



# 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.

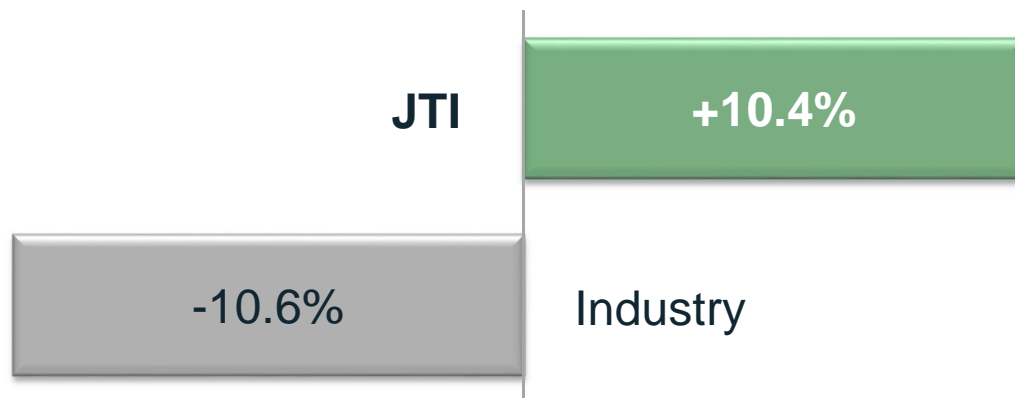
This presentation contains images or packages of our brands in some slides. Those slides have been included exclusively to illustrate JT Group's strategy or performance to our investors. They are not to be used for any other purpose.

