



PHILIP MORRIS INTERNATIONAL

**Annual Meeting of Shareholders**  
**New York**  
**May 4, 2016**

Louis C. Camilleri  
*Chairman*

André Calantzopoulos  
*Chief Executive Officer*



# 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 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
- A glossary of terms, data tables showing adjustments to net revenues and OCI for currency and acquisitions, asset impairment, exit and other costs, free cash flow calculations, adjustments to EPS, 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 cigarettes



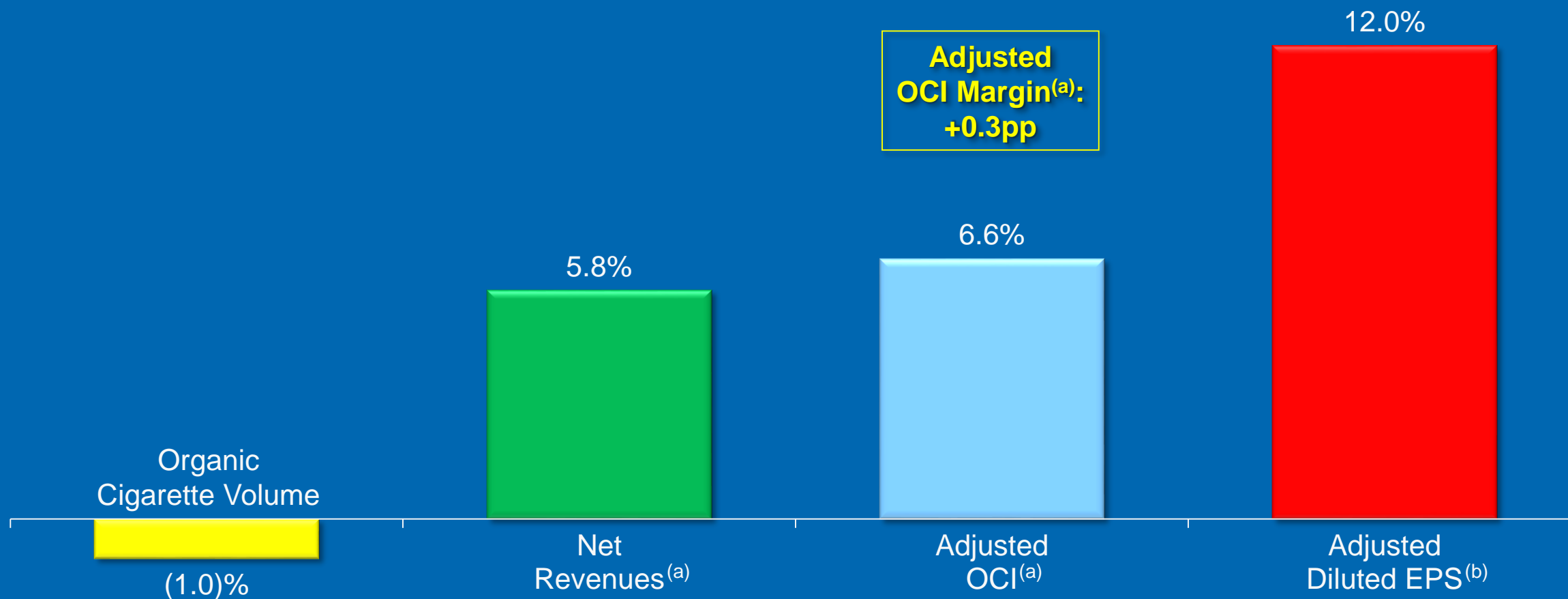
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# **Annual Meeting of Shareholders May 4, 2016**



# Excellent 2015 Performance, Ex-Currency

Variance (2015 vs. PY)



(a) Excluding currency and acquisitions

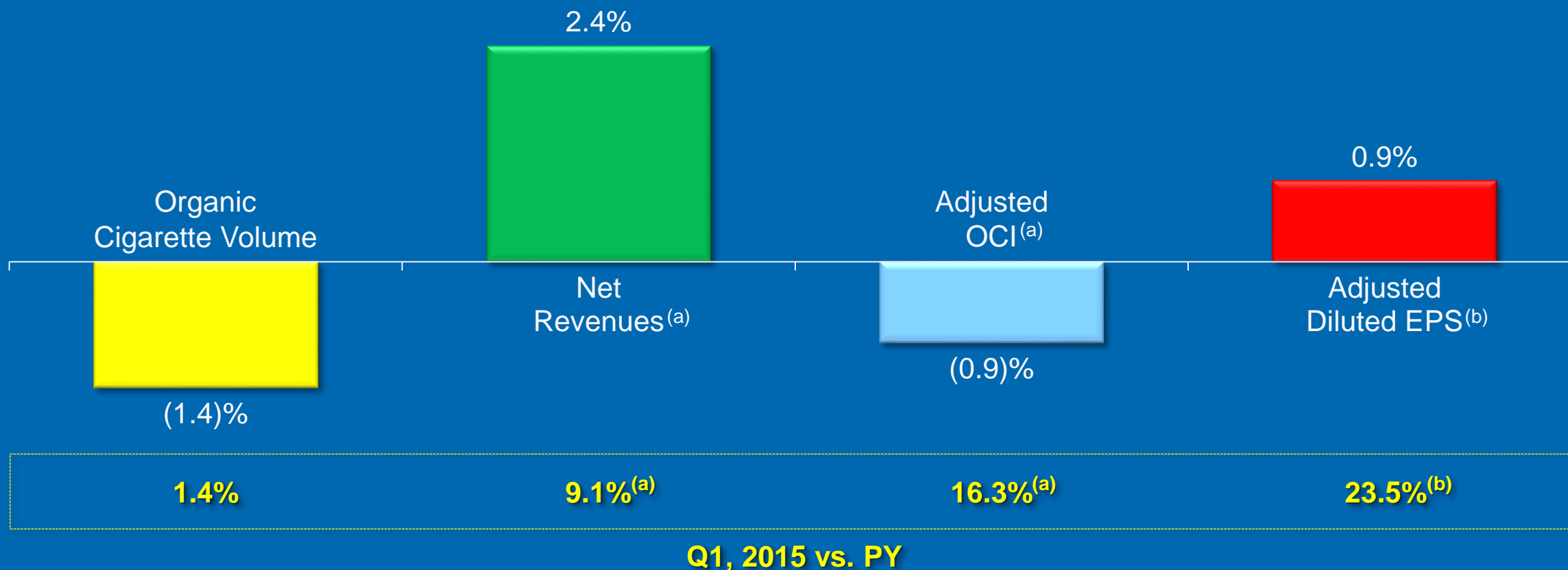
(b) Excluding currency

Source: PMI Financials or estimates



# Q1, 2016: Financial Results Impacted by Difficult Comparisons

Variance (Q1, 2016 vs. PY)



(a) Excluding currency and acquisitions

(b) Excluding currency

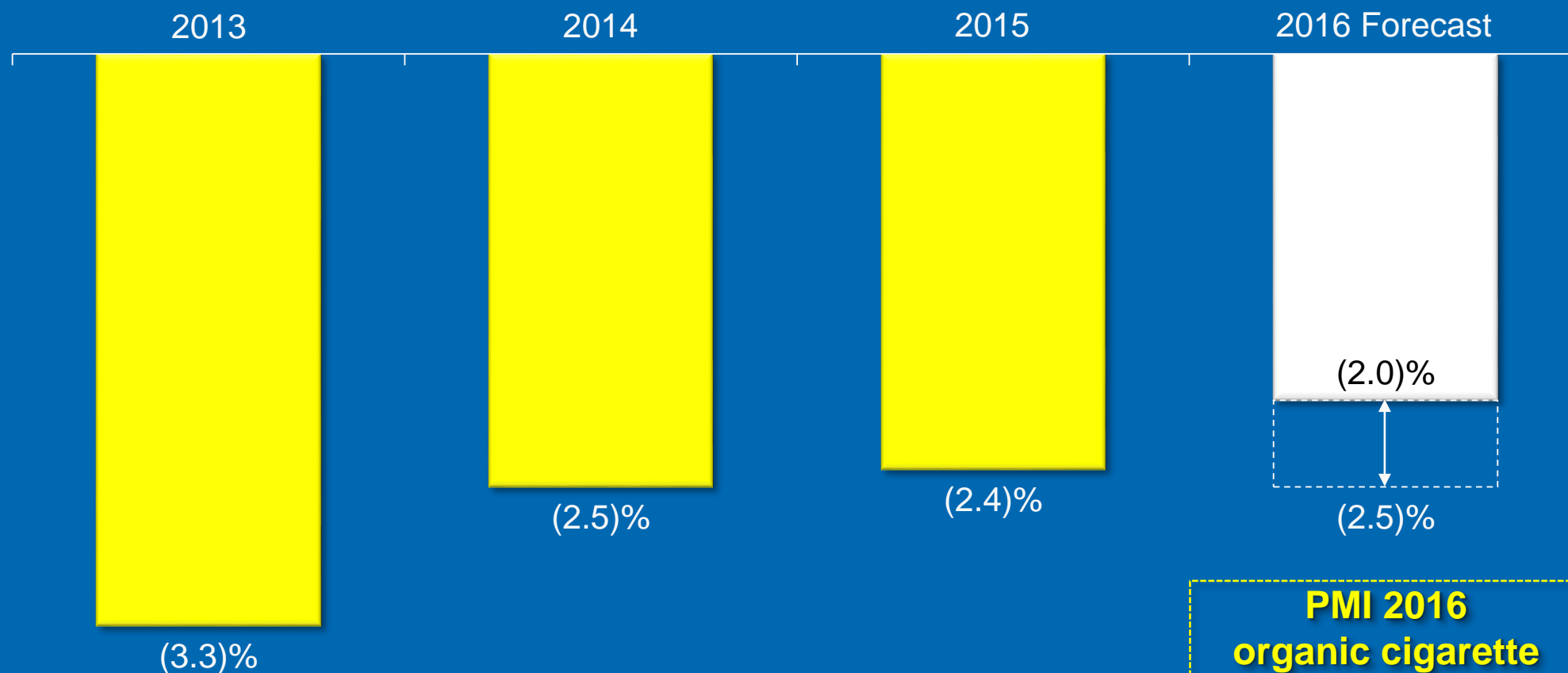
Source: PMI Financials or estimates



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# Improving International Cigarette Industry Volume Trend

