 / 44.0	$93.00 (100/0) → $100.00 (100/0) → $109.00 (100/0)	17.2
Lafarge North America[1]	Lafarge SA	48.9	02/06/2006	3,227		16.7 / 33.1	$75.00 (100/0) → $82.00 (100/0) → $85.50 (100/0)	14.0
Nextel Partners	Sprint Nextel Corp	29.2	10/24/2005	7,545		11.7 / 11.7	$28.50 (100/0)	-
Chiron Corp	Novartis AG	42.0	09/01/2005	6,625	3M 6M 9M	9.8 / 31.7	$40.00 (100/0) → $45.00 (100/0) → $48.00 (100/0)	20.0
Average:	**Average Offer Price Bumps: 1**		**Average Time to First Price Bump: ~3M**		**Average Time to Close: ~7M**	**Average Premium: 18.4 % / 28.9 %**		**~9.0 %**

Initial Offer Announcement · First Price Increase · Second Price Increase · Final Merger Agreement Announced · Close of Transaction

Source: Public filings, DealPoint

Note: (1) Transactions listed by order of initial offer date. (2) Parentheses in price progression represents % cash / % stock breakdown. (3) M represents merger and T represents tender offer.

[1] Tender offer expired on 12-May-2006.

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Selected Precedent Squeeze Outs Since 2005 (3/3)

INVESTMENT BANKING DIVISION

Includes US Targets; >$1bn Transaction Value; Acquiror Ownership of Target >50% Prior to Transaction

Target	Acquiror	Acq. % Ownership of Target Prior to Transaction	Date Initial Offer Announced	Deal Value ($mm)	Timeline (Dashes = Months)	Initial / Final Premium to 1 Day Prior	Value (Consideration) Progression	Total % Increase in Offer
Clearwire Corp	Sprint Nextel Corp	50.4 %	12/17/2012	$ 3,330		8.3% / 108.3%	$2.60 (100/0) → $2.97 (100/0) → $3.40 (100/0) → $5.00 (100/0)	92.3 %
Gerdau Ameristeel	Gerdau Steel North America Inc	66.3	06/02/2010	1,607		52.6 / 52.6	$11.00 (100/0)	-
Odyssey Re Holdings Corp	Fairfax Financial Holdings Ltd	72.6	09/08/2009	1,050		19.5 / 29.4	$60.00 (100/0) → $65.00 (100/0)	8.3
UnionBanCal Corp	Bank of Tokyo-Mitsubishi UFJ	65.4	08/12/2008	3,707		8.3 / 26.3	$63.00 (100/0) → $73.50 (100/0)	16.7
Genentech	Roche Holding AG	55.9	07/21/2008	46,695		8.8 / 16.1	$89.00 (100/0) → $86.50 (100/0) → $93.00 (100/0) → $95.00 (100/0)	6.7
Nationwide Financial Services	Nationwide Mutual Insurance Co	66.5	03/10/2008	2,450		24.4 / 37.8	$47.20 (100/0) → $52.25 (100/0)	10.7
TD Banknorth	Toronto-Dominion Bank	57.0	11/20/2006	3,232		6.5 / 6.5	$32.33 (100/0)	-
7-Eleven	IYG Holding Co	72.7	09/01/2005	1,301		14.7 / 32.3	$32.50 (100/0) → $37.50 (100/0)	15.4
UGC Holdings	Liberty Media	54.0	1/17/2005	3,618		3.5 / 3.5	$9.58 (20/80)	-
Fox Entertainment	News Corp	82.0	1/10/2005	7,054	3M 6M 9M	7.4 / 9.8	$33.54 (0/100) → $34.27 (0/100)	2.2
Average:	**Average Offer Price Bumps: 1**		**Average Time to First Price Bump: ~3M**		**Average Time to Close: ~5M**	**Average Premium: 15.4 % / 32.3 %**		**~15.2 %**

Initial Offer Announcement · First Price Increase · Second Price Increase · Third Price Increase · Final Merger Agreement Annc. · Close of Transaction

Source: Public filings, DealPoint

Note: (1) Transactions listed by order of initial offer date. (2) Parentheses in price progression represents % cash / % stock breakdown. (3) M represents merger and T represents tender offer.

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Appendix B: Shareholder Considerations

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Despite US vs. UK Listings, There is Substantial Shareholder Overlap at the Firm Level…

INVESTMENT BANKING DIVISION

Top 25 Institutional Investors

Royals

Retail & Undisclosed: 13%
Insiders: 42% (Braves)
Institutional: 45%

Braves

Retail & Undisclosed: 37%
Insiders: 5%
Institutional: 58%

Royals Top 25 Institutional Level Investors

Fund	Style	AUM ($bn)	Most Recent %OS Royals	Most Recent %OS Braves
Braves	Strategic	$ 43.0	42.2 %	
The Vanguard Group, Inc.	Passive	2,194.9	4.4	2.1
Capital World Investors	Active	582.7	3.0	5.0
INVESCO Asset Management Limited	Active	64.8	2.5	1.3
BlackRock Institutional Trust Company, N.A.	Passive	1,543.2	2.2	7.1
State Street Global Advisors (US)	Passive	964.1	2.2	0.4
Fidelity Management & Research Company	Active	843.9	2.1	0.4
Capital Research Global Investors	Active	443.2	1.6	1.4
Morgan Stanley Investment Management Ltd. (UK)	Active	28.4	1.1	0.9
Newton Investment Management Ltd.	Active	51.4	1.0	0.6
JP Morgan Asset Management	Active	302.8	0.9	0.1
Franklin Mutual Advisers, LLC	Active	53.9	0.7	0.6
Woodford Investment Management LLP	Active	19.1	0.7	1.1
Evercore Trust Company, N.A.	Active	31.2	0.6	
INTECH Investment Management LLC	GARP	40.2	0.6	0.0
Federated Equity Management Company of Pennsylvania	Other	18.5	0.6	0.0
Managed Account Advisors LLC	Specialty	141.8	0.5	
Bank of America Merrill Lynch (US)	Broker Dealer	239.8	0.5	
TIAA Global Asset Management	Pension	260.2	0.5	0.4
Geode Capital Management, L.L.C.	Passive	206.1	0.4	0.1
Pioneer Investment Management, Inc.	Active	28.2	0.4	0.0
Barrow, Hanley, Mewhinney & Strauss, LLC	Active	75.2	0.4	0.0
Northern Trust Investments, Inc.	Passive	200.1	0.4	0.2
Epoch Investment Partners, Inc.	Active	33.5	0.4	0.1
Eaton Vance Management	Active	37.8	0.4	
Top 25 Institutional Royals Holders			**70.6 %**	
Overlap in Top 25 Royals Holders			**26.3**	**22.2**
Total Overlap			**38.1**	**49.7**

Braves Top 25 Institutional Level Investors

Fund	Style	AUM ($bn)	Most Recent %OS Braves	Most Recent %OS Royals
BlackRock Institutional Trust Company, N.A.	Passive	$ 1,543.2	7.1 %	2.2 %
Capital World Investors	Active	582.7	5.0	3.0
Reinet Investments SCA	Strategic	4.2	4.1	
Credit Suisse Private Banking (Switzerland)	Active	5.8	3.8	
Legal & General Investment Management Ltd.	Passive	184.4	2.7	0.3
The Vanguard Group, Inc.	Passive	2,194.9	2.1	4.4
UBS Asset Management (Switzerland)	Active	132.4	1.5	0.1
M & G Investment Management Ltd.	Active	69.0	1.4	0.0
Capital Research Global Investors	Active	443.2	1.4	1.6
INVESCO Asset Management Limited	Active	64.8	1.3	2.5
Aberdeen Asset Investments Limited	Active	74.8	1.2	0.0
State Street Global Advisors (UK) Ltd.	Passive	75.3	1.2	0.0
Cedar Rock Capital Ltd.	Active	7.8	1.1	
Woodford Investment Management LLP	Active	19.1	1.1	0.7
Aviva Investors Global Services Limited	Active	42.4	0.9	0.0
Morgan Stanley Investment Management Ltd. (UK)	Active	28.4	0.9	1.1
MFS Investment Management	Active	292.5	0.9	0.3
Schweizerische Nationalbank	Passive	70.8	0.8	0.2
Allan Gray Proprietary Limited	Active	13.7	0.8	
Capital International Investors	Active	95.7	0.7	0.2
JPMorgan Asset Management U.K. Limited	Active	100.7	0.7	0.0
BlackRock Investment Management (UK) Ltd.	Active	227.6	0.7	0.3
Franklin Mutual Advisers, LLC	Active	53.9	0.6	0.7
Vontobel Asset Management, Inc.	Active	27.7	0.6	0.4
Newton Investment Management Ltd.	Active	51.4	0.6	1.0
Top 25 Institutional Braves Holders			**43.4 %**	
Overlap in Top 25 Braves Holders			**33.5**	**19.0**
Total Overlap			**49.7**	**38.1**

Source: Thomson; latest shareholder data reflects most recent 13F filings as of Q2 '16 and subsequent 13D / 13G filings
Note: Highlighted funds represent investors which hold both Royals and Braves.

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… And Moderate Overlap at the Fund Level

Top 25 Active Mutual and Hedge Funds

Royals Top 25 Active Fund Level Investors

Fund	Style	AUM ($bn)	Most Recent %OS Royals	Most Recent %OS Braves
American Funds Income Fund of America	Income	$ 67	1.5 %	0.6 %
American Funds Capital Income Builder	Income	80	1.2	1.0
American Funds Fundamental Investors Fund, Inc.	Value	70	1.0	0.3
American Funds Capital World Growth & Income Fund	Income	73	0.6	0.4
Federated Strategic Value Dividend Fund	Value	14	0.6	
Morgan Stanley Global Brands Fund	Income	7	0.5	0.5
American Funds American Balanced Fund	Income	52	0.4	0.0
Morgan Stanley Global Brands Equity Income	Other	6	0.4	0.4
Newton Global Income Fund	Other	7	0.4	0.1
American Funds Investment Company of America	Value	68	0.4	
JPMorgan Large Cap Growth Fund	Growth	14	0.4	
Franklin Mutual Series - Franklin Mutual Global Discovery	GARP	19	0.3	0.3
Arrowstreet Capital, Limited Partnership	Hedge Fund	32	0.3	0.1
Vanguard Selected Value Fund	GARP	8	0.3	
CF Woodford Equity Income Fund	Other	10	0.3	0.6
Fidelity Puritan Fund	Value	16	0.3	
Newton Real Return	Specialty	10	0.2	0.1
Franklin Mutual Series - Franklin Mutual Shares Fund	Value	12	0.2	0.3
Fidelity Select Consumer Staples Portfolio	Sector Specific	3	0.2	
CREF Stock Account	Growth	109	0.2	0.3
Fidelity Series International Growth Fund	Growth	13	0.2	
St. James's Place UK High Income Unit Trust	Specialty	3	0.2	0.2
BlackRock Equity Dividend Fund	Income	22	0.2	
Fidelity Blue Chip Growth Fund	Growth	19	0.2	
Pioneer Fundamental Growth Fund	Growth	4	0.2	
Top 25 Active Royals Holders			**10.5 %**	
Overlap in Top 25 Active Royals Holders			**7.3**	**5.1**
Total Overlap			**10.5**	**8.1**

Braves Top 25 Active Fund Level Investors

Fund	Style	AUM ($bn)	Most Recent %OS Braves	Most Recent %OS Royals
American Funds EuroPacific Growth Fund	Growth	$ 112	1.7 %	
American Funds Capital Income Builder	Income	80	1.0	1.2
American Funds New Perspective Fund	Growth	55	0.7	
CF Woodford Equity Income Fund	Other	10	0.6	0.3
American Funds Income Fund of America	Income	67	0.6	1.5
Allan Gray Balanced Fund	Value	5	0.5	
M&G Global Dividend Fund	Value	8	0.5	
Morgan Stanley Global Brands Fund	Income	7	0.5	0.5
Morgan Stanley Global Brands Equity Income	Other	6	0.4	0.4
Virtus Emerging Markets Opportunities Fund	International	7	0.4	
MFS International Value Fund	Value	25	0.4	
American Funds Capital World Growth & Income Fund	Income	73	0.4	0.6
American Funds Fundamental Investors Fund, Inc.	Value	70	0.3	1.0
Franklin Mutual Series - Franklin Mutual Global Discovery	GARP	19	0.3	0.3
Fidelity Funds Sicav European Growth Fund	Growth	8	0.3	
DWS Top Dividende	Income	15	0.3	
Vanguard Wellesley Income Fund	Income	17	0.3	
Vontobel Fund - Emerging Markets Equity	International	4	0.3	
Franklin Mutual Series - Franklin Mutual Shares Fund	Value	12	0.3	0.2
CREF Stock Account	Growth	109	0.3	0.2
First Eagle Global Fund	Value	37	0.3	
Allianz European Equity Dividend	Value	5	0.2	
Allianz Europe Equity Growth	Other	8	0.2	
American Funds International Growth and Income Fund	Income	9	0.2	
Artisan International Fund	GARP	15	0.2	
Top 25 Active Braves Holders			**11.2 %**	
Overlap in Top 25 Active Braves Holders			**4.6**	**6.2**
Total Overlap			**8.1**	**10.5**

Source: Thomson; latest shareholder data reflects most recent 13F filings as of Q2 '16 and subsequent 13D / 13G filings
Note: Highlighted funds represent investors which hold both Royals and Braves.

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Cash / Stock Election Considerations

Overview

- Acquirers delivering a mix of cash and stock to target shareholders as merger consideration sometimes allow target shareholders to elect entirely for one form of consideration
  - Elections are typically offered to allow tax-sensitive shareholders of the target company to elect for all-stock, thereby avoiding a taxable event
  - ~25% of stock deals >$5bn in the US since 2007 have offered elections
- Elections can be structured such that the acquirer can limit the maximum cash and / or stock issued to the target
  - This ensures the desired amount of cash and stock is used to fund the deal (e.g., a traditional fixed ratio merger), regardless of the elections made by target shareholders
  - Acquirers use limits for many reasons, including (i) the avoidance of an acquirer shareholder vote, (ii) having certainty over new financing to be secured / credit ratings, and (iii) ensuring their merger is recognized as a "reorganization" under 368(a) of the Internal Revenue Code
- If elections for one form of consideration exceed the limit, those shareholders are cut-back, typically on a pro-rata basis
- Elections can broadly structured as either fixed or floating
- A fixed election fixes (at announcement) the exchange ratio in the stock election and fixes the amount of cash per share in the cash election
  - As the acquirer's stock price fluctuates between announcement and closing, one of the forms of consideration becomes more valuable than the other
  - Elections tend to be made based on economic incentive, rather than preferred form of consideration
  - Can create an opportunity for hedge funds to earn arbitrage profits
  - ~75% of US stock deals >$5bn since 2007 that offered elections structured them as fixed elections
- A floating election sets the exchange ratio in the stock election and the amount of cash per share in the cash election shortly before closing
  - As the acquirer's stock price fluctuates between announcement and closing, the value of each form of consideration remains equivalent
  - Elections tend to be made based on preferred form of consideration
  - Virtually eliminates the opportunity for hedge funds to earn arbitrage profits
  - ~25% of US stock deals >$5bn since 2007 that offered elections structured them as fixed elections

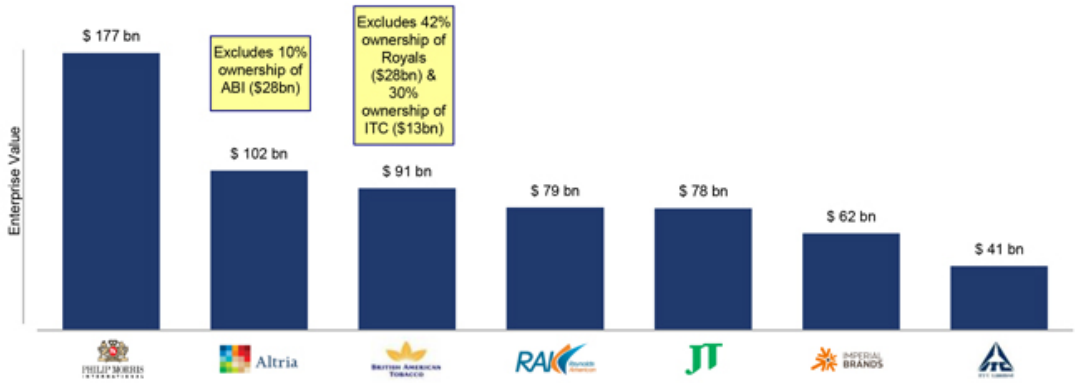
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Appendix C: Overview of Tobacco Landscape

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The Current Global Tobacco Landscape

Largest Listed Tobacco Players



Financial Statistics	Equity Value - Adjusted($bn)	$ 150	$ 92	$ 68	$ 67	$ 73	$ 45	$ 43
	Net Debt / 2016E EBITDA	2.3 x	1.0 x	3.1 x	1.9 x	0.7 x	3.7 x	(0.8)x
	Credit Ratings	A/A2	A-/A3	A-/A3	BBB/Baa3	AA-/Aa3	BBB/Baa3	NA/NA
Size & Growth	2016E Revenue ($bn)	$ 27	$ 19	$ 18	$ 12	$ 21	$ 10	$ 6
	2016E EBITDA Margin	44.0 %	48.3 %	39.9 %	48.0 %	34.0 %	46.8 %	38.1 %
	2016-18E Revenue CAGR	5.7 %	1.9 %	8.4 %	2.4 %	2.4 %	4.6 %	10.4 %
Valuation	2017E EV/EBITDA	13.8 x	10.3 x	11.0 x	12.3 x	11.0 x	12.2 x	15.7 x
	2017E P/E	19.3 x	18.4 x	16.1 x	18.4 x	16.7 x	13.6 x	24.1 x
	Dividend Yield	4.4 %	3.9 %	4.3 %	3.9 %	6.5 %	2.4 %	2.7 %

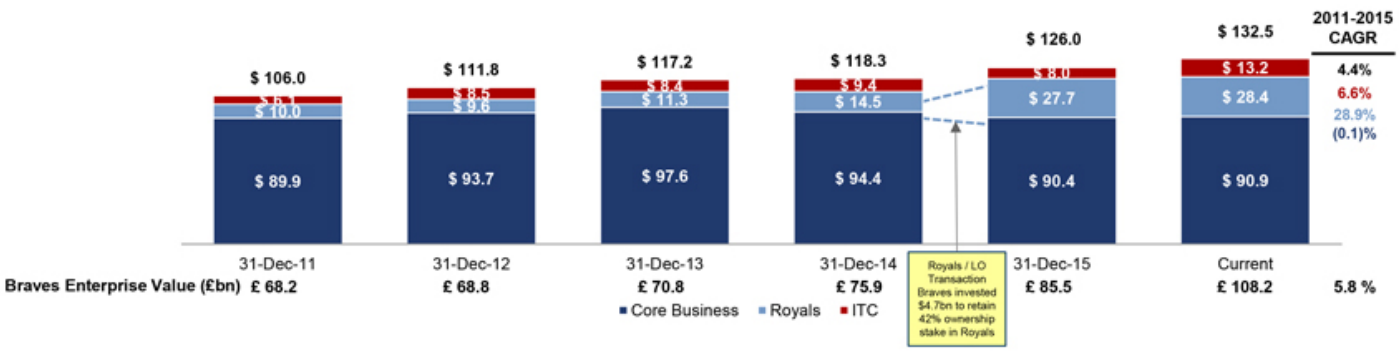
Source: Company filings, IBES, Cap IQ, as of 20-Oct-2016
Assumes currency conversion for USD/ GBP of 1.22, USD/ JPY of 0.010, USD/ INR of 0.015.

