Document 5

Investing for growth in Kazakhstan and Central Asian Markets

Dean Gilfillan
General Manager, Kazakhstan & CAM

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.

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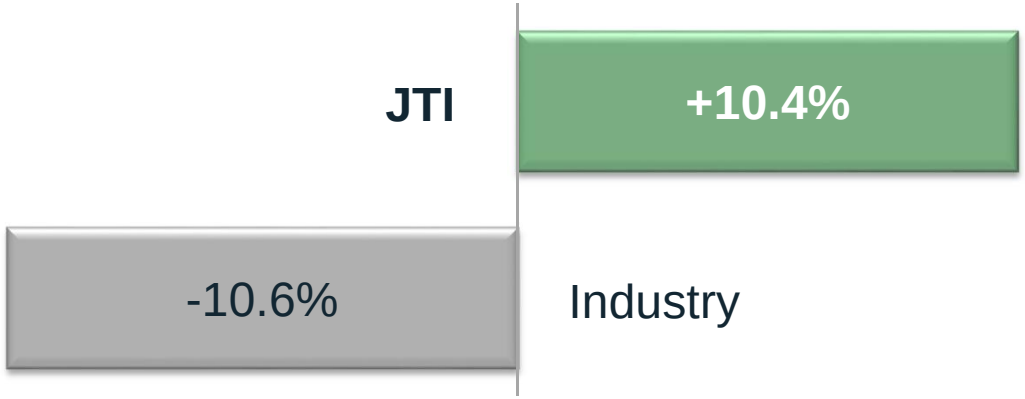
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A hub of markets with strong growth potential

- 6 emerging markets: Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Turkmenistan and Uzbekistan
- Cigarette industry value of 3.9 $Bn in 2014, increasing 44% vs. 2010
- Cigarette industry volume of 51 BnU in 2014
- JTI outperforming industry volume driven by a solid infrastructure and talented team



Volume, 2014 vs. 2010



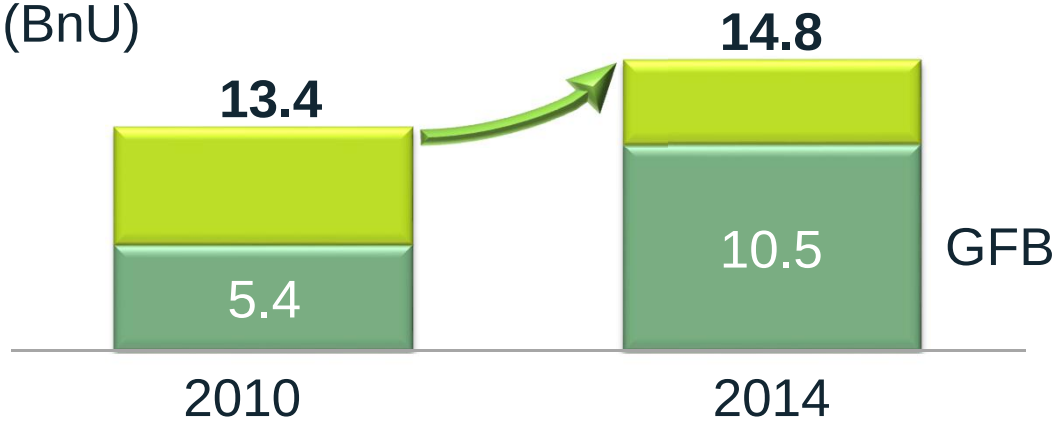


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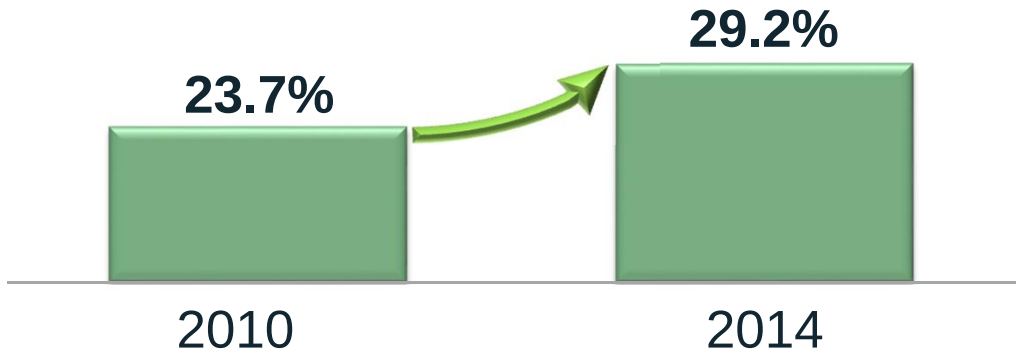
Source: JTI estimates

Consistent volume and share growth driven by GFBs

JTI Total volume
(BnU)



JTI Share of market



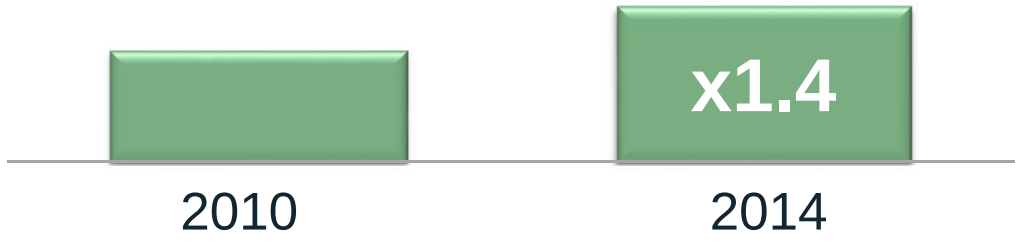
- GFB volume doubled benefitting from focused investments, new line extensions and brand migrations
  - GFB mix of 71%, up 31ppt vs. 2010
- Market share increased driven by Winston, LD and Mevius
  - 2 of the top-5 brands in Kazakhstan
  - 4 of the top-10 brands in Central Asia

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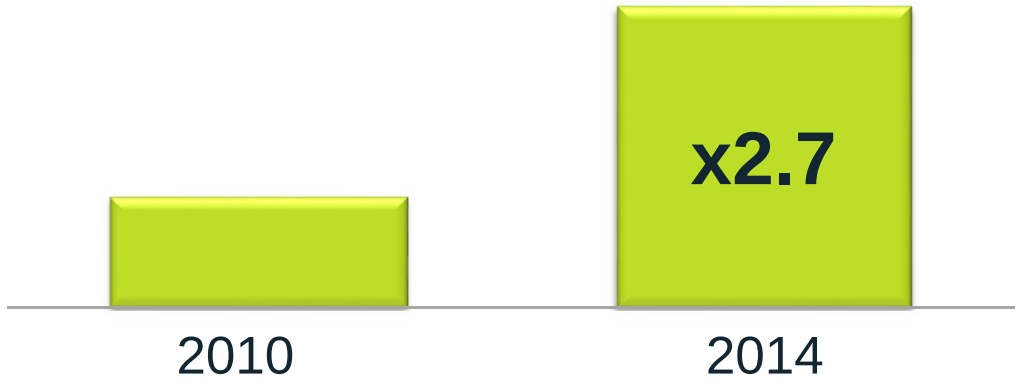
Source: JTI estimates

Continued investments driving profit contribution

Investment
(Index, 2010=100)



EBITA
(Index, 2010=100)



- Focused investments to:
  - Expand GFB portfolio and equity
  - Enhance business infrastructure
  - Strengthen trade partnerships
  - Develop talents

- Profit almost tripled since 2010 driven by volume gains, mix improvements as well as strong price increases, primarily in Kazakhstan