International Cigarette Industry Volume Decline vs. PY<sup>(a)</sup>



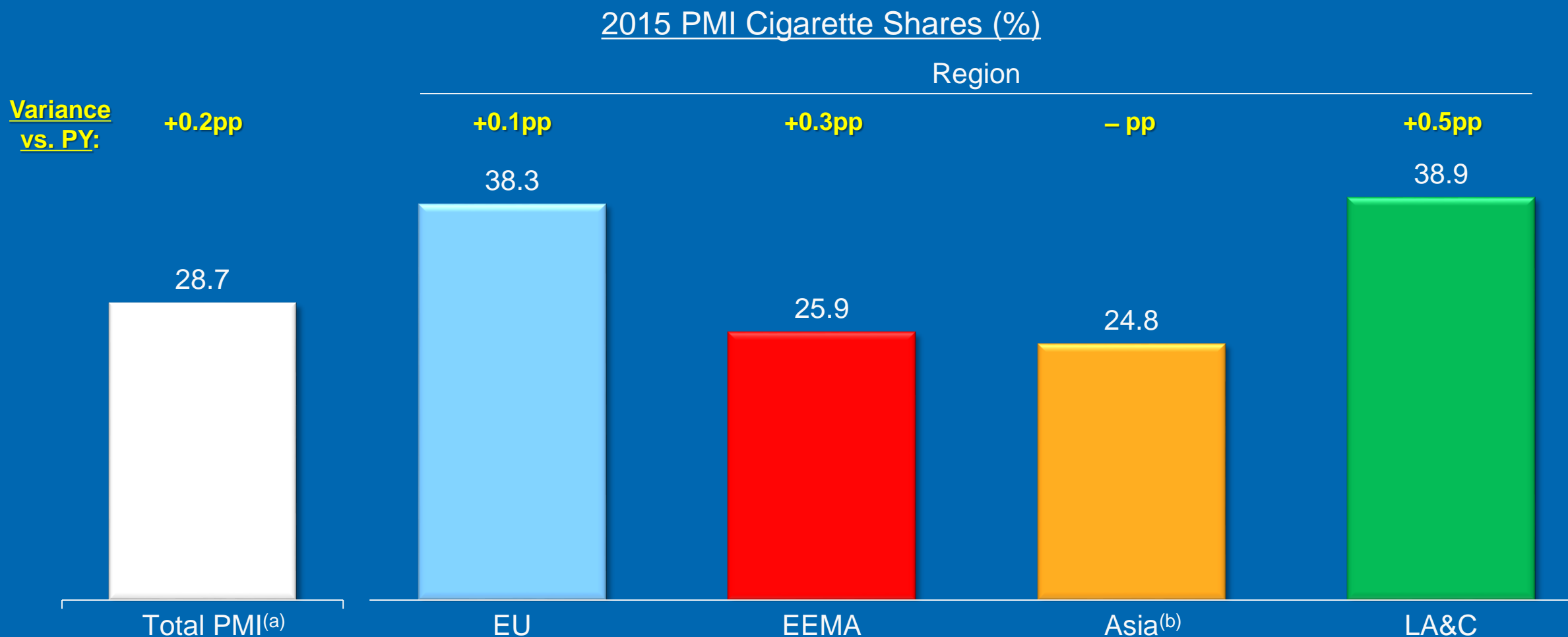
(a) Excluding China and the U.S.  
Source: PMI Financials or estimates

**PMI 2016  
organic cigarette  
volume forecast:  
(1.0)% to (1.5)%**



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# Strong Overall Cigarette Market Share Performance



(a) Excluding China and the U.S.

(b) Excluding China

Source: PMI Financials or estimates



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# Marlboro: Key Element of Our Cigarette Share Growth in 2015

- Growing or stable share in all four Regions
- Benefiting from the roll-out of Architecture 2.0

## Cigarette Market Shares

	<u>2014</u>	<u>2015</u>	<u>Variance</u>
EU	18.7%	18.9%	0.2pp
EEMA	7.4	7.4	—
Asia <sup>(a)</sup>	6.0	6.4	0.4
LA&C	15.0	15.2	0.2
<b>Total PMI<sup>(a)(b)</sup></b>	<b>9.4</b>	<b>9.6</b>	<b>0.2</b>

(a) Excluding China

(b) Also excluding the U.S.

Note: Pack designs are for illustrative purposes only

Source: PMI Financials or estimates







# Strong Pricing Environment

- Pricing variance of \$2.1 billion in 2015:
  - Strong pricing across all four Regions
  - Benefited from exceptional Q1 gain in Korea related to inventories built ahead of the January 2015 excise tax increase
- Anticipate 2016 pricing variance to be around 6% of 2015 net revenues
- Excise tax environment remains largely rational



## Focus on Managing Total Cost Base

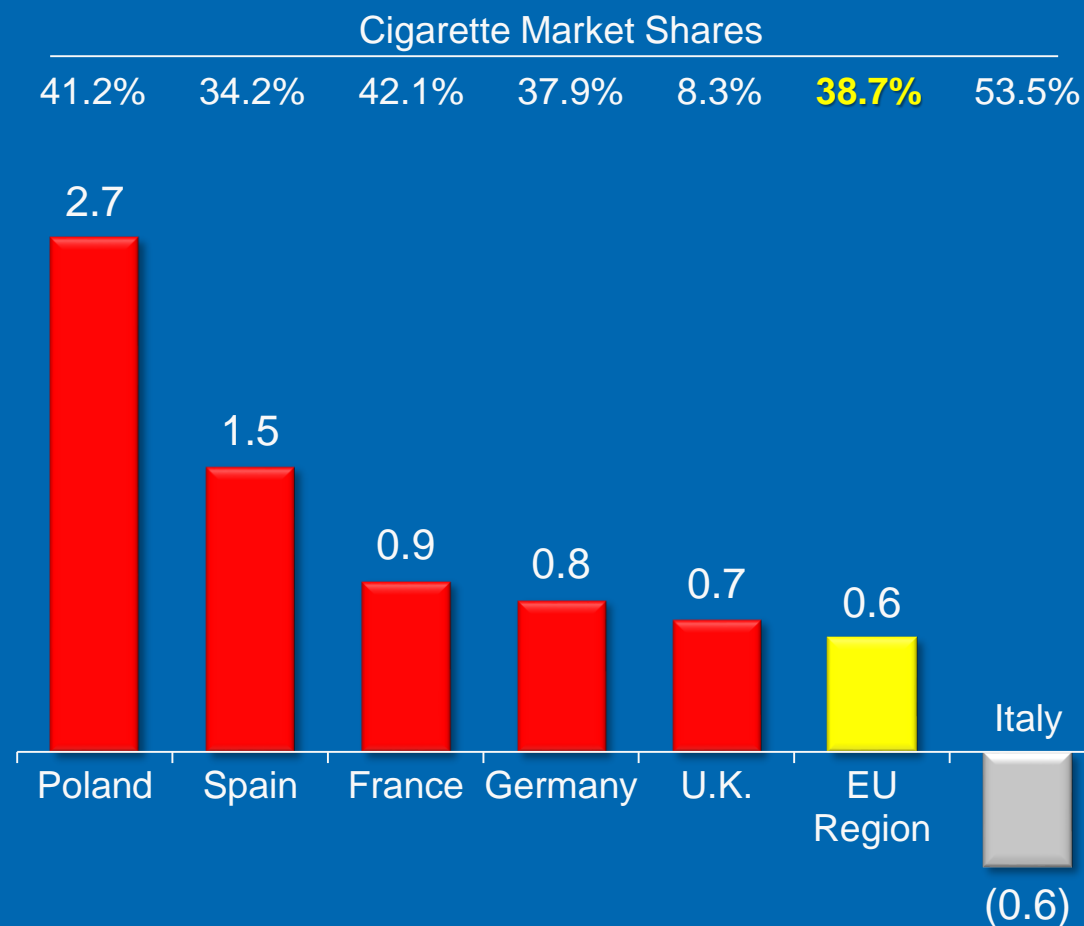
- Target annual cost base increase of 1% to 3%, excluding RRPs and currency, over the mid-term
- In 2015, we deployed additional investments to support the strong momentum of our cigarette brand portfolio and accelerate the geographic expansion of *iQOS*, resulting in a total cost base increase of:
  - 3.6%, excluding RRPs and currency
  - 5.3%, including RRPs but ex-currency
- In 2016, we expect an increase in our total cost base, including RRPs but ex-currency, of approximately 1%, reflecting our productivity and cost savings programs, and also helped by moderating prices of key inputs



