

Roman Militsyn *Managing Director Korea*Seoul, 10 March 2010



### **Forward-Looking and Cautionary Statements**

This presentation and related discussion contain statements that, to the extent they do not relate strictly to historical or current facts, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current plans, estimates and expectations, and are not guarantees of future performance. They are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. PMI undertakes no obligation to publicly update or revise any forward-looking statements, except in the normal course of its public disclosure obligations. The risks and uncertainties relating to the forward-looking statements in this presentation include those described under Item 1A. "Risk Factors" in PMI's Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission.

## **Management Team**



**ROMAN MILITSYN** *Managing Director* 



RODNEY VAN DOOREN

Director Sales & Distribution



ARSENIO SABADO
Director HR & Admin



JOAO BRIGIDO

Director Operations



**DAVID ABBOTT**Director Finance, IS & Planning



**DOMINIQUE MABRU**Director Marketing



BYUNG CHUL KIM

Director Corporate Affairs



**SERGE MOROSOW**Senior Counsel



### Agenda



- Korea at a Glance
- Cigarette Industry
- PMI Objective and Strategies
- Conclusions
- Questions & Answers

### Korea at a Glance



48.3 million



#### **DEMOGRAPHICS**

Population:

#### **ECONOMIC INDICATORS**

GDP: \$955 billion

SDP/capita: \$17,000

Unemployment: 3.6%

Inflation: 2.8%

#### **CIGARETTE INDUSTRY**

Market Size: 95 billion units

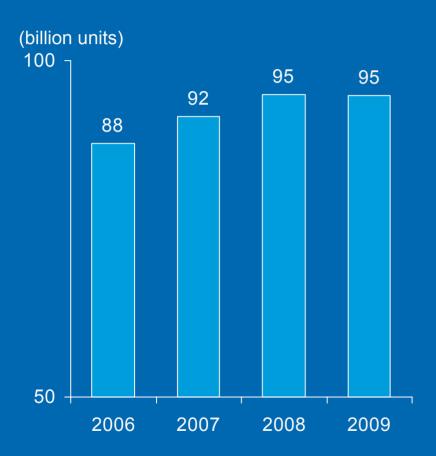
Smoking Incidence: 25%

Daily Average Consumption: 16 cigs

# **Cigarette Industry**



#### **Volume**



KRW2,500 = US\$2.20 Source: Hankook Research

## **Cigarette Industry**





KRW2,500 = US\$2.20 Source: Hankook Research

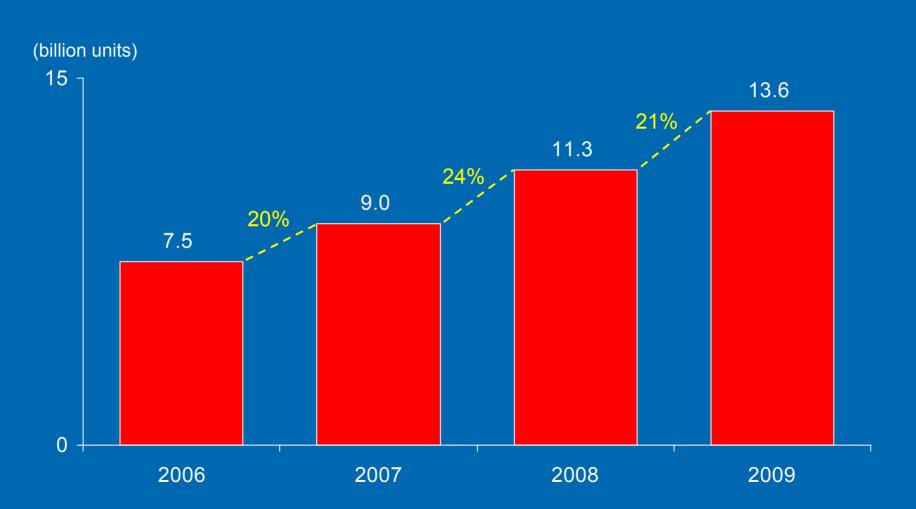
# **Competitive Landscape**



	PMI	KT&G	BAT	JT
Above Premium	Viscania Stars  COLD  Usu about 40 is not  Usure about 50 is not  Usure about 50 is not  Virginia Slims	The last of the la		
Premium	Marlboro  Za and will as on one of the control of t	THE COLE  As your way of the state of the st	DUNHILL  DUN	MILD SEVEN  Several real  Several real  Several real  Several real  Several real  Mild Seven
Below Premium		TIME  See days days on the first that the first tha		

