Announcement ：February 6, 2017
Investors' Meeting：February 7, 2017

JTI FY 2016 Results & 2017 Outlook

Thomas A. McCoy
President & Chief Executive Officer

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements. These statements appear in a number of places in this presentation 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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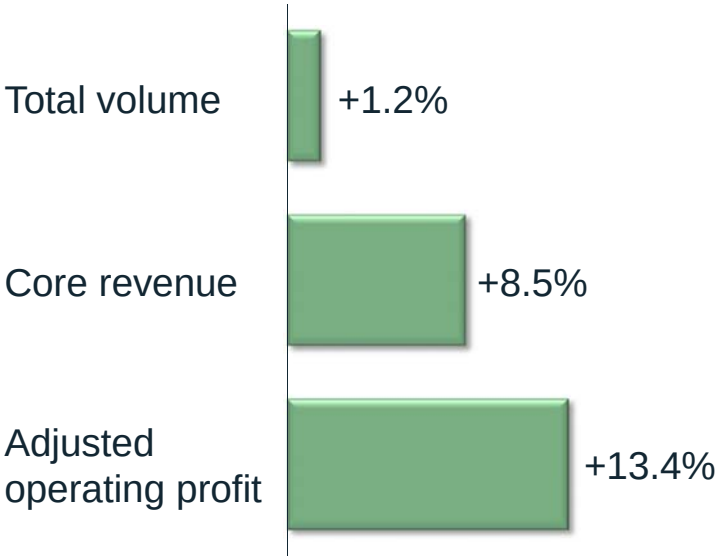
Strong performance in 2016

Key Performance Indicators
(2016 vs. PY)



Note: Core revenue and Adjusted operating profit at constant currency

- Robust results driven by:
  - Positive GFB momentum,
  - Pricing gains, and
  - Acquisitions.
- Focused investment on:
  - GFB portfolio,
  - Seeding markets, and
  - Emerging products.
- Solid financial growth across all clusters and key markets.

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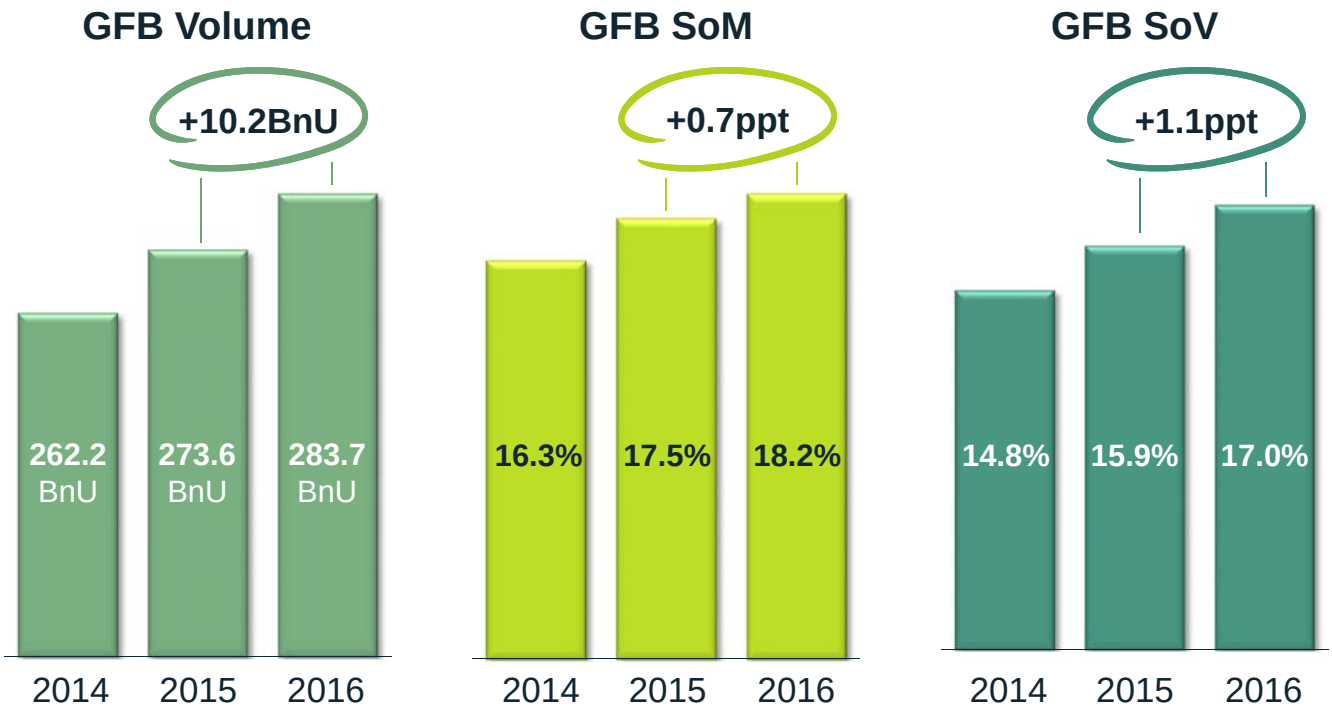
GFB growth continued in both volume and share



