



PHILIP MORRIS INTERNATIONAL

Designing a Smoke-Free Future

Consumer Analyst Group of New York (CAGNY) Conference

February 21, 2018

André Calantzopoulos – *Chief Executive Officer*

Jacek Olczak – *Chief Operating Officer*

Martin King – *Chief Financial Officer*

Forward-Looking and Cautionary Statements



- This presentation and related discussion contain projections of future results and other forward-looking statements. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI
- PMI's business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our 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, natural disasters and conflicts; 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, and limitations on the ability to repatriate funds; adverse changes in applicable corporate tax laws; adverse changes in the cost and quality of tobacco and other agricultural products and raw materials; and the integrity of its information systems. PMI's future profitability may also be adversely affected should it be unsuccessful in its attempts to produce and commercialize reduced-risk products or if regulation or taxation do not differentiate between such products and cigarettes; 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, 2017. PMI cautions that the foregoing list of important factors is not a complete discussion of all potential risks and uncertainties. PMI does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations
- "Reduced-risk products," or "RRPs," is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking

Agenda

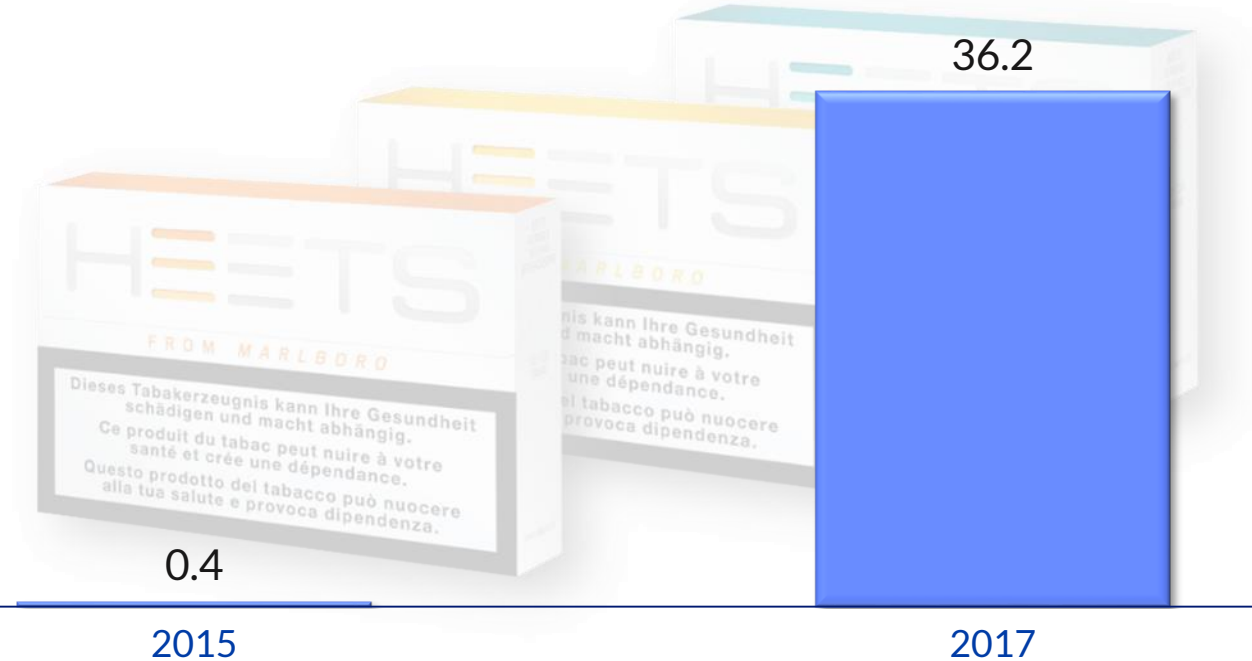


- Our strategy for a smoke-free future
- Overview of key success factors
- Strength of our combustible business
- Operating model and investments driving the commercial success of our RRP's
- 2018 outlook
- Concluding remarks

Smoke-Free Future: Significant Progress in Our Strategy



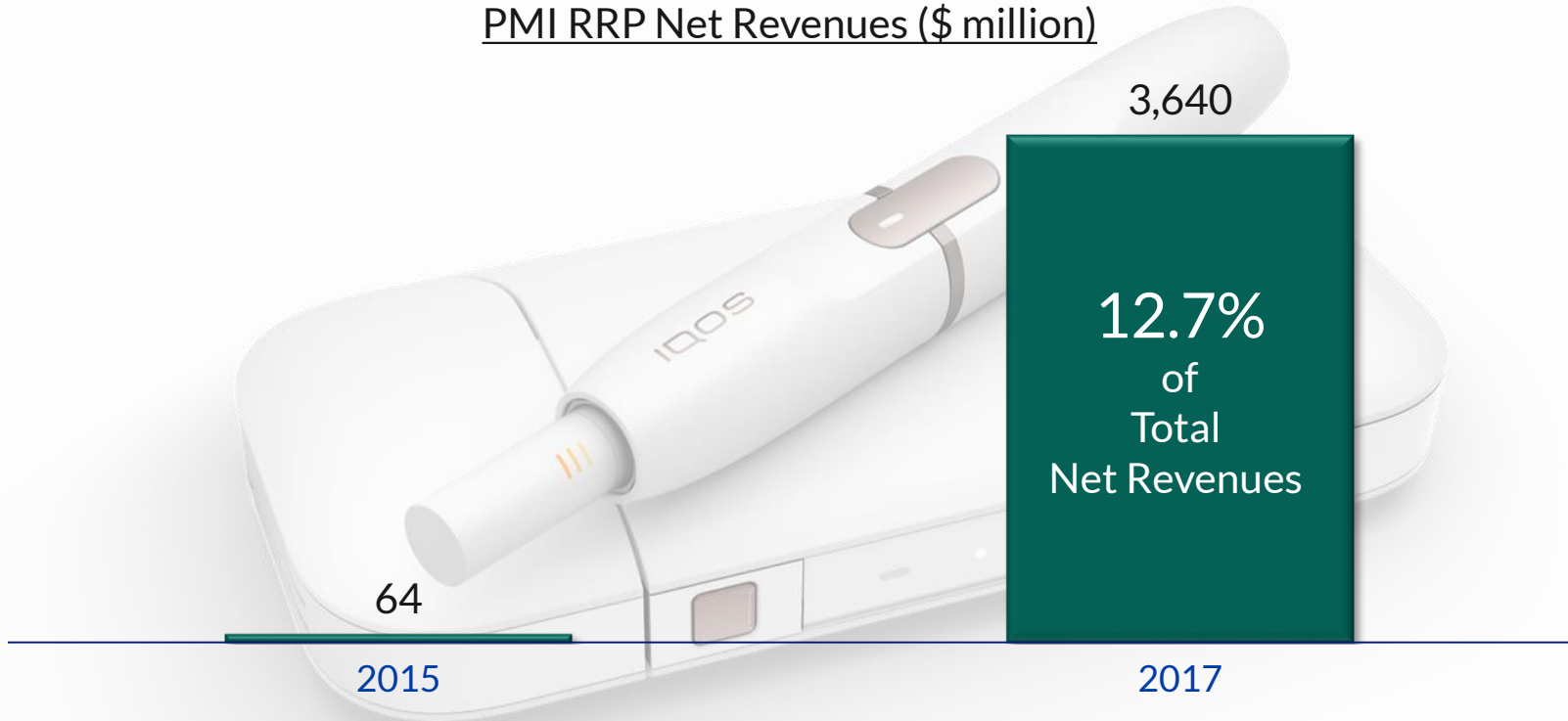
PMI Heated Tobacco Unit Volume (billion units)



Smoke-Free Future: Significant Progress in Our Strategy



PMI RRP Net Revenues (\$ million)



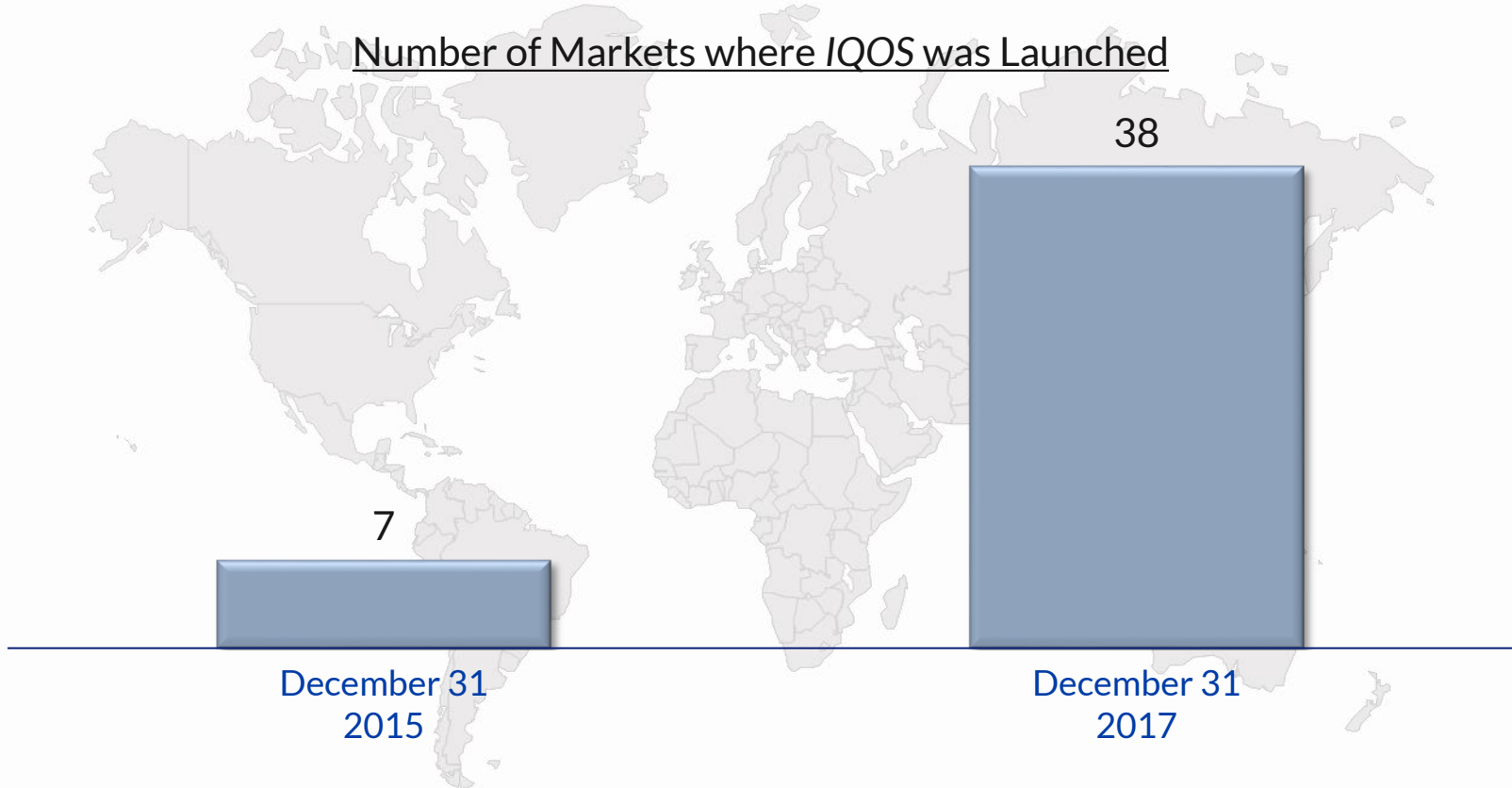
Note: Net revenues exclude excise taxes. Net revenues for RRP including excise taxes were \$66 million in 2015 and \$3,793 million in 2017

Source: PMI Financials or estimates

Smoke-Free Future: Significant Progress in Our Strategy



Number of Markets where IQOS was Launched



Smoke-Free Future: Significant Progress in Our Strategy



Japan: HeatSticks National Market Share (%)



Smoke-Free Future: Significant Progress in Our Strategy



Completed 10 clinical trials and an impressive number of other non-clinical scientific studies of our RRP platforms

Vast majority of our non-clinical studies have already been peer reviewed

Submitted MRTP and PMTA applications to the FDA

Smoke-Free Future: Significant Progress in Our Strategy



Implemented new organizational structure
to enhance our executional focus and
accelerate the growth of RRP's

European Union
Region

Eastern Europe
Region

Middle East &
Africa Region^(a)

South & Southeast
Asia Region

East Asia &
Australia Region

Latin America &
Canada Region

(a) Includes Duty Free

Note: A detailed split of the markets by Region is included in the glossary

Smoke-Free Future: Our Solid Combustible Business



- Maintained competitiveness of our combustible business through judicious resource reallocation and fewer, more effective commercial initiatives
- Resilient cigarette shares in RRP markets, despite reallocation
- Pricing power of our combustible portfolio remained intact:
 - Favorable variance of 5.9%^(a) in 2017, despite essentially no net pricing in Russia

(a) Reflects price variance for combustible products over prior year combustible net revenues, excluding excise taxes
Source: PMI Financials or estimates

Smoke-Free Future: Significant Progress in Our Strategy



Reflecting our activities and tremendous effort,
we estimate that nearly
5 million
adult consumers around the world
have already stopped smoking and switched to IQOS

Note: Status at the end of January 2018, reflecting new PMI methodology. For markets where IQOS is the only heated tobacco product, daily individual consumption of PMI heated tobacco units represents the totality of their daily tobacco consumption. For markets where IQOS is one among other heated tobacco products, daily individual consumption of heated tobacco units represents the totality of their daily tobacco consumption, of which at least 70% are PMI heated tobacco units

