



PHILIP MORRIS
INTERNATIONAL

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**Consumer Analyst Group of
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Forward-Looking and Cautionary Statements

- This presentation and related discussion contain projections of future results and other forward-looking statements. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI
- PMI's business risks include: significant increases in cigarette-related taxes; the imposition of discriminatory excise tax structures; fluctuations in customer inventory levels due to increases in product taxes and prices; increasing marketing and regulatory restrictions, often with the goal of reducing or preventing the use of tobacco products; health concerns relating to the use of tobacco products and exposure to environmental tobacco smoke; litigation related to tobacco use; intense competition; the effects of global and individual country economic, regulatory and political developments; changes in adult smoker behavior; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations; adverse changes in applicable corporate tax laws; adverse changes in the cost and quality of tobacco and other agricultural products and raw materials; and the integrity of its information systems. PMI's future profitability may also be adversely affected should it be unsuccessful in its attempts to produce and commercialize Reduced-Risk Products; if it is unable to successfully introduce new products, promote brand equity, enter new markets or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; or if it is unable to attract and retain the best global talent
- PMI is further subject to other risks detailed from time to time in its publicly filed documents, including the Form 10-K for the year ended December 31, 2016. PMI cautions that the foregoing list of important factors is not a complete discussion of all potential risks and uncertainties. PMI does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations
- Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. PMI has a range of RRP's in various stages of development, scientific assessment and commercialization. Because our RRP's do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke
- A glossary of terms, adjustments and other calculations, as well as reconciliations to the most directly comparable U.S. GAAP measures, are at the end of today's webcast slides, which are posted on our website



Key Messages

- 2016 was a pivotal year for PMI:
 - Exciting progress in our transformation to a smoke-free future
 - Strong currency-neutral financial results, driven by our cigarette portfolio
 - RRP portfolio showing clear signs of its enormous potential
- Superior cigarette brands driving strong pricing outlook
- Favorable /QOS momentum continuing in 2017 across launch geographies:
 - Look forward to unlocking the true potential of /QOS once the pressure on heated tobacco stick capacity eases as the year unfolds
- Steadfast commitment to shareholder value, with dividends currently serving as the primary use of operating cash flow
- Next EPS guidance update: Q1, 2017 earnings (April 20th)

Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking

Source: PMI Financials or estimates



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Questions & Answers



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Glossary



Glossary: General Terms

- PMI refers to Philip Morris International Inc. and its subsidiaries
- Until March 28, 2008, PMI was a wholly owned subsidiary of Altria Group, Inc. ("Altria"). Since that time the company has been independent and is listed on the New York Stock Exchange (ticker symbol "PM")
- Trademarks are italicized
- Comparisons are made to the same prior-year period, unless otherwise stated
- PMI volumes refer to PMI cigarette shipment data, unless otherwise stated
- References to total international cigarette market, defined as worldwide cigarette volume excluding the U.S., total cigarette market, total market and market shares are PMI tax-paid estimates based on the latest available data from a number of internal and external sources
- EEMA refers to the Eastern Europe, Middle East & Africa Region and includes our international duty free business
- EU refers to the European Union Region
- LA&C refers to the Latin America & Canada Region



Glossary: Financial Terms

- Net revenues exclude excise taxes
- Operating companies income, or "OCI", is defined as operating income, excluding general corporate expenses and the amortization of intangibles, plus equity (income)/loss in unconsolidated subsidiaries, net. Management evaluates business segment performance and allocates resources based on OCI
- Adjusted OCI margins are calculated as adjusted OCI, divided by net revenues
- Free cash flow is defined as net cash provided by operating activities less capital expenditures
- Management reviews OCI, OCI margins, earnings per share, or "EPS," and free cash flow on an adjusted basis, which may exclude the impact of currency and other items such as acquisitions, asset impairment and exit costs, discrete tax items and other special items
- Management reviews these measures because they exclude changes in currency exchange rates and other factors that may distort underlying business trends, thereby improving the comparability of PMI's business performance between reporting periods. Furthermore, PMI uses several of these measures in its management compensation program to promote internal fairness and a disciplined assessment of performance against company targets. PMI discloses these measures to enable investors to view the business through the eyes of its management



Glossary: Reduced-Risk Products

- Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. PMI has a range of RRP's in various stages of development, scientific assessment and commercialization. Because our RRP's do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke
- IQOS is the brand name under which PMI has chosen to commercialize its Platform 1 controlled heating device into which a specially designed and proprietary heated tobacco stick is inserted and heated to generate an aerosol
- The term heated tobacco sticks refers to *Marlboro HeatSticks*, *Parliament HeatSticks* and *HEETS* from *Marlboro*
- *HeatSticks* and *HEETS* heated tobacco sticks are novel patented tobacco products specifically designed by PMI for use with PMI's IQOS system. The tobacco in the heated tobacco stick is heated by our IQOS technology to provide adult smokers with real tobacco taste and satisfaction without combustion
- Heated tobacco stick volume refers to *HeatSticks* and *HEETS*
- Net revenues, excluding excise taxes, related to RRP's represent the sale of heated tobacco sticks, including IQOS *HeatSticks/HEETS*, IQOS devices and related accessories, and other nicotine-containing products, primarily e-vapor products, net of sales and promotion incentives
- Heated tobacco stick offtake volume represents the estimated retail offtake of heated tobacco sticks based on a selection of sales channels that vary by market, but notably include retail points of sale and e-commerce platforms
- Heated tobacco stick offtake share represents the estimated retail offtake volume of heated tobacco sticks divided by the sum of estimated total offtake volume for cigarettes, heated tobacco sticks and, where the data is available, other RRP's
- National market share for heated tobacco sticks in Japan is defined as the total sales volume for heated tobacco sticks as a percentage of the total estimated sales volume for cigarettes and heated tobacco sticks



Glossary: Reduced-Risk Products

- "Converted *IQOS* Users" means the estimated number of Legal Age (minimum 18-year-old) *IQOS* users that used *HeatSticks/HEETS* heated tobacco sticks for 95% or more of their daily tobacco consumption over the past seven days
- "Predominant *IQOS* Users" means the estimated number of Legal Age (minimum 18-year-old) *IQOS* users that used *HeatSticks/HEETS* heated tobacco sticks for between 70% and 94.9% of their daily tobacco consumption over the past seven days
- Aerosol refers to a gaseous suspension of fine solid particles and/or liquid droplets
- E-liquids refer to a liquid solution that is used in/with e-cigarettes. E-liquids contain different levels of nicotine in a propylene glycol and/or vegetable glycerin based solution with various flavors
- An e-vapor product is an electrical product that generates an aerosol by heating a nicotine or non-nicotine containing liquid, such as electronic cigarettes (or "e-cigarettes")
- *MESH* is the brand name that PMI has chosen for the city test of its "next generation" Platform 4 Reduced-Risk Product that leverages new proprietary vaporization technology
- MRTP stands for Modified Risk Tobacco Product, the term used by the U.S. FDA to refer to RRP
- MRTPA stands for the Modified Risk Tobacco Product Application under section 911 of the FD&C Act
- PMTA stands for the Premarket Tobacco Product Application under section 910 of the FD&C Act



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