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2016  
INVESTOR DAY

## Investor Day – EEMA Region Lausanne, September 29, 2016

Drago Azinovic

*President, Eastern Europe, Middle East & Africa Region & PMI Duty Free*



# Agenda

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- Overview and Key Results
- Vision and Strategic Pillars
- Cigarette Business and Performance in Key Markets
- Developing Untapped Markets
- Reduced-Risk Products
- Concluding Remarks



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# EEMA: A Vast and Diverse Region



## Cigarettes **2015**

Industry Volume (units trillion)	1.1
PMI SoM	25.4%
Industry Net Revenue Pool (\$ billion)	21
PMI Share of Industry Net Revenue Pool	31%

## PMI Footprint

Adjusted OCI (\$ billion)	3.4
Employees	11,000+

## Contribution to PMI Results

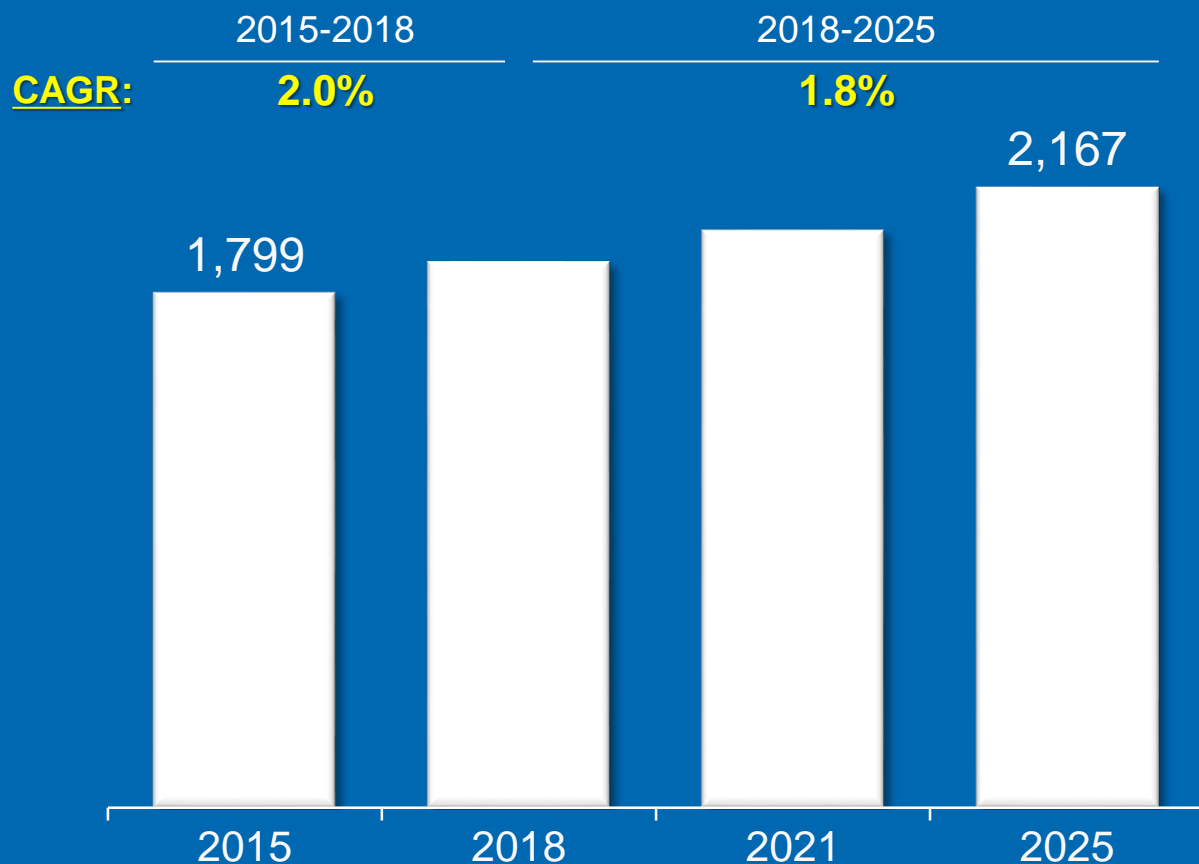
PMI Cigarette Volume	33%
Adjusted OCI	31%

Note: SoM and Net Revenue Pool exclude duty free  
Source: PMI Financials or estimates

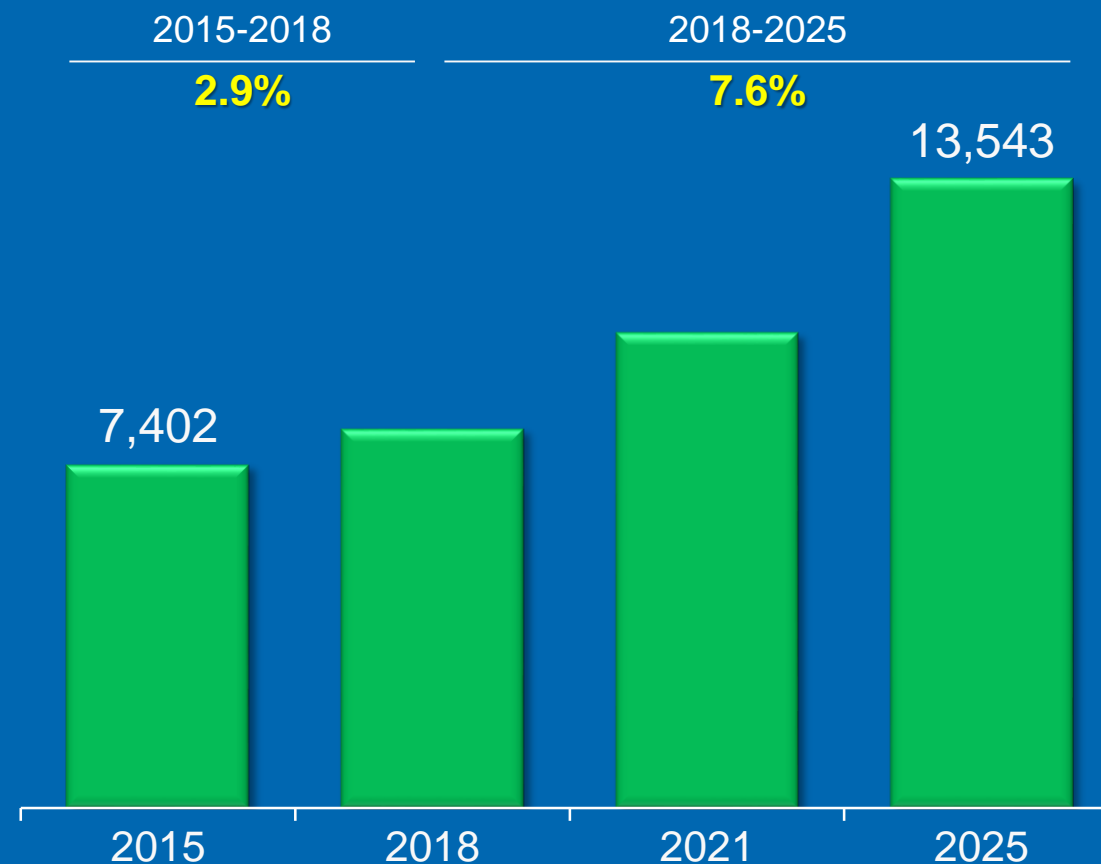


# EEMA: Strong Fundamentals

## Population Growth (billion people)



## GDP Growth (\$ billion)





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# EEMA: Delivered Double-Digit Adjusted OCI Growth, Ex-Currency

Industry Cigarette Volume  
(units billion)

PMI Cigarette Volume  
(units billion)

PMI Net Revenues  
(\$ million)

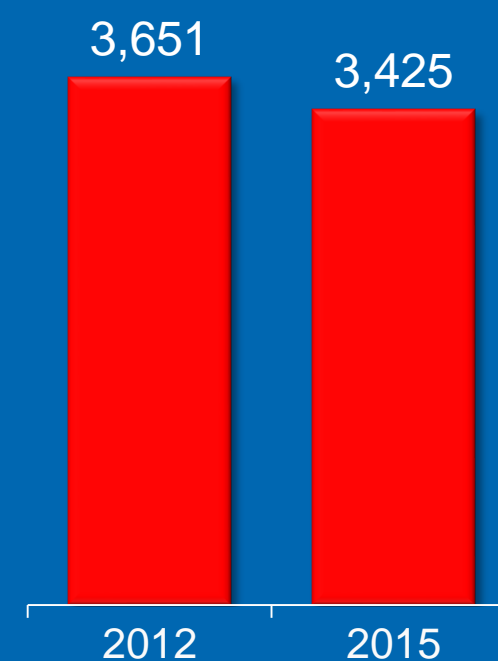
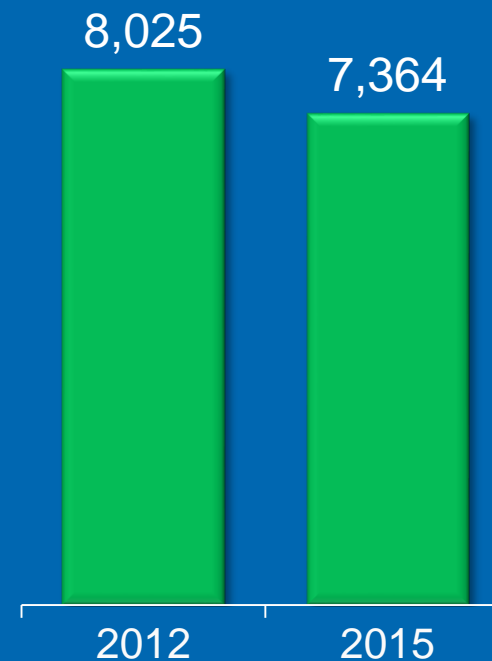
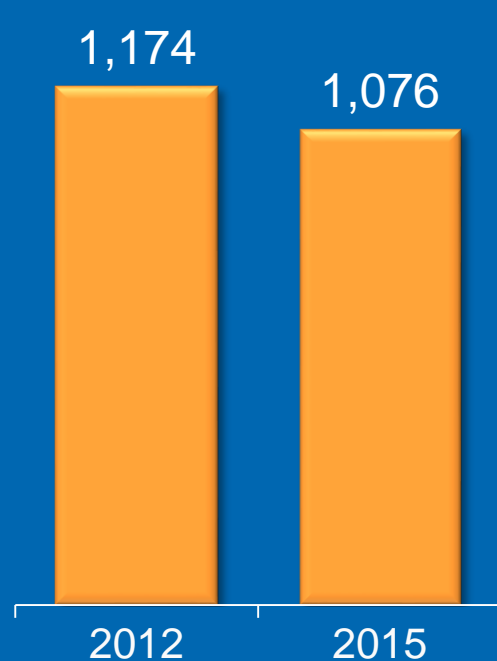
PMI Adjusted OCI  
(\$ million)

CAGR<sup>(a)</sup>:      **(2.9)%**

**(1.6)%**

**8.1%**

**12.4%**



(a) 2015 vs. 2012. CAGRs for net revenues and adjusted OCI are ex-currency  
Source: PMI Financials or estimates



# Regional Vision and Strategic Pillars

## GROWTH ENGINE FOR PMI DELIVERING LOW DOUBLE-DIGIT ADJUSTED OCI GROWTH<sup>(a)</sup>

### GROWING CIGARETTE BUSINESS

- Focus behind corporate brands
- Leverage key growth segments
- Digital trade and adult consumer activation

### DEVELOPPING UNTAPPED MARKETS

- Entering whitespaces
- Enhancing footprint in under-represented markets

### SUCCESSFULLY LAUNCHING RRP<sub>s</sub>

- Attractive Region for RRP<sub>s</sub>
- Platform portfolio to address adult consumer needs

