



Growing dynamically in Western Europe

Vassilis Vovos

Regional President, Western 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. .

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Mature and profitable region

JTI WE - 16 markets



Tobacco industry volume

~344 BnU

FY 2015

Tobacco industry value

~96 \$Bn

FY 2015

JTI WE - Key facts (1H 2016)

~2,000
Employees

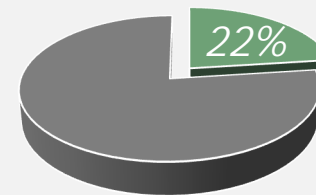
4
Factories

24.6%
SoM

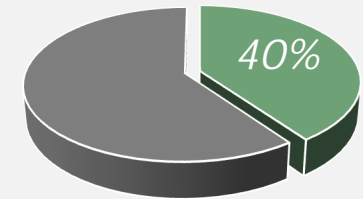
26.2%
SoV

44.4 BnU
Volume

1,045 \$MM
EBITA



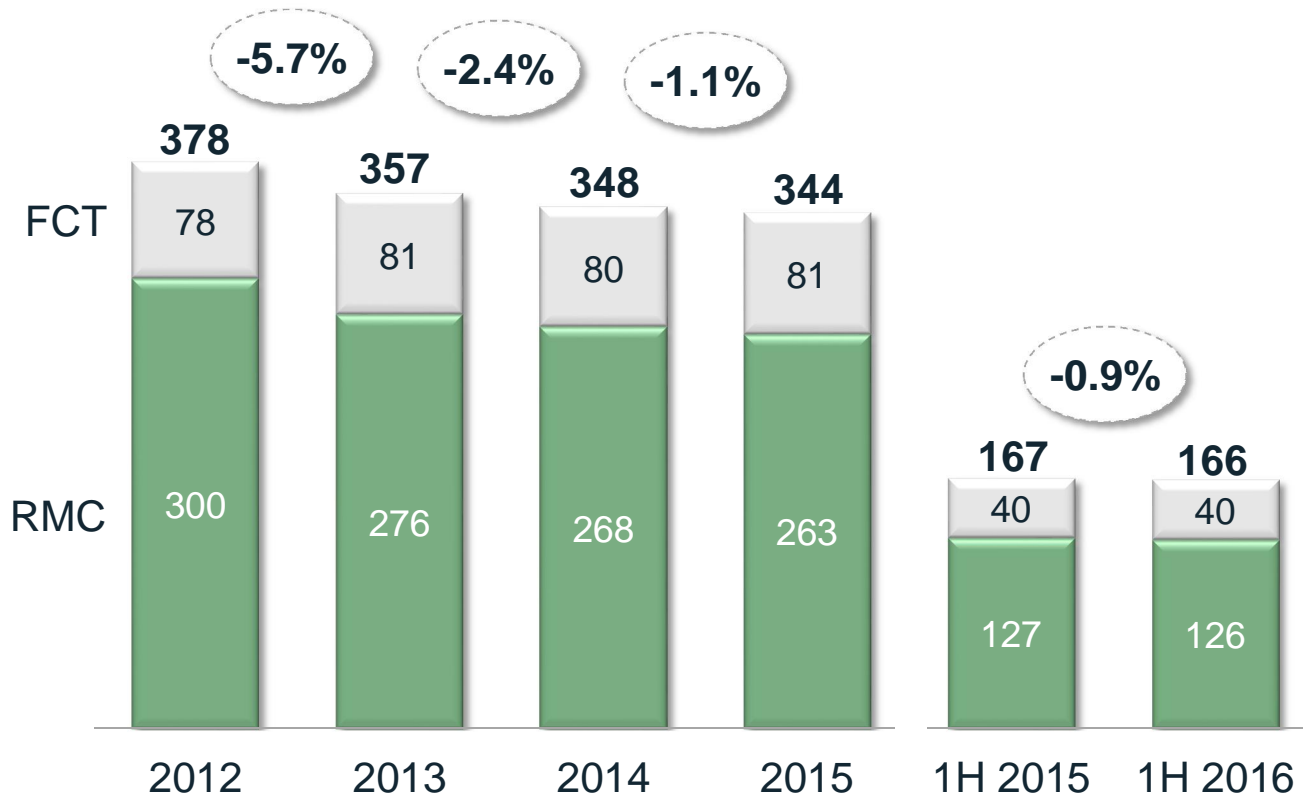
as % of Total JTI



as % of Total JTI

Resilient industry volume

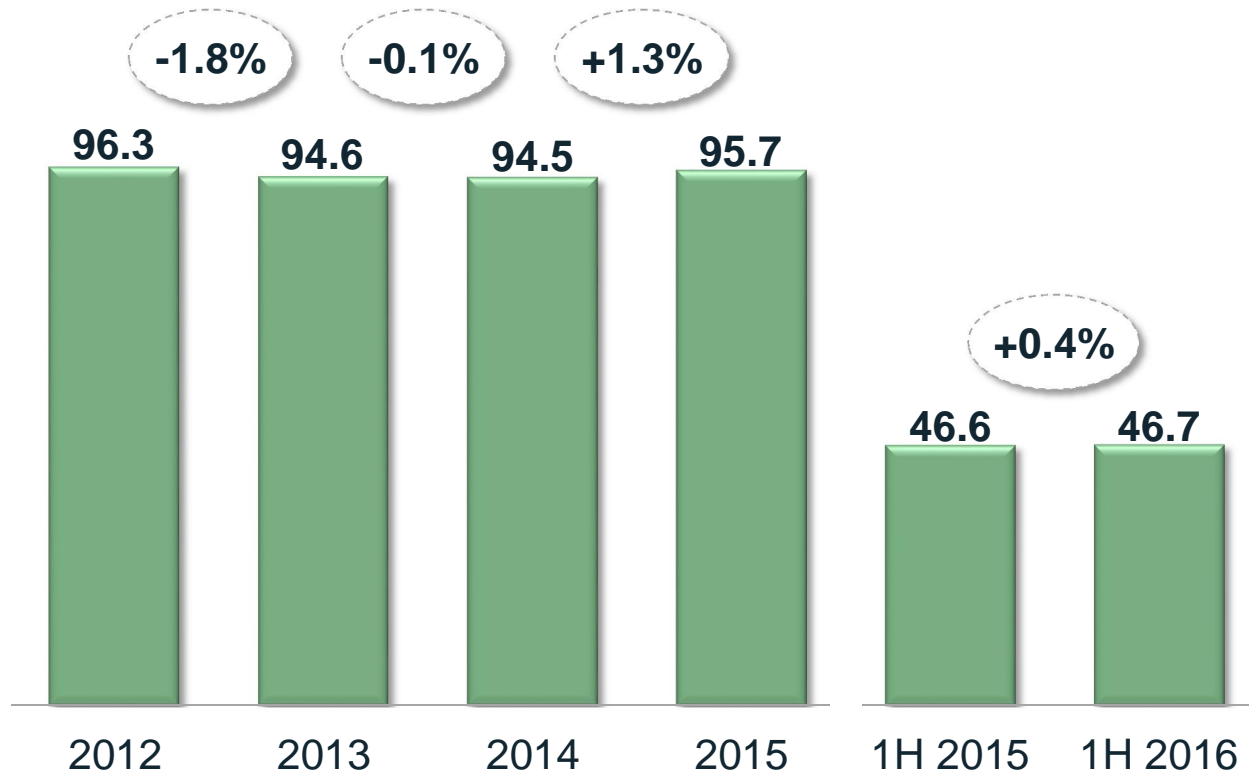
WE Total industry volume evolution (BnU)



- Improving economy
- Stable illicit trade levels
- Full-year 2016 industry volume anticipated to decrease around 2%
- Softer second half due to the expected impact of regulation on duty-paid volume

