



PHILIP MORRIS INTERNATIONAL

# **Morgan Stanley Global Consumer & Retail Conference**

## **New York, November 16, 2016**

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*Chief Financial Officer*



# Forward-Looking and Cautionary Statements

- This presentation and related discussion contain forward-looking statements. Achievement of future 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 September 30, 2016. PMI cautions that the foregoing list of important factors is not a complete discussion of all potential risks and uncertainties. PMI does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations
- A glossary of terms, adjustments and other calculations, as well as reconciliations to the most directly comparable U.S. GAAP measures, are at the end of today's webcast slides, which are posted on our website
- 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



## Revising 2016 EPS Guidance for Currency Only

- Positive business momentum continues; remain on track to deliver robust underlying performance for the full-year
- Revising 2016 reported diluted EPS guidance to \$4.46 to \$4.51, at prevailing exchange rates, compared to \$4.42 in 2015; revision driven solely by currency
- Guidance now includes 42 cents of unfavorable currency at prevailing exchange rates (vs. 35 cents previously)
- Excluding currency, our guidance continues to represent a growth rate of approximately 10.5% to 11.5% compared to adjusted diluted EPS of \$4.42 in 2015



## Q4, 2016: Strong Outlook

- Anticipate strong currency-neutral net revenue growth, driven primarily by:
  - The growth of RRP's, principally in Japan
  - Favorable pricing variance of approximately 8% to 9% of Q4, 2015 net revenues
- Expect a very favorable cost comparison, reflecting the incremental investments we made in Q4, 2015, behind:
  - *iQOS*
  - Our cigarette brand portfolio in Asia
  - Preparation for the EU Tobacco Products Directive implementation in May 2016

## RRPs: Commercialization On-Track

- *iQOS* now available in key cities in **13 markets**, following recent launches in Amsterdam, Athens and Madrid



- Beginning city test of our Platform 4 next generation e-vapor product, *MESH*, in Birmingham, U.K.

