



PHILIP MORRIS INTERNATIONAL

# 2015 Third-Quarter Results

October 15, 2015



# Introduction

---

- Unless otherwise stated, we will be talking about results for the third quarter of 2015 and comparing them to the same period in 2014
- 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 combustible cigarettes. PMI's RRP's 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 combustible 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



# 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-Q for the quarter ended June 30, 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



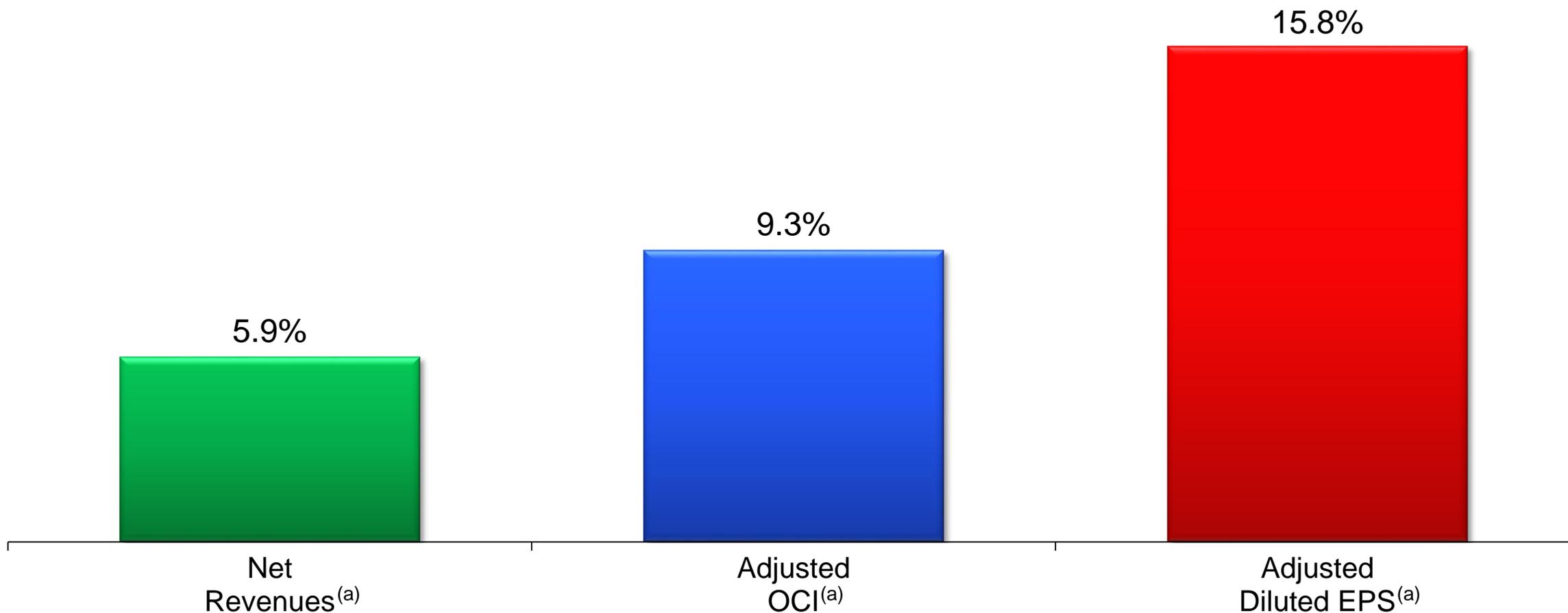
## Q3, 2015: Favorable PMI Cigarette Volume Performance Continues

- Organic cigarette volume down by a modest 1.5%, reflecting:
  - Lower cigarette industry volume, primarily in the Asia Region
  - Partly offset by market share gains, mainly in the EEMA and LA&C Regions
- Organic cigarette volume down by 0.6% YTD September, 2015, or by approximately 1.1% excluding inventory movements
- Forecast full-year 2015 organic cigarette volume decline of 1.0% to 1.5%



## Q3, 2015: Strong Currency-Neutral Financial Results

Growth (Q3, 2015 vs. PY)



(a) Excluding currency  
Source: PMI Financials or estimates



## Q4, 2015: Outlook

---

- Incremental investment to support *iQOS* in Japan, Italy and Switzerland
- Accelerated spending behind planned *iQOS* launches in 2015/2016
- Incremental marketing investments to further reinforce the favorable momentum of our cigarette brand portfolio

# 2015 EPS Guidance: Revised and Narrowed; Growth Rate of 11% to 12%, Ex-Currency

---



PHILIP MORRIS  
INTERNATIONAL

- Revised and narrowed 2015 reported diluted EPS guidance to \$4.35 to \$4.40, at prevailing exchange rates, for currency and improved business outlook
- Guidance now includes \$1.22 of unfavorable currency at prevailing exchange rates (versus \$1.15 previously)
- Excluding currency, guidance represents a growth rate of 11% to 12% compared to adjusted diluted EPS of \$5.02 in 2014



## Currency: Impact on PMI EPS Guidance

(\$ per share)

### Currency Variance Impact on PMI EPS Guidance (vs. PY)

|                                | <u>Feb 2015<br/>Guidance</u> | <u>Apr 2015<br/>Guidance</u> | <u>Jul 2015<br/>Guidance</u> | <u>Oct 2015<br/>Guidance</u> | <u>Oct vs. Jul<br/>Guidance</u> |
|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|---------------------------------|
| Japanese Yen                   | (0.13)                       | (0.14)                       | (0.14)                       | (0.13)                       | <b>0.01</b>                     |
| Euro                           | (0.15)                       | (0.19)                       | (0.15)                       | (0.16)                       | <b>(0.01)</b>                   |
| Other Developed <sup>(a)</sup> | (0.15)                       | (0.09)                       | (0.10)                       | (0.07)                       | <b>0.03</b>                     |
| Russian Ruble                  | (0.48)                       | (0.35)                       | (0.38)                       | (0.43)                       | <b>(0.05)</b>                   |
| Indonesian Rupiah              | (0.06)                       | (0.08)                       | (0.08)                       | (0.09)                       | <b>(0.01)</b>                   |
| Other Emerging <sup>(b)</sup>  | (0.18)                       | (0.30)                       | (0.30)                       | (0.34)                       | <b>(0.04)</b>                   |
| <b>Total Currency Impact</b>   | <b>(1.15)</b>                | <b>(1.15)</b>                | <b>(1.15)</b>                | <b>(1.22)</b>                | <b>(0.07)</b>                   |

(a) Australian Dollar, British Pound, Canadian Dollar, Danish Krone, Hong Kong Dollar, Israeli Shekel, New Zealand Dollar, Norwegian Krone, Singapore Dollar, South Korean Won, Swedish Krona, Swiss Franc and U.S. Dollar

(b) Includes notably the Argentine Peso, Brazilian Real, Kazakhstan Tenge, Mexican Peso, Polish Zloty, Turkish Lira and Ukrainian Hryvnia

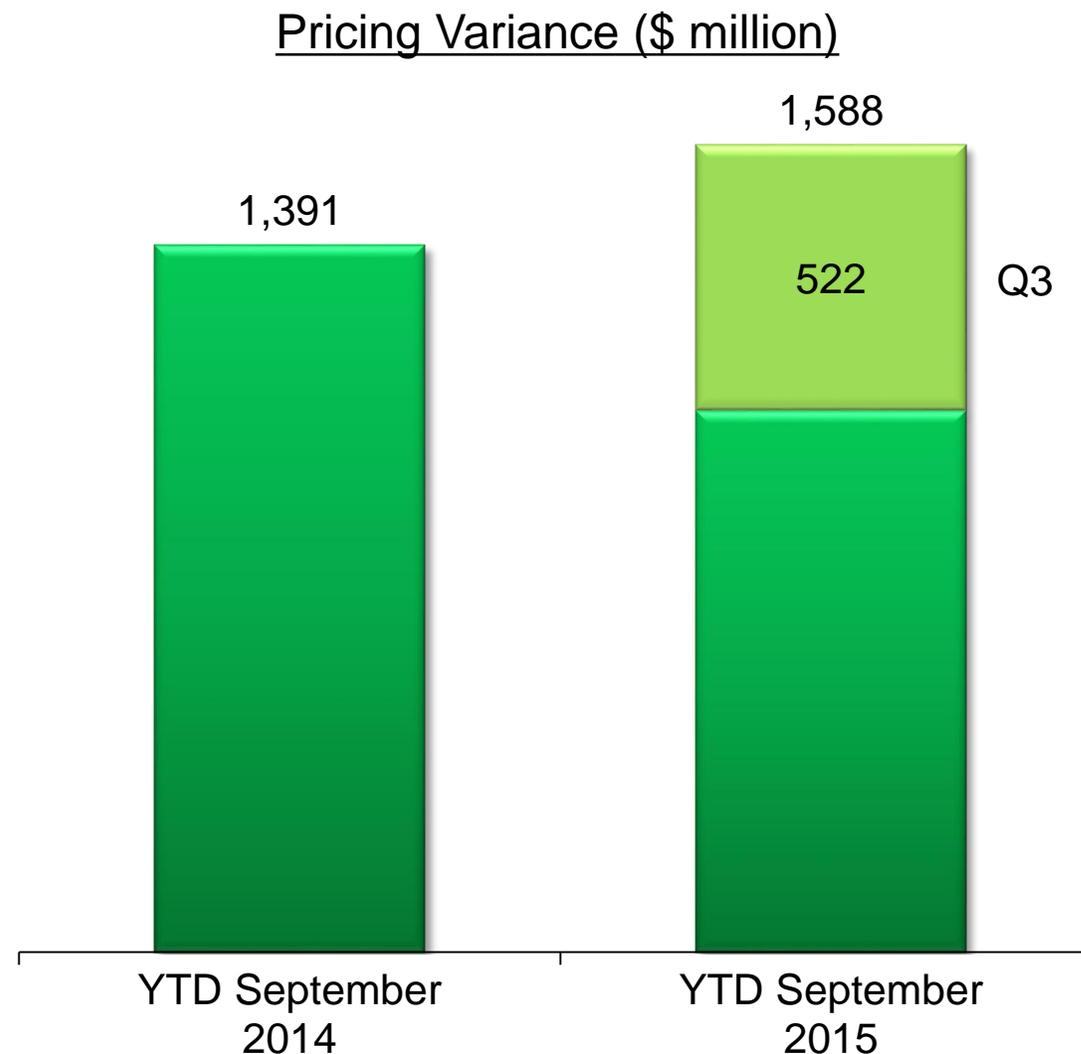
Note: List of emerging markets based on Dow Jones

