

LD Family

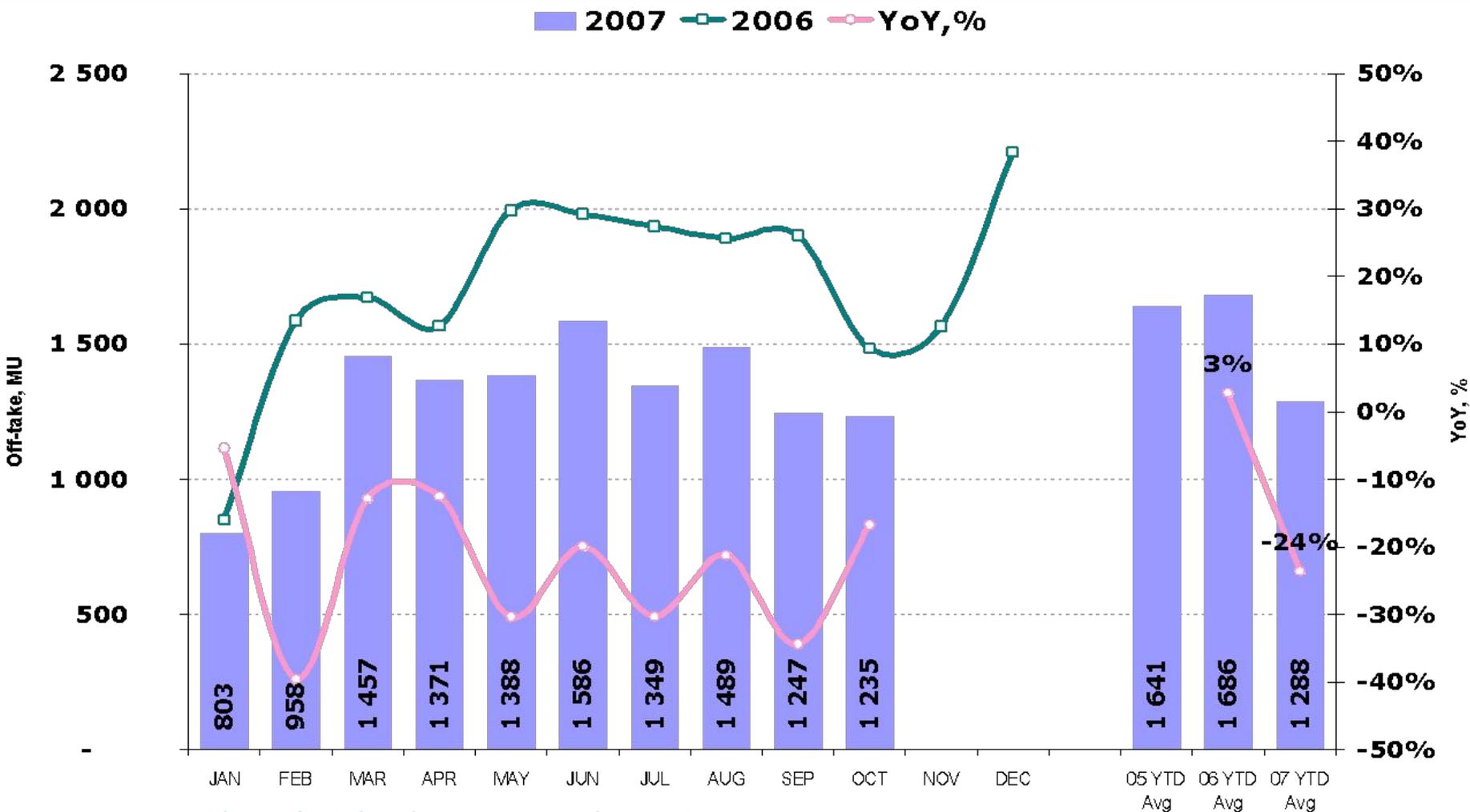
Brand review, Nov'07

quality commitment innovation synergy





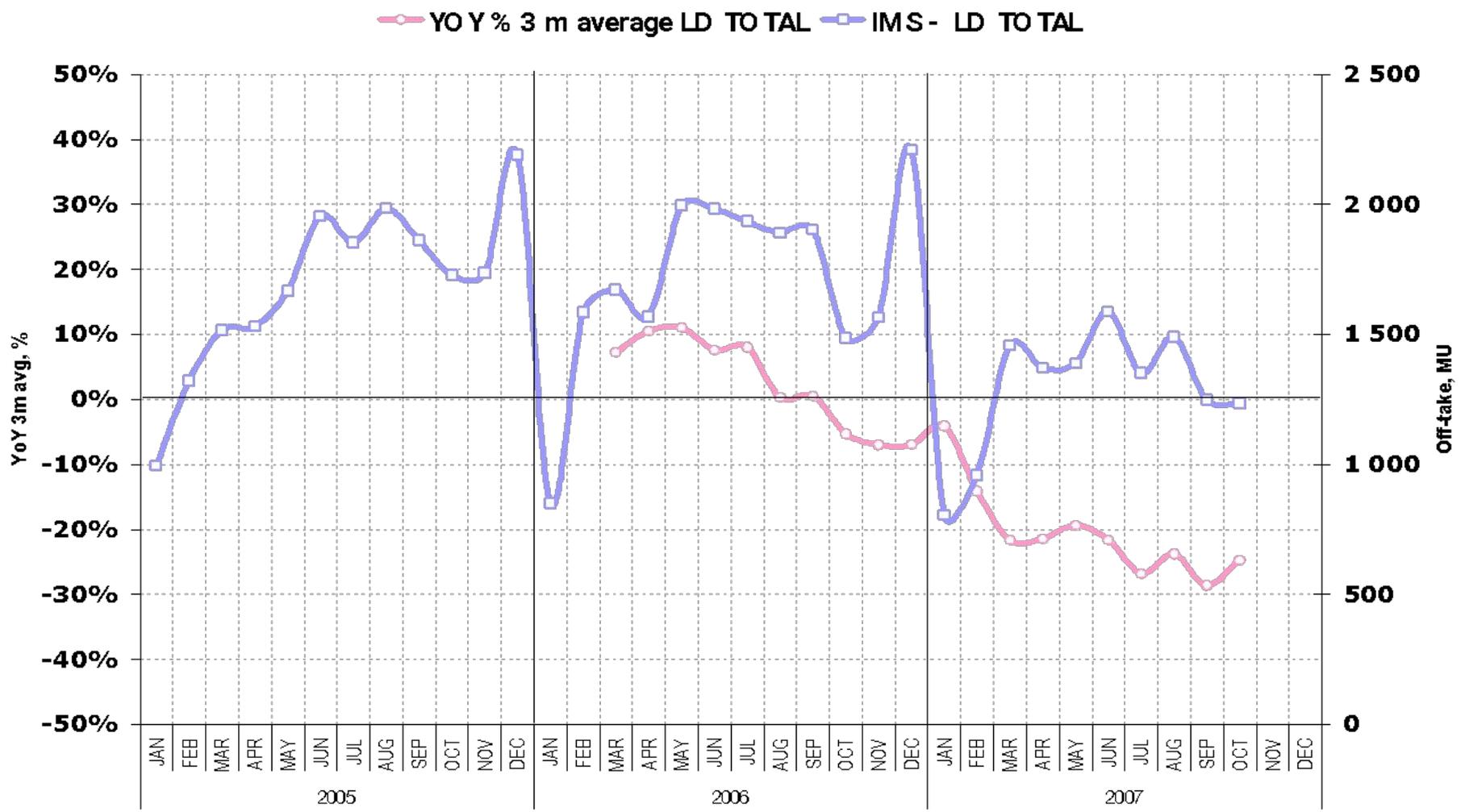
LD Family – Customers' Off-Takes



- Decline of LD family: -24% October YTD YOY
- LD 2007 LE is 14,8 bl sticks, vs 20.6bl in 2006 (-28% YOY)