Source: PMI Financials or estimates, and IQOS User Panels

Smoke-Free Future: Investing Behind Our RRP's



- Since we embarked on this transformation journey, we have spent over \$4.5 billion to develop, substantiate the reduced-risk profile of, and build manufacturing capacity for a wide portfolio of smoke-free products
- In 2017, nearly 40% of our worldwide commercial expenditure and nearly 75% of our global R&D expenditure were dedicated to these innovative products



Smoke-Free Future: Enormous Potential of RRP

- Give the world's 1.1 billion men and women who smoke the opportunity to make better and informed choices
- Approximately 10,000 people now switching from cigarettes every day
- Unique and historic opportunity to improve the lives of smokers is what drives and inspires everyone at PMI
- Fully cognizant of the understandable skepticism among regulators and the public health community
- Will do everything we can to demonstrate our seriousness, transparency and, ultimately, trustworthiness
- Acknowledge that there are people who refuse to accept the RRP proposition

Smoke-Free Future: PMI Business Transformation

(billion units)



Smoke-Free
Product Volume^(b)

Actual
2017

36

Approx. 4%
of PMI total volume

Aspiration^(a)
2025

>250

>30%
of PMI total volume



Combustible
Product Volume^(c)

791

<550

(a) Assuming constant PMI market share outside China and the U.S. We do not set aspirational targets for R&D and commercial expenditure but we expect both ratios to continue increasing to enable the stated outcome in terms of shipment volume

(b) For 2017, smoke-free products volume includes heated tobacco units only

(c) Includes cigarettes and other combustible tobacco products

Source: PMI Financials or estimates, and PMI Communication on Progress 2016 United Nations Global Compact

Smoke-Free Future: PMI Business Transformation

(billion units)



Smoke-Free
Product Volume^(b)

Actual
2017

Aspiration^(a)
2025

36

>250

Approx. 4%
of PMI total volume

>30%
of PMI total volume



Smoke-Free
Product Net Revenues

\$ 4 billion

\$17-\$19 billion^(c)

Approx. 13%
of PMI total net revenues

Approx. 38%-42%^(c)
of PMI total net revenues

(a) Assuming constant PMI market share outside China and the U.S. We do not set aspirational targets for R&D and commercial expenditure but we expect both ratios to continue increasing to enable the stated outcome in terms of shipment volume

(b) For 2017, smoke-free products volume includes heated tobacco units only

(c) At today's pricing and excise tax assumptions

Note: Net revenues exclude excise taxes

Source: PMI Financials or estimates, and PMI Communication on Progress 2016 United Nations Global Compact

Smoke-Free Future: Making Our Vision a Reality



Three key areas in which we must excel:

1. Superior science, technology and consumer experience
2. Demonstrate to regulators, the scientific community and NGOs that RRP's will play a pivotal role in changing the lives and health trajectories of the hundreds of millions of men and women who smoke, and therefore improve public health
3. Continuously sharpen and expand our technical skills including through partnerships or acquisitions:
 - Require a higher degree of organizational agility, entrepreneurship, accuracy in communications and foresight



Smoke-Free Future: Substantiating Reduced Risk for Our RRP_s

- Encouraged by increasingly open dialogue around RRP_s and recognition of our efforts to substantiate the reduced-risk profile of our products
- Rigorous pre-market scientific assessments and due diligence are essential to significantly reduce scientific uncertainty, but cannot provide absolute certainty:
 - Routinely applies to innovations across all regulated product categories

Smoke-Free Future: Integrity of Our Scientific Assessment



- Adhere to internationally recognized standards including Good Laboratory Practices and Good Clinical Practices
- Actively share our methods and study results, making them available for public review
- Our systems toxicology methods and results are subjected to an even higher level of scientific scrutiny through the sbvIMPROVER methodology:
 - Reviews of our IQOS studies were submitted to the FDA as part of our MRTP applications
- This year, making the raw data from our non-clinical and clinical RRP studies available to the public
- Welcome independent studies of our RRP. Encourage others to undertake serious non-clinical and clinical studies with IQOS
- Believe our consumers deserve our unwavering commitment to help them fully understand the benefits of switching to RRP

We believe our scientific research capabilities are on par with the best in the life science industries



Smoke-Free Future: Society Should Demand that Adult Smokers Have Access to Information About Better Alternatives

- Switching to smoke-free products is a better choice than continuing to smoke
- Adult smokers should have access to accurate information about better alternatives
- Not **whether** to reduce smoking prevalence by replacing cigarettes with RRPs, but **how** best to do it, and how we can achieve this as soon as possible
- Growing acceptance of the decreasing risk continuum for tobacco and other nicotine-containing products, stated by the FDA, Public Health England, The European Union and others
- Not all tobacco and other nicotine-containing products are the same from a risk perspective
- Not all regulatory and fiscal rules that apply to cigarettes are relevant and justified for RRPs
- Smokers deserve policy choices that respect them and their ability to decide

Smoke-Free Future: The Public Discourse



- Emotions and ideological rhetoric often fierce vs. tobacco: does not promote sound public policy or enable the public to understand important facts
- Rhetoric is reported in media sources that purport to be objective:
 - Wrong on the facts and seem to drive a particular point of view or serve a particular interest
 - Ends do not justify any means, especially when they mislead and confuse people they purport to protect
- Public Health England's report on e-cigarettes and heated tobacco products (Feb 6, 2018):
 - Zeroed in on misreporting of scientific studies by the media
- Appreciate and respect FDA's bold policy announcement in 2017
- NGOs and the news media should also apply due diligence so that they can communicate accurately

IQOS: 2018 TPSAC Meeting on PMI's MRTP Applications



- Part of FDA's review of PMI's applications to commercialize *IQOS* in the U.S.
- Discussion reflected respect for the integrity of our scientific data and our commitment to bring *IQOS* to the U.S.
- TPSAC confirmed that the evidence supported the statement that switching completely to *IQOS* significantly reduces exposure to harmful chemicals
- Meeting was one step in a broader, on-going review of our MRTP applications by the FDA; recommendations and votes of TPSAC are advisory
- We look forward to working with the FDA to clarify any outstanding points
- PMI's PMTA was not before TPSAC as it follows a parallel regulatory pathway



PHILIP MORRIS INTERNATIONAL

Designing a Smoke-Free Future

Consumer Analyst Group of New York (CAGNY) Conference

February 21, 2018

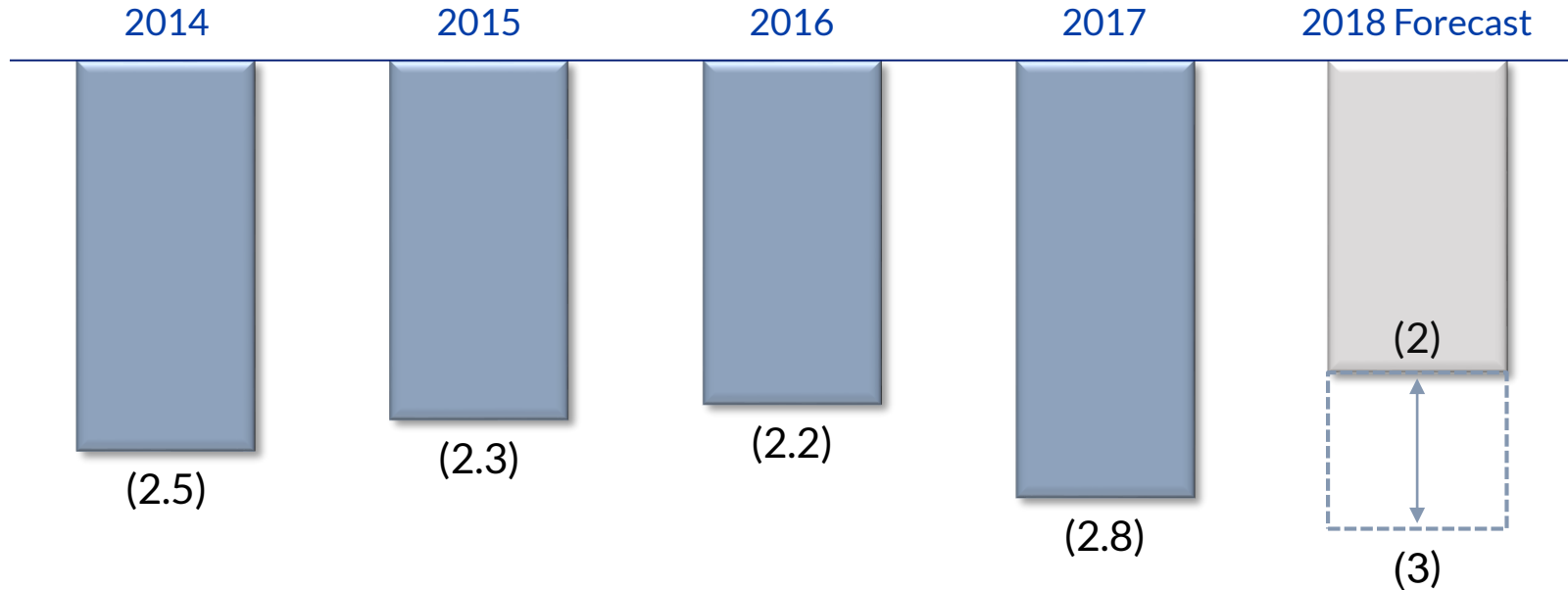
Jacek Olczak
Chief Operating Officer



International Total Industry Volume

(%)

Decline vs. PY



PMI total volume: anticipate a decline of around 2% for 2018

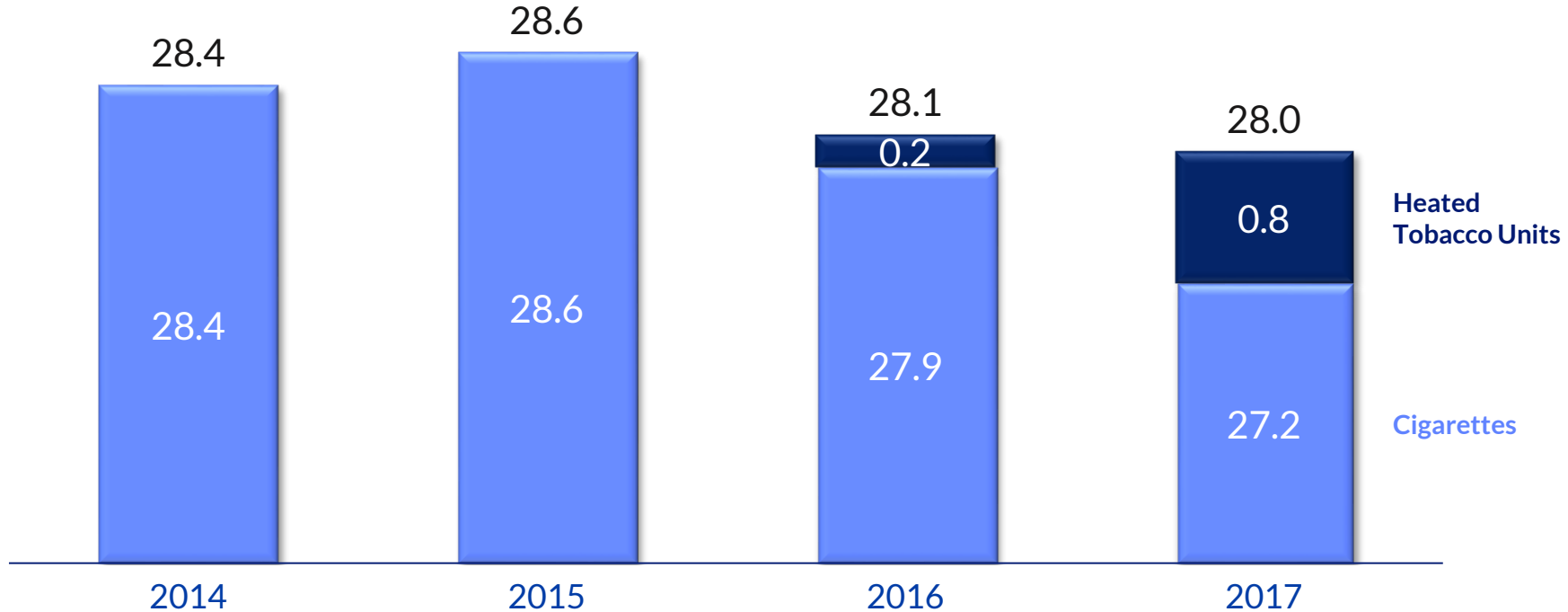
Note: Excluding China and the U.S. Reflects cigarettes and heated tobacco units

Source: PMI Financials or estimates



PMI: International Share Essentially Stable in 2017

(%)

