



PHILIP MORRIS INTERNATIONAL

# 2016 Second-Quarter Results

July 19, 2016



# Introduction

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- Unless otherwise stated, we will be talking about results for the second quarter of 2016 and comparing them to the same period in 2015
- A glossary of terms, adjustments and other calculations, as well as 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
- 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 cigarettes. PMI's RRP's are in various stages of development and commercialization, and we are conducting extensive and rigorous scientific studies to determine whether we can support claims for such products of reduced exposure to harmful and potentially harmful constituents in smoke, and ultimately claims of reduced disease risk, when compared to smoking cigarettes. Before making any such claims, we will rigorously evaluate the full set of data from the relevant scientific studies to determine whether they substantiate reduced exposure or risk. Any such claims may also be subject to government review and authorization, as is the case in the U.S. today



# Forward-Looking and Cautionary Statements

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- 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 and commercialize 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 March 31, 2016. 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



## Raising 2016 EPS Guidance for Currency Only

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- Raising 2016 reported diluted EPS guidance to \$4.45 to \$4.55, at prevailing exchange rates, compared to \$4.42 in 2015; revision driven solely by currency
- Full-year business outlook remains strong
- Guidance now includes 40 cents of unfavorable currency at prevailing exchange rates (vs. 45 cents previously)
- Excluding currency, our guidance represents a growth rate of approximately 10% to 12% compared to adjusted diluted EPS of \$4.42 in 2015:
  - Expect Q3 growth to be broadly in line with Q2
  - Full-year growth heavily skewed toward Q4



# Currency Impact on PMI EPS Guidance vs. PY

(\$ per share)

|                              | February 2016<br><u>Guidance</u> | April 2016<br><u>Guidance</u> | July 2016<br><u>Guidance</u> | <b>July vs. April<br/><u>Guidance</u></b> |
|------------------------------|----------------------------------|-------------------------------|------------------------------|---|
| <b>Russian Ruble</b>         | (0.16)                           | (0.11)                        | (0.09)                       | <b>0.02</b>                               |
| Egyptian Pound               | (0.03)                           | (0.04)                        | (0.05)                       | <b>(0.01)</b>                             |
| Kazakhstan Tenge             | (0.04)                           | (0.03)                        | (0.04)                       | <b>(0.01)</b>                             |
| Mexican Peso                 | (0.03)                           | (0.03)                        | (0.04)                       | <b>(0.01)</b>                             |
| Turkish Lira                 | (0.02)                           | (0.03)                        | (0.03)                       | —   |
| Euro                         | (0.02)                           | (0.01)                        | (0.01)                       | —   |
| Indonesian Rupiah            | (0.05)                           | (0.01)                        | (0.01)                       | —   |
| <b>Japanese Yen</b>          | (0.07)                           | —                             | 0.03                         | <b>0.03</b>                               |
| Other                        | (0.18)                           | (0.19)                        | (0.16)                       | <b>0.03</b>                               |
| <b>Total Currency Impact</b> | <b>(0.60)</b>                    | <b>(0.45)</b>                 | <b>(0.40)</b>                | <b>0.05</b>                               |



## Q2, 2016: PMI Organic Cigarette Volume

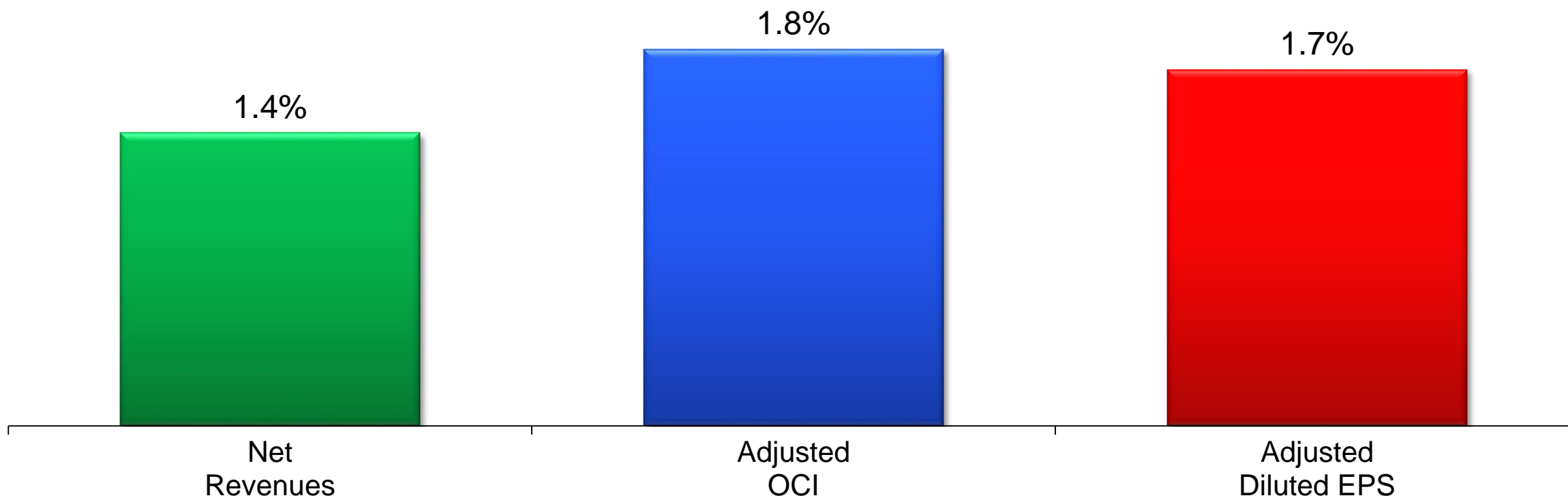
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- Organic cigarette volume down by 4.8%, or by 4.3% excluding estimated inventory movements
- Decline due in large part to decreases in low-margin volume in Pakistan and the Philippines



