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Project Baseball Discussion Materials

Goldman, Sachs & Co.

January 16, 2017

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I. Review of Braves Proposal and Market Context



Comparison of Braves Initial vs. Current Offer

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	Braves 20-Oct Offer	Braves 10-Jan Offer
Cash Offer Per Share	\$ 24.13	\$ 29.44
<i>Ordinary Share Exchange Ratio</i>	0.5502 x	0.5260 x
ADS Exchange Ratio	0.2751 x	0.2630 x
Implied Value of Stock Offer Per Share as of 13-Jan-17¹	\$ 31.71	\$ 30.30
Implied Transaction Share Price as of 13-Jan-17¹	\$ 55.84	\$ 59.74
Change in Cash Value Per Share vs. Initial		\$ 5.31
Change in Stock Value Per Share vs. Initial		\$(1.41)
Increase vs. Initial		\$ 3.90
<i>% Change vs. Initial</i>		7.0 %
Implied Transaction Share Price as of 20-Oct-16²	\$ 56.50	\$ 60.39
<i>% Change vs. Initial</i>		6.9 %

Note: Braves announced on 13-Jan-17 that it would adjust the ADS to a 1-1 ratio (from 2 BAT shares to 1 ADS currently) effective 06-Feb and the Merger Agreement currently provides for an automatic adjustment (i.e. post 06-Feb the ADS exchange ratio in the contract will be the same as the common shares).

¹ 20-Oct Offer based on Braves closing price of £47.30 and USD / GBP exchange rate of 1.2186x as of 13-Jan-17 per Bloomberg. 10-Jan Offer based on ADS value of \$115.21 as of 13-Jan-17 per Bloomberg. Implied value of offer based on UK market close as of 13-Jan-17 was \$59.76 (based on Braves ordinary share price of £47.30 and USD / GBP exchange rate of 1.2186x).

² 20-Oct Offer represents implied value on 20-Oct-16 based on Braves ordinary share price of £48.03 and USD / GBP of 1.2250x per Braves offer letter dated 20-Oct-16. 10-Jan Offer represents implied value on 20-Oct-16 based on Braves ADS equivalent intraday trading value of \$117.69 as of time offer as of 20-Oct-16 per Bloomberg.



Overview of Braves Offer

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(\$ in millions, except per share data)

	Standalone				20-Oct Offer Implied By		10-Jan Offer Implied By		
	Royals		Braves		20-Oct-16	13-Jan-17	20-Oct-16	13-Jan-17	
<i>USD / GBP</i>					1.2250 x	1.2186 x	1.2250 x	1.2186 x	0.5% decrease in GBP
Braves Reference Price (Ordinary Shares as of 20-Oct Offer / ADS as of 10-Jan Offer) ¹					\$ 58.84	\$ 57.63	\$ 117.69	\$ 115.21	1.5% decrease in Braves share price in GBP
Ordinary Share Exchange Ratio ²					0.5502 x	0.5502 x	0.5260 x	0.5260 x	2.1% decrease in Braves ADS price
ADS Exchange Ratio ³							0.2630 x	0.2630 x	
Implied Value of Stock Offer Per Share					\$ 32.37	\$ 31.71	\$ 30.95	\$ 30.30	6.4% stock value decrease
Cash Offer Per Share					\$ 24.13	\$ 24.13	\$ 29.44	\$ 29.44	22.0% cash offer increase
Implied Transaction Share Price ⁴					\$ 47.17	\$ 55.97	\$ 60.39	\$ 59.74	6.9% increase as of undisturbed date
Premium To Pre-Offer Price (20-Oct-2016)					19.8 %	18.4 %	28.0 %	26.6 %	7.0% increase as of latest offer date
Illustrative Equity Value ⁵	\$ 67,493	\$ 80,205	£ 56,087	£ 49,944	\$ 80,846	\$ 80,019	\$ 86,412	\$ 85,608	
Enterprise Value ⁵	\$ 78,713	\$ 91,104	£ 74,517	£ 66,292	\$ 92,066	\$ 90,918	\$ 97,632	\$ 96,507	
Enterprise Value / 9-30-16 LTM EBITDA	13.8 x	15.9 x	14.1 x	12.6 x	16.1 x	15.9 x	17.1 x	16.9 x	
Enterprise Value / 2016E EBITDA	13.2	15.3	12.8	11.3	15.4	15.3	16.4	16.2	
Enterprise Value / 2017E EBITDA	12.3	14.2	11.4	10.1	14.3	14.2	15.2	15.0	
2016E P / E	20.5 x	24.3 x	19.5 x	19.2 x	24.6 x	24.3 x	26.3 x	26.0 x	
2017E P / E	18.5	21.9	17.3	16.8	22.2	21.9	23.7	23.4	
Royals Shareholders Ownership					19.6 %	19.6 %	18.9 %	18.9 %	
Braves Shareholders Ownership					80.4 %	80.4 %	81.1 %	81.1 %	

Source: Bloomberg, IBES, Royals Management team projections as first provided to GS on 29-Oct-2016 and approved for its use ("Royals Management Plan") and other information provided by Royals Management

Note: Estimate Multiples based on IBES estimates as of respective pricing date.

¹ "20-Oct Offer" reference price represents Braves closing price multiplied by USD / GBP exchange rate as of respective pricing date as Braves proposal dated 20-Oct-2016 specifies ordinary shares as the equity consideration. "10-Jan Offer" reference price represents Braves ADS as of respective pricing date as the draft Merger Agreement, (the "Merger Agreement") specifies ADSs as the equity consideration.

² Represents exchange ratio based on Braves ordinary shares.

³ Represents exchange ratio based on Braves ADSs. Braves announced on 13-Jan-17 that it would adjust the ADS to a 1-1 ratio (from 2 BAT shares to 1 ADS currently) effective 06-Feb and the Merger Agreement currently provides for an automatic adjustment (i.e. post 06-Feb the ADS exchange ratio in the contract will be the same as the common shares)

⁴ Braves and Royals standalone represents closing price as of 20-Oct-2016 and 13-Jan-2017, respectively.

⁵ Royals share count as of 20-Oct-2016 represents the 30-Sep-2016 share count per Royals Management, and the share count as of 13-Jan-2017 is as per the Merger Agreement. Braves share counts as of 20-Oct-2016 and 13-Jan-2017 are as per Braves' investor relations website (basic shares outstanding) and as per Braves' annual report (options dilution). Braves quotes enterprise value of \$93bn in proposal dated 20-Oct-2016. Braves EV adjusted for ~42% equity stake in Royals and 30% equity stake in ITC Ltd.

Offer Value Sensitivity Based on Braves Share Price and FX Rates

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\$29.44 Cash / Share | 0.5260x Ordinary Share Exchange Ratio / 0.2630x ADS Exchange Ratio

		Implied Braves ADS Value ¹					Implied Offer Value / Share ²			
		USD / GBP (Δ%)					USD / GBP (Δ%)			
		(5.0)%	-	5.0 %			(5.0)%	-	5.0 %	
		1.1577 x	1.2186 x	1.2795 x			1.1577 x	1.2186 x	1.2795 x	
Braves Share Price (Δ%)	(10)%	£ 42.54	\$ 98.50	\$ 103.69	\$ 108.87	(10)%	£ 42.54	\$ 55.35	\$ 56.71	\$ 58.07
	-	£ 47.27	\$ 109.45	\$ 115.21	\$ 120.97	-	£ 47.27	\$ 58.22	\$ 59.74	\$ 61.25
	10 %	£ 52.00	\$ 120.39	\$ 126.73	\$ 133.06	10 %	£ 52.00	\$ 61.10	\$ 62.77	\$ 64.44
		Implied P / 2017 E EPS ³					Implied EV / 2017 E EBITDA ³			
		USD / GBP (Δ%)					USD / GBP (Δ%)			
		(5.0)%	-	5.0 %			(5.0)%	-	5.0 %	
		1.1577 x	1.2186 x	1.2795 x			1.1577 x	1.2186 x	1.2795 x	
Braves Share Price (Δ%)	(10)%	£ 42.54	21.7 x	22.2 x	22.8 x	(10)%	£ 42.54	14.0 x	14.4 x	14.7 x
	-	£ 47.27	22.8 x	23.4 x	24.0 x	-	£ 47.27	14.7 x	15.0 x	15.4 x
	10 %	£ 52.00	24.0 x	24.6 x	25.3 x	10 %	£ 52.00	15.3 x	15.7 x	16.1 x

Source: Public filings, Royals Management Plan

Note: £47.27 represents implied Braves ordinary share price based on Braves ADS closing price of \$115.21 and USD / GBP of 1.2186x as of 13-Jan-17.

¹ Assumes Braves ADS is equal to Braves Share Price * USD / GBP Exchange Ratio * 2.

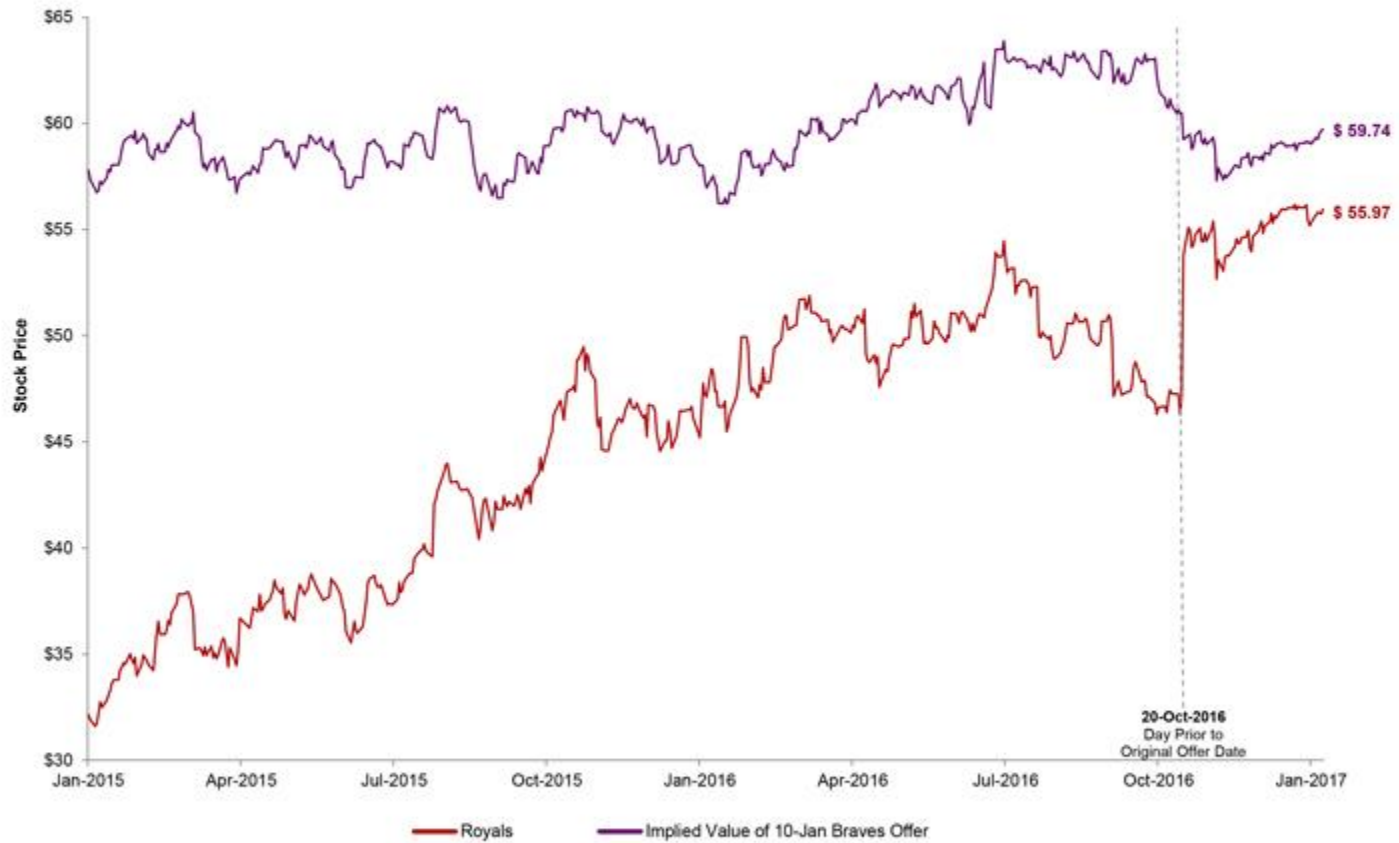
² Calculated as the Braves ADS value * ADS exchange ratio of 0.2630 plus the cash value per share of the offer of \$29.44.

³ Assumes 1,432.6mm diluted shares outstanding per Merger Agreement and net debt of \$10,899 (including \$12,950mm debt and \$2,051mm cash) # per Royals Management Plan.



Implied Value of Braves 10-Jan Offer Over Time

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Source: Bloomberg as of 13-Jan-2017

Note: 10-Jan offer assumes \$29.44 cash per share and 0.2630x ADS exchange ratio based on Braves ADS share price of \$115.21 per Bloomberg.

