



PHILIP MORRIS
INTERNATIONAL

2016
INVESTOR DAY

Investor Day – LA&C Region Lausanne, September 29, 2016

Jeanne Pollès
President, Latin America & Canada Region



Agenda

- Regional Overview and Performance
- Regional Strategies
- Key Markets
- Conclusion

LA&C Regional Overview (2015)

● Cigarette manufacturing sites



PMI:

- SoM: 38.9% (+0.9pp vs. 2013)
- Presence in 44 markets (25 Caribbean islands)
- 11,000+ employees
- 10 PMI cigarette factories

Macroeconomic & Political Outlook:

- Political instability
- Fiscal deficit mainly due to oil price decline
- High inflationary environment
- Currency devaluation



PHILIP MORRIS
INTERNATIONAL

Continued Success in a Challenging Environment

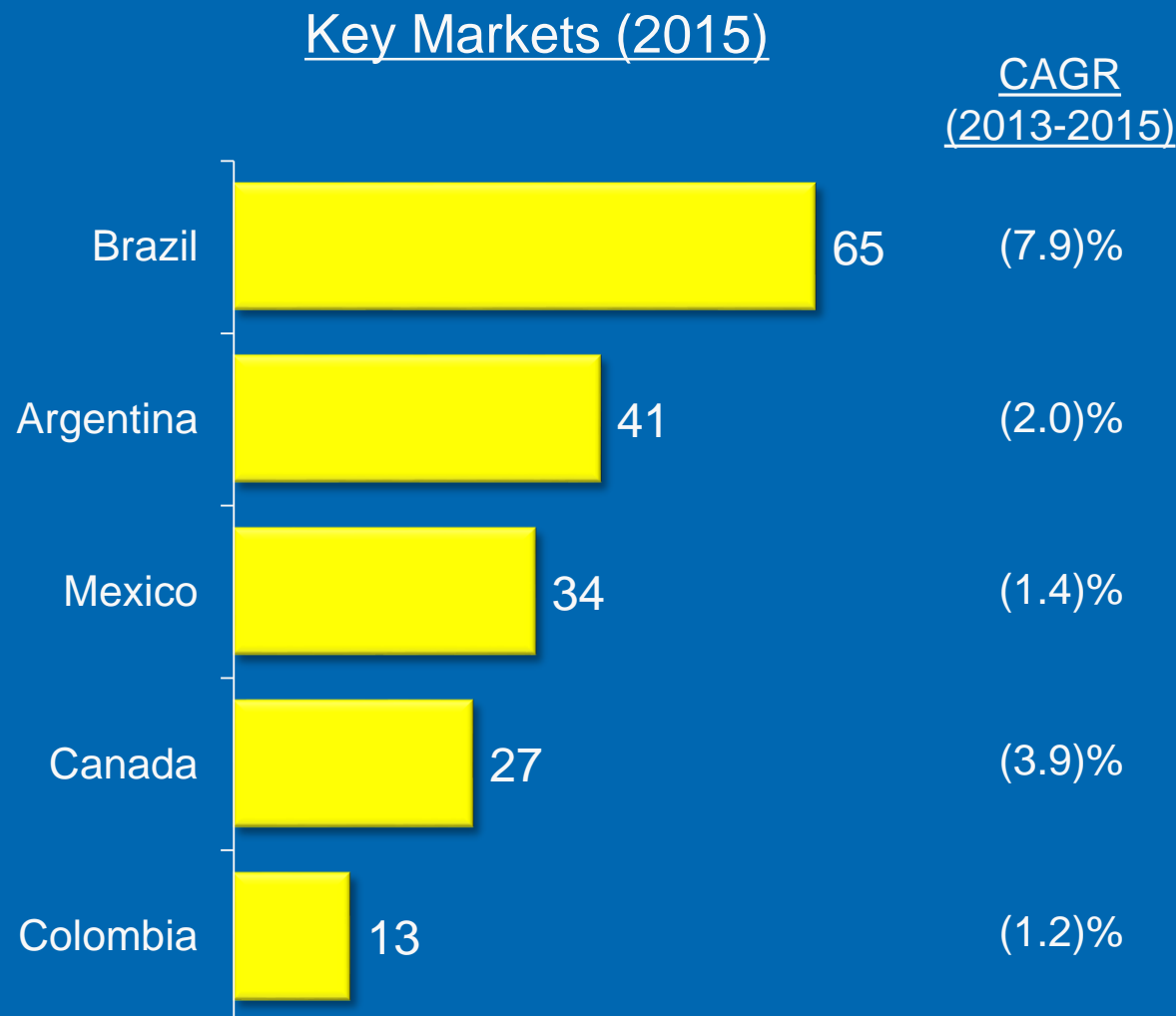
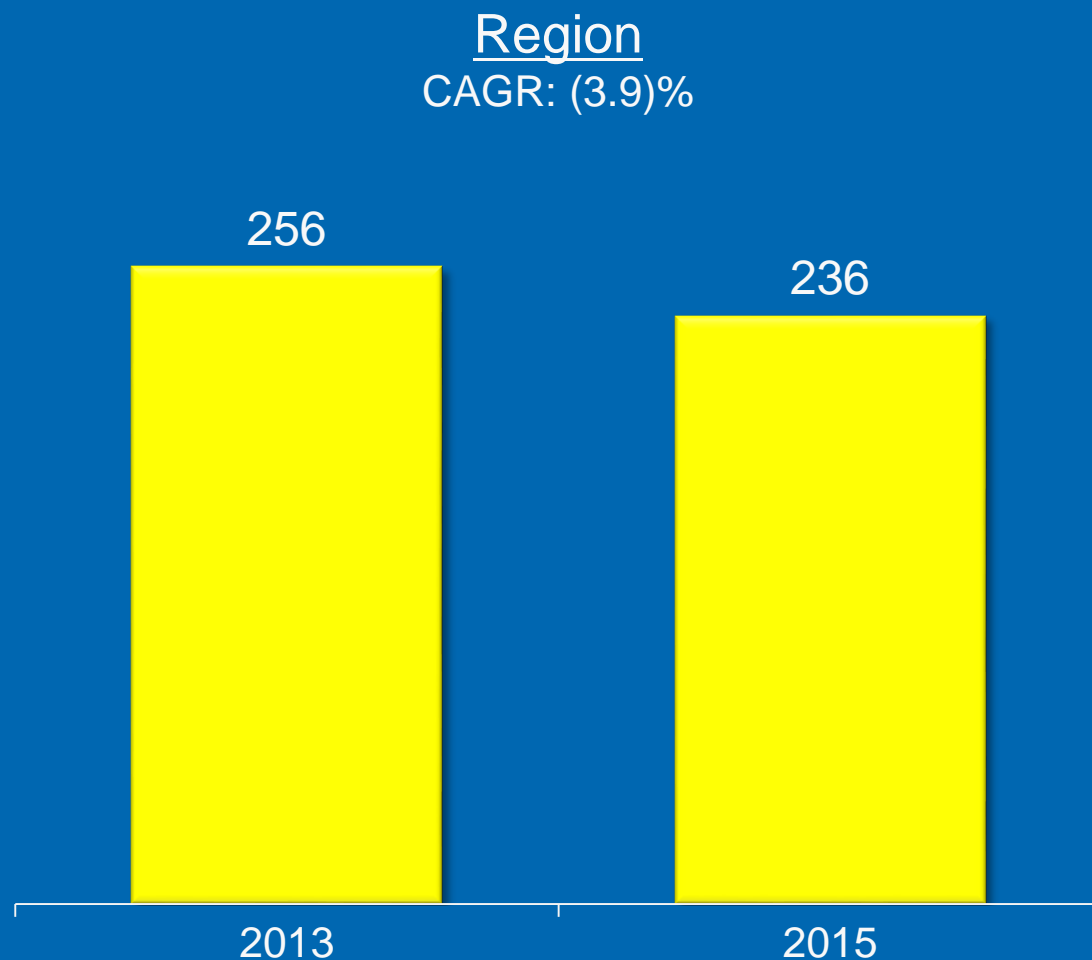
- Consistent share growth
- *Marlboro* strength and leadership
- Portfolio innovation through capsules
- Robust financial growth
- Engaged organization