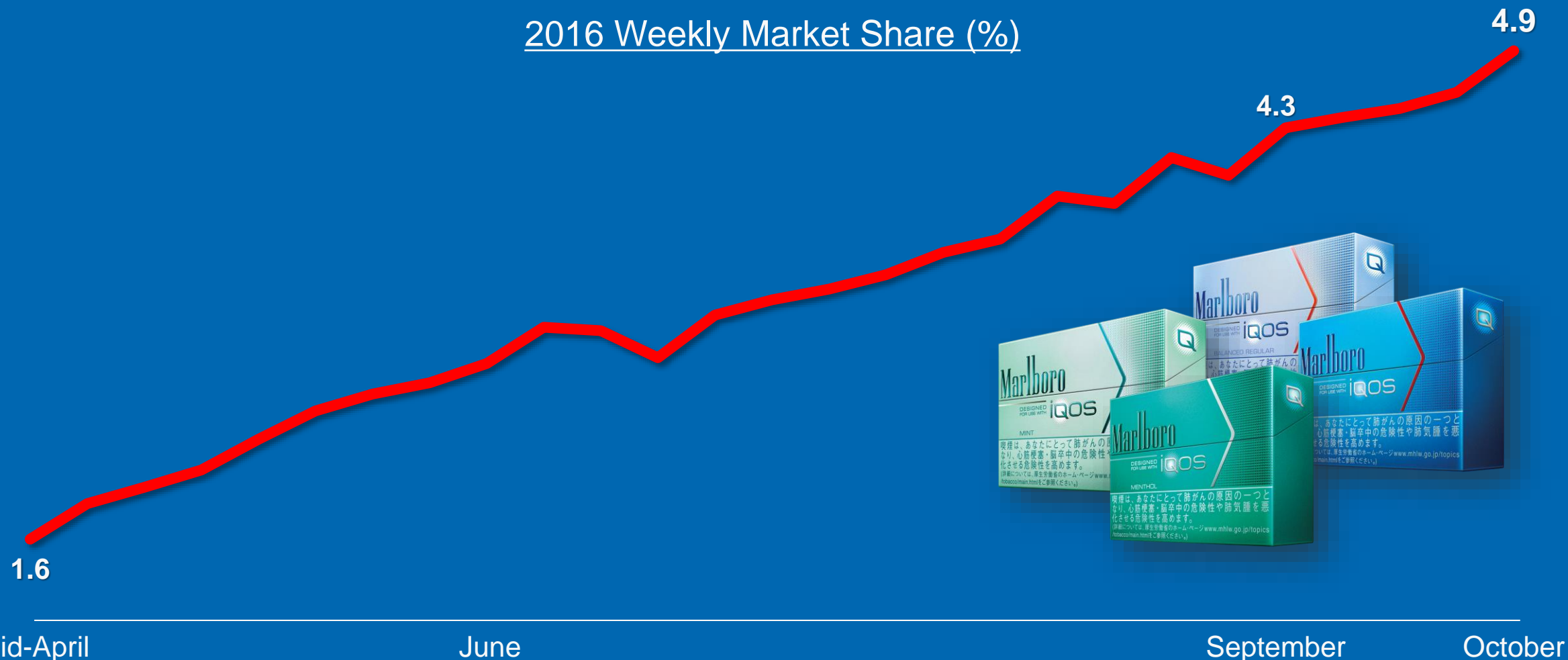




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# iQOS: Strong *HeatSticks* Share Growth in Japan

2016 Weekly Market Share (%)



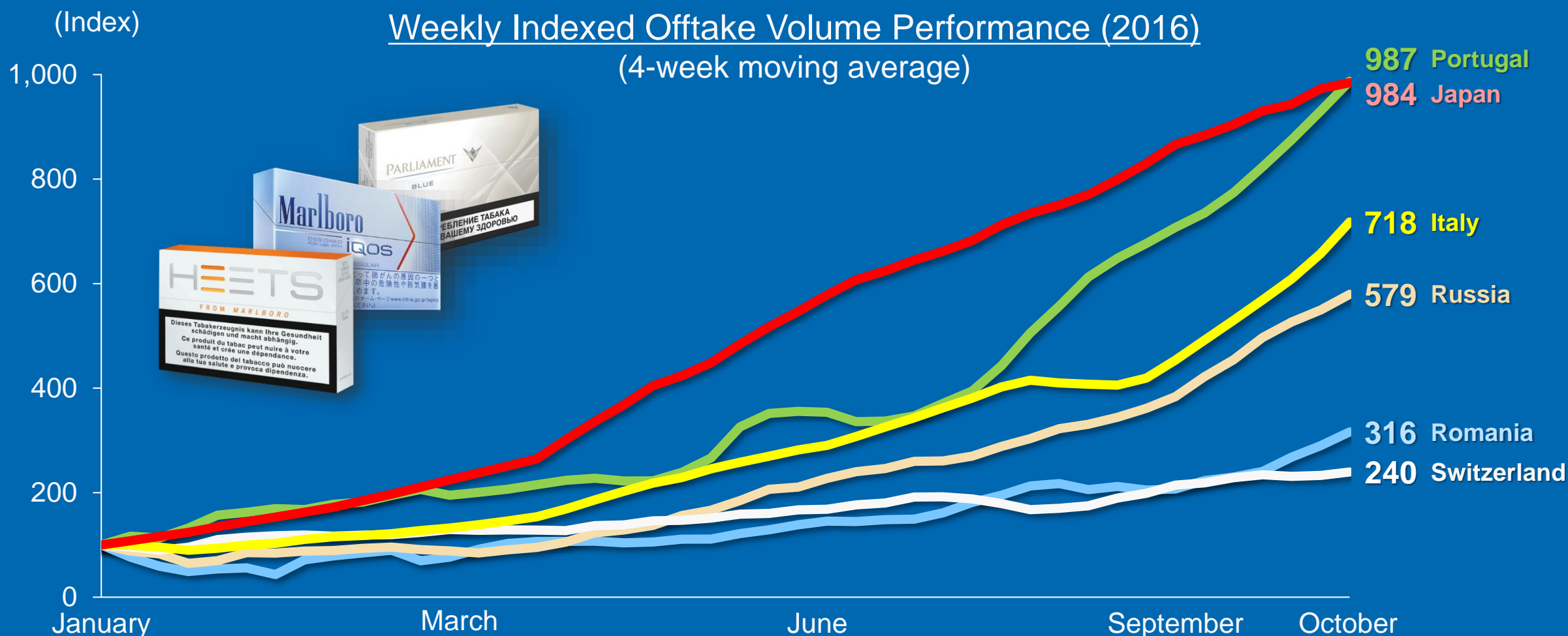
Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. Market share represents the total sales volume for *HeatSticks* as a percentage of the total estimated sales volume for cigarettes and *HeatSticks*. Pack designs are for illustrative purposes only  
Source: PMI Financials or estimates, and Tobacco Institute of Japan