# 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

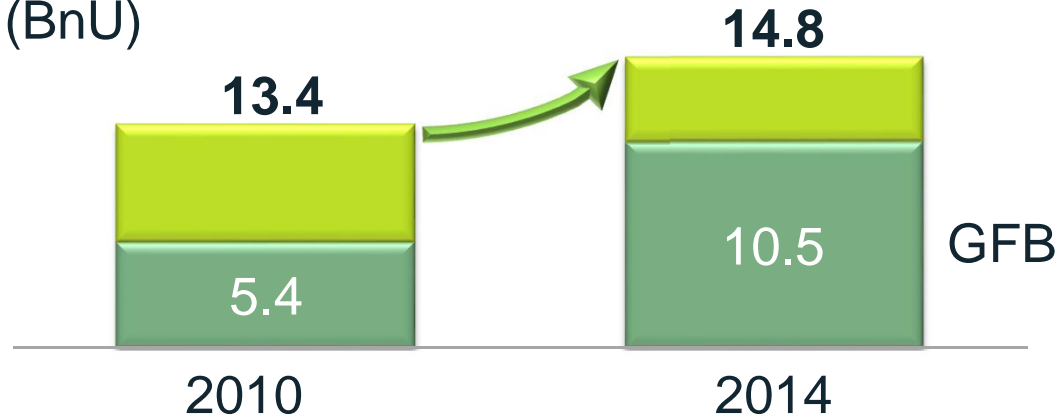


## Volume, 2014 vs. 2010

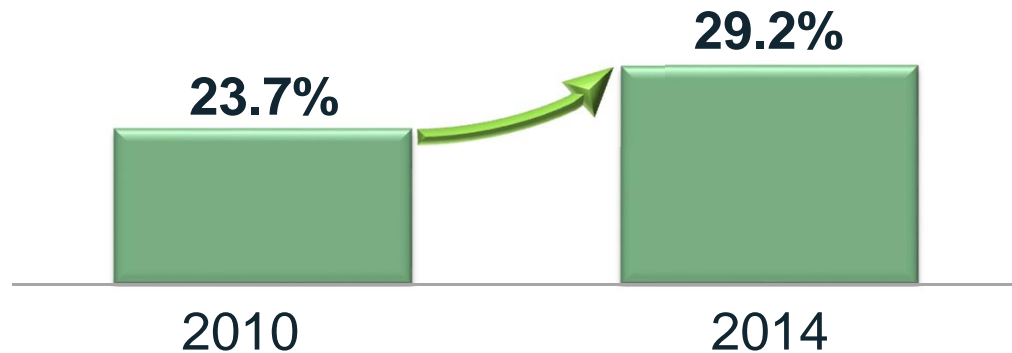


# Consistent volume and share growth driven by GFBs

## 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

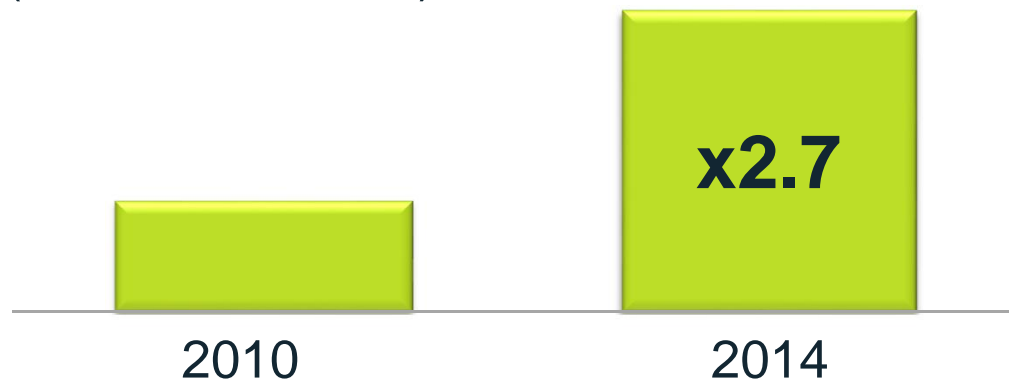
(Index, 2010=100)



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

## EBITA

(Index, 2010=100)



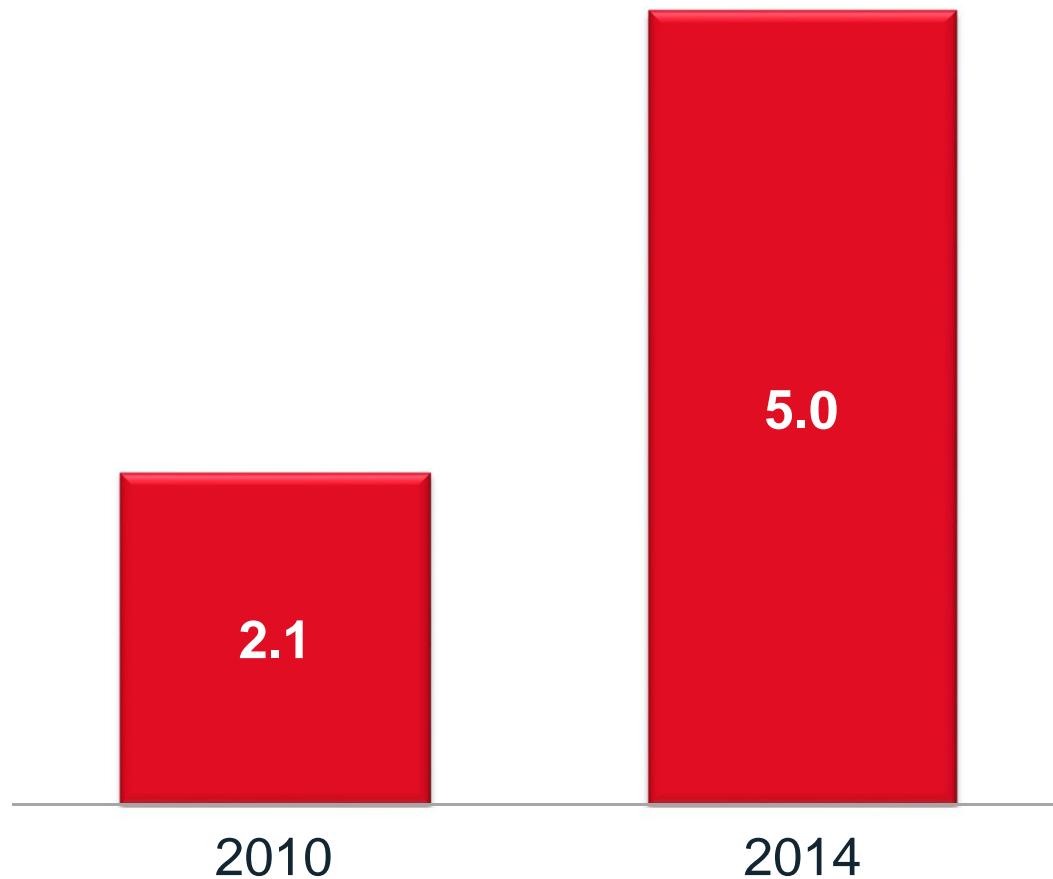
- Profit almost tripled since 2010 driven by volume gains, mix improvements as well as strong price increases, primarily in Kazakhstan