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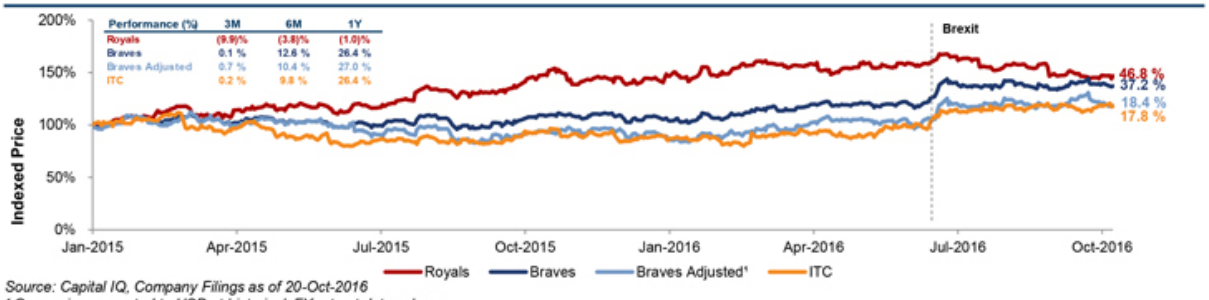
Dissecting Braves' Trading Value Over Time

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Braves Enterprise Value ($bn)[1]



Share Price Performance of Braves Over Time[3]



Source: Capital IQ, Company Filings as of 20-Oct-2016

[1] Currencies converted to USD at historical, FX rate at dates shown.

[2] 42% stake in Royals and 30% stake in ITC removed from Braves share price.

[3] Braves share price in USD, Braves, ITC and Braves Adjusted in GBP.

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Historical Value of Braves Proposal Over Time

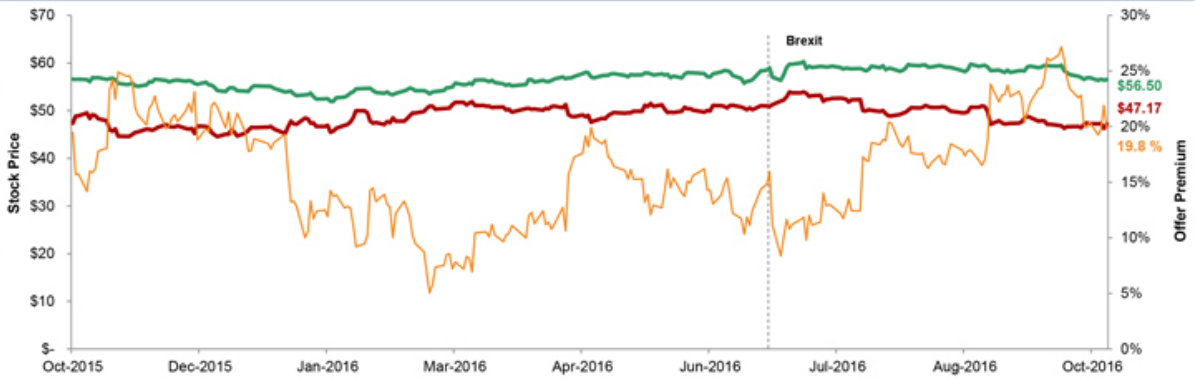
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Assumes Fixed $24.13 Cash Per Share | 0.5502 Braves / Royals Exchange Ratio

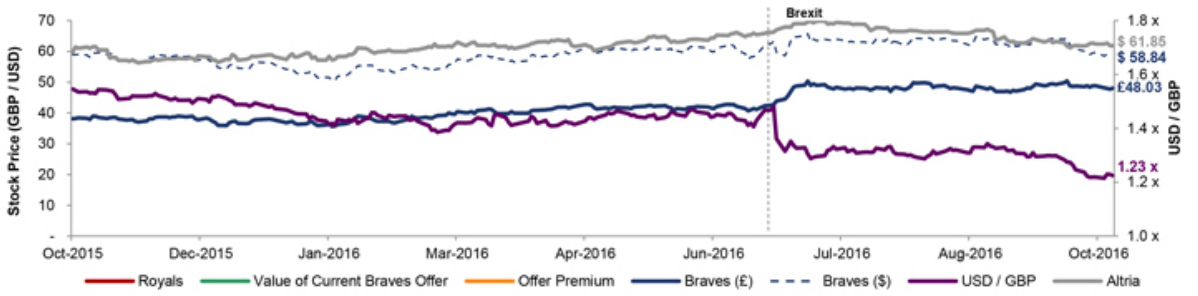
Average Premium

- Q4 2015: 20.4%
- Q1 2016: 11.0%
- Q2 2016: 14.2%
- Q3 2016: 17.7%
- Last 1 Year: 15.9%

Royals Trading vs. Braves Offer Value Over Time



Share Price Performance Since 2015



Source: CapIQ as of 20-Oct-2016

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Royals Research Analyst Views

Reflects Price Targets Set Before Announcement of Braves Offer ($ per share)



Broker	Date of Last Research	Price Target	Recomendation	Valuation Methodology
Jefferies	21-Sep-16	$ 61.00	Buy	10 Yr. DCF Valuation (No assumptions listed)
Citi	24-Oct-16	$ 57.00	Buy	Based on a ~20.5x 2017E P/E
Cowen	23-Oct-16	$ 57.00	Buy	Based on a ~22.0x 2017E P/E
Wells Fargo	21-Oct-16	$ 55.00	Buy	Based on a ~21.5x 2017E P/E
RBC	21-Oct-16	$ 54.00	Buy	DCF Valuation: WACC: 6.8%, Terminal Growth Rate: 1.5%
Goldman Sachs[1]	20-Oct-16	$ 53.00	Hold	Based on a ~19.5x forward 12-24 month P/E and a ~12.4x forward 12-24 month EV/EBITDA
Barclays	21-Oct-16	$ 52.00	Buy	Based on a ~20.8x 2017E P/E
UBS	19-Oct-16	$ 52.00	Hold	DCF Valuation: WACC: 7.1%, Terminal Growth Rate: 0.0%
Morgan Stanley	21-Oct-16	$ 52.00	Hold	Based on a ~13.0x 2017E EBITDA and ~20.0x P/E
Median		**$ 54.00**		

Source: Wall Street research, IBES based only on reports available to GS
[1] Goldman Sachs suspended their coverage on 21-Oct-2016.

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Precedent Tobacco Transactions
(2005 – 2015)

Date Announced	Acquirer	Target	Deal Size[1] ($bn)	Deal Size[1] (Local Curency bn)	Acquirer Cost of Financing[2]	Cash / Stock Mix	EV / LTM EBITDA[1]
Jun-2015	BAT	TDR	$ 0.6	€ 1	1.0 %	100% Cash	12.5 x
Mar-2015	BAT	Souza Cruz	9.8	BRZ 40,251	3.0 %	100% Cash	15.2
Jul-2014	Reynolds American	Lorillard	27.6	$ 28	4.4 %	74% Cash / 26% Stock	12.8
May-2012	JTI	Gryson	0.6	€ 0.5	1.5 %	100% Cash	16.4
May-2011	BAT	Protabaco	0.5	$ 0.5	0.4 %	100% Cash	11.3
Jun-2009	BAT	PT Bentoel Internasional	0.7	IDR 7,455	6.0 %	100% Cash	14.0
Sep-2008	Altria	UST	11.7	$ 12	9.3 %	100% Cash	12.0
Feb-2008	BAT	Tekel	1.7	2	6.0 %	100% Cash	11.4
Oct-2007	Altria	John Middleton	2.9	3	5.5 %	100% Cash	15.9
Jul-2007	Imperial Tobacco	Altadis	21.0	15	7.5 %	100% Cash	13.2
Feb-2007	Imperial Tobacco	Commonwealth Brands	1.9	$ 2	6.5 %	100% Cash	10.9
Dec-2006	Japan Tobacco	Gallaher	18.5	€ 9	4.0 %	100% Cash	12.2
Proposed Transaction			**$ 92.0**		**5.0 %**	**43% Cash / 57 % Stock**	**14.5 x[3]**

High	**$ 27.6**	**16.4 x**
Low	**0.5**	**10.9**
Median	**2.4**	**12.6**
Mean	**8.1**	**13.2**

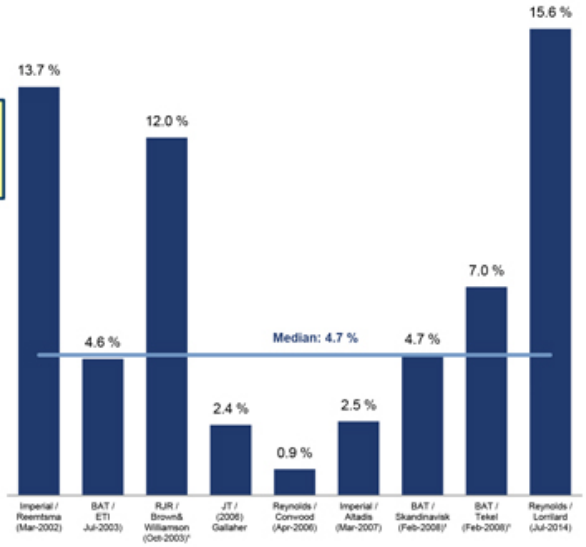
Source: Press releases, company filings, Cap IQ
Note: Multiples for the Japan / Gryson and Altria / John Middleton are based on EBIT.
[1] Values sourced from CapIQ.
[2] Represents estimated cost of debt to finance the transaction, sourced from mix of Company filings, press releases and Bloomberg.
[3] Includes run-rate Lorillard synergies of $613mm (based on management's stated $300mm run-rate synergies after Q2 2016 and $800mm from Q4 2016 onwards).

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Analysis of Synergies in Precedent Transactions

Announced Synergies Precedent Tobacco Transactions

Estimated synergies of $400mm = 3.2% of Royals' sales



Transaction Value ($bn)	$5.1	$2.5	$6.2	$19.1	$3.5	$24.4	$4.1	$1.7	$28.4

Breakdown of Announced Synergies in Precedent Transactions

IMT / Reemtsma



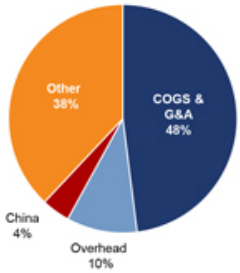
IMT / Altadis



InBev / Anheuser Busch



AB InBev / SAB Miller



Source: SDC, Press Releases and Public Filings
Note: Date indicates announcement of transaction.
[1] Do not have sales data so assumes EBITDA margin of 34.6%.

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Common Stock Comparison

US and International Tobacco Peers

($ in millions)

Company	Closing Price 20-Oct-2016	% of 52 Week High	Adjusted Equity Market Cap (1)	Adjusted Enterprise Value (1)	Enterprise Value Multiples (2) EBITDA 2016	EBITDA 2017	EBITDA 2018	Calendarized P/E Multiples (2) 2017	P/E Multiples (2) 2018	5-Year EPS CAGR (2)	2017 PE/5-Year EPS CAGR	Dividend Yield
Royals	$ 47.17	87 %	$ 67,464	$ 78,684	13.2 x	12.3 x	11.6 x	18.4 x	17.0 x	11.4 %	1.6 %	3.9 %
Braves (3)	£ 48.03	94 %	$ 68,357	$ 90,925	12.4 x	11.0 x	10.4 x	16.1 x	14.9 x	12.0 %	1.3 %	4.3 %
Selelcted Comparable Companies												
Philip Morris (4)	$ 95.57	92 %	$ 150,004	$ 177,032	15.1 x	13.8 x	12.7 x	19.3 x	17.4 x	7.7 %	2.5 %	4.4 %
Altria (5)	61.85	88	92,985	102,148	10.9	10.3	9.9	18.4	17.0	8.4	2.2	3.9
Japan Tobacco (6)	¥ 3,931.00	81	72,969	78,193	11.1	11.0	10.6	16.7	15.2	(0.7)	NM	6.5
Imperial Brands	£ 38.62	93	44,885	62,195	13.3	12.2	11.8	13.6	12.9	10.9	1.2	2.4
ITC Limited (7)	INR 239.35	90	43,402	41,417	17.4	15.7	14.0	24.1	21.7	18.5	1.3	2.7
Mean		89 %	$ 80,849	$ 92,197	13.6 x	12.6 x	11.8 x	18.4 x	16.8 x	9.0 %	1.8 %	4.0 %
Median		90	72,969	78,193	13.3	12.2	11.8	18.4	17.0	8.4	1.7	3.9

(1) Source: Latest publicly available financial statements. Equity Market Cap based on diluted shares outstanding.
(2) Sources: LTM numbers are based on latest publicly available financial statements. Projected revenues, EBITDA, EBIT, and EPS are based on IBES median estimates and/or other Wall Street research. All research estimates have been calendarized to December year end.
(3) EV adjusted for for equity investments of 42% in Royals and 30% in ITC Ltd.
(4) Pro Forma adjusted for equity investments of 20% in Megapolis Distribution BV and 49% in EITA
(5) Enterprise Value adjusted for 10.2% ownership in ABI+SAB and $3.0bn post-tax cash dollars received from the acquisition after additional share repurchases.
(6) Adjusted for market value of investments in associates and minorities.
(7) Adjusted for 45.8% stake in Gujarat Hotels and 49.0% stake in International Travel House.

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Exhibit (c)(13)

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Project Baseball Discussion Materials

Goldman, Sachs & Co.

November 4, 2016

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Discussion Topics

I. Braves Proposal and Market Context
II. Review of Management Plan
  A. Analysis of Standalone Management Financial Plan
  B. Comparison of Management Plan Relative to Public Expectations
  C. Potential Synergies with Braves and Upsides to Management Plan
III. Capital Markets and Shareholder Considerations
IV. Tactics and Timing
Appendix A: Precedent Squeeze-out Analysis
Appendix B: Shareholder Overlap Analysis
Appendix C: Other Supplemental Materials

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I. Braves Proposal and Market Context

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Overview of Braves Offer

($ in millions, except per share data)

	Standalone		Offer Value Implied By	
	Braves	Royals	20-Oct-16	2-Nov-16
Braves Reference Share Price[1]			$ 58.84	$ 56.51
Value of Stock Offer Per Share (@ 0.5502x Exchange Ratio)			$ 32.37	$ 31.09
Cash Offer Per Share			$ 24.13	$ 24.13
Implied Transaction Share Price[2]	£ 48.03	$ 47.17	$ 56.50	$ 55.22
Premium To Pre Announcement Price (20-Oct-2016)			19.8 %	17.1 %
Illustrative Equity Value	£ 89,758	$ 67,486	$ 80,837	$ 79,004
Enterprise Value[3]	£ 112,335	$ 78,706	$ 92,057	$ 90,224
Enterprise Value / LTM EBITDA	14.1 x	13.8 x	16.1 x	15.8 x
Enterprise Value / 2016E EBITDA	12.8	13.2	15.4	15.1
Enterprise Value / 2017E EBITDA	11.4	12.3	14.3	14.1
2016E P / E	19.5 x	20.5 x	24.6 x	24.0 x
2017E P / E	17.3 x	18.5 x	22.2 x	21.7 x
Royals Shareholders Ownership			19.6 %	19.6 %
Braves Shareholders Ownership			80.4 %	80.4 %

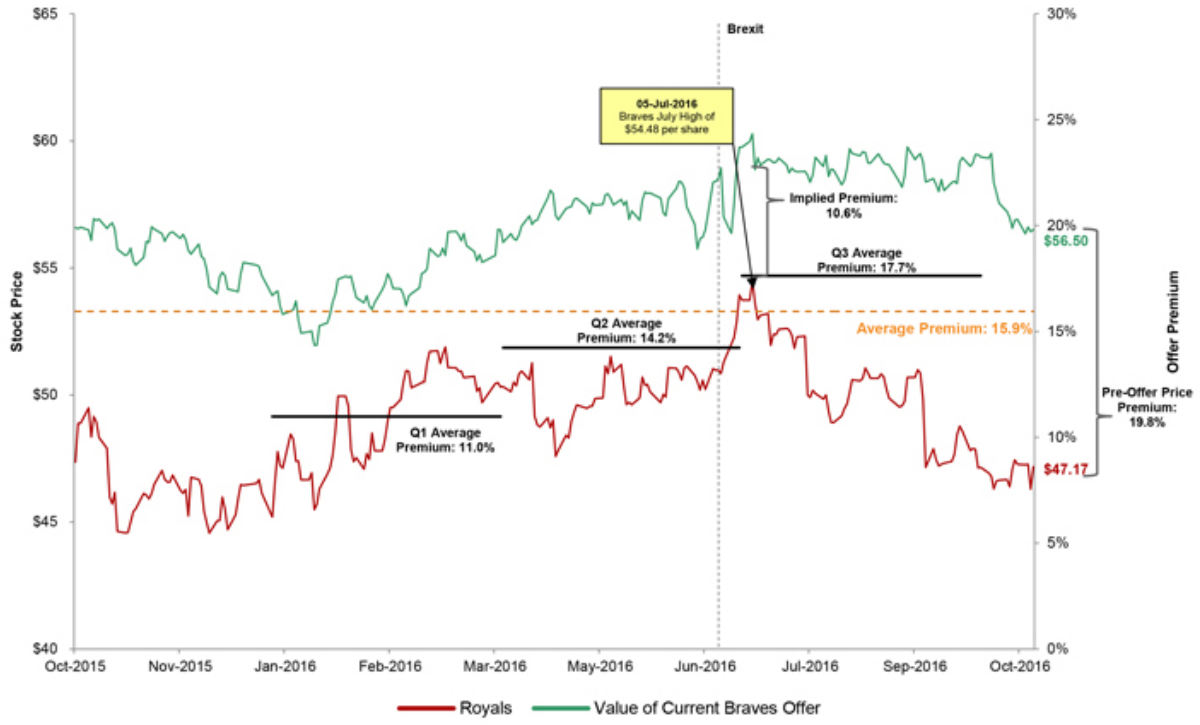
Source: Bloomberg, IBES
Note: Multiples based on IBES estimates.
[1] Converted at GBP / USD rate of 1.2250x on 20-Oct-2016, 1.2315x on 02-Nov-2016.
[2] Braves and Royals standalone represents closing price prior to offer announcement.
[3] Calculated from public filings and share count per Royals management. Braves quotes enterprise value of $93bn in proposal.

