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JTI reports strong 2012 results

Volume and earnings growth underpin robust performance

Japan Tobacco International (JTI) business results for 2012 and October-December 2012

Highlights

January-December 2012 *(net change versus prior year).*

- Full year adjusted EBITDA[1] grew 9.1%, or 22.5%[2] at constant rates of exchange, exceeding our forecast.
- Core revenue increased 5.4%, as a result of strong pricing and total shipment volume growth. At constant rates of exchange, core revenue grew 12.6%[3] and core revenue per thousand cigarettes increased 9.7%.
- GFB shipment volume grew 4.8%. This was driven by growth in all clusters and in particular in Russia, Turkey, Kazakhstan, Ukraine and other CIS+ markets.
- Total shipment volume grew 2.5% due to GFB shipment volume growth despite an overall challenging business environment. In Europe our total shipment volume grew 2.5%.

October-December 2012 *(net change versus prior year)*

- Core revenue increased 8.0%, as a result of strong pricing and GFB shipment volume growth. At constant rates of exchange, core revenue grew 14.1% and core revenue per thousand cigarettes increased 11.3%.
- GFB shipment volume grew 4.0% driven by Turkey, Russia and other CIS+ markets where our strong brand equity continues to generate strong results.
- Total shipment volume increased 2.4% due to GFB shipment volume growth.

Year-on-year market share[4], including cigarettes and fine cut[5], grew in France, Italy, Spain, Taiwan Turkey and UK.

January-December results for 2011 and 2012

	2011 Results					**2012 Results**				
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec
Total shipment volume (billions of cigarettes)	94.5	110.4	114.7	106.1	425.7	98.9 (+4.7%)	113.5 (+2.8%)	115.5 (+0.7%)	108.6 (+2.4%)	436.5 (+2.5%)
GFB shipment volume (billions of cigarettes)	55.8	66.2	70.6	63.8	256.5	61.1 (+9.5%)	69.7 (+5.2%)	71.6 (+1.4%)	66.3 (+4.0%)	268.8 (+4.8%)
Core Revenue (millions of US$)	2,447	2,925	3,094	2,745	11,211	2,731 (+11.6%)	2,997 (+2.5%)	3,125 (+1.0%)	2,963 (+8.0%)	11,817 (+5.4%)
Core Revenue per thousand cigarettes (US$)	26.1	26.7	27.2	26.1	26.6	27.8 (+6.5%)	26.6 (-0.4%)	27.2 (+0.2%)	27.5 (+5.3%)	27.3 (+2.7%)
Adjusted EBITDA (millions of US$)					3,944					4,302 (+9.1%)

( ) Net change in comparison to the same period in 2011

[Reference]

January-December results for 2011 and 2012 at constant rates of exchange

	2011 Results					**2012 Results**				
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec
Core Revenue (millions of US$)	2,447	2,925	3,094	2,745	11,211	2,824 (+15.4%)	3,269 (+11.8%)	3,397 (+9.8%)	3,132 (+14.1%)	12,623 (+12.6%)
Core Revenue per thousand cigarettes (US$)	26.1	26.7	27.2	26.1	26.6	28.8 (+10.1%)	29.0 (+8.6%)	29.6 (+9.0%)	29.1 (+11.3%)	29.1 (+9.7%)
Adjusted EBITDA (millions of US$)					3,944					4,830 (+22.5%)

( ) Net change in comparison to the same period in 2011

Cluster performance: **October-December 2012**

- **South and West Europe**: Total shipment volume increased 7.8%. In spite of strong industry contraction, total shipment and GFB shipment volume on an organic basis decreased only 0.8% and 0.1% respectively. This performance was supported by strong growth of fine cut in Italy and Spain. Market share increased in France, Greece, Italy and Spain.
- **North and Central Europe**: Total shipment volume increased 1.0% driven by the acquisition of Gryson, or 0.5% on an organic basis. GFB volume grew 1.7%, notably in Germany and Sweden. Market share grew in Germany and UK.
- **CIS+**: GFB shipment volume grew 6.9% driven by Russia and other markets such as the Caucasus and Uzbekistan. Total shipment volume decreased 1.6% mainly due to the decline of low-end local brands. Our share of value[6] and GFB market share continued to increase in Russia. Market share grew in the Caucasus and Kazakhstan.
- **Rest-of-the-World**: Total shipment volume increased 6.9% mainly as a result of continued momentum for Winston across the cluster and for LD in Turkey. Excluding the acquisition in Sudan, total shipment volume grew 4.9%. GFB shipment volume increased 2.9%. Market share grew in Canada, Taiwan and Turkey.

Global Flagship Brands volume (GFB): October-December 2012

- **Winston**: Shipment volume increased 6.0% driven by momentum in Russia, Turkey and other CIS+ markets.
- **Camel**: Shipment volume grew 2.5% driven by Turkey and Italy.
- **Mild Seven**: Shipment volume increased 6.1% as a result of a continuing recovery in Korea.
- **LD**: Shipment volume grew 3.8% driven by momentum in Turkey, the Caucasus and Kazakhstan.

12-month Performance

- Full year adjusted EBITDA grew 9.1% to US$4,302 million. At constant rates of exchange, it increased 22.5%, exceeding our forecast.
- Core revenue increased 5.4% to US$11,817 million, as a result of strong pricing and total shipment volume growth. At constant rates of exchange, core revenue increased 12.6%.

- Core revenue per thousand cigarettes increased 2.7%. At constant rates of exchange, the growth was 9.7%.
- GFB shipment volume grew 4.8% to 268.8 billion cigarettes, driven by Russia, Turkey, Kazakhstan, Ukraine and other CIS+ markets. GFB shipment volume increased in all clusters. The GFB volume increase was driven entirely by organic growth.
- Total shipment volume grew 2.5% to 436.5 billion cigarettes, driven by GFB momentum. Excluding acquisitions, total shipment volume grew 1.0% to 429.3 billion cigarettes.

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Japan Tobacco Inc. is a leading international tobacco product company. Its products are sold in over 120 countries and its internationally recognized cigarette brands include Winston, Camel, Mild Seven and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals and foods. The company's revenue was ¥2.034 trillion (US$24,745 million(*)) in the fiscal year ended March 31, 2012.

**Translated at the rate of ¥82.19 per $1, as of March 30, 2012*

Notes:

[1] Adjusted EBITDA = operating profit + depreciation and amortization + impairment losses on goodwill ± restructuring-related income and costs
[2] 22.5% includes approximately 6 percentage points of pricing taken to mitigate the effect of a currency with substantial devaluation.
[3] 12.6% includes approximately 2 percentage points of pricing taken to mitigate the effect of a currency with substantial devaluation.
[4] Source: Nielsen, Logista, Altadis and JTI estimates on a 12-month rolling average for cigarettes and fine cut at the end of December 2012, except for Germany and Kazakhstan which are on a 12-month rolling average at the end of November 2012.
[5] Fine cut includes Roll Your Own (RYO) and Make Your Own (MYO).
[6] Source: Nielsen estimates on a 12-month rolling average for cigarettes at the end of December 2012.

Additional definitions are provided at http://www.jt.com/investors/media/definitions/index.html.

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