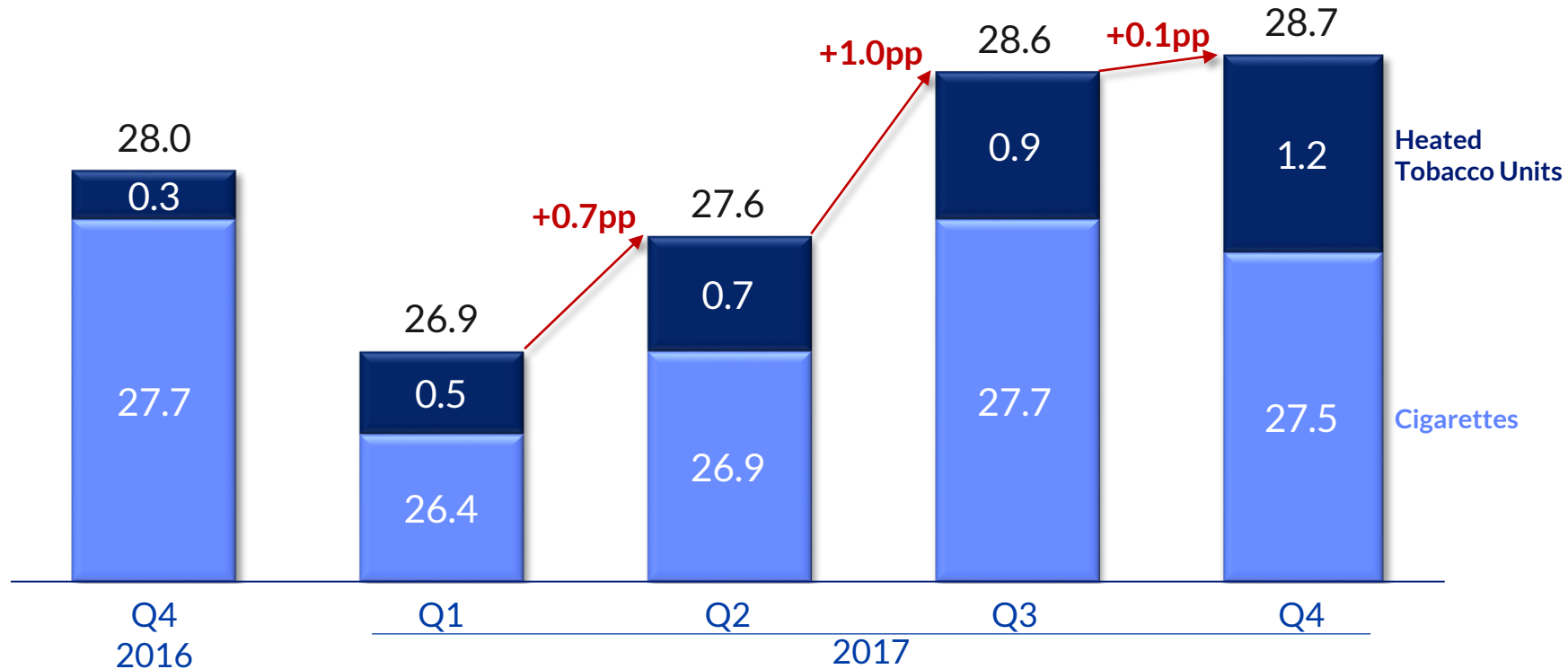


Note: Excluding China and the U.S.
Source: PMI Financials or estimates



PMI: Strong Quarterly Sequential Growth in Our International Share

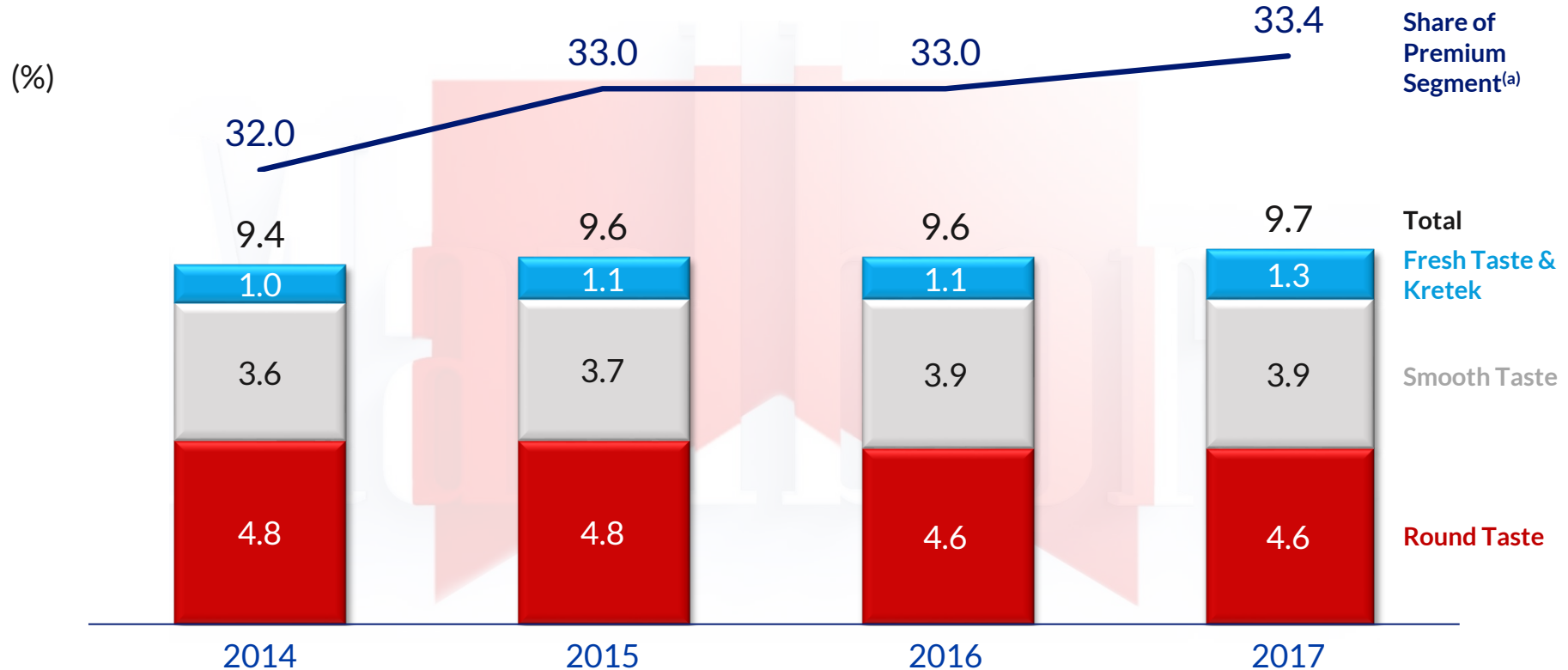
(%)



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



Marlboro: International Cigarette Market Share



(a) Share of premium segment is defined as *Marlboro* premium cigarette volume as a percentage of total premium cigarette volume. Premium includes above premium

Note: Excluding China and the U.S. *Marlboro* international cigarette market share is defined as PMI total sales volume for *Marlboro* cigarettes as a percentage of the total industry estimated sales volume for cigarettes. Totals may not add due to rounding

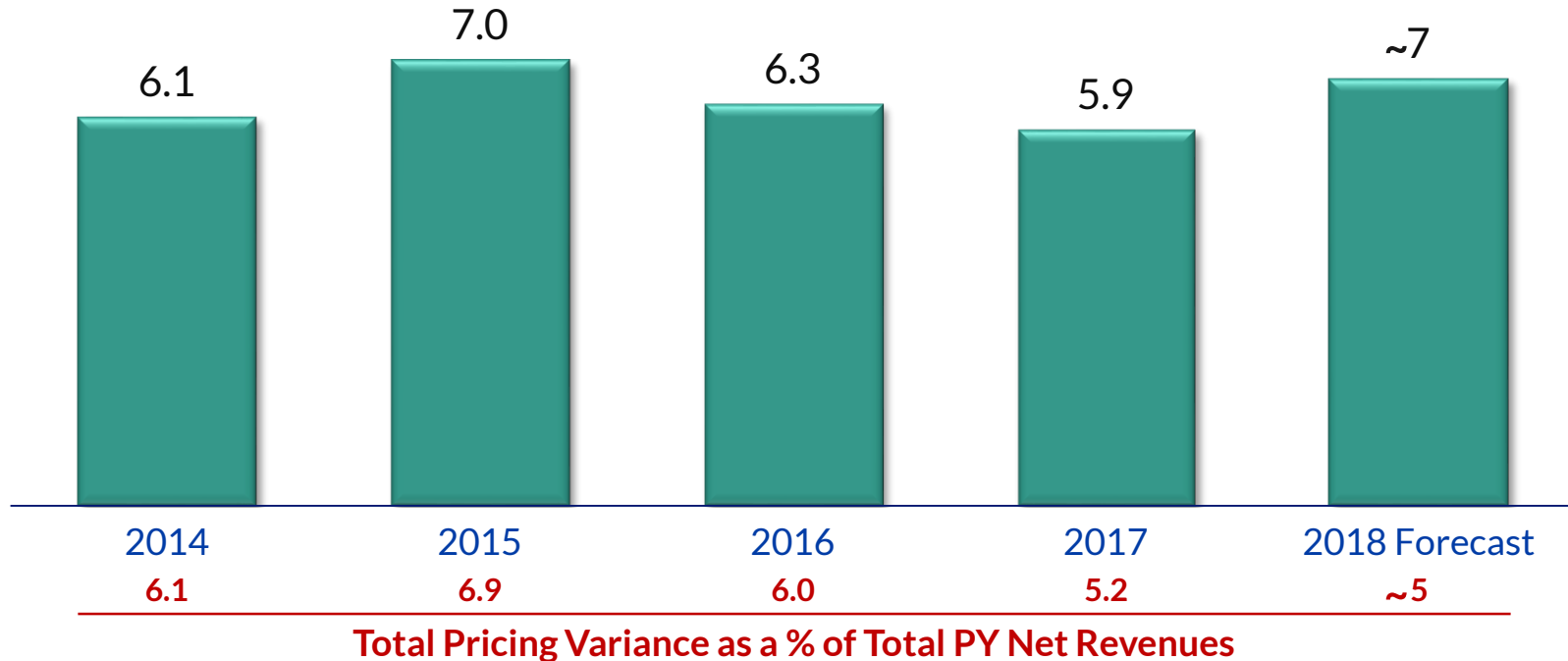
Source: PMI Financials or estimates



PMI: Combustible Pricing Variance

(%)

Combustible Pricing Variance as a % of Combustible PY Net Revenues



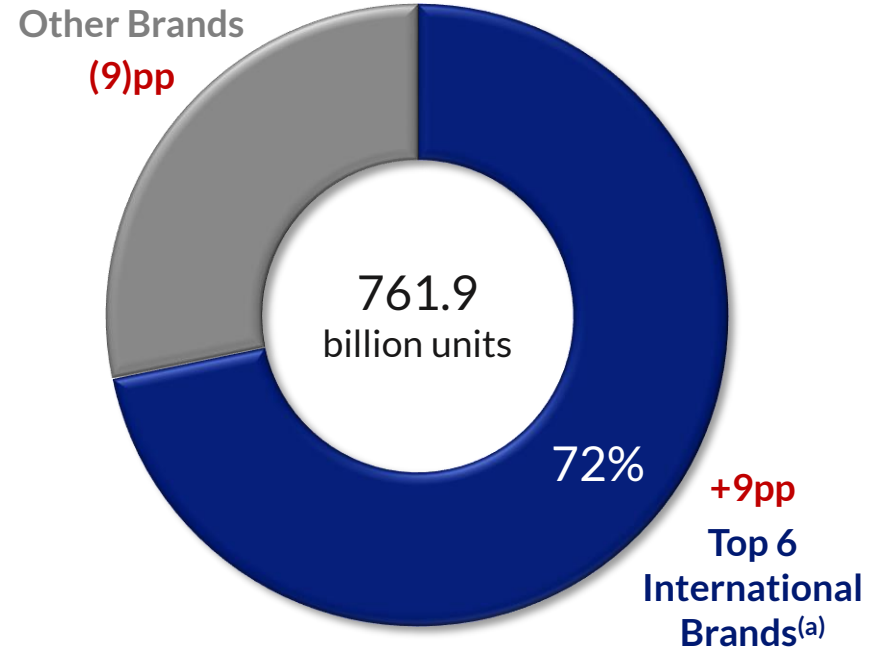
Note: Total pricing variance includes both combustible and heated tobacco products
Source: PMI Financials or estimates

PMI: Cigarette Brand Strategy



Change vs. 2014

- Remain focused on maintaining:
 - Leadership of the combustible tobacco category outside China and the U.S.
 - Premium positioning of our brands
- Consolidating our brand portfolio through morphing of local brands into international trademarks:
 - Focus our innovation and support smaller number of brands
 - Removes complexity and costs from production processes

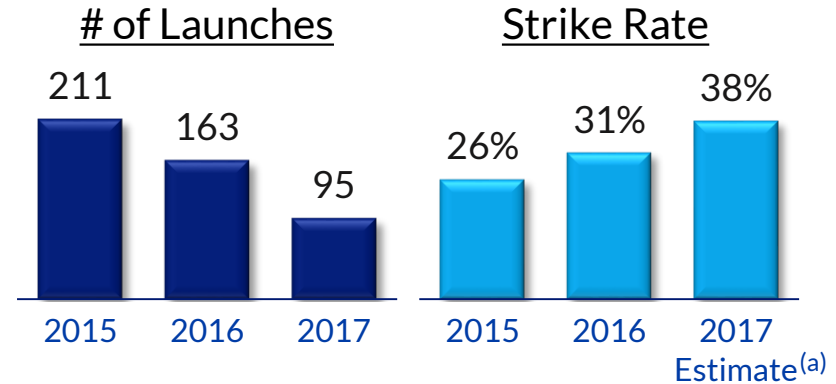


PMI Cigarette Volume (2017)

(a) Marlboro, L&M, Chesterfield, Philip Morris, Parliament and Bond Street
Source: PMI Financials or estimates

PMI: Cigarette Innovation

- Rigorous review process in place
- Clearly defined market share threshold for authorizing, and subsequently evaluating, the success of new launches
- Supported by predictive model
- Reduced number of new product launches with significantly higher success rate
- Reduced number of SKUs:
 - 4,213 in 2017 (vs. 4,595 in 2015)
- Strategy becomes increasingly important with the advent of RRP



(a) Based on latest available share for 2017 launches with a minimum of three months since launch
 Note: Strike rate is defined as % of innovations meeting a pre-defined threshold, 12 months after launch
 Source: PMI Financials or estimates



