JAPAN TOBACCO INC.
2-1, Toranomon 2-chome, Minato-ku
Tokyo 105-8422 JAPAN
Phone:03-3582-3111

FOR IMMEDIATE RELEASE

Tokyo, September 19, 2014

Documents presented at the Investor Conference

Japan Tobacco Inc. (JT) (TSE: 2914) held an Investor Conference today in London. Company Executives made presentations on Tobacco Business strategic focus and source for sustainable growth, JT International's (JTI) Financial Results for the period from January to June 2014 and an overview of business in Japanese and Central European markets.

Documents presented:

Document 1: Tobacco business strategic focus and source for sustainable growth
Document 2: Japan market Continue to be a strong earnings base
Document 3: JTI 1H 2014 Financial Results
Document 4: Expanding our presence in Central Europe

###

Japan Tobacco Inc. is a leading international tobacco product company. Its products are sold in over 120 countries and its internationally recognized brands include Winston, Camel, Mevius and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods. The company's revenue was ¥2.400 trillion (US$23,318 million(*)) in the fiscal year ended March 31, 2014.

**Translated at the rate of ¥102.92 per $1, as of March 31, 2014*

Contacts: Ryohei Sugata, General Manager
Dmitry Krivtsov, Associate General Manager
Media and Investor Relations Division
Japan Tobacco Inc.
Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@jt.com

Document 1

Tobacco business strategic focus and source for sustainable growth

Akira Saeki
Executive Deputy President,
President of the Tobacco Business

Caution on Forward-Looking Statements

Today's presentations contain forward-looking statements. These statements appear in a number of places in these presentations and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as "may", "will", "should", "would", "expect", "intend", "project", "plan", "aim", "seek", "target", "anticipate", "believe", "estimate", "predict", "potential" or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

(1) decrease in demand for tobacco products in key markets;

(2) restrictions on promoting, marketing, packaging, labeling and usage of tobacco products in markets in which we operate;

(3) increases in excise, consumption or other taxes on tobacco products in markets in which we operate;

(4) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products ;

(5) our ability to realize anticipated results of our acquisition or other similar investments;

(6) competition in markets in which we operate or into which we seek to expand;

(7) deterioration in economic conditions in areas that matter to us;

(8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;

(9) fluctuations in foreign exchange rates and the costs of raw materials; and

(10) catastrophes, including natural disasters. .

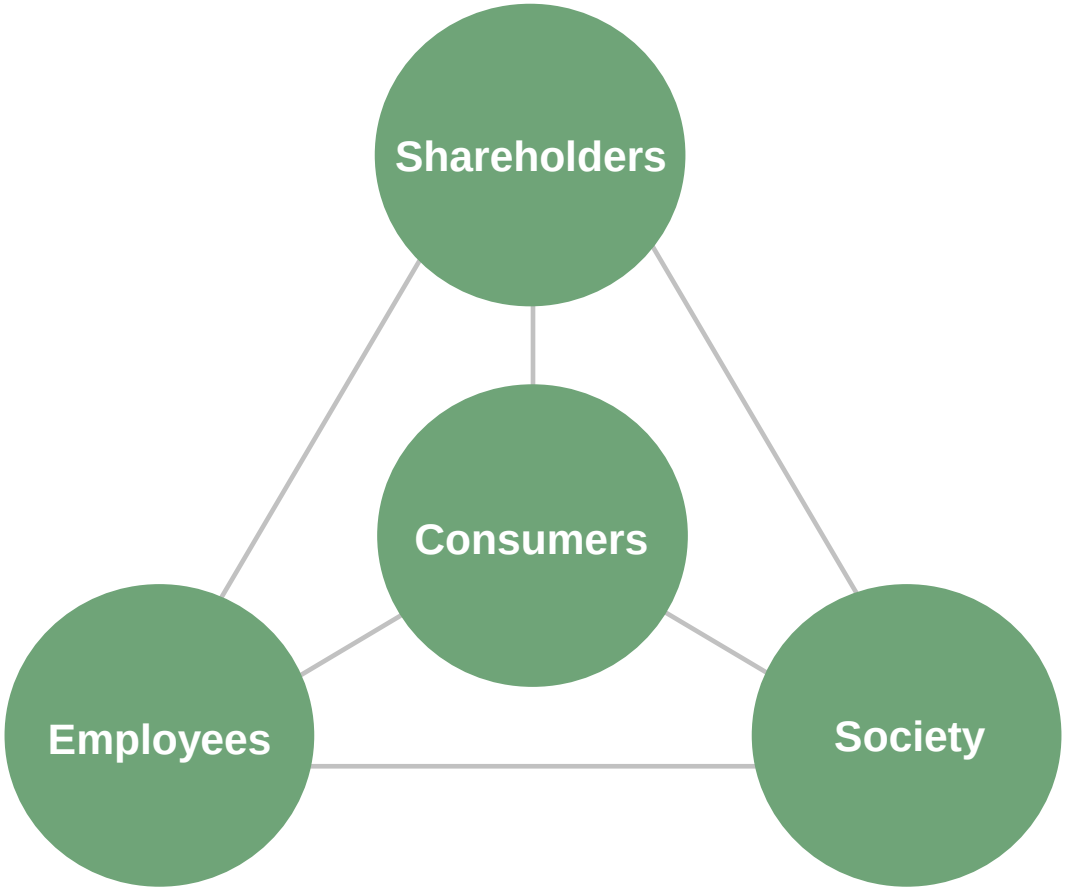
© Copyright JT 2014

This presentation contains images or packages of our brands in some slides. Those slides have been included exclusively to illustrate JT Group’s strategy or performance to our investors. They are not to be used for any other purpose.

© Copyright JT 2014

The 4S Model continues driving our sustainable growth

Management Principles



© Copyright JT 2014

Our vision and strategic framework remain unchanged

Our Vision

To be the No.1 global tobacco company

Strategic Framework

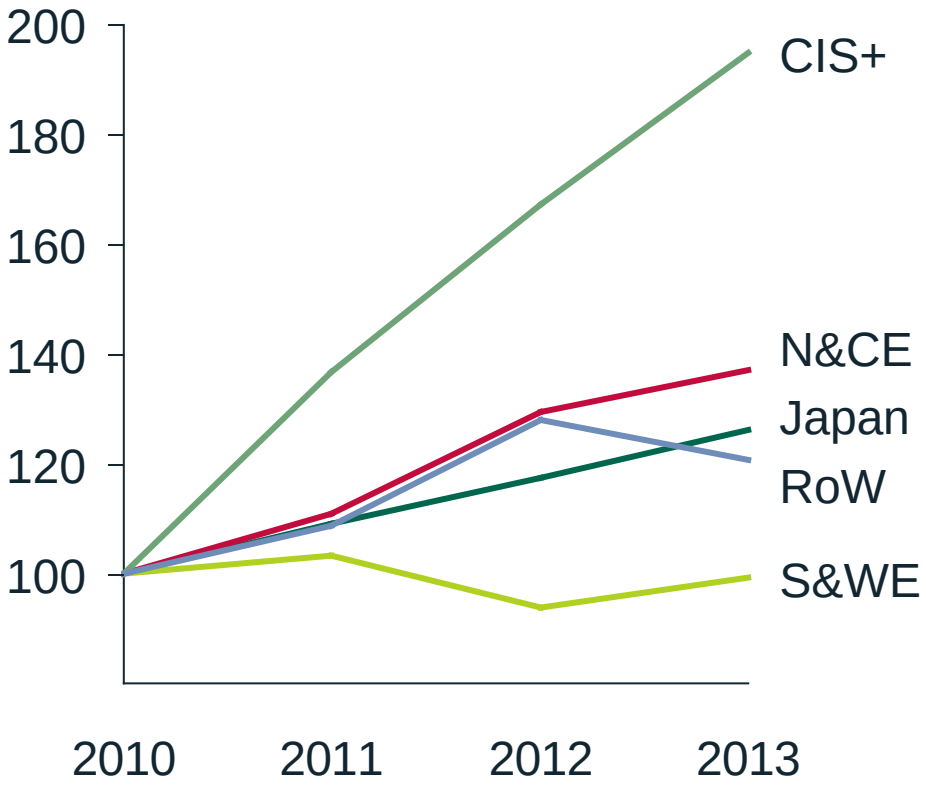
- **Quality top-line growth**
- **Broadening the earnings base**
- **Robust business foundations**

© Copyright JT 2014

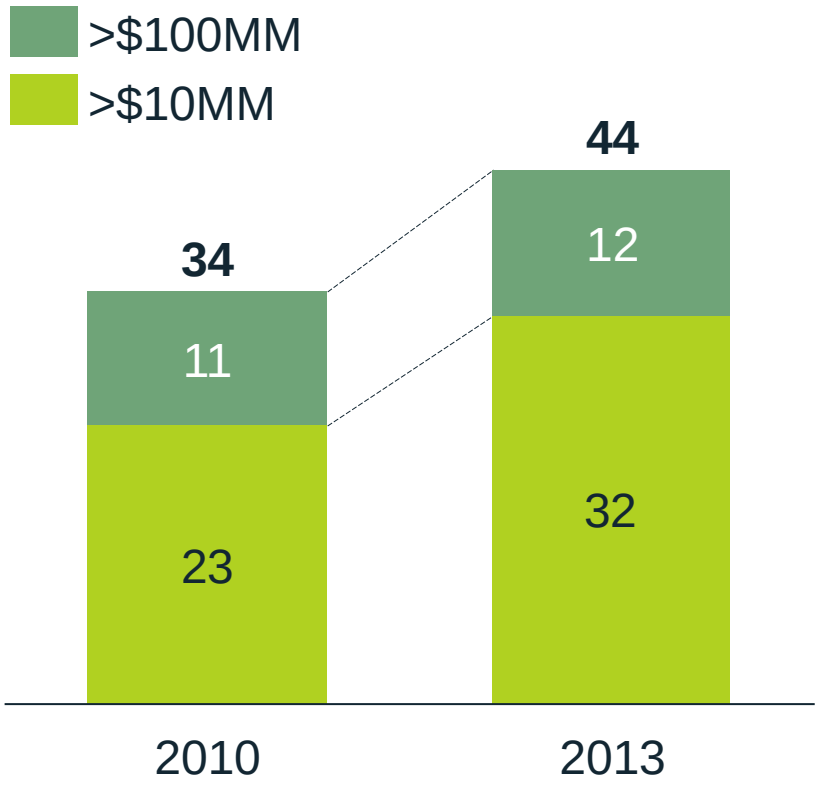
Performance track record

Delivered continuous profit growth by enhancing market profitability through investment

Profit growth by cluster
(Index, 2010=100)



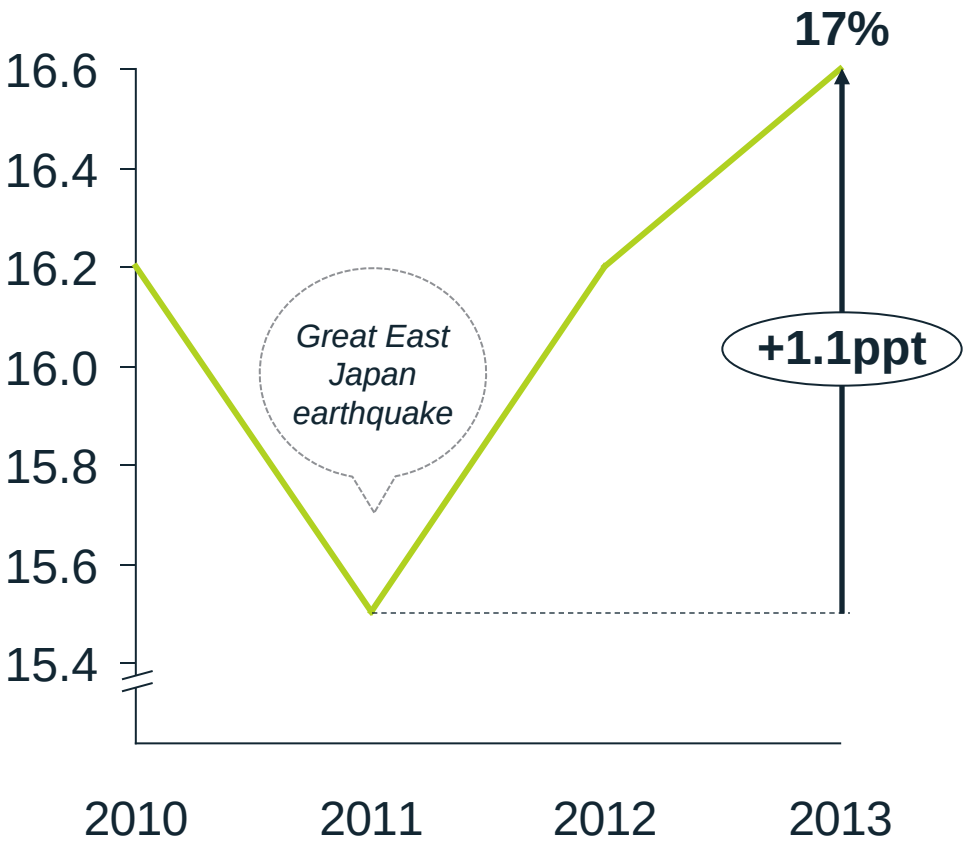
# of markets over $10MM EBITA



© Copyright JT 2014

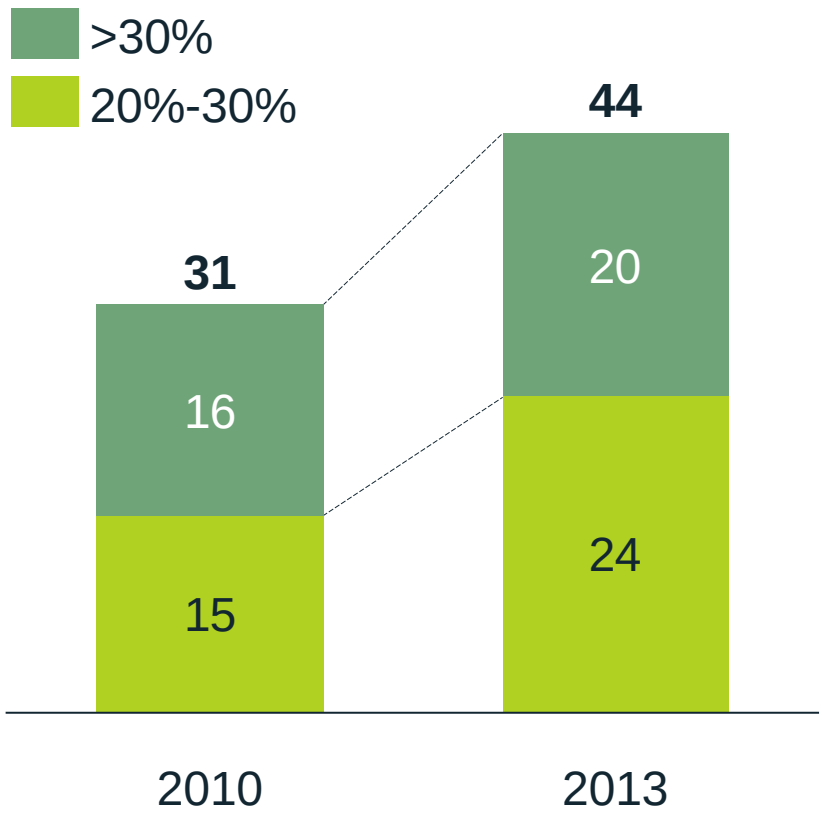
Strengthened presence through share of market increase

JTG Share of market evolution (%)



Source: Euromonitor (China excluded)

# of markets over 20% SOM



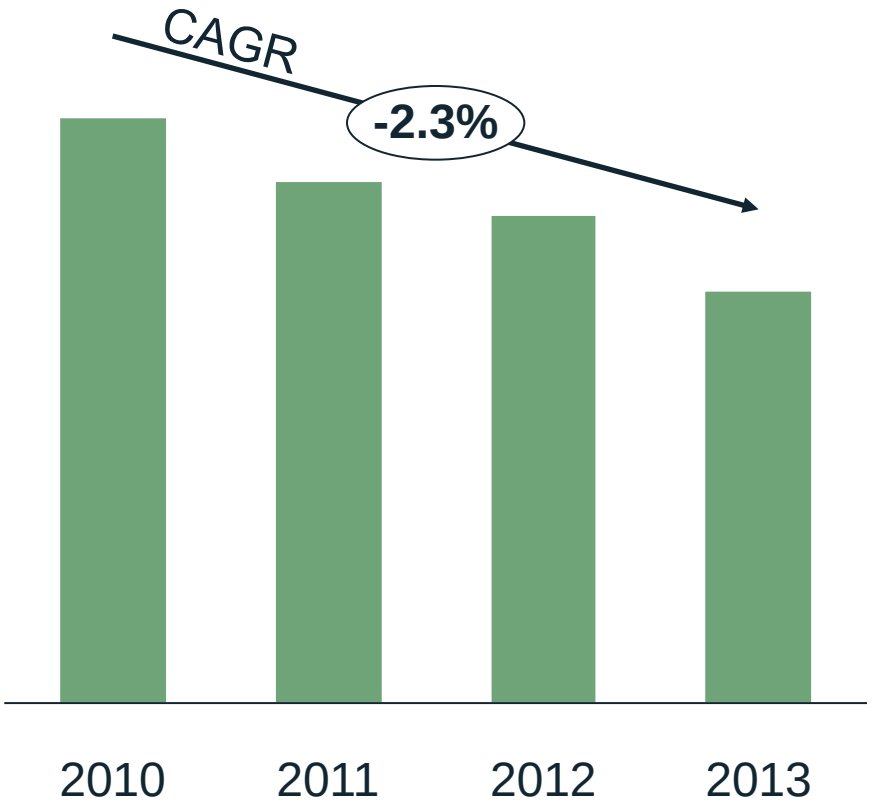
Source: JTG estimates

© Copyright JT 2014

Operating environment

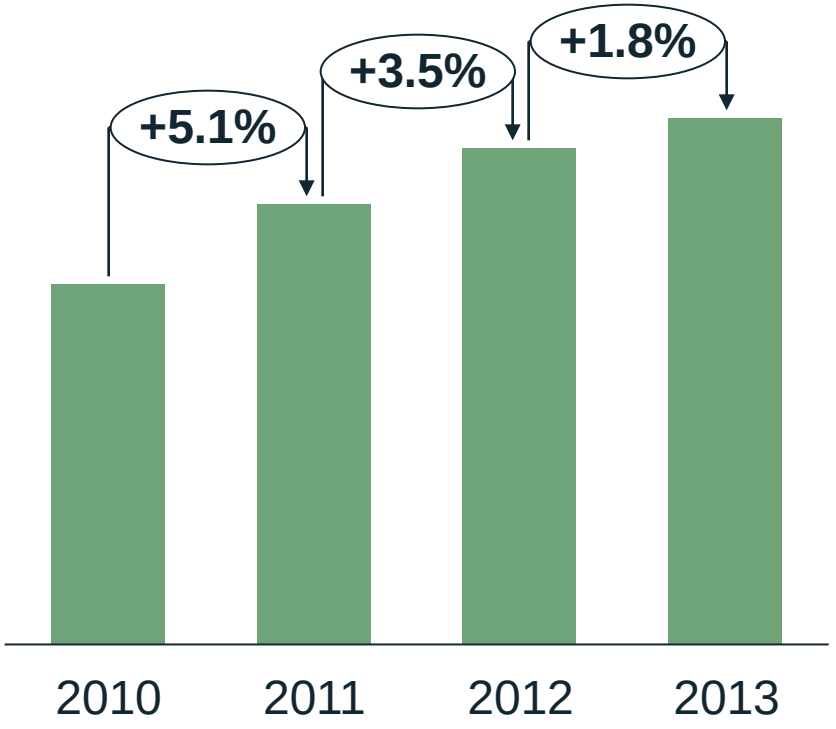
Cigarette market contraction continued, while fine cut growth slowed down