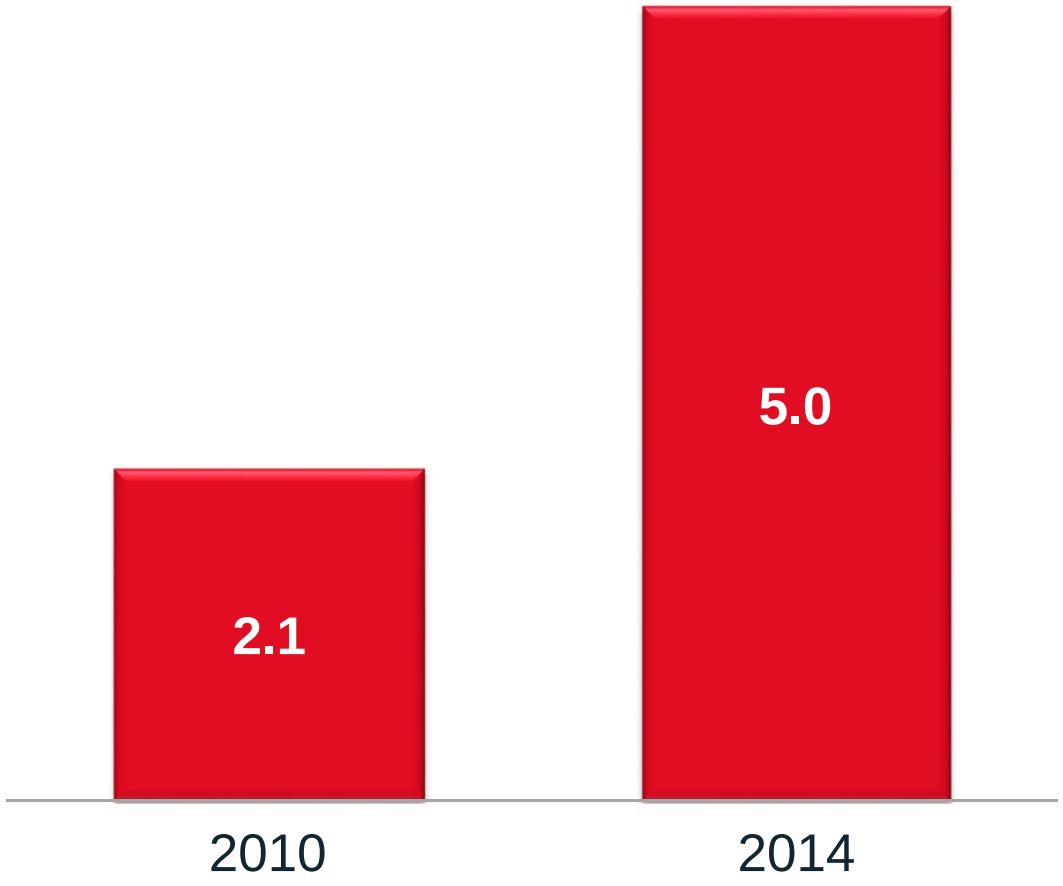
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Note: Investment includes trade marketing, brand marketing, sales and operating expenses. Investment and EBITA on a reported basis

Focusing on GFBs

LD: Driving growth in Value

LD Total volume
(BnU)



- #4 brand across the hub with circa 10% market share in 2014
  - Volume more than doubled vs. 2010, strengthening LD's position in Value
  - Market share almost tripled vs. 2010, led by Kazakhstan, Kyrgyzstan and Mongolia
- Growth driven by slimmer formats and modern range (LD Club and LD Club Extra)

Classic range



Modern range

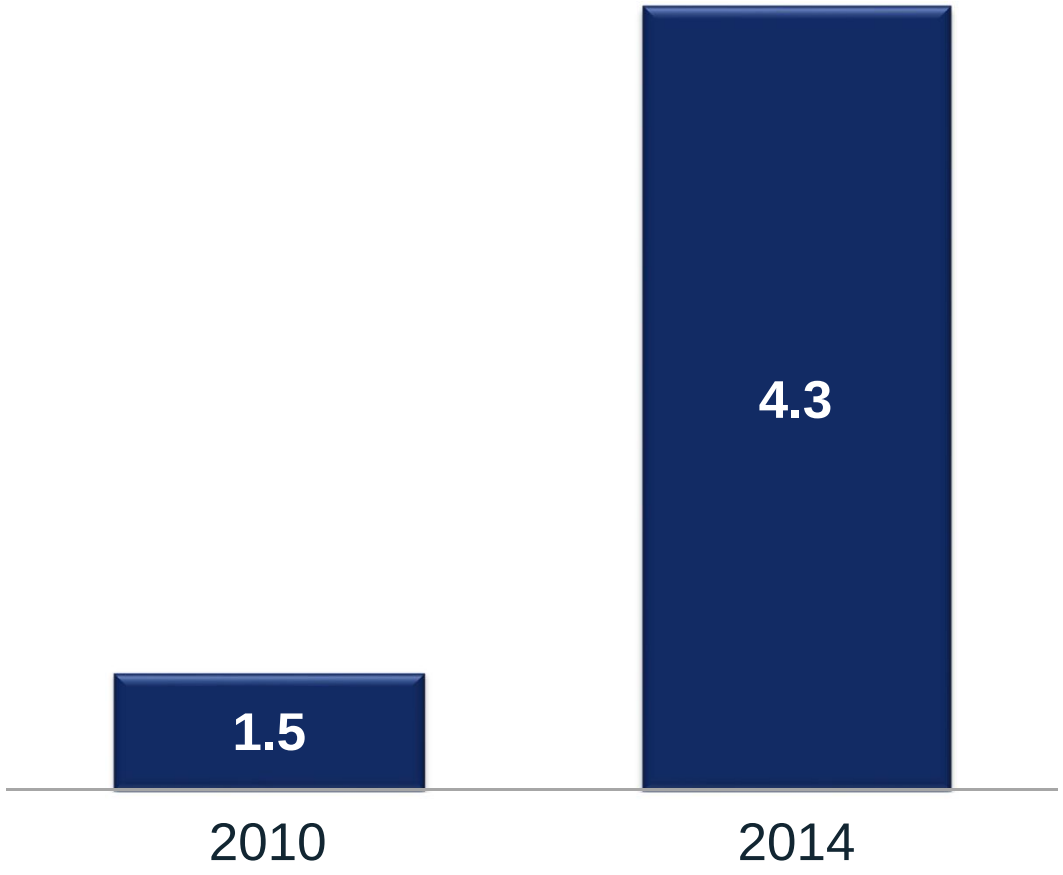


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Source: JTI estimates

Winston: Enhancing Mid-Price leadership

Winston Total volume
(BnU)



- Strong volume increase with further opportunities for growth led by its compelling and evolving portfolio
- Market share of 8.5% across the hub, up 5.8ppt vs. 2010
- Migrations and new line extensions fueling Winston's growth momentum

Classic range



Modern range



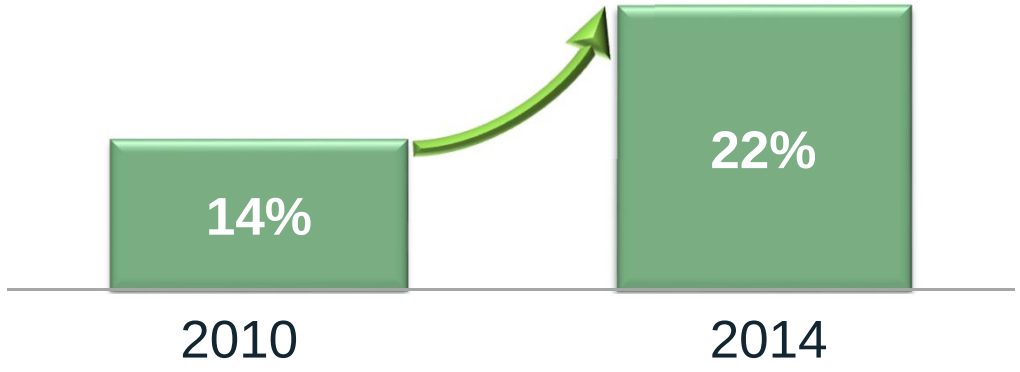
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Source: JTI estimates

Delivering sustainable growth and investing for the future

Kazakhstan: Solid #2 player in an increasingly profitable market

GFB Share of market



Industry value
($MM)