## Q2, 2016: Financial Results

Growth (Q2, 2016 vs. PY)<sup>(a)</sup>



(a) Excluding currency  
Source: PMI Financials or estimates



## Q2, 2016: Favorable Pricing in All Regions

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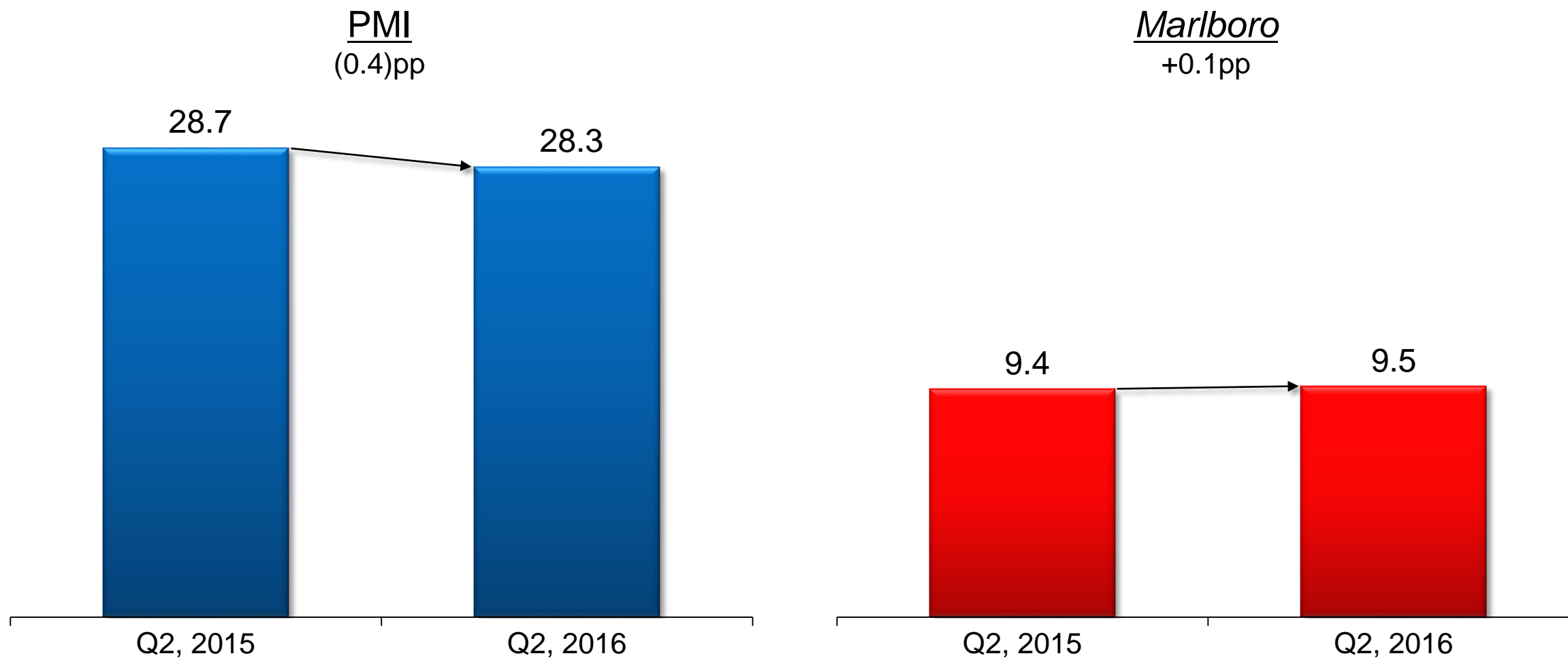
- Favorable pricing variance of \$344 million, reflecting positive contributions from all Regions, particularly EU and EEMA
- Favorable pricing in the Asia Region driven by Indonesia and the Philippines, partly offset by Japan and Korea
- In Q2, 2016, we announced or implemented price increases in a number of markets, notably Argentina, Canada, Indonesia, Italy, Russia and Ukraine
- Anticipate 2016 pricing variance to be around 6% of 2015 net revenues





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## PMI and *Marlboro* International Cigarette Market Shares<sup>(a)</sup>



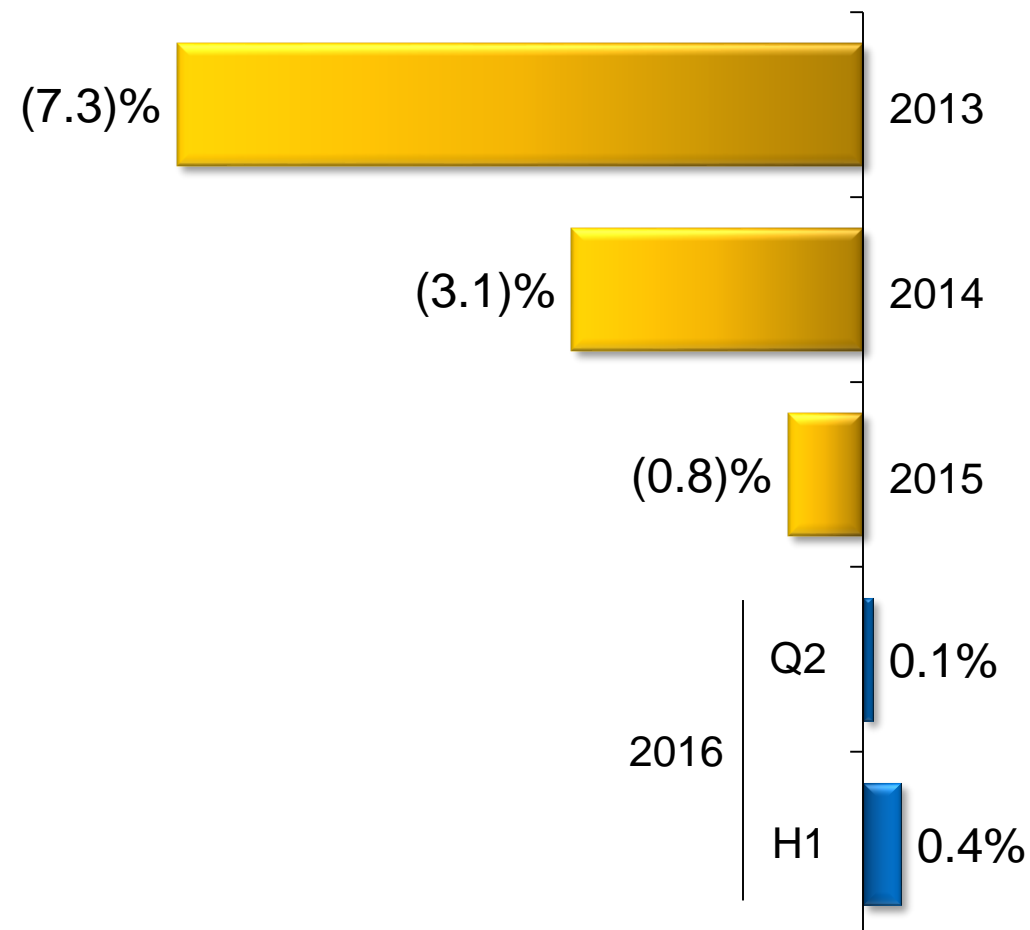
(a) Excluding China and the U.S.  
Source: PMI Financials or estimates



## EU Region: Resilient Cigarette Industry Volume

- Cigarette industry volume down by a modest 0.3% in Q2, 2016, excluding estimated inventory movements, primarily reflecting:
  - Improving economies, notably in Southern Europe
  - Decline in the level of illicit trade
  - Lower prevalence of e-vapor products
  - Less out-switching to fine cut products
- Forecast 2016 cigarette industry volume decline of around 1%

