

Investing for growth in Kazakhstan and Central Asian Markets

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General Manager, Kazakhstan & CAM

Caution on Forward-Looking Statements

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

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- (2) restrictions on promoting, marketing, packaging, labeling and usage of tobacco products in markets in which we operate;
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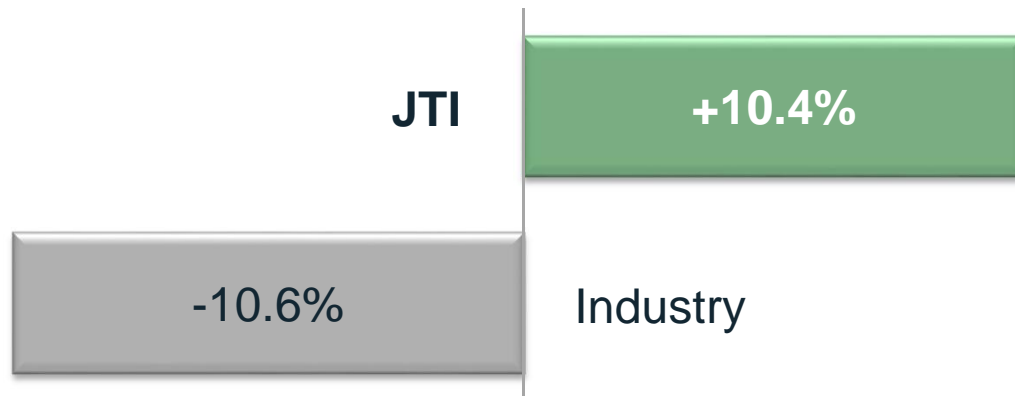
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A hub of markets with strong growth potential

- 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

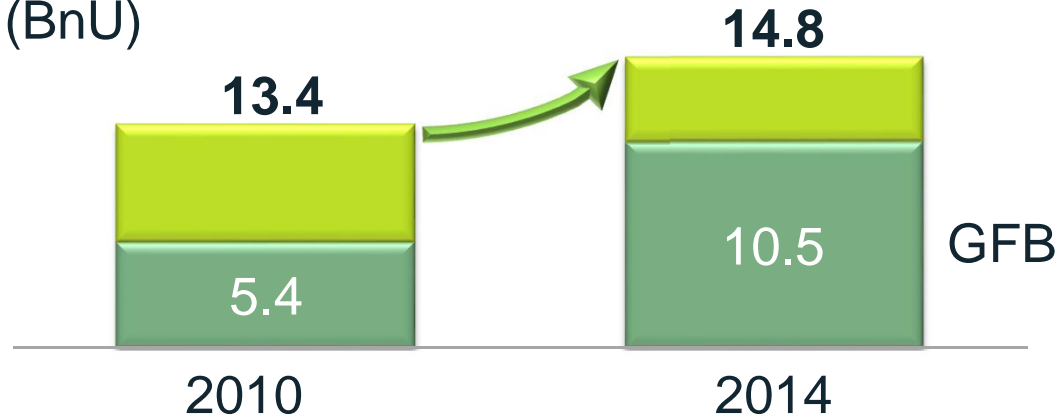


Volume, 2014 vs. 2010

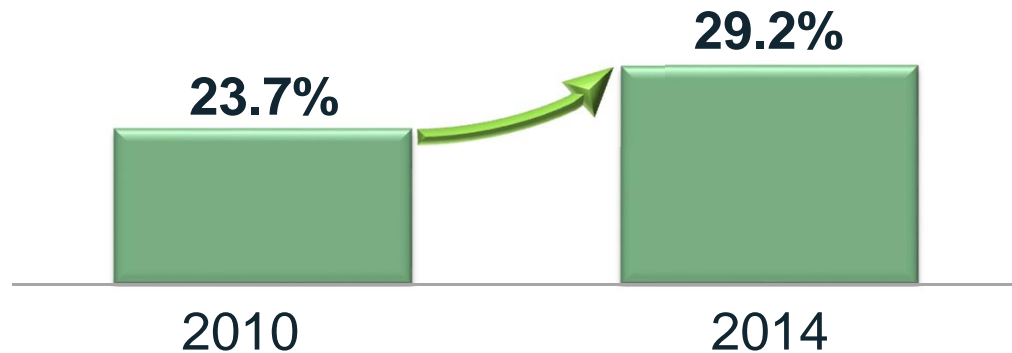


Consistent volume and share growth driven by GFBs

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

Continued investments driving profit contribution

Investment

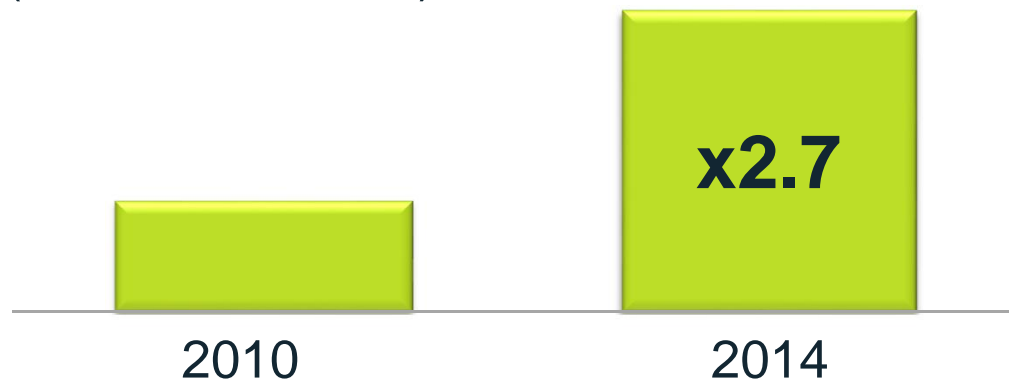
(Index, 2010=100)



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

EBITA

(Index, 2010=100)