Industry value growing moderately

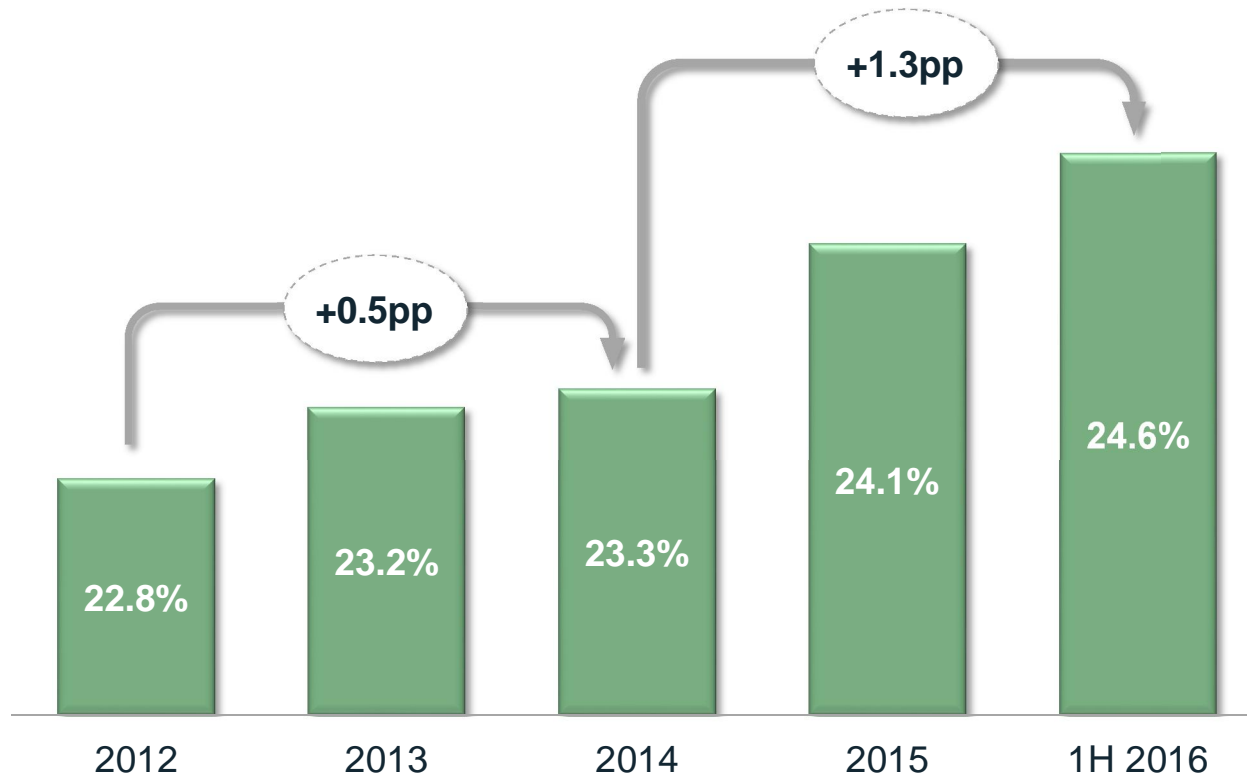
WE Total industry value evolution (\$Bn)



- Positive turnaround underpinned by improving consumer sentiment
- Retail value growth driven by:
 - Price increases
 - Resilient industry volume
- First half 2016 affected by phasing of pricing

Market share growth momentum accelerates

JTI Share of market in Western Europe



- SoM growth across **all** markets
 - Record share in 12 markets
- GFB growth in both cigarettes and fine cut
- Share of value increasing at a faster pace than SoM

Robust volume, core revenue and earnings performance

JTI Western Europe Performance – 1H 2016 vs. 1H 2015

Total
Volume

+5.2%

GFB
Volume

+11.1%

Core
Revenue

+7.9%

EBITA

+9.1%



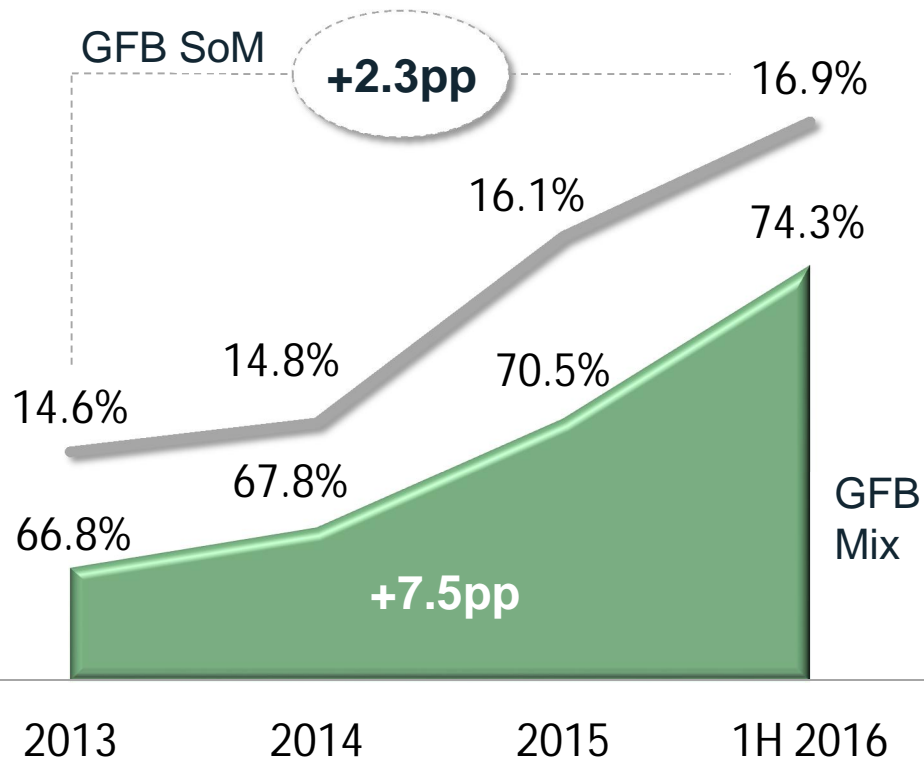
Strategies for sustainable growth

Key strategies supporting JTI's success in Western Europe



Strong GFB portfolio driving share gains

GFB SoM & Mix⁽¹⁾ in Western Europe



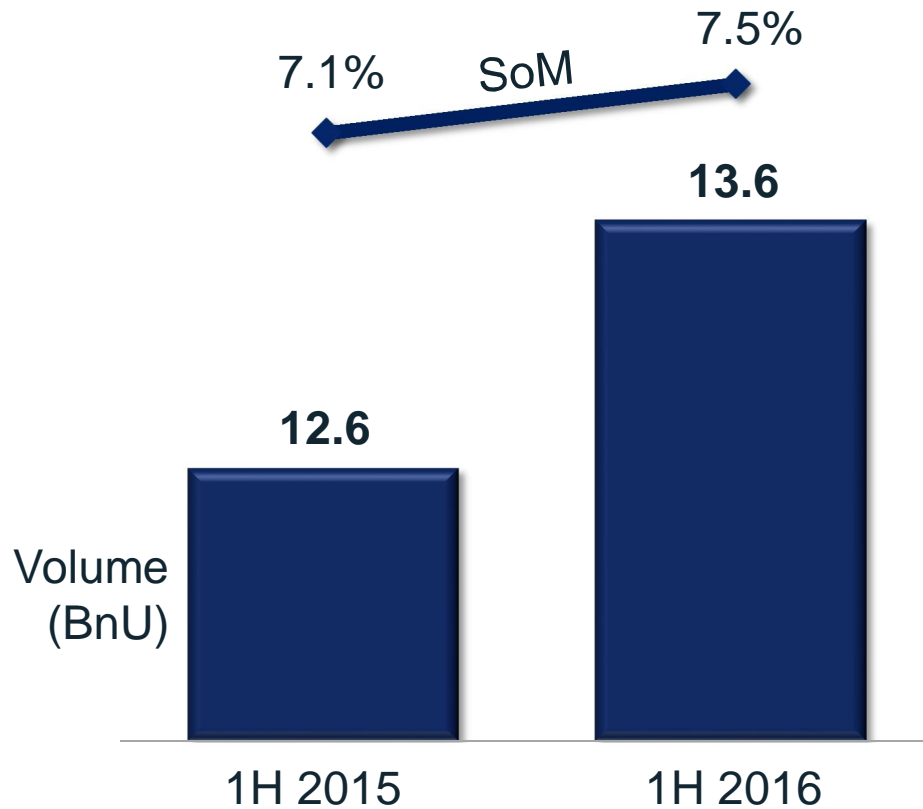
- Powerful and complementary consumer brands addressing all segments
- Clear and focused investment strategy behind key GFBs to build scale
- Acceleration of migrations to GFBs



