

Annual Meeting of Shareholders
Philip Morris International Inc.
May 1, 2019
New York, NY

(SLIDE 1.)

Good morning, ladies and gentlemen, and welcome to Philip Morris International's 2019 Annual Meeting of Shareholders. The meeting is now called to order.

I am Louis Camilleri, Chairman of the Board.

I would like to extend my warmest welcome to shareholders and employees who have joined us on our webcast, as well as those who are here in person today.

It is my privilege to welcome our Board of Directors, who are sitting in the front row.

On stage with me are André Calantzopoulos, our Chief Executive Officer, and Jerry Whitson, our Deputy General Counsel and Corporate Secretary.

In addition, I would like to introduce Chad Mueller of PricewaterhouseCoopers, our auditors. He is in the audience and will be available to answer questions after the meeting.

It is our intention to proceed in accordance with the Agenda and the rules for the meeting that have been placed on your seats.

(SLIDE 2.)

Our remarks today contain forward-looking statements and, accordingly, I direct your attention to the Forward-Looking and Cautionary Statements section of today's presentation. A glossary of terms, including the definition for reduced-risk products, or "RRPs," as well as adjustments, other calculations and reconciliations to the most directly comparable U.S. GAAP measures, are at the end of today's webcast slides, which are posted on our website.

(SLIDE 3.)

The Secretary will now present certain formal documents. Jerry.

Thank you, Mr. Chairman.

I present to the meeting, together with Affidavits of Mailing, a copy of the Notice of Meeting, form of Proxy, Proxy Statement and Annual Report, including financial statements for the fiscal year ended December 31, 2018.

The holders of record of common stock at the close of business on March 8, 2019 are entitled to vote at this meeting. I am informed that more than 88% percent of Philip Morris International Inc.'s common stock is represented here today and, therefore, a quorum is present for the transaction of business.

Thank you, Jerry.

Will you please file the documents with the records of the meeting.

I appoint as Inspectors of Election, Amilja Regan and Peter Duggan of Computershare, the Transfer Agent for PMI's common stock.

The Inspectors are instructed to execute the oath, and to take custody of all proxies, and of the certified list of holders of common stock as of the close of business on March 8, 2019.

The list contains the names and addresses of all holders of common stock, and the number of shares held by each.

This list is available for inspection throughout the meeting.

The Inspectors will certify the vote on each of the matters to be presented to the meeting. Individual proxies and ballots are kept confidential, with exceptions outlined in the Proxy Statement.

It is now my pleasure to give the floor to André, who will review our business performance.

Thank you, Louis, and good morning, everyone.

(SLIDE 4.)

We recorded a robust financial and strategic performance in 2018, demonstrating that the underlying strength of our combustible business is increasingly complemented by the tremendous opportunity of our reduced-risk products – led by IQOS – to accelerate business growth.

(SLIDE 5.)

While our total cigarette and heated tobacco unit shipment volume declined by 2.1%, it was flat excluding estimated net distributor inventory movements, marking our best annual performance on this basis since 2012 and comparing favorably to an estimated decline in total industry volume of 1.6%.

(SLIDE 6.)

Heated tobacco unit shipment volume increased by 14.2% to 41.4 billion units.

More importantly, our in-market sales volume for HTUs nearly doubled, reaching 44.3 billion units, a significant achievement driven by all *IQOS* launch markets.

(SLIDE 7.)

Our total international share of 28.4% increased by 0.5 points -- our highest organic growth since 2008 -- driven by heated tobacco units, which reached a share of 1.6%.

Share grew in all six of our Regions, underlining the strength of our combined portfolio.

(SLIDE 8.)

Importantly, our share of the international cigarette category was stable at 27.4%, despite over-indexed *IQOS* out-switching and the shift of resources to heated tobacco products.

Marlboro's international share of the cigarette category was also stable, with share growth across a range of markets.

(SLIDE 9.)

On a currency-neutral basis:

- Net revenues increased by 3.4%, driven by a combustible tobacco pricing variance of 7.6% and the strong volume contribution from our reduced-risk products;
- Adjusted operating income was essentially flat, while adjusted operating income margin decreased by 1.3 points, primarily reflecting the impact of net incremental investments of approximately \$600 million behind RRP; and
- Adjusted diluted EPS increased by 10.4%, driven notably by both a lower effective tax rate and lower net interest expense.

(SLIDE 10.)

