



PHILIP MORRIS INTERNATIONAL

# 2016 Fourth-Quarter and Full-Year Results

February 2, 2017



# Introduction

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- Unless otherwise stated, we will be talking about results for the fourth-quarter and full-year 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 PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. PMI has a range of RRPs in various stages of development, scientific assessment and commercialization. Because our RRPs do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke



# Forward-Looking and Cautionary Statements

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- This presentation and related discussion contain forward-looking statements. Achievement of future 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 Reduced-Risk Products; if it is unable to successfully introduce new products, promote brand equity, enter new markets or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; or if it is unable to attract and retain the best global talent
- PMI is further subject to other risks detailed from time to time in its publicly filed documents, including the Form 10-Q for the quarter ended September 30, 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



## 2016: A Pivotal Year for PMI

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- Exciting progress in our transformation from combustible tobacco products to a Reduced-Risk Products focused company
- Combustible tobacco portfolio remains the driver of our income growth
- RRP portfolio showing clear signs of its enormous potential

Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking

Source: PMI Financials or estimates



## Q4, 2016: Exceptionally Strong Financial Results

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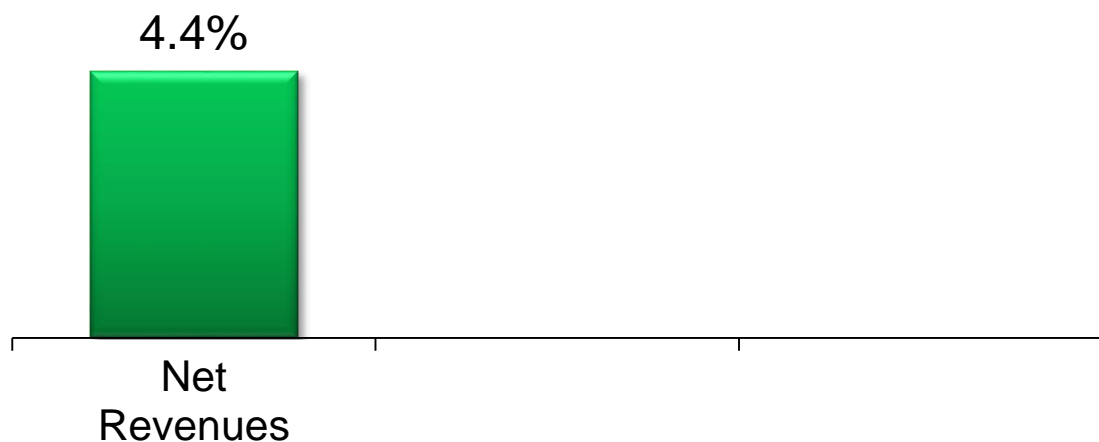
### Growth vs. PY<sup>(a)</sup>

|                      |        |
|----------------------|--------|
| Net Revenues         | +10.5% |
| Adjusted OCI         | +47.4% |
| Adjusted Diluted EPS | +51.9% |

## 2016: As Expected, Strong Financial Results, ex-Currency

Growth vs. PY<sup>(a)</sup>

- Key Drivers:



Favorable  
pricing variance



Strong *HeatSticks*  
performance



Higher *IQOS*  
device sales

(a) Excluding currency

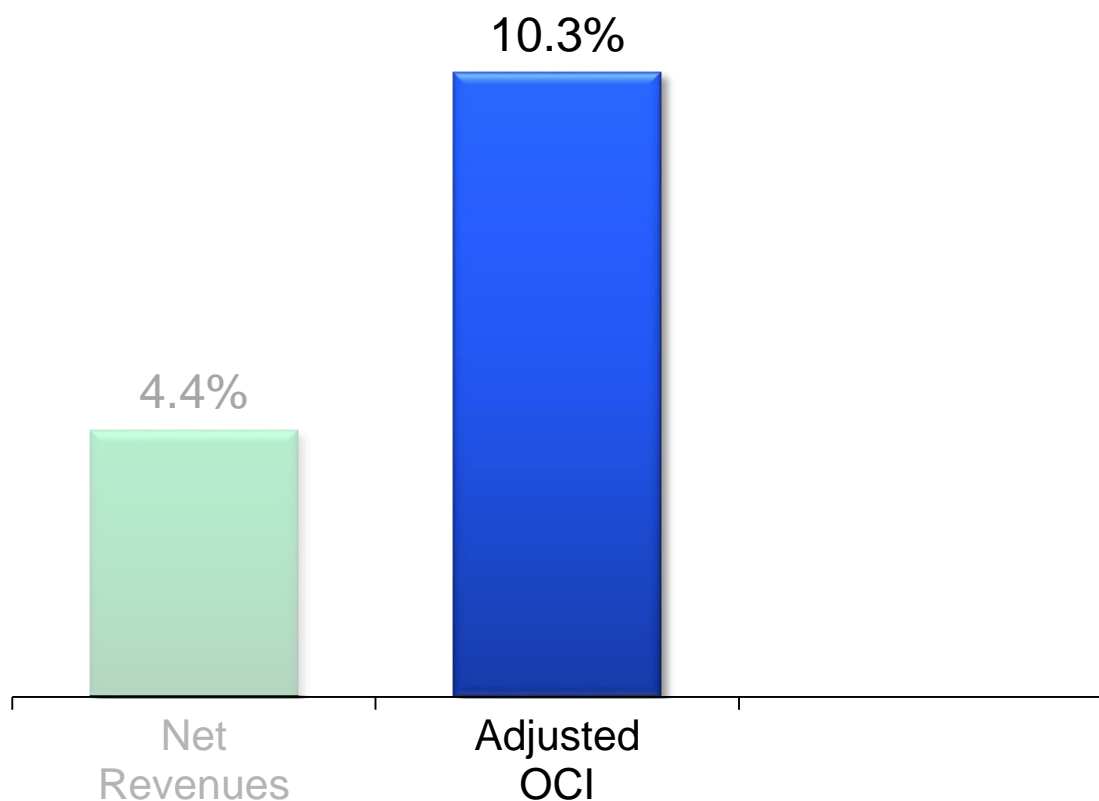
Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. Visuals are for illustrative purposes only