Winston – #2 brand in Western Europe



Winston performance in Western Europe



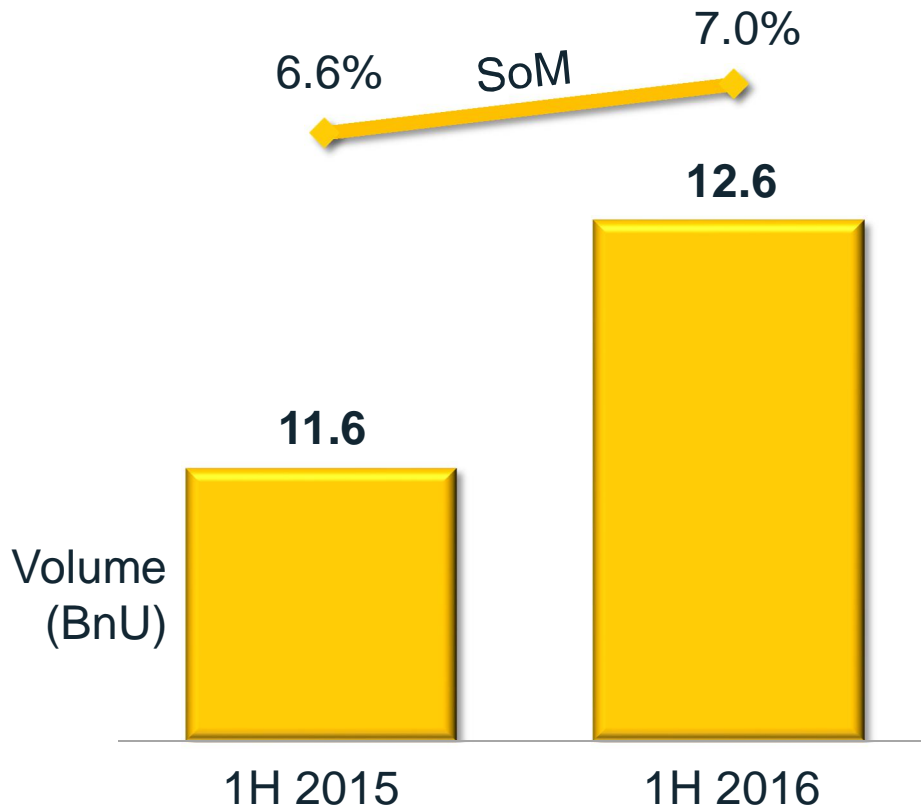
- True total tobacco brand with solid growth across cigarettes and fine cut
- Focus on delivering quality and value



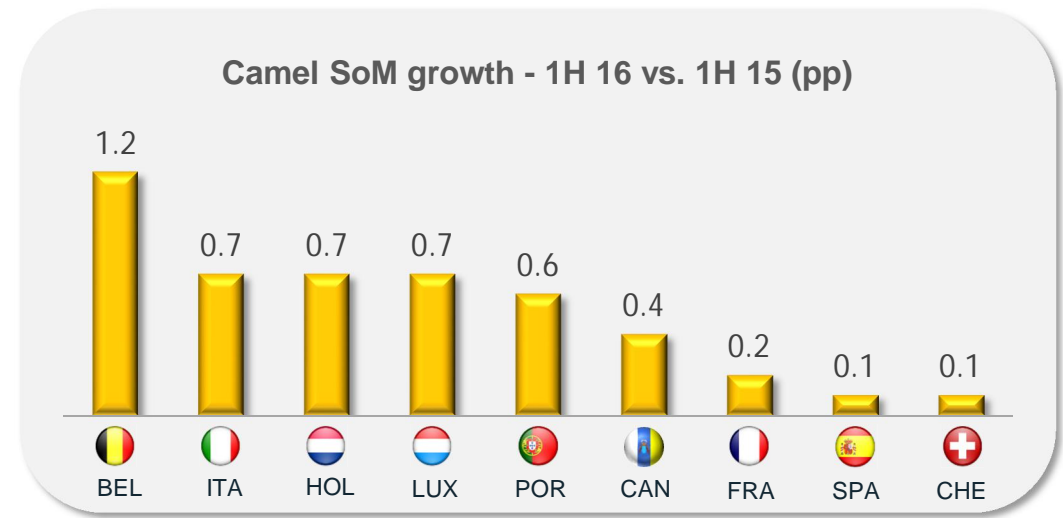
Camel – #3 brand in Western Europe



Camel performance in Western Europe



- Iconic brand with strong equity and high awareness across markets
- 2nd fastest growing tobacco brand

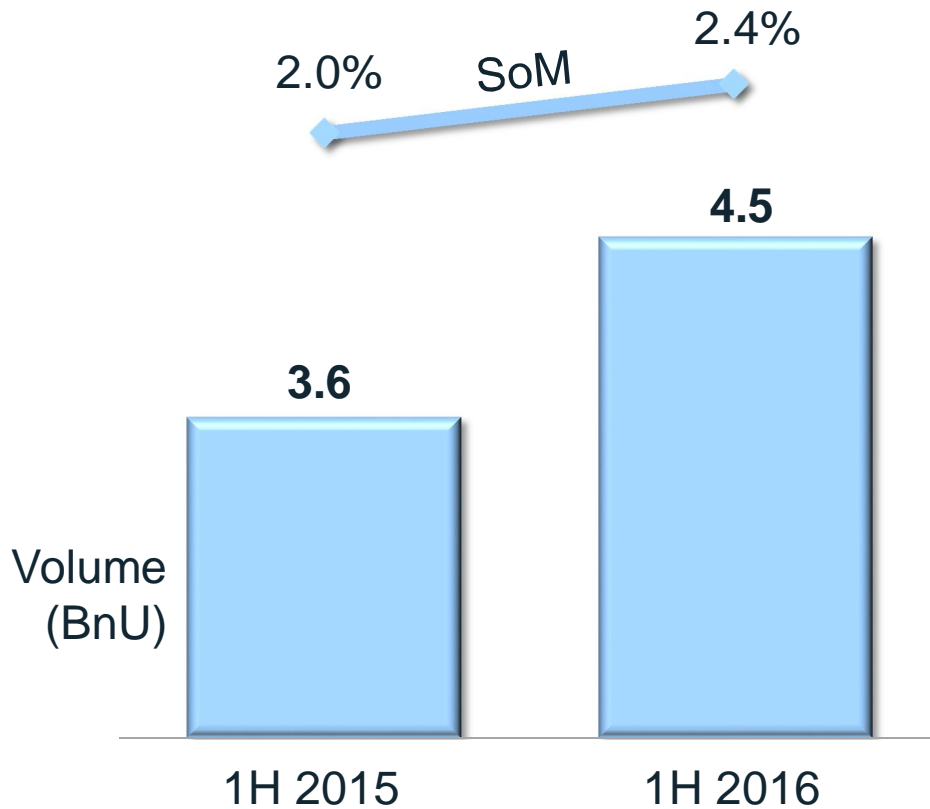


© Copyright JT 2016
 Source: Internal estimates. SoM on 6-month rolling average to June