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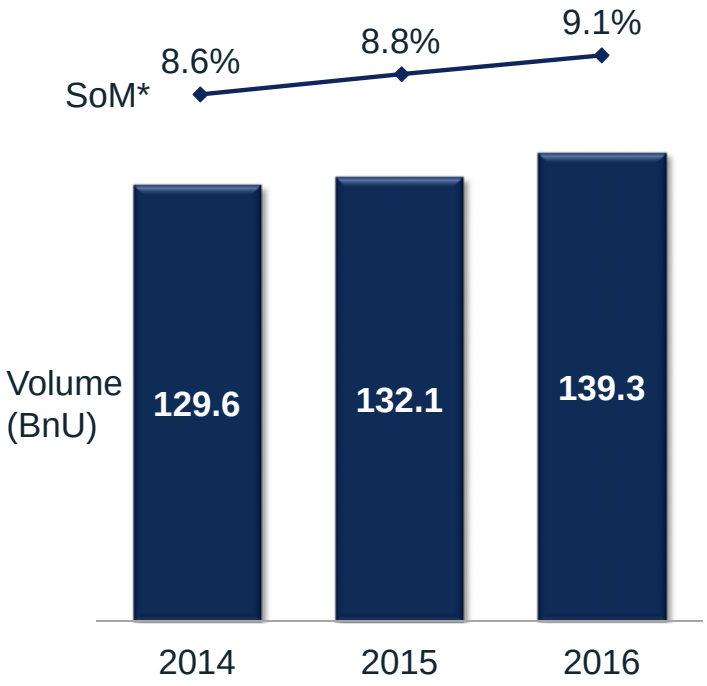
Source: Internal estimates. Note: SoM and SoV on 12-month rolling average to November, based on JTI's top-40 markets

Winston: Driving the GFB momentum

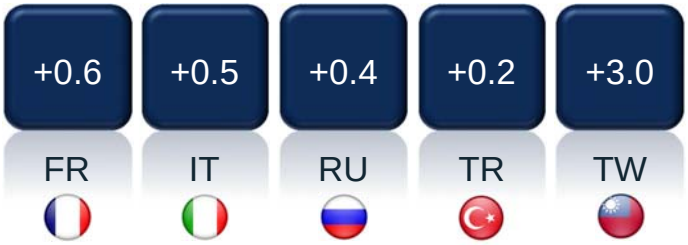
Winston volume and SoM



- Strong volume and share gains.
  - Outperforming industry in core markets.
  - Double-digit volume growth in 34 markets.
  - New market share records in 20 markets.
- World's first 'Aqua Filter' cigarette launched in Jan `17.



