



PHILIP MORRIS INTERNATIONAL

Barclays Global Consumer Staples Conference Boston, September 8, 2015

Jacek Olczak

Chief Financial Officer

Philip Morris International



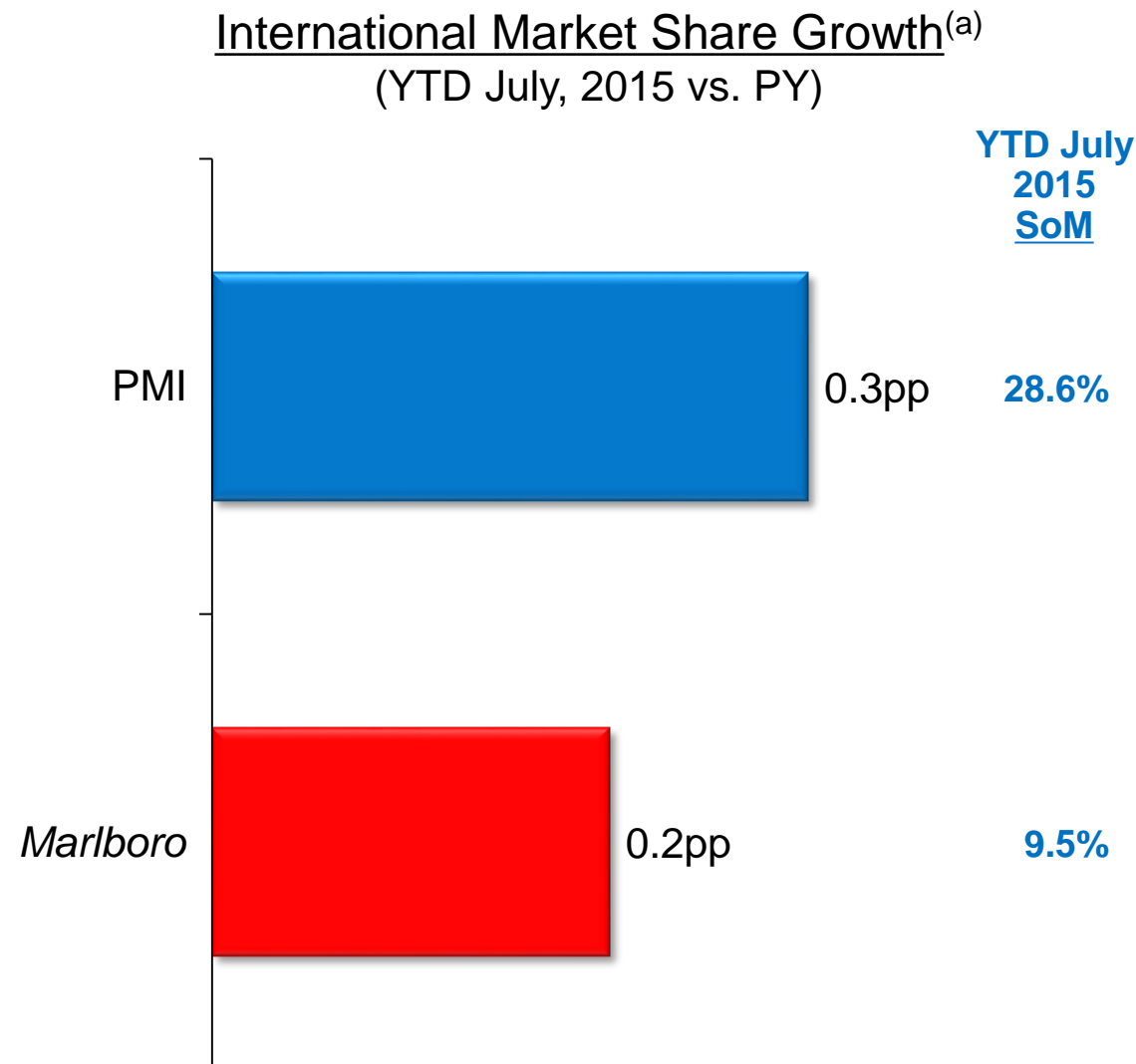
Forward-Looking and Cautionary Statements

- 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 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
- A glossary of terms 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 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



