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INTERNATIONAL

2016
INVESTOR DAY

Investor Day – Marketing & Sales Lausanne, September 29, 2016

Werner Barth
Senior Vice President, Marketing & Sales

PMI: A Winning Set of Assets to Build From



Superior Brand Portfolio

- ✓ #1 selling cigarette brand in the world
- ✓ FMCG brand with highest Brand Value in the world^(a)



Strong Innovation Pipeline

- ✓ Market leader in major growing segments
- ✓ Capability to innovate on the core



Powerful Commercial Organization

- ✓ Commercial Approach rolled out in 60 markets
- ✓ Preparing for multi-category

(a) WPP BrandZ Report 2016 (2015 data)
Source: PMI Financials or estimates (H1, 2016)

PMI: Superior Brand Portfolio

International

Premium &
Above



Mid-Price



Low-Price



Local Heritage





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PMI: Powered by Four Key International Brands



% of Total PMI Cigarette Volume



International Cigarette Share (%)



Note: Excluding China and the U.S. Pack designs are for illustrative purposes only
Source: PMI Financials or estimates



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Key Taste / Format Segment Dynamics^(a)

International Cigarette Industry Share of Key Growing Segments (%)



(a) Excluding China and the U.S.

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

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

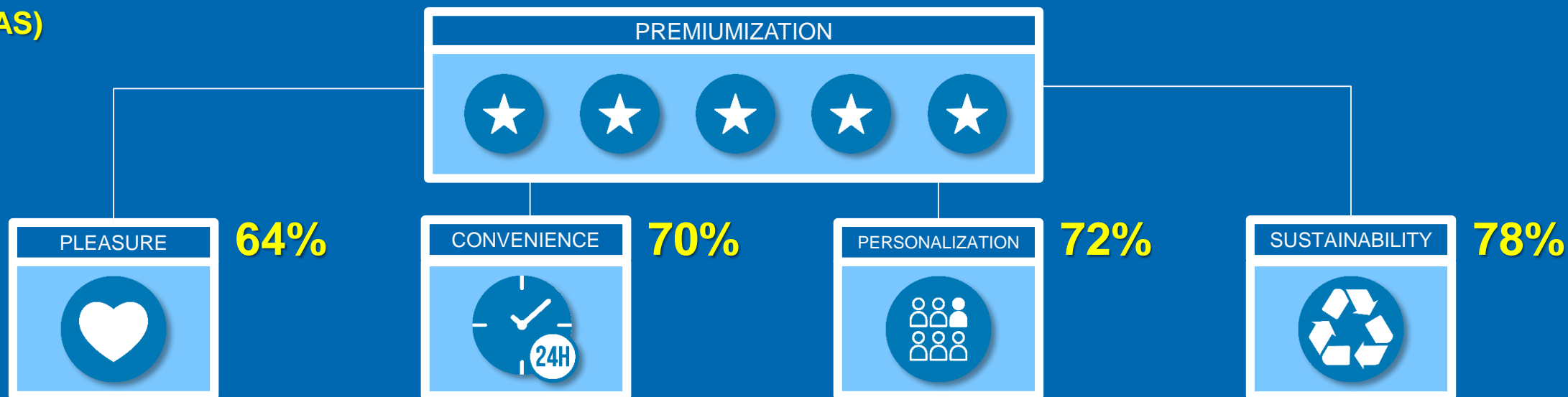
Source: PMI Financials or estimates



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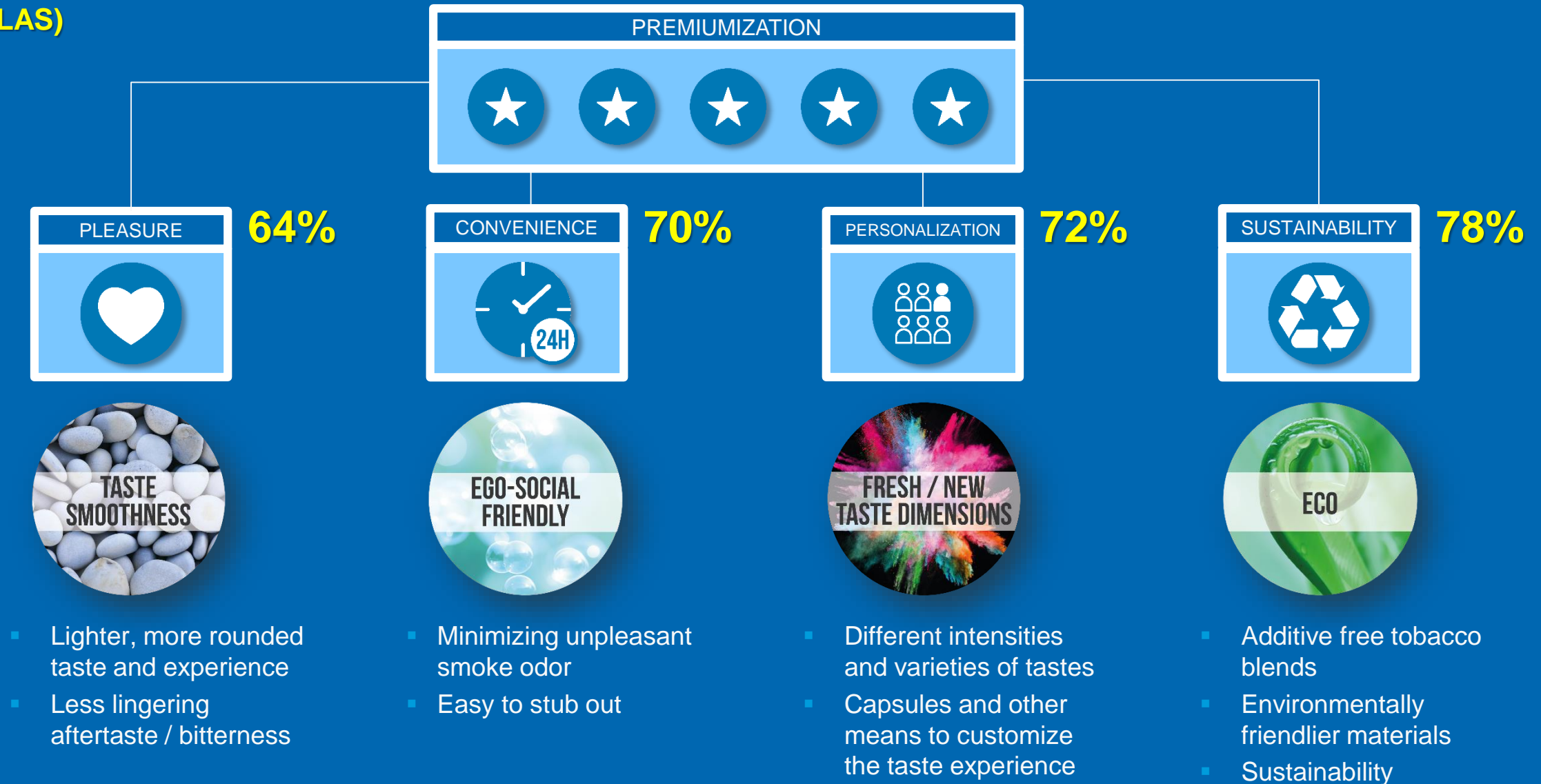
Changing LAS Needs Turned into Global Innovation Focus Spaces