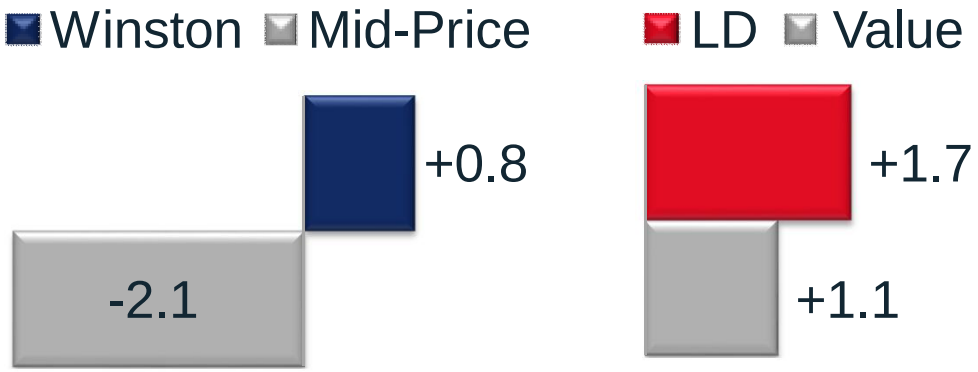
- #2 player with market share above 37% driven by GFB share growth
- Increasing industry value resulting in market profitability
  - Minimum Retail Selling Price since 2007 to secure government revenue
- Market dominated by a growing Value segment, representing 64% of the total industry volume

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Source: JTI estimates. Note: Industry value on a reported basis

Kazakhstan: LD and Winston outperforming the industry

Winston & LD Volume, 2014 vs. 2010
(BnU)



Winston and LD Share of market

	2014	vs. 2010 (ppt)
Winston	5.8%	+3.2
LD	12.6%	+6.9

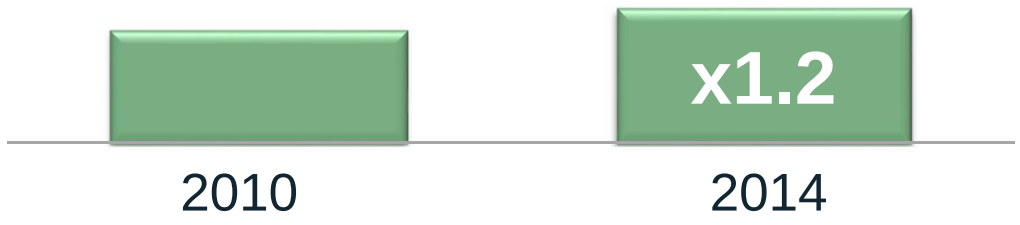
- LD and Winston outperformed the industry, fueling GFB volume growth
- Strong volume and share of market gains vs. 2010 driven by the expansion of slimmer formats
- JTI has 4 of the top-8 brands in the market, with LD and Winston being #2 and #5, respectively
  - LD is also the #1 in super slims, and
  - Winston is the #1 in Mid-Price

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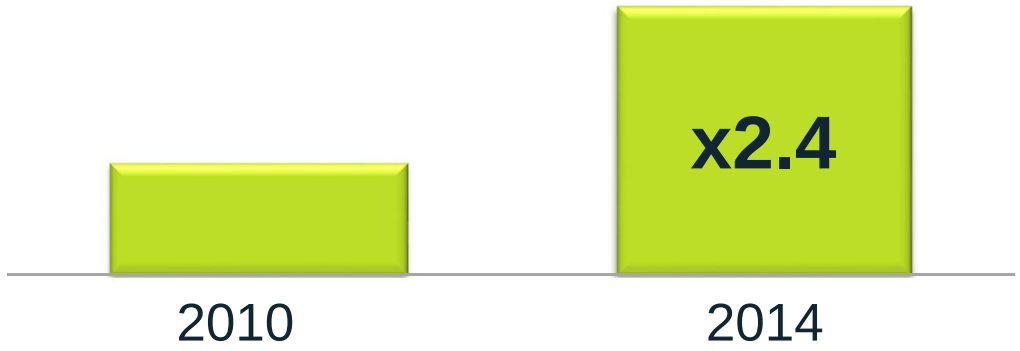
Source: JTI estimates

Kazakhstan: Driving GFB scale and profitability

Investment
(Index, 2010=100)



EBITA
(Index, 2010=100)



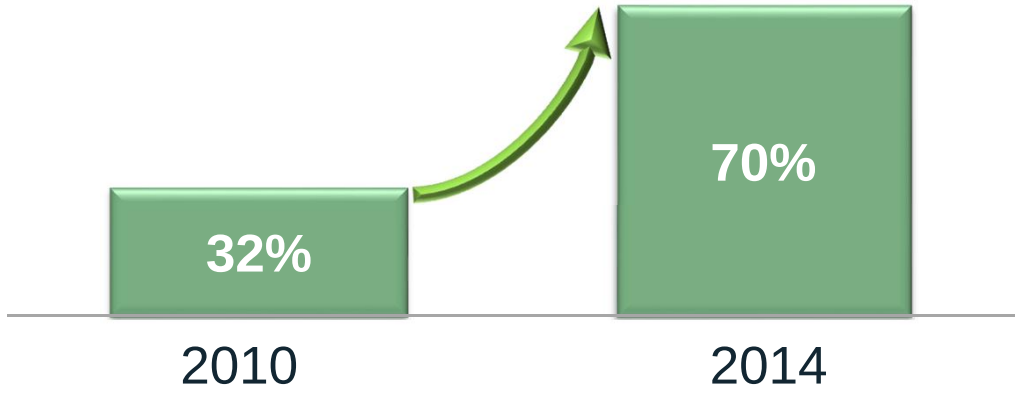
- Increasing investments to enhance further GFB equity and portfolio
  - GFB mix reached 75% in 2014 fueled by new line extensions and brand migrations
  - Mevius launched in early 2015 to seize opportunities in Premium
- Profit more than doubled vs. 2010 mainly driven by GFB growth and price increases
  - Kazakhstan is today one of JTI's top-10 profitable markets

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Note: Investment includes trade marketing, brand marketing, sales and operating expenses. Investment and EBITA on a reported basis

JTI, the undisputed leader in Kyrgyzstan

GFB Share of market



GFB Volume
(BnU)



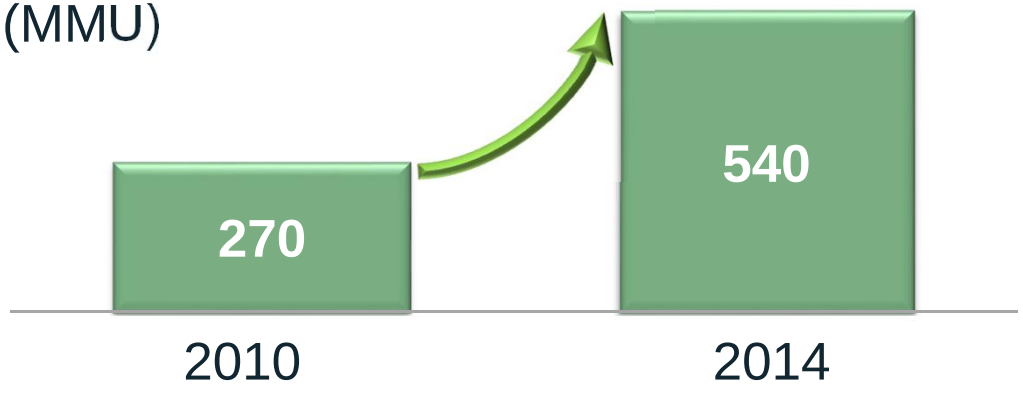
- More than doubled share of market since 2010 to exceed 70%
- GFB volume almost quadrupled over the last 5 years, representing 97% of total volume in 2014
- Key drivers of success
  - Winston and LD are the top-2 brands in the market
  - Best direct coverage of retail and focused investment are paying off

Source: JTI estimates

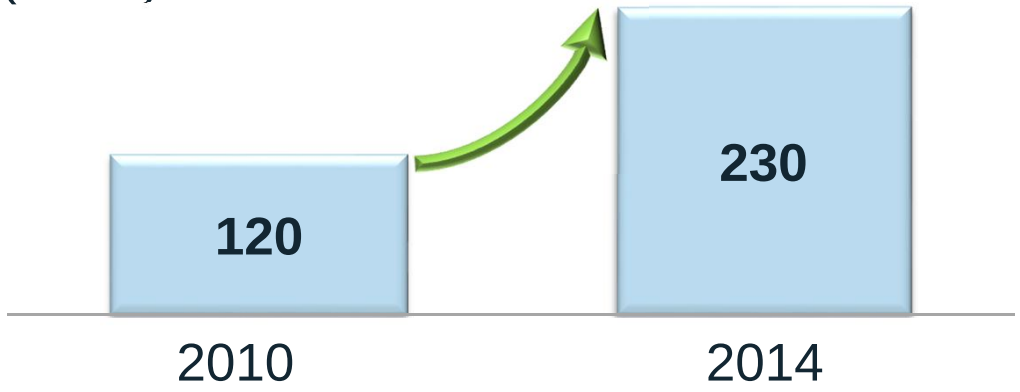
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The leading international tobacco company in Mongolia