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Value of Braves Proposal and Implied Premiums Over Time

Assumes Fixed $24.13 Cash Per Share | 0.5502x Braves / Royals Exchange Ratio

Royals Trading vs. Braves Offer Value Over Time



Source: CapIQ as of 20-Oct-2016

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Proposed Transaction Multiples Relative to Public Trading and Precedent Transactions

Implied by Braves Offer

LTM EV / EBITDA
15.4 x [2]

NTM EV / EBITDA
14.7

NTM P / E
22.7 x

2017E P / E
22.2 x

NTM Price / Earnings



Precedent Transactions EV / EBITDA Multiples

BAT Acquisition Souza Cruz
15.1x [3]

RAI Acquisition Lorillard
12.8 x [3]

Altria Acquisition UST
12.0 x [3]

Imperial Acquisition of Altadis
14.2 x [3]

Japan Tobacco Acquisition Gallaher
12.2 x [3]

NTM EV / EBITDA



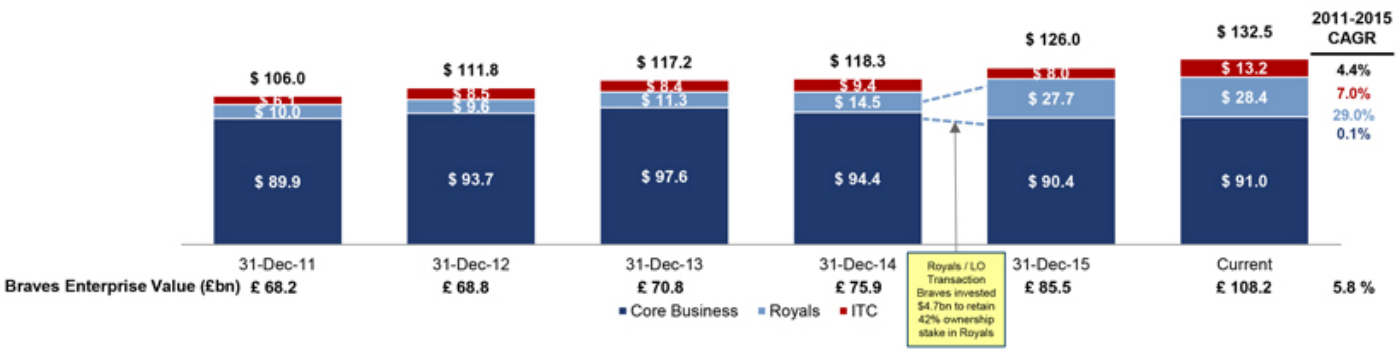
Source: IBES, Bloomberg, Market data as of 20-Oct-2016

[1] Tobacco Peers include Altria, Imperial Brands, ITC, Japan Tobacco and Philip Morris. [2] Pro forma for Lorillard run rate cost and revenue synergies. [3] Synergized adjusted LTM multiples were 15.1 x (BAT/ Souza Cruz), 9.3 x (RAI / LO), 9.6 x (MO/ UST), 11.2 x (Imperial / Altadis) and 11.5 x (Japan Tobacco / Gallaher).

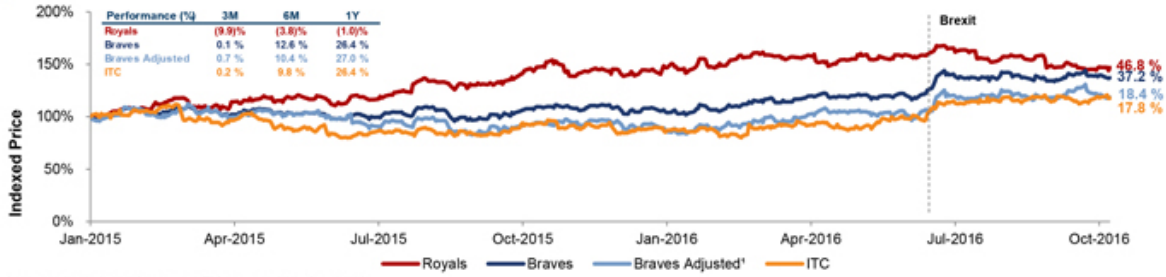
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Dissecting Braves' Trading Value Over Time

Braves Enterprise Value ($bn)[1]



Share Price Performance of Braves Over Time[3]



Source: Capital IQ, Company Filings as of 20-Oct-2016

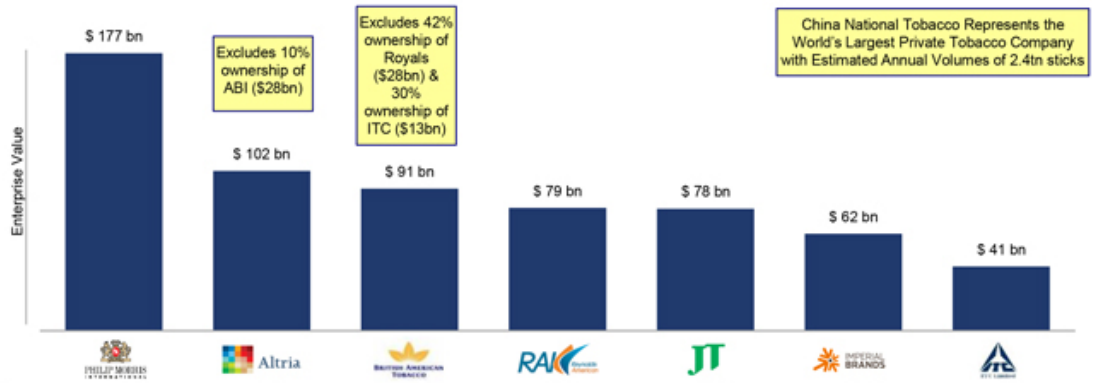
[1] Currencies converted to USD at historical, FX rate at dates shown.

[2] 42% stake in Royals and 30% stake in ITC removed from Braves share price.

[3] Braves share price in USD, Braves, ITC and Braves Adjusted in GBP. Braves Adjusted equals Braves share price minus value of Braves stake in Royals and ITC.

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Relative Sizing of Largest Listed Tobacco Players



Financial Statistics	Equity Value - Adjusted($bn)	$ 150	$ 93	$ 68	$ 67	$ 73	$ 45	$ 43
	Net Debt / 2016E EBITDA	2.3 x	1.0 x	3.2 x	1.9 x	0.7 x	3.7 x	(0.8)x
	Credit Ratings	A/A2	A-/A3	A-/A3	BBB/Baa3	AA-/Aa3	BBB/Baa3	NA/NA
Size & Growth	2016E Revenue ($bn)	$ 27	$ 19	$ 18	$ 12	$ 21	$ 10	$ 6
	2016E EBITDA Margin	44.0 %	48.3 %	39.6 %	47.9 %	34.0 %	46.8 %	38.1 %
	2016-18E Revenue CAGR	5.7 %	1.9 %	6.2 %	4.0 %	2.4 %	4.6 %	10.4 %
Valuation	2017E EV/EBITDA	13.8 x	10.3 x	11.4 x	12.3 x	11.0 x	12.2 x	15.7 x
	2017E P/E	19.3 x	18.4 x	17.3 x	18.5 x	16.7 x	13.6 x	24.1 x
	Dividend Yield	4.4 %	3.9 %	3.2 %	3.9 %	3.3 %	3.8 %	3.6 %

Source: Company filings, IBES, Cap IQ, as of 20-Oct-2016, Euromonitor
Assumes currency conversion for USD/ GBP of 1.22, USD/ JPY of 0.010, USD/ INR of 0.015.

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II. Review of Management Plan

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Summary of Financial Analysis Completed To Date

A Analysis of Standalone Management Financial Plan

- Drivers of revenue growth and outlook (including pricing, volume growth and R&D)
- Margin profile (LO synergies, cost savings programs, NPM impacts, SG&A efficiencies)
- Balance Sheet (existing debt obligations, pension liabilities, MSA accruals, cash management)
- Tax (major items impacting book and GAAP rates)
- Cash Flow (capital expenditures, working capital, dividend payouts, expected share repurchase)

B Comparison of Management Plan Relative to Public Expectations

- Analyst consensus estimates for revenue and earnings growth
- Expectations for EPS progression and dividend payout
- Growth outlook relative to public Tobacco peers
- Margin and return of capital relative to public Tobacco peers

C Review of Potential Synergies

- Operational synergies (R&D consolidation, purchasing power, "best practices", etc.)
- Overhead savings (corporate overlap, public company costs, etc.)
- Financial synergies (consolidation and refinancing opportunities)
- Structuring tax efficiencies (utilization of intercompany debt, elimination of dividend/return of capital tax, debt migration)
- Additional operational tax efficiencies (migration of R&D, global leaf sourcing, allocation of overheads)
- Potential Royals cash and liability management to optimize cash flow and interest savings

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A. Analysis of Standalone Management Financial Plan

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A Key Management Plan Assumptions

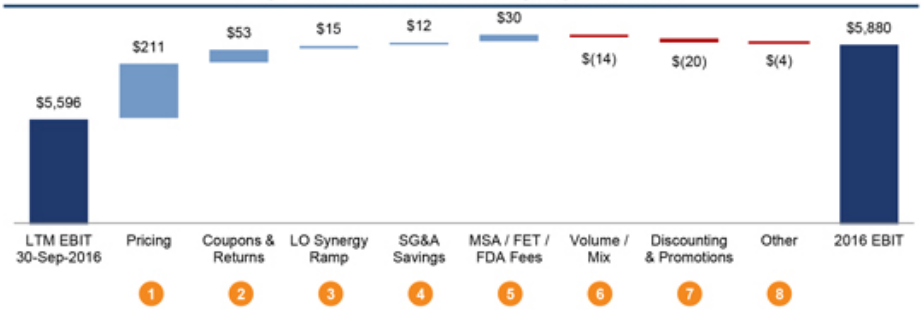
Revenue Growth	▪ Revenue expands by 5.0% per annum during the projection period driven primarily by pricing and product innovation ▪ Growth is partially offset by decreases in industry-wide cigarette sales volume ▪ Market share at Newport, Camel and Santa Fe is anticipated to increase by ~0.3%, ~0.1% and 0.3%, respectively offsetting, some of this decline in overall cigarette volumes ▪ Moist share is also increasing as Grizzly brand ramps towards ~33% share of total industry shipments
Gross and Operating Margins	▪ Assumes gross margin expansion from 61.6% in 2016 to 64.8% in 2021 ▪ Assumes EBITDA margin expansion from 47.9% in 2016 to 54.7% in 2021 ▪ Margin expansion driven primarily by pricing, as well as other operational efficiencies within both COGS and SG&A, the ramp of synergies from LO (fully run-rate at beginning of 2017) and improved scale on the innovation initiatives ▪ MSA payments increase as a % of revenue in the projection period due to the expiration of the MSA credits at the end of 2016
Other Income Statement Items	▪ Interest expense remains relatively consistent during the projection period ($632mm of Non-operating expenses in 2016 as compared to $646mm in 2021) ▪ Tax rate is assumed to be ~36.5% which is consistent with historical levels ▪ Pension plan is anticipated to generate income during the projection period as plan is well funded and returns exceed the discount rate
Cash Flows	▪ Targets 80% dividend payout ratio during the projection period and $2bn share repurchase program (weighed most heavily to Q4 2016 and Q1 2017) to offset the expiration of the NPM credits – Assumes $1bn of annual repurchases starting in 2019 (post expiration of current program) ▪ Run-rate capital expenditures are anticipated to be $150mm – higher in 2016 and 2017 because of spending on the LO integration and of IT system upgrades ▪ Net working capital is a source of cash because of the timing of MSA payments (amounts are accrued throughout the year and subsequently paid in April of subsequent year)

Source: Royals Management

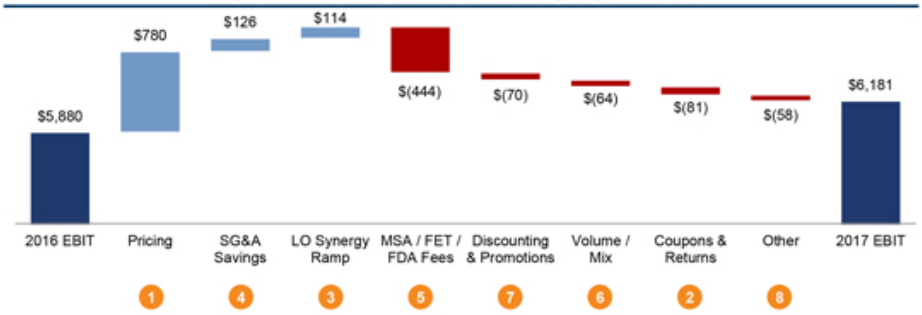
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A Detail of Expected Near-Term Profitability

Expected Q4 2016 Profitability Improvements



Expected Drivers of 2017 Profitability Improvements



Key Drivers

1. **Pricing** – Assumes price increase in Jun-2016 + Dec-2017
2. **Coupons & Returns** – Represents Coupons, Returns, Equity, Merchandising and Selling
3. **LO Synergy Ramp** – Based on run-rate 2017 amounts
4. **SG&A Savings** – Represents G&A, Bonus, Law, Allocations, Franchise Tax and R&D Savings
5. **MSA / FET / FDA Fees** – Assumes MSA cliff at beginning of 2017
6. **Volume / Mix** – Primarily decreases in volumes due to declines in overall market (Royals is gaining market share)
7. **Discounting & Promotions** – Additional discounting is offset by less promotional pricing
8. **Other** – Includes Contract Manufacturing, ELT and Specialty Markets

Source: Royals Management

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A Royals Longer-term Growth Outlook

($ in millions, except per share data)

		Per Royals Management							
	Income Statement	**2015A**	**2016F**	**2017F**	**2018F**	**2019F**	**2020F**	**2021F**	**'16F - '21F**
Sales growth driven by price realization and gains in market share	Net Sales	$ 10,675	$ 12,529	$ 13,009	$ 13,621	$ 14,331	$ 15,095	$ 15,909	4.9 %
	% Growth	*26.0 %*	*17.4 %*	*3.8 %*	*4.7 %*	*5.2 %*	*5.3 %*	*5.4 %*	
$250mm NPM cliff in 2017 $100mm NPM cliff in 2019	MSA, TQBO & FDA Payments	(2,678)	(2,925)	(3,321)	(3,447)	(3,637)	(3,740)	(3,834)	
	% Sales	*(25.1)%*	*(23.3)%*	*(25.5)%*	*(25.3)%*	*(25.4)%*	*(24.8)%*	*(24.1)%*	
Margin improvement driven by innovation scale and synergy realization	**EBITDA**	**$ 4,560**	**$ 6,003**	**$ 6,313**	**$ 6,877**	**$ 7,329**	**$ 8,026**	**$ 8,696**	**7.7 %**
	% Margin	*42.7 %*	*47.9 %*	*48.5 %*	*50.5 %*	*51.1 %*	*53.2 %*	*54.7 %*	
	Operating Income	$ 4,438	$ 5,880	$ 6,181	$ 6,736	$ 7,190	$ 7,880	$ 8,548	*7.8 %*
	% Margin	*41.6 %*	*46.9 %*	*47.5 %*	*49.5 %*	*50.2 %*	*52.2 %*	*53.7 %*	
EPS growth driven by share repurchase, margin improvement	**EPS**	**$ 1.98**	**$ 2.31**	**$ 2.53**	**$ 2.78**	**$ 3.01**	**$ 3.34**	**$ 3.69**	***9.8 %***
	DPS	1.25	1.65	1.99	2.16	2.37	2.59	2.85	
	Cash Flow								
	D&A	$ 122	$ 123	$ 132	$ 141	$ 139	$ 146	$ 148	
Higher in '16-'17 due to LO integration and other CAPEX $150mm run rate	NWC, Pension & Other	(5,237)	(65)	43	(191)	(70)	(40)	228	
	CAPEX	(174)	(229)	(255)	(189)	(150)	(150)	(150)	
	% of Sales	*1.6 %*	*1.8 %*	*2.0 %*	*1.4 %*	*1.0 %*	*1.0 %*	*0.9 %*	
$2bn current share repurchase plan $12bn maximum repurchase to hit Braves cost basis	Share Repurchase	(124)	(752)	(789)	(852)	(1,000)	(1,000)	(1,000)	
	Dividends	(1,583)	(2,359)	(2,811)	(3,030)	(3,275)	(3,553)	(3,873)	
Targeting 80% payout ratio, February announcement going forwards	Borrowing / (Repayment)	8,525	(4,150)	(500)	1,350	350	(1,121)	-	
	Balance Sheet								
Target $1.3bn minimum liquidity (including $2bn RCF)	Cash	$ 2,567	$ 1,204	$ 600	$ 1,733	$ 1,882	$ 747	$ 1,111	
	Debt	17,447	13,166	12,586	12,518	12,822	13,040	13,056	