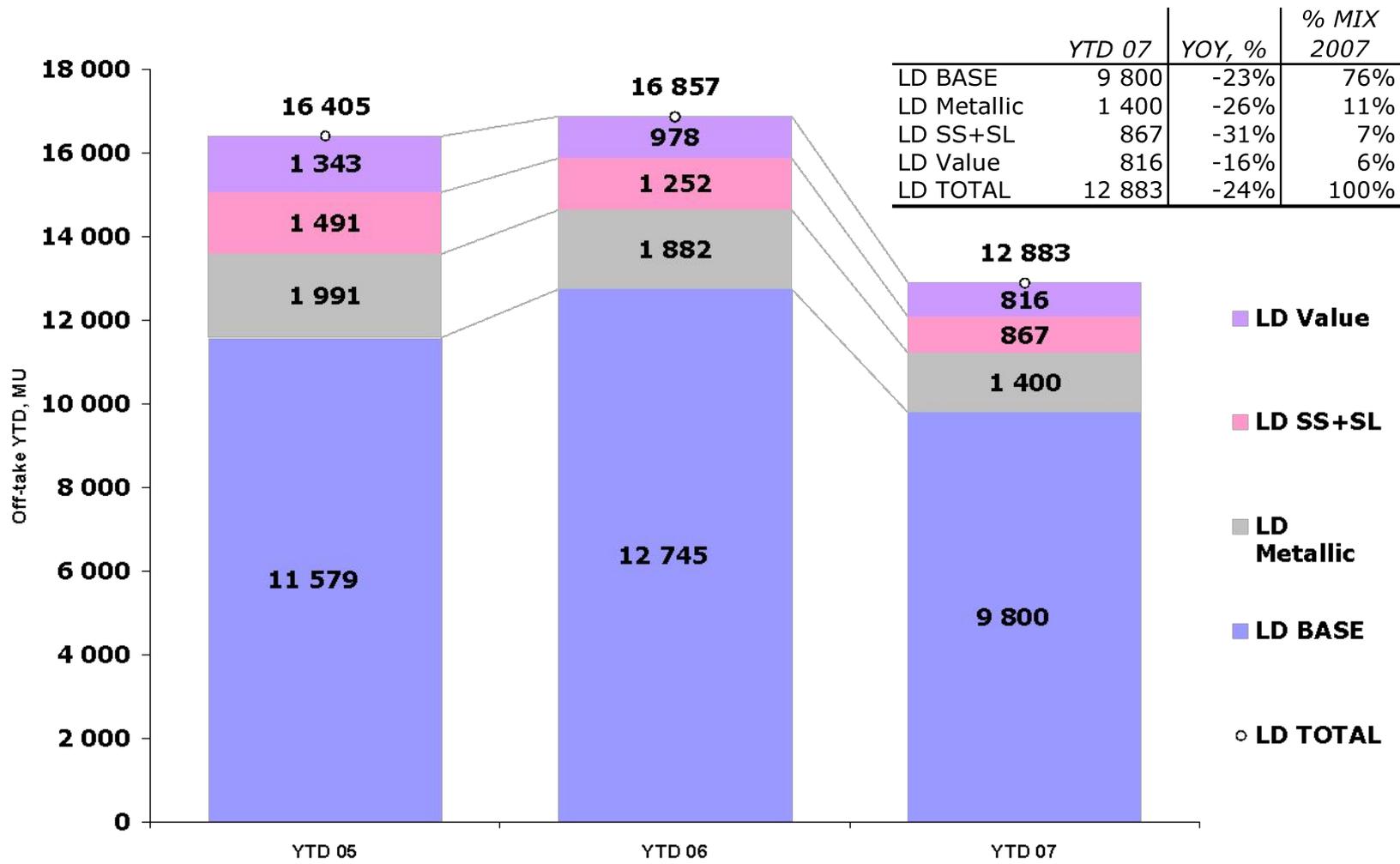
LD Family – Customers' Off-Takes



- Acceleration of the decline over the last 2 years



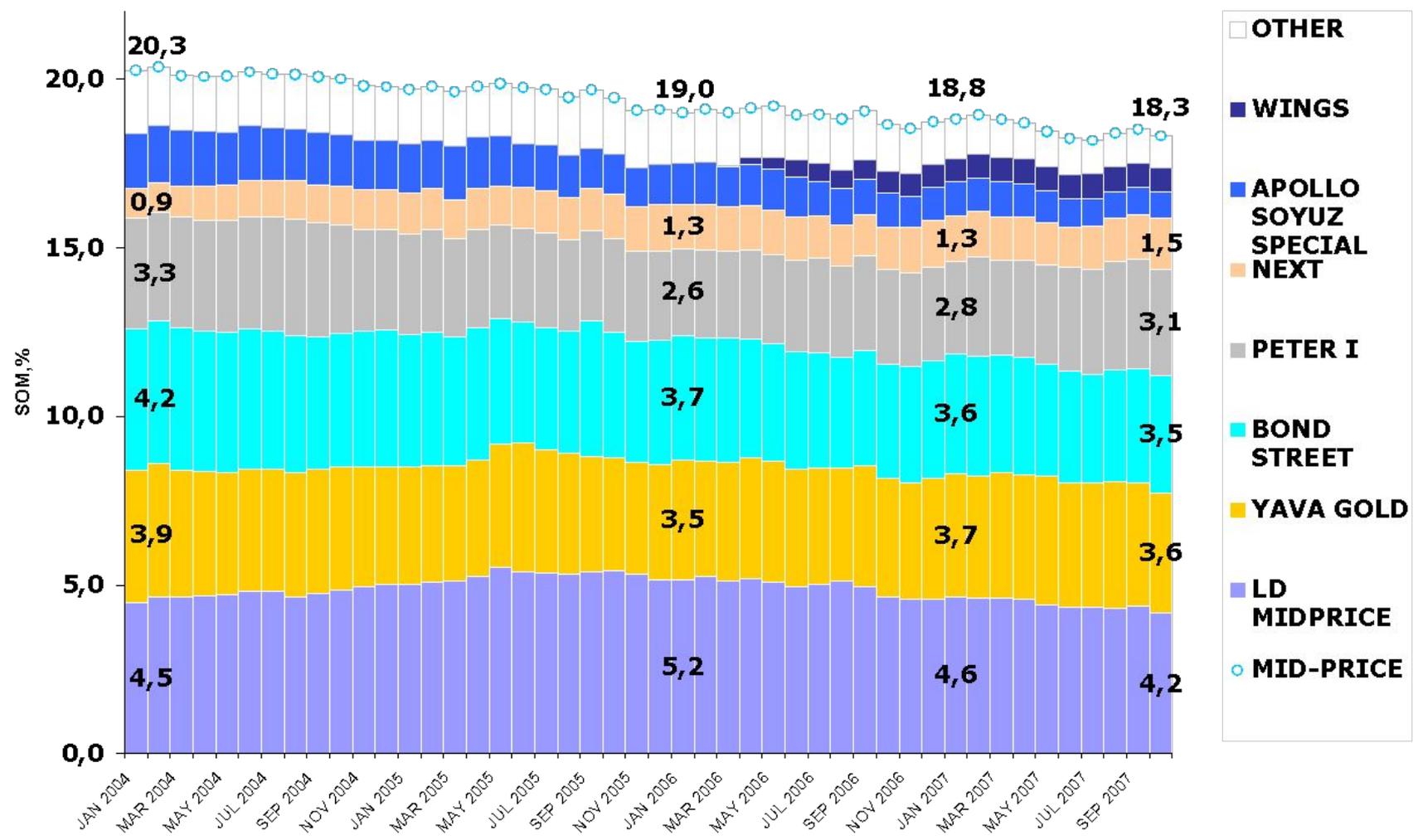
SKU performance – OFF-TAKES/ Oct'07 YTD



- Volume Decline in 2007 across all sub-Families
 - 2007 YTD off-takes @ -24% YOY
 - LD Base decline @ -23% YOY, but largest in absolute terms



LD Mid-Price SOM trend



- LD Mid-Price is a segment leader but under pressure since mid'06
 - YG and Peter I are the only brands with positive long-term dynamics
- If include LD Value, SOM @ 4.4% □ No.4 biggest brand in Russia

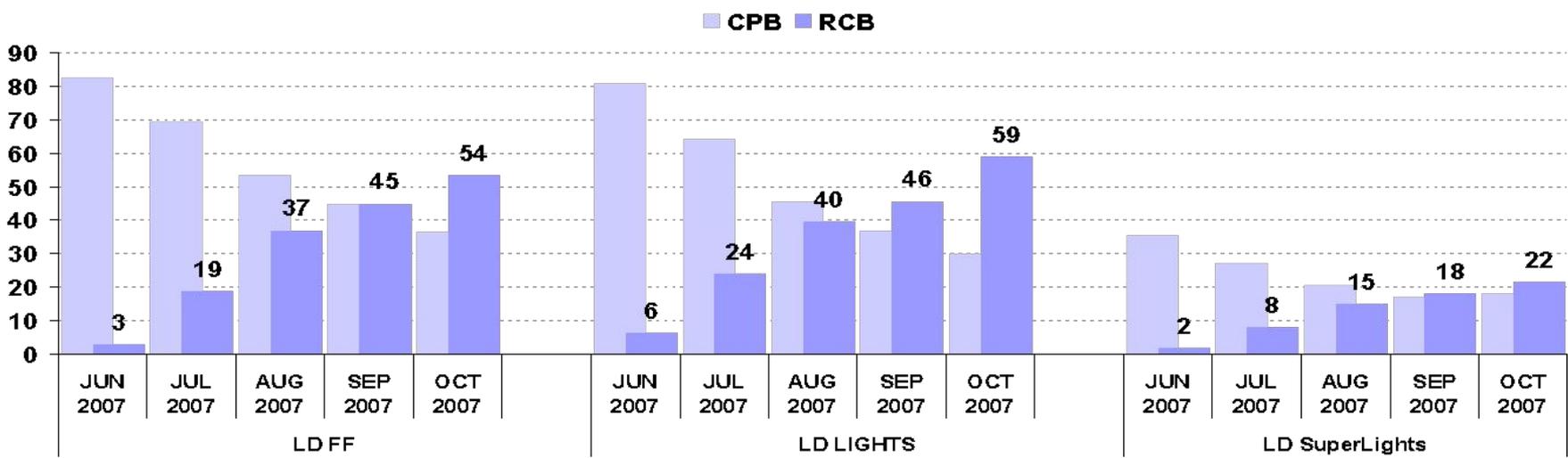
Source: ACNielsen, Oct'07'



