Remarks by Jeanne Pollès
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(SLIDE 1.)

Thank you Nick. Good afternoon, Ladies and Gentlemen. I am very pleased to share with you the strong results of PMI's Latin America & Canada Region and our solid prospects for continued growth.

(SLIDE 2.)

I will first give you a brief overview of the Region and our volume, share and financial performance. Next, I will outline our main Regional strategies that should enable us to grow our share of market. They should also position the Region to target annual currency-neutral adjusted OCI growth, excluding RRPs, in the high single-digits over the mid to long-term. I will then cover our top markets and finally, following my closing remarks, I will gladly take your questions.

(SLIDE 3.)

We are the second largest competitor in the Region with a 2015 cigarette market share of 38.9%, up by 0.9 points versus 2013. We are closing the gap with our main competitor.

We are present in 44 markets, employ more than 11,000 people and operate ten cigarette manufacturing facilities.

Our business and financial performance have been exceptional, generating double-digit adjusted OCI growth, excluding currency, over the past four years, as well as strong cigarette market share growth.

These results have been achieved despite the challenging political and economic environment which has resulted in a high degree of instability and unpredictability in many countries, mainly due to fiscal deficits.

We also face high inflation, especially in Argentina, Brazil and Venezuela, combined with a currency devaluation against the U.S. dollar.

(SLIDE 4.)

I will now share with you some key facts that highlight the main contributors driving our strong performance.

Our significant cigarette market share growth is driven by the consistent performance of our superior brand portfolio, particularly *Marlboro*, which has continuously reinforced its number one brand position in the Region. I will touch on its performance in more detail in a moment.

Innovation is, and will be, a key driver of our market share development, primarily within the fast growing capsule segment.

Our superior brand portfolio, coupled with our ability to price and judiciously manage our cost base have allowed us to deliver excellent results.

Finally, our talented and engaged organization has demonstrated its ability to deliver these excellent results. I take this opportunity to thank all of them for the great work they are doing and will continue to do.

(SLIDE 5.)

I will now discuss total cigarette industry volume.

Regional cigarette industry volume contracted at a compound annual rate of 3.9% from 2013 to 2015.

This contraction was mainly due to Brazil, which continues to suffer from a high level of illicit trade, with an estimated 25% incidence.

For the first half of 2016, total cigarette industry volume declined by 4.0% compared to the same period last year, consistent with the trends in previous years.

Through the first half of 2017, we expect an acceleration of the total cigarette industry volume decline due largely to the significant excise tax-driven retail selling price increases in Argentina this past May.

Beyond 2017, we anticipate a total Regional cigarette industry volume decline rate broadly in line with historical trends.

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Between 2013 and 2015, we outperformed the industry, reflecting robust cigarette market share growth in two of our top five markets, namely Argentina and Brazil, and a stable position in Canada and Colombia.

In Mexico, we experienced a cigarette market share decline of 4.3 percentage points, predominantly due to down-trading from the premium segment.

Our strong Regional cigarette market share growth continued in the first half of this year, reaching 39.1%, up by 0.8 points versus the same period last year.

I am confident with our plans to continue to deliver strong results in the years to come.

(SLIDE 7.)

Thanks to our cigarette market share growth, our cigarette shipment volume decreased at a compound annual rate of just 2.8% between 2013 and 2015, compared to a total cigarette industry decline of 3.9% over the same period.

For the first half of this year, our cigarette shipment volume declined by 1.9% compared to a total cigarette industry decline of 4.0%. Our volume decline was mainly due to the industry volume and share contraction in Argentina, partially offset by market share growth in Canada and Mexico, combined with the total cigarette industry volume recovery in Mexico.

Between 2013 and 2015, net revenues grew at a compound annual rate of 11.2%, excluding currency, to reach 3.2 billion dollars in 2015. The growth continued for the first half of 2016, predominantly driven by higher pricing in Argentina and Canada.

Between 2013 and 2015, adjusted OCI grew at a compound annual rate of 18.5%, excluding currency, to reach over 1 billion dollars in 2015. This was predominantly driven by favorable pricing in Argentina and Canada and, to a lesser extent, our Regional market share growth.