Importantly, we are progressing against our ambition for a smoke-free future. In 2018, RRP; accounted for over 5% of our total shipment volume and nearly 14% of our total net revenues, or over \$4 billion. This marks substantial progress since 2015.

Demonstrating our commitment to a smoke-free future, our R&D and commercial expenditures behind RRP; reached 92% and 60%, respectively, of our total related expenditures in 2018.

(SLIDE 11.)

Building on our robust overall financial and strategic performance last year, we are off to a promising start in 2019.

Positive momentum for our combustible tobacco and smoke-free product portfolios drove total volume and share growth in the first quarter of 1.1% and 1.0 percentage point, respectively...

(SLIDE 12.)

...as well as strong currency-neutral adjusted financial results, including adjusted diluted EPS growth of 15.0%.

(SLIDE 13.)

While our sequential HTU shipment volume progression in the first quarter was impacted by inventory movements, our HTU in-market sales volume increased by nearly 11% to approximately 13 billion units. In-market sales volume growth versus the first quarter of last year was nearly 35%.

For the full year, we anticipate HTU shipment volume broadly in line with our in-market sales volume, with any HTU net inventory movements in individual markets essentially offsetting on an aggregate basis.

(SLIDE 14.)

I will now cover the strong fundamentals supporting our combustible tobacco business – which represents the majority of our earnings and cash flow – as well as our strategy for continued category leadership.

(SLIDE 15.)

The annual decline in total industry volume – including cigarettes and heated tobacco units – has averaged 2.3% since 2014, the year we launched *IQOS* in pilot cities.

While total industry volume in a given year can be impacted by specific factors in individual markets, we see no major changes to the underlying multi-year trend going forward and anticipate a decline of 2.5% to 3.0% in 2019, which may prove to be conservative.

The growth of smoke-free products, led by *IQOS*, has driven a shift in the composition of industry volume, reflecting a higher decline rate for the cigarette category as adult smokers out-switch to these alternatives, and we expect this to continue.

(SLIDE 16.)

Combustible tobacco pricing also remains consistent with historical trends, largely reflecting the rational global excise tax environment and competitive landscape.

Since 2008, our combustible tobacco annual pricing variance has ranged from 5.2% to 7.7%, with year-to-year variability that mainly reflects the timing and level of excise tax and retail selling price increases. Importantly, cigarette price elasticities have remained stable in a range of -0.3 to -0.5.

The fundamental strength of our cigarette brand portfolio continues. For 2019, we anticipate a combustible tobacco pricing variance above 5%, despite a challenging comparison with 2018.

(SLIDE 17.)

As we transition our product portfolio to reduced-risk products, we are committed to maintaining our cigarette market leadership, and price positioning for our cigarette brands at the top of their respective segments.

To achieve this, we have a focused innovation strategy that entails fewer, more impactful initiatives that can be deployed swiftly in any market.

This strategy is complemented by portfolio rationalization, largely through brand morphing and the elimination of low-volume SKUs.

(SLIDE 18.)

Turning to our reduced-risk product portfolio, it is our ambition to build our future on smoke-free products that are a much better choice than cigarettes for the millions of adult smokers, as well as for the people around them.

We offer, and will continue to offer, adult consumers an array of breakthrough products so that they can make the better choices they undeniably deserve. This in turn will offer our shareholders much more sustainable business growth for many years to come.

(SLIDE 19.)

I would like to reiterate the three strategic pillars supporting our smoke-free ambition: adult consumer satisfaction, key external stakeholder engagement and organizational readiness. We are absolutely focused on executing these seamlessly.

(SLIDE 20.)

Let's begin with consumers. Convincing them to switch out of cigarettes is not an easy task. It depends on personal preferences and beliefs, health concerns, cultural traits, regulatory environments and the point in time of their conversion journey.

One type of product is unlikely to be the answer. This is the reason we adopted a portfolio approach for our smoke-free products, from heated tobacco to non-tobacco nicotine-containing aerosol.

But all these products will carry certain fundamental characteristics for our consumers:

- The best taste and satisfaction in their respective category;
- A much better choice than smoking cigarettes for those who switch to them and the people around them;
- Unparalleled and transparent scientific substantiation of their harm reduction potential, to build trust and understanding among consumers and regulators;
- Iconic design language, user experience ecosystems and brand image; and
- Excellent service and care across all consumer touch points.

In other words, we aim for products that are the most worthy of adult smokers' efforts to switch out of cigarettes and never go back.

(SLIDE 21.)