**REALLOCATING RESOURCES TOWARDS RRP<sub>s</sub> and  
MARKET ENTRIES THROUGH BUSINESS and PORTFOLIO STREAMLINING**

<sup>(a)</sup> Excluding currency and RRP<sub>s</sub>

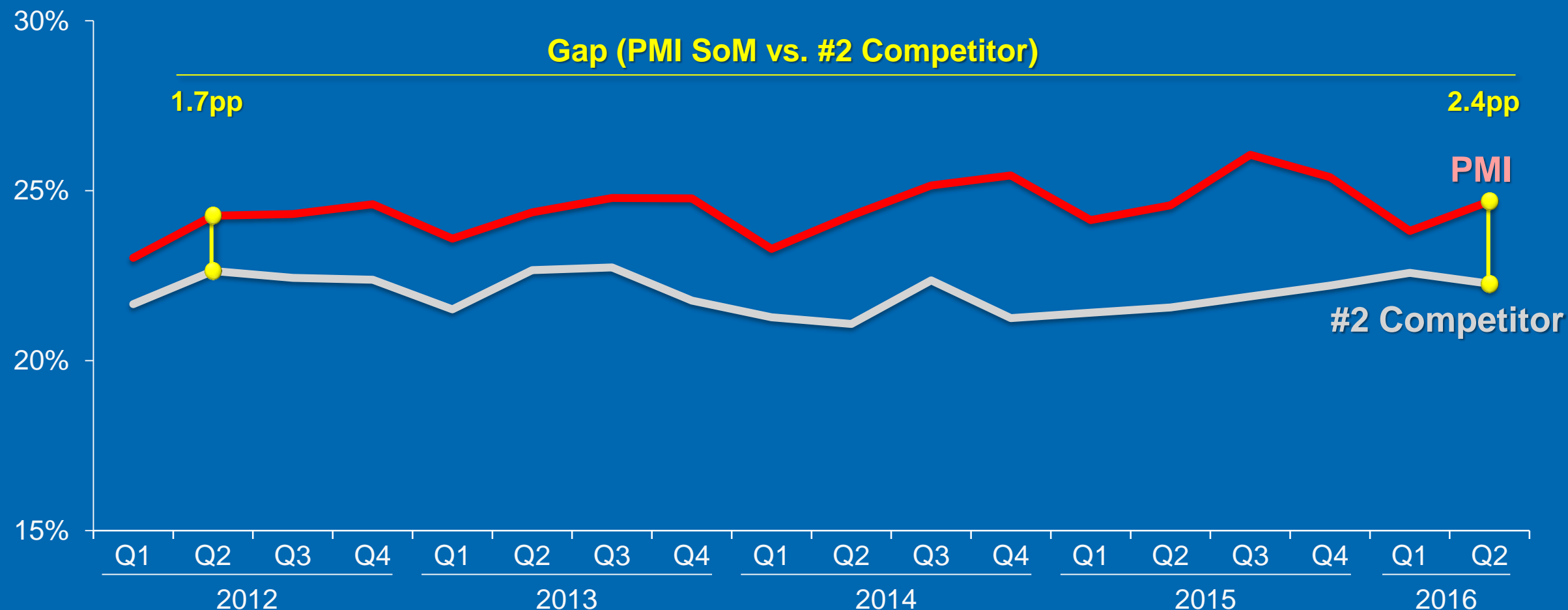
Note: Reduced-Risk Products ("RRP<sub>s</sub>") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes



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# Continue to Strengthen Our Share Leadership

## Share of EEMA Cigarette Market



Note: Excluding duty free. #2 Competitor defined as trademark owner with second largest SoM for relevant quarter  
Source: PMI Financials or estimates

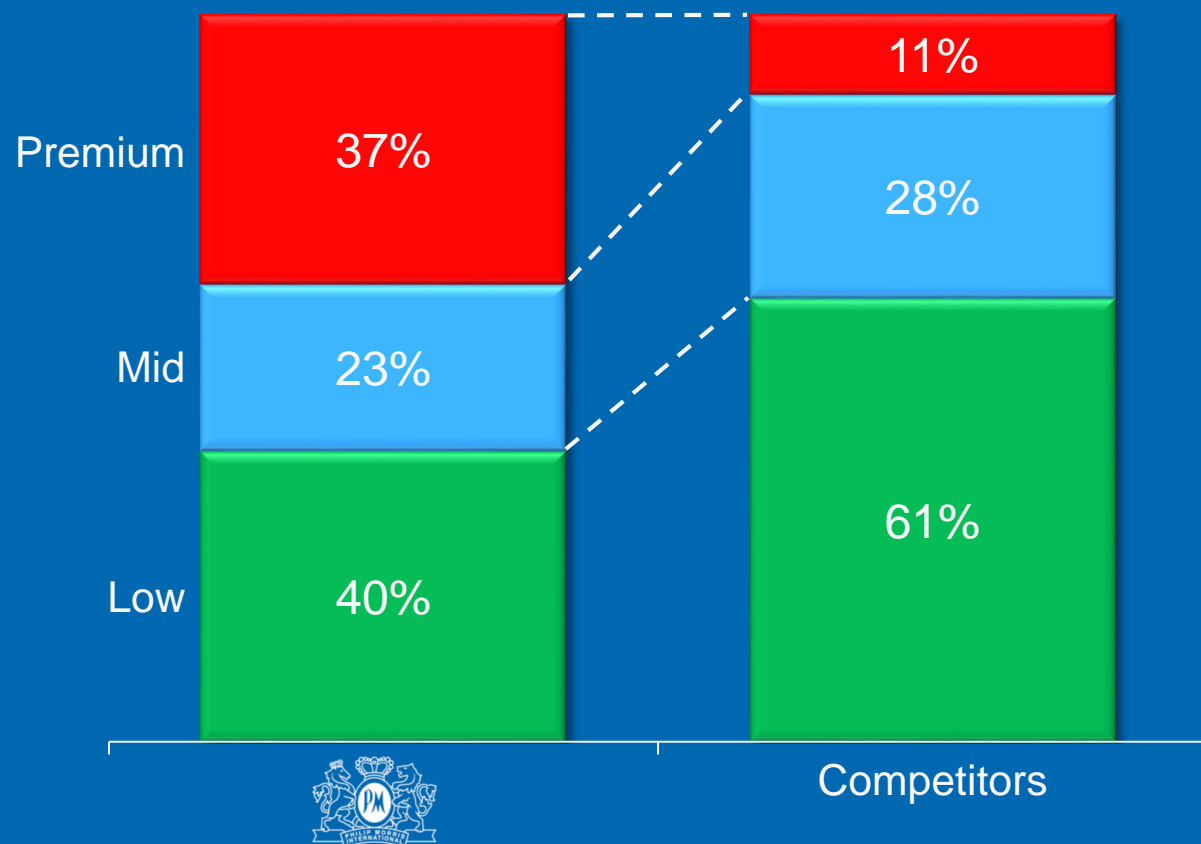


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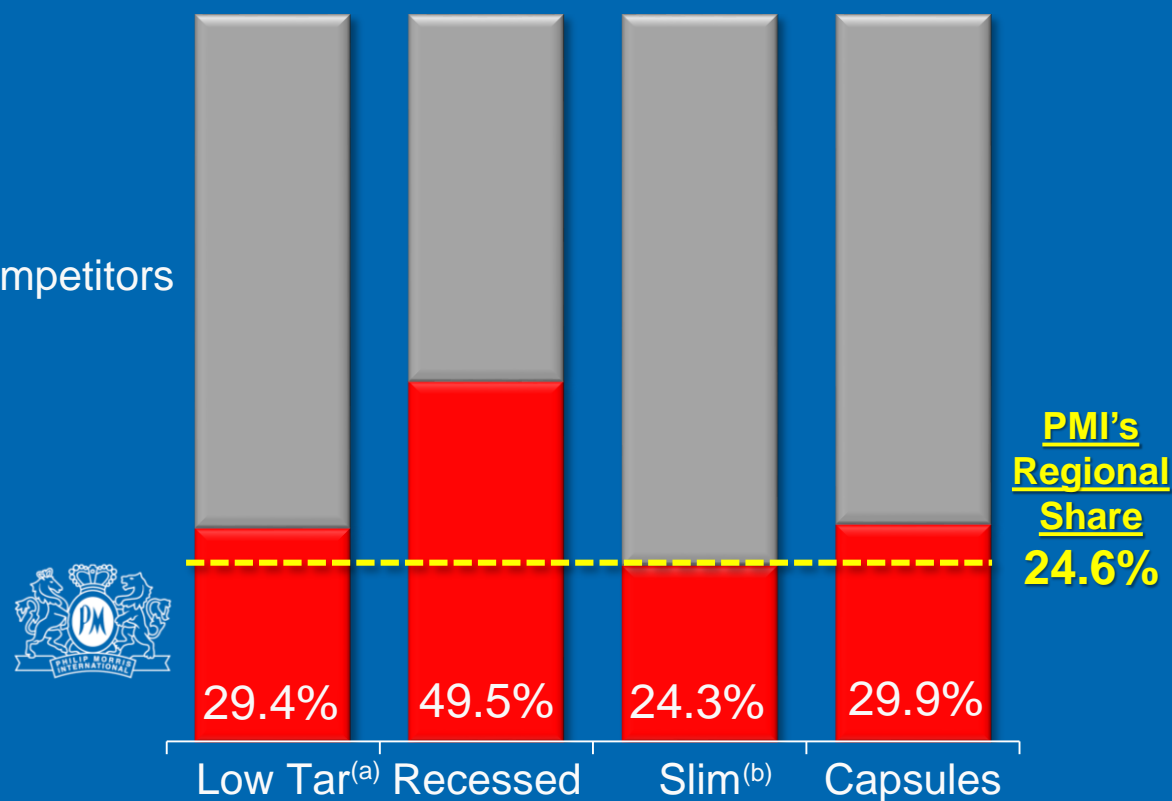
# Maintain Superior Price and Growth Segment Positioning

## Key Segments (H1, 2016)

### Volume Split by Price Segment



### Key Growth Segment Share



(a) Includes low tar nicotine (LTN), ultra LTN and super LTN

(b) Historical view. Includes slims, extra slims, super slims and micro slims

Note: Excluding duty free. Premium includes above premium

Source: PMI Financials or estimates



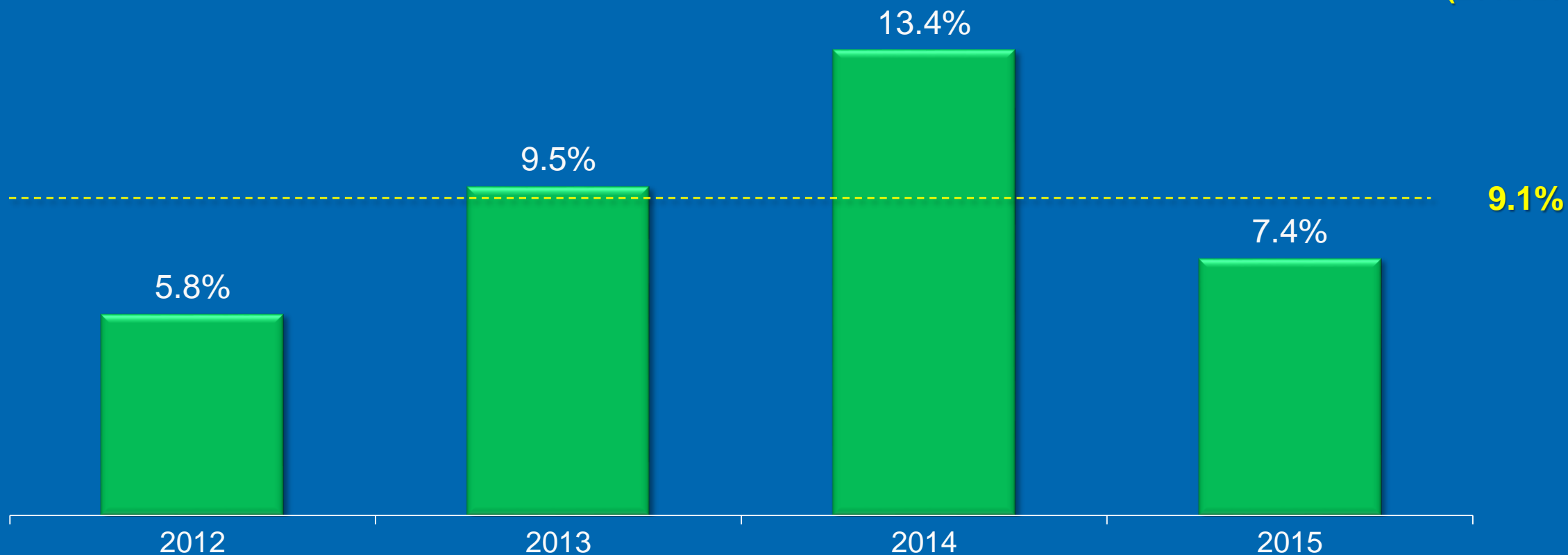


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# Judicious Pricing Momentum