Cigarette global industry evolution



Source: Euromonitor (China excluded)

Fine cut global industry evolution



Source: Euromonitor

© Copyright JT 2014

Solid pricing environment

- Pricing environment continued to be solid
- Pricing remained a key driver of our top- and bottom-line growth
- Tactical pricing in certain markets led to fierce competition, but overall picture has not changed

© Copyright JT 2014

Regulatory environment continues to be manageable

	2014	2015	2016
Extended Health Warning			EU TPD2 Q2
Ingredients Restriction			EU TPD2 Q2
Display Ban	Q2	Q2 Incl. small shops	
SIPPs	Q2 Incl. HoReCa		

© Copyright JT 2014

Confidence in sustainable growth

Continuously building strong brands and product portfolio

Global Flagship Brands

Winston

MEVIUS
imagineering the future

Camel

L&D

SILK CUT

BENSON & HEDGES

Glamour SUPERSLIMS

SOBRANIE LONDON

Other Tobacco Products

AMBER LEAF

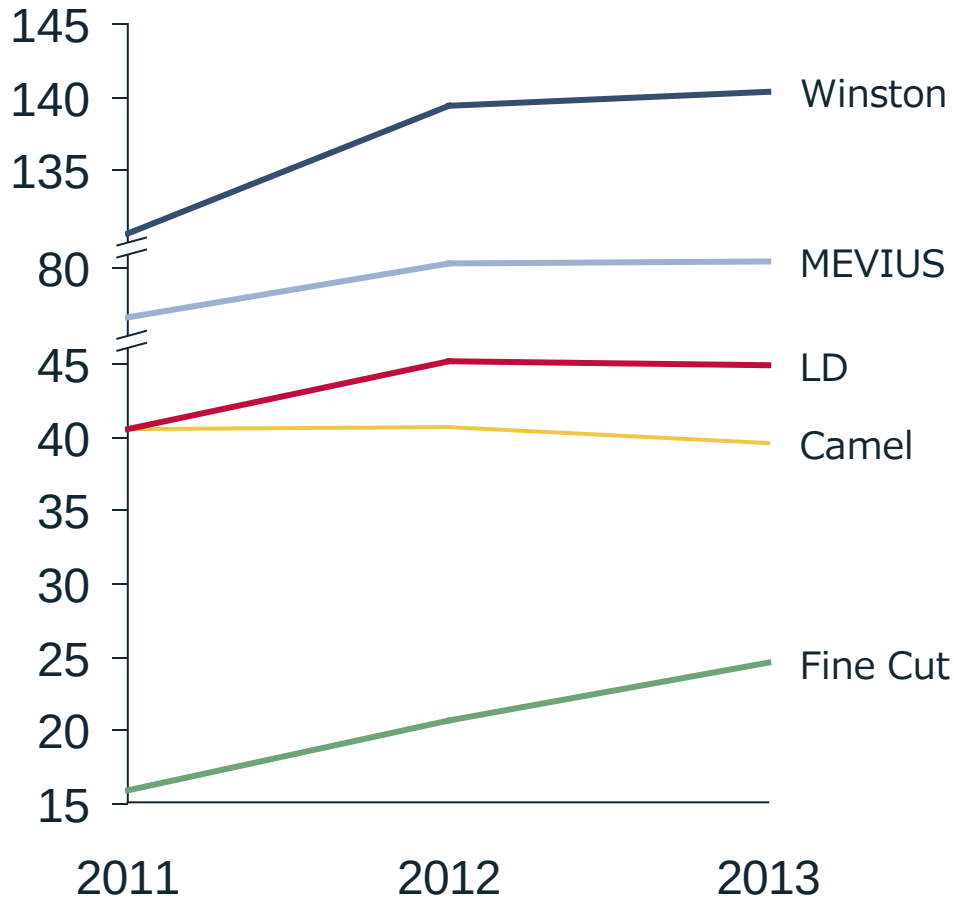
NAKHLA TOBACCO

Emerging Products

ZERO STYLE

ploom™

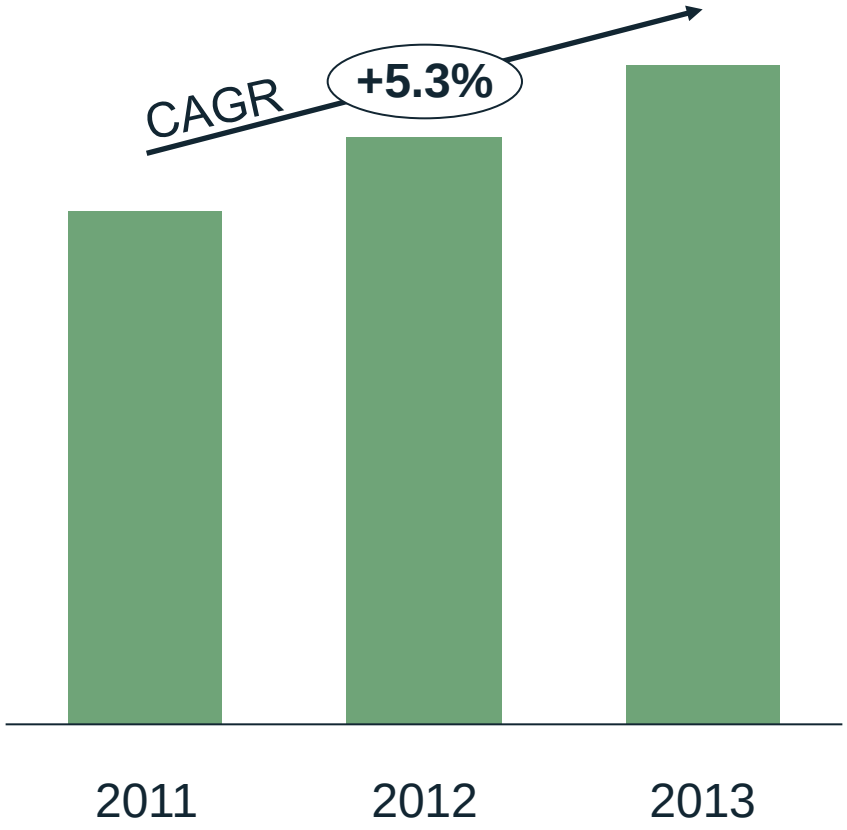
JTG volume evolution (BnU)



© Copyright JT 2014

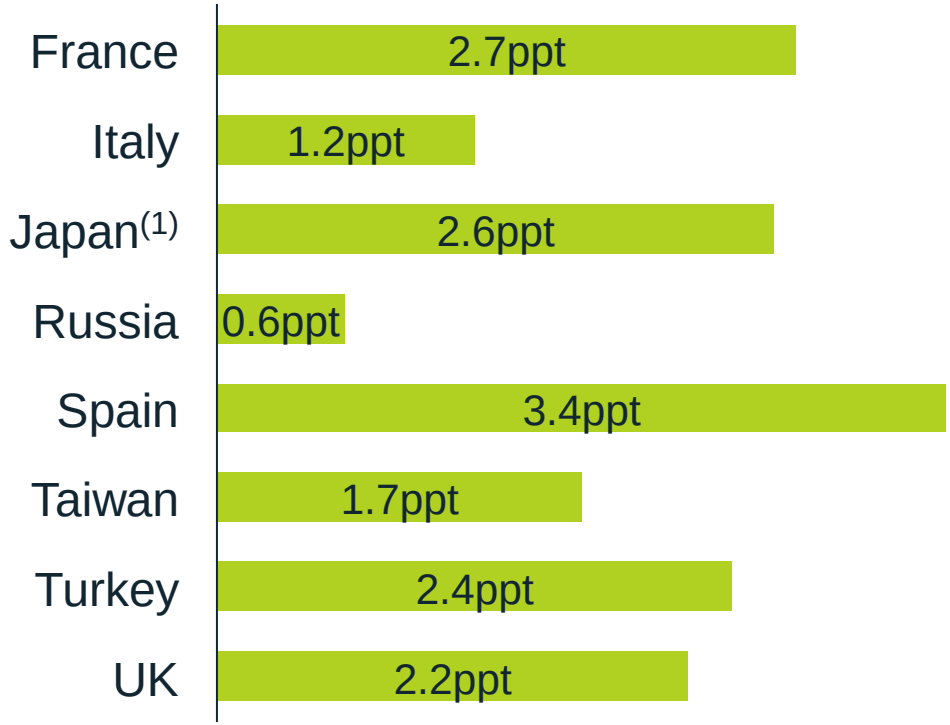
Resilient industry with continuous value creation and potential for value increase

Industry value evolution



Source: Euromonitor

JTG Share of value growth, 2013 vs. 2011

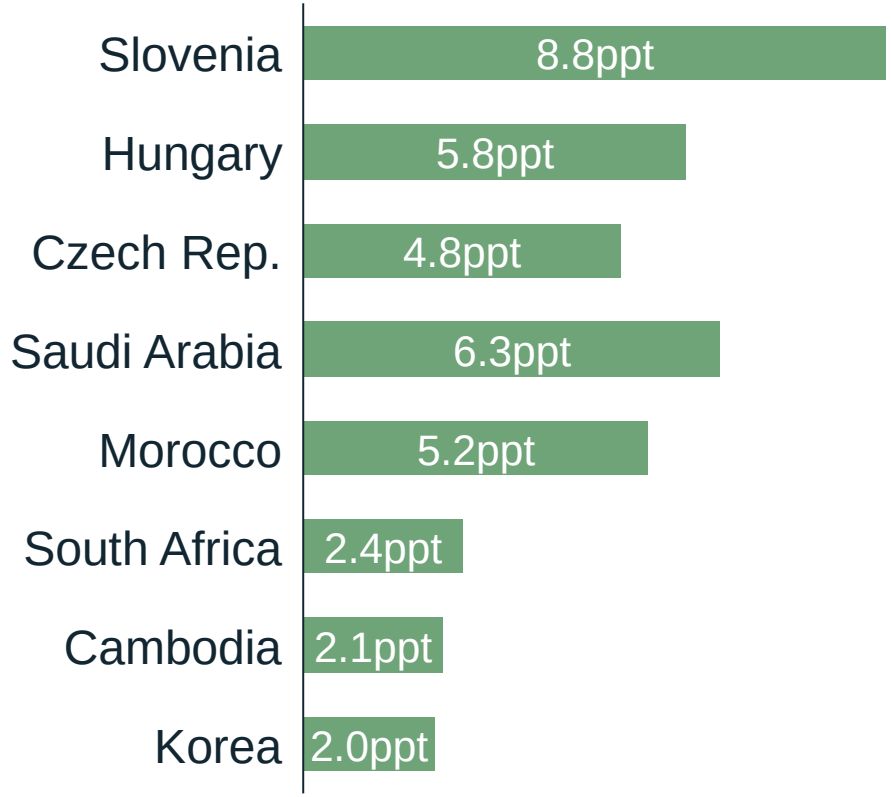


(1) Earthquake impact excluded
Source: JTG estimates

© Copyright JT 2014

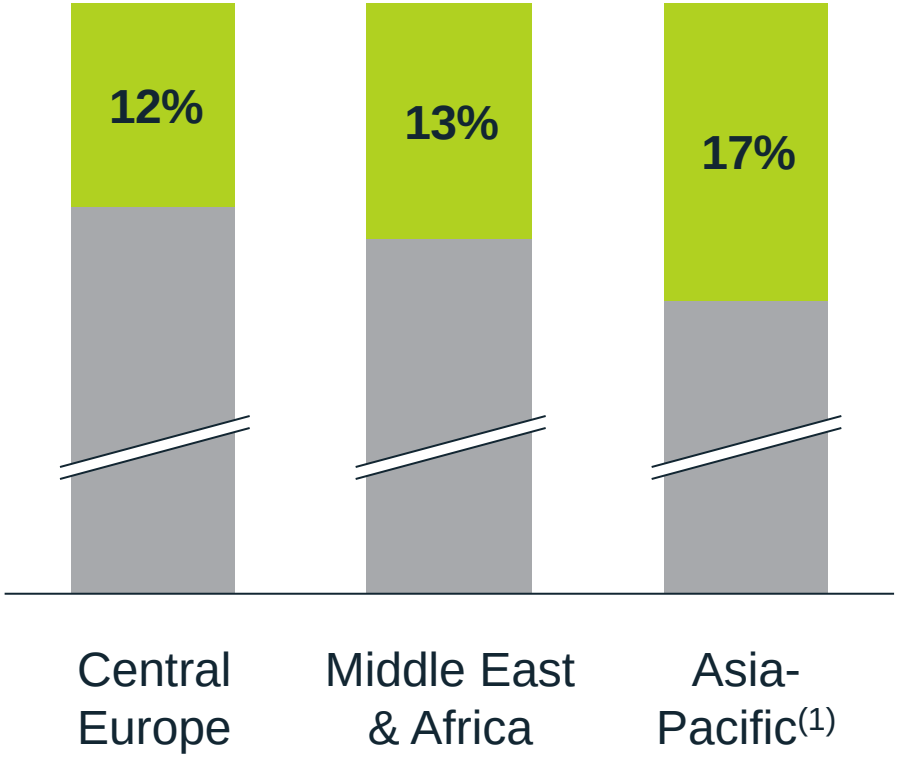
Potential for further geographic expansion

JTG Share of market growth, 2013 vs. 2008



Source: JTG estimates

2013 JTG Share of market by area



(1) China and India excluded
Source: Euromonitor, JTG estimates

© Copyright JT 2014

Building a leading portfolio in the new emerging products category

- Pioneer with early commercial launches and fully leverage lessons learned
- Continue market roll-out of Ploom: France and the UK
- Several new products in the pipeline
- E-Lites acquisition in progress
  - One of the most renowned brands in the UK
  - 3rd largest UK e-cig company in retail sales, with approx. 20% market share
  - Product offer centered on instant usage, cartomizers and rechargeables
  - Presence in 20,000 retail outlets

© Copyright JT 2014

Continuously deliver on our commitment

Mid to high single digit

profit growth in the mid- to long-term

© Copyright JT 2014

Closing Remarks

Akira Saeki
Executive Deputy President,
President of the Tobacco Business

Caution on Forward-Looking Statements

Today's presentations contain forward-looking statements. These statements appear in a number of places in these presentations and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as "may", "will", "should", "would", "expect", "intend", "project", "plan", "aim", "seek", "target", "anticipate", "believe", "estimate", "predict", "potential" or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

(1) decrease in demand for tobacco products in key markets;

(2) restrictions on promoting, marketing, packaging, labeling and usage of tobacco products in markets in which we operate;

(3) increases in excise, consumption or other taxes on tobacco products in markets in which we operate;

(4) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products ;

(5) our ability to realize anticipated results of our acquisition or other similar investments;

(6) competition in markets in which we operate or into which we seek to expand;

(7) deterioration in economic conditions in areas that matter to us;

(8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;

(9) fluctuations in foreign exchange rates and the costs of raw materials; and

(10) catastrophes, including natural disasters. .

© Copyright JT 2014

In closing

- Confidence in sustainable growth
  - Strong brands and product portfolio building capabilities
  - Potential for further share of value increase
  - Potential for further geographic expansion
  - Emerging product business
- Based on 4S model, we will continue to pursue quality top-line growth by leveraging sources of business
- Aim to achieve sustainable profit growth in the mid- to long-term

© Copyright JT 2014

Document 2

Japan market
Continue to be a strong earnings base

Junichi Fukuchi
Senior Vice President &
Head of Tobacco Business Planning

Caution on Forward-Looking Statements

Today's presentations contain forward-looking statements. These statements appear in a number of places in these presentations and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as "may", "will", "should", "would", "expect", "intend", "project", "plan", "aim", "seek", "target", "anticipate", "believe", "estimate", "predict", "potential" or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

(1) decrease in demand for tobacco products in key markets;

(2) restrictions on promoting, marketing, packaging, labeling and usage of tobacco products in markets in which we operate;

(3) increases in excise, consumption or other taxes on tobacco products in markets in which we operate;

(4) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products ;

(5) our ability to realize anticipated results of our acquisition or other similar investments;

(6) competition in markets in which we operate or into which we seek to expand;

(7) deterioration in economic conditions in areas that matter to us;

(8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;

(9) fluctuations in foreign exchange rates and the costs of raw materials; and

(10) catastrophes, including natural disasters. .

© Copyright JT 2014

This presentation contains images or packages of our brands in some slides. Those slides have been included exclusively to illustrate JT Group’s strategy or performance to our investors. They are not to be used for any other purpose.