## EU Region: Superb 2015 Performance Continued in Q1, 2016

- Further moderation in cigarette industry volume decline
- Regional cigarette share up slightly in 2015
- Strong 2015 share performances for *Marlboro*, *L&M* and *Chesterfield*
- 2015 adjusted OCI up by 4.6%<sup>(a)</sup>, the first such growth since 2009

### Q1, 2016 Cigarette Share Variance vs. PY (pp)



(a) Excluding currency and acquisitions  
Source: PMI Financials or estimates



## EEMA Region: Strong Overall Performance in 2015

- Regional cigarette share up by 0.3 points to 25.9%
- Favorable pricing drove strong growth in net revenues and adjusted OCI<sup>(a)</sup>
- Russia: resilient cigarette industry volume coupled with excellent cigarette share growth
- Turkey: lower illicit trade drove cigarette industry volume increase of 9.0%; strong share performances from *Marlboro* and *Parliament*



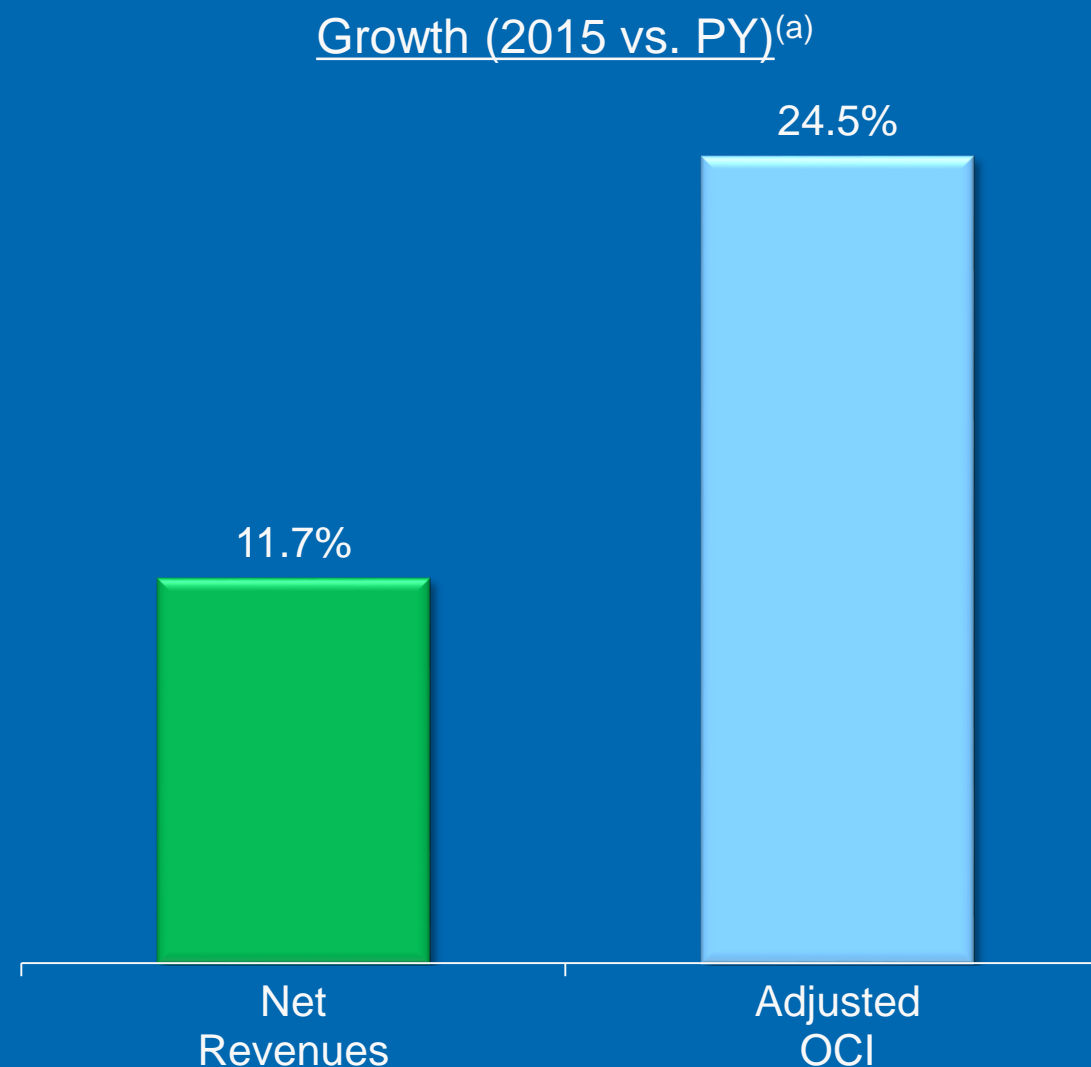
## Asia Region: Solid 2015 Performance

- 2015 results flattered by the gain in Korea, but also reflected incremental investments behind *iQOS* and our cigarette brand portfolio
- Japan: cigarette share below our expectations; a program of robust initiatives in place that aim to restore share growth
- Indonesia: stable cigarette industry volume and slight share growth; target double-digit OCI growth in 2016, ex-currency
- Philippines: narrowed price gaps driving cigarette share growth and favorable mix; continued improvement in our profitability
- Australia: cigarette share essentially flat in 2015, with growth in Q1, 2016 led by *Bond Street* and *choice*; super-low price segment showing signs of stabilization



## LA&C Region: Strong 2015 Performance

- Strong Regional cigarette share growth of 0.5 points driven notably by Argentina, Brazil and Colombia
- Impressive growth rates in net revenues and adjusted OCI<sup>(a)</sup>, driven mainly by pricing in Argentina and Canada
- Excellent outlook for 2016



(a) Excluding currency and acquisitions  
Source: PMI Financials or estimates



# Manageable Regulatory Environment

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- Strict regulation of cigarettes is necessary
- PMI has proven it can compete successfully in highly restrictive environments
- Two aspects of plain packaging need to be considered:
  - The protection of intellectual property, including trademark rights
  - The effect on market dynamics
- Overall, we consider that the commercial impact of plain packaging should be manageable for PMI



## RRPs: Harm Reduction and Regulation

- RRPs are a fundamental complement to regulatory efforts to reduce smoking prevalence
- Our ambition is to convince all current adult smokers who intend to continue smoking to switch to RRPs as soon as possible
- The principle of harm reduction through RRPs needs to be embraced and appropriate regulatory frameworks implemented





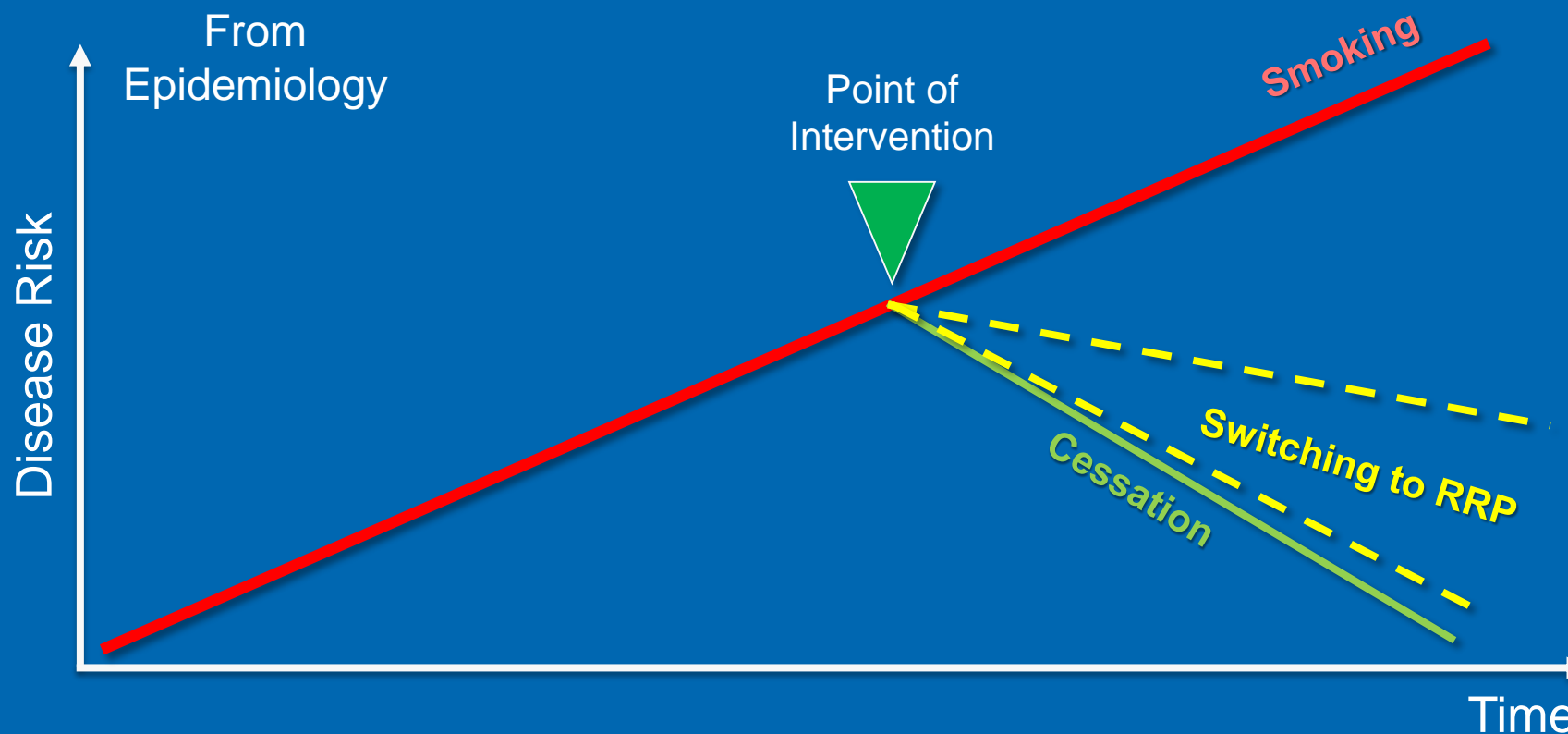
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## RRPs: The Harm Reduction Equation