Source: PMI Financials or estimates



## 2016: As Expected, Strong Financial Results, ex-Currency

### Growth vs. PY<sup>(a)</sup>

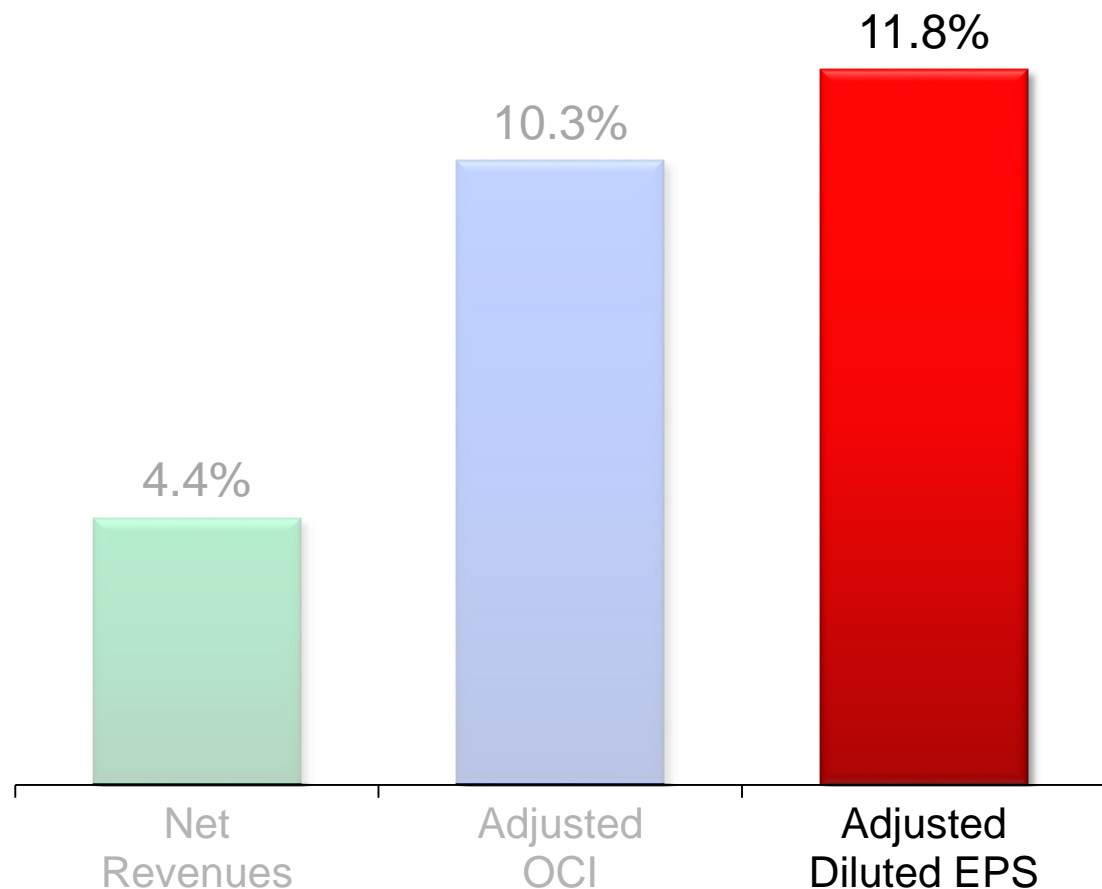


- Robust adjusted OCI growth, ex-currency, reflecting:
  - Higher net revenues
  - Favorable cost comparison vs. 2015
  - Strong results across all four Regions
- Adjusted OCI margin:
  - +0.6 points to 41.8%
  - +2.4 points to 43.6%, ex-currency
  - Gains across all four Regions, ex-currency



## 2016: As Expected, Strong Financial Results, ex-Currency

Growth vs. PY<sup>(a)</sup>



- Adjusted diluted EPS increased by 1.4% to \$4.48, despite a currency headwind of 46 cents:
  - First increase since 2013





## 2016: Free Cash Flow In Line With Last Year

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- Free cash flow stable at \$6.9 billion, despite:
  - Unfavorable currency of \$340 million
  - Previously announced increase in capital expenditures to support the manufacturing capacity expansion for *HeatSticks*
- Free cash flow increased by 4.9%, ex-currency



## 2016: PMI Volume

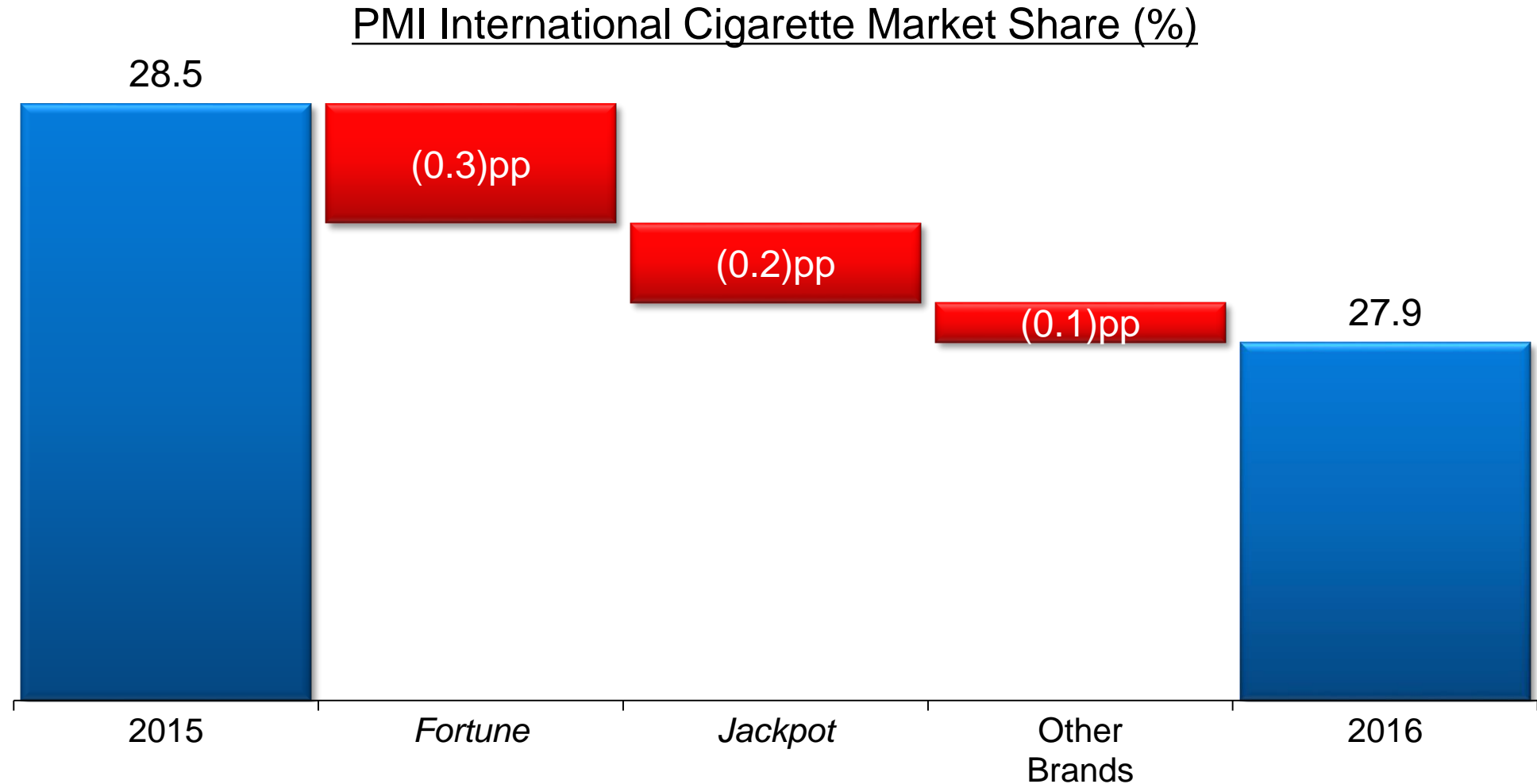
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- Cigarette volume down by 4.1%:
  - Some 40% of the decline due to Pakistan and the Philippines, where volume erosion was concentrated in low unit margin brands
- Cigarette volume decline also due in part to the in-switching to *HeatSticks* from our own cigarette brands
- *HeatSticks* volume reached 7.4 billion units, which reflected our maximum manufacturing capacity for 2016

Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking

Source: PMI Financials or estimates

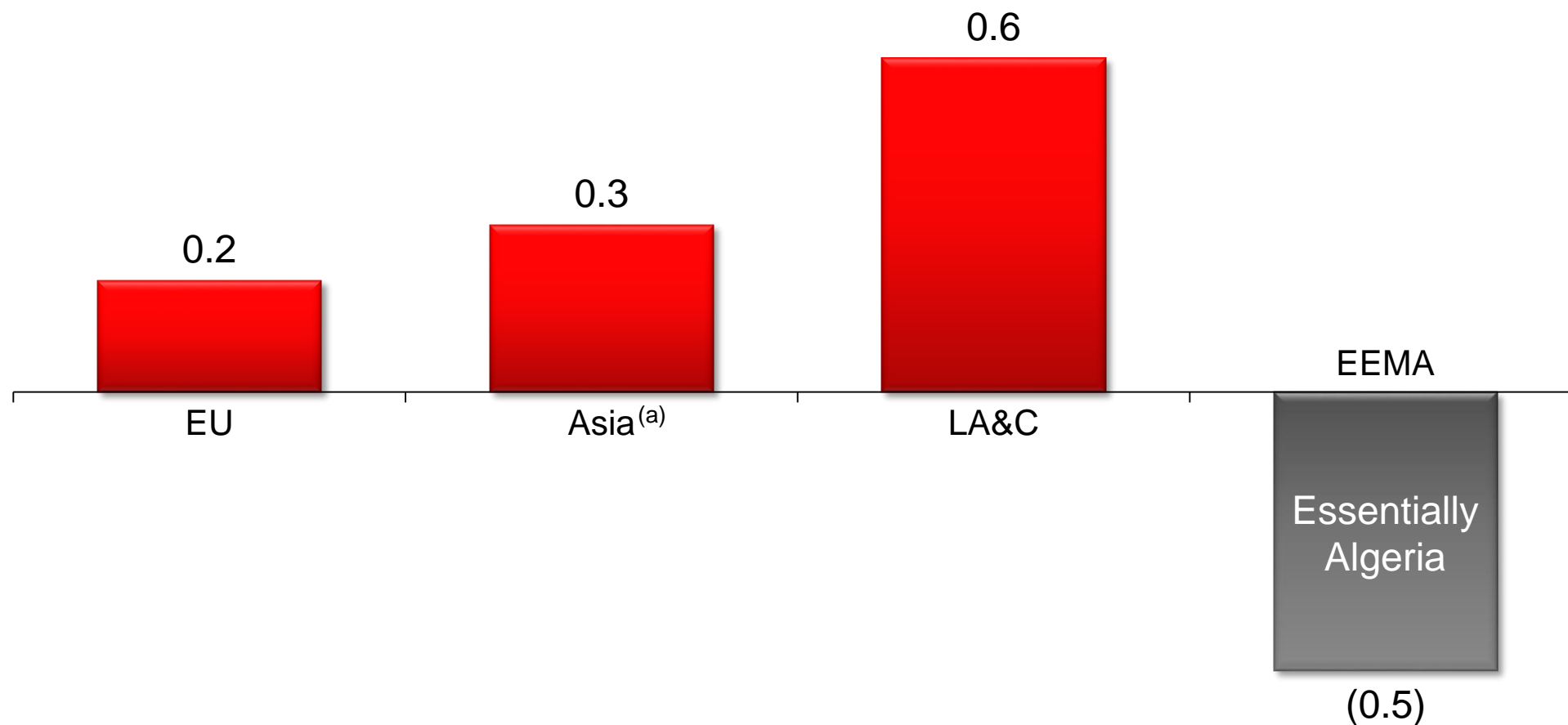
# 2016: PMI International Cigarette Market Share Decline Mainly Due to Lower-Priced Brands in the Philippines





