



# JT International

## Business Results for 2008

### (unaudited)

February 10, 2009

Tokyo, Japan

quality commitment innovation synergy



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## Forward-Looking and Cautionary Statements



This presentation contains forward-looking statements about our industry, business, plans and objectives, financial conditions and results of operations based on current expectations, assumptions, estimates and projections. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of operational results and financial condition and state other forward-looking information.

These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ from those suggested by any forward-looking statement. We assume no duty or obligation to update any forward-looking statement or to advise of any change in the assumptions and factors on which they are based. 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) health concerns relating to the use of tobacco products;
- 2) legal or regulatory developments and changes; including, without limitation, tax increases and restrictions on the sale, marketing and usage of tobacco products, governmental investigations and privately imposed smoking restrictions;
- 3) litigation in Japan and elsewhere;
- 4) our ability to further diversify our business beyond the tobacco industry;
- 5) our ability to successfully expand internationally and make investments outside of Japan;
- 6) competition and changing consumer preferences;
- 7) the impact of any acquisitions or similar transactions;
- 8) local and global economic conditions; and
- 9) fluctuations in foreign exchange rates and the costs of raw materials.

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# Pierre de Labouchere

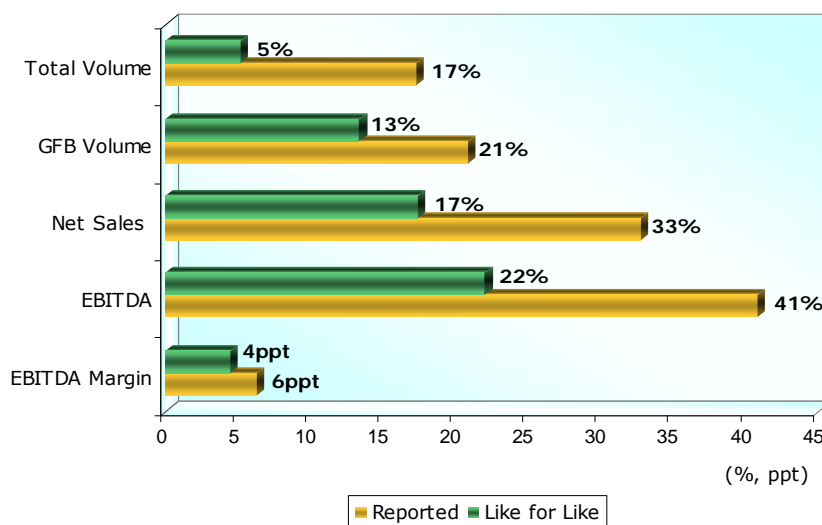
President  
&  
Chief Executive Officer

- JT International 2008 Results -

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## Summary Results

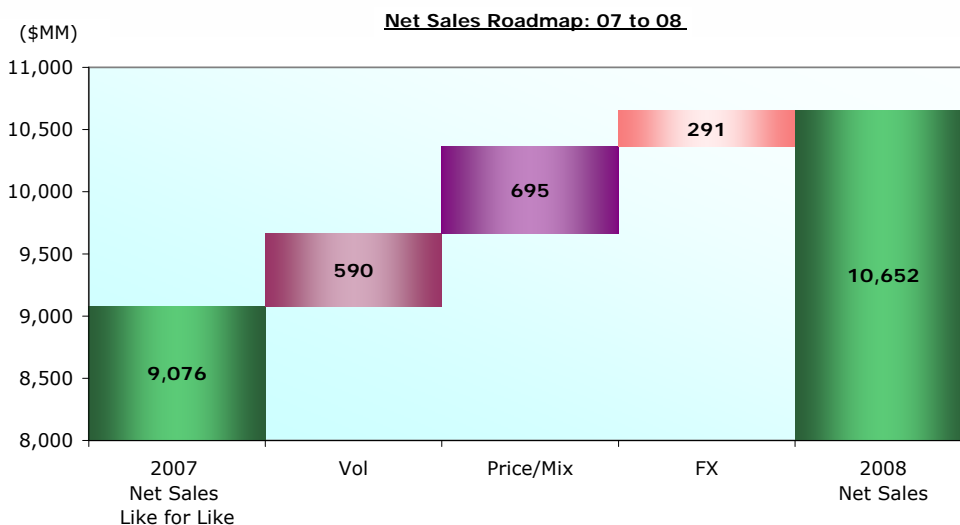
08 vs 07 Growth



- Consistent strategy to focus on top-line growth and GFBs, delivers +22% EBITDA growth
- Excluding foreign currency gains, EBITDA grew 17.4%