GFB Volume
(MMU)



Mevius Volume
(MMU)

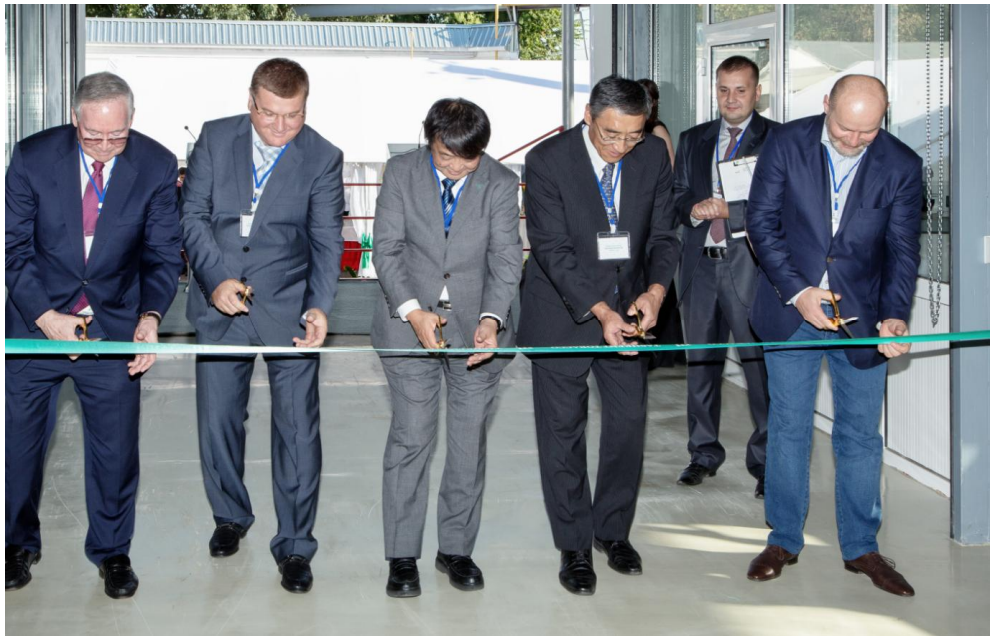


- Leading position driven by GFB positive growth momentum
  - GFB volume doubled vs. 2010 driven by Mevius and LD
  - Strong heritage of Mild Seven and successful rebranding to Mevius
- Continuous investment to pursue future share and volume opportunities while further enhancing profitability
- Long standing relationship with Mongolian distributor

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More opportunities ahead driven by additional investments

- Strong top and bottom-line growth achieved over the last years in Kazakhstan, Central Asia and Mongolia
- GFB volume and share increased significantly driven by an expanding portfolio as well as increasing availability and visibility at point of sales
- Seeding investments continue with the recent localization of production in Uzbekistan
  - Industry volume above 11BnU (28% of the hub)
  - Local production provides a leveled playing field
  - Strong brand equity of Winston



The opening ceremony of the manufacturing facility in Uzbekistan. From left to right: Thomas A. McCoy (JTI President & Chief Executive Officer), Kakhramon Alimov (co-founder of the Tobacco Tashkent factory), Akira Saeki (JT Executive Deputy President & President of Tobacco Business), Fumihiko Kato (Ambassador of Japan to Uzbekistan) and Ali Gadjiev (co-founder of the Tobacco Tashkent factory)

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Document 6

Investing for a long-term leading position in Russia

Antoine Ernst
General Manager, Russia

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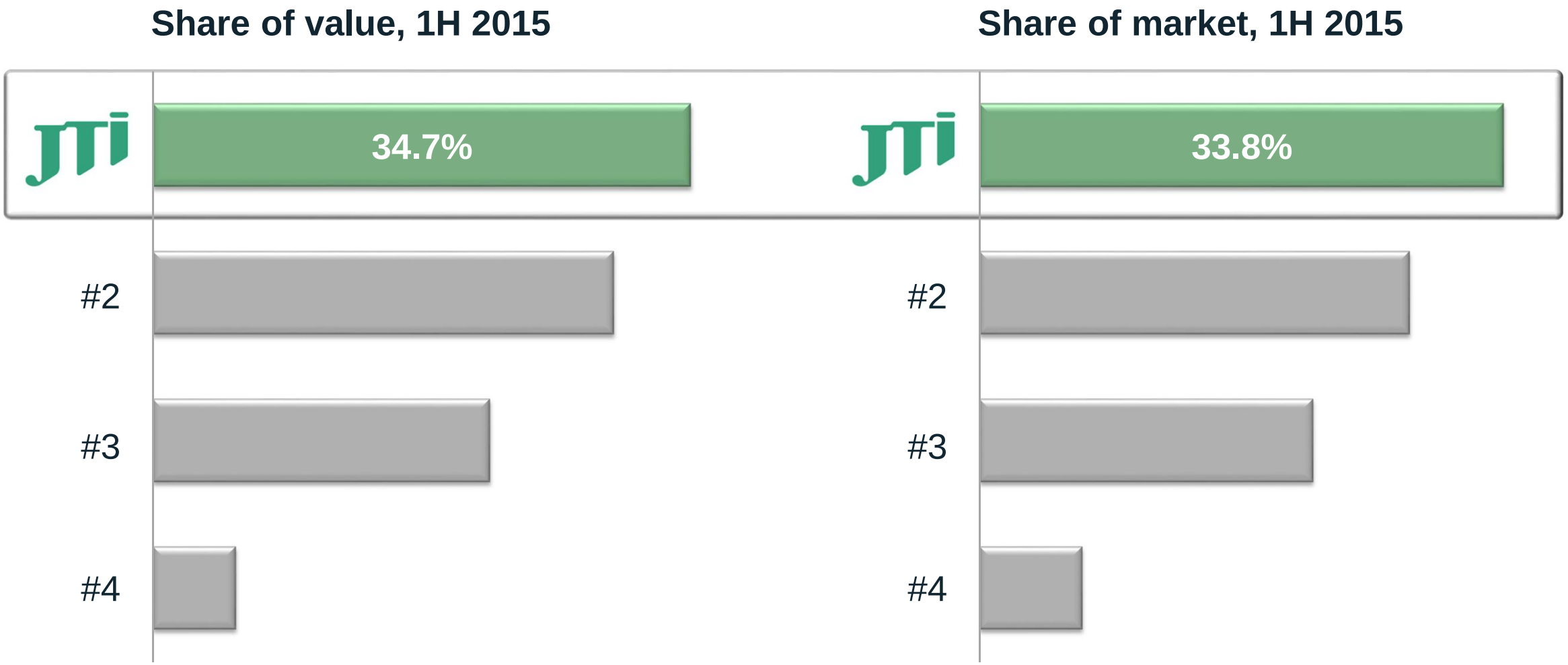
(10) catastrophes, including natural disasters.

