



P H I L I P M O R R I S U S A



Creating Supply Chain Value

*Craig E. Stariha, Director, Direct Materials Procurement, Philip Morris USA
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PM USA Mission



- Our Goal Is To Be the Most Responsible, Effective and Respected Developer, Manufacturer and Marketer of Consumer Products, Especially Products Intended For Adults.
- Our Core Business Is Manufacturing and Marketing the Best Quality Tobacco Products to Adults Who Use Them.

PM USA Core Strategies



Align with Society

We will continue to be an active participant in resolving societal concerns that are relevant to our business.

Create Long-Term Value

We will continue to develop our people and design our business systems to add value and create sustainable growth.

PM USA MISSION

Exceed Consumer Expectations

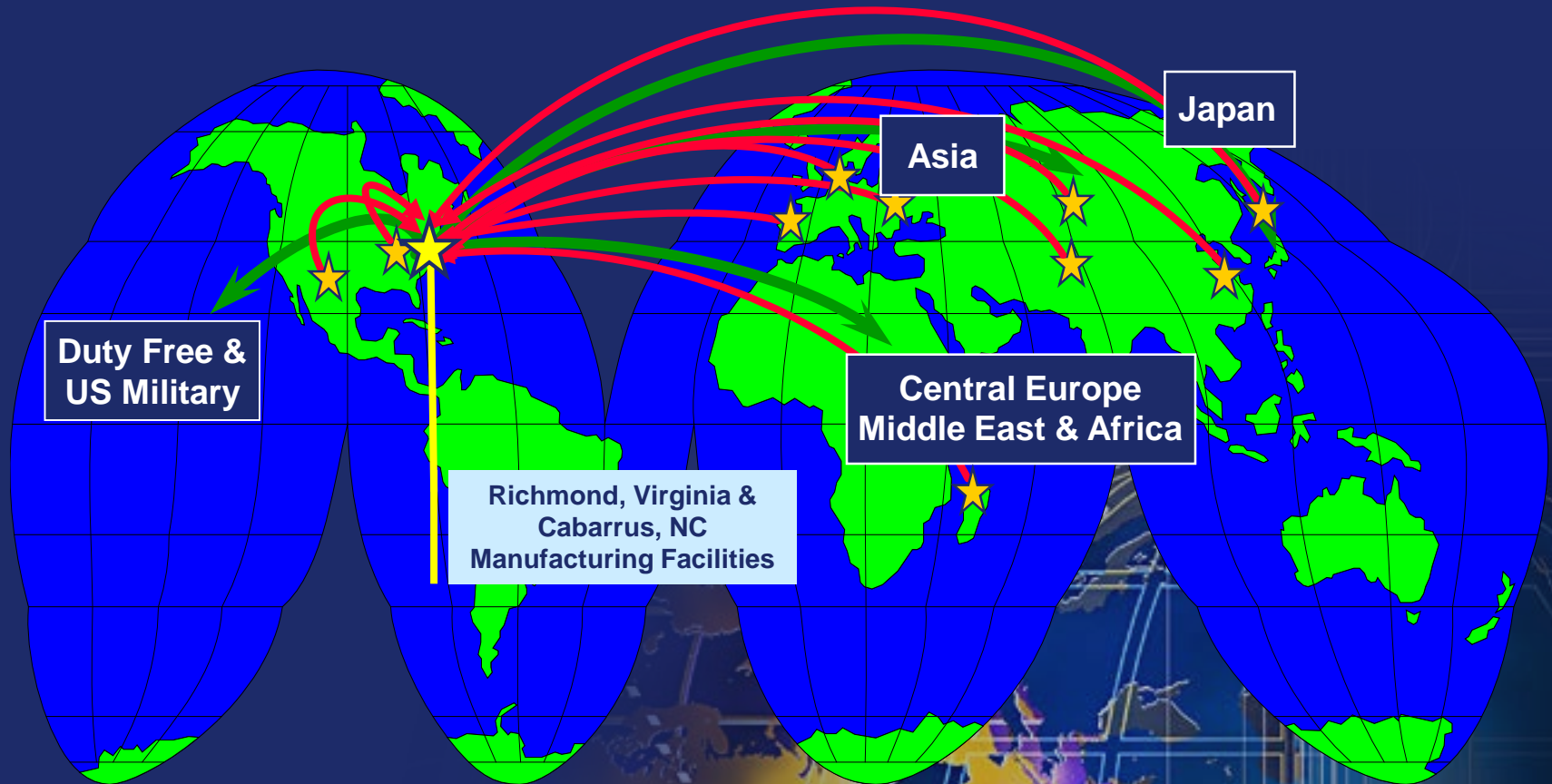
We will continue to develop new, creative approaches and products for our adult consumers that provide smoking pleasure, reduced exposure/risk, and improved quality.

