



PHILIP MORRIS
INTERNATIONAL

2014
INVESTOR DAY

Investor Day – Marketing & Sales Lausanne, June 26, 2014

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Senior Vice President, Marketing & Sales

Philip Morris International



Agenda

- Core Brand Portfolio:
 - *Marlboro Brand Family:*
 - *Marlboro Flavor*
 - *Marlboro Gold*
 - *Marlboro Fresh*
 - *Parliament*
 - *L&M*
 - *Chesterfield*
- Commercial Approach

2013 Tobacco Industry^(a)



Volume (units billion):	3,055	155	10	19	
CAGR 2009-2013:	(2)%	4%	4%	4%	
Retail Value (\$ billion)	409	21	3	3	2
CAGR 2009-2013:	5%	13%	2%	– %	45%

(a) Excluding China, the USA and duty free

(b) Excluding chewing tobacco in India, accounting for approximately 550 billion cigarette equivalents in 2012

(c) Growth rate refers to CAGR 2010-2013

Note: CAGR data is in constant currency. Volumes expressed are in cigarette equivalents. Data excludes bidis in India, Pakistan and Bangladesh

Source: PMI estimates, Industry Profitability Analysis 2013, Euromonitor and Kaiser Associates research



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PMI: Superior Brand Portfolio

International

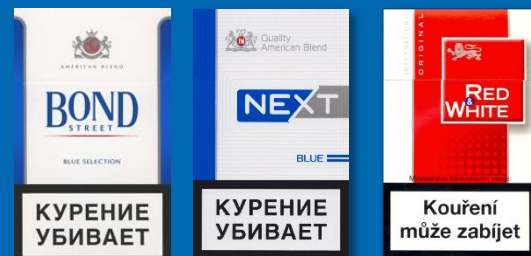
Premium &
Above



Mid-Price



Low-Price



Local Heritage

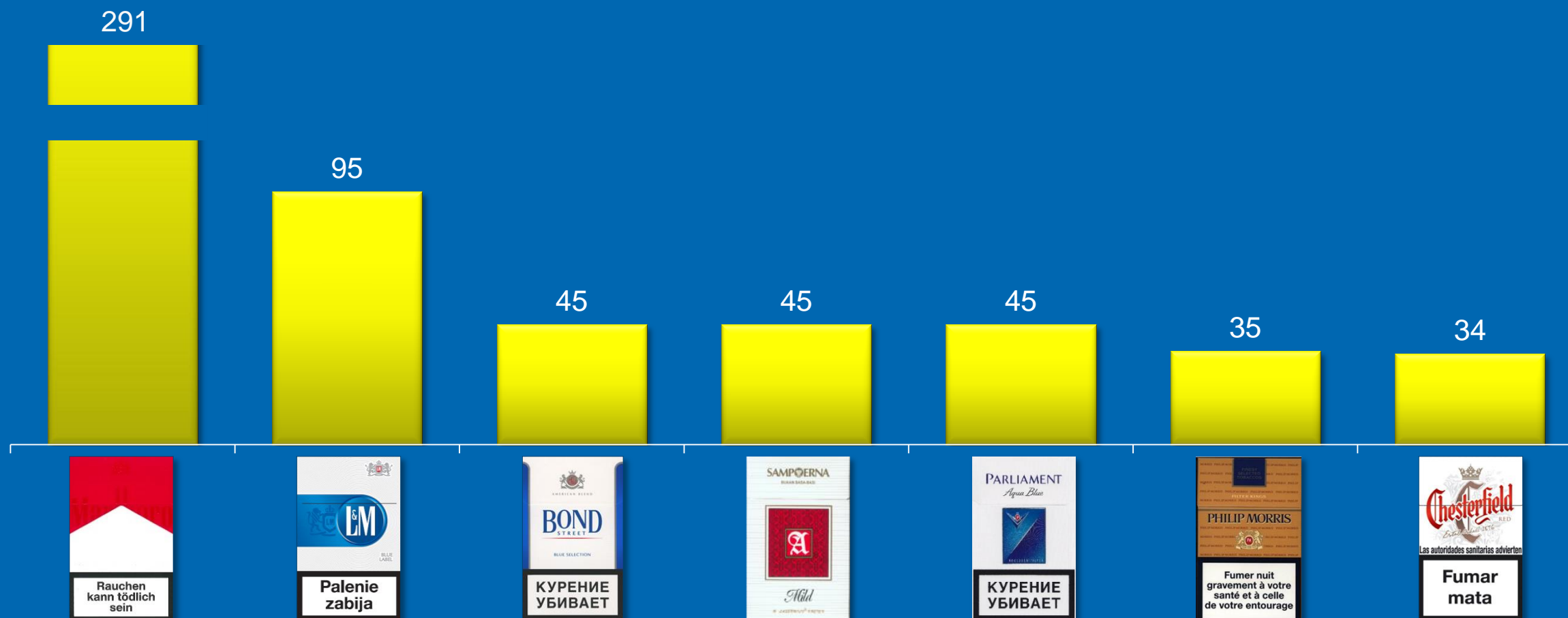




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PMI Top Cigarette Brands (2013)

(units billion)



Note: Excluding Chinese brands
Source: PMI Financials



Key Emerging Product Trends

- Lighter and smoother tasting products
- Slimmer diameters
- Fresher / less lingering aftertaste
- Ability to vary the nature and taste intensity of the smoking experience on demand



Industry product innovation significantly accelerated



Key Taste / Format Segment Dynamics^(a)

International Industry: Segments Shares of Market (%)



(a) Excluding China, the USA and duty free , historical view

(b) Includes lights, ultra lights and super lights

(c) Includes slim, extra slim, super slim and micro slim

Source: PMI estimates



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Key PMI Portfolio Priorities

- Continuously strengthen the equity of our brands
- Increase our share in all growing segments
- Strive for the right balance between supporting the core and innovation
- Leverage new touch points and channels opened by the commercial approach

Global Innovation Corridors to Address Evolving Preferences of Adult Smokers



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- Taste Smoothness:

- Lighter, more rounded taste and smoking experience
- No lingering aftertaste / bitterness



- Fresh Taste Dimensions:

- Different intensities and varieties of menthol
- Capsules and other means to customize the taste experience



- Ego-Social Friendly:

- Minimizing unpleasant smoke odor
- Easy to stub out



- Eco:

- Additive free tobacco blends
- Environmentally friendlier materials
- Authentic tobacco taste
- Sustainability