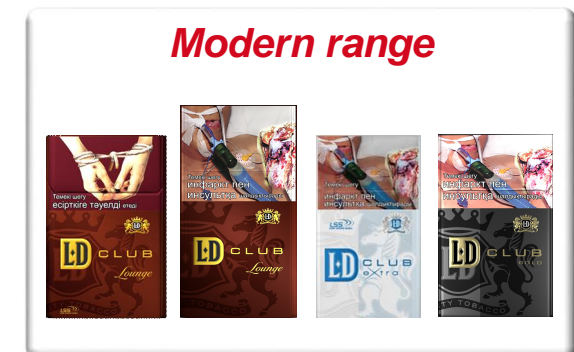
# Focusing on GFBs

# LD: Driving growth in Value

## LD Total volume (BnU)



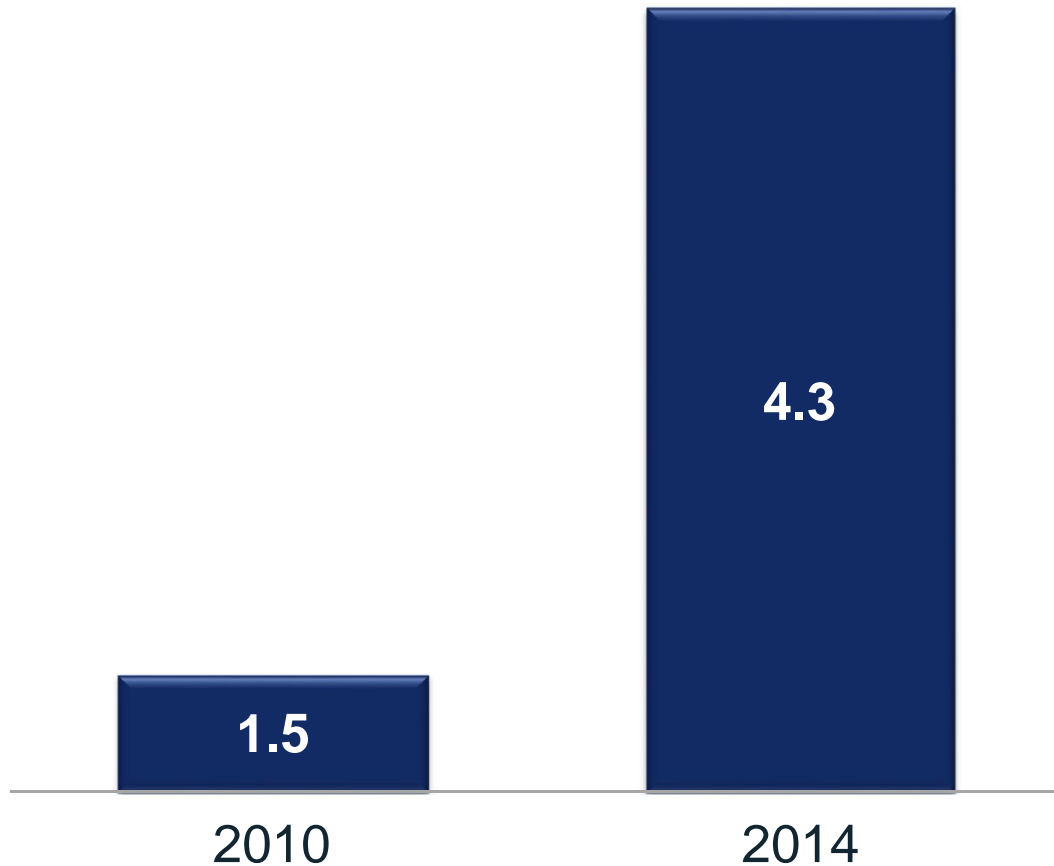
- #4 brand across the hub with circa 10% market share in 2014
- Volume more than doubled vs. 2010, strengthening LD's position in Value
- Market share almost tripled vs. 2010, led by Kazakhstan, Kyrgyzstan and Mongolia
- Growth driven by slimmer formats and modern range (LD Club and LD Club Extra)