Certain Considerations for Outside Buyers






(\$ in billions)

■ Braves has said it is not a seller of Royals stake

"In considering this Proposal, you should know that, in Braves' capacity as a shareholder of Royals, Braves is interested only in acquiring the shares of Royals not already owned by Braves and that in such capacity **Braves has no interest in selling any of the Royals shares it owns, nor would Braves support any alternative sale, merger or similar transaction involving Royals.**"

-From Braves offer letter

■ There is a limited universe of potential buyers, none of whom have expressed interest since 21-Oct-2016 (date the offer became public)

	EV	Market Cap	2017 EV / EBITDA	2017 P / E	Leverage	PF Leverage ¹	Dividend Yield
	\$300bn	\$182bn	14.1 x	20.2 x	5.2 x	5.8 x	~3.5%
	\$167bn	\$142bn	13.4 x	19.0 x	2.7 x	4.8 x	4.6%
	\$60bn	\$42bn	11.8 x	12.8 x	3.9 x	6.5 x	4.3%
	\$65bn	\$60bn	10.2 x	16.6 x	0.8 x	4.5 x	3.3%
	NA	NA	NA	NA	NA	NA	NA

■ Sale of non-Braves stake would require approval by Royals Board and majority of total shareholders

- Third party may seek to consummate a merger with Royals without Braves approval
- However, if Braves is not supportive, a merger requires approximately 88% approval from all other shareholders
- If 100% of non-retail, non-Braves shareholders vote in favor, a merger requires approval from retail shareholders holding approximately 50% of outstanding shares
- However, according to Broadridge, historically when there is a shareholder vote, only ~30% of shareholders participate, thus making the majority approval threshold difficult to achieve

■ Governance Agreement prevents Royals from issuing significant amounts of equity without Braves approval

- As long as Braves owns at least 32% of the voting power in Royals, Royals cannot without the approval of a majority of Braves' designees to the Board, issue securities in excess of 5% of Royals outstanding common stock²

■ Governance Agreement terminates if any third party owns or controls more than 50% of the voting stock

- Absent the Governance Agreement, Braves does not have the right to designate any Royals directors

Source: Bloomberg, Broadridge, CapIQ, company filings, Royals Management (for Governance Agreement and shareholder approval information), Wall Street Research, Market data as of 13-Jan-2017

Note: 14% of Royals shares are held by retail investors as per Broadridge.

¹ Assumes current offer of \$29.44 cash per share for 100% Royals shares outstanding financed through debt (share count based on Merger Agreement). Includes \$6,003mm of Royals 2016 EBITDA and \$500mm of synergies per Royals Management.

² Exceptions include issuances involving (i) any public offering for cash or (ii) any bona fide private financing, if such financing involves a sale of common stock, for cash, at a price at least as great as the book and market value of Royals common stock.

Summary of Royals Management Plan

(\$ in millions, except per share data)

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Income Statement	Per Royals Management							'16E - '21E
	2015A	2016E	2017E	2018E	2019E	2020E	2021E	
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 %	
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)%	
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	\$ 1.98	\$ 2.31	\$ 2.53	\$ 2.78	\$ 2.99	\$ 3.33	\$ 3.67	9.7 %
DPS	1.25	1.65	1.99	2.16	2.36	2.58	2.83	
Cash Flow								
D&A	\$ 122	\$ 123	\$ 132	\$ 141	\$ 139	\$ 146	\$ 148	
NWC, Pension & Other	(5,237)	(65)	43	(191)	(70)	(40)	3	
CAPEX	(174)	(229)	(255)	(189)	(150)	(150)	(150)	
% of Sales	1.6 %	1.8 %	2.0 %	1.4 %	1.0 %	1.0 %	0.9 %	
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)	
Borrowing / (Repayment)	8,525	(4,150)	(500)	1,350	350	(1,121)	-	
Balance Sheet								
Cash	\$ 2,567	\$ 1,204	\$ 600	\$ 1,733	\$ 1,882	\$ 747	\$ 1,111	
Debt	17,447	13,166	12,586	13,868	14,172	13,040	13,056	

Source: Royals Management Plan



Comparison of Royals Management Plan vs. Wall Street Research Estimates

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(\$ in millions, except per share data)

	Management			'16-'18 CAGR	IBES			'16-'18 CAGR	Variance			'16-'18 CAGR
	2016	2017	2018		2016	2017	2018		2016	2017	2018	
Net Sales	\$ 12,529	\$ 13,009	\$ 13,621	4.3 %	\$ 12,453	\$ 13,010	\$ 13,414	3.8 %	\$ 76	\$(1)	\$ 207	0.5 %
% Growth	17.4 %	3.8 %	4.7 %		16.7 %	4.5 %	3.1 %		0.7 %	(0.6)%	1.6 %	
EBITDA	\$ 6,003	\$ 6,313	\$ 6,877	7.0 %	\$ 5,951	\$ 6,420	\$ 6,784	6.8 %	\$ 53	\$(107)	\$ 93	0.3 %
% Margin	47.9 %	48.5 %	50.5 %		47.8 %	49.3 %	50.6 %		0.1 %	(0.8)%	(0.1)%	
Net Income	\$ 3,297	\$ 3,576	\$ 3,903	8.8 %	\$ 3,286	\$ 3,611	\$ 3,861	8.4 %	\$ 11	\$(35)	\$ 42	0.4 %
% Growth	31.4 %	8.5 %	9.1 %		31.0 %	9.9 %	6.9 %		0.5 %	(1.4)%	2.2 %	
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	\$ 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 Plan, IBES as of 13-Jan-2017

¹ Royals Management has historically announced a dividend increase in February of each year which is first payable in April. Royals Management views this as the Q2 dividend while Wall Street Research normally views this as the Q1 dividend and therefore Wall Street Research is normally one quarter ahead of Royals Management which accounts for the variance, all as per Royals Management.

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II. Illustrative Financial Analyses of Royals



Illustrative Summary of Financial Analyses

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Based on Current Offer of \$29.44 Cash / Share, and 0.5260x Ordinary Share / 0.2630x ADS Exchange Ratio

Analyses	Illustrative Price per Share	Comments	As of 08-Nov-16
A Present Value of Future Share Price ¹	\$ 54.72  Implied Latest Offer Value: \$59.74 (As of 13-Jan-17) ² \$ 65.24	<ul style="list-style-type: none"> 16.5x – 20.2x P / E (Average NTM P/E for 5 year - 2016 YTD as of 20-Oct-2016) 6.5% Cost of Equity (vs. 5.9% as of 08-Nov-16) 	\$55.98 - \$66.57
B Discounted Cash Flow	\$ 45.16  \$ 72.17	<ul style="list-style-type: none"> (0.5)% to 0.5% perpetuity growth rate 5.0% to 6.5% weighted average cost of capital (vs. 5.0% to 6.0% as of 08-Nov-16) Implied terminal LTM EBITDA multiple of 8.6x – 13.5x (vs. 9.3x to 13.5x as of 08-Nov-16) 	\$48.86 - \$71.67
C Selected Transactions	\$ 38.12  \$ 59.51	<ul style="list-style-type: none"> High: EV/LTM EBITDA 16.0x Low: EV/LTM EBITDA 10.9x 31-Dec-16 E EBITDA of \$6,003mm (vs. 30-Sep-16 EBITDA of \$5,993mm) 	\$37.82 - \$59.18
D Precedent Premia	\$ 54.25  \$ 61.32	<ul style="list-style-type: none"> Based on range of 15 to 30% which reflects range of premiums on Selected Precedent Tobacco Transactions of 15 to 29%, the median of premium on U.S. deals over \$250mm of 26.0%, and the average of premiums on sales of U.S. targets (>\$1bn) to significant shareholders of 30% 	\$54.25 - \$61.32
Public Information			
52 Week Trading Range	\$ 43.38  \$ 54.48	<ul style="list-style-type: none"> High: 05-Jul-2016 Low: 19-Oct-2016 	\$43.38 - \$54.48
E Research Analyst Estimates	\$ 52.00  \$ 62.00	<ul style="list-style-type: none"> High: \$62.00 Low: \$52.00 10 Research Analysts 	\$52.00 - \$62.00

Source: Bloomberg, IBES, public filings, Royals Management Plan

Note: Valuation as of 31-Dec-2016. Proposed Braves offer would not be received until transaction close. 08-Nov-2016 represents date of presentation to Transaction Committee

¹Including dividends.

²Based on ADS value of \$115.21, ADS Exchange ratio of 0.2630 and cash value per share of \$29.44.



A Illustrative Public Market Present Value of Future Share Price Analysis

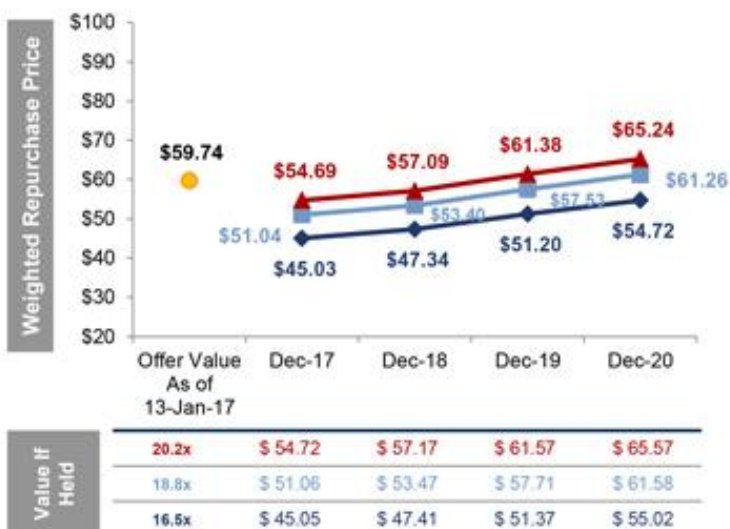
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Based on 1 Year Forward P/E Multiples | Royals Management Plan

Future Value of Stock Price



Present Value of Future Stock Price + Dividends at 6.5 % Cost of Equity



	Dec-2017	Dec-2018	Dec-2019	Dec-2020	'17 - '20 CAGR
NTM EPS	\$ 2.78	\$ 2.99	\$ 3.33	\$ 3.67	9.6 %
LTM Dividends Paid Per Share	\$ 1.99	\$ 2.16	\$ 2.36	\$ 2.58	9.0 %
Debt (\$mm)	\$ 12,586	\$ 13,868	\$ 14,172	\$ 13,040	1.2 %
Cash (\$mm)	\$ 600	\$ 1,733	\$ 1,882	\$ 747	7.6 %
Share Repurchase (\$mm)	\$(1,317)	\$(852)	\$(1,000)	\$(1,000)	-
% of Shares Repurchased	1.4 %	0.6 %	0.9 %	0.8 %	-

Source: Royals Management Plan

Note: Analysis reflects valuation as of 31-Dec-2016 and includes dividends. Proposed Braves offer not received until date of transaction close. See Royals WACC page in appendix for detailed calculation of 6.5% cost of equity. Weighted repurchase price represents the present value assuming pro rata participation in share repurchases during the period. Value if held assumes no participation in share repurchases and represents value at end of period.

¹ Reflects average and current multiples as of 20-Oct-2016.

B Illustrative Discounted Cash Flow Analysis

Implied Equity Value Per Share of Royals
(\$ in millions, except per share data)

Equity Value per Share – Valuation Sensitivities				Equity Value per Share – Operational Sensitivities (5.75% WACC, 0.0% PGR)					
		Perpetuity Growth Rate					'16-'21 Revenue CAGR		
		(0.5)%	0.0 %	0.5 %			3.9 %	4.9 %	5.9 %
WACC	5.00%	\$ 59.67	\$ 65.30	\$ 72.17	2021 EBITDA Margin	53.7%	\$ 51.75	\$ 54.51	\$ 57.38
	5.75%	\$ 51.54	\$ 55.74	\$ 60.74		54.7%	\$ 52.93	\$ 55.74	\$ 58.66
	6.50%	\$ 45.16	\$ 48.40	\$ 52.17		55.7%	\$ 54.11	\$ 56.97	\$ 59.94

% of EV from Terminal Value				Implied Terminal LTM EBITDA Multiple					
		Perpetuity Growth Rate					Perpetuity Growth Rate		
		(0.5)%	0.0 %	0.5 %			(0.5)%	0.0 %	0.5 %
WACC	5.00%	79.2 %	80.8 %	82.5 %	WACC	5.00%	10.9 x	12.1 x	13.5 x
	5.75%	76.8 %	78.3 %	79.9 %		5.75%	9.6 x	10.5 x	11.6 x
	6.50%	74.5 %	75.9 %	77.5 %		6.50%	8.6 x	9.3 x	10.1 x

Source: Public filings, Royals Management Plan

Note: Analysis reflects valuation as of 31-Dec-2016. Proposed Braves offer not received until date of transaction close. Free cash flow discounted to 31-Dec-2016 using mid-year convention for cash flows. Terminal value calculated as of 2021 as per Royals Management. Net debt of \$10,899mm, comprised of \$2,051mm cash and \$12,950mm debt in calculation of equity value as of 31-Dec-2016, all per Royals Management Plan. Assumes 1,433mm shares outstanding (Includes 7.073 mm dilutive securities) per Merger Agreement.