Cigarette Industry Volume Variance vs. PY

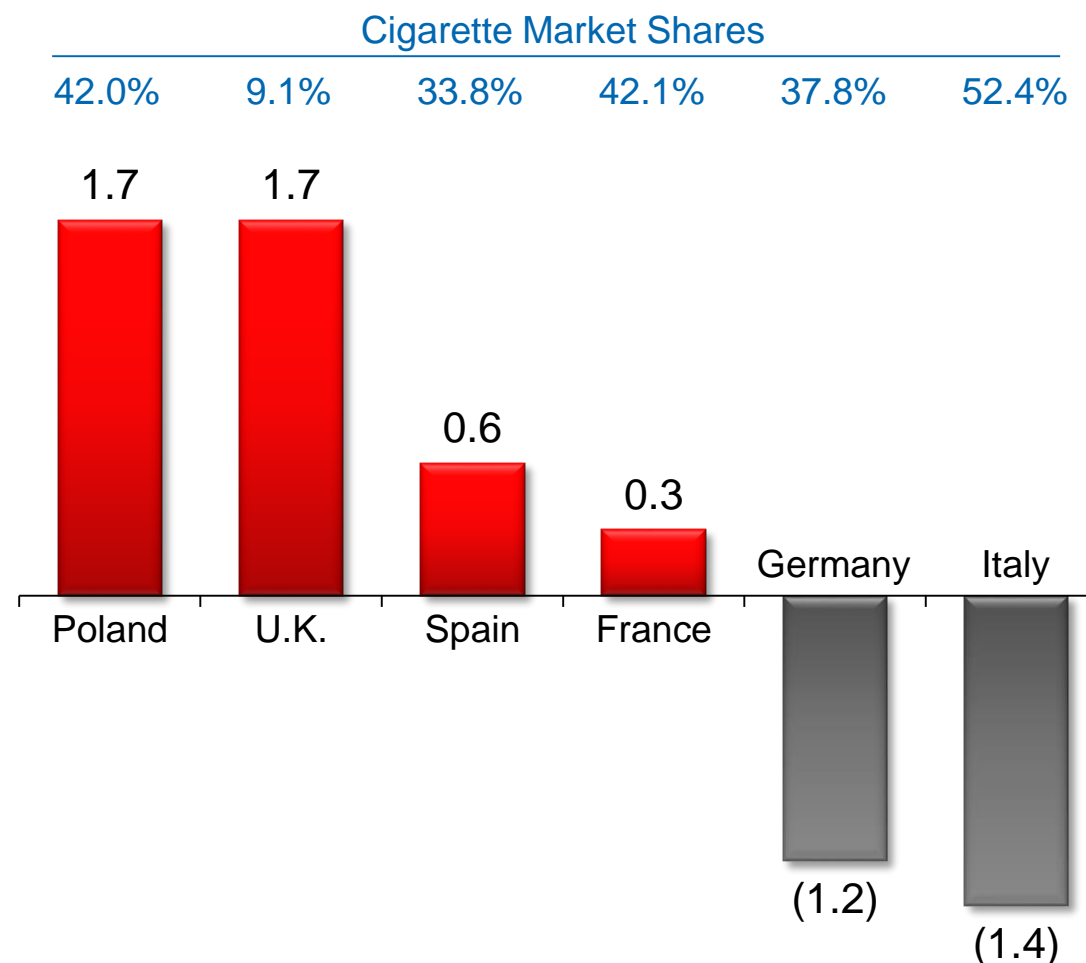




## EU Region: Profitability Growth Continued in Q2, 2016

- Regional cigarette market share down by 0.2 points
- *Marlboro* grew cigarette market share in four of the top six markets by industry volume
- Adjusted OCI up by 3.5%, ex-currency, driven by:
  - Higher pricing
  - Resilient cigarette industry volume
- Target high-single-digit adjusted OCI growth in 2016, ex-currency

### Q2, 2016 Cigarette Share Variance vs. PY (pp)





## EEMA Region: Strong Overall Results in Q2, 2016

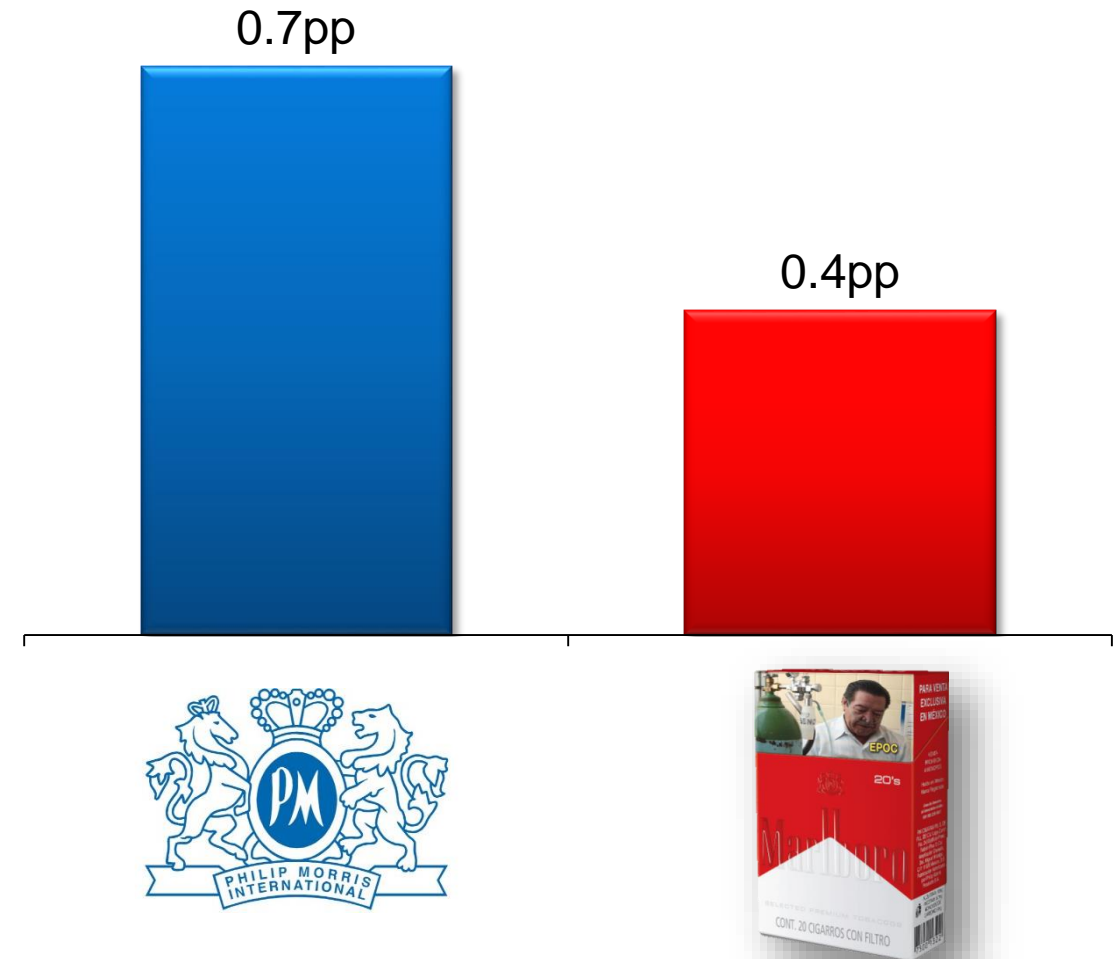
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- Adjusted OCI up by a strong 10.1%, ex-currency, driven by Russia, Saudi Arabia and Turkey
- **Russia:** higher pricing drove double-digit OCI growth, ex-currency; cigarette market share down due mainly to slower penetration of our competitors' price increases; 2016 cigarette industry volume forecast to decline by around 7%
- **Turkey:** favorable volume/mix drove solid OCI growth, ex-currency, reflecting higher cigarette volume, supported by *Marlboro*, and higher pricing
- **North Africa:** results impacted by negative volume/mix, as general macro-economic and geopolitical instability continued to put pressure on cigarette industry volume and premium-priced products

## LA&C Region: Strong Cigarette Market Share Growth in Q2, 2016

- Regional cigarette market share growth driven by:
  - Brazil and Canada
  - Supported by *Marlboro*
- Adjusted OCI down by 7.1% in Q2, 2016, ex-currency, due to:
  - Cigarette industry volume decline in Argentina following a significant excise tax increase in May
  - Partly offset by favorable pricing, notably in Argentina and Canada

Cigarette Market Share Variance  
(Q2, 2016 vs. PY)



# Asia Region: Currency-Neutral Adjusted OCI Decline, Reflecting an Unfavorable Comparison

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- Adjusted OCI down by 5.4% in Q2, 2016, ex-currency, due mainly to:
  - Unfavorable volume/mix
  - Higher costs related to the commercialization of *iQOS*
- Lower volume/mix predominantly in Japan, primarily reflecting an unfavorable comparison vs. Q2, 2015, related to distributor inventory movements
- Target mid to high-single-digit adjusted OCI growth for the full-year 2016, ex-currency

# Asia Region: Favorable Developments in Key Markets in Q2, 2016



## Philippines

- Stable price gaps between *Marlboro* and lower-priced brands, representing a significant narrowing vs. Q2, 2015
- Cigarette market share growth and positive mix