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# iQOS: Encouraging *HeatSticks* Offtake Volume Trends



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. Italy refers to the Expansion Area (Bologna, Milan, Modena, Rome and Turin). Switzerland refers to the Launch Area (Basel, Bern, Geneva, Lausanne, Neuchâtel and Zurich). Pack designs are for illustrative purposes only

Source: PMI Financials or estimates



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Questions & Answers

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# Glossary and Reconciliation of Non-GAAP Measures



## Glossary: General Terms

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- 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, defined as worldwide cigarette volume excluding the U.S., total cigarette market, total market and market shares are PMI tax-paid estimates based on the latest available data from a number of internal and external sources and may, in defined instances, exclude China and/or PMI's duty free business
- Trademarks are italicized



## Glossary: Financial Terms

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- 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 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

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- 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

- *HeatSticks* and *HEETS* tobacco sticks are novel patented tobacco products specifically designed by PMI for use with PMI's *iQOS* system. The tobacco in *HeatSticks* / *HEETS* is heated by our *iQOS* technology to provide adult smokers with real tobacco taste and satisfaction without combustion. Includes *Marlboro HeatSticks*, *Parliament HeatSticks* and *HEETS* from *Marlboro*
- *iQOS* is the brand name under which PMI commercializes its Platform 1 controlled heating device
- *MESH* is the brand name that PMI has chosen for the city test of its "next generation" Platform 4 Reduced-Risk Product that leverages new proprietary vaporization technology
- 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'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 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 authorization, as is the case in the U.S. today

# 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)

	2015
<b>Reported Diluted EPS</b>	<b>\$ 4.42</b>
Adjustments:	
Asset impairment and exit costs	0.03
Tax items	(0.03)
<b>Adjusted Diluted EPS</b>	<b>\$ 4.42</b>

# 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 Quarters Ended December 31,  
(\$ in millions)  
(Unaudited)

2015								2014			% Change in Net Revenues excluding Excise Taxes		
Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisi- tions	Net Revenues excluding Excise Taxes, Currency & Acquisitions		Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions
\$ 6,647	\$ 4,713	\$ 1,934	\$ (269)	\$ 2,203	\$ -	\$ 2,203	European Union	\$ 7,181	\$ 5,034	\$ 2,147	(9.9)%	2.6%	2.6%
4,420	2,703	1,717	(417)	2,134	-	2,134	EEMA	5,233	3,108	2,125	(19.2)%	0.4%	0.4%
4,786	2,867	1,919	(250)	2,169	-	2,169	Asia	4,740	2,737	2,003	(4.2)%	8.3%	8.3%
2,518	1,696	822	(160)	982	-	982	Latin America & Canada	2,787	1,865	922	(10.8)%	6.5%	6.5%
<b>\$ 18,371</b>	<b>\$ 11,979</b>	<b>\$ 6,392</b>	<b>\$ (1,096)</b>	<b>\$ 7,488</b>	<b>\$ -</b>	<b>\$ 7,488</b>	<b>PMI Total</b>	<b>\$ 19,941</b>	<b>\$ 12,744</b>	<b>\$ 7,197</b>	<b>(11.2)%</b>	<b>4.0%</b>	<b>4.0%</b>

2015								2014			% Change in Operating Companies Income		
Operating Companies Income		Less Currency	Operating Companies Income excluding Currency	Less Acquisi- tions	Operating Companies Income excluding Currency & Acquisitions			Operating Companies Income			Total	Excluding Currency	Excluding Currency & Acquisitions
\$ 599		\$ (125)	\$ 724	\$ -	\$ 724	European Union		\$ 870			(31.1)%	(16.8)%	(16.8)%
704		(115)	819	-	819	EEMA		885			(20.5)%	(7.5)%	(7.5)%
465		(90)	555	-	555	Asia		573			(18.8)%	(3.1)%	(3.1)%
236		(63)	299	-	299	Latin America & Canada		296			(20.3)%	1.0%	1.0%
<b>\$ 2,004</b>		<b>\$ (393)</b>	<b>\$ 2,397</b>	<b>\$ -</b>	<b>\$ 2,397</b>	<b>PMI Total</b>		<b>\$ 2,624</b>			<b>(23.6)%</b>	<b>(8.7)%</b>	<b>(8.7)%</b>





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