LD MP WD trend



	LD MIDPRICE			LD BASE			LD PLATINUM			LD GOLD			LD SUPERSLIMS	
	OCT 2006	OCT 2007	diff pp	OCT 2006	OCT 2007	diff pp	OCT 2006	OCT 2007	diff pp	OCT 2006	OCT 2007	diff pp	OCT 2006	OCT 2007
Urban+Rural	91,1	89,3	-1,8	89,9	87,8	-2,1	31,4	51,6	20,2	27,3	48,2	20,9	NA	40,9
Moscow Area	90,1	91,8	1,7	89,3	90,4	1,2	40,9	75,7	34,8	39,3	73,0	33,7	NA	51,8
Central	97,4	96,4	-0,9	96,6	94,4	-2,1	60,7	71,1	10,4	47,1	63,2	16,2	NA	44,3
North-West	89,2	89,4	0,2	88,4	88,6	0,1	45,5	63,4	17,9	23,9	54,7	30,8	NA	51,1
Volga	92,0	93,0	1,0	91,6	91,7	0,1	49,9	62,0	12,1	35,3	51,6	16,3	NA	46,2
South	96,3	92,6	-3,7	94,0	91,8	-2,2	32,9	47,0	14,1	40,4	60,6	20,2	NA	47,7
Urals	85,4	79,2	-6,2	83,9	73,9	-10,0	25,1	36,7	11,7	14,3	25,0	10,6	NA	31,3
East	97,8	97,0	-0,8	97,7	95,2	-2,4	35,2	71,2	36,0	26,7	56,7	30,0	NA	60,7
Baikal	90,4	92,8	2,4	89,1	90,9	1,8	28,7	63,5	34,7	24,2	54,7	30,5	NA	68,7
Far East	61,9	73,5	11,5	57,1	59,5	2,4	21,7	32,8	11,1	14,4	17,7	3,3	NA	43,0

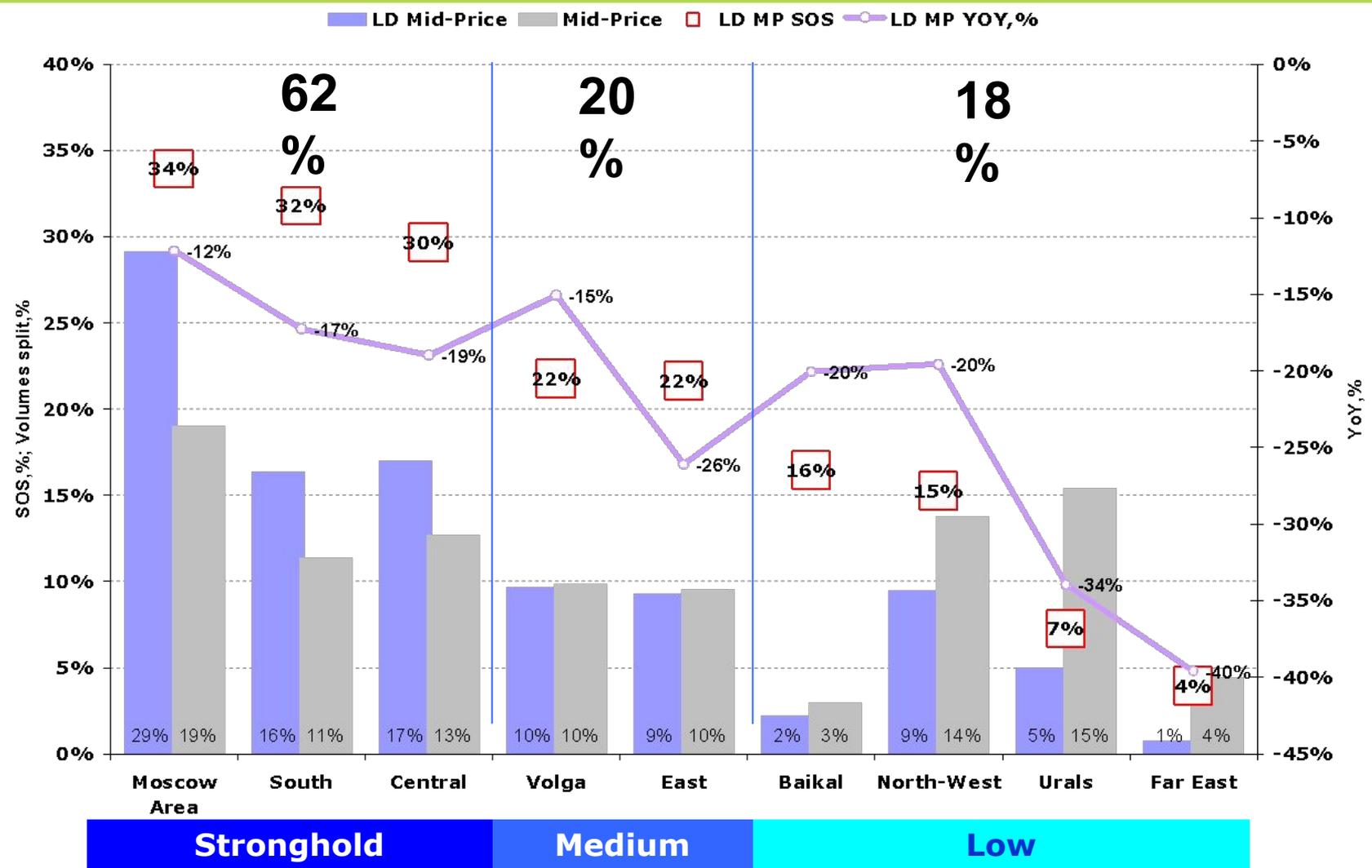


- Small decline of LD MP (within 2 pp) WD due to LD Regular WD
- LD RC distribution building still in progress

Source: ACNielsen, Oct07'



LD Mid-Price Regional Performance

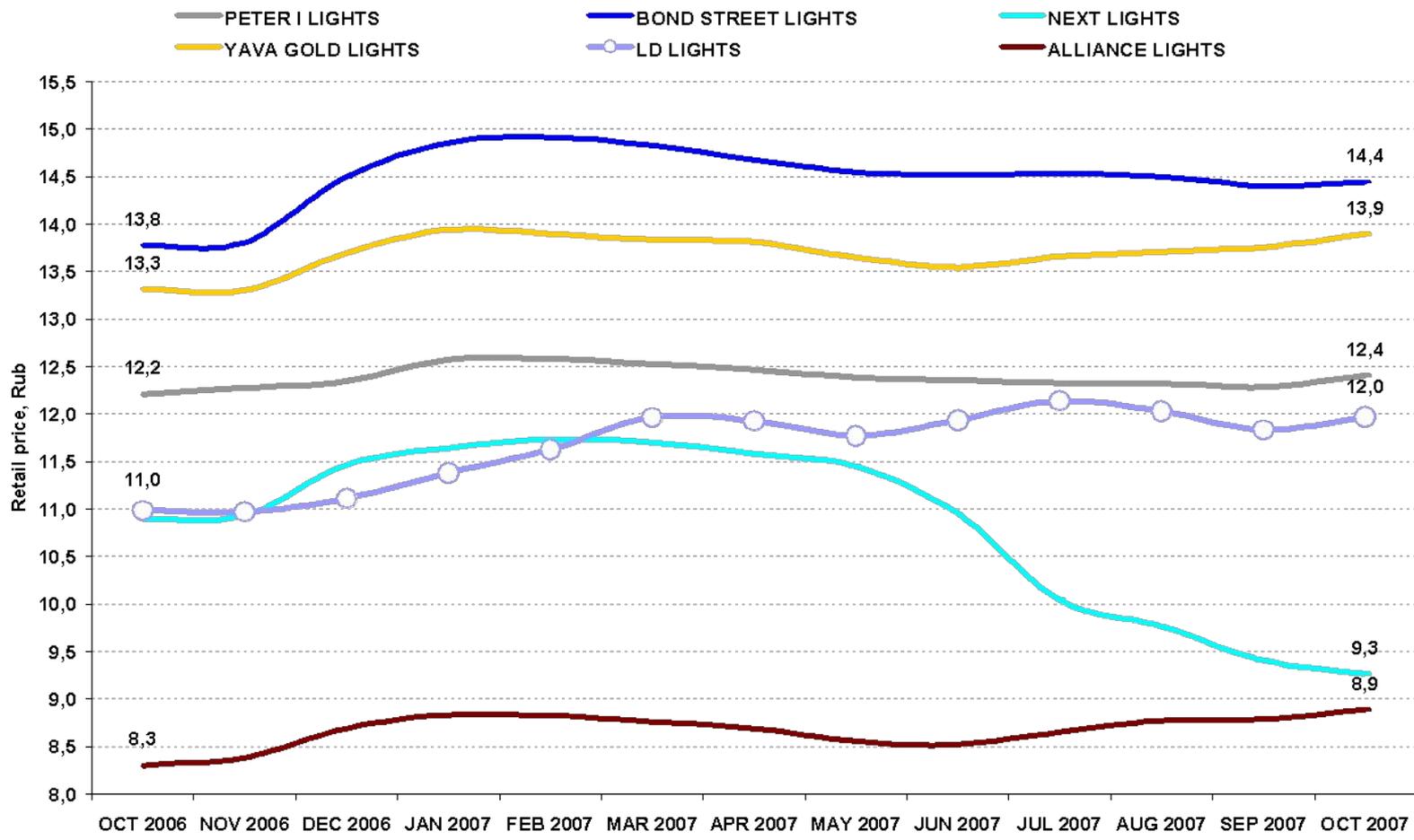


- Highly regional
 - Strong in Moscow, South & Central areas
 - Very weak at Urals and FE
- Decline in all regions, with the strongest decline in weak areas

