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**Consumer Analyst Group of New York (CAGNY)
Conference
February 17, 2016**

André Calantzopoulos
Chief Executive Officer



Forward-Looking and Cautionary Statements

- This presentation and related discussion contain forward-looking statements. Achievement of projected results is subject to risks, uncertainties and inaccurate assumptions, and PMI is identifying important factors that, individually or in the aggregate, could cause actual results 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 products with the potential to reduce exposure to harmful constituents in smoke, individual risk and population harm; 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, 2015. 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
- A glossary of terms, data tables showing adjustments to net revenues and OCI for currency and acquisitions, asset impairment, exit and other costs, free cash flow calculations, adjustments to EPS, and reconciliations to U.S. GAAP measures, are at the end of today's webcast slides, which are also posted on our website
- 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



Agenda

- Strong business fundamentals
- *Marlboro*: its successful transformation and growth
- PMI's RRP strategy and harm reduction
- *iQOS* and the substantiation of reduced risk
- Transforming *iQOS* into a commercial success
- Concluding remarks



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Excellent Business Fundamentals

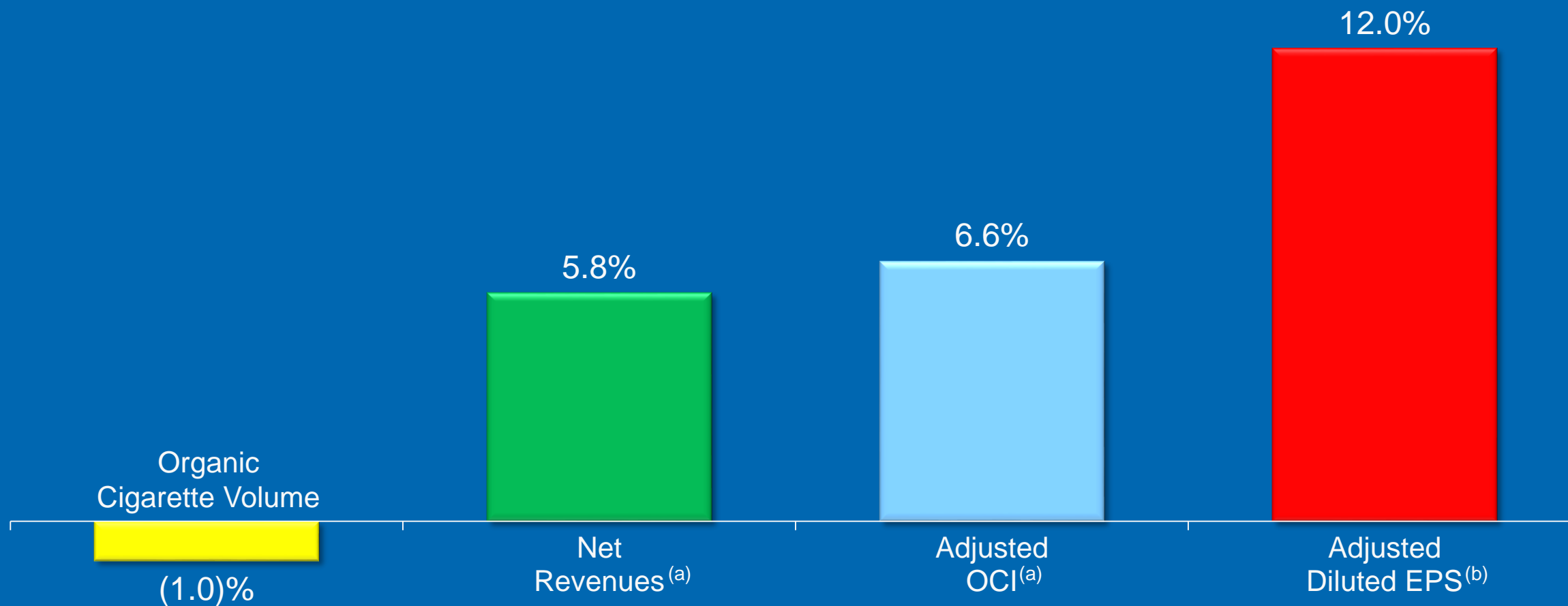
- Improving cigarette industry volume trend
- Broad and balanced geographic footprint
- Market share growth momentum
- Superior brand portfolio, led by *Marlboro*
- Strong pricing power
- Limited cost increases
- Significant potential of RRP's
- Highly motivated and focused organization



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Excellent 2015 Performance, Ex-Currency

Variance (2015 vs. PY)



(a) Excluding currency and acquisitions

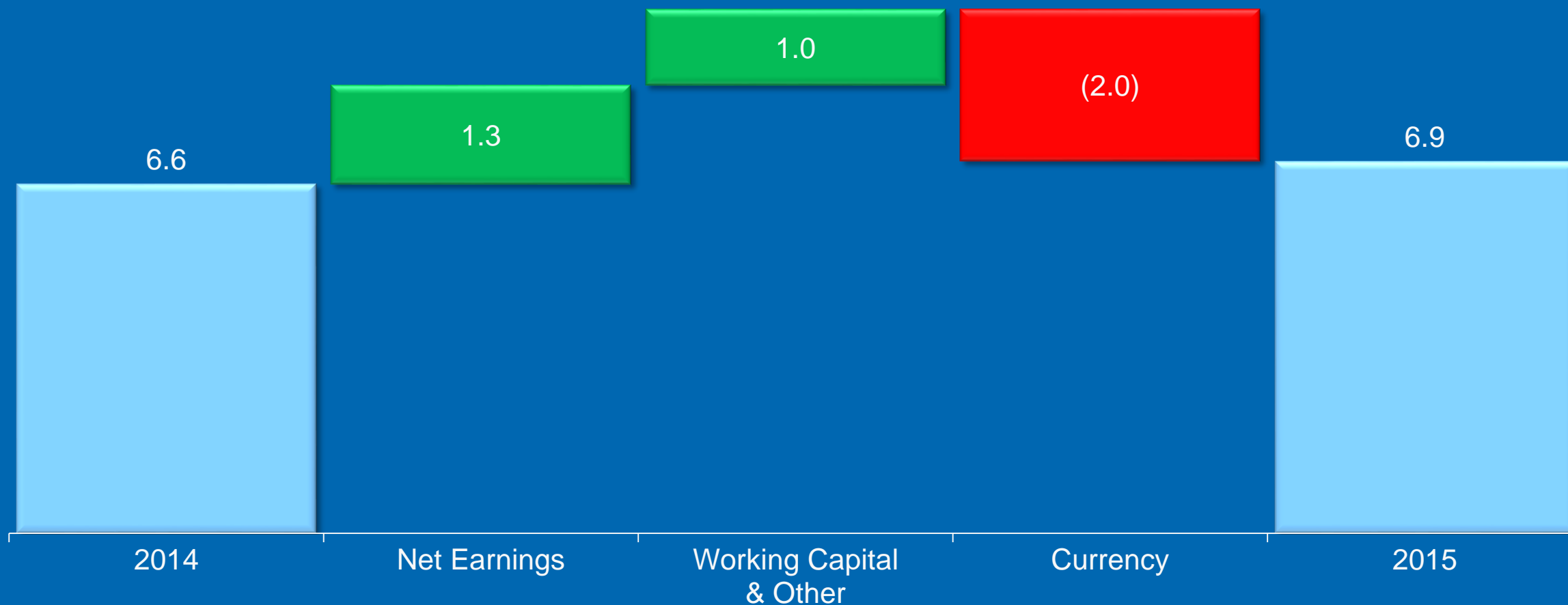
(b) Excluding currency

Source: PMI Financials or estimates



Strong Free Cash Flow

Free Cash Flow (\$ billion)

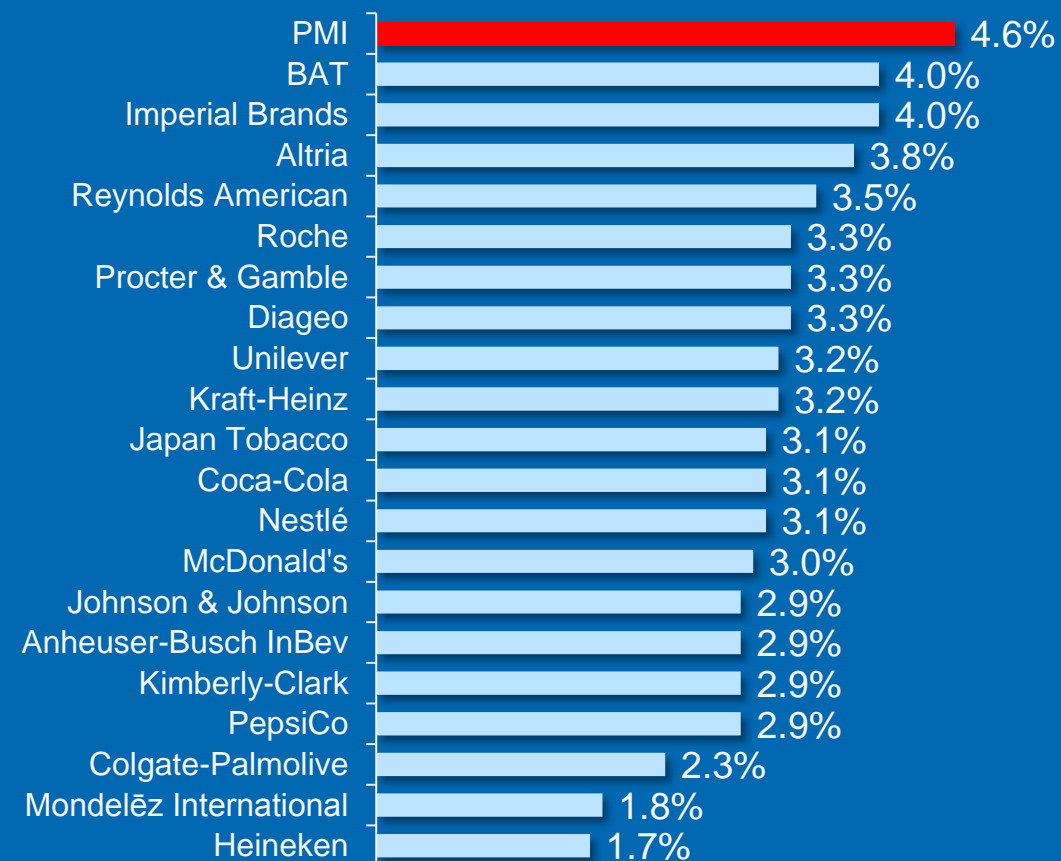




Rewarding Our Shareholders: Attractive Dividend

- Dividends the primary use of our free cash flow
- Increased our dividend in September 2015, to an annualized rate of \$4.08 per share
- Eight consecutive dividend increases since 2008, representing a total increase of approximately 122%

Dividend Yield (February 12, 2016)



Note: Dividends for 2008 and 2015 are annualized rates. 2008 annualized rate is based on a quarterly dividend of \$0.46 per common share, declared June 18, 2008. The annualized rate for 2015 is based on a quarterly dividend of \$1.02 per common share, declared September 16, 2015. Dividend yield represents the annualized dividend on February 12, 2016, over the closing share price on that date. The current annualized dividend rate for PMI is \$4.08. The closing share price for PMI was \$89.06 on February 12, 2016

Source: PMI Financials or estimates. FactSet, compiled by Centerview



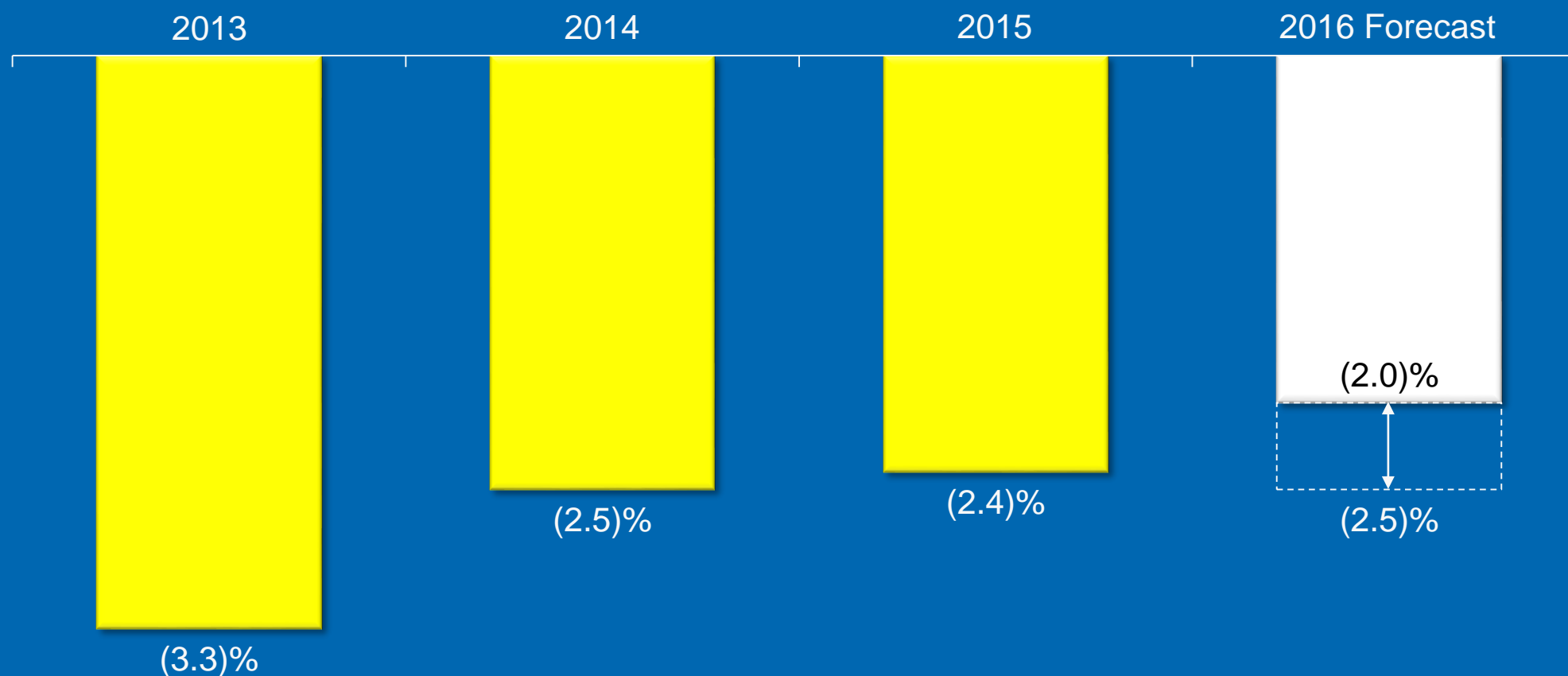
2016 EPS Guidance of February 4th Reaffirmed

- Reported diluted EPS guidance for 2016 is \$4.25 to \$4.35 at then prevailing exchange rates, compared to \$4.42 in 2015:
 - Includes approximately 60 cents of unfavorable currency at then prevailing exchange rates
 - Assumes no share repurchases
- Excluding currency, our guidance represents a growth rate of approximately 10% to 12%, compared to adjusted diluted EPS of \$4.42 in 2015



Improving International Cigarette Industry Volume Trend

International Cigarette Industry Volume Decline vs. PY^(a)



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



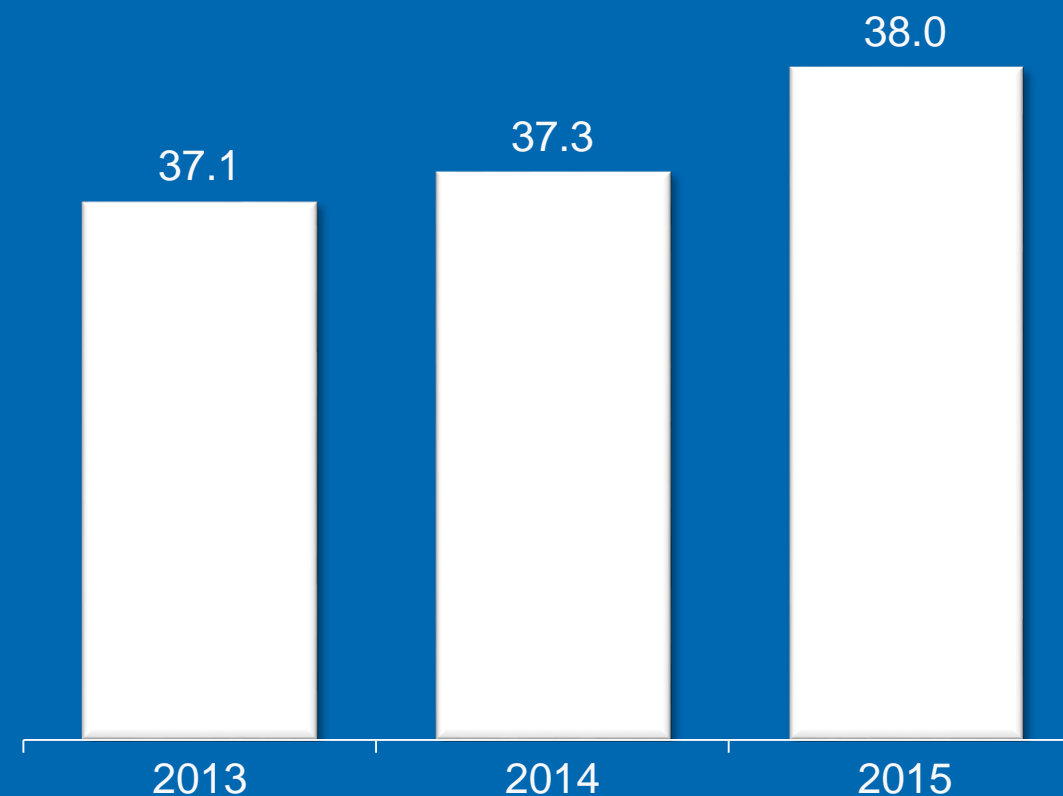
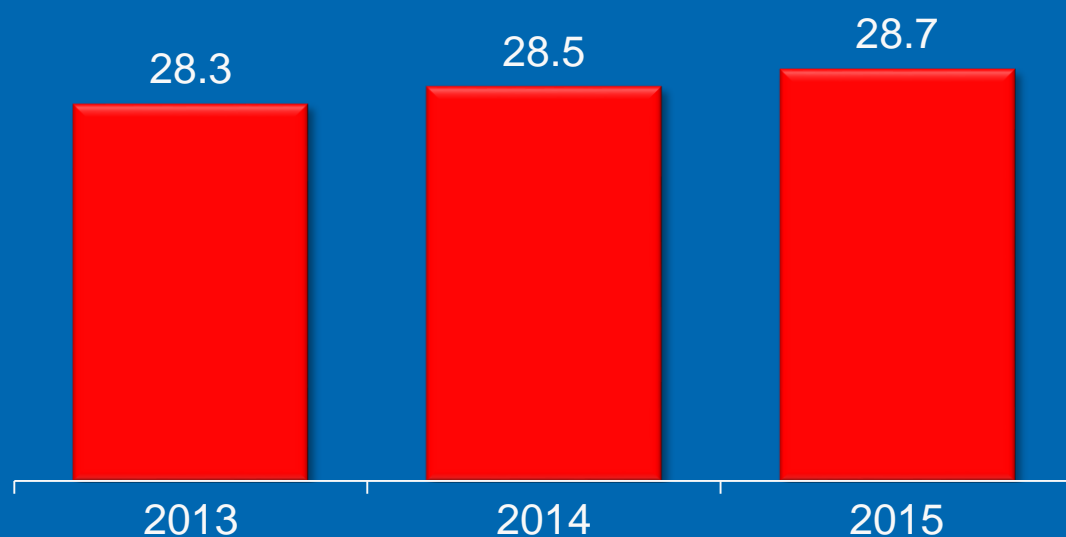
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Market Share Growth Momentum

PMI Shares (%)

International Market^(a)

PMI Top-30 OCI Markets^(b)



(a) Excluding China and the U.S.