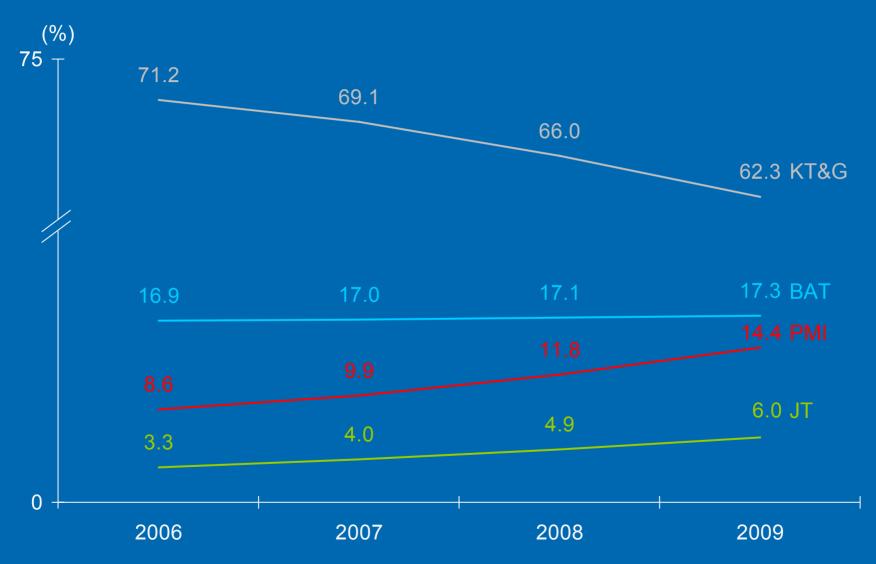
### **PMI Volume Evolution**





### **Market Share Evolution**





Source: Hankook Research

### **Objective & Strategies**



#### **#1 International Tobacco Company**

Seek to secure a predictable fiscal and regulatory environment

Enhance PMI brand portfolio in line with consumer dynamics

Optimize point
of sales
presence to
strengthen
brand equity

Efficient, effective manufacturing and distribution Agile and self-sustaining organization

### **Objective & Strategies**



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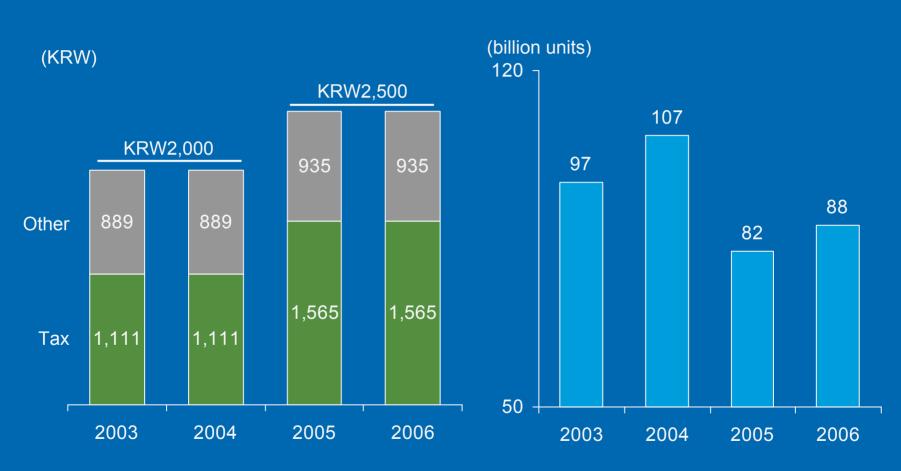
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### **Fiscal Environment**





#### **Industry Volume**



## **Regulatory Environment**



- Minimum age law: 19
- Retail licensing
- Health warning: 30% text front and back
- Consumer promotions, internet sales and direct mail prohibited
- Magazine ads, POS ads, and product display allowed
- Smoking in public places restricted (Smoke-free areas: hospitals, public transportation, schools, etc.)