## 2016: Robust *Marlboro* Cigarette Share Performance Overall

Marlboro Cigarette Market Share Variance vs. PY (pp)



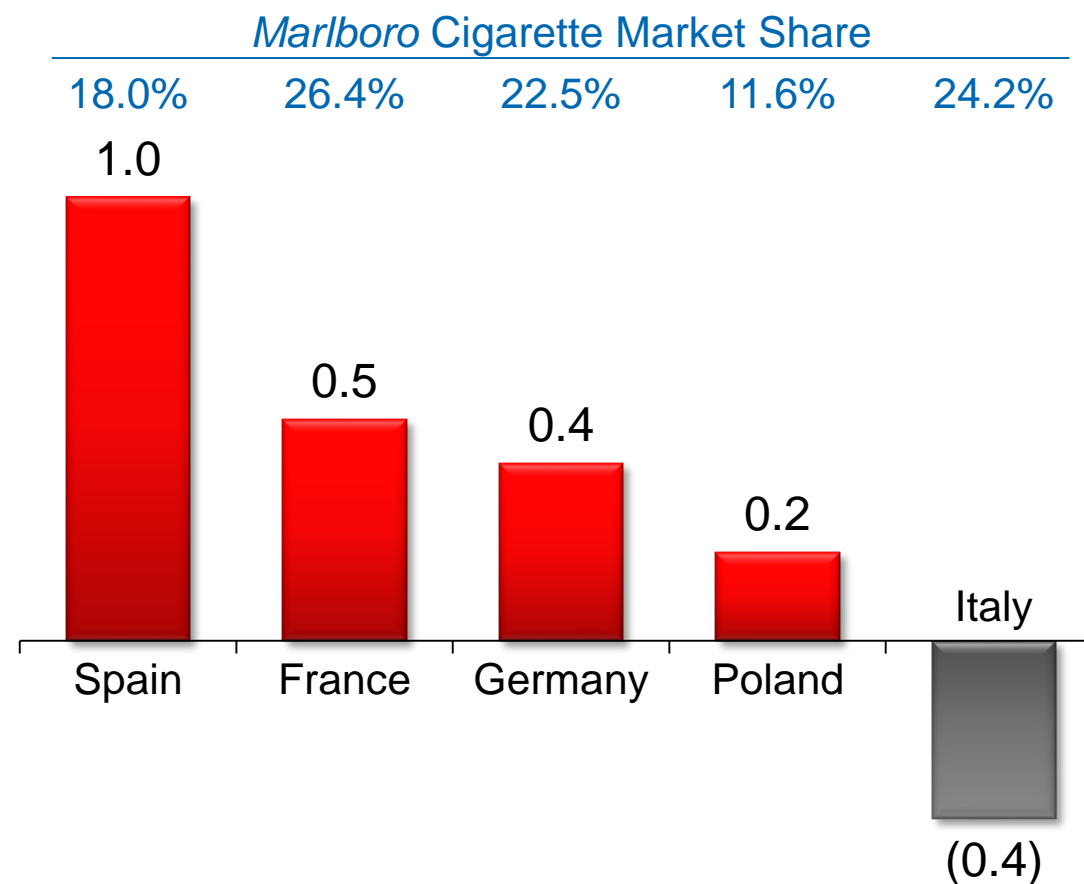
(a) Excluding China  
Source: PMI Financials or estimates



## EU Region: Another Year of Adjusted OCI Growth, ex-Currency

- Adjusted OCI growth, ex-currency, of 8.7% in 2016, driven by higher pricing:
  - Second straight year of growth
- Cigarette industry volume down by 1.6% in 2016:
  - Decline concentrated in Q4, primarily reflecting a difficult comparison vs. 2015, which benefited from the estimated positive impact of immigration and a recovery from illicit trade
- Regional cigarette share was flat in 2016, with growth notably in France, Poland and Spain, offset mainly by Italy

### Marlboro Cigarette Market Share Variance (pp) (2016 vs. PY)

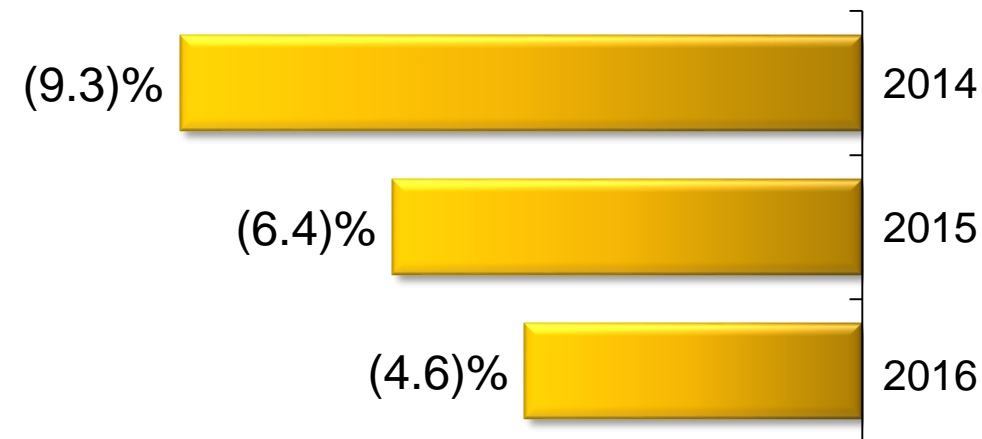




## Russia: Double-Digit OCI Growth in 2016, ex-Currency

- Further moderation in cigarette industry volume decline
- Cigarette market share down by 1.2 points to 27.2% in 2016. Sequential share stabilization in H2, 2016
- Strong pricing drove double-digit OCI growth, ex-currency
- As of January 2017, tax code now includes a weight-based specific excise tax on heated tobacco products