C Selected Precedent Tobacco Transactions (2005 – 2015)

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Date Announced	Acquirer	Target	Deal Size ¹ (\$bn)	Premium ²		Cash / Stock Mix	Acquirer Cost of Financing	Reported EV / LTM EBITDA ¹	Premium to Tobacco Sector Median ³	Synergized EV / LTM EBITDA
				Undisturbed	52-Week High					
Jun-2015	BAT	TDR	\$ 0.6	NA	NA	100% Cash	1.0 %	12.5 x	0.9 x / 8 %	12.2 x
Mar-2015	BAT	Souza Cruz	14.2	15 %	11 %	100% Cash	3.0 %	16.0	3.9 x / 32 %	16.0
Jul-2014	Reynolds American	Lorillard	27.6	40 %	29 %	74% Cash / 26% Stock	4.4 %	13.9	3.2 x / 30 %	9.9
May-2012	JTI	Glyson	0.6	NA	NA	100% Cash	1.5 %	12.3	3.2 x / 35 %	12.3
May-2011	BAT	Protobaco	0.5	NA	NA	100% Cash	NA	11.3	2.8 x / 32 %	11.3
Jun-2009	BAT	PT Bentoel Internasional	0.7	20 %	12 %	100% Cash	6.0 %	14.0	6.9 x / 96 %	14.0
Sep-2008	Altria	UST	11.7	29 %	16 %	100% Cash	9.3 %	12.0	2.2 x / 23 %	9.6
Feb-2008	BAT	Skadinavisk Tobakskompagni	4.0	NA	NA	56% Cash / 44% Stock	6.0 %	11.2	0.6 x / 6 %	8.4
Feb-2008	BAT	Tekel	1.7	NA	NA	100% Cash	6.0 %	11.4	1.0 x / 10 %	8.2
Nov-2017	Philip Morris	John Middleton	2.9	NA	NA	100% Cash	NA	15.0	5.3 x / 54 %	14.3
Jul-2007	Imperial Tobacco	Altadis	22.4	29 %	19 %	100% Cash	7.5 %	14.2	5.2 x / 58 %	11.2
Feb-2007	Imperial Tobacco	Commonwealth Brands	1.9	NA	NA	100% Cash	6.5 %	10.9	1.1 x / 11 %	10.9
Dec-2006	Japan Tobacco	Gallaher	18.5	22 %	16 %	100% Cash	4.0 %	13.0	3.8 x / 42 %	10.1
Apr-2006	Reynolds American	Conwood	3.5	NA	NA	100% Cash	7.2 %	13.6	4.2 x / 45 %	12.6
Proposed Transaction			\$ 97.6⁷	28 %⁷	11 %⁷	50% Cash / 50 % Stock	3.7 %⁴	17.1 x	4.5 x / 36 %	16.0 x^{5,7}
	Median⁵		\$ 2.9	22 %	16 %		6 %	12.5 x	3.2 x / 32 %	11.3 x
	Mean⁶		6.4	23	15		5	12.9	3.2 x / 35 %	11.6
	High⁶		22.4	29	19		9	16.0	6.9 x / 96 %	16.0
	Low⁶		0.5	15	11		1	10.9	0.6 x / 6 %	8.2

Source: Press releases, company filings, CapiQ

Note: Philip Morris / John Middleton multiple assumes D&A is 6% of EBIT.

¹ Values sourced from CapiQ and their corresponding company filings, press releases.

² Undisturbed dates and premiums sourced from Factset.

³ Tobacco sector includes Royals, Braves, Philip Morris, Altria, Japan Tobacco, Imperial Brands and ITC Limited.

⁴ As per Braves Management, reflects mix of USD and GBP borrowing.

⁵ Reflects run-rate synergies of \$400mm per Braves offer letter. Implied 15.7 x LTM EBITDA multiple with \$500mm in run-rate synergies per Royals management.

⁶ Medians do not include Reynolds American acquisition of Lorillard as transaction involved significant geographic overlap and was not deemed to be comparable to the contemplated transaction.

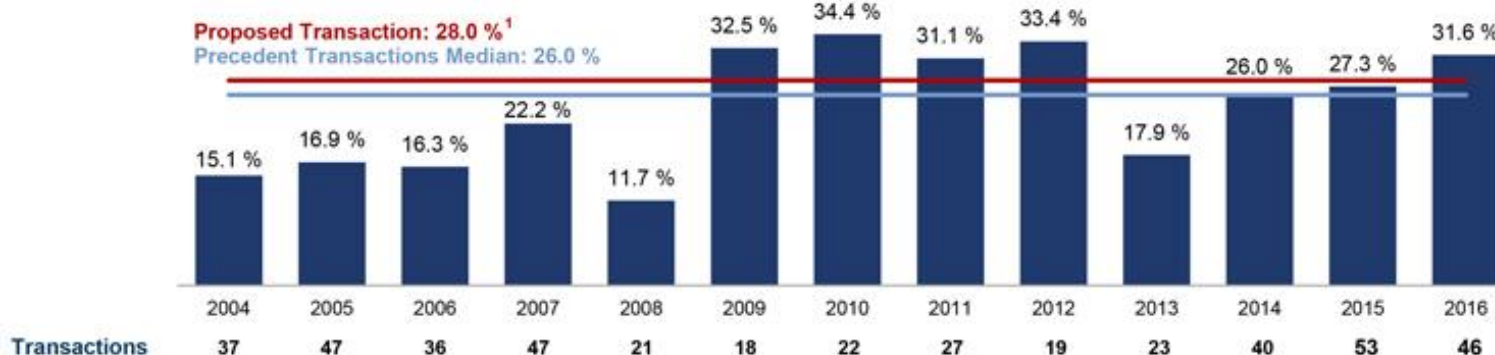
⁷ Reflects premium and enterprise value based upon Braves 10-Jan-2017 offer. Assumes Royals undisturbed share price of \$47.17 and implied ADS value based on Braves ordinary share price of £48.03 and USD / GBP of 1.2250x per Braves offer letter dated 20-Oct-16.



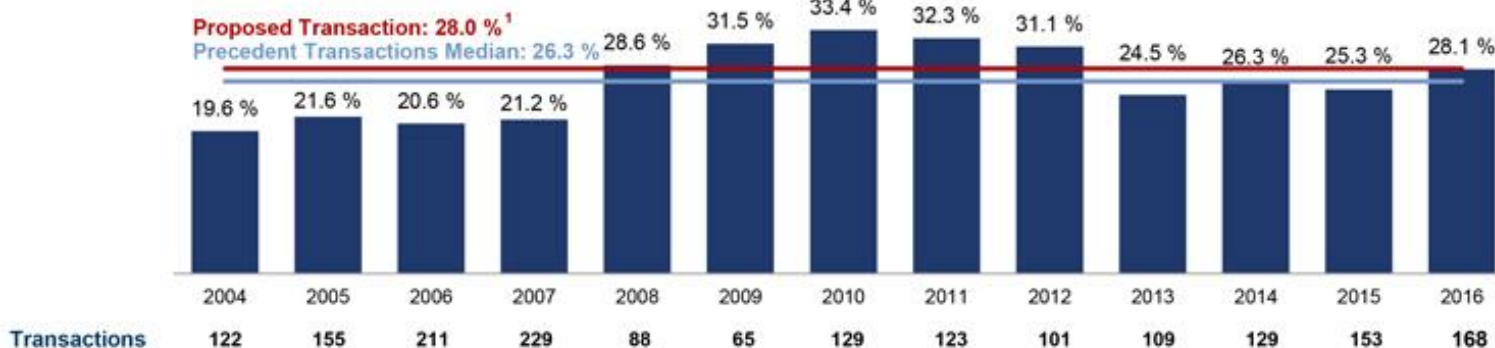
D Premiums Paid Over Time
US Deals Over \$250mm in Enterprise Value

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Median 1 Day Premia on Cash / Stock Transactions



Median 1 Day Premia on All Transactions



Source: Thomson Reuters as of 31-Dec-2016

¹ Reflects premium based upon Braves 10-Jan-2017 offer as of 20-Oct-2016. Assumes Royals undisturbed share price of \$47.17 and ADS value based on Braves ADS equivalent intraday trading value of \$117.69 as of time offer as of 20-Oct-16 per Bloomberg.

D Precedent Premiums Paid AnalysisINVESTMENT BANKING
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Date Announced	Target Name	Acquiror Name	% Held at Announcement	Size (\$mm)	Premium
Jun-16	Talen Energy	Riverstone Holdings	35.0 %	\$ 4,293	17.3 %
Jan-16	Rouse Properties	Brookfield Asset Mgmt	31.5	2,378	35.3
Oct-15	Northern Tier Energy	Western Refining	38.4	1,782	16.9
Apr-15	GrafTech International	Brookfield Asset Mgmt	21.9	1,054	14.3
Jun-13	Dole Food	Investor Group	37.6	1,018	32.4
Dec-12	Clearwire Corp	Sprint Nextel Corp	50.4	3,330	108.3
Nov-12	Jefferies Group	Leucadia National	28.6	2,561	23.8
Jun-11	M&F Worldwide	MacAndrews & Forbes Hldg	42.7	2,289	47.4
Jun-10	Gerdau Ameristeel Corp	Gerdau Steel North America Inc	66.3	1,607	52.6
Jun-10	Mediacom Communications	Jmc Communications	38.9	3,613	64.2
Nov-09	Burlington Northern Santa Fe	Berkshire Hathaway	23.0	35,948	31.5
Sep-09	Odyssey Re Holdings Corp	Fairfax Financial Holdings Ltd	72.6	1,050	29.4
Apr-09	PepsiAmericas	PepsiCo	42.5	10,758	43.4
Apr-09	Pepsi Bottling Group	PepsiCo	29.2	4,279	44.8
Oct-08	Sovereign Bancorp	Banco Santander	24.3	1,910	3.5
Aug-08	UnionBanCal Corp,CA	Bank of Tokyo-Mitsubishi UFJ	65.4	3,707	26.3
Jul-08	Genentech Inc	Roche Holding AG	55.9	46,695	16.1
Mar-08	Nationwide Finl Svcs Inc	Nationwide Mutual Insurance Co	66.5	2,450	37.8
Sep-07	ASE Test	ASE Group	36.0	1,200	25.6
Nov-06	TD Banknorth Inc,Portland,ME	Toronto-Dominion Bank	57.0	3,232	6.5
Jun-06	Pacific Energy Partners	Plains All American Pipeline	24.5	1,615	10.6
Jun-06	Trizec Properties Inc	Investor Group	37.1	4,747	17.9
Mar-06	William Lyon Homes	General William Lyon	46.7	1,221	44.0
Feb-06	Lafarge North America	Lafarge SA	48.9	3,227	33.1
Oct-05	Nextel Partners	Sprint Nextel	29.2	7,545	11.7
Sep-05	7-Eleven Inc	IYG Holding Co	72.7	1,301	32.3
Sep-05	Chiron Corp	Novartis AG	42.0	6,625	31.7
Jan-05	UGC Holdings Inc	Liberty Media Intl Inc	54.0	3,618	3.5
Jan-05	Fox Entertainment Group Inc	News Corp	82.0	7,054	9.8
Median			42.0 %	\$ 3,227	29.4 %
Average			44.9	5,935	30.1

Source: Public filings, DealPoint. Transactions listed by order of initial offer date.



E Royals Research Analyst Views

Reflects Price Targets Set Before Announcement of Braves Offer
(\$ per share)

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Broker	Date of Last Research	Price Target	Recommendation	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: 0.5% - 1.5%
Goldman Sachs [†]	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
[†] Goldman Sachs suspended their coverage on 21-Oct-2016.



III. Review of Stand-alone Braves and Illustrative Combination Analysis

Summary Historical and Projected Braves Financial Performance

Braves P&L (£ in millions, except per share data)

FYE December	FY2014A	FY2015A	FY2016E	FY2017E	FY2018E	FY2019E	FY2020E	FY2021E	'16 - '21 CAGR
Total Revenue	£13,971	£13,104	£14,805	£16,316	£16,969	£17,647	£18,353	£19,087	5.2 %
% of Growth	(6.4)%	(6.2)%	13.0 %	10.2 %	4.0 %	4.0 %	4.0 %	4.0 %	
COGS & SGA (ex-D&A)	8,171	7,774	8,905	9,911	10,200	10,519	10,848	11,187	
% of Sales	58.5 %	59.3 %	60.1 %	60.7 %	60.1 %	59.6 %	59.1 %	58.6 %	
EBITDA	£5,800	£5,330	£5,901	£6,405	£6,769	£7,128	£7,505	£7,900	6.0 %
% Margin	41.5 %	40.7 %	39.9 %	39.3 %	39.9 %	40.4 %	40.9 %	41.4 %	
Depreciation	397	338	371	365	365	365	365	365	
EBIT	£5,403	£4,992	£5,530	£6,040	£6,404	£6,763	£7,140	£7,535	6.4 %
% Margin	38.7 %	38.1 %	37.3 %	37.0 %	37.7 %	38.3 %	38.9 %	39.5 %	
Royals Affiliate Income	427	652	1,141	1,137	1,243	1,324	1,463	1,601	
ITC Affiliate Income	289	291	219	348	389	391	414	439	
Interest, Taxes & Minority Interest	(2,224)	(2,053)	(2,179)	(2,285)	(2,364)	(2,460)	(2,572)	(2,708)	
Tax Rate	(26.7)%	(25.3)%	(23.6)%	(22.8)%	(22.8)%	(22.8)%	(22.6)%	(22.5)%	
Net Income	3,895	3,882	4,711	5,240	5,652	6,018	6,445	6,867	7.8 %
% Growth			21.3 %	11.2 %	7.9 %	6.5 %	7.1 %	6.6 %	
Diluted Share Count	1,864	1,858	1,874	1,874	1,874	1,859	1,830	1,797	
EPS	2.08	2.08	2.51	2.80	3.02	3.24	3.52	3.82	8.7 %
% Growth			20.6 %	11.2 %	7.9 %	7.4 %	8.8 %	8.5 %	
IBES EPS	2.08	2.08	2.46	2.81	3.05	3.23	3.45	NA	
Capital Expenditures	£(630)	£(493)	£(666)	£(600)	£(600)	£(600)	£(600)	£(600)	
% of Sales	(4.5)%	(3.8)%	(4.5)%	(3.7)%	(3.5)%	(3.4)%	(3.3)%	(3.1)%	
D&A	£397	£338	£371	£365	£365	£365	£365	£365	
% of Sales	2.8 %	2.6 %	2.5 %	2.2 %	2.2 %	2.1 %	2.0 %	1.9 %	
Change in NWC	£(238)	£(351)	£(187)	£(120)	£(300)	£(300)	£(300)	£(300)	
Pension & Restructuring	£(1,131)	£ 84	£(688)	£(626)	£(328)	£(250)	£(250)	£(250)	
Unlevered FCF (ex. Income From Affiliates)			£3,444	£3,307	£3,684	£4,017	£4,284	£4,565	
Share Repurchase	£(796)	£ 0	£ 0	£ 0	£ 0	£(523)	£(1,868)	£(1,995)	
Cash Dividends Paid	£(2,712)	£(2,770)	£(2,861)	£(3,406)	£(3,674)	£(3,912)	£(4,189)	£(4,463)	
Dividend Per Share	£ 1.48	£ 1.54	£ 1.63	£ 1.82	£ 1.96	£ 2.10	£ 2.29	£ 2.48	
Debt	£ 12,258	£ 17,001	£ 19,633	£ 18,997	£ 18,195	£ 17,683	£ 18,437	£ 19,227	
Cash	£ 1,818	£ 1,963	£ 3,427	£ 3,427	£ 3,427	£ 3,427	£ 3,427	£ 3,427	
Net Debt / EBITDA	1.8 x	2.8 x	2.7 x	2.4 x	2.2 x	2.0 x	2.0 x	2.0 x	

Source: Historical financials based on Braves Public Filings; Braves Forecast reflects financial analyses and forecasts for Braves prepared by Royals management (based in part on certain information prepared by Braves Management and provided to Royals) as approved for our use by Royals ("Braves Forecast").