## RRPs: Cessation, The "Gold Standard"

- We apply the U.S. Institute of Medicine's "gold standard" for assessing risk reduction: benchmark against cessation



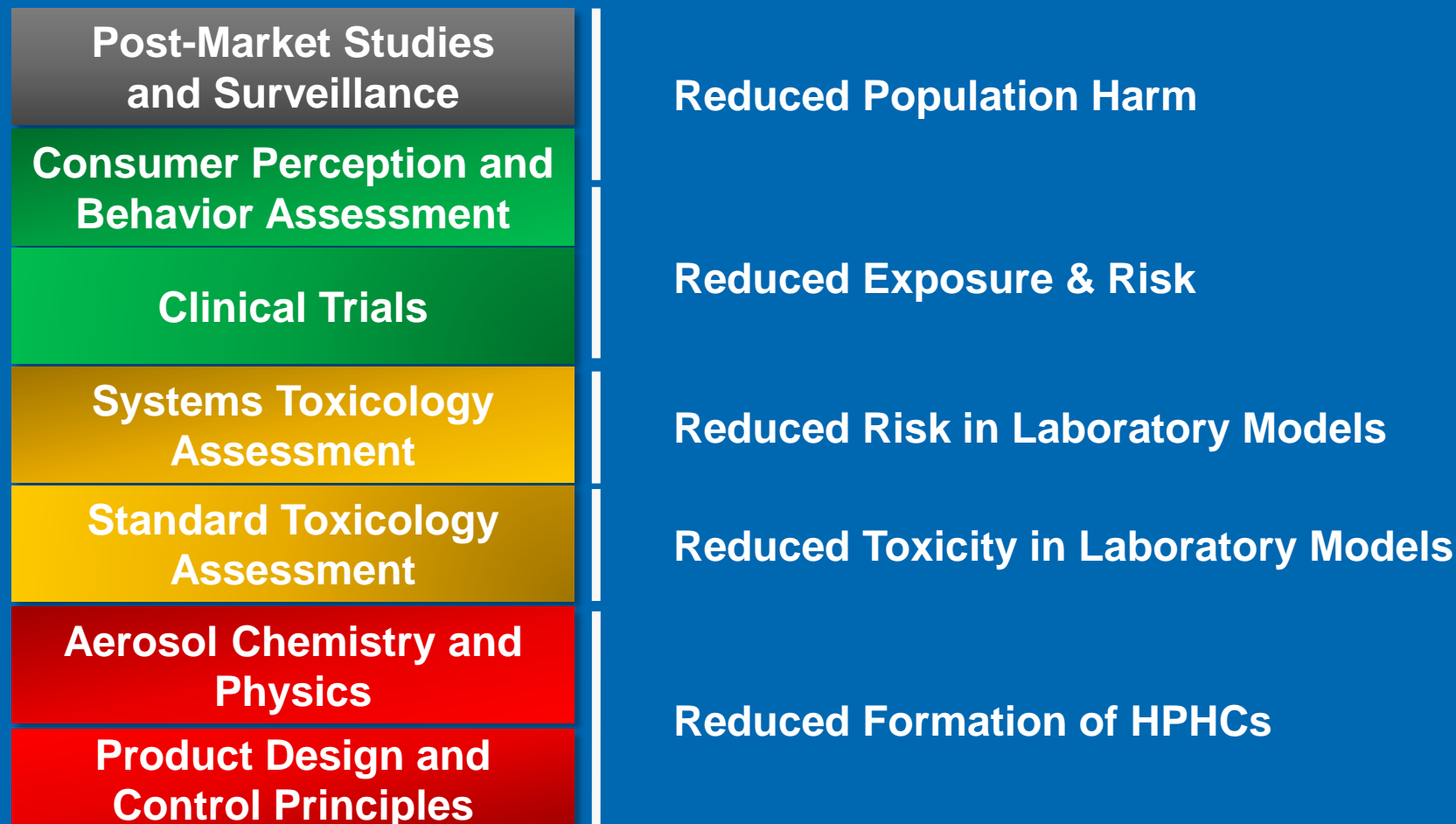
Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. The descriptions in the chart are for illustrative purposes only

Source: IOM (Institute of Medicine), 2012, Scientific Standards for Studies on Modified Risk Tobacco Products. Washington, DC: The National Academies Press



## RRPs: Substantiating Reduced Risk

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



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. HPHCs stands for Harmful or Potentially Harmful Constituents



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## RRPs: Substantiating Reduced Risk for *iQOS*

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- Scientific results on *iQOS* are very encouraging
- PMI intends to file an MRTP application with the FDA for *iQOS* late this year
- Further information about our science on [PMIScience.com](https://www.pmis-science.com)

# RRPs: Our Product Platforms

## Heated Tobacco Products

Platform 1  
*iQOS*



Platform 2



## Nicotine-Containing Products

Platform 3



Platform 4



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. The products depicted are subject to ongoing development and therefore the visuals are illustrative and do not necessarily represent the latest stages of product development



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# RRPs: Our Portfolio Approach

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>iQOS (Platform 1)</b>	Pilot Launches	National	Geographic Expansion	
<b>Platform 2</b>	Final Phase of Development	Clinical Trials	City Test	National
<b>Platform 3</b>	Product Development			City Test
<b>Platform 4 (current generation)</b>	Nicocigs Acquisition	Commercialization in Selected Geographies		
<b>Platform 4 (next generation)</b>	E-Vapor Joint Research, Development & Technology Sharing Agreement with Altria		City Test / Commercialization	



Heated Tobacco Products



Nicotine-Containing Products

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



# iQOS: Exciting Commercialization Progress in 2015



## Japan:

- First wave of expansion reached over 60% of the adult smoker population



## Italy:

- Initial expansion beyond Milan to select cities



## Switzerland:

- Launched in six key cities

- Other markets:

- Commenced city launches in Bucharest, Lisbon and Moscow

- Expect iQOS to be present 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





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# Japan: *HeatStick* Offtake Share Growth Continues

Weekly *HeatStick* Offtake Share (%)

**Milestone:**  
**>1 million *iQOS* devices**  
**sold by end of April**

3.4 Tokyo

Japan  
Expansion  
Area

Q1, 2016  
National  
SoM:  
**0.8%**



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. Offtake share represents select C-Store sales volume for *HeatSticks* as a percentage of the total estimated retail sales volume for cigarettes and *HeatSticks*. Pack designs are for illustrative purposes only  
Source: PMI Financials or estimates, and Tobacco Institute of Japan



# EU Region: Commercialization of *iQOS* is Progressing Well



## Switzerland:

- *iQOS* currently present in six key cities
- *HeatStick* offtake shares of 0.8% and 1.9% in the launch area and French-speaking part of the launch area, respectively, at end of March 2016



## Italy:

- Weekly *HeatStick* offtake share in the expansion area of around 0.2% in Q1, 2016
- Limited trade and communication channels
- Refocused marketing approach (e.g., *iQOS* Embassies)



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. Offtake share in Switzerland represents *HeatStick* sales volume as a percentage of the total estimated retail sales volume for cigarettes and *HeatSticks* in the six-city launch area (representing approximately one-third of total cigarette industry volume). Switzerland launch area: Basel, Bern, Geneva, Lausanne, Neuchâtel and Zurich. French-speaking part of launch area: Geneva, Lausanne and Neuchâtel. Italy expansion area: Bologna, Milan, Modena, Rome and Turin. Visual is for illustrative purposes only

Source: PMI Financials or estimates



# The Potential of Reduced-Risk Products

- Markets representing one trillion units initially in scope
- Target 3% to 5% market share, net of cannibalization, representing 30 to 50 billion units
- Potential additional OCI margin of \$720 million to \$1.2 billion per year
- Our goal is to lead a full-scale effort to ensure that RRPs ultimately replace cigarettes to the benefit of adult smokers, society, our company and our shareholders

Note: Excluding China and the U.S.