(% of LAS)



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(% of LAS)

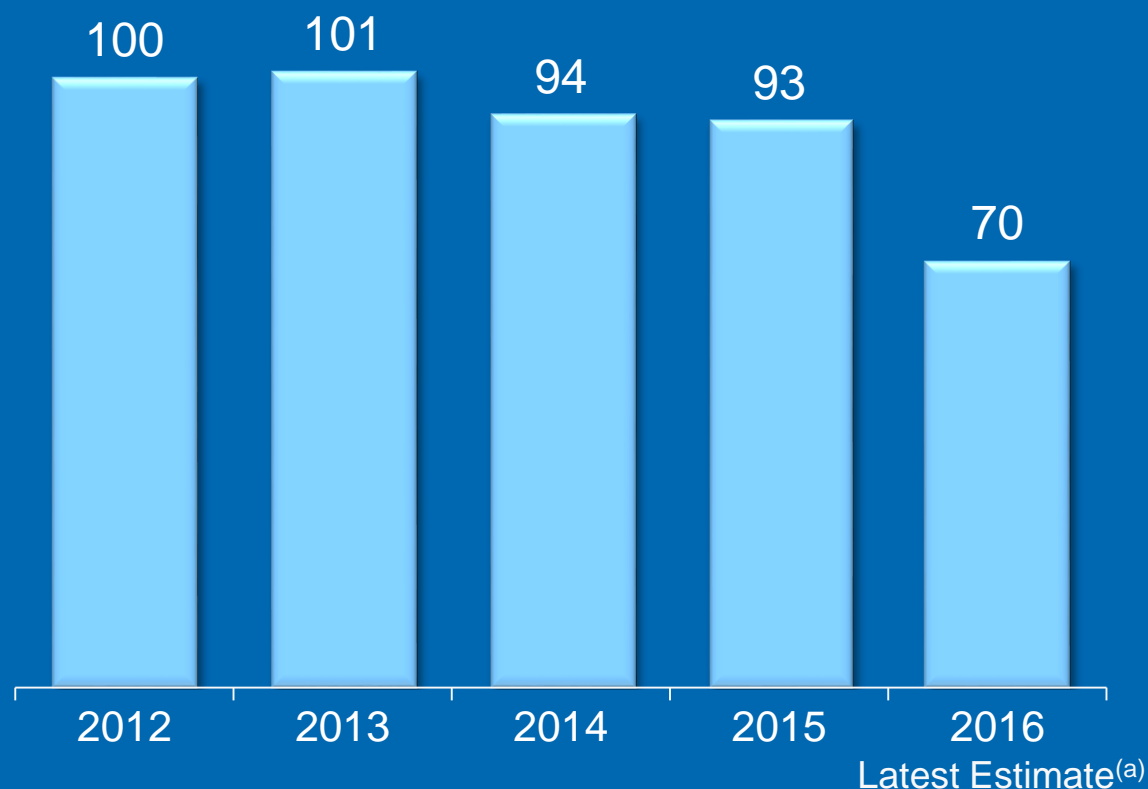




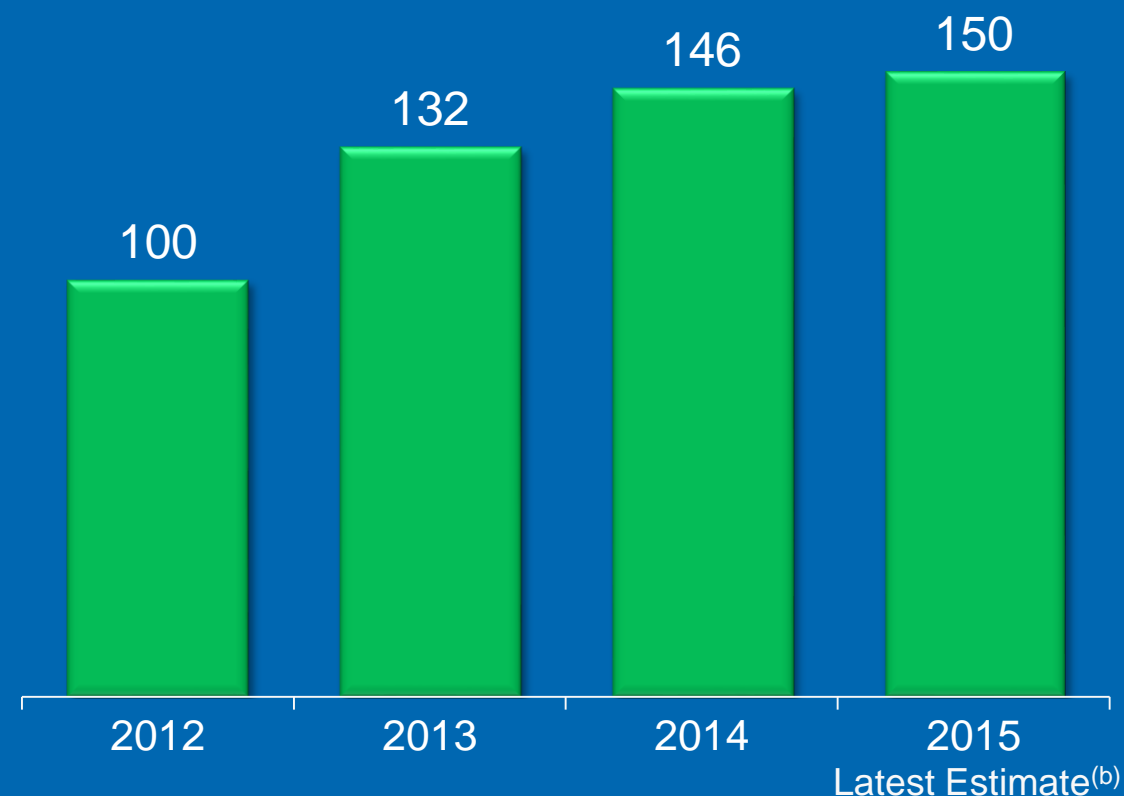
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New Product Launches: Fewer, Better

Number of New Product Launches
(index = 2012)



Strike Rate
(index = 2012)



(a) Based on YTD August, 2016 submissions, annualized basis past trends

(b) Based on latest available share for 2015 launches

Note: Strike rate is defined as % of innovations meeting a pre-defined threshold, 12 months after launch. Share of market based on in-market sales and offtake data