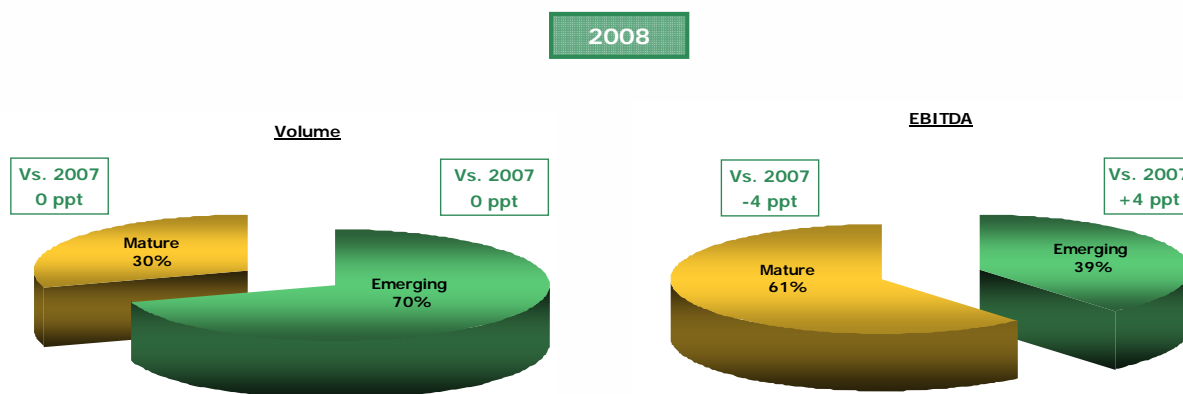
Notes: (1) Like-for-like – 2007 includes Gallaher pro-forma  
(2) Net Sales and EBITDA margin excludes Distribution business

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➤ Strong GFB performance and favorable price drives Net Sales above US\$ 10bn

**Notes:** (1) 2007 like-for-like includes Gallaher pro-forma  
 (2) Net Sales excludes Distribution business



➤ Good geographic mix with 30% of volumes attributed to mature and 39% of profits to emerging markets  
 ➤ Emerging markets competitive edge for long-term, but currency volatility in short-term

**Notes:** (1) Emerging / Mature based on World Bank classification (GNI per capita > US\$ 11456 = mature)

## GFB Portfolio: 54% of 2008 Total Volumes

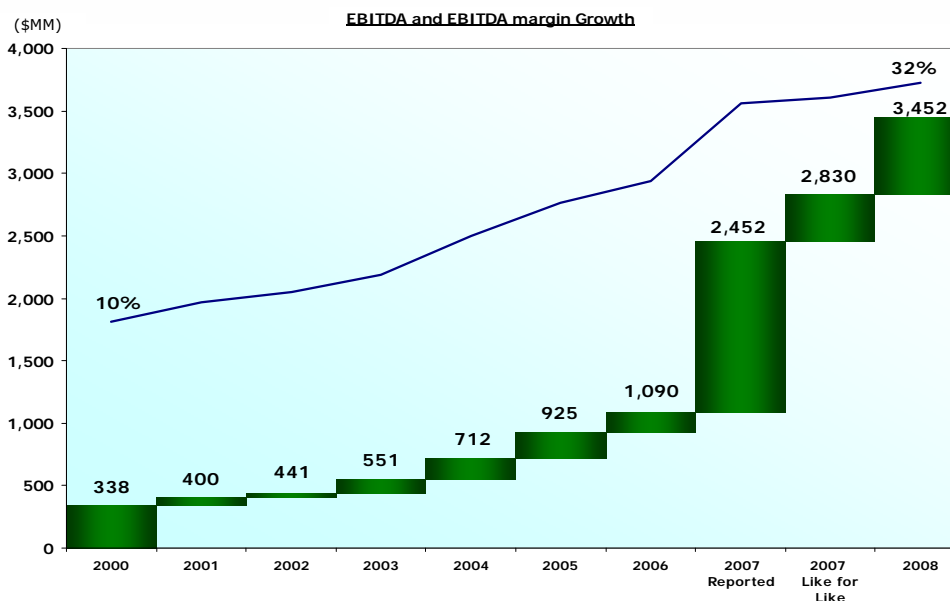
		% of Total Vol.	YOY % gwth.
Prestige		1%	+18.7%
Premium		17%	+7.2%
Sub-Premium		30%	+15.5%
Mid / Value		6%	+20.7%

- Winston continues to lead top-line growth
- Camel growth momentum reinforces good premium position
- LD a leading value / mid-price proposition

Notes: (1) Year on year growth based on like-for-like comparison

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## Focus on top-line growth continues to deliver results



- EBITDA CAGR of 34% since 2000
- Committed to annual EBITDA growth of at least 10% at constant rates of exchange

Notes: (1) 2007 like-for-like includes Gallaher pro-forma  
 (2) EBITDA includes Distribution business  
 (3) EBITDA margin excludes Distribution business

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# Yasushi Shingai

Chief Financial Officer  
and Deputy CEO

- Business Overview -

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## 2008 FY Results: Strong like-for-like performance