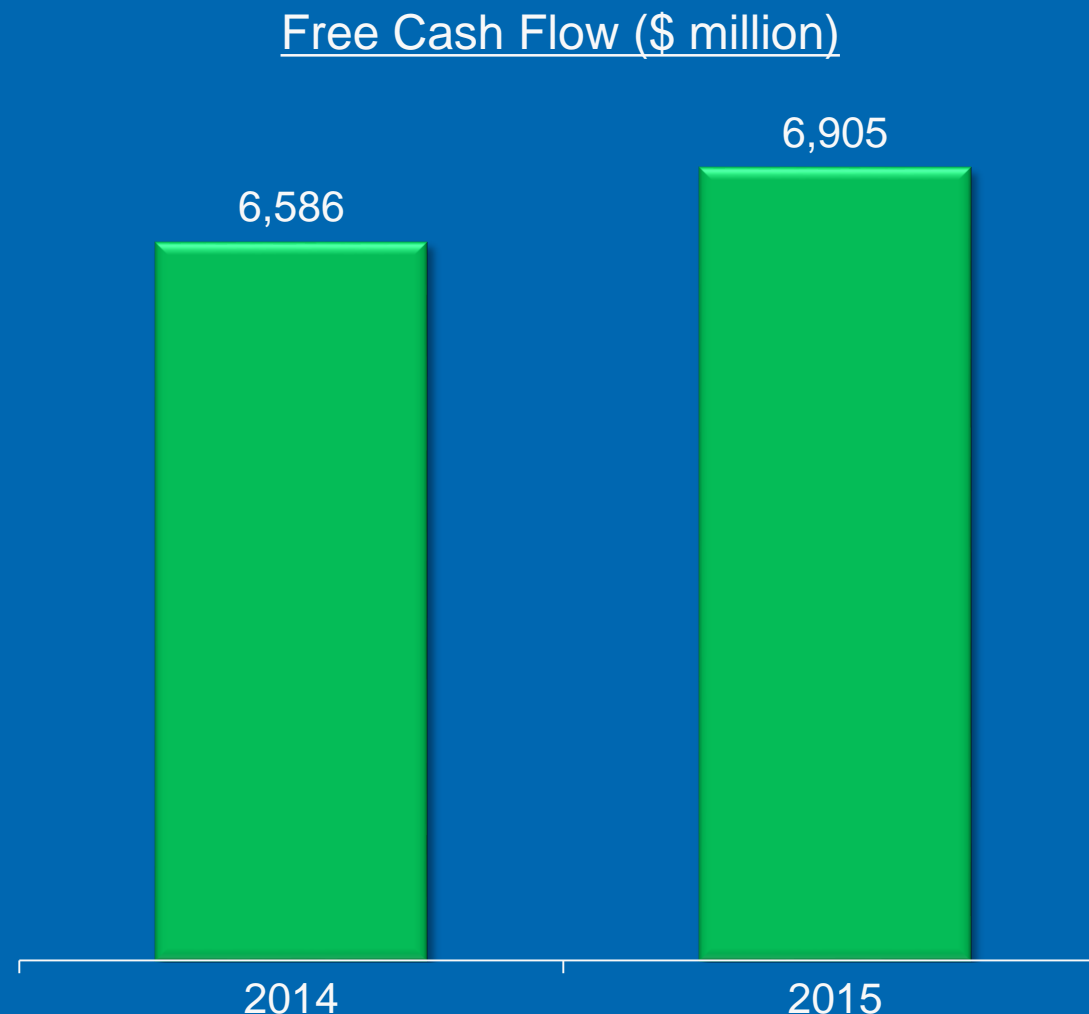
Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes

Source: PMI Financials or estimates



## Free Cash Flow

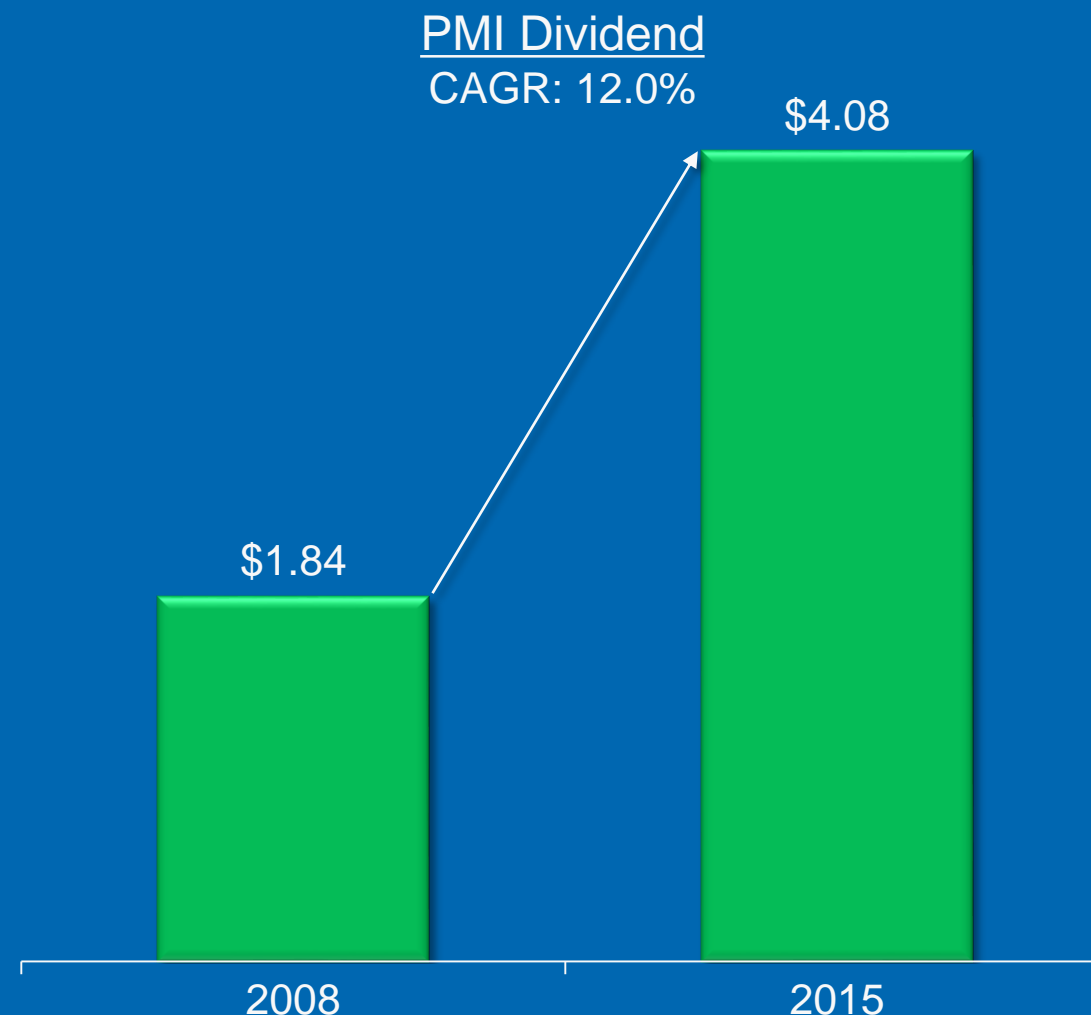
- Higher free cash flow in 2015 driven by important working capital initiatives, despite unprecedented currency headwind
- Forecast 2016 free cash flow to be broadly in line with that of 2015, despite another currency headwind





## Rewarding Our Shareholders: Attractive Dividend

- Dividends are currently the primary use of our free cash flow
- Increased our dividend in September 2015, to an annualized rate of \$4.08 per share
- Eight consecutive dividend increases since 2008 through 2015, representing a total increase of approximately 122%



Note: Dividends for 2008 and 2015 are annualized rates. 2008 annualized rate is based on a quarterly dividend of \$0.46 per common share, declared June 18, 2008. The annualized rate for 2015 is based on a quarterly dividend of \$1.02 per common share, declared September 16, 2015