### Cigarette Industry Volume Decline vs. PY



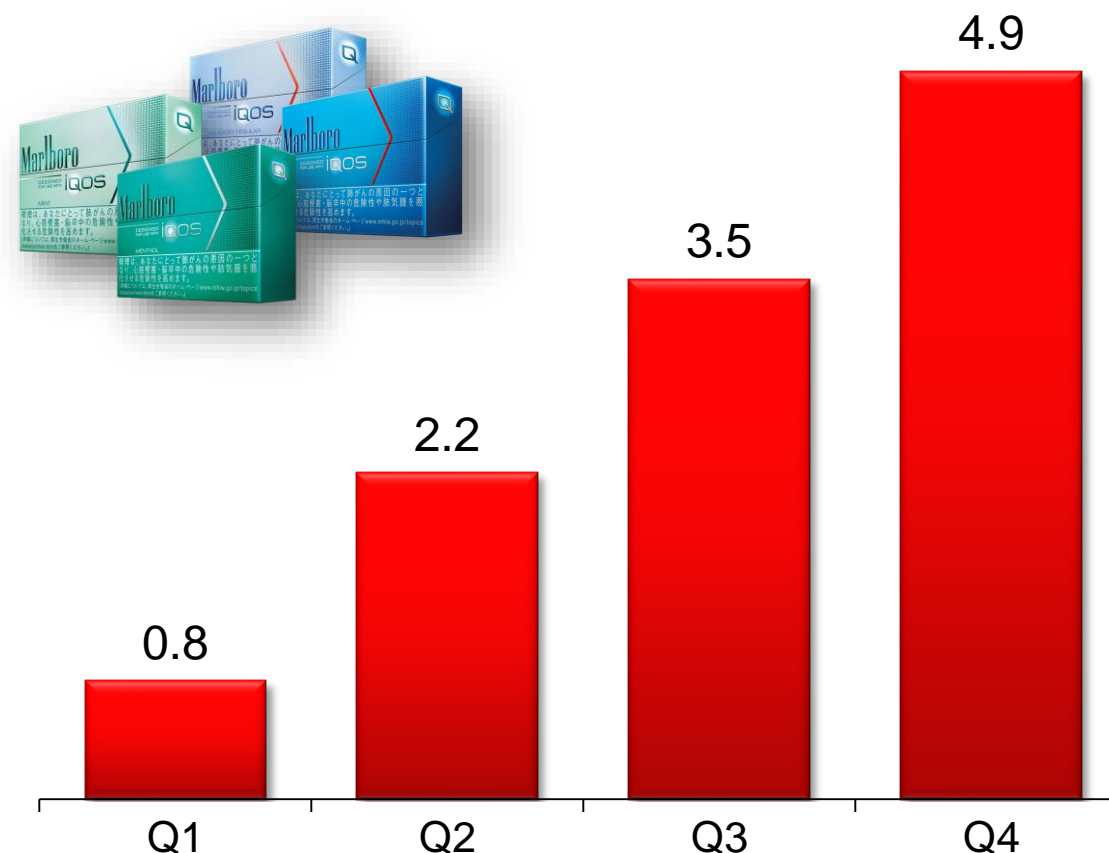
### New Excise Tax Code (2017-2019)

|                                   | 2016  | 2017  | 2018  | 2019  |
|-----------------------------------|-------|-------|-------|-------|
| Ad Valorem Excise Tax (% of MRSP) | 12.0% | 14.5% | 14.5% | 14.5% |
| Specific Excise Tax (RUB/000)     | 1,250 | 1,562 | 1,718 | 1,890 |
| Minimum Excise Tax (RUB/000)      | 1,680 | 2,123 | 2,335 | 2,568 |

## Japan: Strong Combined Market Share Growth<sup>(a)</sup>

- Cigarette industry volume down by 4.6% in 2016, mainly due to the growth of RRP
- Cigarette share down by 0.4 points to 24.9% in 2016, due mainly to the impact of *HeatSticks*
- PMI combined market share<sup>(a)</sup> up by 1.7 points to 27.1% in 2016

2016 *HeatSticks* Quarterly Market Share (%)



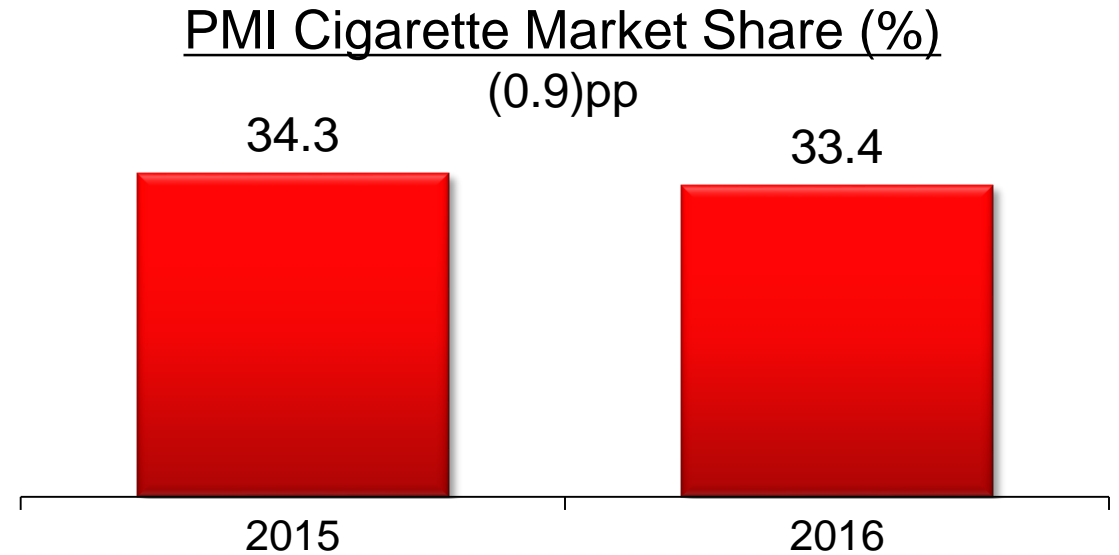
(a) Combined market share includes cigarettes and *Marlboro HeatSticks*

Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. National market share for *HeatSticks* is defined as the total sales volume for *HeatSticks* as a percentage of the total estimated sales volume for cigarettes and *HeatSticks*. Pack designs are for illustrative purposes only

Source: PMI Financials or estimates, and Tobacco Institute of Japan

## Indonesia: Double-Digit OCI Growth in 2016

- Important profit driver for PMI:
  - Double-digit OCI growth, mainly reflecting strong pricing
- Cigarette industry volume down by 1.4%, due mainly to a soft economy and excise-tax driven retail price increases
- Cigarette share decline due mainly to:
  - Soft performance of our lighter-tasting machine-made kretek brands, impacted by competitors' discounted product offerings
  - Partly offset by the strong performance of *U Bold* and *Marlboro Filter Black*



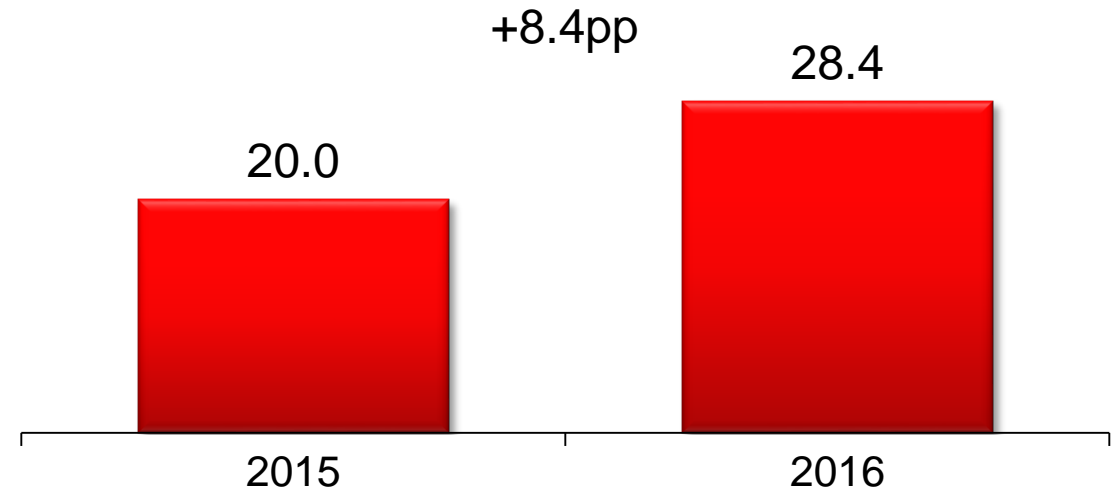
|   | 2016       | 2017       |
|---|------------|------------|
| Excise tax weighted industry average increase | Around 15% | Around 10% |
| VAT rate                                      | 8.7%       | 9.1%       |



## Philippines: Exceptional *Marlboro* Performance in 2016

- Improved profit driven by higher pricing and favorable mix
- Cigarette share decline due mainly to lower-priced *Fortune* and *Jackpot*
- Marlboro* performed exceptionally
- Cigarette industry volume down by 12.0%, due mainly to the impact of excise tax-driven retail price increases at the bottom of the market in late 2015