### Like-for-Like Full Year Results

(Bn units equivalent)

	2007	2008	Change	
Volume	430.2	452.3	22.1	5.1%
GFB Volume	216.6	245.5	28.9	13.3%

(US\$ million)

Net Sales after tax	9,076	10,652	1,576	17.4%
EBITDA	2,830	3,452	622	22.0%

- Incremental investment helped to increase GFB volumes by 13.3%
- Strong GFB volume growth and favorable pricing drove net sales up 17.4%
- At constant rates of exchange EBITDA grew 17.4%

Notes: (1) Like-for-like – 2007 includes Gallaher pro-forma  
(2) Net Sales excludes Distribution business

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## Typical transaction structure in key markets

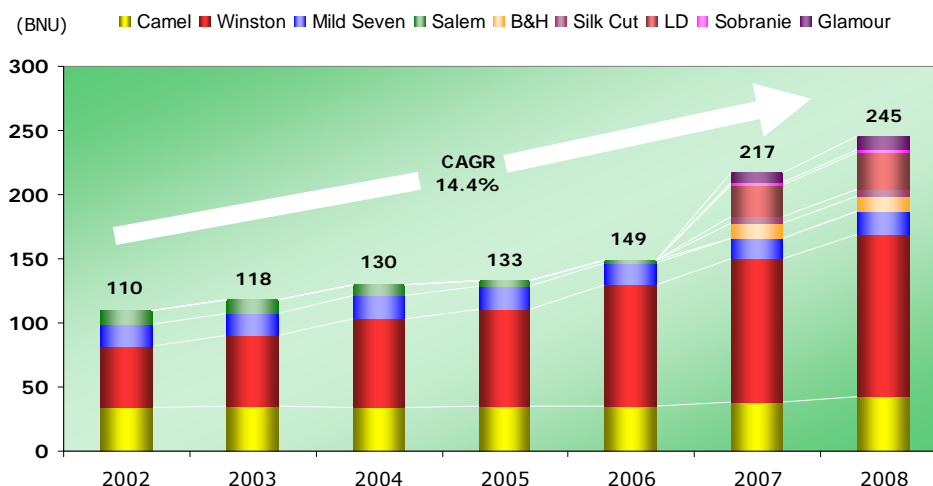
	Key Currency
Revenue	Local
Leaf Cost	US\$
NTM Cost	Euro/Local
Other Cost	Local

	Forex Rate vs. USD		
	08 Average	Feb. 6, 2009	08/09
RUB	24.84	36.37	-32%
GBP	0.53	0.68	-22%
EUR	0.68	0.78	-13%

- Total JTI EBITA shared almost equally across clusters, however, devaluation of some transaction currencies implies greater sensitivity
- If US\$ strengthens by 1% then EBITA declines by US\$ 40MM
- Ruble is 45% and GBP 15% of aforementioned EBITA downside

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## Strong GFB momentum continues



- GFB compound average growth of 14.4% p.a., from 2002 to 2008
- Winston (2008:+14%) posted strong performances in Russia, Ukraine, Turkey & Spain
- Camel and Mild Seven grew by 10% and 11% in 2008 respectively, with Glamour up 40% due to growth in Russia

Notes: (1) 2007 like-for-like includes Gallaher pro-forma  
 (2) Salem excluded from 2007 onward due to reclassification of Global Flagship Brands

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## Higher Net Sales per '000 – Price improvement

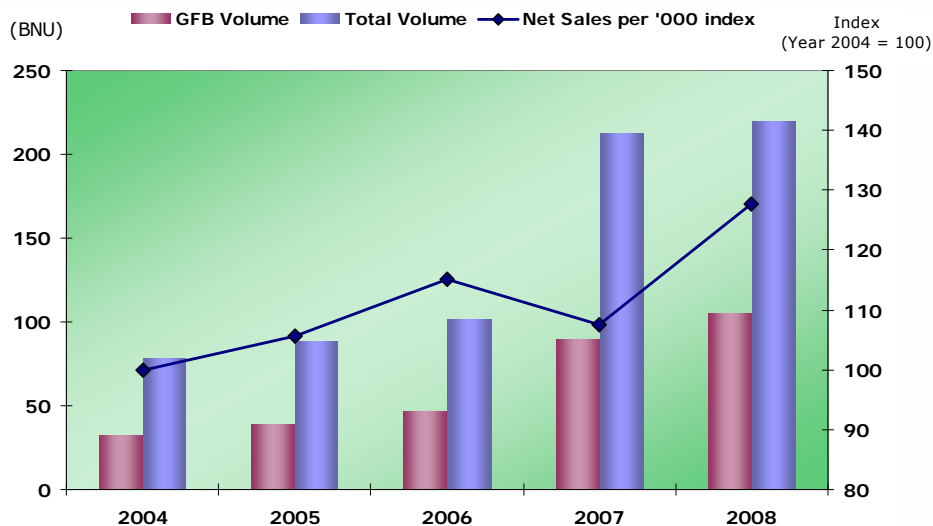


- Favorable pricing in both mature and emerging markets, in spite of weakened economic conditions in H2
- At constant rates of exchange NS per '000 increased 8.6% to US\$ 22.9