Source: ACNielsen, Oct'07

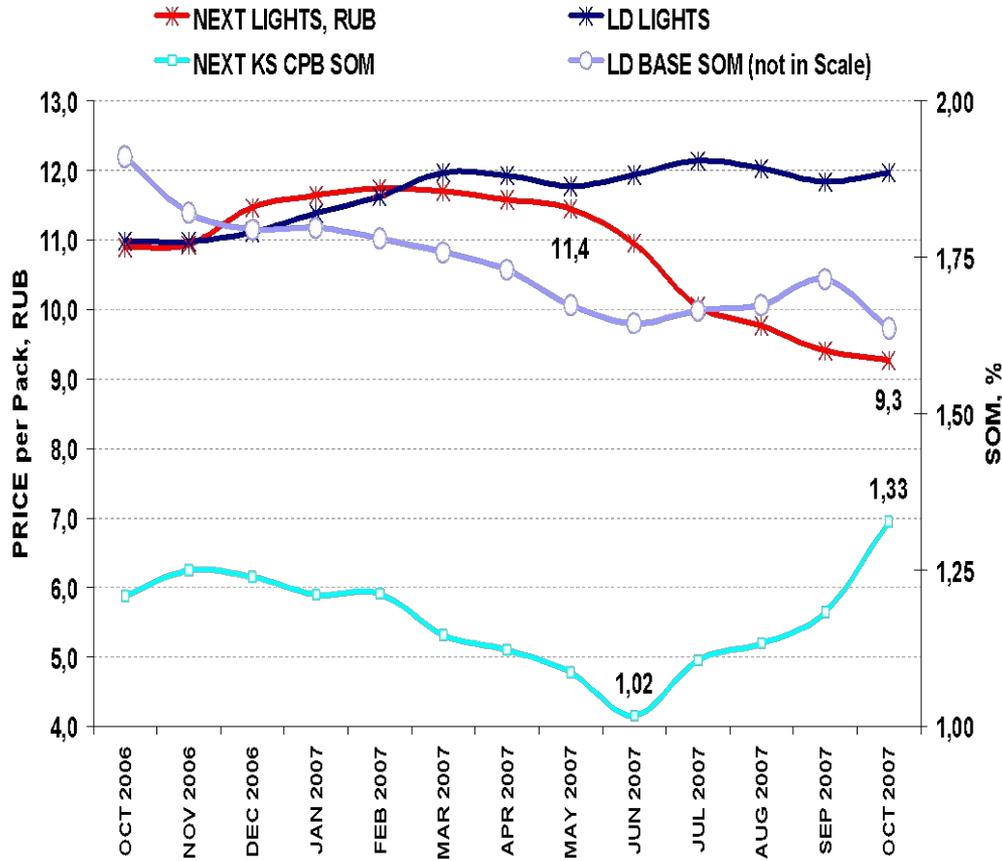


LD Pricing

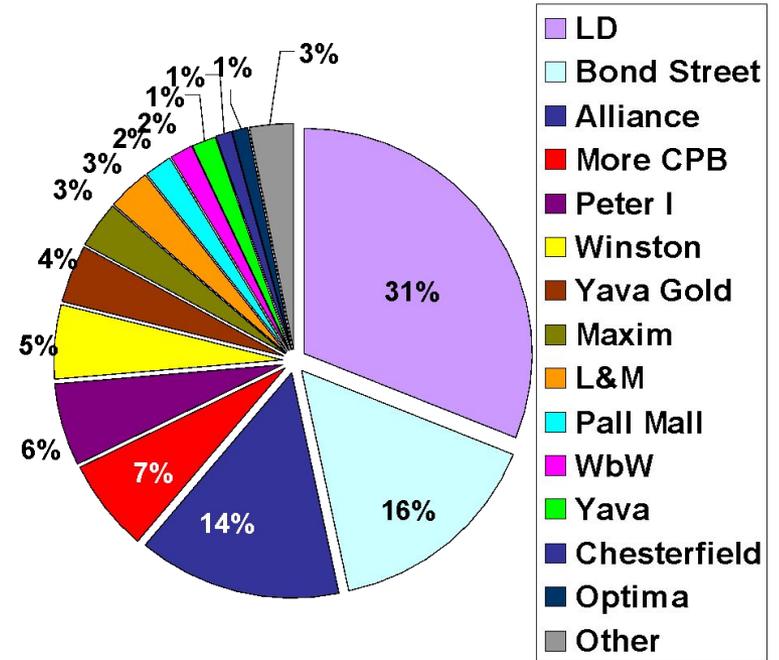


- LD price positioning: low end of MP (12 rbls MRP), after NEXT re-positioning into Value as of Jun'07
 - LD MRP increase in Nov'07 - **12.5 rbls**
 - NEXT performance to be monitored
- Changed relativities to SOB:
 - Wider gap to key Value: Alliance (from 2.7 rbls Oct'06 to 3,1 rbls July) and Yava
- Strong narrowed gap to Peter I from 1.2 rbls Oct'06 to 0.4 rbls

Source: ACNielsen, Oct'07, Urban + Rural



Key SOB for NEXT @ 9 RUR



- Aggressive MRP taken increase, above other MP brands
- Next Repositioning to 9 RUR as of Jun'07 => could potentially escalate the issue
 - New JTI to provide for 50% of possible NEXT gains, LD being at 31%



- No.1 Mid-Price brand and No.4 largest brand in Russia
 - but volume under pressure (-24% Off-Takes Oct YTD'07)



Line Extensions

quality commitment innovation synergy

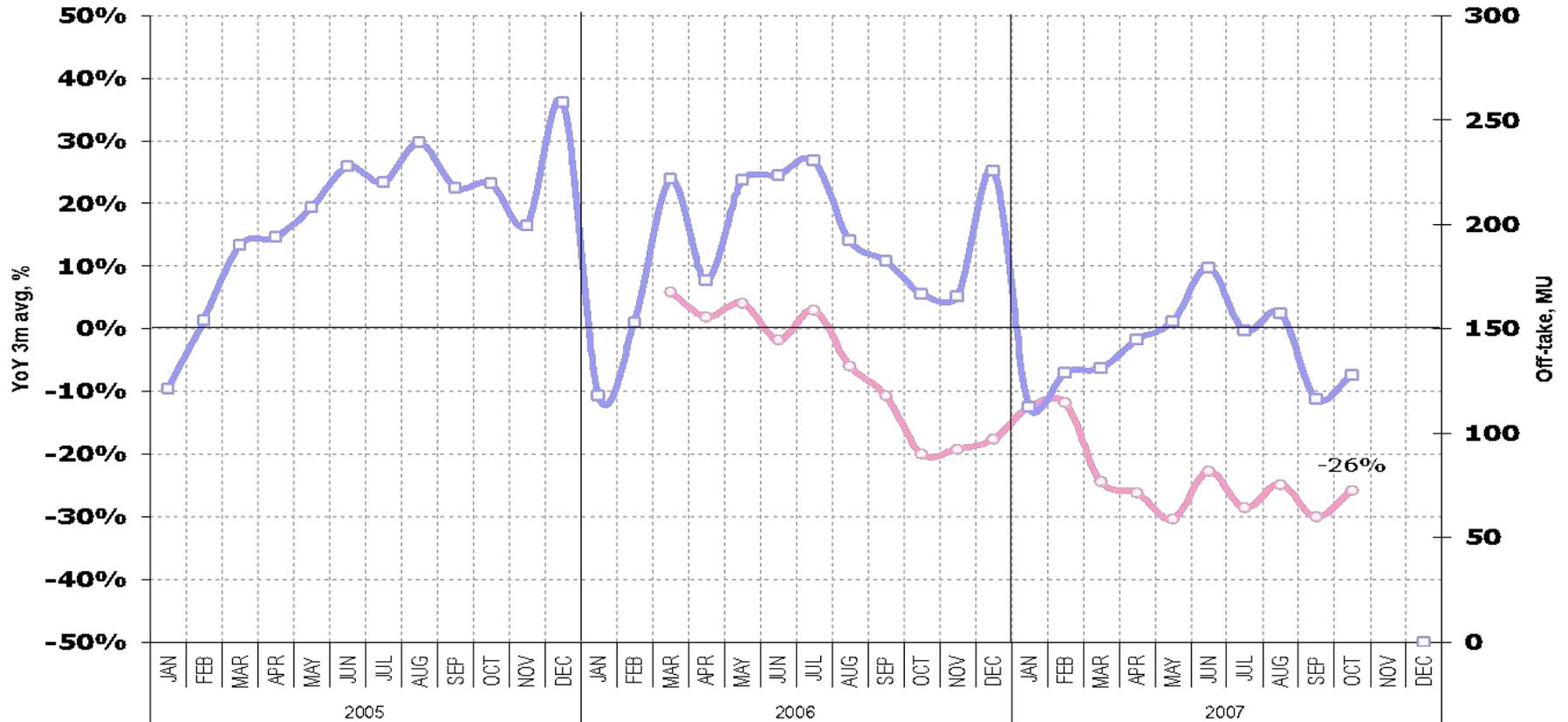




LD Metallic Line – Performance



YOY % 3 m average LD Metallic IMS - Metallic



- Continues decline in 2007, for both lines Gold and Platinum
 - GOLD is on strongest decline (-32% YOY) but still the largest of 3 SKUs
- LD Metallic strong in LD strongholds