Winston SoM evolution (2016 vs. PY, ppt)



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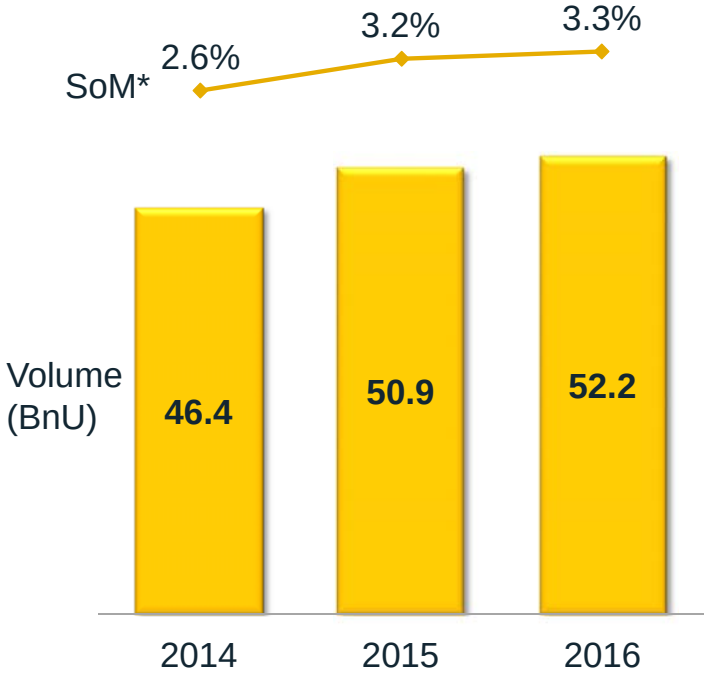
*Source: Internal estimates. * SoM on 12-month rolling average to November, based on JTI's top-40 markets*

Camel: Volume reaching new historical high

Camel volume and SoM



- Volume and share gains across core markets, notably in Europe.
- Key growth driver in seeding markets, such as Brazil and the Philippines.
- Increasing volume in capsule, with Camel Activate achieving double-digit growth.



Camel SoM evolution (2016 vs. PY, ppt)



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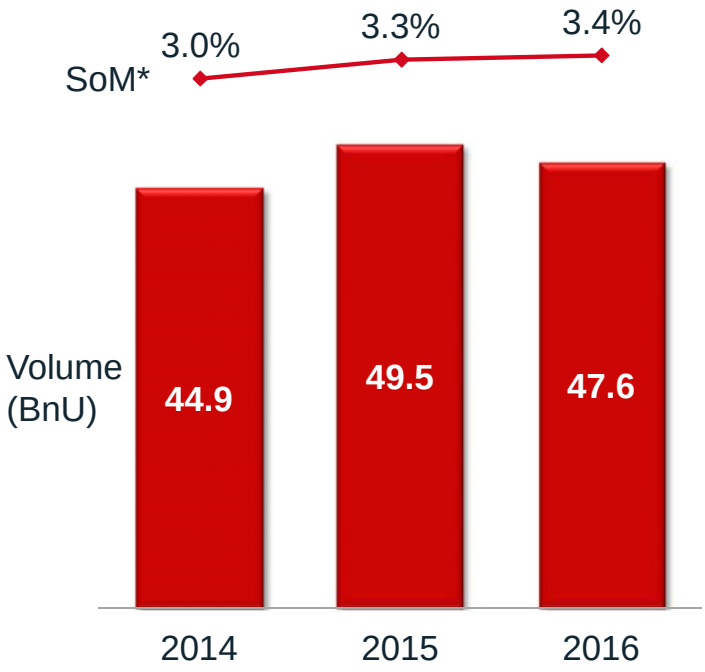
*Source: Internal estimates. * SoM on 12-month rolling average to November, based on JTI's top-40 markets*

LD: Continued share growth

LD volume and SoM



- Highest share ever in 12 markets, including Canada, Kazakhstan, Romania, Russia and Taiwan.
- Positive momentum of LD Compact:
  - Volume growth of 58% vs. 2015, led by Kazakhstan and Russia.