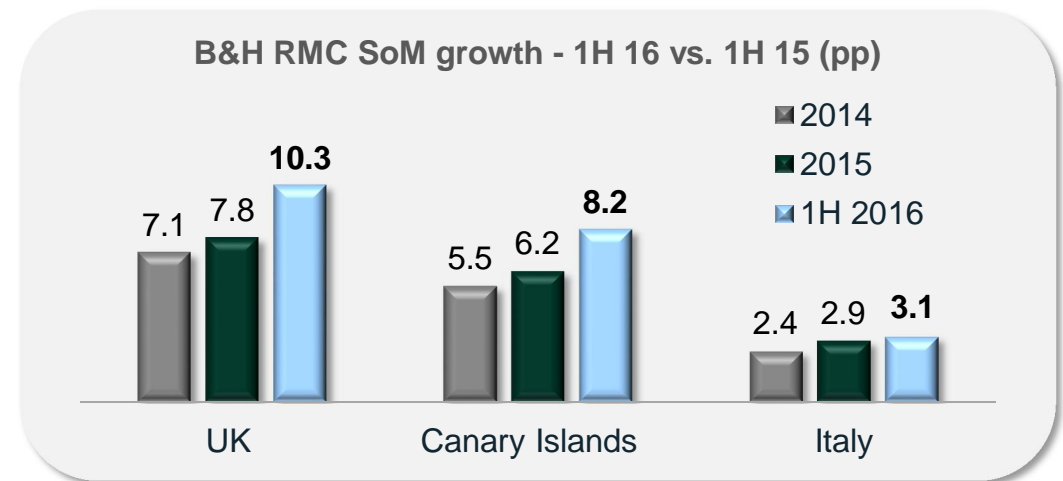
B&H – The fastest growing cigarette brand



B&H performance in Western Europe



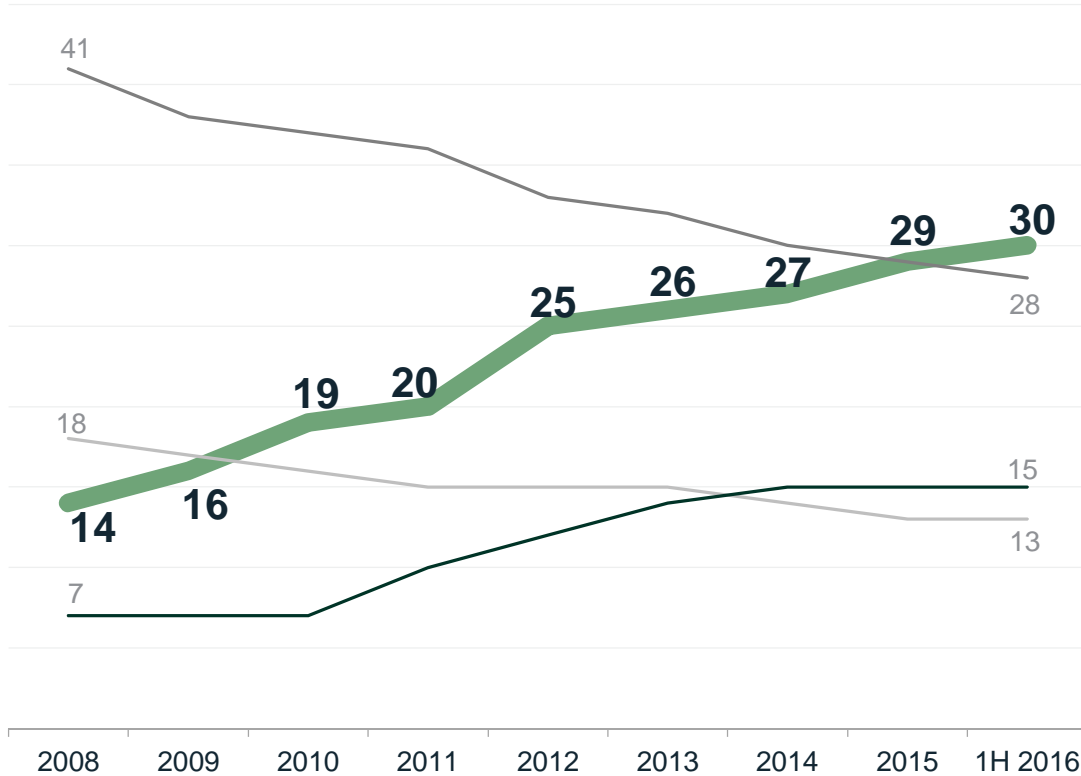
- Rich brand heritage with a successful Virginia and value portfolio
- UK's fastest growing tobacco brand, with RMC SoM exceeding 10%
- Increasing RMC position in most markets



Achieving leadership in fine cut, from #3 to #1 in 8 years

JTI Fine cut SoM in WE (%)

— JTI — #4
— #2 — #3



- 24% of tobacco consumption and stable
- Winston & Camel fastest growing fine cut brands in the region
- Amber Leaf is the #1 fine cut brand across Western Europe with 10% SoM
- Strong portfolio, further enhanced with the Natural American Spirit acquisition



Establish leadership in Emerging Products

logic.



Enhanced portfolio covering all e-vapor segments

Maximizing synergies and increased investments

#1
in France,
strong contender
for leadership in UK

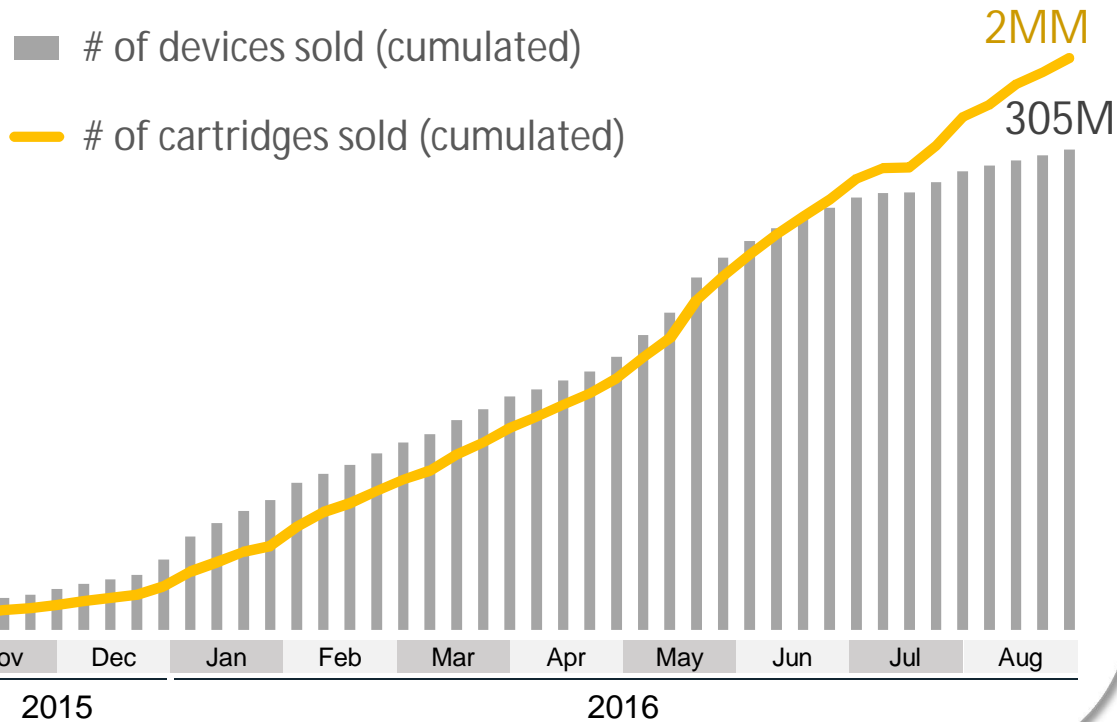
+17.6pp
Share of value
YoY growth in
Ireland