June year-to-date this year, we delivered double-digit adjusted OCI growth of 11.7%, excluding currency.

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Over the period 2014 and 2015, our adjusted OCI margin improved by 2.6 points to reach 34.3%.

For the first half of 2016, our adjusted OCI margin, excluding currency, increased by 1 point to 37.2% compared to the first six months of 2015. The increase was primarily driven by pricing in Argentina and Canada, and the containment of cost increases below inflation.

Compared to 2015, we expect our 2016 adjusted OCI margin, excluding currency, to increase, but not at the same rate as the first part of the year, due to the significant tax-driven price increase and related volume impact in Argentina as I mentioned earlier.

Moving forward, we expect further adjusted OCI margin improvement, driven by pricing and business process optimization that leverages our shared service centers and the further consolidation of our manufacturing footprint to generate additional efficiencies in our cost base.

(SLIDE 9.)

I will now share with you our mid to long-term Regional targets and strategies.

Building on our current business momentum, I believe that we can achieve our ambition to become number one in the Region in terms of market share.

Our performance in the cigarette business, combined with the successful introduction of RRPs, should contribute to market share growth.

Consequently, it should allow us to target high single-digit currency-neutral adjusted OCI growth, excluding RRPs, over the mid to long-term, and continue to be a strong contributor to PMI's overall success. As a reminder, this target is consistent the one we provided at our 2014 Investor Day, albeit now excluding RRPs.

To achieve this, we have defined the five key strategies highlighted on this slide. I will now discuss each of them in detail, starting with pricing.

(SLIDE 10.)

From 2012 to 2013, our average annual pricing variance as a percentage of prior year's net revenues was 7.8%.

Over the last two years, we were above this average due to the high inflation in Argentina and a fairly stable currency.

Going forward, due to a higher tax incidence in Argentina that has substantially reduced price productivity, we expect that our average annual pricing variance as a percentage of prior year's net revenues will be broadly in line with our 2012 to 2013 average, supporting our adjusted OCI growth target of high single digits.

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Our portfolio is a critical element of our current and future growth.

Innovation, in particular, has been – and will remain – the key success factor of our cigarette share of market growth as illustrated by the performance of the capsule segment, which has more than doubled since 2013.

June year-to-date this year, one out of 10 adult smokers smoked a capsule product.

Our strategy of offering innovative capsule products across different price segments has proven to be successful. In this fast growing segment, we have achieved a 44% segment share June year-to-date this year.

(SLIDE 12.)

In the premium segment, which represents 31.8% of the total cigarette industry volume June year-to-date this year, *Marlboro* is the market leader with 48.9% segment share.

Marlboro is strengthening its leadership position in the Region, achieving a June year-to-date market share of 15.6% this year.

These excellent results were driven by the successful roll-out of *Marlboro* 2.0 and the introduction of New Taste Dimension capsule products, which have helped to reinforce the brand's equity in most markets across the Region.

We plan to increase the awareness of innovations that deliver against the preferences of adult smokers, such as a firmer filter.

All these innovations, coupled with intensive consumer and retailer engagement activities, should increase *Marlboro*'s leadership within the Region.

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In the below-premium segments, we are building our portfolio around three international brands, namely *Philip Morris*, *L&M* and *Chesterfield*, which will complement our local trademarks.

In the first half of this year compared to 2013, *Philip Morris* and *L&M* delivered positive results across the Region, gaining 0.6 and 0.1 percentage points to reach a cigarette market share of 7.9% and 1.5%, respectively.

Although Regional *Chesterfield* cigarette market share is flat, our recent initiatives in Argentina are showing very promising results. In July this year, *Chesterfield* achieved a cigarette market share of 5.1% in Argentina, up by 3.7 points versus April, benefiting from the launch of *Chesterfield* Fresh and the morph of *Next* into *Chesterfield*.

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To summarize our portfolio strategy, we aim to:

First, grow *Marlboro*, supported by the introduction of the most relevant and proven innovations that meet adult smoker preferences.

Second, streamline our entire portfolio, especially through morphing selected local brands into our international brands.