Source: PMI Financials or estimates



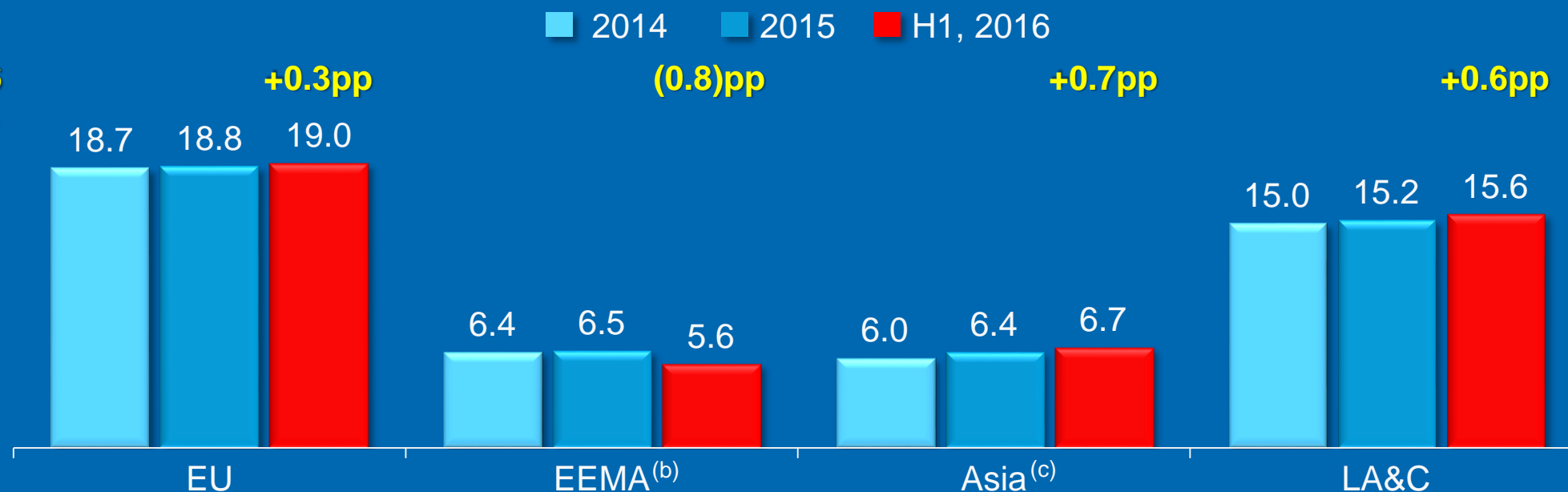


Marlboro: Summary

- *Marlboro* is the world's largest brand and continues to perform well in difficult economic environment commanding a cigarette share of 9.6%^(a):
 - Cigarette volume reached 286 billion units in 2015
 - In the last five years, innovative new products have contributed 12.5% of *Marlboro's* volume

Marlboro Cigarette Share of Market (%)

**Variance
(H1, 2016
vs. 2014)**



(a) FY 2015. Excluding China and the U.S.