Italy launched in Q2 2016, further expansion to follow

France - #1 E-vapor brand in tobacconist channel



France - Logic Pro Cumulative sales



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Source: Internal estimates

London – September 23, 2016



Strong brand equity & consumer adoption

305M devices & 2MM cartridges packs sold to trade since Nov. 2015

Leveraging synergies with tobacco business

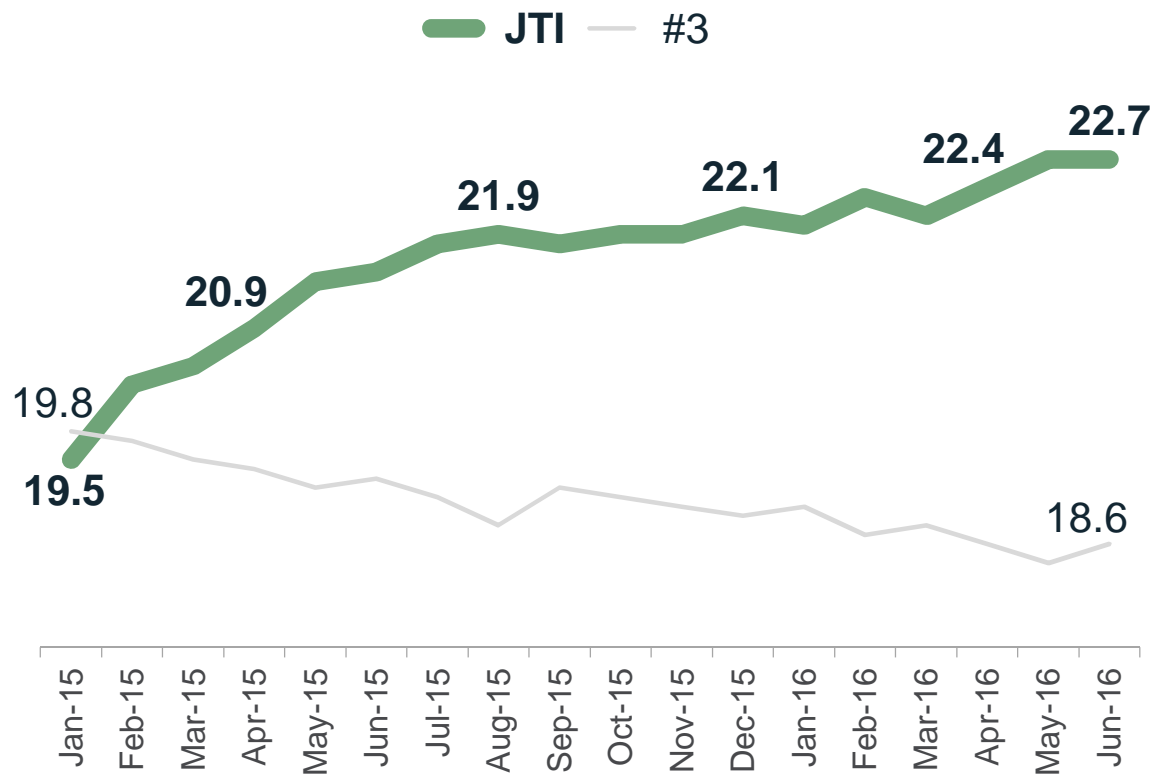
Significant distribution across both tobacco & vape shops



Overview of key markets

Italy – Strong performance driven by GFBs

Share of market evolution (%)



Operating environment

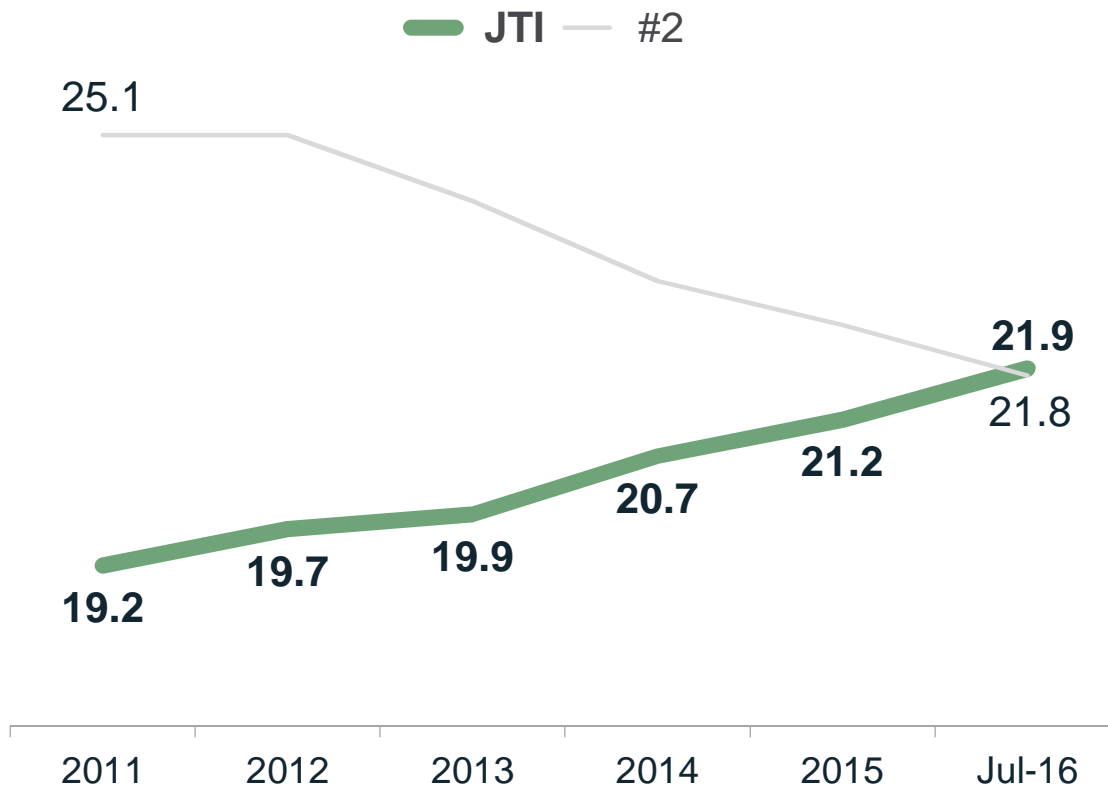
- #1 volume market in Western Europe
- Total industry volume stable for the second consecutive year
- Current tax system provides the framework for regular pricing evolution

JTI performance

- **Only** growing tobacco manufacturer
- Record high market share
- All GFBs gaining market share

France – Share growth leading to #2 position

Share of market evolution (%)



Operating environment

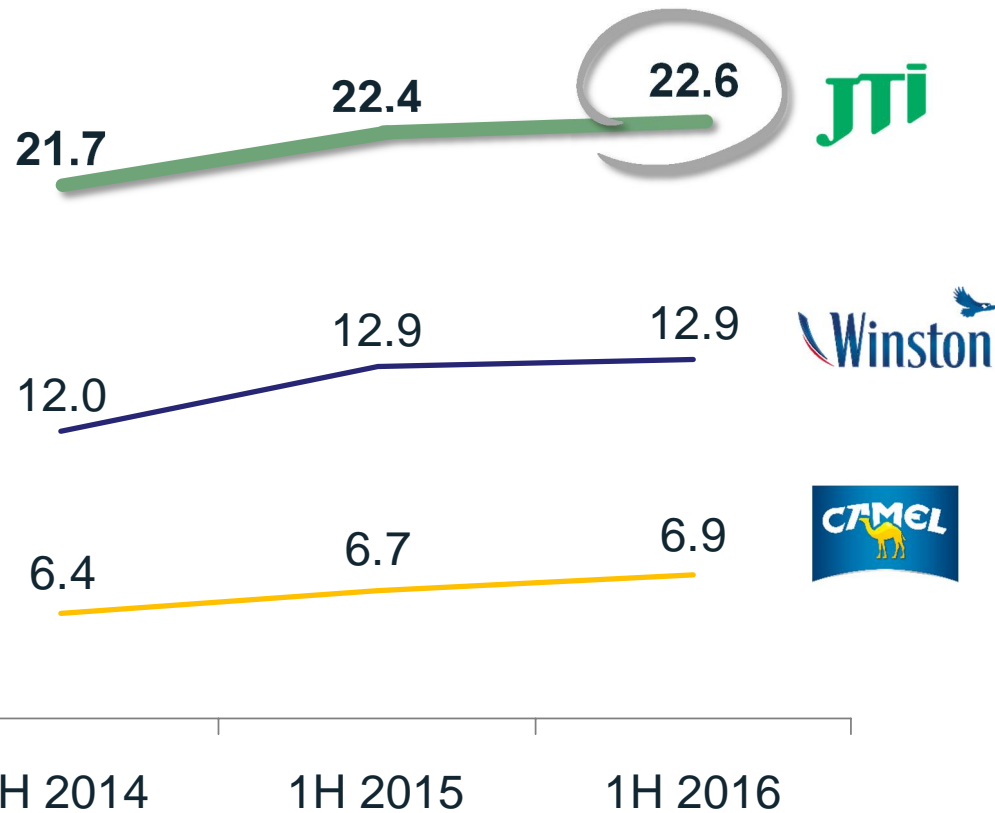
- Total industry volume trend broadly in line with prior year
- Regulatory intensification, plain packaging implementation in Q4 2016