PHILIP MORRIS
INTERNATIONAL

Cigarette Industry Volume

(units billion)



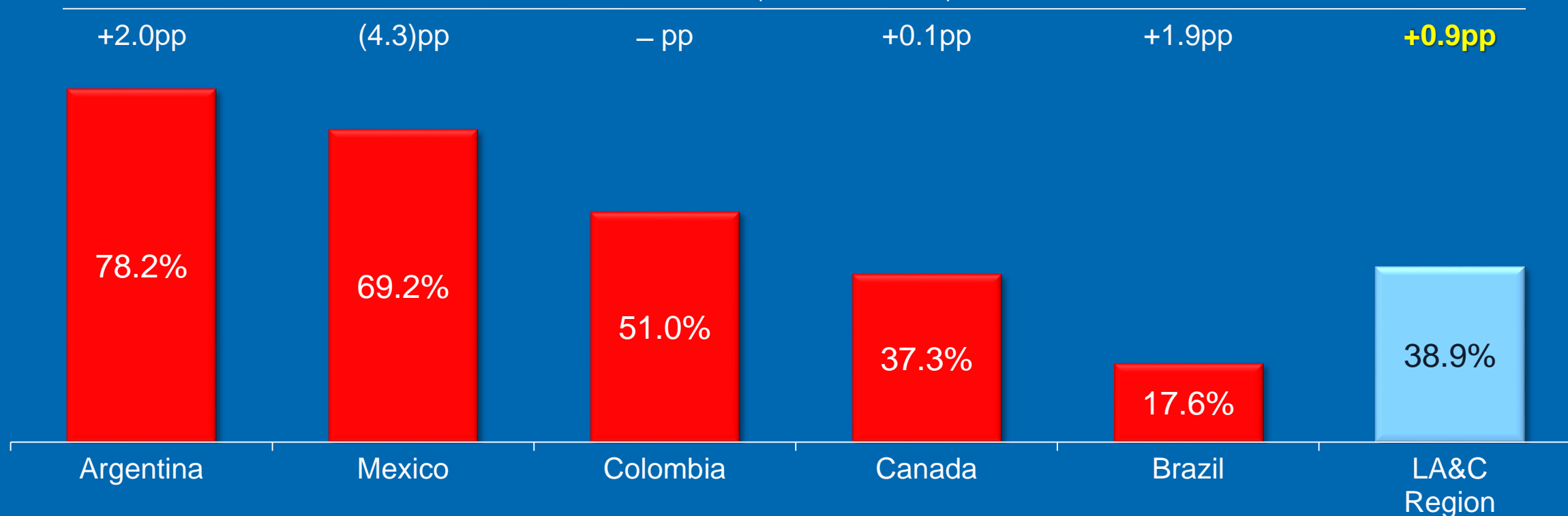


PHILIP MORRIS
INTERNATIONAL

Strong Cigarette Market Share Momentum

PMI Cigarette Market Shares (2015)

Variance (2015 vs. 2013)



5 markets account for 90% of our Regional volume

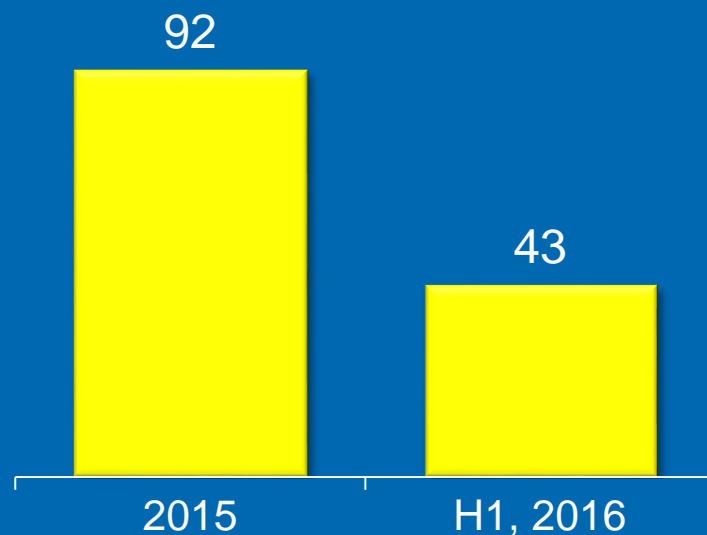


Robust Financial Results

Cigarette Shipment Volume (units billion)