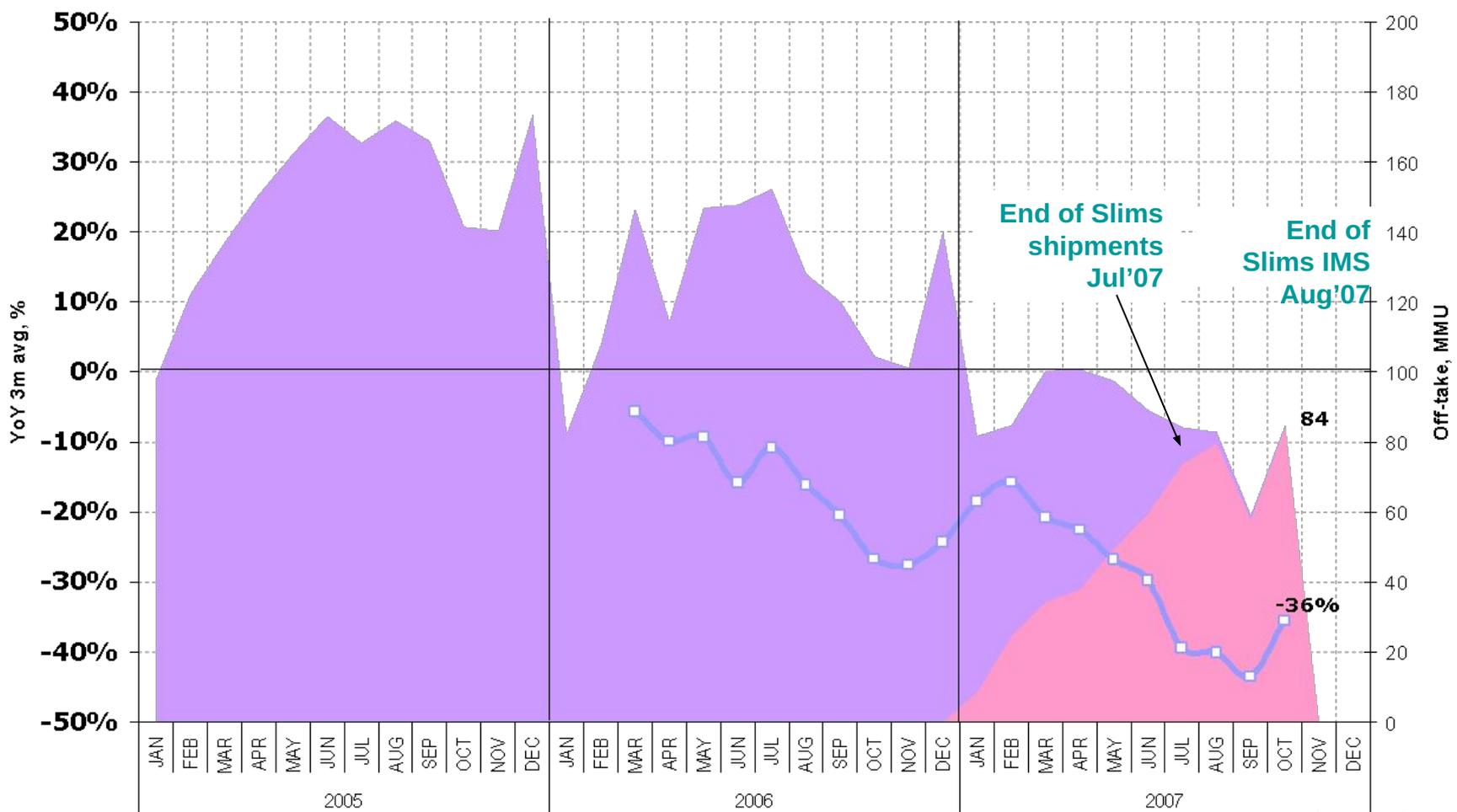
	YTD 06	YTD 07	YOY, %	% MIX 2007
LD Gold	872	593	-32%	42%
LD Platinum	1 010	807	-20%	58%
LD Platinum	538	412	-23%	29%
LD Platinum Li	472	395	-16%	28%
LD Metallic total	1 882	1 400	-26%	



LD SS Line – Performance



IMS - LD SuperSims IMS - LD Slims YOY % 3 m average LD SS+ SL



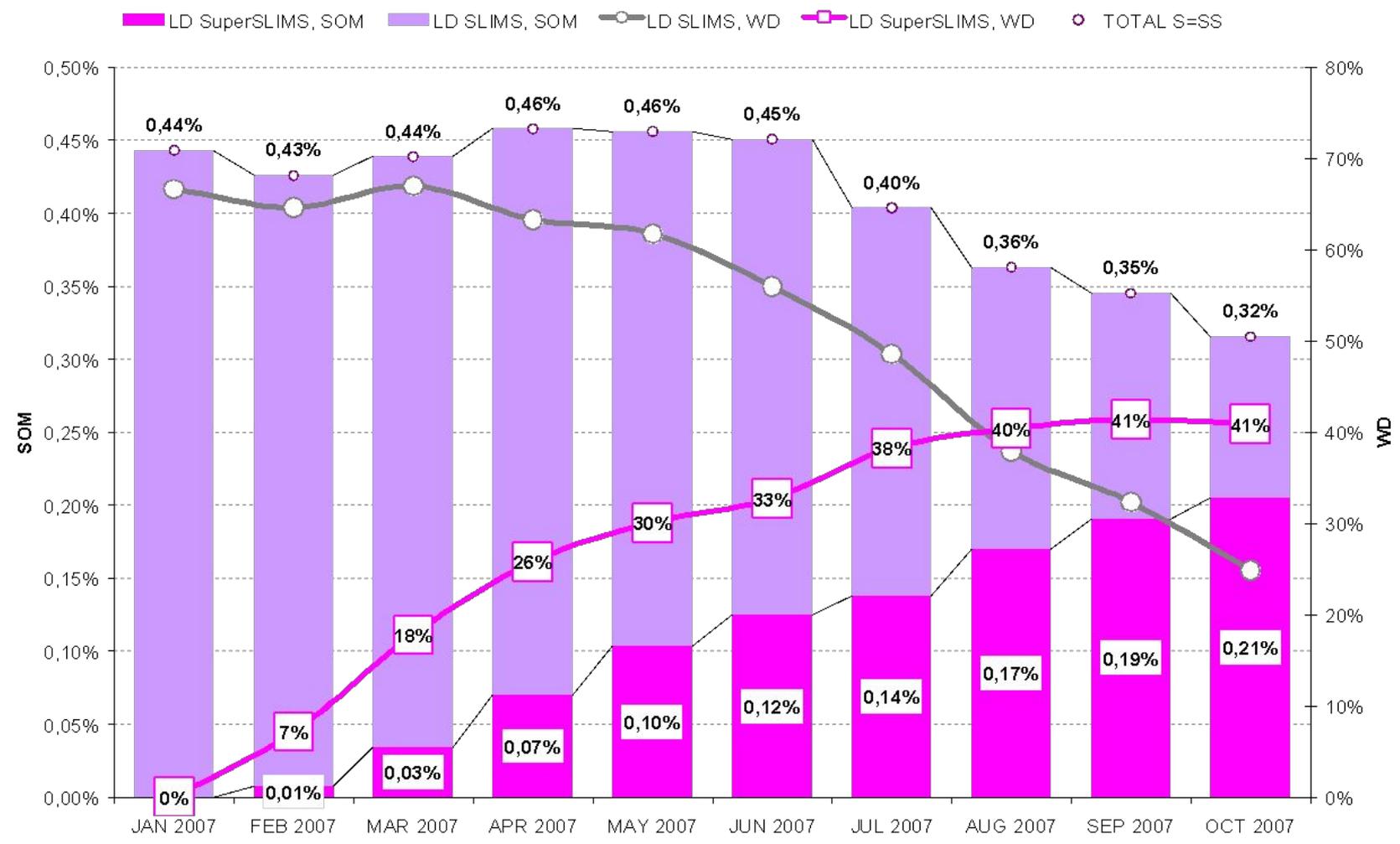
- Replacement of SL is finished
- Acceleration of decline in 2007 □ to be monitored

	YTD 06	YTD 07	YOY, %	% MIX 2007
LD SuperSims		510		59%
LD Slims	1 252	356	-72%	41%
LD S+SS total	1 252	866	-31%	

