



PHILIP MORRIS INTERNATIONAL

Designing a
Smoke-Free Future

Morgan Stanley Global Consumer & Retail Conference

New York, November 14, 2017

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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-Q for the quarter ended September 30, 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
- A glossary of terms is available at the end of today's webcast slides



2017: Key Messages

- Expect currency-neutral net revenue growth of over 7%:
 - Partly driven by *IQOS* device sales, which are currently margin dilutive and increasingly reflect multiple device ownership
- Anticipate total PMI volume decline of around 3%
- Sequential momentum in total international market share
- Continued strong *IQOS* performance, led by Japan and Korea:
 - Higher investment currently required to grow *IQOS* awareness levels outside Asia
- Net pricing a challenge in Russia, though industry prices beginning to move up slowly
- Cigarette industry volume in Saudi Arabia / GCC expected to remain under pressure into H1, 2018
- Recent industry price increases in the Philippines
- Not discussing 2018 guidance today. Will provide on February 8, 2018 (Q4 / FY 2017 results)

Note: Total PMI volume and total international market share include cigarettes and heated tobacco units. GCC stands for to the Gulf Cooperation Council and includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates

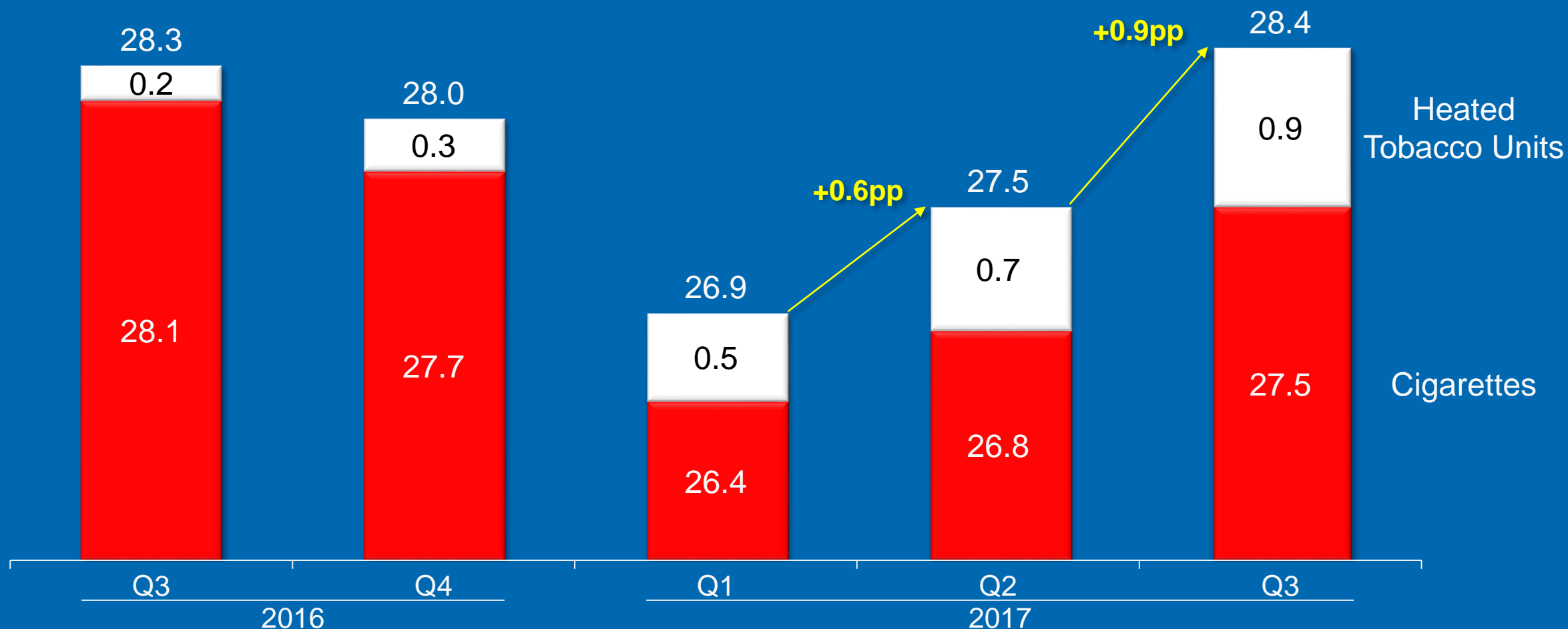
Source: PMI Financials or estimates



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Two Straight Quarters of Strong Sequential Market Share Growth