Optimized Innovation Process

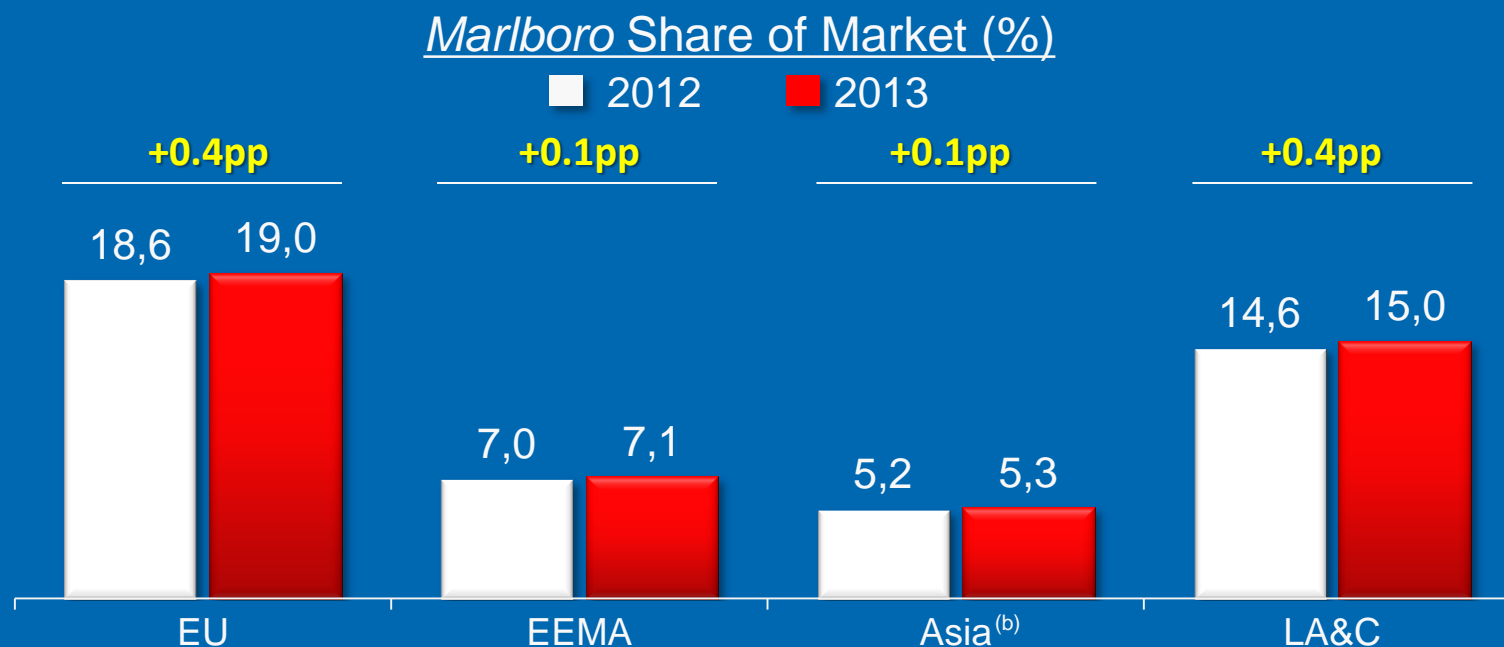
- Focus on sustainable and rapidly scalable new product launches
- Enhance support behind core variants
- Rationalize the portfolio through morphing





Marlboro: Summary

- *Marlboro* is the world's largest brand and continues to perform well in difficult economic environment commanding a share of 9.2%^(a):
 - Cigarette volume reached 291 billion units in 2013
 - New products account for 12% of *Marlboro's* volume in 2013



(a) Excluding China and the USA

(b) Excluding China and the Philippines

Source: PMI estimates and PMI Financials

Marlboro Flavor



Note: Pack designs are for illustrative purposes only



***Marlboro* Flavor: Summary**

Performance:

- Achieved 150 billion units in 2013
- *Marlboro* Flavor alone is the largest cigarette brand in the world with a global market share of 4.7%^(a)

Strategies:

- Evolve *Marlboro* Red franchise to Architecture 2.0
- New *Marlboro* Red 2.0 global roll-out in 2014 /15
- Deploy focused innovation



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Video

(Approximately 75-second video)

Marlboro Flavor: New Marlboro Red



Key innovative elements:

- An intriguing design with new touch and feel
- A firm filter, easier to stub out
- Satisfying round taste





Marlboro Flavor: New Marlboro Red

- Extensive adult consumer research around the globe
- 6 city tests in 4 markets (Brazil, France, Germany, Italy)
- Very promising results, as the move to Architecture 2.0 has proven to evolve the brand into the intended territory of enhanced:
 - Smooth taste perception
 - Approachability
 - Ability to command a premium price
- Next steps: global roll-out

RED IS here



Smoking kills

RED IS *on the
move*



Smoking kills



RED IS *simply better*



FIRM FILTER
ROUND TASTE

Smoking kills

RED IS *a surprise*

SUPERIOR QUALITY - IN EVERY DETAIL



Smoking kills

New Marlboro Red: Point of Sale Activation



New Marlboro Red: Point of Sale Activation



New Marlboro Red: Point of Sale Activation



Innovation in *Marlboro* Flavor: *Marlboro Premium Black*

- An above-premium price *Marlboro* proposition
- Elegant pack designed in collaboration with Pininfarina
- Use of superior tobacco grades
- Featuring *ProFresh*
- GCC duty free launches in 2012-2013
- Market Shares^(a):
 - Dubai Duty Free 1.4% in 15 months
 - Saudi Arabia: 0.7% in 15 months
 - Kuwait: 1.0% in 13 months



(a) Market shares in shop: Saudi Arabia (December 2013); Kuwait (February 2014)
Source: PMI Duty Free Volume & Pricing Report, consumer offtake and PMI duty free field estimates

MARLBORO GOLD 



Note: Visual execution and pack design is for illustrative purposes only



Marlboro Gold: Summary

Performance:

- Achieved 110 billion units in 2013
- Reached 3.5%^(a) global market share
- Excellent adult smoker profile

Strategies:

- Capitalizing on successful line extensions
- Tapping into emerging segments with *Marlboro Advance* in Asia
- Evolve *Marlboro Gold* following the roll-out of *Marlboro Red 2.0*

(a) Excluding China

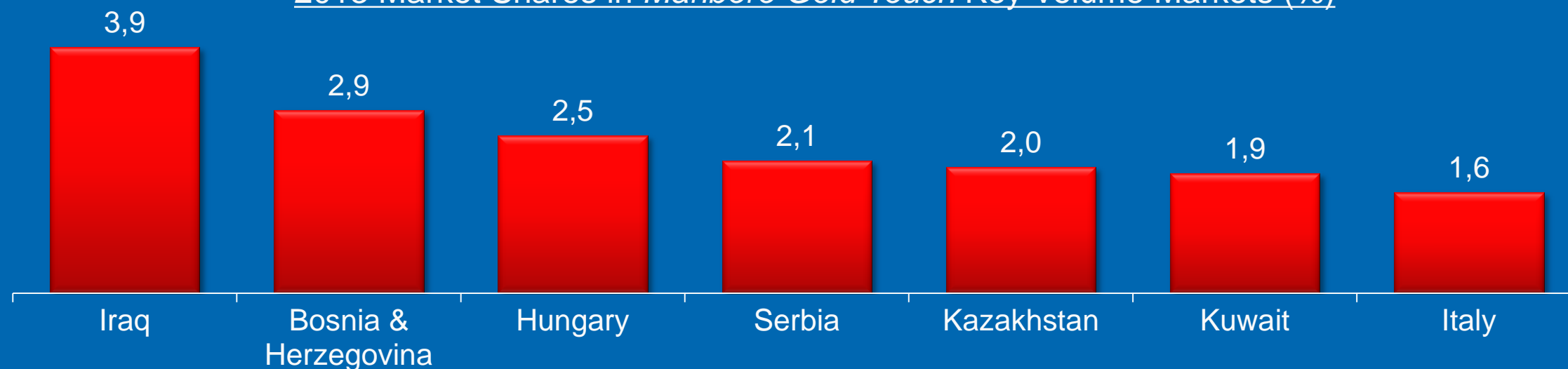
Source: PMI Financials, PMI estimates and PMI Market Research