CAGR (vs. 2013):
(2.8)%

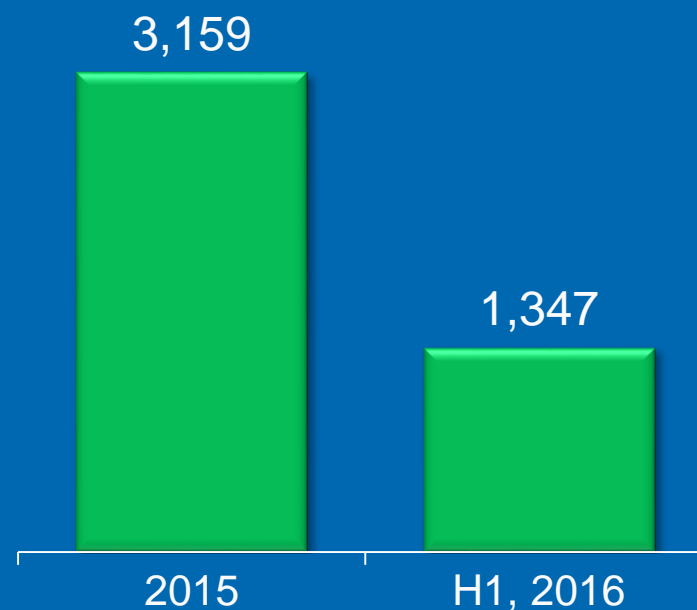
Var. vs. PY:
(1.9)%



Net Revenues (\$ million)

CAGR (vs. 2013):
11.2%

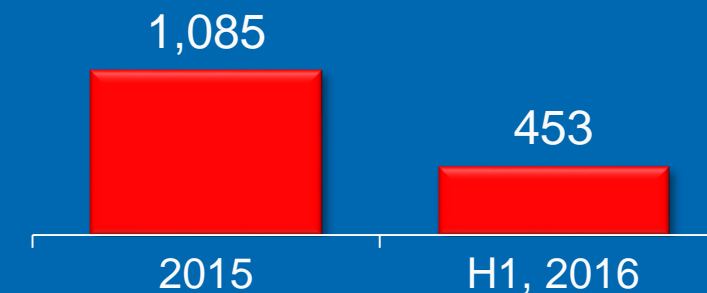
Var. vs. PY:
8.7%



Adjusted OCI (\$ million)

CAGR (vs. 2013):
18.5%

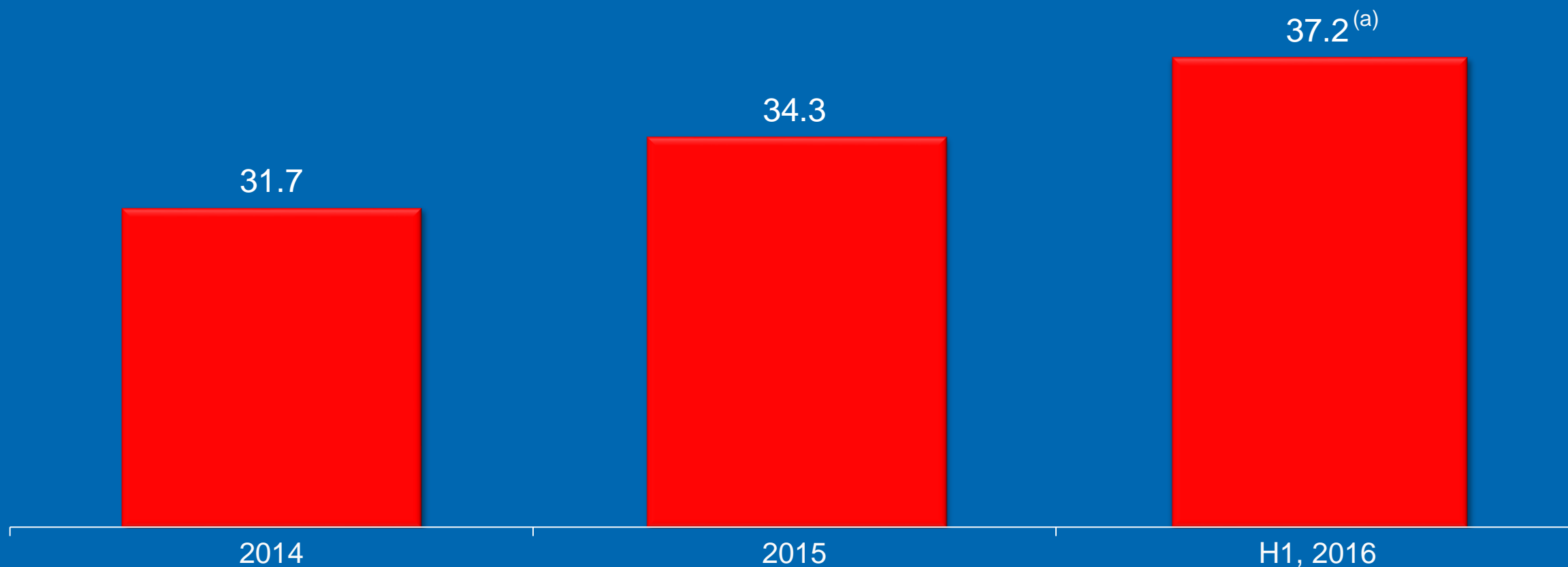
Var. vs. PY:
11.7%





Steady Adjusted OCI Margin Growth

Adjusted OCI Margin (%)