## Indonesia

- Cigarette market share showing signs of a sequential stabilization, benefiting from the performance of our latest launches and geographical expansions in the machine-made kretek segment
- Target double-digit OCI growth in 2016, ex-currency



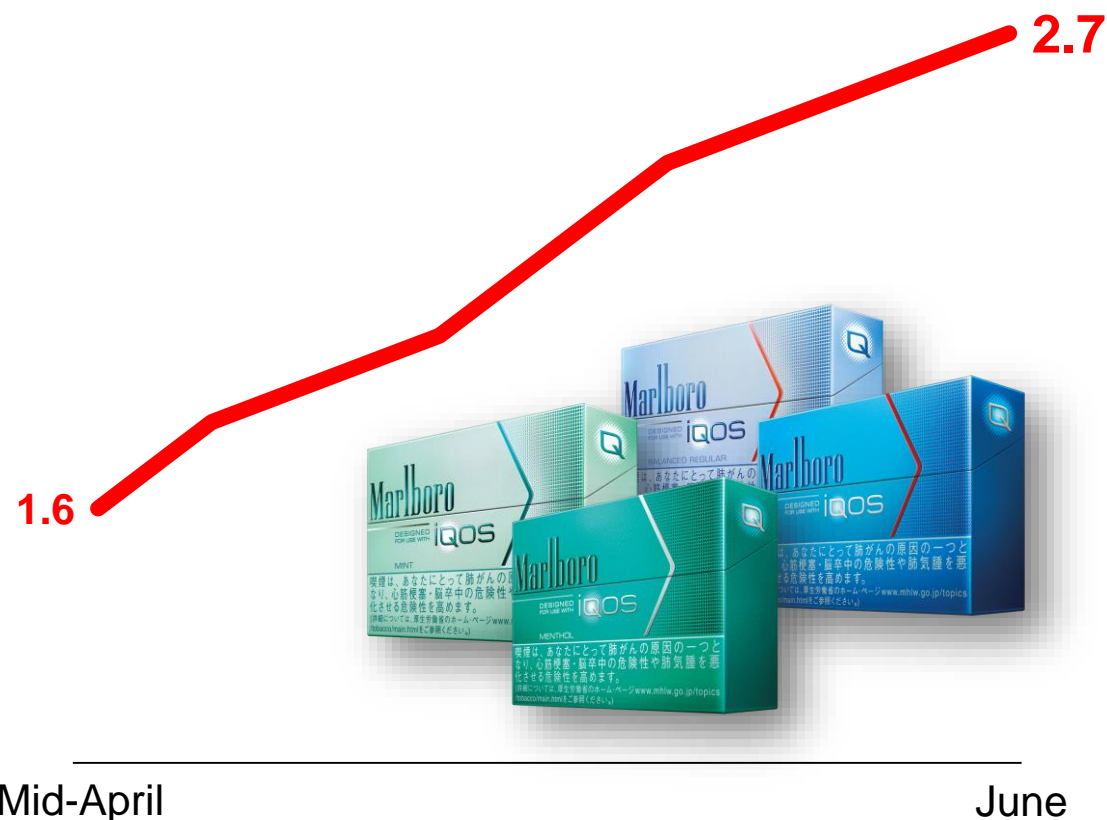
## Japan

- Cigarette market share showing signs of a sequential stabilization<sup>(a)</sup>
- *Marlboro* responding well to reduced price gap with leading brand
- Positive momentum from our recent cigarette brand launches

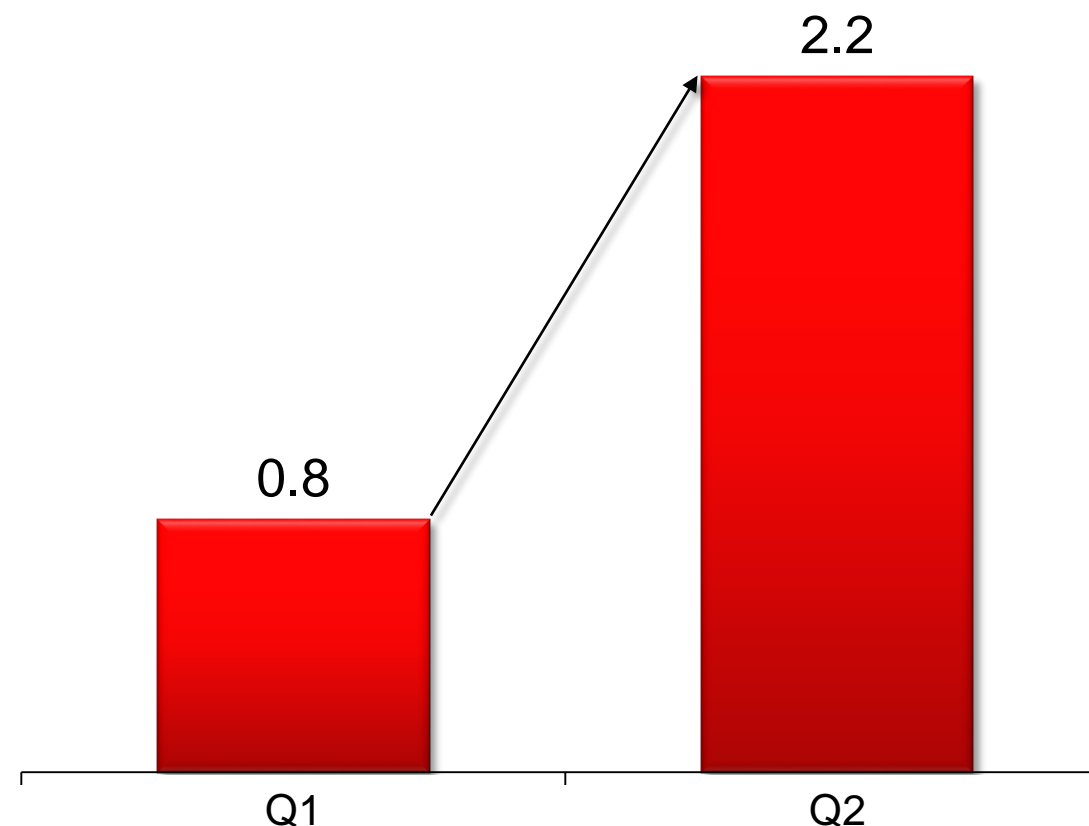
(a) Excluding estimated impact of inventory movements  
Source: PMI Financials or estimates, and Tobacco Institute of Japan