Source: Royals Management

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B. Comparison of Management Plan Relative to Public Expectations

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B Comparison of Management Projections vs. Wall Street Research Estimates

INVESTMENT BANKING DIVISION

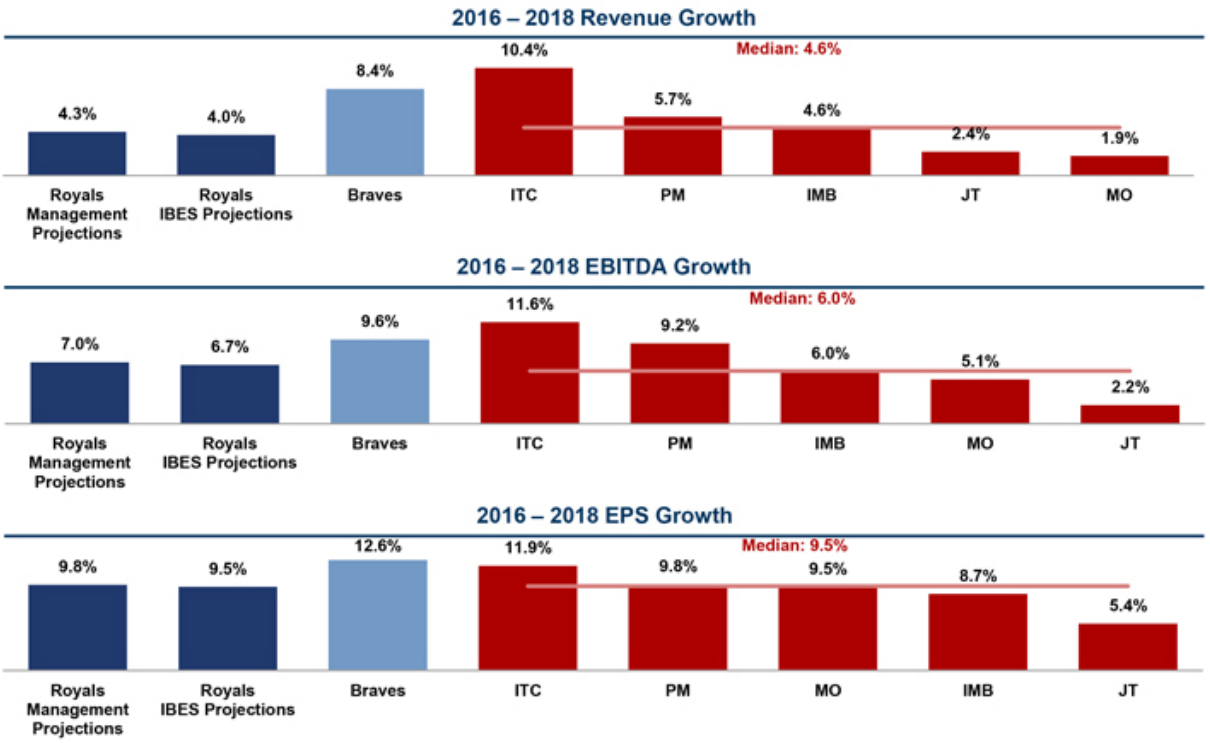
($ in millions, except per share data)

	Management			'16-'18	IBES			'16-'18	Variance			'16-'18
	2016	2017	2018	CAGR	2016	2017	2018	CAGR	2016	2017	2018	CAGR
Sales	$ 12,529	$ 13,009	$ 13,621	**4.3 %**	$ 12,463	$ 13,013	$ 13,473	**4.0 %**	$ 66	$(4)	$ 148	**0.3 %**
% Growth	*17.4 %*	*3.8 %*	*4.7 %*		*16.8 %*	*4.4 %*	*3.5 %*		*0.6 %*	*(0.6)%*	*1.2 %*	
EBITDA	$ 6,003	$ 6,313	$ 6,877	**7.0 %**	$ 5,968	$ 6,420	$ 6,797	**6.7 %**	$ 35	$(107)	$ 80	**0.3 %**
% Margin	*47.9 %*	*48.5 %*	*50.5 %*		*47.9 %*	*49.3 %*	*50.5 %*		*0.0 %*	*(0.8)%*	*0.0 %*	
EPS	$ 2.31	$ 2.53	$ 2.78	**9.8 %**	$ 2.30	$ 2.55	$ 2.76	**9.5 %**	$ 0.01	$(0.02)	$ 0.02	**0.3 %**
% Growth	*16.6 %*	*9.8 %*	*9.8 %*		*16.2 %*	*10.9 %*	*8.2 %*		*0.4 %*	*(1.1)%*	*1.6 %*	
DPS	$ 1.65	$ 1.99	$ 2.16	**14.4 %**	$ 1.76	$ 2.03	$ 2.21	**12.1 %**	$(0.11)	$(0.04)	$(0.05)	**2.3 %**
% Payout	*71.5 %*	*78.6 %*	*77.6 %*		*76.5 %*	*79.6 %*	*80.1 %*		*(5.0)%*	*(1.0)%*	*(2.4)%*	

Source: Royals Management, IBES as of 20-Oct-2016 (date of "undisturbed" price)

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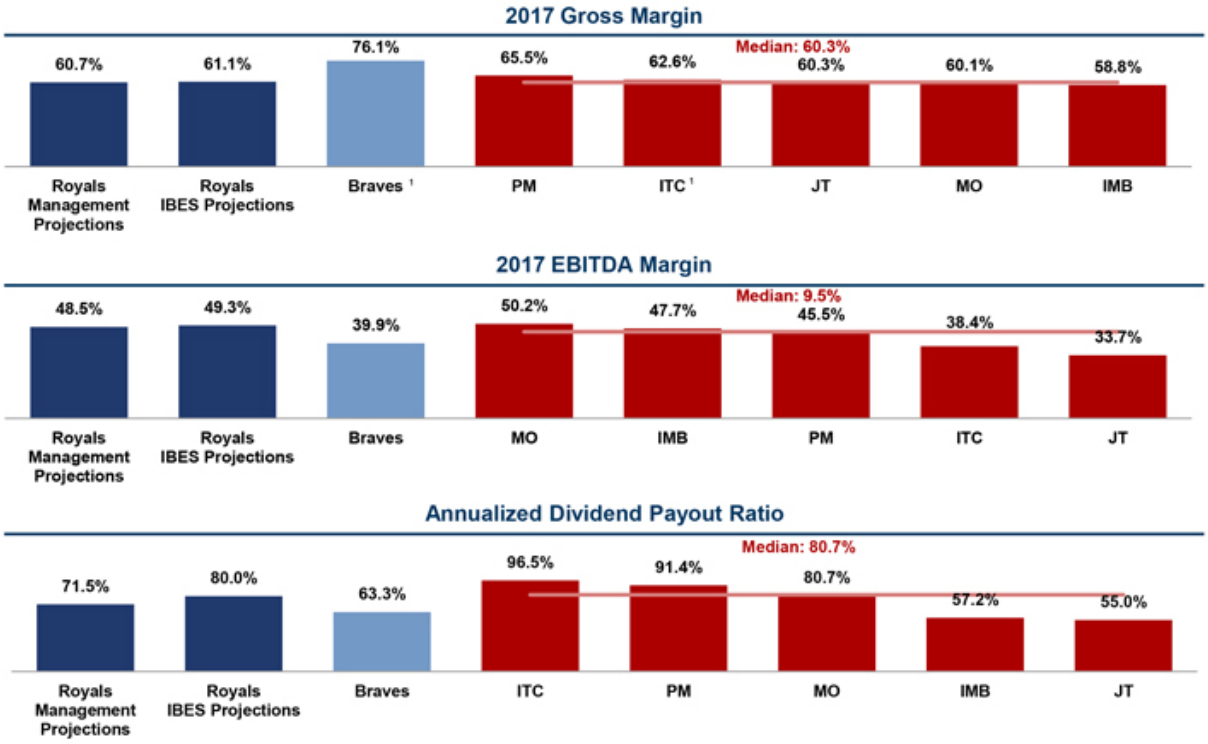
B Review of Royals and Braves Expected Growth Relative to Peers



Source: Royals Management; IBES, Market data as of 20-Oct-2016

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B Review of Royals and Braves Margins and Capital Return Relative to Peers



Source: Royals Management; IBES, Market data as of 20-Oct-2016
[1] Braves' and ITC gross margin forecast only includes cost of raw materials and consumables.

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C. Potential Synergies with Braves and Upsides to Management Plan

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C Management Preliminary View of Potential Synergies
($ in millions)

Item	Expected Savings	% of Sales	Commentary
Operational			
Workforce (1)	$ 70	0.6 %	▪ Reduction in LTIP program from integration into Braves, 15% reduction in annual bonuses
R&D Synergies	40	0.3 %	▪ Consolidation of South Hampton R&D Facility
Manufacturing Synergies	20 - 40	0.2 % - 0.3 %	▪ Transferred production of 20bn sticks to Tobaccoville
Procurement Synergies	15 - 30	0.1 % - 0.2 %	▪ Procurement synergies from reduction in duration of inventory
Other (2)	25	0.2 %	▪ Vapor synergies, closure of Braves Louisville locaton, elimination of BCA costs and Nic AB
Estimated Operational Synergies	**$170-$205**	**1.4 % - 1.6 %**	
Overhead			
Leadership/Structure Efficiencies	$ 31	0.2 %	▪ Headcount reductions and other efficiencies at corporate office
Information Management (10% - 20%)	10 - 20	0.1 % - 0.2 %	▪ IT savings post-integration from consolidation of existing systems onto shared platform
Board Costs	16	0.1 %	▪ Board compensation and annual meeting costs
Marketing	15	0.1 %	▪ 5% reduction in expenses in the marketing function
Corporate Services	11	0.1 %	▪ Finance, audit, communications and business development
Public Company	8	0.1 %	▪ SEC Law, investor relations, annual meeting/ proxy and stock exchange listing
Estimated Overhead Synergies	**$91-$101**	**0.7 % - 0.8 %**	
Estimated Total Operational Synergies	**$261-$306**	**2.1 % - 2.4 %**	
Financial			
Refinance $5B Royals Debt @ 200bps Lower	$ 100	0.8 %	▪ Potential interest savings from refinancing existing Royals debt at Braves
Reduced Amortization of Intangibles	24	0.2 %	▪ Treatment of amorization and potential revaluation of intangibles upon change-in-control
Cash Returns (Incremental) Treasury	10	0.1 %	▪ Combined treasury function, incremental 100 bps savings on holdings over $1bn
Estimated Financial Synergies	**$ 134**	**1.1 %**	
Estimated Total Synergies	**$395-$440**	**3.2 % - 3.5 %**	

Source: Management Projections
(1) Includes savings from the roll back of LTIPs in year 1 ($55mm) and annual bonus savings ($15mm).
(2) Includes Vapor synergies ($10mm), closure of Braves Louisville location ($8mm), elimination of BCA costs ($5mm) and Nic AB savings ($2mm).

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C Potential Upside from Operational Synergies ($ in millions)

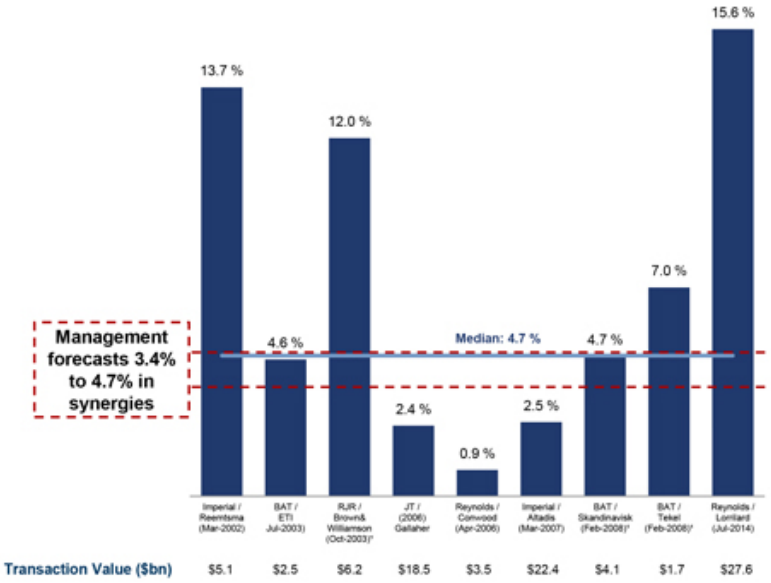
Category	Initial Range	Best in Class/ Potential Upside	Estimated Total	% of Sales
Operational				
— Represents R&D from consolidation of Braves facility into Royals' existing footprint ($40mm), procurement synergies from increased buying power on leaf and packaging ($15-$30mm) and manufacturing synergies from potential consolidation of Braves Mexico production into the US ($20-$40mm)				
— Includes $55mm in savings from the roll back of LTIPs in year 1 and $15mm in reduced annual bonus	$170 - $205	$20 - $85	$190 - $290	1.5% - 2.3%
— Other operational synergies include vapor savings and other redundancies with Braves				
— **Potential Upside** - Assumes incremental $20-$85mm of operational savings from the application of "best-in-class" principles across Royals and Braves footprint				
Overhead				
— Represents Leadership/Structural efficiencies & Human Resources of $31mm, public company costs of $8.4mm, shared Corporate Services (finance, audit, communications, business development) of $11mm, IT ($10-$20mm), Marketing ($15mm) and Board costs ($16mm),	$91 - $101	$10 - $40	$101 - $141	0.8% - 1.1%
— **Potential Upside** Assumes incremental $10-$40mm of overhead savings from the application of "best-in-class" principles across Royals and Braves footprint				
Total Operational Synergies	**$261 - $306**	**$30 - $125**	**$291 - $431**	**2.3% - 3.4%**
Financial				
— Assumes $100mm of savings from re-financing $5bn Royals debt @ 200bps lower				
— Reduced Amortization of Intangibles ($24mm) and incremental cash returns from consolidated treasury operations ($10mm)	$134	$0 - $20	$134 - $159	1.1% - 1.3%
— **Potential Upside –** There is likely additional opportunity from interest savings as Braves would have consistent access to global markets (Euro organic coupons are 180-240bps cheaper than USD)				
Total Synergies	**$395 - $440**	**$30 - $145**	**$425 - $590**	**3.4% - 4.7%**

Source: Royals Management

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C Analysis of Synergies in Precedent Transactions

Announced Synergies Precedent Tobacco Transactions



Breakdown of Announced Synergies in Precedent Transactions

IMT / Reemtsma



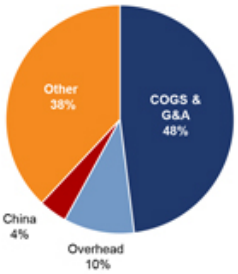
IMT / Altadis



InBev / Anheuser Busch



AB InBev / SAB Miller



Source: SDC, Press Releases and Public Filings
Note: Date indicates announcement of transaction.
[1] Do not have sales data so assumes EBITDA margin of 34.6%.

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C Summary of Outside in Assumptions on Potential Tax Synergies

Structuring Tax Efficiencies

Category	Estimated Range ($mm)
■ **Intercompany Debt** — *Cash Consideration x Intercompany Interest Rate x Domestic Tax Rate* — ~$20bn cash consideration at a 6.0% - 8.0% intercompany interest rate and 35% tax rate	$420 - $560
■ **Loss of tax on dividend and share repurchase** — *6.0% tax paid by Braves on existing Royals dividend* — 42% of ~$2.6bn-3.0bn in 2017 dividends payed by Royals — 42% of ~$700-$900mm in 2017 share repurchase	$80- $100
■ **Shifting Royals Debt to Braves** — *Foreign Debt x Interest Rate x Foreign Tax Rate* — ~$5bn debt between current 5.0% and new 3.0% interest rate and 20% UK tax rate	$30 - $50
Total	**$530 - $710**

Operational Tax Efficiencies

Category	Estimated Range ($mm)
■ **Shifting Braves R&D to US** — Current R&D facilities operations could be relocated to the US' higher tax jurisdiction — Assumes that 40% - 75% of Braves total R&D of £148mm can be shifted to the U.S. resulting in a 15% greater tax shield (assumed 35% deduction in U.S. vs. 20% estimated existing deduction)	$10-$25
■ **Purchasing International Leaf From Braves** — ~50% of Royals leaf purchased ex-US — Braves charges its subsidiaries cost + 10% which could provide additional US tax shielding	$0-$5
■ **Allocation of Braves Overhead to US** — Opportunities to shift Braves' overhead allocations to high US tax jurisdiction — Assumes shifting of ~10-20% of Braves' headcount costs of ~ £2bn to U.S. resulting in a 15% greater tax shield (assumed 35% deduction in U.S. vs. 20% estimated existing deduction)	$40-$70
Total	**$50 - $100**

Source: Royals Management

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C Detailed Quarterly Royals Management Cash Flow Projections

($ in millions, except per share data)

Cash Efficiencies in Relation to a Braves Transaction

- Current Royals dividend structure pays ~$1,400mm to outside shareholders, new Braves shares issued represent ~$850mm, a net savings of **~$650mm**
- Decrease offshore leaf inventory from 2 years to 1: **~$140mm**
- Ability to utilize trapped offshore cash: **~$350mm**
- Elimination of **$85mm** manufacturing payment due to Royals in 2017
- Opportunity to leverage timing of Royals MSA payment to drive better cash management

Total potential cash efficiencies of $1.5bn+

Royals dividend relative to Braves dividend needs to be evaluated relative to timing of 2017 transaction closing

	2016				2017			
	Q1A	Q2A	Q3A	Q4F	Q1F	Q2F	Q3F	Q4F
Net Income	$ 720	$ 827	$ 875	$ 875	$ 800	$ 917	$ 930	$ 930
Depreciation/Amortization	30	31	30	32	33	32	34	33
Deferred Income Tax Expense	75	29	68	64	106	31	(78)	(78)
NWC Δ (1)	2,449	(2,678)	52	(107)	1,073	(1,961)	920	210
Other (2)	2,898	(51)	173	(291)	(16)	(31)	(96)	(37)
Operating Cash Flow	**$ 6,172**	**$(1,842)**	**$ 1,198**	**$ 573**	**$ 1,996**	**$(1,012)**	**$ 1,710**	**$ 1,058**
Debt Issuance/(Repayment)	$(3,616)	$(8)	$(500)	$ 0	$ 0	$ 0	$(500)	$ 0
Capital Expenditures	(43)	(50)	(54)	(82)	(65)	(53)	(72)	(65)
Share Repurchase	(125)	(24)	(75)	0	0	0	0	0
Dividends Paid	(514)	(599)	(589)	(589)	(589)	(589)	(589)	(589)
Change in Cash	**$ 1,874**	**$(2,523)**	**$(20)**	**$(98)**	**$ 1,342**	**$(1,654)**	**$ 549**	**$ 404**
Ending Cash Balance	**$ 4,441**	**$ 1,918**	**$ 1,898**	**$ 1,800**	**$ 3,142**	**$ 1,487**	**$ 2,036**	**$ 2,440**
Royals Dividend	$ 514	$ 599	$ 589	$ 589	$ 589	$ 589	$ 589	$ 589
Royals DPS	**$ 0.36**	**$ 0.42**	**$ 0.41**	**$ 0.41**	**$ 0.41**	**$ 0.41**	**$ 0.41**	**$ 0.41**
Braves Dividend		$ 2,389	$ 1,168			$ 2,717	$ 1,332	
Braves DPS	**$ 0.00**	**$ 1.28**	**$ 0.63**	**$ 0.00**	**$ 0.00**	**$ 1.46**	**$ 0.72**	**$ 0.00**

Assumes share repurchase and dividend increases suspended

Paid 5-May to Holders as of 18-Mar

Paid 28-Sep to Holders as of 19-Aug

Historically Paid in May to Holders as of Mar

Historically Paid in Sep to Holders as of Aug

Source: Royals Management, Wall Street Research
Note: Assumes final 2016 dividend represents 67% of total forecast 2017 dividend while interim 2017 dividend represents 33% of total forecast 2017 dividend.
[1] Includes inventories, MSA changes in NWC.
[2] Includes, restructuring, interest rate, gains / losses on sale of assets, proceeds from short term investments, pension / postretirement and other.