(a) Excluding currency
Source: PMI Financials or estimates



Targets and Strategies

**#1 SoM in the REGION
HIGH SINGLE-DIGIT ADJUSTED OCI GROWTH^(a)**

**Pursue
sustainable
pricing**

**Grow
through
innovation
and
portfolio
optimization**

**Recover
volume
from
illicit trade
to the
legal market**

**Launch
and
establish
RRPs**

ENHANCE the ORGANIZATION to ENSURE OUR FUTURE SUCCESS

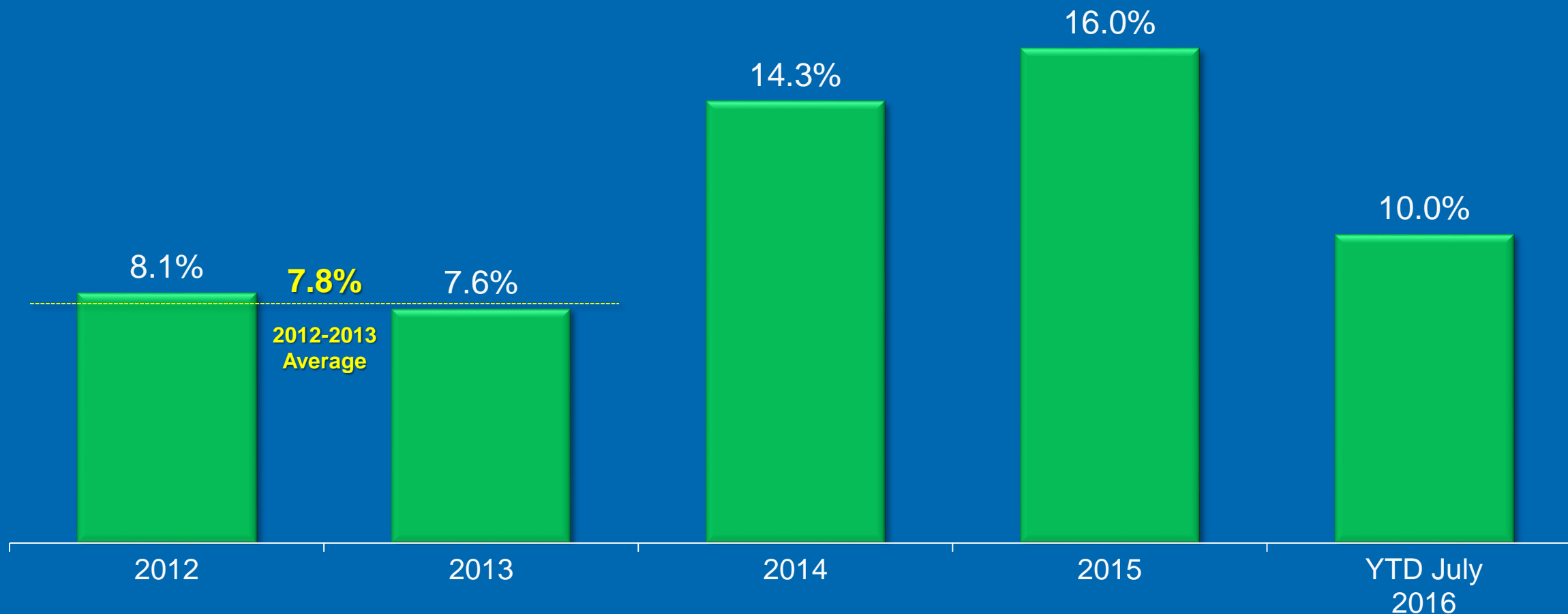
(a) Excluding currency and RRP

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



Pursue Sustainable Pricing

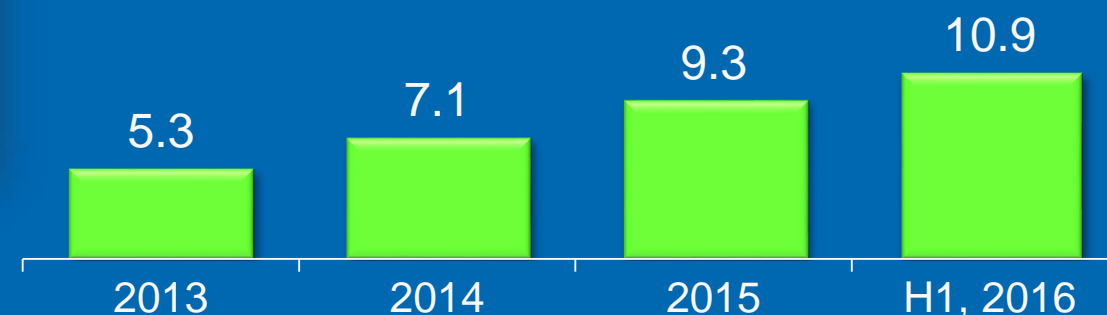
LA&C Region Pricing Variance as a % of PY Net Revenues



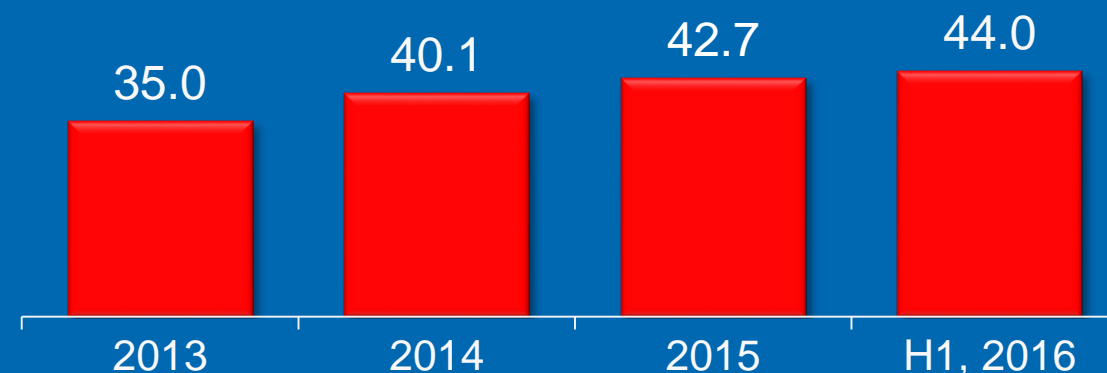
Innovation is The Key Growth Driver



Capsule SoM (%)