Our vision of a smoke-free future is supported by a long-established policy to ensure that our entire effort is to switch adult smokers. These Good Conversion Practices serve as the company's bedrock for encouraging adult smokers to switch while working to prevent unintended use in the countries where we sell reduced-risk products.

(SLIDE 22.)

And let me be clear about our unwavering focus on preventing youth from beginning to smoke or use nicotine products.

We fully support legal age limits for the purchase of tobacco and nicotine products worldwide. Age limits can play an important role in further guarding against youth use of such products, together with access control through age verification at retail and education that has to expand from cigarette smoking prevention to the use of any nicotine product.

However, that effort must first begin with companies themselves as technology evolves. Smoke-free product manufacturers must have the right approach, the right product and the right science, as well as robust post-market surveillance programs to ensure new tobacco and nicotine technologies reach their intended audience – the men and women who currently smoke.

(SLIDE 23.)

Our second strategy focuses on key external stakeholders, including regulators, the scientific community and NGOs. We are eager to see fiscal and regulatory measures introduced that drive large-scale switching as quickly as possible.

In this regard, we have recently launched the “Year of Unsmoke,” an urgent call to action to smokers, nonsmokers, regulators and agents of change across the world to drive a better future for the world’s 1.1 billion smokers and their families, loved ones and communities. The message is simple: If you don’t smoke, don’t start. If you smoke, quit. If you don’t quit, change to alternatives that are less harmful than continued smoking.

With regard to our products, we have put in place a rigorous and transparent scientific pre- and post-market assessment program that is unmatched in the industry. This program has become a cornerstone of our external engagement, in which we advocate for public health authorities and policy makers to adopt the same evidence-based approach to designing regulations that foster healthier consumer behavior compared to continued smoking.

(SLIDE 24.)

In this context, we are very pleased that, yesterday, the U.S. Food and Drug Administration (FDA) confirmed that *IQOS* is appropriate for the protection of public health and has authorized it for sale in the United States. The FDA’s decision follows its comprehensive assessment and rigorous science-based review of PMI’s premarket tobacco product applications (PMTAs) filed with the Agency in 2017.

The FDA’s decision to authorize *IQOS* in the U.S. is a historic milestone and an important step forward for the approximately 40 million American men and women who smoke. Some will quit. Most won’t, and for them *IQOS* offers a smoke-free alternative to continued smoking. Yesterday’s decision by the FDA makes this opportunity available to American adult smokers.

The order sets out clear commercialization guidelines, including marketing requirements, that maximize the opportunity for adults to switch from cigarettes, while minimizing unintended use. We fully support this approach. The FDA has set a high standard and we look forward to working with them to implement the order so that *IQOS* is reaching the right audience – current adult smokers.

We will bring *IQOS* to the U.S. market through an exclusive license with Altria Group, Inc., whose subsidiary Philip Morris USA has the market expertise and infrastructure to ensure a successful launch. PM USA is ready to deploy its initial lead market plans for *IQOS*.

We submitted a comprehensive body of scientific evidence in support of the PMTAs and of the parallel applications for *IQOS* as a “Modified Risk Tobacco Product,” which FDA continues to review.

(SLIDE 25.)

The third strategy focuses on our internal capabilities so that our organization is always fit-for-purpose and at the leading edge of technology, science and user experience.

This means:

- Developing or acquiring new technical skills, and implementing more agile, entrepreneurial structures and practices enabled by digitalization;
- Developing new products and services not only internally, but also through partnerships and acquisitions; and
- Driving efficiency through every level of our operations to liberate resources and reallocate them to where they will have the maximum benefit.

(SLIDE 26.)

Let me now turn my remarks specifically to *IQOS*, the leading international smoke-free product, which is now commercially available in key cities or nationwide in 47 markets across five of our six Regions.

(SLIDE 27.)

IQOS reached a key milestone in the first quarter, surpassing ten million users. Importantly, approximately 70% of the total have stopped smoking and switched to *IQOS*, with the balance in various stages of conversion.

(SLIDE 28.)

As announced last year, we began the global launch of our *IQOS 3* devices in mid-November, starting with our own retail and e-commerce channels. The upgraded *IQOS 3* notably provides continued superior sensorial experience, longer battery life, a more intuitive user interface and improved robustness, while the *IQOS 3 MULTI* addresses the consumer need – in some markets – of sequential use. Importantly, both devices allow for personalization through a broad portfolio of accessories.

Though still early, as full device availability and expansion to our main distribution channels only occurred during the first quarter, we are very pleased by the initial consumer reaction to the new device line-up across *IQOS* markets.