LD SoM evolution (2016 vs. PY, ppt)



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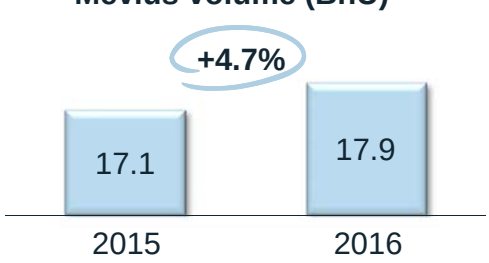
*Source: Internal estimates. *SoM on 12-month rolling average to November, based on JTI's top-40 markets*

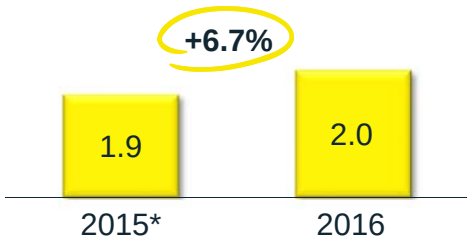
Mevius and Natural American Spirit growing volume

Mevius volume (BnU)





NAS volume (BnU)





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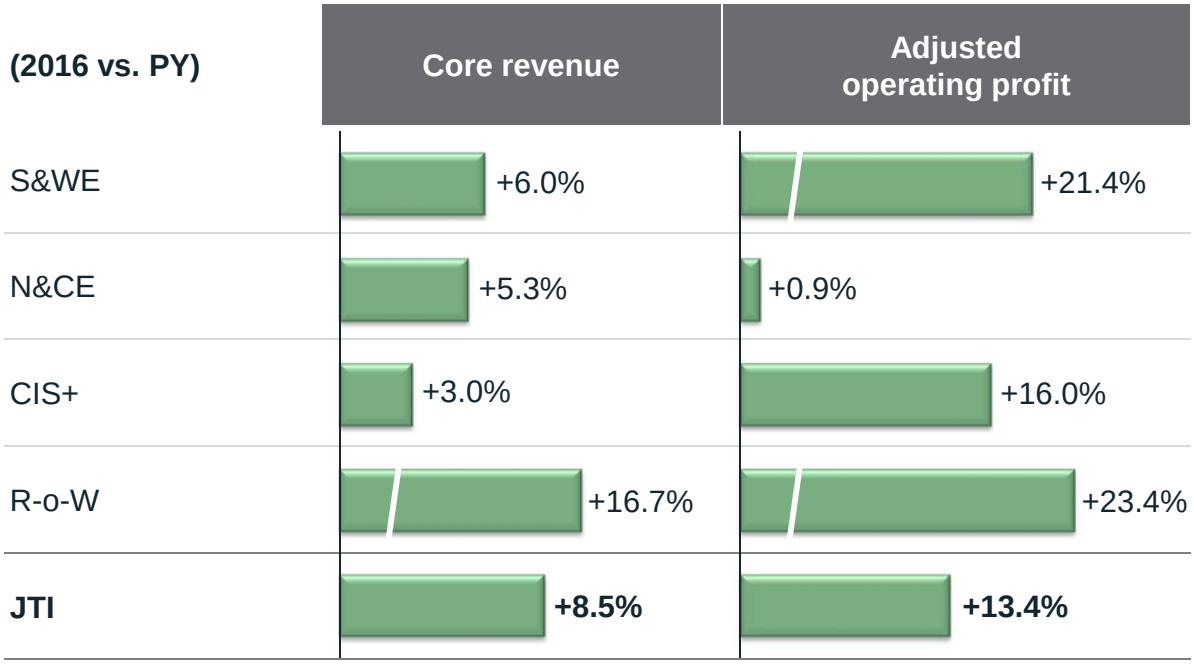
** Natural American Spirit 2015 volume is related to SFR Tobacco International*