# iQOS: Strong *HeatSticks* Share Growth Continues in Japan

2016 Weekly Market Share (%)



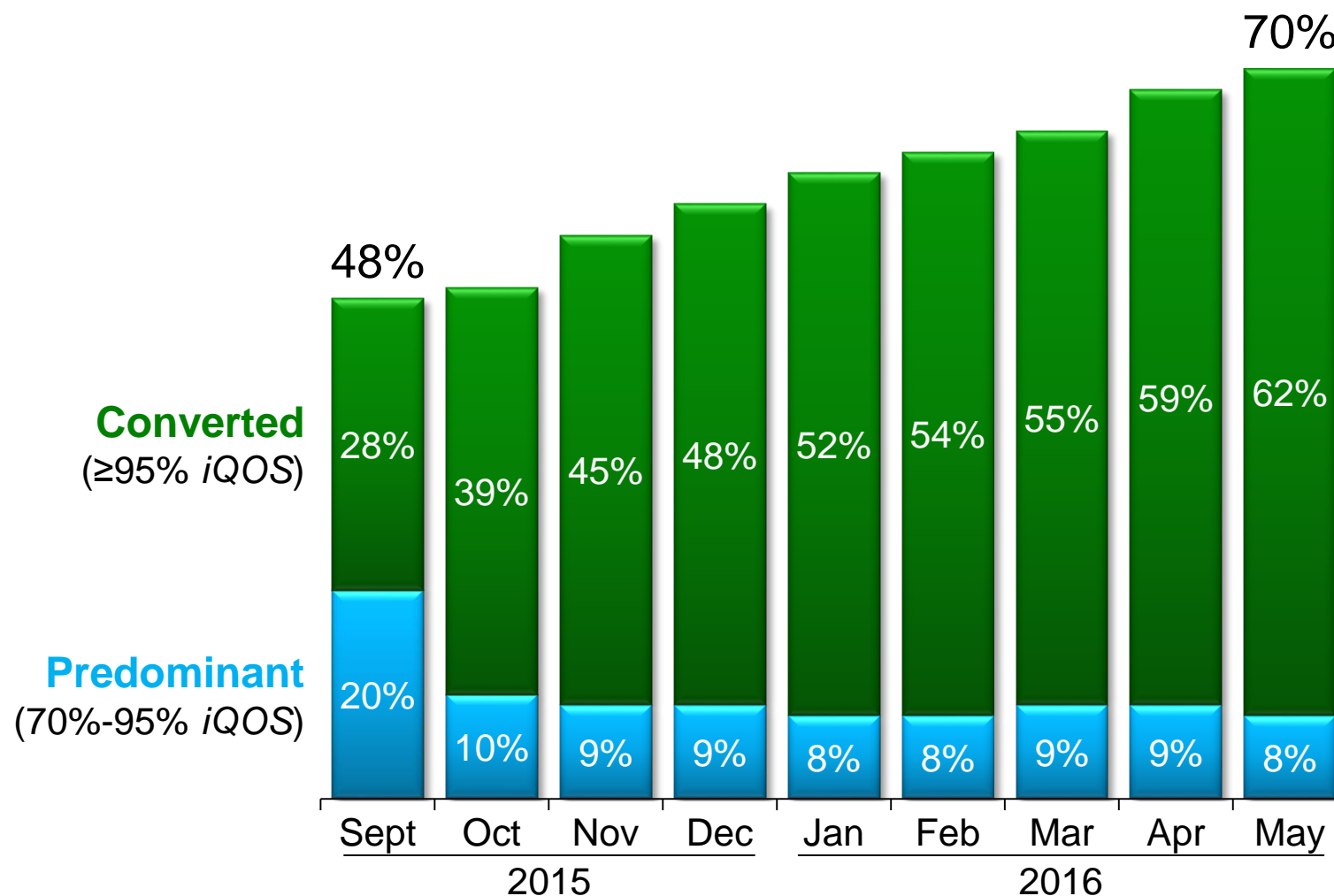
2016 Quarterly Market Share (%)  
+1.4pp



Note: 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 cigarettes. National market share represents the total sales volume for *HeatSticks* as a percentage of the total estimated sales volume for cigarettes and *HeatSticks*. Visuals are for illustrative purposes only  
Source: PMI Financials or estimates, and Tobacco Institute of Japan



# iQOS: Growing Adult Smoker Conversion in Japan

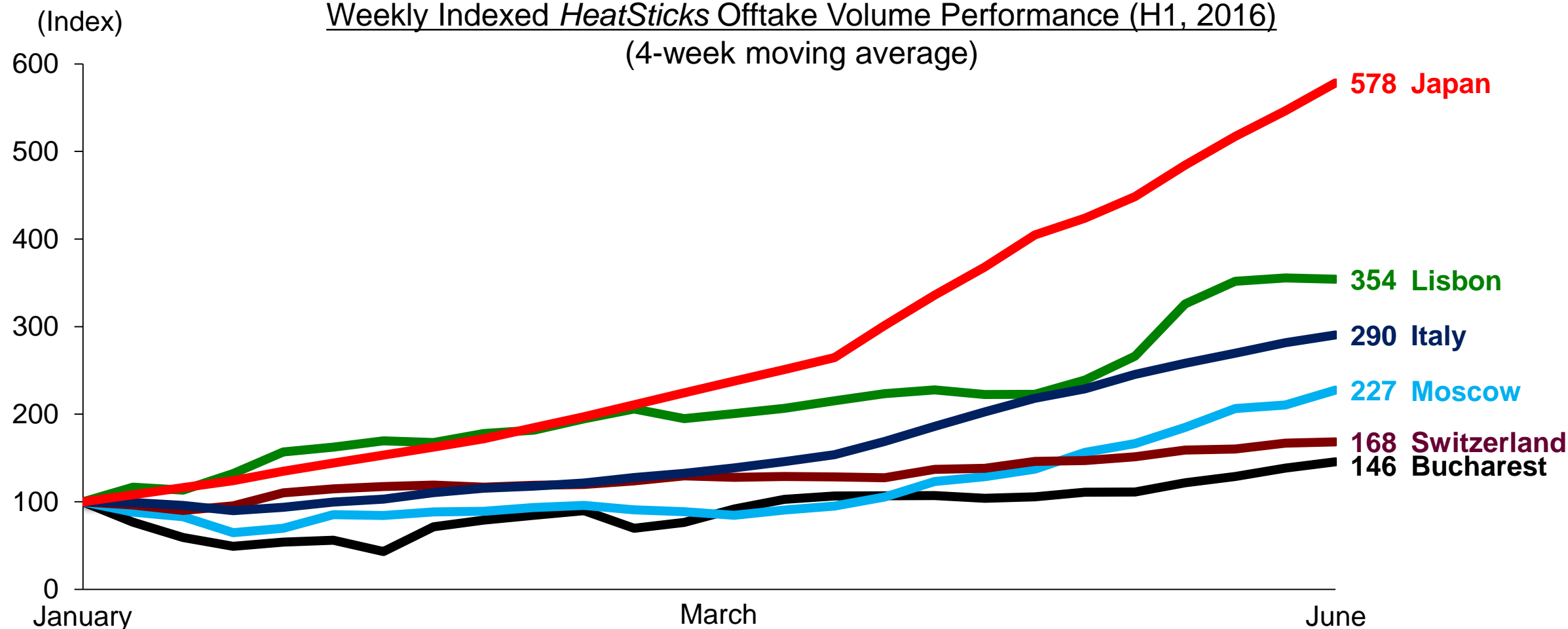


Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes  
Source: PM Japan iQOS User Panels



# iQOS: Encouraging *HeatSticks* Offtake Volume Trends

Weekly Indexed *HeatSticks* Offtake Volume Performance (H1, 2016)  
(4-week moving average)