Finally, expand *Chesterfield*'s footprint and fortify *L&M*'s positioning as the best alternative for adult smokers who decide to down-trade or return to the legal market from illicit products.

(SLIDE 15.)

With regards to illicit trade, I will now elaborate on recent developments and our strategy to reduce it.

Illicit trade remains a key issue with an estimated Regional incidence of 16% of total consumption in 2015, or some 46 billion units.

Since 2015, we have witnessed significant improvements regarding law enforcement, especially in Argentina, Canada, Colombia and Mexico.

Governments are increasingly concerned about this issue and the level of seizures highlights their efforts to combat the problem. In 2015, nearly 4 billion illicit cigarettes were seized. Compared to 2014, seizures increased by 20% to 40% in several markets.

We intend to further support law enforcement and increase awareness of the issue and its consequences with regulators, the trade and adult smokers through communication campaigns and direct engagement activities, such as in Argentina, Canada, Colombia, the Dominican Republic and Mexico.

One example is the launch in Costa Rica of the App "mercado ilegal," meaning "illicit market." This launch has been executed in coordination with law enforcement authorities and business associations.

This online application empowers consumers by providing them with an online platform to report the presence of illicit products in the trade. The App has been expanded to Argentina, El Salvador and Guatemala.

(SLIDE 16.)

As you have heard earlier, RRPs are our future.

I am convinced that the Region has the potential to contribute to PMI's global goals for RRPs for three reasons.

First, there is an increased interest by regulators, the public health community, as well as public opinion leaders in the harm reduction debate as illustrated by a recent conference which took place in Colombia and has been leveraged in several countries in the Region.

Second, the regulatory framework in place in our top markets allows for direct communication with adult smokers, a key facilitator to converting current adult smokers who would otherwise continue smoking, to RRPs.

Third, adult smokers are open to innovation as illustrated by the growth of the capsule segment I mentioned earlier and by the fast growing penetration of smartphones. In addition, purchasing habits are increasingly gravitating towards digital environments, giving us the opportunity to explore more efficient and dynamic business models, especially in a Region where we have such a diverse geographical presence.

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Leveraging on the opportunities I just mentioned, I am delighted today to announce the introduction of RRPs in Canada, one of our top markets in the Region. The combination of our strong foothold in the market and digital platforms offers great prospects for success.

iQOS and *Heets* will be introduced in Vancouver, Toronto, Ottawa, Calgary and Edmonton in the coming months – representing one quarter of all adult smokers in Canada – with further gradual expansion nationwide thereafter.

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Our ambition is to further roll out our platforms in the Region. Therefore, our local teams are developing plans focusing on three pillars.

First, we are advocating for a differentiated regulatory and fiscal framework. We already received customs classifications and/or differentiated excise tax treatment versus cigarettes in some countries. Work is in progress to establish the same approach in the remaining markets.

Second, we are creating innovative and viable commercial offers to match the local realities that adult smokers face, notably affordability.

Third, we are identifying the leanest and most efficient route-to-market models. We are exploring all existing channels, including business-to-consumer models, to ensure a high level of conversion of current adult smokers to RRPs.

(SLIDE 19.)

Our organization has been a key pillar of our success. In order to effectively manage our future business, including the advent of RRPs, we need to become more inclusive, diverse and agile.

Empowerment, the ability to make quick and relevant decisions, innovation, entrepreneurship, creativity and a focus on high value-added activities are critical to enable us to shift resources to successfully launch RRPs.

Finally, we plan to continue to leverage our Shared Service Centers to further streamline our organization and improve processes.

I will now cover four of our top markets in more detail: Canada, Mexico, Argentina and Brazil.

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In Canada, we have achieved good market share results despite the challenging regulatory and fiscal environment.

While, most recently, tobacco taxes have steadily increased near the rate of inflation, we have faced regulatory pressure, best exemplified by the implementation of a menthol ban and the potential introduction of plain packaging.

Through June of this year, our cigarette market share grew by 1.2 percentage points compared to 2015.

Our key brands, *Belmont*, *Canadian Classics*, *NEXT* and *Philip Morris* have all grown within their respective price segments.