(SLIDE 29.)

The success of *IQOS* is broad-based, as evidenced by the HTU national market share data on this slide, and reflects a range of countries with varying regulatory frameworks and adult smoker preferences.

(SLIDE 30.)

In particular, I would like to highlight the recent performance of Japan, our most successful *IQOS* market.

Our share for *HeatSticks* and *HEETS* reached 16.9% in the first quarter, marking our first sequential share growth since the first quarter of 2018 and the highest quarterly share that we have achieved in the market.

This suggests that the range of initiatives for restoring share growth that I initially outlined last May during this very meeting -- and introduced during the second half of the year -- are indeed starting to pay off.

(SLIDE 31.)

I would also like to highlight our first-quarter offtake shares in select cities. These city-level performances compare very favorably to the corresponding national shares and provide an encouraging indicator of the opportunity that can come with broader focus and support in *IQOS* markets.

(SLIDE 32.)

I believe we have laid the foundation for strong business performance in 2019 and beyond, thanks to significant investments in product portfolio development and organizational capabilities.

As we announced in our press release today, we are re-affirming our 2019 reported diluted EPS guidance provided on April 18th, at then prevailing exchange rates. Excluding reporting adjustments of \$0.22 per share, our guidance represents a currency-neutral, like-for-like adjusted growth rate of at least 8%, and assumes net revenue growth of at least 5% and operating income margin expansion of at least 100 basis points, on the same basis.

As explained in detail in our first-quarter earnings press release, the like-for-like comparison reflects the adjustment of our 2018 results for the deconsolidation of our Canadian subsidiary, Rothmans, Benson & Hedges Inc., effective March 22, 2019.

(SLIDE 33.)

This forecast is consistent with the compound annual currency-neutral growth targets – outlined during our Investor Day last September – for net revenues and adjusted diluted EPS of at least 5% and 8%, respectively, for the 2019 to 2021 period.

(SLIDE 34.)

The strong overall performance and favorable momentum for IQOS, supported by our unmatched innovation machine, further underscores our confidence in the 90 to 100 billion heated tobacco unit shipment volume target for 2021 that we first provided at Investor Day last year.

(SLIDE 35.)

Before concluding my business presentation today, I would like to share a few words on the subject of sustainability.

Our ambition is to make PMI a true leader in sustainable business practices. We need to excel in many areas, starting first and foremost with our products.

Our sustainability strategy is a key element of PMI's overall business strategy, and is structured around four pillars that enable our vision of a smoke-free future.

These are:

- Transforming our business;
- Driving operational excellence;
- Managing our social impact; and
- Reducing our environmental impact.

(SLIDE 36.)

In this context, I would like to highlight two recent achievements. First, for the fifth year in a row, our company is on CDP's Climate A-List for our comprehensive action to reduce greenhouse gas emissions and mitigate climate change, and for transparency in our reporting practices. Second, earlier this year, PMI became the first international company to achieve global EQUAL-SALARY certification, a key milestone on our inclusion and diversity journey to creating a more gender-balanced organization.

Later this month, we will publish our 2018 Sustainability Report, which will be available on our website. I would encourage you to read about these achievements in more detail, as well as the significant progress we are making in other important areas.

(SLIDE 37.)

To conclude my remarks, I would like to leave you with some key messages.

We recorded robust overall results in 2018 and are positioned for strong business performance in 2019 and beyond.

Our combustible tobacco portfolio remains the foundation of our business, supported by pricing and other industry fundamentals consistent with historical trends.

/QOS continues to grow globally, with an increasing number of markets making an important contribution to its success.

We are convinced that our smoke-free strategy continues to provide us with the single-largest opportunity to accelerate business growth.

Finally, while dividends remain at the Board's discretion, we are committed to generously rewarding our shareholders over time.

(SLIDE 38.)

Thank you for your interest in our company. I will now turn the podium back to Louis.

(SLIDE 39.)

Thank you very much, André.

I will now open the meeting for questions and comments. This period will be followed by the resolution of items for voting.

I would ask that we all remember that this meeting represents an opportunity for shareholders, or their representatives, to express their views, whether favorable or otherwise. While I value highly the chance to listen to your opinions and address your questions, I do expect the process to be based on mutual respect for the differing views represented in the audience.

As noted in the Agenda, each speaker is kindly asked to limit his or her comments to two minutes to allow everyone an opportunity to be heard. Shareholders should confine their remarks to matters that relate directly to the business of the meeting.