(b) Excluding duty free

Source: PMI Financials or estimates



Market Leadership Across a Wide Range of Geographies

EU

Czech Republic
France
Germany
Greece
Italy
Netherlands
Poland
Portugal
Spain
Switzerland

EEMA

Algeria
Israel
Kazakhstan
Kuwait
Qatar
Saudi Arabia
Serbia
Turkey
UAE
Ukraine

Asia

Hong Kong
Indonesia
Philippines
Singapore

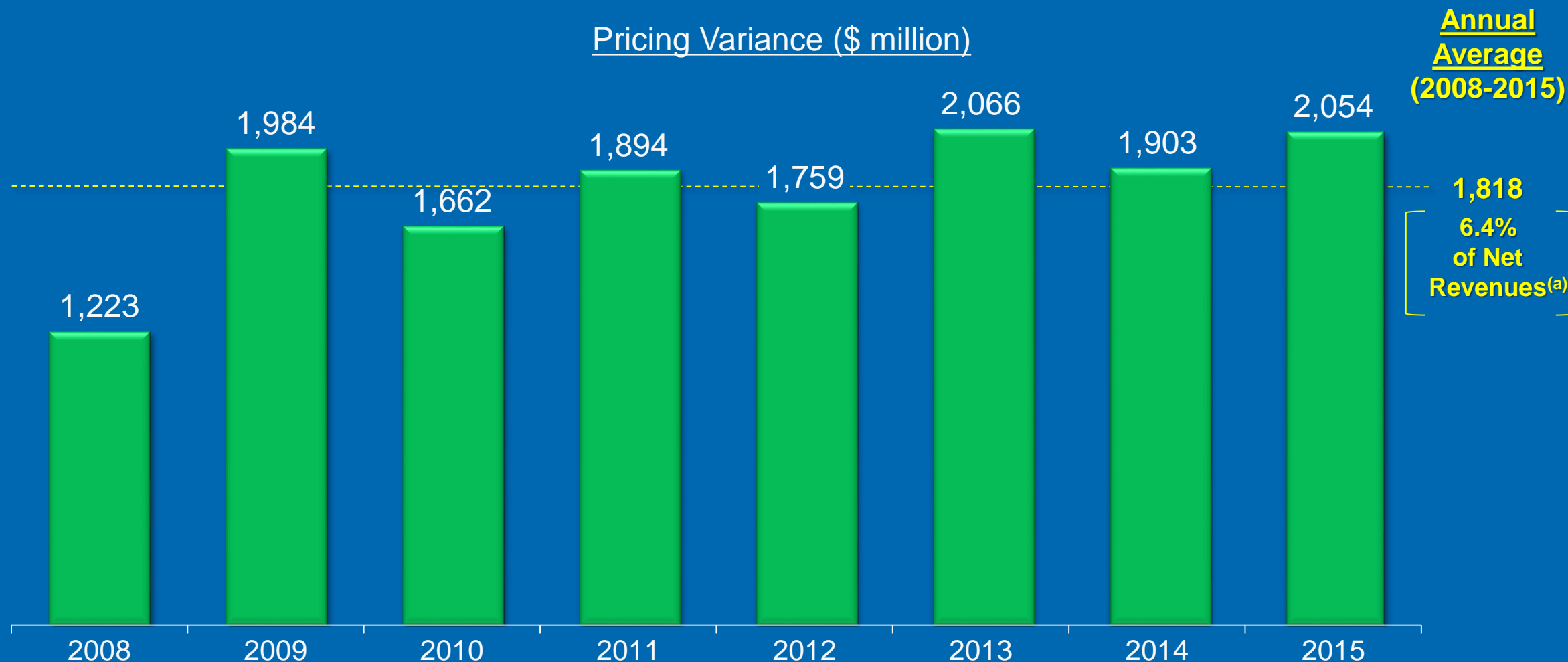
LA&C

Argentina
Colombia
Costa Rica
Ecuador
Mexico



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Strong Favorable Pricing Variances



(a) Average net revenues 2008-2015, excluding excise tax
Source: PMI Financials or estimates

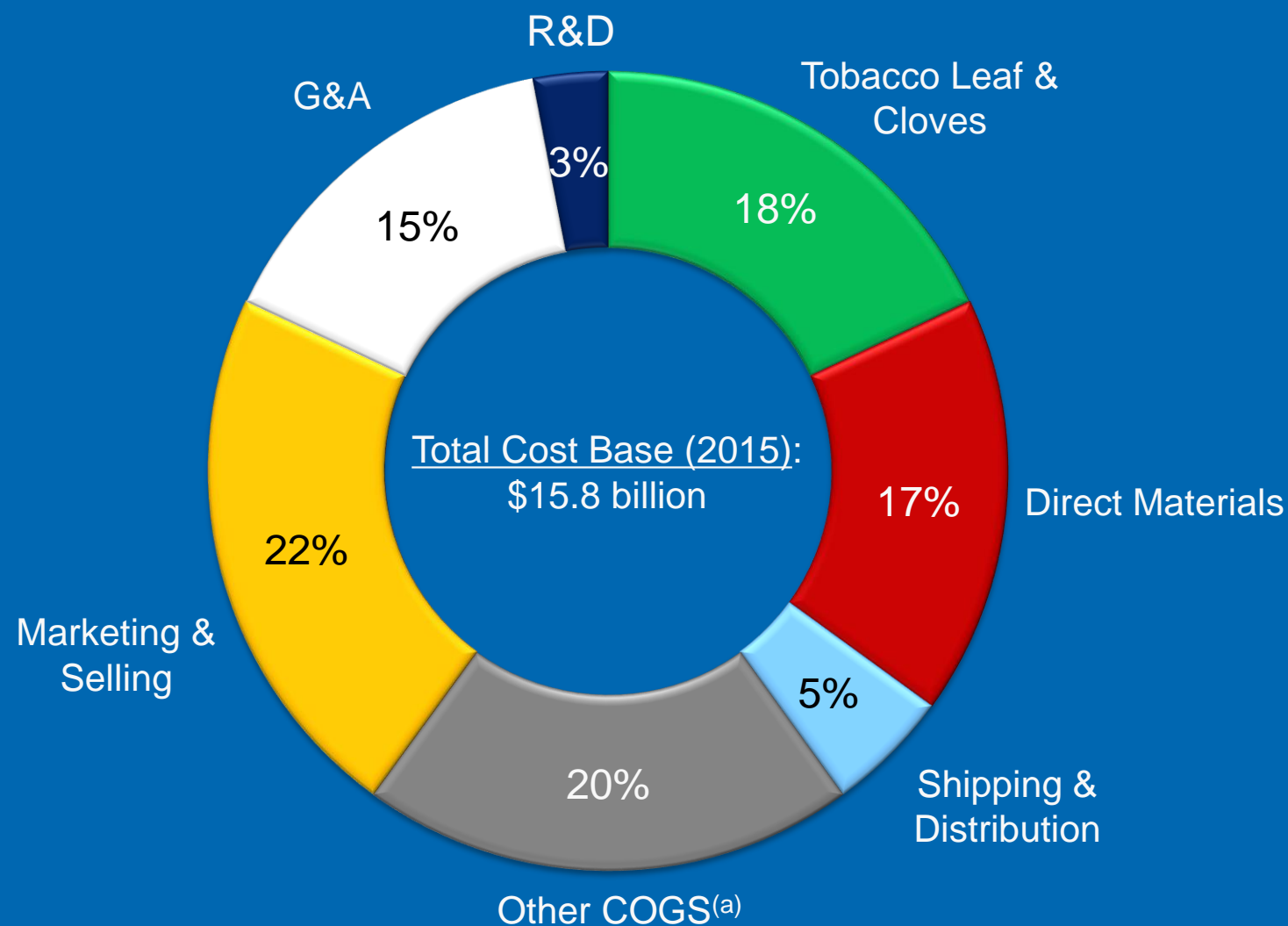


Excise Taxation and Pricing: Reasonable Outlook

- Excise tax environment remains largely rational
- Excise tax structures are improving
- Current pricing environment appears to be quite reasonable



Focus on Managing Total Cost Base



(a) Conversion, fixed manufacturing expenses and other costs
Source: PMI Financials or estimates

Marlboro



less smell  

© 2015 Philip Morris Brands SARL マールボロ・アイス・ブラスト・ボックス タール8mg ニコチン0.6mg マールボロ・メンソール・ボックス タール12mg ニコチン0.8mg マールボロ・ボックス タール12mg ニコチン1.0mg マールボロ・ゴールド・ボックス タール6mg ニコチン0.5mg マールボロ・ブラック・メンソール・ボックス タール8mg ニコチン0.6mg あなたが吸い込むタールとニコチンの量は、たばこの吸い方によって異なります。

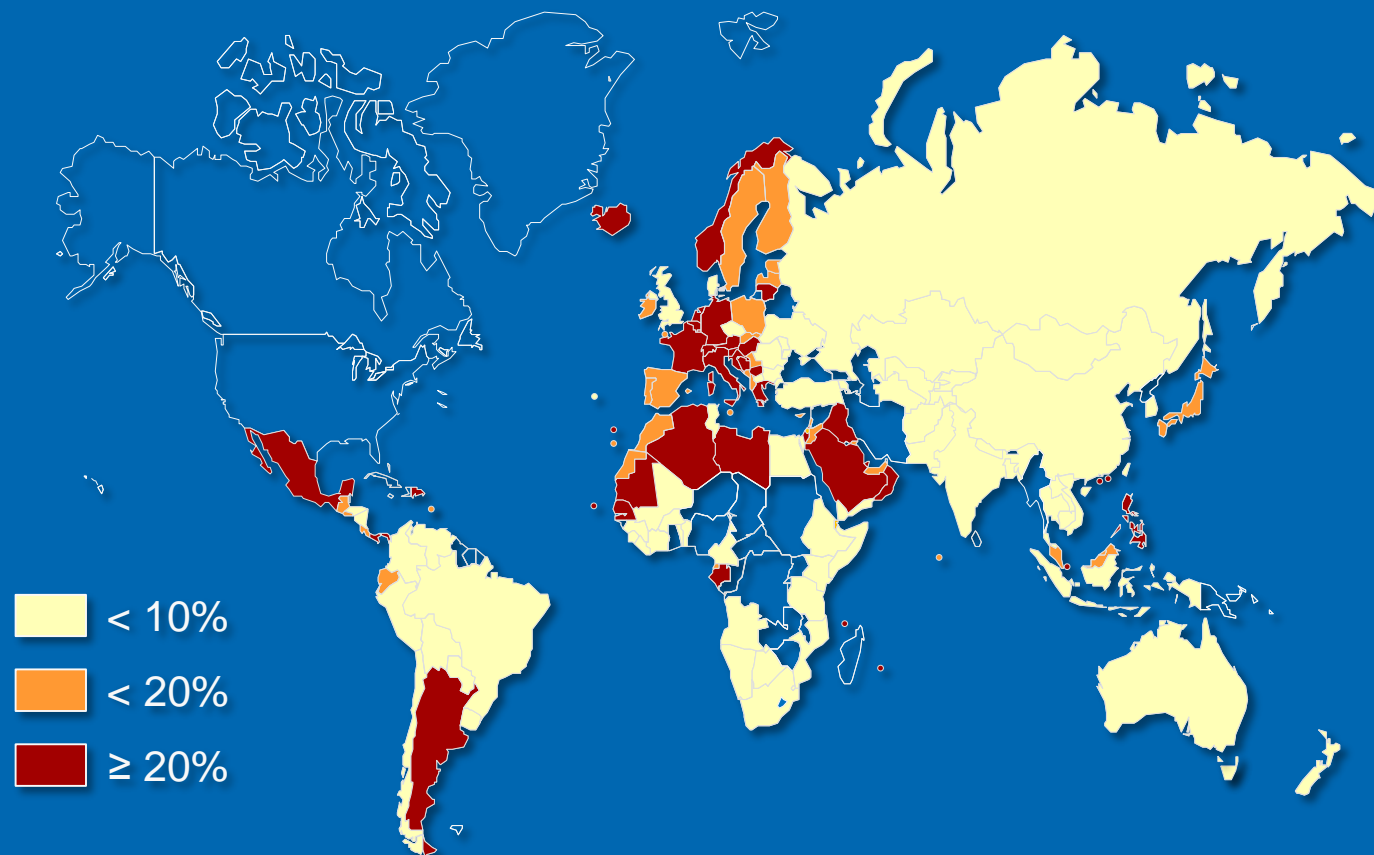
喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。未成年者の喫煙は、健康に対する悪影響やたばこへの依存をより強めます。周りの人から勧められても決して吸ってはいけません。妊娠中の喫煙は、胎児の発育障害や早産の原因の一つとなります。

Marlboro: The Only Truly Global Cigarette Brand

- Leadership in key markets:

- Present in 146 markets
- Market share 20% or higher in 41 markets
- #1 brand in half of our top-30 OCI markets

2015 Marlboro Cigarette Shares of Market



Note: Excluding duty free

Source: PMI Financials or estimates, Hankook Research, InfoView Technologies Pty Ltd., Tobacco Institute of Japan and Nielsen



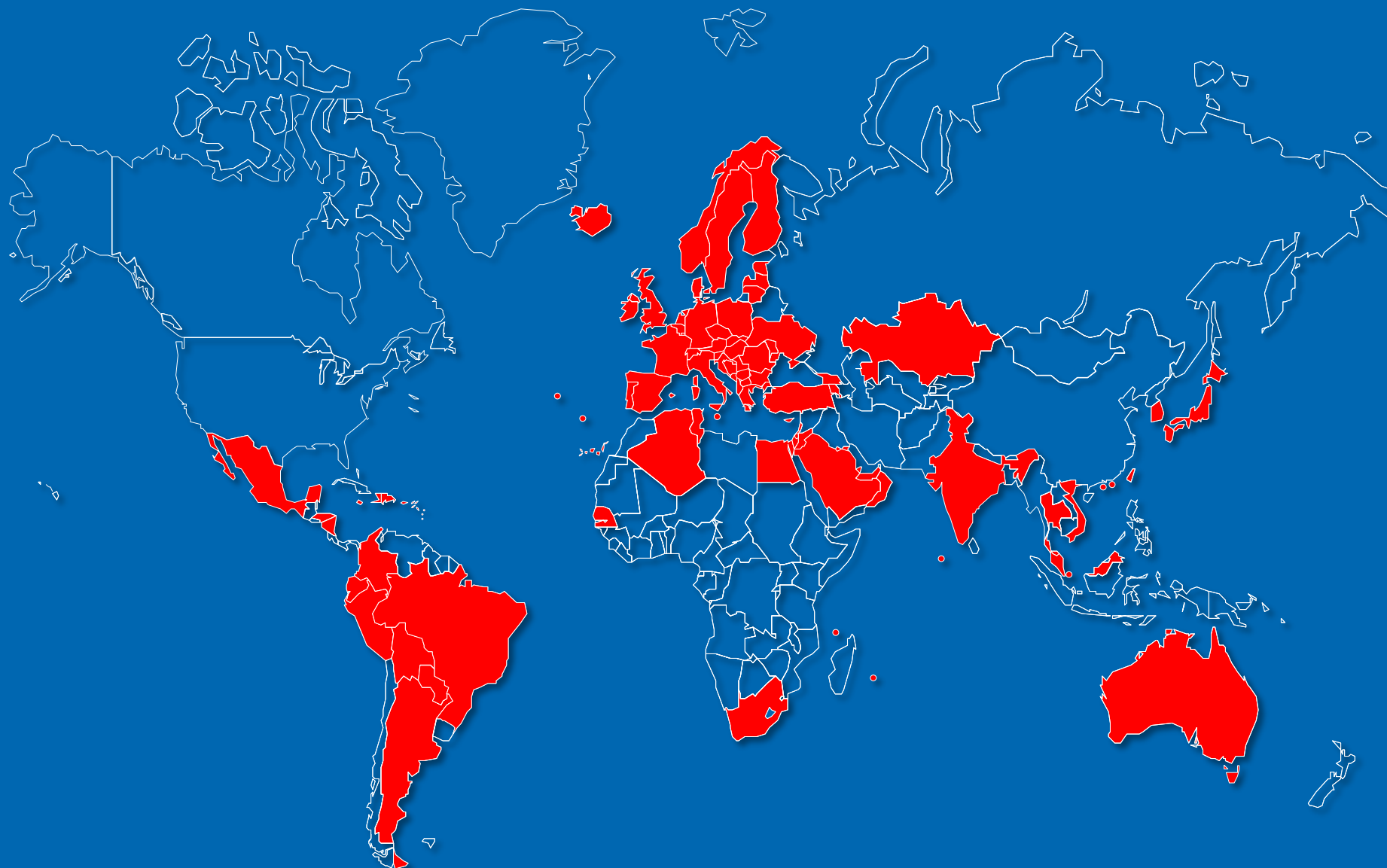
***Marlboro* 2.0: Strategy and Goals**

- Developed *Marlboro* 2.0 Architecture to unlock the brand's significant untapped potential among adult smokers
- Aim was to make the brand smoother-tasting, more approachable and gender inclusive, while enhancing its premium quality and perception:
 - Upgraded and modernized packaging
 - Evolved blend and firmer filter



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Marlboro 2.0: Launched in Around 100 markets



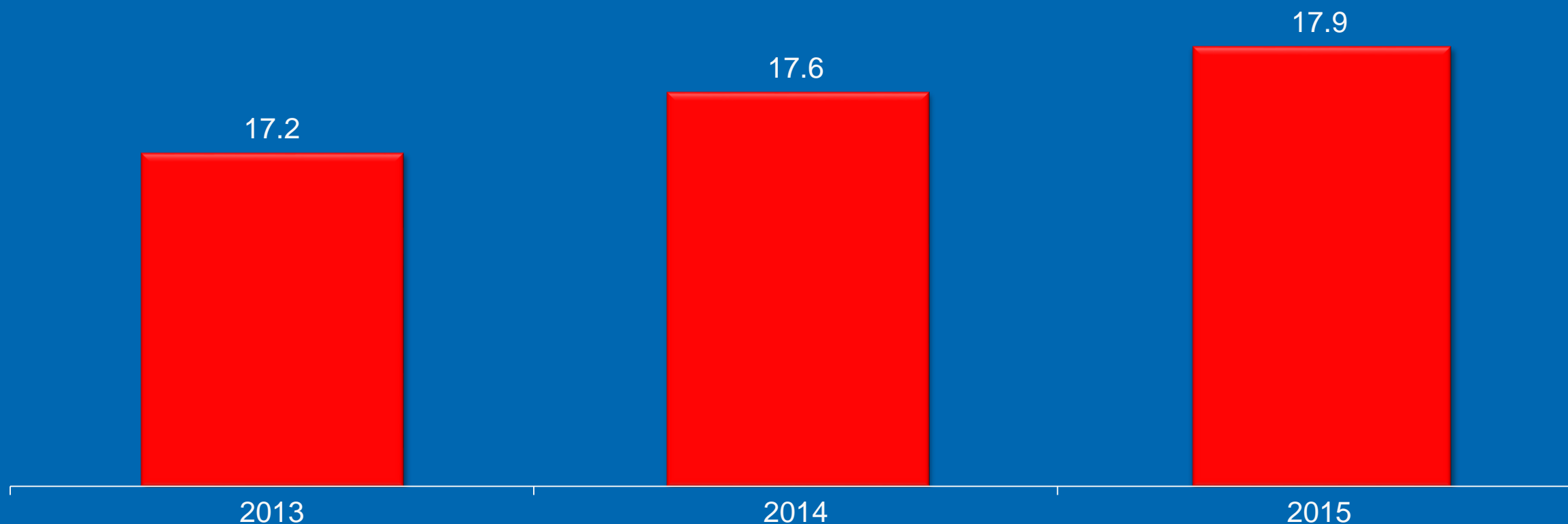
Note: Year-end 2015



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Marlboro Round Taste 2.0: Gaining Share in the EU Region