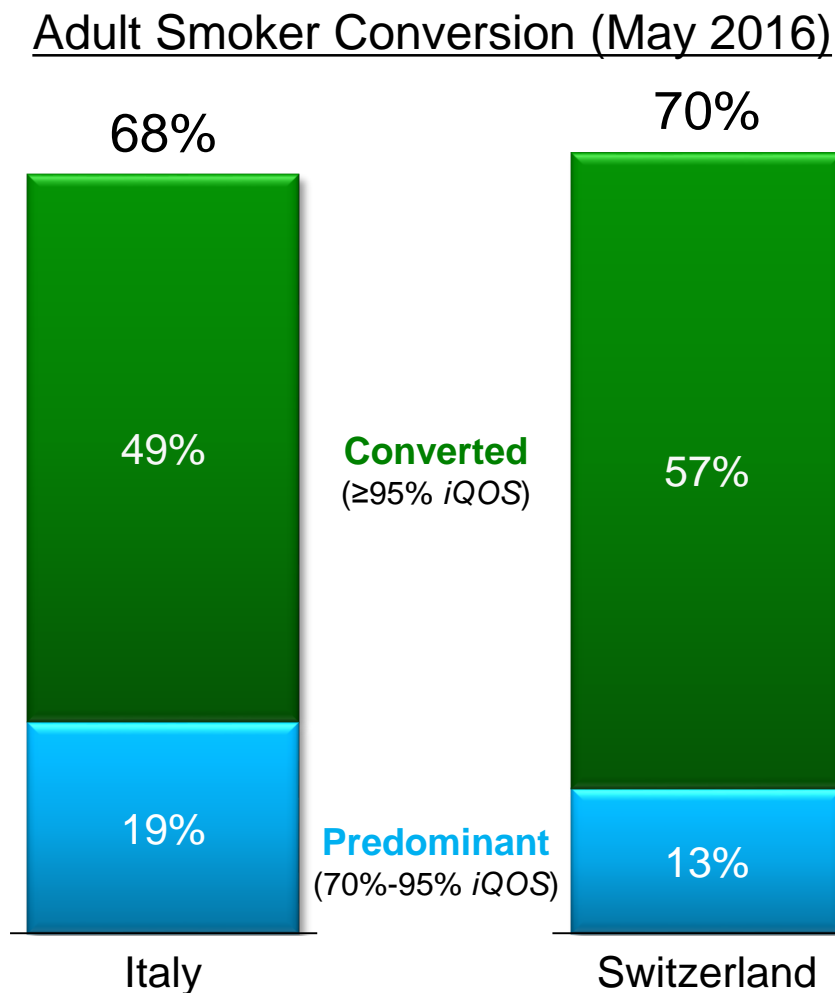
Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. Italy refers to the Expansion Area (Bologna, Milan, Modena, Rome and Turin). Switzerland refers to the Launch Area (Basel, Bern, Geneva, Lausanne, Neuchâtel and Zurich)

Source: PMI Financials or estimates



## iQOS: Commercialization is Progressing Well

- Combined full and predominant conversion levels generally in line with those in Japan
- iQOS present in ten markets by the end of June 2016:
  - Recently commercialized in select cities in Denmark, Germany and Monaco
- On track to launch in key cities in around 20 markets by end of 2016



Note: 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 cigarettes. Italy refers to the Expansion Area (Bologna, Milan, Modena, Rome and Turin). Switzerland refers to the Launch Area (Basel, Bern, Geneva, Lausanne, Neuchâtel and Zurich)

Source: PMI Financials or estimates, PM Italy and PM Switzerland iQOS User Panels



## Conclusion: Outlook for 2016 Remains Strong

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- Q2, 2016 results generally in line with our expectations, reflecting favorable developments across many of our key markets, though our cigarette volume was lower than anticipated
- Exciting progress with *iQOS* commercialization; on track with *iQOS* launch plans for 2016
- Forecast 2016 free cash flow to be broadly in line with that of 2015
- Raising EPS guidance solely due to an improved currency environment. Ex-currency, our guidance continues to represent a growth rate of approximately 10% to 12% compared to adjusted diluted EPS of \$4.42 in 2015



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# 2016 Second-Quarter Results

## Questions & Answers

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

iOS



Android





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# **Glossary and Reconciliation of Non-GAAP Measures**



## Glossary: General Terms

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- 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, defined as worldwide cigarette volume excluding the U.S., total cigarette market, 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 China and/or PMI's duty free business
- Trademarks are italicized





## Glossary: Financial Terms

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- 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 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

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- 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
- North Africa: Algeria, Egypt, Libya, Morocco and Tunisia



## Glossary: Reduced-Risk Products

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- 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")
- *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 its Platform 1 controlled heating device
- "Converted *iQOS* Users" means the estimated number of Legal Age (minimum 18-year-old) *iQOS* users that used *HeatSticks* for 95% or more 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* for between 70% and 94.9% of their daily tobacco consumption over the past seven days
- 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 cigarettes. PMI's RRP's are in various stages of development and commercialization, and we are conducting extensive and rigorous scientific studies to determine whether we can support claims for such products of reduced exposure to harmful and potentially harmful constituents in smoke, and ultimately claims of reduced disease risk, when compared to smoking cigarettes. Before making any such claims, we will rigorously evaluate the full set of data from the relevant scientific studies to determine whether they substantiate reduced exposure or risk. Any such claims may also be subject to government review and authorization, as is the case in the U.S. today

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS  
For the Year Ended December 31,  
(Unaudited)

|                                 | 2015           |
|---------------------------------|----------------|
| <b>Reported Diluted EPS</b>     | <b>\$ 4.42</b> |
| Adjustments:                    |                |
| Asset impairment and exit costs | 0.03           |
| Tax items                       | (0.03)         |
| <b>Adjusted Diluted EPS</b>     | <b>\$ 4.42</b> |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



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Adjustments for the Impact of Currency and Acquisitions  
For the Quarters Ended June 30,  
(\$ 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 Acquisi-tions | Net Revenues excluding Excise Taxes, Currency & Acquisitions |                        | Net Revenues | Less Excise Taxes | Net Revenues excluding Excise Taxes | Total   | Excluding Currency                              | Excluding Currency & Acquisitions |  |
| \$ 7,134     | \$ 4,979          | \$ 2,155                            | \$ 39         | \$ 2,116                                       | \$ -               | \$ 2,116   | European Union         | \$ 6,676     | \$ 4,616          | \$ 2,060                            | 4.6%    | 2.7%  | 2.7%                              |  |
| 4,531        | 2,867             | 1,664                               | (171)         | 1,835  | -                  | 1,835  | EEMA                   | 4,654        | 2,807             | 1,847                               | (9.9)%  | (0.6)%  | (0.6)%                            |  |
| 5,212        | 3,079             | 2,133                               | (35)          | 2,168  | -                  | 2,168  | Asia                   | 5,039        | 2,894             | 2,145                               | (0.6)%  | 1.1%  | 1.1%                              |  |
| 2,164        | 1,467             | 697                                 | (136)         | 833  | -                  | 833  | Latin America & Canada | 2,394        | 1,587             | 807                                 | (13.6)% | 3.2%  | 3.2%                              |  |
| \$ 19,041    | \$ 12,392         | \$ 6,649                            | \$ (303)      | \$ 6,952                                       | \$ -               | \$ 6,952   | PMI Total              | \$ 18,763    | \$ 11,904         | \$ 6,859                            | (3.1)%  | 1.4%  | 1.4%                              |  |

| 2016                       |               |   |                    |  | 2015                   |                            |         |                    |                                   | % Change in Operating Companies Income |  |  |
|----------------------------|---------------|---|--------------------|--|------------------------|----------------------------|---------|--------------------|-----------------------------------|--|--|--|
| Operating Companies Income | Less Currency | Operating Companies Income excluding Currency | Less Acquisi-tions | Operating Companies Income excluding Currency & Acquisitions |                        | Operating Companies Income | Total   | Excluding Currency | Excluding Currency & Acquisitions |  |  |  |
| \$ 1,070                   | \$ 30         | \$ 1,040                                      | \$ -               | \$ 1,040   | European Union         | \$ 1,005                   | 6.5%    | 3.5%               | 3.5%                              |  |  |  |
| 794                        | (145)         | 939   | -                  | 939  | EEMA                   | 853                        | (6.9)%  | 10.1%              | 10.1%                             |  |  |  |
| 749                        | (5)           | 754   | -                  | 754  | Asia                   | 797                        | (6.0)%  | (5.4)%             | (5.4)%                            |  |  |  |
| 224                        | (78)          | 302   | -                  | 302  | Latin America & Canada | 325                        | (31.1)% | (7.1)%             | (7.1)%                            |  |  |  |
| \$ 2,837                   | \$ (198)      | \$ 3,035                                      | \$ -               | \$ 3,035   | PMI Total              | \$ 2,980                   | (4.8)%  | 1.8%               | 1.8%                              |  |  |  |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