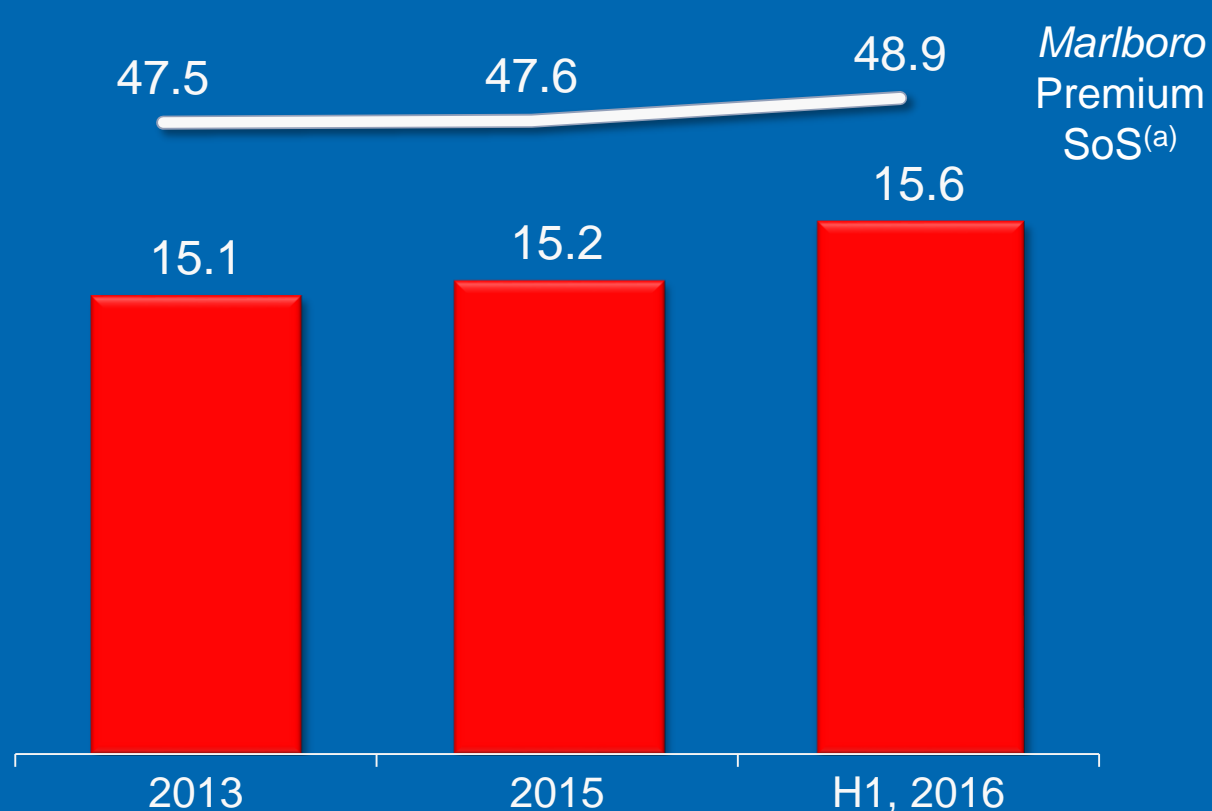
PMI Share of Capsule Segment (%)



Note: Translation from Spanish: "*Marlboro fusion blast*, New Fusion of Flavor"; "Regular Flavor + Fusion Capsule + Menthol Capsule. More options for your consumers to find a combination that suits them". Pack designs are for illustrative purposes only
Source: PMI Financials or estimates

Marlboro: Reinforcing Leadership Position

Cigarette Market Share (%)



(a) Includes above premium

Note: Translation from Spanish: "Discover the evolution"; "3 innovations. New pack with *Soft Touch*. New firm filter.

Consistent taste from the beginning until the end."; "Unique with Firm Filter. Reduces contact with ash and smell on fingers when you stub out the cigarette"

Source: PMI Financials or estimates

Innovation to the Core

DESCUBRÍ LA Evolución

EL TABACO TIENE GRAN PODER ADICTIVO

ÚNICO CON Filtro firme

QUE AL APAGAR EL CIGARRILLO REDUCE EL CONTACTO CON LAS CENIZAS Y EL OLOR EN LOS DEDOS

3 innovaciones

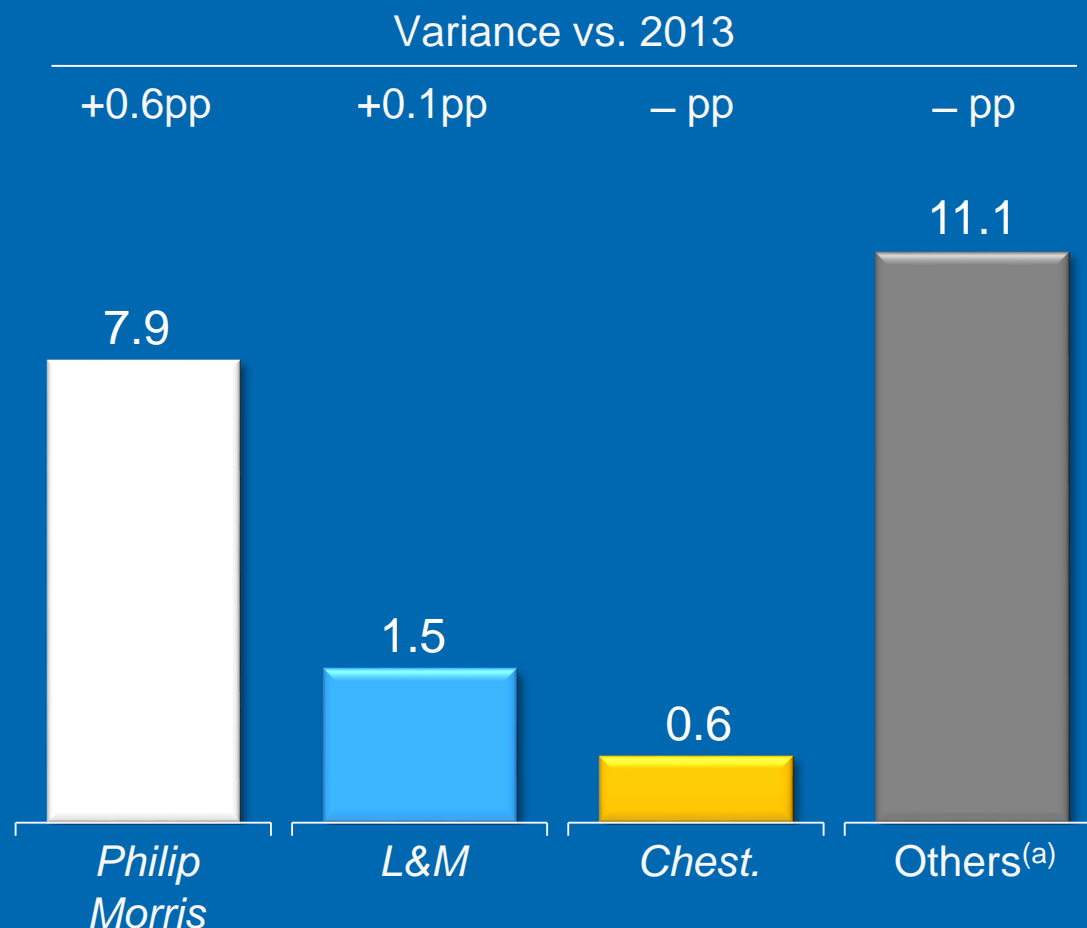
- NUEVO PACK *SOFT TOUCH*
- NUEVO FILTRO FIRME
- SABOR CONSISTENTE DE PRINCIPIO A FIN

FIRM FILTER ROUND TASTE

MATERIAL PARA USO DE LOS CANALES DE COMERCIALIZACIÓN EXCLUSIVAMENTE. NO DIRIGIDO A CONSUMIDOR FINAL.