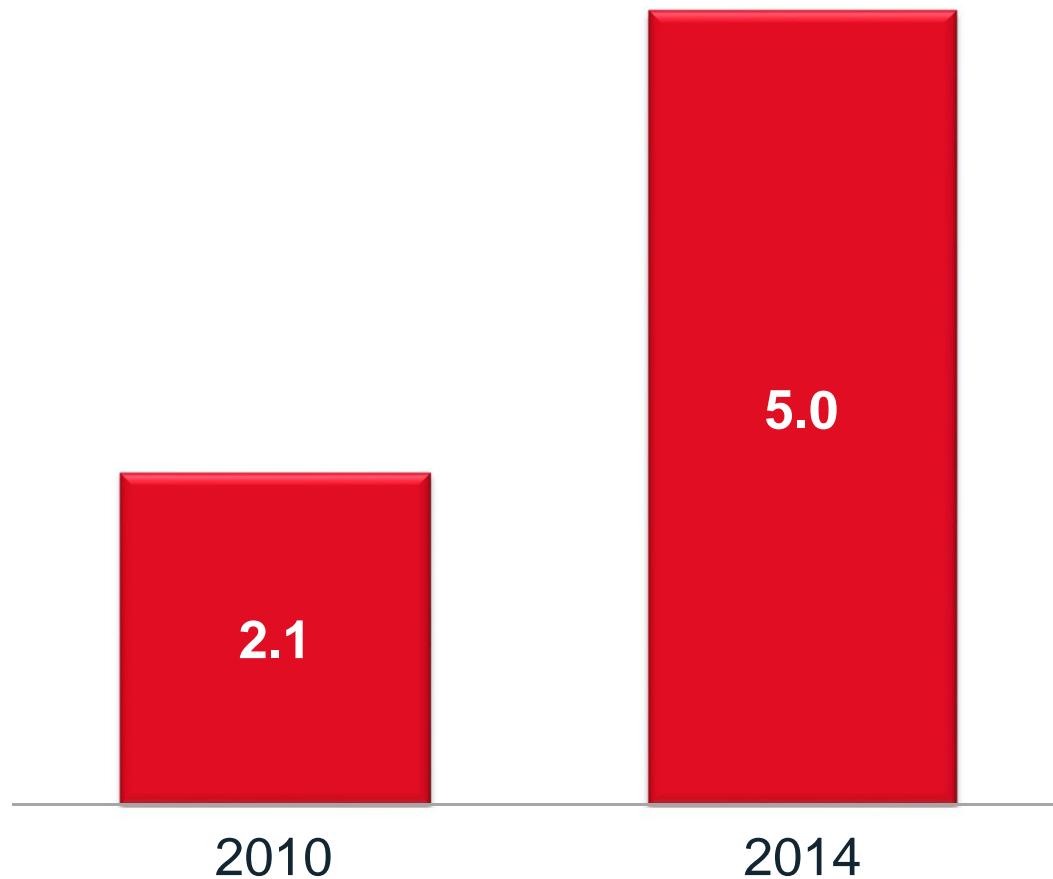
- Profit almost tripled since 2010 driven by volume gains, mix improvements as well as strong price increases, primarily in Kazakhstan



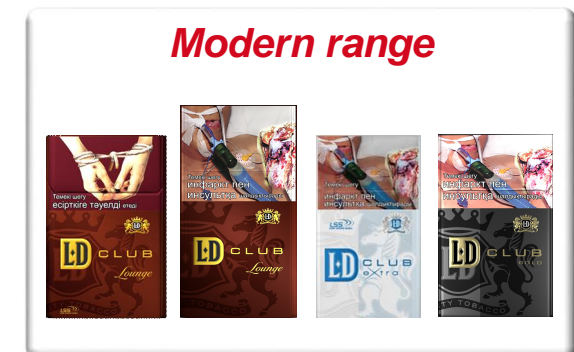
Focusing on GFBs

LD: Driving growth in Value

LD Total volume (BnU)

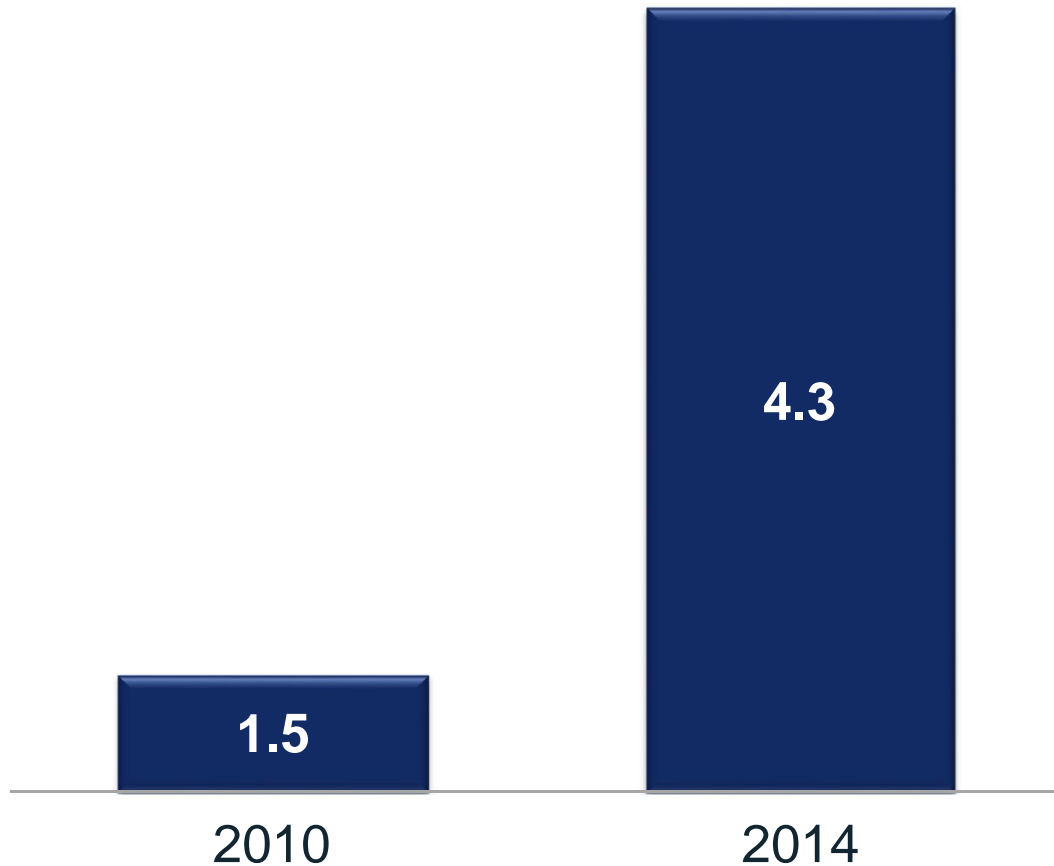


- #4 brand across the hub with circa 10% market share in 2014
- Volume more than doubled vs. 2010, strengthening LD's position in Value
- Market share almost tripled vs. 2010, led by Kazakhstan, Kyrgyzstan and Mongolia
- Growth driven by slimmer formats and modern range (LD Club and LD Club Extra)