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Reconciliation of Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
**For the Quarters Ended June 30,**  
(\$ 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 Acquisi-tions | 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 |
| \$ 1,070                   | \$ -                               | \$ 1,070                            | \$ 30         | \$ 1,040   | \$ -               | \$ 1,040  | European Union         | \$ 1,005                   | \$ -                               | \$ 1,005  | 6.5%     | 3.5%                        | 3.5%                                       |
| 794                        | -                                  | 794                                 | (145)         | 939  | -                  | 939   | EEMA                   | 853                        | -                                  | 853   | (6.9)%   | 10.1%                       | 10.1%                                      |
| 749                        | -                                  | 749                                 | (5)           | 754  | -                  | 754   | Asia                   | 797                        | -                                  | 797   | (6.0)%   | (5.4)%                      | (5.4)%                                     |
| 224                        | -                                  | 224                                 | (78)          | 302  | -                  | 302   | Latin America & Canada | 325                        | -                                  | 325   | (31.1)%  | (7.1)%                      | (7.1)%                                     |
| \$ 2,837                   | \$ -                               | \$ 2,837                            | \$ (198)      | \$ 3,035   | \$ -               | \$ 3,035  | PMI Total              | \$ 2,980                   | \$ -                               | \$ 2,980  | (4.8)%   | 1.8%                        | 1.8%                                       |

| 2016   |   |   |   |   |  |                        | 2015                                |  |  | % Points Change   |  |
|--|---|---|---|---|--|------------------------|-------------------------------------|--|--|---|--|
| Adjusted Operating Companies Income excluding Currency | Net Revenues excluding Excise Taxes & Currency <sup>(a)</sup> | Adjusted Operating Companies Income Margin excluding Currency | Adjusted Operating Companies Income excluding Currency & Acquisitions | Net Revenues excluding Excise Taxes, Currency & Acquisitions <sup>(a)</sup> | Adjusted Operating Companies Income Margin excluding Currency & Acquisitions |                        | Adjusted Operating Companies Income | Net Revenues excluding Excise Taxes <sup>(a)</sup> | Adjusted Operating Companies Income Margin | Adjusted Operating Companies Income Margin excluding Currency | Adjusted Operating Companies Income Margin excluding Currency & Acquisitions |
| \$ 1,040   | \$ 2,116  | 49.1%   | \$ 1,040  | \$ 2,116  | 49.1%  | European Union         | \$ 1,005                            | \$ 2,060   | 48.8%                                      | 0.3   | 0.3  |
| 939  | 1,835   | 51.2%   | 939   | 1,835   | 51.2%  | EEMA                   | 853                                 | 1,847  | 46.2%                                      | 5.0   | 5.0  |
| 754  | 2,168   | 34.8%   | 754   | 2,168   | 34.8%  | Asia                   | 797                                 | 2,145  | 37.2%                                      | (2.4)   | (2.4)  |
| 302  | 833   | 36.3%   | 302   | 833   | 36.3%  | Latin America & Canada | 325                                 | 807  | 40.3%                                      | (4.0)   | (4.0)  |
| \$ 3,035   | \$ 6,952  | 43.7%   | \$ 3,035  | \$ 6,952  | 43.7%  | PMI Total              | \$ 2,980                            | \$ 6,859   | 43.4%                                      | 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 Quarters Ended June 30,  
(Unaudited)

|   | <u>2016</u>    | <u>2015</u>    | <u>% Change</u> |
|---|----------------|----------------|-----------------|
| <b>Reported Diluted EPS</b>                     | <b>\$ 1.15</b> | <b>\$ 1.21</b> | <b>(5.0)%</b>   |
| Adjustments:                                    |                |                |                 |
| Asset impairment and exit costs                 | -              | -              |                 |
| Tax items                                       | -              | -              |                 |
| <b>Adjusted Diluted EPS</b>                     | <b>\$ 1.15</b> | <b>\$ 1.21</b> | <b>(5.0)%</b>   |
| Less:   |                |                |                 |
| Currency impact                                 | (0.08)         |                |                 |
| <b>Adjusted Diluted EPS, excluding Currency</b> | <b>\$ 1.23</b> | <b>\$ 1.21</b> | <b>1.7%</b>     |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



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Reconciliation of Reported Diluted EPS to Reported Diluted EPS, excluding Currency  
For the Quarters Ended June 30,  
(Unaudited)

|   | <u>2016</u>           | <u>2015</u>           | <u>% Change</u> |
|---|-----------------------|-----------------------|-----------------|
| <b>Reported Diluted EPS</b>                     | <b>\$ 1.15</b>        | <b>\$ 1.21</b>        | <b>(5.0)%</b>   |
| Less:   |                       |                       |                 |
| Currency impact                                 | <u>(0.08)</u>         | <u></u>               |                 |
| <b>Reported Diluted EPS, excluding Currency</b> | <b><u>\$ 1.23</u></b> | <b><u>\$ 1.21</u></b> | <b>1.7%</b>     |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Adjustments for the Impact of Currency and Acquisitions  
For the Six Months Ended June 30,  
(\$ in millions)  
(Unaudited)

| 2016             |                         |  |                  |  |                           |   |                        | 2015             |                         |  | % Change in Net Revenues excluding<br>Excise Taxes |                       |   |
|------------------|-------------------------|--|------------------|--|---------------------------|---|------------------------|------------------|-------------------------|--|--|-----------------------|---|
| Net<br>Revenues  | Less<br>Excise<br>Taxes | Net<br>Revenues<br>excluding<br>Excise Taxes | Less<br>Currency | Net<br>Revenues<br>excluding<br>Excise Taxes &<br>Currency | Less<br>Acquisi-<br>tions | Net<br>Revenues<br>excluding<br>Excise Taxes,<br>Currency &<br>Acquisitions |                        | Net<br>Revenues  | Less<br>Excise<br>Taxes | Net<br>Revenues<br>excluding<br>Excise Taxes | Total  | Excluding<br>Currency | Excluding<br>Currency &<br>Acquisitions |
| \$ 13,277        | \$ 9,259                | \$ 4,018                                     | \$ (116)         | \$ 4,134   | \$ -                      | \$ 4,134  | European Union         | \$ 12,898        | \$ 8,887                | \$ 4,011                                     | 0.2%   | 3.1%                  | 3.1%                                    |
| 8,528            | 5,262                   | 3,266  | (374)            | 3,640  | -                         | 3,640   | EEMA                   | 8,801            | 5,170                   | 3,631  | (10.1)%  | 0.2%                  | 0.2%                                    |
| 9,901            | 5,800                   | 4,101  | (185)            | 4,286  | -                         | 4,286   | Asia                   | 9,803            | 5,503                   | 4,300  | (4.6)%   | (0.3)%                | (0.3)%                                  |
| 4,123            | 2,776                   | 1,347  | (319)            | 1,666  | -                         | 1,666   | Latin America & Canada | 4,613            | 3,080                   | 1,533  | (12.1)%  | 8.7%                  | 8.7%                                    |
| <b>\$ 35,829</b> | <b>\$ 23,097</b>        | <b>\$ 12,732</b>                             | <b>\$ (994)</b>  | <b>\$ 13,726</b>   | <b>\$ -</b>               | <b>\$ 13,726</b>  | <b>PMI Total</b>       | <b>\$ 36,115</b> | <b>\$ 22,640</b>        | <b>\$ 13,475</b>                             | <b>(5.5)%</b>                                      | <b>1.9%</b>           | <b>1.9%</b>                             |

| 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 | Total   | Excluding Currency | Excluding Currency & Acquisitions |  |  |  |
| \$ 1,976                   | \$ (24)       | \$ 2,000                                      | \$ -              | \$ 2,000   | European Union         | \$ 1,932                   | 2.3%    | 3.5%               | 3.5%                              |  |  |  |
| 1,427                      | (322)         | 1,749   | -                 | 1,749  | EEMA                   | 1,719                      | (17.0)% | 1.7%               | 1.7%                              |  |  |  |
| 1,527                      | (68)          | 1,595   | -                 | 1,595  | Asia                   | 1,731                      | (11.8)% | (7.9)%             | (7.9)%                            |  |  |  |
| 453                        | (167)         | 620   | -                 | 620  | Latin America & Canada | 555                        | (18.4)% | 11.7%              | 11.7%                             |  |  |  |
| \$ 5,383                   | \$ (581)      | \$ 5,964                                      | \$ -              | \$ 5,964   | PMI Total              | \$ 5,937                   | (9.3)%  | 0.5%               | 0.5%                              |  |  |  |