Source: Megapolis Off-Takes



LD SSLims Line – Performance



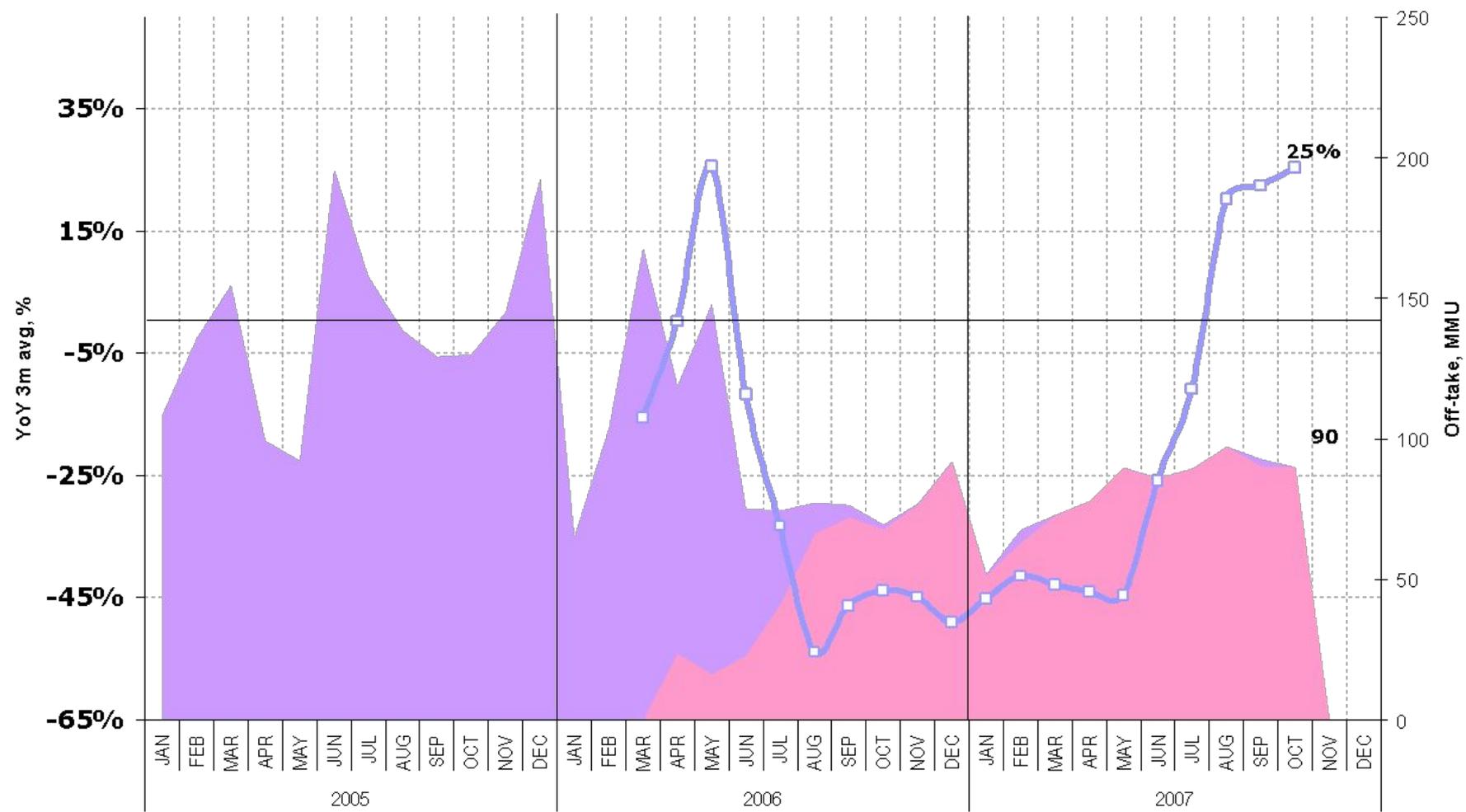
- Promising Start of LD SSL in Retail but unlikely to reach Slims level
 - SOM decline of total sub-family continues
 - Still low in distribution (41%)



LD Standard – Performance up-date



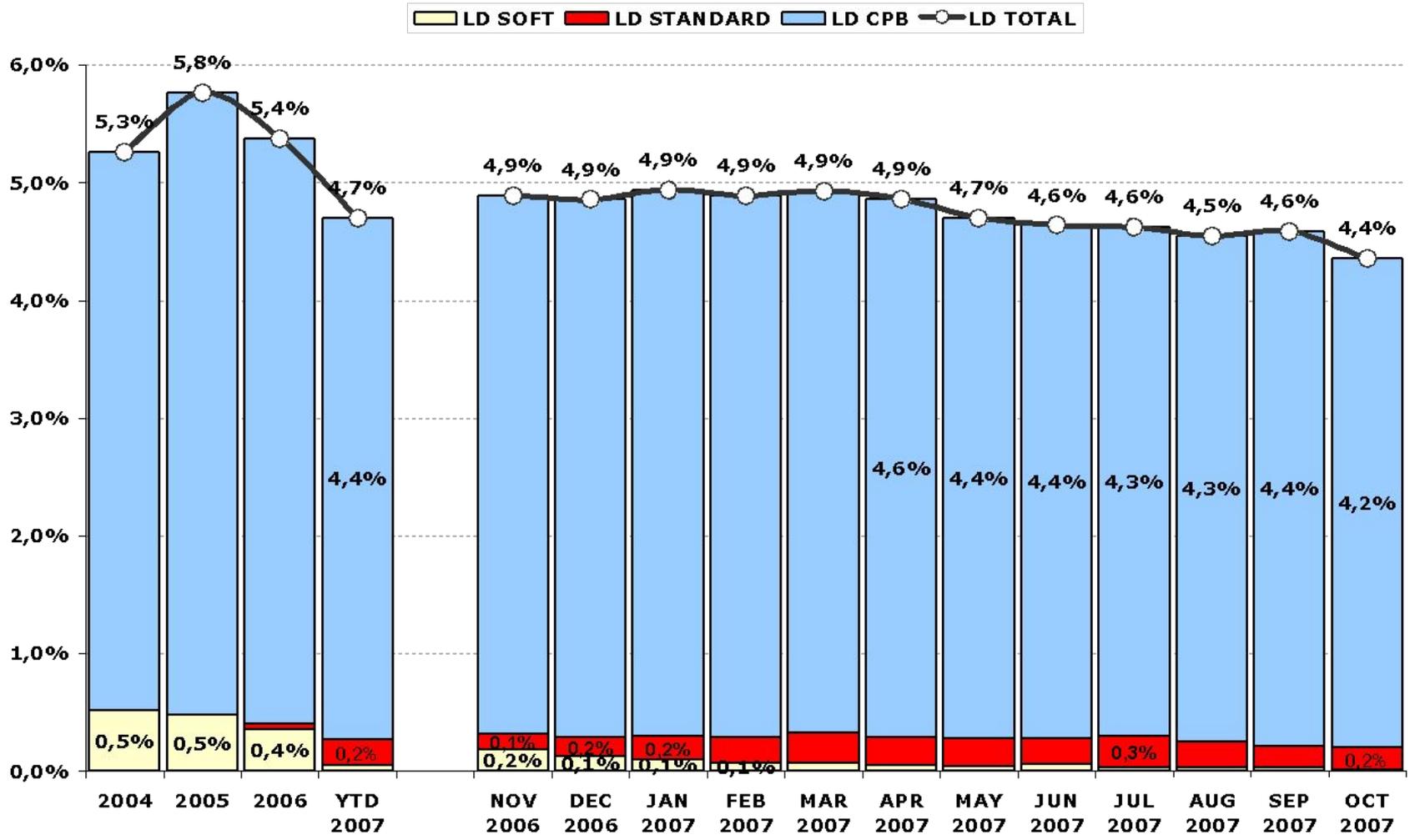
IMS - LD Standard IMS - LD Soft YOY % 3 m average LD Value



- After long decline, LD Value reached the plateau @90 MMU monthly
 - Full replacement of Soft pack is completed
 - Shows some growth YOY in the last 3 months due to the volume drop in the base period'06



LD MP vs Value lines SOM



- LD Standard replacement is completed in retail
 - But SOM dynamics is in line with decline trend of MP sub-families



LD Families Performance Summary



- Appeal of Metallic line is dependent on the LD position in the region
- Promising start of SSL but still decline of the total SS+SSL family over time
- Flat performance of LD Standard after re-launch, with low GM vs other SKUs



Programs Q3'2007

LD

NCP "SUMMER MOTION 2007"

RESULTS

quality commitment innovation synergy





Objectives, GEO, Timing, Mechanics



- Objectives:
 - To support loyalty to the LD brand family / Stimulate Trial and attract new consumers to LD
 - GEO:
 - National, Redemption centers in 70 main ABC cities (except Far East):
- Timing:
 - Jun – Aug - shipments
 - July 02 – Aug 31 – active phase – Redemption centers were available
 - Sep 10 – Oct 03 Grand prize draws
- Mechanics
 - Buy 10 packs of LD with promo OPF
 - Bring 10 OPFs to Redemption center
 - Get participant questionnaire and guaranteed Prize
 - Fill in questionnaire and give back to promoters to participate in Grand Prizes and Automobiles Draw
 - Or
 - Fill in questionnaire and send it to PO box "LD"
 - WIN Grand Prizes or Automobiles

Guaranteed



Grand Prizes

- Total number of prizes
 - Guaranteed Prize – 1 200,000
 - Grand Prizes – 60
 - Automobiles - 15



15 Opel Zafira



Communication Support



- Pre-printed OPF



- POSM (for retail outlets + KRA outlets equipment + X5 retail group equipment)

- 1-2-1

- fGLH CCC promoters have been announcing the program within the booth dedicated to LD only (2 weeks)
- During promo f JTI CCC promoters have been announcing the program within standard matrix and fGLH promoters during work in Redemption centers