Marlboro Share of the Full-Flavor Segment in the EU Region (%)

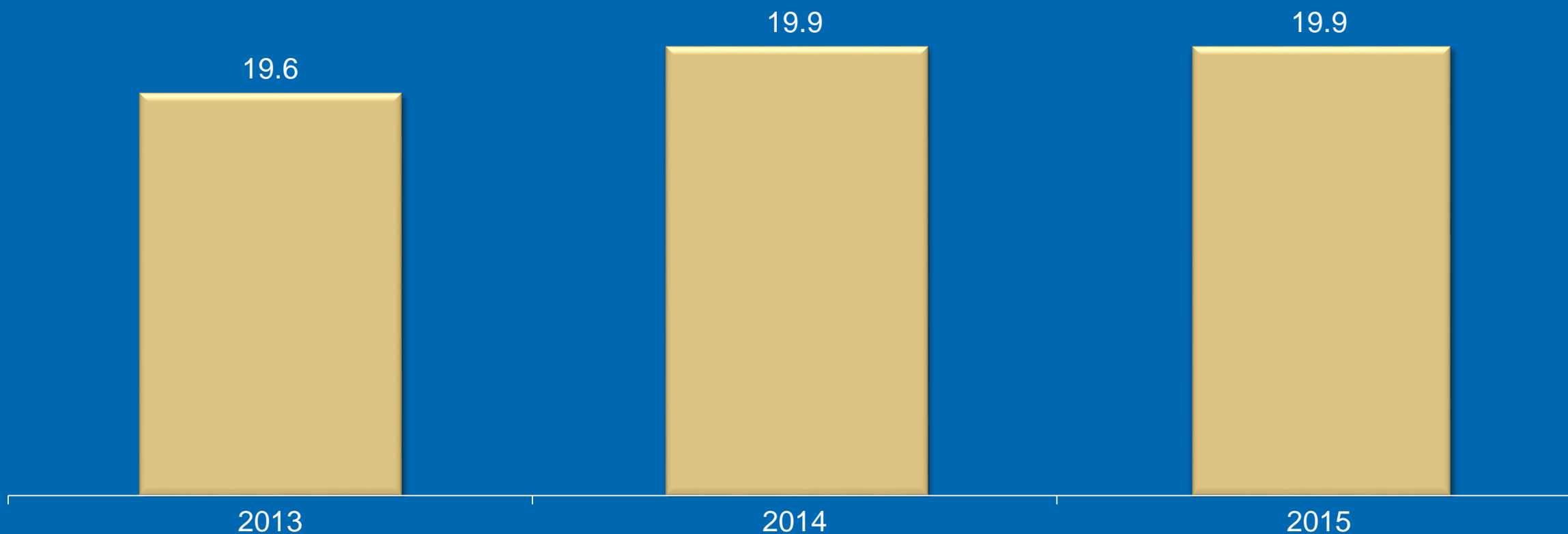




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Marlboro Smooth Taste 2.0: Gaining Share in the EU Region

Marlboro Share of the Lighter-Tasting Segment in the EU Region (%)





NEW look
변함없는 시원함

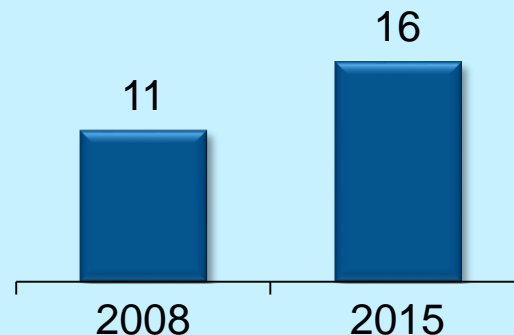


明日を待つ。
創る。

進化したマールボロを、今、その手に。

~~MAYBE~~ Marlboro

Marlboro Fresh
Taste International Share
of Menthol Segment (%)



Note: Excluding China and the U.S.
Source: PMI Financials or estimates

がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。
に対する悪影響やたばこへの依存をより強めます。周りの人から勧められても決して吸ってはいけません。
育障害や早産の原因の一つとなります。

Palenie poważnie szkodzi Tobie i osobom w

Marlboro Fuse Beyond: sub. smol. 6 mg/papieros; nikotyna 0.4 mg/papieros; tlenek węgla 5 mg/papieros. Ilość wdychanych substancji smolistych.
© 2015 Philip Morris Polska Distribution Sp. z o.o.

NOWOŚĆ



MARLBORO
fuse beyond

2
kapsułki

TWO
CAPSULES.



MANY
POSSIBILITIES.

Smoking causes early death التدخين يسبب الوفاة المبكرة



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Marlboro: Cigarette Market Share Growth Momentum

	Market Shares		
	<u>2013</u>	<u>2015</u>	<u>Variance</u>
EU	18.3%	18.9%	0.6pp
EEMA	7.1	7.4	0.3
Asia ^(a)	6.1	6.4	0.3
LA&C	15.1	15.2	0.1
Total PMI^{(a)(b)}	9.3	9.6	0.3

(a) Excluding China

(b) Also excluding the U.S.

Source: PMI Financials or estimates



Regulation: Plain Packaging Should Be Manageable

- Strict regulation of cigarettes is necessary
- PMI has proven it can compete successfully in highly restrictive environments
- Two aspects of plain packaging need to be considered:
 - The protection of intellectual property, including trademark rights
 - The effect on market dynamics
- Overall, we consider that the commercial impact of plain packaging should be manageable



RRPs: Harm Reduction and Regulation

- RRPs are a fundamental complement to regulatory efforts to reduce smoking prevalence
- Our ambition is to convince all adult smokers that intend to continue smoking to switch to RRPs as soon as possible
- The principle of harm reduction through RRPs needs to be embraced and appropriate regulatory frameworks implemented



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RRPs: The Harm Reduction Equation





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Consumer Analyst Group of New York (CAGNY) Conference February 17, 2016

Manuel Peitsch

Chief Scientific Officer, Reduced-Risk Products



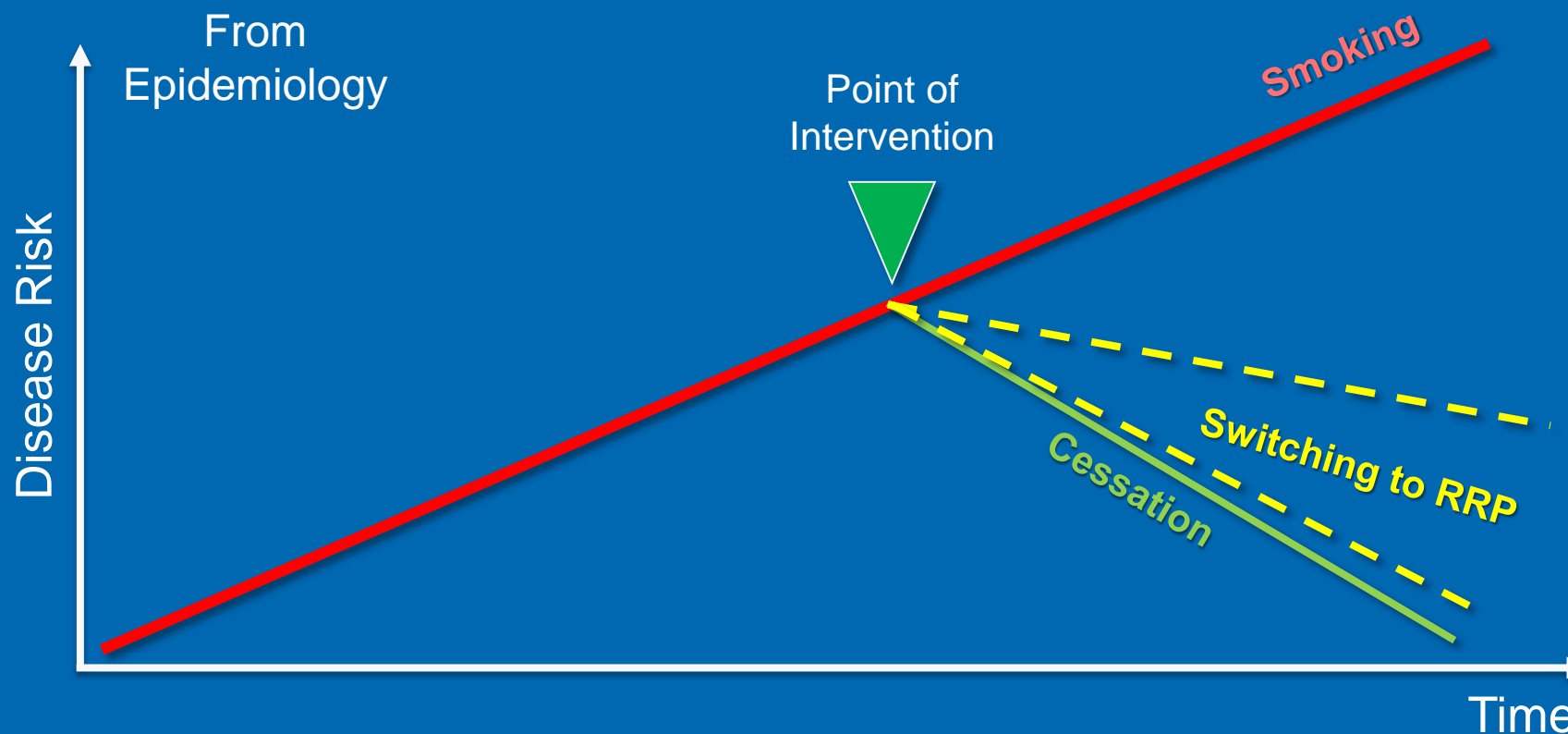
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Industry-Leading R&D

- Very robust and state-of-the-art science
- More than 300 world-class scientists in Neuchâtel (Switzerland) and Singapore
- Fully committed to transparency of our data for third-party verification:
 - Over 140 peer-reviewed publications and book chapters
 - Over 50 presentations at international conferences every year
 - Verification of methods and results through sbvIMPROVER.com

Cessation: The "Gold Standard"

- We apply the U.S. Institute of Medicine's "gold standard" for assessing risk reduction: benchmark against cessation



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. The descriptions in the chart are for illustrative purposes only

Source: IOM (Institute of Medicine), 2012, Scientific Standards for Studies on Modified Risk Tobacco Products. Washington, DC: The National Academies Press



Substantiating Reduced Risk

- Developing robust scientific evidence packages based on state-of-the-art science

**Aerosol Chemistry and
Physics**

**Product Design and
Control Principles**

Reduced Formation of HPHCs



Substantiating Reduced Risk

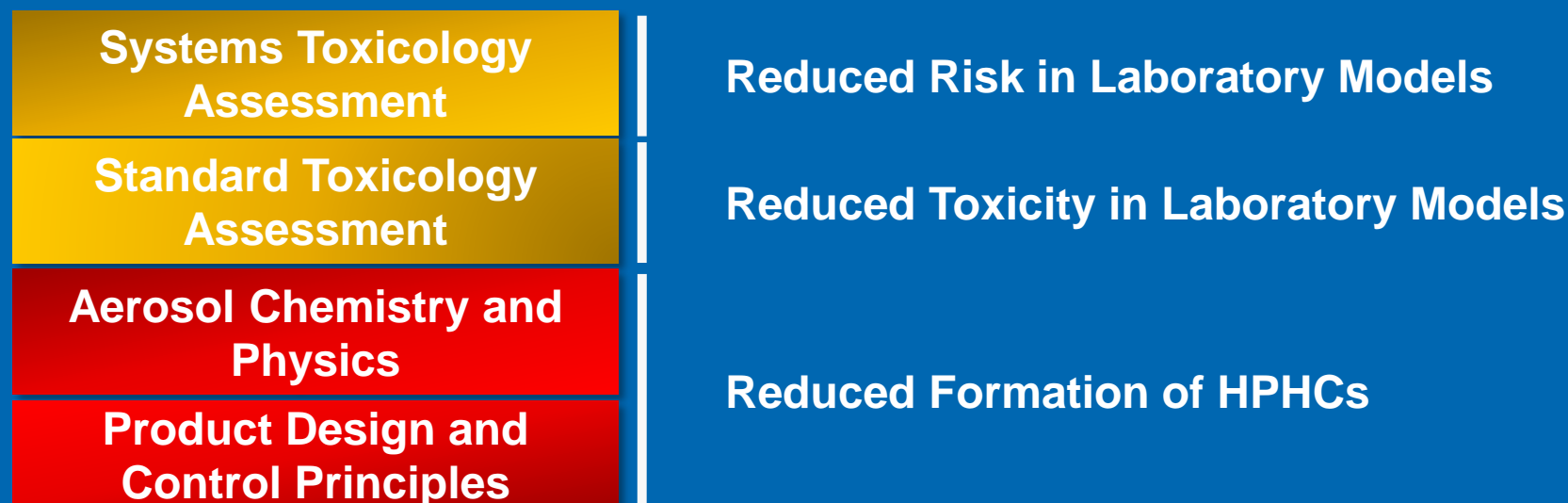
- Developing robust scientific evidence packages based on state-of-the-art science





Substantiating Reduced Risk

- Developing robust scientific evidence packages based on state-of-the-art science

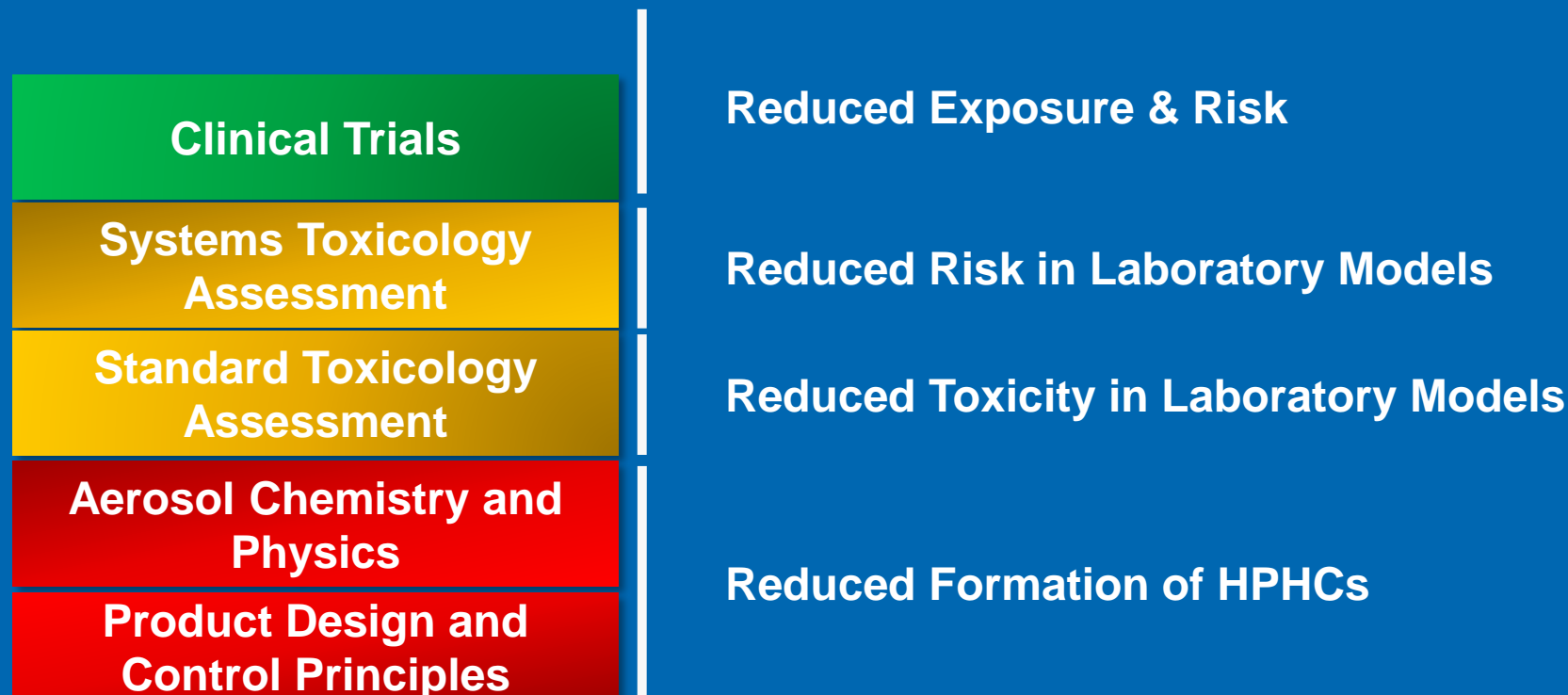


Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. HPHCs stands for Harmful or Potentially Harmful Constituents



Substantiating Reduced Risk

- Developing robust scientific evidence packages based on state-of-the-art science