Core revenue and profit growth across all clusters



Note: Core revenue and Adjusted operating profit at constant currency

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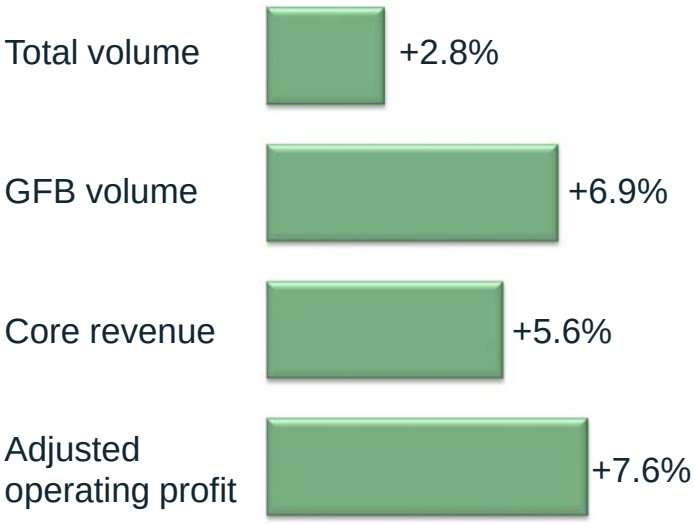
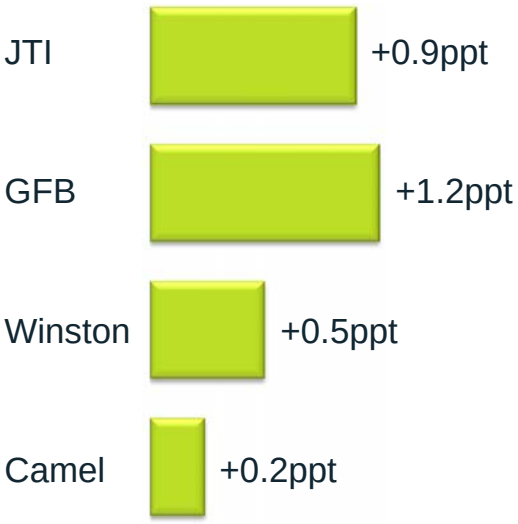
Excellent results in Europe

Europe (S&WE + N&CE)

Key Performance Indicators
(2016 vs. PY)



Share of market
(2016 vs. PY)



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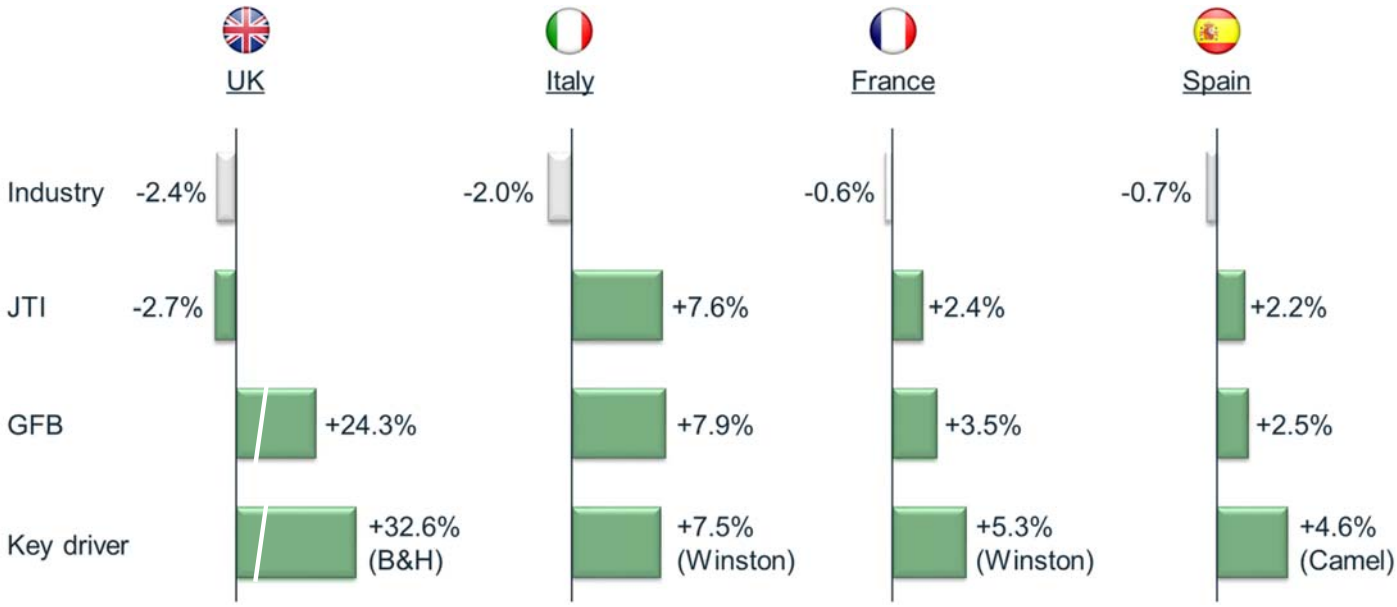
Note: Core revenue and adjusted operating profit at constant currency. Source: Internal estimates