The IQOS logo, featuring a stylized bird icon in blue and green to the left of the word "IQOS" in a bold, blue, sans-serif font.
THIS CHANGES EVERYTHING

IQOS: Approach to Commercialization



Heated Tobacco Share



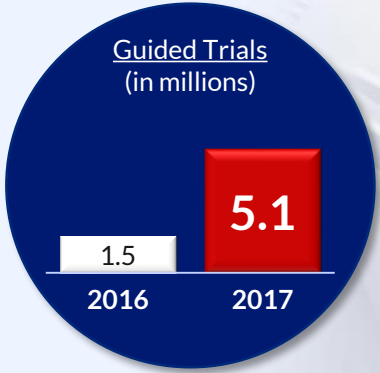
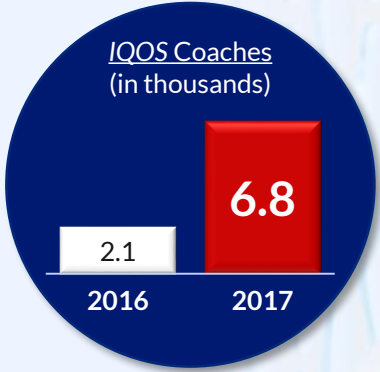
IQOS: Significant Up-Front Investments

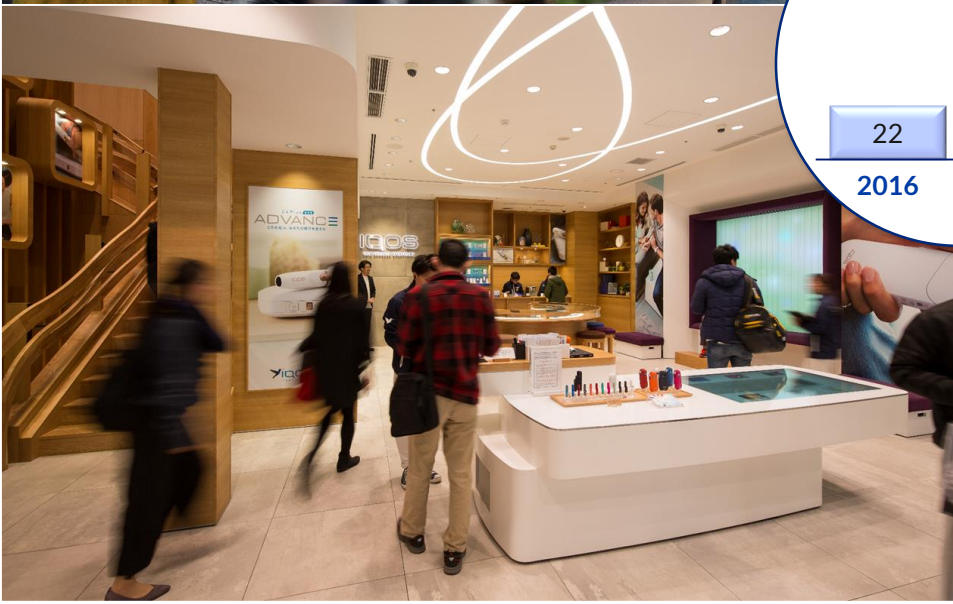
- Up-front investments are much greater than those required for launching a cigarette brand
- They entail:
 - Additional specialized field resources to engage with adult smokers, the trade and other stakeholders
 - Retail spaces, including full-fledged flagship stores, boutiques and pop-up stores in high-traffic, urban areas
 - Customer care service infrastructure, for after-sales support
 - Digital platforms

2017 Commercial Cost Composition (%)



(a) Includes customer care & e-commerce
 Note: Totals may not add to 100% due to rounding
 Source: PMI Financials or estimates





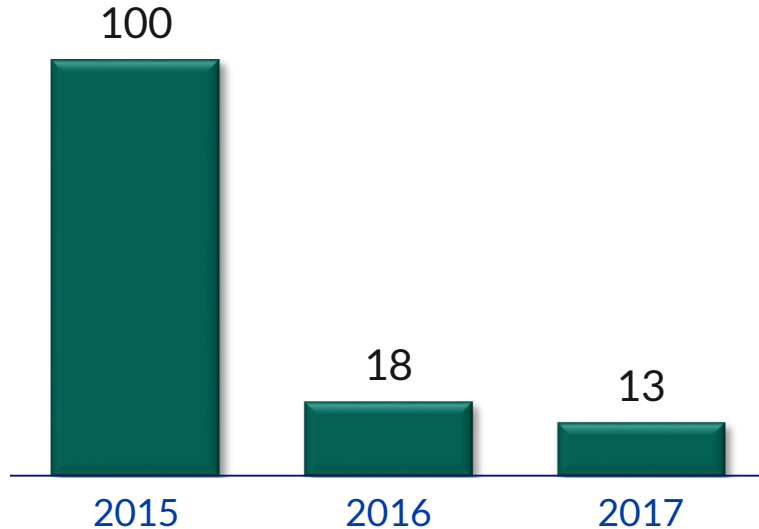


IQOS: Evolution of Switching Costs in Japan

Cost of Consumer Acquisition

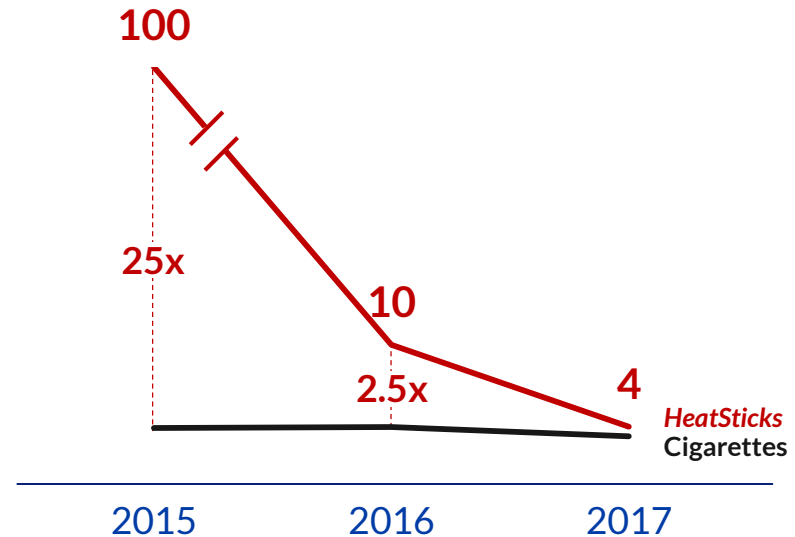
Cost Per Converted User

(index = 2015; cost/000 users)



Commercial Expenditures^(a)

(index = 2015; cost/000 units)



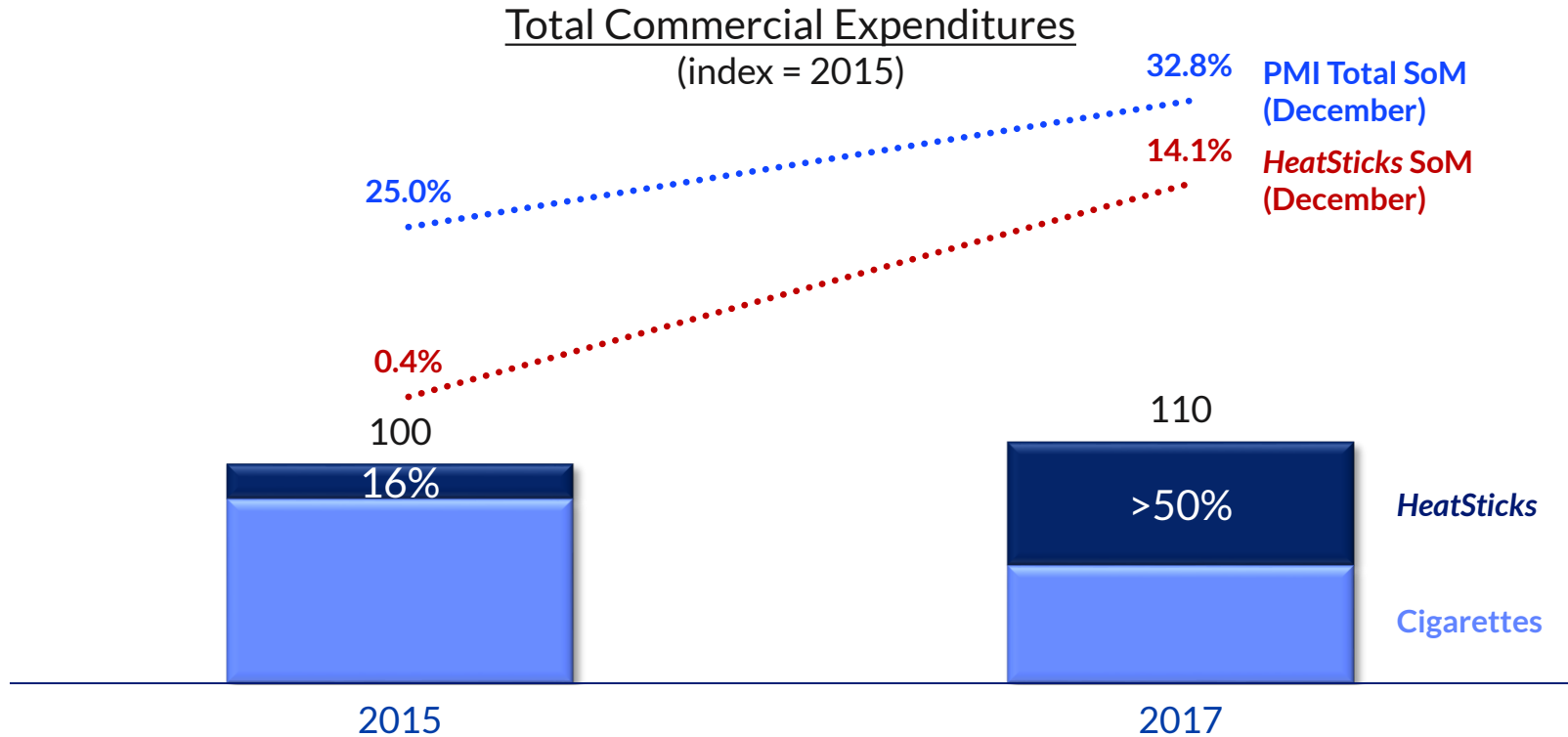
(a) Excluding sales allowances

Note: Commercial expenditure includes costs for marketing, consumer engagement, and trade promotions

Source: PMI Financials or estimates



IQOS: Total Commercial Expenditures in Japan



Note: Commercial expenditure includes costs for marketing, consumer engagement, and trade promotions
Source: PMI Financials or estimates, and Tobacco Institute of Japan

IQOS: Device Economics



- **Retail selling price:** global average of around \$110 in 2017
- **Introductory discounts:** approximately 25%^(a) of the RSP, on average
- **Unit cost:** down by around 15% in 2017, mainly reflecting:
 - Economies of scale
 - Addition of our second supplier late-2017
- **Accessories:** small contribution; high unit margins



Expect unit economics of devices to continue to improve

(a) Reflects volume weighted discount
Source: PMI Financials or estimates

IQOS: Heated Tobacco Unit Economics

- **Retail selling price:** generally sold at premium retail price points across all markets
- **COGS per unit:** approaching those for equivalent cigarettes (e.g., premium products produced at a similar factory)
- **Trade margins:** consistent with those of cigarettes
- **Unit margin:** in line with premium cigarettes, assuming similar excise tax treatment
- **Excise tax treatment:**
 - Varies by market
 - Generally lower level vs. cigarettes

Positive mix benefit from uptrading



IQOS: Now Present in 38 Markets Worldwide^(a)

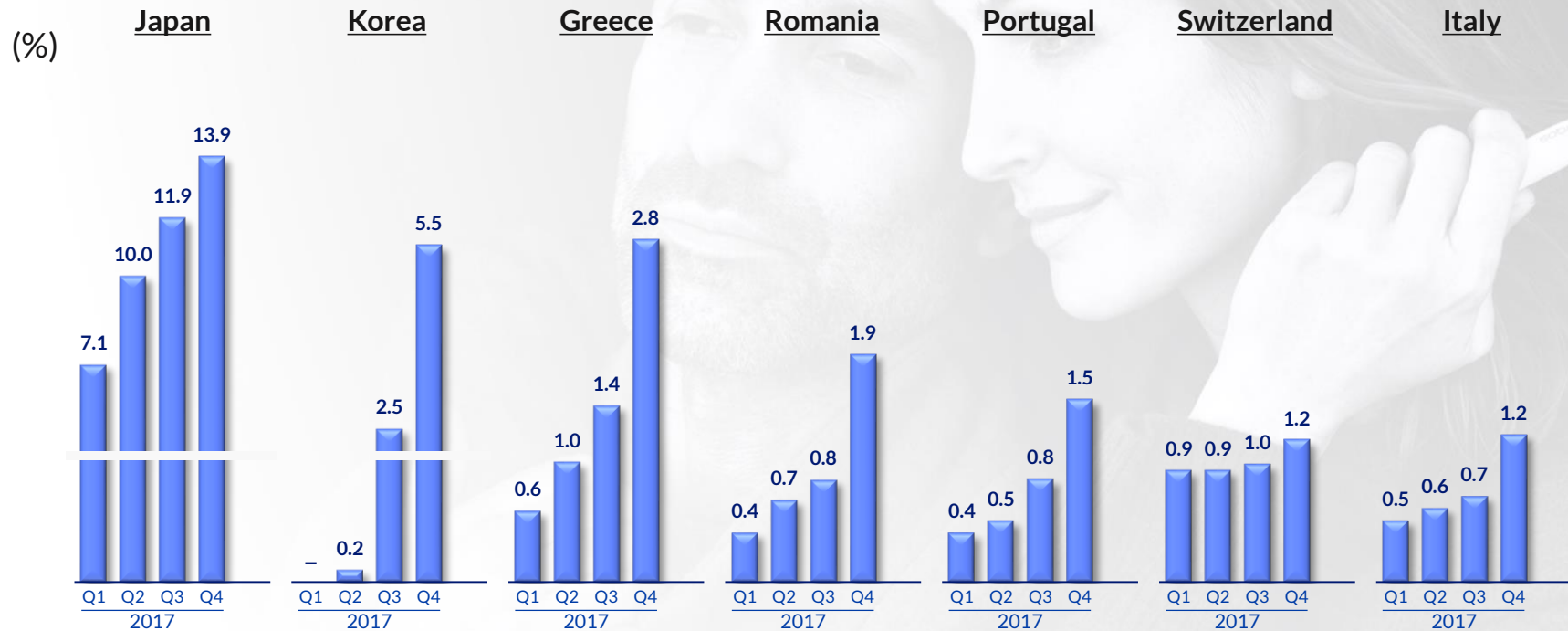


EU Region		EEMA Region	Asia Region	LA&C Region
Andorra	Lithuania	Duty Free	Japan	Canada
Bulgaria	Monaco	Israel	Korea	Colombia
Canary Islands	Netherlands	Kazakhstan	New Zealand	Curacao
Croatia	Poland	Palestine		Guatemala
Cyprus	Portugal	Russia		
Czech Republic	Romania	Serbia		
Denmark	Slovak Republic	South Africa		
France	Slovenia	Turkish Cyprus		
Germany	Spain	Ukraine		
Greece	Switzerland			
Italy	United Kingdom			