### Marlboro Cigarette Market Share (%)



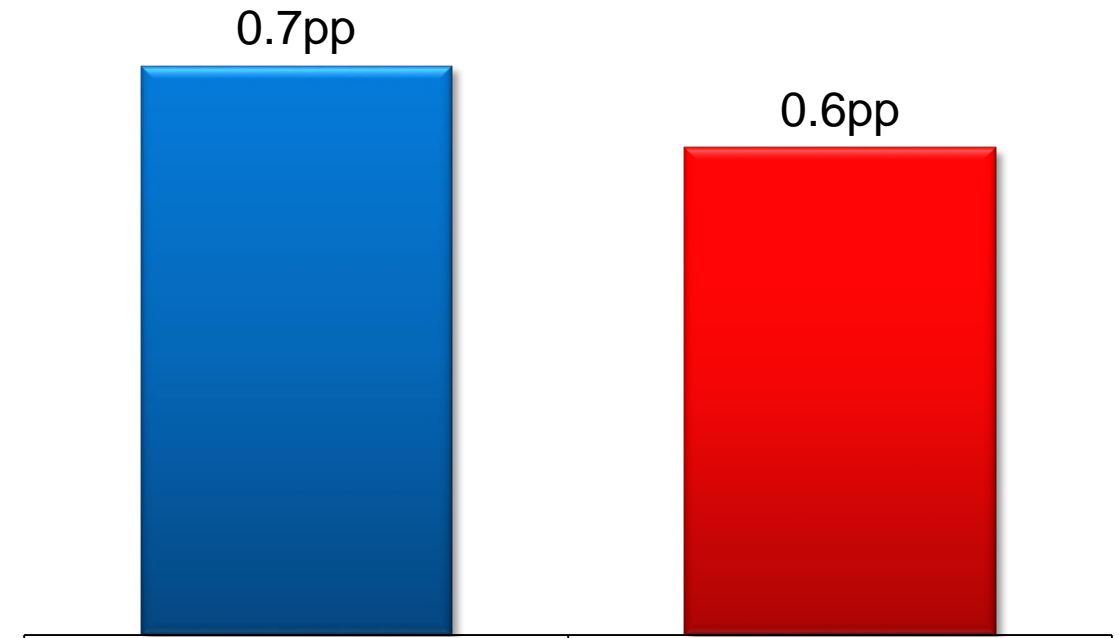
### Excise Taxation (2016-2018 onwards)

| Tax Tier | Net Retail Price (PHP/pack) | Excise Tax (PHP/pack) |      |              |
|----------|-----------------------------|-----------------------|------|--------------|
|          |                             | 2016                  | 2017 | 2018 onwards |
| 1        | > 11.50                     | 29                    | 30   | +4% annually |
| 2        | ≤ 11.50                     | 25                    |      |              |

## LA&C Region: Strong Currency-Neutral 2016 Performance

- Adjusted OCI up by 12.4%, ex-currency, driven by higher pricing, notably in Argentina and Canada
- Regional cigarette market share growth:
  - Driven by *Marlboro*
  - Supported by share gains in Brazil, Canada and Mexico
- Cigarette industry volume down by 5.9%, due mainly to tax-driven retail price increases in Argentina and Brazil

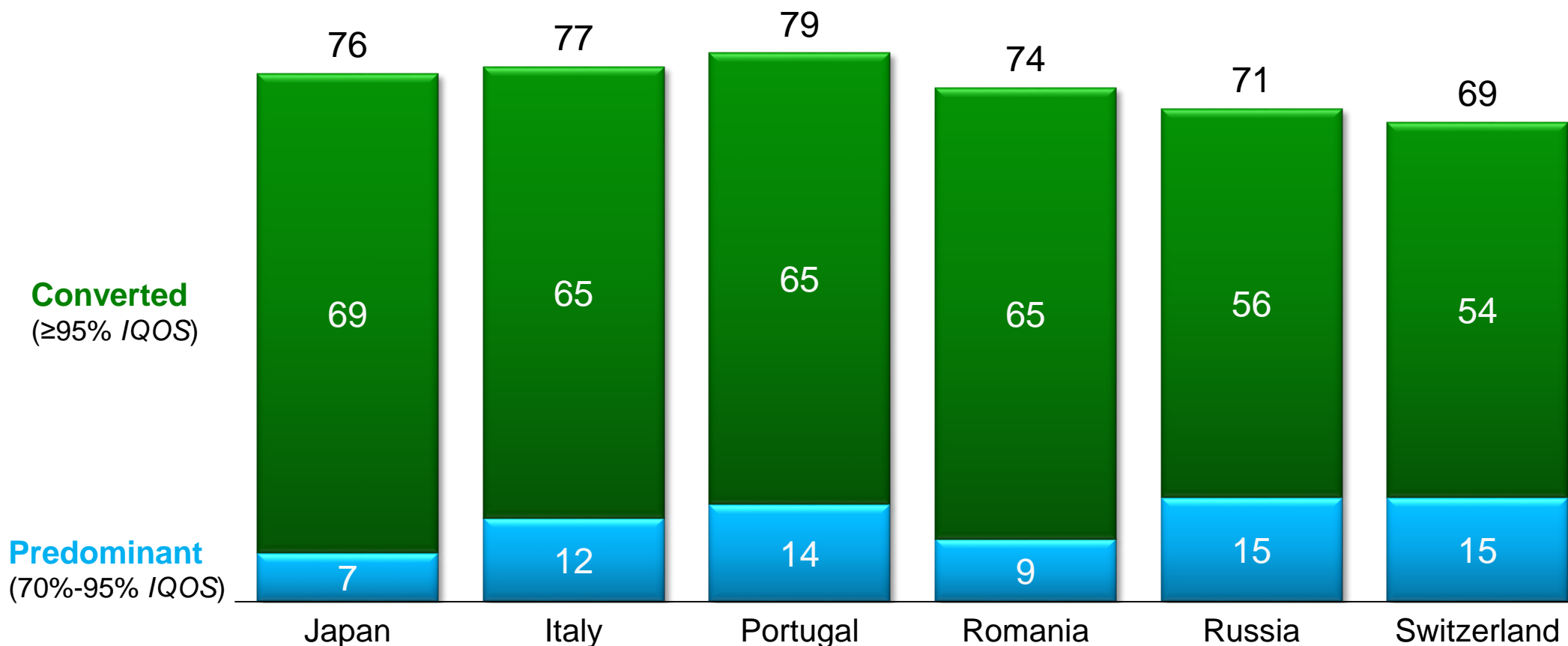
### Cigarette Market Share Growth (2016 vs. PY)