Source: PMI Financials or estimates



## Strong Pricing: Key Driver of Our Financial Performance

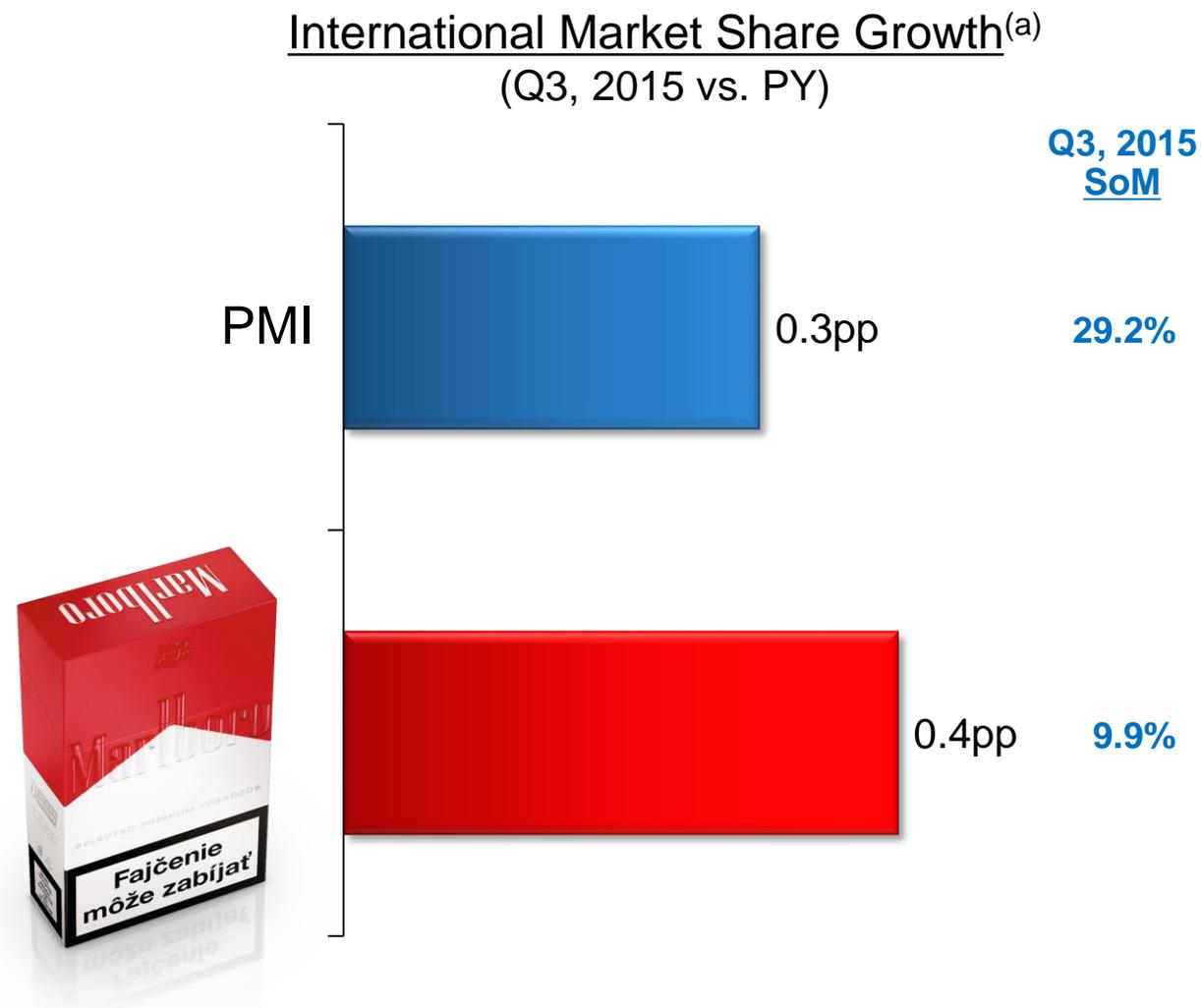
- Pricing variance of \$522 million in Q3, 2015, reflecting higher pricing across all four Regions
- Q3, 2015 retail price increases in key markets such as Argentina, Indonesia and Russia
- Well-positioned to achieve a full-year pricing variance above our historical annual average of approximately \$1.8 billion





## Marlboro Driving Strong Share Growth

- Strong PMI share growth in EEMA and LA&C Regions in Q3, 2015
- *Marlboro* was the key contributor to share growth in Q3, 2015:
  - Share gains across all four Regions
  - Benefiting from the roll-out of Architecture 2.0 (now in 84 markets)

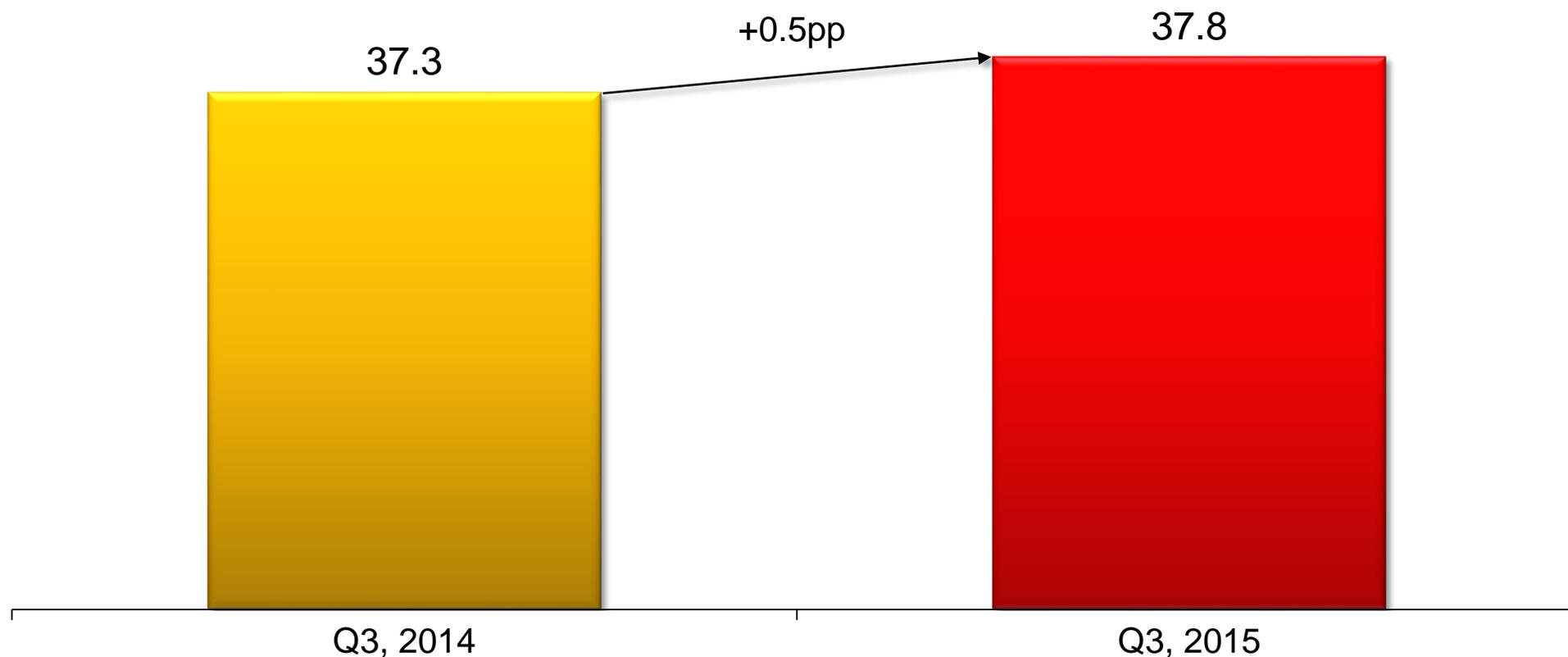


(a) Excluding China and the U.S.  
Source: PMI Financials or estimates



# Strong Market Share Performance Continues: Top-30 OCI Markets

PMI Market Share in Top-30 OCI Markets (%)



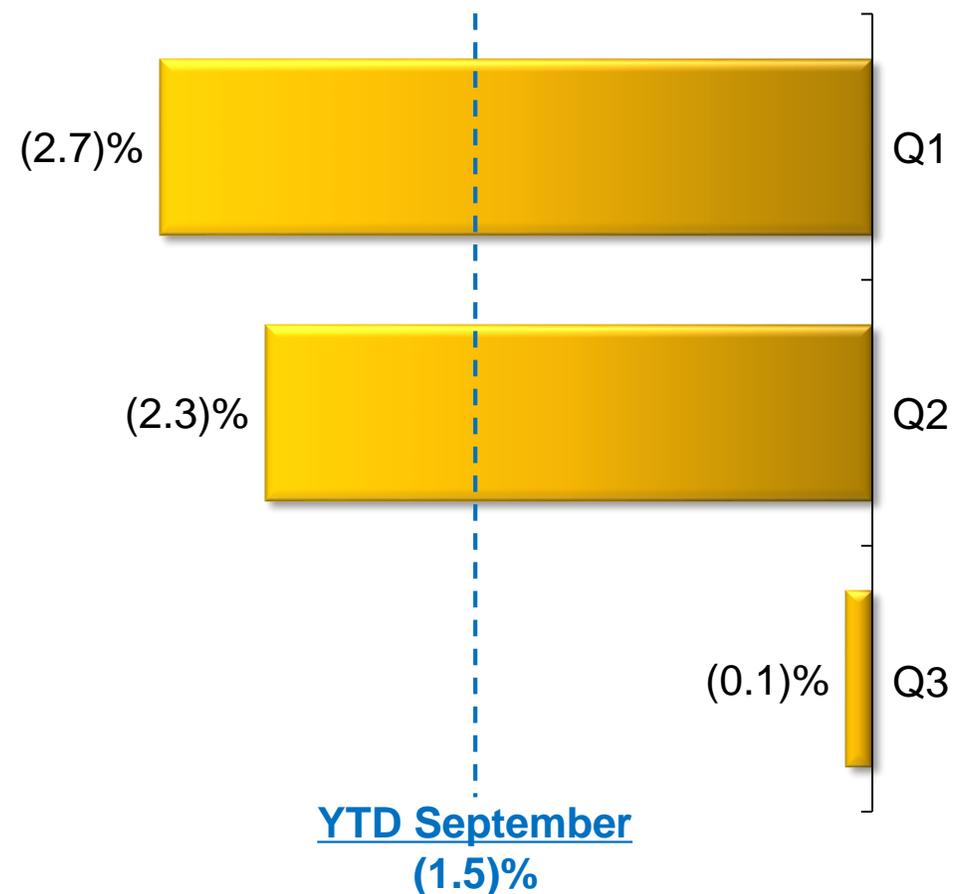
Note: Excluding duty free  
Source: PMI Financials or estimates



## EU Region: Improved Cigarette Industry Full-Year Outlook

- Cigarette industry volume down by 1.5%<sup>(a)</sup> YTD September, 2015, mainly driven by improving economic conditions and consumer sentiment
- Now forecast 2015 cigarette industry volume decline of around 2%

Total Cigarette Industry Volume Decline<sup>(a)</sup>  
(2015 vs. PY)