- Hot Line

- 8 800 200 02 03 was available from 04 Jun till 15 Oct

- WEB

- The web site dedicated to the program has been created at www.ld-game.ru and www.ldgame.ru

- Press

- 16 national issues, 61 publication

- Metro

- Moscow, St.Petersburg, Yekaterinburg, Novosibirsk, Samara – July-August (2 months)

- RWS

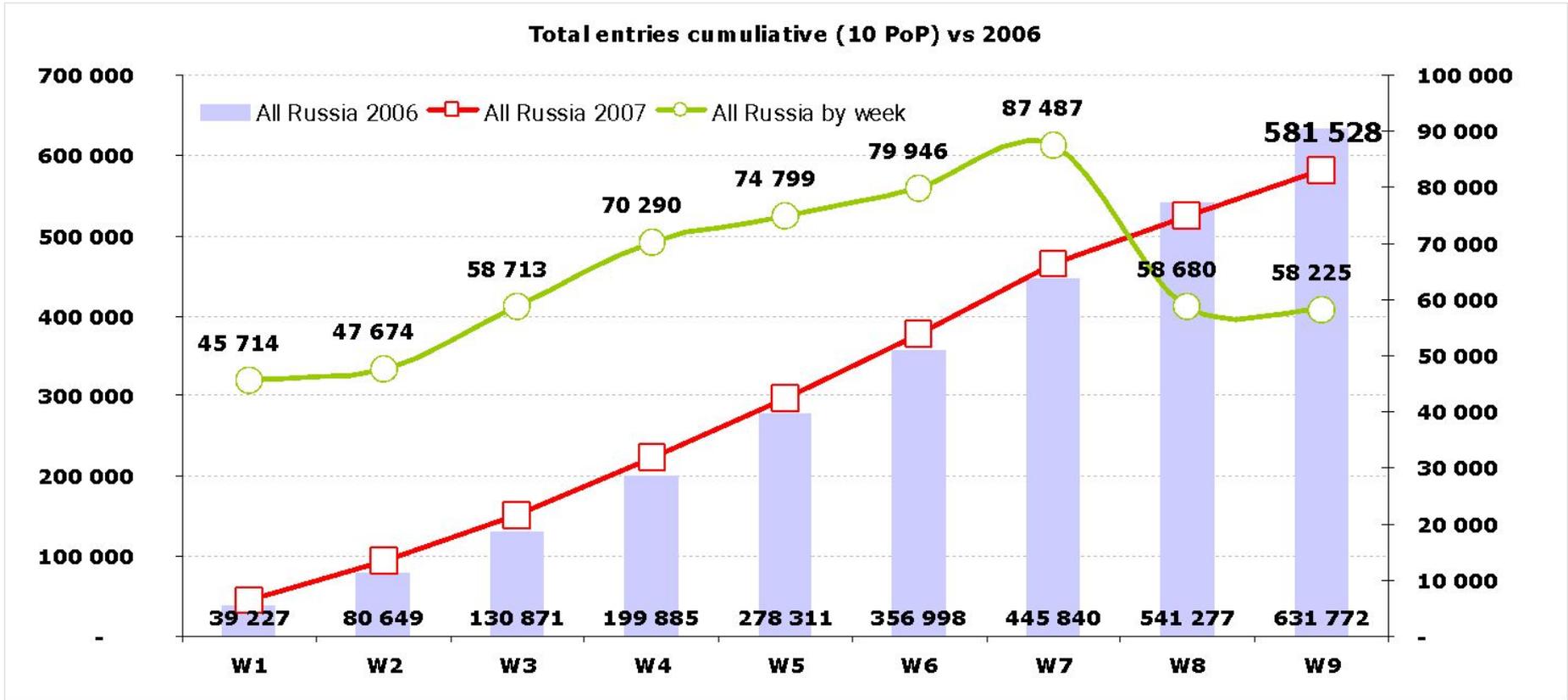
- Moscow and St.Petersburg - July-August (2 months)

- Direct Mail

- Direct mailing announcing Promo to 312 M participants of 2005 LD promo



МИНДРАВСОЦРАЗВИТИЯ РОССИИ ПРЕДУПРЕЖДАЕТ:
КУРЕНИЕ ВРЕДИТ ВАШЕМУ ЗДОРОВЬЮ



- The Overall result was in line with 2006 Y results
- Weekly number of entries has been growing from week 1 to week 7 with 10% growth every week in average (same as 2006)
- Promo duration 9 wks vs. 14 in 2006



Results - Hard KPI's vs. other JTI NCP's



2006 programs	Wi FT'06	PI "Win a flat" 2006	RS "Noble companion"	Ca C&G 2 waves	M7C&G 3 waves	CCC 2006 total
Objectives	Retention Conversion	Retention Conversion	Retention Conversion	Conversion Trial	Trial Conversion	Trial Conversion
Participants**	432 919	240 000	54 769	92 184	70 520	4 376 390
Redeemed POP's	11 436 214	9 342 000	2 333 404	1 308 851	380 228	14 743 758
Program Investment (net ATL)	\$4 175 000	\$2 819 000	\$1 384 000	\$2 857 000	\$1 605 638	\$6 613 000
Invested/participant	\$10	\$12	\$25	\$31	\$23	\$2
Invested/POP	\$0,37	\$0,30	\$0,59	\$2,18	\$4,22	\$0,45
POP/participant	26	39	43	14	5	3
Redemption rate (POP's)	4,0%	3,8%	9,3%	16,7%	7,3%	

	LD Summer Motion
Objectives	Retention/ Conversion
Participants	n/a (200 000*)
Redeemed POP's,	6 010 528
Program Investment (net ATL)	3 542 867
Invested/ participant	17,7\$*
Invested/ POP	0,59\$
POP/ participant	30*
Redemption rate	3,9%

* - assumption based on previous years results

- Average industry redemption rate 4% achieved;
- Investment/POP for retention programs (0,30-0,60\$/POP) is at par with CCC (0,45\$/POP);

- Program targets (1 200 000 entries) were too optimistic/ over-estimated
- Free of charge SMS (instant win mechanics) is one of the key attractions, making enter easier for SOB
- Optimal length of retention-aimed program is close to 12-15 weeks (3-4 mnths); shorter then that working towards only trial

RECOMMENDATION:

- Exploit current promo mechanics further considering key learnings and research findings
 - Period of the program 3 months to ensure continuous retention and conversion
 - Free SMS as the key registration channel
 - Visual Execution should be perfect and in-line with Image communication



Programs Q4'2007

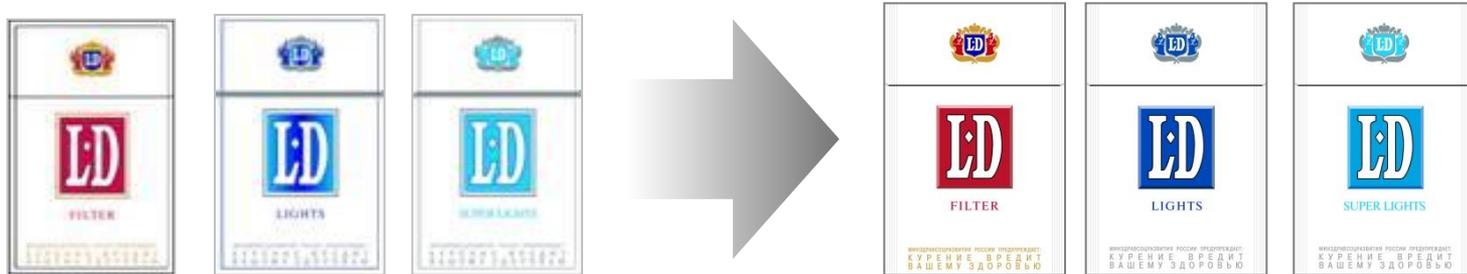
LD Round corner re-launch

Nov-Dec'07

quality commitment innovation synergy



- Packaging Change of LD Base family
 1. **RC Format:** from CPB to Round-Corners
 2. **Minor design fine-tuning:** Logo clean-up, logo colors fine-tune, whiter background



- LD Round corner launch support Nov-Dec'07
 - Shipments of non-promo RC product as of Aug 2007 (varies by SKU / region)
 - Announcement campaign in Press, Metro, POSM
 - **BTL support: CCC, 1-2-1 GWP in retail**



- Awareness/ image

- Press: mass press with high coverage, 34% TA Coverage (3+), JAN-FEB'08 – TBC
- 32 issues (Za rulem, Antenna, KP, Avtomir etc.)
- Budget: 400 M USD



18+ МИНЗДРАВСОЦРАЗВИТИЯ РОССИИ ПРЕДУПРЕЖДАЕТ: КУРЕНИЕ ВРЕДИТ ВАШЕМУ ЗДОРОВЬЮ

- Metro in 7 cities, Nov'07 + Dec'07 (Moscow, St.Petersburg, Yekaterinburg, Novosibirsk, Nizhniy Novgorod, Samara, Kazan), JAN-FEB'08 (MOW, STP) – TBC
- 337 sides Nov'07 and 391 sides in Dec'07
- Budget: 550 M USD

- Retail Visibility

- Dominant Visibility flight:
- Multi Facings;
- POSMs
- Full new JTI coverage
- Cycle from Nov'07 to Feb'08
- Branded Displays in mass KRA «Pyaterochka»