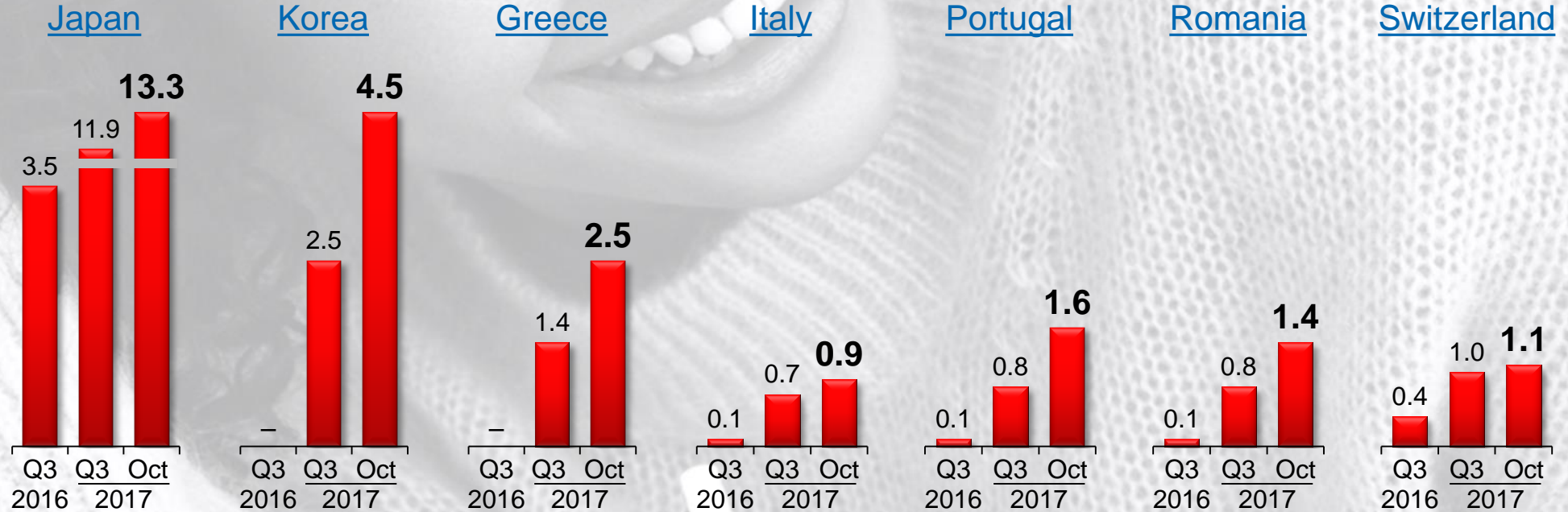
PMI International Market Share (%)