Below-Premium Brands: Building an International Portfolio

H1, 2016 PMI Cigarette Market Shares (%)



(a) Includes all mid, low and super-low brands excluding Philip Morris, L&M and Chesterfield

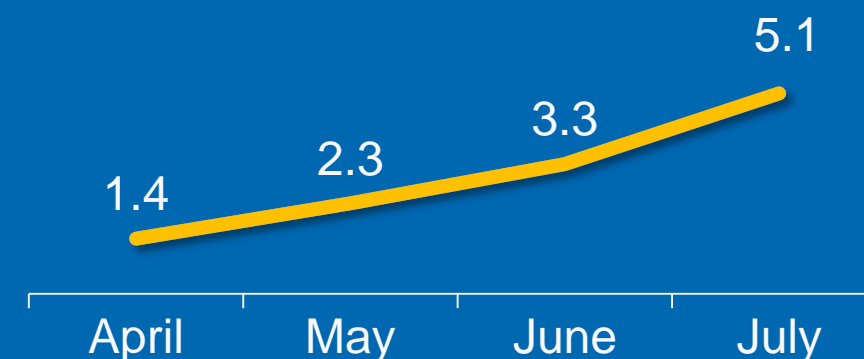
Note: Below-premium includes mid, low and super-low priced products. Chest. is Chesterfield. Pack designs are for illustrative purposes only

Source: PMI Financials or estimates



ARGENTINA

Chesterfield 2016 Cigarette SoM (%)



Morphing to International Brands



Our Portfolio Strategy Going Forward

- Grow *Marlboro* through relevant and proven innovation
- Streamline our entire portfolio through morphing
- Expand *Chesterfield* and fortify *L&M* to be the best alternative for adult smokers who decide to down-trade or return to the legal market



Making In-Roads Against Illicit Trade

- Approximately 16% incidence in 2015
- Major law enforcement success
- Nearly four billion illicit units seized in 2015
- Continue to raise awareness among regulators, trade and adult consumers



RRPs: An Opportunity

Increasing debate on harm reduction

Forums & Conference in Colombia



Congress



Public Health
Community



Public
Opinion



1-2-1 allowed in
all key markets



Web users: **378 million** by 2018

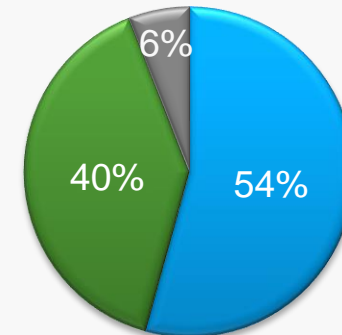
Smartphone users:

228 million by 2018 (**+100 million** vs. 2014)

B2C e-commerce sales:

+11% / year to **\$87.3 billion** by 2018

2015 Cigarette Industry^(a)



- Diverse geographical presence
- Opportunity to deploy different business models

Under-indexed Over-indexed Not present

(a) Under/Over-indexed/Not present based on H1, 2016 Regional cigarette share of market

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

Source: PMI Financials or estimates, statista.com and eMarketer.com



PHILIP MORRIS
INTERNATIONAL

RRPs: Comprehensive Plans for Successful Roll-Out

- Introduction of *iQOS* and *Heets* in five major cities in Canada



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. Visual is for illustrative purposes only



RRPs: Our Ambition

Plans in place to:

- Advocate for customs classification and differentiated regulatory and fiscal frameworks
- Create innovative and viable commercial offers
- Define leanest and most effective route-to-adult consumers to ensure high level of conversion



Enhance the Organization

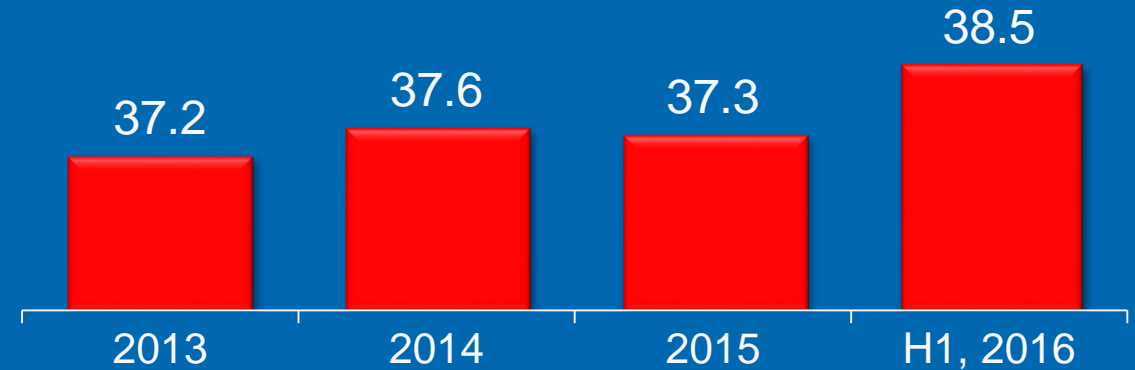
- Diversity and Inclusion
- Empowerment of the front line
- Instill a culture of innovation and creativity
- "Fewer, bigger, better" as a mindset to shift resources to RRPs
- Streamline the organization and leverage on our Shared Service Centers



Canada: Robust Fundamentals in Place to Continue Growing

- Inflationary tax increases
- On-going public consultation on plain packaging
- Growing market share
- Key brands growth in all price segments

PMI Cigarette Market Share (%)