Also, please note that those who wish to speak a second time may do so only after all others who wish to speak have had their turn.

I have asked Jerry to serve as our timekeeper, so that everyone will have an equal amount of time.

We have allowed up to one hour for questions. There is a microphone in each of the two aisles.

If there is not enough time for all of your questions during this morning's meeting, please feel free to ask an usher for a card, fill it out and return it to an usher at the end of the meeting. We will respond to you as soon as possible.

Please address all of your questions or comments directly to me, and be kind enough to identify yourself.

Are there any questions or comments?

That concludes our question and comment period. We will now move on to the next stage of the meeting.

(SLIDE 40.)

The matters set forth in the notice of meeting will be put before the meeting at this time. Comments on each matter can be made after each one has been formally presented.

Now, I would like to ask the ushers to distribute Proxy Cards to any shareholders who may not have returned their proxies for voting on the matters to come before the meeting.

Shareholders who have already returned proxies need not submit a new Proxy Card. If anyone requires a Proxy Card, please raise your hand.

The ushers will collect these cards, and deliver them to the Inspectors of Election, after the final item of business has been presented.

(SLIDE 41.)

Before I continue, I would like to say that all of us at PMI were deeply saddened by the passing of Board member Sergio Marchionne last year and former Board member Harold Brown earlier this year; Mr. Brown had retired from the Board in October 2018.

Both had served as Directors with distinction since our transition to a public company in March 2008. They brought invaluable business and strategic insights to PMI's Board, and we benefited tremendously from their dedicated service. They will be sorely missed.

(SLIDE 42.)

The first order of business is the election of twelve directors.

The individuals on this slide have been nominated for election as director, each to hold office until the next Annual Meeting of Shareholders and until his or her successor shall have been duly chosen.

(SLIDE 43.)

In accordance with the Company's by-laws, no other nominations may be made at this time.

If you would like to comment on the nominations, please proceed to a microphone.

Again, each speaker is asked to limit his or her comments to two minutes.

Please identify yourself before you begin.

The meeting is now open for comments on the nominations.

Are there any comments?

Thank you.

We will now turn to the second item on the agenda, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2019 Annual Meeting of Shareholders.

Are there any comments on this matter?

Thank you.

The final item is the ratification of the selection of PricewaterhouseCoopers as independent auditors of the Company for the fiscal year ending December 31, 2019.

Are there any comments on this matter?

Thank you.

The matters to be voted on have now been formally presented to the meeting. If you have not already done so, please complete your Proxy Card. After you have done so, raise your hand and the ushers will collect all the Proxy Cards and deliver them to the Inspectors of Election.

Since all shareholders have now had time to vote, I declare the polls closed.

The ushers should now have collected all the proxies, and they are directed to deliver the proxies to the Inspectors of Election for counting.

Before I ask the Inspectors of Election to deliver their final report, I would like to make a few closing remarks.

You heard from André earlier that we closed out 2018 with a robust financial and strategic performance across the business and believe we have laid the foundation for an even better performance in 2019 and beyond.

Our company is undergoing an unprecedented transformation to a smoke-free future, a change that is allowing us to play a pivotal role in improving the lives of adult smokers, while securing the long-term future of the company and the sustainability of our earnings and dividend growth for years to come. It is the biggest shift in our history, and I am convinced that it will prove to be the right change for our consumers, our company, our shareholders, and society.

But change does not happen in a vacuum. It needs architects and champions. With a Board of Directors of exceptional experience, a talented management leadership team, and some 77,000 supremely professional and dedicated employees around the world, I have no doubt that we have the best people in place to make our vision a reality. It is my privilege to ask you to join with me now in saluting them all.

Thank you.

I will now ask one of the Inspectors of Election to deliver their report to the Secretary.

Will the Secretary please read the report.

Mr. Chairman, the Inspectors of Election have completed the preliminary count of the vote, which I have now received. The preliminary voting results are as follows:

Each of the nominees for director has been elected.

The executive compensation has been approved on an advisory basis.

The selection of PricewaterhouseCoopers as independent auditors has been ratified.

Mr. Chairman, that concludes the report.

Thank you, Jerry.

I would now ask you to file with the records of the meeting, the Inspector's Report, the oath of the Inspectors of Election, their certificate and the proxies. Final voting results will be included in a Form 8-K that we will file with the SEC in the next couple of days.

And now, there being no further business to come before the meeting, I hereby declare the meeting adjourned. Thank you all very much for coming.