Remarks by Jacek Olczak
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Philip Morris International Inc.

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(SLIDE 1.)

Thank you, Bill. It is a great pleasure for me to be back at the Barclays Global Consumer Staples Conference. I am excited to have this opportunity to discuss our business with you today and would like to extend a warm welcome to everyone joining us, whether in person or via the webcast.

(SLIDE 2.)

I will begin with some brief remarks and then open up the session for Q&A. Please note that I will not be updating our full-year guidance or currency estimate today. We will address these topics during our third-quarter earnings call on October 15th.

My remarks contain forward-looking statements and, accordingly, I direct your attention to the Forward-Looking and Cautionary Statements section of today's presentation and our SEC filings. A glossary of terms and reconciliation slides of non-GAAP to U.S. GAAP measures are at the end of today's webcast slides, which are also posted on our website. Reduced-Risk Products, or "RRPs," is the term we use to refer to products with the potential to reduce individual risk and population harm in comparison to smoking combustible tobacco products such as cigarettes.

(SLIDE 3.)

Let me start with our favorable cigarette volume and share performance, which has continued into the third quarter.

On a July year-to-date basis, our organic cigarette volume was down by a modest 0.2%, or by approximately 1% excluding inventory movements. For the full year, we forecast an organic cigarette volume decline in the range of 1.0% to 1.5%.

Our volume performance reflects a more modest industry cigarette volume decline and continued positive market share momentum. Our international market share, excluding China and the U.S., increased by 0.3 points to 28.6% in the July year-to-date period.

Marlboro was a key contributor to this share growth, recording an increase of 0.2 points to 9.5% as it continued to benefit from the roll out of Architecture 2.0.

(SLIDE 4.)

In the EU Region, July year-to-date cigarette industry volume declined by a modest 1.7%. We forecast a decline of around 3% for the year, with recently-implemented price increases, notably in Germany, expected to impact adult smoker demand over the balance of the year. Our cigarette share grew by 0.1 point in the July year-to-date period, with each of our three largest brands in the Region gaining share.

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In Indonesia, our performance continues to be strong. July year-to-date share grew by 0.7 points, reflecting growth in *Sampoerna A* and *Dji Sam Soe*'s machine-made variants, *Magnum* and *Magnum Blue*. While we continue to forecast industry growth of 1% to 3% annually over the mid to long-term, we now expect growth of up to 1% for 2015 given recent softness in the economy.

In June of this year, we announced that our subsidiary in Indonesia, Sampoerna, would explore various options to comply with the Indonesian Stock Exchange's mandatory requirement of a minimum threshold for public shareholding.

Sampoerna is still in the process of evaluating all of its options. In that context, our subsidiary has filed a registration statement with the Indonesian Financial Services Authority relating to a potential rights issue, which is one of the options under consideration.

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In Japan, July year-to-date cigarette industry volume declined by 2.4%, marginally better than our forecast of a 2.5% to 3.0% decline for the year. Our share for the period was down by 0.3 points to 25.5%, due mainly to *Marlboro*, partly offset by *Parliament* and *Lark*. To address this share decline, we plan to further invest behind our brands over the balance of the year. Recent investments include the roll out of *Marlboro* 2.0, the launch of *Lark* variants in the rapidly growing new taste menthol segment, and the re-vamp of the *Lark* menthol franchise.

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In the Philippines, we are seeing further signs of improvement in the competitive environment, which has benefited from the introduction of excise tax stamps in the market earlier this year. Price gaps have remained stable since January, supporting July year-to-date growth of both the premium and mid-price segments for the total industry.

While our July year-to-date share of the tax-paid market declined due to higher estimated tax-paid volume by our principal local competitor, *Marlboro*'s share increased by 2.2 points despite this distortion. The brand benefited from narrower price gaps this year and in July increased its share versus prior year for the ninth consecutive month.

Based on Nielsen retail audit data, which we believe serves as a better indicator of relative performance in the current environment, our July year-to-date market share increased by 0.8 points, thanks to *Marlboro* and our leading low-price brand, *Fortune*. This positive share performance reflects the strengthening of our portfolio through a range of investments in brand initiatives, including new launches and line extensions.

(SLIDE 8.)