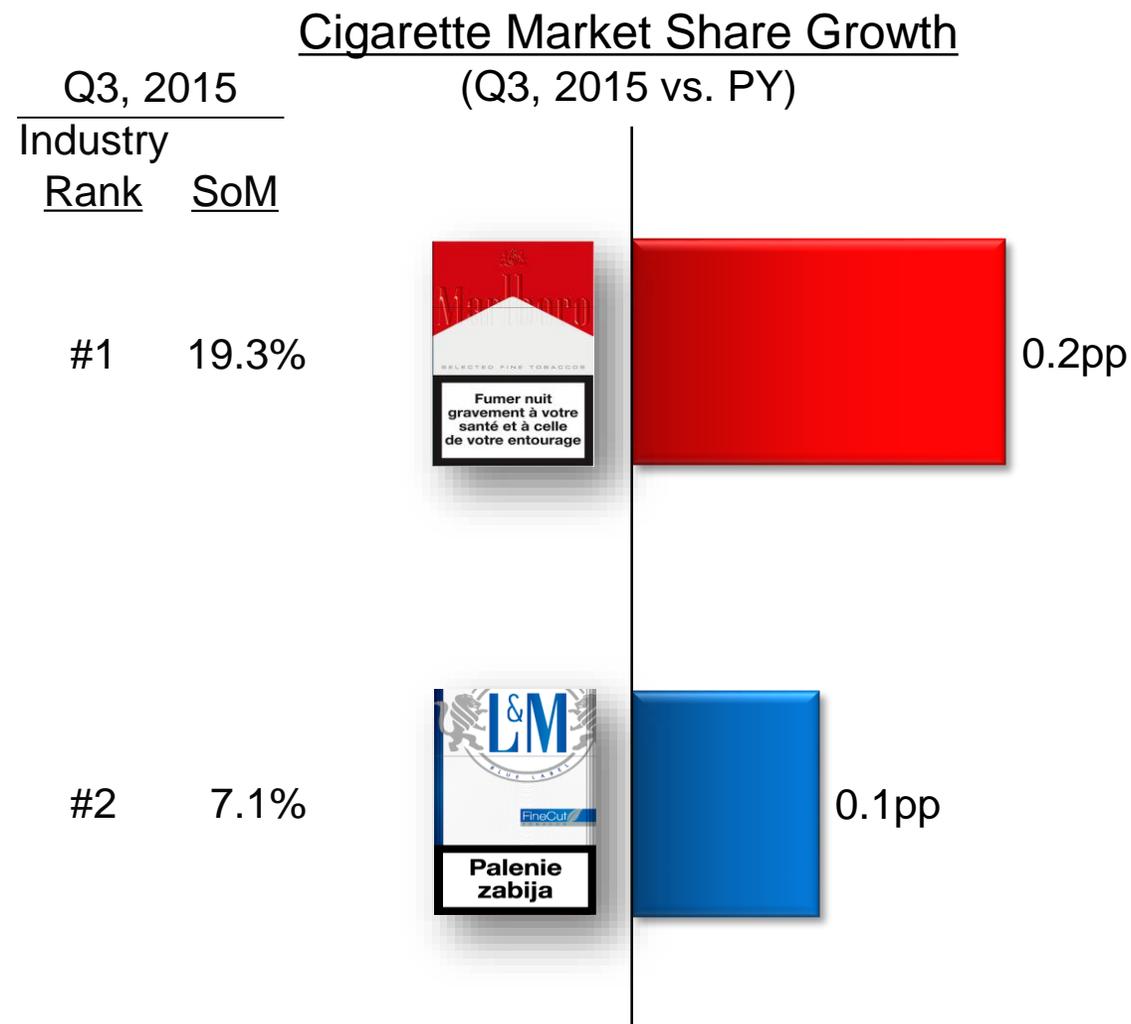


(a) Excluding trade inventory movements  
Source: PMI Financials or estimates



## EU Region: Stable Cigarette Share Supported by Strong Brands

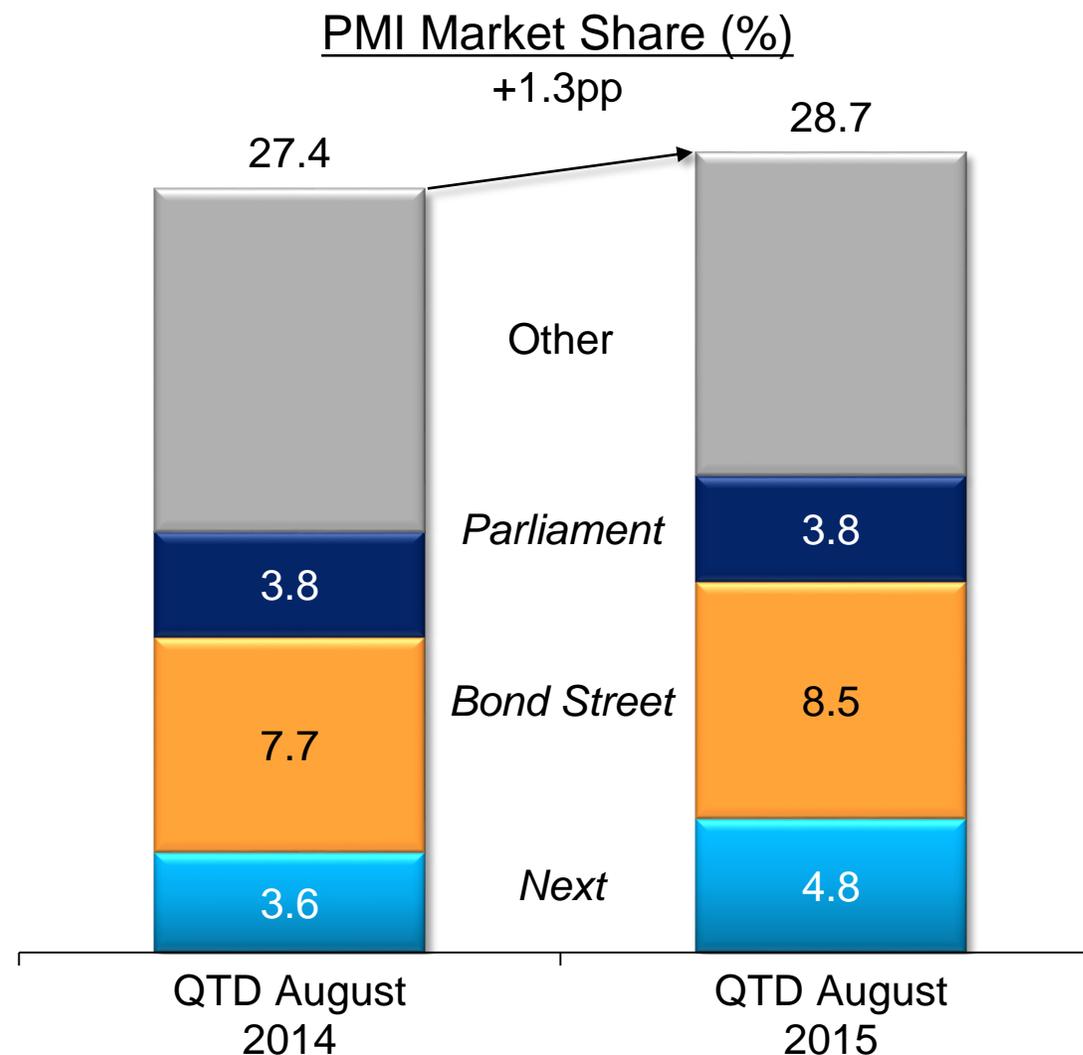
- Regional cigarette share down slightly in Q3, but up by 0.1 point to 39.9% YTD September, 2015
- Solid cigarette share performances for *Marlboro* and *L&M* in Q3, 2015
- Adjusted OCI growth of 7.4% and 8.1%, ex-currency and acquisitions, in Q3, 2015, and YTD September, 2015, respectively, driven by strong pricing





## Russia: Continued Strong Performance

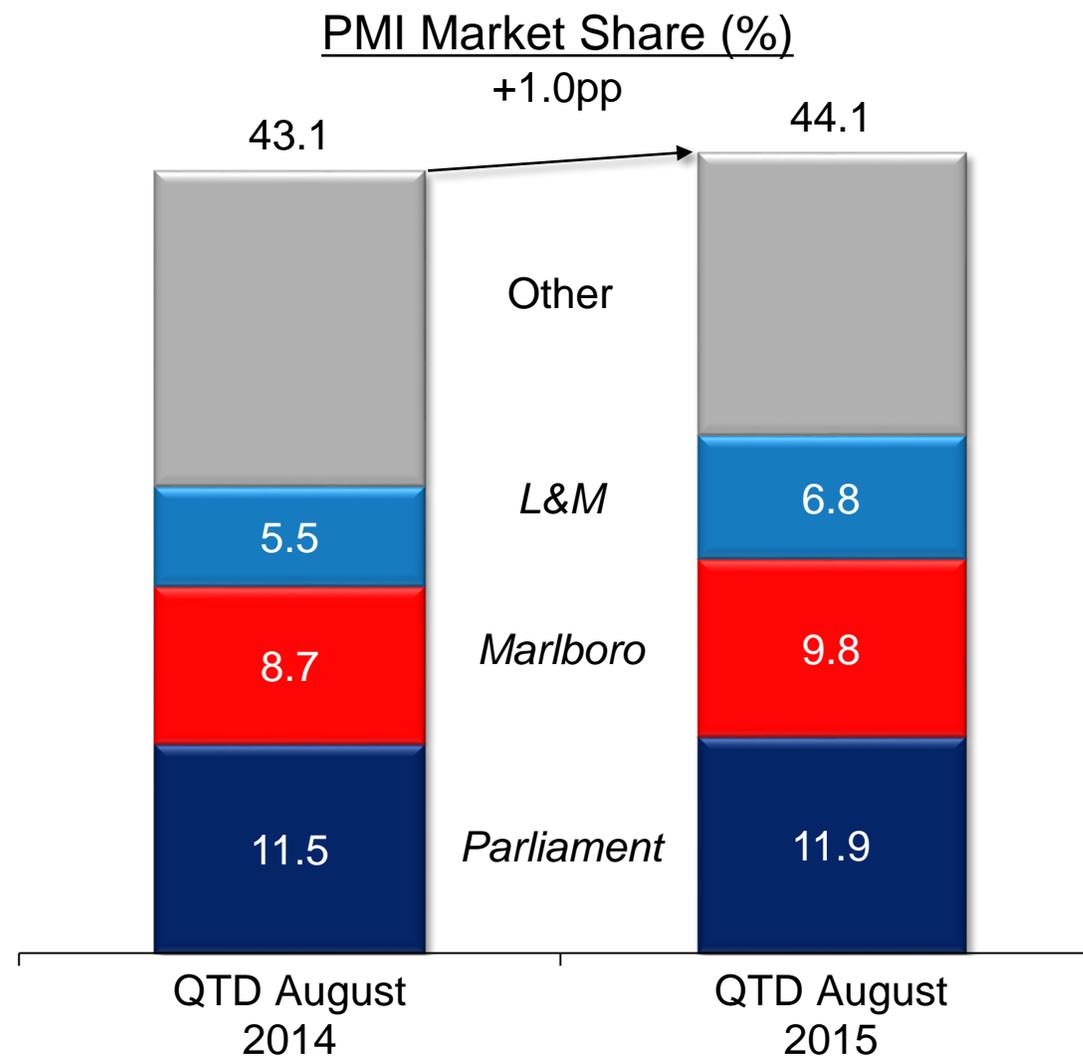
- Cigarette industry volume down by 4.6% in Q3, 2015, and by 5.7% YTD September, 2015
- Now forecast 2015 cigarette industry volume decline of around 7%
- Strong double-digit OCI growth, ex-currency, in Q3, 2015, driven by higher pricing
- In August, we announced a further price increase of RUB 5/pack across the majority of our portfolio





## Turkey: Share Growth and Improved Mix

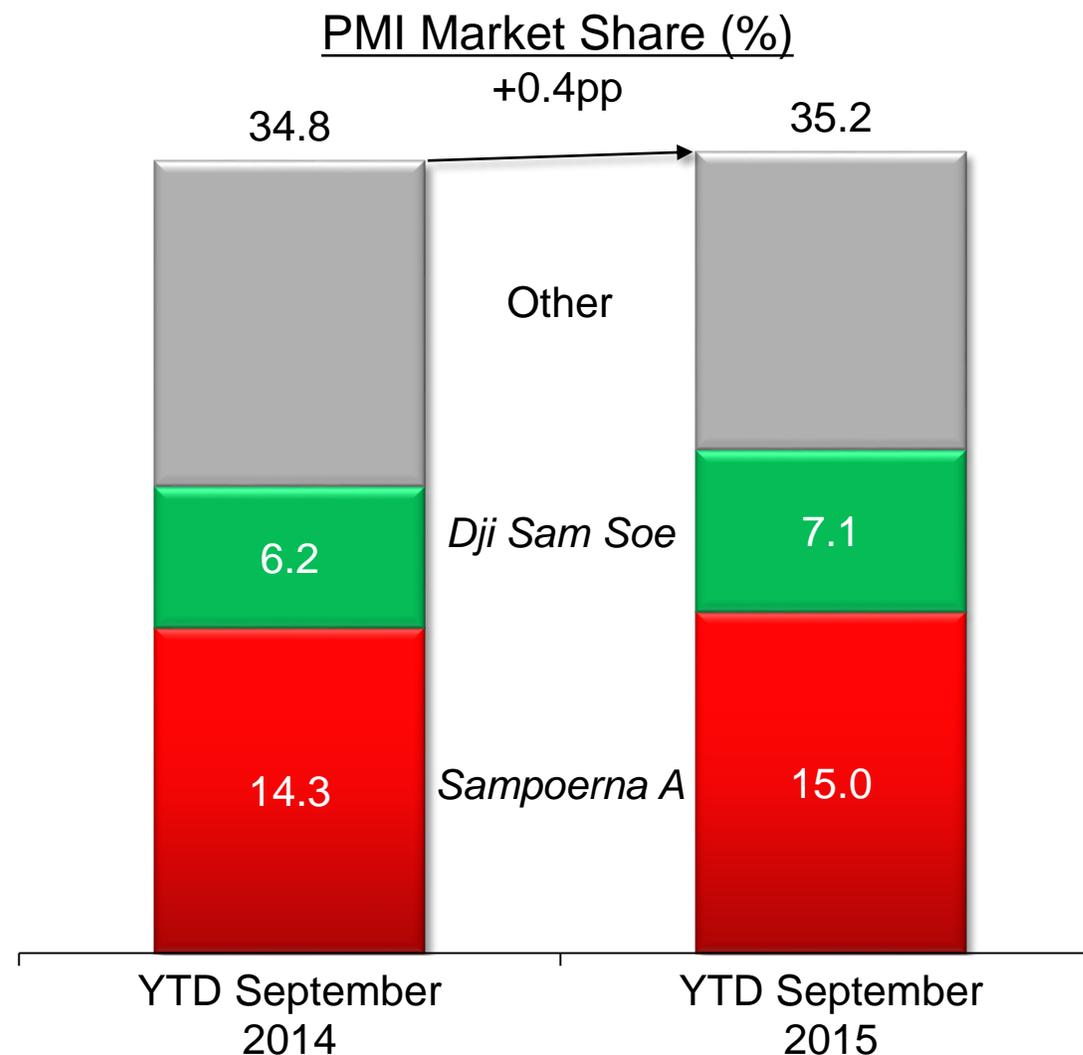
- Cigarette industry volume up by 9.6% YTD September, 2015, driven by a significant reduction in illicit trade
- Share growth in Q3, 2015, driven by *L&M*, *Marlboro* and *Parliament*
- Double-digit OCI growth, ex-currency, in Q3, 2015, driven by favorable volume/mix and pricing