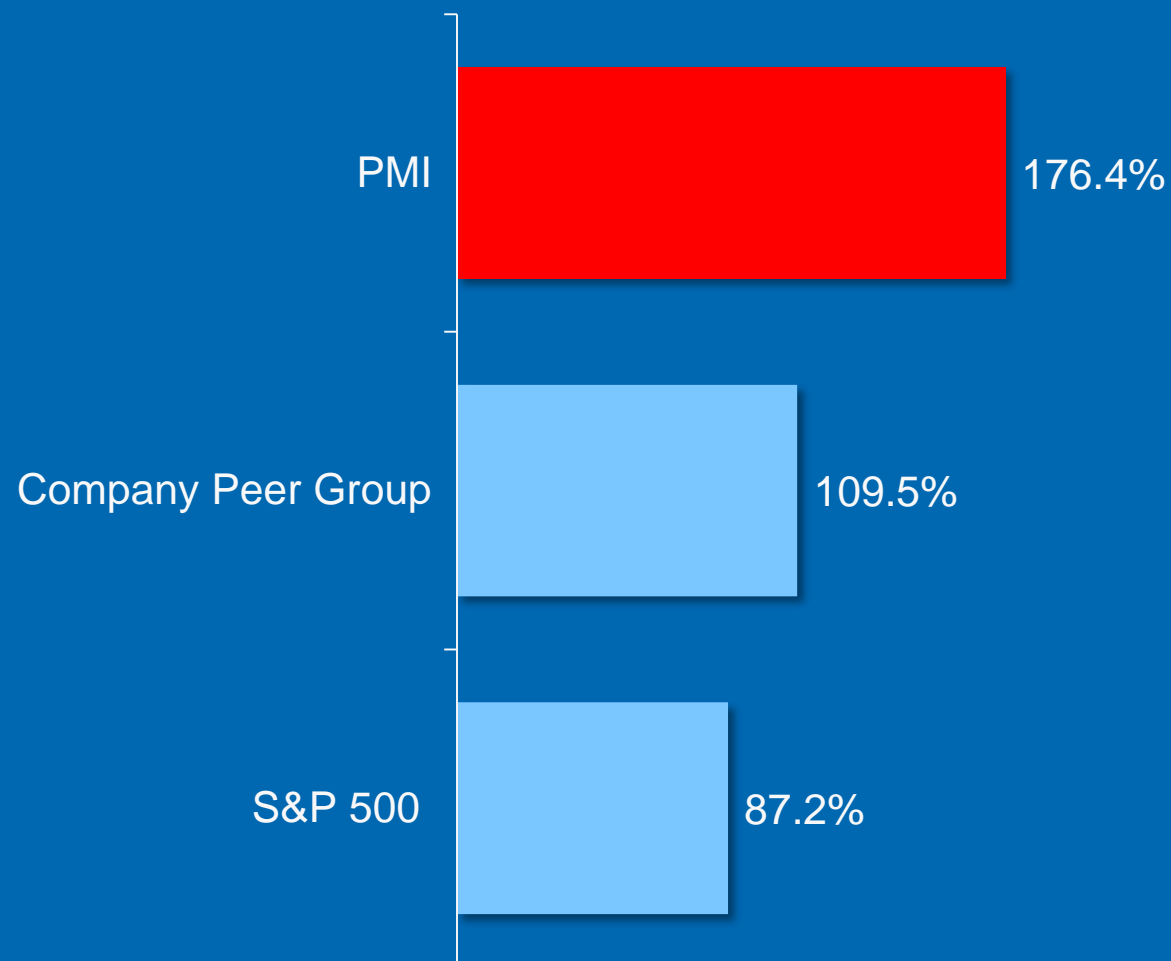
Source: PMI Financials or estimates



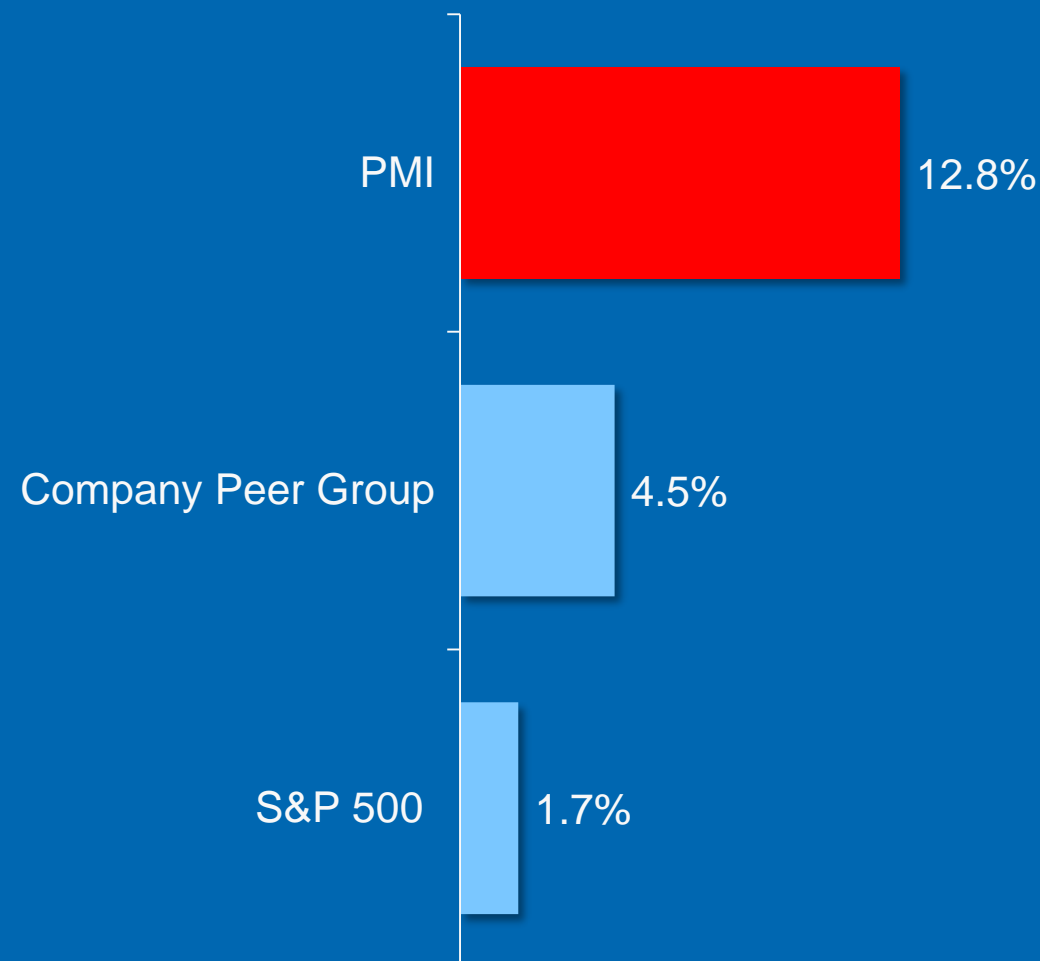
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# Rewarding Our Shareholders: Total Return to Shareholders

March 28, 2008 – April 29, 2016



January 1, 2016 – April 29, 2016



Note: In USD. The company peer group represents the market weighted-average return of the group. PMI total shareholder return pro forma for additional \$0.46 per share dividend paid in April 2008 impacts the period March 28, 2008 – April 29, 2016. Exchange rates are as of March 28, 2008, January 1, 2016, and April 29, 2016. The company peer group is defined in the glossary  
Source: FactSet, compiled by Centerview



## PMI's Commitment to Sustainability and Long-Term Growth

- Commitment to operate with integrity and transparency, and to focus on responsibly delivering long-term, sustainable growth
- Active role supporting environmental sustainability with progress in many areas:
  - Recognized on the 'Climate "A" List'
  - Carbon Disclosure score of 100%
- PMI Agricultural Labor Practices ("ALP") program: commitment to progressively eliminating child labor and other labor abuses on all farms from which we source tobacco
- Sharing PMI's sustainability strategy and reporting externally:
  - In June, publishing our first Communication on Progress report under the U.N. Global Compact
  - Intend to report annually, consistent with globally accepted standards

# Conclusion: 2015 Was an Excellent Year; Our Business Outlook for 2016 Remains Strong

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- 2015 was an excellent year, driven by improved cigarette industry volume trends and very robust business fundamentals
- Exciting progress with the scientific substantiation and commercialization of *iQOS*
- Strong free cash flow supporting generous dividend
- The outlook for our business remains strong



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# **Annual Meeting of Shareholders May 4, 2016**





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# **Annual Meeting of Shareholders May 4, 2016**

## **Question and Comment Session**



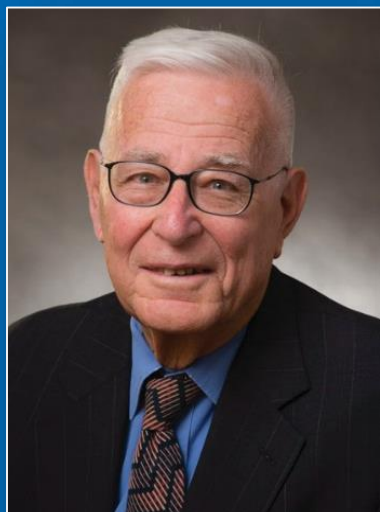
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# **Annual Meeting of Shareholders May 4, 2016**