Notes: (1) 2007 Like-for-like includes Gallaher pro-forma  
(2) Net Sales per mille excludes Distribution business

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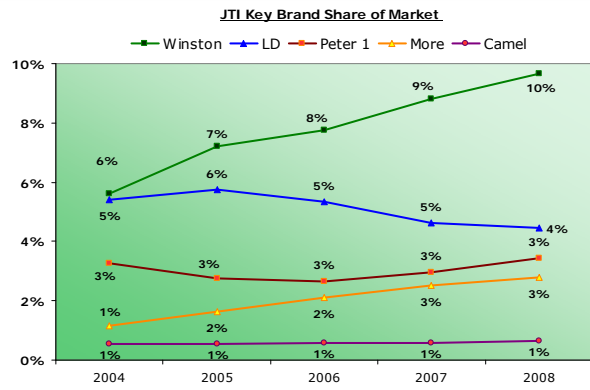
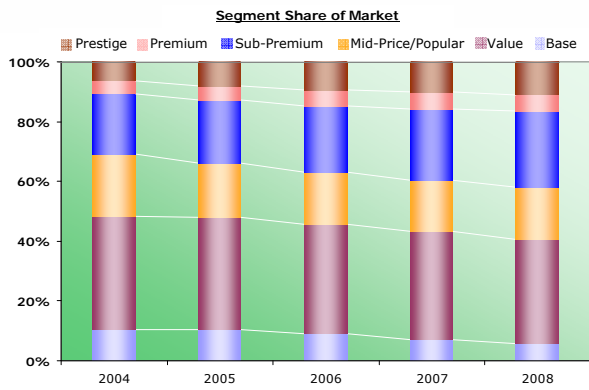
## CIS+: Favorable pricing and uptrading



- Total volume +3% and GFBs +17%
- Winston strengthened its #1 position in CIS+, YOY growth of 15%
- Pricing and mix gains across all markets

Notes: (1) 2007 Like-for-like includes Gallaher pro-forma

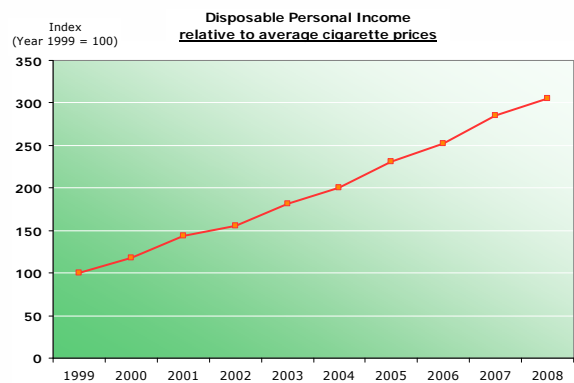
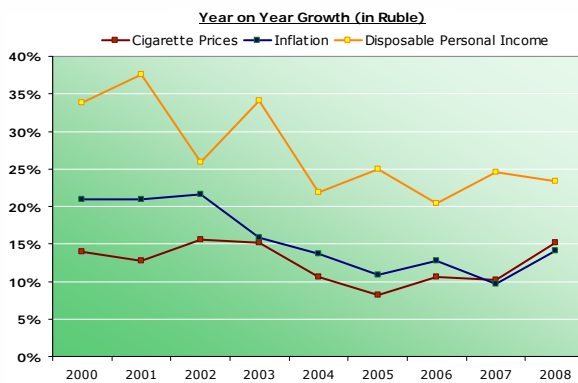
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- Market leadership with strong representation across all price segments
- Winston retained its #1 market position and achieved 37.8% share of the sub-premium segment
- LD #1 mid-price brand

Notes: (1) Market data sourced from Business Analytica in 2004 & AC Nielsen 2005 to 2008

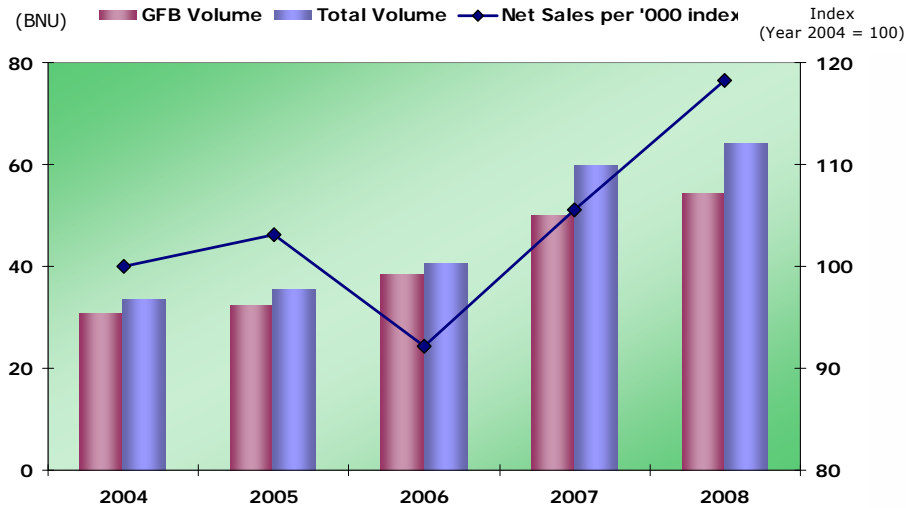
## Russia Business Update: The potential for cigarette price increases