PM USA Procurement



- Role: To Procure Materials, Goods and Services That Meet Business Requirements and Customer Expectations At the Best Possible Cost
- Purchase Approximately \$2 Billion Annually In Materials, Goods and Services (Excluding Leaf)
- Support Two Manufacturing Facilities (Richmond, VA; Cabarrus, NC)

PM USA Global Network



More Than 280 Materials Procured: Components, Packaging and Flavors & Ingredients

Creating Supply Chain Value

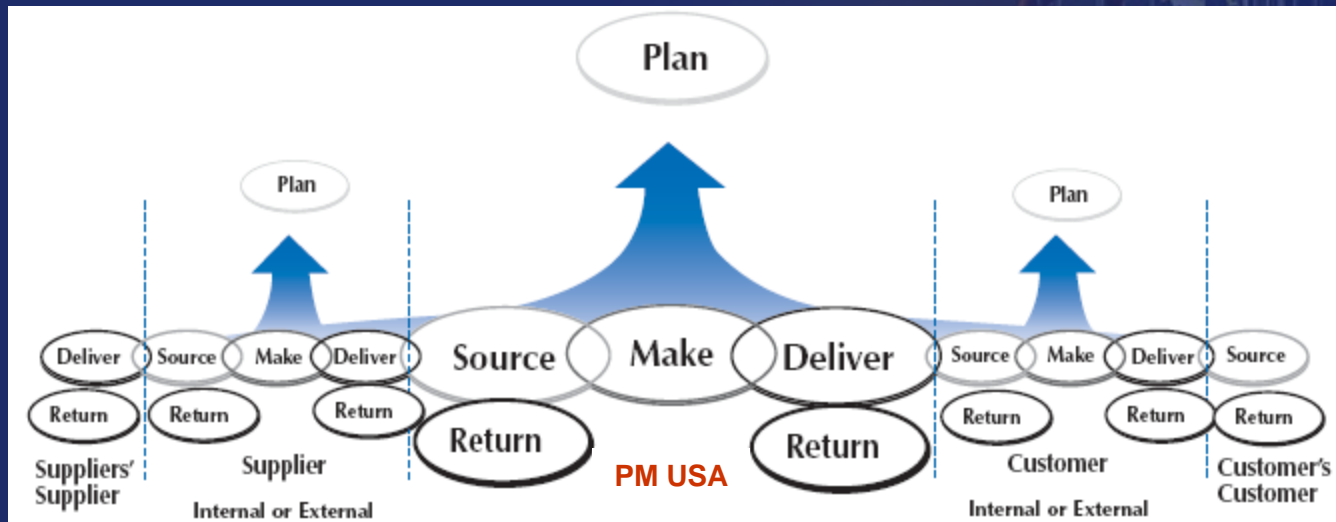


- PM USA Supply Network Is A Critical Driver of Shareholder Value and Competitive Differentiation
- Supply Chain Optimization and Efficiency Initiatives Are Closely Tied to PM USA Core Business Strategies (i.e., Creating Long Term Value, Exceeding Customer Expectations)
- Continuous Improvement and Innovation in Supply Chain Operations Is A Critical Objective for PM USA