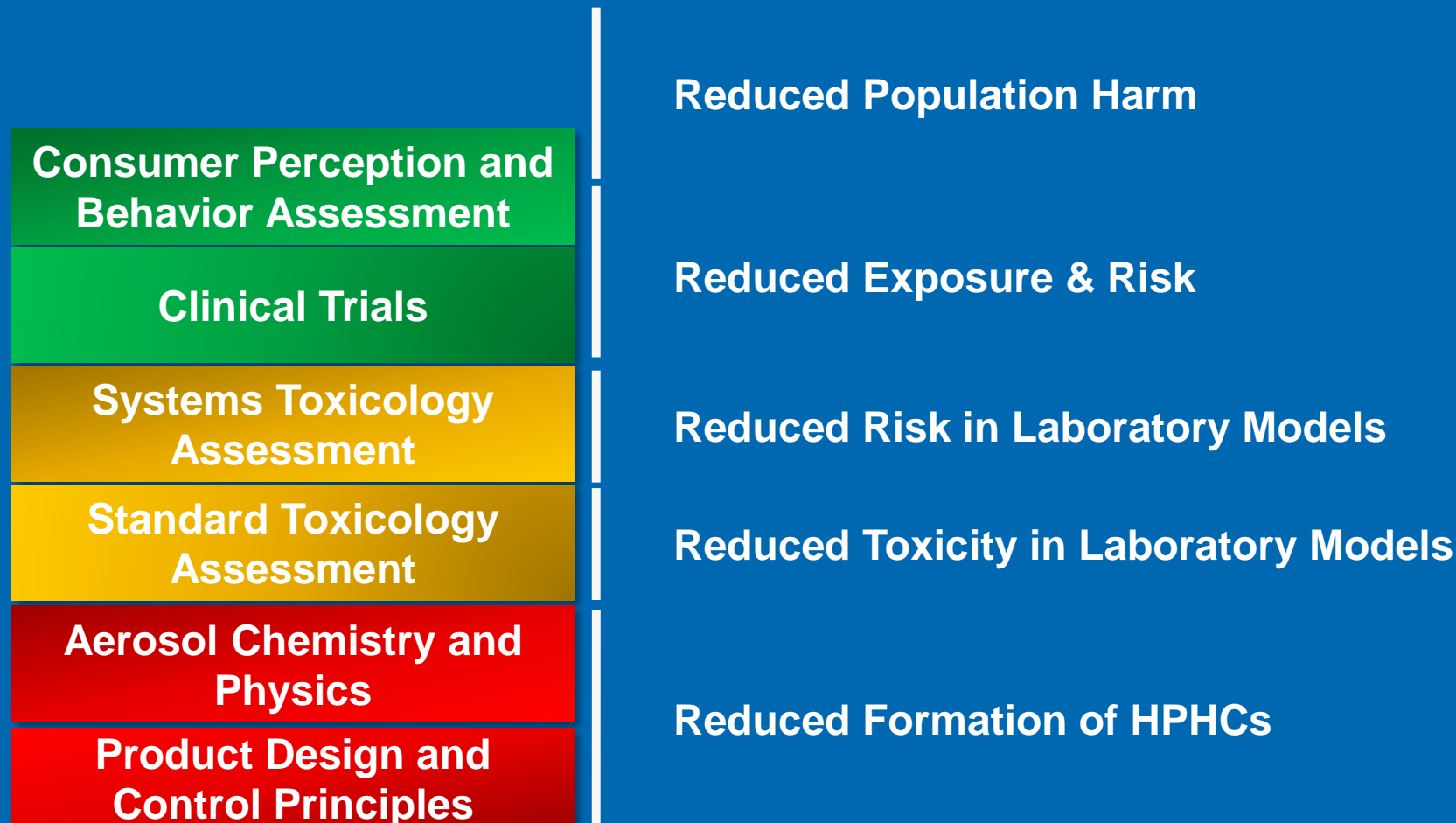


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Substantiating Reduced Risk

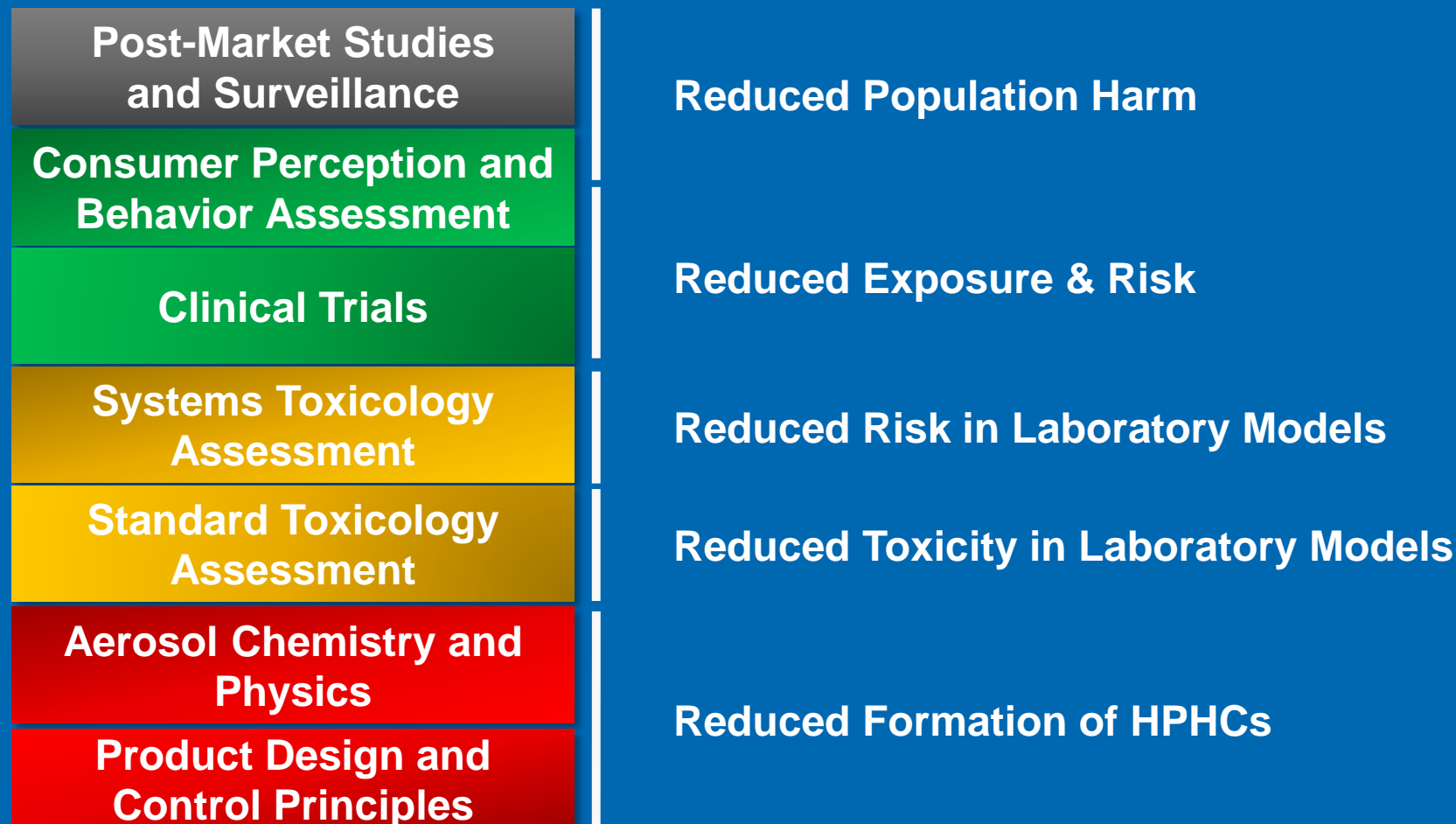
- Developing robust scientific evidence packages based on state-of-the-art science





Substantiating Reduced Risk

- Developing robust scientific evidence packages based on state-of-the-art science



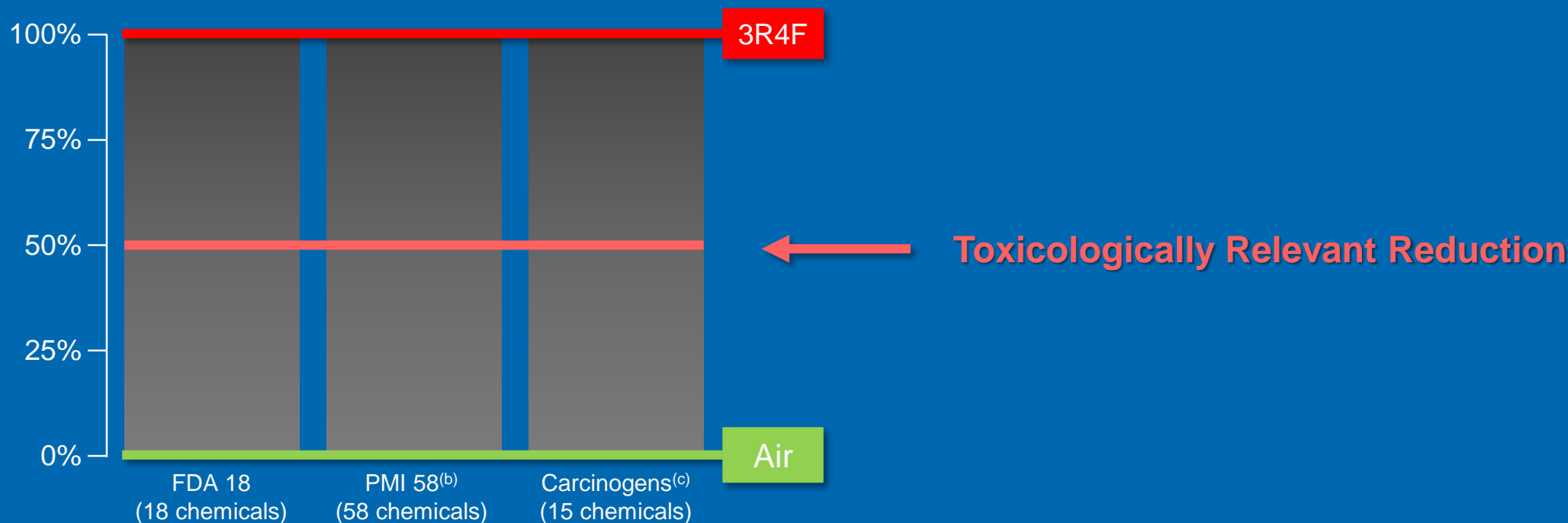
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*i*QOS: Reduced Formation Leads to Reduced Toxicity *in vitro*

Reduced Formation

Average reductions in formation of HPHCs for *i*QOS compared to levels measured in smoke from the 3R4F reference cigarette^(a)



(a) Aerosol collection with Intense Health Canada's Smoking Regime: 55 mL puff volume, 2-second puff duration, 30-second interval puff. Comparison on a per-stick basis. Reduction calculations exclude Nicotine, Glycerin and Total Particulate Matter

(b) The PMI 58 list includes the FDA 18 and (c) the 15 carcinogens of the IARC Group 1

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.

These data alone do not represent a claim of reduced exposure or risk

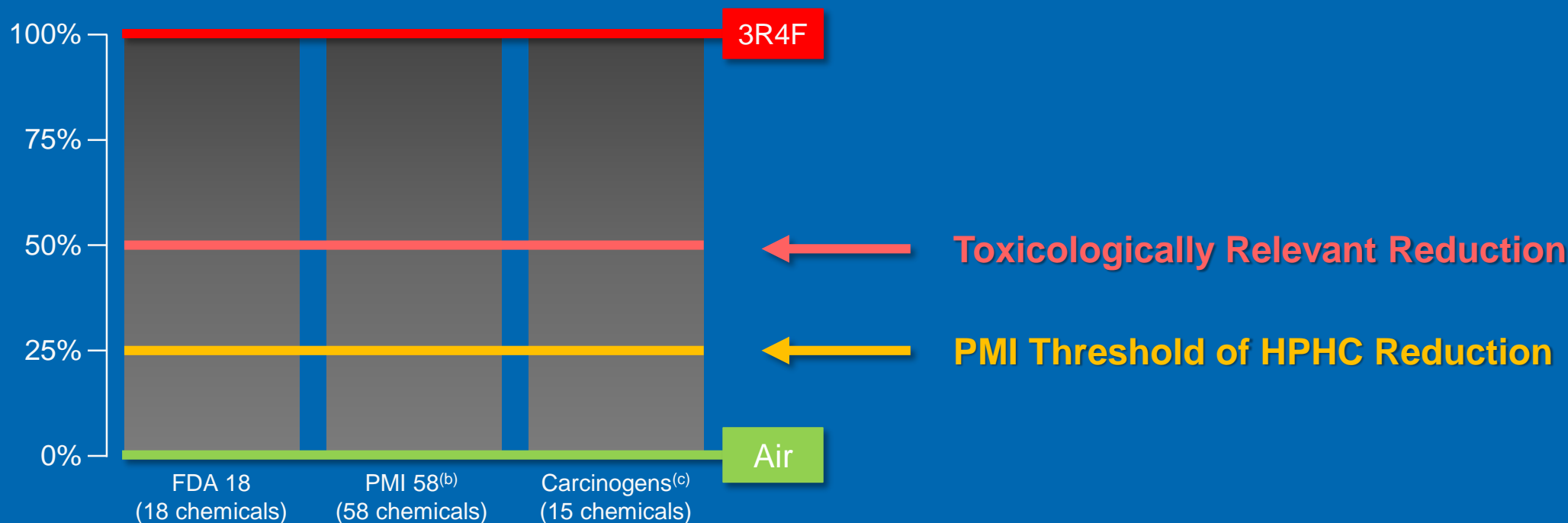
Source: PMI Research & Development



*i*QOS: Reduced Formation Leads to Reduced Toxicity *in vitro*

Reduced Formation

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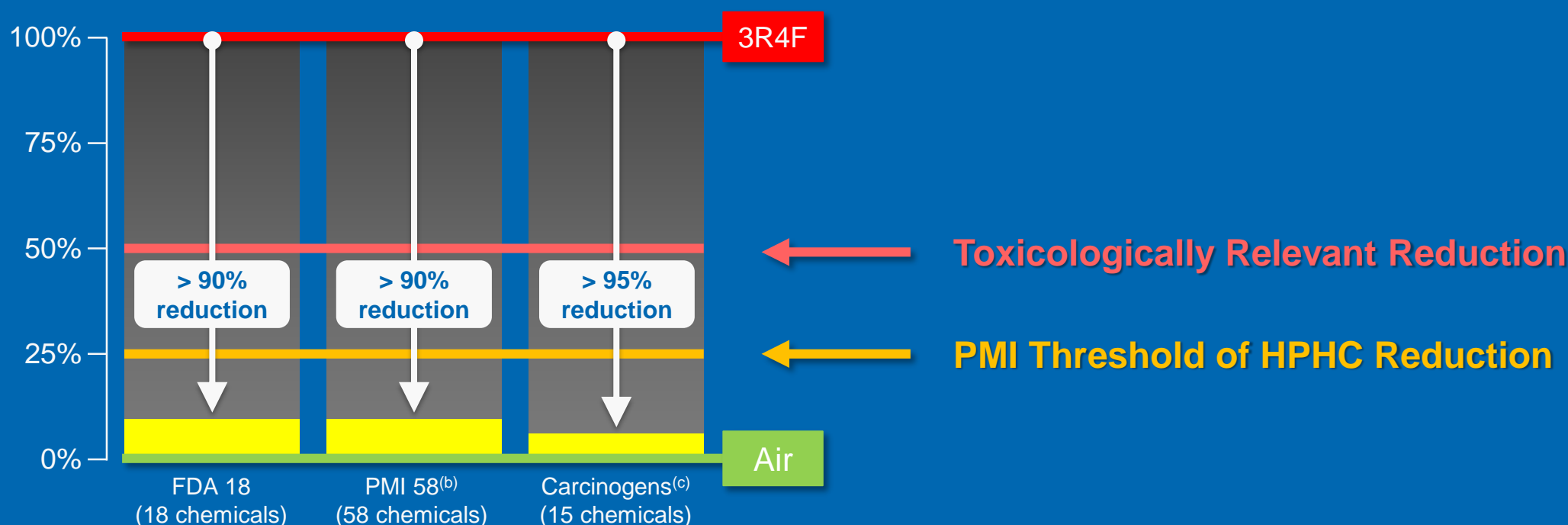
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Source: PMI Research & Development

iQOS: Reduced Formation Leads to Reduced Toxicity *in vitro*

Reduced Formation

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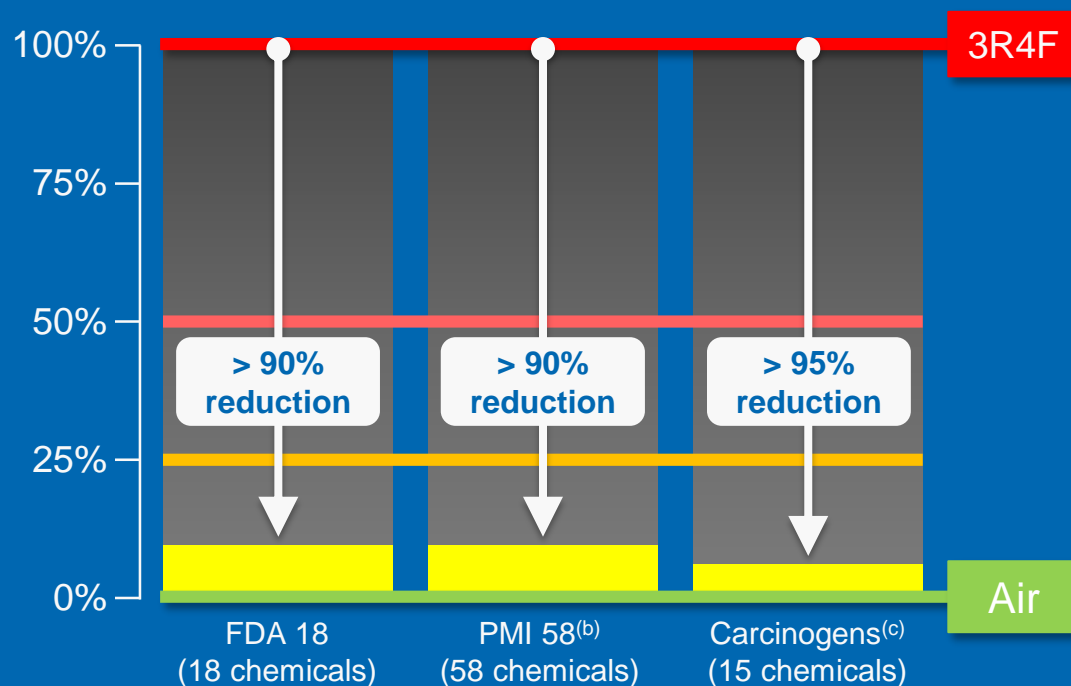
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iQOS: Reduced Formation Leads to Reduced Toxicity *in vitro*

Reduced Formation

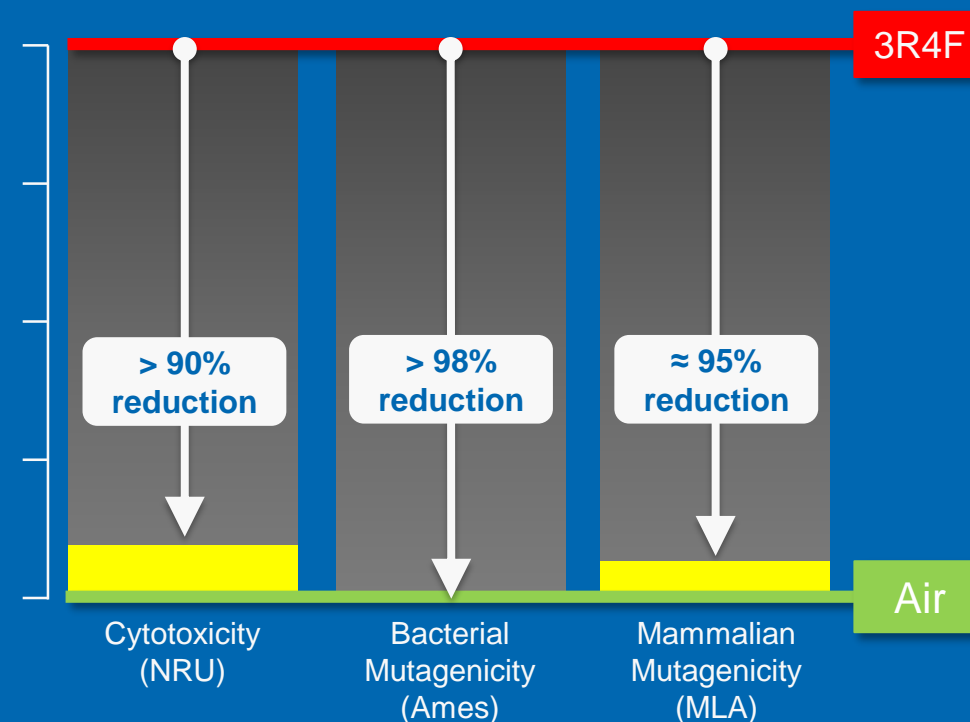
Average reductions in formation of HPHCs for iQOS compared to levels measured in smoke from the 3R4F reference cigarette^(a)



... Leads to ...