PMI: Favorable Cigarette Volume and Share Performance

- Organic cigarette volume down by a modest 0.2%, or by approximately 1% excluding inventory movements, YTD July, 2015
- Forecast 2015 organic cigarette volume decline of 1.0% to 1.5%
- *Marlboro* was a key contributor to share growth, benefiting from the roll out of Architecture 2.0



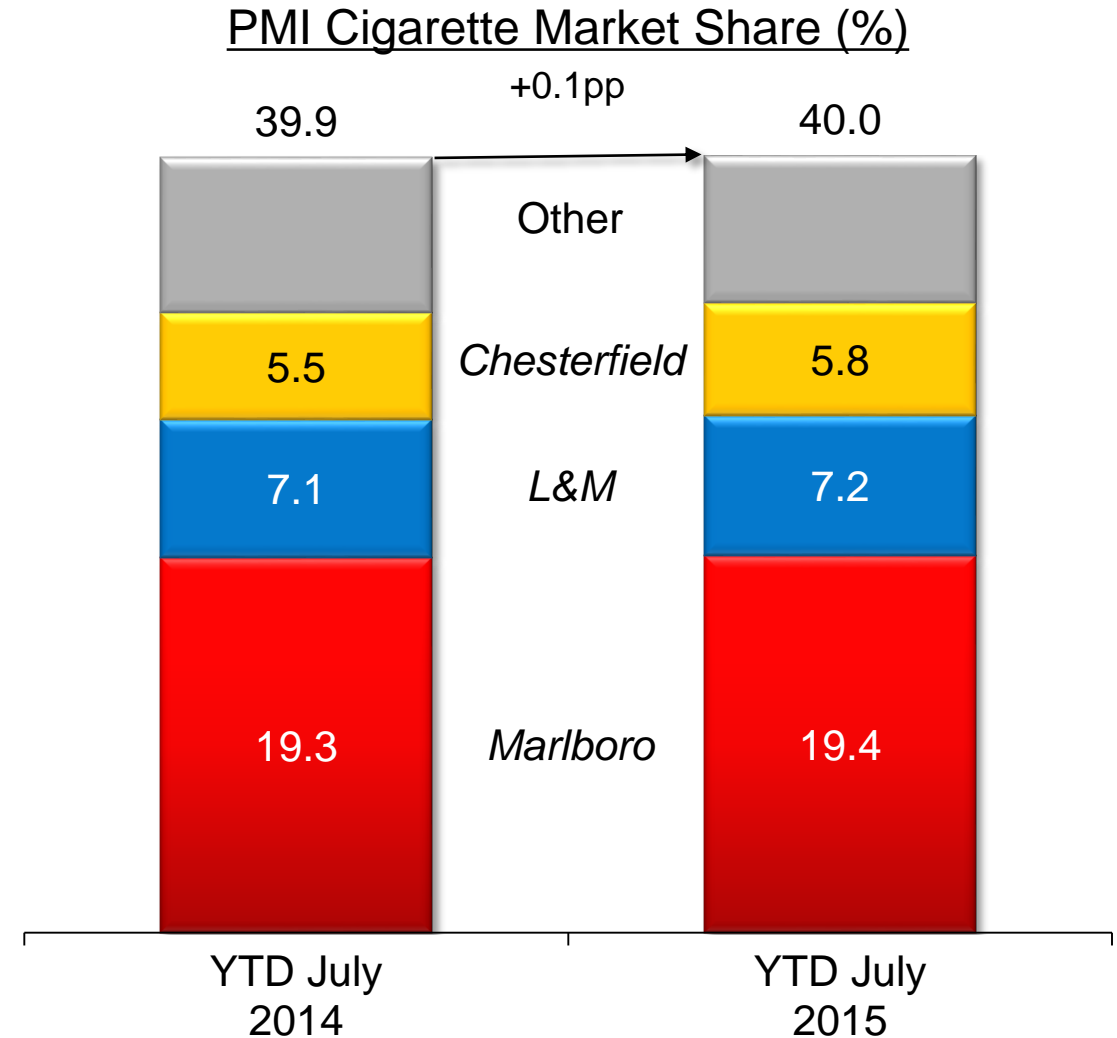
(a) Excluding China and the U.S.
Source: PMI Financials or estimates

EU Region: Moderation in Cigarette Industry Volume Decline; PMI Cigarette Share Growth Continues