Marlboro Gold Touch

- 6.2 billion units in 2013 in 57 markets
- > 0.5% SoM in 35 markets and in 17 of those >1% SoM
- Excellent adult smoker profile
- Less smell benefit highly relevant and appreciated



2013 Market Shares in Marlboro Gold Touch Key Volume Markets (%)



Marlboro Gold Innovation: *Marlboro Advance*

- *Recessed* filter for an ultimate smooth taste with less smell and cleaner aftertaste
- Rolled-out in Singapore (0.7% SoM^(a)), Malaysia (0.4% SoM^(a)) and Taiwan
- High brand awareness and positive reactions after adult smoker trial
- Additional expansion planned in 2014

(a) December 2013

Note: Translation from Chinese: "Incredible blue. New *Marlboro Advance* blue. This December ... progressing forward with you"

Source: PMI estimates and PMI Market Research



The advertisement features two packs of Marlboro Advance cigarettes, labeled '10 號' and '7 號', floating on a blue, rippling surface. The packs are blue with a white roof-like graphic and the text 'Marlboro ADVANCE'. Above the packs, the text '不思議的藍' (Incredible Blue) is written in large blue characters, followed by '全新 萬寶路進化藍' (New Marlboro Evolution Blue) in smaller blue characters. At the bottom, the text '今年12月 為你進化' (This December, evolving for you) is displayed. A small disclaimer at the very bottom reads: '菸品不得售予未滿十八歲者。本文件僅供非利普莫里斯相關人員及零售業者內部使用，請勿對外公開，亦勿置於消費者可見處。' (Tobacco products shall not be sold to persons under 18 years of age. This document is for internal use only of Philip Morris related personnel and retailers, and shall not be disclosed to the public or consumers.)

吸菸會導致肺癌、肺氣腫

Marlboro Fresh





Marlboro Fresh: Summary

Performance:

- Achieved 31 billion units in 2013 driven by successful line extensions accounting for 57% of the volume
- Excellent adult smoker profile

Strategies:

- Position the brand to be the reference in taste freshness, high cooling taste and new taste sensations
- Evolve the franchise to Architecture 2.0

Marlboro Fresh: New Marlboro Fresh



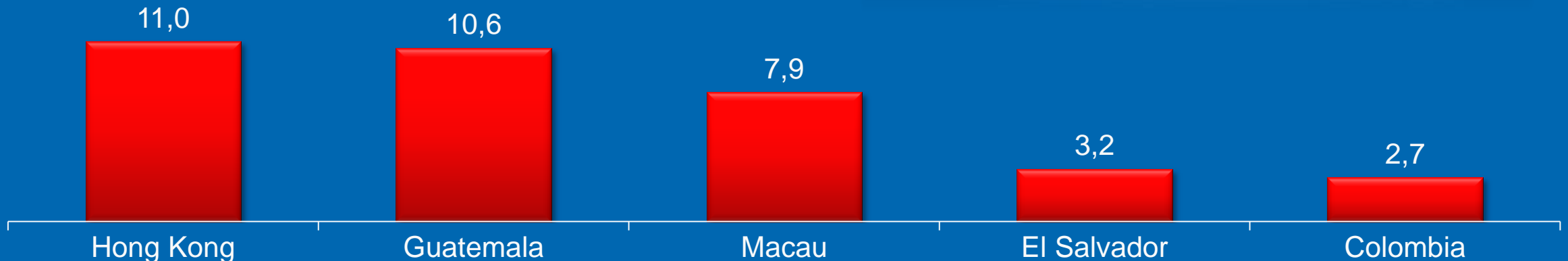
- Upgrade overall brand experience:
 - A modern pack design with a distinct touch
 - Upgrade product with firm filter as tangible unique selling proposition
 - Coherent look and feel across the franchise

Marlboro Ice Blast / Blue Ice

- A fresh-to-fresh capsule product available in 41 markets, 8.5 billion units in 2013
- One of the most successful line extensions reaching 0.3%^(a) SoM globally
- Reaching 0.4% SoM or higher in 22 markets
- Excellent adult smoker profile



2013 Marlboro Ice Blast / Blue Ice Shares (%)



(a) Excluding China

Source: PMI Financials, PMI estimates and Tobacco Institute of Japan

Innovations in *Marlboro Fresh*

Marlboro Fuse Beyond:

- The first ever regular cigarette with two capsules in the filter which can provide 3 tastes in one smoking experience
- Geographical expansion planned in several markets in 2014

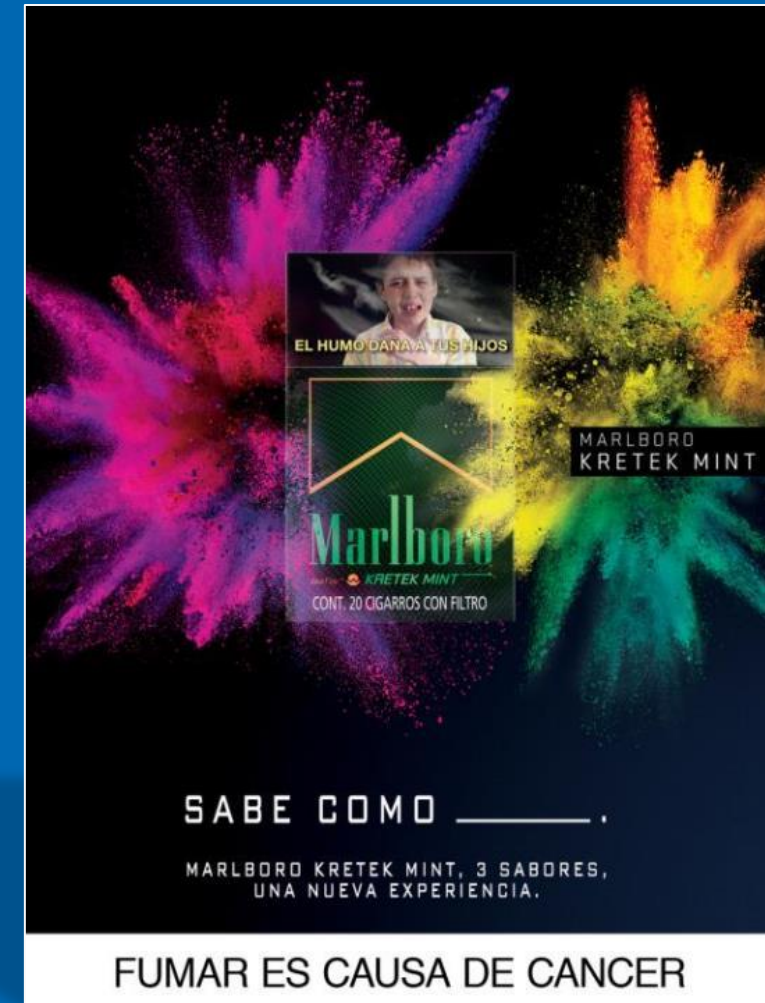
Marlboro Micro Beyond SSL 100s:

- First ever super-slims offer from *Marlboro* with a mint capsule
- Launched in France in Q1, 2014



Marlboro Kretek: New Taste Sensations

- Kretek and kretek mint taste have shown strong potential across geographies
- *Marlboro Kretek Mint* was launched in Mexico in August 2013, reaching 0.5% SoM in December 2013^(a)
- Expansion planned in several markets in 2014



(a) In OXXO chain, which represents 23% of total volume
Source: PMI estimates



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"Be *Marlboro*" Campaign

- Launched in 2011 and rolled out across 52 markets (22 of Top 30 OCI markets)
- A flexible platform that can be tailored to cultural differences and brand priorities
- Strong positive adult consumer response and brand image enhancement

NEVER
SAY
MAYBE

BE > **MARLBORO**

MEROKOK DAPAT MENYEBABKAN KANKER,
SERANGAN JANTUNG, IMPOTENSI
DAN GANGGUAN KEHAMILAN DAN JANIN

~~MAYBE~~

BE > **MARLBORO**

MEROKOK DAPAT MENYEBABKAN KANKER,
SERANGAN JANTUNG, IMPOTENSI
DAN GANGGUAN KEHAMILAN DAN JANIN

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MAYBE

BE > **MARLBORO**

MEROKOK DAPAT MENYEBABKAN KANKER,
SERANGAN JANTUNG, IMPOTENSI
DAN GANGGUAN KEHAMILAN DAN JANIN



DON'T BE A MAYBE



Die Menge an Teer, Nikotin und Kohlenmonoxid, die Sie inhalieren, variiert, je nachdem, wie Sie Ihre Zigarette rauchen.

Rauchen kann tödlich sein. Der Rauch einer Zigarette dieser Marke enthält 10 mg Teer, 0,8 mg Nikotin und 10 mg Kohlenmonoxid. (Durchschnittswerte nach ISO)



STOP
CONTROL

ANTI-FA For

CRASH



~~MAYBE~~
IT'S TIME TO
EXPLORE

BE > MARLBORO

MEROKOK DAPAT MENYEBABKAN KANKER, SERANGAN JANTUNG, IMPOTENSI DAN GANGGUAN KEHAMILAN DAN JANIN

POS POLI
SENOPATI
100

TAKSI

出る杭は、 打たれ強い。

常識を覆すか。常識に従うか。今動くか。一生動かないか。未来の選択肢に、MAYBEはない。自分を信じろ。未来を決められるのは、自分だけだ。

~~MAYBE~~



MARLBORO.JP

© 2014 Philip Morris Brands SARL マールボロ・ボックス タール12mg ニコチン1.0mg あなたが吸い込むタールとニコチンの量は、たばこの吸い方によって異なります。

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。未成年者の喫煙は、健康に対する悪影響やたばこへの依存をより強めます。周りの人から勧められても決して吸ってはいけません。妊娠中の喫煙は、胎児の発育障害や早産の原因の一つとなります。

Note: Translation from Japanese: "The nail that sticks out gets beaten down is strong enough to take a beating"

~~يُمكن~~ رَحْ أعرف الشغف



دخان التبغ يؤدي الجنين وقد يؤدي لنقص الوزن عند الولادة أو الولادة المبكرة
Passive smoking affects fetus and leads to growth retardation and premature labor

Note: Translation from Arabic: "Maybe I will have passion"



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BE *MARLBORO* – PHASE 2



~~MAYBE~~
I WILL
PROVE THEM
WRONG

BE >



Il fumo
uccide

H E A L T H W A R N I N G T O B E P L A C E D H E R E

Note: Visual execution is for illustrative purposes only

~~MAYBE~~
I WILL
TRUST

BE >



H E A L T H W A R N I N G T O B E P L A C E D H E R E

Note: Visual execution is for illustrative purposes only

祝 Little Nap様

~~MAYBE~~
DREAMS
CAN COME
TRUE

BE >



Little Nap
COFFEE
STAND

H E A L T H W A R N I N G T O B E P L A C E D H E R E

Note: Visual execution is for illustrative purposes only



~~MAYBE~~
I WILL
MAKE
HISTORY

BE >



H E A L T H W A R N I N G T O B E P L A C E D H E R E

Note: Visual execution is for illustrative purposes only

"Be Marlboro": Point of Sale

Japan



Brazil



Philippines



"Be Marlboro": Adult Consumer Engagement



A wide range of direct contacts and digital initiatives



***Marlboro*: Conclusion**

- The brand has achieved very positive performance in difficult economic times
- *Marlboro* Red upgrade is a major milestone to make it smoother tasting, more approachable and reinforce its premiumness
- Roll-out of "*Be Marlboro*" campaign is helping to strengthen the image of the brand
- Unprecedented level of product innovation





Parliament: Summary

Performance:

- Achieved 45 billion units in 2013 (+2.9% vs. 2012)
- High profitability

Strategies:

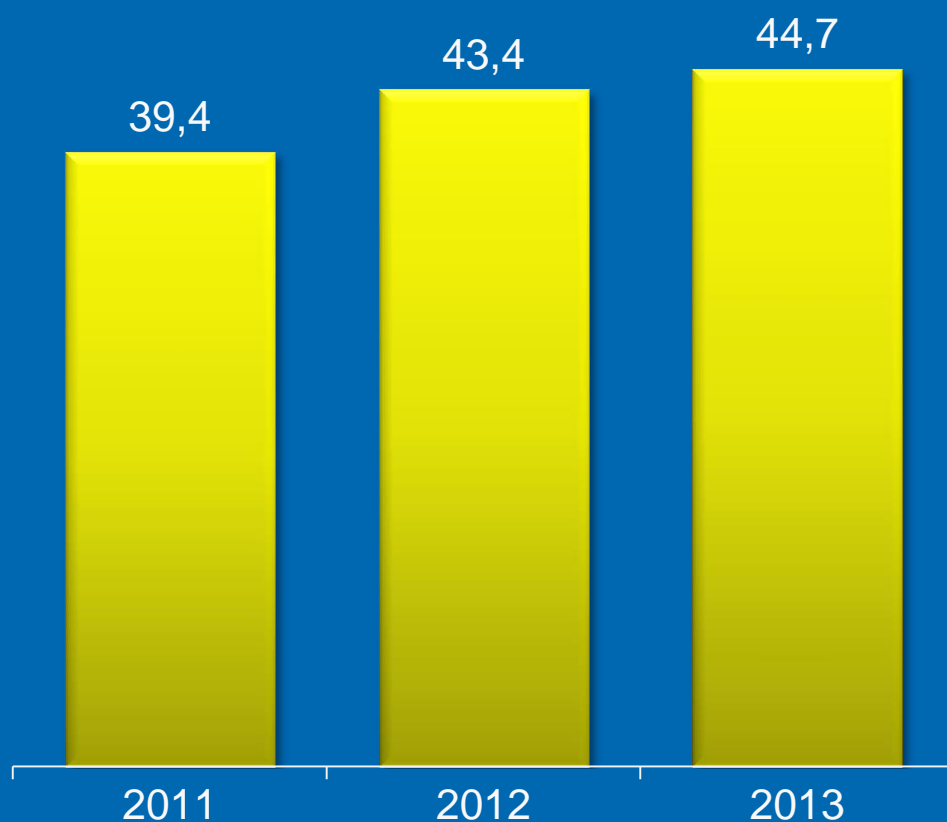
- Built around its unique *Recessed* filter technology
- Undisputed above-premium quality, prestige and status
- Innovative adult smoker engagement
- Geographic expansion where the demand for luxury products is accelerating