Reduced Toxicity

Average reductions in toxicity compared to levels measured for the 3R4F reference cigarette



(a) Aerosol collection with Intense Health Canada's Smoking Regime: 55 mL puff volume, 2-second puff duration, 30-second interval puff. Comparison on a per-stick basis. Reduction calculations exclude Nicotine, Glycerin and Total Particulate Matter

(b) The PMI 58 list includes the FDA 18 and (c) the 15 carcinogens of the IARC Group 1

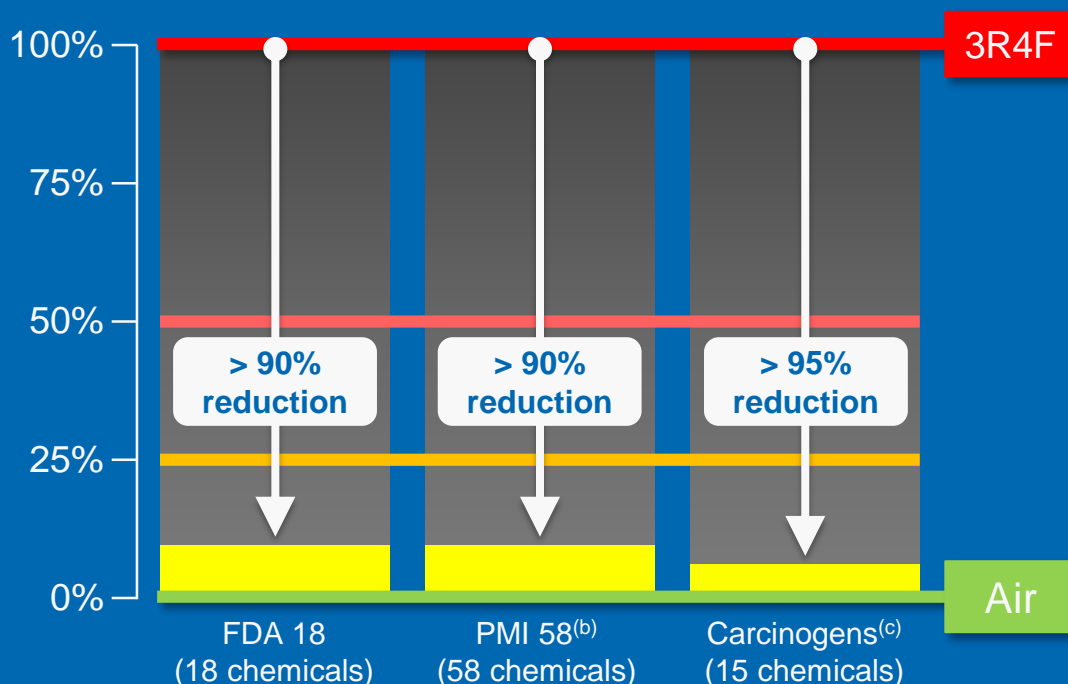
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Source: PMI Research & Development

iQOS: Reduced Formation Leads to Improved Indoor Air Quality

Reduced Formation

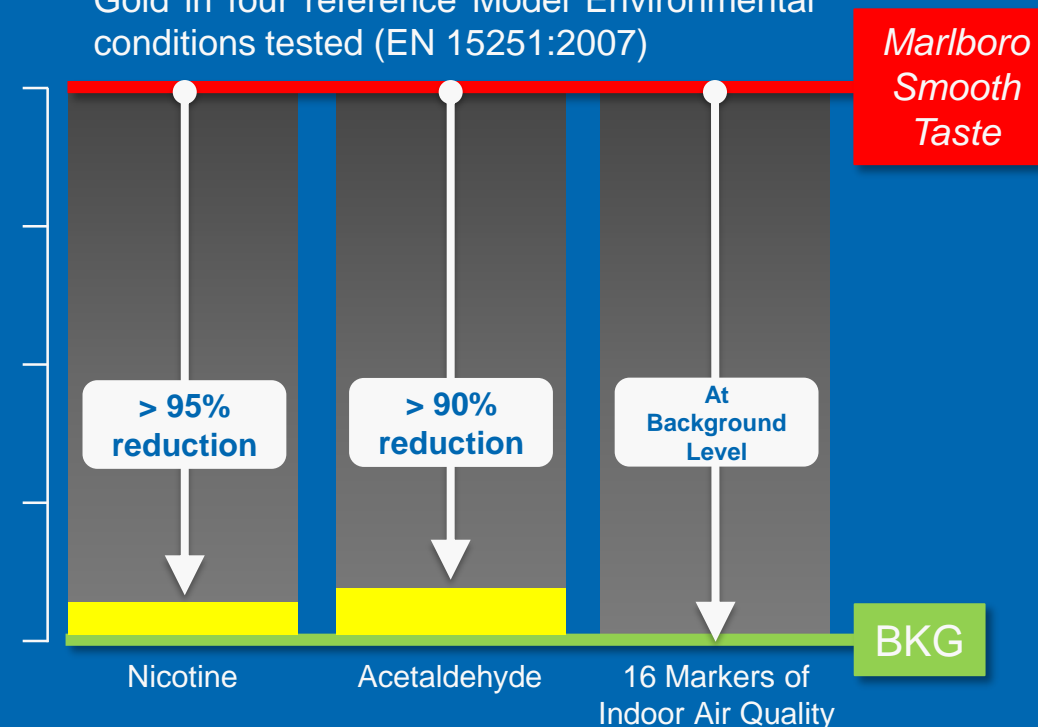
Average reductions in formation of HPHCs for iQOS compared to levels measured in smoke from the 3R4F reference cigarette^(a)



... Leads to ...

Improved Indoor Air Quality

Use of iQOS does not negatively impact indoor air quality as compared to *Marlboro Gold* in four reference Model Environmental conditions tested (EN 15251:2007)



(a) Aerosol collection with Intense Health Canada's Smoking Regime: 55 mL puff volume, 2-second puff duration, 30-second interval puff. Comparison on a per-stick basis. Reduction calculations exclude Nicotine, Glycerin and Total Particulate Matter

(b) The PMI 58 list includes the FDA 18 and (c) the 15 carcinogens of the IARC Group 1

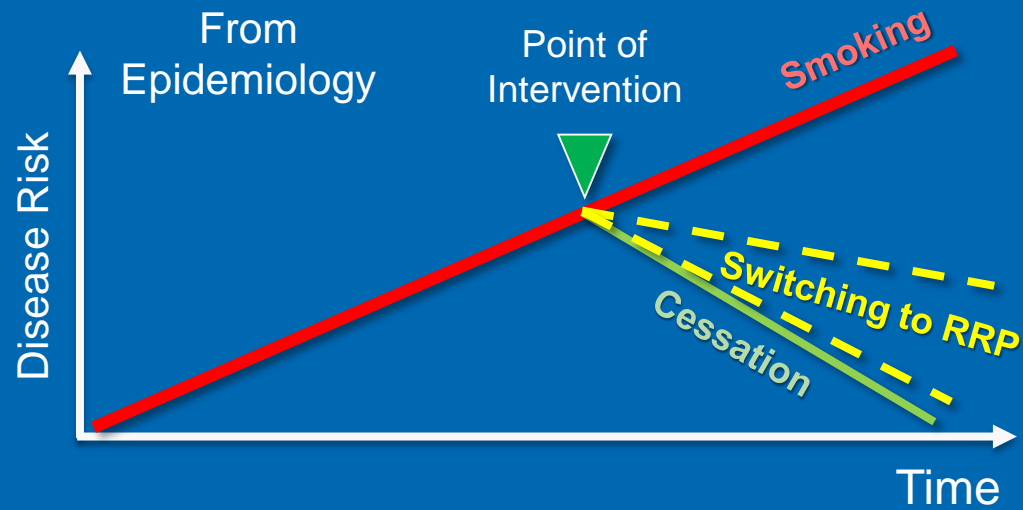
Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. These data alone do not represent a claim of reduced exposure or risk. BKG is background concentrations when non-smoking panelists were present in the controlled room

Source: PMI Research & Development

iQOS: Comparison with Continued Smoking and Cessation in Mouse Model of Disease



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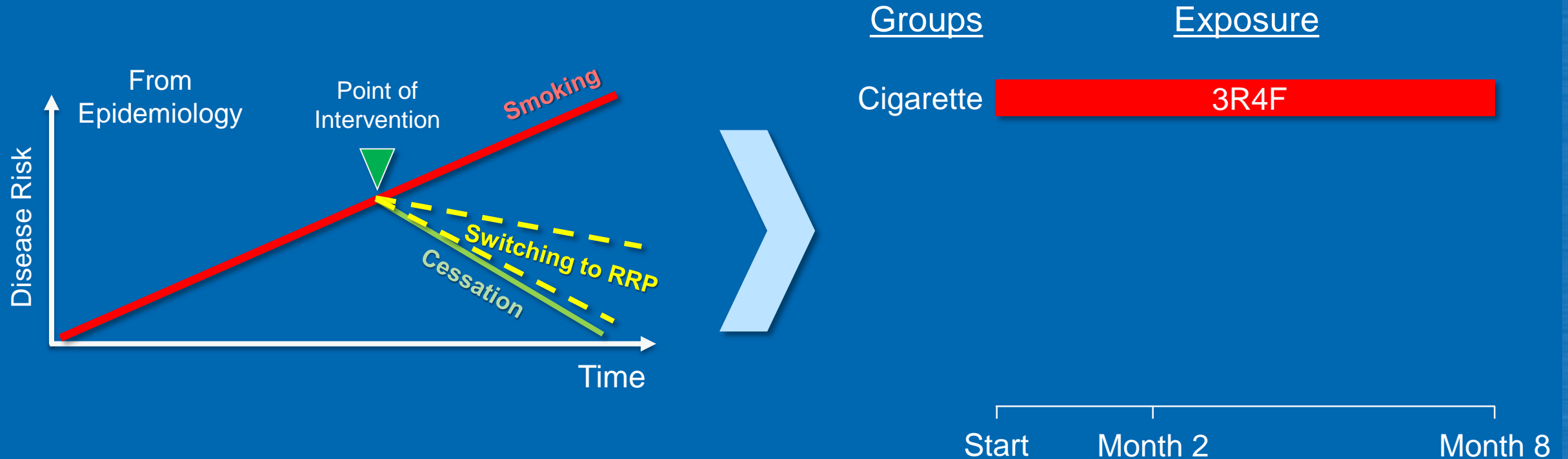


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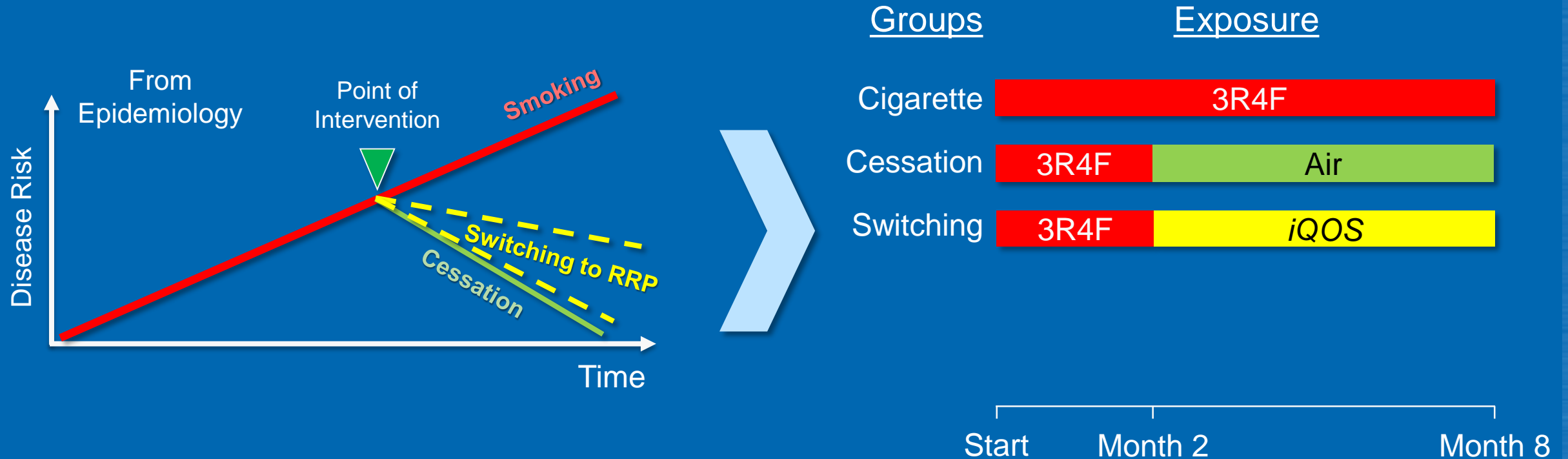


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Source: PMI Research & Development. Published in: Phillips *et al.* (2016) An 8-Month Systems Toxicology Inhalation/Cessation Study in *Apoe^{-/-}* Mice to Investigate Cardiovascular and Respiratory Exposure Effects of a Candidate Modified Risk Tobacco Product, THS 2.2, Compared with Conventional Cigarettes. *Toxicological Sciences*, 149:411-432. (PMID: [26609137](https://pubmed.ncbi.nlm.nih.gov/26609137/))

iQOS: Comparison with Continued Smoking and Cessation in Mouse Model of Disease

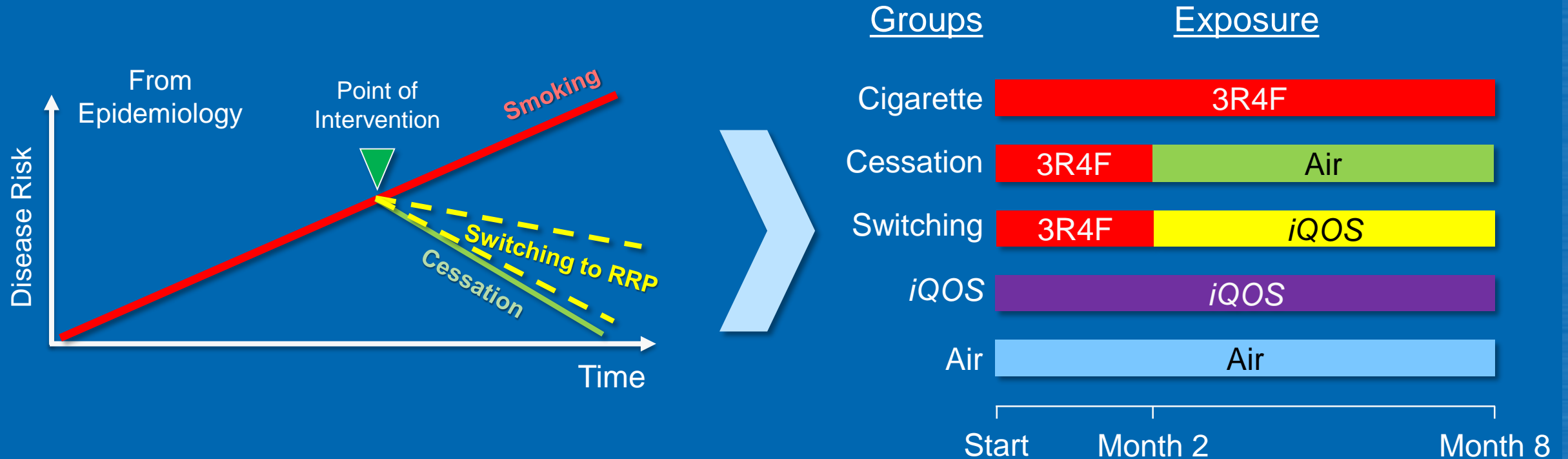


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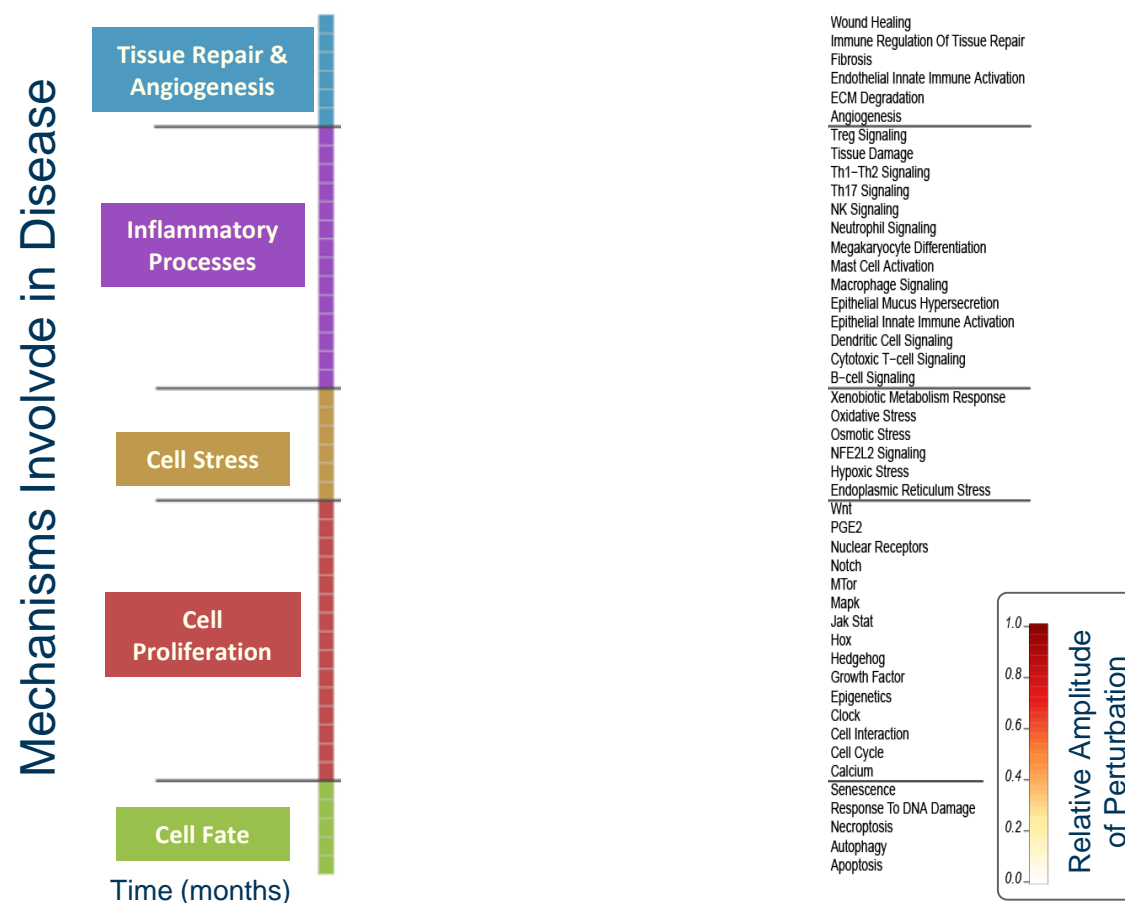
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Source: PMI Research & Development. Published in: Phillips *et al.* (2016) An 8-Month Systems Toxicology Inhalation/Cessation Study in *Apoe^{-/-}* Mice to Investigate Cardiovascular and Respiratory Exposure Effects of a Candidate Modified Risk Tobacco Product, THS 2.2, Compared with Conventional Cigarettes. *Toxicological Sciences*, 149:411-432. (PMID: [26609137](#))

iQOS: Comparison with Continued Smoking and Cessation in Mouse Model of Disease



iQOS: Impact on Disease Mechanisms

Amplitude of Perturbation of Mechanisms Involved in Diseases



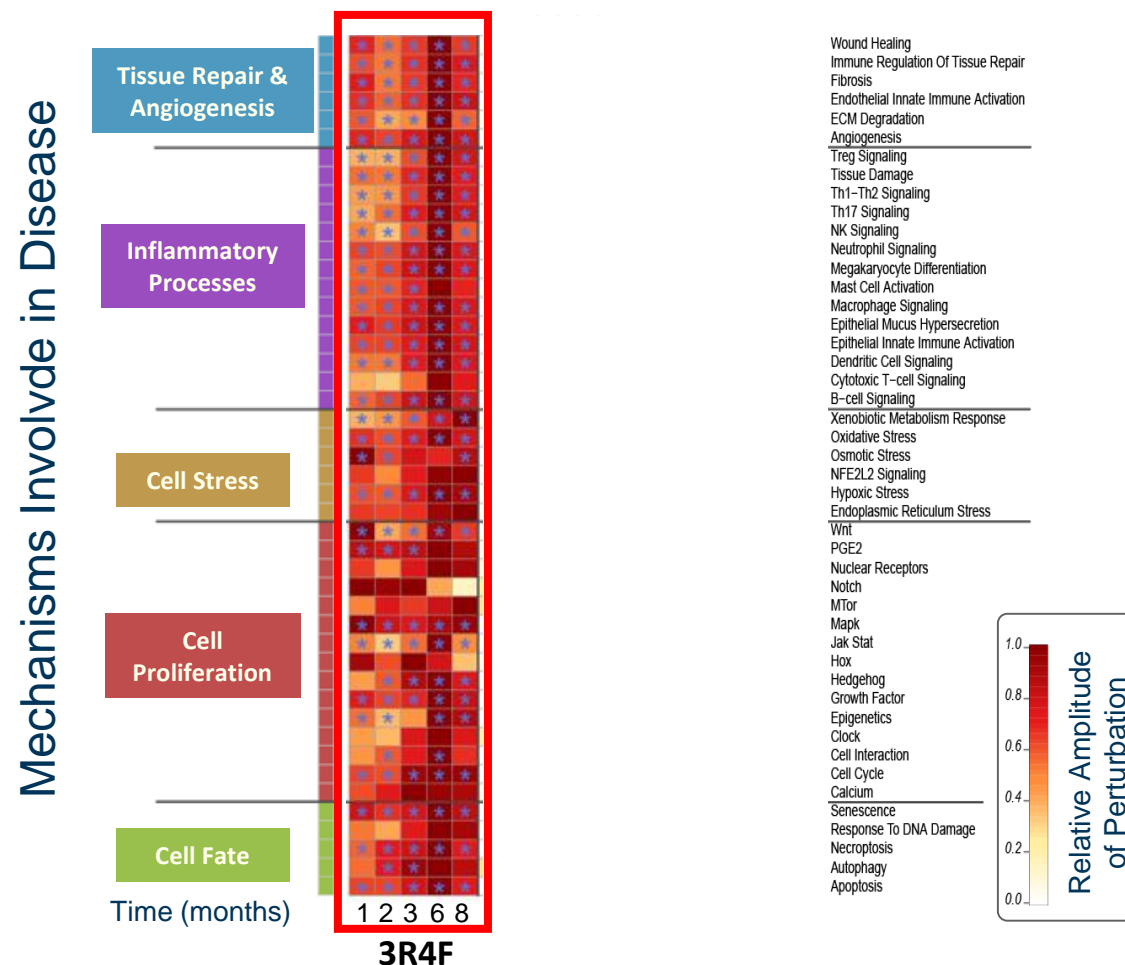
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These data alone do not represent a claim of reduced exposure or reduced risk