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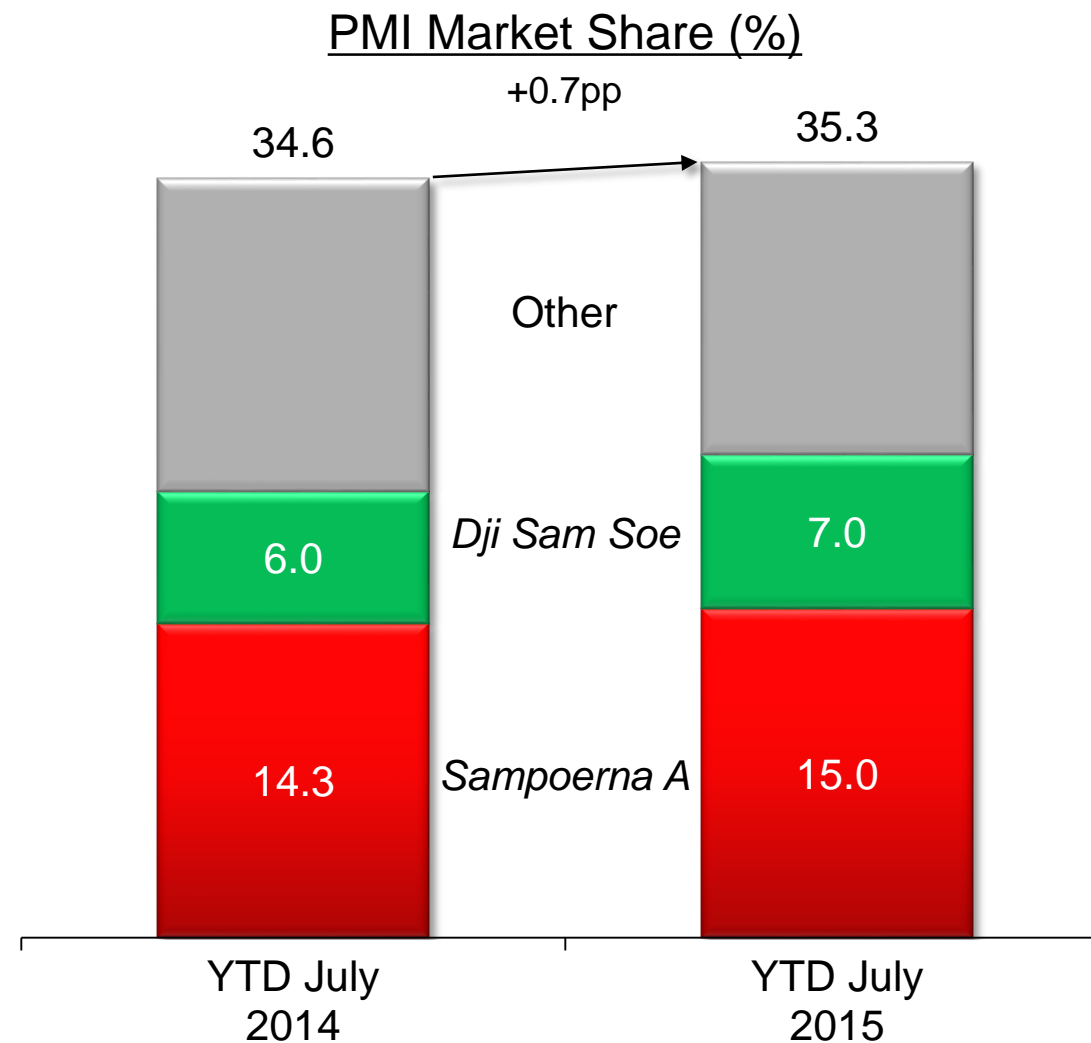
- Cigarette industry volume down by a modest 1.7% YTD July, 2015
- Forecast 2015 cigarette industry volume decline of around 3%:
 - Recently-implemented price increases expected to impact adult smoker demand over the balance of the year