## EEMA Region Pricing Variance as % of PY Net Revenues

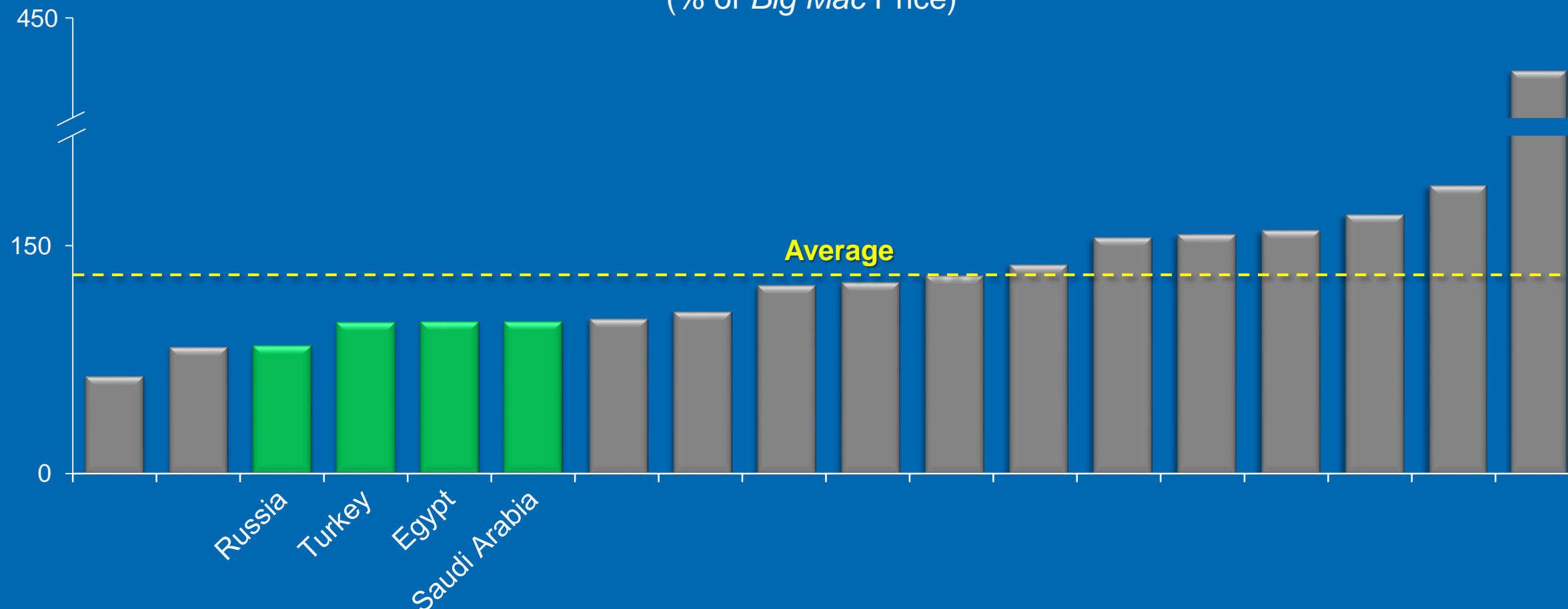
**Annual  
Average  
(2012-2015)**





# Environment of Reasonable Affordability

Marlboro vs. Big Mac Index in PMI's Top Markets  
(% of Big Mac Price)

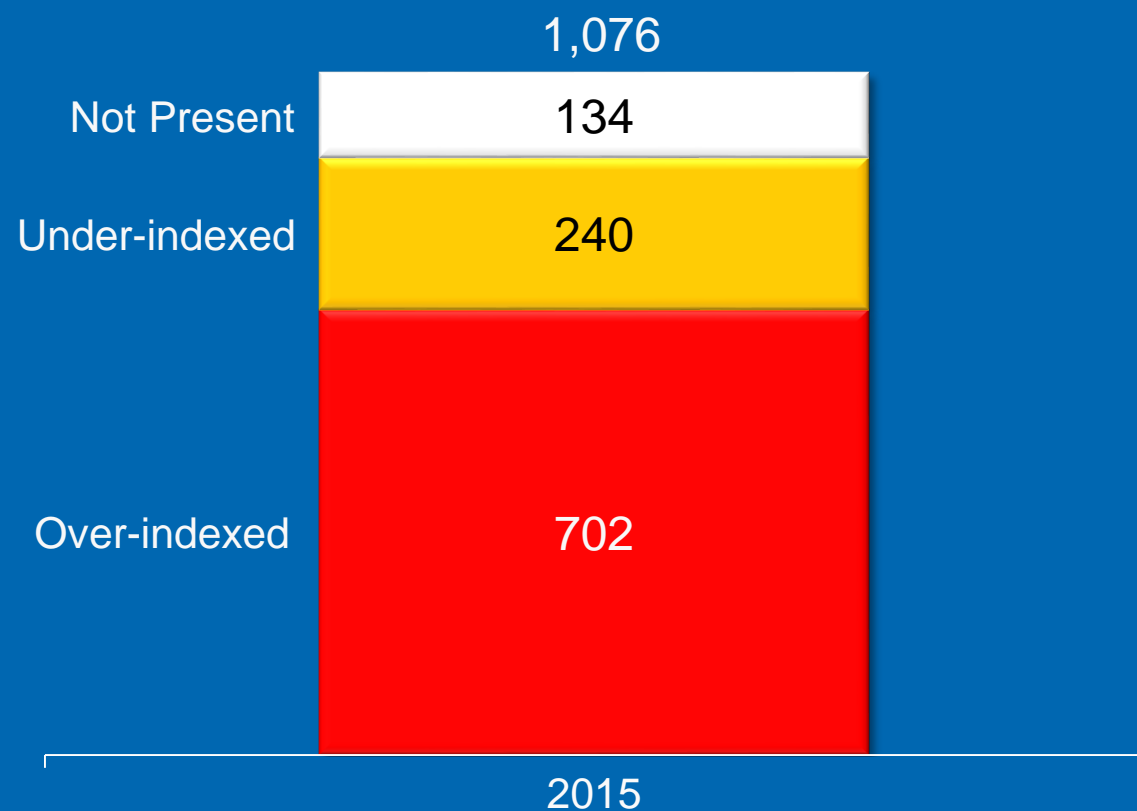


Note: Prices are as of June 2016

Source: PMI Financials or estimates, and *The Economist Big Mac Index* (July 2016)

# Significant Volume Potential

## Cigarette Industry Volume (units billion)



## Reduced-Risk Products



Note: Not present, under and over-indexed figures are based on H1, 2016 market share data, excluding duty free. Not present reflects market with PMI share of market below 0.1%. Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. Pack design is for illustrative purposes only

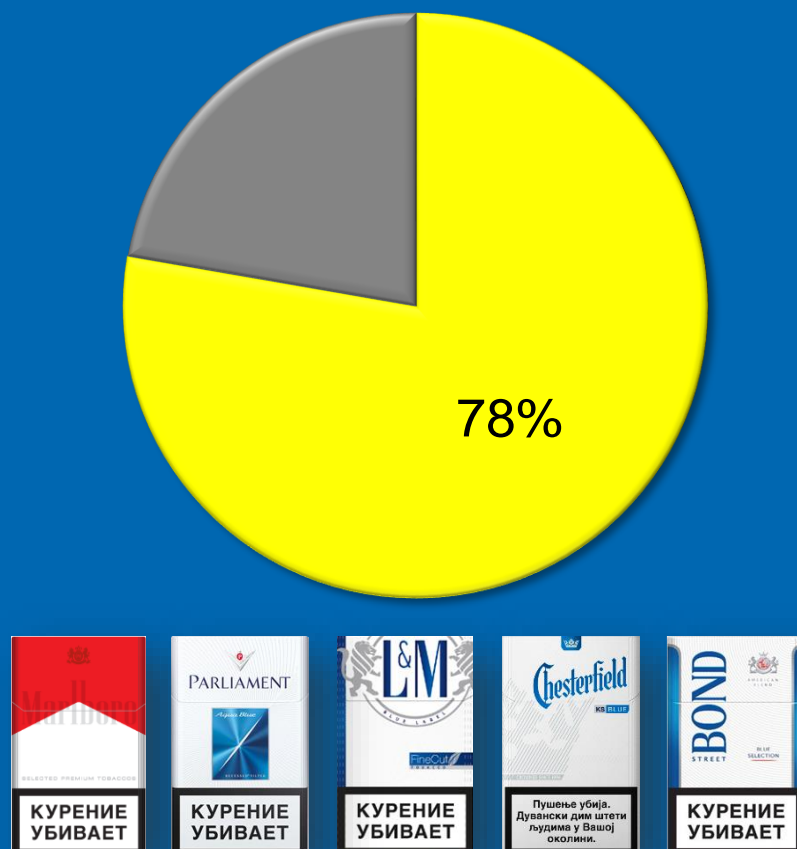
Source: PMI Financials or estimates



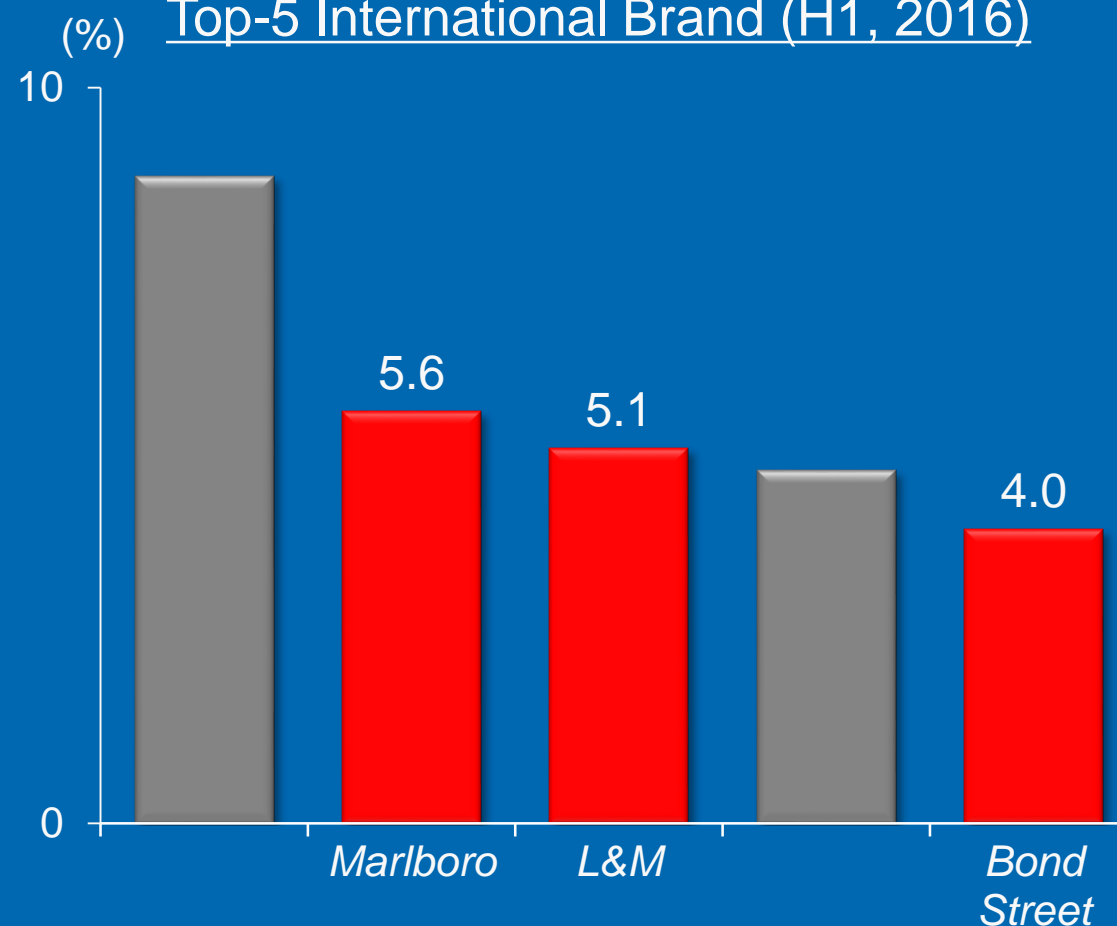
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# Focused Portfolio With Leading Brands

International Brand Share of  
PMI Regional Cigarette Volume (H1, 2016)