(b) Excluding duty free

(c) Excluding China

Source: PMI Financials or estimates

Marlboro 2.0: Image Assessment in Key Markets

(index = Before 2.0)



Germany

Before 2.0 After 2.0

Harsh

100 **82**

Modern

100 **130**

Gender
Inclusive

100 **113**



Saudi Arabia

Before 2.0 After 2.0

100 **60**

100 **113**

Not available



Spain

Before 2.0 After 2.0

100 100

100 **117**

100 **110**



Marlboro Smooth 2.0: Continued Success into ESF

Marlboro Touch:

- >1.0% cigarette SoM in 27 markets
- >0.5% cigarette SoM in 12 markets
- +5 markets in 2016

Marlboro Advance:

- Sold in 19 markets
- >0.5% cigarette SoM in 3 markets
- +4 markets in 2016

Note: ESF stands for Ego-Social Friendly
Source: PMI Financials or estimates (FY 2015)

The image displays two cigarette advertisements. The top advertisement is for Marlboro Touch, featuring four packs of cigarettes against a blue background with vertical lines. The text 'JUST TOUCH.' is prominently displayed. Below the packs, there is a warning in Russian: 'Пушење убија. Дувански дим штети људима у Вашој околини.' (Smoking kills. Tobacco smoke harms people in your environment). The bottom advertisement is for Marlboro Advance, showing a single cigarette and a pack. The text 'READY FOR advance' is written in a stylized font, followed by 'A CLEARER SMOKING PLEASURE'. At the bottom, there is a warning in German: 'Rauchen kann tödlich sein. Der Rauch einer Zigarette dieser Marke enthält 6 mg Teer, 0,5 mg Nikotin und 8 mg Kohlenmonoxid. (Durchschnittswerte nach ISO)' (Smoking can be fatal. The smoke of a cigarette of this brand contains 6 mg tar, 0.5 mg nicotine and 8 mg carbon monoxide. (Average values according to ISO)).

Marlboro Innovation: New Taste Dimensions



2015
(Latin America)

LAUNCH

Marlboro Innovation: New Taste Dimensions



2015
(Latin America)



September 2016
(Japan)

LAUNCH

Marlboro Innovation: New Taste Dimensions



2015
(Latin America)



September 2016
(Japan)



September 2016
(Indonesia)

LAUNCH

A woman with dark, wavy hair, wearing a dark blue leather jacket, is shown in profile, looking out towards the left. She is holding a lit cigarette in her hands. The background is a blurred night cityscape with warm, bokeh light effects from streetlights or buildings. The overall mood is contemplative and urban.

WHAT'S YOUR
NEXT MOVE?


you DECIDE.

Smoking kills

A man with dark hair, wearing a white t-shirt and a blue denim apron, stands with his arms crossed in a workshop. Behind him are shelves filled with various hats and a mounted deer head. To his right is a corkboard with photos and a sign that reads "NO SMOKING IN THIS AREA".

ARE YOU
DOING WHAT
YOU LOVE?

YOU DECIDE.

Smoking kills

WILL THE
WORLD KNOW
YOUR NAME?


you DECIDE.

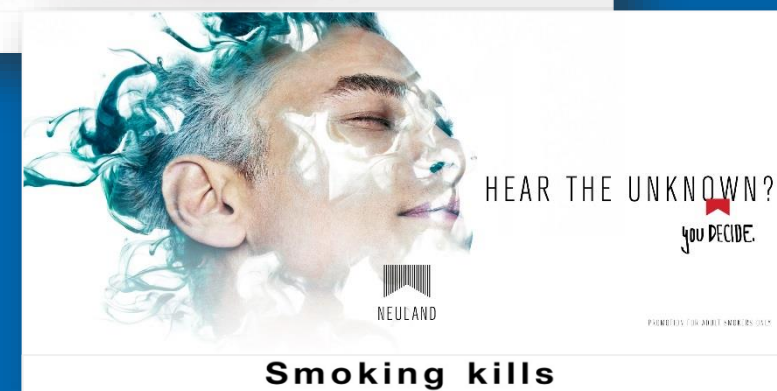
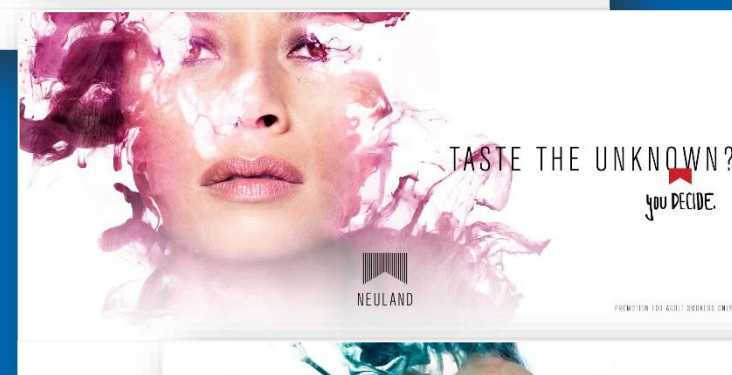
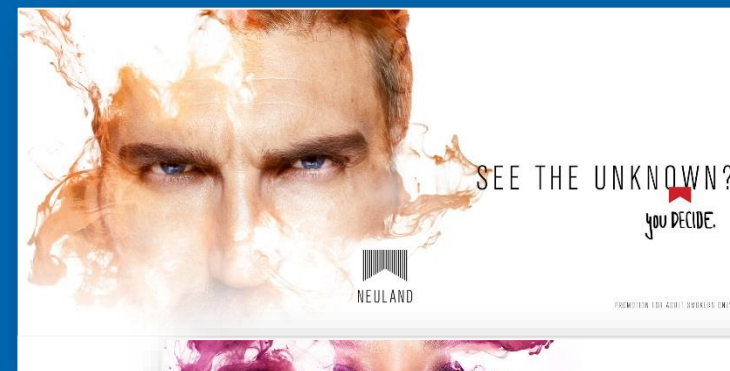
Smoking kills