Source: PMI Research & Development

iQOS: Impact on Disease Mechanisms

Amplitude of Perturbation of Mechanisms Involved in Diseases



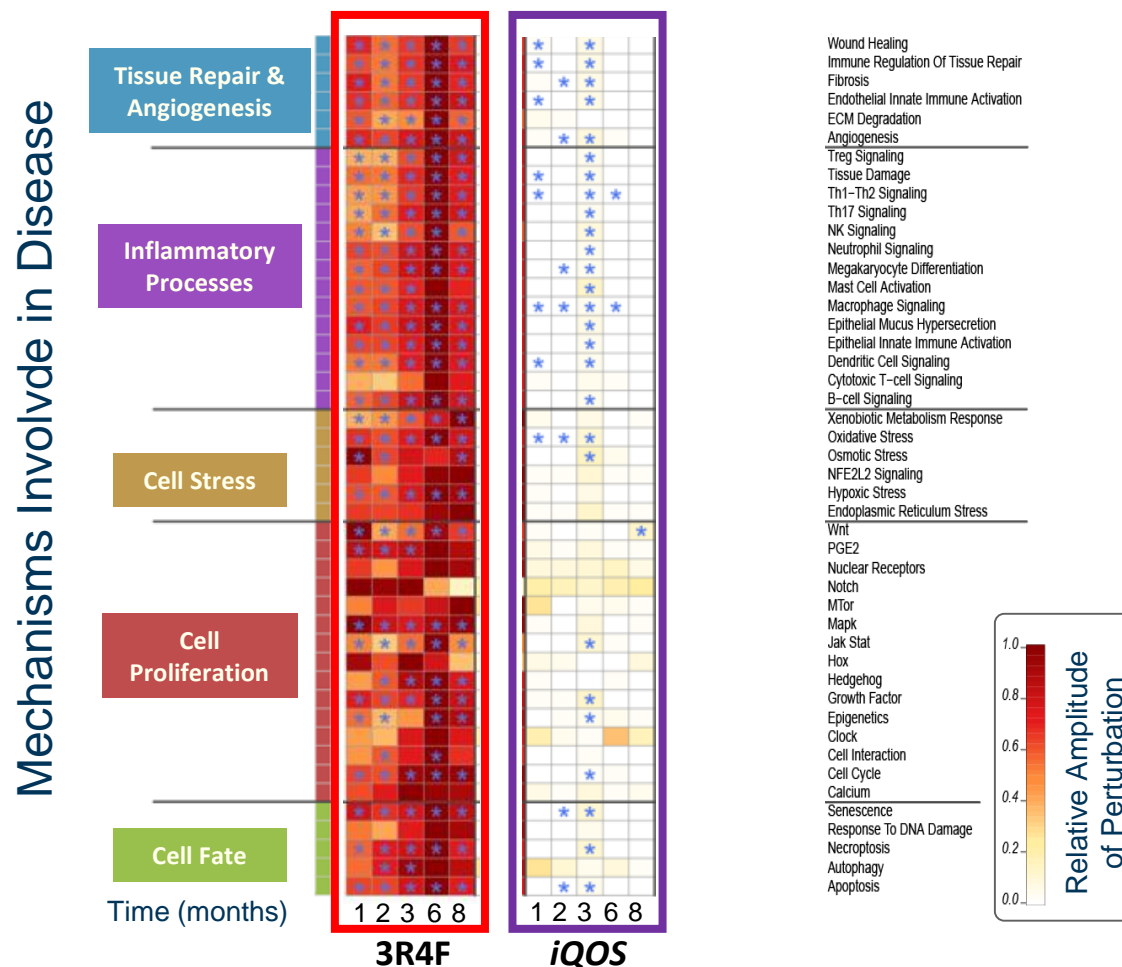
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iQOS: Impact on Disease Mechanisms

Amplitude of Perturbation of Mechanisms Involved in Diseases



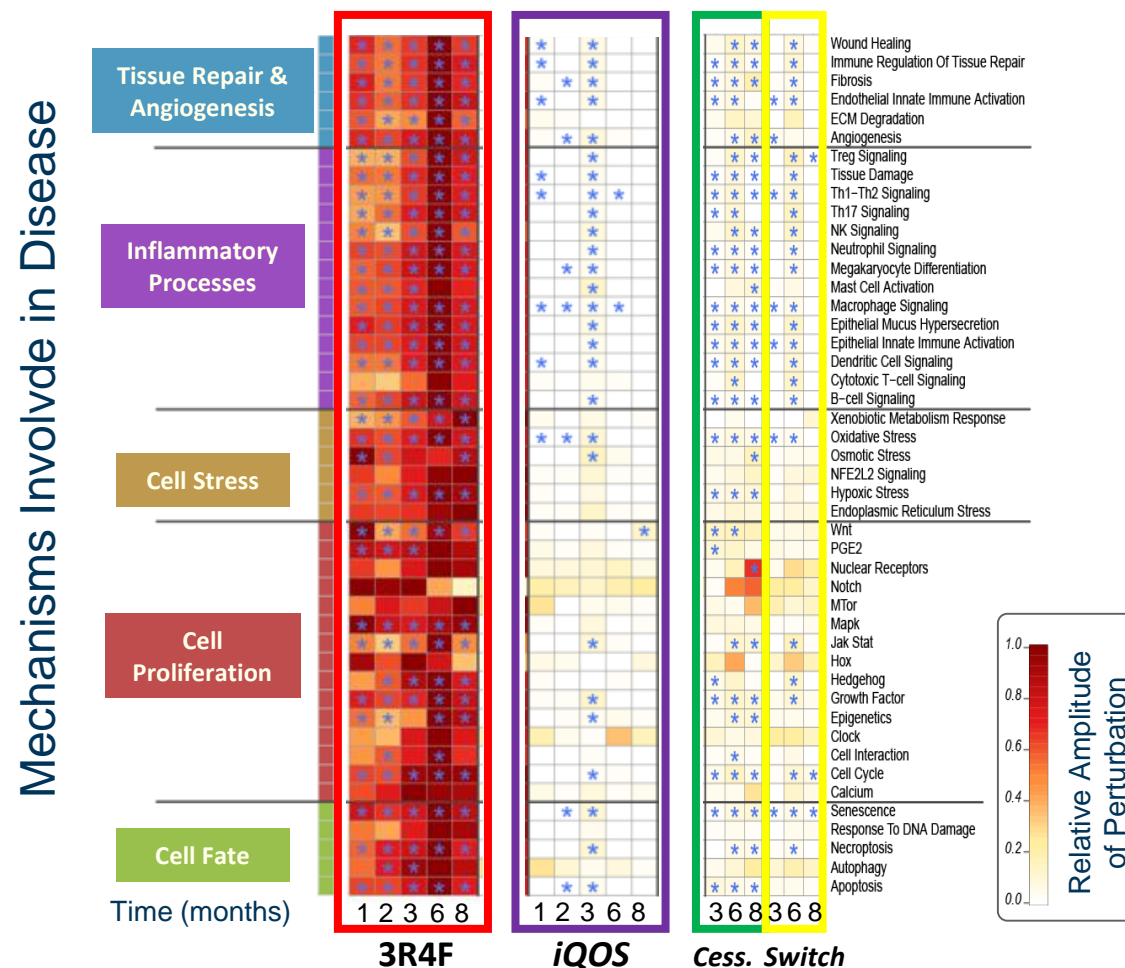
Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes.

These data alone do not represent a claim of reduced exposure or reduced risk

Source: PMI Research & Development

iQOS: Impact on Disease Mechanisms

Amplitude of Perturbation of Mechanisms Involved in Diseases



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.

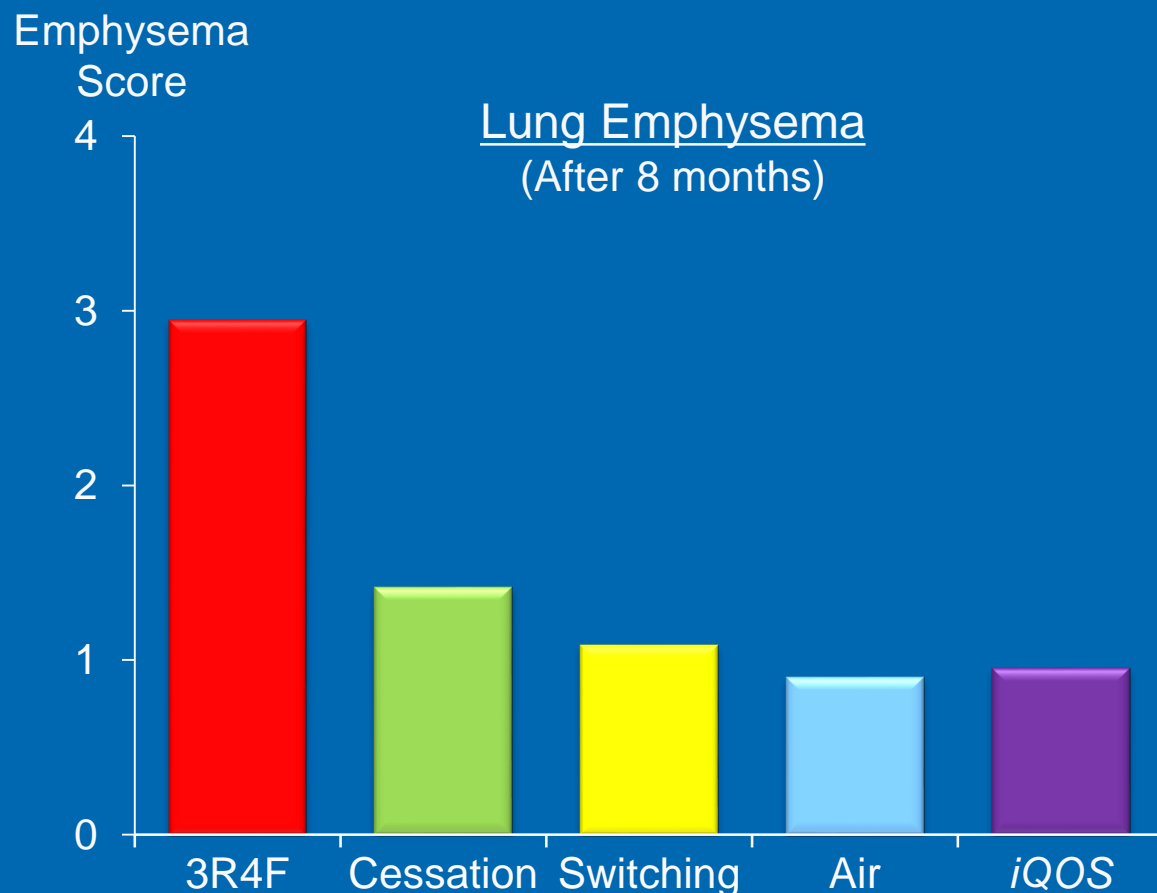
These data alone do not represent a claim of reduced exposure or reduced risk. Cess. is cessation. Switch. is switching to iQOS

Source: PMI Research & Development

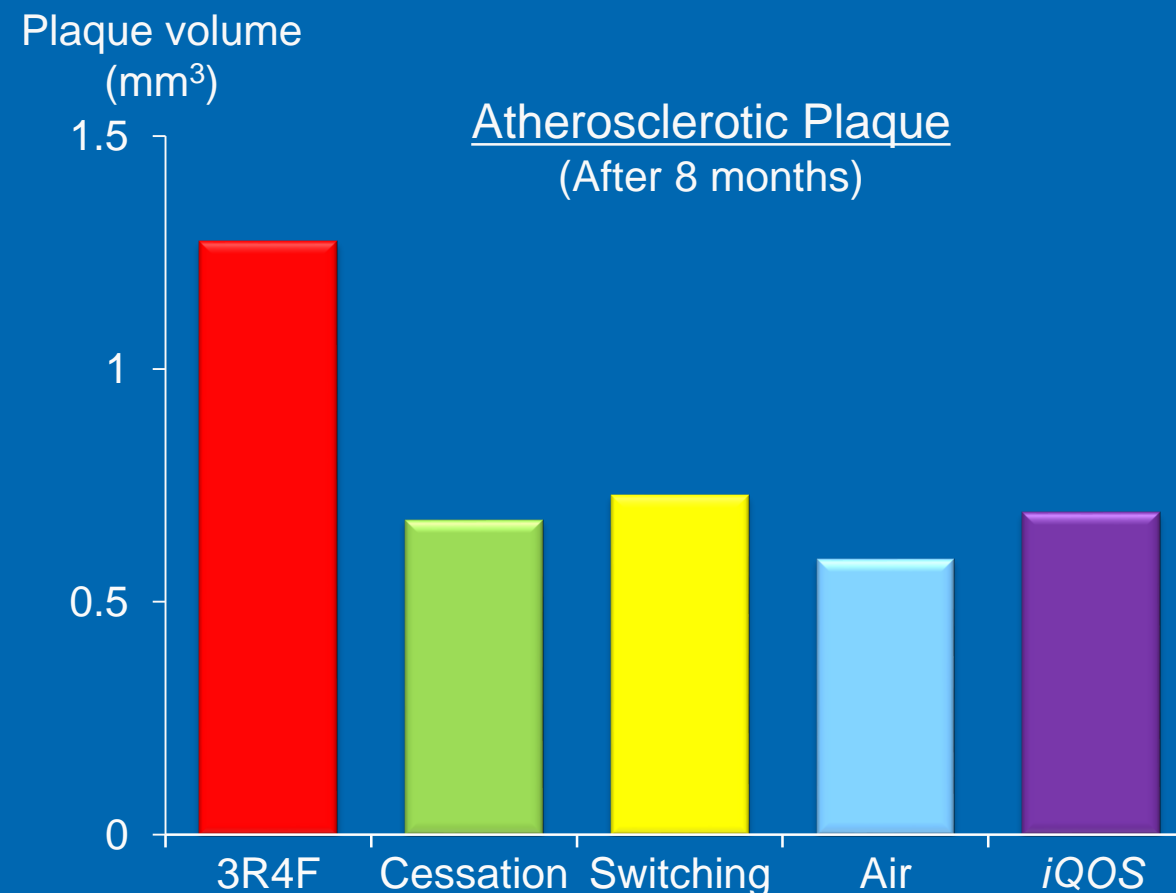


iQOS: Impact on Disease Endpoints

Disease Endpoint for COPD



Disease Endpoint for CVD



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. These data alone do not represent a claim of reduced exposure or reduced risk. COPD is chronic obstructive pulmonary disease. CVD is cardiovascular disease. Switching is switching to iQOS. Source: PMI Research & Development



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***iQOS*: Three-Month Reduced Exposure Study (Japan)**

**Adult smokers used the
products *ad libitum***

Adult smokers randomized to
cigarettes or *iQOS* were free to
use the product as often as they
wished, in the clinic (5 days) and
then ambulatory (85 days)



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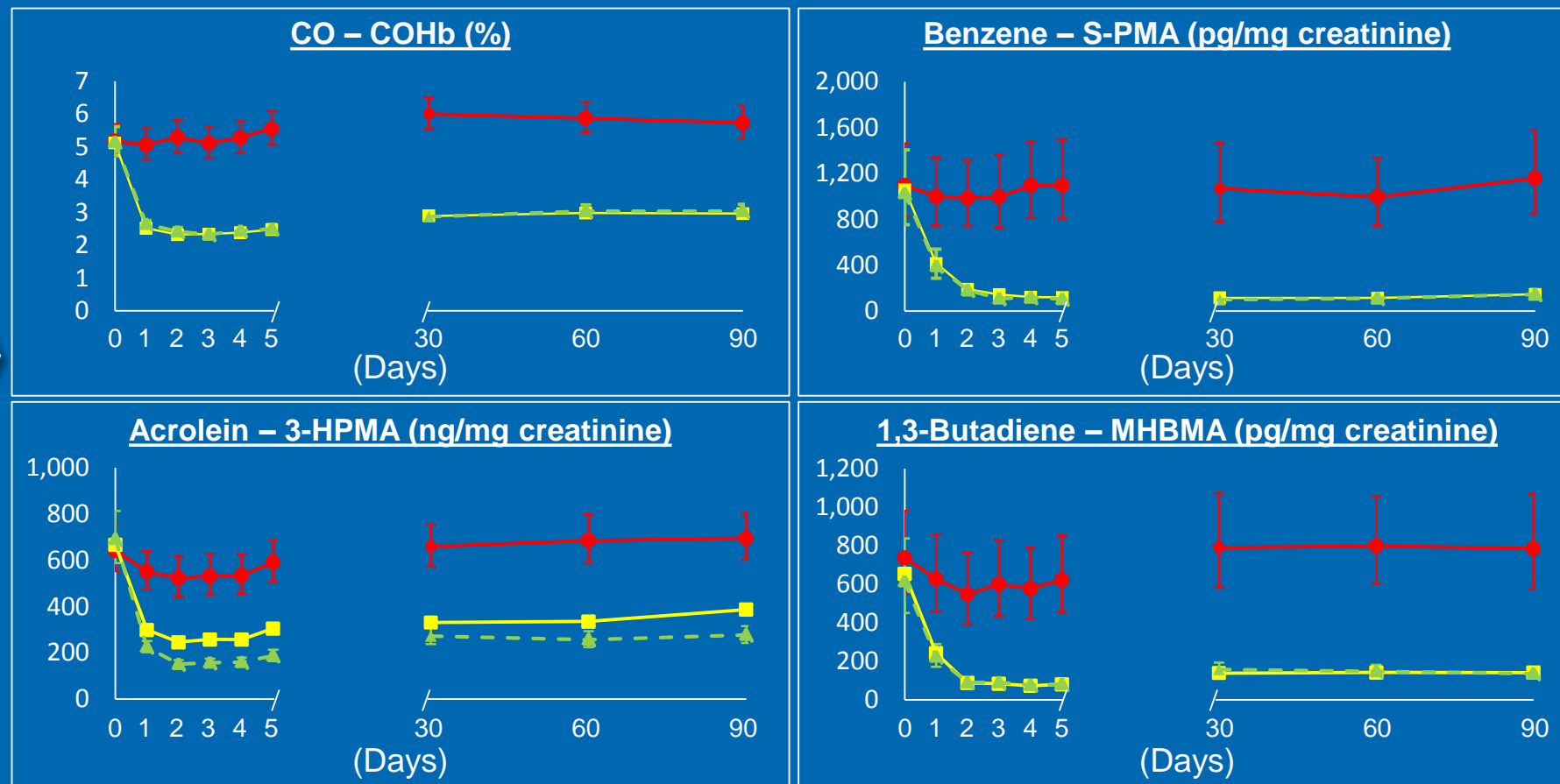
iQOS: Three-Month Reduced Exposure Study (Japan)