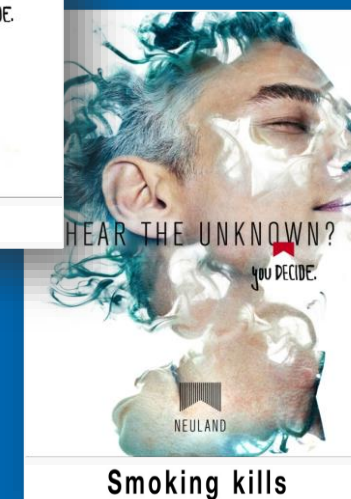
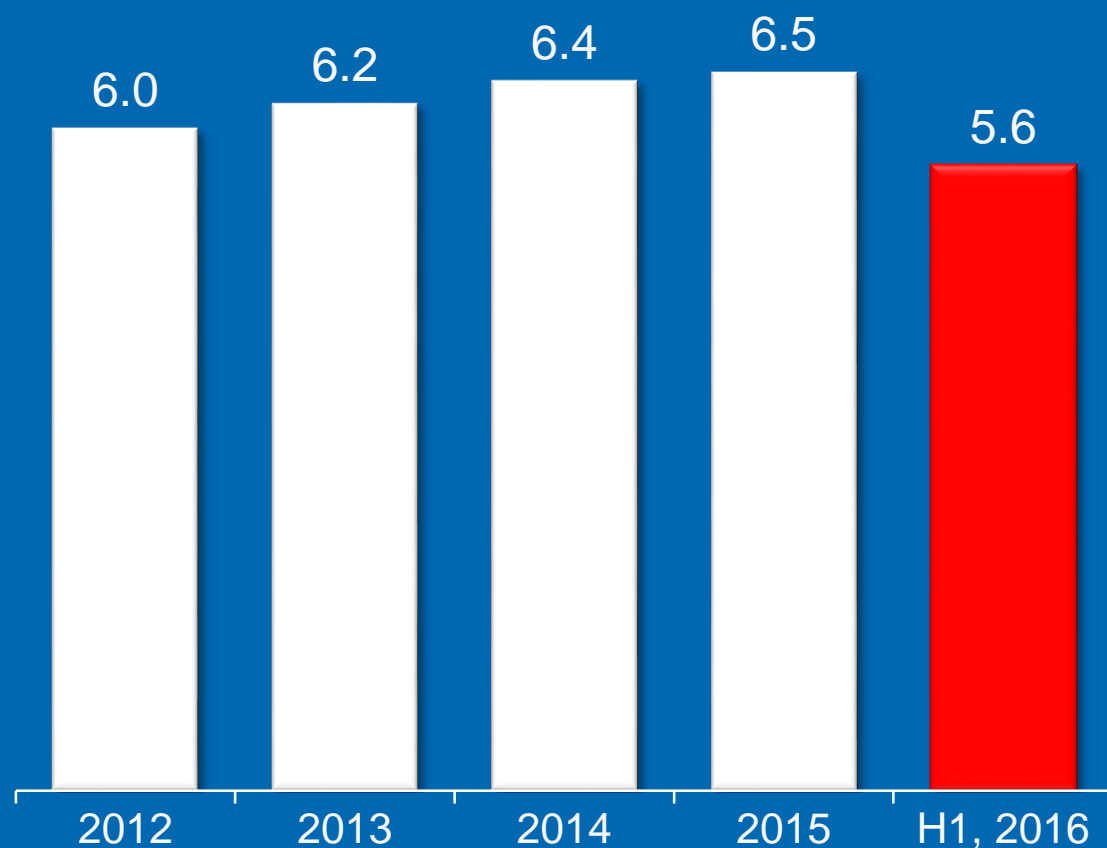
Cigarette Regional Market Shares for  
Top-5 International Brand (H1, 2016)



Note: Excluding duty free. Pack designs are for illustrative purposes only  
Source: PMI Financials or estimates

# Marlboro: Continue to Strengthen the Brand

Marlboro Cigarette Market Share (%)

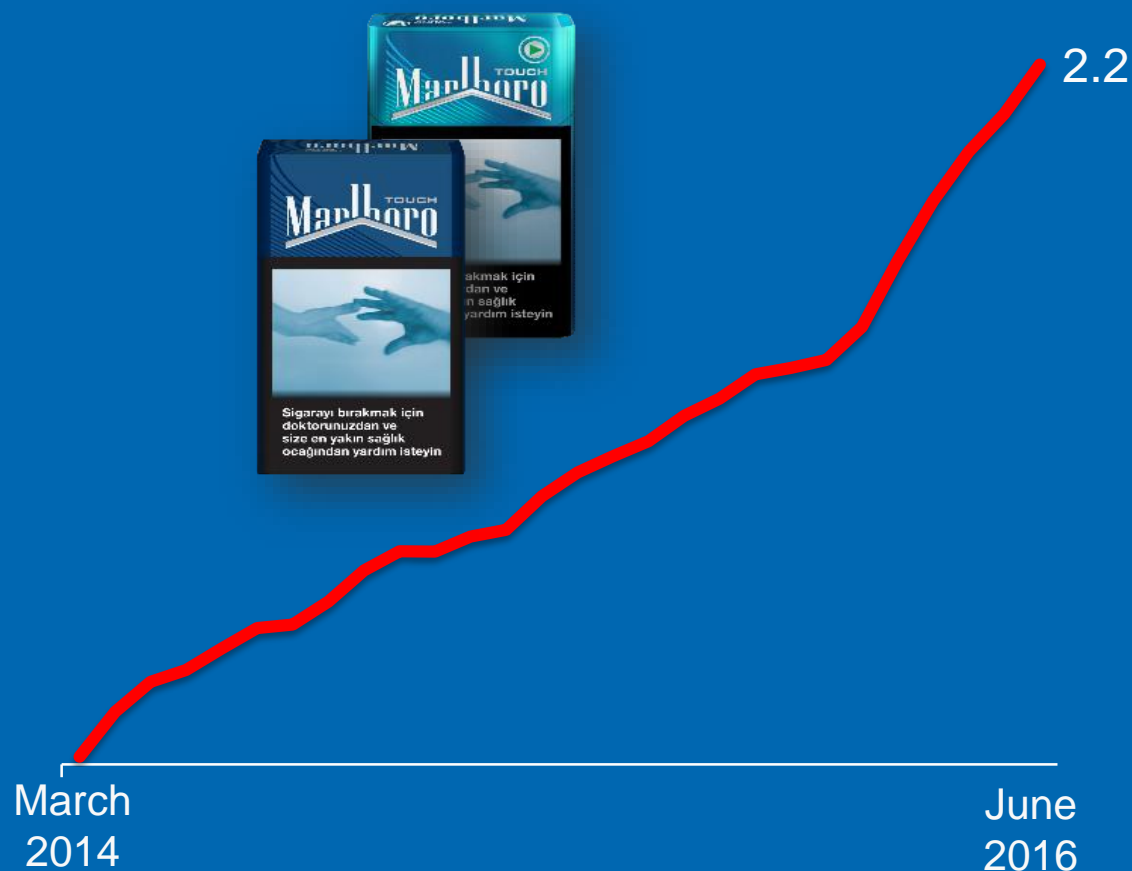


# Marlboro: Innovations Delivering Strong Growth



**TURKEY**

Marlboro Touch Slim SoM (%)



**UAE**

Marlboro Double Ice / Double Mix SoM (%)





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# Parliament: Strong Growth Despite Recessionary Environment

## Parliament Cigarette Market Shares (%)

EEMA Region<sup>(a)</sup>

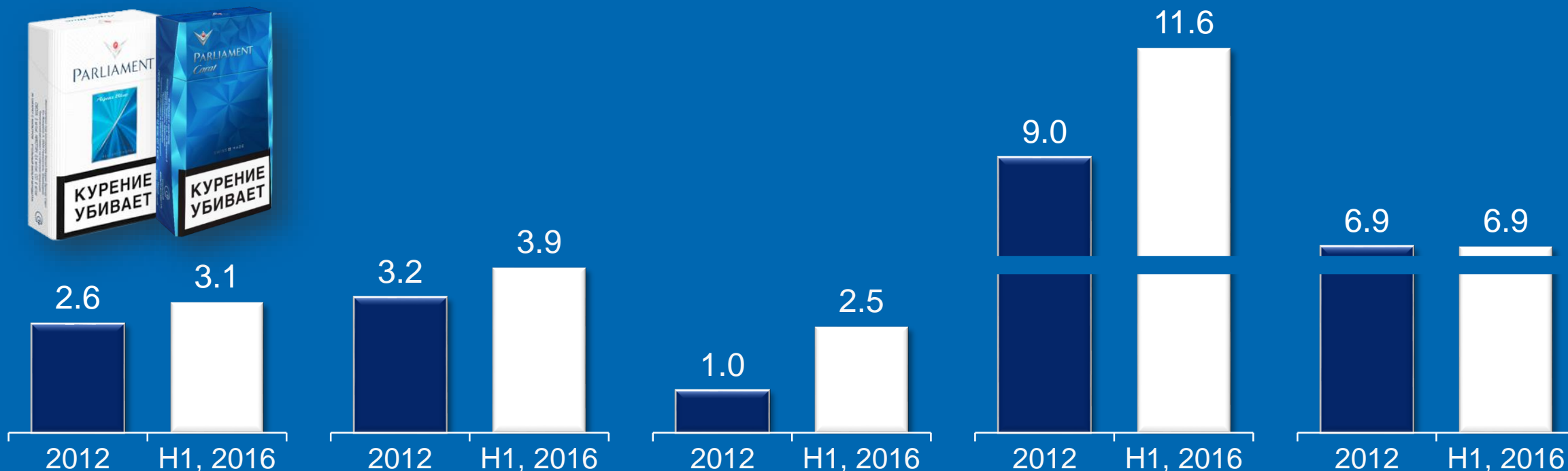
Russia

Saudi Arabia

Turkey

Kazakhstan

Variance: **+0.5pp** **+0.7pp** **+1.5pp** **+2.6pp** **– pp**



(a) Excluding duty free

Note: Top-4 OCI markets where *Parliament* is present. Variance is H1, 2016 vs. 2012. Pack designs are for illustrative purposes only

Source: PMI Financials or estimates, and Nielsen

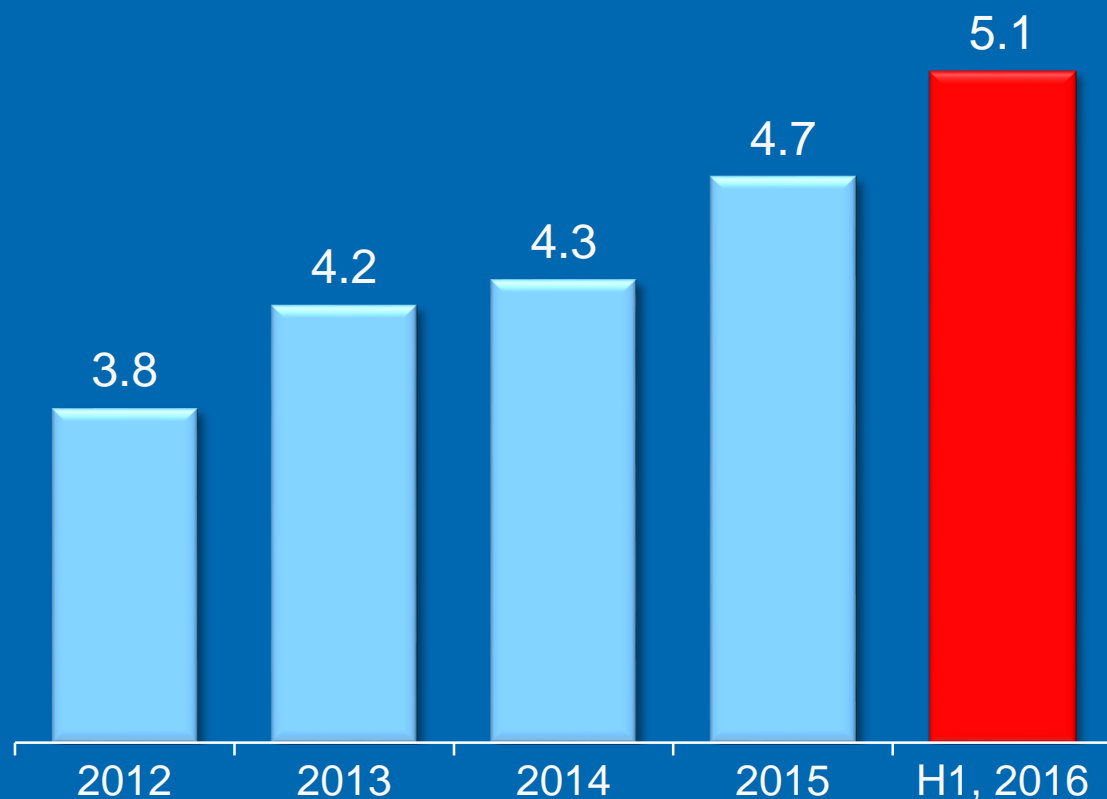




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# L&M: Continuing the Regional Success Story

L&M Cigarette Market Share (%)