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C Preliminary Braves Accretion / Dilution and Incremental Capacity to Pay

Based on Royals Management Forecasts & Wall Street Research on Braves

	Current Offer - $ 56.50 Per Share	Illustrative 10 % Offer Increase - $62.15 Per Share		
		Cash Increase	50% Cash / 50 % Stock Increase	Stock Increase
Cash / Share	$ 24.13	$29.78	$26.96	$ 24.13
Exchange Ratio	0.5502 x	0.5502 x	0.5982 x	0.6462 x
2018 Accretion (Including $400mm Synergies)	*5.2 %*	*4.4 %*	*2.9 %*	*1.7 %*
2016 Adj Debt / EBITDA[1]	*4.3 x*	*4.6 x*	*4.5 x*	*4.3 x*
Preliminary Estimated Credit Rating	High-BBB	Mid-BBB	Mid-BBB	High-BBB
2018 Accretion With $600mm Additional Tax Synergies		*11.0 %*	*9.4 %*	*8.1 %*

Source: Wall Street Research, CapIQ as of 20-Oct-2016
Note: Assumes interest rates of 2.00%, 2.05% and 2.10% at 4.3x, 4.5x and 4.6x leverage levels respectively, $400mm stated synergies fully implemented in 2018. Additional synergies accretion represents illustrative estimate of $600mm in additional post-tax synergies and other tax efficiencies. Assumes GBP / USD FX rate of 1.225. Assumes $1.5bn existing cash used in transaction and financing fees of 1% of new debt issued. Assumes additional pre-tax pension expense of $160mm to be realized under IFRS vs GAAP reporting.
[1] For Adjusted Leverage calculation, LTM EBITDA adjusted $41mm per Moody's and $155mm for run rate Lorillard synergies. Debt adjusted $2,018mm for pension per Moody's.

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III. Capital Markets and Shareholder Considerations

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This Deal Has Caught the Market's Attention

Significant Trading Volume In Both Stocks Since Announcement of Proposal

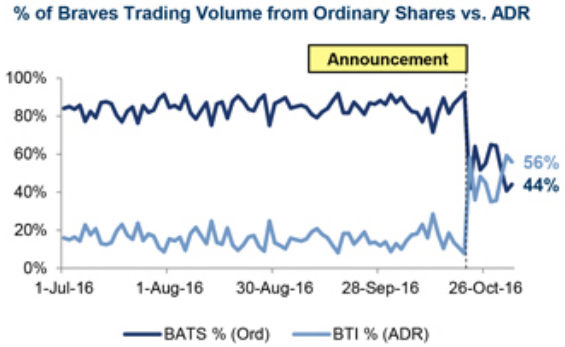
Significant Excess Volume in Both Stocks Since Braves Went Public with Offer





US Investors Have Driven An Increasing Amount of Braves Volume Since Announcement



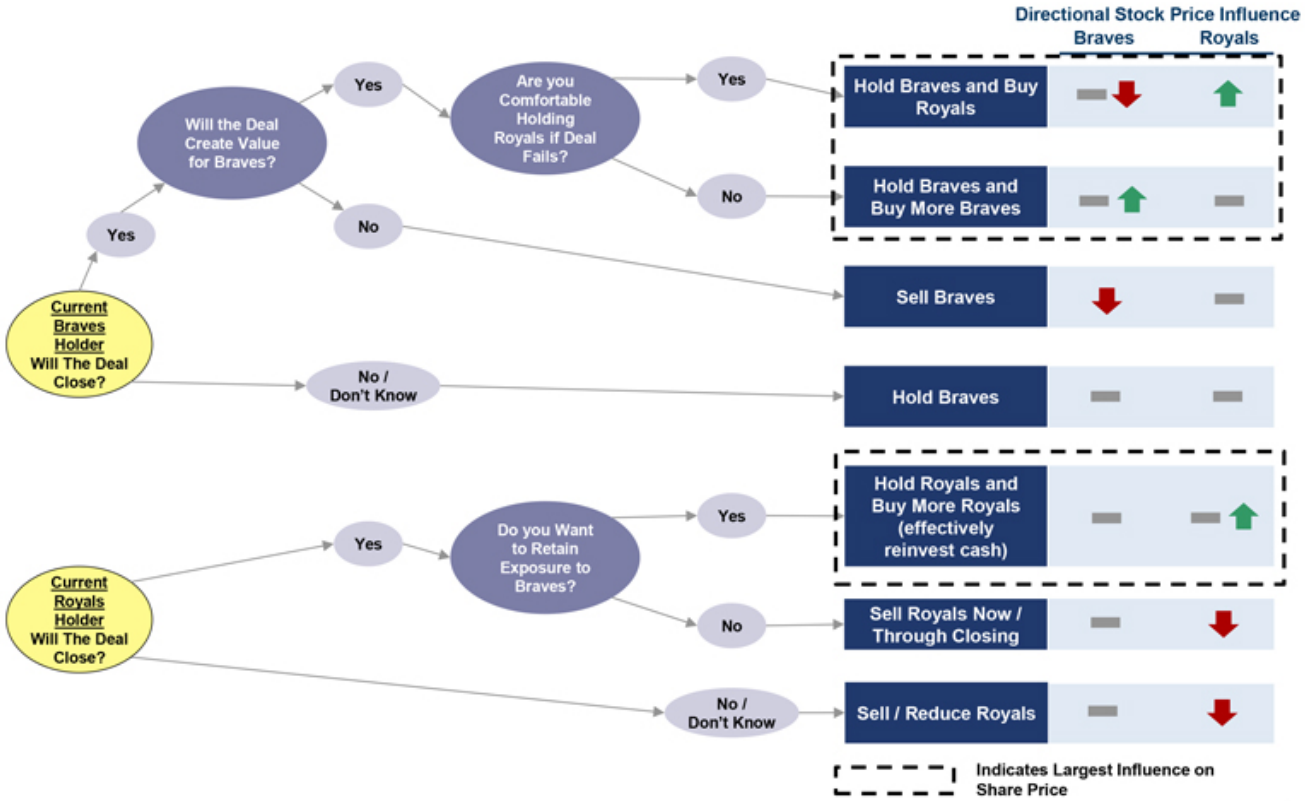


Source: Bloomberg; market data as of 1-Nov-16
Note: (1) One month and three month average trading volumes are as of the undisturbed date (20-Oct-16). (2) "Typical Target" and "Typical Acquirer" ADTVs calculated based on mixed consideration deals >$1bn involving a North American company and public target announced since 2009.

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Different Types of Investors Are Positioning in Different Ways

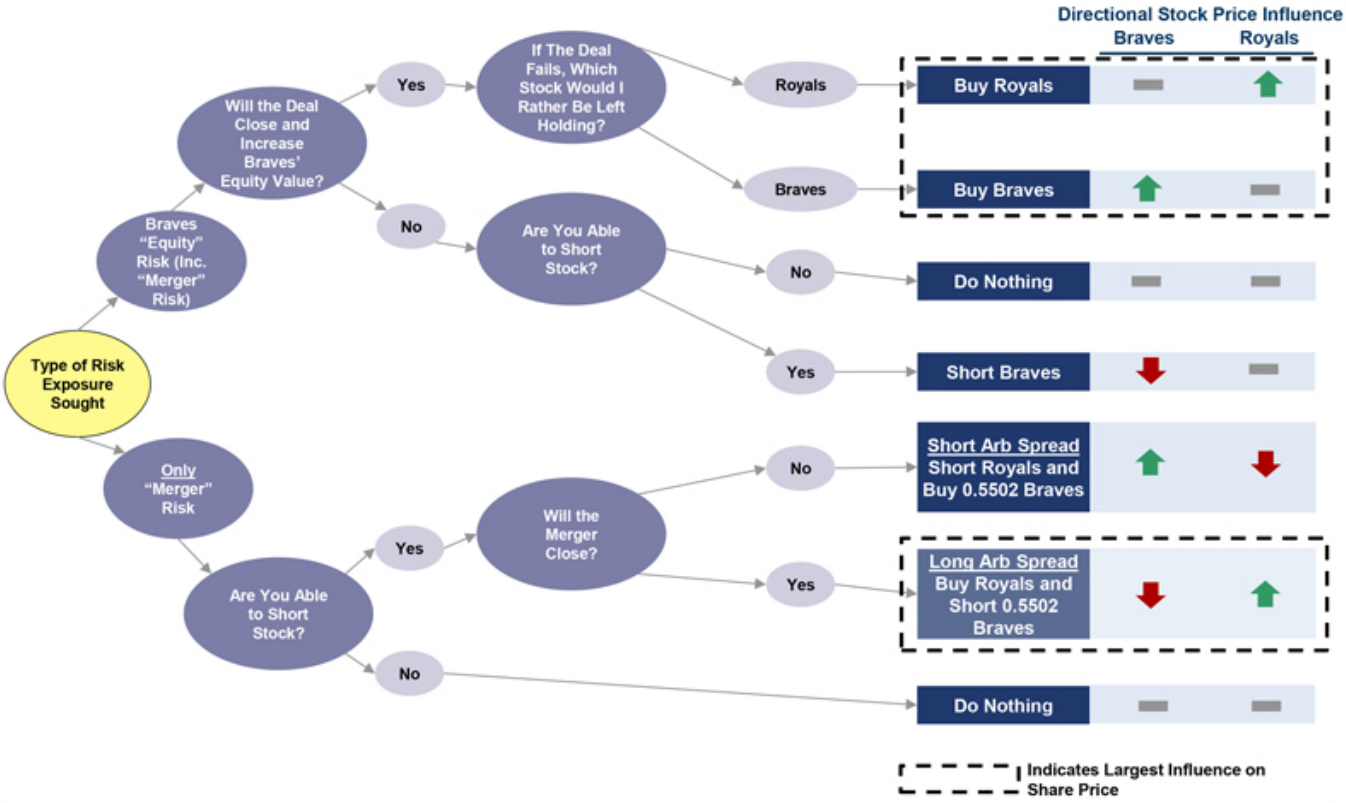
Current Holder Decision Tree (Simplified)



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Different Types of Investors Are Positioning in Different Ways

Non-Holder Decision Tree (Simplified)



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What Can Be Inferred From Royals' Stock Price

Royals Stock Trades With An Arb Spread

Background on Arb Spread

- The arb spread is the difference between the per share value of a bid and the target's current market price
  - Often expressed as a percentage return on target's current market price
  - Typically annualized based on an assumed closing date for comparability purposes
- Targets that are subject to an offer made at a premium tend to trade at a discount to the offer price
  - Size of this "spread" is a reflection of the market's view that the deal may fail and target's stock will revert to the undisturbed price
- The proportion of the premium that is currently priced into the stock is an indicator of the probability of closing
- In fixed ratio stock deals, the premium being offered moves with the acquirer's stock price, so arbitrage investors looking to isolate deal risk sell short the acquirer's stock in the amount of the exchange ratio
  - This provides a perfect "hedge" for any acquirer stock price underperformance through closing

Simplified Illustration of Arb Spread and Implied Probability



Key Calcs:

Gross Spread ($):
$100 – $95 = $5

Gross Spread (%):
$5 / $95 = ~5%

Annualized Spread (6 mo. to close): ~10%

Implied Probability:
$45 / $50 = 90%

Royals Spread vs. Selected Currently Pending Mergers with Agreed Contracts

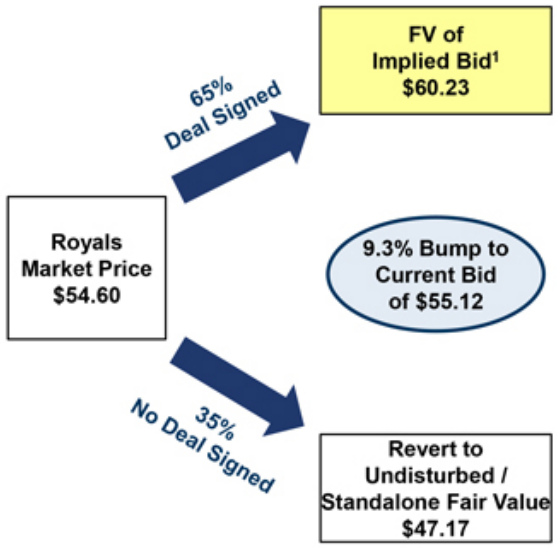
	Target / Acquirer	Comments	Annualized Spread	Implied Probability of Closing
	Royals / Braves	**Very limited regulatory risk**	**5 %**	**81 %**
High Risk – Other	NetSuite / Oracle	Some NetSuite shareholders publicly oppose deal	nm	8
High Risk – Regulatory	Rite Aid / Walgreens	Expected to require large divestitures to appease regulators	289	11
High Risk – Regulatory	Monsanto / Bayer	Viewed as highly concentrated industry	32	31
High Risk – Regulatory	Time Warner / AT&T	Expected to face strong anti-trust opposition	17	36
Low Risk	CST Brands / Couche-Tard	All cash, no obvious competition issues	6	96
Low Risk	Fleetmatics / Verizon	All cash, 40% premium, large buyer	1	99

Source: FactSet, Bloomberg; market data as of 1-Nov-16
Note: NetSuite / Oracle gross spread is ~21% and tender offer expires on 4-Nov-16, pushing the annualized spread to non-meaningful levels.

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Current Royals Share Price Indicate That Shareholders Expect Braves To Increase Their Bid

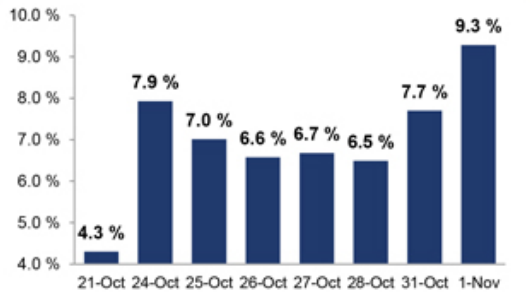
Example: 65% Probability of Deal Signing



Price Bumps at Various Probabilities[1]

Assumed Probability of Deal Signing	Implied Eventual Bid Value	% Bump to Current Bid Value
55.0 %	$ 62.39	13.2 %
60.0 %	$ 61.22	11.1 %
65.0 %	$ 60.23	9.3 %
70.0 %	$ 59.38	7.7 %
75.0 %	$ 58.64	6.4 %

Price Bumps Over Time[1,2]



Source: Bloomberg; market data as of 1-Nov-16

Note: (1) Undisturbed Royals value defined as share price on 20-Oct-16. (2) Pricing as of 11:30 AM ET (close of LSE); Braves bid valued at $55.12 per Royals share. (3) Royals is expected to pay a $0.46 quarterly dividend to shareholders of record in the second week of December 2016, March 2017, and June 2017. Braves is expected to pay a GBP 1.11 final dividend to shareholders of record in the third week of March 2017.

[1] Assumes an annual return of 6.0%, three $0.46 Royals dividends paid before deal close, and a close date of 30-June-17.