## Indonesia: Key Brands Performing Well

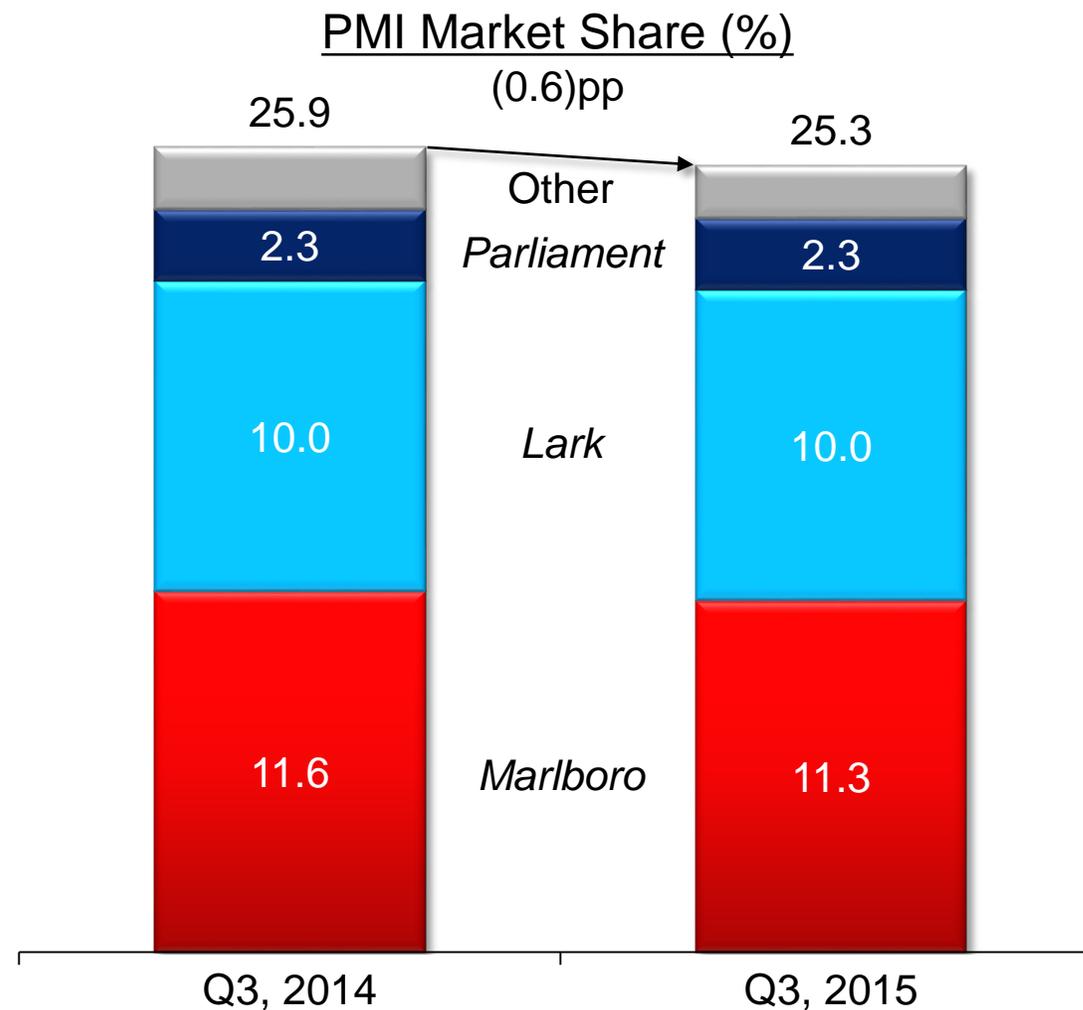
- Cigarette share stable in Q3, 2015, and up by 0.4 points YTD September:
  - Strong performances of *Dji Sam Soe* and *Sampoerna A*
- Cigarette industry volume forecast:
  - 2015: flat, reflecting economic softness
  - Mid to long-term: 1% to 3% growth, annually
- Rights issue approved by Sampoerna shareholders





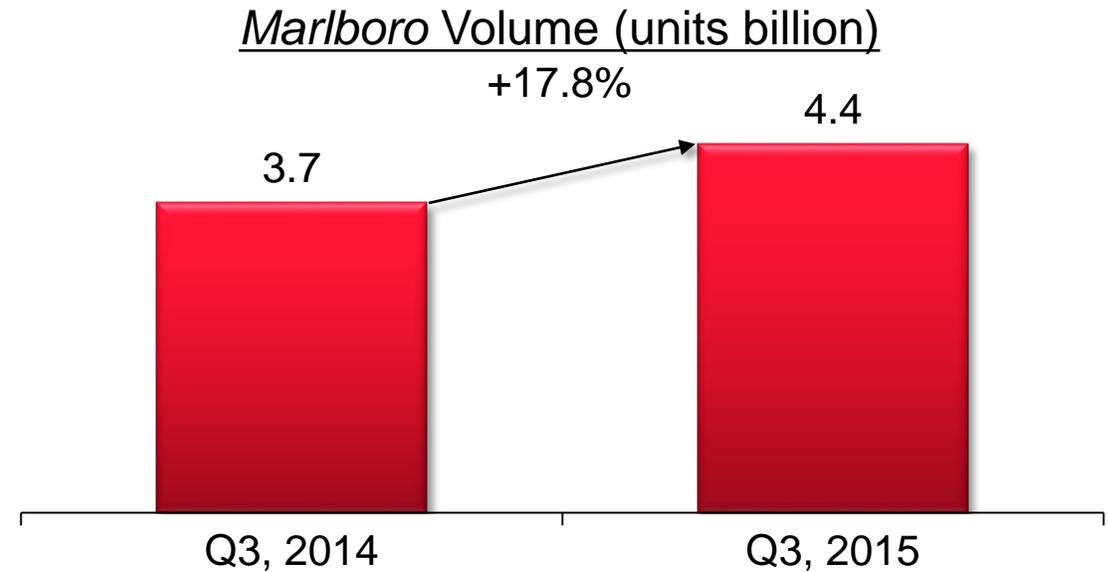
## Japan: Investing in Our Brands

- Cigarette industry volume down by 2.2% YTD September, 2015
- Forecast 2015 cigarette industry volume decline of 2.5% to 3.0%
- Further investments behind our pipeline of innovations



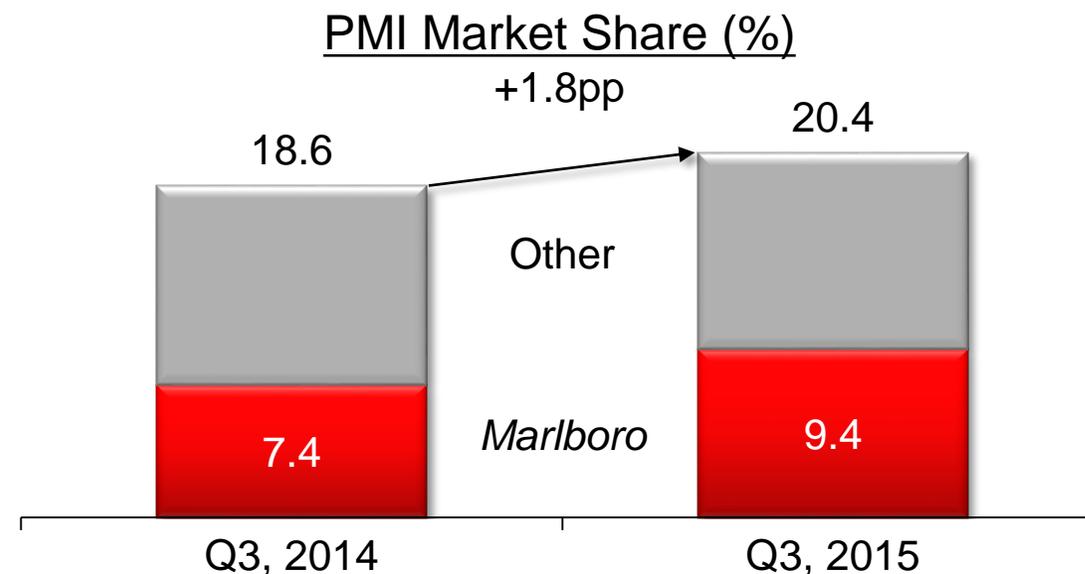
## Philippines: Improving Trends with Growth of *Marlboro*

- Higher estimated tax declarations by local competitor
- Nielsen share growth of 1.4 points QTD August, 2015, driven by:
  - Adult smokers uptrading to PMI brands as a result of reduced price gaps
  - Success with innovative line extensions
- Improved profitability in Q3, 2015, driven by favorable volume/mix



# Korea: Moderating Cigarette Industry Volume Decline

- Excise tax-driven cigarette industry volume decline moderating on a sequential basis
- Cigarette industry volume down by approximately 17% YTD September, 2015, excluding inventory movements
- Now forecast 2015 underlying cigarette industry volume decline of around 17%
- Strong performance of *Marlboro*



# iQOS

アイコス

革新のたばこヒートテクノロジー



MARLBORO   
DESIGNED FOR IQOS



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。たばこの煙は、あなたの周りの人、特に乳幼児、子供、お年寄りなどの健康に悪影響を及ぼします。喫煙の際には、周りの人の迷惑にならないように注意しましょう。

Echter Tabakgenuss ohne Feuer

# iQOS



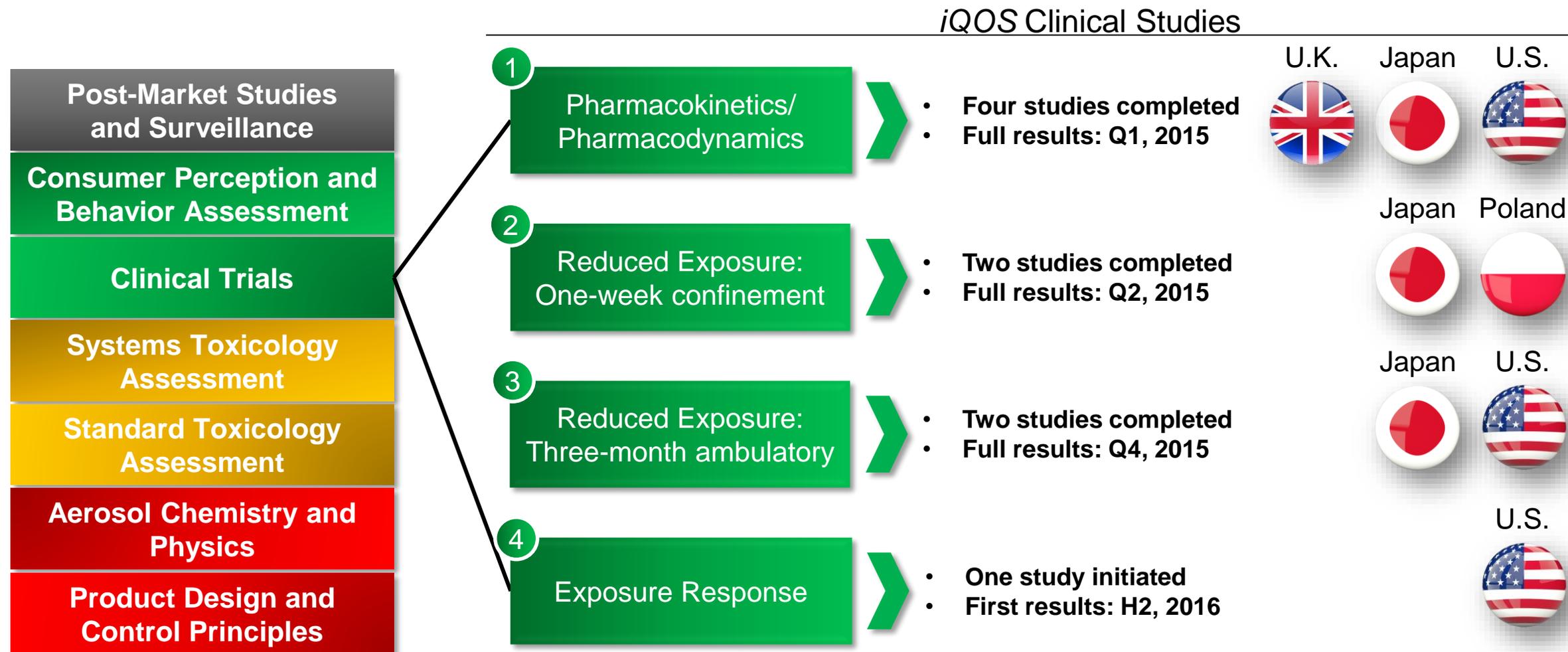
MARLBORO   
DESIGNED FOR IQOS

Dieses Tabakerzeugnis kann Ihre Gesundheit schädigen und macht abhängig.  
Ce produit du tabac peut nuire à votre santé et crée une dépendance.  
Questo prodotto del tabacco può nuocere alla tua salute e provoca dipendenza.