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Strong #1 with over one third of the Russian market



Source: Nielsen. Note: SoM and SoV on a 6-month rolling average to June 2015

Leading through people and brands

A very large market

- 307 BnU industry volume (2014)
- 21 $Bn industry retail value (2014)

Leading in People

- Multi-award as employer
- Strong employee engagement

Leading in Brand Portfolio

- Winston: #1 tobacco and #1 FMCG brand
- LD: #3 in the market
- Peter I: #1 post-soviet heritage brand
- Glamour: #1 female brand



top EMPLOYER RUSSIA 2015
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

INVESTORS IN PEOPLE

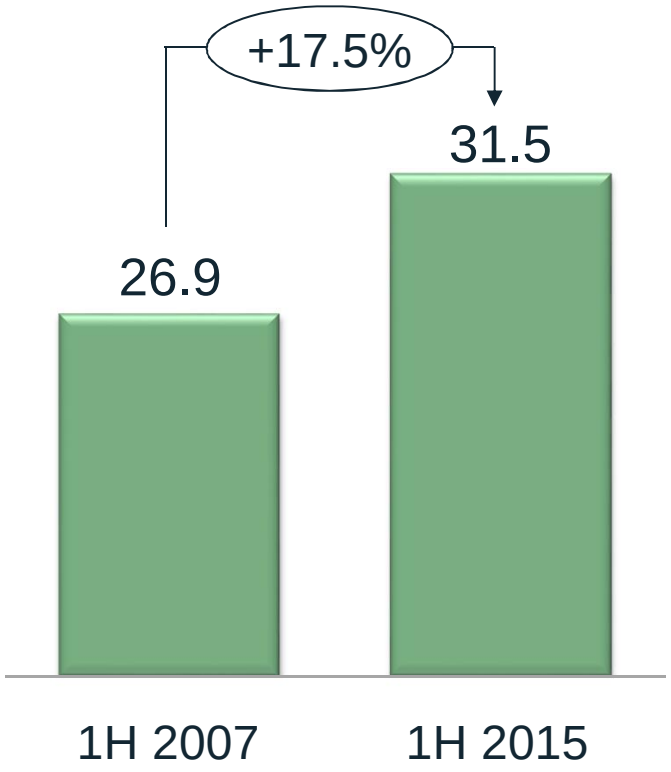


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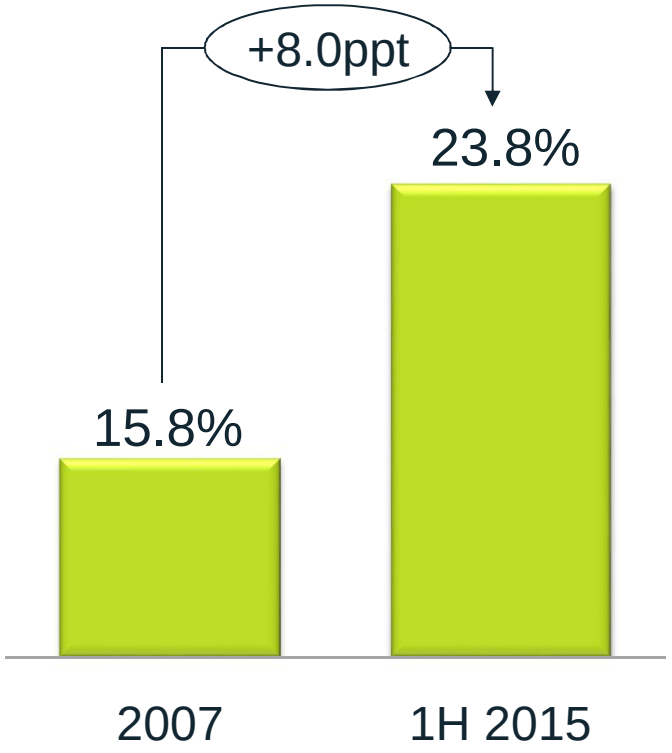
Source: JTI estimates, Nielsen, Ancor, Tower Watson

Global Flagship Brands driving the growth

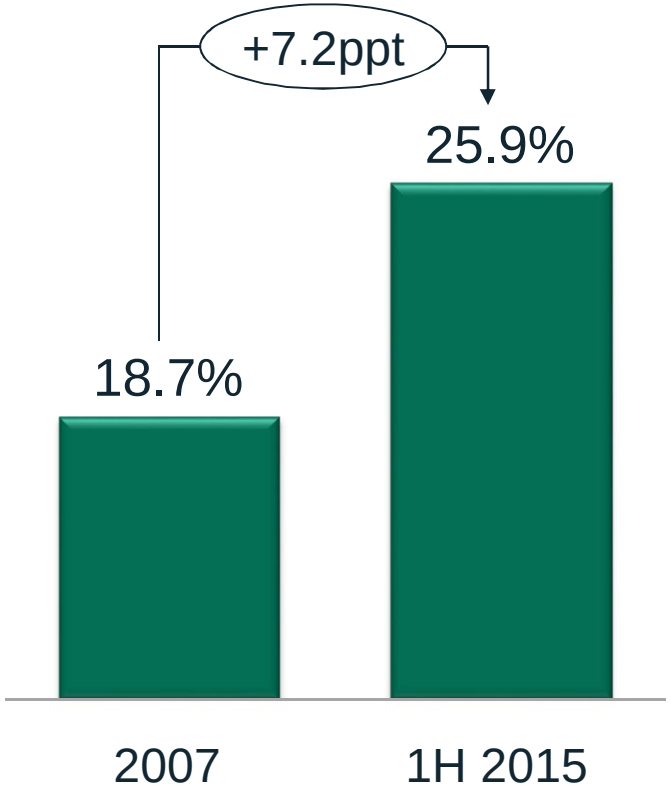
GFB volume (BnU)



GFB SoM



GFB SoV



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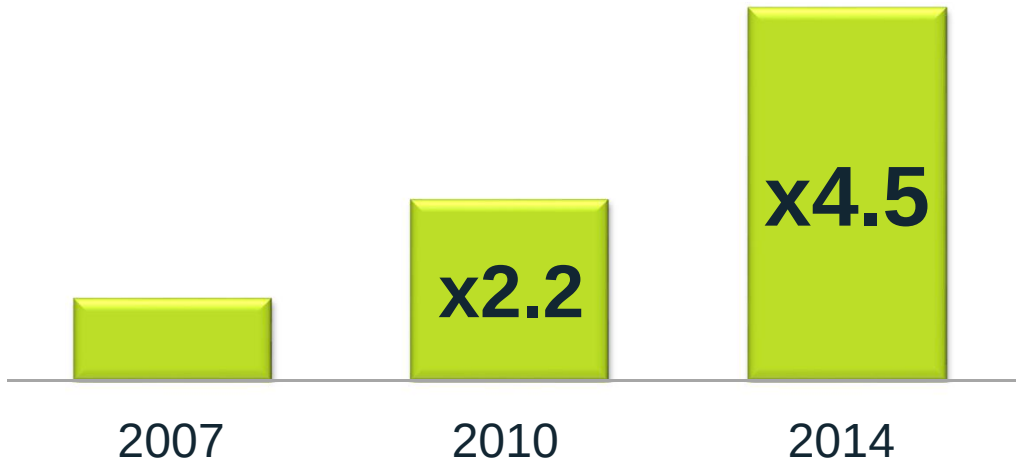
Source: Nielsen. Note: SoM and SoV on a 6-month rolling average to June 2015 vs. 2007

Profit growth driven by focused investment and price increases

Investment (Index, 2007=100)



EBITA (Index, 2007=100)



Investing for long-term quality growth

- Trade satisfaction: superior position
- Employee satisfaction: attract, retain talents
- Consumer satisfaction: GFB equity and quality

Delivering sustainable earnings growth

- Continuous portfolio mix improvement
- Robust pricing environment
- Enhanced productivity and profitability

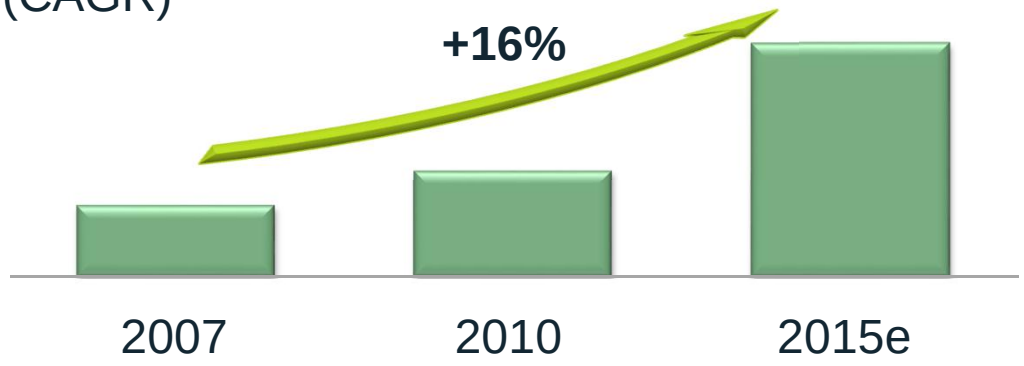
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Note: Investment includes trade marketing, brand marketing, sales and operating expenses. Investment and EBITA at constant currency