- Cigarette prices continue to rise well below disposable income growth
- Pack of cigarettes 3 times more affordable today than in 1999, in spite of uptrading

Notes: (1) Average cigarette prices sourced from Business Analytica to 2004 and AC Nielsen thereafter  
 (2) All Other economic data sourced from Global Insight  
 (3) Disposable Personal Income (DPI) relative to average cigarette prices (ACP) - DPI / ACP and then indexed

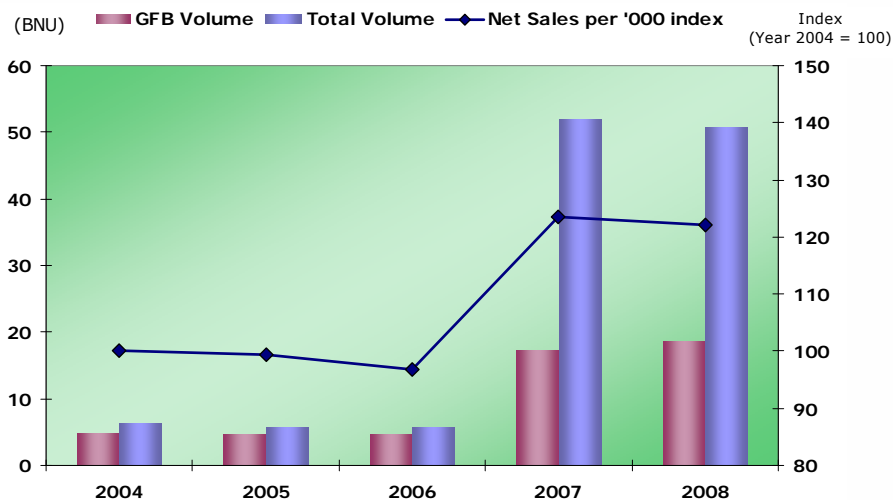




- Total volume +7% and GFBs (85% of Total) +9%
- Camel up 6%, driven by successful re-launch and Winston +17%
- Most notable performances in Italy, Spain and France driven by market share gains and pricing

Notes: (1) 2007 Like-for-like includes Gallaher pro-forma

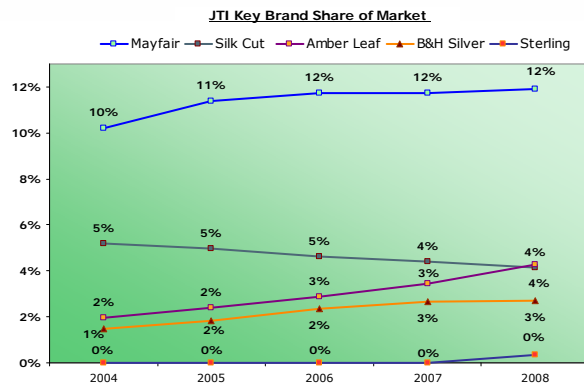
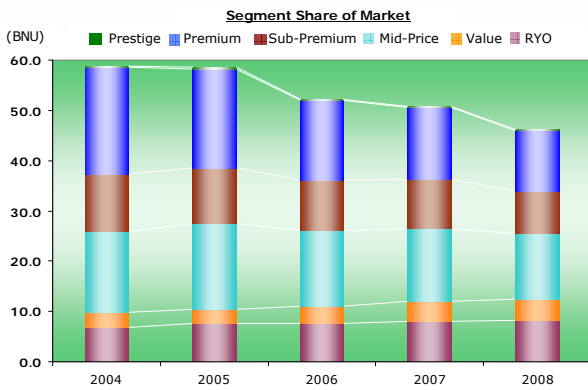
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- Total volumes -2% with improved GFB mix as a result of incremental investment
- Excluding private label, total volumes grew 1.7%

Notes: (1) 2007 like-for-like includes Gallaher pro-forma  
(2) Net Sales per '000 excludes Distribution business