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 combustible cigarettes



# iQOS: Substantiating Reduced Risk



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 combustible cigarettes

Source: PMI Research & Development



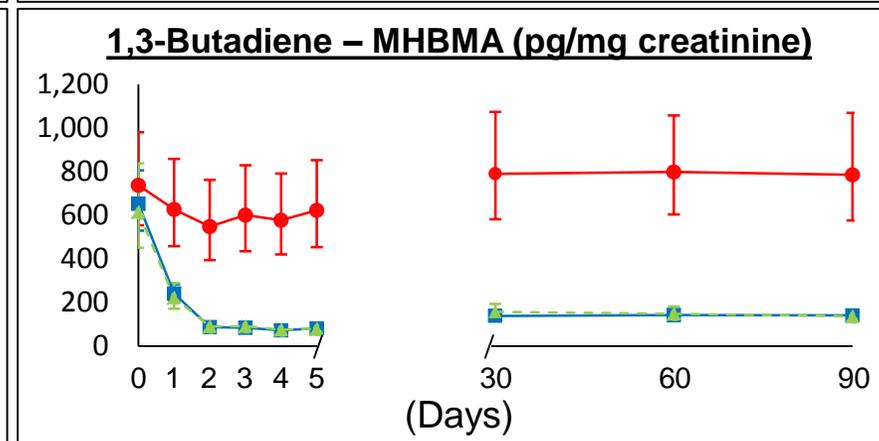
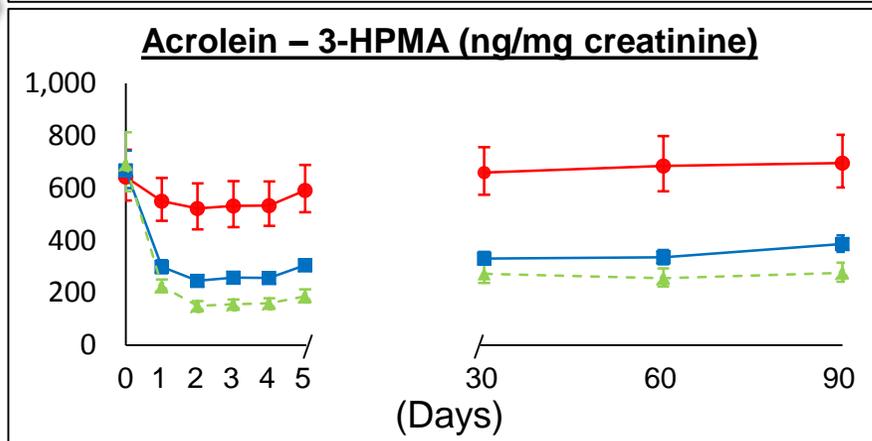
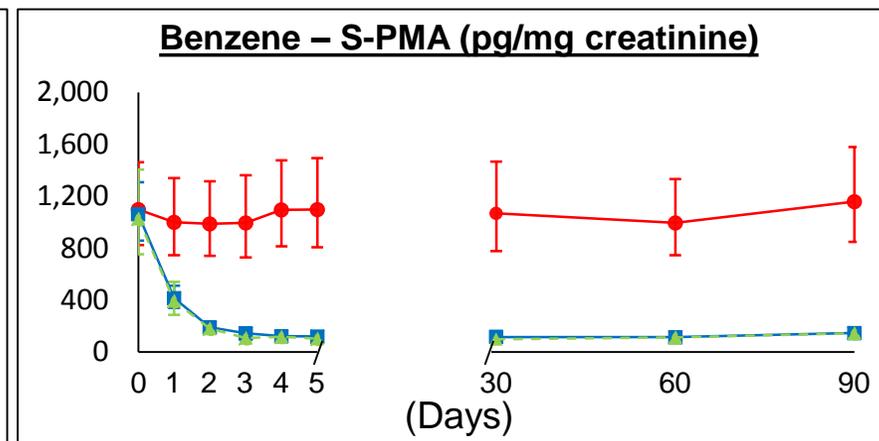
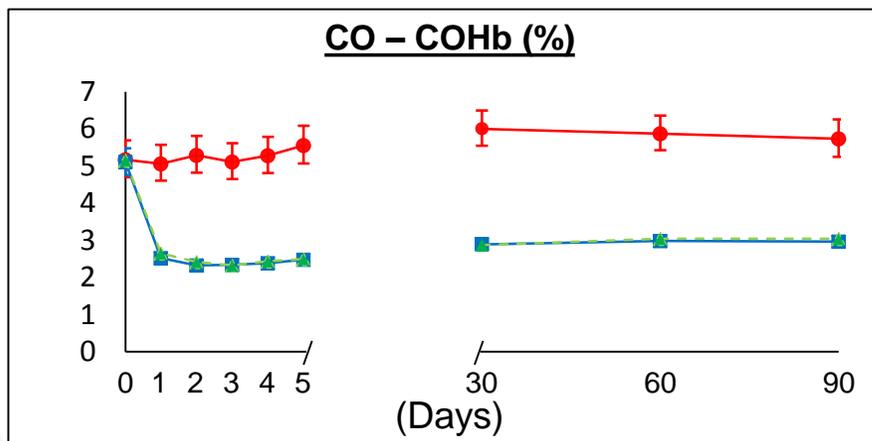
# iQOS: Three-Month Reduced Exposure Study (Japan)

## Details for Four Biomarkers of Exposure Over Three-Month Period

● CC    ■ iQOS vs. CC    ▲ Cessation vs. CC

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)



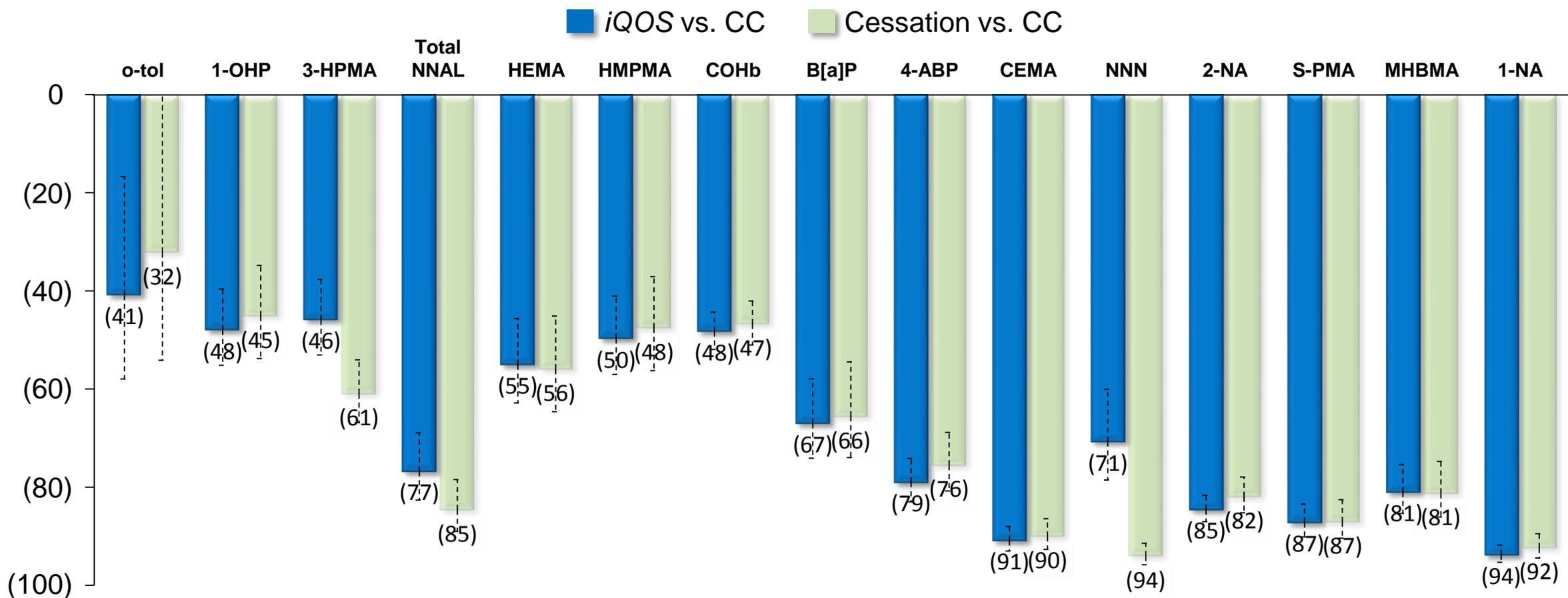
Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking combustible cigarettes

Source: PMI Research & Development



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

## % Reduction in Biomarkers of Exposure After Switching for Three Months



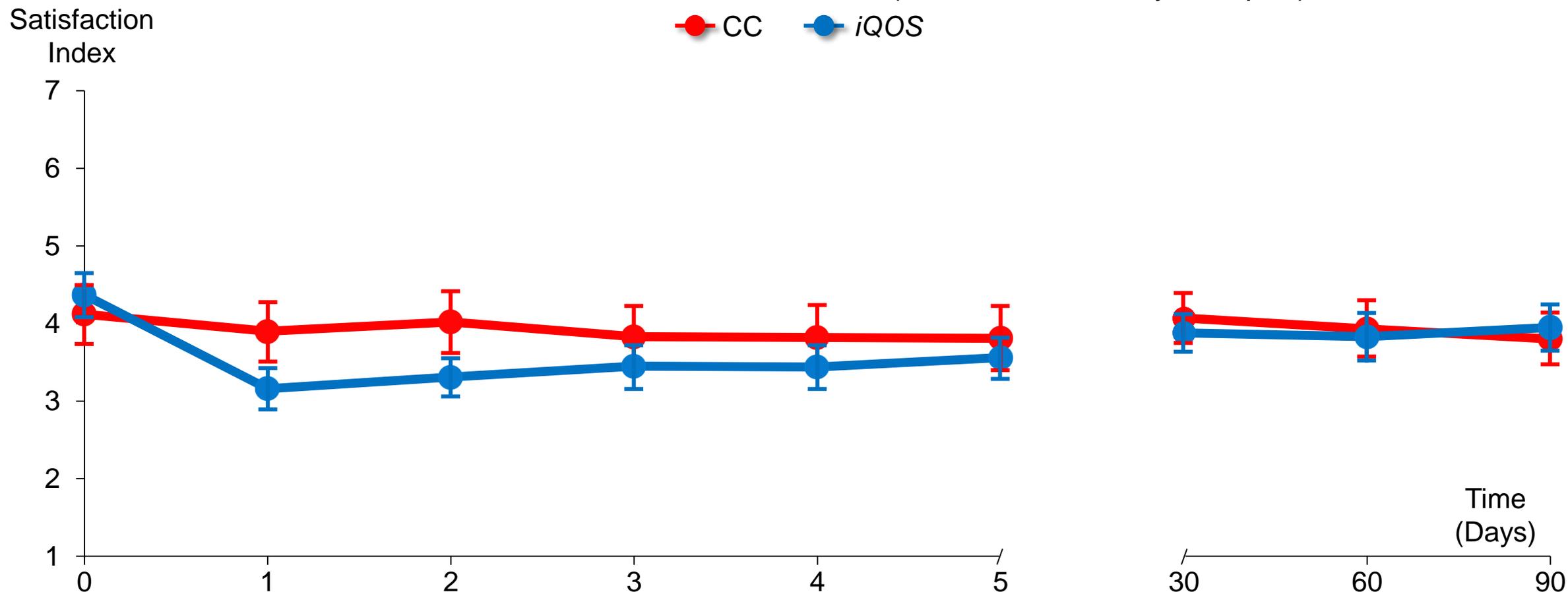
Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking combustible cigarettes

Source: PMI Research & Development



# iQOS: Satisfaction In-Line With Combustible Cigarettes Over Time

Adult Smoker Product Satisfaction Results (Three-Month Study 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 combustible cigarettes. Satisfaction index is on a seven-point scale where 7 = "Extremely Satisfying" and 1 = "Not at All Satisfying"