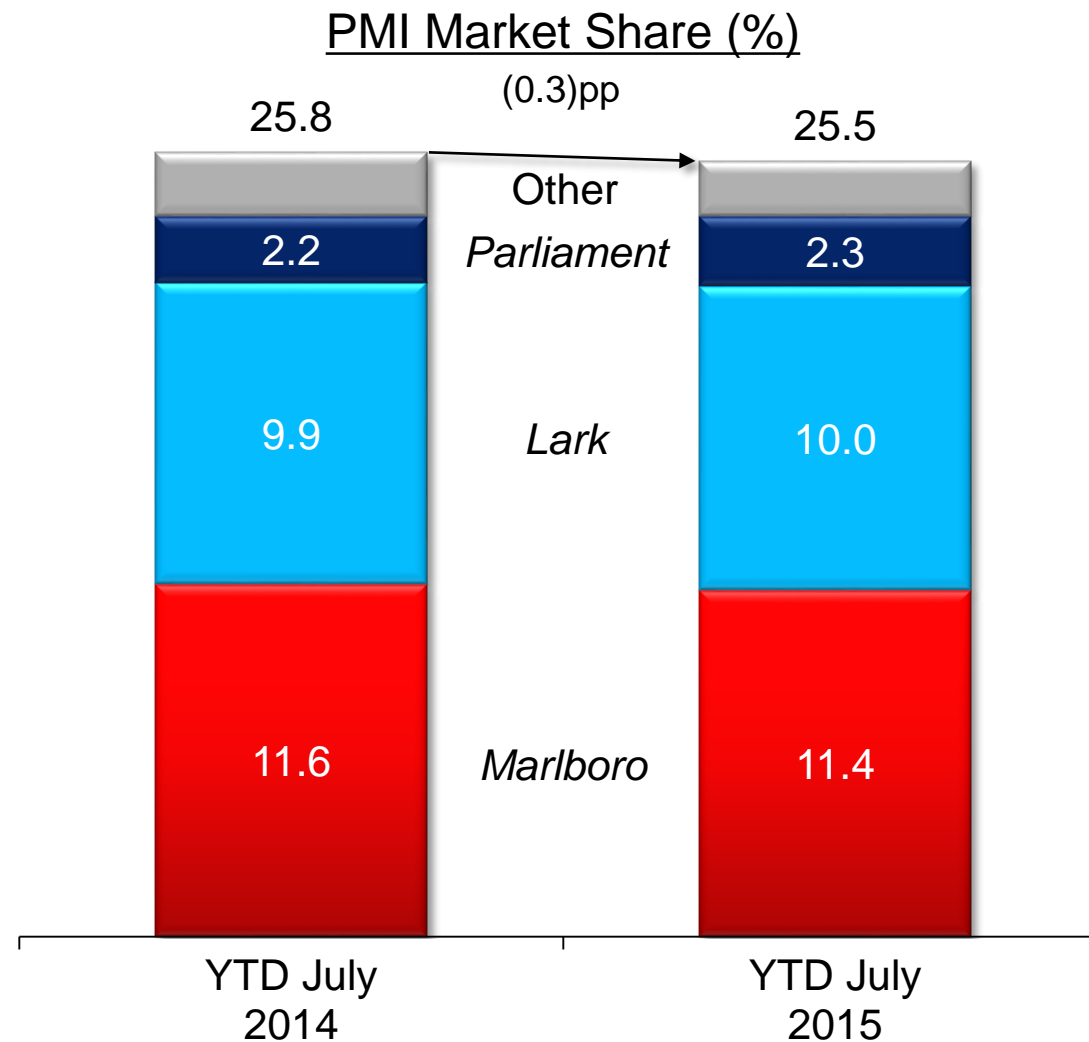
Indonesia: Strong Performance Continues

- Cigarette industry volume growth forecast:
 - 2015: up to 1% reflecting economic softness
 - Mid to long-term: 1% to 3% annually
- Share growth driven by machine-made kretek brands



Japan: Investing in Our Brands

- Cigarette industry volume down by 2.4% YTD July, 2015
- Forecast 2015 cigarette industry volume decline of 2.5% to 3.0%