Details for Four Biomarkers of Exposure Over Three-Month Period

● Cigarette ■ iQOS vs. Cigarette ▲ Cessation vs. Cigarette

**Adult smokers
used the products
*ad libitum***

Adult smokers
randomized to
cigarettes or iQOS
were free to use the
product as often as
they wished, in the
clinic (5 days) and then
ambulatory (85 days)



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. These data alone do not represent a claim of reduced exposure or reduced risk
Source: PMI Research & Development



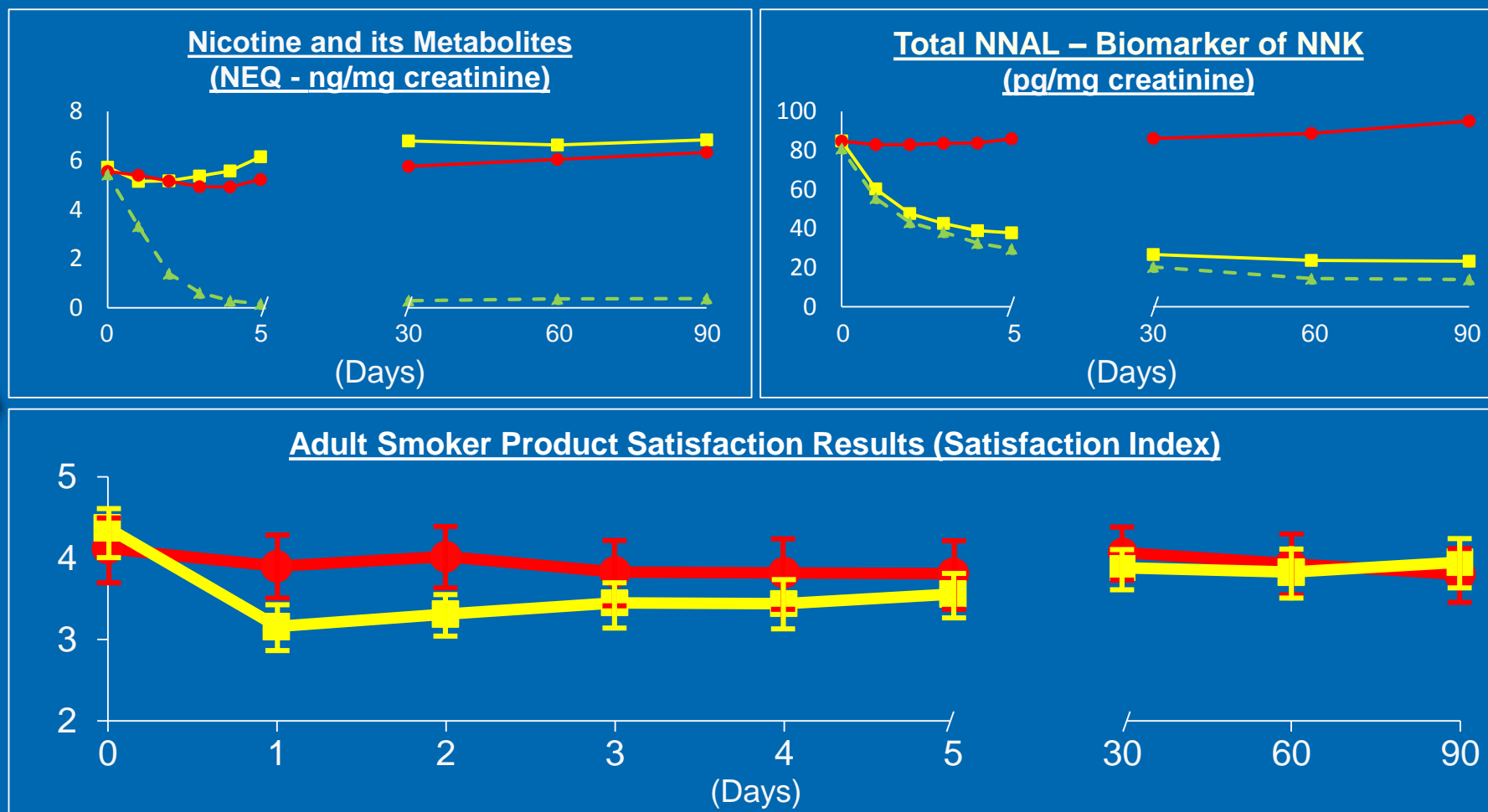
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iQOS: Three-Month Reduced Exposure Study (Japan)

● Cigarette ■ iQOS vs. Cigarette ▲ Cessation vs. Cigarette

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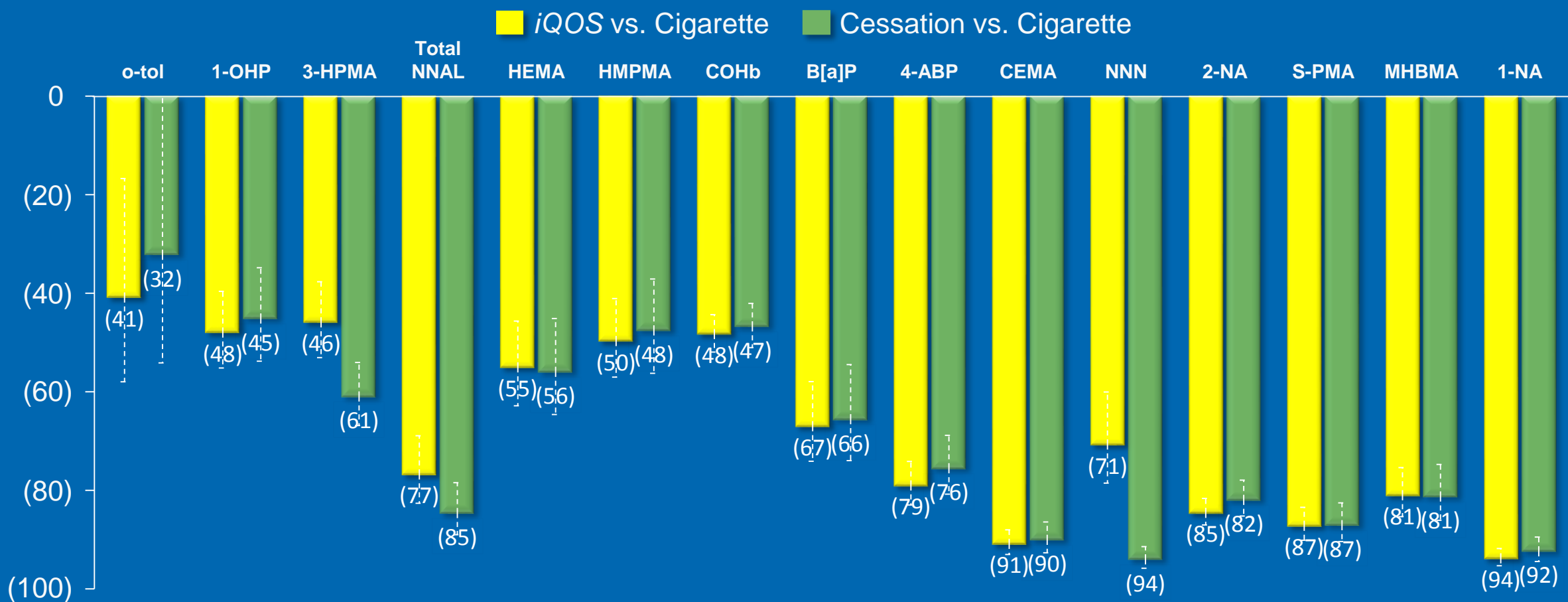


Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. These data alone do not represent a claim of reduced exposure or reduced risk. Satisfaction index is on a seven-point scale where 7 = "Extremely Satisfying" and 1 = "Not at All Satisfying"
Source: PMI Research & Development



iQOS: Three-Month Reduced Exposure Study (Japan)

% Reduction in Biomarkers of Exposure After Switching for Three Months



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.

These data alone do not represent a claim of reduced exposure or reduced risk

Source: PMI Research & Development



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Clinical Evidence for Reduced Risk (Japan)

Japan: Latest Results of Clinical Evidence for Reduced Risk

Disease Mechanisms	Marker	Expected Direction of Change	Cessation Effect	Switching Effect	Direction of Change
Lipid Metabolism	HDL-C	Increase	6.4 mg/dL	4.5 mg/dL	✓
Inflammation	WBC	Decrease	-0.40 10 ⁹ /L	-0.57 10 ⁹ /L	✓
Airway Impairment	FEV ₁	Increase	1.9 % pred	1.9 % pred	✓
Endothelial Dysfunction	sICAM-1	Decrease	10.9 % reduction	8.7 % reduction	✓
Oxidative Stress	8-epi-PGF _{2α}	Decrease	5.9 % reduction	12.7 % reduction	✓
Clotting	11-DTX-B ₂	Decrease	19.4 % reduction	9.0 % reduction	✓

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.

These data alone do not represent a claim of reduced exposure or reduced risk

Source: PMI Research & Development



Adult Consumer Perception and Behavior Assessment

- Designed to measure risk perception, comprehension and intention to use of candidate MRTPs in pre-market setting:
 - Test response to labeling and marketing material among adult consumer groups (including adult former and never-smokers)
 - Assess intent to use of candidate MRTPs among adult consumer groups
- Based on the FDA's Draft Guidance for MRTP Application
- Summary of results collected so far:
 - Adult smokers correctly understand the tested reduced risk communication
 - Adult smokers correctly understand that *iQOS* is not without risk or an alternative to quitting
 - Adult smokers react positively to the *iQOS* proposition and express sizable intention to use
 - Non-intended audiences express negligible intention to use
- Progressing according to plan



PMI's Post-Market Assessment

- Surveys and surveillance to:
 - Understand who uses the product
 - Monitor spontaneous health events (safety surveillance)
- Cohort study initiated in Japan to:
 - Monitor how adult consumers use *iQOS* over time
 - Evaluate exposure and clinical risk markers over a prolonged period



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Summary

- Scientific results on *iQOS* are very encouraging
- PMI intends to file an MRTP Application with the FDA for *iQOS* towards the end of 2016
- Further information about our science on PMIScience.com



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Mirek Zielinski
President, Reduced-Risk Products

RRPs: Our Product Platforms

Heated Tobacco Products

Platform 1
iQOS



Platform 2



Nicotine-Containing Products

Platform 3



Platform 4



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. The products depicted are subject to ongoing development and therefore the visuals are illustrative and do not necessarily represent the latest stages of product development



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RRPs: Our Portfolio Approach

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
iQOS (Platform 1)	Pilot Launches	National	Geographic Expansion	
Platform 2	Final Phase of Development	Clinical Trials	City Test	National
Platform 3	Product Development			City Test
Platform 4 (current generation)	Nicocigs Acquisition	Commercialization in Selected Geographies		
Platform 4 (next generation)	E-Vapor Joint Research, Development & Technology Sharing Agreement with Altria		Commercialization	

 Heated Tobacco Products  Nicotine-Containing Products

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



iQOS: Key Strategies

- Establish understanding of the difference between combusting and heating tobacco
- Actively engage with regulatory authorities and the public health community
- Obtain a fair and reasonable fiscal environment
- Optimize and enhance product offer
- Optimize route-to-consumer strategies reflecting learnings from launch markets
- Geographic expansion



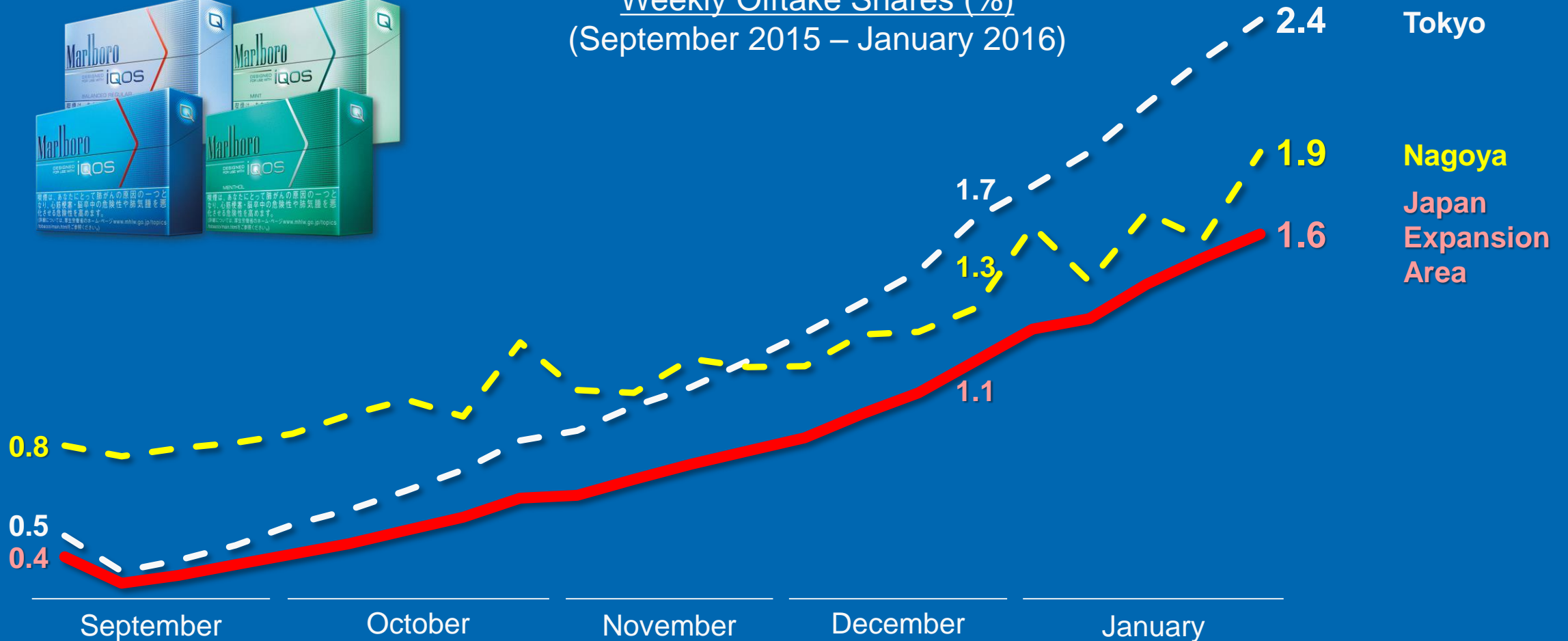
iQOS: Steady HeatStick Offtake Share Growth in Japan Expansion Area



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Weekly Offtake Shares (%)
(September 2015 – January 2016)



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. Offtake share represents retail sales volume for HeatSticks as a percentage of the total estimated retail sales volume for cigarettes and HeatSticks, within the Japan Expansion Area (representing over 60% of adult smoker population at year-end 2015)

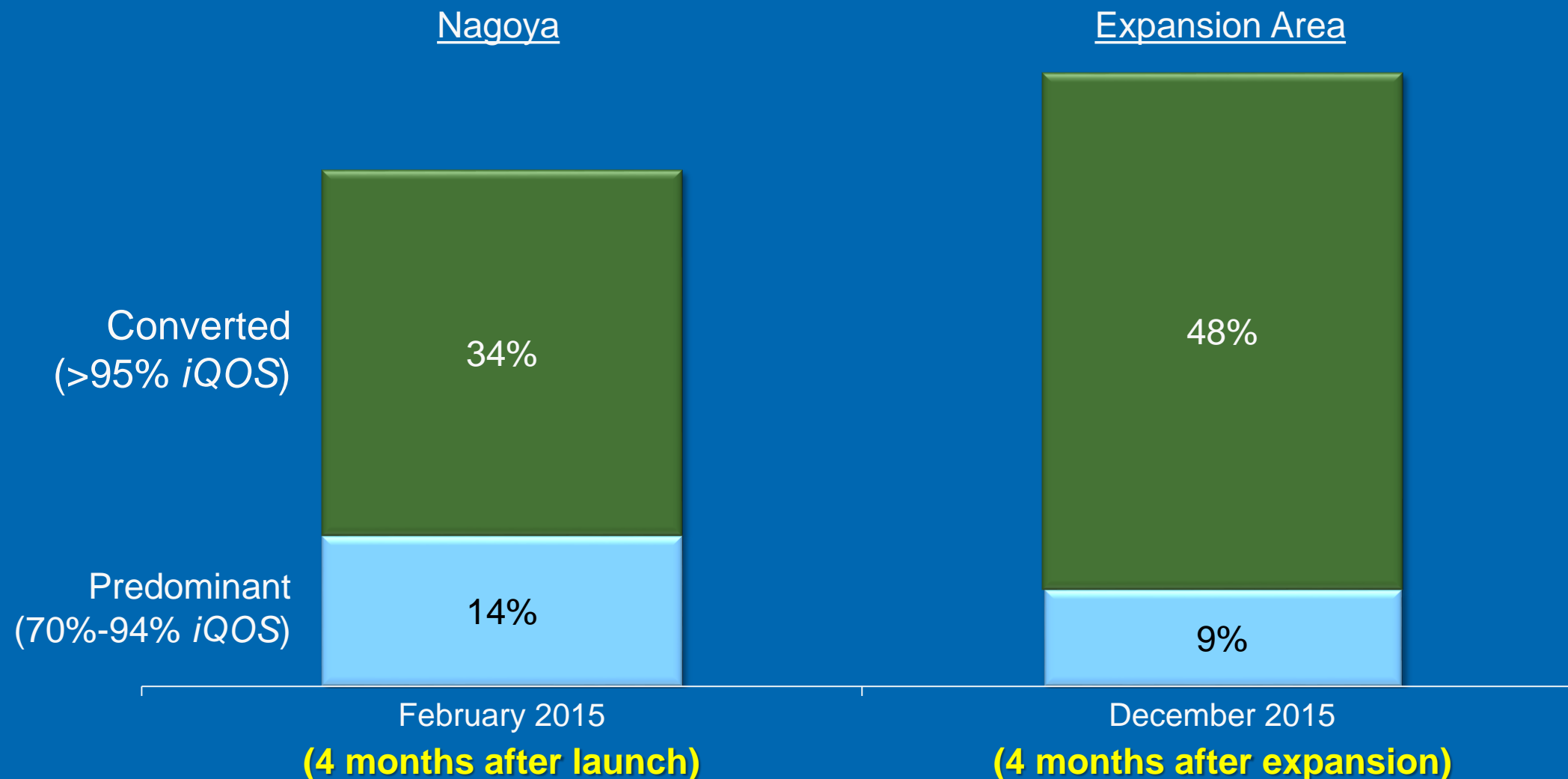
Source: PMI Financials or estimates





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*i*QOS: Conversion Performance in Japan