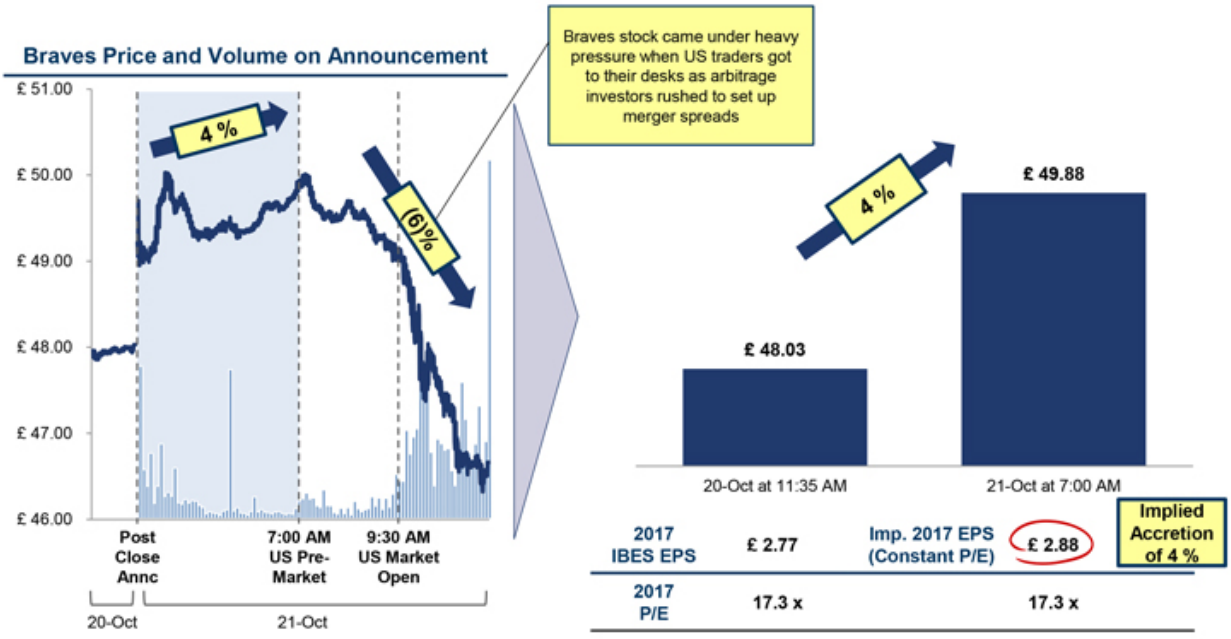
[2] Assumes constant exchange rate and probability of close (65%).

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What Can Be Inferred By Braves Trading Post Announcement?

Prior To Arb 'Noise', Braves Shareholders Were Positioning For a ~4% Accretive Deal

- Given the high volume of arb trading, much of Braves' trading has been influenced by arb investors setting up spreads, which has pressured Braves' stock price
  - However, because the offer was made public when the UK market was open but the US market was closed, initial trading in Braves can provide a glimpse of early Braves shareholder reaction, clean of technical arb pressure



Source: Bloomberg; market data as of 1-Nov-16

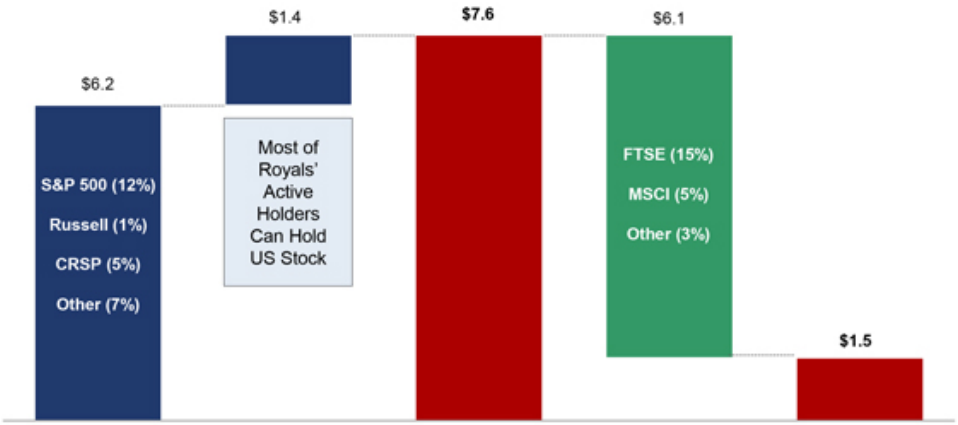
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Illustrative Flow-back Analysis

A Significant Number Of Royals Holders Will Be Required To Sell Their Braves Stock Immediately

- *Flow-back arises when the shares issued as consideration in a cross-border transaction by the buyer to the shareholders of the seller are sold due to mandate restrictions*
  - *Index members*
  - *Geographic restrictions*
- *The selling is typically offset by the fact that funds tracking indexes in which the buyer is a member will need to increase their positions in the buyer, so they absorb some of the supply, helping to mitigate some of the stock price pressure*

Potential Flow-back ($bn, Based On Current Braves Stock Price)



	Royals Index Sellers	Royals Active Sellers (Geographic Restrictions)	Gross Estimated Selling	Braves Index Buyers	Net Estimated Selling
% Royals' Register[1]	~25 %	~75 %	100 %		
% Sold	*100 %*	*~5 %*	*~29 %*		
Flow-back of Royals' Register	**~25 %**	**~4 %**	**~29 %**	**~23 %**	**~6 %**
Multiple of Pro Forma ADTV[2]	~38 x	~6 x	~44 x	~35 x	~9 x

Source: Thomson, CapIQ, IBES, fund mandates, GS internal research; shareholder data as of Q2 '16 and subsequent 13D/G filings

Note: Based on the 1-Nov-16 offer price of $55.22, implying a ~20% premium on undisturbed closing price, $24.13 in cash, and 0.5502 in Braves' stock. Assumes a 1.2250 GBP / USD exchange rate. Total U.S. focused funds at risk of selling calculated by pro-rating the holdings of the likely sellers in the top active mutual funds to the total holdings of all active mutual funds, and then to the total holdings of all active institutional investors (excl. index and hedge fund holders).

[1] Royals' register adjusted for Braves' 42.22% ownership.

[2] Pro Forma ADTV estimated by grossing up Braves' 3-month undisturbed ADTV in proportion to the estimated increase in float.

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Benefits Of A Cash / Stock Election

A Cash / Stock Election Could, In Essence, Eliminate Friction Costs For Royals Holders Who Will Prefer All Cash (Index Funds) and Those Who Will Prefer All Stock (Tax Sensitive Holders)

- Acquirers delivering a mix of cash and stock to target shareholders as merger consideration sometimes allow target shareholders to elect entirely for one form of consideration
  - Elections are typically offered to allow tax-sensitive shareholders of the target company to elect for all-stock, thereby avoiding a taxable event
  - ~25% of stock deals >$5bn in the US since 2007 have offered elections
- Elections can be structured such that the acquirer can limit the maximum cash and / or stock issued to the target
  - This ensures the desired amount of cash and stock is used to fund the deal (e.g., a traditional fixed ratio merger), regardless of the elections made by target shareholders
  - Acquirers use limits for many reasons, including (i) the avoidance of an acquirer shareholder vote, (ii) having certainty over new financing to be secured / credit ratings, and (iii) ensuring their merger is recognized as a "reorganization" under 368(a) of the Internal Revenue Code
- If elections for one form of consideration exceed the limit, those shareholders are cut-back, typically on a pro-rata basis
- Elections can broadly structured as either fixed or floating
- A fixed election fixes (at announcement) the exchange ratio in the stock election and fixes the amount of cash per share in the cash election
  - As the acquirer's stock price fluctuates between announcement and closing, one of the forms of consideration becomes more valuable than the other
  - Elections tend to be made based on economic incentive, rather than preferred form of consideration
  - Can create an opportunity for hedge funds to earn arbitrage profits
  - ~75% of US stock deals >$5bn since 2007 that offered elections structured them as fixed elections
- A floating election sets the exchange ratio in the stock election and the amount of cash per share in the cash election shortly before closing
  - As the acquirer's stock price fluctuates between announcement and closing, the value of each form of consideration remains equal
  - Elections tend to be made based on preferred form of consideration
  - Virtually eliminates the opportunity for hedge funds to earn arbitrage profits
  - ~25% of US stock deals >$5bn since 2007 that offered elections structured them as floating elections

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Tax Impact of Sale for Royals Shareholders

Many Royals Shareholders Could Be Tax Sensitive | Subject to Review of Tax Counsel

- If the consideration received by Royals shareholders is composed of at least 40% Braves stock (e.g., less than 60% cash) or if certain other conditions are met, then any tax on stock received by Royals shareholders could be deferred
  - Under such a structure, Royals shareholders would need to pay upfront tax on the lesser of i) cash received and ii) the amount of their gain
- For example, suppose Royals is acquired for $55.20 per share under current terms and a Royals shareholder owns 1 share with a tax basis of $2.13 (Royals' all time low on 31-Mar-00):
  - **Consideration:** $55.20 composed of $31.07 Braves stock + $24.13 cash
  - **Taxable Gain:** $53.07 ($55.20 – $2.13)
  - **Total Tax Liability:** $13.27 ($53.07 x 25%[1])
  - **Shareholder Tax on the Gain (payable immediately):** $6.03 (the cash amount x 25%[1])
  - **Shareholder would be able to defer balance of tax liability:** $7.24 ($13.27 - $6.03)
- Alternatively, if the shareholder owns 1 share with a tax basis of $32.00:
  - **Consideration:** $55.20 composed of $31.07 Braves stock + $24.13 cash
  - **Taxable Gain:** $23.20 ($55.20 – $32.00)
  - **Total Tax Liability:** $5.80 ($23.20 x 25%[1])
  - **Shareholder Tax on the Gain (payable immediately):** $5.80 (the entire taxable gain x 25%[1])
  - **Shareholder would not be able to defer any tax**
- A tax-deferred acquisition would benefit Royals Shareholders with a relatively low tax basis, but only if they intend to hold Braves stock after closing (tax would be due on sale of stock)

Mutual Funds / Pension Funds (~45% of Royals) are passthrough entities for tax purposes or are tax-exempt, respectively, so portfolio managers may be less sensitive to tax; Hedge Funds (~1% of Royals) are typically structured such that they tend to be less sensitive to capital gains tax; however, US Retail investors (~12% of Royals) are likely to be more tax sensitive

[1] *Assumes long-term capital gains tax rate at highest marginal rate, including disallowed deductions.*

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Impact of Tax On Income Of Royals Shareholders

Subject to Review of Tax Counsel

- On current terms, Royals shareholders would be swapping stock that pays out $1.94 for 0.5502 shares of Braves stock that pays out $2.18[1]
  - 0.5502 x $2.18 = $1.20
  - **Reduction in cash flow:** 38%
- To try to mitigate this cash flow impact, Royals shareholders may choose to reinvest the cash proceeds back into Braves stock to recover some the lost income
- However, Braves stock would need to be purchased after capital gains tax has been paid, which reduces the number of shares that can be repurchased
- For example, a Royals shareholder who owns 1 share with a tax basis of $2.13 (Royals all time low on 31-Mar-00):
  - **Net cash proceeds:** $18.10 (per previous page, $24.13 – $6.03)
  - **# additional Braves shares bought:** 0.3205 ($18.10 / Braves stock price of $56.46)
  - **Total Braves shares held:** 0.8707 (0.5502 + 0.3205)
  - **Total cash flow**: $1.90 (0.8707 x $2.18)
  - **Reduction in cash flow**: 2%
- Royals shareholders with the lowest tax bases are most affected
- For illustrative purposes, a shareholder with no upfront tax liability could purchase 0.4274 additional Braves shares, to hold a total of 0.9776 Braves shares
  - Total cash flow: $2.13
  - **Increase in cash flow:** 10%

[1] *Royals NTM dividend per management estimates; Braves dividend per GS Research.*

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Shareholder Outreach (1/2)

Overview

- Process to gather feedback from Royals shareholders is underway
- Appropriate Legal and Compliance clearance required
- "One-way" call with script to be approved by Royals
- GS's Corporate Broking desk in the UK will reach out to top European holders of Royals
- GS M&A Capital Markets desk to reach out to US holders
- Outreach to begin once Legal and Compliance clearance gained
- Shareholders will be given option to provide attributed or unattributed feedback
- Daily calls between GS and Royals to discuss feedback
- Priority shareholders listed below

Top US Shareholders

	Parent / Fund	Royals %OS	Braves %OS
1	**Capital World Investors**	**3.1 %**	**5.0 %**
	American Funds Income Fund of America	1.5	0.6
	American Funds Fundamental Investors Fund, Inc.	1.0	0.3
	American Funds American Balanced Fund	0.4	0.0
2	**Fidelity Management & Research Company**	**2.1 %**	**0.4 %**
	Fidelity Puritan Fund	0.3	-
	Fidelity Select Consumer Staples Portfolio	0.2	-
	Fidelity Series International Growth Fund	0.2	-
3	**Capital Research Global Investors**	**1.6 %**	**1.4 %**
	American Funds Capital Income Builder	1.2	1.0
	American Funds Capital World Growth & Income Fund	0.6	0.4
	American Funds Investment Company of America	0.4	-
4	**JP Morgan Asset Management**	**0.9 %**	**0.1 %**
	JPMorgan Large Cap Growth Fund	0.4	-
	JPMorgan Equity Income Fund	0.1	-
5	**Franklin Mutual Advisers, LLC**	**0.7 %**	**0.6 %**
	Franklin Mutual Series - Franklin Mutual Global Discovery Fund	0.3	-
	Franklin Mutual Series - Franklin Mutual Shares Fund	0.3	0.3

Top European Shareholders

	Parent / Fund	Royals %OS	Braves %OS
1	**INVESCO Asset Management Limited**	**2.5 %**	**1.3 %**
	Perpetual Income and Growth Investment Trust plc	0.1	-
2	**Morgan Stanley Investment Management Ltd. (UK)**	**1.1 %**	**0.9 %**
	Morgan Stanley Global Brands Fund	0.5	-
	Morgan Stanley Global Brands Equity Income	0.4	-
3	**Newton Investment Management Ltd.**	**1.0 %**	**0.6 %**
	Newton Global Income Fund	0.3	-
	Newton Real Return	0.2	-
	Newton Multi-Asset Growth	0.1	-
4	**Woodford Investment Management LLP**	**0.7 %**	**1.1 %**
	CF Woodford Equity Income Fund	0.2	-
	CF Woodford Equity Income Fund	0.2	-
5	**Carnegie Asset Management**	**0.3 %**	**0.0 %**
	Carnegie Fund - WorldWide	0.1	-

Source: Thomson

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Shareholder Outreach (2/2)

Proposed Script

- We are calling at the request of our client, Royals, and the Royals Board of Directors in connection with the proposed merger with Braves
- Goldman Sachs has been appointed as Sole Advisor acting on behalf of the Royals Transaction Committee
- Before we move on, we want to highlight several points:
  - We are reaching out to you solely in our capacity as an advisor to the Royals Transaction Committee with respect to the transaction
  - We are in no way involved in the solicitation of proxies and are not recommending that you take any particular action
  - As you know, we are on the private side and we may not share any confidential information or views of Goldman Sachs or our client
- The Transaction Committee has asked us to collect feedback on the transaction from Royals shareholders
- We are calling to see whether there is any feedback that you would like to share regarding the proposed transaction
- Before you respond, please note that we plan to convey any information you provide to our client and the Royals Board of Directors
- In the event a UK shareholder asks whether the conversation will be in-scope for MAR:
  - "We do not propose to share any Inside Information with you and so reasonably believe that any conversation will not be a Market Sounding subject to MAR."

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IV. Tactics and Timing

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Summary of Critical Valuation Analyses

	Valuation of Royals Standalone Plan	Combination Analysis With Braves
Summary of Analysis	■ Valuation analytics based on a DCF and current/future share prices — Wall Street research consensus estimates — Management standalone projections plan plus any identifiable upside opportunities that may not be reflected in base plan — Management standalone projections plan plus financial initiatives (e.g. levered recapitalization)	■ Accretion / dilution and Braves ability to pay analysis (including impact of any changes to pro forma credit rating) ■ Expected pro forma "NewCo" trading value for Royals shareholders ■ Impact of transaction on shareholder base, flow back and taxation considerations
Key Considerations	■ Value of offer based upon — Previous transactions — Historical and current trading ■ Investor communications regarding value of standalone projections plan ■ Incremental debt capacity for share repurchases, dividends and business development alternatives	■ Braves pro forma credit ratings and adjusted leverage based on debt capacity and cash flow generation ■ Optimal level of Braves ownership for Royals shareholders ■ Transaction closing date relative to timing of Braves and Royals dividend payment dates

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Potential Standalone Alternatives

Action	Description / Timing	Benefits / Considerations
Announce Further Growth Initiatives	■ Indicate higher target for growth on organic basis ■ Seek to change perspective about what business will deliver ■ Important to communicate detailed support for revised view	■ Direct implication for value (but does not necessarily deter Braves) ■ Likely to draw questions about why higher guidance was not forthcoming sooner, and whether the guidance is achievable
Announce Stand-alone Cost Savings	■ Implement large scale costs savings or other restructuring initiative to increase overall margin structure ■ Seek a "game changer" rather than incremental shift ■ Credibility similarly dependent on level of detail and timeline	■ Direct implication for value (but does not necessarily deter Braves) ■ Questions may focus on impact to topline and where savings will be deployed ■ Revised operating plan creates pressure on Management to meet potentially aggressive targets
Leveraged Recapitalization	■ Repurchase significant amount of Royals stock through cash and new debt issuance ■ Can be done by either targeting higher leverage over time or moving to higher level immediately	■ Potentially raises cost to acquire / integrate Royals ■ Given current ownership structure and EPS accretion on Braves' current offer, a leveraged recapitalization or other type of balance sheet management may not deter Braves ■ Limits flexibility for other growth initiatives to the degree the share repurchase is significant
Special Dividend	■ Levered return of capital to shareholders through a special dividend ■ Can be done by either targeting higher leverage over time or moving to higher level immediately	■ Depending on size of the special dividend as compared to levered recapitalization, could be different tax consequences for Braves and other shareholders ■ Limits flexibility for other growth initiatives to the degree the special dividend is significant