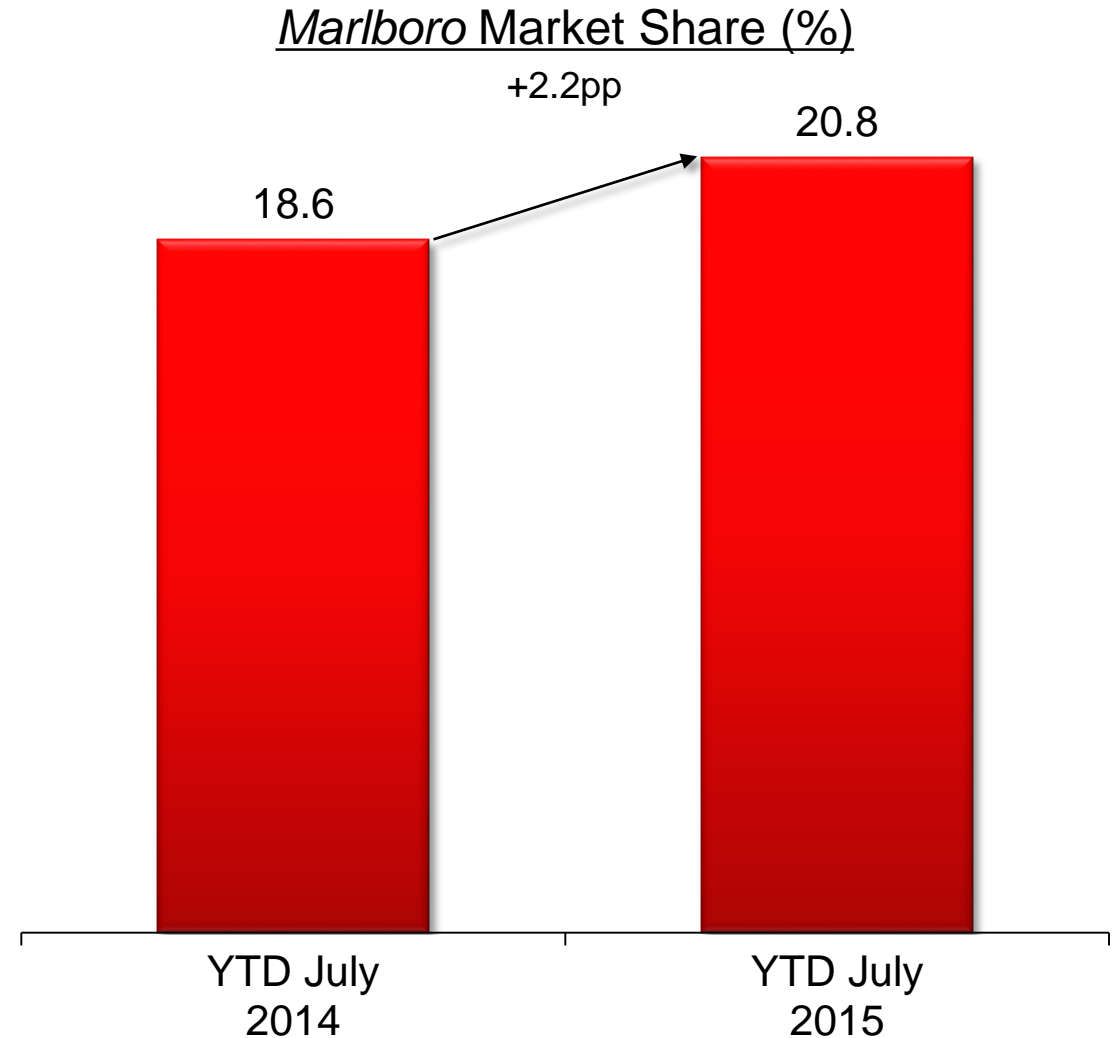
Note: Translation from Japanese: "We discovered that mint leaves were tastier when frozen. -22°C Frozen Formula. Cool Mint. Ice Mint"
 Source: PMI Financials or estimates and Tobacco Institute of Japan

Philippines: Improving Competitive Environment Supporting Excellent *Marlboro* Performance



