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# JTI accelerates revenue and GFB growth

## Market share increases in most key markets

*Japan Tobacco International (JTI) business results for April-June and January-June 2011*

### Highlights

April-June 2011

- Core net sales excluding tax[1] increased by 13.8%, driven by pricing and GFB[2] shipment volume growth.
- At constant rates of exchange, core net sales excluding tax grew by 6.0% and core net sales excluding tax per thousand cigarettes[3] increased by 6.2% to US$24.9.
- GFB shipment volume grew 4.0% driven by Russia, the Middle East and Italy.

January-June 2011

- Core net sales excluding tax increased by 9.3%, driven by pricing and GFB shipment volume growth.
- At constant rates of exchange, core net sales excluding tax grew by 6.2% and core net sales excluding tax per thousand cigarettes increased by 6.1% to US$25.7.
- GFB shipment volume grew 3.2% driven by Russia, Turkey and Italy.

Year-on-year market share[4] continued to grow in most key markets including Turkey, Taiwan, Italy, France and Russia.

### January-June results for 2010 and 2011[5]

| | 2010 Results | | | 2011 Results | | |
|---|---|---|---|---|---|---|
| | Jan-Mar | Apr-June | Jan-June | Jan-Mar | Apr-June | Jan-June |
| Total shipment volume (billions of cigarettes) | 94.1 | 110.7 | 204.7 | 94.5 (+0.5%) | 110.4 (-0.2%) | 204.9 (+0.1%) |
| GFB shipment volume (billions of cigarettes) | 54.6 | 63.7 | 118.3 | 55.8 (+2.1%) | 66.2 (+4.0%) | 122.0 (+3.2%) |
| Core net sales, excluding tax (millions of US$) | 2,343 | 2,571 | 4,914 | 2,447 (+4.4%) | 2,925 (+13.8%) | 5,372 (+9.3%) |
| Core net sales per thousand cigarettes, excluding tax (US$) | 25.2 | 23.4 | 24.2 | 26.1 (+3.9%) | 26.7 (+14.0) | 26.4 (+9.2%) |

**( ) Net change in comparison to the same period in 2010**

### [Reference]
### January-June results for 2010 and 2011 at constant rates of exchange

| | 2010 Results | | | 2011 Results | | |
|---|---|---|---|---|---|---|
| | Jan-Mar | Apr-June | Jan-June | Jan-Mar | Apr-June | Jan-June |
| Core net sales, excluding tax (millions of US$) | 2,343 | 2,571 | 4,914 | 2,495 (+6.5%) | 2,725 (+6.0%) | 5,220 (+6.2%) |
| Core net sales per thousand cigarettes, excluding tax (US$) | 25.2 | 23.4 | 24.2 | 26.7 (+6.0%) | 24.9 (+6.2%) | 25.7 (+6.1%) |

**( ) Net change in comparison to the same period in 2010**

**Shipment Volume by Cluster[6]: April-June 2011**

- **South and West Europe**: Both total shipment volume[7] and GFB shipment volume increased by 0.7% compared to the same period of the prior year. GFB volume growth in Italy and France offset the impact of continued industry contraction in Spain. Market share[4] increased in the key markets of Italy and France.

- **North and Central Europe**: GFB shipment volume continued to grow, increasing by 4.8%, largely driven by a strong performance in Poland. Total shipment volume decreased by 1.0%, due to the previous year's temporary increase in demand in the UK following tax hike speculation. Market share grew in Poland and Sweden.

- **CIS+**: GFB shipment volume continued to grow, increasing by 7.8%, driven by growth in Russia and Romania. Total shipment volume decreased by 3.1% due to industry contraction in Ukraine and the unstable operating environment in Belarus. This volume decrease was partly offset by growth in Romania. Market share increased in Russia and Kazakhstan.

- **Rest-of-the-World**: Total shipment volume increased by 5.2% driven by growth in the Middle East. GFB volume increased by 0.5%. Market share increased in Turkey, Taiwan, Korea and Malaysia.

**Global Flagship Brands (GFB): April-June 2011**

- **Winston**: Shipment volume increased by 4.6%, driven by strong performances in Russia, the Middle East, Turkey and Italy, which largely compensated for declines in Belarus, Spain and Ukraine.

- **Camel**: Shipment volume decreased by 0.5%. Growth in France and the Middle East was offset by continued industry contraction in Spain.

- **Mild Seven**: Shipment volume decreased by 3.4% due to trade inventory adjustment in Taiwan following a price increase.

- **LD**: Shipment volume increased by 13.2% driven by growth in Russia and Poland.

**Six-month Performance: January-June 2011**

- GFB shipment volume increased by 3.2%, driven by positive performances in Russia, Turkey, Italy, Poland and the Middle East. Total shipment volume remained flat. Growth in the Middle East, Romania, Russia and Italy was offset by declines in Ukraine, Spain and Belarus.

- Core net sales excluding tax increased by 9.3%, driven by strong pricing and GFB shipment volume growth. At constant rates of exchange, the increase was 6.2%.

- Core net sales excluding tax per thousand cigarettes also increased by 9.2% to US$26.4. At constant rates of exchange, the increase was 6.1%.

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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 adjusted net sales excluding tax(*) were ¥1.946 trillion (US$23,415 million(**)) in the fiscal year ended March 31, 2011.*

** Adjusted net sales excluding tax on a consolidated basis do not include revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses in the Japanese domestic tobacco business. Nor does it include revenue from distribution, contract manufacturing and other peripheral businesses in the international tobacco business.*

***Translated at the rate of ¥83.15 per $1, as of March 31, 2011*

*Footnotes:*

[1] Core net sales excluding tax do not include revenue from distribution, contract manufacturing and other peripheral businesses.
[2] Global Flagship Brands (GFB) consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour.
[3] Core net sales per thousand cigarettes are based on total shipment volume as defined in footnote 7 excluding shipment volume of joint ventures, and core net sales as defined in footnote 1.
[4] Source: AC Nielsen, Logista, Altadis and JTI estimates on a 12-month rolling average, June 2011. For Kazakhstan, data on a 12-month rolling average, May 2011.
[5] Beginning with its fiscal year ending December 31, 2011, JTI has adopted the International Financial Reporting Standards (IFRS), replacing U.S.GAAP. Accordingly, 2010 core net sales excluding tax have been restated to conform to current year presentation, with no impact on gross margin.
[6] JT divides its international markets into four distinct clusters: South and West Europe, North and Central Europe, CIS+, and Rest-of-the-World. Please note that these four clusters are specifically designed to provide insight into our business for guidance purposes only and do not reflect JTI's management structure.
[7] Total shipment volume includes cigars, pipe tobacco and snus, excluding contract manufactured products.

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