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

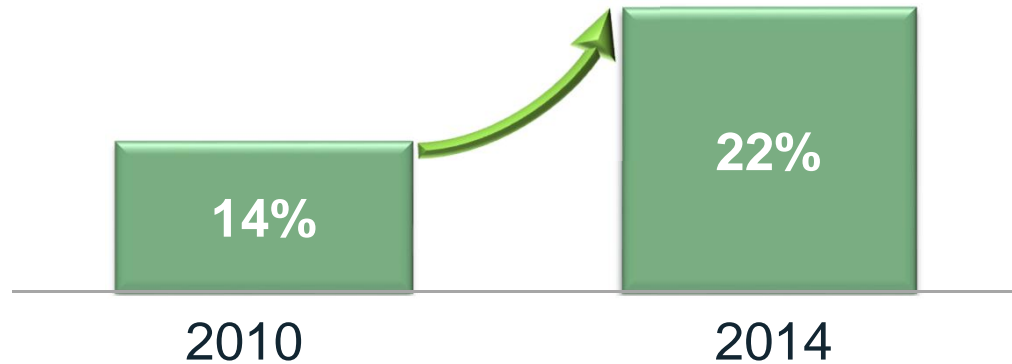




Delivering sustainable growth and investing for the future

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

Kazakhstan: LD and Winston outperforming the industry

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



- 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

Winston and LD Share of market

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

Kazakhstan: Driving GFB scale and profitability

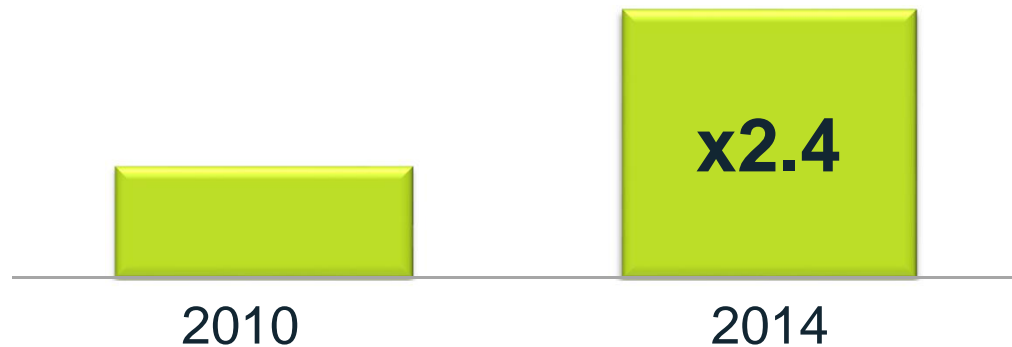
Investment

(Index, 2010=100)



EBITA

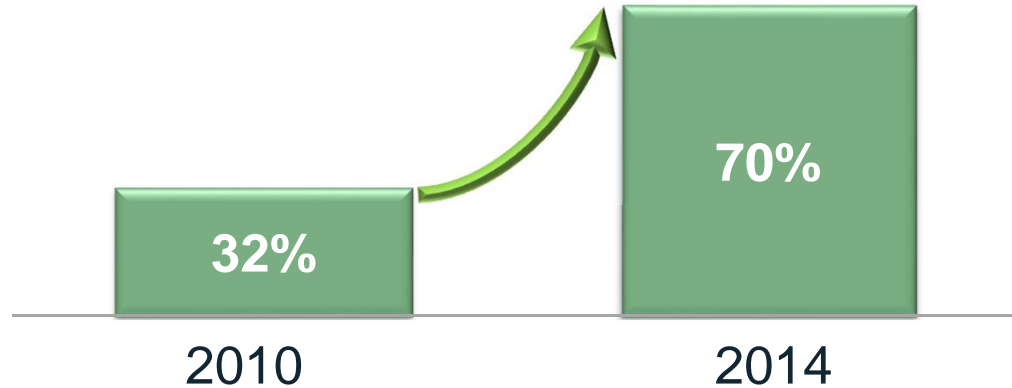
(Index, 2010=100)



- 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

JTI, the undisputed leader in Kyrgyzstan

GFB Share of market



GFB Volume (BnU)



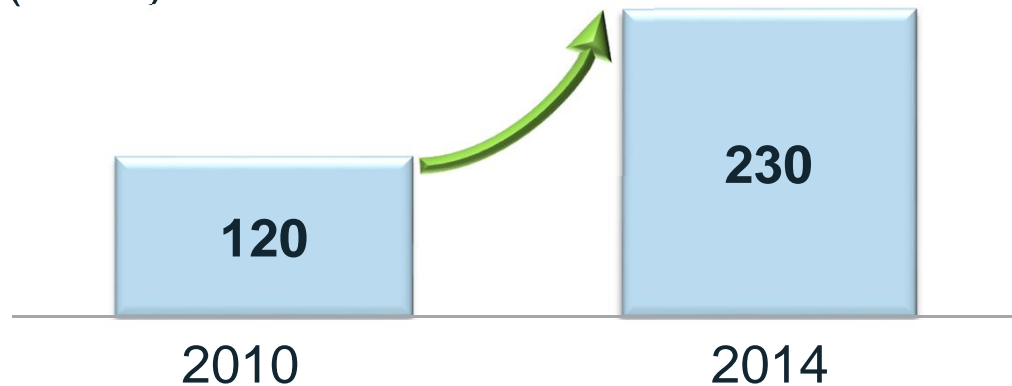
- More than doubled share of market since 2010 to exceed 70%
- GFB volume almost quadrupled over the last 5 years, representing 97% of total volume in 2014
- Key drivers of success
 - Winston and LD are the top-2 brands in the market
 - Best direct coverage of retail and focused investment are paying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

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

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)

Investing for a long-term leading position in Russia

Antoine Ernst
General Manager, Russia

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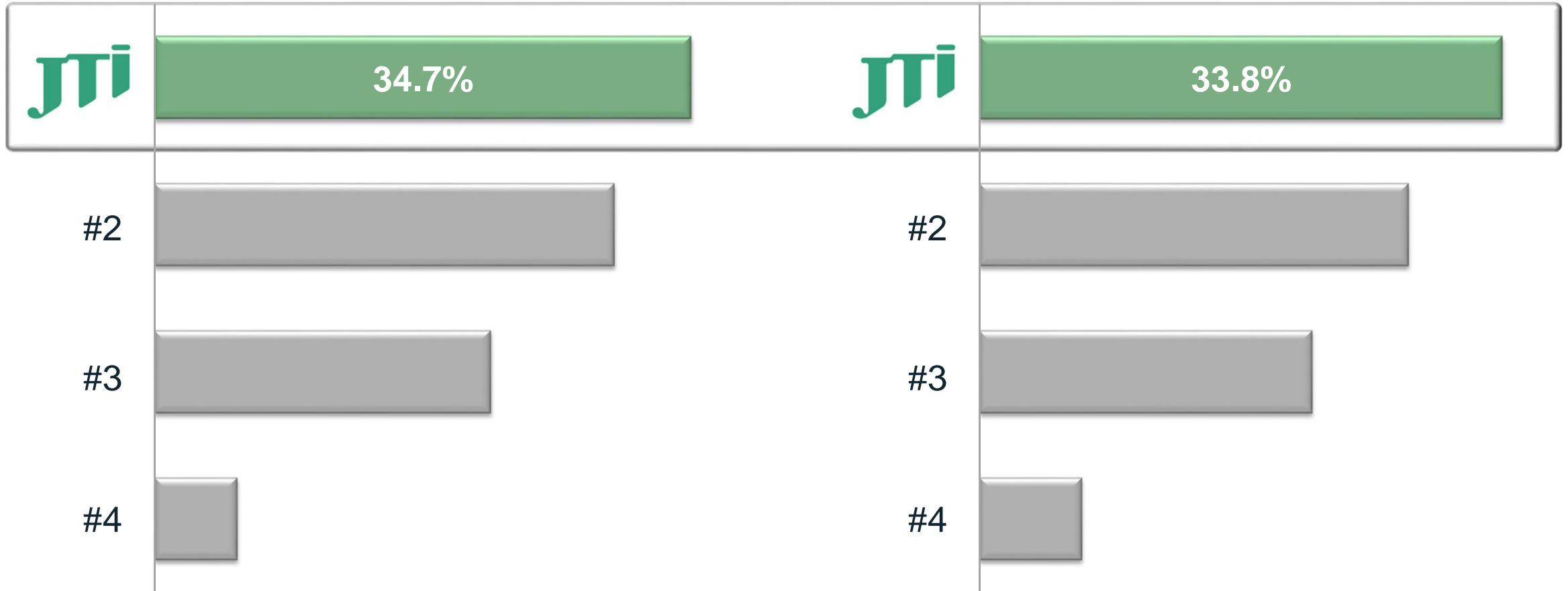
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Strong #1 with over one third of the Russian market