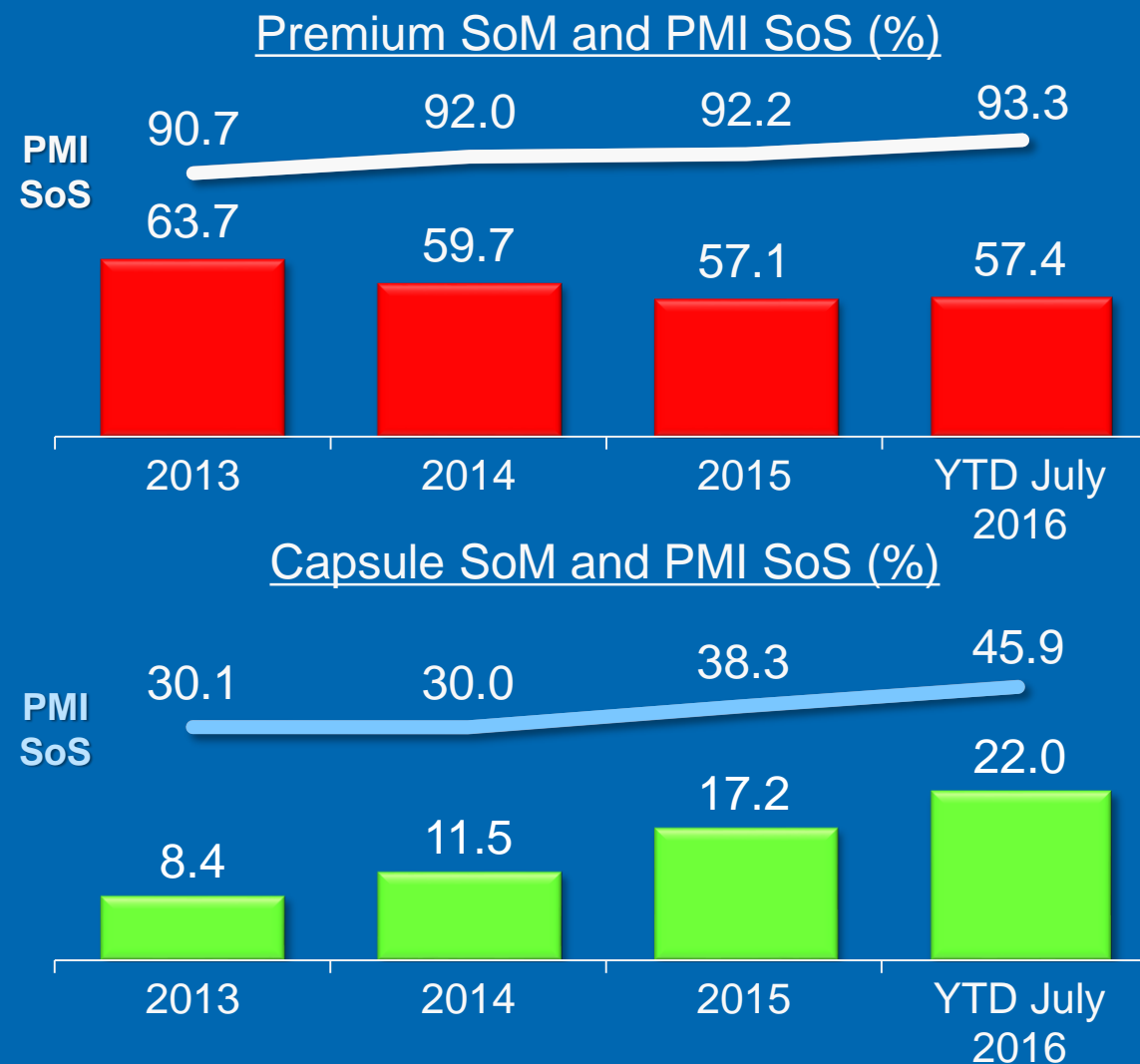
PMI Key Brands: Price Segment Share Growth (H1, 2016 vs. PY)

Belmont	Premium	+2.1pp
CANADIAN CLASSICS	Mid	+1.3pp
NEXT	Low	+1.9pp
PHILIP MORRIS	Super-Low	+4.0pp



Mexico: Premium Segment Stabilization

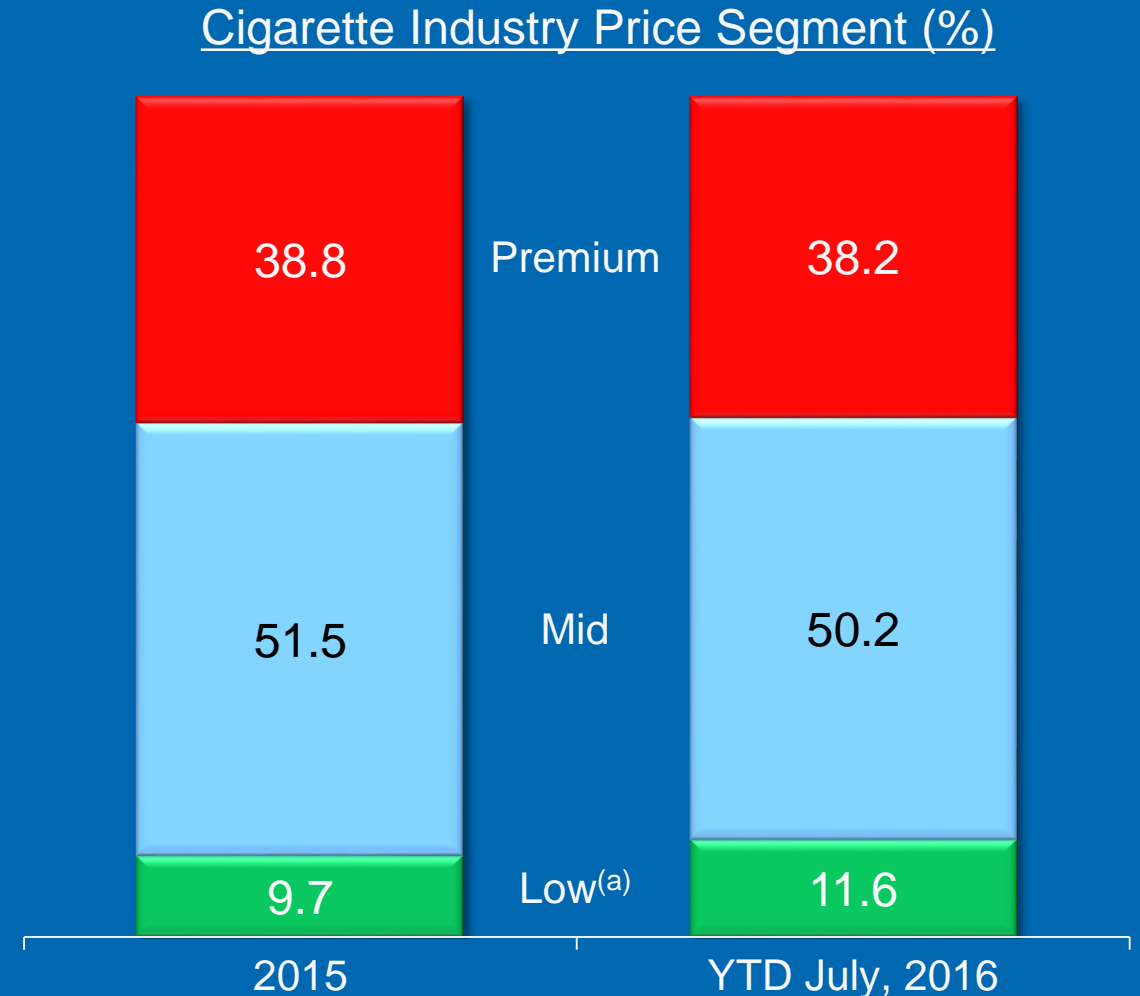
- Total cigarette industry volume recovery
- Stable environment
- *Marlboro* growing in the premium segment
- Dynamic portfolio initiatives
- Price increase in August 2016