Note: Assumes interest rate of 3.0% on debt, and 1.0% on cash per Braves Forecast. Projections are reflected in constant currency. As of 13-Jan-2017, exchange rates (all relative to GBP) were USD - 1.2183, BRL - 3.9171, RUB - 72.82, SAR - 4.5705, JPY - 140.09, CAD - 1.599, AUD - 1.6261, and EUR - 1.1463.

Comparison of Braves Forecast vs. Wall Street Research Estimates

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(£ in millions, except per share data)

	Braves Forecast			'16-'18 CAGR	IBES			'16-'18 CAGR	Variance			'16-'18 CAGR
	2016	2017	2018		2016	2017	2018		2016	2017	2018	
Net Sales	£ 14,805	£ 16,316	£ 16,969	7.1 %	£ 14,844	£ 16,333	£ 16,949	6.9 %	£(38)	£(17)	£ 20	0.2 %
% Growth	13.0 %	10.2 %	4.0 %		13.3 %	10.0 %	3.8 %		(0.3)%	0.2 %	0.2 %	
EBITDA	£ 5,901	£ 6,405	£ 6,769	7.1 %	£ 5,859	£ 6,566	£ 6,905	8.6 %	£ 42	£(161)	£(136)	(1.5)%
% Margin	39.9 %	39.3 %	39.9 %		39.5 %	40.2 %	40.7 %		0.4 %	(0.9)%	(0.8)%	
Net Income	£ 4,711	£ 5,240	£ 5,652	9.5 %	£ 4,623	£ 5,280	£ 5,656	10.6 %	£ 88	£(40)	£(4)	(1.1)%
% Growth	21.3 %	11.2 %	7.9 %		19.1 %	14.2 %	7.1 %		2.3 %	(3.0)%	0.7 %	
EPS	£ 2.51	£ 2.80	£ 3.02	9.5 %	£ 2.46	£ 2.81	£ 3.05	11.3 %	£ 0.05	£(0.02)	£(0.04)	(1.8)%
% Growth	20.6 %	11.2 %	7.9 %		18.2 %	14.2 %	8.5 %		2.4 %	(3.0)%	(0.6)%	
DPS	£ 1.63	£ 1.82	£ 1.96	9.5 %	£ 1.64	£ 1.81	£ 2.00	10.4 %	£(0.01)	£ 0.01	£(0.04)	(0.9)%
% Payout	65.0 %	65.0 %	65.0 %		66.6 %	64.3 %	65.5 %		(1.6)%	0.7 %	(0.5)%	

Source: Braves Forecast, IBES as of 13-Jan-2017

Braves Research Analyst Views

Reflects Price Targets Set Before Announcement of Braves Offer (\$ per share)

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Broker	Date of Report Research Prior to Offer	Price Target	Reccomendation	Methods
Jefferies	21-Sep-16	£58.00	Buy	Based on 10-year DCF which implies NTM P/E of 19.7x
Goldman Sachs [†]	20-Oct-16	£55.00	Buy	SOTP analysis, implies a 17.8x June 2018E EPS
JPM	19-Oct-16	£54.20	N/A	Baed on a combination of 18.8x 1 year forward P/E and a dividend yield of 3.6% (~60% of its 5-year average discount to European staples)
Deutsche Bank	22-Aug-16	£53.00	N/A	DCF (WACC: 6-8%, year 5-10 cash flow growth 5.2% per annum, terminal growth -1.0%)
UBS	30-Aug-16	£53.00	Buy	DCF (WACC of 7.7%, terminal growth of 0.6%)
Societe Generale	29-Jul-16	£52.00	Hold	DCF (WACC of 7.5%, terminal growth of 1.0%)
Investec	8-Sep-16	£52.00	Buy	Based on a 19x 2017E P/E Multiple
Morgan Stanley	29-Jul-16	£51.00	Hold	Based on a 18.5x 2017E P/E and 14x EBITDA Multiple
Credit Suisse	29-Jul-16	£50.50	Buy	DCF (Cost of equity of 8.0%, terminal growth of 1.0%)
Barclays	29-Jul-16	£49.75	Hold	DCF (Cost of equity of 7.0%, risk free rate of 3.5%, equity risk premium of 4.5%, beta of 0.8)
Cowen & Co.	28-Jul-16	£48.40	Hold	Based on a ~17.7x 2017E P/E Multiple
Redburn	13-Apr-16	£47.50	Buy	DCF (WACC of 6.6%, terminal growth of -1.0%)
RBC Capital Markets	13-Sep-16	£43.00	Sell	DCF (Cost of equity of 7.5%, terminal growth of -1.0%)
Median		£52.00		

Source: Wall Street research, IBES based only on reports available to GS

[†] Goldman Sachs suspended their coverage on 21-Oct-2016.



Illustrative Public Market Present Value of Future Share Price Analysis

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Based on 1 Year Forward P/E Multiples | Braves Forecast

Future Value of Stock Price



◆ 17.7x Forward P/E (YTD Average NTM P/E)¹
◆ 16.6x Forward P/E (Pre-Offer NTM P/E)¹
◆ 15.6x Forward P/E (5 Year Average NTM P/E)¹

Present Value of Future Stock Price + Dividends at 8.3 % Cost of Equity



Value if Held	Dec-2017	Dec-2018	Dec-2019	Dec-2020	'17 - '19 CAGR
20.2x	£ 50.92	£ 52.15	£ 54.01	£ 55.74	8.2 %
18.8x	£ 47.86	£ 49.12	£ 50.96	£ 52.68	8.2 %
16.5x	£ 45.07	£ 46.35	£ 48.19	£ 49.90	(1.8)%

	Dec-2017	Dec-2018	Dec-2019	Dec-2020	'17 - '19 CAGR
NTM EPS	£ 3.02	£ 3.24	£ 3.52	£ 3.82	8.2 %
LTM Dividends Paid Per Share	£ 1.71	£ 1.86	£ 2.01	£ 2.16	8.2 %
Debt (£mm)	£ 18,195	£ 17,160	£ 16,569	£ 17,232	(1.8)%
Cash (£mm)	£ 3,427	£ 3,427	£ 3,427	£ 3,427	0.0 %
Share Repurchase (£mm)	£ 0	£ 523	£ 1,868	£ 1,995	-
% Shares Outstanding	0.0 %	0.8 %	1.5 %	1.8 %	-

Source: Braves Forecast

Note: Discounted to 31-Dec-2016, does not reflect price of transaction at anticipated 2017 close. "Today" represents Braves share price as of 13-Jan-2017. Braves ADS's trade in USD and are equal to the value of two Braves ordinary shares multiplied by the current USD / GBP FX rate. See Braves WACC page in appendix for detailed calculation of 8.3% cost of equity. Weighted repurchase price represents the present value assuming pro rata participation in share repurchases during the period. Value if held assumes no participation in share repurchases and represents value at end of period.

¹ Reflects average and current multiples as of 20-Oct-2016.

Illustrative Discounted Cash Flow Analysis

Implied Equity Value Per Share of Braves

(£ in millions, except per share data)

Equity Value per Share – Royals at Market Value ¹				Equity Value per Share – Royals at DCF Value ²					
WACC		Perpetuity Growth Rate			WACC ³ (Braves / Royals)		Perpetuity Growth Rate		
		(0.5)%	0.0 %	0.5 %			(0.5)%	0.0 %	0.5 %
		6.0%	£ 49.05	£ 51.78			£ 55.00	6.00% / 5.00%	£ 52.43
7.0%	£ 43.65	£ 45.61	£ 47.87	7.00% / 5.75%	£ 44.88	£ 47.95	£ 51.52		
8.0%	£ 39.52	£ 40.99	£ 42.64	8.00% / 6.50%	£ 39.07	£ 41.39	£ 44.04		

% of EV from Terminal Value				Implied Terminal LTM EBITDA Multiple Braves / Braves & Royals Blended Terminal EBITDA Multiple ³					
WACC		Perpetuity Growth Rate			WACC ³ (Braves / Royals)		Perpetuity Growth Rate		
		(0.5)%	0.0 %	0.5 %			(0.5)%	0.0 %	0.5 %
		6.0%	77.1 %	78.6 %			80.1 %	6.00% / 5.00%	9.5x / 10.2x
7.0%	74.1 %	75.5 %	77.0 %	7.00% / 5.75%	8.2x / 8.9x	8.8x / 9.6x	9.6x / 10.5x		
8.0%	71.3 %	72.6 %	74.0 %	8.00% / 6.50%	7.2x / 7.9x	7.7x / 8.5x	8.3x / 9.2x		

Source: Public filings, Braves Forecast, Royals Management Plan

Note: Free cash flow discounted to 31-Dec-2016 Balance Sheet using mid-year convention for cash flows. Proposed Braves offer not received until date of transaction close. Assumes net debt of £16,348mm (comprised of £3,427mm cash and £19,633mm debt) in calculation of equity value as of 31-Dec-2016 as per Merger Agreement. Assumes 1,874mm shares outstanding (Includes 10mm dilutive securities) as per Braves forecast. Assumes marginal tax rate of 29.0% on income from Royals as per Royals Management Plan.

¹ ~42% stake in Royals and ~30% stake in ITC valued at proportional ownership stakes of market cap as of 20-Oct-2016 and 31-Dec-2016 - £23.1bn and £10.6bn, respectively.

² ~30% stake in ITC valued using market cap as of 31-Dec-2016 (£10.6bn) based on Braves Forecast. ~42% stake in Royals valued based on DCF value of Royals sensitized across (0.5)% - 0.5% PGR and 5.0% - 6.5% WACC.

³ Implied Terminal LTM EBITDA Multiple Braves calculated based on the Braves stand-alone DCF and is discounted using 6.0 - 8.0% WACC. Braves & Royals Blended Terminal EBITDA Multiple is blended based on relative Terminal EV from the Royals DCF and the Braves stand-alone DCF. Braves is discounted using WACC of 6.0-8.0% and Royals is discounted at 5.0% - 6.5% WACC at corresponding high and low points.

Summary of Pro Forma Braves and Royals Projected Financials

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(£ in millions, except per share data)

FYE December	H2 2017	FY2018E	FY2019E	FY2020E	FY2021E	'18 - '21 CAGR
Braves Revenue	£8,158	£16,969	£17,647	£18,353	£19,087	4.0 %
% Growth			4.0 %	4.0 %	4.0 %	
Royals Revenue	£5,418	£11,177	£11,760	£12,387	£13,055	5.4 %
% Growth			5.2 %	5.3 %	5.4 %	
PF Revenue	£13,576	£28,146	£29,407	£30,740	£32,142	4.5 %
% Growth			4.5 %	4.5 %	4.6 %	
Braves EBITDA	£ 3,203	£ 6,789	£ 7,128	£ 7,505	£ 7,900	
Royals EBITDA	£ 2,689	£ 5,643	£ 6,014	£ 6,587	£ 7,136	
Synergies	£ 0	£ 205	£ 410	£ 410	£ 410	
PF EBITDA	£5,892	£12,617	£13,553	£14,502	£15,446	7.0 %
% Margin	43.4 %	44.8 %	46.1 %	47.2 %	48.1 %	
D&A	£(237)	£(481)	£(479)	£(485)	£(486)	
ITC Affiliate Income	£ 174	£ 369	£ 391	£ 414	£ 439	
Transaction Implications	£(97)	£(50)	£(72)	£(155)	£(155)	
Interest, Taxes & Minority Interest	£(2,446)	£(5,165)	£(5,441)	£(5,689)	£(5,978)	
Tax Rate ¹	(31.0)%	(30.6)%	(30.9)%	(30.9)%	(31.1)%	
PF Net Income	£3,286	£7,290	£7,951	£8,587	£9,265	8.3 %
Weighted Average Shares Outstanding	2,093	2,312	2,312	2,312	2,312	
EPS	£ 1.57	£ 3.15	£ 3.44	£ 3.71	£ 4.01	8.3 %
% Growth			9.1 %	8.0 %	7.9 %	
% Accretion (Run-Rate Synergies Achieved in 2019)		4.6 %	6.2 %	5.5 %	4.9 %	
D&A	£ 473	£ 481	£ 479	£ 485	£ 486	
Capital Expenditures	£(809)	£(755)	£(723)	£(723)	£(723)	
Increase in NWC	£ 79	£(215)	£(98)	£(179)	£(158)	
Other ²	£(858)	£(611)	£(406)	£(305)	£(291)	
Unlevered FCF (ex. Income From Affiliates)	£6,410	£7,205	£8,171	£8,821	£9,483	
Dividend	£ 1,221	£ 4,738	£ 5,168	£ 5,581	£ 6,022	
Dividend Per Share	£ 0.58	£ 2.05	£ 2.24	£ 2.41	£ 2.61	
Debt	£ 46,592	£ 44,606	£ 42,435	£ 40,033	£ 37,346	
Cash	£ 2,462	£ 2,462	£ 2,462	£ 2,462	£ 2,462	
Net Debt / EBITDA	3.7 x	3.3 x	2.9 x	2.6 x	2.3 x	

Source: Based on Royals Management Plan, Braves Forecasts and includes \$500mm in operating synergies per Royals Management, with 50% phased in 2018 and 100% phased in 2019, all as approved for use by Royals Management (the "Pro Forma Projections")

Note: Assumes transaction financed with ~\$25bn of debt at a blended rate of ~3.7% as per Braves Forecasts, no share repurchases, and all excess cash flow to pay down debt.