Share of value, 1H 2015

Share of market, 1H 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

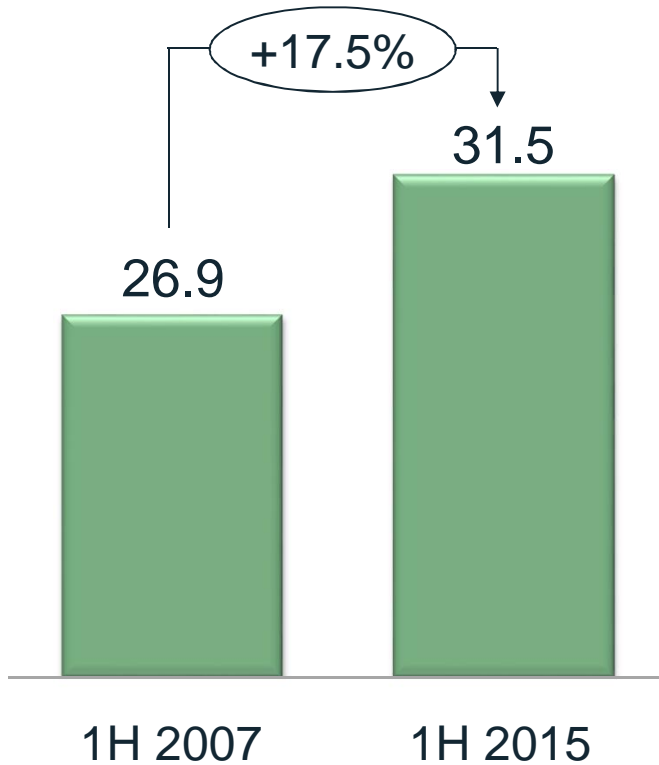
- Winston: #1 tobacco and #1 FMCG brand
- LD: #3 in the market
- Peter I: #1 post-soviet heritage brand
- Glamour: #1 female brand



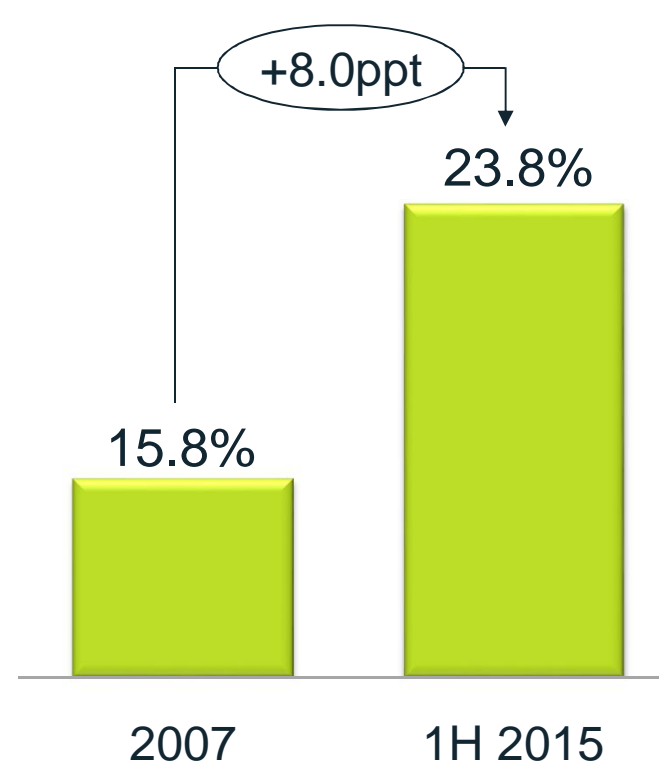
Global Flagship Brands driving the growth



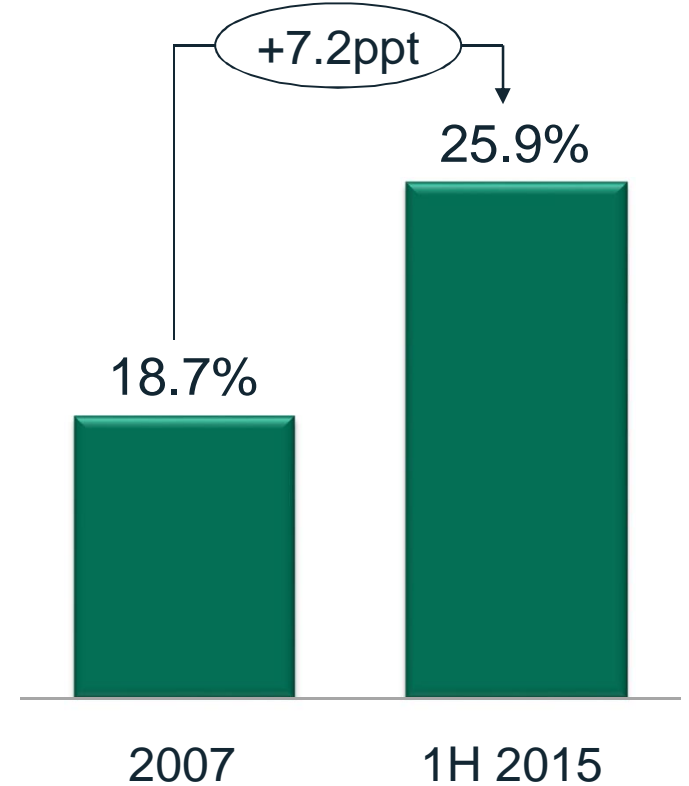
GFB volume (BnU)