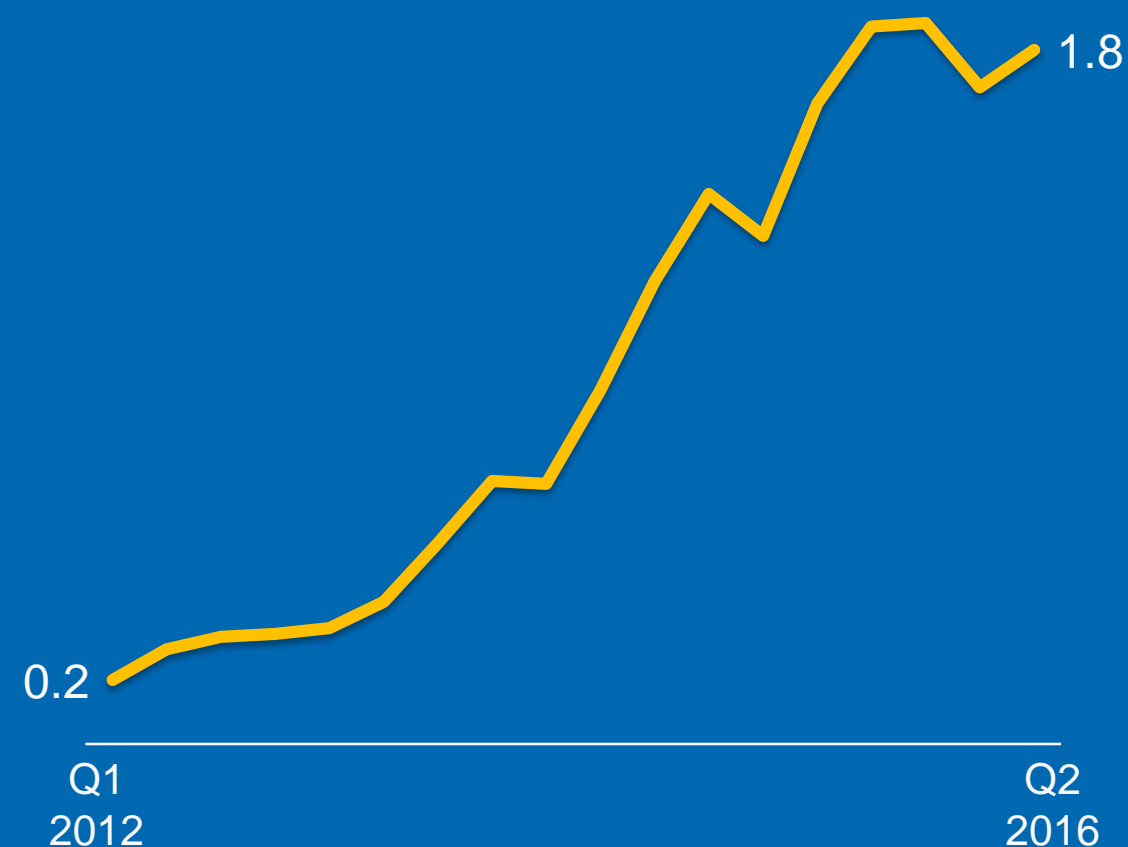


Note: Excluding duty free. Pack designs are for illustrative purposes only  
Source: PMI Financials or estimates



# Bond Street: Expanding Presence with Slim Offerings

## Bond Street Slim Regional Cigarette SoM (%)



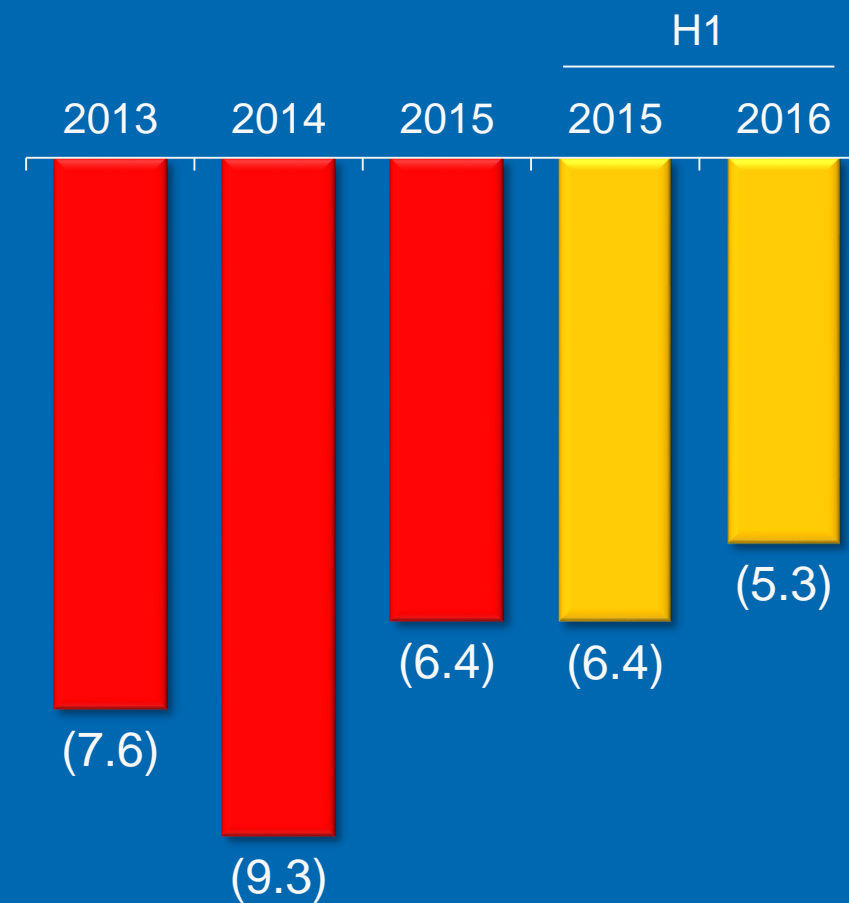


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# Russia: Cigarette Industry Volume Declines Subsiding



## Cigarette Industry Volume (% Decline vs. PY)

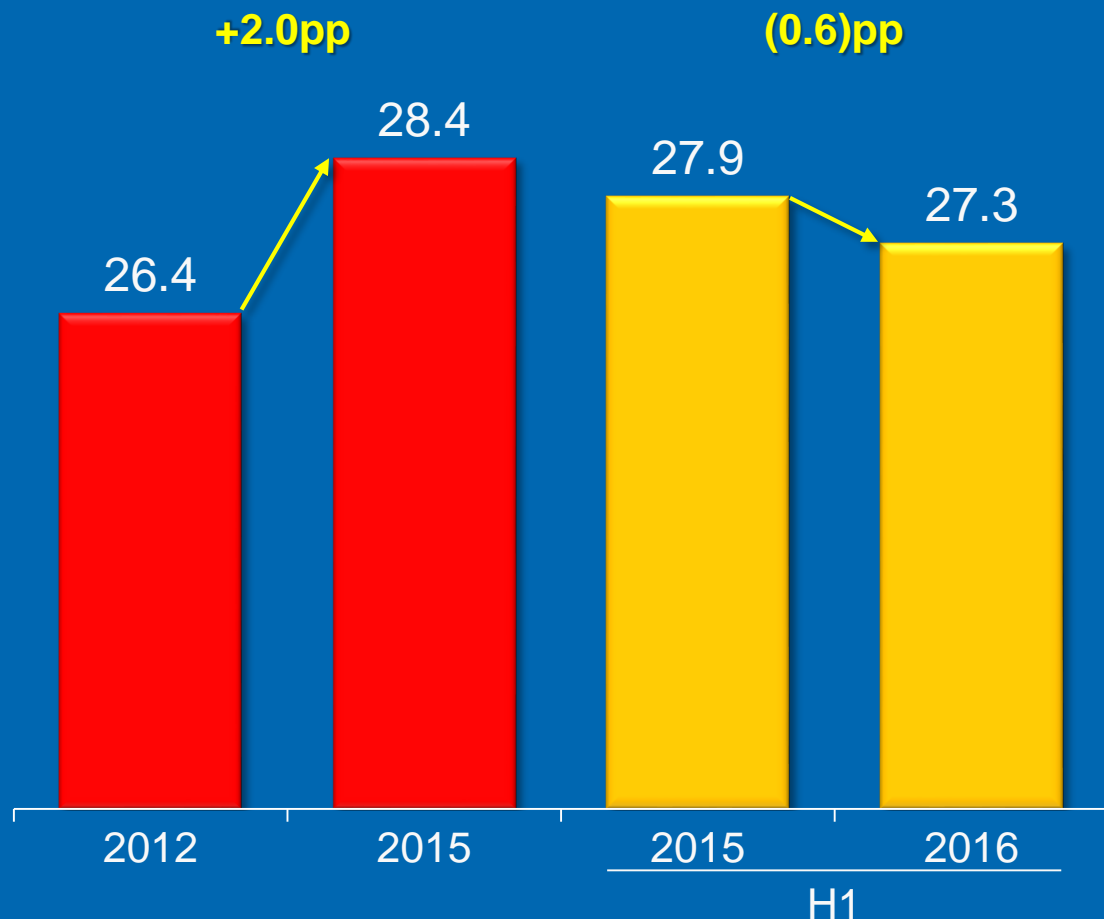




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# Russia: After Strong Growth, Temporary Tail-Off

PMI Cigarette Market Share (%)



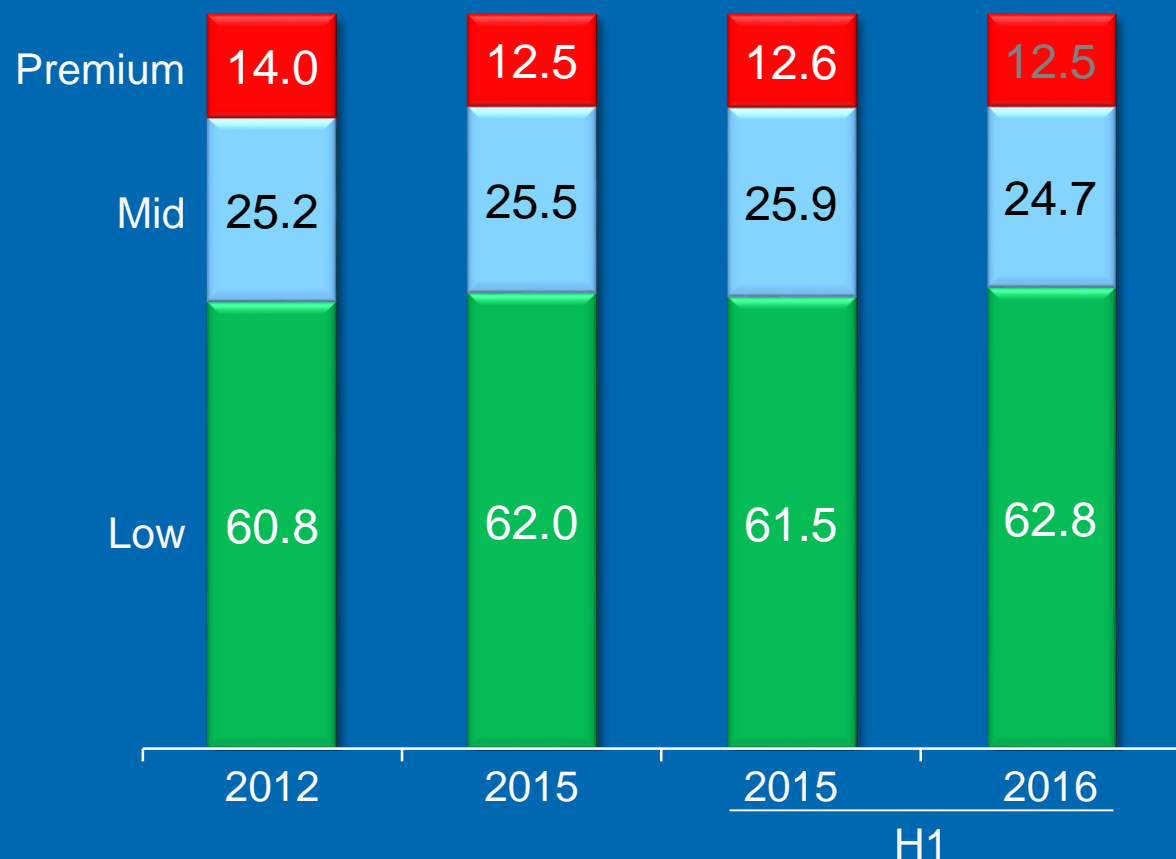
Note: Pack designs are for illustrative purposes only  
Source: PMI Financials or estimates, and Nielsen