¹Includes tax implications of \$135mm from allocation of overheads, tax savings on 0.75% guarantee fee, and savings on dividend withholding tax as per Pro Forma Projections.

²Includes costs to achieve synergies, non-cash transaction expenses, pension contributions, restructuring and other expenses as per Pro Forma Projections.

Implied Value of Offer Based on Present Value of Pro Forma Future Share Price

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Based on Current Offer of \$29.44 Cash / Share, 0.5260x Ordinary Share / 0.2630x ADS Exchange Ratio

	Forward P / E				
	15.6 x	15.8 x	16.6 x	18.3 x	18.8 x
	Braves 5 yr Avg. NTM P / E as of 20-Oct-16	Blended 5 yr Avg. NTM P / E as of 20-Oct-16	Braves NTM P / E as of 20-Oct-16	Blended YTD Avg. NTM P / E as of 20-Oct-16	Royals NTM P / E as of 20-Oct-16
Future Value of Braves Pro Forma Share Price / ADS Value					
Dec-20	£ 61.94 / \$ 150.97	£ 62.74 / \$ 152.91	£ 65.92 / \$ 160.65	£ 72.67 / \$ 177.10	£ 75.35 / \$ 183.64
Present Value of Dec-20 Future Stock Price + Dividends Across Costs of Equity¹					
6.5 %	£ 54.42	£ 55.04	£ 57.49	£ 62.70	£ 64.24
7.5 %	£ 52.41	£ 53.00	£ 55.36	£ 60.37	£ 61.84
8.5 %	£ 50.49	£ 51.06	£ 53.32	£ 58.14	£ 59.56
Implied Present Value of Offer (\$29.44 Cash / Share, 0.5260x UK Ordinary Share Exchange Ratio, 0.2630x ADS Exchange Ratio)					
6.5 %	\$ 64.32	\$ 64.72	\$ 66.29	\$ 69.63	\$ 70.62
7.5 %	\$ 63.03	\$ 63.41	\$ 64.92	\$ 68.13	\$ 69.08
8.5 %	\$ 61.80	\$ 62.17	\$ 63.62	\$ 66.71	\$ 67.61

Present Value of Stand-alone Royals Future Share Price analysis assumes a range of prices of \$54.72, \$61.26, and \$65.24, based on a 16.5x, 18.8x and 20.2x Forward P/E multiple, respectively

Source: Based on Pro Forma Projections

Note: Assumes date of transaction close of 31-Aug-2017, as per Royals Management. Present value discounted to 31-Dec-2016. Royals financials converted to GBP at 1.2186x USD / GBP exchange rate as of 13-Jan-2017. Cash flow items per Pro Forma Projections. Assumes 2,311mm pro forma shares outstanding per Pro Forma Projections. Assumes 65% payout ratio and all excess cash is used to fund debt repayment as per Pro Forma Projections. Assumes operational synergies of \$500mm (50% in 2018 and fully run-rate by 2019) taxed at Royals effective tax rate as per Pro Forma Projections. Assumes tax implications of \$135mm (guarantee fee of 0.75% on the transaction cash consideration with incremental expense partially offset by income in the U.K and ~\$50mm from allocation of overheads) as per Pro Forma Projections. Blended multiples were based on relative Royals and Braves stand-alone market cap as of 20-Oct-2016. Blended 5 year average NTM EV/EBITDA was 10.0x and YTD Average NTM EV/EBITDA as of 20-Oct-2016 was 12.2x (both blended based on relative Royals and Braves stand-alone EV as of 20-Oct-2016).

¹ Includes present value of Braves dividends from June 2017 onwards as well as Royals April and July dividends of \$0.51 / Share.

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Appendix A: Other Supplemental Materials

Summary of Key Terms and Conditions from Merger Agreement¹

Transaction:	A wholly-owned subsidiary of Braves will be merged with and into Royals, with Royals continuing as a wholly-owned subsidiary of Braves (the "Transaction"), pursuant to the Agreement and Plan of Merger to be executed among Royals, Braves and certain subsidiaries of Braves (the "Merger Agreement")
Description of Consideration:	At the effective time, each share of common stock of Royals will be converted into the right to receive (i) a number of Braves ADSs equal to the Exchange Ratio (0.5260x) divided by the ADS Ratio (2) and (ii) \$29.44 in cash
Braves ADS²:	Braves ordinary shares trade on the London Stock Exchange and the Johannesburg Stock Exchange. Braves also sponsors an American Depositary Receipt program in the United States, with Braves ADSs trading on the NYSE. Each Braves ADS represents the right to receive two ordinary shares of Braves, although Braves has proposed to amend the Deposit Agreement so that each ADS represents the right to receive one ordinary share (pursuant to the disclosure schedule to the Merger Agreement, Braves is entitled to effect this split). Pursuant to the terms of the Deposit Agreement governing the terms of the Braves ADSs, at any time and from time to time, (i) a holder of Braves ordinary shares may deposit such shares with the Depository and the Depository will issue ADSs representing such ordinary shares and (ii) a holder of ADSs may withdraw Braves ordinary shares represented by ADSs from the Depository such that they then hold Braves ordinary shares (provided that all applicable fees and charges of, and expenses incurred by, the Depository and all applicable taxes and governmental charges have been paid)
Financing:	Braves is required to use its reasonable best efforts to obtain the financing described in the commitment letters it will deliver when the Merger Agreement is signed and, if necessary, to obtain alternative financing (the "Financing")
Timing:	Definitive Merger Agreement expected to be executed on [January 16, 2017]

Key Terms and Information

Reps and Warranties	<ul style="list-style-type: none"> ■ Customary representation and warranties qualified by disclosures in the disclosure schedule and SEC filings (since January 1, 2015), knowledge, materiality and Material Adverse Effect
Covenants	<ul style="list-style-type: none"> ■ Interim operating covenants regarding the operation of the business <ul style="list-style-type: none"> — Royals can continue to declare and pay quarterly cash dividends consistent with past practice and in accordance with Royals' current dividend policy — Includes the \$0.51 anticipated Q2 Royals dividend, as per Royals Management — Braves can continue to declare and pay cash half year and annual (and can begin paying quarterly) dividends consistent with past practice and in accordance with Braves current dividend policy ■ Braves shall use reasonable best efforts to obtain the Financing on a timely basis and keep Royals reasonably informed of the status of the Financing. Royals shall provide all cooperation reasonably requested by Braves in connection with the Financing ■ Each party shall use its reasonable best efforts to obtain all required regulatory approvals and consents <ul style="list-style-type: none"> — Braves shall not be required to dispose of any of its assets or consent to the disposition of any assets of Royals
Conditions to Closing	<ul style="list-style-type: none"> ■ Customary conditions to closing, including: <ul style="list-style-type: none"> — Approval by the shareholders of both Royals and Braves³ — Approval of Braves ADSs issued in the Transaction for listing on the NYSE and Braves underlying ordinary shares for listing on the UKLA's premium listing segment — Termination or expiration of the waiting period under the HSR Act and consents set forth on the Disclosure Schedules — No restraints preventing consummation of the Transaction — Braves' Form F-4 shall have been declared effective by SEC and its UK prospectus and UK circular shall have been approved by UKLA ■ Bring-down of representations and warranties and each of Royals and Braves must have performed its respective agreements in all material respects ■ No financing condition

¹ Draft as of 1/15/17

² Braves Amended and Restated Deposit Agreement, dated as of December 1, 2008, filed with the SEC.

Summary of Key Terms and Conditions from Merger Agreement¹ (cont'd)

Key Terms and Information (cont'd)

Termination	<ul style="list-style-type: none"> ■ The Merger Agreement can be terminated by either Royals or Braves if (i) the Transaction is not consummated on or before [December 31, 2017] (the "End Date"); (ii) Royals shareholder approval is not obtained; or (iii) Braves shareholder approval is not obtained ■ A party has the right to terminate the Merger Agreement in the event of a breach of the Merger Agreement by the other party that results in failure of a condition to closing and that is not cured within 30 days ■ Each party can terminate the Merger Agreement in case of an adverse recommendation of the Transaction by the other party's board (unless the Transaction is still approved by the other party's shareholders) ■ Royals to pay Braves a termination fee of \$1 billion if: <ul style="list-style-type: none"> — Royals' board changes its recommendation of the Transaction and the Merger Agreement is (i) terminated by Braves because of such change or (ii) terminated because Royals shareholders do not approve the Transaction or no vote is held — (a) The Merger Agreement is terminated because (i) closing of the Transaction does not occur by the End Date, (ii) Royals' shareholders do not approve the Transaction, or (iii) Royals breaches the Merger Agreement, and (b) within 12 months following termination of the Merger Agreement, Royals enters into a definitive agreement relating to a takeover proposal made prior to termination of the Merger Agreement (or Royals shareholders meeting) ■ Braves to pay Royals a termination fee of \$1 billion if: <ul style="list-style-type: none"> — Braves' board changes its recommendation of the Transaction and the Merger Agreement is (i) terminated by Royals because of such change or (ii) otherwise terminated because Braves shareholders do not approve the Transaction or no vote is held — (a) The Merger Agreement is terminated because (i) closing of the Transaction does not occur by the End Date, (ii) Braves' shareholders do not approve the Transaction, or (iii) Braves breaches the Merger Agreement, and (b) within 12 months following termination of the Merger Agreement, Braves enters into a definitive agreement relating to an alternative proposal made prior to termination of the Merger Agreement (or Braves' shareholders meeting) ■ Braves shall pay to Royals a termination fee of \$500,000,000 if the Merger Agreement is terminated by either Braves or Royals as a result of the failure to receive anti-trust approvals for the Transaction (and where all other conditions to closing shall have been satisfied)
Board Recommendations	<ul style="list-style-type: none"> ■ The board of each of Royals and Braves is permitted to change its recommendation in favor of the Transaction if it determines in good faith that the failure to change its recommendation would be inconsistent with its fiduciary duties under applicable law ■ Prior to any such change of recommendation, Royals or Braves (as the case may be), must provide the other party with four business days' written notice and during such time must negotiate in good faith with the other party to modify the terms of the transaction in order to make the change of recommendation unnecessary ■ Even if a party changes its recommendation (whether due to a superior proposal or otherwise), the other party has the right to require that the Transaction still be put to a shareholder vote

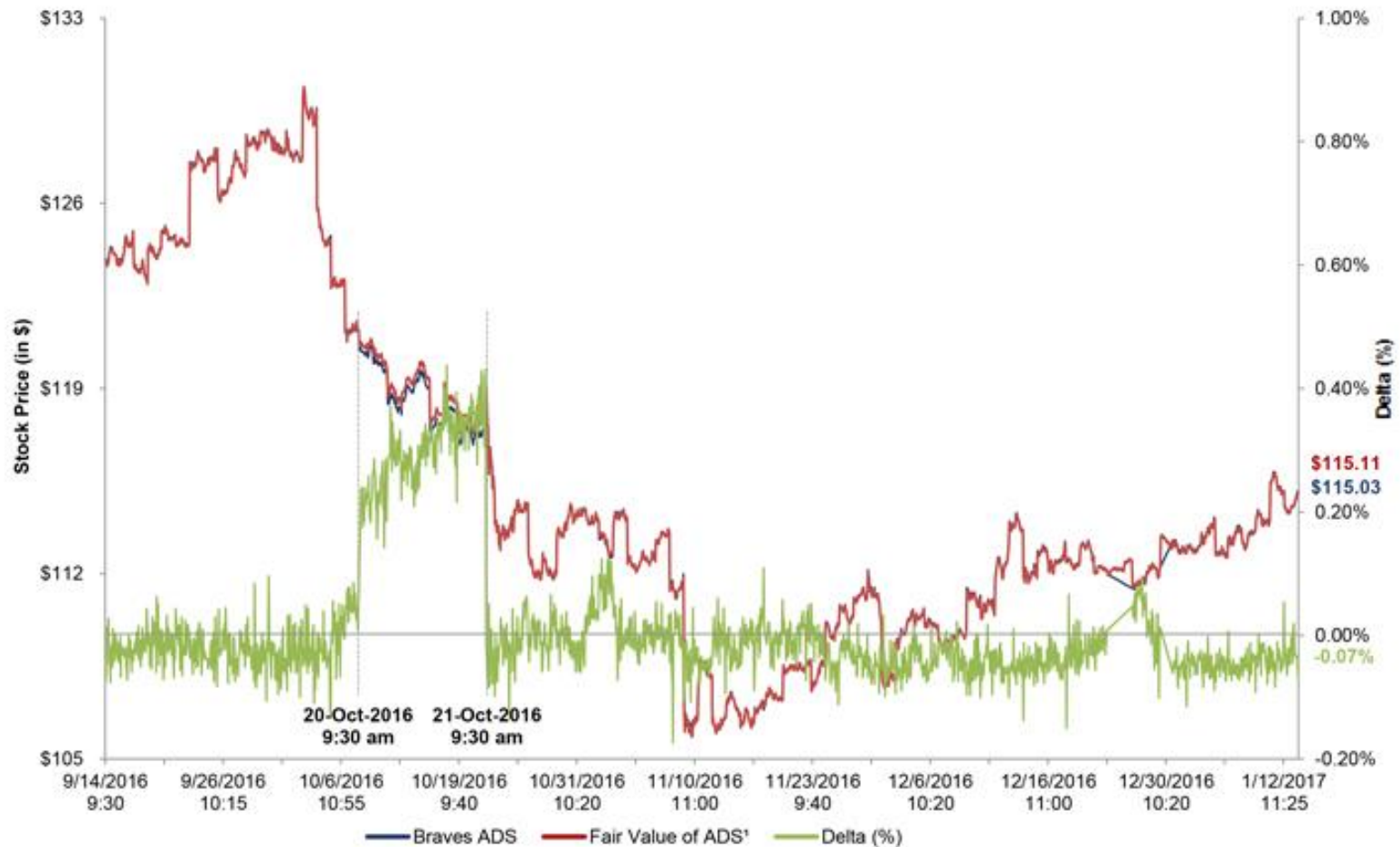
¹ Draft as of 1/15/17



Fair Value of Braves ADS vs. Actual

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Bloomberg Daily Intraday Trading Data from 9:30-11:25am EST Since 14-Sep-2016