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### Legal Age (min.19)

individualism

freedom

challenge

success self-expression working hard challenge satisfaction

#### Older

recognition family orientation stability appreciation

### **Consumer Trends and Dynamics**



### Legal Age (min.19)

#### Older

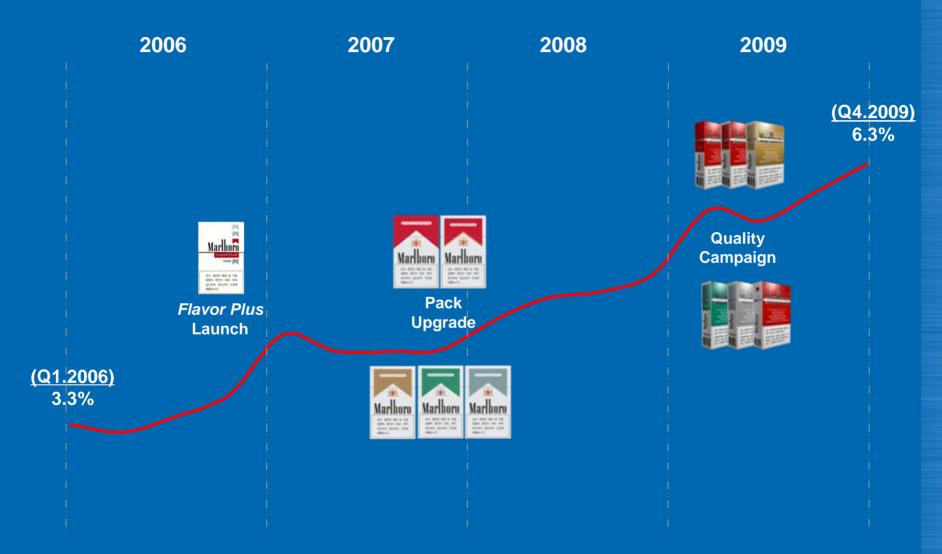
individualism self-expression freedom challenge success
working hard
challenge
satisfaction

recognition
family orientation
stability
appreciation

- Up-trading market with increasing preference for differentiated international brands
- Dynamic switching trend, especially among younger Legal Age (min.19) adult smokers
- Different consumption patterns, taste and circumference preferences between younger Legal Age (min.19) and older adult smokers
- Mild market with high representation of low tar products

### Marlboro





Source: Hankook Research 18

### **Marlboro Product Innovation**











경고 : 건강에 해로운 담배, 일단 흡연하게 되면 끊기가 매우 어렵습니다. 담배연기에는 발암성 물질인 나프랑아만, 나젤 벤젠 비닐 크롤라이드, 비소,카드랑이 들어있습니다.