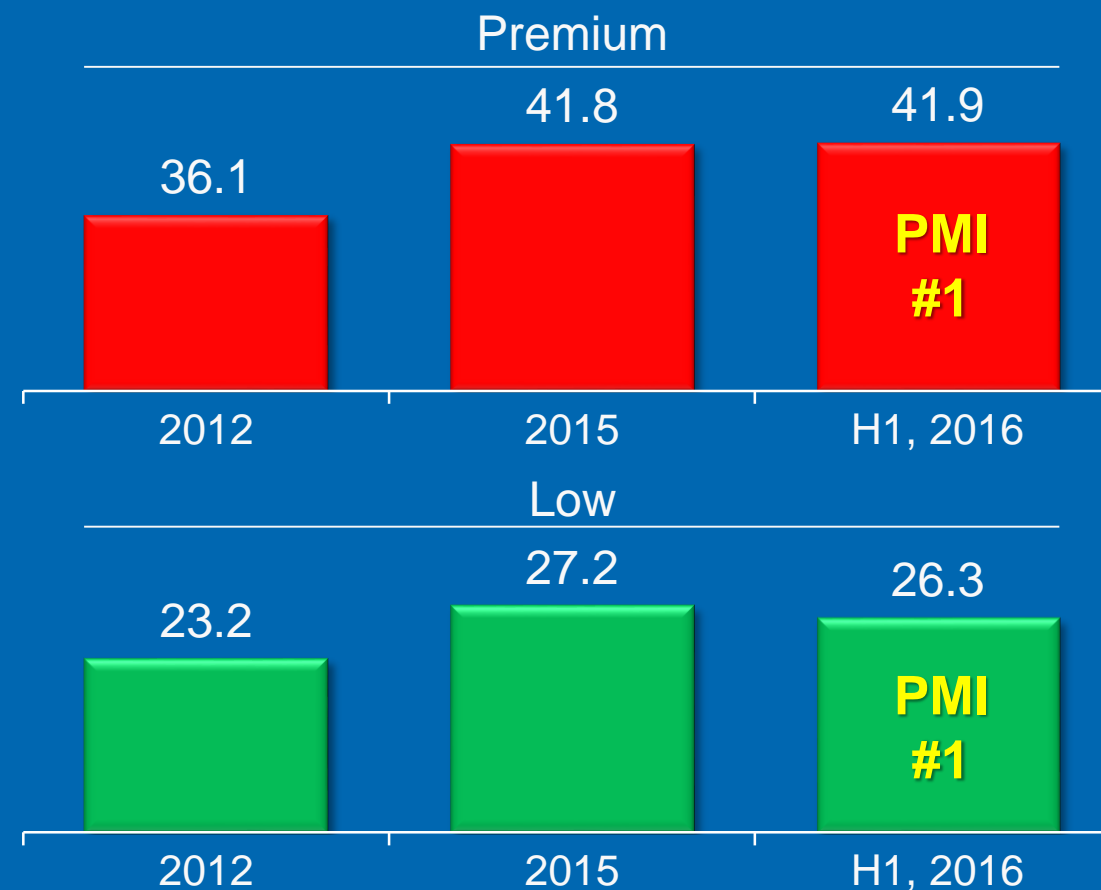
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# Russia: Growing Share in Resilient Premium Segment

Price Segment Share of Market (%)



PMI Price Segment Shares (%)

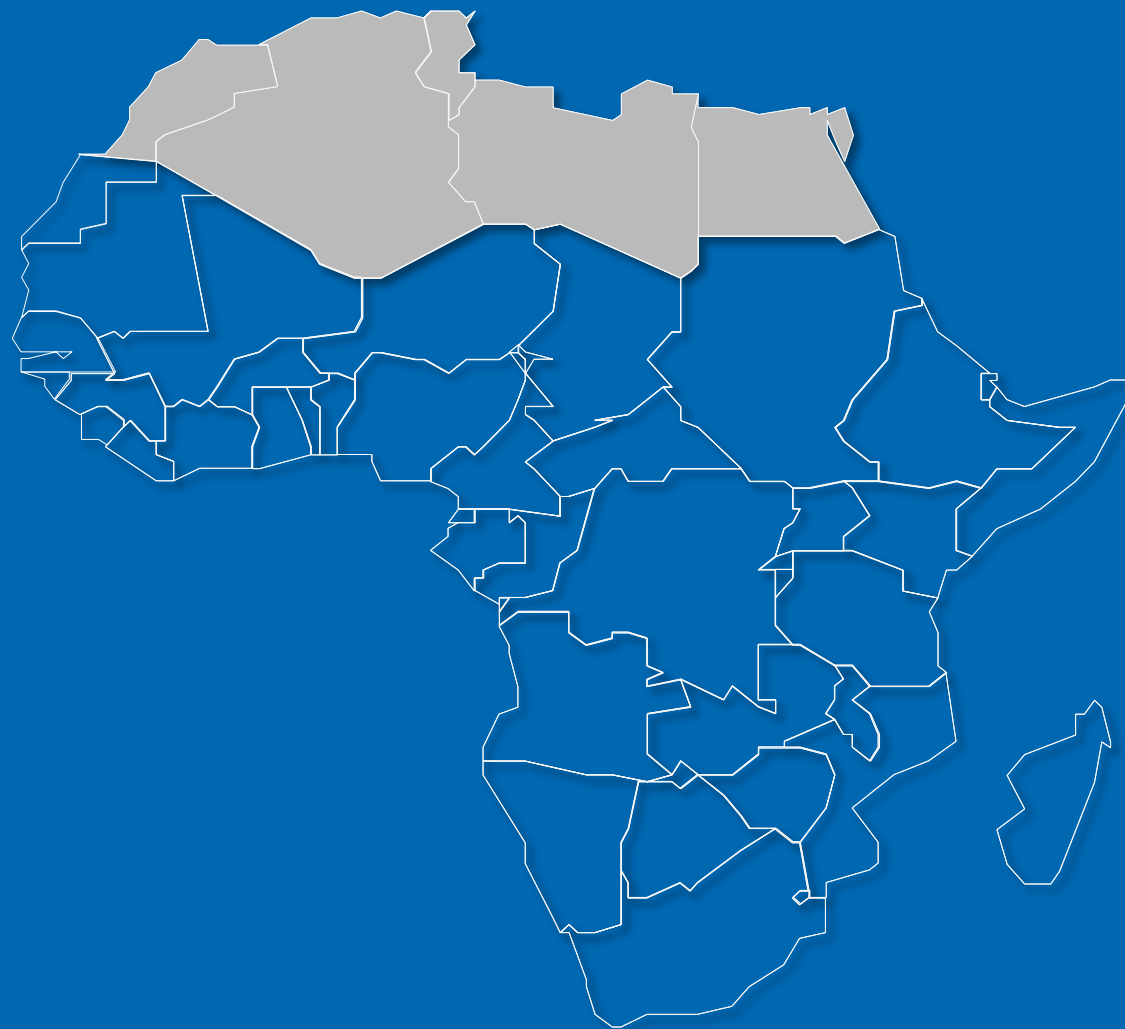


Note: Low includes filter (value-price, low filter) and non-filter products  
Source: Nielsen

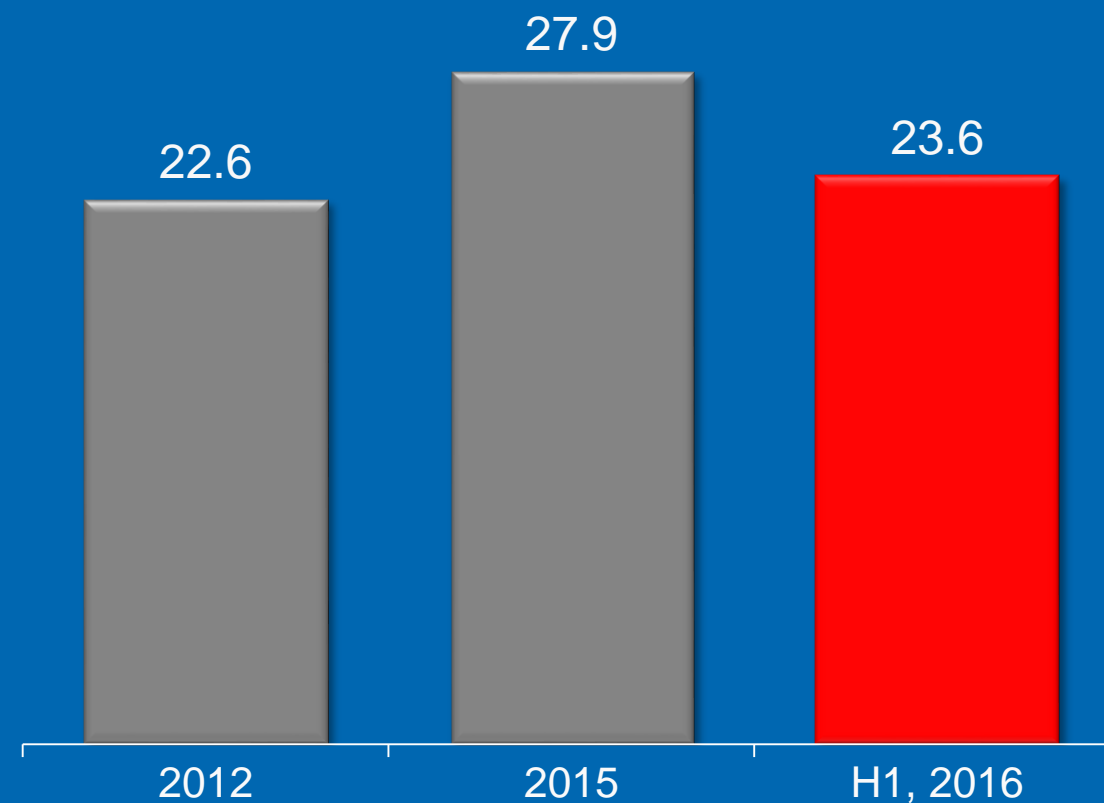


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## North Africa: Many Years of Strong Growth, Recent Pressures



PMI Cigarette Market Share (%)





# North Africa: Re-instilling Passion into *Marlboro* in Algeria

## Key Focus Areas



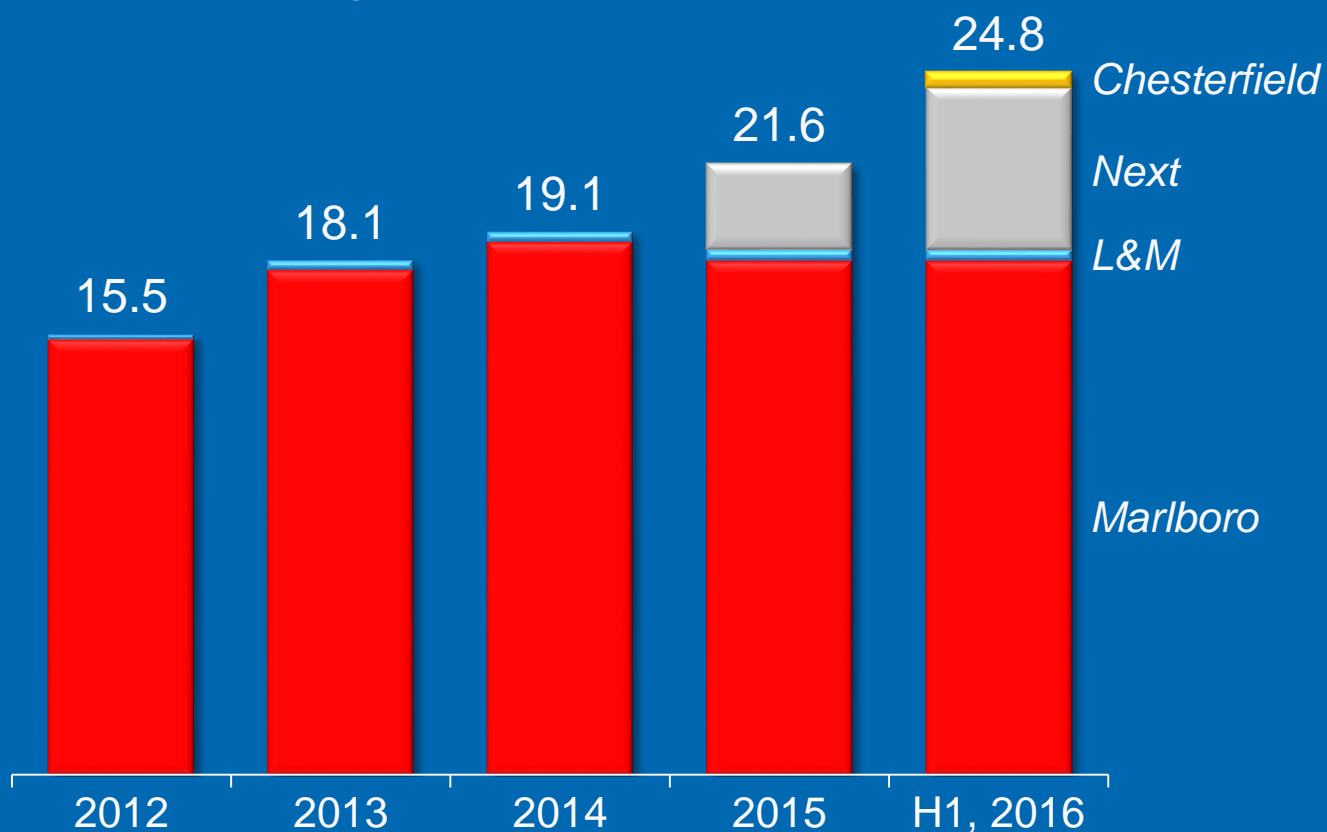
- Revitalizing *Marlboro* brand image and product design
- *REDZ* adult consumer engagement platform launched
- Redesigning route-to-market to increase trade and adult consumer reach

# North Africa: Take-back and Portfolio Expansion in Morocco



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### PMI Cigarette Market Share (%)