## IQOS: High Conversion Rates

December 2016 Adult Smoker Conversion Rates (%)<sup>(a)</sup>

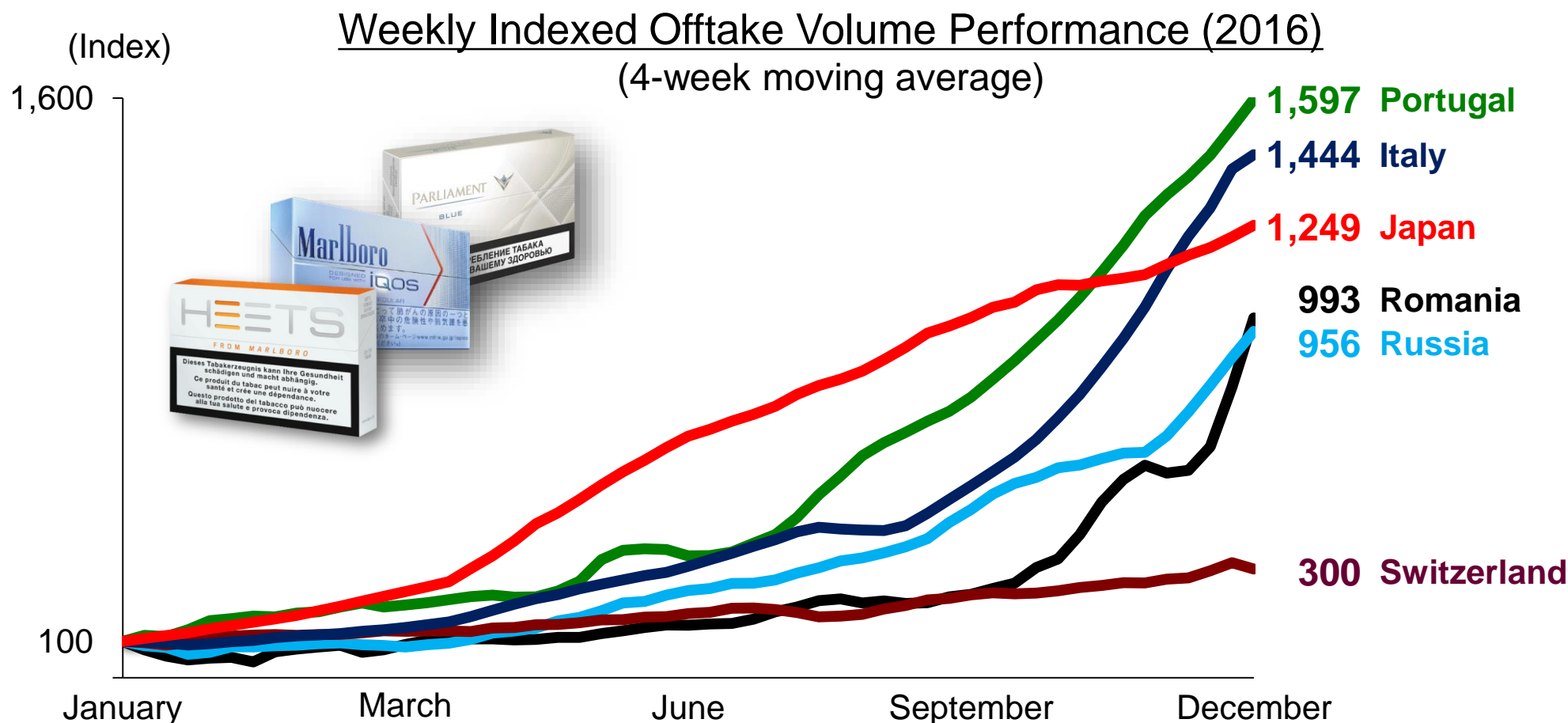


(a) Data relates to December 2016 User Panel with the exception of Japan, Italy and Romania (November 2016)

Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking

Source: PMI Japan / Italy / Portugal / Romania / Russia / Switzerland IQOS User Panels

# IQOS: HeatSticks Offtake Volume Trends



**Weekly Offtake SoM**  
(Year-end 2016)

**0.3%**

**0.3%**

**7.0%**

**1.2%<sup>(a)</sup>**

**0.4%<sup>(b)</sup>**

**1.7%<sup>(c)</sup>**

(a) Weekly offtake SoM for Romania refers to Bucharest, Cluj, Constanta, Lasi and Timisoara

(b) Weekly offtake SoM for Russia refers to Moscow and St. Petersburg

(c) Weekly offtake SoM for Switzerland refers to Basel, Bern, Geneva, Lausanne, Neuchâtel and Zurich

Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. Pack designs are for illustrative purposes only

Source: PMI Financials or estimates



## 2017 EPS Guidance

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- Reported diluted EPS guidance for 2017 is \$4.70 to \$4.85 at prevailing exchange rates, compared to \$4.48 in 2016:
  - Includes approximately 18 cents of unfavorable currency at prevailing exchange rates
  - Does not include any share repurchases
- Excluding currency, our guidance represents a growth rate of approximately 9% to 12% compared to adjusted diluted EPS of \$4.48 in 2016



## 2017 EPS Guidance: Impact of Currency

- 18 cents of unfavorable currency in our 2017 EPS guidance, at prevailing exchange rates:

|               |                 |
|---------------|-----------------|
| Turkish Lira  | \$(0.08)        |
| Euro          | (0.07)          |
| Japanese Yen  | (0.04)          |
| Mexican Peso  | (0.04)          |
| Russian Ruble | 0.10            |
| Others        | (0.05)          |
| <b>Total</b>  | <b>\$(0.18)</b> |

- We have currently hedged approximately 40% of our 2017 forecast sales to Japan, which, at prevailing exchange rates, translates to an effective rate of 114 Yen to the U.S. Dollar (vs. 111 Yen in 2016)



## 2017 EPS Guidance: Key Variables

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- RRPs introduce higher forecasting volatility
- Guidance reflects net revenue growth in excess of our current currency-neutral annual growth target range of 4% to 6%<sup>(a)</sup>, driven by:
  - Higher RRP volumes (reflecting both *HeatSticks* and *IQOS* devices)
  - Favorable pricing variance (equivalent to approximately 6% of our 2016 net revenues)
- Guidance also reflects significant incremental investment behind the deployment of our RRP portfolio, partly offset by the judicious reallocation of resources from our combustible tobacco portfolio to RRPs in the relevant markets

(a) Excluding acquisitions

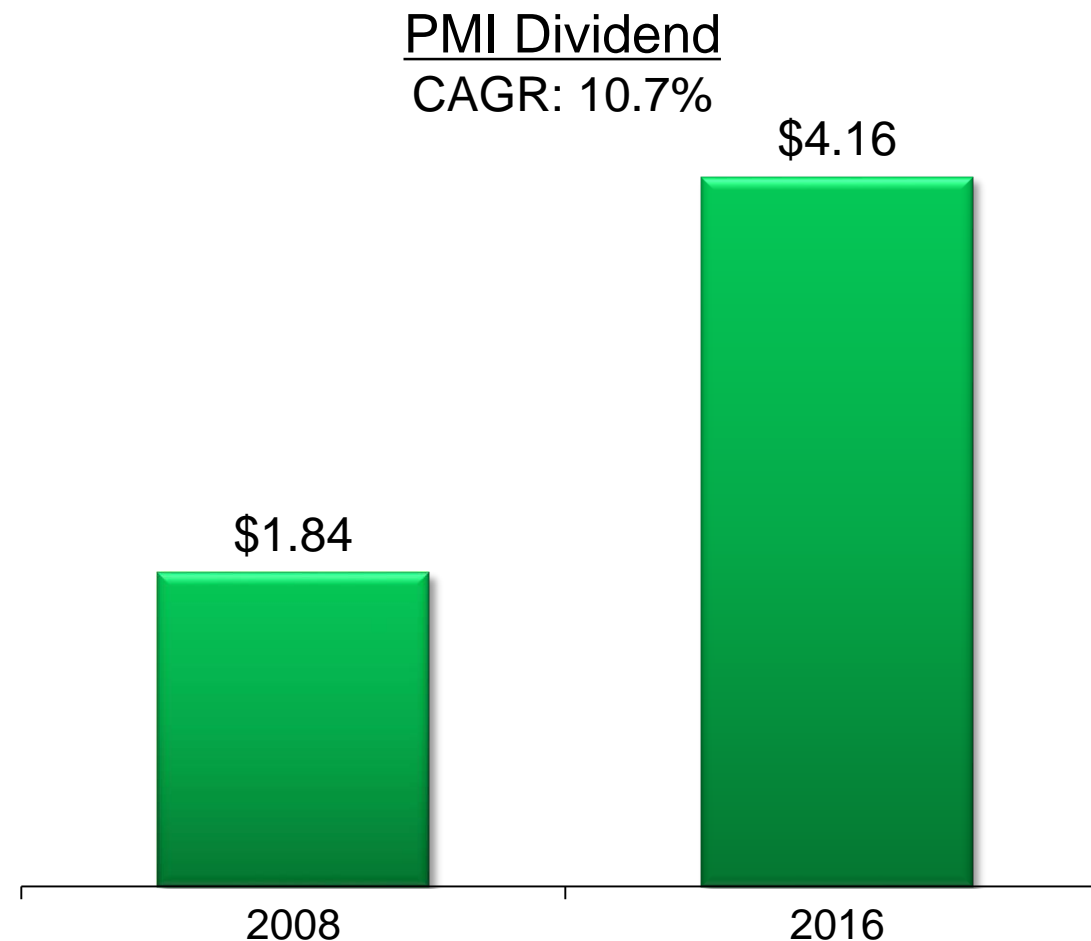
Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking

Source: PMI Financials or estimates



## 2017: Cash Flow Outlook

- Target operating cash flow<sup>(a)</sup> of approximately \$8.5 billion, reflecting higher net earnings
- Anticipate capital expenditures of \$1.5 billion, driven by increased investments to support RRP capacity expansion, notably for *HeatSticks*
- Focused on rewarding our shareholders:
  - Nine consecutive dividend increases since 2008, representing a total increase of 126.1%



(a) Net cash provided by operating activities

Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. Dividends for 2008 and 2016 are annualized rates. The 2008 annualized rate is based on a quarterly dividend of \$0.46 per common share, declared June 18, 2008. The 2016 annualized rate is based on a quarterly dividend of \$1.04 per common share, declared September 14, 2016

Source: PMI Financials or estimates



# /QOS: Launched in Key Cities in 20 Markets To Date

## EU Region (11)

- Denmark
- Germany
- Greece
- Italy
- Monaco
- Netherlands
- Portugal
- Romania
- Spain
- Switzerland
- United Kingdom

## EEMA Region (6)

- Duty Free<sup>(a)</sup>
- Israel
- Kazakhstan
- Russia
- South Africa
- Ukraine