(a) Status on December 31, 2017

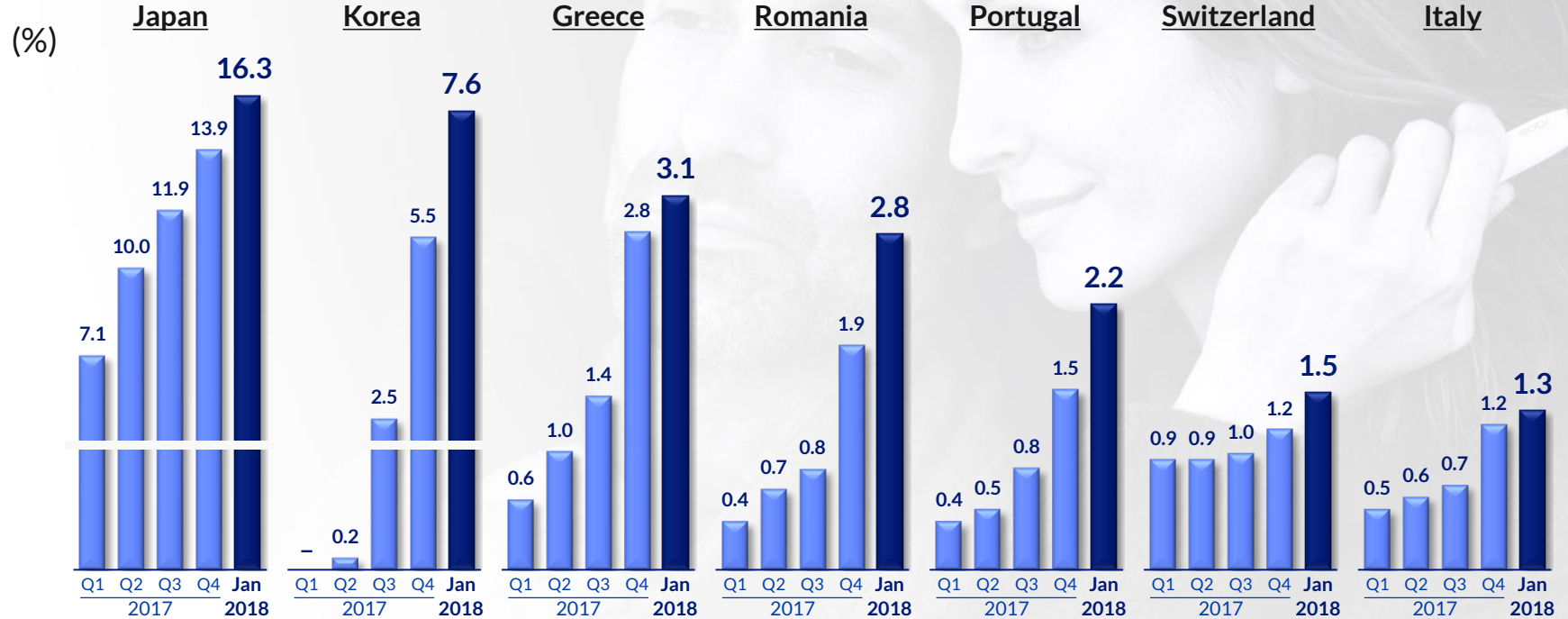
IQOS: Growing National Market Shares



Note: Underlying share data is unrounded

Source: PMI Financials or estimates, Tobacco Institute of Japan and Hankook Research

IQOS: Growing National Market Shares



Note: Underlying share data is unrounded

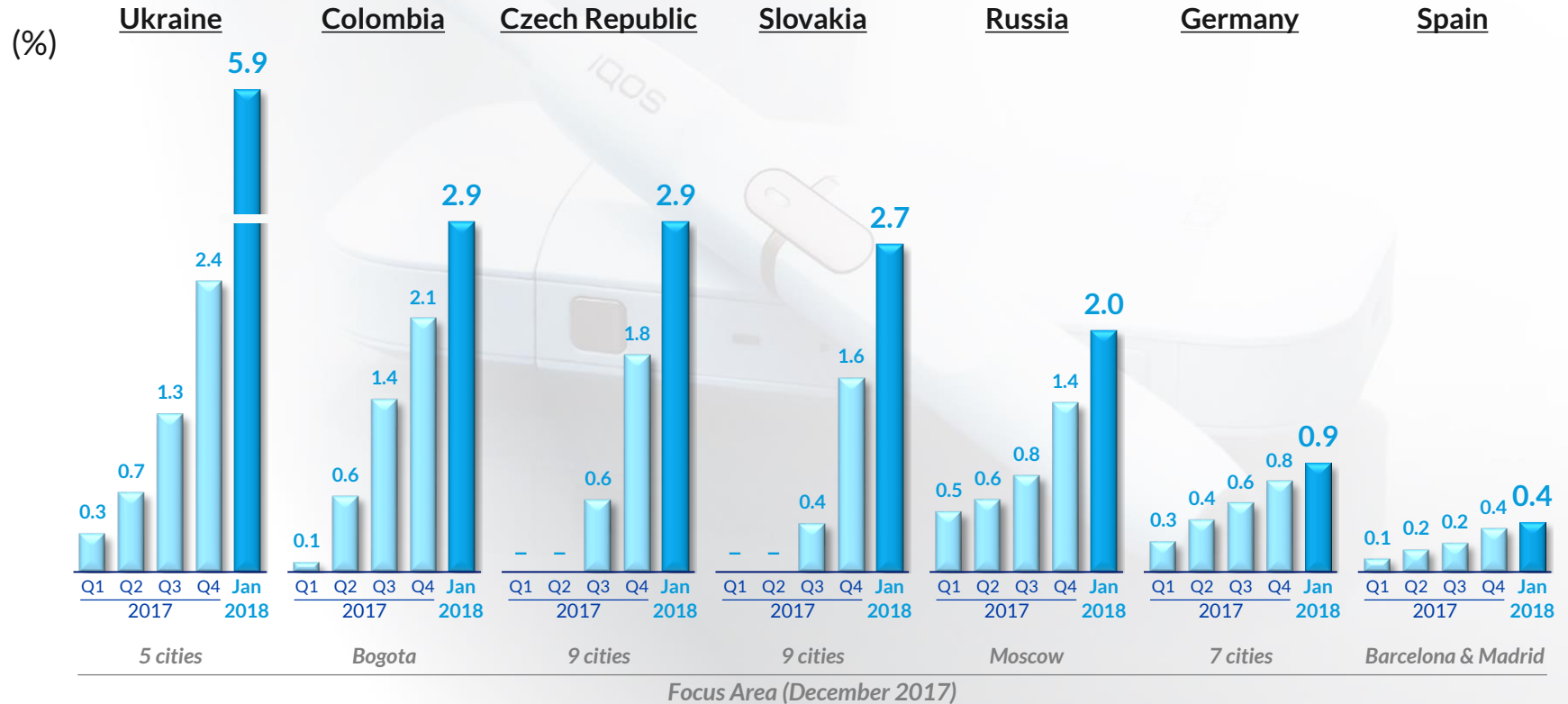
Source: PMI Financials or estimates, Tobacco Institute of Japan and Hankook Research

IQOS: Growing Focus Area Offtake Shares



Note: Underlying share data is unrounded
 Source: PMI Financials or estimates

IQOS: Growing Focus Area Offtake Shares



Note: Underlying share data is unrounded
 Source: PMI Financials or estimates

IQOS: HeatSticks Offtake Share Growth Continues in Japan

<u>Week ending:</u>	<u>Weekly Offtake Shares (%)</u>			<u>2018 Jan-28</u>	<u>Variance Jan-28 vs. Dec-31</u>
	<u>2017 Jan-29</u>	<u>2017 Jul-2</u>	<u>2017 Dec-31</u>		
Fukuoka	7.5	11.5	15.1	16.0	+0.9pp
Sendai	13.0	17.2	20.0	20.5	+0.5pp
Tokyo	9.5	14.9	17.7	18.6	+0.9pp
National	7.7	12.8	16.2	16.8	+0.6pp

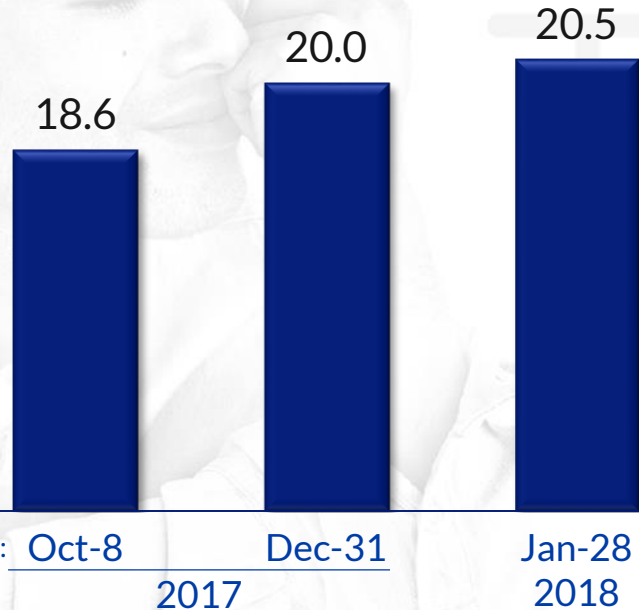
Note: Offtake share represents select C-Store sales volume for HeatSticks as a percentage of the total retail sales volume for cigarettes and heated tobacco units
 Source: PMI Financials or estimates



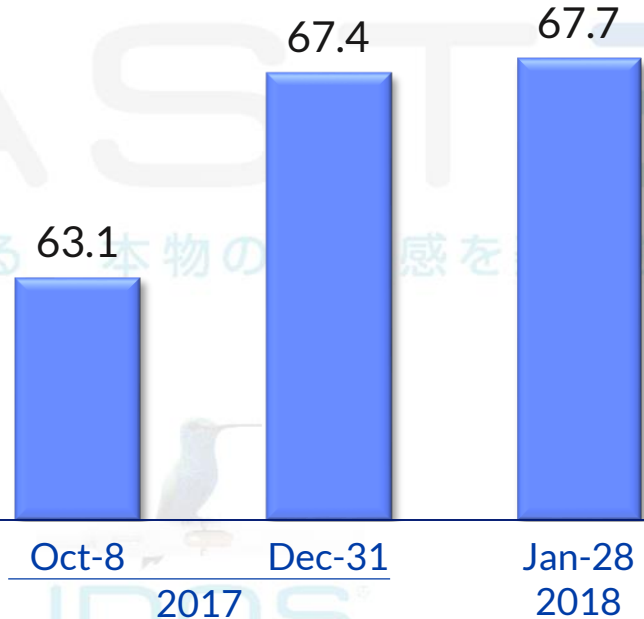
IQOS: Solid Performance in Sendai, Japan

Weekly Offtake Data (%)

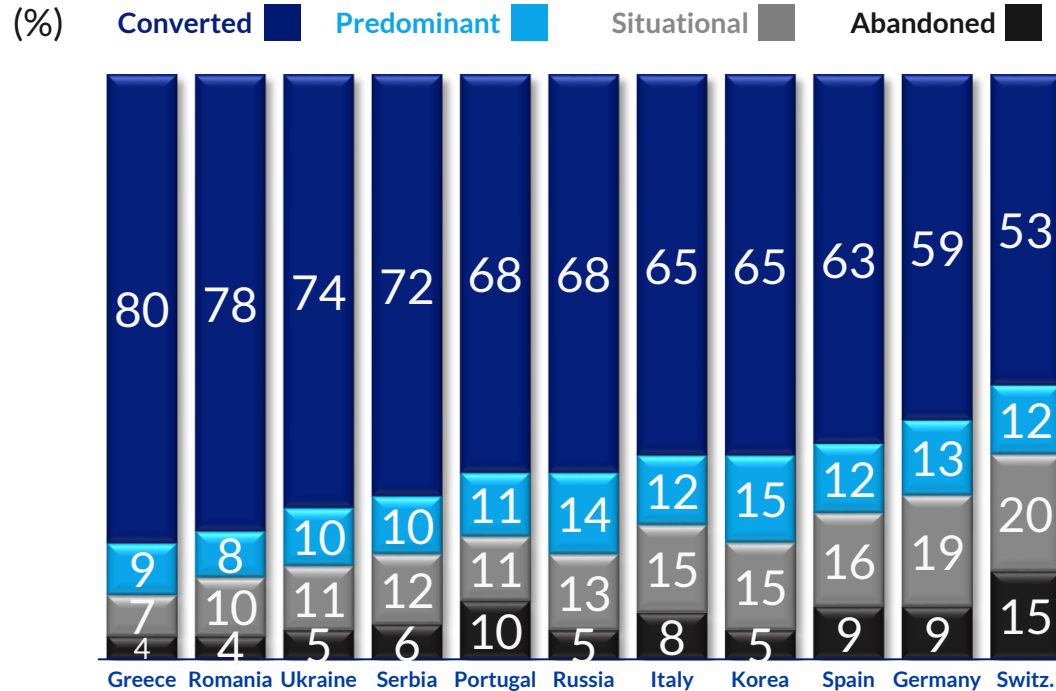
HeatSticks Offtake Share



PMI Share of Heated Tobacco Category



IQOS: High Adult Smoker Switching Rates^(a)