# 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

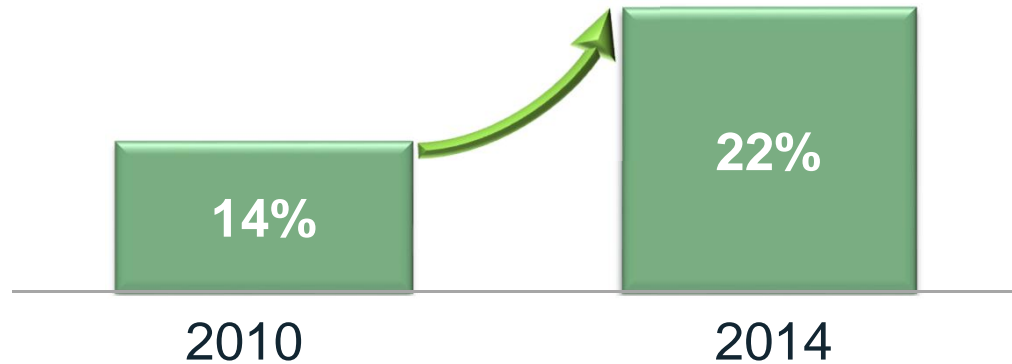




# Delivering sustainable growth and investing for the future

# Kazakhstan: Solid #2 player in an increasingly profitable market

## GFB Share of market



## Industry value (\$MM)

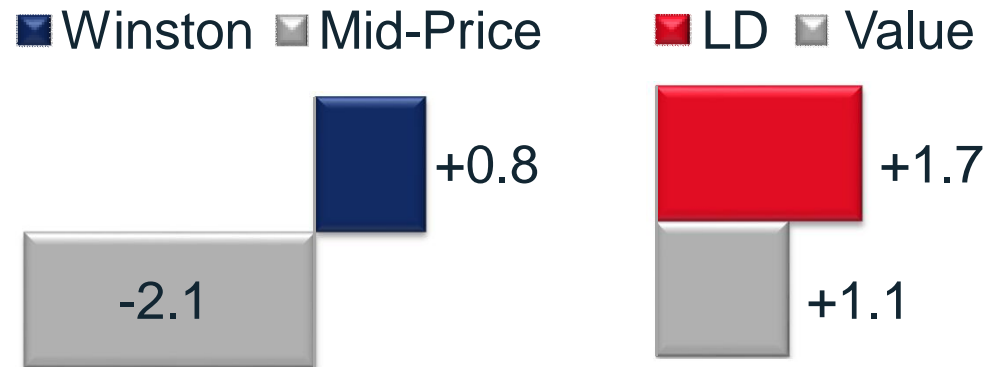


- #2 player with market share above 37% driven by GFB share growth
- Increasing industry value resulting in market profitability
- Minimum Retail Selling Price since 2007 to secure government revenue
- Market dominated by a growing Value segment, representing 64% of the total industry volume