## Asia Region (2)

- Japan (National)
- New Zealand

## LA&C Region (1)

- Canada

Target  
**30-35**  
Markets by  
end 2017<sup>(b)</sup>



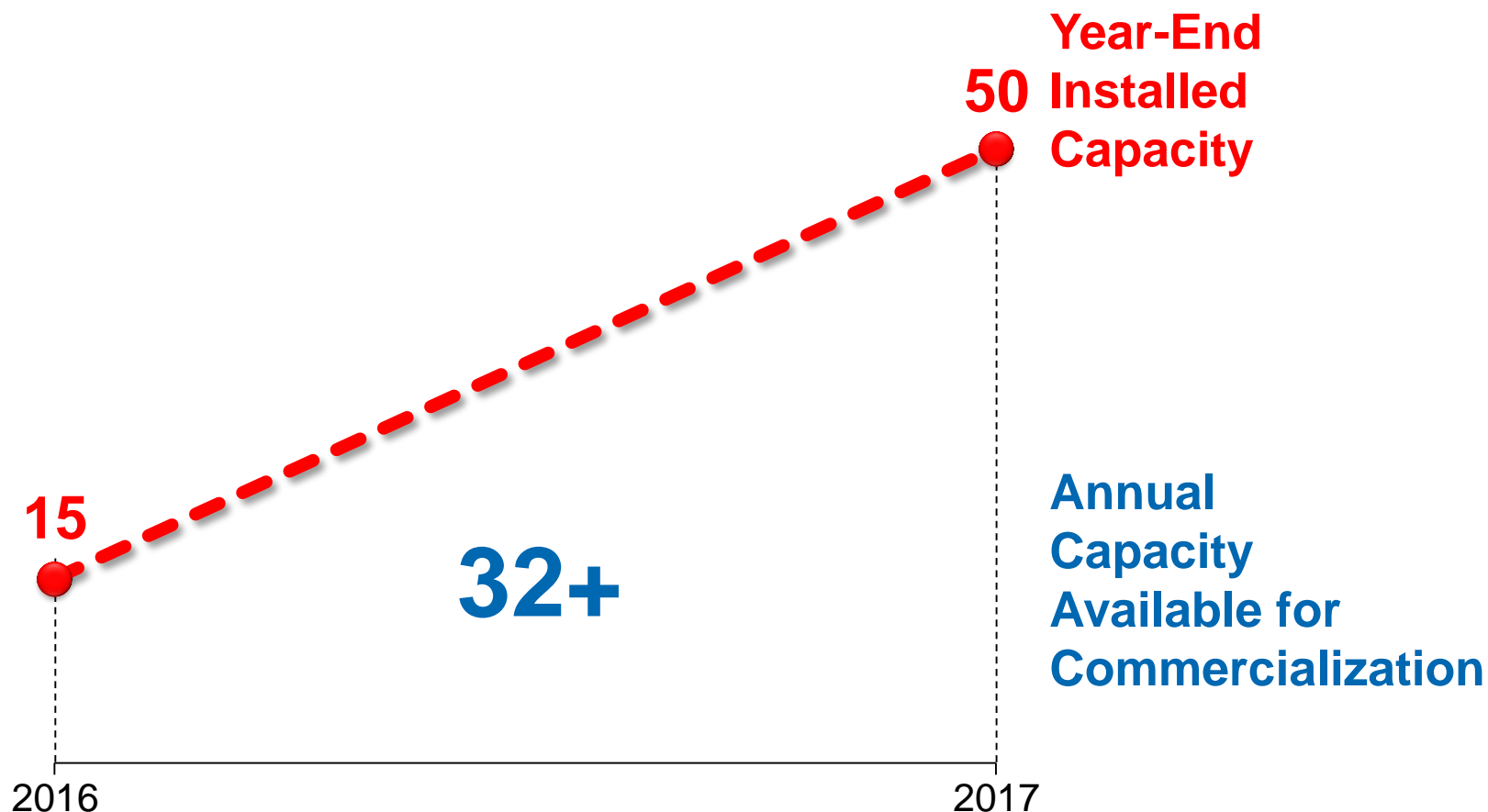
(a) Japan (Chubu, Fukuoka, Osaka and Tokyo airports); Switzerland (Zurich airport)

(b) Subject to *HeatSticks* capacity

Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking

# IQOS: Expanding *HeatSticks* Capacity in 2017

HeatSticks Capacity Forecast (units billion)



Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. Pack designs are for illustrative purposes only

Source: PMI Financials or estimates

# RRPs: Exciting Progress with Our Other Platforms

Heated Tobacco  
Product

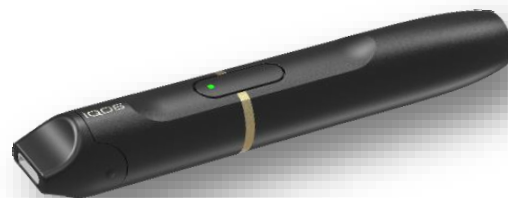
## Platform 2



- City test in 2017

Nicotine-Containing  
Products

## Platform 3



- City test in 2017

## Platform 4 (Next Generation)



### *MESH:*

- City test in late 2016
- Pleased by initial results

Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. 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



## A Pivotal Year for PMI in 2016; Outlook Remains Strong for 2017

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- Exciting progress in our transformation from combustible tobacco products to a Reduced-Risk Products focused company
- Strong currency-neutral financial results in 2016, driven by our combustible tobacco business
- IQOS performing exceptionally. As of year-end 2016, we estimate that approximately 1.4 million adult consumers have quit smoking cigarettes and converted to IQOS
- Our 2017 guidance represents a growth rate of approximately 9% to 12%, ex-currency, compared to adjusted diluted EPS of \$4.48 in 2016

Note: Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking

Source: PMI Financials or estimates



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# 2016 Fourth-Quarter and Full-Year 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 refers to 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")
- Trademarks are italicized
- Comparisons are made to the same prior-year period, unless otherwise stated
- PMI volumes refer to PMI cigarette shipment data, unless otherwise stated
- 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
- EEMA refers to the Eastern Europe, Middle East & Africa Region and includes our international duty free business
- EU refers to the European Union Region
- LA&C refers to the Latin America & Canada Region
- SoM stands for share of market
- VAT stands for value added tax





## 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)/loss in unconsolidated subsidiaries, net. Management evaluates business segment performance and allocates resources based on OCI
- Adjusted OCI margins are calculated as adjusted OCI, divided by net revenues
- Free cash flow is defined as net cash provided by operating activities less capital expenditures
- Management reviews OCI, OCI margins, earnings per share, or "EPS," and free cash flow on an adjusted basis, which may exclude the impact of currency and other items such as acquisitions, asset impairment and exit costs, discrete tax items and other special items
- Management reviews these measures because they exclude changes in currency exchange rates and other factors that may distort underlying business trends, thereby improving the comparability of PMI's business performance between reporting periods. Furthermore, PMI uses several of these measures in its management compensation program to promote internal fairness and a disciplined assessment of performance against company targets. PMI discloses these measures to enable investors to view the business through the eyes of its management





## Glossary: Reduced-Risk Products

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- Reduced-Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. PMI has a range of RRP's in various stages of development, scientific assessment and commercialization. Because our RRP's do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke
- IQOS is the brand name under which PMI has chosen to commercialize its Platform 1 controlled heating device
- The term *HeatSticks* refers to *Marlboro HeatSticks*, *Parliament HeatSticks* and *HEETS* from *Marlboro*
- *HeatSticks* and *HEETS* tobacco sticks are novel patented tobacco products specifically designed by PMI for use with PMI's IQOS system. The tobacco in *HeatSticks* / *HEETS* is heated by our IQOS technology to provide adult smokers with real tobacco taste and satisfaction without combustion
- *HeatSticks* volume includes *HeatSticks* and *HEETS*
- Net revenues, excluding excise taxes, related to RRP's represent the sale of heat-not-burn consumables, including *HeatSticks*, IQOS devices and related accessories, and other nicotine-containing products, primarily e-vapor products, net of sales and promotion incentives
- National market share for *HeatSticks* in Japan is defined as the total sales volume for *HeatSticks* as a percentage of the total estimated sales volume for cigarettes and *HeatSticks*



## Glossary: Reduced-Risk Products

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- "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
- 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")
- *MESH* is the brand name that PMI has chosen for the city test of its "next generation" Platform 4 Reduced-Risk Product that leverages new proprietary vaporization technology