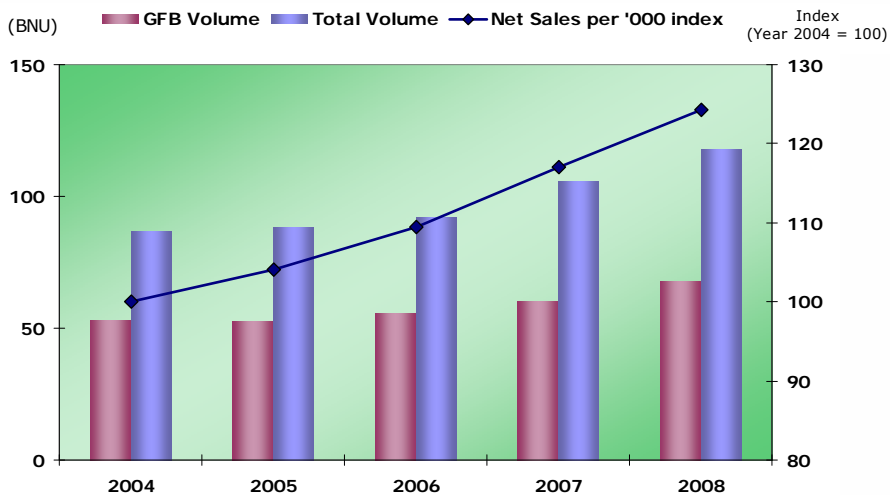
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- Downtrading at risk of being compounded by economic crisis, but JTI well positioned
- Effective integration – sales force transformation, reactivated brand programs & increased investment
- Key strategic brands continue volume and SOM growth

Notes: (1) Market data sourced from AC Nielsen  
 (2) Super Value included in Value segment

Rest of the World: SOM gains & pricing



- Total Volumes +11% and GFBs +13%
- Share gains in most markets and improved pricing in Near East, Turkey, Canada, Tanzania, South Africa & Taiwan

Notes: (1) 2007 Like-for-like includes Gallaher pro-forma

## Appendix A: 2008 Results

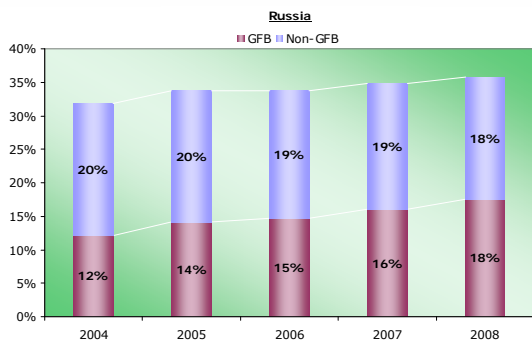
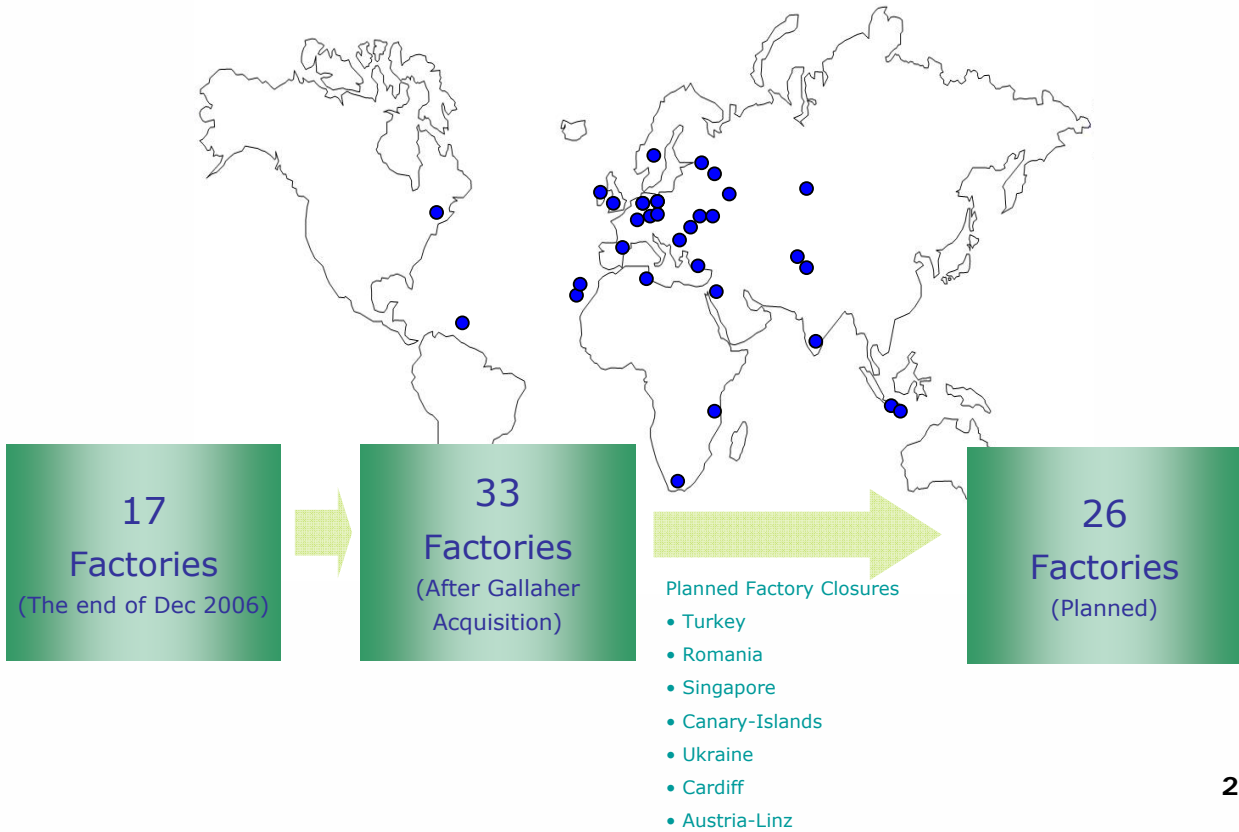
## Full Year Results