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# Board of Directors



Harold Brown



André Calantzopoulos



Louis C. Camilleri



Werner Geissler



Jennifer Li



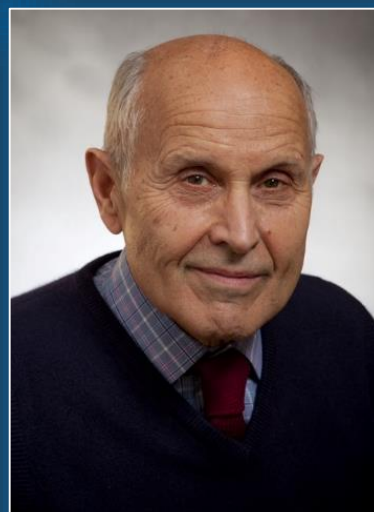
Jun Makihara



Sergio Marchionne



Kalpana Morparia



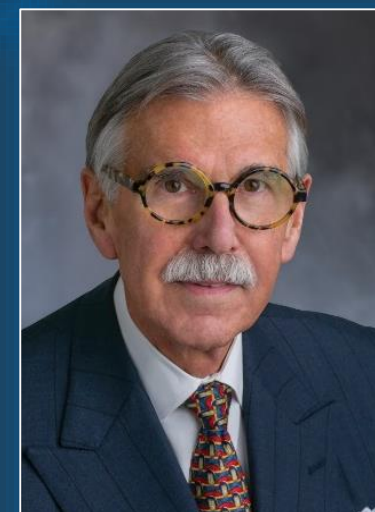
Lucio A. Noto



Frederik Paulsen



Robert B. Polet



Stephen M. Wolf



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# **Annual Meeting of Shareholders May 4, 2016**



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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 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

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- CDP is formerly known as the "Carbon Disclosure Project"
- 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
- FDA stands for the U.S. Food and Drug Administration
- SoM stands for Share of Market





# Glossary: Reduced-Risk Products

- Aerosol refers to a gaseous suspension of fine solid particles and/or liquid droplets
  - 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
  - HPHCs stands for Harmful or Potentially Harmful Constituents which have been identified as likely causes of tobacco related diseases
  - *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
  - MRTP stands for Modified Risk Tobacco Product, the term used by the U.S. FDA to refer to RRP
  - 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
- RRPs 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



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# PMI Company Peer Group

- Altria
- Anheuser-Busch InBev
- BAT
- Coca-Cola
- Colgate-Palmolive
- Diageo
- Heineken
- Imperial Brands<sup>(a)</sup>
- Japan Tobacco
- Johnson & Johnson
- Kimberly-Clark
- Kraft-Heinz
- McDonald's
- Mondelēz International
- Nestlé
- PepsiCo
- Procter & Gamble
- Reynolds American
- Roche
- Unilever

(a) Formerly Imperial Tobacco

Note: PMI has established a revised company Peer Group that includes a balanced mix of large, global, fast-moving consumer goods companies, as well as primary tobacco competitors

# 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 Years Ended December 31,  
(\$ in millions)  
(Unaudited)

2015							2014					% Change in Reported Net Revenues excluding Excise Taxes		
Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Less Currency	Reported Net Revenues excluding Excise Taxes & Currency	Less Acquisi- tions	Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions		Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes		Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 26,563	\$ 18,495	\$ 8,068	\$ (1,503)	\$ 9,571	\$ 11	\$ 9,560	European Union	\$ 30,517	\$ 21,370	\$ 9,147		(11.8)%	4.6%	4.5%
18,328	10,964	7,364	(1,835)	9,199	1	9,198	EEMA	20,469	11,855	8,614		(14.5)%	6.8%	6.8%
19,469	11,266	8,203	(875)	9,078	-	9,078	Asia	19,255	10,527	8,728		(6.0)%	4.0%	4.0%
9,548	6,389	3,159	(505)	3,664	4	3,660	Latin America & Canada	9,865	6,587	3,278		(3.6)%	11.8%	11.7%
<b>\$ 73,908</b>	<b>\$ 47,114</b>	<b>\$ 26,794</b>	<b>\$ (4,718)</b>	<b>\$ 31,512</b>	<b>\$ 16</b>	<b>\$ 31,496</b>	<b>PMI Total</b>	<b>\$ 80,106</b>	<b>\$ 50,339</b>	<b>\$ 29,767</b>		<b>(10.0)%</b>	<b>5.9%</b>	<b>5.8%</b>

2015					2014					% Change in Reported Operating Companies Income		
Reported Operating Companies Income	Less Currency	Reported Operating Companies Income excluding Currency	Less Acquisi-tions	Reported Operating Companies Income excluding Currency & Acquisitions		Reported Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions			
\$ 3,576	\$ (857)	\$ 4,433	\$ (2)	\$ 4,435	European Union	\$ 3,815	(6.3)%	16.2%	16.3%			
3,425	(938)	4,363	(1)	4,364	EEMA	4,033	(15.1)%	8.2%	8.2%			
2,886	(388)	3,274	-	3,274	Asia	3,187	(9.4)%	2.7%	2.7%			
1,085	(210)	1,295	3	1,292	Latin America & Canada	1,030	5.3%	25.7%	25.4%			
\$ 10,972	\$ (2,393)	\$ 13,365	\$ -	\$ 13,365	PMI Total	\$ 12,065	(9.1)%	10.8%	10.8%			

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



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Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
For the Years Ended December 31,  
(\$ in millions)  
(Unaudited)

(Unaudited)											% Change in Adjusted Operating Companies Income		
2015							2014						
Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Less Currency	Adjusted Operating Companies Income excluding Currency	Less Acquisitions	Adjusted Operating Companies Income excluding Currency & Acquisitions		Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 3,576	\$ (68)	\$ 3,644	\$ (857)	\$ 4,501	\$ (2)	\$ 4,503	European Union	\$ 3,815	\$ (490)	\$ 4,305	(15.4)%	4.6%	4.6%
3,425	-	3,425	(938)	4,363	(1)	4,364	EEMA	4,033	(2)	4,035	(15.1)%	8.1%	8.2%
2,886	-	2,886	(388)	3,274	-	3,274	Asia	3,187	(35)	3,222	(10.4)%	1.6%	1.6%
1,085	-	1,085	(210)	1,295	3	1,292	Latin America & Canada	1,030	(8)	1,038	4.5%	24.8%	24.5%
\$ 10,972	\$ (68)	\$ 11,040	\$ (2,393)	\$ 13,433	\$ -	\$ 13,433	PMI Total	\$ 12,065	\$ (535)	\$ 12,600	(12.4)%	6.6%	6.6%

2015								2014			% 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
\$ 4,501	\$ 9,571	47.0%		\$ 4,503	\$ 9,560	47.1%	European Union	\$ 4,305	\$ 9,147	47.1%		(0.1)	-
4,363	9,199	47.4%		4,364	9,198	47.4%	EEMA	4,035	8,614	46.8%		0.6	0.6
3,274	9,078	36.1%		3,274	9,078	36.1%	Asia	3,222	8,728	36.9%		(0.8)	(0.8)
1,295	3,664	35.3%		1,292	3,660	35.3%	Latin America & Canada	1,038	3,278	31.7%		3.6	3.6
\$ 13,433	\$ 31,512	42.6%		\$ 13,433	\$ 31,496	42.6%	PMI Total	\$ 12,600	\$ 29,767	42.3%		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 Years Ended December 31,  
(Unaudited)

	2015	2014	% Change
<b>Reported Diluted EPS</b>	\$ 4.42	\$ 4.76	(7.1)%
Adjustments:			
Asset impairment and exit costs	0.03	0.26	
Tax items	(0.03)	-	
<b>Adjusted Diluted EPS</b>	\$ 4.42	\$ 5.02	(12.0)%
Less:			
Currency impact	(1.20)		
<b>Adjusted Diluted EPS, excluding Currency</b>	\$ 5.62	\$ 5.02	12.0%

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Adjustments for the Impact of Currency and Acquisitions  
For the Quarters Ended March 31,  
(\$ in millions)  
(Unaudited)

2016							2015					% Change in Reported Net Revenues excluding Excise Taxes		
Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Less Currency	Reported Net Revenues excluding Excise Taxes & Currency	Less Acquisi- tions	Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions		Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes		Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 6,143	\$ 4,280	\$ 1,863	\$ (155)	\$ 2,018	\$ -	\$ 2,018	European Union	\$ 6,222	\$ 4,271	\$ 1,951		(4.5)%	3.4%	3.4%
3,997	2,395	1,602	(203)	1,805	-	1,805	EEMA	4,147	2,363	1,784		(10.2)%	1.2%	1.2%
4,689	2,721	1,968	(150)	2,118	-	2,118	Asia	4,764	2,609	2,155		(8.7)%	(1.7)%	(1.7)%
1,959	1,309	650	(183)	833	-	833	Latin America & Canada	2,219	1,493	726		(10.5)%	14.7%	14.7%
<b>\$ 16,788</b>	<b>\$ 10,705</b>	<b>\$ 6,083</b>	<b>\$ (691)</b>	<b>\$ 6,774</b>	<b>\$ -</b>	<b>\$ 6,774</b>	<b>PMI Total</b>	<b>\$ 17,352</b>	<b>\$ 10,736</b>	<b>\$ 6,616</b>		<b>(8.1)%</b>	<b>2.4%</b>	<b>2.4%</b>