Source: PMI Research & Development



## *iQOS*: Assessment Status

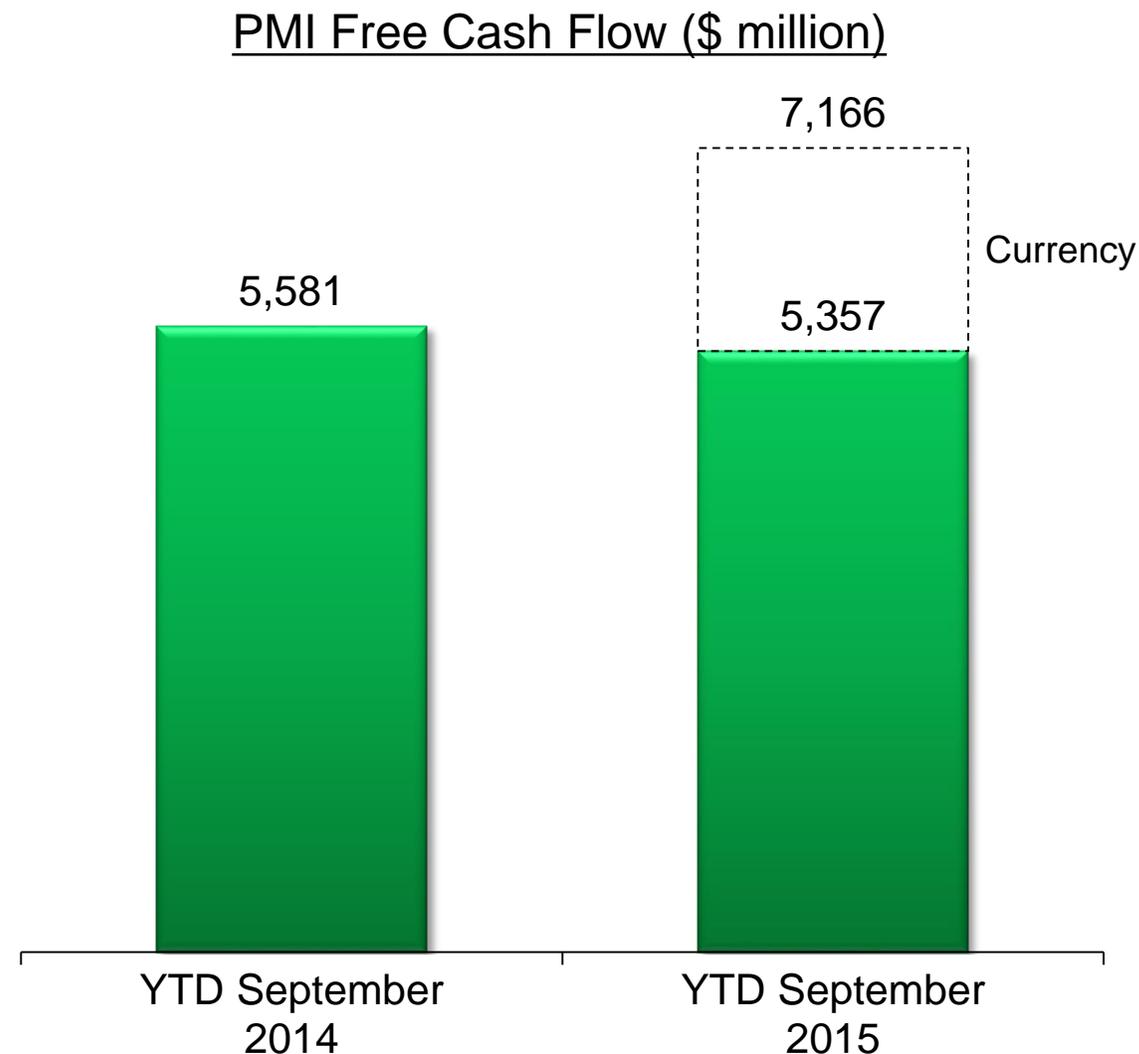
---

- Scientific assessment of the risk profile of *iQOS* is well advanced
- We are on course with our plan to demonstrate that *iQOS* is not only a reduced-exposure product, but also a reduced-risk product



## Resilient Free Cash Flow

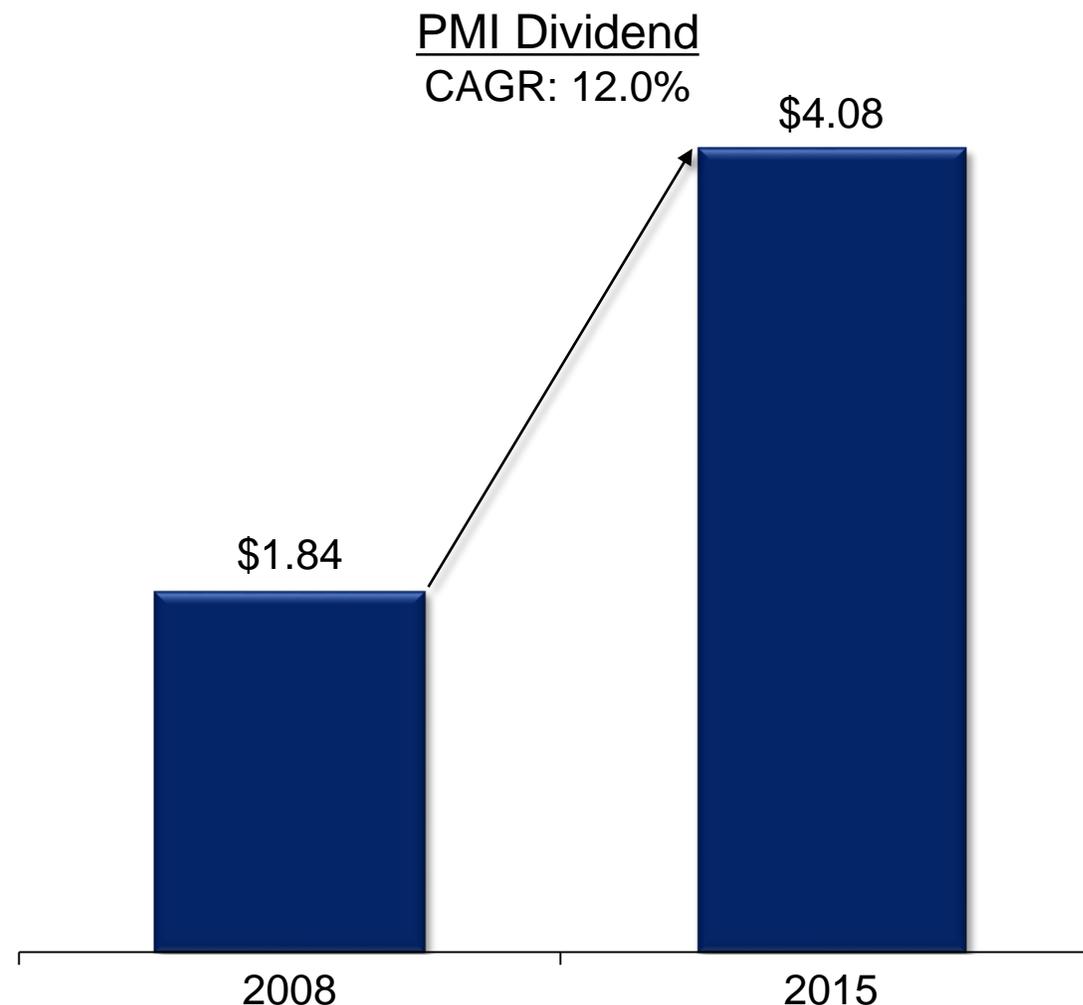
- On track to deliver 2015 free cash flow broadly in line with last year, despite the significant currency headwind
- Prudent management of working capital and capital expenditures





## Returning Cash to Shareholders: Dividend

- Increased our dividend in September to an annualized rate of \$4.08 per share
- Eight consecutive dividend increases since 2008, representing a total increase of 121.7%



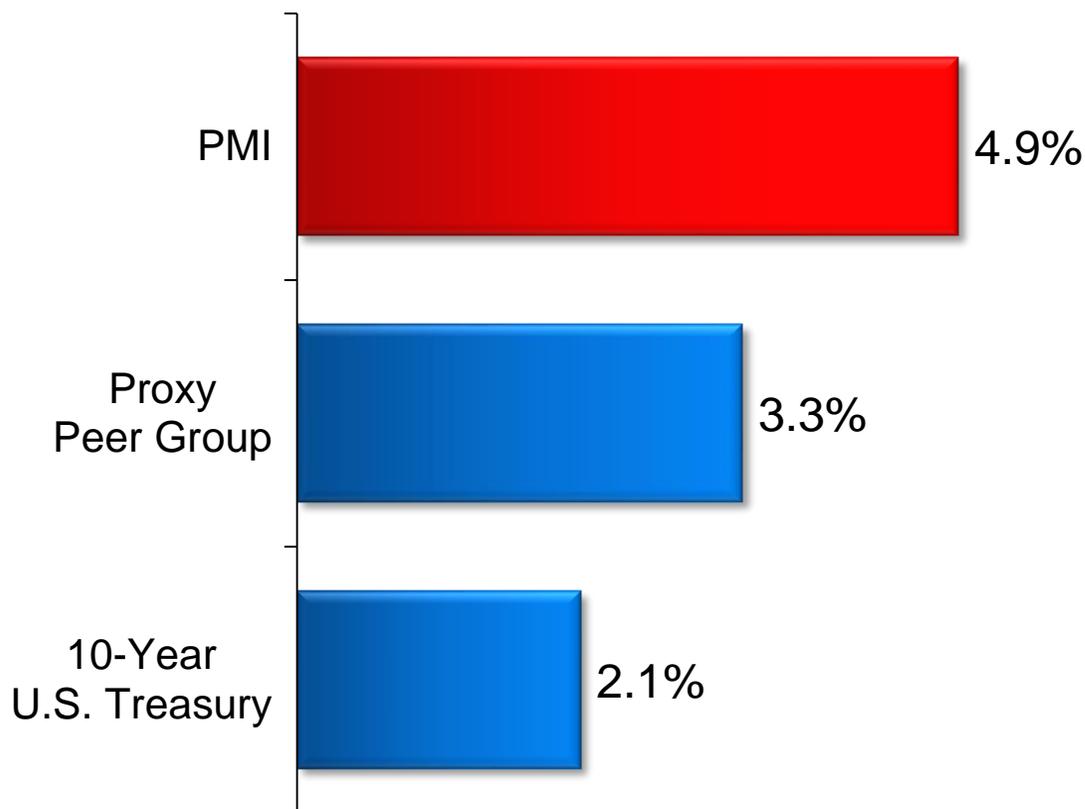
Note: Dividends for 2008 and 2015 are annualized rates. 2008 annualized rate is based on a quarterly dividend of \$0.46 per common share, declared June 18, 2008. The annualized rate for 2015 is based on a quarterly dividend of \$1.02 per common share, declared September 16, 2015

Source: PMI Financials or estimates

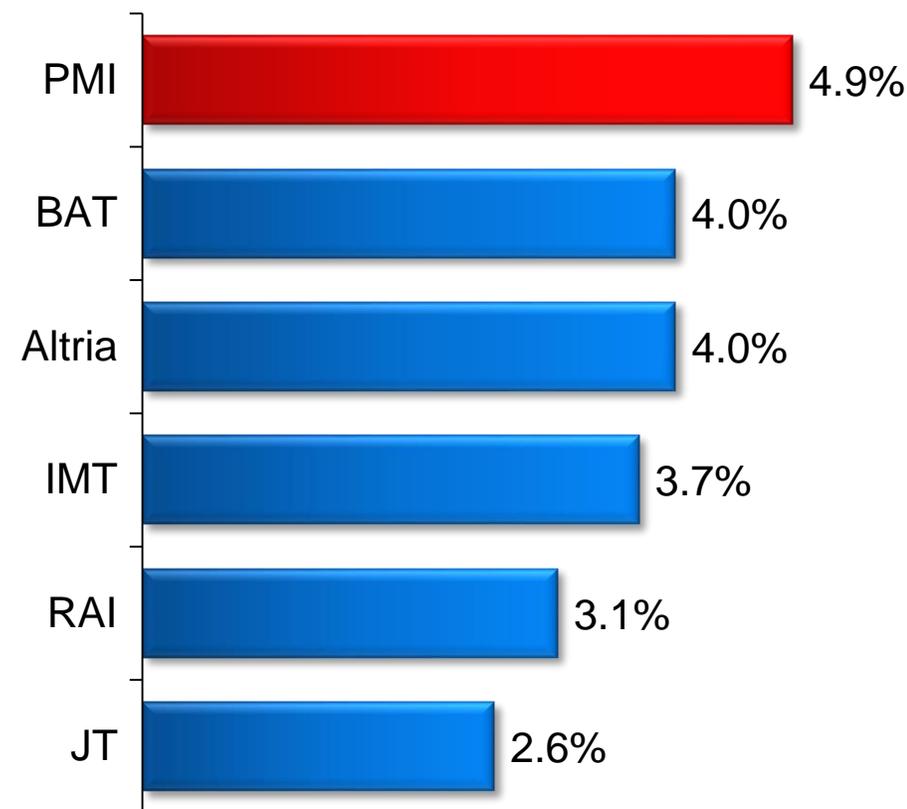


# Returning Cash to Shareholders: Attractive Dividend Yield

PMI Dividend Yield vs. Benchmarks  
(October 9, 2015)