GFB SoM



GFB SoV



Profit growth driven by focused investment and price increases

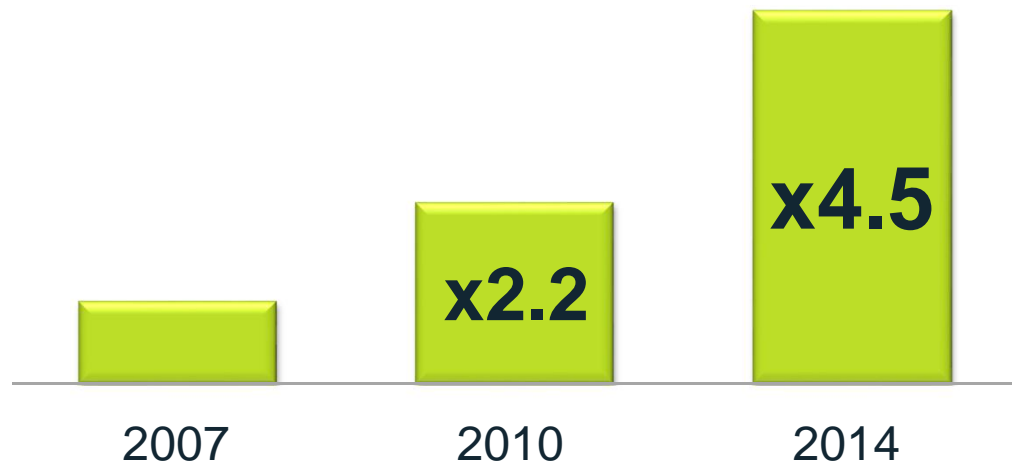
Investment (Index, 2007=100)



Investing for long-term quality growth

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

EBITA (Index, 2007=100)



Delivering sustainable earnings growth

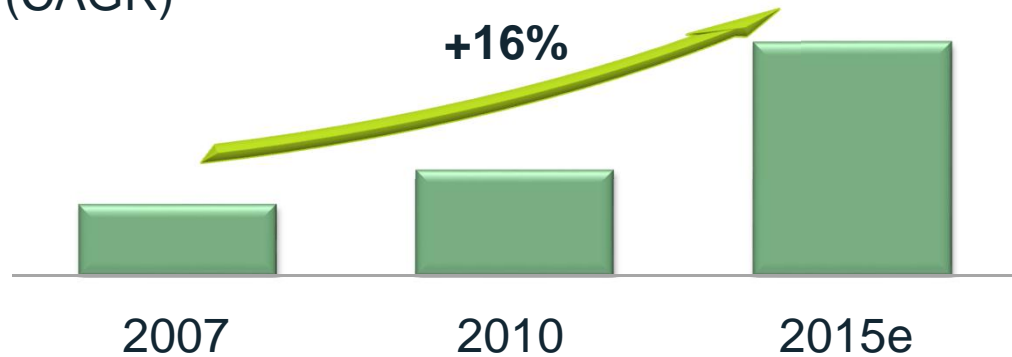
- Continuous portfolio mix improvement
- Robust pricing environment
- Enhanced productivity and profitability



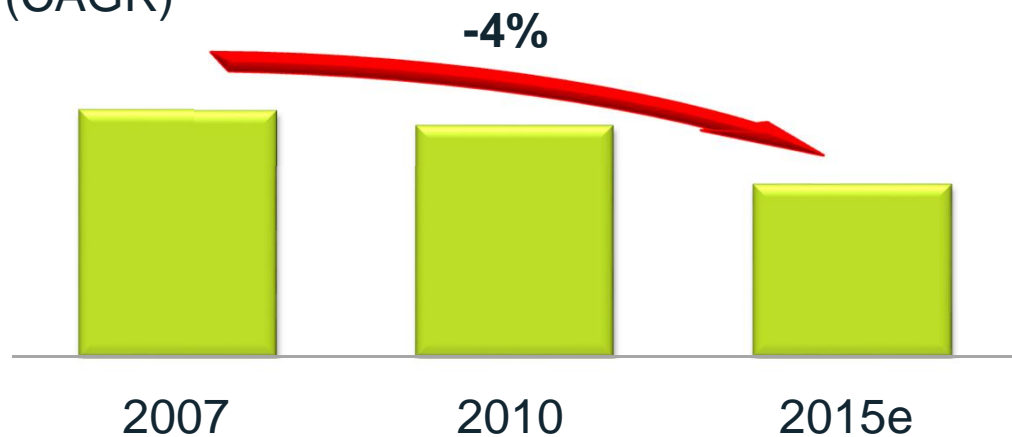
Challenging environment with growth opportunities ahead

Industry value further increase despite volume decline

Industry value
(CAGR)



Industry volume
(CAGR)



Solid long-term retail value growth, positive 2015 projection

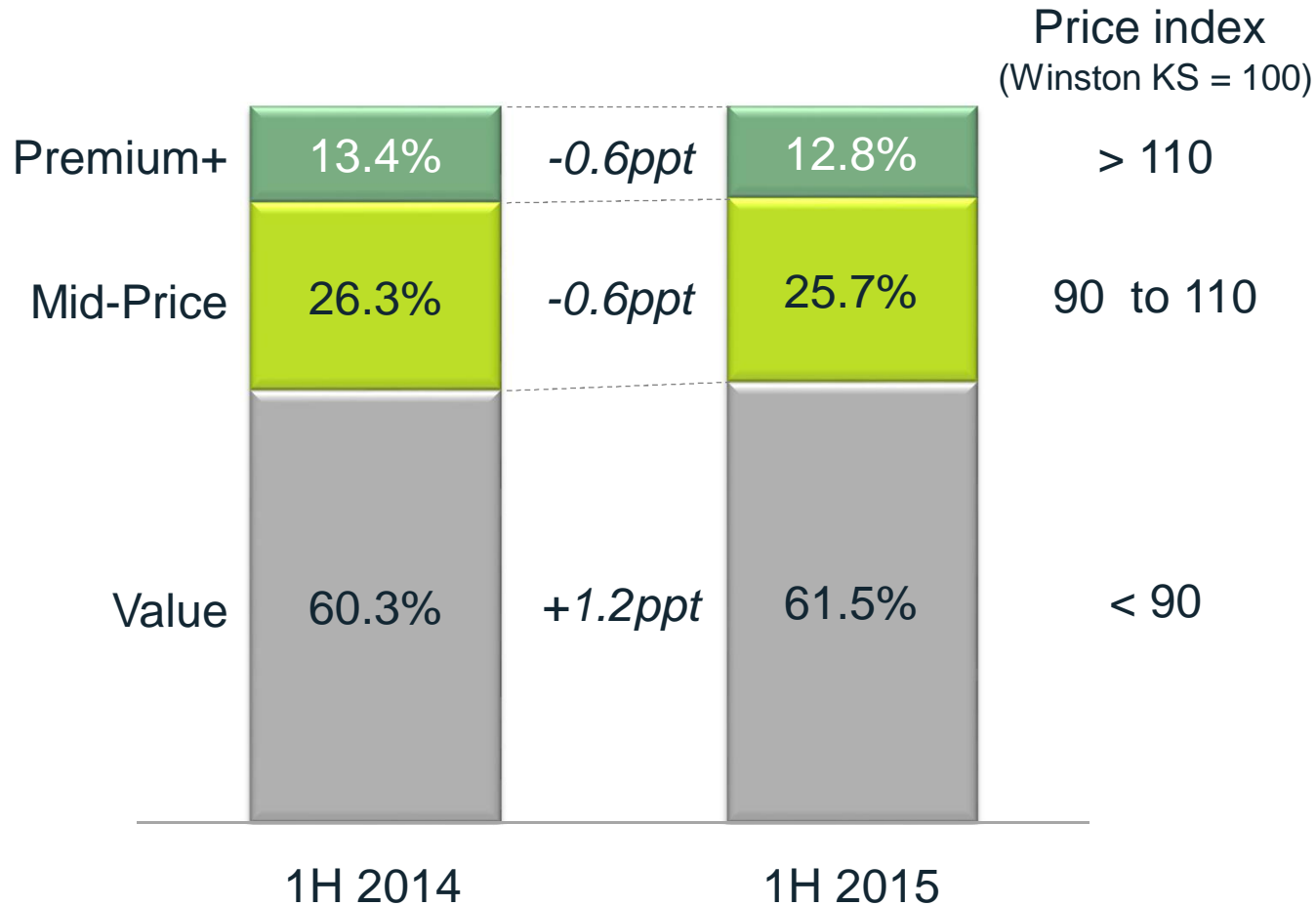
- Favorable affordability index due to
 - Positive Personal disposable income forecast
 - Predictable excise tax plan, reduced growth rates