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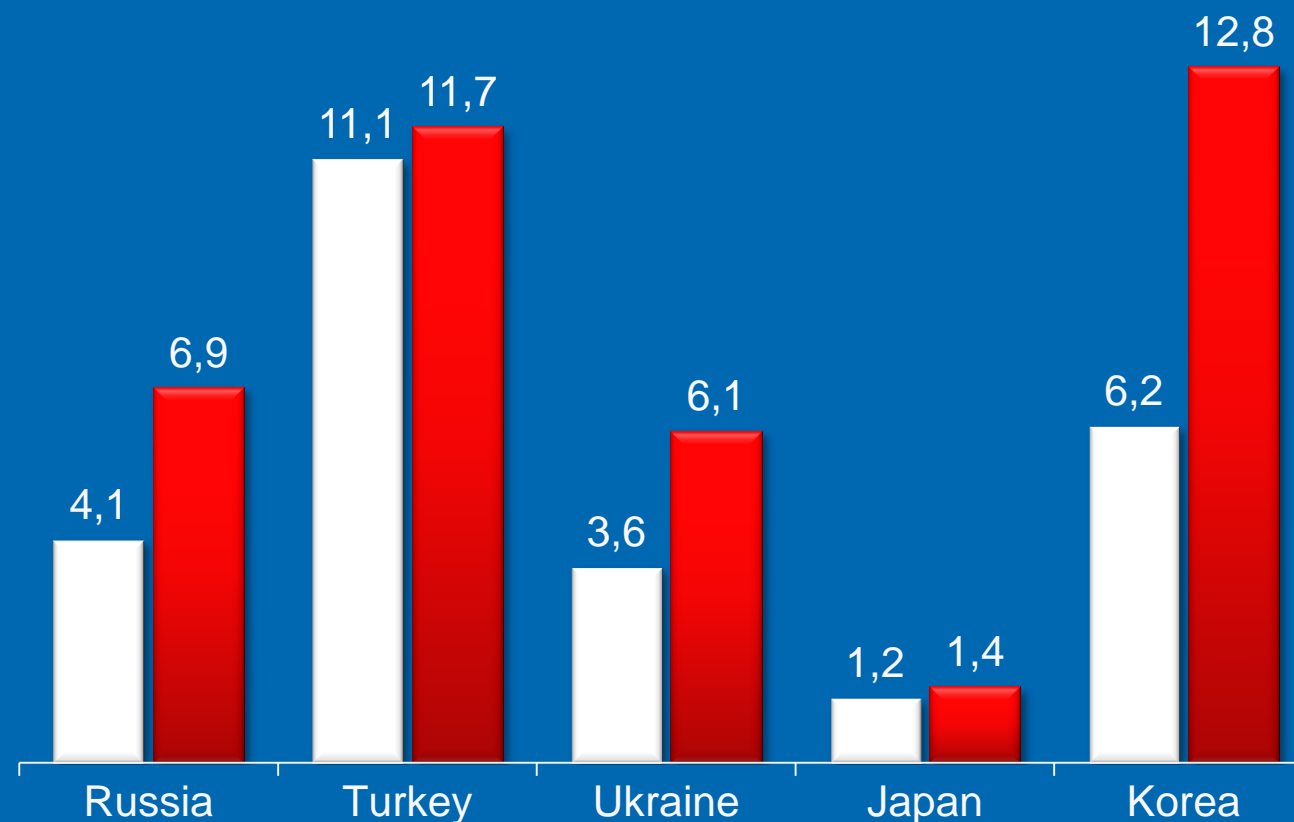
Parliament: Global Brand Performance

Parliament International Cigarette Volume
(units billion)



Parliament Smoker Shares (%)

■ LA (min. 18)-64 ■ LA (min. 18)-24





PARLIAMENT.
Sensational

H E A L T H W A R N I N G T O B E P L A C E D H E R E

Note: Visual execution is for illustrative purposes only



PARLIAMENT.
Sensational

H E A L T H W A R N I N G T O B E P L A C E D H E R E

Note: Visual execution is for illustrative purposes only



PARLIAMENT.
Sensational

H E A L T H W A R N I N G T O B E P L A C E D H E R E

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PARLIAMENT.
Sensational

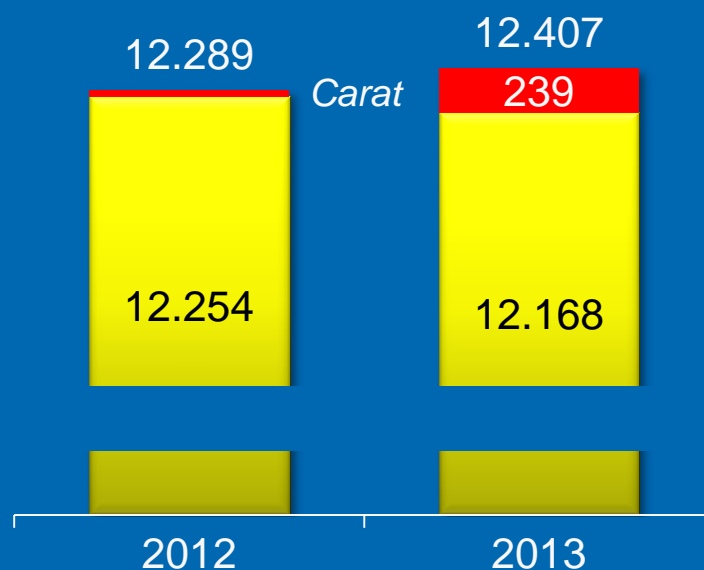
H E A L T H W A R N I N G T O B E P L A C E D H E R E

Note: Visual execution is for illustrative purposes only

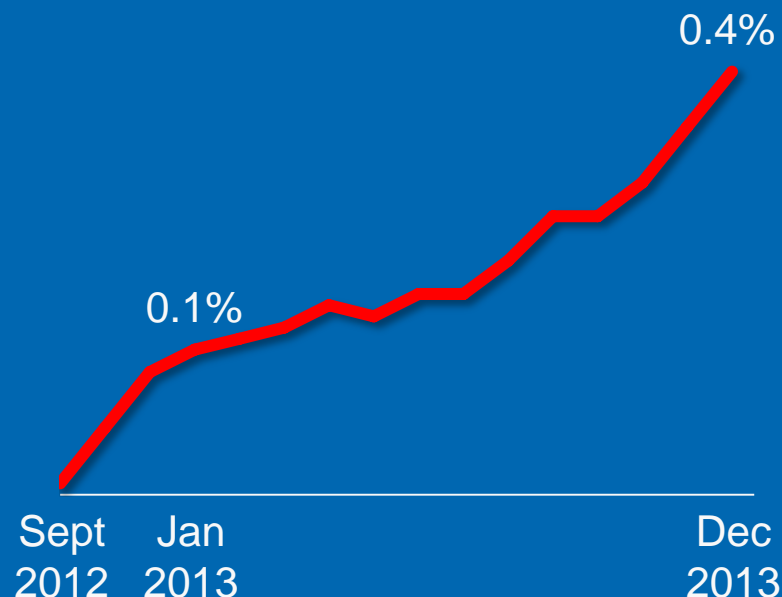
Innovation in *Parliament*: Carat Line

- Launched in Russia in 2012
- Balanced gender profile
- Geographical expansion planned in four markets in 2014/2015