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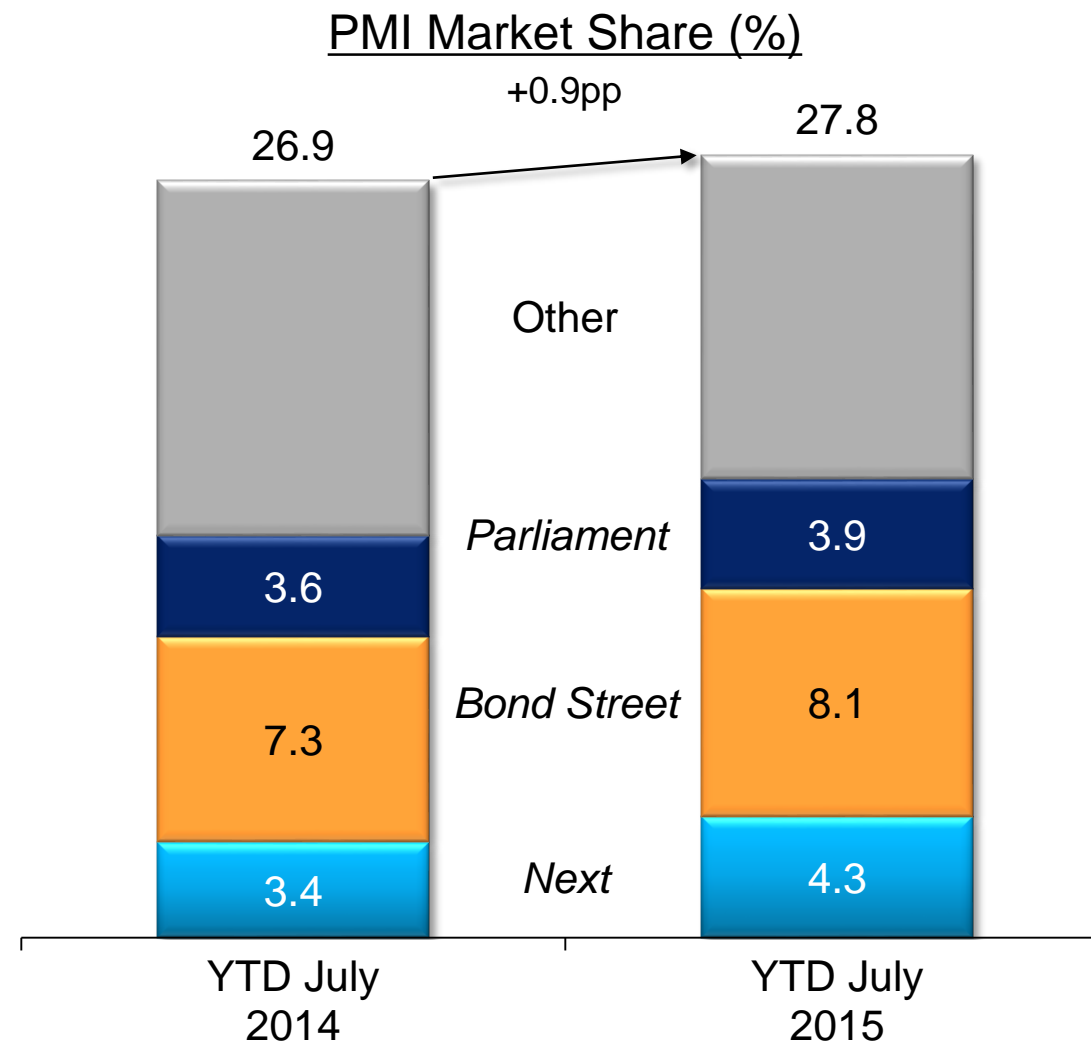
- Improving competitive environment benefiting from introduction of tax stamps
- Excellent performance of *Marlboro*, supported by improved price gaps:
 - Nine consecutive months of share growth vs. prior year
- Strengthening of brand portfolio





Russia: Excellent Performance Continues

- Cigarette industry volume decreased by 6.2% YTD July, 2015
- Forecast 2015 cigarette industry volume decline towards the lower end of our 8% to 10% range
- In August, announced further price increase of RUB 5/pack across the majority of our portfolio





iQOS: Performance From Pilot City Launches

Japan:

- Performance exceeds our expectations
- Achieved an *iQOS* device penetration rate in Nagoya of above 3% among adult smokers at the end of July 2015:
 - About 30% of those who have purchased *iQOS* are fully or predominantly using it



Italy:

- As expected, *iQOS* device penetration slower due to limited trade and communication channels
- Achieved a penetration rate in Milan of above 1% among adult smokers at the end of July 2015



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Source: PMI Financials or estimates

swiss innovation. heat not burn technology.