Finally, in Russia, our excellent share performance continues, with July year-to-date share up by 0.9 points to 27.8%. Cigarette industry volume for the period was resilient, with a decline of 6.2% despite significant retail price increases. This compares favorably with our full-year decline forecast of 8% to 10% and further supports our view of a decline toward the lower end of this range. In August, we announced a further retail selling price increase of five rubles per pack across the majority of our portfolio.

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While we expect our combustible products to be the core of our profitability growth for many years to come, we are also focused on the development and commercialization of RRPs. We believe that heat-not-burn products, in particular, will provide adult smokers with the best alternative to cigarettes based on taste, satisfaction and ritual.

Our *iQOS* pilot launches in both Nagoya and Milan were limited reach city tests. Still, in Nagoya we achieved a device penetration rate among adult smokers of over 6% at the end of July. However, some devices have been purchased by consumers from outside the city, who do not have full access to *HeatSticks* distribution, and some consumers have purchased more than one device.

Adjusting for these factors, we conservatively estimate a true penetration rate among adult smokers of over 3%, out of which about 30% are already predominant users. Clearly, as we continue selling *iQOS*, penetration is increasing.

These results are above those that we observed during the whole offer test conducted before the pilot launch and confirm that there is a need for this revolutionary alternative to combustible cigarettes.

As we expected, the results in Milan have been a bit lower given the trade and communication channel limitations in the market. We estimate that the device penetration rate was over 1% at the end of July after adjusting for the factors that I described earlier.

Finally, let me remind you that *iQOS* was launched in both pilot cities with only convenience claims, such as no ash and less smell. As we build our evidence package, we expect to be able to broaden our claims and drive penetration and conversion rates even higher.

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In August, we launched *iQOS* in Switzerland, with an initial focus on five major cities. The launch featured an upgraded version of *iQOS* with new colors and textures to broaden its appeal among adult smokers. *Marlboro HeatSticks* are available in regular, smooth and menthol variants.

On our e-commerce platform, the *iQOS* kit has a retail price of 80 Swiss Francs, or approximately $82, and *HeatSticks* retail with a premium positioning at 8 Swiss Francs per pack of twenty. As in Japan and Italy, *HeatSticks* are subject to a lower excise tax rate than cigarettes.

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On September 1st, we commenced the national expansion of *iQOS* in Japan. It is being rolled out in 12 of the country's prefectures, representing approximately 60% of Japan's adult smoker population. The roll-out features the upgraded version of *iQOS*, which is priced at 9,980 Yen, or approximately $83.

We also remain on track with our expansion plan for Italy, with additional city launches commencing later this year, as well as our planned launches in other markets during early 2016, for which we have accelerated investment spending in the back half of this year.

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We are progressing on developing a robust scientific evidence package with the goal to make scientifically substantiated reduced-exposure and reduced-risk adult smoker communications.

Six short-term clinical studies and two three-month *ad libitum* clinical studies have now been completed for *iQOS*. The final reports for the two three-month clinical studies will be available in the fourth quarter of this year, and from this set of studies we expect to have additional scientific evidence to confirm the reduced exposure potential of *iQOS*.

Longer-term clinical studies on exposure response and cessation are underway and we expect to have the first results of these studies in the second half of 2016.

In addition, we have completed a series of studies to measure the levels of substances that are relevant to indoor air quality using accredited ISO methods and international standards. The results of these studies demonstrate that the exhaled aerosol formed from using *iQOS* with *Marlboro HeatSticks* did not have a negative impact on indoor air quality.

As our evidence packages evolve, we will determine the claims we are able to make, if any, based on existing laws and regulations and, as we are doing already, continue to engage with regulators and the scientific community to share our evidence with them.

(SLIDE 13.)

In conclusion, our third quarter is off to a positive start, and this augurs well for the balance of the year.

Robust fundamentals have driven favorable cigarette volume and share performance. We are performing very well across nearly all of our key geographies and are generally seeing cigarette industry volume trends in line with or slightly better than our expectations.

iQOS is performing at or above our expectations and we are very encouraged by the results of our clinical studies thus far.

Finally, thanks to our working capital and capital expenditure initiatives, we are on track to deliver 2015 free cash flow broadly in line with the $6.6 billion that we generated last year, despite the significant currency headwind. As of last Friday's market close, our dividend yield of 5.2% was significantly above that of our Tobacco Peer Group and 10-year U.S. Treasury Notes.

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I will now be happy to take your questions.