Parliament Volume in Russia
(units million)



Carat SoM in Moscow City



Parliament Hybrid: Korea

- World's first *Recessed* filter capsule launched in 2012
- Extended to king-size 1mg segment and SSL 1mg segment
- Reaching 1.6% market share in April 2014
- Relevant innovation built on strong core





L&M: Summary

Performance:

- Third largest brand in the world
- Achieved 95 billion units in 2013 (+1.4% vs. 2012)

Strategies:

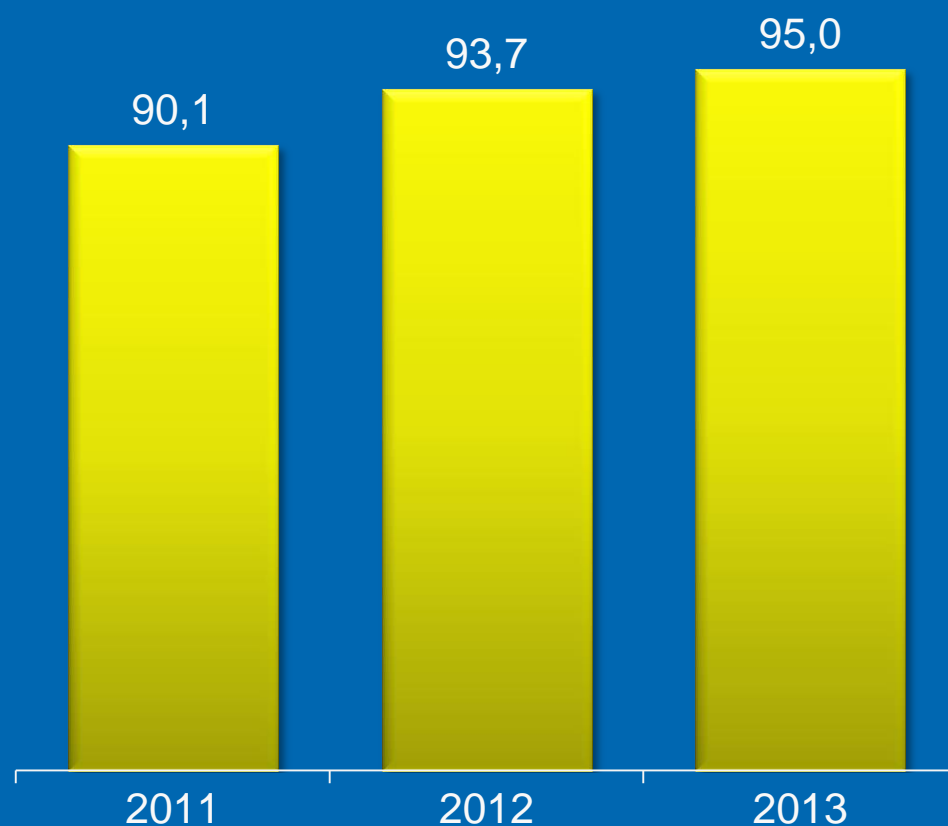
- Strengthen brand image via new communication platform
- Fortify value for money equation via product proposition upgrade
- Successful innovation in emerging segments



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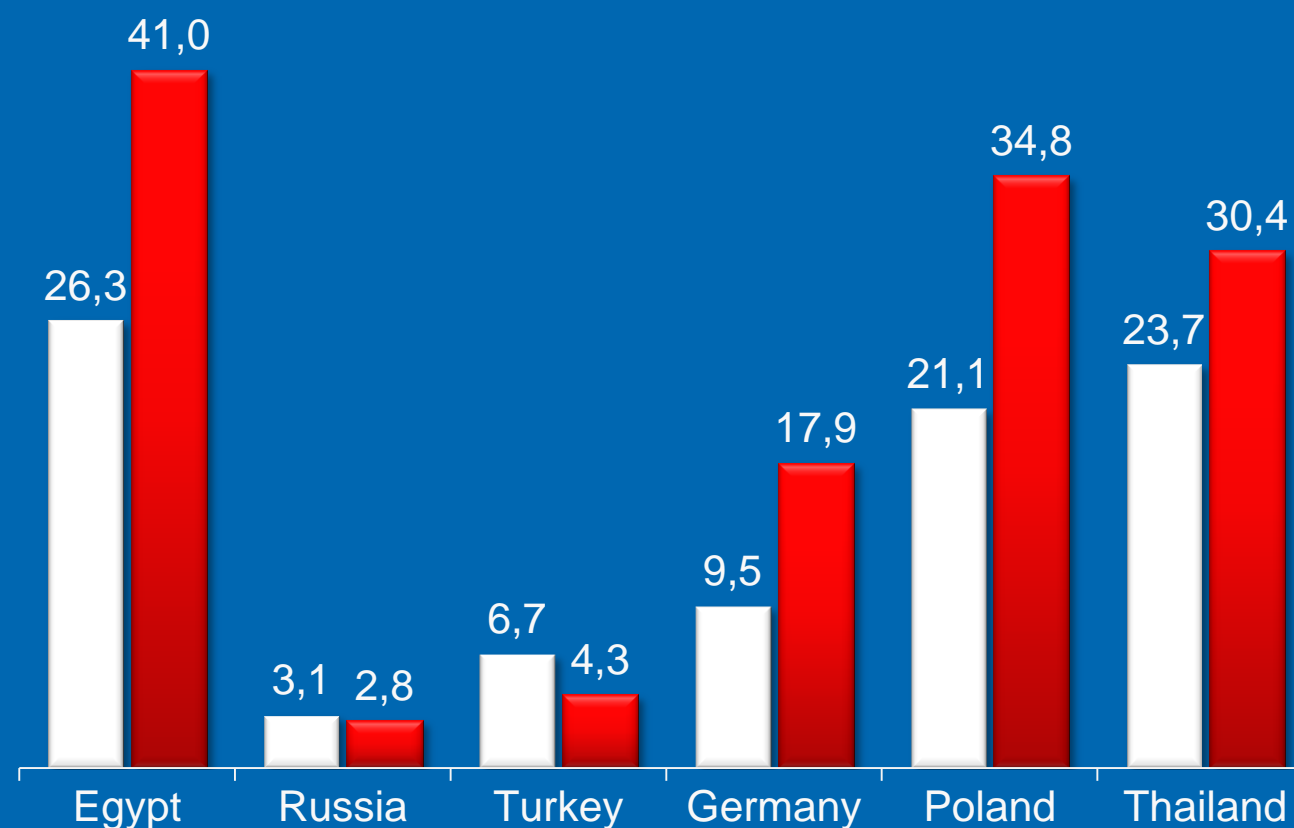
L&M: Global Brand Performance