GFBs outperforming in the UK, Italy, France and Spain

Volume evolution in key European markets (2016 vs. PY)



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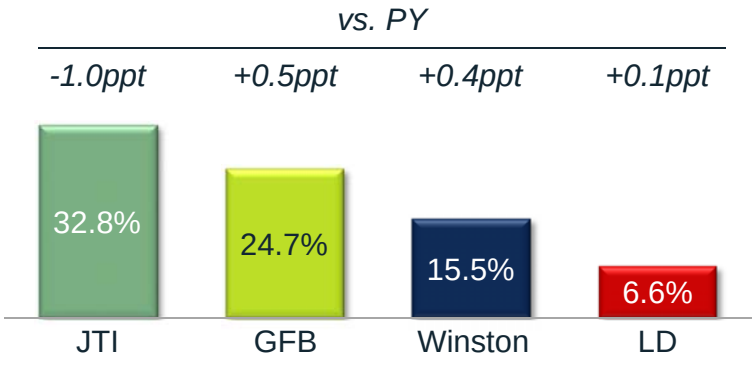
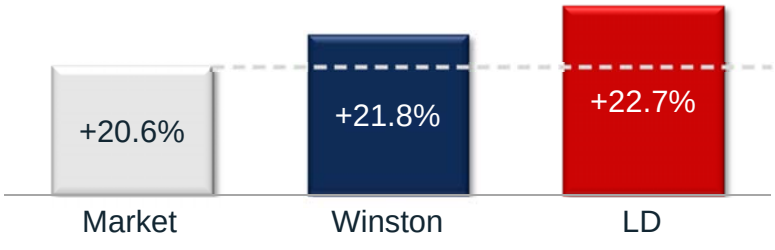
Source: Internal estimates

Russia: GFB share growth and pricing gains

Share of market evolution (2016)



Retail price evolution* (2016 vs. PY)



- Leading position in both share of market and share of value.
- Intense competitive pressure at the low-end of the market impacting JTI's overall share.
- GFB share continued to grow, with Winston and LD achieving new market share records.
  - Strong equity offset in-market price disadvantage.
- Double-digit profit growth at constant currency, led by pricing.