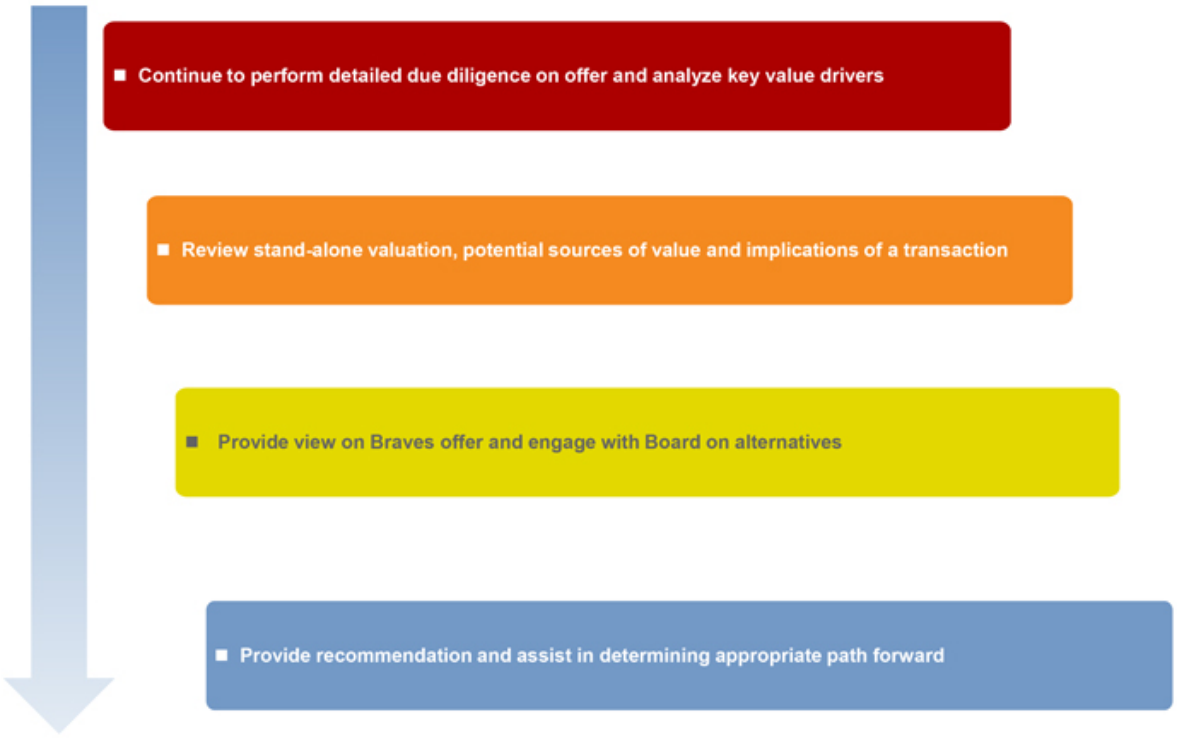
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Response Alternatives for Consideration

	1 Accept Offer	2 Engage with Braves		3 Reject Outright	
		A Reject Privately / Negotiate	B Reject Publicly / Negotiate Privately	A Reject Publicly	B Reject Privately
Potential Rationale	***Adequate offer / deal makes sense***	***Accommodate information request / due diligence to achieve better offer terms***	***Stress opportunistic timing of offer publicly while pushing Braves privately on value***	***Inadequate offer / force Braves to bid against itself before further engagement***	
Potential Talking Points		"Proposal reflects a de minimis premium to recent trading values, does not reflect the standalone value of Royals and does not reflect the full synergies available to Braves (synergies likely in excess of $1bn)….therefore, it has been rejected (unanimously)." If Requested: "We are prepared to share additional information to further your understanding of our intrinsic value and the value of the combination."	Potential Public Statement: "The Transaction Committee has reviewed the opportunistic proposal received from Braves and determined it does not fairly reflect the value of the Royals shares not currently owned by Braves." Private Comment: "Happy to take you through some of the details of how we see it."		
Next Steps	***Negotiate other terms of deal***	***Conduct deeper dive on potential synergies and opportunities for upside***		***Engage only after Braves revises proposal***	
Timing	**Immediate**	**2 – 4 weeks**		**?**	

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Next Steps



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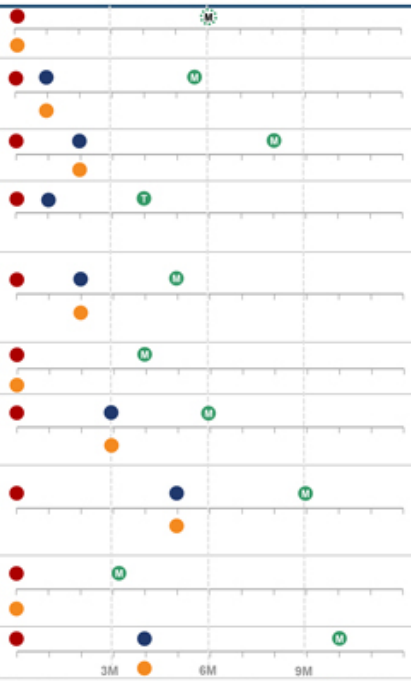
Appendix A: Precedent Squeeze-out Analysis

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Selected Precedent Squeeze Outs Since 2005 (1/3)

Includes US Targets; >$1bn Transaction Value; Acquiror Ownership of Target >15% and <50% Prior to Transaction

Target	Acquiror	Acq. % Ownership of Target Prior to Transaction	Date Initial Offer Announced	Deal Value ($mm)	Timeline (Dashes = Months)	Initial / Final Premium to 1 Day	Value (Consideration) Progression	Total % Increase in Offer
Talen Energy Corp[1]	Riverstone Holdings LLC	35.0 %	06/03/2016	$ 4,293		17.3 % / 17.3 %	$14.00 (100/0)	-
Rouse Properties	Brookfield Asset Management	31.5	1/19/2016	2,378		26.0 / 35.3	$17.00 (100/0) → $18.25 (100/0)	7.4
Northern Tier Energy LP	Western Refining	38.4	10/26/2015	1,782		14.0 / 16.9	$27.62 (63/37) → $28.34 (53/47)	2.6
GrafTech International[2]	Brookfield Asset Management	21.9	04/29/2015	1,054		13.1 / 14.3	$5.00 (100/0) → $5.05 (100/0)	1.0
Dole Food Co.	David H Murdock *Chairman, Former CEO*	37.6	06/11/2013	1,018		17.6 / 32.4	$12.00 (100/0) → $13.50 (100/0)	12.5
Jefferies Group	Leucadia National	28.6	11/12/2012	2,561		23.8 / 23.8	$21.38 (0/100)	-
M&F Worldwide	MacAndrews & Forbes Holdings	42.7	06/13/2011	2,289		41.5 / 47.4	$24.00 (100/0) → $25.00 (100/0)	4.2
Mediacom Communications	Rocco Commisso *Founder, CEO, Chairman*	38.9	06/01/2010	3,613		12.6 / 64.2	$6.00 (100/0) → $8.75 (100/0)	45.8
Burlington Northern Santa Fe	Berkshire Hathaway	23.0	11/03/2009	35,948		31.5 / 31.5	$100.00 (60/40)	-
Pepsi Bottling Group	PepsiCo	29.2	04/20/2009	4,279		17.1 / 44.8	$29.50 (50/50) → $36.50 (50/50)	23.7



Source: Public filings, DealPoint

Initial Offer Announcement · First Price Increase · Second Price Increase · Final Merger Agreement Announced · Close of Transaction

Note: (1) Transactions listed by order of initial offer date. (2) Parentheses in price progression represents % cash / % stock breakdown. (3) M represents merger and T represents tender offer.

[1] Transaction is expected to close by end of the year 2016.

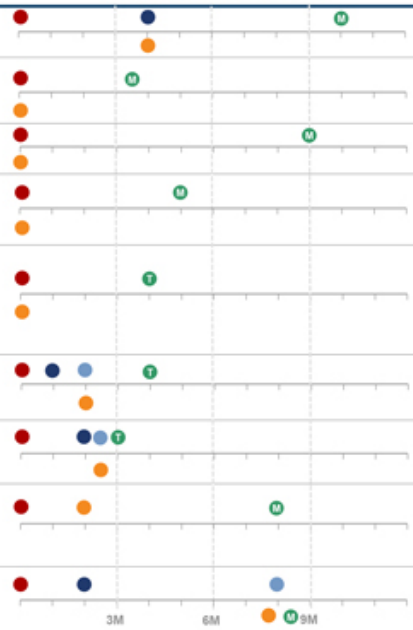
[2] Tender offer opened 26-May-2015 and expired 7-July-2015.

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Selected Precedent Squeeze Outs Since 2005 (2/3)

Includes US Targets; >$1bn Transaction Value; Acquiror Ownership of Target >15% and <50% Prior to Transaction

Target	Acquiror	Acq. % Ownership of Target Prior to Transaction	Date Initial Offer Announced	Deal Value ($mm)	Timeline (Dashes = Months)	Initial / Final Premium to 1 Day	Value (Consideration) Progression	Total % Increase in Offer
PepsiAmericas	PepsiCo	42.5 %	04/20/2009	$10,758		17.1 % / 43.4 %	$23.27 (50/50) → $28.50 (50/50)	22.5 %
Sovereign Bancorp	Banco Santander	24.3	10/13/2008	1,910		3.5 / 3.5	$3.81 (0/100)	-
ASE Test	ASE Group	36.0	09/04/2007	1,200		25.6 / 25.6	$14.78 (100/0)	-
Pacific Energy Partners	Plains All American Pipeline	24.5	06/12/2006	1,615		10.6 / 10.6	$17.75 (0/100)	-
Trizec Properties	Brookfield Properties Corp. / Blackstone Group	37.1	06/05/2006	4,747		17.9 / 17.9	$29.01 (100/0)	-
William Lyon Homes	General William Lyon	46.7	03/17/2006	1,221		22.9 / 44.0	$93.00 (100/0) → $100.00 (100/0) → $109.00 (100/0)	17.2
Lafarge North America[1]	Lafarge SA	48.9	02/06/2006	3,227		16.7 / 33.1	$75.00 (100/0) → $82.00 (100/0) → $85.50 (100/0)	14.0
Nextel Partners	Sprint Nextel Corp	29.2	10/24/2005	7,545		11.7 / 11.7	$28.50 (100/0)	-
Chiron Corp	Novartis AG	42.0	09/01/2005	6,625		9.8 / 31.7	$40.00 (100/0) → $45.00 (100/0) → $48.00 (100/0)	20.0
Average:	**Average Offer Price Bumps: 1**		**Average Time to First Price Bump: ~3M**			**Average Time to Close: ~7M**	**Average Premium: 18.4 % / 28.9 %**	**~9.0 %**



Initial Offer Announcement · First Price Increase · Second Price Increase · Final Merger Agreement Announced · Close of Transaction

Source: Public filings, DealPoint

Note: (1) Transactions listed by order of initial offer date. (2) Parentheses in price progression represents % cash / % stock breakdown. (3) M represents merger and T represents tender offer.

[1] Tender offer expired on 12-May-2006.

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Selected Precedent Squeeze Outs Since 2005 (3/3)

Includes US Targets; >$1bn Transaction Value; Acquiror Ownership of Target >50% Prior to Transaction

Target	Acquiror	Acq. % Ownership of Target Prior to Transaction	Date Initial Offer Announced	Deal Value ($mm)	Timeline (Dashes = Months)	Initial / Final Premium to 1 Day Prior	Value (Consideration) Progression	Total % Increase in Offer
Clearwire Corp	Sprint Nextel Corp	50.4 %	12/17/2012	$ 3,330		8.3% / 108.3%	$2.60 (100/0) → $2.97 (100/0) → $3.40 (100/0) → $5.00 (100/0)	92.3 %
Gerdau Ameristeel	Gerdau Steel North America Inc	66.3	06/02/2010	1,607		52.6 / 52.6	$11.00 (100/0)	-
Odyssey Re Holdings Corp	Fairfax Financial Holdings Ltd	72.6	09/08/2009	1,050		19.5 / 29.4	$60.00 (100/0) → $65.00 (100/0)	8.3
UnionBanCal Corp	Bank of Tokyo-Mitsubishi UFJ	65.4	08/12/2008	3,707		8.3 / 26.3	$63.00 (100/0) → $73.50 (100/0)	16.7
Genentech	Roche Holding AG	55.9	07/21/2008	46,695		8.8 / 16.1	$89.00 (100/0) → $86.50 (100/0) → $93.00 (100/0) → $95.00 (100/0)	6.7
Nationwide Financial Services	Nationwide Mutual Insurance Co	66.5	03/10/2008	2,450		24.4 / 37.8	$47.20 (100/0) → $52.25 (100/0)	10.7
TD Banknorth	Toronto-Dominion Bank	57.0	11/20/2006	3,232		6.5 / 6.5	$32.33 (100/0)	-
7-Eleven	IYG Holding Co	72.7	09/01/2005	1,301		14.7 / 32.3	$32.50 (100/0) → $37.50 (100/0)	15.4
UGC Holdings	Liberty Media	54.0	1/17/2005	3,618		3.5 / 3.5	$9.58 (20/80)	-
Fox Entertainment	News Corp	82.0	1/10/2005	7,054	3M 6M 9M	7.4 / 9.8	$33.54 (0/100) → $34.27 (0/100)	2.2
Average:	**Average Offer Price Bumps: 1**		**Average Time to First Price Bump: ~3M**		**Average Time to Close: ~5M**	**Average Premium: 15.4 % / 32.3 %**		**~15.2 %**

Initial Offer Announcement · First Price Increase · Second Price Increase · Third Price Increase · Final Merger Agreement Annc. · Close of Transaction

Source: Public filings, DealPoint

Note: (1) Transactions listed by order of initial offer date. (2) Parentheses in price progression represents % cash / % stock breakdown. (3) M represents merger and T represents tender offer.

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Selected Examples of Precedent Situations (1 / 3)

Buyer / Seller Timeline Dynamic

Target / Acquiror	ROUSE PROPERTIES / Brookfield	Dole / Murdock (Chairman / Former CEO) Buyout	M & F Worldwide Corp. / MacAndrews & Forbes Holdings Inc
Initial Approach	■ Private / Letter sent to Board ■ Published letter in 13D 4 days later	■ Public / Letter sent to the Board ■ Offer had hard expiration on reaching MA	■ Public / Letter sent to Board / Phone Calls to all Board Members
Ann. of Approach	■ January 19, 2016	■ June 10, 2013	■ June 13, 2011
Target Response	■ Privately rejected	■ Continued private engagement	■ Continued private engagement
Negotiation	■ Brookfield offered "best and final" price after private rejection ■ Standstill signed immediately after offer ■ Rouse provided counter-proposal with price bump, 'majority of minority' provision, and requirement for no management contact until merger agreement signed ■ Brookfield countered with modest price bump and dividend freeze until close ■ Third-party interest solicited but was unsuccessful ■ Lawyers negotiated CA and MA without direct management interaction ■ Post-closing employment arrangements were critical prior to signing	■ Offer required special committee and 'majority of minority' vote ■ 2 PE firms expressed interest; one gave a similar offer to Murdock's but was rejected after initial diligence raised doubts on firmness of offer ■ Public company competitor discussed a cash / stock offer, conditioned upon Murdock's support (non-starter) ■ Murdock used offer expiration as leverage to stay at bid price, then privately increased offer late in process ■ Principal to Principal negotiations led to breaking impasse and reaching final agreement ■ Go-shop provision negotiated	■ Company revised model and shared with MacAndrews & Forbes ■ Agreement on 5 yr. projections, a continued source of challenge in negotiations ■ Joint advisor, Special Committee, and buyer sessions to share views on value ■ MacAndrews & Forbes intransigent on price through multiple discussions ■ After Principal to Principal discussion, price bumped up modestly as "best and final" ■ No-shop and fiduciary out provisions heavily negotiated ■ 'Majority of minority' vote requirement added to MA
Announce Date	■ February 25, 2016	■ August 12, 2013	■ September 11, 2011

Source: Public filings

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Selected Examples of Precedent Situations (2 / 3)

Buyer / Seller Timeline Dynamic

Target / Acquiror	Mediacom / Management Buyout	PBG & PEPSI AMERICAS / PEPSICO	Genentech / Roche
Initial Approach	■ Private / Letter sent to Board	■ Public / Letters sent to Boards	■ Private / Letter sent to Board
Ann. of Approach	■ June 1 , 2010	■ April 20, 2009	■ July 21, 2008
Target Response	■ Privately rejected initial bid	■ Publicly rejected but privately engaged	■ Issued press release rejecting initial bid
Negotiation	■ Multiple shareholders wrote to Board to object to initial price ■ Company had no regularly reviewed projections; created challenges in substantiating offer bumps ■ Direct meetings of both sides with advisors to discuss offer and ideas on valuation ■ Special Committee refused further negotiation without a price raise and noted advisor would not render Fairness opinion below threshold ■ Acquiror publically withdrew initial offer after impasse over 'final bid' ■ Special Committee shared revised financials and counter offer below prior stated threshold price – offer privately accepted ■ 'Majority of minority' provision	■ Undervalued synergies - PBG estimated $750mm-$850mm of combined synergies from Pepsi / PBG / PAS transaction vs. $200mm estimated by Pepsi Co. ■ After a series of meetings with PAS and PAB, Pepsi Co. revised synergy estimate to $300mm and considered bumping the offer ■ Preference for cash consideration vs. stock led to cash election ■ Offers to reflect appropriate valuation of the two targets relative to each other ■ Offers to be unconditional upon the closure of the other transaction ■ Offer bumped twice for each PBG / PAS before final offer was agreed upon ■ Principal to Principal negotiations led to breaking impasse and reaching final agreement	■ Undervalued synergies: — Roche argued that ~40% of synergies would be realized even without a transaction ■ Special Committee provided updated model including price and productivity increases, R&D costs adjustments, and "opt-in" rights for overseas business ■ Direct negotiations among advisors, Special Committee and Roche ■ Due to negotiations impasse, Roche took offer directly to shareholders - launched tender on February 9, 2009 ■ Special committee objected to initial tender price ■ Roche increased tender offer to reach close ■ Special committee advised shareholders to accept offer after another price bump
Announce Date	■ November 15, 2010	■ August 4, 2009	■ March 12, 2009

Source: Public filings

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Selected Examples of Precedent Situations (2 / 3)