Smoking kills

New Global Engagement Platform: "Neuland"

- An innovative engagement platform for LAS with online and offline experiences, tied into "*You Decide*"
- Designed to:
 - Enable collaboration and reward participation
 - Increase our digital footprint
 - Generate word of mouth
- 20+ markets for 2016 roll-out, driven by the EU Region
- Global roll-out in 2017





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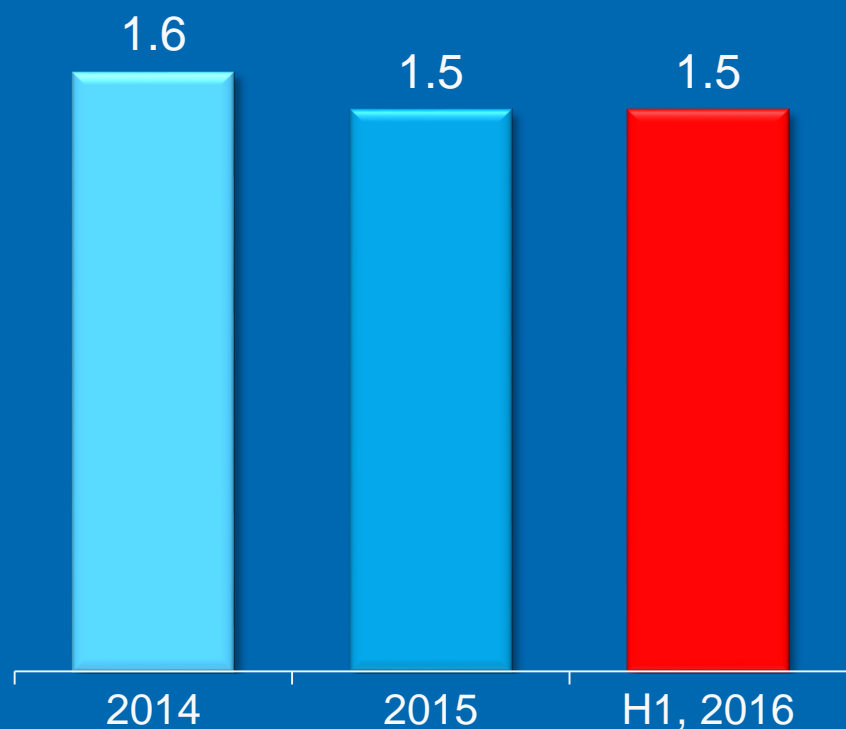
Video (not shown on webcast)