© Copyright JT 2014

Japan, a highly competitive platform of profitability

Business environment

- The 5th largest market in volume, 3rd in value(1)
- Moderate industry contraction
- Increasingly tightening, but manageable regulations

Performance

- Share of market: Retained over 60%
- MEVIUS: Strengthened its position as the No.1 brand
- Seven Stars: Enhanced brand equity by new product launches
- JT owns nine of the top 10 SKUs in the Japanese market

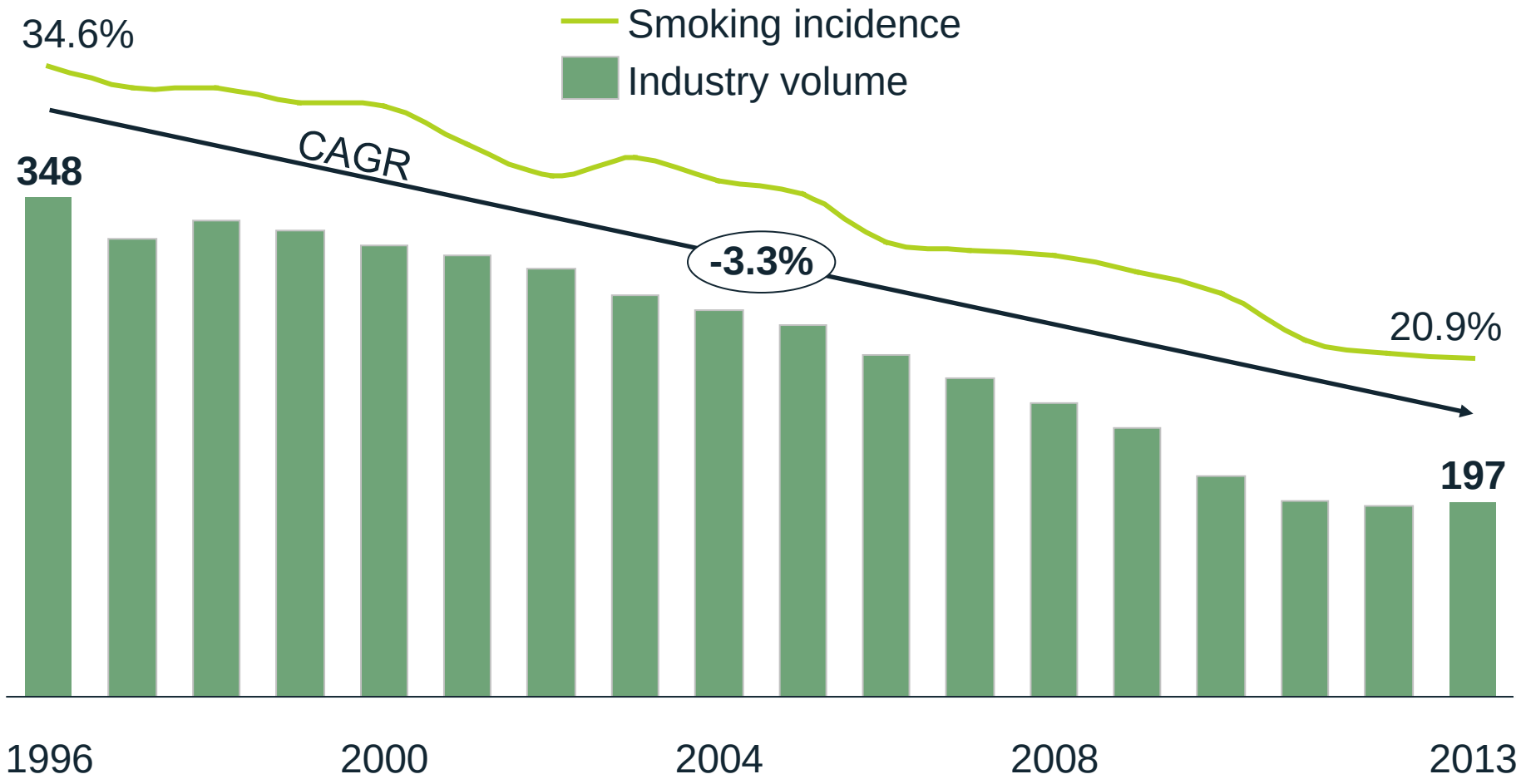
1) Including China

© Copyright JT 2014

Business environment

Moderate industry contraction

Industry volume and smoking incidence evolution (BnU, %)

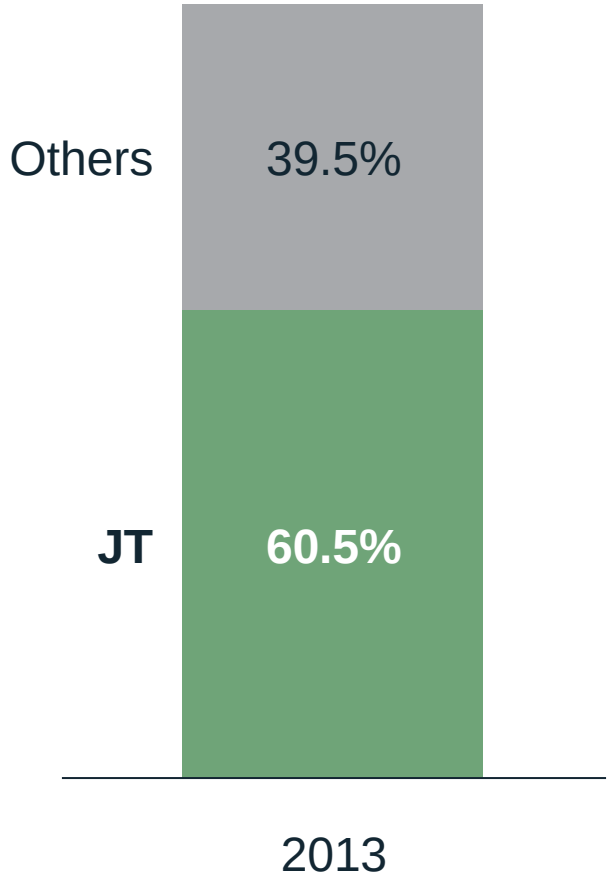


Source: JT estimates

© Copyright JT 2014

Share of market: Retained over 60%

JT Share of market



Source: JT estimates

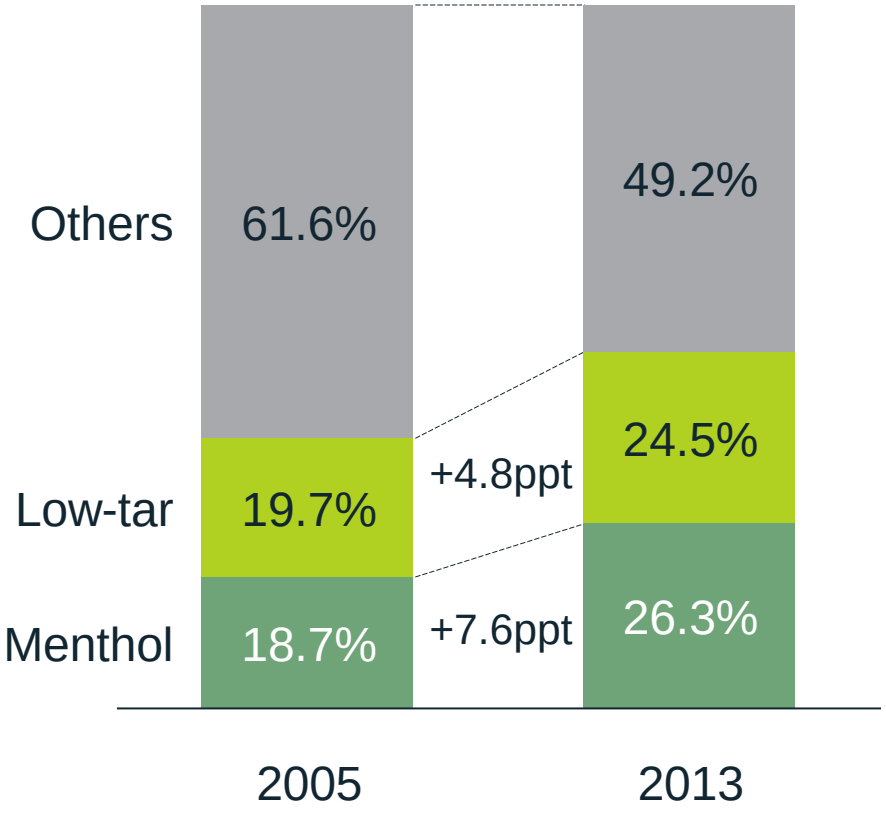
JT Share of segment and key brands, 2013

Prestige 480yen & above	6.9%	
Premium 450-470yen	42.6%	
Sub-Premium 420-440yen	70.4%	

© Copyright JT 2014

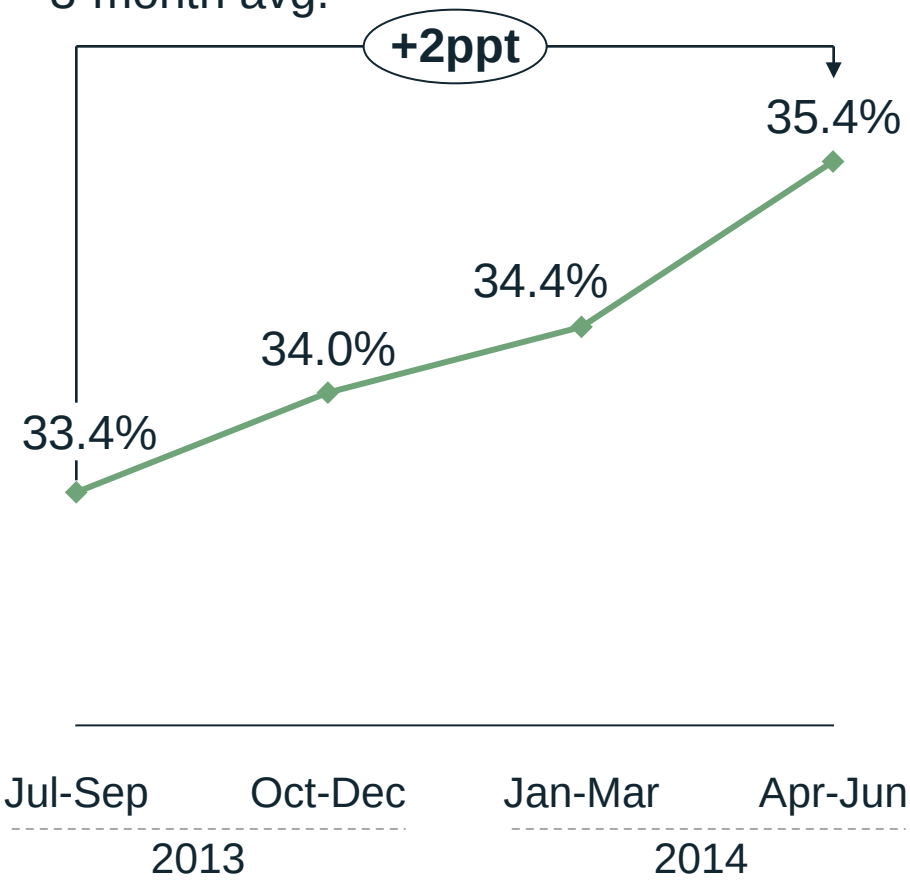
Growing segments : Menthol and Low-tar

Market configuration



JT Share of menthol segment

3-month avg.



Source: JT estimates

© Copyright JT 2014

Increasingly tightening, but manageable regulations

- Regulations focusing mainly on smoking in public places
- JT to improve environment for smokers and non-smokers to co-exist





© Copyright JT 2014

Relevant laws

Japan Tobacco Inc. Act

- The JT Act stipulates that the Japanese Government must continue to hold over one-third of JT's issued shares

Tobacco Business Act

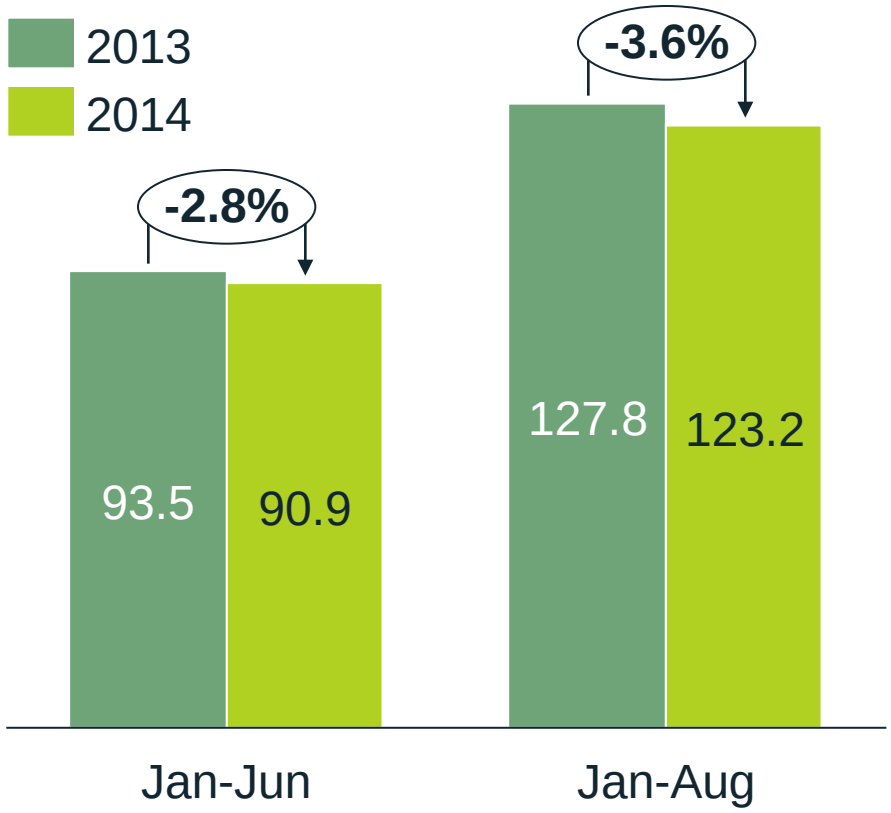
- JT must purchase all tobacco leaf produced in Japan and usable for tobacco production
- Tobacco products shall not be manufactured by any other manufacturer than Japan Tobacco Inc.
- Retailers need to obtain permission to sell tobacco products from the Minister of Finance
- Retail price of a tobacco product must be approved by the Minister of Finance and the product must be sold at the approved retail price

© Copyright JT 2014

Market trend after the consumption tax hike in 2014

Industry contraction within our expectation

Industry volume evolution (BnU)



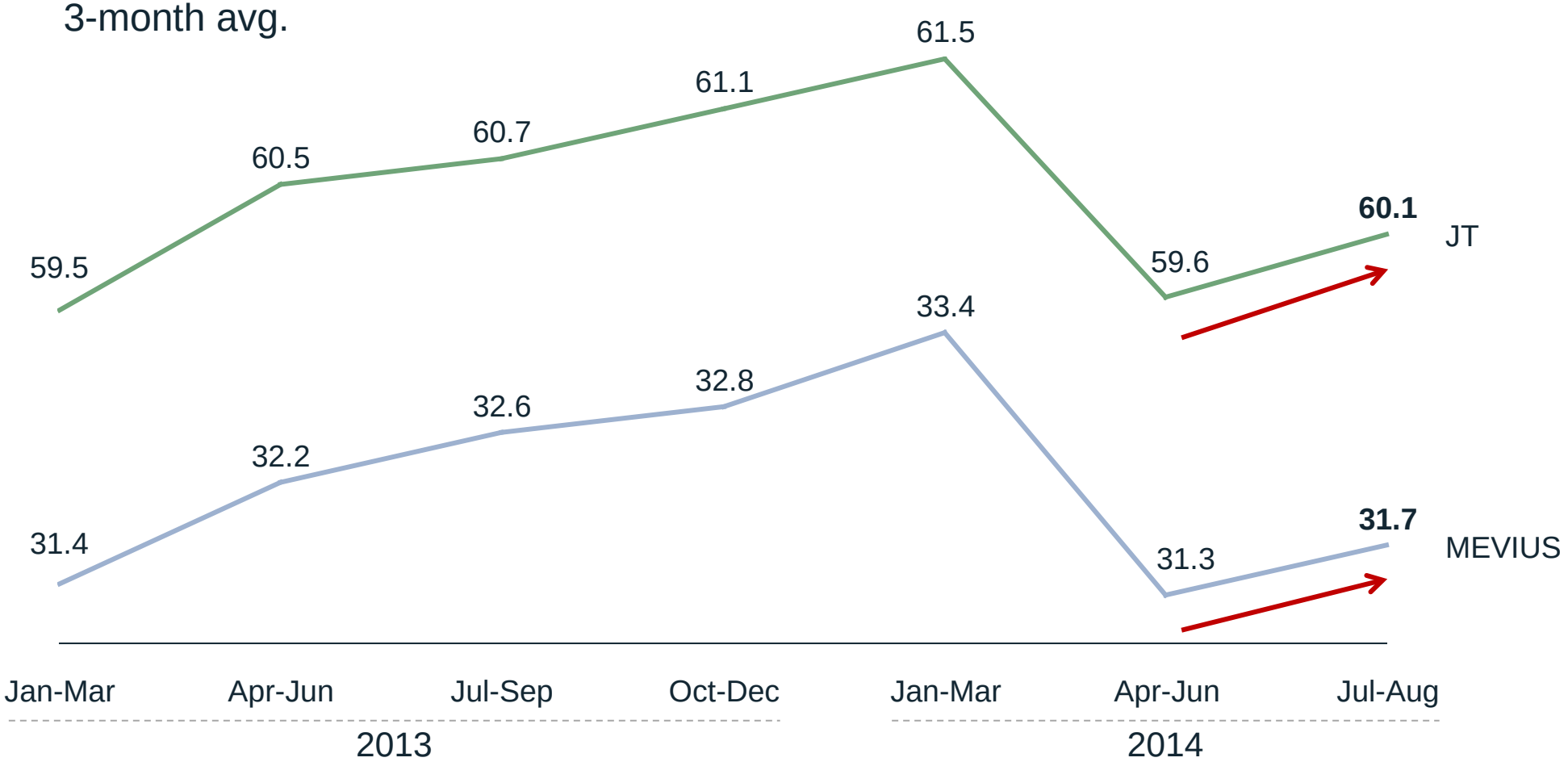
- January to December 2014 decline expected to be -3% to -4%

Source: JT estimates

© Copyright JT 2014

Strong share of market performance

JT Share of market
3-month avg.



Source: JT estimates

© Copyright JT 2014

Vigorous promotional activities



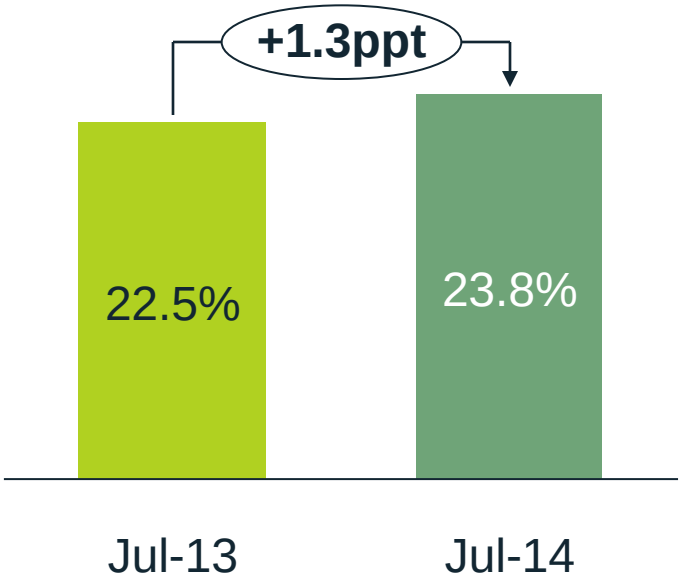


Brands

MEVIUS : Strengthened its position as the No.1 brand

- Share gains among young adult smokers
- MEVIUS now claiming No. 2 position in menthol segment

SOM among young adult smokers
1-month avg.



Source: JT estimates

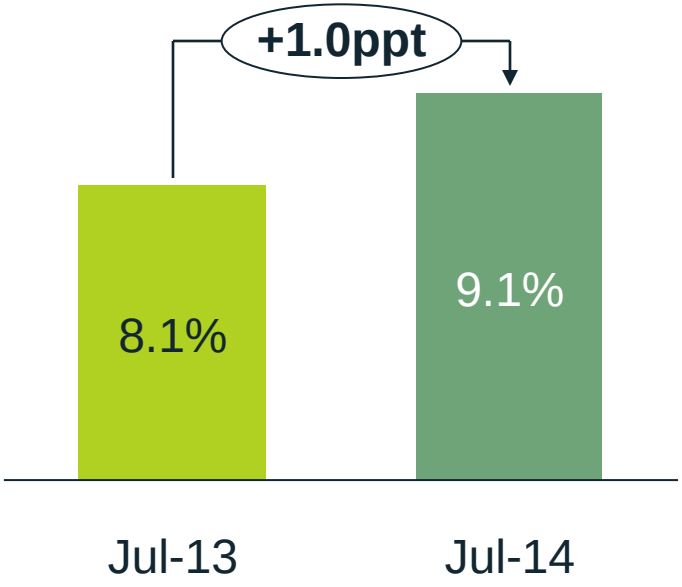


© Copyright JT 2014

Seven Stars : No. 1 SKU in the market

- No.1 SKU in the Premium segment
- Strengthened its menthol offering in April and expanded its line-up in July

Share of value
1-month avg.