2016							2015					% Change in Reported Operating Companies Income		
Reported Operating Companies Income		Less Currency	Reported Operating Companies Income excluding Currency	Less Acquisi- tions	Reported Operating Companies Income excluding Currency & Acquisitions			Reported Operating Companies Income		Reported Operating Companies Income		Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 906		\$ (54)	\$ 960	\$ -	\$ 960	European Union		\$ 927		(2.3)%		3.6%		3.6%
633		(177)	810	-	810	EEMA		866		(26.9)%		(6.5)%		(6.5)%
778		(63)	841	-	841	Asia		934		(16.7)%		(10.0)%		(10.0)%
229		(89)	318	-	318	Latin America & Canada		230		(0.4)%		38.3%		38.3%
<b>\$ 2,546</b>		<b>\$ (383)</b>	<b>\$ 2,929</b>	<b>\$ -</b>	<b>\$ 2,929</b>	<b>PMI Total</b>		<b>\$ 2,957</b>		<b>(13.9)%</b>		<b>(0.9)%</b>		<b>(0.9)%</b>

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
**For the Quarters Ended March 31,**  
(\$ in millions)  
(Unaudited)

2016										2015			% Change in Adjusted Operating Companies Income		
Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Less Currency	Adjusted Operating Companies Income excluding Currency	Less Acquisitions	Adjusted Operating Companies Income excluding Currency & Acquisitions				Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 906	\$ -	\$ 906	\$ (54)	\$ 960	\$ -	\$ 960	European Union			\$ 927	\$ -	\$ 927	(2.3)%	3.6%	3.6%
633	-	633	(177)	810	-	810	EEMA			866	-	866	(26.9)%	(6.5)%	(6.5)%
778	-	778	(63)	841	-	841	Asia			934	-	934	(16.7)%	(10.0)%	(10.0)%
229	-	229	(89)	318	-	318	Latin America & Canada			230	-	230	(0.4)%	38.3%	38.3%
<b>\$ 2,546</b>	<b>\$ -</b>	<b>\$ 2,546</b>	<b>\$ (383)</b>	<b>\$ 2,929</b>	<b>\$ -</b>	<b>\$ 2,929</b>	<b>PMI Total</b>			<b>\$ 2,957</b>	<b>\$ -</b>	<b>\$ 2,957</b>	<b>(13.9)%</b>	<b>(0.9)%</b>	<b>(0.9)%</b>

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
\$ 960	\$ 2,018	47.6%		\$ 960	\$ 2,018	47.6%	European Union	\$ 927	\$ 1,951	47.5%	0.1	0.1
810	1,805	44.9%		810	1,805	44.9%	EEMA	866	1,784	48.5%	(3.6)	(3.6)
841	2,118	39.7%		841	2,118	39.7%	Asia	934	2,155	43.3%	(3.6)	(3.6)
318	833	38.2%		318	833	38.2%	Latin America & Canada	230	726	31.7%	6.5	6.5
\$ 2,929	\$ 6,774	43.2%		\$ 2,929	\$ 6,774	43.2%	PMI Total	\$ 2,957	\$ 6,616	44.7%	(1.5)	(1.5)

(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



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency  
For the Quarters Ended March 31,  
(Unaudited)

	2016	2015	% Change
<b>Reported Diluted EPS</b>	<b>\$ 0.98</b>	<b>\$ 1.16</b>	<b>(15.5)%</b>
Adjustments:			
Asset impairment and exit costs	-	-	
Tax items	-	-	
<b>Adjusted Diluted EPS</b>	<b>\$ 0.98</b>	<b>\$ 1.16</b>	<b>(15.5)%</b>
Less:			
Currency impact	(0.19)		
<b>Adjusted Diluted EPS, excluding Currency</b>	<b>\$ 1.17</b>	<b>\$ 1.16</b>	<b>0.9%</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 Quarters Ended March 31,  
(\$ in millions)  
(Unaudited)

2015								2014			% Change in Reported Net Revenues excluding Excise Taxes		
Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Less Currency	Reported Net Revenues excluding Excise Taxes & Currency	Less Acquisi- tions	Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions		Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 6,222	\$ 4,271	\$ 1,951	\$ (287)	\$ 2,238	\$ 7	\$ 2,231	European Union	\$ 6,915	\$ 4,839	\$ 2,076	(6.0)%	7.8%	7.5%
4,147	2,363	1,784	(436)	2,220	-	2,220	EEMA	4,266	2,320	1,946	(8.3)%	14.1%	14.1%
4,764	2,609	2,155	(128)	2,283	-	2,283	Asia	4,475	2,293	2,182	(1.2)%	4.6%	4.6%
2,219	1,493	726	(88)	814	1	813	Latin America & Canada	2,123	1,410	713	1.8%	14.2%	14.0%
<b>\$ 17,352</b>	<b>\$ 10,736</b>	<b>\$ 6,616</b>	<b>\$ (939)</b>	<b>\$ 7,555</b>	<b>\$ 8</b>	<b>\$ 7,547</b>	<b>PMI Total</b>	<b>\$ 17,779</b>	<b>\$ 10,862</b>	<b>\$ 6,917</b>	<b>(4.4)%</b>	<b>9.2%</b>	<b>9.1%</b>

2015								2014			% Change in Reported Operating Companies Income		
Reported Operating Companies Income		Less Currency	Reported Operating Companies Income excluding Currency	Less Acquisi- tions	Reported Operating Companies Income excluding Currency & Acquisitions			Reported Operating Companies Income		Reported Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 927		\$ (194)	\$ 1,121	\$ -	\$ 1,121	European Union		\$ 993			(6.6)%	12.9%	12.9%
866		(268)	1,134	-	1,134	EEMA		912			(5.0)%	24.3%	24.3%
934		(79)	1,013	-	1,013	Asia		915			2.1%	10.7%	10.7%
230		(44)	274	1	273	Latin America & Canada		202			13.9%	35.6%	35.1%
<b>\$ 2,957</b>		<b>\$ (585)</b>	<b>\$ 3,542</b>	<b>\$ 1</b>	<b>\$ 3,541</b>	<b>PMI Total</b>		<b>\$ 3,022</b>			<b>(2.2)%</b>	<b>17.2%</b>	<b>17.2%</b>

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
**For the Quarters Ended March 31,**  
(\$ in millions)  
(Unaudited)

2015							2014			% Change in Adjusted Operating Companies Income			
Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Less Currency	Adjusted Operating Companies Income excluding Currency	Less Acquisitions	Adjusted Operating Companies Income excluding Currency & Acquisitions		Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 927	\$ -	\$ 927	\$ (194)	\$ 1,121	\$ -	\$ 1,121	European Union	\$ 993	\$ -	\$ 993	(6.6)%	12.9%	12.9%
866	-	866	(268)	1,134	-	1,134	EEMA	912	-	912	(5.0)%	24.3%	24.3%
934	-	934	(79)	1,013	-	1,013	Asia	915	(23)	938	(0.4)%	8.0%	8.0%
230	-	230	(44)	274	1	273	Latin America & Canada	202	-	202	13.9%	35.6%	35.1%
\$ 2,957	\$ -	\$ 2,957	\$ (585)	\$ 3,542	\$ 1	\$ 3,541	PMI Total	\$ 3,022	\$ (23)	\$ 3,045	(2.9)%	16.3%	16.3%

2015								2014			% 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
\$ 1,121	\$ 2,238	50.1%		\$ 1,121	\$ 2,231	50.2%	European Union	\$ 993	\$ 2,076	47.8%	2.3	2.4
1,134	2,220	51.1%		1,134	2,220	51.1%	EEMA	912	1,946	46.9%	4.2	4.2
1,013	2,283	44.4%		1,013	2,283	44.4%	Asia	938	2,182	43.0%	1.4	1.4
274	814	33.7%		273	813	33.6%	Latin America & Canada	202	713	28.3%	5.4	5.3
\$ 3,542	\$ 7,555	46.9%		\$ 3,541	\$ 7,547	46.9%	PMI Total	\$ 3,045	\$ 6,917	44.0%	2.9	2.9

(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



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency  
For the Quarters Ended March 31,  
(Unaudited)

	2015	2014	% Change
<b>Reported Diluted EPS</b>	<b>\$ 1.16</b>	<b>\$ 1.18</b>	<b>(1.7)%</b>
Adjustments:			
Asset impairment and exit costs	-	0.01	
Tax items	-	-	
<b>Adjusted Diluted EPS</b>	<b>\$ 1.16</b>	<b>\$ 1.19</b>	<b>(2.5)%</b>
Less:			
Currency impact	(0.31)		
<b>Adjusted Diluted EPS, excluding Currency</b>	<b>\$ 1.47</b>	<b>\$ 1.19</b>	<b>23.5%</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 Years Ended December 31,  
(\$ in millions)  
(Unaudited)

	For the Quarters Ended December 31,			For the Years Ended December 31,		
	2015	2014	% Change	2015	2014	% Change
<b>Net cash provided by operating activities<sup>(a)</sup></b>	\$ 1,872	\$ 1,354	38.3%	\$ 7,865	\$ 7,739	1.6%
Less:						
Capital expenditures	324	349		960	1,153	
<b>Free cash flow</b>	\$ 1,548	\$ 1,005	54.0%	\$ 6,905	\$ 6,586	4.8%
Less:						
Currency impact	(187)			(1,996)		
<b>Free cash flow, excluding currency</b>	\$ 1,735	\$ 1,005	72.6%	\$ 8,901	\$ 6,586	35.2%

(a) Operating cash flow



PHILIP MORRIS INTERNATIONAL

# **Annual Meeting of Shareholders May 4, 2016**