Industry volume under pressure

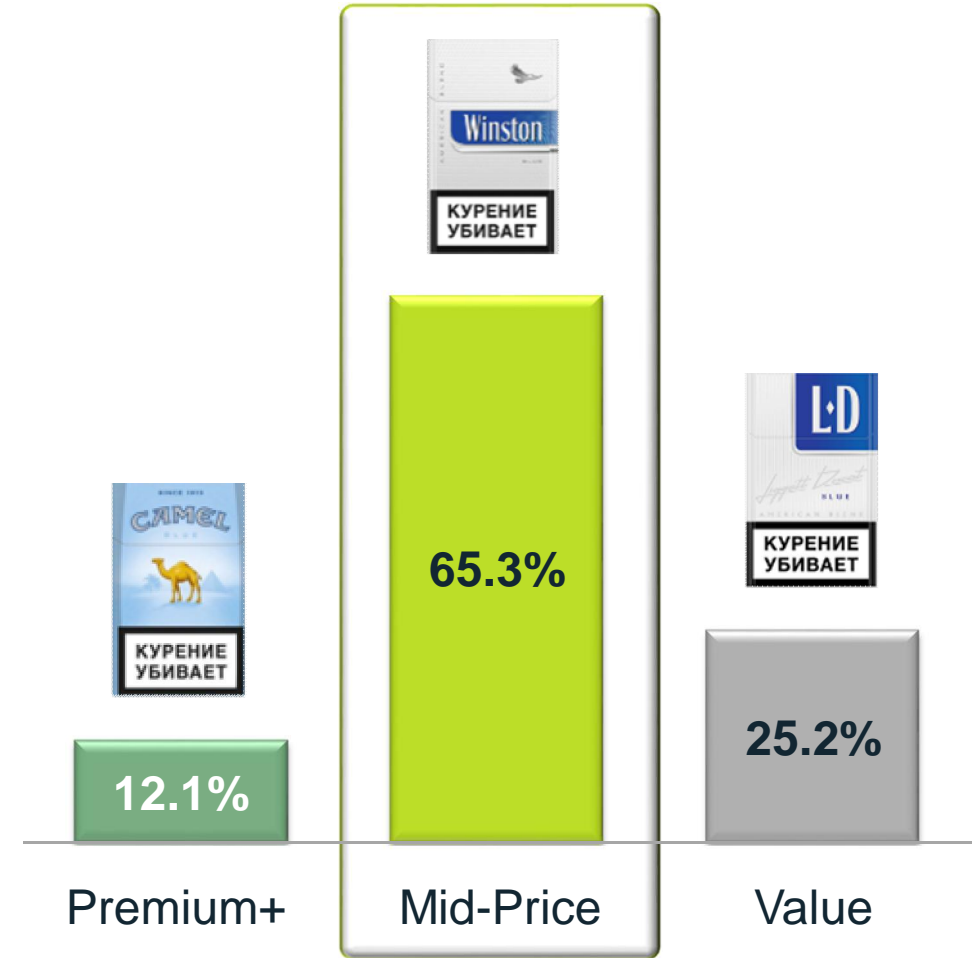
- Tightening regulation
- Slowing economy
- Full-year cigarette industry volume decline expected to be in a range of 7% to 9%