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 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

iQOS: National Expansion Started in Japan

- Building on successful pilot launch in Nagoya
- National expansion commenced on September 1st:
 - Initial roll-out to 12 prefectures (representing approximately 60% of the adult smoker base)
 - Upgraded version of iQOS priced at JPY 9,980



Note: Reduced-Risk Products ("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

Source: PMI Financials or estimates



*i*QOS: Substantiating Reduced Risk

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

- Clinical studies:
 - Six short-term clinical studies completed
 - Two three-month *ad libitum* clinical studies completed (results by Q4, 2015)
 - Longer-term clinical studies on exposure response and cessation are on-going (first results by H2, 2016)
- Indoor air quality:
 - Using *i*QOS with *Marlboro HeatSticks* produces an exhaled aerosol that does not have a negative impact on indoor air quality^(a)

(a) Studies conducted using ISO 17025 accredited method and facilities, and results compared to international air quality standards

Note: *Ad libitum* clinical studies: free to interact with the product / able to use as often as one would like.

Reduced-Risk Products ("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



Conclusion: Positive Start to Q3, 2015

- Robust business fundamentals driving favorable cigarette volume and share performance
- Further progress on both the commercialization and clinical assessment of *iQOS*
- On track to deliver 2015 free cash flow broadly in line with last year, despite the significant currency headwind

Note: Reduced-Risk Products ("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

Source: PMI Financials or estimates



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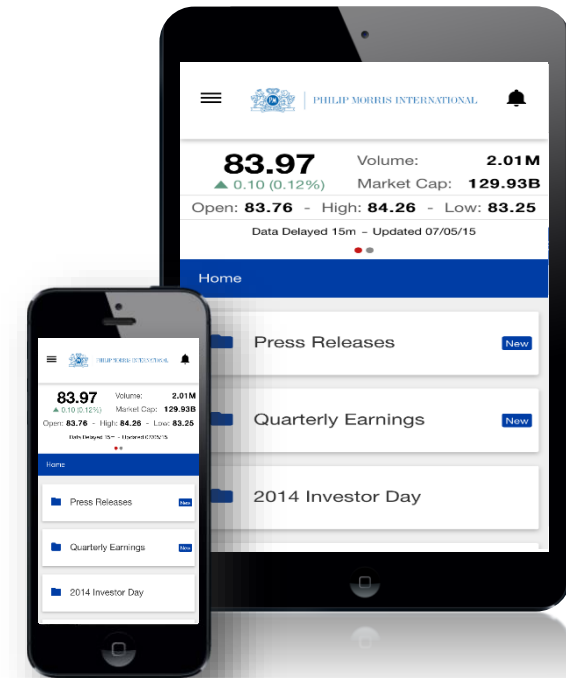
Questions & Answers

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

iOS



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Glossary and Reconciliation of Non-GAAP Measures



Glossary: General Terms

- PMI stands for Philip Morris International Inc. and its subsidiaries
- Until March 28, 2008, PMI was a wholly owned subsidiary of Altria Group, Inc. ("Altria"). Since that time the company has been independent and is listed on the New York Stock Exchange (ticker symbol "PM")
- Unless otherwise stated, results are compared to those of the same period in the preceding year
- PMI volumes refer to PMI cigarette shipment data, unless otherwise stated
- Organic volume refers to volume excluding acquisitions
- References to total international cigarette market, total cigarette market, total market and market shares reflect our best estimates of tax-paid volumes based on a number of internal and external sources
- Trademarks are italicized



Glossary: Financial Terms

- 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
- SoM stands for Share of Market



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
- *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
- 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 tobacco products such as cigarettes. One of our strategic priorities is to develop, assess and commercialize a portfolio of innovative RRP's. Our RRP's are in various stages of development and commercialization, and we are conducting extensive and rigorous scientific studies to determine whether they reduce exposure to harmful and potentially harmful constituents and ultimately reduce disease risk, compared to cigarettes. Any claims we make are based on a full set of data from the relevant scientific studies and may also be subject to government review and approval, as is the case in the U.S. today

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Reconciliation of Operating Cash Flow to Free Cash Flow and
Free Cash Flow, excluding Currency
(\$ in millions)
(Unaudited)

	For the Year Ended December 31, 2014	
Net cash provided by operating activities^(a)	\$	7,739
Less:		
Capital expenditures		1,153
Free cash flow	\$	6,586
Less:		
Currency impact vs. PY		(1,639)
Free cash flow, excluding currency	\$	8,225

(a) Operating Cash Flow



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