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
For the Six Months Ended June 30,  
(\$ 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 Acquisi-tions | 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 |
| \$ 1,976                   | \$ -                               | \$ 1,976                            | \$ (24)       | \$ 2,000   | \$ -               | \$ 2,000  | European Union         | \$ 1,932                   | \$ -                               | \$ 1,932  | 2.3%     | 3.5%                        | 3.5%                                       |
| 1,427                      | -                                  | 1,427                               | (322)         | 1,749  | -                  | 1,749   | EEMA                   | 1,719                      | -                                  | 1,719   | (17.0)%  | 1.7%                        | 1.7%                                       |
| 1,527                      | -                                  | 1,527                               | (68)          | 1,595  | -                  | 1,595   | Asia                   | 1,731                      | -                                  | 1,731   | (11.8)%  | (7.9)%                      | (7.9)%                                     |
| 453                        | -                                  | 453                                 | (167)         | 620  | -                  | 620   | Latin America & Canada | 555                        | -                                  | 555   | (18.4)%  | 11.7%                       | 11.7%                                      |
| \$ 5,383                   | \$ -                               | \$ 5,383                            | \$ (581)      | \$ 5,964   | \$ -               | \$ 5,964  | PMI Total              | \$ 5,937                   | \$ -                               | \$ 5,937  | (9.3)%   | 0.5%                        | 0.5%                                       |

| 2016   |   |   |   |   |  | 2015                   |                                     |  | % Points Change                            |   |  |
|--|---|---|---|---|--|------------------------|-------------------------------------|--|--|---|--|
| Adjusted Operating Companies Income excluding Currency | Net Revenues excluding Excise Taxes & Currency <sup>(a)</sup> | Adjusted Operating Companies Income Margin excluding Currency | Adjusted Operating Companies Income excluding Currency & Acquisitions | Net Revenues excluding Excise Taxes, Currency & Acquisitions <sup>(a)</sup> | Adjusted Operating Companies Income Margin excluding Currency & Acquisitions |                        | Adjusted Operating Companies Income | Net Revenues excluding Excise Taxes <sup>(a)</sup> | Adjusted Operating Companies Income Margin | Adjusted Operating Companies Income Margin excluding Currency | Adjusted Operating Companies Income Margin excluding Currency & Acquisitions |
| \$ 2,000   | \$ 4,134  | 48.4%   | \$ 2,000  | \$ 4,134  | 48.4%  | European Union         | \$ 1,932                            | \$ 4,011   | 48.2%                                      | 0.2   | 0.2  |
| 1,749  | 3,640   | 48.0%   | 1,749   | 3,640   | 48.0%  | EEMA                   | 1,719                               | 3,631  | 47.3%                                      | 0.7   | 0.7  |
| 1,595  | 4,286   | 37.2%   | 1,595   | 4,286   | 37.2%  | Asia                   | 1,731                               | 4,300  | 40.3%                                      | (3.1)   | (3.1)  |
| 620  | 1,666   | 37.2%   | 620   | 1,666   | 37.2%  | Latin America & Canada | 555                                 | 1,533  | 36.2%                                      | 1.0   | 1.0  |
| \$ 5,964   | \$ 13,726   | 43.5%   | \$ 5,964  | \$ 13,726   | 43.5%  | PMI Total              | \$ 5,937                            | \$ 13,475  | 44.1%                                      | (0.6)   | (0.6)  |

(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 Six Months Ended June 30,  
(Unaudited)

|   | <u>2016</u>    | <u>2015</u>    | <u>% Change</u> |
|---|----------------|----------------|-----------------|
| <b>Reported Diluted EPS</b>                     | <b>\$ 2.13</b> | <b>\$ 2.37</b> | <b>(10.1)%</b>  |
| Adjustments:                                    |                |                |                 |
| Asset impairment and exit costs                 | -              | -              |                 |
| Tax items                                       | -              | -              |                 |
| <b>Adjusted Diluted EPS</b>                     | <b>\$ 2.13</b> | <b>\$ 2.37</b> | <b>(10.1)%</b>  |
| Less:   |                |                |                 |
| Currency impact                                 | (0.28)         |                |                 |
| <b>Adjusted Diluted EPS, excluding Currency</b> | <b>\$ 2.41</b> | <b>\$ 2.37</b> | <b>1.7%</b>     |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Reconciliation of Reported Diluted EPS to Reported Diluted EPS, excluding Currency  
For the Six Months Ended June 30,  
(Unaudited)

|   | <u>2016</u>           | <u>2015</u>           | <u>% Change</u> |
|---|-----------------------|-----------------------|-----------------|
| <b>Reported Diluted EPS</b>                     | <b>\$ 2.13</b>        | <b>\$ 2.37</b>        | <b>(10.1)%</b>  |
| Less:   |                       |                       |                 |
| Currency impact                                 | <u>(0.28)</u>         | <u></u>               |                 |
| <b>Reported Diluted EPS, excluding Currency</b> | <b><u>\$ 2.41</u></b> | <b><u>\$ 2.37</u></b> | <b>1.7%</b>     |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Operating Cash Flow to Free Cash Flow and Free Cash Flow, excluding Currency  
For the Quarters and Six Months Ended June 30,  
(\$ in millions)  
(Unaudited)

|   | For the Quarters Ended<br>June 30, |                 |          | For the Six Months Ended<br>June 30, |                 |          |
|---|------------------------------------|-----------------|----------|--------------------------------------|-----------------|----------|
|   | 2016                               | 2015            | % Change | 2016                                 | 2015            | % Change |
| <b>Net cash provided by operating activities <sup>(a)</sup></b> | \$ 2,374                           | \$ 3,675        | (35.4)%  | \$ 2,836                             | \$ 3,300        | (14.1)%  |
| Less:   |                                    |                 |          |                                      |                 |          |
| Capital expenditures  | 254                                | 210             |          | 480                                  | 413             |          |
| <b>Free cash flow</b>   | \$ 2,120                           | \$ 3,465        | (38.8)%  | \$ 2,356                             | \$ 2,887        | (18.4)%  |
| Less:   |                                    |                 |          |                                      |                 |          |
| Currency impact   | (595)                              |                 |          | 190                                  |                 |          |
| <b>Free cash flow, excluding currency</b>                       | <u>\$ 2,715</u>                    | <u>\$ 3,465</u> | (21.6)%  | <u>\$ 2,166</u>                      | <u>\$ 2,887</u> | (25.0)%  |



PHILIP MORRIS INTERNATIONAL

# 2016 Second-Quarter Results

July 19, 2016