Source: JT estimates

© Copyright JT 2014

Emerging Products actively introduced

- Smokeless tobacco, “Stix”
- Launched Ploom in December, 2013



© Copyright JT 2014

Further strengthen competitiveness

Initiatives to strengthen our competitiveness

- Adapt to market changes by reforming sales operations
- Further optimize cost through consolidation of tobacco manufacturing-related factories
- Redesign organizations to enhance their agility and adaptability to changes

<u>Regional sales headquarters</u>

25 ➡ 15

<u>Tobacco manufacturing factories</u>

6 ➡ 4

© Copyright JT 2014

Summary

Continued to be a highly competitive platform for the Group's profitability

- Quality top-line growth
  - Continued to strengthen our brands' equity
  - Further grew market share of No.1 brand MEVIUS
  - Leveraged the brand equity of Seven Stars

- Further strengthened competitiveness
  - Reorganization of sales operations
  - Cost optimization
  - Delegation of authority to regional sales headquarters and factories

© Copyright JT 2014

Document 3

JTI 1H 2014 Financial Results

Roland Kostantos

Senior Vice President,
Finance and IT, Chief Financial Officer

Caution on Forward-Looking Statements

Today's presentations contain forward-looking statements. These statements appear in a number of places in these presentations and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as "may", "will", "should", "would", "expect", "intend", "project", "plan", "aim", "seek", "target", "anticipate", "believe", "estimate", "predict", "potential" or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

(1) decrease in demand for tobacco products in key markets;

(2) restrictions on promoting, marketing, packaging, labeling and usage of tobacco products in markets in which we operate;

(3) increases in excise, consumption or other taxes on tobacco products in markets in which we operate;

(4) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products ;

(5) our ability to realize anticipated results of our acquisition or other similar investments;

(6) competition in markets in which we operate or into which we seek to expand;

(7) deterioration in economic conditions in areas that matter to us;

(8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;

(9) fluctuations in foreign exchange rates and the costs of raw materials; and

(10) catastrophes, including natural disasters. .

© Copyright JT 2014

This presentation contains images or packages of our brands in some slides. Those slides have been included exclusively to illustrate JT Group’s strategy or performance to our investors. They are not to be used for any other purpose.

© Copyright JT 2014

Agenda

- First Half Results
- First Half Performance by Cluster
- Summary

© Copyright JT 2014

First Half Results

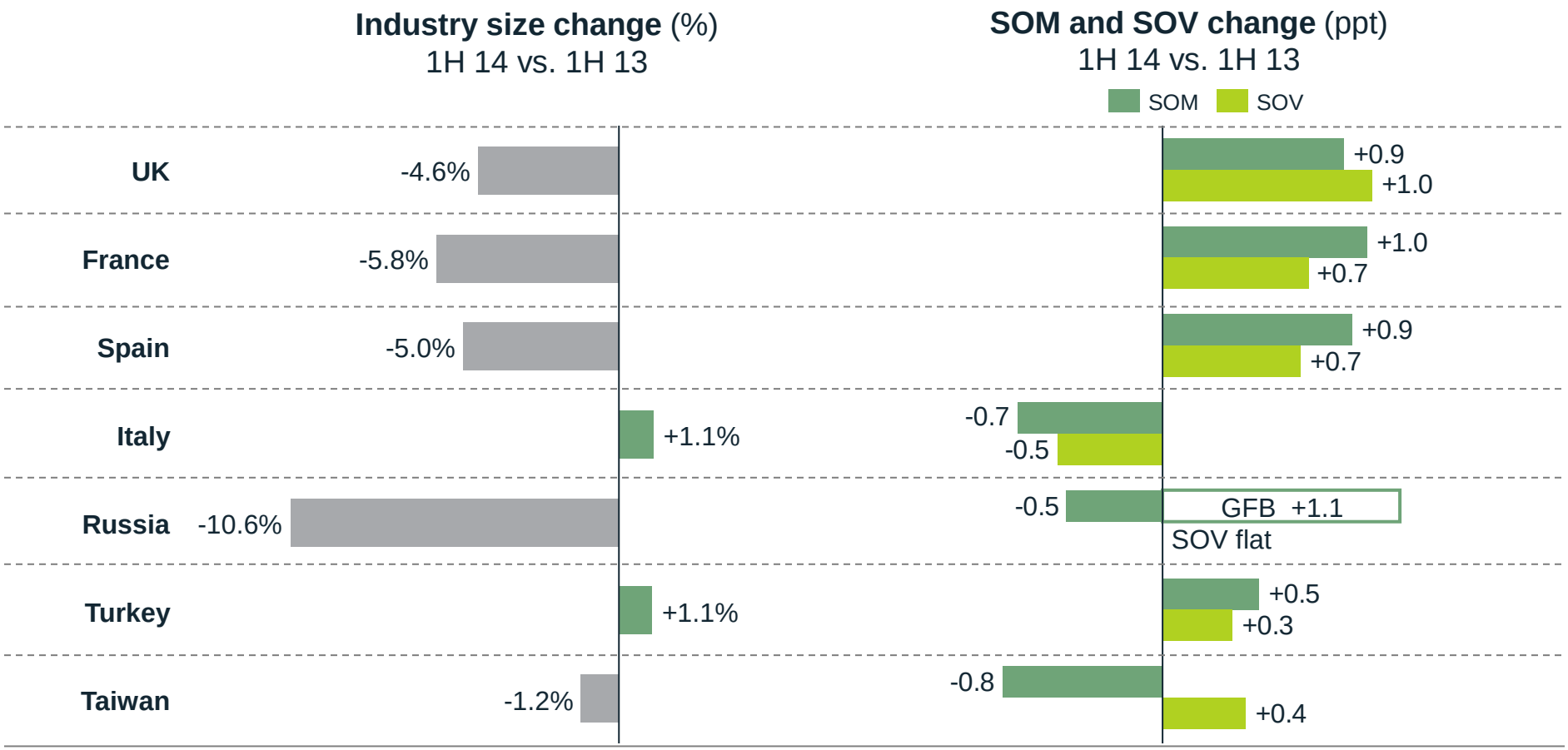
Double-digit earnings growth in a challenging environment

(BnU, $MM)	1H 2014	Change
Total shipment volume	190.6	-5.6%
GFB shipment volume	123.0	-4.0%
Core revenue	6,083	4.2%
Adjusted Operating Profit	2,323	11.7%

Note: Core revenue and Adjusted Operating Profit are at constant rates of exchange

© Copyright JT 2014

Significant industry contraction. Strong business fundamentals drive share gains



Source: JTI estimates, Nielsen, Logista, Tobacco Board
Note: SOM and SOV calculated on 12-month average. Industry size, SOM and SOV include cigarettes and fine cut

© Copyright JT 2014

GFB focus drives quality top-line growth

JTI share and GFB mix evolution

	1H 2014	vs. 2008 (ppt)
GFB SOM	13.5%	+1.9
JTI SOV	20.2%	+3.7
JTI SOM	19.7%	+0.2
GFB mix	64.5%	+10.0

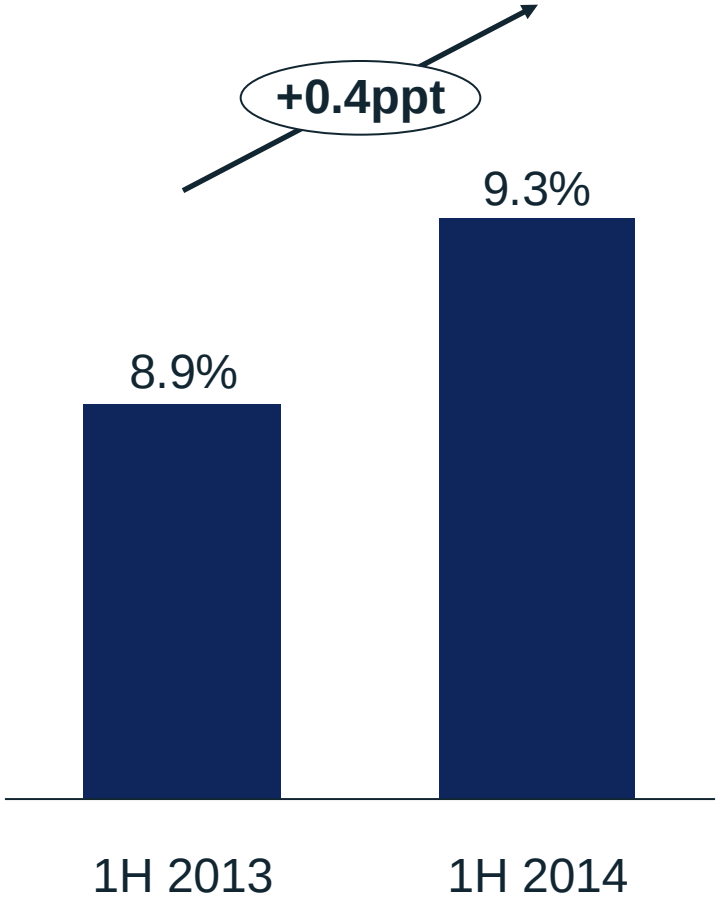
- Consistent strategy focus and investment across the GFB portfolio
- GFB equity continues to strengthen
- Since 2008 GFB drives overall share of value and share of market improvement
- GFB's represent 65% of total JTI shipments

Source: JTI estimates, Nielsen
Note: SOM and SOV based on 56 markets. SOM and SOV include cigarettes and fine cut, calculated on 12-month average.

© Copyright JT 2014

Winston continues to drive share growth across JTI

Winston share of market



- Winston ranked No. 2 globally
- Winston grew share in 84% of its top markets in 2014, including +1.5ppt in Russia
- Recent launches in new markets including Brazil, Egypt, Oman and Sudan
- Enhancement of brand equity continues with global leadership in growing compact cigarette segment







Source: JTI estimates, Nielsen
Note: Winston SOM based on 37 markets. SOM includes cigarettes and fine cut, calculated on 12-month average

© Copyright JT 2014

LD growing global market share

LD share of market



- LD is the No.2 global value brand
- Volume +11.4% excluding Russia, with share gains in Europe, notably Hungary (+3.1ppt) and Poland (+1.4ppt)
- LD Club growth, LD Club Extra launch and rejuvenation of LD Base family stabilized performance in Russia





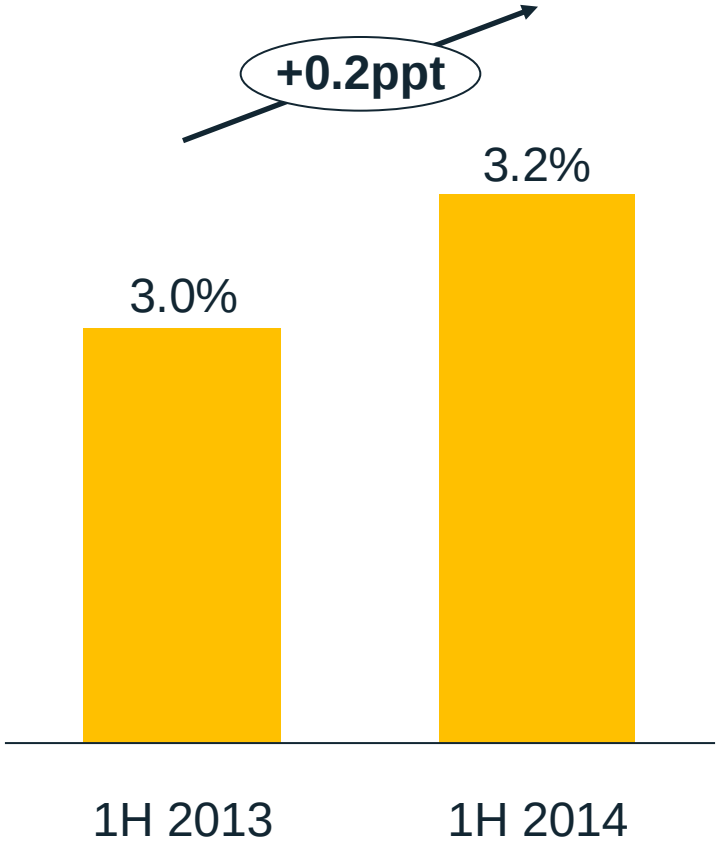


Source: JTI estimates, Nielsen
Note: LD SOM based on 21 markets. SOM includes cigarettes and fine cut, calculated on 12-month average

© Copyright JT 2014

Camel growing share of market and shipment volume

Camel share of market



- Innovative extensions increase brand equity and grow share
- Shipment volumes increase in Benelux, Germany, South Africa and Turkey





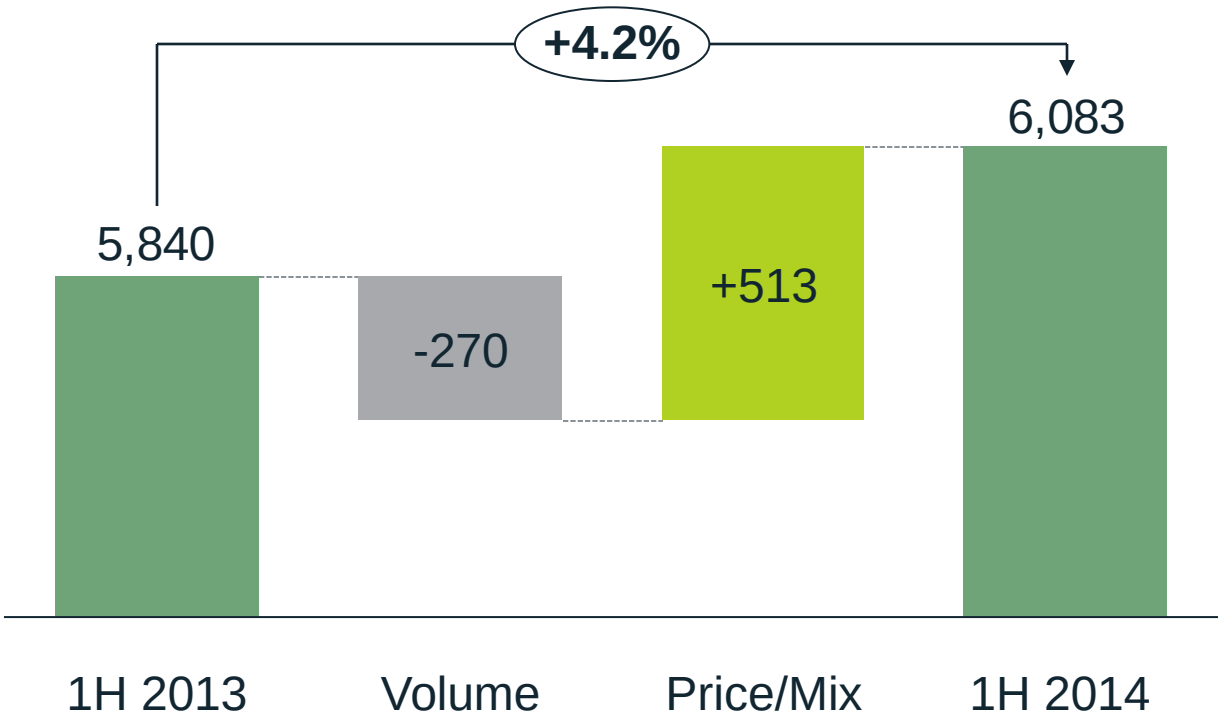


Source: JTI estimates, Nielsen
Note: Camel SOM based on 24 markets. SOM includes cigarettes and fine cut, calculated on 12-month average

© Copyright JT 2014

Pricing remains the key driver of revenue growth

Core revenue ($MM)



Price/Mix contribution to core revenue growth (%)

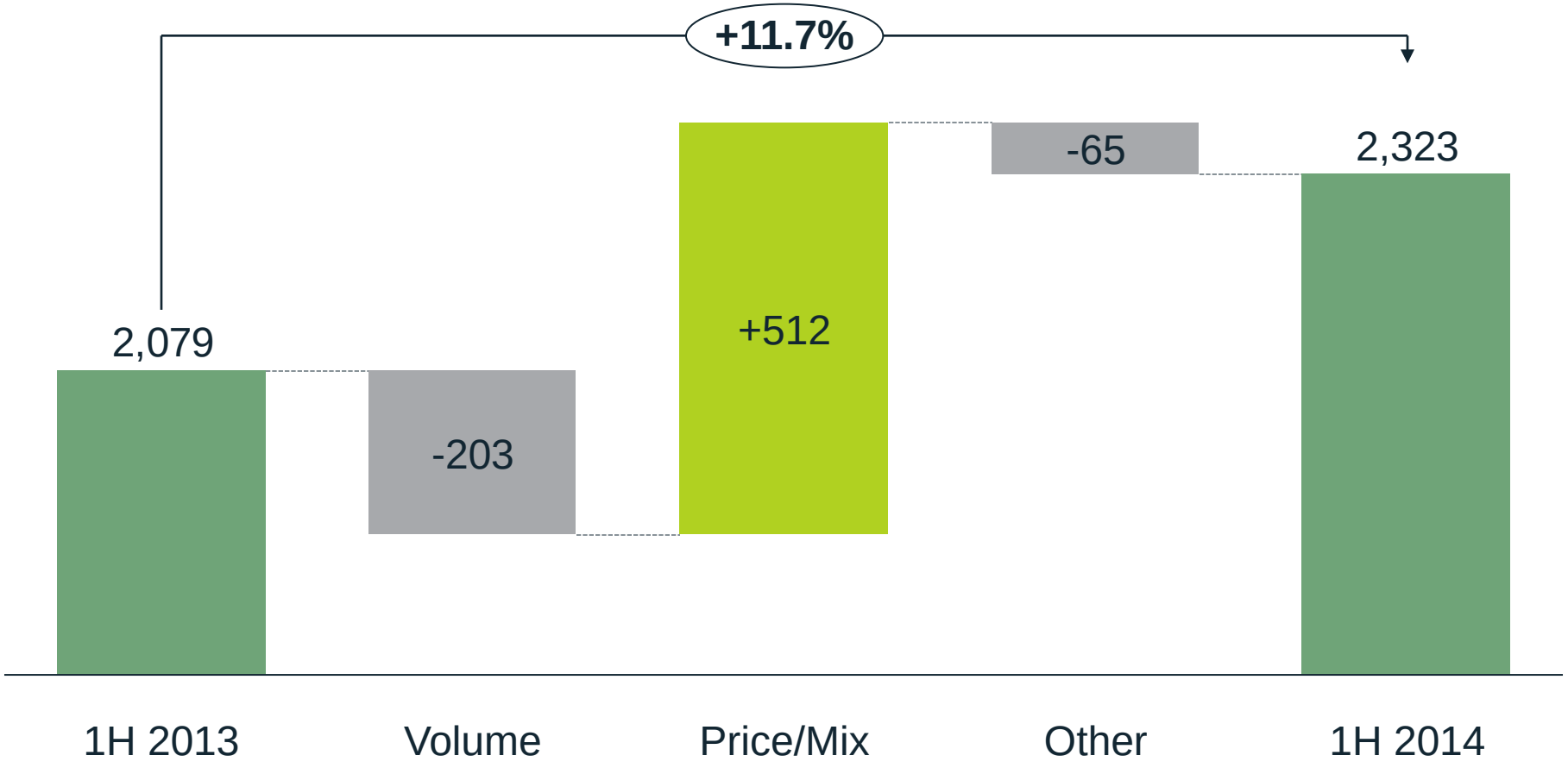


Note: Core revenue at constant rates of exchange

© Copyright JT 2014

Double-digit earnings growth

Adjusted Operating Profit ($MM)