JTI performance

- Achieved the #2 position in July 2016
- #1 fine cut company, driven by 3 brands above 10% SoM (Camel, Winston & Fleur Du Pays)

Spain – Achieving record high market share

Share of market evolution (%)




























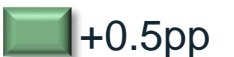






Operating environment

- Improving industry volume trend
- Ineffective tax structure both for government revenue and pricing

JTI performance

- All GFBs growing market share
- #2 fine cut manufacturer, rapidly reducing the gap with #1

Growing share across all other markets

	JTI Share of market ⁽¹⁾		Growth driver	
	1H 2016	vs. 1H 2015	1H 2016	vs. 1H 2015
 Canary Islands	33.3%	 +1.7pp	 7.2%	 2.0pp
 Belgium	18.2%	 +1.6pp	 8.4%	 1.2pp
 Netherlands	12.1%	 +1.4pp	 9.5%	 0.7pp
 Portugal	18.2%	 +1.0pp	 9.5%	 0.6pp
 Switzerland	20.1%	 +0.6pp	 9.8%	 0.4pp
 Luxembourg	24.8%	 +0.5pp	 15.0%	 0.6pp
 Ireland	57.1%	 +0.5pp	 7.4%	 0.4pp
 Greece	22.7%	 +0.4pp	 8.5%	 0.3pp

Well positioned to continue growing in the long-term

- A proven track record of strong and consistent performance, confirming JTI's competitiveness
- Fastest growing manufacturer with increasing leadership positions in cigarettes, fine cut and emerging products
- On track to deliver solid growth across all KPIs in FY16
- Well prepared and positioned for regulatory changes

#1 Tobacco manufacturer



#1 Fine cut manufacturer



Fastest growing company



Investing and leading through change

Daniel Sciamma
General Manager, UK

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Strong market fundamentals...

Top-5 tobacco industry value markets

 CN  228 \$Bn

 US  94 \$Bn

 JP  32 \$Bn

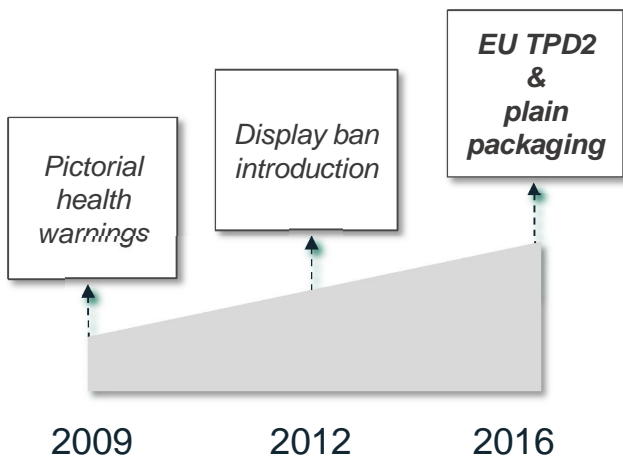
 DE  27 \$Bn

 UK  23 \$Bn

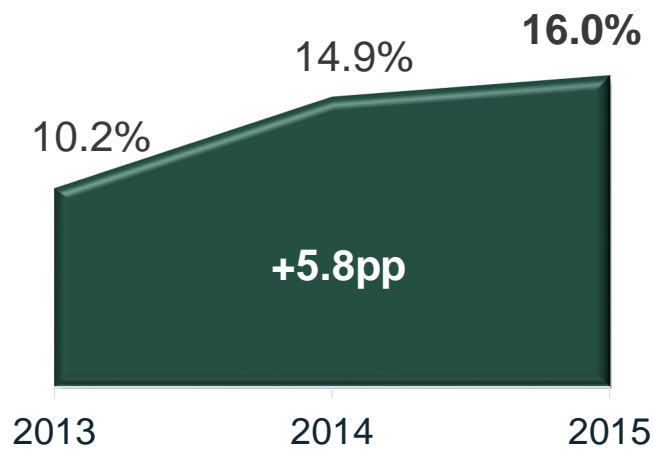
- 5th largest market in terms of industry value
- Predictable excise tax increases
- Total industry volume decline slowing in 1H 2016
- RMC industry volume of 31.8 BnU in 2015
- Fine cut industry volume of 15.3 BnU in 2015
- E-vapor positive momentum continues