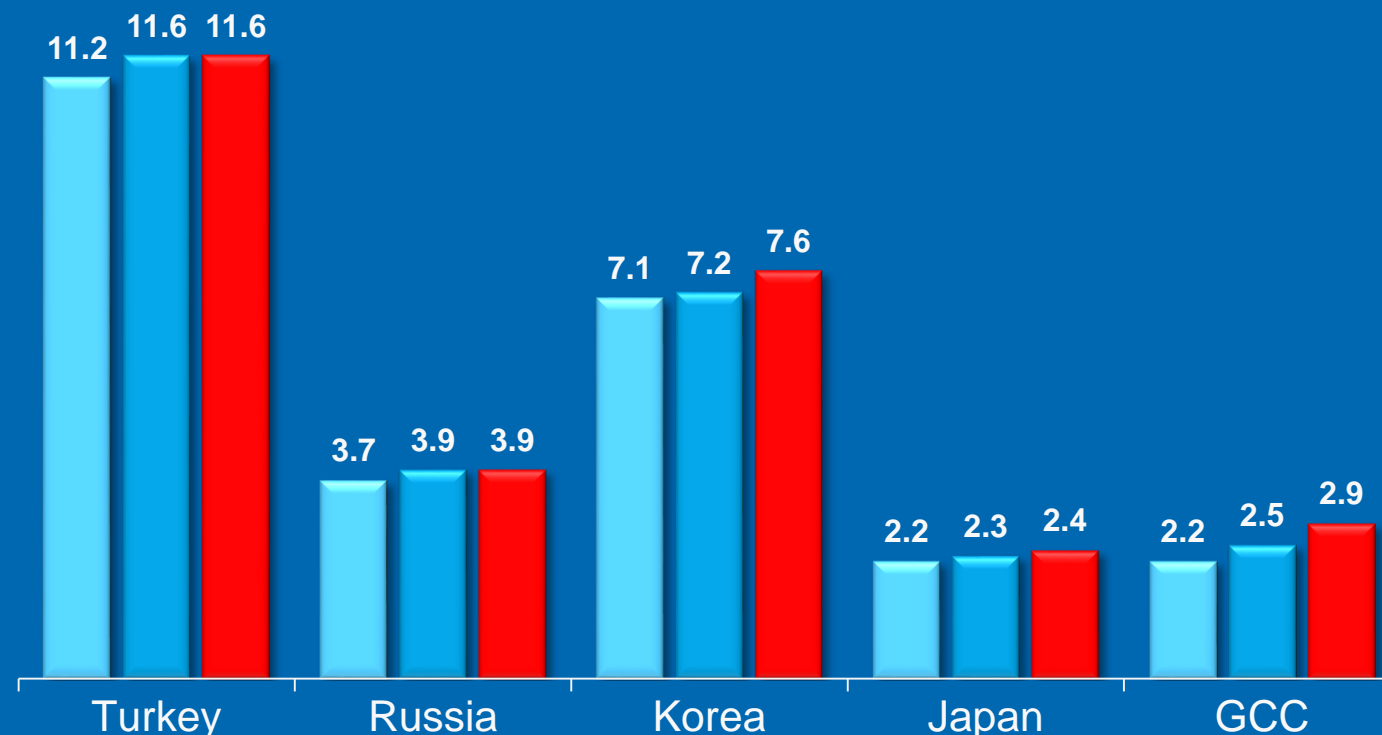
Parliament: Global Brand Performance

Parliament Cigarette Share (%)^(a)



Key Market Cigarette Shares (%)

■ 2014 ■ 2015 ■ H1, 2016



(a) Excluding China and the U.S.

Source: PMI Financials or estimates, Nielsen, Hankook Research and Tobacco Institute of Japan



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Parliament Innovation



- A contemporary gender-inclusive expression of *Parliament*
- Launched in Moscow in April 2015, followed by national roll out
- Successful in addressing the needs of Female LAS (55% of LAS profile)

Note: LAS stands for Legal Age (minimum 18 year old) Smokers. Pack designs are for illustrative purposes only
Source: PMI Financials or estimates

Parliament Innovation



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- Launched in Moscow in April 2015, followed by national roll out
- Successful in addressing the needs of Female LAS (55% of LAS profile)
- *Parliament Carat* – the epitome of luxury
- New pack with laser-shaped bevel
- Diamond cut tobacco and less smell feature

Note: LAS stands for Legal Age (minimum 18 year old) Smokers. Pack designs are for illustrative purposes only
Source: PMI Financials or estimates

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- Launched in Moscow in April 2015, followed by national roll out
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- *Parliament Carat* – the epitome of luxury
- New pack with laser-shaped bevel
- Diamond cut tobacco and less smell feature



- A contemporary expression of capsules
- Launched in Japan in 2016



Smoking kills



FINO SEČEN DUVAN ZA UJEDNAČEN KVALITET

Пушење убија. Дувански дим штети људима у Вашој околини.

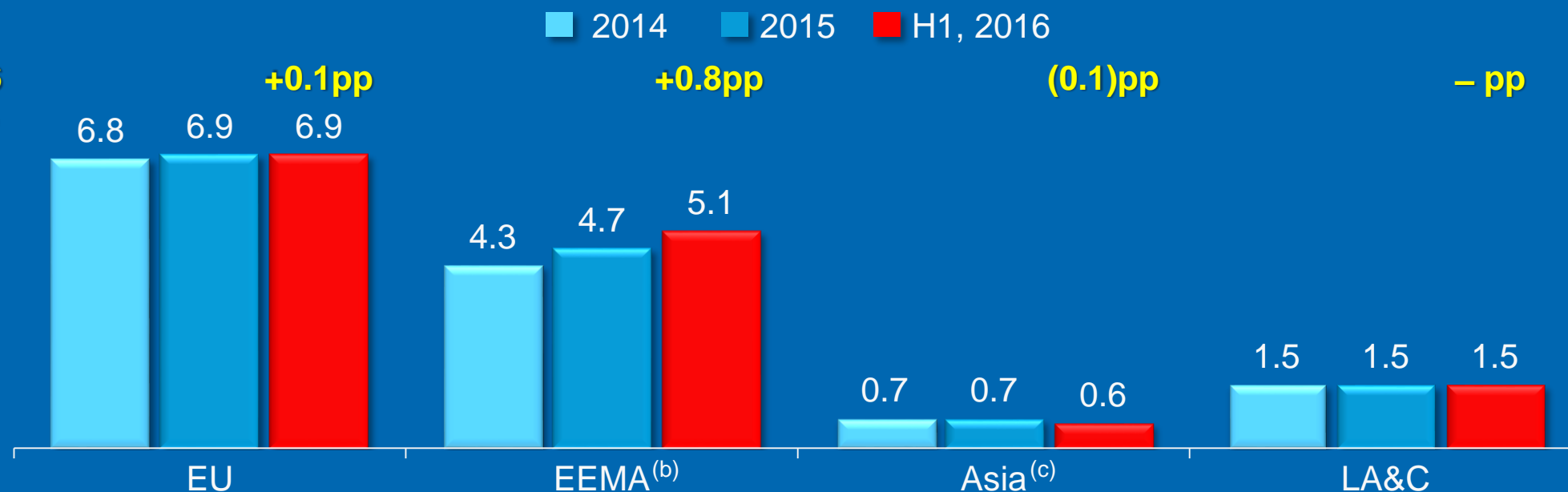


L&M: Summary

- 3rd largest international brand
- Cigarette volume reached 98 billion units in 2015
- 3.3% share of international cigarette market in 2015^(a)

L&M Cigarette Share of Market (%)

**Variance
(H1, 2016
vs. 2014)**



(a) Excluding China and the U.S.