(a) Status as of December 2017
 Note: Switz. is Switzerland
 Source: IQOS User Panels



IQOS: Adult Smoker Switching in Japan

- 68% of *IQOS* purchasers switched exclusively to the heated tobacco category

Of this group:

- 82% use *IQOS* only within the heated tobacco category
- 9% use *IQOS* predominantly (>70% of their daily tobacco use)
- 8% use *IQOS* less than predominantly
- 1% have completely switched from *IQOS* to other competitive heated tobacco products

IQOS: Regulation around Adult Smoker Communication

- Clear correlation between ability to communicate heated tobacco category benefits to consumers and IQOS share progressions:
 - IQOS requires substantial consumer education, particularly early in the conversion process
- Regulation plays key role in how and where we communicate with adult smokers, including with regard of health-related messages
- Other important factors:
 - Consumer attitudes regarding smoking-related health concerns
 - Societal acceptance of smoking tobacco
 - Consumers' prior experience with e-cigarettes
 - Cultural traits related to word-of-mouth
- Adult smoker awareness levels (January 2018):
 - Italy (approx. 20%)
 - Japan (nearly 90%)



RRPs: Our Product Platforms

Heated Tobacco Products

Platform

①



Platform

②



Products Without Tobacco

Platform

③



Platform

④





PHILIP MORRIS INTERNATIONAL

Designing a Smoke-Free Future

Consumer Analyst Group of New York (CAGNY) Conference

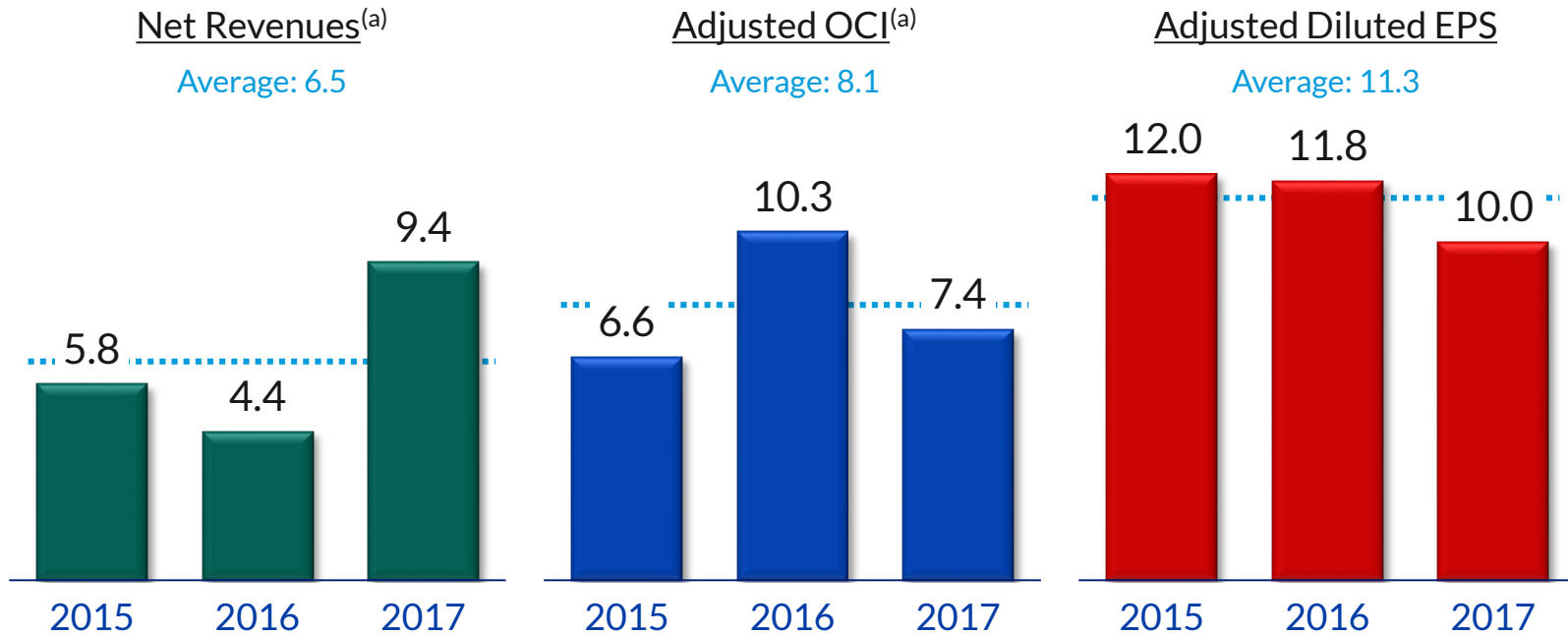
February 21, 2018

Martin King
Chief Financial Officer



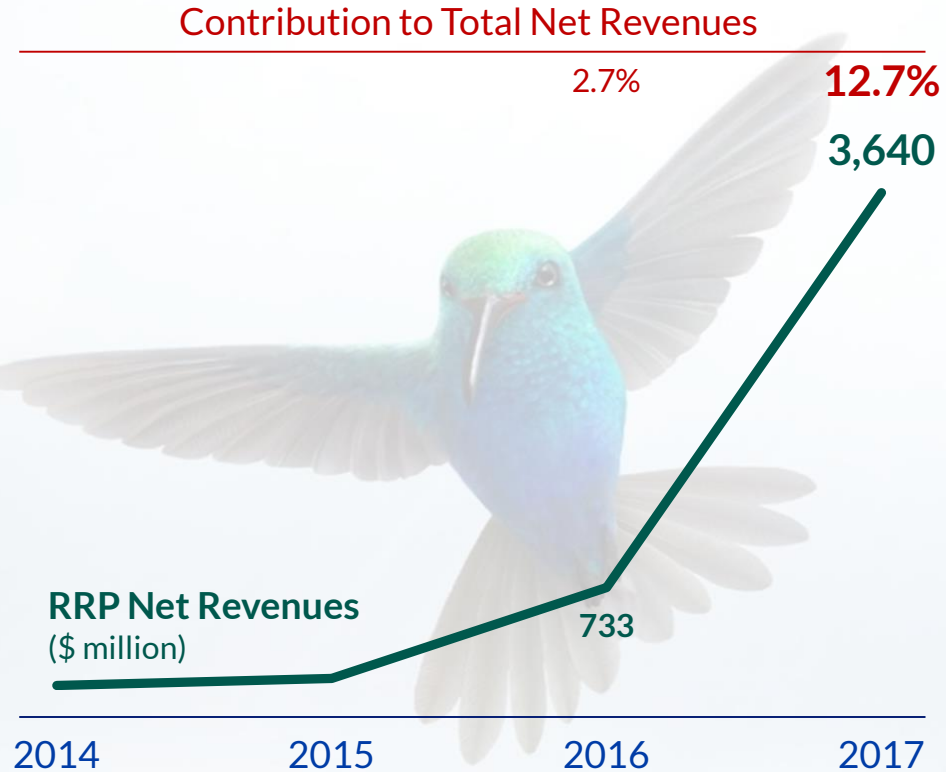
PMI: Strong Financial Results, ex-Currency, while Investing behind IQOS

% Growth vs. PY



(a) Also excludes acquisitions
Note: Net revenues exclude excise taxes
Source: PMI Financials or estimates

2017: Landmark Year for RRPs in Terms of Profitability



Note: Net revenues exclude excise taxes
Source: PMI Financials or estimates



2018: EPS Guidance Reaffirmed

- Reaffirming 2018 reported diluted EPS guidance of \$5.20 to \$5.35, at the then prevailing exchange rates (February 8th, 2018), vs. \$3.88 in 2017
- Guidance includes 16 cents of favorable currency at the then prevailing exchange rates
- Excluding currency, guidance continues to represent a growth rate of approximately 7% to 10% compared to adjusted diluted EPS of \$4.72 in 2017
- Recently, currency spot rates have moved favorably, but remain highly volatile
- Q1, 2018: we expect reported diluted EPS of approximately \$0.87, at the then prevailing exchange rates, including approximately 3 cents of favorable currency



2018: Significant RRP Investment

- 2018 forecast assumes:
 - Net revenue growth of over 8%, ex-currency
 - Sizable up-front investments behind RRP, primarily IQOS
- Incremental RRP spending^(a) of approximately \$600 million, ex-currency, concentrated primarily in:
 - EU Region
 - Japan and KoreaCollectively account for around 80%

(a) Net of lower spending on our combustible portfolio
Source: PMI Financials or estimates

2018 PMI Effective Tax Rate: Impact of U.S. Tax Reform



- We expect an effective tax rate of approximately 28%
- Difference vs. the 21% statutory rate under the new law reflects the fact that PMI operates in markets outside of the U.S., and is driven by three main factors:

U.S. effective tax rate	21%
- Foreign tax rate differences	~2pp
Blended foreign effective tax rate	~23%
- Non-deductibility of interest expense in the U.S.	
- Partial disallowance of foreign tax credits ^(a)	
PMI effective tax rate	~28%

- Under the new territorial-based system, we may face greater variability in our effective tax rate going forward, largely reflecting any changes in earnings mix by taxing jurisdiction, as well as tax rate changes in these jurisdictions

(a) Related to the application of the rules for global intangible low-taxed income
Source: PMI Financials or estimates



2018: Operating Cash Flow^(a)

- Targeting operating cash flow of over \$9.0 billion, despite our initial payment of approximately \$130 million related to the repatriation tax on our unremitted earnings under the new tax law
- Primarily for:
 - Capital expenditures to support the growth of our business
 - Dividends to our shareholders

(a) Operating cash flow is defined as net cash provided by operating activities
Source: PMI Financials or estimates

2018: Proportion of RRP-Related Capital Expenditures



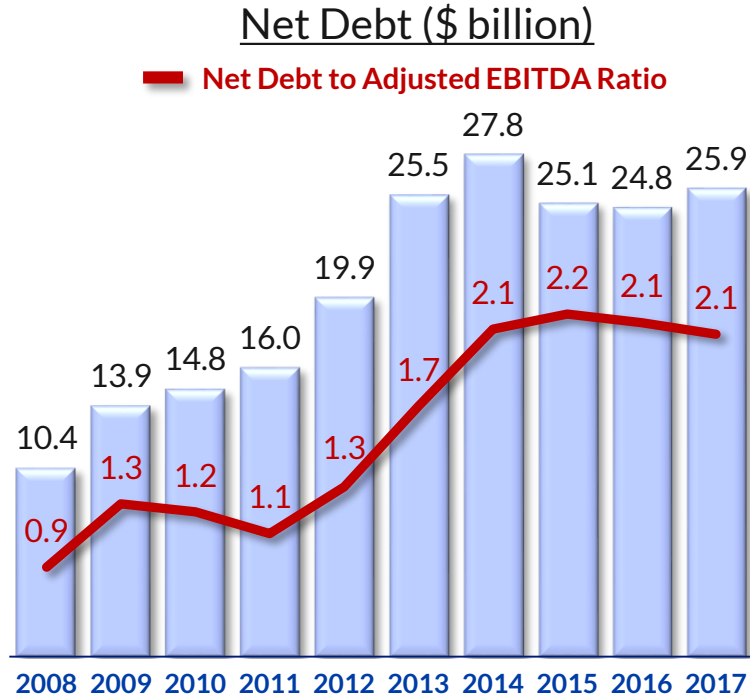
- Anticipate capital expenditures of approximately \$1.7 billion vs. \$1.5 billion in 2017
- Contribution of RRP-related investment to our total capital expenditures is projected to reach approximately 60%

2018: Capital Structure



- Remain committed to restoring, over time, our leverage multiples to the ranges associated with our current credit rating:
 - New tax law provides us with greater flexibility on cash repatriation
 - Provides us with the flexibility to successfully manage through events such as the 2008 financial crisis and the unprecedented currency headwinds that we've faced over recent years, while still making significant investments behind RRP
 - Puts us in a better position to respond to potential acquisition opportunities, particularly with regard to the rapidly-evolving RRP category and related technologies