...Yet increasing challenges

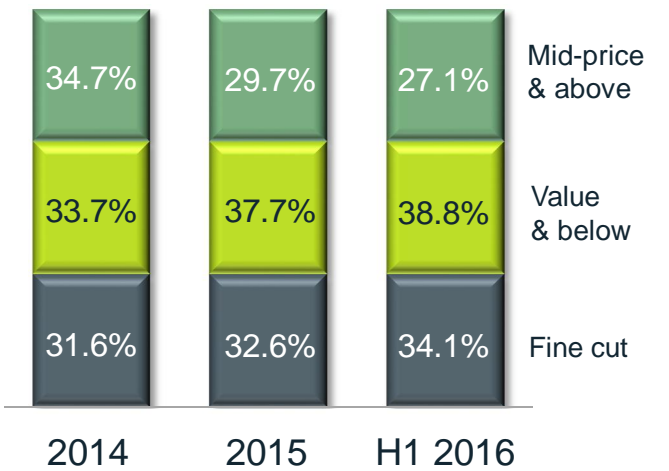
Key regulatory changes



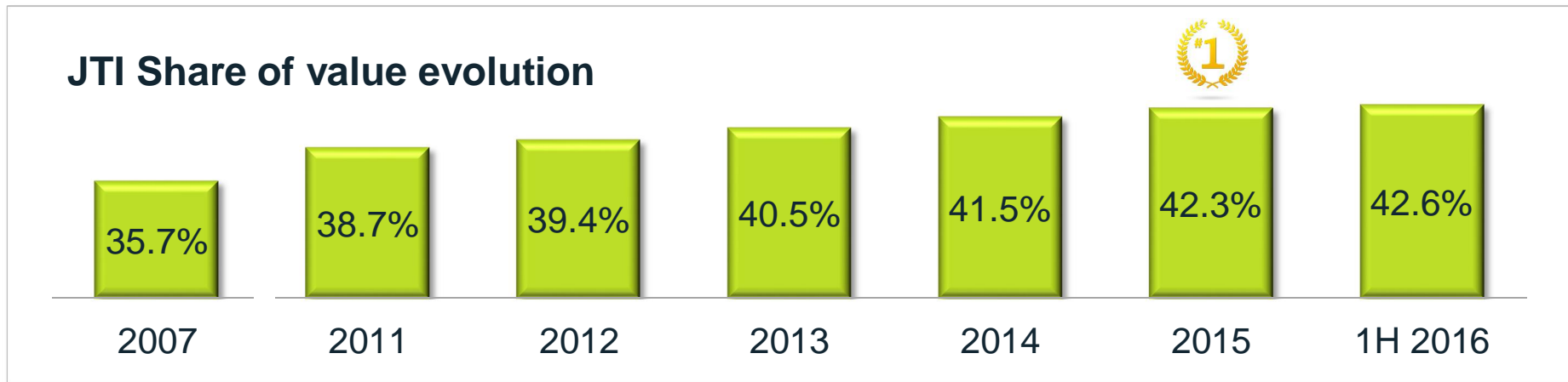
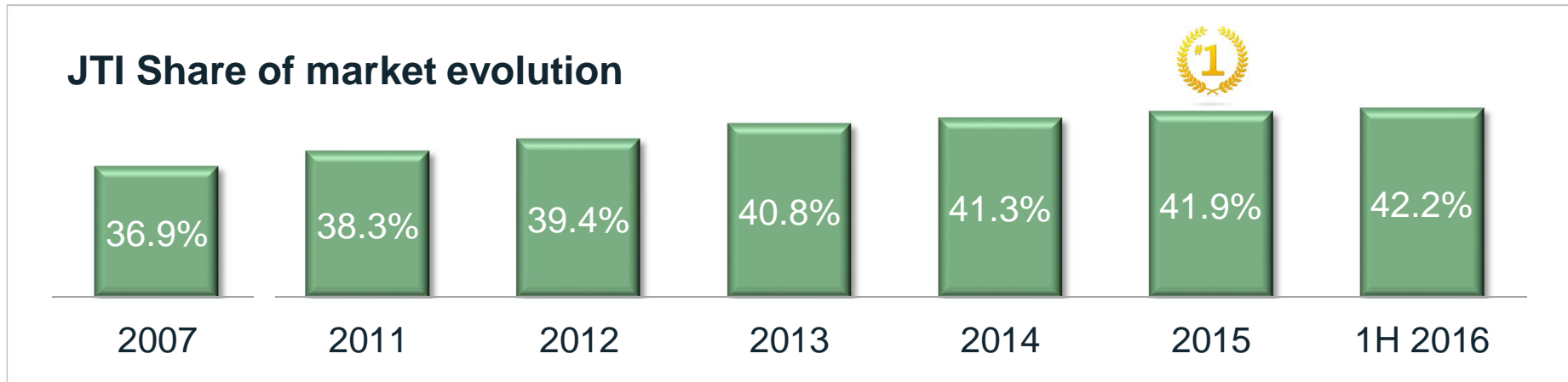
NUKDP evolution⁽¹⁾



Price segments dynamics






JTI: Continuous growth & UK leadership since 2015





Strategic growth drivers

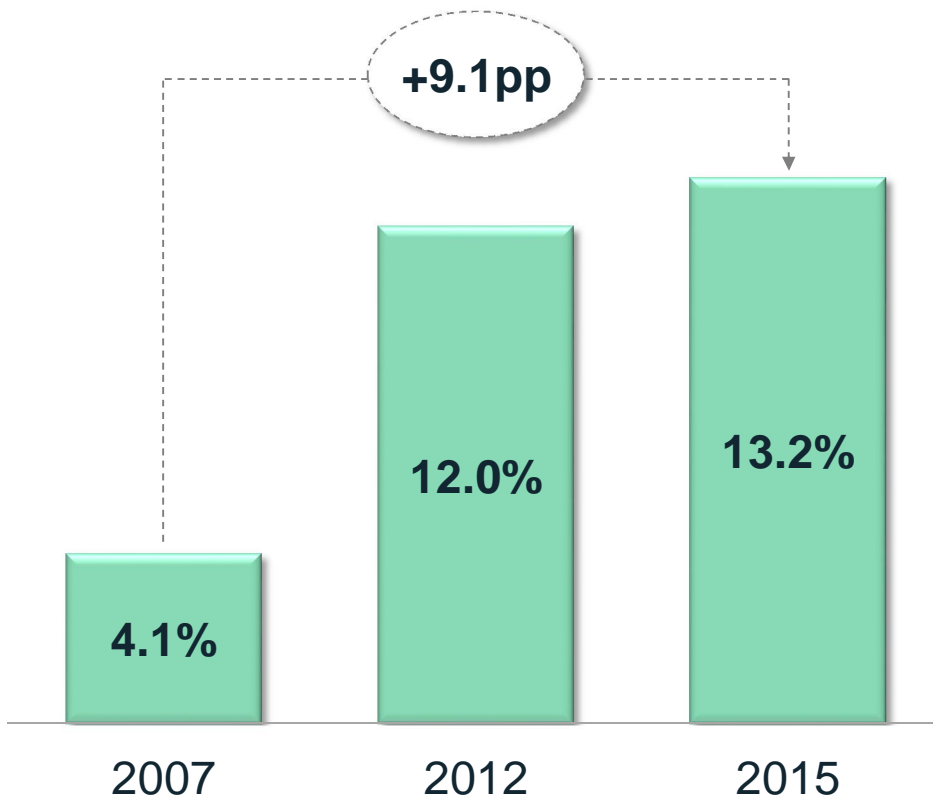
Developing leading brands across all categories

Cigarettes	Fine Cut	Emerging Products
		

Focused investments behind strong equity brands

Sterling: Driving cigarettes growth since 2012

Sterling SoM evolution (RMC)



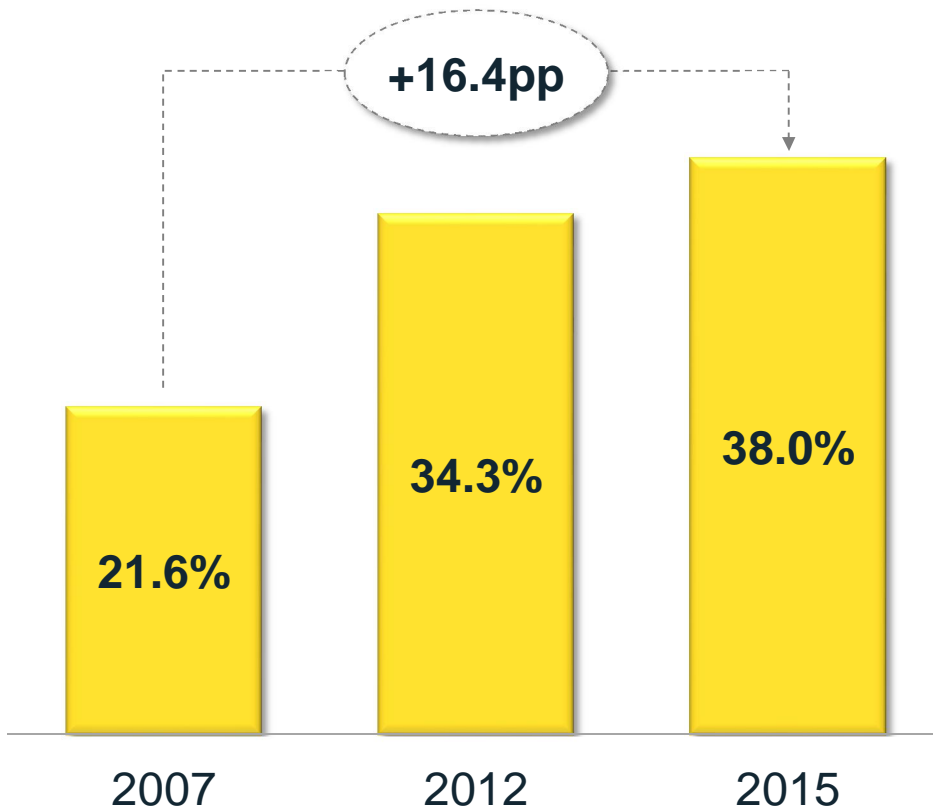
- #1 Cigarette brand since 2012
- #1 Capsule offering: Sterling Fresh Taste



- Success driven by:
 - Consumer-driven innovation
 - Balanced pricing
 - Brand equity

Amber Leaf: UK's biggest fine cut and the largest brand in the market

Amber Leaf SoM evolution (FCT)