(b) Excluding duty free

(c) Excluding China

Source: PMI Financials or estimates

L&M: Key Initiatives



**FRIENDS
CALLED ME**



THEN...



OPEN FOR MORE

Smoking kills

**PACK YOUR
BAGS**



THEN...



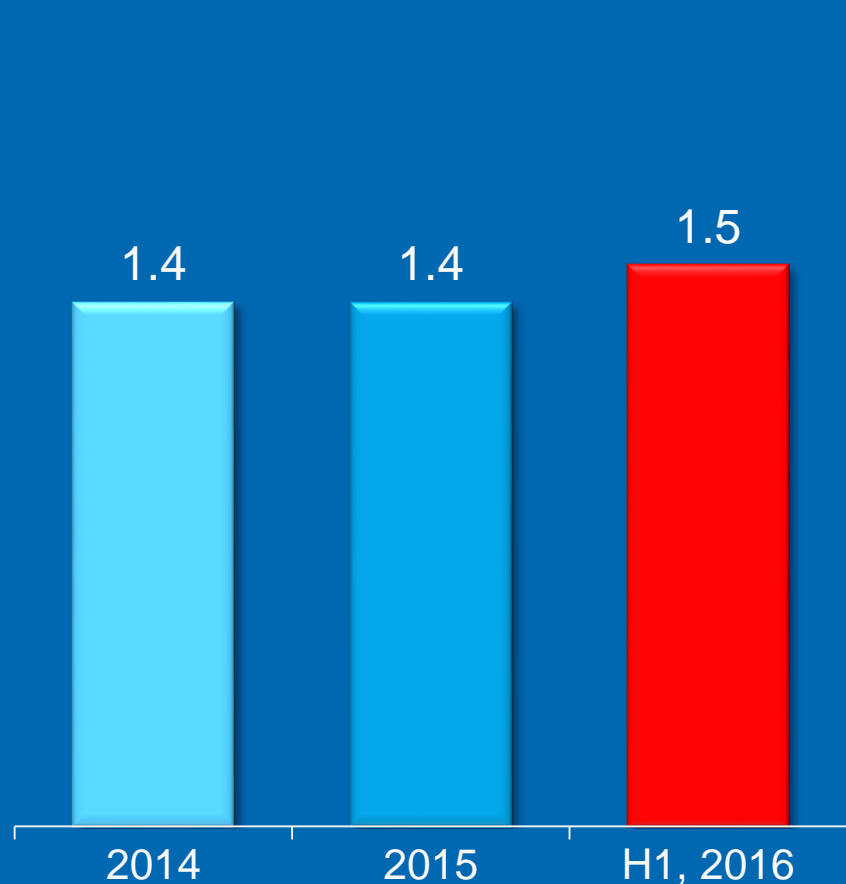
Smoking kills



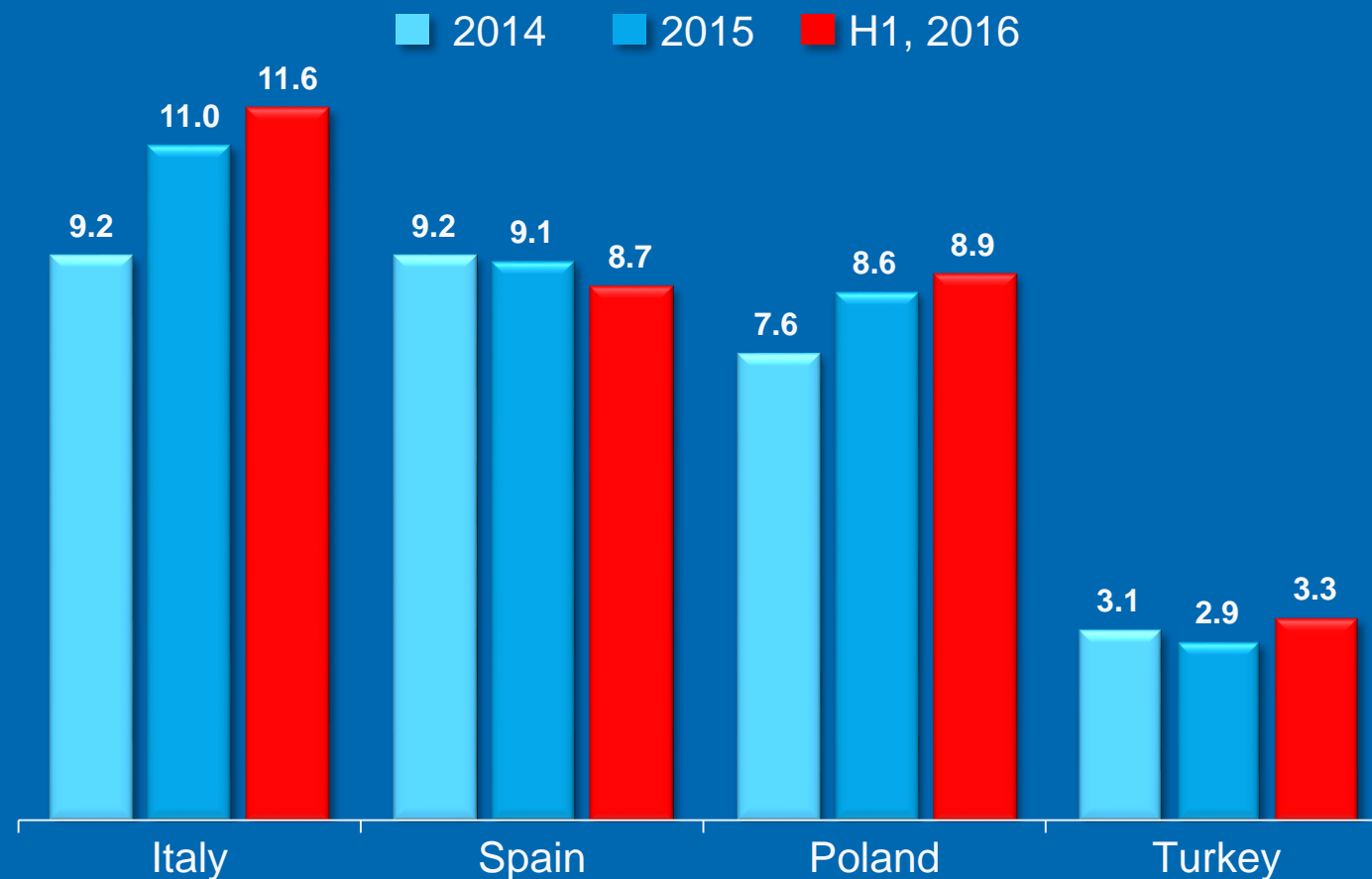


Chesterfield: Global Brand Performance

Chesterfield Cigarette Share (%)^(a)



Key Market Cigarette Shares (%)



(a) Excluding China and the U.S.
Source: PMI Financials or estimates, and Nielsen

Chesterfield



Core Upgrade in Switzerland



- Share continuously fueled by image-building activities supporting the core (vs. new launches)
- Now over 5% cigarette SoM
- From #8 brand in the market in 2012 to #6 today



Innovation in Croatia



- Progressive, ego-social friendly offer (Less Smoke Smell, Ash Control)
- 2.8% cigarette SoM in less than 2 years
- #2 brand position in slims segment (38.2% SoS)



Commercial Organization

Reach

14,000

People Trained

60

Markets

90%

PMI Adjusted OCI
weighted coverage

Benefits



Empowerment of
Frontline Staff

Marketing & Sales
Collaboration

Adult Consumer
Centricity

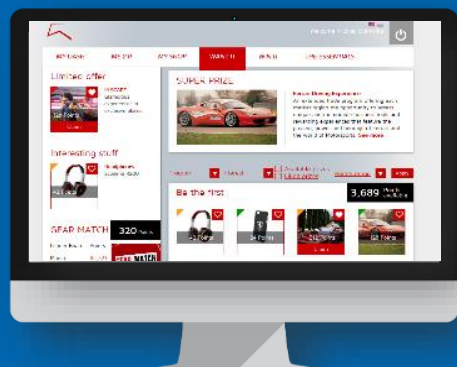
- | | <u>% Markets</u> |
|------------------------|------------------|
| ● Capability Building | 88% |
| ● Tools & Systems | 72% |
| ● Territory Management | 67% |

- | | |
|-----------------------|-----|
| ● Deployment Tracking | 77% |
| ● Project Management | 90% |

- | | |
|-------------------------|-----|
| ● Touch Point Profiling | 93% |
| ● Retail Advocacy | 84% |

Digitalization: New Model of Commercial Organization