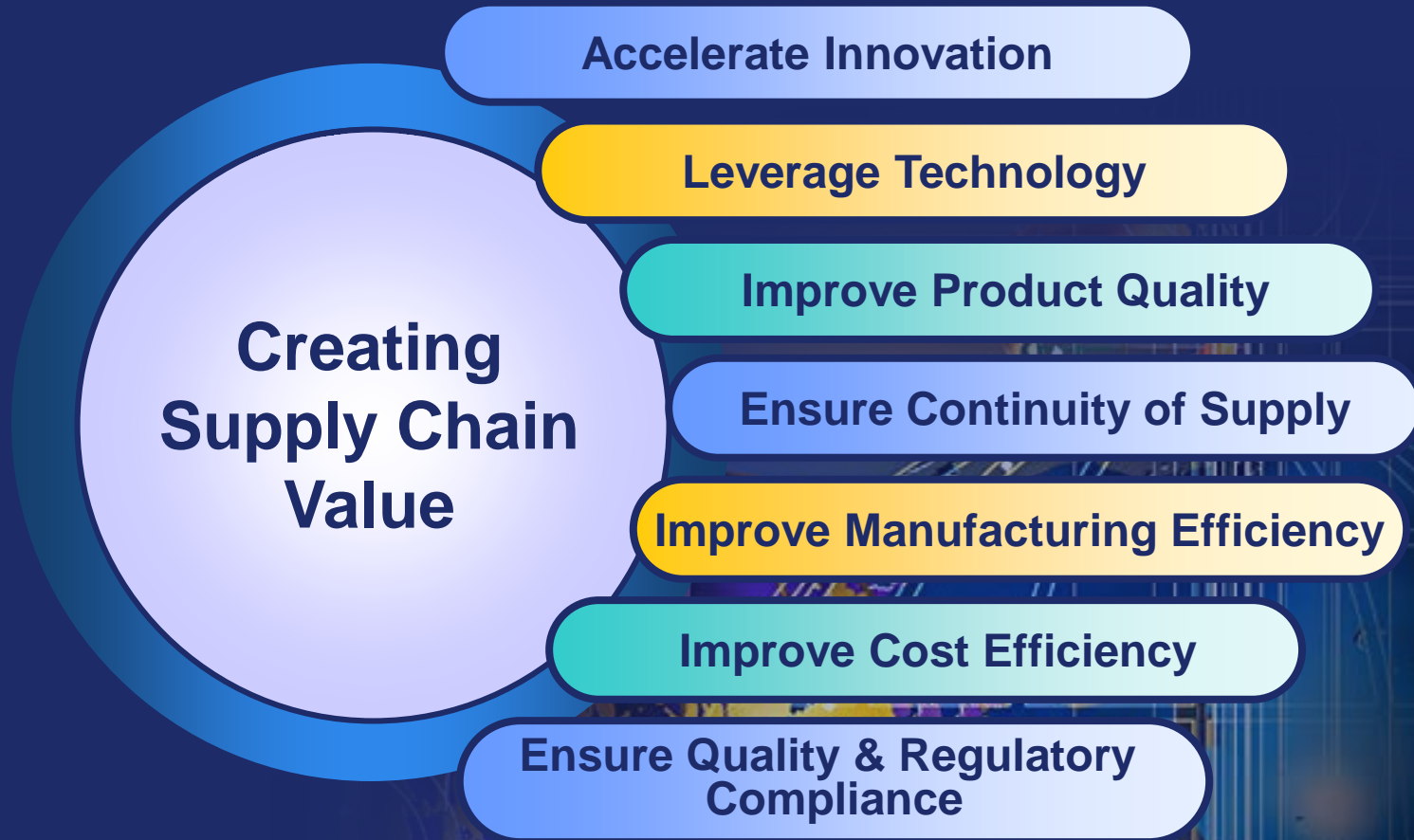
What Is A Value Chain?



An Interconnected Network of Organizations, Resources and Knowledge Streams Involved In the Creation and Delivery of Value to End Consumers



Creating Value @ PM USA



Creating Value @ PM USA



➤ Accelerate Innovation

- Collaborate Closely With Customers, Suppliers and Service Providers to Identify Opportunities
- Integrate Suppliers Into New Product Development to Accelerate Time-To-Market
- Benchmark, Refine and Institutionalize “Best-In-Class” Practices Across Supply Chain Operations
- Utilize Procurement Strategy Council (PSC) and Other Resources to Identify Best-In-Class Practices

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➤ Leverage Technology

- Advanced Supplier Relationships and Technologies Including Web-enabled and E-Market Capable Systems
- Single, Consistent Set of Information Visible Across the Entire Supply Network
- End-to-End Visibility Through Real-Time, Event-Driven Processing and RFID

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- **Improve Product Quality**
 - Premium Quality for Premium Products
 - Benchmarking “Best-in-Class”
 - Quality and Consistency = Higher Manufacturing Utilization

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- **Ensure Continuity of Supply**
 - Ongoing Assessment of Risk of Supply Chain Disruptions Across PM USA Supply Network
 - Real-time Monitoring of Supply Chain Intelligence to Support Risk Assessment and Contingency Planning
 - Supplier Business Performance
 - Raw Material, Direct Material, Service Market Conditions
 - Geopolitical & Environmental Threats
 - Higher Level of Communications with Stakeholders Ensuring Early Identification of Potential Supply Chain Risks and Opportunities

Creating Value @ PM USA



- **Improve Manufacturing & Cost Efficiency**
 - Shorter, Flexible Production Cycles
 - Demand-Driven Planning
 - Optimize Material Specifications
 - Cost Efficiencies: Inventory Holding Costs, Change Order Costs, Manufacturing Waste

Creating Value @ PMUSA



- Ensure Quality & Regulatory Compliance
 - PM USA Quality System
 - Fiscal Compliance & Responsibility
 - Sarbanes Oxley
 - Antitrust Law
 - Master Settlement Agreement (MSA)



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Thank You!
Questions?