- Retention/ Conversion

- CCC 1-2-1, GWP in main ABC stratum cities (37)
 - Target: 1/ LD SOB; 2/ franchise
 - Target contacts: 427 000



Retail Visibility materials

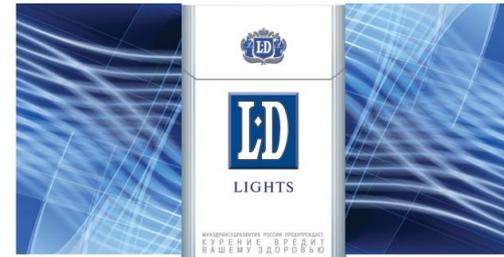


accent 110x87



MINZDRAVSOЦРАЗVITIA POCЦИИ ПPEДYПPEЖДАET: KYPENIE BPEДИT BАШEМУ ЗДOPOБЬЮ

accent 220x87



Mini display



Mobile hard poster

• Retail Visibility

- Dominant Visibility flight: Multi Facings; POSMs
- Nov'07 to Feb'08
- Branded Displays in mass KRA «Pyaterochka»

- CCC 1-2-1, GWP in main ABC stratum cities
- Target: 1/ LD SOB; 2/ franchise
- Target contacts: 427 000 (NOV'07 – MAR'08)
- Target contacts for NOV'07 – DEC'07 = 200 000

Conversion pattern



gift x 2 packs

gift x 10 packs



1 pack free x 3 packs



1 carton free x 1 carton
(only for period 17.12.2007 – 28.12.2007)



2008 Brand Objectives and Support

quality commitment innovation synergy



Objective:

- Consolidate the dominant position in Mid-Price to fuel Winston Growth
- **Fix the Structure** □ **achieve superior performance of all Product mix elements**
 - Packaging Up-grade: RC on the market; further evaluation – during Brand Audit
 - Product improvement
 - Pricing
- **Maximize potential of Brand extensions** □ **TBC based on brand Audit**
 - Leverage on Premium profile of LD Gold, Platinum, S. Slims
 - Assess role of LD Standard
- **Rejuvenate Brand Image with relevant TTL**
 - Further evolve brand image



Key LD Brand Initiatives 2007-08



1. LD Barrier-to-Entry Brand assessment

- o Results on **Dec 18, 2007**

2. LD BASE brand Mix Re-development:

1. Product re-development

- o Stage 1. Blend Fine-tuning towards smoother cleaner taste IMPLEMENTED
- o **Stage 2. New blend development – PAM test – AA3 is in progress**

2. New communication development & Packaging modification / re-design

- o Pending Brand Assessment results
- o Both to be ready by Q3'08

Full brand Mix re-launch – as of Q3 2008 on the market

	2007		2008			
	Q3	Q4	Q1	Q2	Q3	Q4
LD Brand Assessment study		◆				
Communication Development			◆		◆	
Packaging Fine-Tuning			◆		◆	
Product development	◆	◆	◆		◆	

- ◆ Research
- ◆ Market Launch



		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PILLAR PROJECTS	New LAUNCH	ROUND CORNER launch / cont			Product Change (tbc)					Brand Launch (TBC) / SS Violet Launch (tbc)			
	SUPPORT focus				National Consumer Promo								

SUPPORT PROJECTS	RETENTION / CONVERSION			NATIONAL CONSUMER PROMO										
		CCC			CCC program					CCC				
		Value Conversion project			Value Conversion project							Value Conversion		
					DM to Value SOB									
	IMAGE	RETAIL VISIBILITY			RETAIL VISIBILITY					RETAIL VISIBILITY				
			PRESS		PRESS / PR			PRESS						
			Metro		Metro / Railway			Metro						

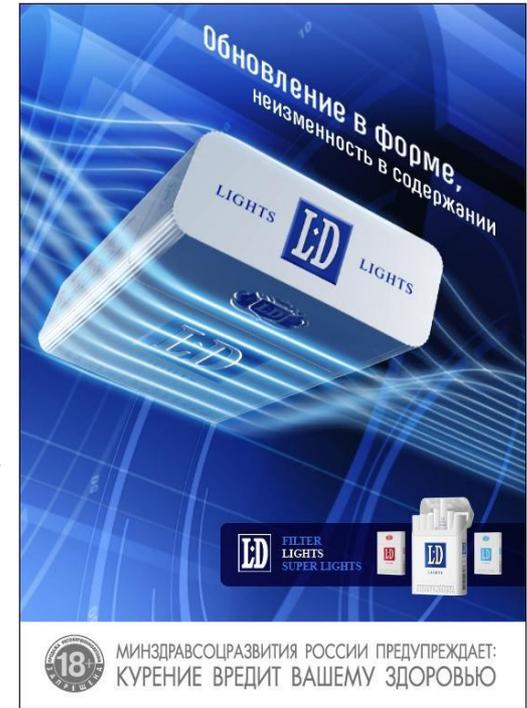
- Maximize the investments behind BTL programs
 - Franchise Retention
 - Conversion of SOB Value smokers
 - Maximizing SS development

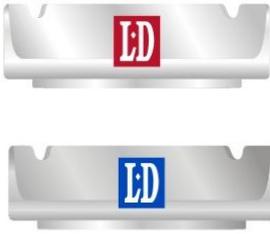
- 3 Support cycles are planned
 - Nov'07 – Feb'08: Round-Corner launch support (cont from Q4'07)
 - March-Jun'08: Retention NCP program
 - Sept – Nov'07: LD Base Brand Re-launch

Round-Corner launch Support – 2nd Follow-up flight

Support OBJECTIVE: to drive the awareness of LD Base Round Corner pack, to enhance the LD Quality perception

- Retail Visibility: Continuity of the Nov'07 to Feb'08 cycle
 - National coverage / All JTI universe
 - POSM / Multi-Facings
- Press / Metro / (Feb'08): 2nd flight of ROUND CORNER ANNOUNCEMENT
 - Press: National Mass titles with Male audience
 - Metro: 7 largest cities
 - **Visual: the same as in NOV-DEC'07**
- CCC: Round Corner announcement and conversion amongst franchise and SOB smokers
 - Standard mechanics: GWP for 2-5-10- packs
 - Switching Pattern: Male Value & MP SOB smokers LD Base; Female Value & MP SOB smokers LD SS; if SS is rejected, LD Base Franchise LD Base Retention offer;
 - GEO: all CCC cities with focus on Strongholds
 - Timings: Jan'07 – Feb'08



Brand	1 pack	2 packs	3 packs	5 packs	10 packs
LD KS	 <p data-bbox="311 634 446 668">Matches</p>	 <p data-bbox="595 648 884 682">Lighter with torch</p>	 <p data-bbox="996 648 1161 682">Free pack</p>	 <p data-bbox="1329 648 1470 682">Ash tray</p>	 <p data-bbox="1773 662 1843 696">Mug</p>
LD SS	 <p data-bbox="324 1056 459 1090">Matches</p>	 <p data-bbox="680 1053 795 1088">Lighter</p>	 <p data-bbox="996 1053 1161 1088">Free pack</p>	 <p data-bbox="1317 1053 1456 1088">Ash tray</p>	 <p data-bbox="1684 1053 1754 1088">Mug</p>

- CCC mechanics and gifts
 - Gifts for Jan-Mar'08

1st draft of RC announcement insertValue Conversion Program (delayed due to production)**Objective:** drive the conversion from Value brand (key LD SOB) into LD Base

- 3 cycles (in line with Brand support cycles):
 - Jan-Feb'08: RC announcement **(delayed)**
 - Objective: LD Base Round Corner pack up-grade announcement; Confirmation of Product invariable quality

1/ GLH Value brands: In-pack inserts with LD info into all GLH Value brands (LD Std + St.George / Troyka / others)

- Rationale: 1/ GLH Value brands are key LD SOB;
- 2/ Value brand smokers trust their brand manufacturer
- Program will look like “News” from Liggett-Ducat factory

2/ non-GLH Value brands:

- CCC amongst Values smokers with Brand info / GWP



National Consumer Promotion

Objective: Franchise retention and SOB conversion (Value and MP)

- Timings:
 - Shipments Apr 2008
 - Promo participation May – July 2008

- Mechanics: Deco Pack with on-pack Promo announcement
 - Concept / Mechanics: tbd – briefing process is started
 - Promo Offer in all LD Mid-Price, but not Std

- Support at:
 - Retail Visibility: national coverage
 - CCC: NCP info to SOB Value smokers
 - Info In-Pack insert in GLH Value brand (announcement only)
 - Direct Mail to Value SOB smokers (LD DB) – appr 50'000 smokers
 - Press announcement / post-PR: mass press announcements

- Current status
 - In development (agencies have been briefed)
 - To be finalized in Dec'07



LD Super Slims Awareness / conversion drive

- **Objective:** to establish the LD SSL as the primary choice for MP / Value female smokers
 - Programs may be corrected based on results of LD SS mix relevance assessment in Brand Audit

1/ LD SS Pink Awareness and Image build-up amongst MP + Value SSL smokes

- Timings: Feb-March 2007
- PRESS Support in National Mass female titles
 - **Visual: TBC**
 - Feb – Mar'08 (Women's Day flight)
- CCC amongst Value / MP female smokers