Argentina: Portfolio in Place to Address Market Dynamics

- Retail prices increased +50%, after tax burden increased by 10.4 points to 79.6% of retail prices in May 2016
- Resilient premium segment and down-trading mainly from mid to low price segment
- High inflationary environment helps to absorb retail selling price increases:
 - Retail selling price increase in August 2016
- Portfolio established in key price segments



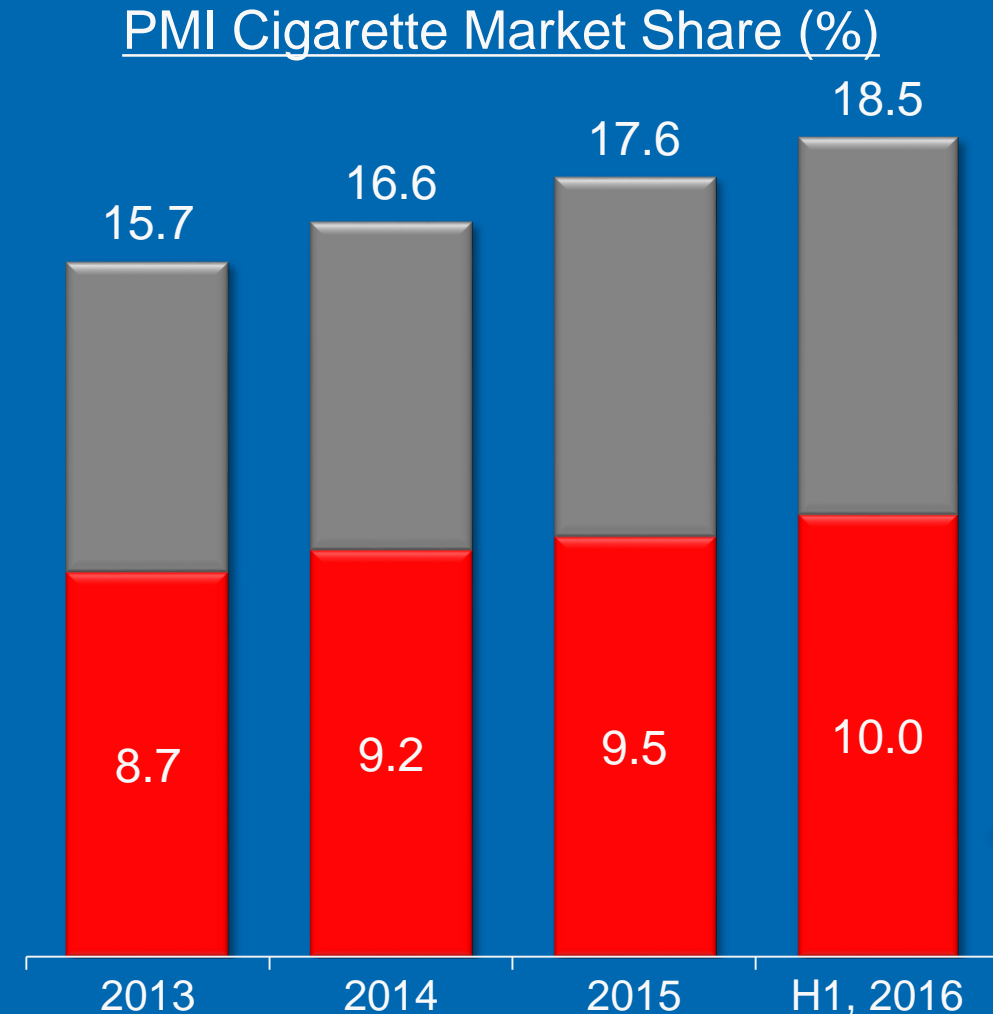
(a) Includes super low

Source: PMI Financials or estimates



Brazil: Sustainable Cigarette Share Growth

- Better positioned to face the challenging market environment
- Consistent growth in all price segments
- *Marlboro* posting solid share growth supported by the new architecture
- Further optimization of our business model





Conclusion

- Complex but manageable environment
- Address challenges and opportunities in our key markets
- Superior international portfolio will fuel our market share growth
- Opportunities for geographical expansion and upgrade of our business model
- Launch and establish RRPs
- An organization open for change



PHILIP MORRIS
INTERNATIONAL

2016
INVESTOR DAY

Investor Day – LA&C Region Lausanne, September 29, 2016

Questions & Answers



PHILIP MORRIS
INTERNATIONAL

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

Glossary of Terms: www.pmi.com/2016InvestorDay/Glossary