PMI Dividend Yield vs. Tobacco Peer Group  
(October 9, 2015)



Note: Dividend yield represents the annualized dividend on October 9, 2015 over the closing share price on that date. The current annualized dividend for PMI is \$4.08. The closing share price for PMI was \$84.07 as of October 9, 2015. The Proxy Peer Group includes both the compensation survey group and the tobacco peer group. A list of the companies in the compensation survey and tobacco peer groups is available in the glossary

Source: PMI Financials, FactSet and Bloomberg, compiled by Centerview



## Conclusion: Solid Financial Performance and Outlook

---

- Strong currency-neutral financial results
- Superior brands, supported by a superb commercial organization
- Continued progress with the commercialization and clinical assessment of *iQOS*
- Resilient 2015 free cash flow
- Revised and narrowed 2015 EPS guidance, ex-currency, reflecting a growth rate of 11% to 12% versus 2014 adjusted diluted EPS of \$5.02

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 combustible cigarettes

Source: PMI Financials or estimates



PHILIP MORRIS INTERNATIONAL

# 2015 Third-Quarter Results

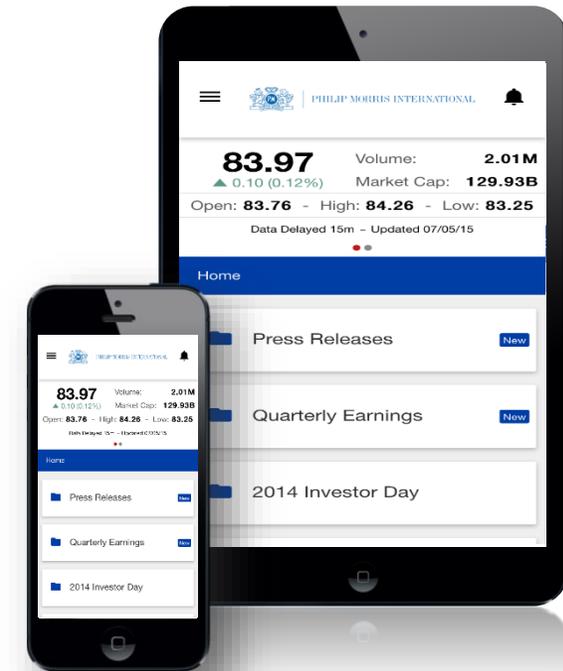
## Questions & Answers

### [Download PMI's Investor Relations App](#)

iOS



Android





PHILIP MORRIS INTERNATIONAL

# **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

---

- 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
- 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

---

- 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: 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
- CC is Combustible Cigarette
- *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
- *iQOS* is the new brand name under which PMI has chosen to commercialize the Platform 1 electronic system



## Glossary: Reduced-Risk Products

---

- 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 combustible cigarettes. PMI's RRP's 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 combustible 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



# PMI Peer Groups

---

## Compensation Survey Group

- BAT
- Bayer
- Coca-Cola
- Diageo
- GlaxoSmithKline
- Heineken
- Imperial Tobacco
- Johnson & Johnson
- Kraft<sup>(a)</sup>
- McDonald's
- Mondelēz International<sup>(b)</sup>
- Nestlé
- Novartis
- PepsiCo
- Pfizer
- Roche
- Unilever
- Vodafone

## Tobacco Peer Group

- Altria
- BAT
- Imperial Tobacco
- Japan Tobacco
- Lorillard<sup>(c)</sup>
- Reynolds American

(a) Effective until September 30, 2012

(b) Effective as of October 1, 2012

(c) Effective until June 12, 2015

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Adjustments for the Impact of Currency and Acquisitions  
For the Quarters Ended September 30,  
(\$ in millions)  
(Unaudited)

| 2015                  |                   |  |                   |   |                   |   | 2014                  |                   |  |                |                             |  |  | % Change in Reported Net Revenues<br>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 Acquisitions | 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 |  |   |  |  |
| \$ 6,633              | \$ 4,592          | \$ 2,041                                     | \$ (422)          | \$ 2,463  | \$ -              | \$ 2,463  | \$ 7,777              | \$ 5,420          | \$ 2,357                                     | (13.4)%        | 4.5%                        | 4.5%                                       |  |   |  |  |
| 5,492                 | 3,394             | 2,098  | (555)             | 2,653   | -                 | 2,653   | 6,111                 | 3,677             | 2,434  | (13.8)%        | 9.0%                        | 9.0%                                       |  |   |  |  |
| 4,880                 | 2,896             | 1,984  | (268)             | 2,252   | -                 | 2,252   | 4,943                 | 2,711             | 2,232  | (11.1)%        | 0.9%                        | 0.9%                                       |  |   |  |  |
| 2,417                 | 1,613             | 804  | (145)             | 949   | -                 | 949   | 2,504                 | 1,671             | 833  | (3.5)%         | 13.9%                       | 13.9%                                      |  |   |  |  |
| <b>\$ 19,422</b>      | <b>\$ 12,495</b>  | <b>\$ 6,927</b>                              | <b>\$ (1,390)</b> | <b>\$ 8,317</b>   | <b>\$ -</b>       | <b>\$ 8,317</b>   | <b>\$ 21,335</b>      | <b>\$ 13,479</b>  | <b>\$ 7,856</b>                              | <b>(11.8)%</b> | <b>5.9%</b>                 | <b>5.9%</b>                                |  |   |  |  |

| 2015                                |                 |  |                   |   |                                     |                                     | 2014           |                             |  |  |  |  |  | % Change in Reported Operating Companies Income |  |  |
|-------------------------------------|-----------------|--|-------------------|---|-------------------------------------|-------------------------------------|----------------|-----------------------------|--|--|--|--|--|---|--|--|
| Reported Operating Companies Income | Less Currency   | Reported Operating Companies Income excluding Currency | Less Acquisitions | Reported Operating Companies Income excluding Currency & Acquisitions | Reported Operating Companies Income | Reported Operating Companies Income | Reported       | Reported excluding Currency | Reported excluding Currency & Acquisitions |  |  |  |  |   |  |  |
| \$ 1,014                            | \$ (242)        | \$ 1,256   | \$ -              | \$ 1,256  | \$ 1,186                            | \$ 1,186                            | (14.5)%        | 5.9%                        | 5.9%                                       |  |  |  |  |   |  |  |
| 1,033                               | (319)           | 1,352  | -                 | 1,352   | 1,204                               | 1,204                               | (14.2)%        | 12.3%                       | 12.3%                                      |  |  |  |  |   |  |  |
| 690                                 | (122)           | 812  | -                 | 812   | 799                                 | 799                                 | (13.6)%        | 1.6%                        | 1.6%                                       |  |  |  |  |   |  |  |
| 294                                 | (52)            | 346  | -                 | 346   | 267                                 | 267                                 | 10.1%          | 29.6%                       | 29.6%                                      |  |  |  |  |   |  |  |
| <b>\$ 3,031</b>                     | <b>\$ (735)</b> | <b>\$ 3,766</b>  | <b>\$ -</b>       | <b>\$ 3,766</b>   | <b>\$ 3,456</b>                     | <b>\$ 3,456</b>                     | <b>(12.3)%</b> | <b>9.0%</b>                 | <b>9.0%</b>                                |  |  |  |  |   |  |  |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
For the Quarters Ended September 30,  
(\$ in millions)  
(Unaudited)

| 2015                                |                                    |                                     |                 |  |                   |   | 2014                                |                                    |                                     |                |                             |  |  | % Change in Adjusted Operating Companies Income |  |  |
|-------------------------------------|------------------------------------|-------------------------------------|-----------------|--|-------------------|---|-------------------------------------|------------------------------------|-------------------------------------|----------------|-----------------------------|--|--|---|--|--|
| 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 |  |   |  |  |
| \$ 1,014                            | \$ -                               | \$ 1,014                            | \$ (242)        | \$ 1,256   | \$ -              | \$ 1,256  | \$ 1,186                            | \$ 16                              | \$ 1,170                            | (13.3)%        | 7.4%                        | 7.4%                                       |  |   |  |  |
| 1,033                               | -                                  | 1,033                               | (319)           | 1,352  | -                 | 1,352   | 1,204                               | -                                  | 1,204                               | (14.2)%        | 12.3%                       | 12.3%                                      |  |   |  |  |
| 690                                 | -                                  | 690                                 | (122)           | 812  | -                 | 812   | 799                                 | -                                  | 799                                 | (13.6)%        | 1.6%                        | 1.6%                                       |  |   |  |  |
| 294                                 | -                                  | 294                                 | (52)            | 346  | -                 | 346   | 267                                 | (7)                                | 274                                 | 7.3%           | 26.3%                       | 26.3%                                      |  |   |  |  |
| <b>\$ 3,031</b>                     | <b>\$ -</b>                        | <b>\$ 3,031</b>                     | <b>\$ (735)</b> | <b>\$ 3,766</b>  | <b>\$ -</b>       | <b>\$ 3,766</b>   | <b>\$ 3,456</b>                     | <b>\$ 9</b>                        | <b>\$ 3,447</b>                     | <b>(12.1)%</b> | <b>9.3%</b>                 | <b>9.3%</b>                                |  |   |  |  |

| 2015   |   |   |   |   |  |                                     | 2014                                |  |  |   |  |  |  | % Points Change |  |
|--|---|---|---|---|--|-------------------------------------|-------------------------------------|--|--|---|--|--|--|-----------------|--|
| Adjusted Operating Companies Income excluding Currency | Net Revenues excluding Excise Taxes & Currency <sup>(a)</sup> | Adjusted Operating Companies Income Margin excluding Currency | Adjusted Operating Companies Income excluding Currency & Acquisitions | Net Revenues excluding Excise Taxes, Currency & Acquisitions <sup>(a)</sup> | Adjusted Operating Companies Income Margin excluding Currency & Acquisitions | Adjusted Operating Companies Income | Adjusted Operating Companies Income | Net Revenues excluding Excise Taxes <sup>(a)</sup> | Adjusted Operating Companies Income Margin | Adjusted Operating Companies Income Margin excluding Currency | Adjusted Operating Companies Income Margin excluding Currency & Acquisitions |  |  |                 |  |
| \$ 1,256   | \$ 2,463  | 51.0%   | \$ 1,256  | \$ 2,463  | 51.0%  | \$ 1,170                            | \$ 2,357                            | 49.6%  | 49.6%                                      | 1.4   | 1.4  |  |  |                 |  |
| 1,352  | 2,653   | 51.0%   | 1,352   | 2,653   | 51.0%  | 1,204                               | 2,434                               | 49.5%  | 49.5%                                      | 1.5   | 1.5  |  |  |                 |  |
| 812  | 2,252   | 36.1%   | 812   | 2,252   | 36.1%  | 799                                 | 2,232                               | 35.8%  | 35.8%                                      | 0.3   | 0.3  |  |  |                 |  |
| 346  | 949   | 36.5%   | 346   | 949   | 36.5%  | 274                                 | 833                                 | 32.9%  | 32.9%                                      | 3.6   | 3.6  |  |  |                 |  |
| <b>\$ 3,766</b>  | <b>\$ 8,317</b>   | <b>45.3%</b>  | <b>\$ 3,766</b>   | <b>\$ 8,317</b>   | <b>45.3%</b>   | <b>\$ 3,447</b>                     | <b>\$ 7,856</b>                     | <b>43.9%</b>                                       | <b>43.9%</b>                               | <b>1.4</b>  | <b>1.4</b>   |  |  |                 |  |