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: PM Japan *i*QOS User Panel



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*i*QOS: Adult Consumer Loyalty in Japan

- Majority of conversion takes place within the initial weeks from *i*QOS purchase
- Adult smokers who have adopted *i*QOS appreciate the taste and inherent benefits of the offering, and do not switch back to cigarettes
- Over 100,000 adult smokers have already quit smoking and have converted to *i*QOS exclusively

iQOS: Geographical Expansion

PRODUCT

- New device version in slate and white colors with enhanced look and feel
- Additional limited edition colors
- Two new *HeatStick* variants

CONVERSION

- Relationship marketing programs
- B2B engagements
- Enhanced core selling messages



Visual Not Shown

iQOS Flagship Store Harajuku, Japan



iQOS Lounge at Osaka International Airport, Japan



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



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iQOS: Building on the Momentum in Japan

- Continue to build category awareness and establish appropriate regulatory framework for RRP
- Evolve and focus marketing and consumer engagement to increase relevance to diverse adult smoker communities to further accelerate full conversion

iQOS: Milan Learnings and Geographical Expansion

- *HeatStick* offtake share of 0.3% in Milan at end of December 2015
- Refocused marketing approach
- Expanded beyond Milan to Modena, Rome and Turin
- New adult smoker touch-points:
 - Opened *iQOS* "Embassies" in Modena, Rome and Turin
 - E-commerce as of March 2016
 - Expanded *HeatSticks* availability
- Tailored programs to reach a variety of adult smoker communities





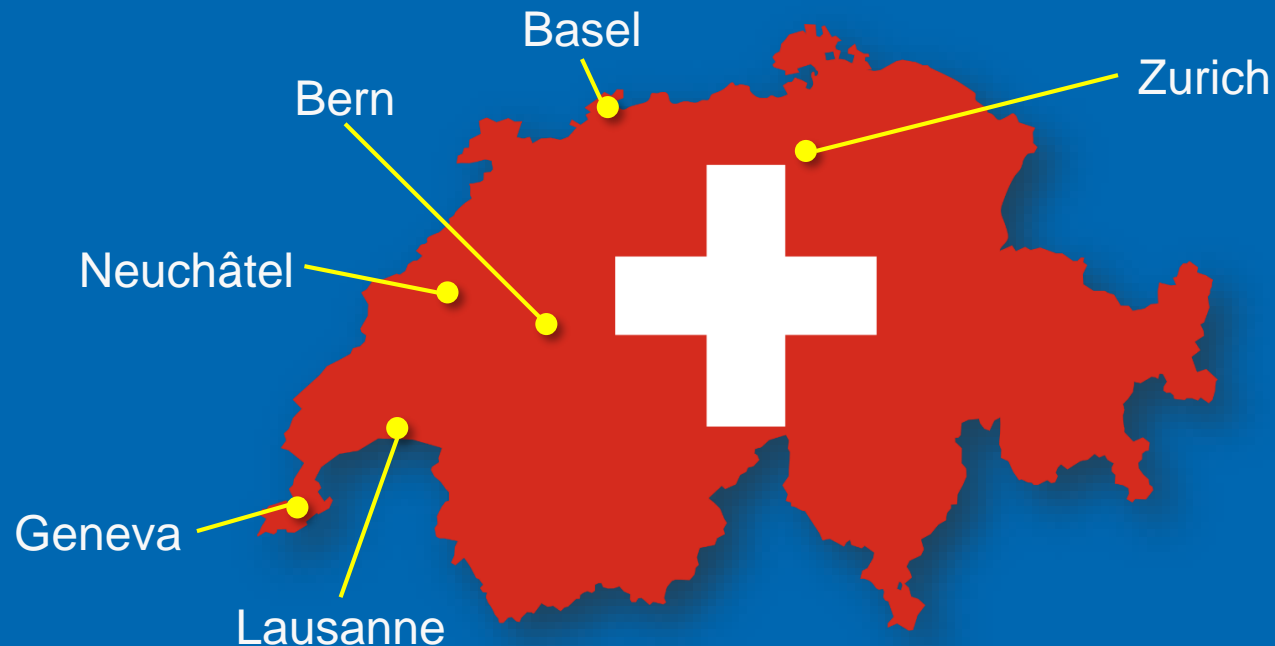
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Conference
February 17, 2016**

Video (not shown on webcast)

iQOS: HeatStick Offtake Share Growth in Switzerland Launch Area

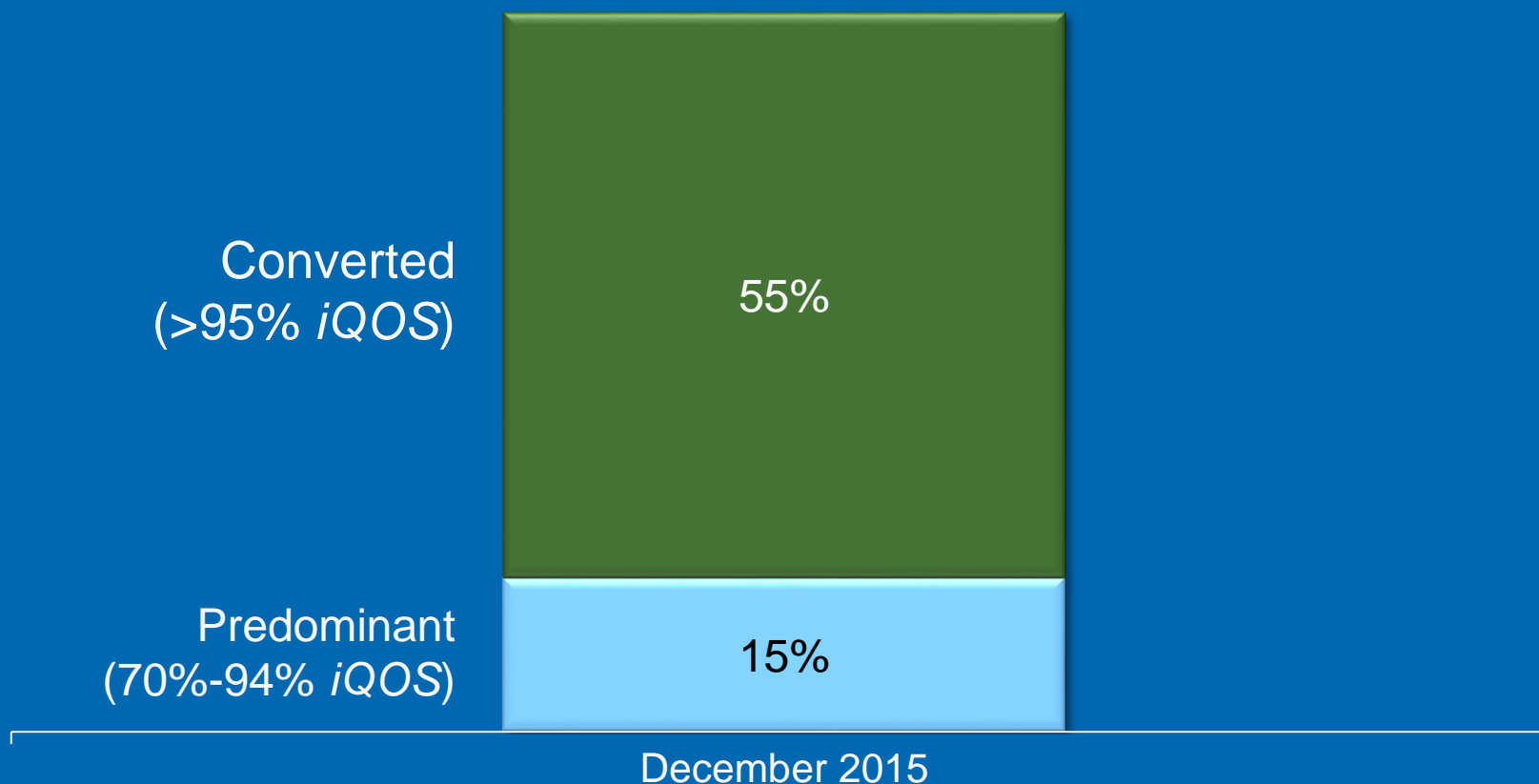
- Pilot launch of *iQOS* in 16 PoS across six cities in August 2015
- Reached a *HeatStick* offtake share of 0.7% in launch area by end January 2016
- Now increased *HeatStick* distribution to 72 PoS





*i*QOS: Conversion Performance in Switzerland

Six-City Agglomeration



iQOS Flagship Store Moscow, Russia





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Video (not shown on webcast)



The Potential of Reduced-Risk Products

- Target 3% to 5% share of markets in scope, net of cannibalization
- Potential additional margins of \$720 million to \$1.2 billion per year by 2020
- Our ambition is to convince all adult smokers that intend to continue smoking to switch to RRPs as soon as possible
- Our intention is to continue to lead the cigarette category and become the undisputed leader in RRPs



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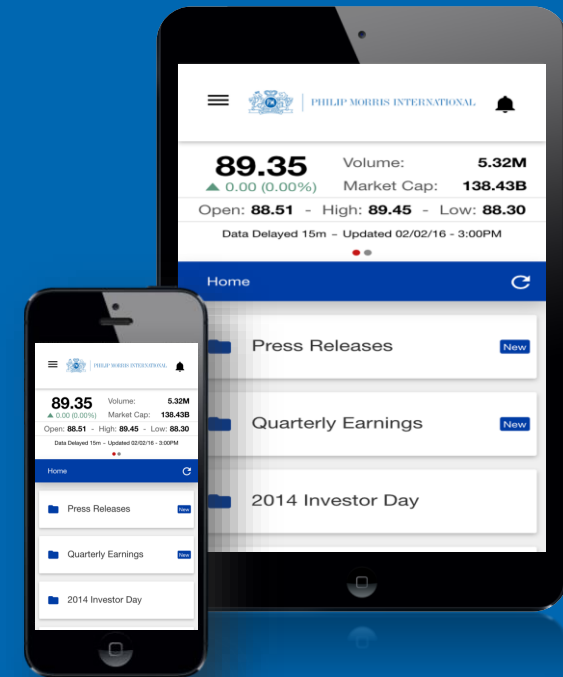
Questions & Answers

Download PMI's Investor Relations App

iOS



Android



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



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Conference
February 17, 2016**



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Glossary and Reconciliation of Non-GAAP Measures



Glossary: General Terms

- PMI stands for 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")
- Unless otherwise stated, results are compared to those of the same period in the preceding year
- PMI volumes refer to PMI cigarette shipment data, unless otherwise stated
- Organic volume refers to volume excluding acquisitions
- References to total international cigarette market, total cigarette market, total market and market shares reflect our best estimates of tax-paid volumes based on a number of internal and external sources
- Trademarks are italicized



Glossary: Financial Terms

- COGS refers to Cost of Goods Sold
- 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) or loss in unconsolidated subsidiaries, net
- Adjusted OCI is defined as reported OCI adjusted for asset impairment, exit and other costs
- OCI growth rates are on an adjusted basis
- Adjusted OCI margins are calculated as adjusted OCI, divided by net revenues
- EPS stands for Earnings per Share
- Free cash flow is defined as net cash provided by operating activities less capital expenditures



Glossary: Industry/Market Terms

- B2B stands for Business-to-Business
- Direct Materials include printed board and paper (used to manufacture packs, cartons and bundles), acetate tow (the key component of cigarette filters), fine papers (used to manufacture cigarette and filter rods), flexibles (mainly wrapping films, inner liner and tear tape) and a variety of materials such as shipping cases, and ingredients
- 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
- FDA stands for the U.S. Food and Drug Administration
- G&A is General & Administrative
- Illicit trade refers to domestic non-tax paid products
- PoS stands for Point of Sale
- R&D is Research & Development
- Smoking prevalence refers to the percentage of the adult population that regularly smoke factory-made cigarettes in a given time period
- WHO stands for the World Health Organization
- WTO stands for the World Trade Organization



Glossary: Reduced-Risk Products

- *Ad libitum* clinical studies: free to interact with the product / able to use as often as one would like
- Aerosol refers to a gaseous suspension of fine solid particles and/or liquid droplets
- An ambulatory study is a study carried out under real world (actual use) conditions as opposed to a confined setting in a clinic
- 3R4F reference cigarette is a standardized cigarette supplied by the University of Kentucky for research purposes only
- 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")
- COPD is Chronic Obstructive Pulmonary Disease
- CVD is Cardiovascular Disease
- *HeatStick* tobacco sticks are novel patented tobacco products specifically designed by PMI for use with PMI's *iQOS* system. The tobacco in the *HeatStick* is heated by our *iQOS* technology to provide adult smokers with real tobacco taste and satisfaction without combustion
- HPHC stands for Harmful or Potentially Harmful Constituents which have been identified as likely causes of tobacco related diseases
- *iQOS* is the new brand name under which PMI has chosen to commercialize the Platform 1 electronic system
- MRTP stands for Modified Risk Tobacco Product, the term used by the U.S. FDA to refer to RRP
- 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. PMI's RRP are in various stages of development and commercialization, and we are conducting extensive and rigorous scientific studies to determine whether we can support claims for such products of reduced exposure to harmful and potentially harmful constituents in smoke, and ultimately claims of reduced disease risk, when compared to smoking cigarettes. Before making any such claims, we will rigorously evaluate the full set of data from the relevant scientific studies to determine whether they substantiate reduced exposure or risk. Any such claims may also be subject to government review and approval, as is the case in the U.S. today



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PMI Company Peer Group

- Altria
- Anheuser-Busch InBev
- BAT
- Coca-Cola
- Colgate-Palmolive
- Diageo
- Heineken
- Imperial Brands^(a)
- Japan Tobacco
- Johnson & Johnson
- Kimberly-Clark
- Kraft-Heinz
- McDonald's
- Mondelēz International
- Nestlé
- PepsiCo
- Procter & Gamble
- Reynolds American
- Roche
- Unilever

(a) Formerly Imperial Tobacco

Note: PMI has established a revised company Peer Group that includes a balanced mix of large, global, fast-moving consumer goods companies, as well as primary tobacco competitors

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Adjustments for the Impact of Currency and Acquisitions
For the Years Ended December 31,
(\$ in millions)
(Unaudited)

2015							2014					% Change in Reported Net Revenues excluding Excise Taxes		
Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Less Currency	Reported Net Revenues excluding Excise Taxes & Currency	Less Acquisi- tions	Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions		Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions	
\$ 26,563	\$ 18,495	\$ 8,068	\$ (1,503)	\$ 9,571	\$ 11	\$ 9,560	European Union	\$ 30,517	\$ 21,370	\$ 9,147	(11.8)%	4.6%	4.5%	
18,328	10,964	7,364	(1,835)	9,199	1	9,198	EEMA	20,469	11,855	8,614	(14.5)%	6.8%	6.8%	
19,469	11,266	8,203	(875)	9,078	-	9,078	Asia	19,255	10,527	8,728	(6.0)%	4.0%	4.0%	
9,548	6,389	3,159	(505)	3,664	4	3,660	Latin America & Canada	9,865	6,587	3,278	(3.6)%	11.8%	11.7%	
\$ 73,908	\$ 47,114	\$ 26,794	\$ (4,718)	\$ 31,512	\$ 16	\$ 31,496	PMI Total	\$ 80,106	\$ 50,339	\$ 29,767	(10.0)%	5.9%	5.8%	

2015					2014					% Change in Reported Operating Companies Income		
Reported Operating Companies Income	Less Currency	Reported Operating Companies Income excluding Currency	Less Acquisi-tions	Reported Operating Companies Income excluding Currency & Acquisitions		Reported Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions			
\$ 3,576	\$ (857)	\$ 4,433	\$ (2)	\$ 4,435	European Union	\$ 3,815	(6.3)%	16.2%	16.3%			
3,425	(938)	4,363	(1)	4,364	EEMA	4,033	(15.1)%	8.2%	8.2%			
2,886	(388)	3,274	-	3,274	Asia	3,187	(9.4)%	2.7%	2.7%			
1,085	(210)	1,295	3	1,292	Latin America & Canada	1,030	5.3%	25.7%	25.4%			
\$ 10,972	\$ (2,393)	\$ 13,365	\$ -	\$ 13,365	PMI Total	\$ 12,065	(9.1)%	10.8%	10.8%			

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions
For the Years Ended December 31,
(\$ in millions)
(Unaudited)

(Unaudited)								% Change in Adjusted Operating Companies Income					
2015							2014						
Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Less Currency	Adjusted Operating Companies Income excluding Currency	Less Acquisitions	Adjusted Operating Companies Income excluding Currency & Acquisitions		Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 3,576	\$ (68)	\$ 3,644	\$ (857)	\$ 4,501	\$ (2)	\$ 4,503	European Union	\$ 3,815	\$ (490)	\$ 4,305	(15.4)%	4.6%	4.6%
3,425	-	3,425	(938)	4,363	(1)	4,364	EEMA	4,033	(2)	4,035	(15.1)%	8.1%	8.2%
2,886	-	2,886	(388)	3,274	-	3,274	Asia	3,187	(35)	3,222	(10.4)%	1.6%	1.6%
1,085	-	1,085	(210)	1,295	3	1,292	Latin America & Canada	1,030	(8)	1,038	4.5%	24.8%	24.5%
\$ 10,972	\$ (68)	\$ 11,040	\$ (2,393)	\$ 13,433	\$ -	\$ 13,433	PMI Total	\$ 12,065	\$ (535)	\$ 12,600	(12.4)%	6.6%	6.6%

2015								2014			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency ^(a)	Adjusted Operating Companies Income Margin excluding Currency		Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions ^(a)	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions		Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes ^(a)	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions
\$ 4,501	\$ 9,571	47.0%		\$ 4,503	\$ 9,560	47.1%	European Union	\$ 4,305	\$ 9,147	47.1%	(0.1)	-
4,363	9,199	47.4%		4,364	9,198	47.4%	EEMA	4,035	8,614	46.8%	0.6	0.6
3,274	9,078	36.1%		3,274	9,078	36.1%	Asia	3,222	8,728	36.9%	(0.8)	(0.8)
1,295	3,664	35.3%		1,292	3,660	35.3%	Latin America & Canada	1,038	3,278	31.7%	3.6	3.6
\$ 13,433	\$ 31,512	42.6%		\$ 13,433	\$ 31,496	42.6%	PMI Total	\$ 12,600	\$ 29,767	42.3%	0.3	0.3

(a) For the calculation of net revenues excluding excise taxes, currency and acquisitions, refer to previous slide

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency
For the Years Ended December 31,
(Unaudited)

	2015	2014	% Change
Reported Diluted EPS	\$ 4.42	\$ 4.76	(7.1)%
Adjustments:			
Asset impairment and exit costs	0.03	0.26	
Tax items	(0.03)	-	
Adjusted Diluted EPS	\$ 4.42	\$ 5.02	(12.0)%
Less:			
Currency impact	(1.20)		
Adjusted Diluted EPS, excluding Currency	\$ 5.62	\$ 5.02	12.0%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Reconciliation of Operating Cash Flow to Free Cash Flow and Free Cash Flow, excluding Currency
For the Quarters and Years Ended December 31,
(\$ in millions)
(Unaudited)

	For the Quarters Ended December 31,			For the Years Ended December 31,		
	2015	2014	% Change	2015	2014	% Change
Net cash provided by operating activities^(a)	\$ 1,872	\$ 1,354	38.3%	\$ 7,865	\$ 7,739	1.6%
Less:						
Capital expenditures	324	349		960	1,153	
Free cash flow	\$ 1,548	\$ 1,005	54.0%	\$ 6,905	\$ 6,586	4.8%
Less:						
Currency impact	(187)			(1,996)		
Free cash flow, excluding currency	\$ 1,735	\$ 1,005	72.6%	\$ 8,901	\$ 6,586	35.2%

(a) Operating cash flow



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