L&M International Cigarette Volume
(units billion)



L&M Smoker Shares (%)

■ LA (min. 18)-64 ■ LA (min. 18)-24



L&M: Franchise Upgrade in Russia

L&M Market Share (%)





UNIQUE & UNITED



H E A L T H W A R N I N G T O B E P L A C E D H E R E

Note: Visual execution is for illustrative purposes only



TEACH & LEARN

H E A L T H W A R N I N G T O B E P L A C E D H E R E

Note: Visual execution is for illustrative purposes only



APART & TOGETHER



H E A L T H W A R N I N G T O B E P L A C E D H E R E

Note: Visual execution is for illustrative purposes only



FREE & UNITED



H E A L T H W A R N I N G T O B E P L A C E D H E R E

Note: Visual execution is for illustrative purposes only

L&M 4.0 Design: Core Line upgrade



- Contemporary and confident design
- Introduction of *FineCut* blend processing that strengthens high quality perception
- Launched in Greece in June 2014

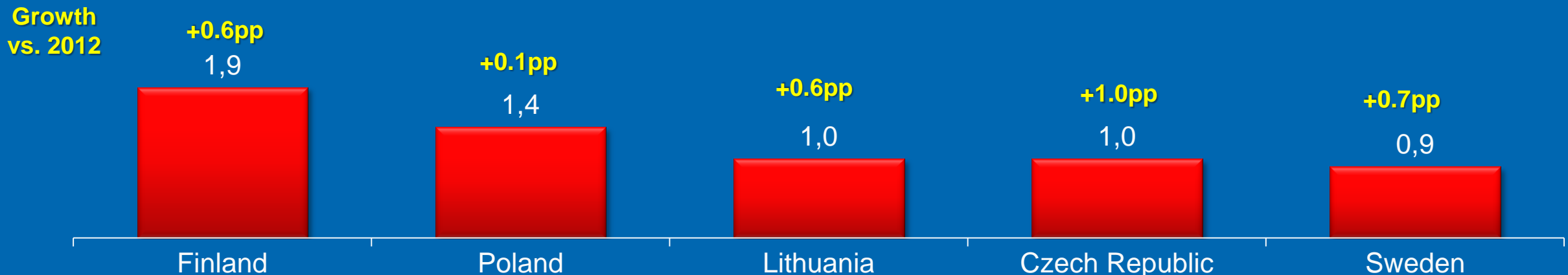


Innovation in *L&M*: *L&M Forward* in the EU Region

- In 2013, *L&M Forward* continued to grow in 9 markets in the EU Region
- *L&M Forward* is a leading capsule product in 4 EU markets
- Proposition was successfully line-extended with *Forward Link* 100s super-slms in Poland



2013 *L&M Forward* Share of Market (%)







***Chesterfield*: Summary**

Performance:

- Achieved 34 billion units in 2013
- Mainly present in EEMA and EU
- Significant increase in the number of *Chesterfield* markets (from 40 in 2009 to 57 in 2013)

Strategies:

- Capitalize on heritage, prestige and differentiation
- Address evolving adult smoker needs through innovative offers
- Geographical expansion of brand footprint

Chesterfield: Core Line Upgrade



- Re-designed pack with soft touch and highlighting the crown
- Modernized filter tipping design
- Launched in Serbia
- Further expansion planned in 2014

Chesterfield: Progressive Line Launch

- 7.0 product with tangible benefits delivering on ego-social friendly needs:
 - Ash control^(a)
 - Less smoke smell
 - Smooth taste
- Launched in Ukraine and Russia in Q1, 2014



ASH
CONTROL

LESS
SMELL

SMOOTH
TASTE



(a) Ash control refers to less loose ash and less ash flying around

Innovation in *Chesterfield*: Pipeline New Taste Sensations

- Launch of *Kretek Duo*, a menthol kretek offer in Guatemala and El Salvador
- Planned geographical expansion





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COMMERCIAL APPROACH

Principles of the Commercial Approach

- Adult smoker centricity
- Empowerment of territory frontline staff:
 - Global tools & programs
 - Capabilities-building program
 - Territory management
- Integrated Marketing and Sales teams



Commercial Approach Brings Innovation to Consumer Engagement

Consumer engagement:

- Expand touch point universe
- Identify adult smoker profile by shop and time of the day
- Use segmentation data per store to achieve more targeted execution and increased effectiveness



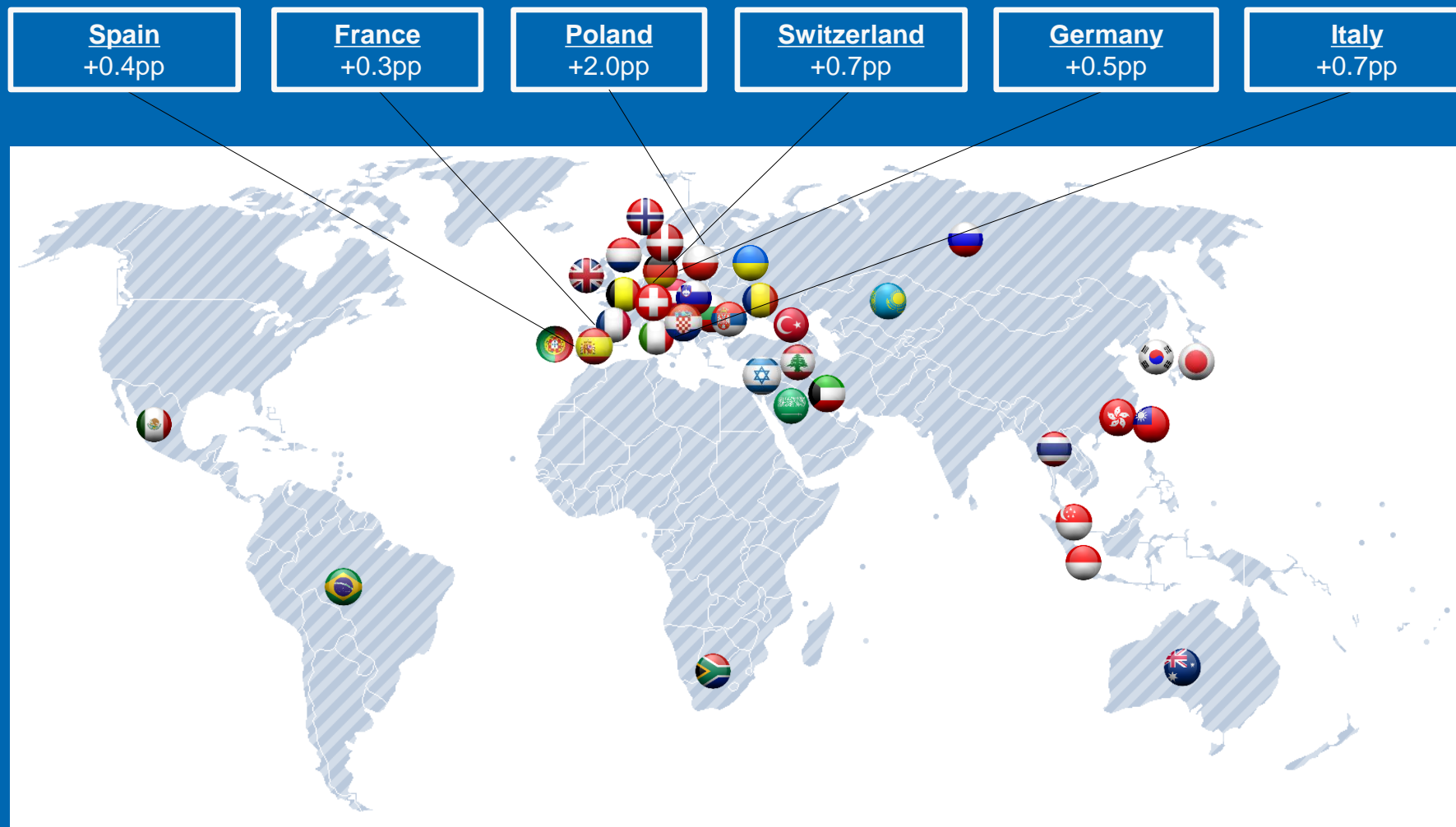
Commercial Approach Brings Innovation to Consumer Engagement