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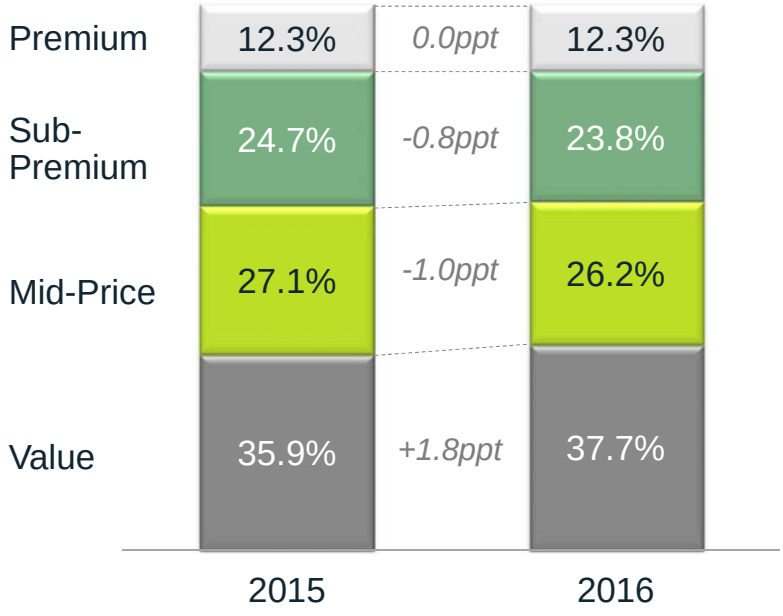
Source: Nielsen, Internal estimates. * Average retail selling price per 20 sticks

Russia: Price competition and downtrading to continue in 2017

RMC price segments dynamics



- Price competition and highest ever excise tax increase expected to fuel downtrading.
- GFB share to continue growing, driven by:
  - Strong brand equity,
  - Product innovations, and
  - Focused investments in key segments and formats.
- Cigarette industry volume anticipated to decline between 6% and 8% in 2017.

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Source: Nielsen, Internal estimates

Strong performance in Rest-of-the-World

Canada

- Positive volume momentum against an industry decline of 2%.
- GFB volume growing 36.4%, driven by LD.

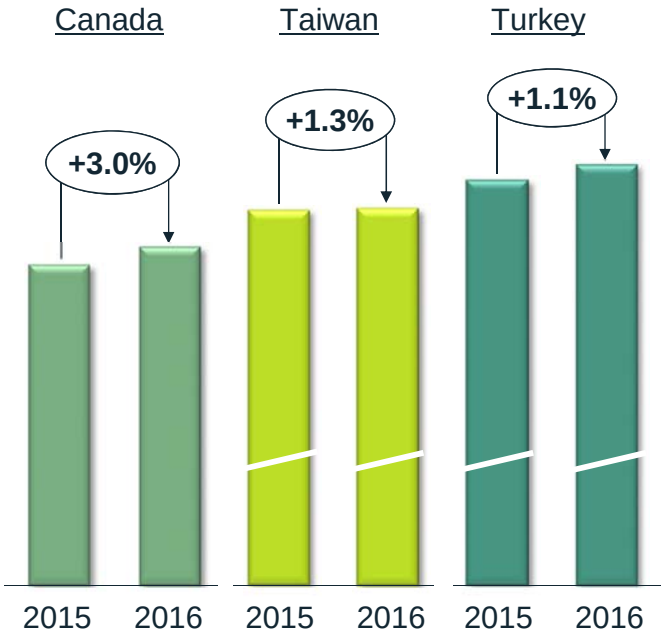
Taiwan

- JTI outperforms industry, strengthening its leading position in both SoM & SoV.
- Strong GFB performance, led by Winston.

Turkey

- Solid volume growth, supported by GFBs.
- Growing profitability led by price increases in January, July and December 2016.