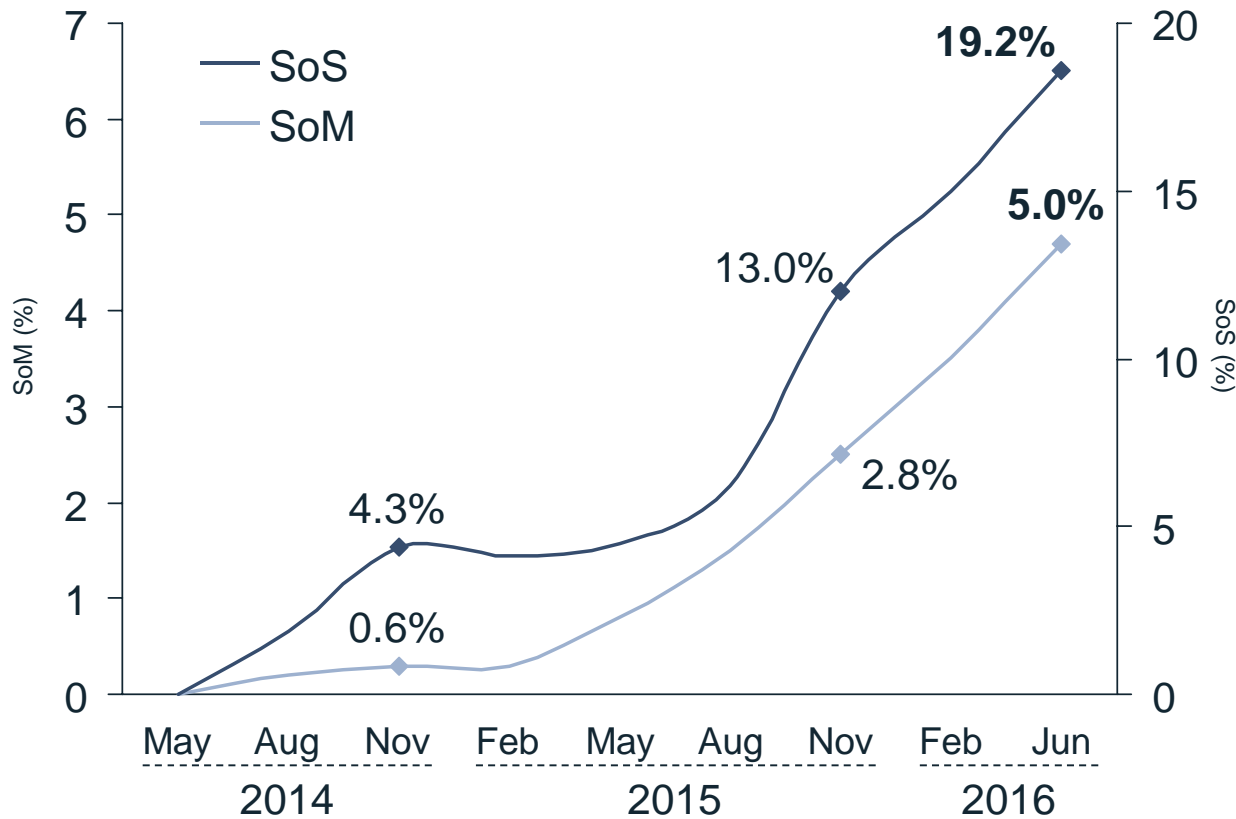
- Strong #1 fine cut (FCT) brand in the UK
- Leading tobacco brand since 2012



- Success driven by:
 - Effective pricing
 - Optimum product offering
 - High quality

B&H Blue: Building success despite regulatory challenges

B&H Blue Share of market & Share of segment⁽¹⁾






- UK's fastest growing brand post retail display ban

BENSON & HEDGES

- Excellence in trade marketing capabilities

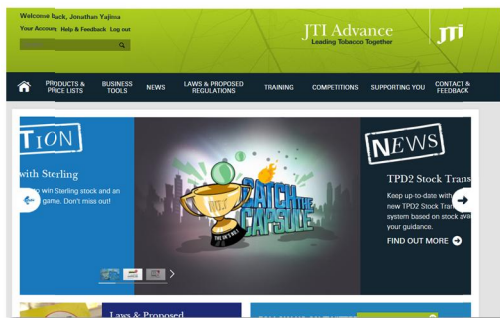


Superior trade capabilities providing strong presence at retail

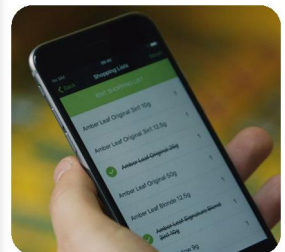
Key retail channels	Share of retail	JTI SoM, 2015	vs. 2014
Multiple Grocers 	28.7%	42.1%	+0.5pp
Gas & Convenience 	23.5%	41.2%	+0.9pp
Independents & Symbols 	47.8%	42.2%	+1.0pp

Partnership with trade through change

ONLINE TRADE SUPPORT & LOYALTY PROGRAMS

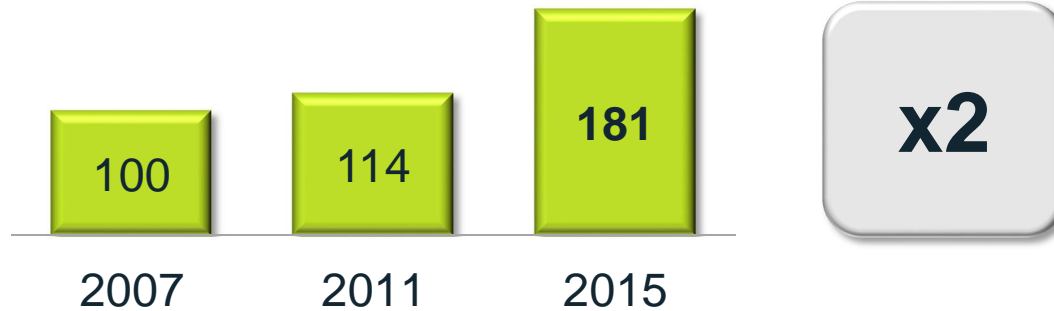


JTI TRADE APP

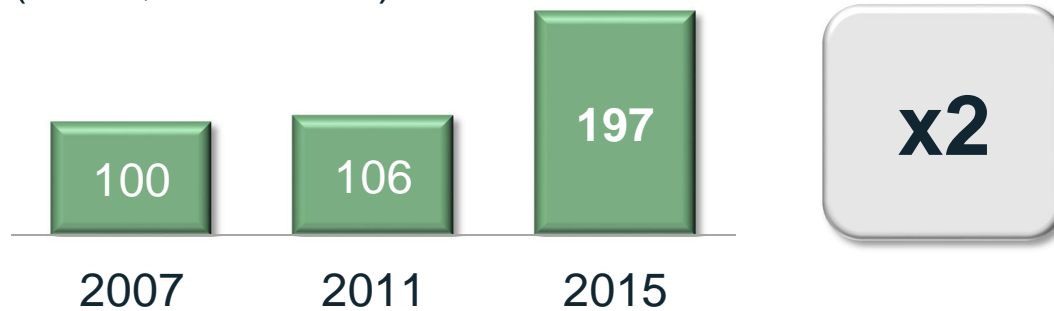


Focused investment generating high returns

Core revenue per thousand (Index, 2007=100)



EBITA (Index, 2007=100)



- Unit price & EBITA almost doubled since the Gallaher acquisition
- Sustainable growth offsetting industry volume decline, driven by:
 - Strong brands in all categories
 - Robust share and pricing gains
 - Disciplined cost management

Strong confidence in JTI's ability to continue growing ahead

- Market leadership
- Share and profitability growth
- Brand portfolio strength
- Trade marketing excellence
- Highly talented workforce



*Tobacco
manufacturer*
JTI



*Tobacco
brand*
Amber Leaf



*Cigarette
brand*
Sterling