(Bn units equivalent)

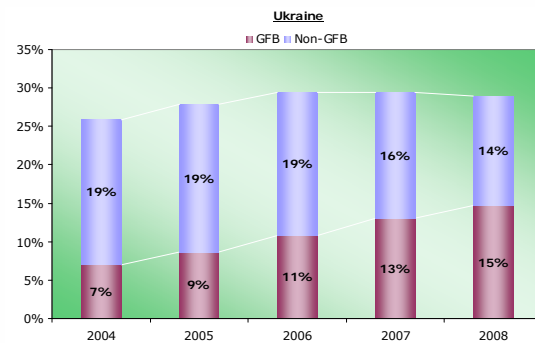
	2007	2008	Change	
Volume	385.6	452.3	66.7	17.3%
GFB Volume	203.2	245.5	42.3	20.8%

(US\$ million)

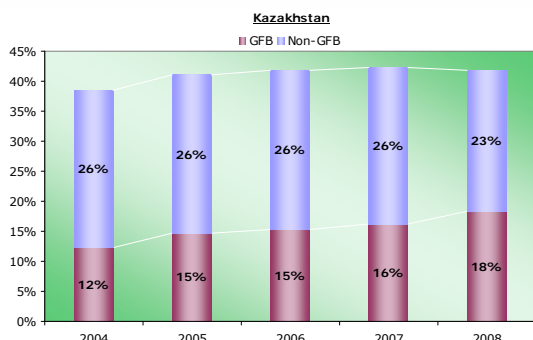
Net Sales after tax	8,027	10,652	2,625	32.7%
EBITDA	2,452	3,452	1,000	40.8%



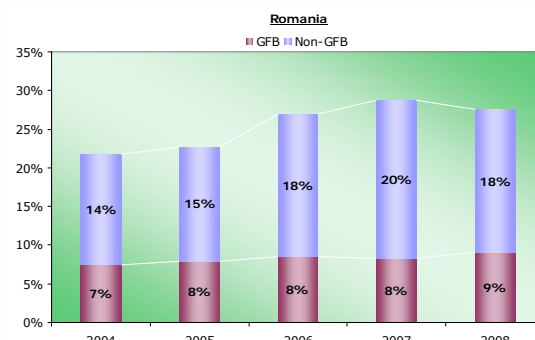
2004: Business Analytica - MIC, 2005-2008: AC Nielsen Global Track One