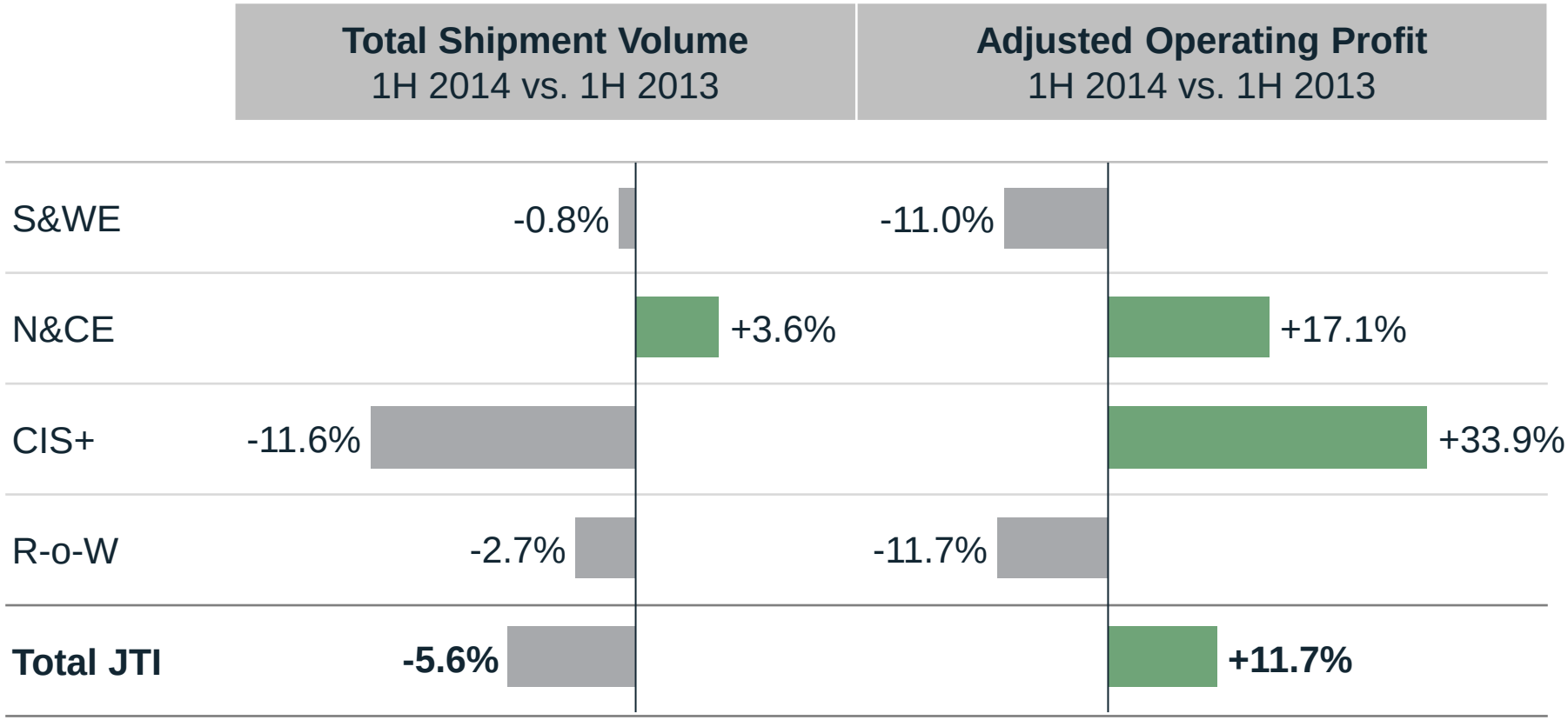


Note: Adjusted Operating Profit at constant rates of exchange

© Copyright JT 2014

First Half Performance by Cluster

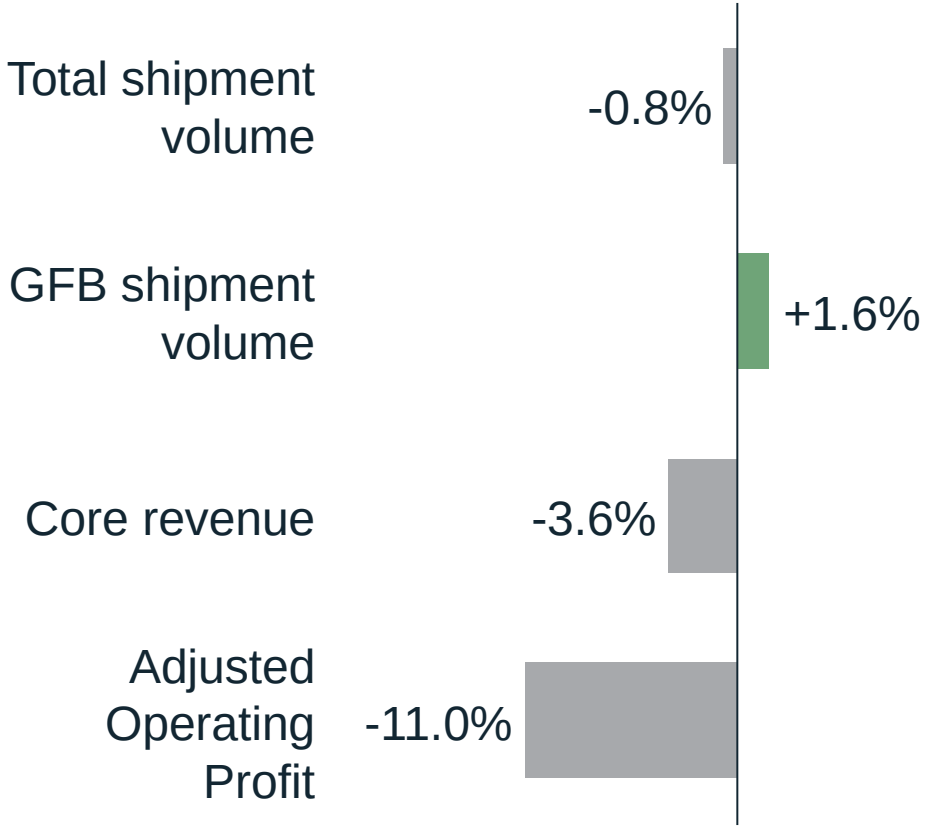
Strong performance in N&CE and CIS+ drive earnings growth



© Copyright JT 2014

South & West Europe: Significant share of market gains

Key Performance Indicators
1H 2014 vs. 1H 2013



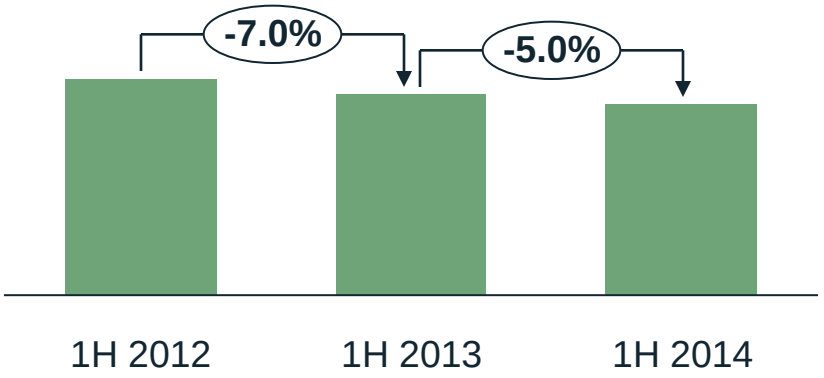
- Share of market gains across several markets driven by GFB:
  - Benelux +1.1ppt
  - France +1.0ppt
  - Greece +0.9ppt
  - Spain +0.9ppt
  - Switzerland +1.3ppt
- Lower industry decline rate in key markets *(-2.9% in 1H 2014 vs. -7.1% in 1H 2013)*
- Financial performance negatively impacted by taxation, notably in Italy and France

Source: JTI estimates, Nielsen
Note: Core revenue and Adjusted Operating Profit at constant rates of exchange. SOM includes cigarettes and fine cut, calculated on 12-month average

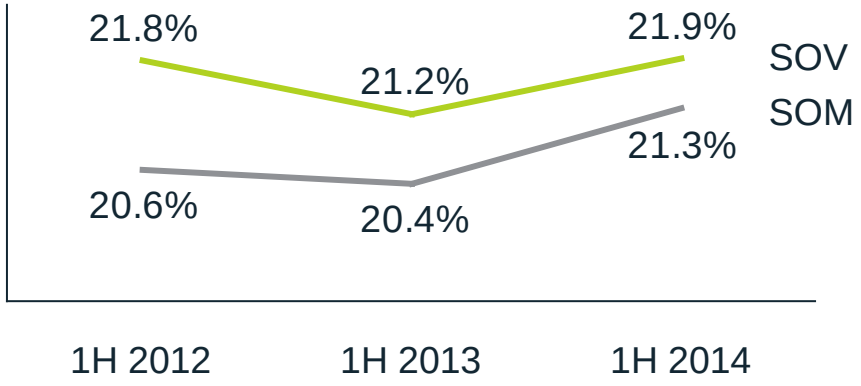
© Copyright JT 2014

Spain: Share of market and share of value growth

Industry Size
6 months YTD



Share of market and share of value



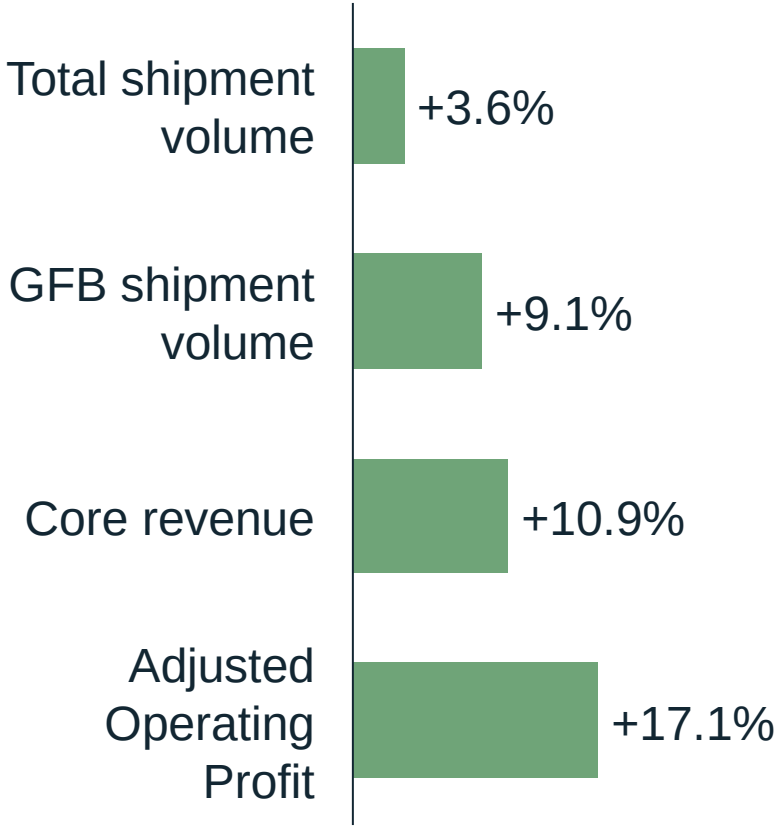
- Slow down in significant industry size decline versus prior years
- Improvement in share of market driven by strong GFB performance:
  - Winston +0.7ppt
  - Camel +0.2ppt
  - Benson & Hedges +0.2ppt
- With 12.6% share, Winston is the No. 2 cigarette brand in Spain
- Price increase in July 2014

Source: JTI estimates, Nielsen. Note: SOM and SOV include cigarettes and fine cut, calculated on 12-month average

© Copyright JT 2014

North & Central Europe: Continuing positive momentum

Key Performance Indicators
1H 2014 vs. 1H 2013



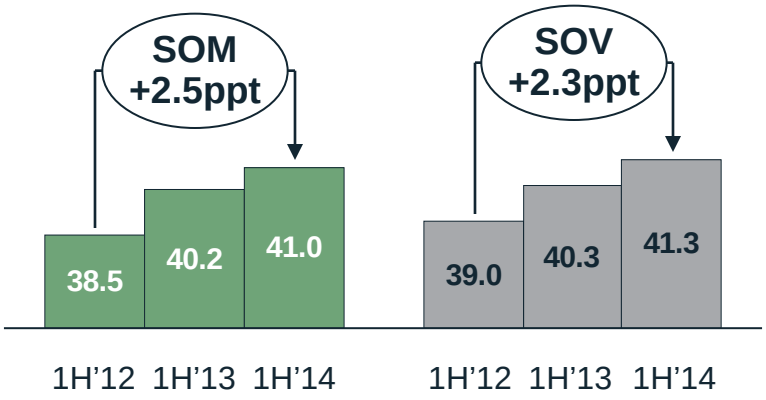
- Total shipment volume increased by 3.6% driven by Winston, LD and Benson & Hedges
- Share of market gains across the region:
  - Germany +0.7ppt
  - Hungary +4.4ppt
  - Ireland +2.7ppt
  - Poland +1.6ppt
  - UK +0.9ppt
- Robust pricing in the UK and Germany drives positive financial performance

Source: JTI Estimates, Nielsen
Note: Core revenue and Adjusted Operating Profit at constant rates of exchange. SOM includes cigarettes and fine cut, calculated on 12-month average

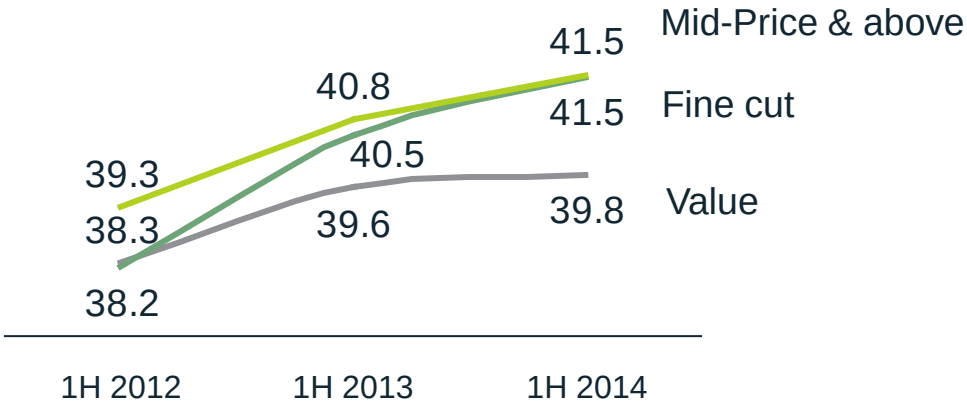
© Copyright JT 2014

UK: Positive performance across the portfolio drives share of market and share of value growth

SOM and SOV (%)



Share of segment (%)



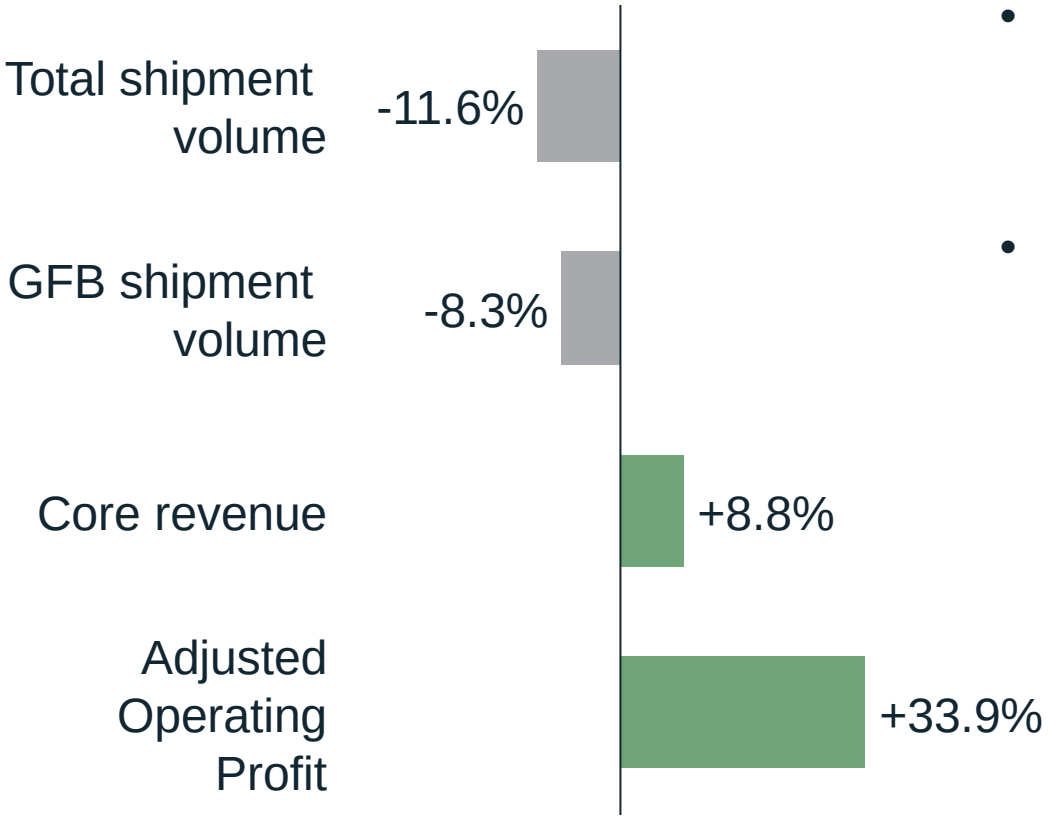
- Share of market and share of value exceeded 41% in 1H 2014
- Strong share performance across all segments:
  - Silk Cut and B&H lead share of segment growth in mid-price and above
  - Sovereign Blue drives share growth in the expanding value segment
  - Amber Leaf momentum consolidates its position as No. 1 tobacco brand
- Price increase in September 2014

Source: JTI estimates, Nielsen. Note: SOM and SOV include cigarettes and fine cut, calculated on 12-month average