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

IQOS: Growing Heated Tobacco Unit National Market Shares

**National
SoM (%)**

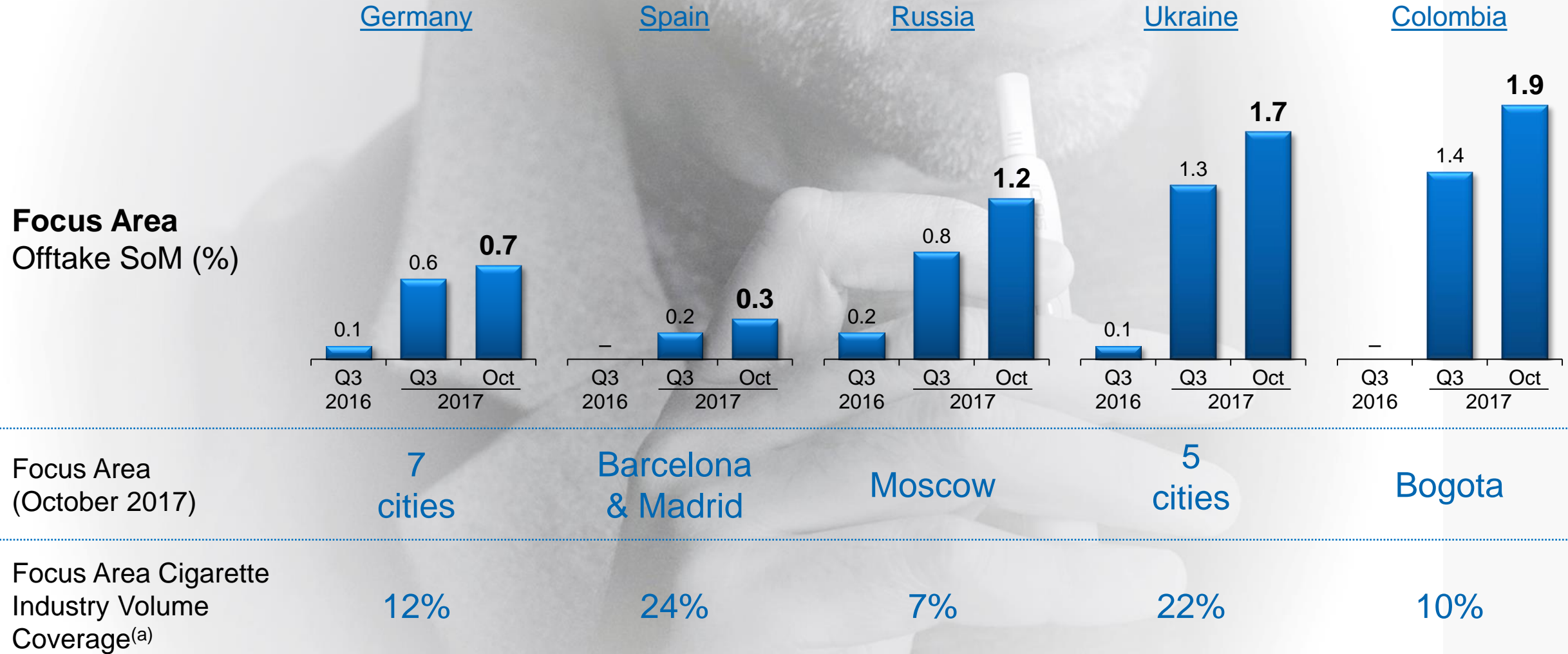


**Approximate
Weighted Distribution
Coverage^(a)**

Country	Approximate Weighted Distribution Coverage ^(a)
National	63%
Japan	75%
Korea	73%
Greece	36%
Italy	48%
Portugal	59%
Romania	
Switzerland	

(a) Portion of the national cigarette distribution coverage in which heated tobacco products are also sold (as of October 2017)
Source: PMI Financials or estimates

IQOS: Growing Heated Tobacco Unit Offtake Shares



(a) Portion of cigarette industry volume covered by IQOS focus area in each market (as of October 2017)
Source: PMI Financials or estimates



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Questions & Answers



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Glossary



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Glossary

- 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 PMI's heated tobacco units for those markets that have commercial sales of *IQOS*
- References to total international market, defined as worldwide cigarette and PMI heated tobacco unit volume excluding the United States, 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
- "Total PMI volume" is defined as the combined total of cigarette shipment volume and heated tobacco unit shipment volume
- Net revenues exclude excise taxes
- "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. PMI has a range of RRP's in various stages of development, scientific assessment and commercialization. Because PMI's RRP's do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke
- "*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*
- 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
- "SoM" stands for share of market



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