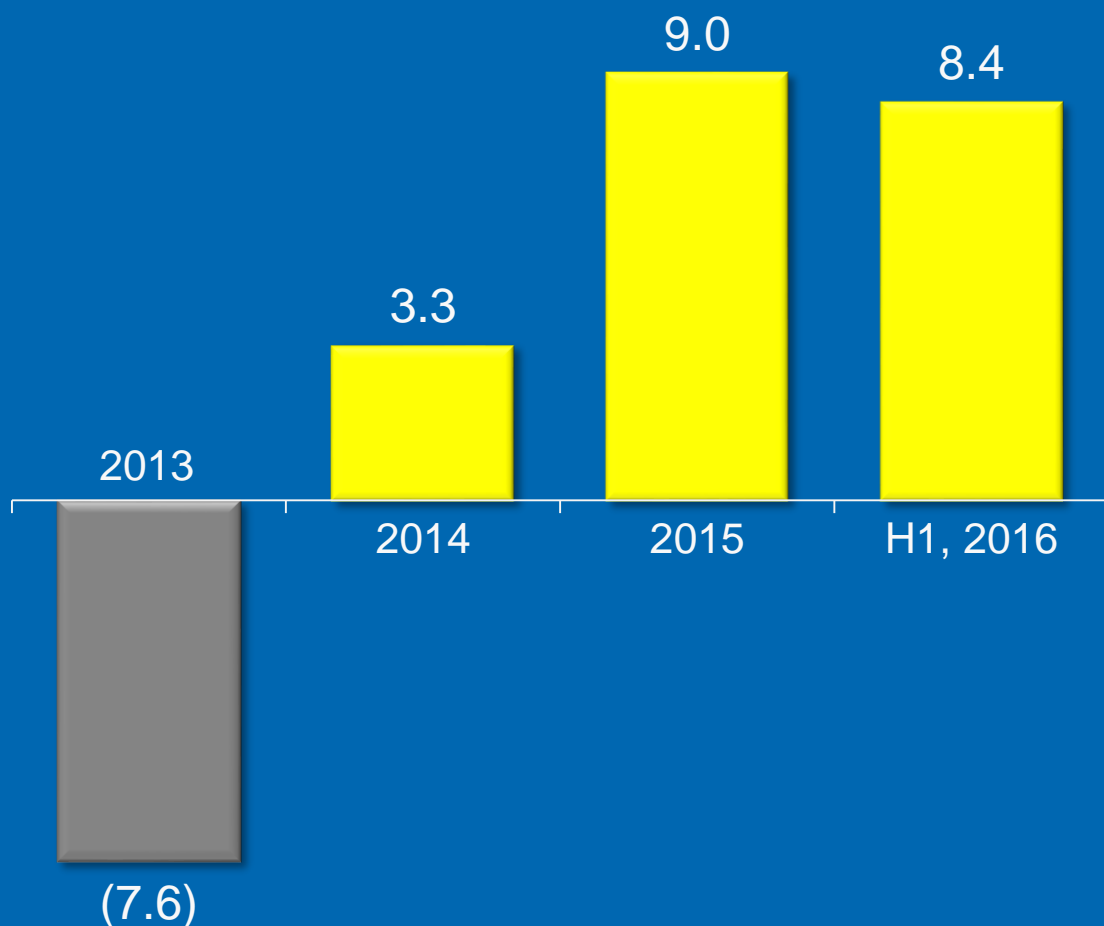




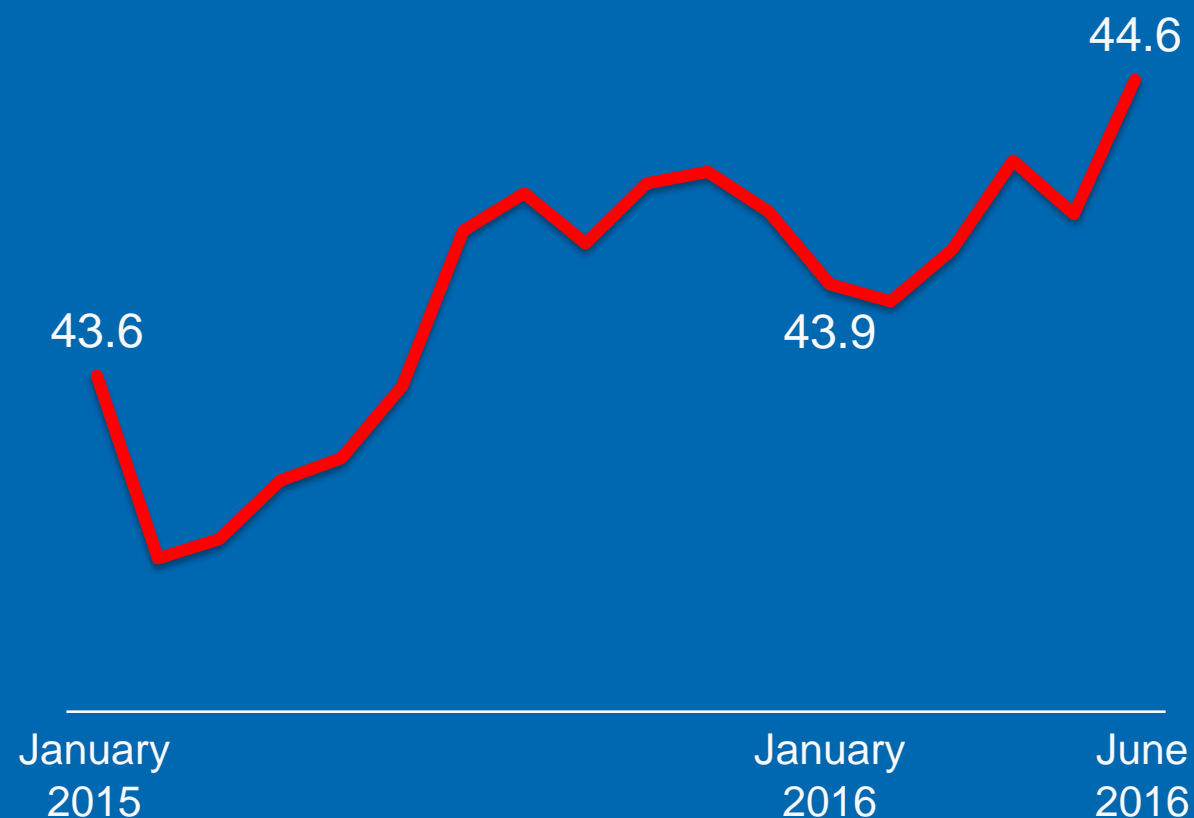
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# Turkey: Cigarette Industry Recovery and PMI Share Turnaround

Cigarette Industry Volume Change vs. PY (%)



PMI Cigarette Market Share (%)

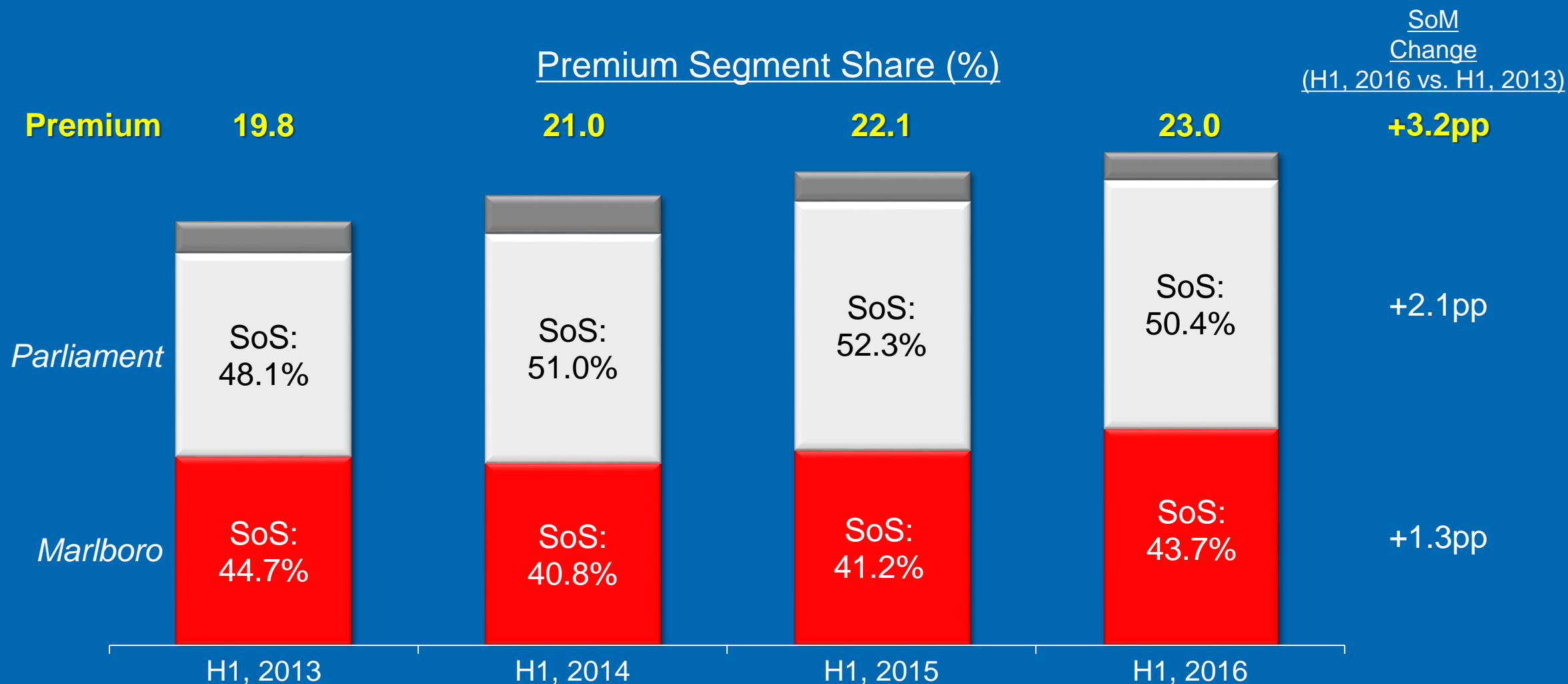






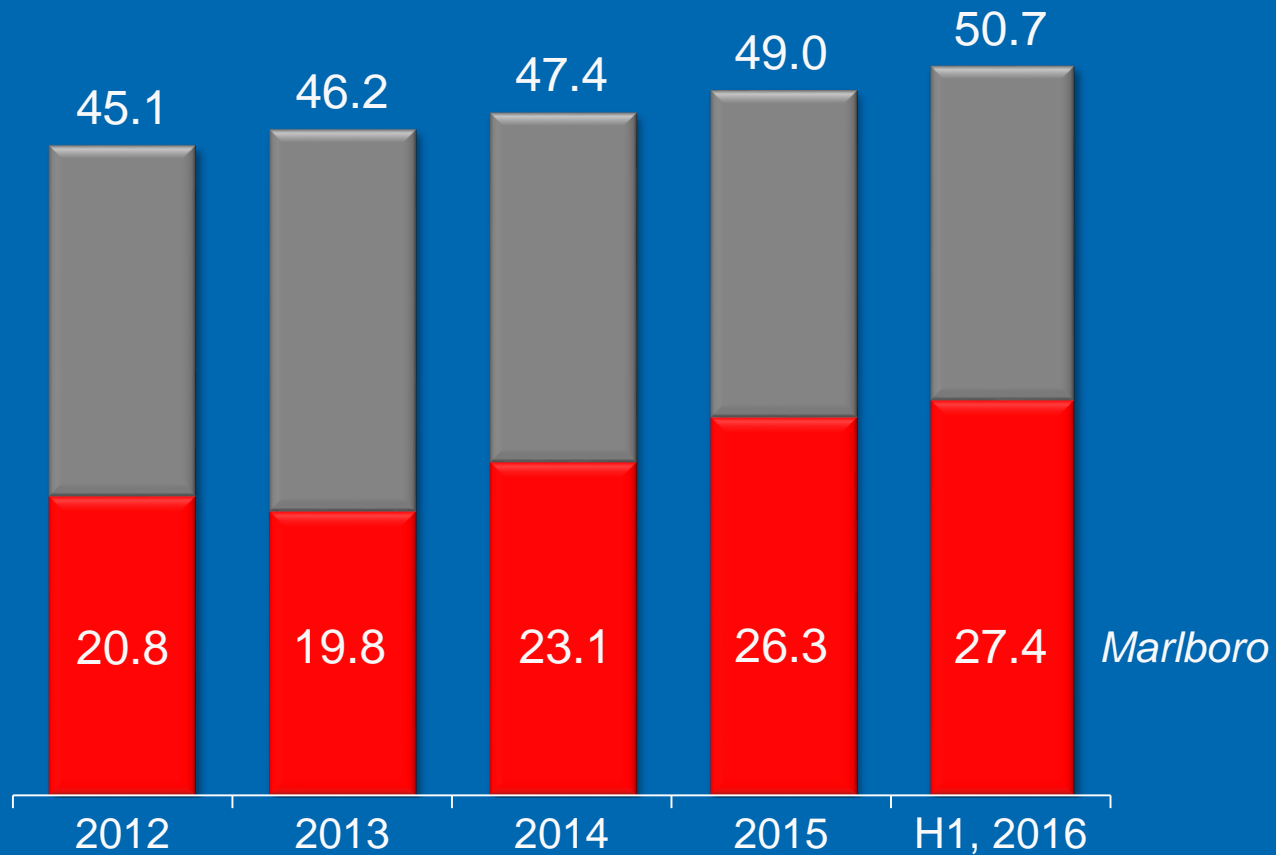
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# Turkey: Leading Premium Segment Growth