© Copyright JT 2014

CIS+: Robust pricing in a challenging environment

Key Performance Indicators
1H 2014 vs. 1H 2013



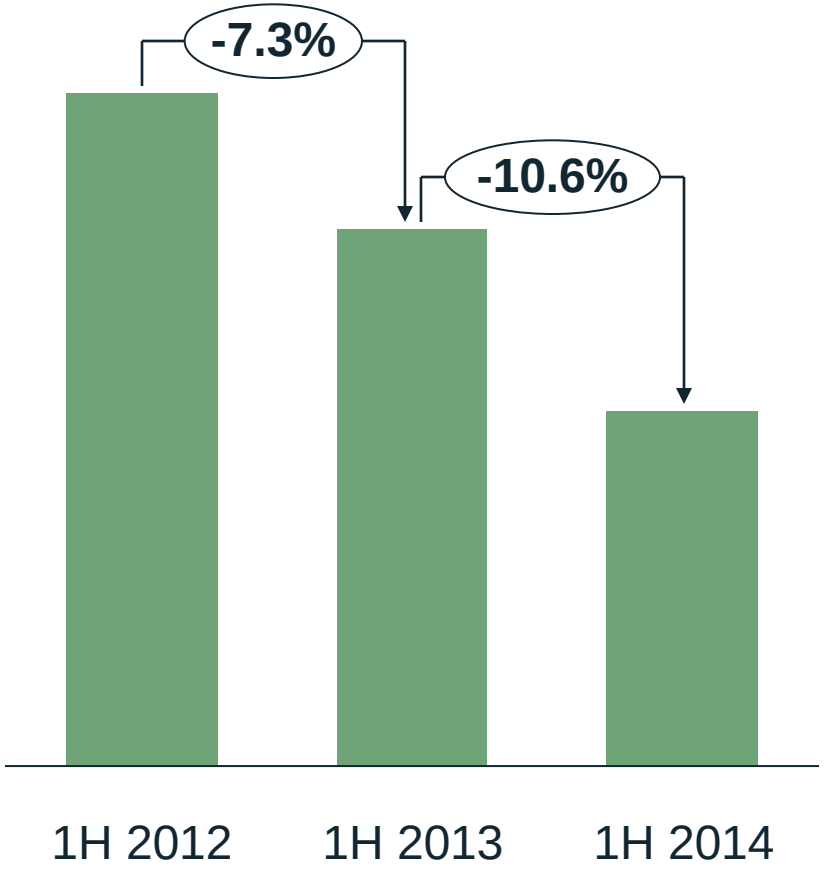
- Accelerating industry size decline
- Significant tax led price increases, notably in Russia, Kazakhstan and Ukraine
- Pricing environment remains positive driving core revenue and earnings growth in Belarus, Kazakhstan, Russia and Ukraine

Note: Core revenue and Adjusted Operating Profit at constant rates of exchange

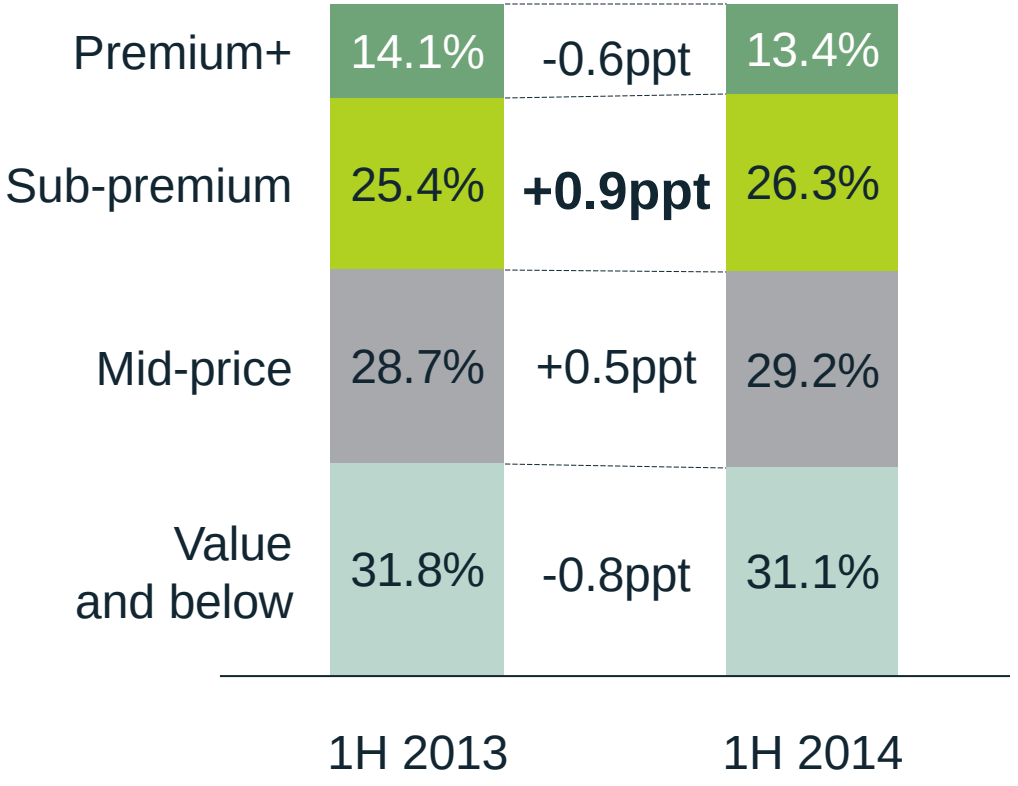
© Copyright JT 2014

Russia: Sub-premium segment growth

Industry size evolution



Price segment dynamics

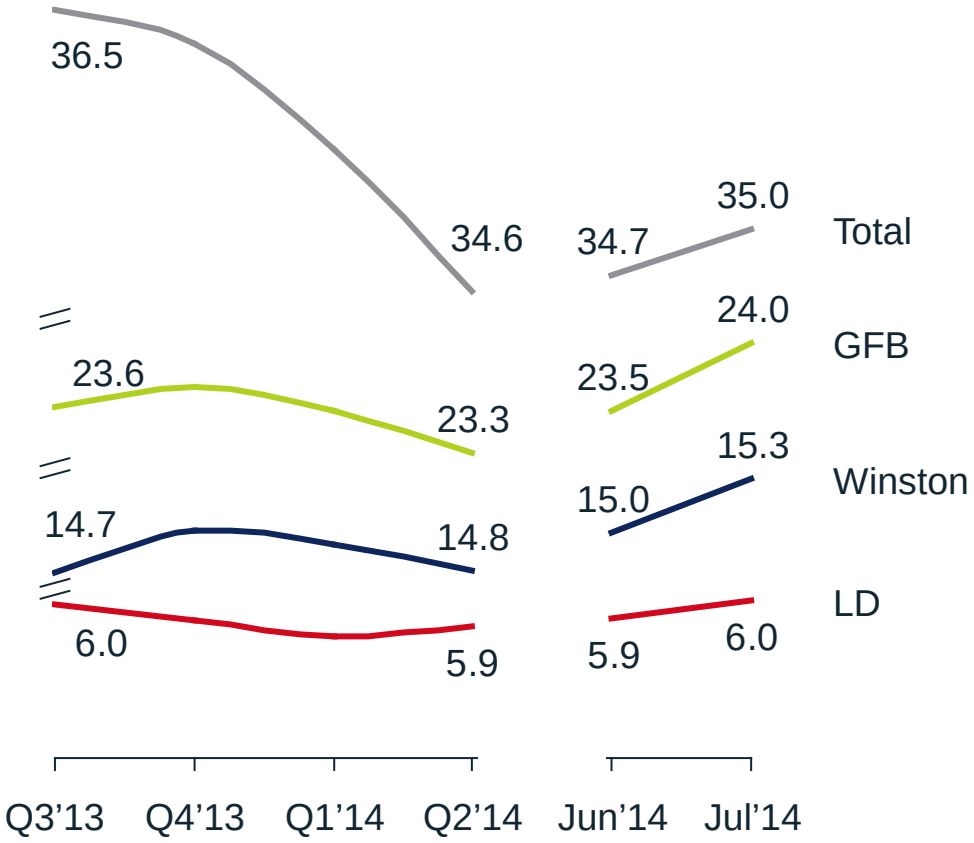


Source: JTI estimates, Nielsen

© Copyright JT 2014

Russia: GFB growth leads share of market recovery

Share of market evolution (%)



- Portfolio well-positioned to capture growth in the sub-premium and mid-price segments
- Winston reaches record high of 15.3% share in July
- LD returns to 6.0% share as No. 2 brand in mid-price segment
- Pricing environment remains positive, with price increase in May 2014

Source: JTI estimates, Nielsen
Note: SOM calculated on a 3-month average for quarters and spot rates for individual months

© Copyright JT 2014

Russia: Expanding portfolio increases competitiveness

Above Base



Midi Slims



Kingsize Superslims



Micro

Winston XS No.1 offerings in compact format

Base





Winston Base family rejuvenated in 1H 2014



Winston KS Slims launch in September 2014

Above Base





LD Club & Club Lounge repositioned in July 2014

Base







LD Club Excel launched in March 2014

LD Base family rejuvenated in 1H 2014

Below Base



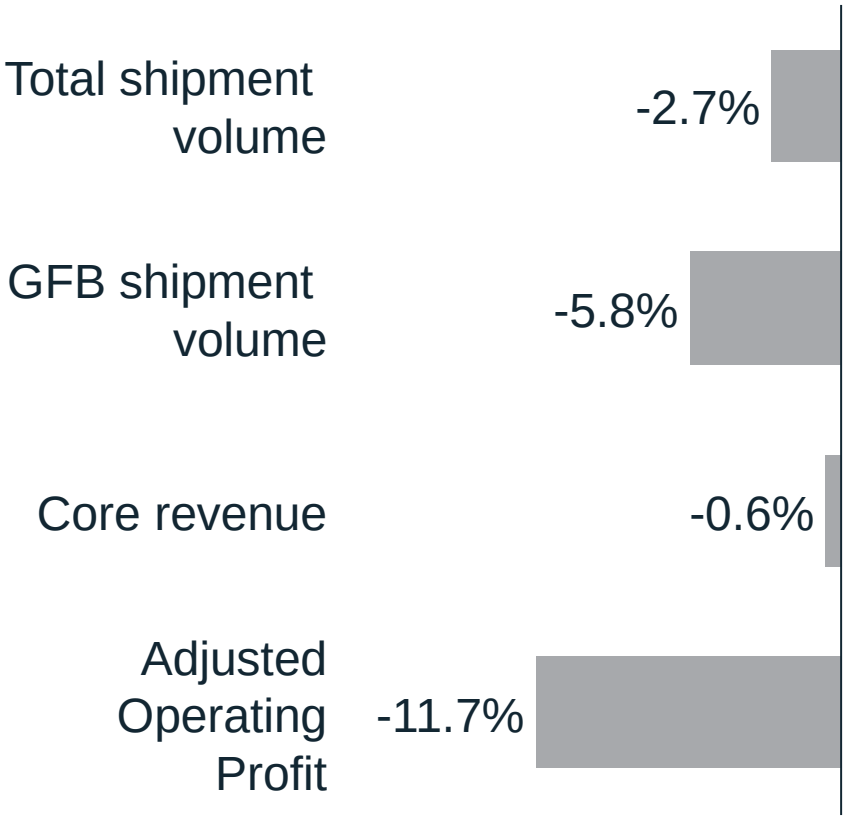


LD Club Extra launched in September 2013

© Copyright JT 2014

Rest-of-the-World: Pricing pressure impacts profitability

Key Performance Indicators
1H 2014 vs. 1H 2013



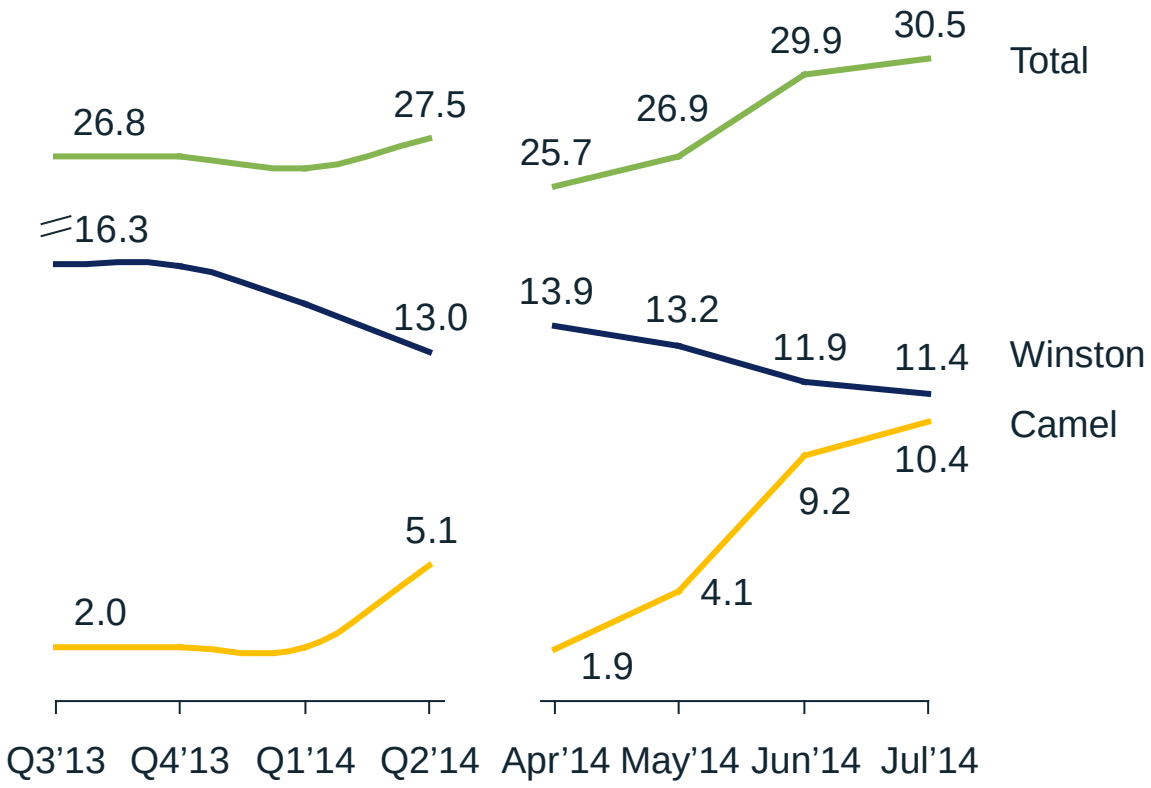
- Inventory adjustments in Turkey, shipment volatility in the Middle East, and Taiwan impact both total and GFB volume
- Share of market improvements driven by GFB momentum:
  - Canada +0.7ppt
  - Malaysia +0.4ppt
  - Turkey +0.5ppt
- Solid pricing in Canada, Malaysia, Sudan and Taiwan
- Price competition in Turkey and Iran negatively impact financial performance

Source: JTI Estimates, Nielsen
Note: Core revenue and Adjusted Operating Profit at constant rates of exchange. SOM includes cigarettes and fine cut, calculated on 12-month average

© Copyright JT 2014

Turkey: Reacting positively to price competition

Share of market evolution (%)



- JTI continues total share of market growth momentum
- Intensified price competition from the value segment following Jan 2014 tax increase negatively impacted Winston share
- Camel price repositioning from premium to popular in May results in net share gains

Source: JTI estimates, Nielsen
Note: SOM calculated on a 3-month average for quarters and spot rates for individual months

© Copyright JT 2014

Summary

On track to deliver double-digit earnings growth

- Strong business fundamentals and brand equity
- Improving share performance across all key markets
  - GFB share of market grows in Russia
- Pricing is secured in key markets
- 1H 2014 earnings growth of 11.7% with core revenue increasing by 4.2% at constant currency
- On track to deliver double-digit earnings growth at constant currency in line with prior guidance

© Copyright JT 2014

Document 4

Expanding our presence in Central Europe

Jorge da Motta
Regional President, Central Europe

Caution on Forward-Looking Statements

Today's presentations contain forward-looking statements. These statements appear in a number of places in these presentations and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as "may", "will", "should", "would", "expect", "intend", "project", "plan", "aim", "seek", "target", "anticipate", "believe", "estimate", "predict", "potential" or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

(1) decrease in demand for tobacco products in key markets;

(2) restrictions on promoting, marketing, packaging, labeling and usage of tobacco products in markets in which we operate;

(3) increases in excise, consumption or other taxes on tobacco products in markets in which we operate;

(4) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products ;

(5) our ability to realize anticipated results of our acquisition or other similar investments;

(6) competition in markets in which we operate or into which we seek to expand;

(7) deterioration in economic conditions in areas that matter to us;

(8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;

(9) fluctuations in foreign exchange rates and the costs of raw materials; and

(10) catastrophes, including natural disasters. .

© Copyright JT 2014

This presentation contains images or packages of our brands in some slides. Those slides have been included exclusively to illustrate JT Group’s strategy or performance to our investors. They are not to be used for any other purpose.