JTI volume growth



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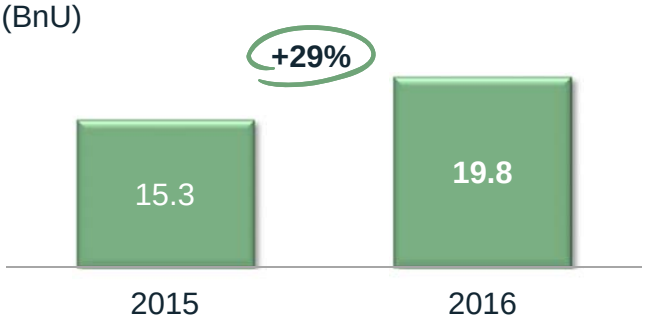
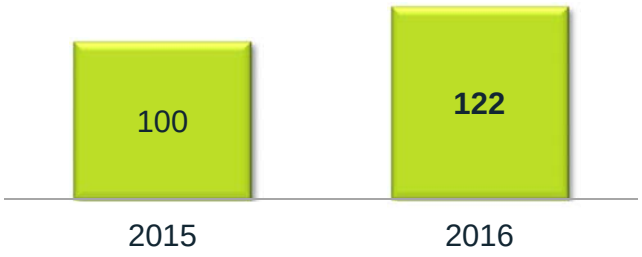
Source: Internal estimates

Broadening the business base for sustainable future growth

Total volume in seeding markets
(BnU)



Core revenue in seeding markets
(Index, 2015 = 100)



- Significant volume increase across seeding markets, led by GFBs.
  - GFB volume grew 30% vs. 2015.
- Markets fueling the growth momentum include Brazil, Egypt, Korea, Myanmar and the Philippines.
- Increasing core revenue contribution.

Main seeding markets



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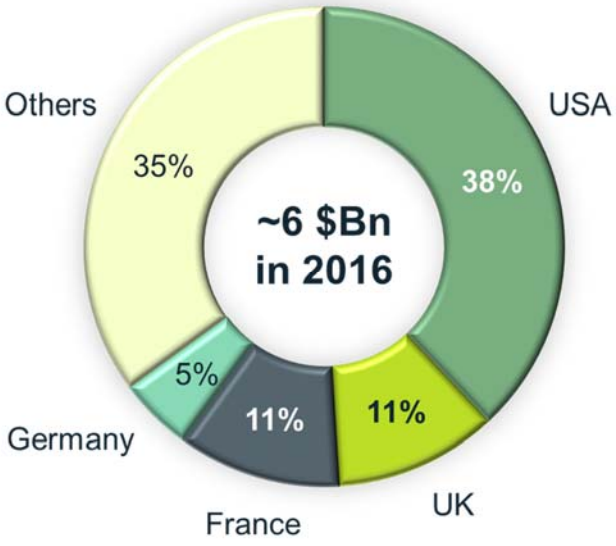
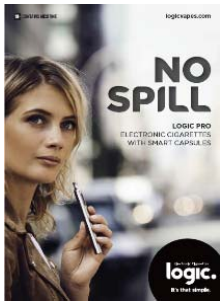
Note: Core revenue at constant currency

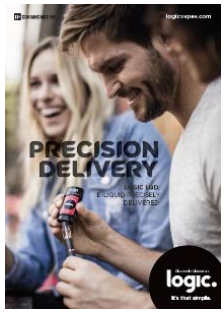
E-Vapor: Logic drives expansion in core markets

E-Vapor industry value



- Solid position in the top-3 E-Vapor markets.
  - **USA**: Logic's full line-up holds 12.4% share of value.
  - **UK**: Curv and Pro fueling share gains (SoV of 12.3%).
  - **France**: Logic Pro performing strongly, reaching the #1 closed tank position.
- New market launches in 2016: Austria, Germany, Italy, Korea and World Wide Duty Free.





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Source: Internal estimates

Summary of 2016 results

- Strong top-line performance driven by volume and pricing gains.
  - Robust core revenue progression across all clusters.
  - GFB volume and share growth complemented by acquisitions.
  - Increasing contribution from seeding markets and emerging products.
- Double-digit profit growth while investing for continued business expansion in attractive markets and categories.

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2017 outlook: Adjusted operating profit to grow 9%

- Resilient volume performance, driven by GFBs.
- Core revenue performance impacted by:
  - Market and consumer volatility related to new regulations in the UK, and
  - Industry decline and downtrading in Russia.
- Focused investments in seeding markets and emerging products to support future sustainable growth.
- 9% adjusted operating profit growth at constant currency, driven by the manufacturing footprint optimization.

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