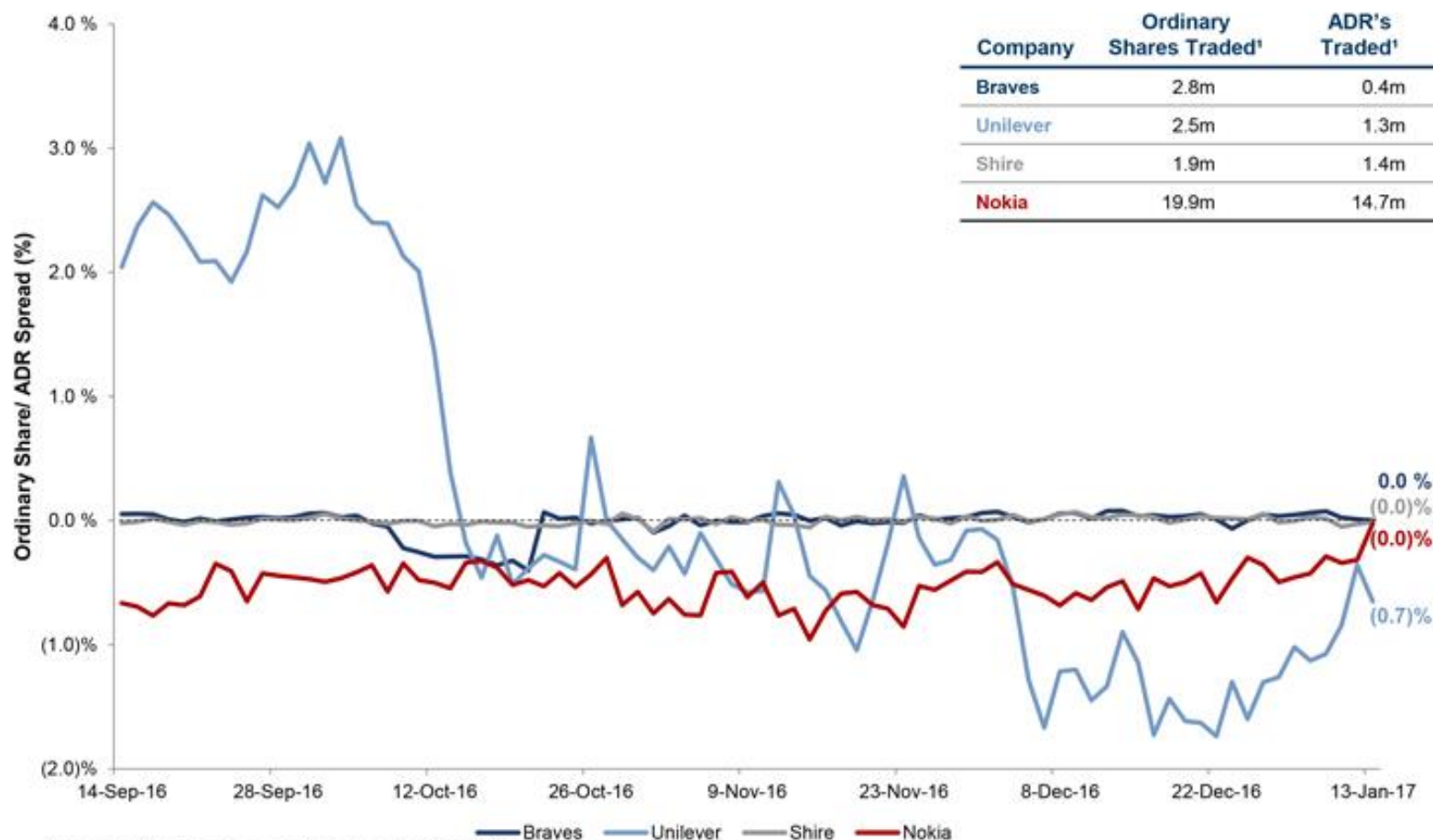
Source: Bloomberg current record of intraday stock price and exchange rates, records only maintained until 14-Sep-2016 as of 15-Jan-2017
 * Assumes Braves primary shares are converted to USD at the GBP / USD spot rate and adjusted by a factor of 2 to reflect the ADS-primary conversion ratio..



Comparing Trading of ADR's vs. Ordinary Shares Over Time

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Calculated Daily at 10:30 AM ET (Both ADR and Ordinary Trading)



Source: FactSet, Bloomberg; market data as of 13-Jan-2017

Note: Spreads are shown on a daily basis at 10:30 AM ET, during the overlapping period of trading in the ordinary shares and ADRs. Spread calculated by taking the difference between the sponsored ADR's share price and the ordinary share's stock price (accounting for the foreign exchange rate and ADR ratio) as a percentage of the ordinary share's stock price.

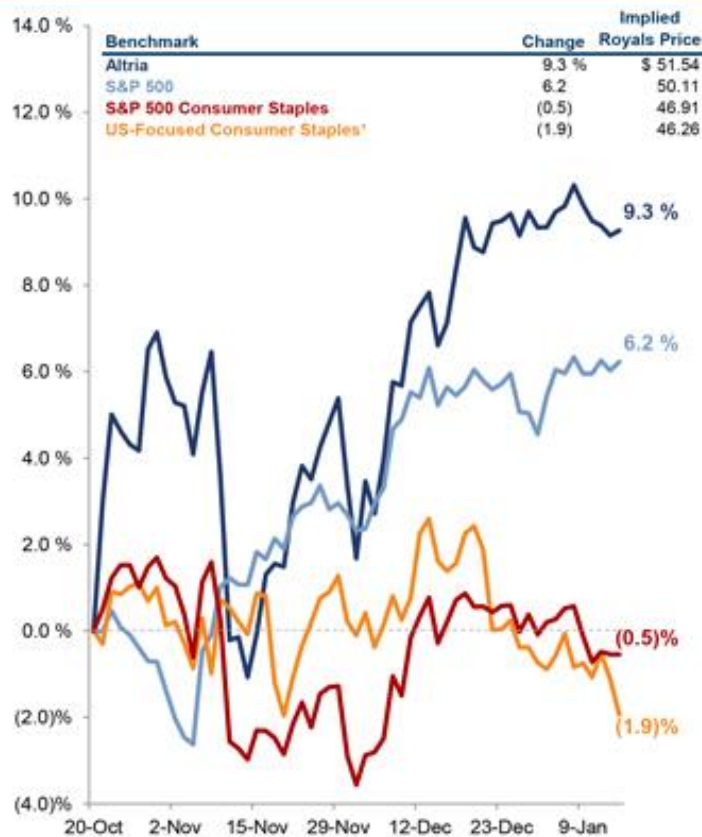
¹ Average trading volume over two years.



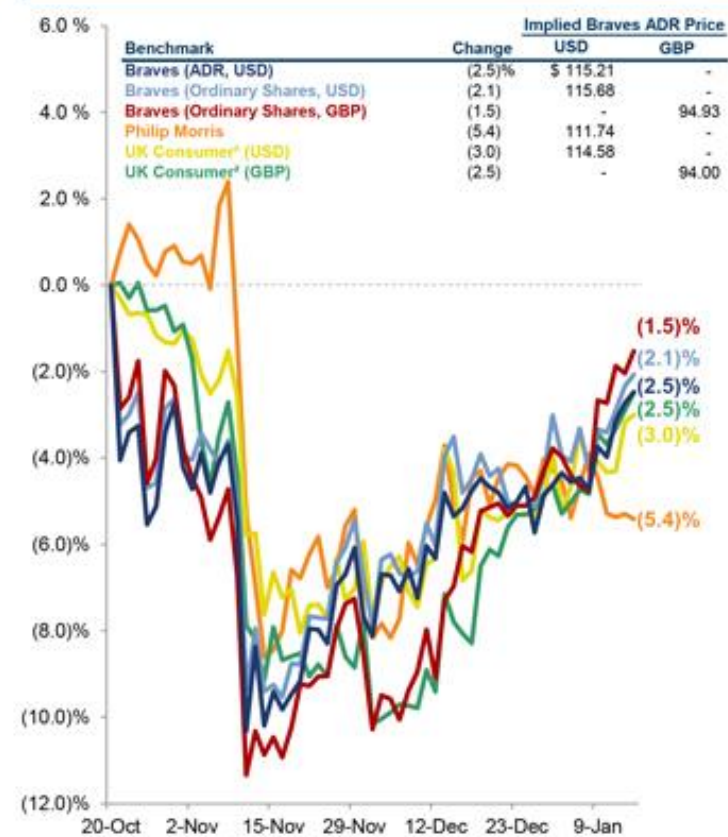
Analysis of Public Trading Since Announcement Implying Various Hypothetical Undisturbed Prices for Royals and Braves

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Royals



Braves



Royals
20-Oct-2016:
\$47.17
13-Jan-2017:
\$55.97

Braves ADS
13-Jan-2017:
\$115.21

Source: Bloomberg, CapIQ, Market data as of 13-Jan-2017

Source: CapIQ, Bloomberg

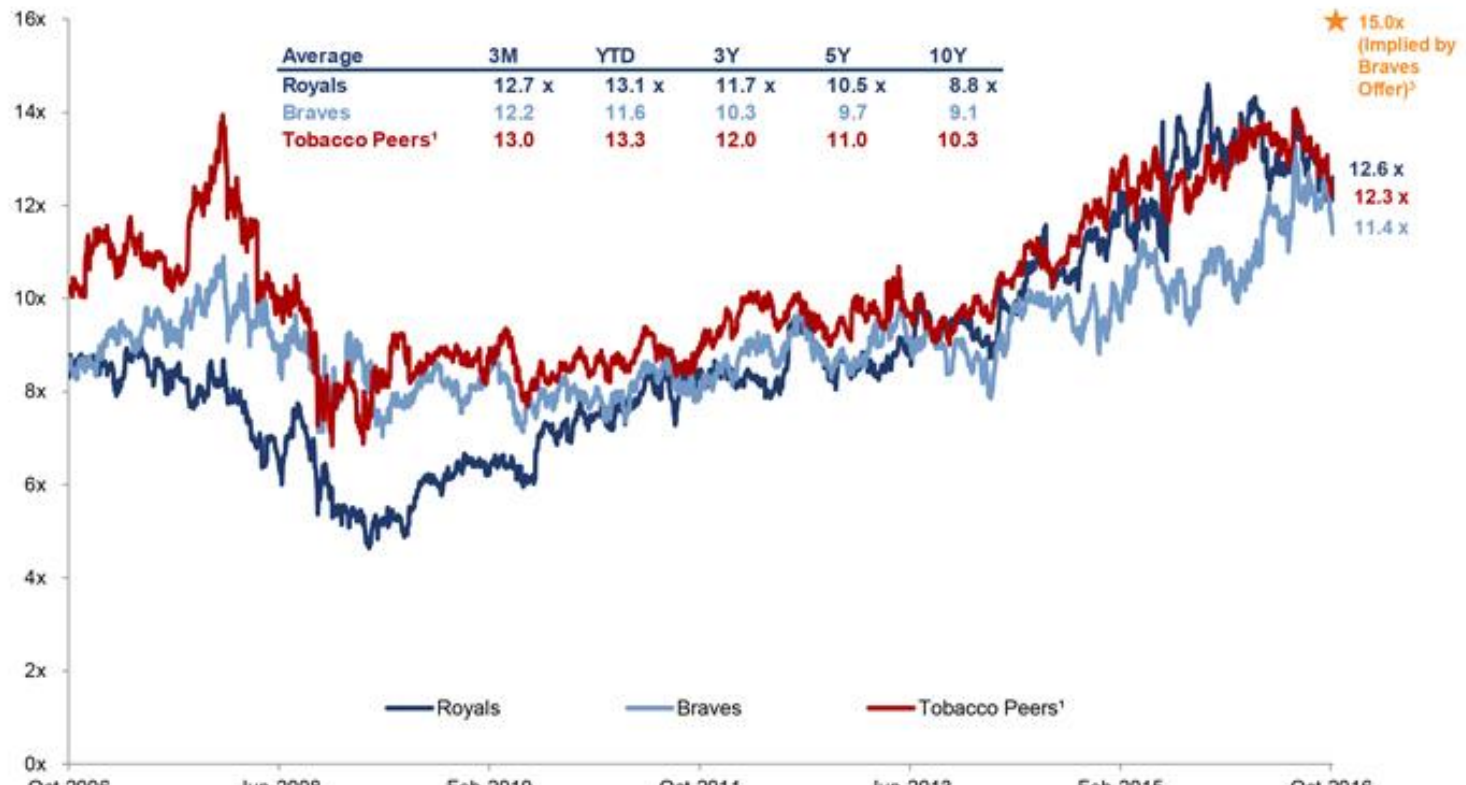
¹ US Focused Consumer Staples includes: CVS, TSN, WFM, HRL, SJM, SYY, DPS, CAG, CLX, CHD, HSY, CPB, MNST, WMT, COST, GIS, WBA, and K.

² UK Consumer includes: ABF LN, CCH LN, DGE LN, RB LN, and UNLV LN.