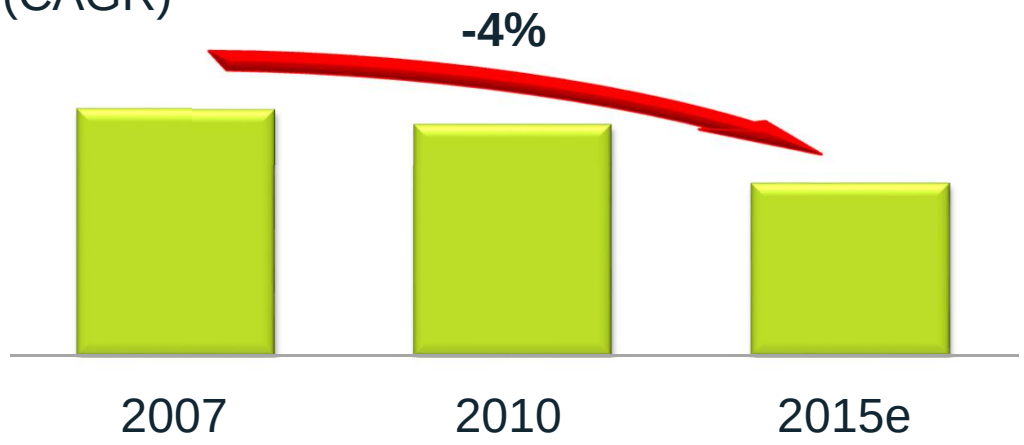
Challenging environment with growth opportunities ahead

Industry value further increase despite volume decline

Industry value
(CAGR)



Industry volume
(CAGR)



Solid long-term retail value growth, positive 2015 projection

- Favorable affordability index due to
  - Positive Personal disposable income forecast
  - Predictable excise tax plan, reduced growth rates

Industry volume under pressure

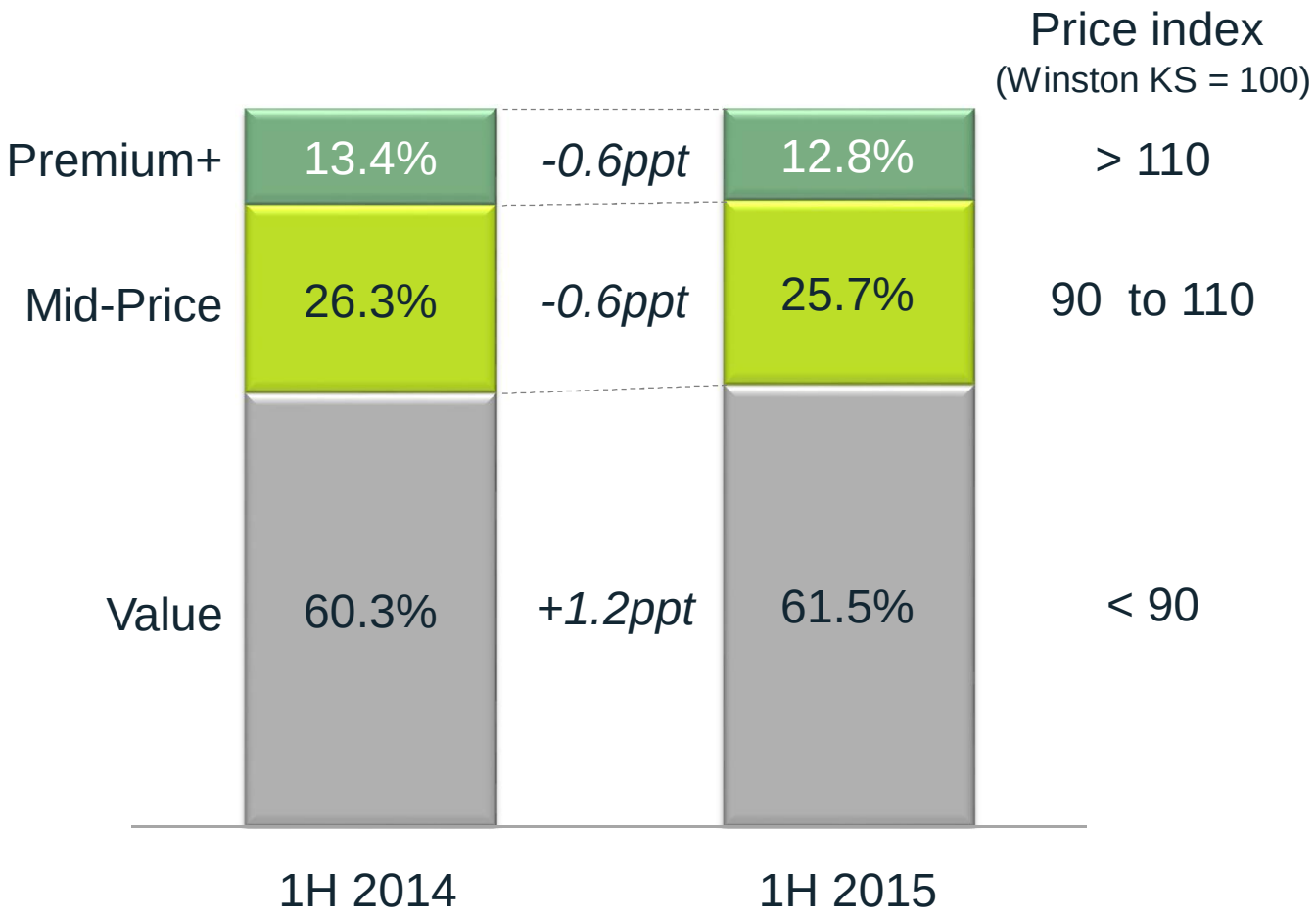
- Tightening regulation
- Slowing economy
- Full-year cigarette industry volume decline expected to be in a range of 7% to 9%

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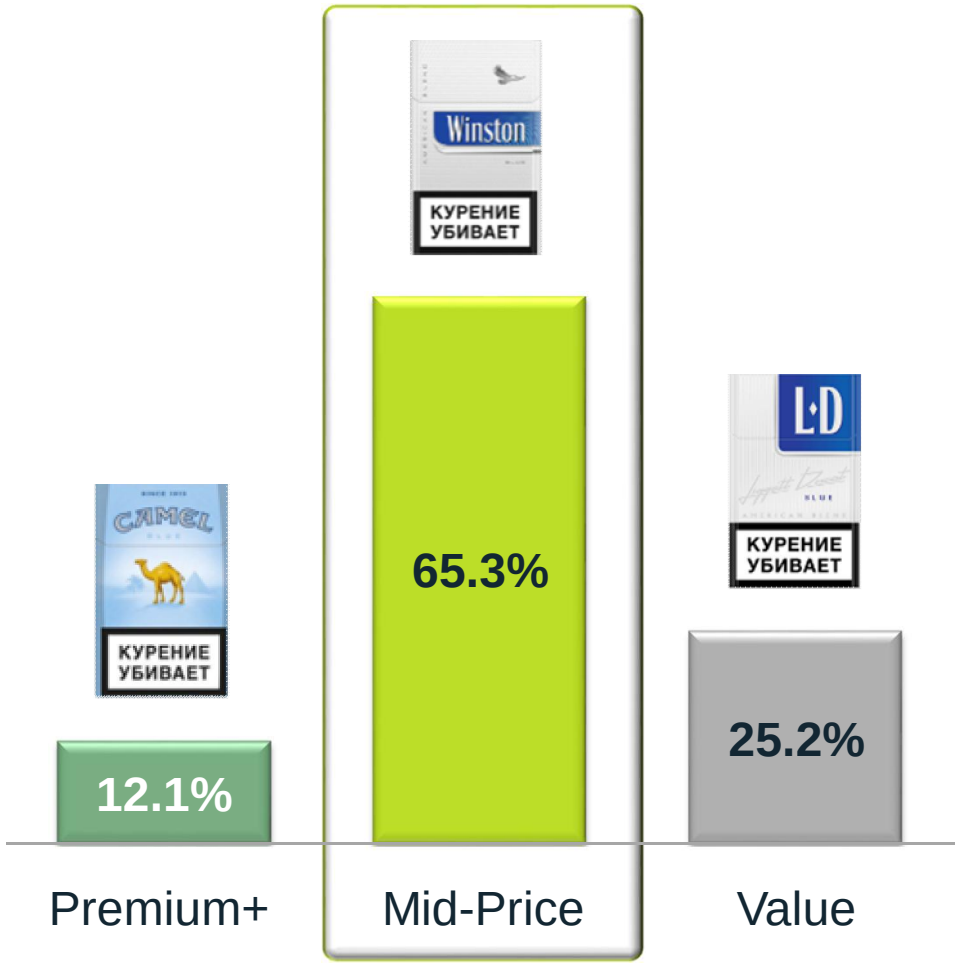
Source: JTI estimates. Note: Industry value at constant currency