# 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

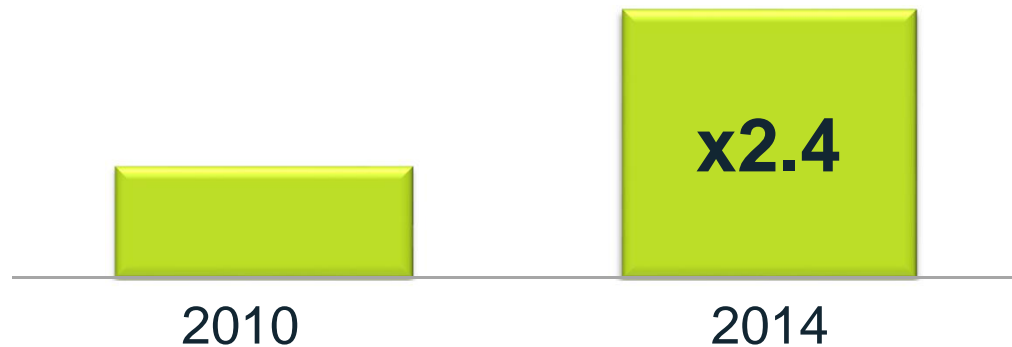
## Investment

(Index, 2010=100)



## EBITA

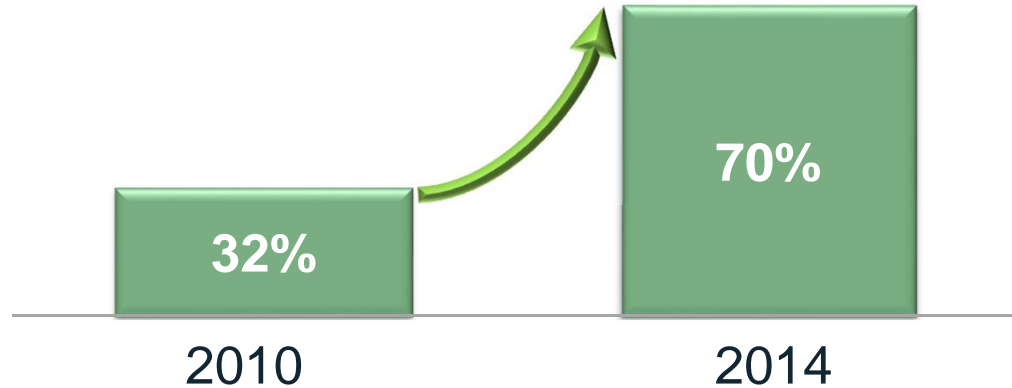
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- Increasing investments to enhance further GFB equity and portfolio
- GFB mix reached 75% in 2014 fueled by new line extensions and brand migrations
- Mevius launched in early 2015 to seize opportunities in Premium
- Profit more than doubled vs. 2010 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)



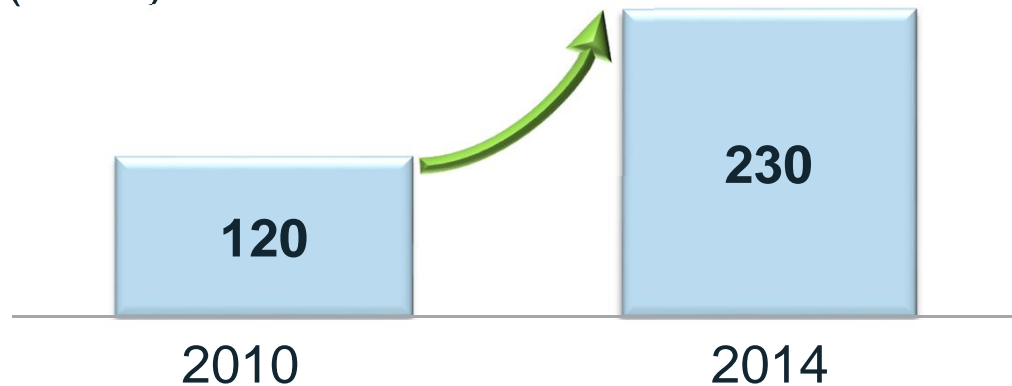
- More than doubled share of market since 2010 to exceed 70%
- GFB volume almost quadrupled over the last 5 years, representing 97% of total volume in 2014
- Key drivers of success
  - Winston and LD are the top-2 brands in the market
  - Best direct coverage of retail and focused investment are paying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