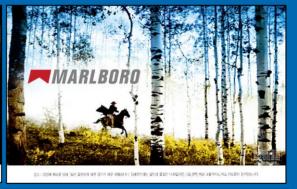


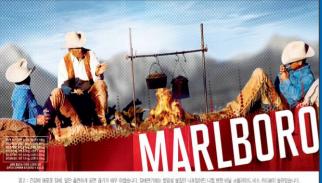
### **Marlboro Communication**









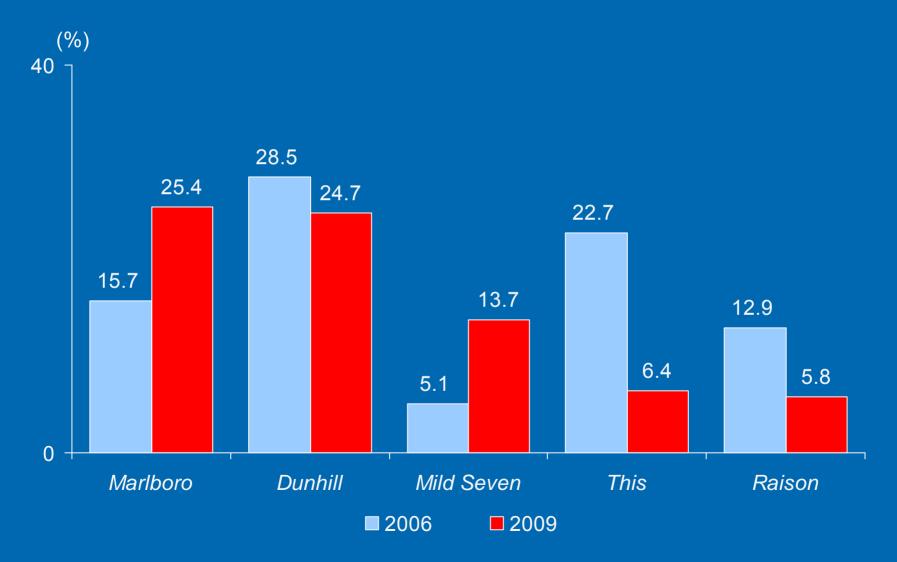






# Legal Age (min.19)-24 Shares





### **Parliament**





Source: Hankook Research

### **Parliament Communication**









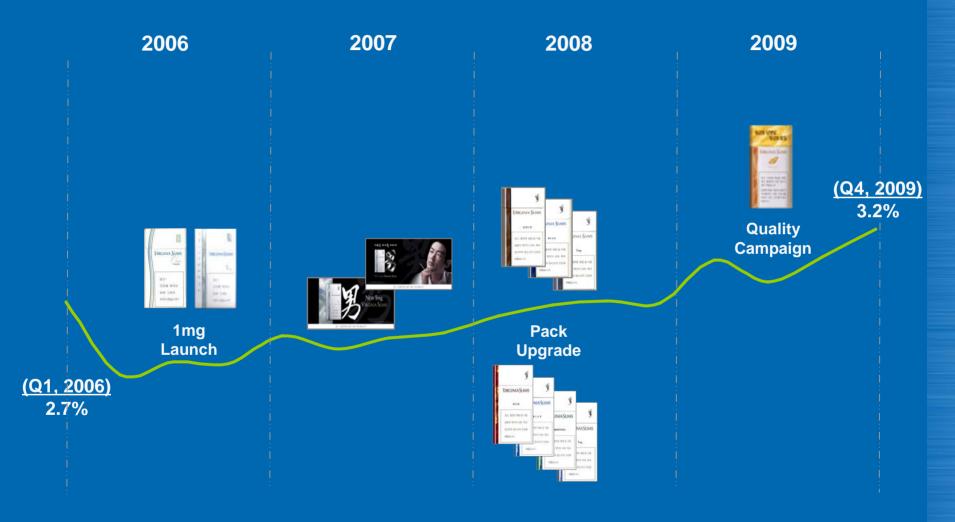
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# Virginia Slims





Source: Hankook Research

## Virginia Slims Communication





경고 : 흡연은 폐암 등 각종 질병의 원인이 되며, 특히 임신부와 청소년의 건강에 해롭습니다.



경고 : 건강에 해로운 담배, 일단 흡연하게 되면 끊기가 매우 어렵습니다. 담배연기에는 발암성 물질인 나프틸이민,니젤,벤젠,비닐 크롤라이트,비소,카드뮴이 들어있습니다.