Strong portfolio with solid leadership in Mid-Price

Price segments development



JTI Share of segment, 1H 2015

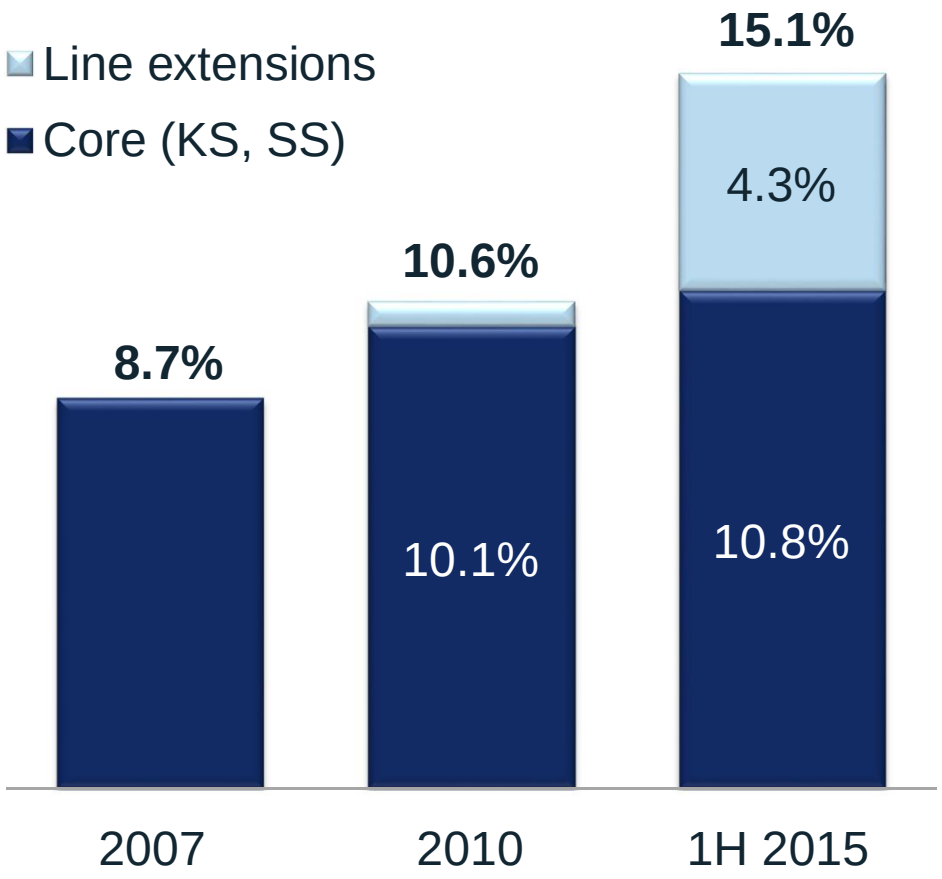


Source: Nielsen. Note: Price segments adjusted vs. standard disclosure for this presentation only. Price segments and JTI SoS on a 6-month rolling average to June

Unique position for future growth

Winston: The #1 FMCG brand in Russia

Winston share of market



- Line extensions and upgrades to cover all consumer trends (pack, format, filter, price)
- On-going Premiumization: Quality
- Well-equipped if down-trading continues

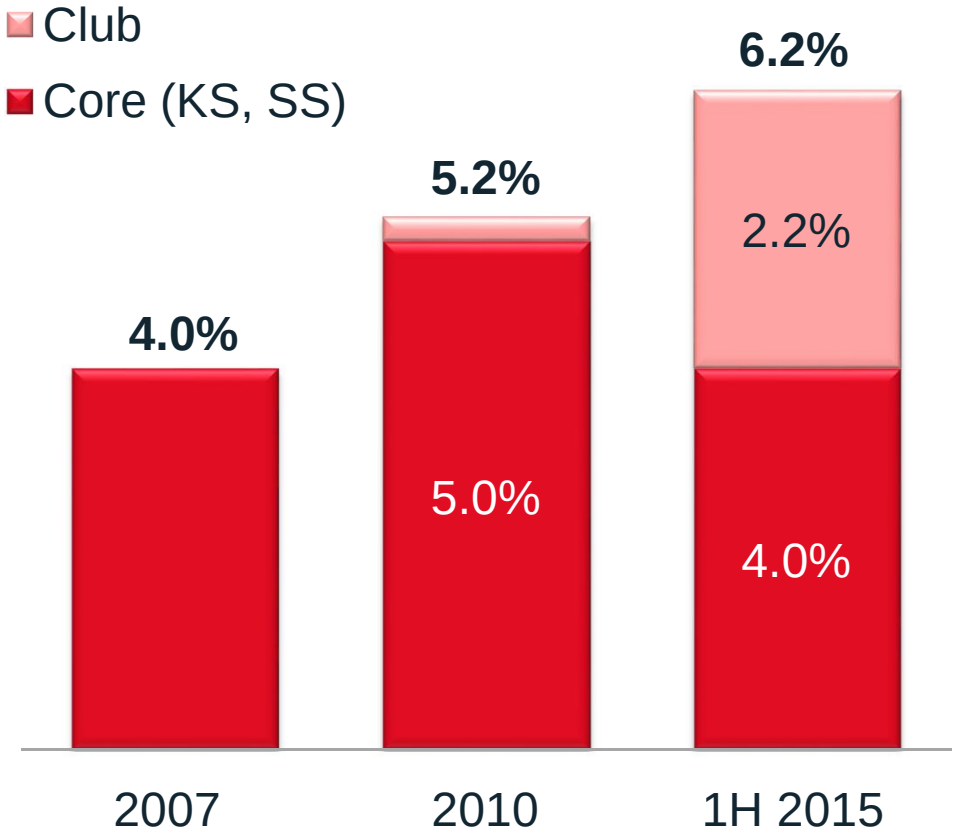


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Source: Nielsen. Note: SoM on a 6-month rolling average to June 2015 vs. 2010 and 2007

LD: Strong contender in Value

LD share of market



- #3 brand with strong growth potential
- Reformulation of the Core family and LD Club line extension
- Attracting both up- and down-traders with its rapidly enhancing equity