PMI: Net Debt to Adjusted EBITDA Evolution



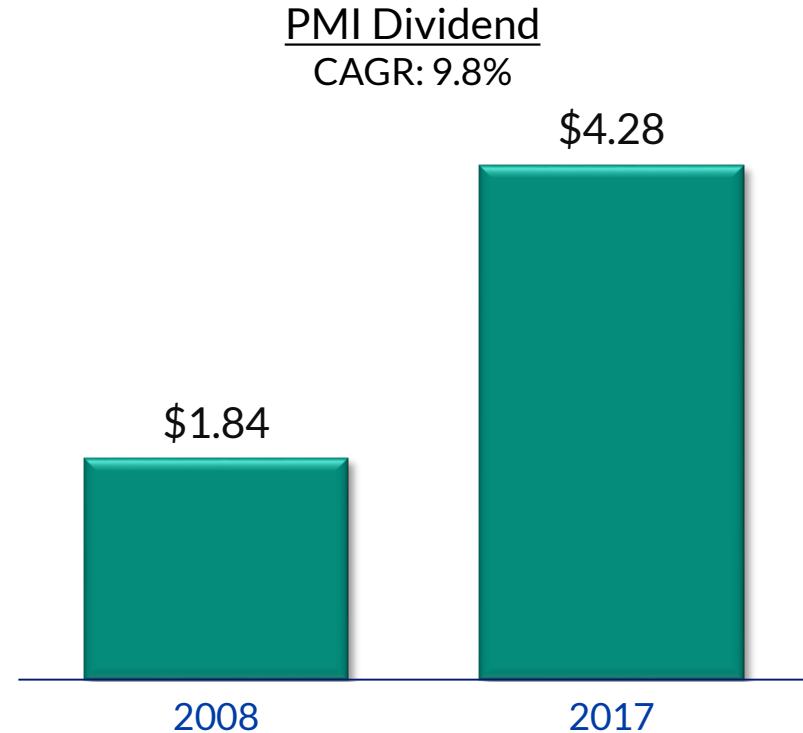
2016 Status

<u>Agency</u>	<u>Ratio</u>	<u>Target Range</u>	<u>PMI</u>
Moody's	Adjusted Total Debt to EBITDA	1.5x - 2.5x	2.7x
S&P	Adjusted Net Debt to EBITDA	1.5x - 2.0x	2.4x



PMI: Generously Rewarding Our Shareholders

- Dividends are the primary use of our operating cash flow^(a) after capital expenditures
- Increased our dividend in September 2017 to an annualized rate of \$4.28 per share
- Tenth consecutive year with a dividend increase:
 - Total increase of 132.6% since 2008
- No share repurchases in 2018



(a) Net cash provided by operating activities

Note: Dividends for 2008 and 2017 are annualized rates. The 2008 annualized rate is based on a quarterly dividend of \$0.46 per common share, declared June 18, 2008. The 2017 annualized rate is based on a quarterly dividend of \$1.07 per common share, declared September 13, 2017

Source: PMI Financials or estimates

Conclusion



- Exhibiting more of the attributes of a growth stock
- Over 8% net revenue growth, ex-currency
- 7% to 10% adjusted diluted EPS growth, ex-currency
- Cash repatriation flexibility following U.S. tax reform
- IQOS offers a superior product ecosystem and scientific substantiation
- Dividend growth remains a key priority



PHILIP MORRIS INTERNATIONAL

Designing a Smoke-Free Future

Consumer Analyst Group of New York (CAGNY) Conference

February 21, 2018

Have you downloaded the PMI Investor Relations App yet?

The free IR App is available to download at the Apple App Store for iOS devices and at Google Play for Android mobile devices

Or go to: www.pmi.com/irapp

iOS Download



Android Download





Appendix, Glossary and Reconciliation of Non-GAAP Measures

Glossary: General Terms



- "PMI" refers to Philip Morris International Inc. and its subsidiaries
- Until March 28, 2008, PMI was a wholly owned subsidiary of Altria Group, Inc. ("Altria"). Since that time the company has been independent and is listed on the New York Stock Exchange (ticker symbol "PM")
- Trademarks are italicized
- Comparisons are made to the same prior-year period, unless otherwise stated
- Unless otherwise stated, references to total industry, total market, PMI volume and PMI market share performance reflect cigarettes and heated tobacco units
- References to total international market, defined as worldwide cigarette and heated tobacco unit volume excluding the U.S., total industry, 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 the People's Republic of China and/or PMI's duty free business
- "Combustible products" is the term PMI uses to refer to cigarettes and OTP, combined
- "OTP" is defined as other tobacco products, primarily roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos, and does not include reduced-risk products
- "PMI volume" is defined as the combined total of cigarette shipment volume and heated tobacco unit shipment volume
- "EU" is defined as the European Union Region
- "EEMA" is defined as Eastern Europe, Middle East and Africa and includes PMI's international duty free business
- "LA&C" is defined as the Latin America & Canada Region
- "LAMPs" stands for legal age meeting points
- "NGOs" stand for intergovernmental organizations and non-governmental organizations, respectively
- "R&D" stands for Research & Development
- "RSP" stands for retail selling price
- "SKU" stands for stock keeping unit
- "SoM" stands for share of market

Glossary: Financial Terms



- "COGS" refers to cost of goods sold
- Net revenues exclude excise taxes
- Net revenues, excluding excise taxes, related to combustible products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives
- "Operating Companies Income," or "OCI," is defined as operating income, excluding general corporate expenses and the amortization of intangibles, plus equity (income)/loss in unconsolidated subsidiaries, net. Management evaluated business segment performance and allocated resources based on OCI for the periods presented
- Adjusted OCI margins are calculated as adjusted OCI, divided by net revenues
- "Adjusted EBITDA" is defined as earnings before interest, taxes, depreciation and amortization, excluding asset impairment and exit costs, and unusual items
- "Net debt" is defined as total debt, less cash and cash equivalents
- Management reviews OCI, OCI margins, operating cash flow and earnings per share, or "EPS," on an adjusted basis, which may exclude the impact of currency and other items such as acquisitions, asset impairment and exit costs, tax items and other special items

Glossary: Reduced-Risk Products



- "Reduced-risk products," or "RRPs," is the term we use to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. We have a range of RRP's in various stages of development, scientific assessment and commercialization. Because our RRP's do not burn tobacco, they produce an aerosol that contains far lower quantities of harmful and potentially harmful constituents than found in cigarette smoke
- "Aerosol" refers to a gaseous suspension of fine solid particles and/or liquid droplets
- "Combustion" is the process of burning a substance in oxygen, producing heat and often light
- "Smoke" is a visible suspension of solid particles, liquid droplets and gases in air, emitted when a material burns
- "Heated tobacco product" is a manufactured tobacco product that delivers a nicotine containing vapor (aerosol), without combustion of the tobacco mixture
- 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")
- "E-liquids" refer to a liquid solution that is used in/with e-cigarettes. E-liquids contain different levels of nicotine in a propylene glycol and/or vegetable glycerin based solution with various flavors
- "IQOS" is the brand name under which PMI has chosen to commercialize its Platform 1 controlled heating device into which a specially designed and proprietary tobacco unit is inserted and heated to generate an aerosol
- "Heated tobacco units" is the term PMI uses to refer to heated tobacco consumables, which include *HEETS*, *HEETS Marlboro* and *HEETS FROM MARLBORO*, defined collectively as *HEETS*, as well as *Marlboro HeatSticks* and *Parliament HeatSticks*
- "MESH" is the brand name that PMI has chosen for one of its Platform 4 reduced-risk product that leverages new proprietary vaporization technology
- Heated tobacco unit "offtake volume" represents the estimated retail offtake of heated tobacco units based on a selection of sales channels that vary by market, but notably include retail points of sale and e-commerce platforms
- Heated tobacco unit "offtake share" represents the estimated retail offtake volume of heated tobacco units divided by the sum of estimated total offtake volume for cigarettes, heated tobacco units and, where the data is available, other RRP's

Glossary: Reduced-Risk Products



- National market share for heated tobacco units is defined as the total sales volume for heated tobacco units as a percentage of the total estimated sales volume for cigarettes and heated tobacco units
- Net revenues, excluding excise taxes, related to RRP's represent the sale of heated tobacco units, IQOS devices and related accessories, and other nicotine-containing products, primarily e-vapor products, net of sales and promotion incentives
- "Converted IQOS Users" means the estimated number of Legal Age (minimum 18-year-old) IQOS users that used *HeatSticks* /*HEETS* heated tobacco units for over 95% of their daily tobacco consumption over the past seven days
- "Predominant IQOS Users" means the estimated number of Legal Age (minimum 18-year-old) IQOS users that used *HeatSticks* /*HEETS* heated tobacco units for between 70% and 95% of their daily tobacco consumption over the past seven days
- New PMI methodology as of 2018 for estimating the number of people who have stopped smoking and made the change to IQOS: for markets where IQOS is the only heated tobacco product, daily individual consumption of PMI heated tobacco units represents the totality of their daily tobacco consumption. For markets where IQOS is one among other heated tobacco products, daily individual consumption of heated tobacco units represents the totality of their daily tobacco consumption, of which at least 70% are PMI heated tobacco units
- "Situational IQOS Users" means the estimated number of Legal Age (minimum 18-year-old) IQOS users that used *HeatSticks* /*HEETS* heated tobacco units for between 5% and less than 70% of their daily tobacco consumption over the past seven days
- "Abandoned IQOS Users" means the estimated number of Legal Age (minimum 18-year-old) IQOS users that used *HeatSticks* /*HEETS* heated tobacco units for less than 5% of their daily tobacco consumption over the past seven days
- "FDA" stands for the U.S. Food & Drug Administration
- "MRTP" stands for Modified Risk Tobacco Product, the term used by the U.S. FDA to refer to RRP's
- "MRTP application" stands for Modified Risk Tobacco Product application under section 911 of the FD&C Act
- "PMTA" stands for Premarket Tobacco Application under section 910 of the FD&C Act
- "TPSAC" stands for the Tobacco Product Scientific Advisory Committee
- PMI presentation to TPSAC on MRTP applications for IQOS (January 24, 2018): <https://www.pmiscience.com/news/pmi-presents-our-modified-risk-tobacco-product-application-iqos-tobacco-products-scientific>



PMI: New Geographic Segmentation (1/3)

European Union Region^(a)

- Andorra
- Austria
- Baltic States
- Belgium
- Bulgaria
- Canary Islands
- Croatia
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Italy
- Luxembourg
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden
- Switzerland
- United Kingdom

Eastern Europe Region

- Belarus
- Caucasus & Moldova
- Central Asia
- Israel
- Kazakhstan
- Russia
- South East Europe
- Ukraine

(a) No change
Note: Effective January 1, 2018

PMI: New Geographic Segmentation (2/3)



Middle East & Africa Region^(a)

- Algeria
- Central Africa
- Duty Free
- Eastern Africa
- Egypt
- Indian Ocean Islands
- Iraq
- Jordan
- Kuwait
- Lebanon
- Libya
- Morocco
- Other GCC & Middle East
- Other Levant
- Saudi Arabia
- Southern Africa
- Tunisia
- Turkey
- Turkish Cyprus
- UAE
- West Africa

South & Southeast Asia Region

- Afghanistan
- Bangladesh
- Cambodia
- East Timor
- India
- Indonesia
- Laos
- Maldives
- Other South Asia
- Pakistan
- Philippines
- Thailand
- Vietnam

(a) Includes Duty Free

Note: Effective January 1, 2018

GCC stands for to the Gulf Cooperation Council and includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE)

PMI: New Geographic Segmentation (3/3)



East Asia & Australia Region

- Australia
- Hong Kong
- Japan
- Korea
- Macau
- Malaysia
- New Zealand
- People's Republic of China
- Singapore
- South Pacific
- Taiwan

Latin America & Canada Region^(a)

- Argentina
- Bolivia
- Brazil
- Canada
- Caribbean
- Chile
- Colombia
- Costa Rica
- Dominican Republic
- Ecuador
- El Salvador
- Guatemala
- Honduras
- Mexico
- Nicaragua
- Panama
- Paraguay
- Peru
- Uruguay
- Venezuela

(a) No change
Note: Effective January 1, 2018



PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

Adjustments for the Impact of Currency and Acquisitions
For the Years 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 Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions		Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Total	Excluding Currency	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 Operating Companies Income		
Operating Companies Income		Less Currency	Operating Companies Income excluding Currency	Less Acquisitions	Operating Companies Income excluding Currency & Acquisitions			Operating Companies Income		Total	Excluding Currency	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

Reconciliation of 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)

2015							2014			% Change in Adjusted Operating Companies Income			
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	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

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

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
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	<u>\$ 5.62</u>	<u>\$ 5.02</u>	12.0%



PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

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

2016							2015			% 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 Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions	
\$ 27,129	\$ 18,967	\$ 8,162	\$ (147)	\$ 8,309	\$ -	\$ 8,309	European Union	\$ 26,563	\$ 18,495	\$ 8,068	1.2%	3.0%	3.0%
18,286	11,286	7,000	(600)	7,600	-	7,600	EEMA	18,328	10,964	7,364	(4.9)%	3.2%	3.2%
20,531	11,850	8,681	(8)	8,689	-	8,689	Asia	19,469	11,266	8,203	5.8%	5.9%	5.9%
9,007	6,165	2,842	(525)	3,367	-	3,367	Latin America & Canada	9,548	6,389	3,159	(10.0)%	6.6%	6.6%
\$ 74,953	\$ 48,268	\$ 26,685	\$ (1,280)	\$ 27,965	\$ -	\$ 27,965	PMI Total	\$ 73,908	\$ 47,114	\$ 26,794	(0.4)%	4.4%	4.4%

2016							2015			% Change in Operating Companies Income		
Operating Companies Income	Less Currency	Operating Companies Income excluding Currency	Less Acquisitions	Operating Companies Income excluding Currency & Acquisitions	Operating Companies Income	Less Currency	Operating Companies Income	Total	Excluding Currency	Excluding Currency & Acquisitions		
\$ 3,994	\$ 34	\$ 3,960	\$ -	\$ 3,960	European Union	\$ 3,576	11.7%	10.7%	10.7%			
3,016	(839)	3,855	-	3,855	EEMA	3,425	(11.9)%	12.6%	12.6%			
3,196	52	3,144	-	3,144	Asia	2,886	10.7%	8.9%	8.9%			
938	(282)	1,220	-	1,220	Latin America & Canada	1,085	(13.5)%	12.4%	12.4%			
\$ 11,144	\$ (1,035)	\$ 12,179	\$ -	\$ 12,179	PMI Total	\$ 10,972	1.6%	11.0%	11.0%			



PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

Reconciliation of 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)

2016							2015			% Change in Adjusted Operating Companies Income			
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	Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions	
\$ 3,994	\$ -	\$ 3,994	\$ 34	\$ 3,960	\$ -	\$ 3,960	European Union	\$ 3,576	\$ (68)	\$ 3,644	9.6%	8.7%	8.7%
3,016	-	3,016	(839)	3,855	-	3,855	EEMA	3,425	-	3,425	(11.9)%	12.6%	12.6%
3,196	-	3,196	52	3,144	-	3,144	Asia	2,886	-	2,886	10.7%	8.9%	8.9%
938	-	938	(282)	1,220	-	1,220	Latin America & Canada	1,085	-	1,085	(13.5)%	12.4%	12.4%
\$ 11,144	\$ -	\$ 11,144	\$ (1,035)	\$ 12,179	\$ -	\$ 12,179	PMI Total	\$ 10,972	\$ (68)	\$ 11,040	0.9%	10.3%	10.3%

2016						2015			% 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	
\$ 3,960	\$ 8,309	47.7%	\$ 3,960	\$ 8,309	47.7%	European Union	\$ 3,644	\$ 8,068	45.2%	2.5	2.5
3,855	7,600	50.7%	3,855	7,600	50.7%	EEMA	3,425	7,364	46.5%	4.2	4.2
3,144	8,689	36.2%	3,144	8,689	36.2%	Asia	2,886	8,203	35.2%	1.0	1.0
1,220	3,367	36.2%	1,220	3,367	36.2%	Latin America & Canada	1,085	3,159	34.3%	1.9	1.9
\$ 12,179	\$ 27,965	43.6%	\$ 12,179	\$ 27,965	43.6%	PMI Total	\$ 11,040	\$ 26,794	41.2%	2.4	2.4

(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

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

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Reported Diluted EPS	\$ 4.48	\$ 4.42	1.4%
Adjustments:			
Asset impairment and exit costs	-	0.03	
Tax items	-	(0.03)	
Adjusted Diluted EPS	\$ 4.48	\$ 4.42	1.4%
Less:			
Currency impact	(0.46)		
Adjusted Diluted EPS, excluding Currency	\$ 4.94	\$ 4.42	11.8%



PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

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

2017							2016			% 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 Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions	
\$ 27,580	\$ 19,262	\$ 8,318	\$ 45	\$ 8,273	\$ -	\$ 8,273	European Union	\$ 27,129	\$ 18,967	\$ 8,162	1.9%	1.4%	1.4%
18,045	11,346	6,699	(291)	6,990	-	6,990	EEMA	18,286	11,286	7,000	(4.3)%	(0.1)%	(0.1)%
22,635	11,845	10,790	(137)	10,927	-	10,927	Asia	20,531	11,850	8,681	24.3%	25.9%	25.9%
9,838	6,897	2,941	(54)	2,995	-	2,995	Latin America & Canada	9,007	6,165	2,842	3.5%	5.4%	5.4%
\$ 78,098	\$ 49,350	\$ 28,748	\$ (437)	\$ 29,185	\$ -	\$ 29,185	PMI Total	\$ 74,953	\$ 48,268	\$ 26,685	7.7%	9.4%	9.4%

2017							2016			% Change in Operating Companies Income		
Operating Companies Income	Less Currency	Operating Companies Income excluding Currency	Less Acquisitions	Operating Companies Income excluding Currency & Acquisitions	Operating Companies Income	Less Currency	Operating Companies Income	Excluding Currency	Excluding Currency & Acquisitions	Total	Excluding Currency	Excluding Currency & Acquisitions
\$ 3,775	\$ (43)	\$ 3,818	\$ -	\$ 3,818	European Union	\$ 3,994	(5.5)%	(4.4)%	(4.4)%			
2,888	81	2,807	-	2,807	EEMA	3,016	(4.2)%	(6.9)%	(6.9)%			
4,149	(123)	4,272	-	4,272	Asia	3,196	29.8%	33.7%	33.7%			
1,002	(70)	1,072	-	1,072	Latin America & Canada	938	6.8%	14.3%	14.3%			
\$ 11,814	\$ (155)	\$ 11,969	\$ -	\$ 11,969	PMI Total	\$ 11,144	6.0%	7.4%	7.4%			



PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

Selected Financial Data by Product Category
For the Years Ended December 31,
(\$ in millions)
(Unaudited)

2017							2016			% Change in Combustible Products Net Revenues excluding Excise Taxes			
Net Revenues ^(a)	Less Excise Taxes ^(c)	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Combustible Products	Net Revenues ^(a)	Less Excise Taxes ^(c)	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions
\$ 27,261	\$ 19,213	\$ 8,048	\$ 39	\$ 8,009	\$ -	\$ 8,009	European Union	\$ 27,067	\$ 18,962	\$ 8,105	(0.7)%	(1.2)%	(1.2)%
17,886	11,336	6,550	(290)	6,840	-	6,840	EEMA	18,276	11,286	6,991	(6.3)%	(2.1)%	(2.1)%
19,325	11,753	7,572	(43)	7,615	-	7,615	Asia	19,865	11,850	8,015	(5.5)%	(5.0)%	(5.0)%
9,833	6,896	2,937	(54)	2,991	-	2,991	Latin America & Canada	9,006	6,164	2,841	3.4%	5.3%	5.3%
\$ 74,305	\$ 49,198	\$ 25,107	\$ (348)	\$ 25,456	\$ -	\$ 25,456	Total Combustible	\$ 74,214	\$ 48,262	\$ 25,952	(3.3)%	(1.9)%	(1.9)%

2017							2016			% Change in Reduced-Risk Products Net Revenues excluding Excise Taxes			
Net Revenues ^(b)	Less Excise Taxes ^(c)	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Reduced-Risk Products	Net Revenues ^(b)	Less Excise Taxes ^(c)	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions
\$ 320	\$ 51	\$ 269	\$ 5	\$ 264	\$ -	\$ 264	European Union	\$ 62	\$ 5	\$ 57	+100%	+100%	+100%
158	10	149	-	149	-	149	EEMA	9	-	9	+100%	+100%	+100%
3,310	92	3,218	(94)	3,312	-	3,312	Asia	666	-	666	+100%	+100%	+100%
5	-	4	-	4	-	4	Latin America & Canada	2	1	1	+100%	+100%	+100%
\$ 3,793	\$ 153	\$ 3,640	\$ (89)	\$ 3,729	\$ -	\$ 3,729	Total RRP's	\$ 739	\$ 6	\$ 733	+100%	+100%	+100%
\$ 78,098	\$ 49,350	\$ 28,748	\$ (437)	\$ 29,185	\$ -	\$ 29,185	PMI Total	\$ 74,953	\$ 48,268	\$ 26,685	7.7%	9.4%	9.4%

(a) Net revenue amounts for our combustible products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives. These net revenue amounts consist of the sale of our cigarettes and other tobacco products combined. Other tobacco products primarily include tobacco for roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos and do not include reduced-risk products

(b) Net revenue amounts for our reduced-risk products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives. These net revenue amounts consist of the sale of our heated tobacco units, our IQOS devices and related accessories, and other nicotine-containing products, which primarily include our e-vapor products. Reduced-risk products is the term we use to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. We have a range of reduced-risk products in various stages of development, scientific assessment and commercialization. Because our RRP's do not burn tobacco, they produce an aerosol that contains far lower quantities of harmful and potentially harmful constituents than found in cigarette smoke

(c) PMI often collects excise taxes from its customers and then remits them to governments, and, in those circumstances, PMI includes the excise taxes in its net revenues and in excise taxes on products. In some jurisdictions, including Japan, PMI is not responsible for collecting excise taxes

Note: Sum of product categories or Regions might not foot to PMI total due to rounding



PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

Reconciliation of 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)

2017							2016			% Change in Adjusted Operating Companies Income			
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	Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions	
\$ 3,775	\$ -	\$ 3,775	\$ (43)	\$ 3,818	\$ -	\$ 3,818	European Union	\$ 3,994	\$ -	\$ 3,994	(5.5)%	(4.4)%	(4.4)%
2,888	-	2,888	81	2,807	-	2,807	EEMA	3,016	-	3,016	(4.2)%	(6.9)%	(6.9)%
4,149	-	4,149	(123)	4,272	-	4,272	Asia	3,196	-	3,196	29.8%	33.7%	33.7%
1,002	-	1,002	(70)	1,072	-	1,072	Latin America & Canada	938	-	938	6.8%	14.3%	14.3%
\$ 11,814	\$ -	\$ 11,814	\$ (155)	\$ 11,969	\$ -	\$ 11,969	PMI Total	\$ 11,144	\$ -	\$ 11,144	6.0%	7.4%	7.4%

2017						2016			% 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	
\$ 3,818	\$ 8,273	46.2%	\$ 3,818	\$ 8,273	46.2%	European Union	\$ 3,994	\$ 8,162	48.9%	(2.7)	(2.7)
2,807	6,990	40.2%	2,807	6,990	40.2%	EEMA	3,016	7,000	43.1%	(2.9)	(2.9)
4,272	10,927	39.1%	4,272	10,927	39.1%	Asia	3,196	8,681	36.8%	2.3	2.3
1,072	2,995	35.8%	1,072	2,995	35.8%	Latin America & Canada	938	2,842	33.0%	2.8	2.8
\$ 11,969	\$ 29,185	41.0%	\$ 11,969	\$ 29,185	41.0%	PMI Total	\$ 11,144	\$ 26,685	41.8%	(0.8)	(0.8)

(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

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

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Reported Diluted EPS	\$ 3.88	\$ 4.48	(13.4)%
Adjustments:			
Asset impairment and exit costs	-	-	
Tax items	0.84	-	
Adjusted Diluted EPS	\$ 4.72	\$ 4.48	5.4%
Less:			
Currency impact	(0.21)		
Adjusted Diluted EPS, excluding Currency	\$ 4.93	\$ 4.48	10.0%



PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

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

	<u>2017</u>
Reported Diluted EPS	\$ 1.02
Adjustments:	
Asset impairment and exit costs	-
Tax items	<u>(0.04)</u>
Adjusted Diluted EPS	<u>\$ 0.98</u>



PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

Calculation of Total Debt to Adjusted EBITDA and Net Debt to Adjusted EBITDA Ratios
(\$ in millions, except ratios)
(Unaudited)

	For the Year Ended									
	Dec 31, 2008 ^(a)	Dec 31, 2009 ^(a)	Dec 31, 2010 ^(a)	Dec 31, 2011 ^(a)	Dec 31, 2012 ^(a)	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Net Earnings	\$ 7,150	\$ 6,552	\$ 7,498	\$ 8,879	\$ 9,154	\$ 8,850	\$ 7,658	\$ 7,032	\$ 7,250	\$ 6,341
Equity (income)/loss in unconsolidated subsidiaries, net	-	6	8	10	17	22	(105)	(105)	(94)	(59)
Provision for income taxes	2,787	2,691	2,826	3,653	3,833	3,670	3,097	2,688	2,768	4,307
Interest expense, net	311	797	876	800	859	973	1,052	1,008	891	914
Depreciation and amortization	842	853	932	993	898	882	889	754	743	875
Asset impairment and exit costs	208	164	47	109	83	309	535	68	-	-
Adjusted EBITDA	\$ 11,298	\$ 11,063	\$ 12,187	\$ 14,444	\$ 14,844	\$ 14,706	\$ 13,126	\$ 11,445	\$ 11,558	\$ 12,378
	Dec 31, 2008 ^(a)	Dec 31, 2009 ^(a)	Dec 31, 2010 ^(a)	Dec 31, 2011 ^(a)	Dec 31, 2012 ^(a)	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Short-term borrowings	\$ 375	\$ 1,662	\$ 1,747	\$ 1,511	\$ 2,419	\$ 2,400	\$ 1,208	\$ 825	\$ 643	\$ 499
Current portion of long-term debt	209	82	1,385	2,206	2,781	1,255	1,318	2,405	2,573	2,506
Long-term debt	11,377	13,672	13,370	14,828	17,639	24,023	26,929	25,250	25,851	31,334
Total Debt	\$ 11,961	\$ 15,416	\$ 16,502	\$ 18,545	\$ 22,839	\$ 27,678	\$ 29,455	\$ 28,480	\$ 29,067	\$ 34,339
Less: Cash and cash equivalents	1,531	1,540	1,703	2,550	2,983	2,154	1,682	3,417	4,239	8,447
Net Debt	\$ 10,430	\$ 13,876	\$ 14,799	\$ 15,995	\$ 19,856	\$ 25,524	\$ 27,773	\$ 25,063	\$ 24,828	\$ 25,892
Ratios:										
Total Debt to Adjusted EBITDA	1.06	1.39	1.35	1.28	1.54	1.88	2.24	2.49	2.51	2.77
Net Debt to Adjusted EBITDA	0.92	1.25	1.21	1.11	1.34	1.74	2.12	2.19	2.15	2.09

(a) Certain amounts have been reclassified to conform with the year 2013 presentation due to the separate disclosure of equity (income)/loss in unconsolidated subsidiaries, net



PHILIP MORRIS INTERNATIONAL

Designing a Smoke-Free Future

Consumer Analyst Group of New York (CAGNY) Conference

February 21, 2018