Royals and Braves EV / NTM EBITDA Relative to Peers and Braves Offer

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Average	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 YTD
Royals	8.6 x	8.4 x	6.9 x	5.7 x	6.8 x	8.0 x	8.6 x	9.1 x	10.3 x	12.5 x	13.1 x
Braves Adjusted ²	8.5	9.4	9.1	8.1	8.0	8.2	8.9	9.0	9.5	10.4	11.6
Tobacco Peers ¹	10.5	11.3	10.0	8.5	8.8	8.8	9.6	9.7	10.8	12.5	13.3

Source: IBES, Bloomberg, Market data as of 20-Oct-2016

¹ Tobacco Peers include Altria, Imperial Brands, ITC, Japan Tobacco and Philip Morris.

² Braves Adjusted equals Braves market capitalization minus value of Braves stake in Royals and ITC plus Braves Net Debt divided by total EBITDA per Company filings and Bloomberg market data.

³ Reflects implied value of Braves offer received on 10-Jan-2017.



Royals and Braves NTM Price Earnings Relative to Peers and Braves Offer

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Source: IBES, Bloomberg, Market data as of 20-Oct-2016

¹ Tobacco Peers include Altria, Imperial Brands, ITC, Japan Tobacco and Philip Morris.

² Reflects implied value of Braves offer received on 10-Jan-2017.

Royals Illustrative Weighted Average Cost of Capital

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Illustrative WACC Calculation

Assumptions	As of 13-Jan-17		Equity Beta	Debt / Total Capitalization			
				5.0 %	15.0 %	25.0 %	
Risk Free Rate (RF) ¹		2.7 %	0.50				
Market Risk Premium (Rp) ²		6.9 %					
Tax Rate (t)		38.6 %					
Pre-Tax Cost of Debt ³		3.5 %		6.0 %	5.6 %	5.2 %	
Target Capital Structure				0.55			
Debt / Total Capitalization ⁴		15.2 %			6.3 %	5.9 %	5.4 %
Equity / Target Capitalization		84.8 %		0.60			
Weighted Average Cost of Capital					6.6 %	6.2 %	5.7 %
After-Tax Cost of Debt		2.1 %					
Assumed Equity Beta (B _e) ⁵		0.55					
Cost of Equity		6.5 %					
WACC		5.9 %					

Tobacco Landscape Metrics

Tobacco Landscape	Equity Beta		Asset Beta		Current Debt / Total Capitalization	Net Debt / Total Capitalization
	Axioma Historical	Axioma Predicted	Axioma Historical	Axioma Predicted		
Royals as of 20-Oct-2016	0.55	0.76	0.50	0.68	14.3 %	16.7 %
US Peers						
Altria	0.50	0.63	0.48	0.60	6.8 %	7.3 %
Philip Morris	0.58	0.68	0.52	0.61	15.2	18.0
Average	0.54	0.65	0.50	0.60	11.0 %	12.7 %
International Peers						
Braves as of 20-Oct-2016	1.10	0.88	0.96	0.77	17.0 %	20.5 %
Imperial Brands	0.86	0.87	0.66	0.67	29.8	42.4
ITC Limited	0.95	0.98	0.98	1.00	(4.7)	(4.5)
Japan Tobacco	0.77	0.86	0.74	0.83	6.4	6.9
Median	0.91	0.88	0.85	0.80	11.7 %	13.7 %
Average	0.92	0.90	0.83	0.82	12.1	16.3

Source: Ibbotson, Axioma, and market data as of 13-Jan-2017

¹ Risk-free rate based on 20-year government bonds.

² Equity risk premium based on data from 1974 through 2015.

³ Pre-tax cost of debt reflects implied undisturbed yield on Royals 10-yr USD denominated bonds based upon Advantage Data USD IG Index.

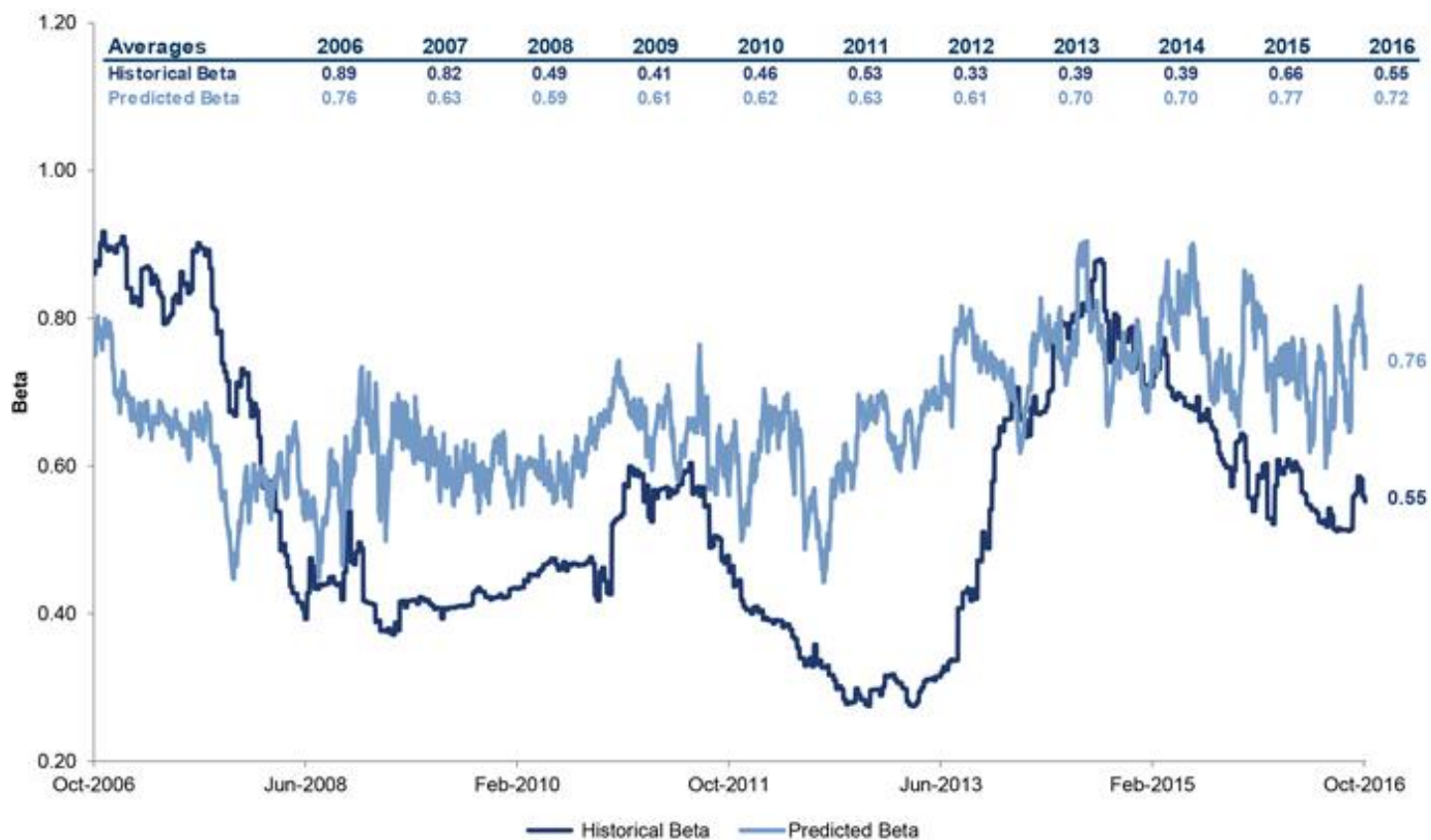
⁴ Based on target leverage of 2.0x LTM Debt / EBITDA per Royals Management Plan and market capitalization as of 20-Oct-2016 (date before initial offer was received).

⁵ Equity beta based on Royals historical Axioma beta as of 20-Oct-2016 (date before initial offer was received).



Royals Historical & Predicted Axioma Beta

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Source: Axioma as of 20-Oct-2016

Braves Illustrative Weighted Average Cost of Capital Analysis

Illustrative WACC Calculation

Assumptions	As of 13-Jan-17	Equity Beta	Debt / Total Capitalization		
			15.0 %	20.0 %	25.0 %
Risk Free Rate (RF) ¹	1.9 %	0.86			
Market Risk Premium (Rp) ²	6.5 %				
Tax Rate (t)	30.0 %				
Pre-Tax Cost of Debt ³	2.4 %	0.98	6.6 %	6.4 %	6.1 %
Target Capital Structure					
Debt / Total Capitalization ⁴	21.3 %				
Equity / Target Capitalization	78.7 %	1.10	7.3 %	7.0 %	6.6 %
Weighted Average Cost of Capital					
After-Tax Cost of Debt	1.7 %				
Assumed Equity Beta (B _e) ⁵	0.98		8.0 %	7.6 %	7.2 %
Cost of Equity	8.3 %				
WACC	6.9 %				

Tobacco Landscape Metrics

Tobacco Landscape	Equity Beta		Asset Beta		Current Debt / Total Capitalization	Net Debt / Total Capitalization
	Axioma Historical	Axioma Predicted	Axioma Historical	Axioma Predicted		
UK Tobacco Companies						
Braves as of 20-Oct-2016	1.10	0.88	0.96	0.77	17.0 %	20.5 %
Imperial Brands	0.86	0.87	0.66	0.67	29.8	42.4
Median	0.98	0.88	0.81	0.72	23.4 %	31.4 %
Other Tobacco Peers						
Altria	0.50	0.63	0.48	0.60	6.8 %	7.3 %
ITC Limited	0.95	0.98	0.98	1.00	(4.7)	(4.5)
Philip Morris	0.58	0.68	0.52	0.61	15.2	18.0
Royals as of 20-Oct-2016	0.55	0.76	0.50	0.68	14.3	16.7
Japan Tobacco	0.77	0.86	0.74	0.83	6.4	6.9
Median	0.58	0.76	0.52	0.68	6.8 %	7.3 %
Average	0.67	0.78	0.64	0.74	7.6	8.9

Source: Ibbotson, Axioma, and market data as of 13-Jan-2017

¹ Risk-free rate based on 20-year government bonds.

² Equity risk premium based on data from 1974 through 2015.

³ Pre-tax cost of debt reflects implied undisturbed yield on Braves 10-yr GBP denominated bonds based upon Advantage Data GBP IG Index.

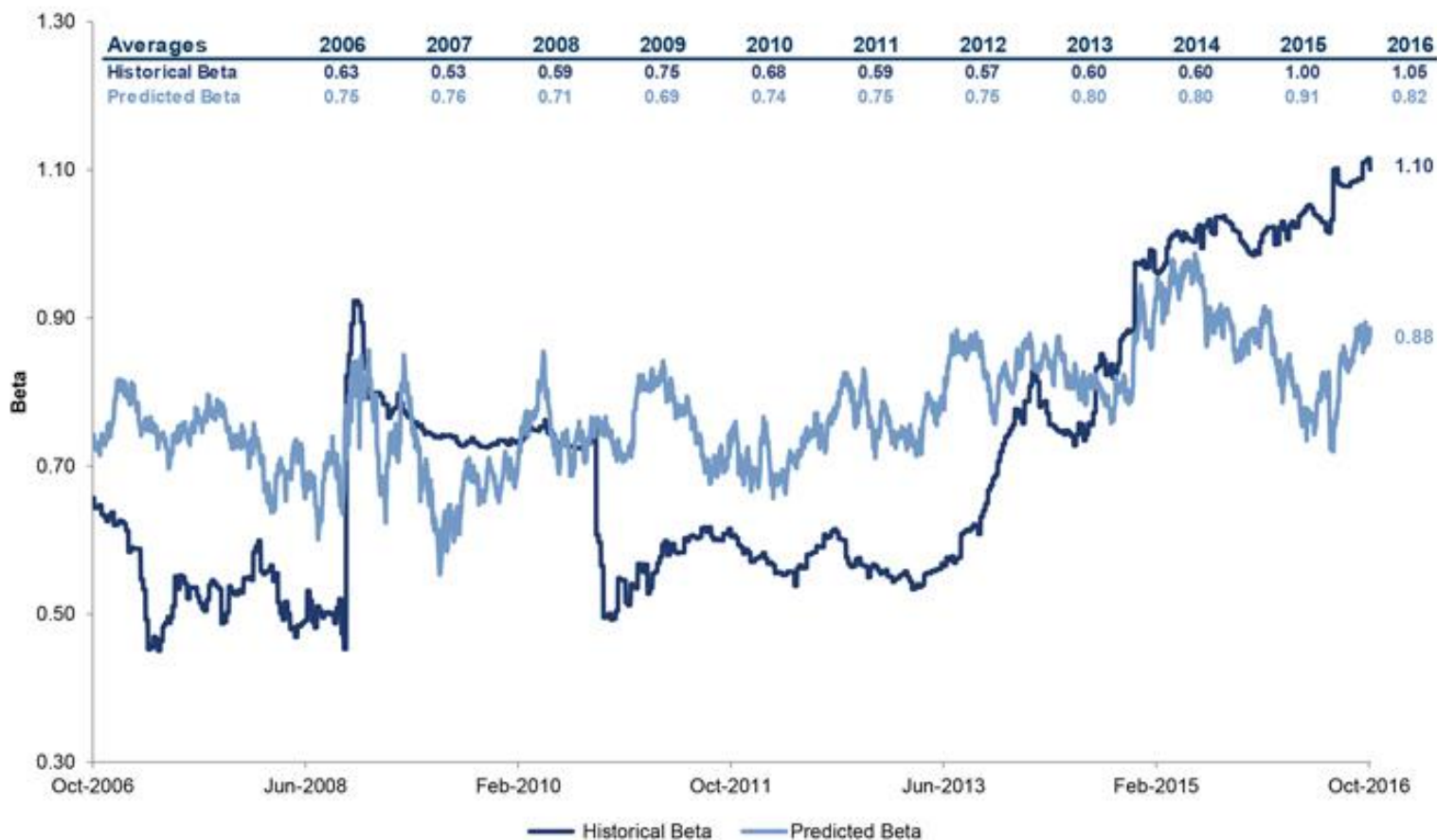
⁴ Based on target leverage of 2-3.0x LTM Debt/ EBITDA and market capitalization as of 20-Oct-2016 (date before initial offer was received).