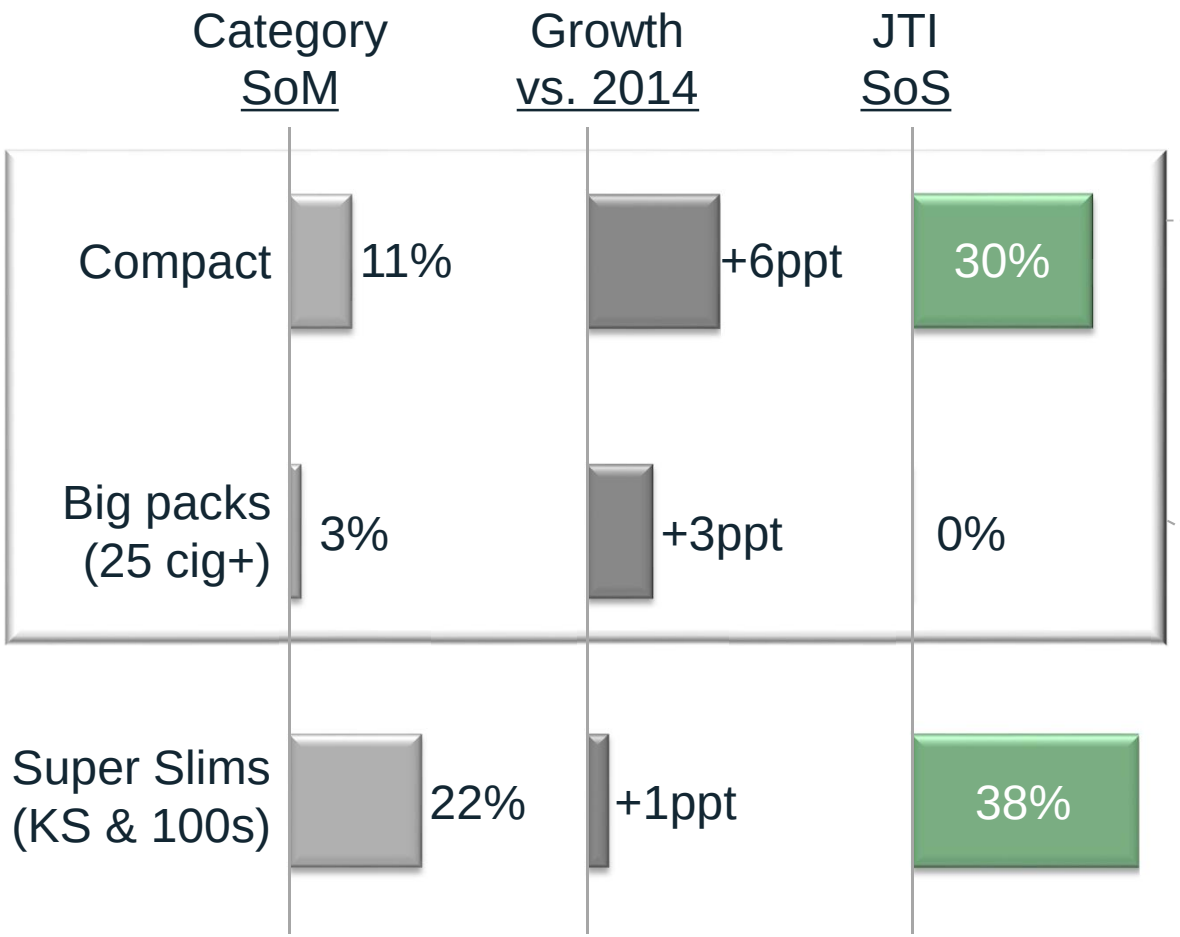


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Source: Nielsen. Note: SoM on a 6-month rolling average to June 2015 vs. 2010 and 2007

Expanding the portfolio to seize new growth opportunities

Packaging format, 1H 2015



JTI Compact propositions



JTI Big Pack propositions



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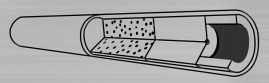
Source: JTI estimates, Nielsen. Note: SoM and SoS on a 6-month rolling average to June 2015

THIS IS THE NEW WINSTON XS PLUS



KS FORMAT

LSS
LESS SMOKE SMELL



AIR CELL FILTER

Leveraging equity to build Premium brands

Share of market, 1H 2015

Brand	Area	SoM	vs. 2010 (ppt)
	St. Petersburg	1.9%	+0.6
	Moscow	1.0%	+0.8
	Vladivostok	7.3%	+3.1

- Tailored approach and gradual roll-out when showing positive returns
- Innovation centric in product (i.e. filter, packaging) and initiatives
- Brand endorsement test
  - Mevius LSS Inside on **Winston XS**

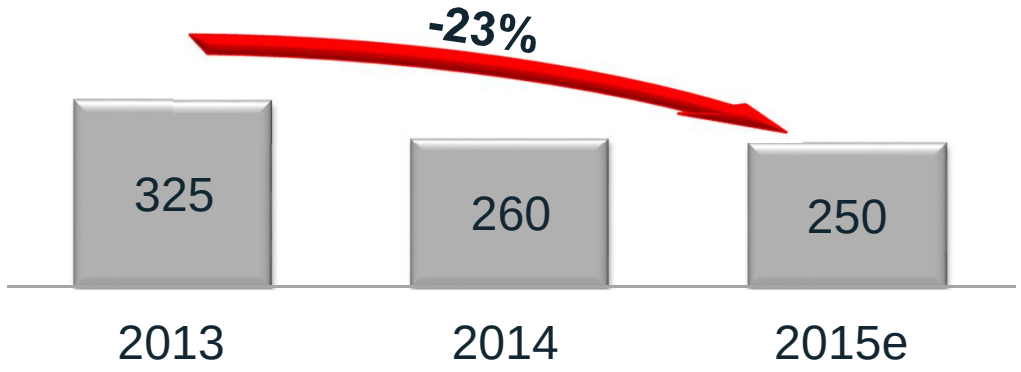


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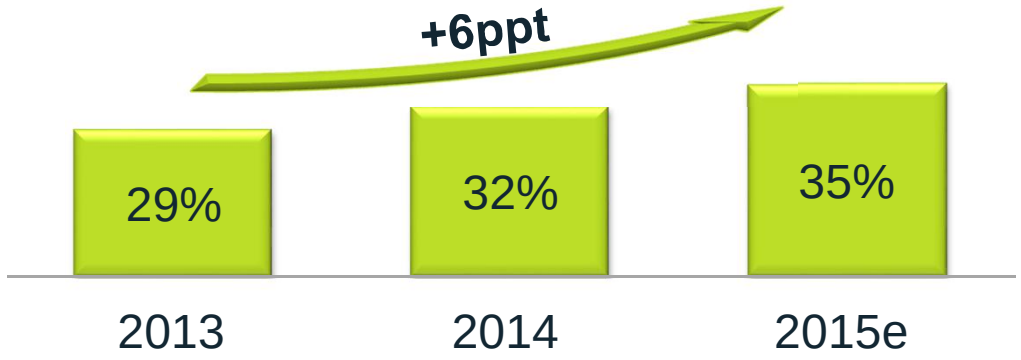
Source: JTI estimates, Nielsen. Note: SoM on a 6-month rolling average to June 2015

Solid trade partnerships for quality growth

Retail universe evolution
('000 point of sales)

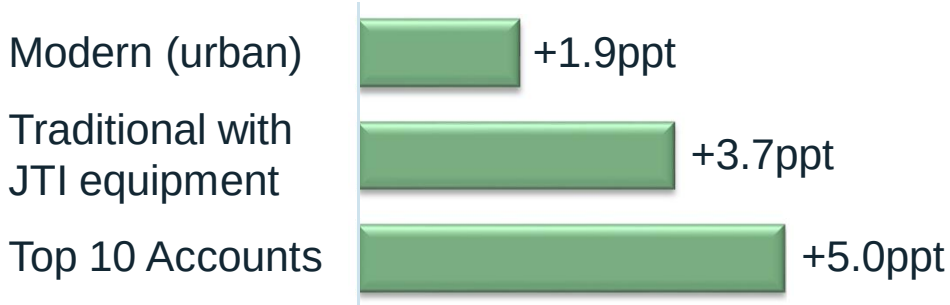


Modern Trade volume weight



- Trade **investment** generates strong returns

JTI SoM in retail channels vs. National*



- **Partnership with national distributor** and **retailers** for permanent availability, out of stock reduction, optimal portfolio for each geography
- **Employee and field empowerment** under 9 regional heads for optimal agility, proximity and speed of decision. Central office supports field effort and maintains synergies

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*Source: JTI estimates, Nielsen. *JTI National SoM = 33.8% (June YTD 2015)*

Commitment to a long-term leading position in Russia

- Solid business fundamentals centered on Quality: talented people, the right trade partners, a strong portfolio and continued competitive investment
- Growth strategies anchored on a JT Kaizen culture and the 4S model, striving to deliver superior, consistent and balanced stakeholders satisfaction
- Challenging environment expected, but untainted commitment and positive prospect in the long-run
  - Market size decline and mid-term consumer down-trading continues, at a slowing pace
  - Predictable and reducing excise growth rate to maintain a favorable affordability index
- Margin improvement will be seized via continuous investment on brand equity and capabilities…
- …With the prerequisite to not compromise JTI's leading position in Russia

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