Buyer / Seller Timeline Dynamic

Target / Acquiror	NEXTEL / Sprint	CHIRON / NOVARTIS	FOX / News Corporation
Initial Approach	■ Public / Letter to Shareholders	■ Private discussion	■ Public / Tender Offer ■ Offer had hard expiration on reaching MA
Ann. of Approach	■ August 12, 2005	■ September 1, 2005	■ January 10, 2005
Target Response	■ N/A - "Put Right" invoked	■ Publicly rejected but privately engaged	■ Company urged shareholders to wait for Special Committee recommendation
Negotiation	■ Nextel Partners and Nextel Communications had a long standing "Put Right" agreement ■ Nextel Partners challenged Nextel Comm. / Sprint merger with respect to branding, joint marketing and operational matters ■ Violation of exclusivity right under JV agreement with Nextel Comm. ■ Dispute was resolved by arbitration ■ Special Committee to Nextel Partners unanimously urged shareholders to invoke 'Put Right' ■ Appraisal rights exercised to determine the fair market value of the stock	■ Initial offer was contingent upon preliminary diligence and clearance from FDA on one of its vaccines facility ■ Board delegated the authority to management to determine terms of the offer ■ Business and regulatory risks cited as the rationale for the initial offer ■ Financial advisors, without specific direction and authority, explored price ranges that would prompt parties to start engaging ■ Price negotiations deferred until Novartis agreed to taking any actions necessary to seek regulatory approvals ■ Chiron intended to exercise 'Put Right' under its existing contract with Novartis, to provide greater assurance of completion ■ Financial advisors negotiated on price and Novartis finally bumped the offer to break the impasse and reach final agreement	■ Offer included 'majority of minority' provision on tender ■ Class action lawsuits filed by a number of purported shareholders, alleging: — Board breached fiduciary duties — Offer price was unfair — Timing was opportunistic — Non-independent special committee — Failure to disclose material information ■ News Corp increased terms of exchange offer after deadlock on price ■ Special Committee recommended shareholders to accept increased offer
Announce Date	■ December 20, 2005	■ October 31, 2005	■ March 7, 2005

Source: Public filings

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Appendix B: Shareholder Overlap Analysis

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Goldman Sachs

Despite US vs. UK Listings, There is Substantial Shareholder Overlap at the Firm Level…

Top 25 Institutional Investors

Royals

Retail & Undisclosed: 13%
Insiders: 42% (Braves)
Institutional: 45%

Braves

Retail & Undisclosed: 37%
Insiders: 5%
Institutional: 58%

Royals Top 25 Institutional Level Investors

Fund	Style	AUM ($bn)	Most Recent %OS Royals	Braves
Braves	Strategic	$ 43.0	42.2 %	
The Vanguard Group, Inc.	Passive	2,194.9	4.4	2.1
Capital World Investors	Active	582.7	3.0	5.0
INVESCO Asset Management Limited	Active	64.8	2.5	1.3
BlackRock Institutional Trust Company, N.A.	Passive	1,543.2	2.2	7.1
State Street Global Advisors (US)	Passive	964.1	2.2	0.4
Fidelity Management & Research Company	Active	843.9	2.1	0.4
Capital Research Global Investors	Active	443.2	1.6	1.4
Morgan Stanley Investment Management Ltd. (UK)	Active	28.4	1.1	0.9
Newton Investment Management Ltd.	Active	51.4	1.0	0.6
JP Morgan Asset Management	Active	302.8	0.9	0.1
Franklin Mutual Advisers, LLC	Active	53.9	0.7	0.6
Woodford Investment Management LLP	Active	19.1	0.7	1.1
Evercore Trust Company, N.A.	Active	31.2	0.6	
INTECH Investment Management LLC	GARP	40.2	0.6	0.0
Federated Equity Management Company of Pennsylvania	Other	18.5	0.6	0.0
Managed Account Advisors LLC	Specialty	141.8	0.5	
Bank of America Merrill Lynch (US)	Broker Dealer	239.8	0.5	
TIAA Global Asset Management	Pension	260.2	0.5	0.4
Geode Capital Management, L.L.C.	Passive	206.1	0.4	0.1
Pioneer Investment Management, Inc.	Active	28.2	0.4	0.0
Barrow, Hanley, Mewhinney & Strauss, LLC	Active	75.2	0.4	0.0
Northern Trust Investments, Inc.	Passive	200.1	0.4	0.2
Epoch Investment Partners, Inc.	Active	33.5	0.4	0.1
Eaton Vance Management	Active	37.8	0.4	
Top 25 Institutional Royals Holders			**70.6 %**	
Overlap in Top 25 Royals Holders			**26.3**	**22.2**
Total Overlap			**38.1**	**49.7**

Braves Top 25 Institutional Level Investors

Fund	Style	AUM ($bn)	Most Recent %OS Braves	Royals
BlackRock Institutional Trust Company, N.A.	Passive	$ 1,543.2	7.1 %	2.2 %
Capital World Investors	Active	582.7	5.0	3.0
Reinet Investments SCA	Strategic	4.2	4.1	
Credit Suisse Private Banking (Switzerland)	Active	5.8	3.8	
Legal & General Investment Management Ltd.	Passive	184.4	2.7	0.3
The Vanguard Group, Inc.	Passive	2,194.9	2.1	4.4
UBS Asset Management (Switzerland)	Active	132.4	1.5	0.1
M & G Investment Management Ltd.	Active	69.0	1.4	0.0
Capital Research Global Investors	Active	443.2	1.4	1.6
INVESCO Asset Management Limited	Active	64.8	1.3	2.5
Aberdeen Asset Investments Limited	Active	74.8	1.2	0.0
State Street Global Advisors (UK) Ltd.	Passive	75.3	1.2	0.0
Cedar Rock Capital Ltd.	Active	7.8	1.1	
Woodford Investment Management LLP	Active	19.1	1.1	0.7
Aviva Investors Global Services Limited	Active	42.4	0.9	0.0
Morgan Stanley Investment Management Ltd. (UK)	Active	28.4	0.9	1.1
MFS Investment Management	Active	292.5	0.9	0.3
Schweizerische Nationalbank	Passive	70.8	0.8	0.2
Allan Gray Proprietary Limited	Active	13.7	0.8	
Capital International Investors	Active	95.7	0.7	0.2
JPMorgan Asset Management U.K. Limited	Active	100.7	0.7	0.0
BlackRock Investment Management (UK) Ltd.	Active	227.6	0.7	0.3
Franklin Mutual Advisers, LLC	Active	53.9	0.6	0.7
Vontobel Asset Management, Inc.	Active	27.7	0.6	0.4
Newton Investment Management Ltd.	Active	51.4	0.6	1.0
Top 25 Institutional Braves Holders			**43.4 %**	
Overlap in Top 25 Braves Holders			**33.5**	**19.0**
Total Overlap			**49.7**	**38.1**

Source: Thomson; latest shareholder data reflects most recent 13F filings as of Q2 '16 and subsequent 13D / 13G filings
Note: Highlighted funds represent investors which hold both Royals and Braves.

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… And Moderate Overlap at the Fund Level

Top 25 Active Mutual and Hedge Funds

Royals Top 25 Active Fund Level Investors

Fund	Style	AUM ($bn)	Most Recent %OS Royals	Most Recent %OS Braves
American Funds Income Fund of America	Income	$ 67	1.5 %	0.6 %
American Funds Capital Income Builder	Income	80	1.2	1.0
American Funds Fundamental Investors Fund, Inc.	Value	70	1.0	0.3
American Funds Capital World Growth & Income Fund	Income	73	0.6	0.4
Federated Strategic Value Dividend Fund	Value	14	0.6	
Morgan Stanley Global Brands Fund	Income	7	0.5	0.5
American Funds American Balanced Fund	Income	52	0.4	0.0
Morgan Stanley Global Brands Equity Income	Other	6	0.4	0.4
Newton Global Income Fund	Other	7	0.4	0.1
American Funds Investment Company of America	Value	68	0.4	
JPMorgan Large Cap Growth Fund	Growth	14	0.4	
Franklin Mutual Series - Franklin Mutual Global Discovery	GARP	19	0.3	0.3
Arrowstreet Capital, Limited Partnership	Hedge Fund	32	0.3	0.1
Vanguard Selected Value Fund	GARP	8	0.3	
CF Woodford Equity Income Fund	Other	10	0.3	0.6
Fidelity Puritan Fund	Value	16	0.3	
Newton Real Return	Specialty	10	0.2	0.1
Franklin Mutual Series - Franklin Mutual Shares Fund	Value	12	0.2	0.3
Fidelity Select Consumer Staples Portfolio	Sector Specific	3	0.2	
CREF Stock Account	Growth	109	0.2	0.3
Fidelity Series International Growth Fund	Growth	13	0.2	
St. James's Place UK High Income Unit Trust	Specialty	3	0.2	0.2
BlackRock Equity Dividend Fund	Income	22	0.2	
Fidelity Blue Chip Growth Fund	Growth	19	0.2	
Pioneer Fundamental Growth Fund	Growth	4	0.2	
Top 25 Active Royals Holders			**10.5 %**	
Overlap in Top 25 Active Royals Holders			**7.3**	**5.1**
Total Overlap			**10.5**	**8.1**

Braves Top 25 Active Fund Level Investors

Fund	Style	AUM ($bn)	Most Recent %OS Braves	Most Recent %OS Royals
American Funds EuroPacific Growth Fund	Growth	$ 112	1.7 %	
American Funds Capital Income Builder	Income	80	1.0	1.2
American Funds New Perspective Fund	Growth	55	0.7	
CF Woodford Equity Income Fund	Other	10	0.6	0.3
American Funds Income Fund of America	Income	67	0.6	1.5
Allan Gray Balanced Fund	Value	5	0.5	
M&G Global Dividend Fund	Value	8	0.5	
Morgan Stanley Global Brands Fund	Income	7	0.5	0.5
Morgan Stanley Global Brands Equity Income	Other	6	0.4	0.4
Virtus Emerging Markets Opportunities Fund	International	7	0.4	
MFS International Value Fund	Value	25	0.4	
American Funds Capital World Growth & Income Fund	Income	73	0.4	0.6
American Funds Fundamental Investors Fund, Inc.	Value	70	0.3	1.0
Franklin Mutual Series - Franklin Mutual Global Discovery	GARP	19	0.3	0.3
Fidelity Funds Sicav European Growth Fund	Growth	8	0.3	
DWS Top Dividende	Income	15	0.3	
Vanguard Wellesley Income Fund	Income	17	0.3	
Vontobel Fund - Emerging Markets Equity	International	4	0.3	
Franklin Mutual Series - Franklin Mutual Shares Fund	Value	12	0.3	0.2
CREF Stock Account	Growth	109	0.3	0.2
First Eagle Global Fund	Value	37	0.3	
Allianz European Equity Dividend	Value	5	0.2	
Allianz Europe Equity Growth	Other	8	0.2	
American Funds International Growth and Income Fund	Income	9	0.2	
Artisan International Fund	GARP	15	0.2	
Top 25 Active Braves Holders			**11.2 %**	
Overlap in Top 25 Active Braves Holders			**4.6**	**6.2**
Total Overlap			**8.1**	**10.5**

Source: Thomson; latest shareholder data reflects most recent 13F filings as of Q2 '16 and subsequent 13D / 13G filings
Note: Highlighted funds represent investors which hold both Royals and Braves.

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Appendix C: Other Supplemental Materials

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Royals Research Analyst Views

Reflects Price Targets Set Before Announcement of Braves Offer ($ per share)



Broker	Date of Last Research	Price Target	Recomendation	Valuation Methodology
Jefferies	21-Sep-16	$ 61.00	Buy	10 Yr. DCF Valuation (No assumptions listed)
Citi	24-Oct-16	$ 57.00	Buy	Based on a ~20.5x 2017E P/E
Cowen	23-Oct-16	$ 57.00	Buy	Based on a ~22.0x 2017E P/E
Wells Fargo	21-Oct-16	$ 55.00	Buy	Based on a ~21.5x 2017E P/E
RBC	21-Oct-16	$ 54.00	Buy	DCF Valuation: WACC: 6.8%, Terminal Growth Rate: 1.5%
Goldman Sachs[1]	20-Oct-16	$ 53.00	Hold	Based on a ~19.5x forward 12-24 month P/E and a ~12.4x forward 12-24 month EV/EBITDA
Barclays	21-Oct-16	$ 52.00	Buy	Based on a ~20.8x 2017E P/E
UBS	19-Oct-16	$ 52.00	Hold	DCF Valuation: WACC: 7.1%, Terminal Growth Rate: 0.0%
Morgan Stanley	21-Oct-16	$ 52.00	Hold	Based on a ~13.0x 2017E EBITDA and ~20.0x P/E
Median		**$ 54.00**		

Source: Wall Street research, IBES based only on reports available to GS
[1] Goldman Sachs suspended their coverage on 21-Oct-2016.

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Precedent Tobacco Transactions
(2005 – 2015)

Date Announced	Acquirer	Target	Deal Size[1] ($bn)	Deal Size[1] (Local Curency bn)	Premium[2] Undisturbed	Premium[2] 52-Week High	Acquirer Cost of Financing[3]	Cash / Stock Mix	Reported EV / LTM EBITDA[4]
Jun-2015	BAT	TDR	$ 0.6	€ 0.6	NA	NA	1.0 %	100% Cash	12.5 x
Mar-2015	BAT	Souza Cruz	9.7	BRZ 39,932	15 %	9 %	3.0 %	100% Cash	15.1
Jul-2014	Reynolds American	Lorillard	27.6	$ 28	40 %	29 %	4.4 %	74% Cash / 26% Stock	12.8
May-2012	JTI	Gryson	0.6	€ 0.5	NA	NA	1.5 %	100% Cash	12.3
May-2011	BAT	Protabaco	0.5	$ 0.5	NA	NA	NA	100% Cash	11.3
Jun-2009	BAT	PT Bentoel Internasional	0.7	IDR 7,455	20 %	12 %	6.0 %	100% Cash	14.0
Sep-2008	Altria	UST	11.7	$ 12	29 %	16 %	9.3 %	100% Cash	12.0
Feb-2008	BAT	Skadinavisk Tobakskompagni	4.0	DKK 20,311	NA	NA	6.0 %	56% Cash / 44% Stock	11.2
Feb-2008	BAT	Tekel	1.7	$ 2	NA	NA	6.0 %	100% Cash	11.4
Oct-2007	Altria	John Middleton	2.9	$ 3	NA	NA	NA	100% Cash	15.9
Jul-2007	Imperial Tobacco	Altadis	22.4	€ 16	29 %	19 %	7.5 %	100% Cash	14.2
Feb-2007	Imperial Tobacco	Commonwealth Brands	1.9	$ 2	NA	NA	6.5 %	100% Cash	10.9
Dec-2006	Japan Tobacco	Gallaher	18.5	£ 9	22 %	16 %	4.0 %	100% Cash	12.2
Apr-2006	Reynolds American	Conwood	3.5	$ 4	NA	NA	7.2 %	100% Cash	13.6
Proposed Transaction			**$ 92.0**		**20 %**	**4 %**	**6.0 %**	**43% Cash / 57 % Stock**	**15.7 x [4]**
		High[5]	**$ 22.4**		**29 %**	**19 %**	**9 %**		**15.1 x**
		Low[5]	**0.5**		**15**	**9**	**1**		**10.9**
		Median[5]	**2.9**		**22**	**16**	**6**		**13.0**
		Mean[5]	**6.1**		**23**	**14**	**5**		**15.9**

Source: Press releases, company filings, Cap IQ
Note: Multiples for the Altria / John Middleton and Reynolds American / Conwood are based off EBIT.
[1] *Values sourced from CapIQ.*
[2] *Undisturbed dates and premiums sourced from Factset.*
[3] *Represents estimated cost of debt to finance the transaction, sourced from mix of Company filings, press releases and Bloomberg.*
[4] *Pro forma for LO run rate cost synergies.*
[5] *Does not include Reynolds American acquisition of Lorillard and EV multiples for Altria / John Middleton and Reynolds American / Conwood because they are based off EBIT.*

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Goldman Sachs

Common Stock Comparison

US and International Tobacco Peers

($ in millions)

Company	Closing Price 20-Oct-2016	% of 52 Week High	Adjusted Equity Market Cap (1)	Adjusted Enterprise Value (1)	Enterprise Value Multiples (2) EBITDA 2016	EBITDA 2017	EBITDA 2018	Calendarized P/E Multiples (2) 2016	P/E 2017	P/E 2018	5-Year EPS CAGR (2)	2017 PE/5-Year EPS CAGR	Dividend Yield
Royals IBES Estimates	$ 47.17	87 %	$ 67,486	$ 78,706	13.2 x	12.3 x	11.6 x	20.5 x	18.5 x	17.1 x	11.4 %	1.6 %	3.9 %
Royals Management Projections	$ 47.17	87	67,486	78,706	13.1	12.5	11.4	20.4	18.6	16.9	11.4	1.6	3.9
Braves (3)	£ 48.03	94 %	$ 68,385	$ 90,962	12.8 x	11.4 x	10.8 x	19.5 x	17.3 x	16.0 x	12.0 %	1.4 %	3.2 %
Selelcted Comparable Companies													
Philip Morris (4)	$ 95.57	92 %	$ 150,004	$ 177,032	15.1 x	13.8 x	12.7 x	21.0 x	19.3 x	17.4 x	7.7 %	2.5 %	4.4 %
Altria (5)	61.85	88	92,985	102,148	10.9	10.3	9.9	20.4	18.4	17.0	8.4	2.2	3.9
Japan Tobacco (6)	¥ 3,931.00	81	72,969	78,193	11.1	11.0	10.6	16.9	16.7	15.2	(0.7)	NM	3.3
Imperial Brands	£ 38.62	93	44,885	62,195	13.3	12.2	11.8	15.2	13.6	12.9	10.9	1.2	3.8
ITC Limited (7)	INR 239.35	90	43,390	41,406	17.4	15.7	14.0	27.2	24.1	21.7	18.5	1.3	3.6
Mean		89 %	$ 80,847	$ 92,195	13.6 x	12.6 x	11.8 x	20.1 x	18.4 x	16.8 x	9.0 %	1.8 %	3.8 %
Median		90	72,969	78,193	13.3	12.2	11.8	20.4	18.4	17.0	8.4	1.7	3.8

(1) Source: Latest publicly available financial statements. Equity Market Cap based on diluted shares outstanding.
(2) Sources: LTM numbers are based on latest publicly available financial statements. Projected revenues, EBITDA, EBIT, and EPS are based on IBES median estimates and/or other Wall Street research. All research estimates have been calendarized to December year end.
(3) EV adjusted for for equity investments of 42% in Royals and 30% in ITC Ltd.
(4) Pro Forma adjusted for equity investments of 20% in Megapolis Distribution BV and 49% in EITA
(5) Enterprise Value adjusted for 10.2% ownership in ABI+SAB and $3.0bn post-tax cash dollars received from the acquisition after additional share repurchases.
(6) Adjusted for market value of investments in associates and minorities.
(7) Adjusted for 45.8% stake in Gujarat Hotels and 49.0% stake in International Travel House.

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