(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



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency  
For the Quarters Ended September 30,  
(Unaudited)

|   | <u>2015</u>    | <u>2014</u>    | <u>% Change</u> |
|---|----------------|----------------|-----------------|
| <b>Reported Diluted EPS</b>                     | <b>\$ 1.25</b> | <b>\$ 1.38</b> | <b>(9.4)%</b>   |
| Adjustments:                                    |                |                |                 |
| Asset impairment and exit costs                 | -              | 0.01           |                 |
| Tax items                                       | (0.01)         | -              |                 |
| <b>Adjusted Diluted EPS</b>                     | <b>\$ 1.24</b> | <b>\$ 1.39</b> | <b>(10.8)%</b>  |
| Less:   |                |                |                 |
| Currency impact                                 | (0.37)         |                |                 |
| <b>Adjusted Diluted EPS, excluding Currency</b> | <b>\$ 1.61</b> | <b>\$ 1.39</b> | <b>15.8%</b>    |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Reported Diluted EPS, excluding Currency  
For the Quarters Ended September 30,  
(Unaudited)

|   | <u>2015</u>                  | <u>2014</u>                  | <u>% Change</u> |
|---|------------------------------|------------------------------|-----------------|
| <b>Reported Diluted EPS</b>                     | <b>\$ 1.25</b>               | <b>\$ 1.38</b>               | <b>(9.4)%</b>   |
| Less:   |                              |                              |                 |
| Currency impact                                 | (0.37)                       |                              |                 |
| <b>Reported Diluted EPS, excluding Currency</b> | <b><u><u>\$ 1.62</u></u></b> | <b><u><u>\$ 1.38</u></u></b> | <b>17.4%</b>    |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Adjustments for the Impact of Currency and Acquisitions  
For the Nine Months Ended September 30,  
(\$ in millions)  
(Unaudited)

| 2015                  |                   |  |                   |   |                   |   | 2014                  |                   |  | % Change in Reported Net Revenues<br>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 Acquisitions | 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 |             |
| 18,909                | 12,988            | 5,921  | (1,188)           | 7,109   | 11                | 7,098   | 22,225                | 15,462            | 6,763  | (12.5)%   | 5.1%                        | 5.0%                                       |             |
| 14,915                | 9,055             | 5,860  | (1,464)           | 7,324   | 1                 | 7,323   | 16,347                | 9,621             | 6,726  | (12.9)%   | 8.9%                        | 8.9%                                       |             |
| 14,683                | 8,399             | 6,284  | (625)             | 6,909   | -                 | 6,909   | 14,515                | 7,790             | 6,725  | (6.6)%  | 2.7%                        | 2.7%                                       |             |
| 7,030                 | 4,693             | 2,337  | \$(345)           | 2,682   | 4                 | 2,678   | 7,078                 | 4,722             | 2,356  | (0.8)%  | 13.8%                       | 13.7%                                      |             |
| <b>\$ 55,537</b>      | <b>\$ 35,135</b>  | <b>\$ 20,402</b>                             | <b>\$ (3,622)</b> | <b>\$ 24,024</b>  | <b>\$ 16</b>      | <b>\$ 24,008</b>  | <b>PMI Total</b>      | <b>\$ 60,165</b>  | <b>\$ 37,595</b>                             | <b>\$ 22,570</b>  | <b>(9.6)%</b>               | <b>6.4%</b>                                | <b>6.4%</b> |

| 2015                                |                   |  |                   |   |                        |                                     | 2014                                |               |                             | % Change in Reported Operating Companies Income |  |  |
|-------------------------------------|-------------------|--|-------------------|---|------------------------|-------------------------------------|-------------------------------------|---------------|-----------------------------|---|--|--|
| Reported Operating Companies Income | Less Currency     | Reported Operating Companies Income excluding Currency | Less Acquisitions | Reported Operating Companies Income excluding Currency & Acquisitions |                        | Reported Operating Companies Income | Reported Operating Companies Income | Reported      | Reported excluding Currency | Reported excluding Currency & Acquisitions      |  |  |
| \$ 2,904                            | \$(712)           | \$ 3,616   | \$(2)             | \$ 3,618  | European Union         | \$ 2,875                            |                                     | 1.0%          | 25.8%                       | 25.8%   |  |  |
| 2,794                               | (843)             | 3,637  | (1)               | 3,638   | EEMA                   | 3,218                               |                                     | (13.2)%       | 13.0%                       | 13.1%   |  |  |
| 2,421                               | (298)             | 2,719  | -                 | 2,719   | Asia                   | 2,614                               |                                     | (7.4)%        | 4.0%                        | 4.0%  |  |  |
| 849                                 | (147)             | 996  | 3                 | 993   | Latin America & Canada | 734                                 |                                     | 15.7%         | 35.7%                       | 35.3%   |  |  |
| <b>\$ 8,968</b>                     | <b>\$ (2,000)</b> | <b>\$ 10,968</b>                                       | <b>\$ -</b>       | <b>\$ 10,968</b>  | <b>PMI Total</b>       | <b>\$ 9,441</b>                     |                                     | <b>(5.0)%</b> | <b>16.2%</b>                | <b>16.2%</b>                                    |  |  |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
For the Nine Months Ended September 30,  
(\$ in millions)  
(Unaudited)

| 2015                                |                                    |                                     |                   |  |                   |   | 2014                                |                                    |                                     |               |                             |  |  | % Change in Adjusted Operating Companies Income |  |  |
|-------------------------------------|------------------------------------|-------------------------------------|-------------------|--|-------------------|---|-------------------------------------|------------------------------------|-------------------------------------|---------------|-----------------------------|--|--|---|--|--|
| 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 |  |   |  |  |
| \$ 2,904                            | \$ -                               | \$ 2,904                            | \$ (712)          | \$ 3,616   | \$ (2)            | \$ 3,618  | \$ 2,875                            | \$ (472)                           | \$ 3,347                            | (13.2)%       | 8.0%                        | 8.1%                                       |  |   |  |  |
| 2,794                               | -                                  | 2,794                               | (843)             | 3,637  | (1)               | 3,638   | 3,218                               | -                                  | 3,218                               | (13.2)%       | 13.0%                       | 13.1%                                      |  |   |  |  |
| 2,421                               | -                                  | 2,421                               | (298)             | 2,719  | -                 | 2,719   | 2,614                               | (24)                               | 2,638                               | (8.2)%        | 3.1%                        | 3.1%                                       |  |   |  |  |
| 849                                 | -                                  | 849                                 | (147)             | 996  | 3                 | 993   | 734                                 | (7)                                | 741                                 | 14.6%         | 34.4%                       | 34.0%                                      |  |   |  |  |
| <b>\$ 8,968</b>                     | <b>\$ -</b>                        | <b>\$ 8,968</b>                     | <b>\$ (2,000)</b> | <b>\$ 10,968</b>                                       | <b>\$ -</b>       | <b>\$ 10,968</b>  | <b>\$ 9,441</b>                     | <b>\$ (503)</b>                    | <b>\$ 9,944</b>                     | <b>(9.8)%</b> | <b>10.3%</b>                | <b>10.3%</b>                               |  |   |  |  |

| 2015   |   |   |   |   |  |                                     | 2014                                |  |  |   |  |  |  | % Points Change |  |
|--|---|---|---|---|--|-------------------------------------|-------------------------------------|--|--|---|--|--|--|-----------------|--|
| Adjusted Operating Companies Income excluding Currency | Net Revenues excluding Excise Taxes & Currency <sup>(a)</sup> | Adjusted Operating Companies Income Margin excluding Currency | Adjusted Operating Companies Income excluding Currency & Acquisitions | Net Revenues excluding Excise Taxes, Currency & Acquisitions <sup>(a)</sup> | Adjusted Operating Companies Income Margin excluding Currency & Acquisitions | Adjusted Operating Companies Income | Adjusted Operating Companies Income | Net Revenues excluding Excise Taxes <sup>(a)</sup> | Adjusted Operating Companies Income Margin | Adjusted Operating Companies Income Margin excluding Currency | Adjusted Operating Companies Income Margin excluding Currency & Acquisitions |  |  |                 |  |
| \$ 3,616   | \$ 7,109  | 50.9%   | \$ 3,618  | \$ 7,098  | 51.0%  | \$ 3,347                            | \$ 6,763                            | 49.5%  | 1.4  | 1.5   |  |  |  |                 |  |
| 3,637  | 7,324   | 49.7%   | 3,638   | 7,323   | 49.7%  | 3,218                               | 6,726                               | 47.8%  | 1.9  | 1.9   |  |  |  |                 |  |
| 2,719  | 6,909   | 39.4%   | 2,719   | 6,909   | 39.4%  | 2,638                               | 6,725                               | 39.2%  | 0.2  | 0.2   |  |  |  |                 |  |
| 996  | 2,682   | 37.1%   | 993   | 2,678   | 37.1%  | 741                                 | 2,356                               | 31.5%  | 5.6  | 5.6   |  |  |  |                 |  |
| <b>\$ 10,968</b>                                       | <b>\$ 24,024</b>  | <b>45.7%</b>  | <b>\$ 10,968</b>  | <b>\$ 24,008</b>  | <b>45.7%</b>   | <b>\$ 9,944</b>                     | <b>\$ 22,570</b>                    | <b>44.1%</b>                                       | <b>1.6</b>                                 | <b>1.6</b>  |  |  |  |                 |  |

(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



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency  
For the Nine Months Ended September 30,  
(Unaudited)

|   | <u>2015</u>    | <u>2014</u>    | <u>% Change</u> |
|---|----------------|----------------|-----------------|
| <b>Reported Diluted EPS</b>                     | <b>\$ 3.62</b> | <b>\$ 3.73</b> | <b>(2.9)%</b>   |
| Adjustments:                                    |                |                |                 |
| Asset impairment and exit costs                 | -              | 0.26           |                 |
| Tax items                                       | (0.01)         | -              |                 |
| <b>Adjusted Diluted EPS</b>                     | <b>\$ 3.61</b> | <b>\$ 3.99</b> | <b>(9.5)%</b>   |
| Less:   |                |                |                 |
| Currency impact                                 | (1.01)         |                |                 |
| <b>Adjusted Diluted EPS, excluding Currency</b> | <b>\$ 4.62</b> | <b>\$ 3.99</b> | <b>15.8%</b>    |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Reported Diluted EPS, excluding Currency  
For the Nine Months Ended September 30,  
(Unaudited)

|   | <u>2015</u>                  | <u>2014</u>                  | <u>% Change</u> |
|---|------------------------------|------------------------------|-----------------|
| <b>Reported Diluted EPS</b>                     | <b>\$ 3.62</b>               | <b>\$ 3.73</b>               | <b>(2.9)%</b>   |
| Less:   |                              |                              |                 |
| Currency impact                                 | (1.01)                       |                              |                 |
| <b>Reported Diluted EPS, excluding Currency</b> | <b><u><u>\$ 4.63</u></u></b> | <b><u><u>\$ 3.73</u></u></b> | <b>24.1%</b>    |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS  
For the Year Ended December 31,  
(Unaudited)

|                                 | <u>2014</u>                  |
|---------------------------------|------------------------------|
| <b>Reported Diluted EPS</b>     | <b>\$ 4.76</b>               |
| Adjustments:                    |                              |
| Asset impairment and exit costs | 0.26                         |
| Tax items                       | -                            |
| <b>Adjusted Diluted EPS</b>     | <b><u><u>\$ 5.02</u></u></b> |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Operating Cash Flow to Free Cash Flow and Free Cash Flow, excluding Currency  
For the Quarters and Nine Months Ended September 30,  
(\$ in millions)  
(Unaudited)

|  | For the Quarters Ended<br>September 30, |          |          | For the Nine Months Ended<br>September 30, |          |          |
|--|---|----------|----------|--|----------|----------|
|  | 2015                                    | 2014     | % Change | 2015                                       | 2014     | % Change |
| <b>Net cash provided by operating activities<sup>(a)</sup></b> | \$ 2,693                                | \$ 2,965 | (9.2)%   | \$ 5,993                                   | \$ 6,385 | (6.1)%   |
| Less:  |   |          |          |  |          |          |
| Capital expenditures   | 223                                     | 296      |          | 636  | 804      |          |
| <b>Free cash flow</b>  | \$ 2,470                                | \$ 2,669 | (7.5)%   | \$ 5,357                                   | \$ 5,581 | (4.0)%   |
| Less:  |   |          |          |  |          |          |
| Currency impact  | (255)                                   |          |          | (1,809)                                    |          |          |
| <b>Free cash flow, excluding currency</b>                      | \$ 2,725                                | \$ 2,669 | 2.1%     | \$ 7,166                                   | \$ 5,581 | 28.4%    |

(a) Operating Cash Flow



PHILIP MORRIS INTERNATIONAL

# 2015 Third-Quarter Results

October 15, 2015