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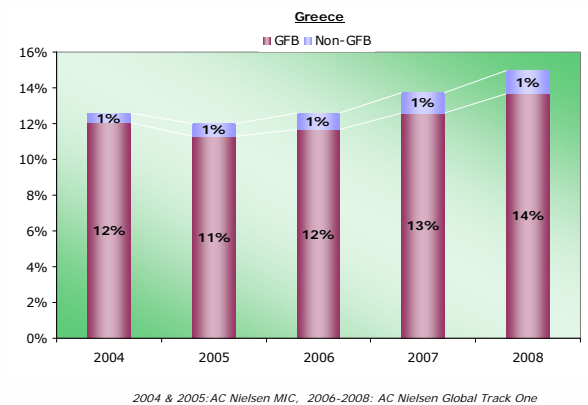
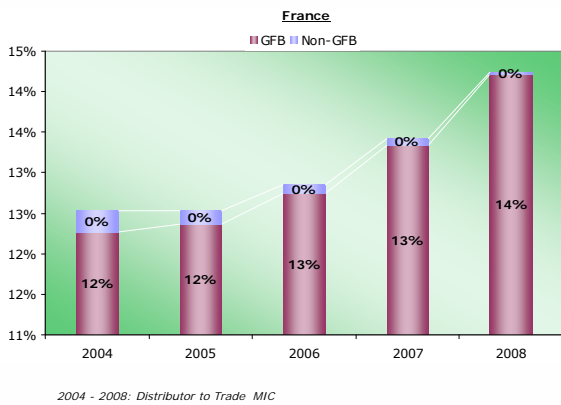
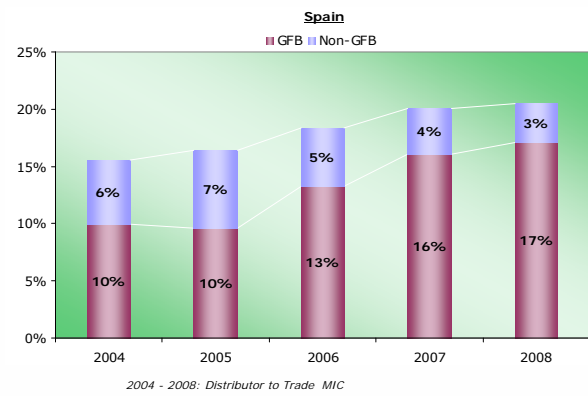
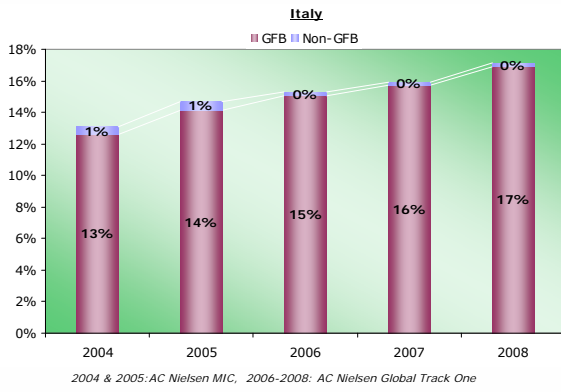


2004-2008: AC Nielsen RA



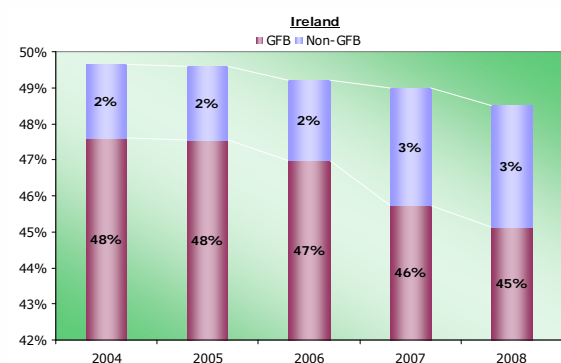
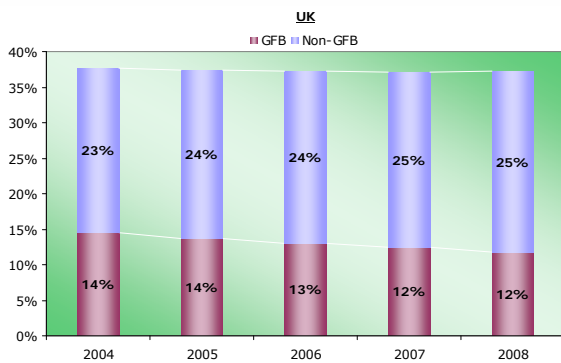
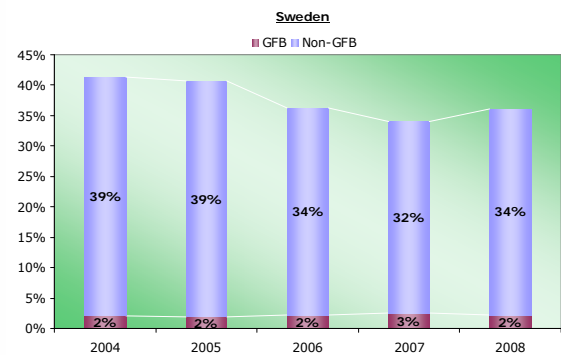
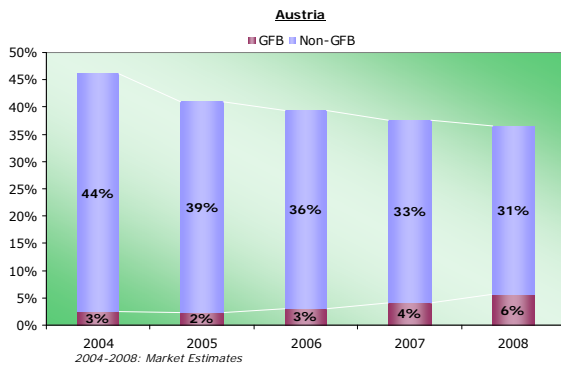
2004: AC Nielsen MIC, 2005-2008: AC Nielsen Global Track One

# Appendix D: SOM GFB & Non-GFB – South & West Europe



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# Appendix E: SOM GFB & Non-GFB – North & Central Europe



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