In the declining premium segment, *Belmont* grew segment share, increasing by 2.1 points to 13.8% June year-to-date this year versus 2015. *Belmont*'s strong performance has been driven by the injection of progressive innovations such as capsules.

Down-trading has been a persistent trend, with the below mid-price segment growing at the expense of the higher priced products. We are well positioned to capitalize on these market dynamics with *Next* and *Philip Morris*.

In summary, all fundamentals, complemented by the introduction of RRPs, are well established to further deliver share of market and financial growth.

(SLIDE 21.)

I will now talk about Mexico, where we are by far the market leader.

Since last year, the total cigarette industry volume has started to recover thanks to the efforts of local authorities to fight illicit trade.

Moreover, since the beginning of this year, and after several years of decline, we have also witnessed a recovery of the premium price segment, in which we have been gaining share to reach a July year-to-date share of 93.3%, in this profitable segment.

The capsule segment has enjoyed significant growth over the last three years to reach 22% of the total market July year-to-date this year. We have steadily grown our share in this segment from 30.1% in 2013 to 45.9% July year-to-date this year, thanks to several successful launches such as *Marlboro Velvet Fusion Blast* and *Marlboro Red 100 capsule*.

To further capitalize on the total cigarette industry volume recovery and on our leading position, we recently implemented a price increase for *Marlboro*, *Benson & Hedges*, *Delicados* and *Chesterfield*.

Moving forward, we expect to strengthen our position in the premium segment by supporting *Marlboro*. In parallel, we will further leverage our successful New Taste Dimension capsule products to accelerate our market share recovery.

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In Argentina, we are the indisputable market leader with approximately three out of four adult smokers choosing our brands.

Due to fiscal pressure faced by the new government, a significant cigarette excise tax increase was implemented in May of this year, which led to a more than 50% increase in retail selling prices.

The impact should be mitigated by the high inflationary environment, where inflation this year is estimated to reach 35%. As a result we believe that the total industry volume decline, which is forecast to be around 12% this year, should return to its historical low single-digit level during 2017.

In this context, we anticipate that down-trading will remain limited and manageable. As the vast majority of down-trading is taking place among the mid and low-price segments, the premium segment is expected to show resilience. Therefore, despite temporary market share pressure, we expect to continue our growth.

We plan to support *Marlboro* and *Philip Morris* to reinforce our leading position in the premium and mid-price segments. We are also developing *Chesterfield* to build a safety net in the low-price segment to capture down-traders.

In addition to our portfolio strategy, we plan to continue advocating for tax restructuring.

Our strong brand portfolio, established in key price segments, combined with our ability to price, as evidenced by our price increase last month, gives me confidence that Argentina will continue to be a significant driver of our Regional business and financial performance.

(SLIDE 23.)

I will now discuss Brazil, the largest market in our Region from a cigarette industry volume perspective, and one in which we are making tremendous progress thanks to the combination of our brands' performance and the geographical expansion of our direct distribution model.

We have reinforced our position in the market in all price segments, with year-over-year share growth, driven by our strong portfolio led by *Marlboro* and *L&M.*

Marlboro accounts for close to half of the total share growth in this period, growing consistently across all flavor pillars and benefiting from the deployment of the new *Marlboro* architecture, which has successfully increased the premium perception of the brand.

A solid portfolio, a comprehensive commercial strategy combined with our focus on delivering efficiency and productivity, position us to successfully face current headwinds brought by recent difficult macro-economic conditions in the market.

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In summary, in this complex but manageable environment, we have plans in place to effectively address our challenges and capitalize on our opportunities.

Our superior brand portfolio, built through growing international brands and innovations that address adult smoker preferences, should deliver robust market share gains.

We plan to seize the opportunities to expand our geographical presence, and most importantly, we intend to pioneer the introduction of RRPs in the Region.

Last but not least, we will leverage our entrepreneurial and open-minded organization, to successfully implement our plans and position us to achieve superior business and financial results.

(SLIDE 25.)

Thank you very much for your interest in our Regional business. I will now be glad to answer any questions you may have.