© Copyright JT 2014

Central Europe provides JTI with solid volume and profit growth

- 25 Markets
- 50 million adult smokers
- Total industry volume of 351 BnU
  - Cigarette volume of 282 BnU
  - OTP volume of 69 BnU
- Profit pool of $7.3 billion
  - Growth of 12% since 2008



Source: JTI estimates
Note: Data include Adriatica markets that joined the Regional scope in 2014. OTP includes fine cut and snus

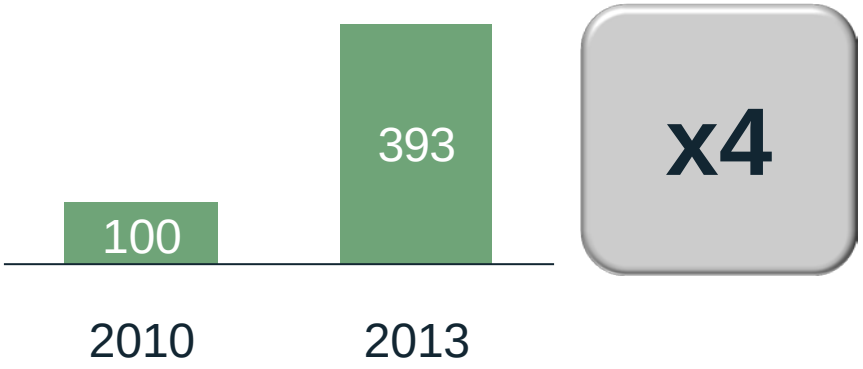
© Copyright JT 2014

JTI is the fastest growing international tobacco manufacturer in the region

Volume, 2013 vs. 2010 (BnU)



EBITA
(Index, 2010=100)



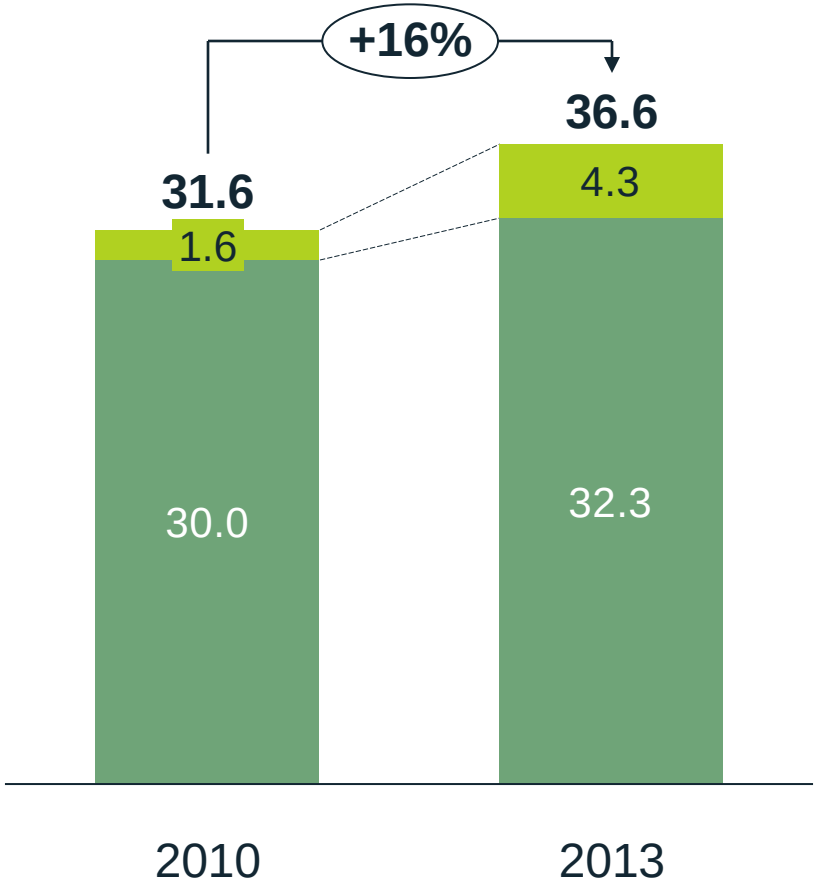
- Top- and bottom-line grew significantly between 2010 and 2013
  - Total shipment volume was up 4.9BnU, despite an overall industry contraction of 15BnU
  - Profit contribution quadrupled, driven by volume and price/mix gains

Note: All data hereafter excluding Adriatica markets unless otherwise noted

© Copyright JT 2014

Strong volume growth in both cigarette and OTP categories, driven by GFBs

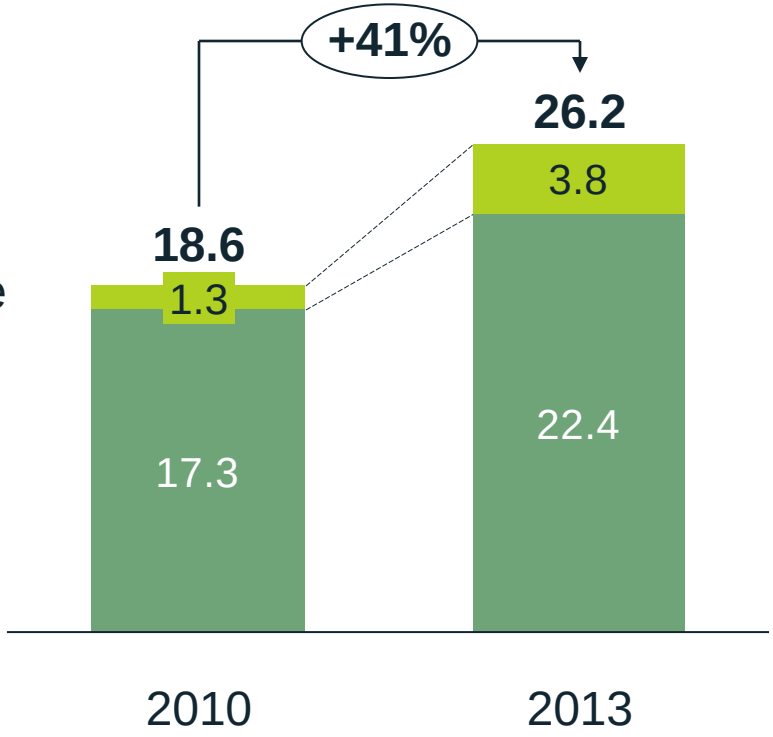
Total shipment volume (BnU)



OTP

Cigarette

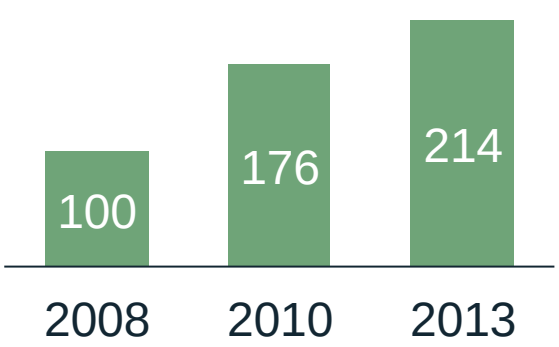
GFB shipment volume (BnU)



© Copyright JT 2014

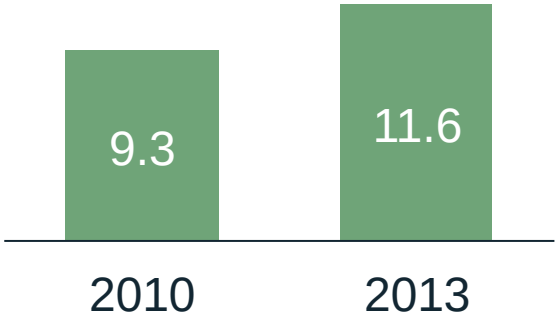
Consistent investment and seeding to grow market share

Investments
(Index, 2008=100)



x2

Share of market evolution (%)



+2.3 ppt

- Increasing focused investments have enabled
  - Growth of GFB presence,
  - Strengthening of infrastructure and capabilities,
  - Expansion across key distribution channels
- Share of market growth across all markets in cigarette (+2.4ppt) and OTP (+3.1ppt) categories

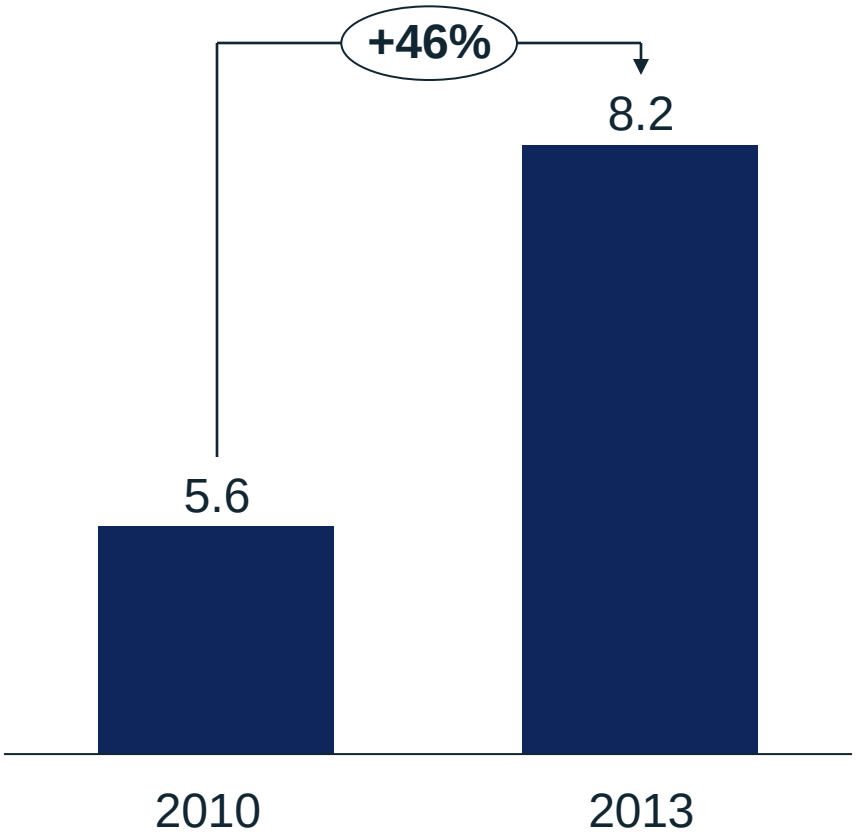
Source: JTI estimates, Nielsen.
Note: Investments include marketing programs, allowances, marketing and sales opex. SOM includes cigarettes and fine cut

© Copyright JT 2014

Our focus on GFB is paying off

Winston: Living up to its JTI megabrand status

Winston total shipment volume (BnU)



- JTI's largest brand in the recently expanded Region, both in cigarette and fine cut, now at +10BnU(1)
- Winston's international stature and "affordable quality" credentials offer a solid base for successful expansion
- Regional key markets include Romania, Serbia, Baltics, Austria and Germany, the largest fine cut market in the world where Winston is now a key player

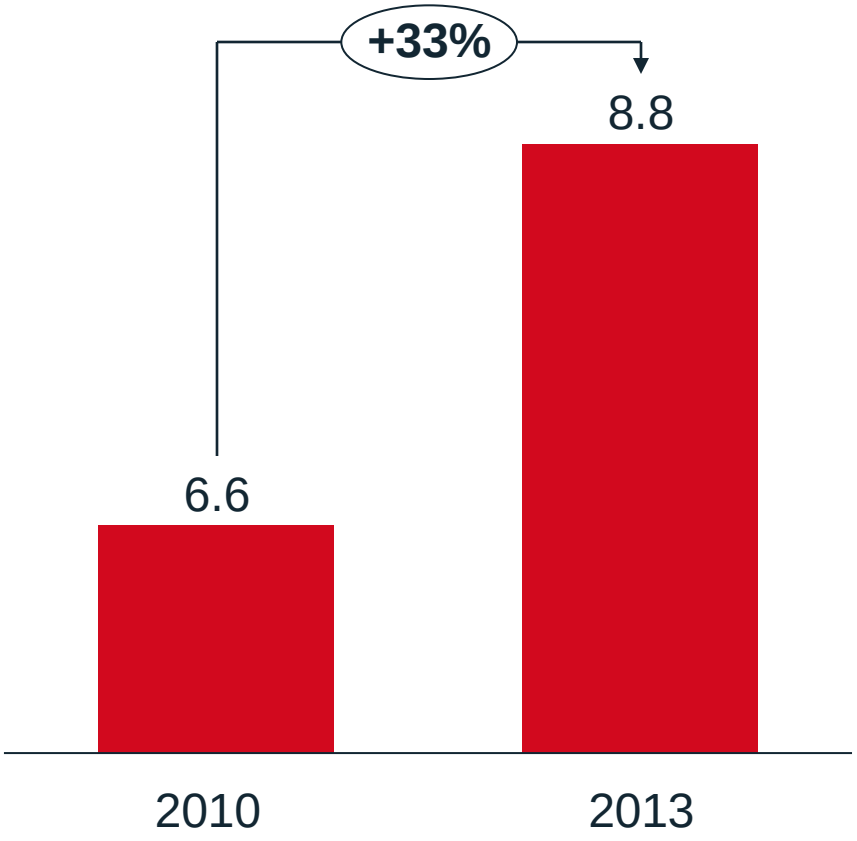


1) Including Adriatica markets

© Copyright JT 2014

LD: Building scale in both cigarette and OTP categories

LD total shipment volume (BnU)



- Region's 2nd largest GFB both in cigarette and OTP categories(1)
- Since 2010, through increased focus, LD volume has grown +2.2BnU
- Available in 15 markets including Poland, Hungary, Czech Republic, Sweden (in Snus), and more recently in Denmark, Lithuania and Estonia

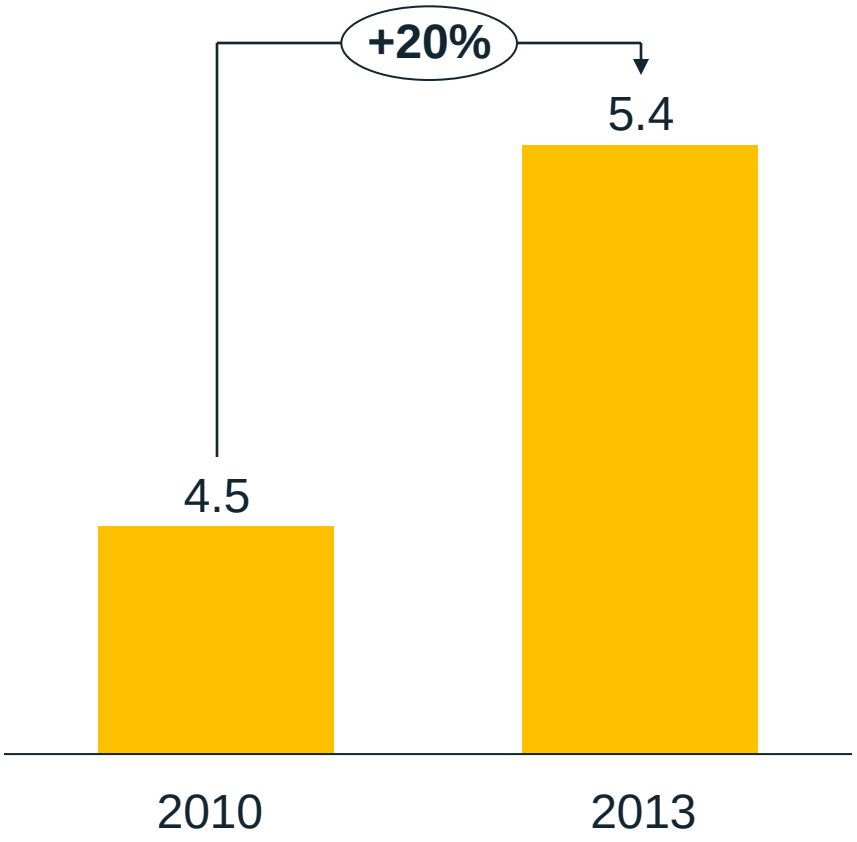


1) Including Adriatica markets

© Copyright JT 2014

Camel: Leveraging on an iconic premium image

Camel total shipment volume (BnU)



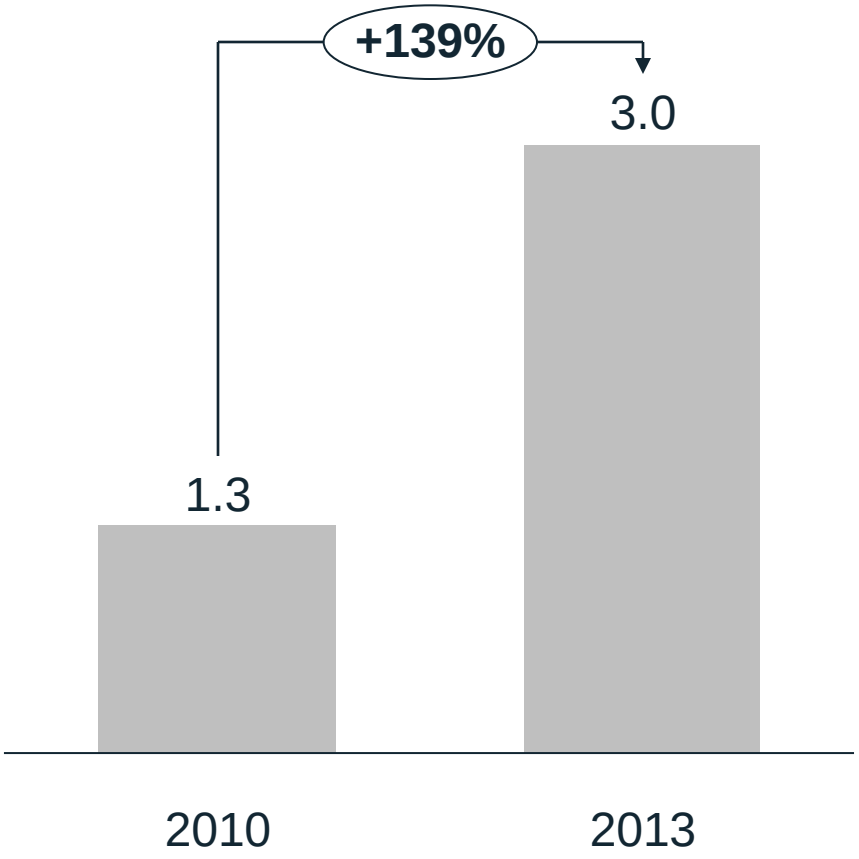
- Long-term presence across all 25 markets with key strongholds in Sweden, Austria, Czech Republic, Poland, and also Germany
- Volume growth mainly driven by successful innovative propositions, such as the capsule filter variants (launched in 8 markets)



© Copyright JT 2014

B&H: Expanding through the Progressive variant

B&H total shipment volume (BnU)



- A very promising GFB demonstrating dynamic growth momentum
- B&H premium quality heritage combined with modern image cues allows for expansion into all key consumer relevant segments
- Successful deployment particularly in Germany, Austria, Czech and Hungary

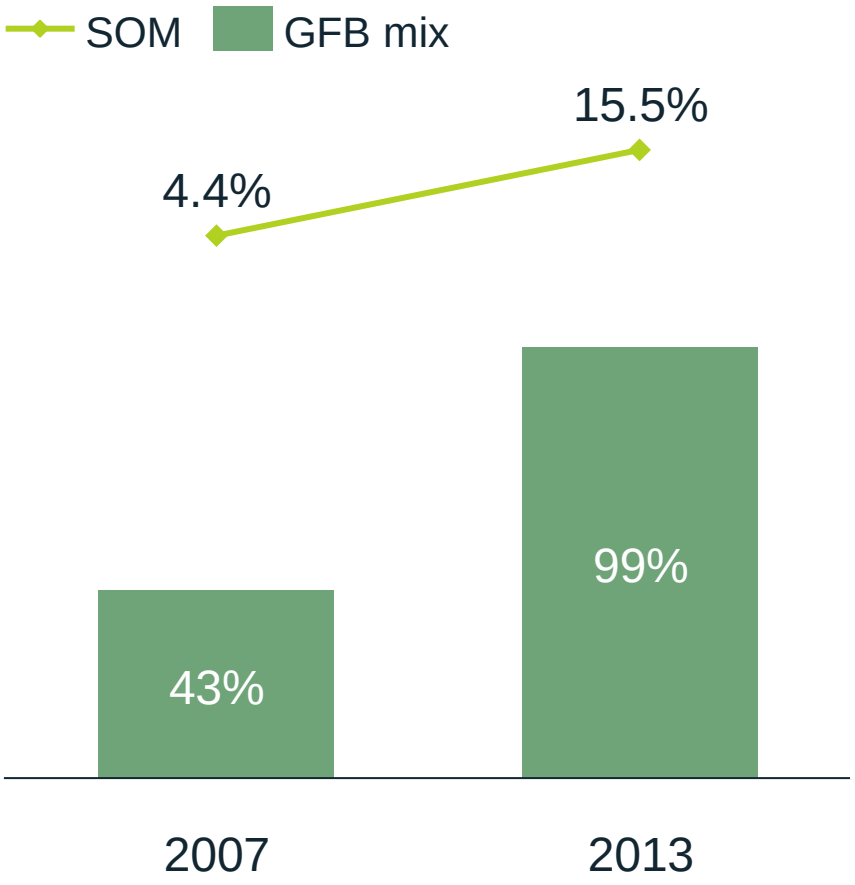


© Copyright JT 2014

Delivering strong results in key markets

Poland: Tripling our cigarette share of market in 6 years

Cigarette SOM and GFB mix evolution



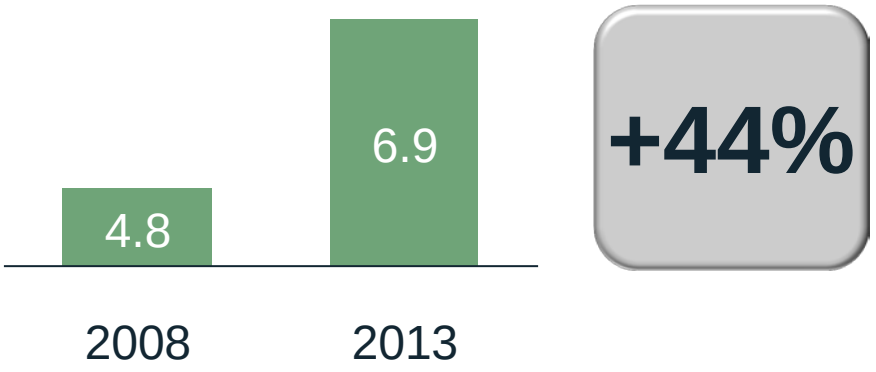
- Strong share of market gains and profit growth by focusing on GFBs
- JTI scale established via LD
  - Leading Super Slims in value segment
  - Successful entry into fine cut as of mid-2013
- Consistent investment behind Camel iconic premium stature (#2 brand in premium segment)
- Continued enhancement of route to market and presence at Point of Sale