⁵ Equity beta based upon the median Axioma historical equity beta of the UK Tobacco Companies.



Braves Historical & Predicted Axioma Beta

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Source: Axioma as of 20-Oct-2016

Pro Forma Braves / Royals Illustrative Weighted Average Cost of Capital

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Illustrative WACC Calculation

Assumptions	As of 13-Jan-17	Equity Beta	Debt / Total Capitalization		
			15.0 %	20.0 %	25.0 %
Risk Free Rate (RF) ¹	1.9 %	0.72			
Market Risk Premium (Rp) ²	6.5 %				
Blended Tax Rate (t)	31.6 %				
Pre-Tax Cost of Debt ³	2.5 %	0.85	5.9 %	5.6 %	5.4 %
Target Capital Structure					
Debt / Total Capitalization ⁴	21.3 %				
Equity / Target Capitalization	78.7 %	0.98	6.6 %	6.3 %	6.0 %
Weighted Average Cost of Capital					
After-Tax Cost of Debt	2.5 %				
Assumed Equity Beta (B _e) ⁵	0.85		7.3 %	7.0 %	6.6 %
Cost of Equity	7.5 %				
WACC	6.2 %				

Tobacco Landscape Metrics

Tobacco Landscape	Equity Beta		Asset Beta		Current Debt / Total Capitalization	Net Debt / Total Capitalization
	Axioma Historical	Axioma Predicted	Axioma Historical	Axioma Predicted		
Pro Forma Company						
Median UK Tobacco Companies ⁶	0.98	0.88	0.81	0.72	23.4 %	31.4 %
Royals in GBP as of 20-Oct-2016 ⁷	0.69	NA	0.63	NA	14.3	16.7
Blended Value⁸	0.85	NA	0.73	NA	19.3 %	24.8 %
Other Tobacco Peers						
Altria	0.50	0.63	0.48	0.60	6.8 %	7.3 %
Imperial Brands	0.86	0.87	0.66	0.67	29.8	42.4
ITC Limited	0.95	0.98	0.98	1.00	(4.7)	(4.5)
Japan Tobacco	0.77	0.86	0.74	0.83	6.4	6.9
Philip Morris	0.58	0.68	0.52	0.61	15.2	18.0
Median	0.77	0.86	0.66	0.67	6.8 %	7.3 %
Average	0.73	0.80	0.67	0.74	10.7	14.0

Source: Ibbotson, Axioma, and market data as of 13-Jan-2017

¹ Risk-free rate based on 20-year government bonds. ² Equity risk premium based on data from 1974 through 2015. ³ Pre-tax cost of debt based upon the Braves 10-yr GBP note yields as of 09-Jan-2017. ⁴ Based on target leverage of 2-3.0x LTM Debt/ EBITDA per Pro Forma Forecast and market capitalization as of 20-Oct-2016 (date before initial offer was received). ⁵ Equity beta based upon blended value of Braves and Royals standalone historical betas in GBP. ⁶ Reflects median UK Tobacco Companies values ⁷ Reflects values implied by illustrative regression of Royals 2-yr weekly stock return in GBP (converted at spot rate) against 2-yr weekly return of the FTSE 350. ⁸ Values blended based on market cap contribution – assumes Royals contributes 45% of market cap and Braves contributes 55% based upon their market capitalization as of 20-Oct-2016 (date before initial offer was received).



Royals Equity Capitalization Table As of 31-Dec-2016 (\$ in millions)

 INVESTMENT BANKING
DIVISION

	<u>Total</u>
Basic Shares Outstanding	
Common Shares Outstanding	1,425.9
% of Common Shares Acquired	57.8 %
Common Shares Acquired	824.6
Potentially Dilutive Securities	
Performance Shares	6.3
Company - DSU's	0.6
Company - RSU's	0.1
Total Dilutive Securities	7.1
Total Diluted Shares Acquired	831.6
Implied Offer Value ¹	\$ 59.74
Fully Diluted Equity Value Acquired	\$ 49,682
<i>Memo: Total Fully Diluted Shares</i>	1,433.0

Source: Share count as per Merger Agreement

¹ Based on ADS value of \$115.21, ADS Exchange ratio of 0.2630 and cash value per share of \$29.44.

Royals Debt Capitalization Table

As of 31-Dec-2016

(\$ in millions)

INVESTMENT BANKING
DIVISION

Bonds	Coupon	Maturity	Book Value	x LTM EBITDA	Comments
\$2bn Undrawn RCF	L+120	2020	\$ 0	0.0 x	101% Dual-Trigger Change of Control
2.300% notes due 2017	2.300 %	2017	447	0.1 x	101% Dual-Trigger Change of Control
2.300% notes due 2018	2.300 %	2018	1,250	0.3 x	101% Dual-Trigger Change of Control
8.125% notes due 2019	8.125 %	2019	669	0.4 x	101% Dual-Trigger Change of Control
3.250% notes due 2020	3.250 %	2020	771	0.6 x	101% Dual-Trigger Change of Control
6.875% notes due 2020	6.875 %	2020	641	0.7 x	101% Dual-Trigger Change of Control
3.250% notes due 2022	3.250 %	2022	158	0.7 x	101% Dual-Trigger Change of Control
4.000% notes due 2022	4.000 %	2022	1,000	0.9 x	101% Dual-Trigger Change of Control
3.750% notes due 2023	3.750 %	2023	30	0.9 x	101% Dual-Trigger Change of Control
4.850% notes due 2023	4.850 %	2023	550	1.0 x	101% Dual-Trigger Change of Control
4.450% notes due 2025	4.450 %	2025	2,500	1.4 x	101% Dual-Trigger Change of Control
5.700% notes due 2035	5.700 %	2035	750	1.6 x	101% Dual-Trigger Change of Control
7.250% notes due 2037	7.250 %	2037	450	1.6 x	101% Dual-Trigger Change of Control
8.125% notes due 2040	8.125 %	2040	237	1.7 x	101% Dual-Trigger Change of Control
7.000% notes due 2041	7.000 %	2041	240	1.7 x	101% Dual-Trigger Change of Control
4.750% notes due 2042	4.750 %	2042	173	1.8 x	101% Dual-Trigger Change of Control
6.150% notes due 2043	6.150 %	2043	550	1.9 x	101% Dual-Trigger Change of Control
5.850% notes due 2045	5.850 %	2045	2,250	2.3 x	101% Dual-Trigger Change of Control
2.300% notes due 2017	2.300 %	2017	53	2.3 x	101% Dual-Trigger Change of Control
8.125% notes due 2019	8.125 %	2019	81	2.3 x	101% Dual-Trigger Change of Control
6.875% notes due 2020	6.875 %	2020	109	2.3 x	101% Dual-Trigger Change of Control
3.750% notes due 2023	3.750 %	2023	19	2.3 x	101% Dual-Trigger Change of Control
8.125% notes due 2040	8.125 %	2040	13	2.3 x	101% Dual-Trigger Change of Control
7.000% notes due 2041	7.000 %	2041	9	2.3 x	101% Dual-Trigger Change of Control
Total Debt			\$ 12,950	2.3 x	
Cash			2,051		
Net Debt			\$ 10,899	1.9 x	

Source: Royals Management Plan, Company filings, CapIQ, assumes LTM EBITDA of \$5,718mm as of 30-Sep-2016 as per Company filings.

Braves Projected Unlevered Free Cash Flow

(\$ in millions)

	Historical	Royals Management Forecasts					Terminal Year	
	2015	2017F	2018F	2019F	2020F	2021F		
Revenue	£ 13,104	£ 16,316	£ 16,969	£ 17,647	£ 18,353	£ 19,087	£ 19,087	
% Growth		10.2 %	4.0 %	4.0 %	4.0 %	2.0 %		
EBITDA	£ 5,330	£ 6,405	£ 6,769	£ 7,128	£ 7,505	£ 7,900	£ 7,900	
% Margin	40.7 %	39.3 %	39.9 %	40.4 %	40.9 %	41.4 %	41.4 %	
EBIT	£ 4,992	£ 6,040	£ 6,404	£ 6,763	£ 7,140	£ 7,535	£ 7,300	
Tax (Expense) / Benefit	(1,261)	(1,752)	(1,857)	(1,961)	(2,071)	(2,185)	(2,117)	
EBIAT	£ 3,731	£ 4,288	£ 4,547	£ 4,802	£ 5,069	£ 5,350	£ 5,183	
(+) D&A	338	365	365	365	365	365	600	
(-) Capital Expenditures	(483)	(600)	(600)	(600)	(600)	(600)	(600)	
(-) Increase in Working Capital	(351)	(120)	(300)	(300)	(300)	(300)	(300)	
(-) Other ¹	(678)	(626)	(328)	(250)	(250)	(250)	0	
Unlevered FCF	£ 2,557	£ 3,307	£ 3,684	£ 4,017	£ 4,284	£ 4,565	£ 4,883	
% of EBITDA	48.0 %	51.6 %	54.4 %	56.4 %	57.1 %	57.8 %	61.8 %	
Present Value FCF		£ 3,197	£ 3,328	£ 3,392	£ 3,381	£ 3,367	£ 51,447	
Royals DCF								
	Low	High	Market					
30% Stake in ITC (Market)	£ 10,584	£ 10,584	£ 10,584	Present Value Of Cash Flows				£ 16,665
42% Stake in Royals	£ 22,293	£ 35,625	£ 23,131	Present Value of Terminal Value				£ 51,447
Total Value of Affiliates	£ 32,877	£ 46,209	£ 33,715	Enterprise Value				£ 68,112
Shares Outstanding	1,874	1,874	1,874	Net Debt				(16,348)
Per Share Value of Affiliates	£ 17.54	£ 24.65	£ 17.99	Equity Value				£ 51,764
Braves Standalone DCF Value	£ 21.53	£ 37.01	£ 27.62	Shares Outstanding				1,874
Total Braves DCF Value	£ 39.07	£ 61.66	£ 45.61	Implied Share Price				£ 27.62

Source: Braves Forecast

Note: Braves cash flows discounted to 31-Dec-2016 balance sheet provided per Braves Forecast using mid-year convention for cash flows. Braves terminal year EBIT includes an additional £235mm in D&A to normalize perpetual D&A with CAPEX and terminal cash flows exclude £250mm in restructuring expense in 2021. Braves Forecast assumes pension contributions through 2018 and that pension plan is sufficiently funded post 2018 resulting in no incremental cash flows beyond the cash pension expense included in Net Income. Braves low and high values assume (0.5)% and 0.5% PGR / 8.0% and 6.0% WACC respectively. Royals low and high values assume (0.5)% and 0.5% PGR / 6.5% and 5.0% WACC respectively discounted to 31-Dec-2016. Royals and ITC market values represent value of BAT ownership stakes as of 20-Oct-2016 and 31-Dec-2016 respectively. Royals converted at USD / GBP rate of 1.2186x and ITC converted at INR / GBP rate of 83.950x as of 31-Dec-2016.

¹ Includes pension funding and restructuring expense.

Common Stock Comparison

U.S. and International Tobacco Peers

(\$ in millions)

INVESTMENT BANKING
DIVISION

Company	Closing Price 13-Jan-2017	% of 52 Week High	Adjusted Equity Market Cap (1)	Adjusted Enterprise Value (1)	Enterprise Value Multiples (2)			Calendarized P/E Multiples (2)			5-Year EPS CAGR (2)	2018		Dividend Yield
					EBITDA			P/E Multiples (2)				EPS CAGR	PE/5-Year CAGR	
					2016	2017	2018	2016	2017	2018				
Royals IBES Estimates (Undisturbed Date)	\$ 47.17	87 %	\$ 67,493	\$ 78,713	13.2 x	12.3 x	11.6 x	20.5 x	18.5 x	17.1 x	NA	NA	3.9 %	
Royals Management (Undisturbed Date)	47.17	87	67,493	78,713	13.1	12.5	11.4	20.4	18.6	16.9	NA	NA	3.9	
Braves IBES (3)	£ 47.30	92 %	\$ 60,897	\$ 80,817	11.3 x	10.1 x	9.6 x	19.2 x	16.8 x	15.5 x	12.1 %	1.3 %	3.3 %	
Braves IBES (Undisturbed Date) (3)	£ 48.03	94	68,679	91,246	12.8	11.4	10.8	19.5	17.3	16.0	12.0	1.4	3.2	
Selected Comparable Companies														
Philip Morris (4)	\$ 90.40	87 %	\$ 141,724	\$ 166,927	14.3 x	13.4 x	12.5 x	20.1 x	19.0 x	17.4 x	7.7 %	2.3 %	4.6 %	
Altria (5)	67.58	96	111,204	120,908	12.9	12.3	11.7	22.3	20.2	18.7	8.1	2.3	3.6	
Japan Tobacco	¥ 3,870.00	80	60,312	65,064	10.2	10.2	9.7	16.6	16.6	15.3	(0.4)	NM	3.3	
Imperial Brands	£ 35.90	86	41,678	59,783	12.9	11.8	11.3	14.0	12.8	12.1	5.1	2.3	4.3	
ITC Limited (6)	INR 249.65	94	44,383	42,399	18.4	16.5	14.8	28.6	25.3	22.6	18.5	1.2	3.4	
Mean		89 %	\$ 79,860	\$ 91,016	13.7 x	12.8 x	12.0 x	20.3 x	18.8 x	17.2 x	7.8 %	2.0 %	3.8 %	
Median		87	60,312	65,064	12.9	12.3	11.7	20.1	19.0	17.4	7.7	2.3	3.6	

Note: Company valuations denoted with "(Undisturbed Date)" reflect valuations as of 20-Oct-2016.

(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 EBITDA 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 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) Adjusted for 10.2% ownership in ABI+SAB and \$1.9bn post-tax cash dollars received from the acquisition after additional share repurchases.

(6) Adjusted for 45.8% stake in Gujarat Hotels and 49.0% stake in International Travel House.