TEN



- One-stop shop on-line Engagement Platform for Retailers

Pilot in Ukraine

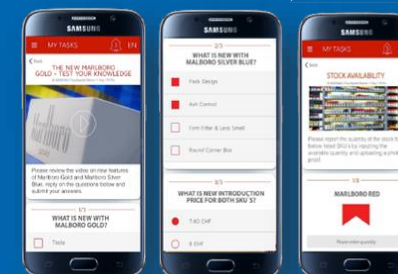
- **3,800** users in May 2016

Plan for 2017

- Global Roll-out to 45 markets

Note: TEN stands for Trade Engagement Network
Source: PMI Financials or estimates

TaskApp



- Outsourcing low added value activities
- Expand coverage



Traditional

VS.



TaskApp

Cost per Shop / month

(28)%

Volume up-lift

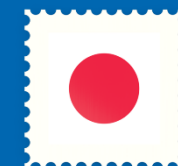
+5pp

Commercial Organization Journey to RRP's

RRP Force: New Roles



Required Skills



95%
FTEs
in newly
designed roles

Note: Reduced-Risk Products (RRPs) is the term company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. FTEs is full-time equivalent employees
Source: PMI Financials or estimates



Conclusion

- Strong and differentiated brand portfolio
- Our flagship brand *Marlboro* continues to grow equity and share in 2015:
 - Supported by *Marlboro* Architecture 2.0, successful line extensions and a new, elevated communication platform
- Competitive international cigarette brand portfolio covering all price points and growth segments
- Strong innovation pipeline across all brands:
 - Addressing evolving needs of LAS
 - Leadership in all growing segments
- Increase speed and efficiency:
 - Invest in digital
 - Leverage our commercial infrastructure
- Upgrade the organization for multi-category



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Questions & Answers



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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