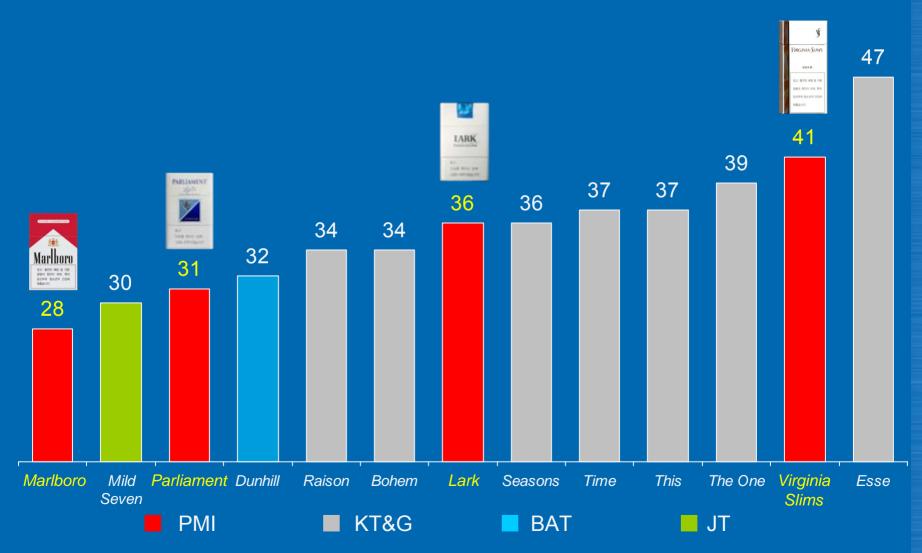
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# Median Age by Major Brand Family





### **Objective & Strategies**



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### **Point of Sales Presence**



Prioritized Key Account chains

#### 7-Eleven





### **Point of Sales Presence**



Prioritized Key Account chains



Source: A.C. Nielsen

### **Point of Sales Presence**



- Prioritized Key Account chains
- Independent outlets in strategic locations





### **Objective & Strategies**



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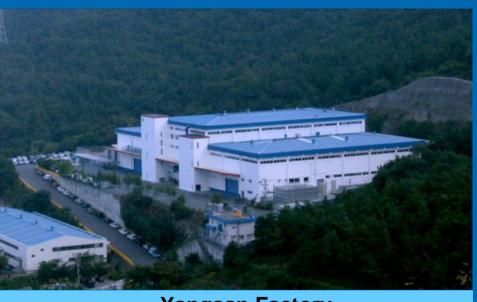
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# Manufacturing



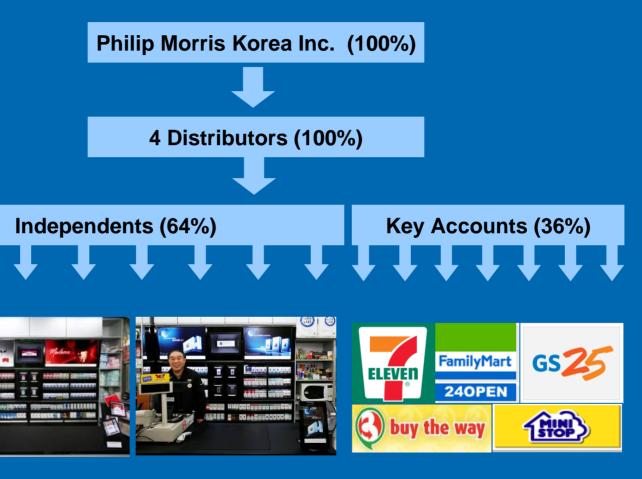




Yangsan Factory

### **Distribution**





**81,000 outlets** 

13,000 outlets

### **Organization**



486

- 98% Korean nationals
- Experienced PMI management
- Development plans, international assignments
- Succession planning
- Retention above FMCG norms
- "Best company to work for" award 2007-9<sup>(a)</sup>

4

1989 2009

#### Conclusion



- Sizeable, up-trading and dynamic market
- Reasonable fiscal and regulatory environment expected
- PMI's tremendous growth momentum in last three years
  - Volume up by 81%
  - Share up by 5.8 pts. to 14.4%
- Strong and balanced portfolio addressing varied adult consumer preferences:
  - Marlboro: No.1 brand in Legal Age (min.19) to 24
  - Parliament: fastest growing brand in the market
  - Virginia Slims: 50% share of Above Premium segment
- Enhancing presence in expanding channels
  - Fastest growing and No.1 international company in Key Accounts
- PMI has the scale, flexibility and talent for continued profitable growth in Korea

## **Questions & Answers**