Source: JTI estimates, Nielsen

© Copyright JT 2014

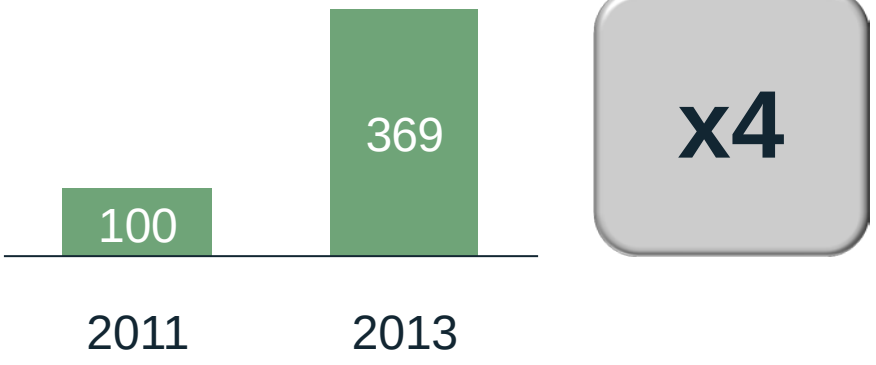
Poland: Growing cigarette and fine cut GFB volume

Total shipment volume (BnU)



+44%

EBITA
(Index, 2011=100)



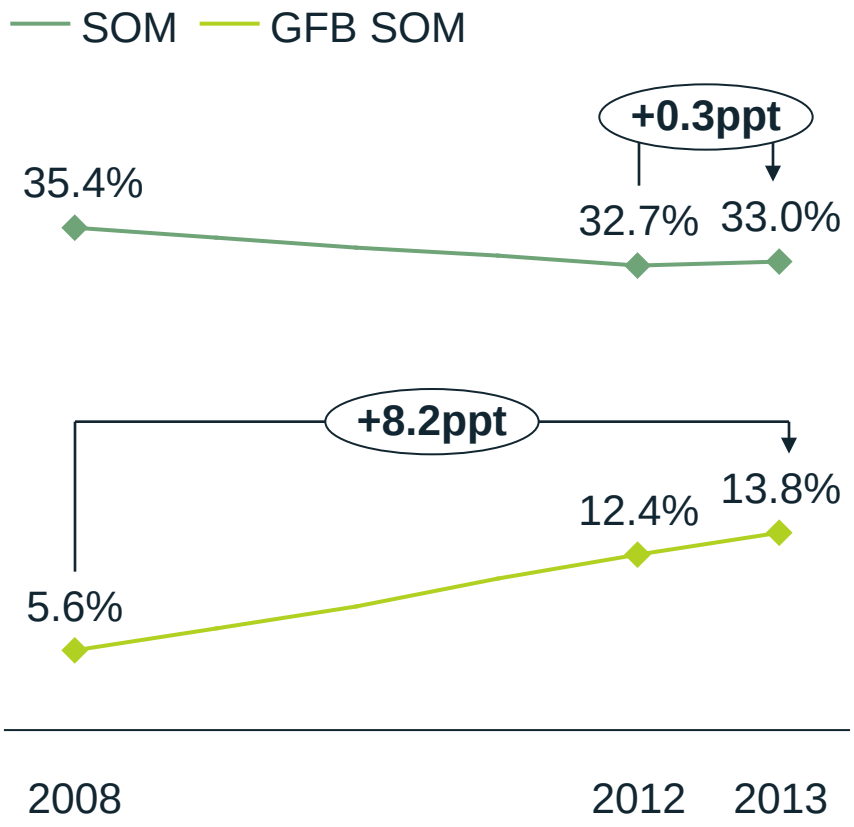
x4

- Strong volume growth over the last 5 years whilst total industry declined 26%
- Successful extension of LD to Make-Your-Own in mid-2013, with the brand ending the year at the 3rd place of the category
- Market with positive contribution since 2011, now with outlook for further accelerated growth

© Copyright JT 2014

Austria: Consolidating our position through GFB focus

Cigarette SOM and GFB SOM evolution (%)



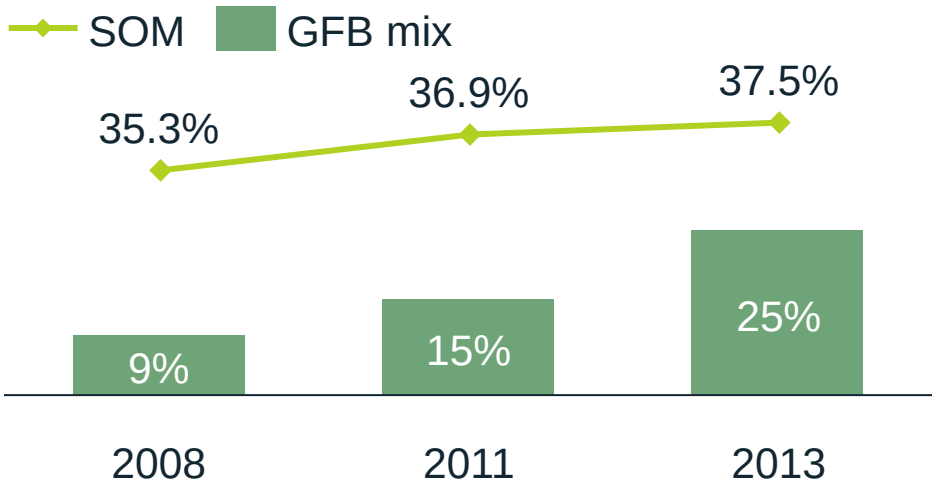
- Mature, profitable market, highly dependent on legacy brands
- Consistent focus on 3 GFBs drove market share turnaround in 2013
  - B&H Progressive launch growth of +4.3ppt
  - Camel the only growing brand above the value segment
  - Winston crossed 4% cigarette market share in April ’13 for the first time

Source: JTI estimates, Nielsen

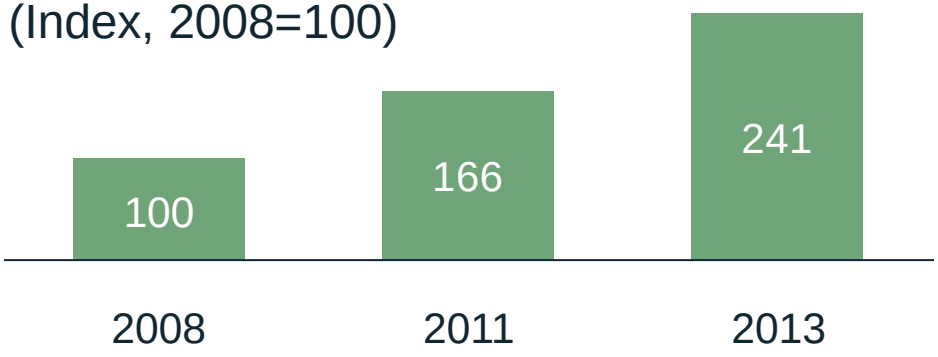
© Copyright JT 2014

Sweden: Further building market leadership in the cigarette category

Cigarette SOM and GFB mix evolution



EBITA
(Index, 2008=100)



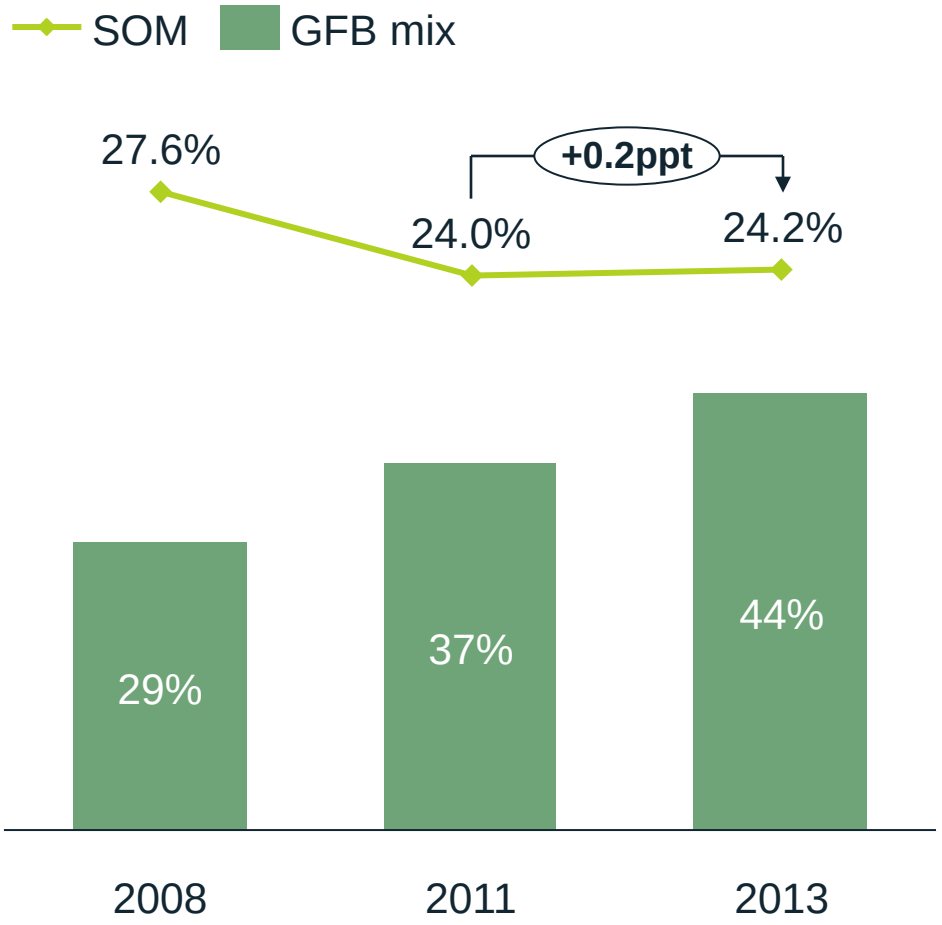
- Strengthened cigarette market leadership through sustained focus on GFBs
  - Camel grew significantly boosted by innovative capsule product launch
  - Winston at an all time high market share, supported by enhanced distribution and visibility
- LD quickly building scale in the significant snus category

Source: JTI estimates, Nielsen

© Copyright JT 2014

Romania: Building a robust portfolio for sustainable growth

Cigarette SOM and GFB mix evolution



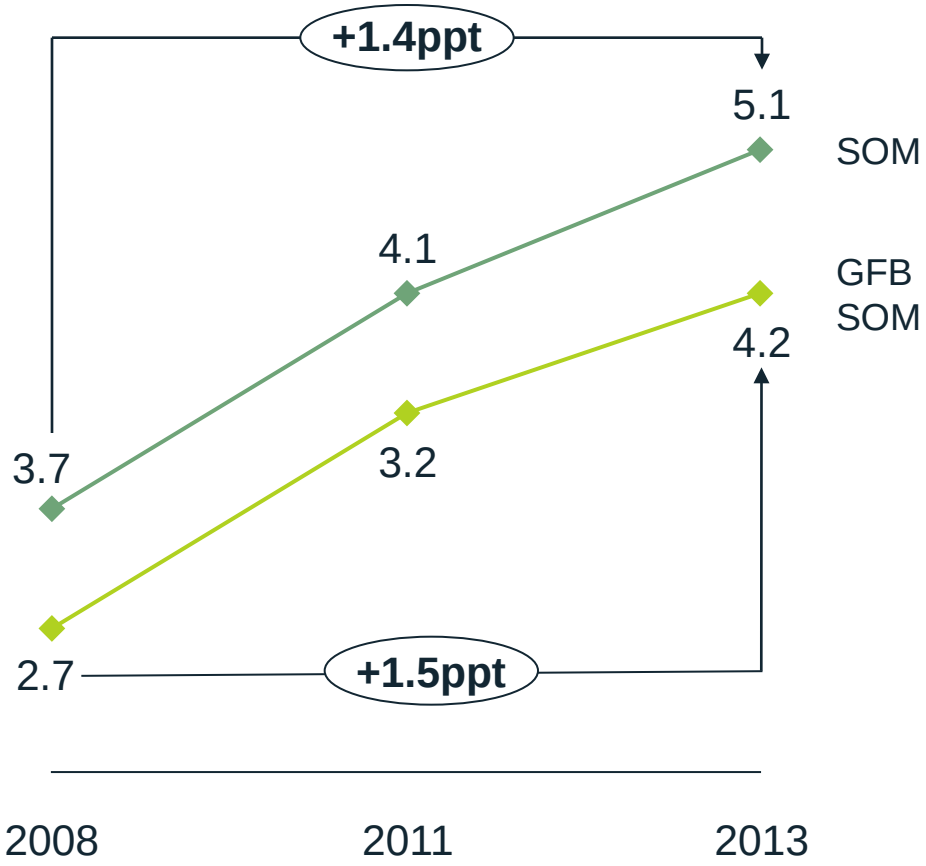
Source: JTI estimates, Nielsen

- JTI share of market returned to growth in 2013, for the first time since 2007, driven by consistent focus on GFBs
  - Winston reached 11% market share
  - Increasing presence in the growing prestige segment with Sobranie
  - Very promising launch of B&H in 2014

© Copyright JT 2014

Germany: Strong momentum in the largest EU market

SOM and GFB SOM evolution (%)



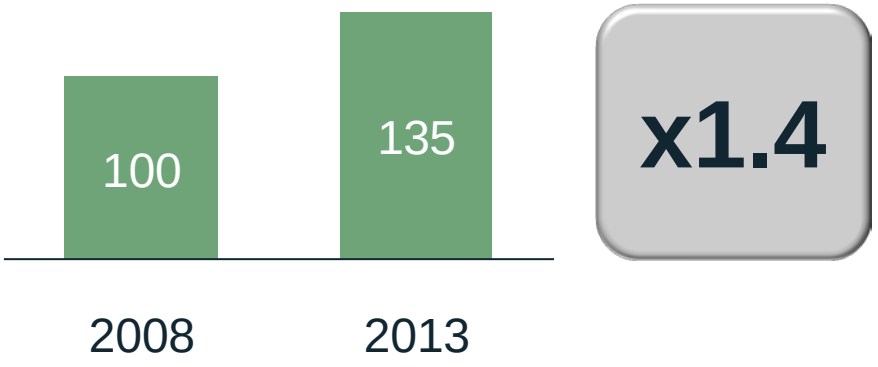
- JTI resumed market share growth after long-term decline through significant and focused investment in GFBs:
  - Winston became a key player in the fine cut category
  - B&H consistently grew and expanded in all key pack formats
  - Camel returned to growth in the cigarette category as of 2011, after a 20-year decline

Source: JTI estimates, Nielsen. Note: SOM includes cigarettes and fine cut

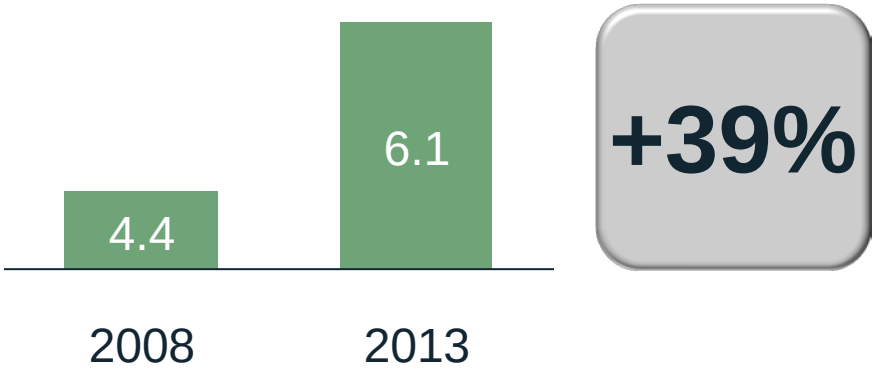
© Copyright JT 2014

Germany: Increased investment boosts performance

Trade Investment
(Index, 2008=100)



Total shipment volume (BnU)



- Boosted trade investment to expand GFB distribution (Key Accounts & Vending) and visibility (Point of Sale and Out of Home)
- Total volume grew significantly over the period, reaching 6BnU in 2013
  - Winston doubled its volume
  - B&H reached the 1BnU threshold
  - Camel delivered in excess of 1.7BnU

© Copyright JT 2014

Expanding JTI's footprint across Central Europe with dynamic market share growth, led by GFBs

Share of market and GFB mix evolution

Market	SOM		GFB Mix	
	2013	vs. 2008 (ppt)	2013	vs. 2008 (ppt)
Slovenia	14.9%	+8.8	78.5%	+31.0
Baltics	29.5%	+6.2	76.9%	+25.9
Hungary	9.1%	+5.8	92.3%	+7.5
Czech	12.5%	+4.8	83.2%	+35.1
Denmark	5.7%	+3.3	100%	+4.2
Slovakia	6.2%	+1.8	77.4%	+2.4

Source: JTI estimates, Nielsen. Note: SOM includes cigarettes and fine cut

© Copyright JT 2014

Growth momentum across the region to continue

A great story of growth and focus with further opportunities ahead

- Central Europe delivered significant growth in terms of share of market, volume, and profit
- This was achieved thanks to an entrepreneurial approach, consistent focus on GFBs and expansion of route-to-market
- Going forward, we see plenty of opportunities to continue growing through continued GFB focus in all tobacco categories, including brand migrations, and expanded regional geographical scope

© Copyright JT 2014