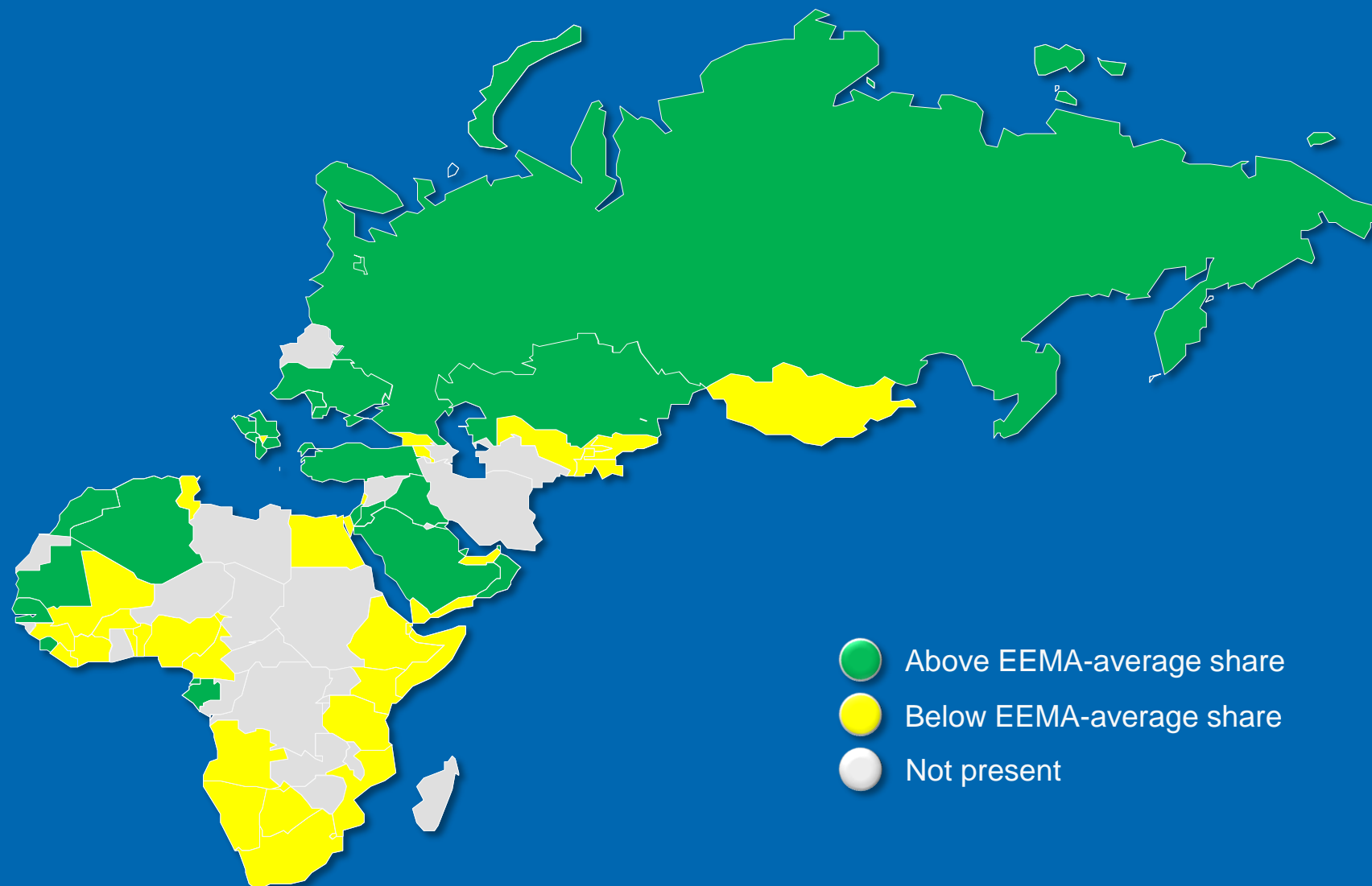
# Saudi Arabia: Significant Share Gains Fueled by *Marlboro*

PMI Cigarette Market Share (%)





# Opportunities to Develop Untapped Markets



Note: Not present reflects market with PMI share of market below 0.1%  
Source: PMI Financials or estimates (H1, 2016)



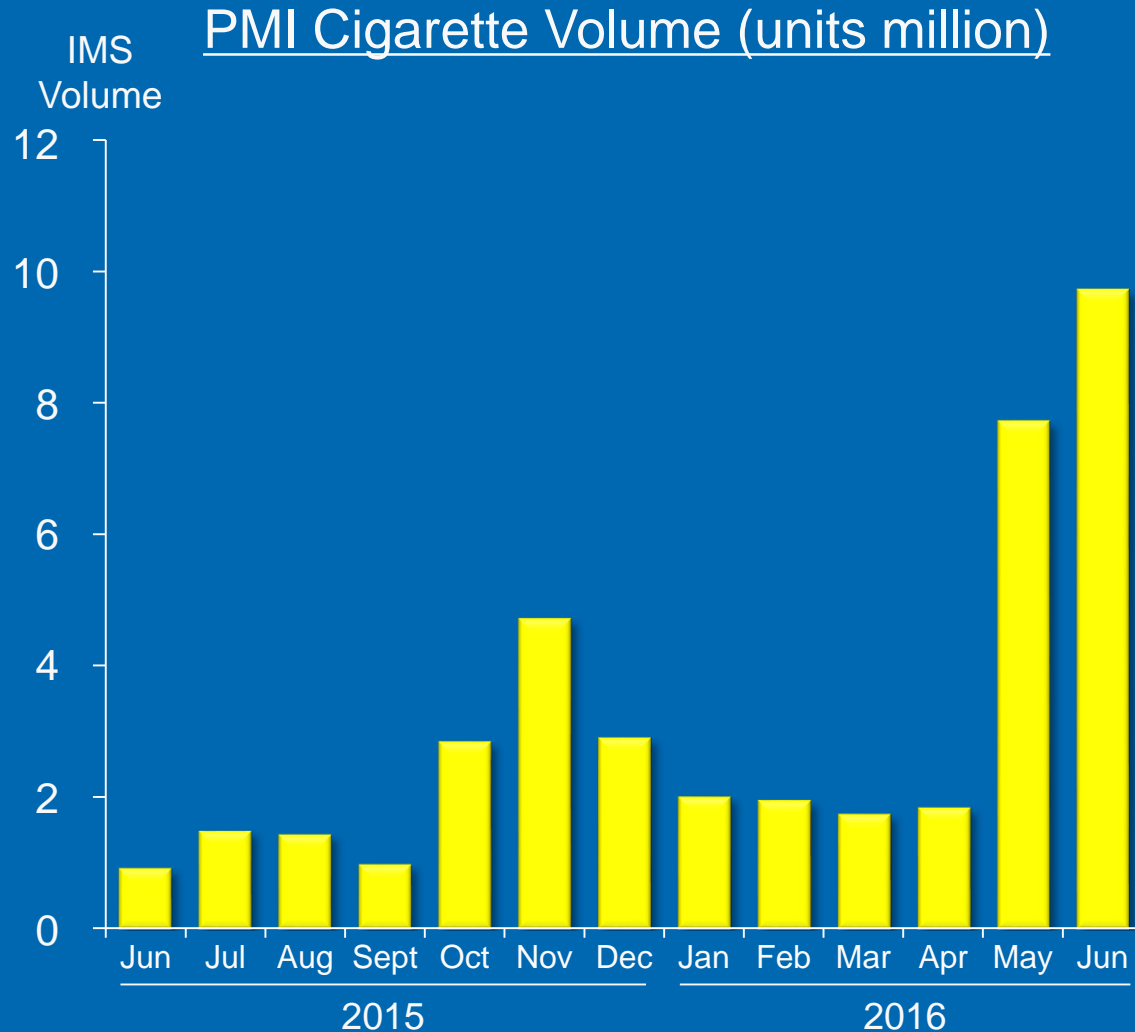
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# Ivory Coast: Success Story

PMI Cigarette Market Share (%)



# Tanzania: Successful Entry into Challenging Market



- Focus on Dar-es-Salaam
- Expanding distribution
- Combining PMI brand strength with commercial capability of local distributors



# RRPs: Very Attractive Prospects for Roll-Out in EEMA

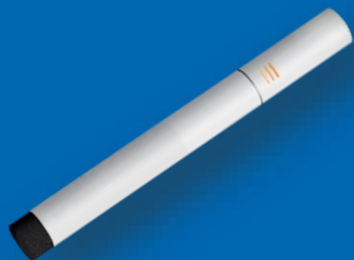
## PMI RRP Portfolio

### Heated Tobacco Products

Platform 1  
*iQOS*



Platform 2



### Nicotine-Containing Products

Platform 3



Platform 4



- Strong macroeconomic fundamentals
- Different platforms to address adult consumer needs
- By end 2017: RRP launched in key cities in over 10 markets (75% volume weight)

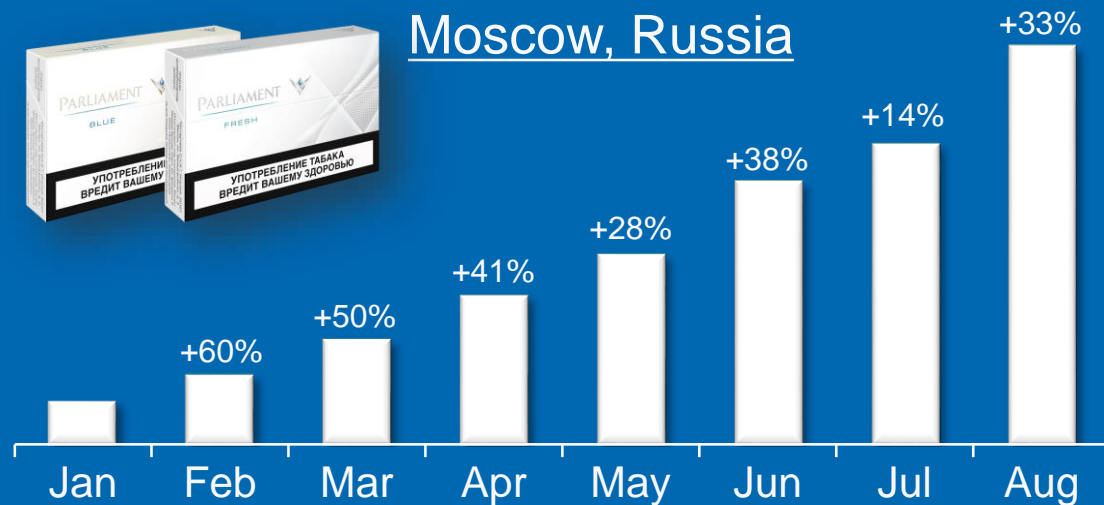
Note: Regional PMI cigarette volume weight, excluding duty free. Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. The products depicted are subject to ongoing development and therefore the visuals are illustrative and do not necessarily represent the latest stages of product development

Source: PMI Financials or estimates



# RRPs: iQOS's Early Momentum

## 2016 Monthly Variance in *HeatSticks* Offtake Volume



Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. Pack designs are for illustrative purposes only  
Source: PMI Financials or estimates



# Conclusion

- A growth engine for PMI, delivering low double-digit adjusted OCI growth, excluding currency and RRPs
- Robust plans to grow cigarette business:
  - Judicious pricing in an environment of economic recovery and reasonable affordability
  - Focused innovation
  - Leveraging superior brand portfolio
- Developing untapped markets:
  - Entering whitespaces
  - Enhancing presence in under-represented markets
- Successfully launching RRPs:
  - Attractive Regional characteristics
  - Aggressive roll-out plans
- Business and portfolio streamlining to reallocate resources towards attractive growth opportunities





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## **Investor Day – EEMA Region Lausanne, September 29, 2016**

Questions & Answers



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# 2016 INVESTOR DAY

Reconciliations of non-GAAP measures included in this presentation to the most comparable GAAP measures are provided on our website at: [www.pmi.com/2016InvestorDay/RecSlides](http://www.pmi.com/2016InvestorDay/RecSlides)

Glossary of Terms: [www.pmi.com/2016InvestorDay/Glossary](http://www.pmi.com/2016InvestorDay/Glossary)