Retailer engagement

- Identify retailer profile based on multidimensional segmentation
- Equip retailers to deliver product messages
- Activate more than one brand at the point of sale

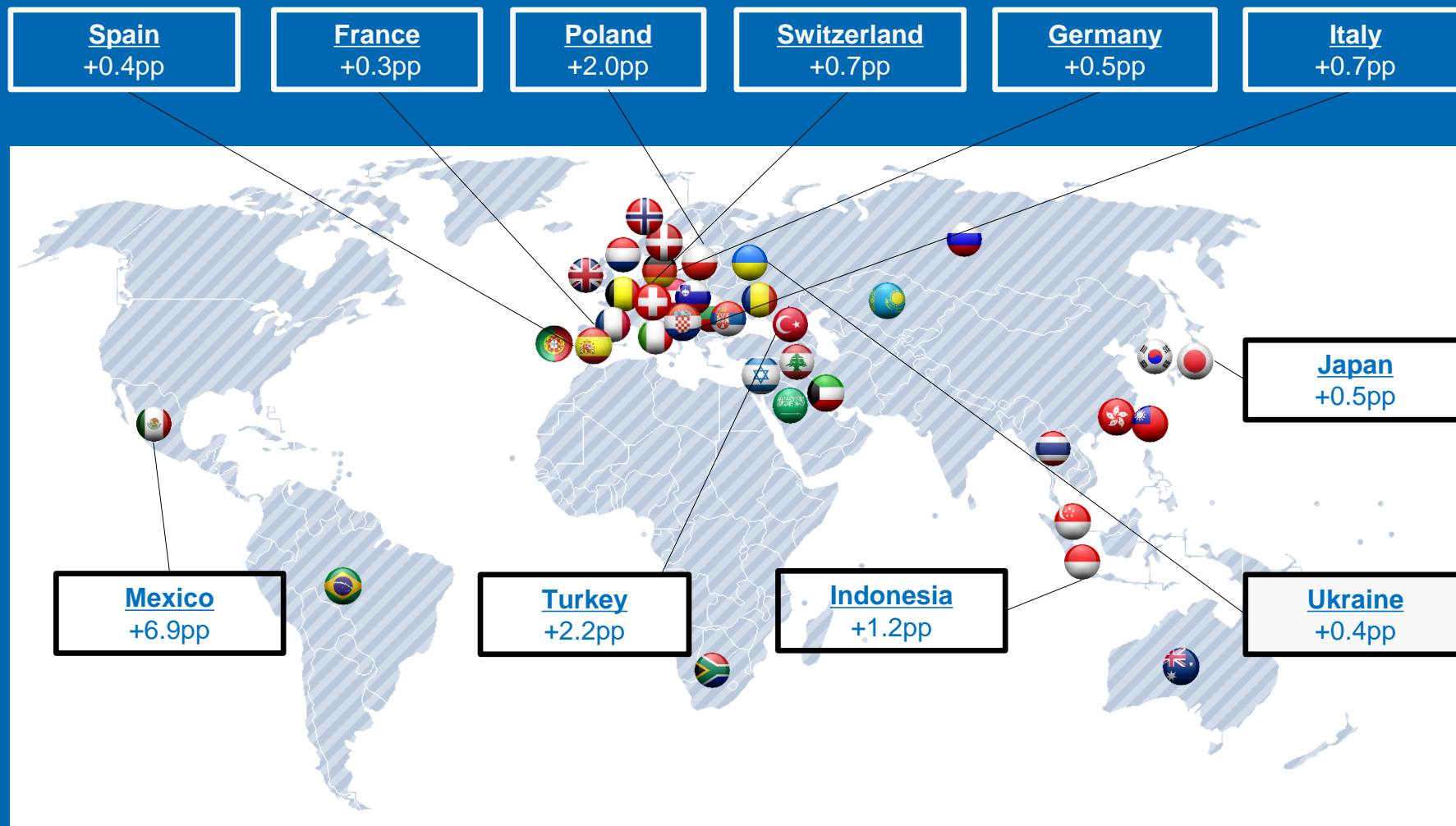


2013: Year of Pilots (37 markets)



Note: Spain and Switzerland pp change vs. control; France, Poland, Germany and Italy pp change vs. national
Source: Results as provided by markets in October 2013. Periods differ based on pilot dates

2013: Year of Pilots (37 markets)



Note: Spain, Switzerland and Mexico pp change vs. control; France, Poland, Germany, Italy, Turkey, Ukraine, Indonesia and Japan pp change vs. national
Source: Results as provided by markets in October 2013 (excluding Japan, Turkey and Mexico which provided updated figures beginning of 2014). Periods differ based on pilot dates



Commercial Approach

- Major transformation across Marketing and Sales
- Massive training to increase our global capabilities (9,000 people trained)
- Positive results in pilot cities across the world



Global Roll-Out 2014/2015



HEALTH WARNING TO BE PLACED HERE



HEALTH WARNING TO BE PLACED HERE



HEALTH WARNING TO BE PLACED HERE



HEALTH WARNING TO BE PLACED HERE



Conclusions

- Strong brand portfolio
- Positive performance of our flagship brand, *Marlboro* in 2013
- Innovative and relevant *Marlboro* Architecture 2.0 initiative:
 - The most significant change for the iconic brand since the early 50's
 - To be rolled out internationally in 2014/2015
- Unprecedented number of innovations while continuously upgrading our core franchise
- Global transformation of our commercial infrastructure under the new commercial approach project:
 - Empowerment of sales people
 - New engagement tools
 - Stronger support of our brand initiatives



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Questions & Answers



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2014 INVESTOR DAY

Reconciliation of non-GAAP measures included in this presentation to the most comparable GAAP measures are provided on our website at: www.pmi.com/2014InvestorDay/RecSlides

Glossary of Terms: www.pmi.com/2014InvestorDay/Glossary