Strong portfolio with solid leadership in Mid-Price

Price segments development



JTI Share of segment, 1H 2015

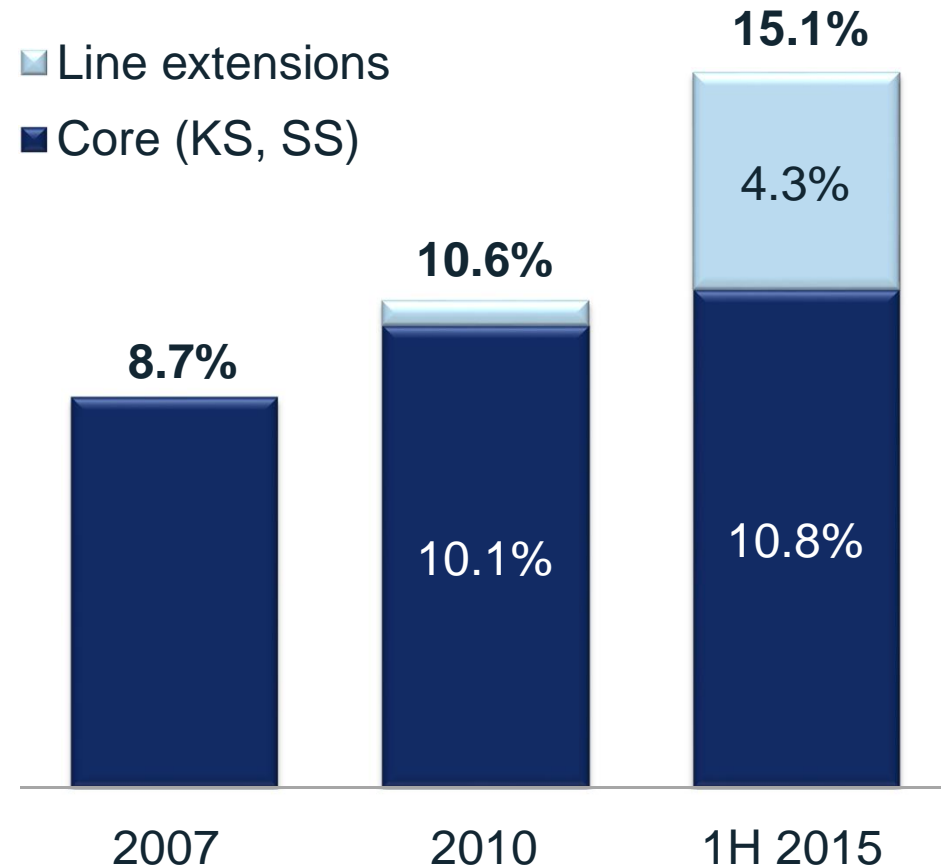




Unique position for future growth

Winston: The #1 FMCG brand in Russia

Winston share of market

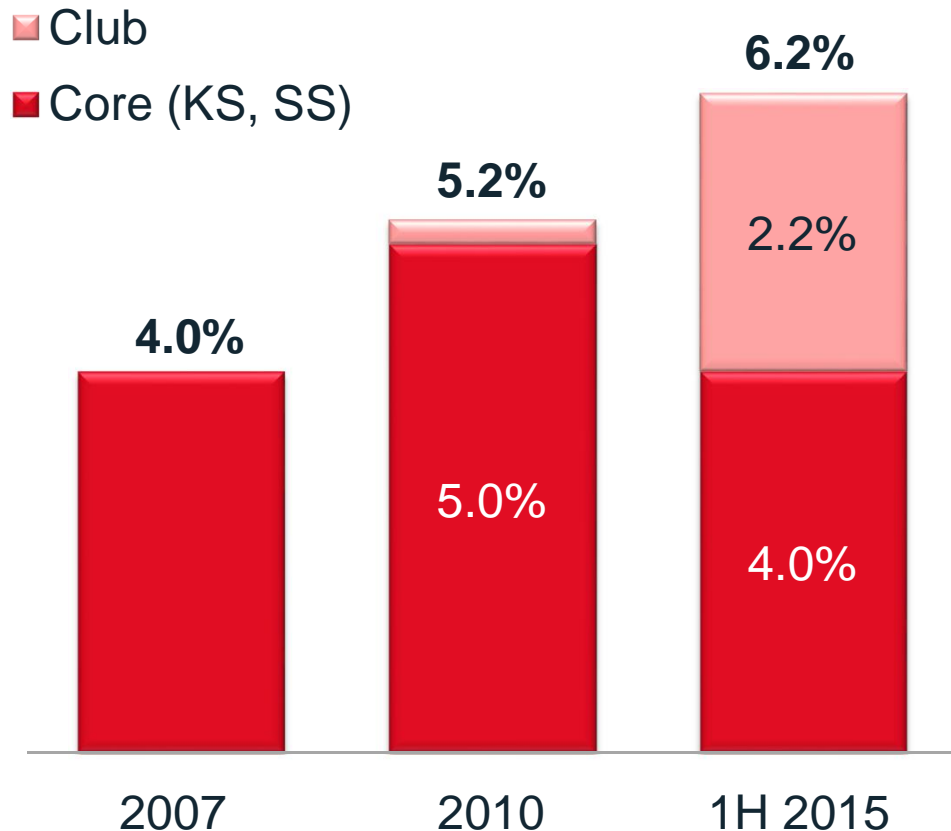


- Line extensions and upgrades to cover all consumer trends (pack, format, filter, price)
- On-going Premiumization: Quality
- Well-equipped if down-trading continues



LD: Strong contender in Value

LD share of market

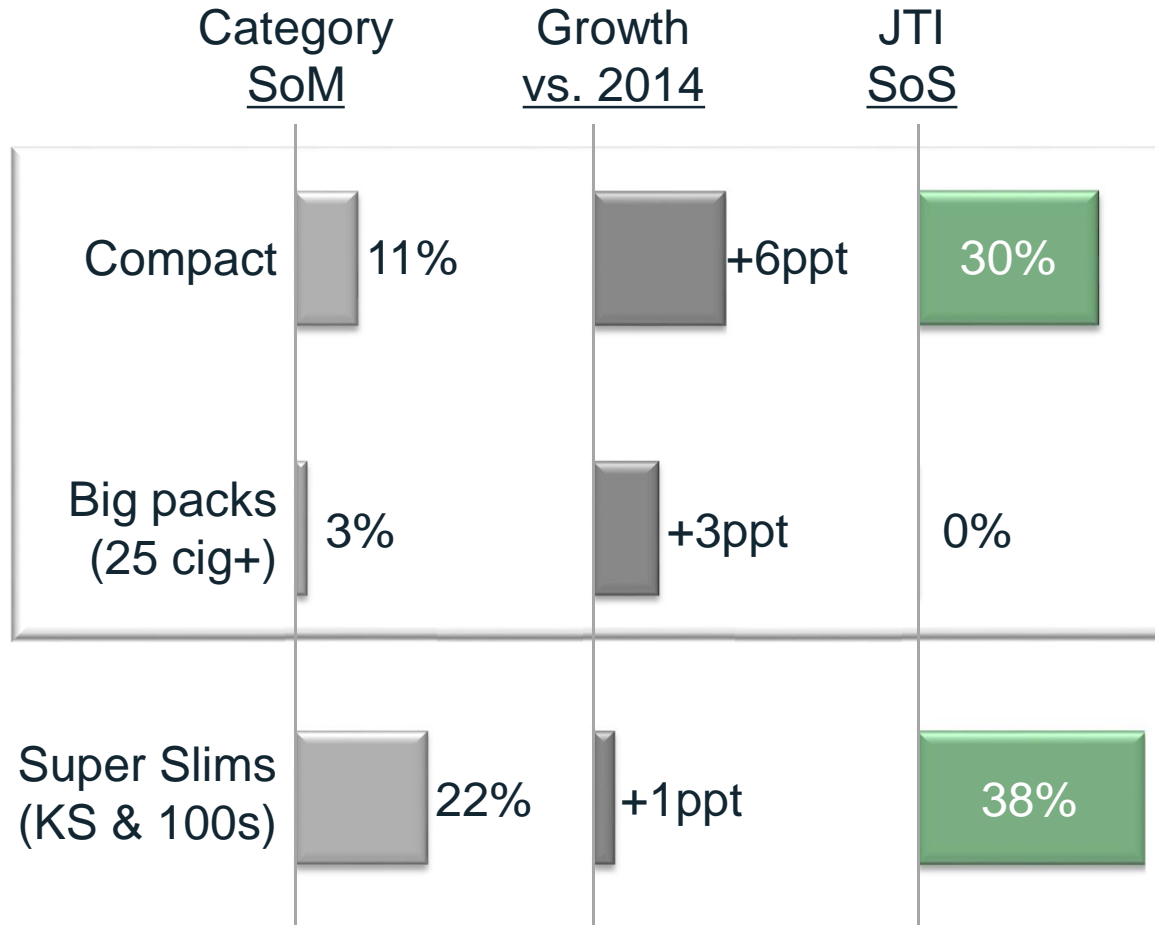


- #3 brand with strong growth potential
- Reformulation of the Core family and LD Club line extension
- Attracting both up- and down-traders with its rapidly enhancing equity

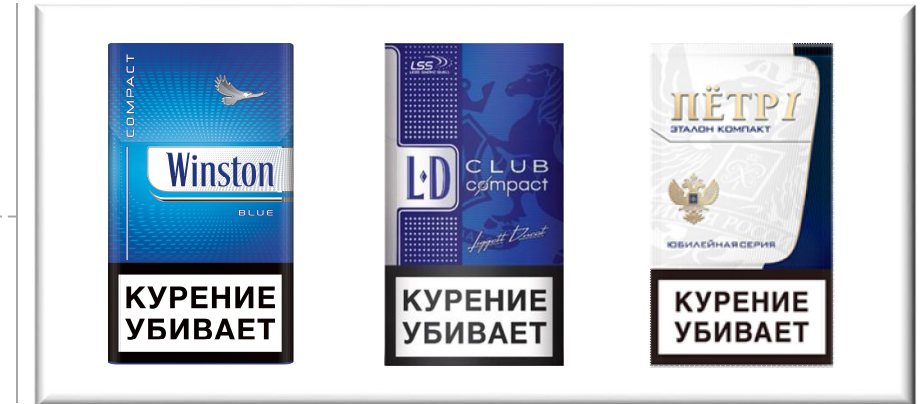


Expanding the portfolio to seize new growth opportunities

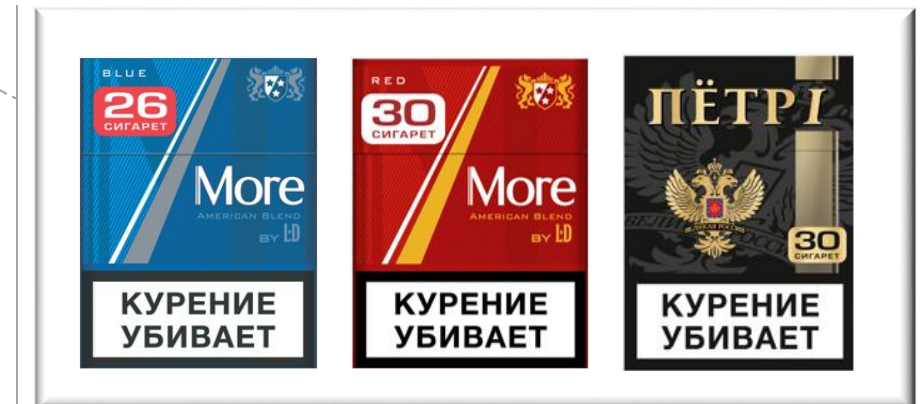
Packaging format, 1H 2015



JTI Compact propositions



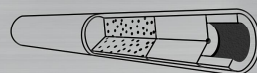
JTI Big Pack propositions



THIS IS THE NEW WINSTON XS PLUS



KS FORMAT






AIR CELL FILTER

**КУРЕНИЕ
УБИВАЕТ**

Leveraging equity to build Premium brands

Share of market, 1H 2015

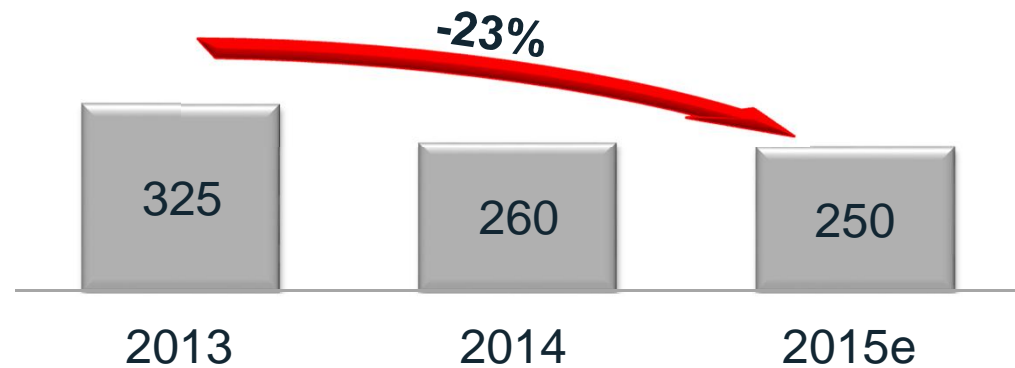
Brand	Area	SoM	vs. 2010 (ppt)
	St. Petersburg	1.9%	+0.6
	Moscow	1.0%	+0.8
	Vladivostok	7.3%	+3.1

- 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**

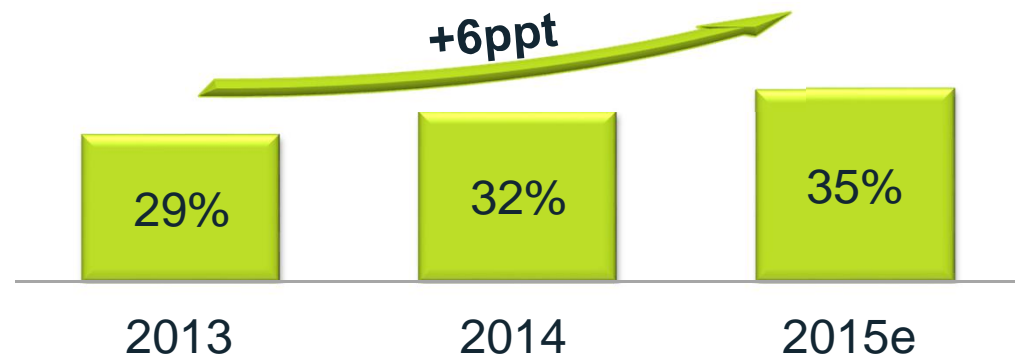


Solid trade partnerships for quality growth

Retail universe evolution (‘000 point of sales)

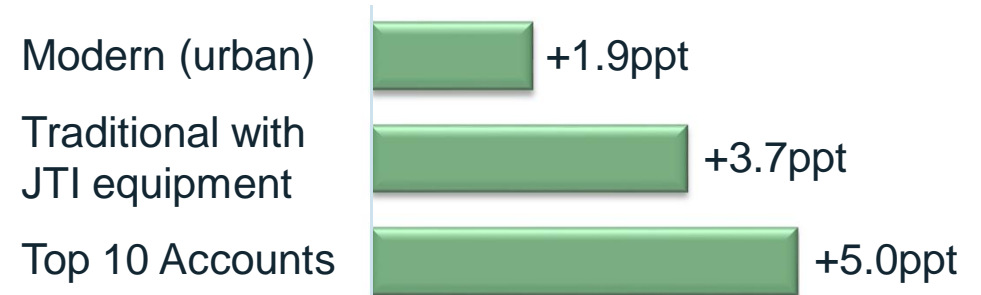


Modern Trade volume weight



- 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

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