# 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 December 31,  
(\$ 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 |
| \$ 6,465         | \$ 4,521                | \$ 1,944                                     | \$ (25)          | \$ 1,969   | \$ -                      | \$ 1,969  | European Union         | \$ 6,647         | \$ 4,713                | \$ 1,934                                     | 0.5%   | 1.8%                  | 1.8%                                    |
| 4,636            | 2,838                   | 1,798  | (85)             | 1,883  | -                         | 1,883   | EEMA                   | 4,420            | 2,703                   | 1,717  | 4.7%   | 9.7%                  | 9.7%                                    |
| 5,517            | 3,073                   | 2,444  | 118              | 2,326  | -                         | 2,326   | Asia                   | 4,786            | 2,867                   | 1,919  | 27.4%  | 21.2%                 | 21.2%                                   |
| 2,571            | 1,786                   | 785  | (98)             | 883  | -                         | 883   | Latin America & Canada | 2,518            | 1,696                   | 822  | (4.5)%   | 7.4%                  | 7.4%                                    |
| <b>\$ 19,189</b> | <b>\$ 12,218</b>        | <b>\$ 6,971</b>                              | <b>\$ (90)</b>   | <b>\$ 7,061</b>  | <b>\$ -</b>               | <b>\$ 7,061</b>   | <b>PMI Total</b>       | <b>\$ 18,371</b> | <b>\$ 11,979</b>        | <b>\$ 6,392</b>                              | <b>9.1%</b>  | <b>10.5%</b>          | <b>10.5%</b>                            |

| 2016                             |                 |                  |   |                           |   |                 |  | 2015                             |  |  | % Change in Operating Companies<br>Income |                       |   |
|----------------------------------|-----------------|------------------|---|---------------------------|---|-----------------|--|----------------------------------|--|--|---|-----------------------|---|
| Operating<br>Companies<br>Income |                 | Less<br>Currency | Operating<br>Companies<br>Income<br>excluding<br>Currency | Less<br>Acquisi-<br>tions | Operating<br>Companies<br>Income<br>excluding<br>Currency &<br>Acquisitions |                 |  | Operating<br>Companies<br>Income |  |  | Total                                     | Excluding<br>Currency | Excluding<br>Currency &<br>Acquisitions |
| \$ 898                           | \$ 29           | \$ 869           | \$ -  | \$ 869                    | European Union  | \$ 599          |  | \$ 599                           |  |  | 49.9%                                     | 45.1%                 | 45.1%                                   |
| 627                              | (390)           | 1,017            | -   | 1,017                     | EEMA  | 704             |  | 704                              |  |  | (10.9)%                                   | 44.5%                 | 44.5%                                   |
| 908                              | 63              | 845              | -   | 845                       | Asia  | 465             |  | 465                              |  |  | 95.3%                                     | 81.7%                 | 81.7%                                   |
| 261                              | (62)            | 323              | -   | 323                       | Latin America & Canada  | 236             |  | 236                              |  |  | 10.6%                                     | 36.9%                 | 36.9%                                   |
| <b>\$ 2,694</b>                  | <b>\$ (360)</b> | <b>\$ 3,054</b>  | <b>\$ -</b>   | <b>\$ 3,054</b>           | <b>PMI Total</b>  | <b>\$ 2,004</b> |  | <b>\$ 2,004</b>                  |  |  | <b>34.4%</b>                              | <b>52.4%</b>          | <b>52.4%</b>                            |

# 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 Quarters Ended December 31,**  
(\$ 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 |
| \$ 898                     | \$ -                               | \$ 898                              | \$ 29         | \$ 869   | \$ -               | \$ 869  | European Union         | \$ 599                     | \$ (68)                            | \$ 667  | 34.6%    | 30.3%                       | 30.3%                                      |
| 627                        | -                                  | 627                                 | (390)         | 1,017  | -                  | 1,017   | EEMA                   | 704                        | -                                  | 704   | (10.9)%  | 44.5%                       | 44.5%                                      |
| 908                        | -                                  | 908                                 | 63            | 845  | -                  | 845   | Asia                   | 465                        | -                                  | 465   | 95.3%    | 81.7%                       | 81.7%                                      |
| 261                        | -                                  | 261                                 | (62)          | 323  | -                  | 323   | Latin America & Canada | 236                        | -                                  | 236   | 10.6%    | 36.9%                       | 36.9%                                      |
| \$ 2,694                   | \$ -                               | \$ 2,694                            | \$ (360)      | \$ 3,054   | \$ -               | \$ 3,054  | PMI Total              | \$ 2,004                   | \$ (68)                            | \$ 2,072  | 30.0%    | 47.4%                       | 47.4%                                      |

| 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 |
| \$ 869   | \$ 1,969  | 44.1%   | \$ 869  | \$ 1,969  | 44.1%  | European Union         | \$ 667                              | \$ 1,934   | 34.5%                                      | 9.6   | 9.6  |
| 1,017  | 1,883   | 54.0%   | 1,017   | 1,883   | 54.0%  | EEMA                   | 704                                 | 1,717  | 41.0%                                      | 13.0  | 13.0   |
| 845  | 2,326   | 36.3%   | 845   | 2,326   | 36.3%  | Asia                   | 465                                 | 1,919  | 24.2%                                      | 12.1  | 12.1   |
| 323  | 883   | 36.6%   | 323   | 883   | 36.6%  | Latin America & Canada | 236                                 | 822  | 28.7%                                      | 7.9   | 7.9  |
| \$ 3,054   | \$ 7,061  | 43.3%   | \$ 3,054  | \$ 7,061  | 43.3%  | PMI Total              | \$ 2,072                            | \$ 6,392   | 32.4%                                      | 10.9  | 10.9   |

(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 December 31,  
(Unaudited)

|   | <u>2016</u>    | <u>2015</u>    | <u>% Change</u> |
|---|----------------|----------------|-----------------|
| <b>Reported Diluted EPS</b>                     | <b>\$ 1.10</b> | <b>\$ 0.80</b> | <b>37.5%</b>    |
| Adjustments:                                    |                |                |                 |
| Asset impairment and exit costs                 | -              | 0.03           |                 |
| Tax items                                       | -              | (0.02)         |                 |
| <b>Adjusted Diluted EPS</b>                     | <b>\$ 1.10</b> | <b>\$ 0.81</b> | <b>35.8%</b>    |
| Less:   |                |                |                 |
| Currency impact                                 | (0.13)         |                |                 |
| <b>Adjusted Diluted EPS, excluding Currency</b> | <b>\$ 1.23</b> | <b>\$ 0.81</b> | <b>51.9%</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 Quarters Ended December 31,  
(Unaudited)

|   | <u>2016</u>           | <u>2015</u>           | <u>% Change</u> |
|---|-----------------------|-----------------------|-----------------|
| <b>Reported Diluted EPS</b>                     | <b>\$ 1.10</b>        | <b>\$ 0.80</b>        | <b>37.5%</b>    |
| Less:   |                       |                       |                 |
| Currency impact                                 | <u>(0.13)</u>         | <u></u>               |                 |
| <b>Reported Diluted EPS, excluding Currency</b> | <b><u>\$ 1.23</u></b> | <b><u>\$ 0.80</u></b> | <b>53.8%</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 Years Ended December 31,  
(\$ 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 |
| \$ 27,129        | \$ 18,967               | \$ 8,162                                     | \$ (147)          | \$ 8,309   | \$ -                      | \$ 8,309  | European Union         | \$ 26,563        | \$ 18,495               | \$ 8,068                                     | 1.2%   | 3.0%                  | 3.0%                                    |
| 18,286           | 11,286                  | 7,000  | (600)             | 7,600  | -                         | 7,600   | EEMA                   | 18,328           | 10,964                  | 7,364  | (4.9)%   | 3.2%                  | 3.2%                                    |
| 20,531           | 11,850                  | 8,681  | (8)               | 8,689  | -                         | 8,689   | Asia                   | 19,469           | 11,266                  | 8,203  | 5.8%   | 5.9%                  | 5.9%                                    |
| 9,007            | 6,165                   | 2,842  | (525)             | 3,367  | -                         | 3,367   | Latin America & Canada | 9,548            | 6,389                   | 3,159  | (10.0)%  | 6.6%                  | 6.6%                                    |
| <b>\$ 74,953</b> | <b>\$ 48,268</b>        | <b>\$ 26,685</b>                             | <b>\$ (1,280)</b> | <b>\$ 27,965</b>   | <b>\$ -</b>               | <b>\$ 27,965</b>  | <b>PMI Total</b>       | <b>\$ 73,908</b> | <b>\$ 47,114</b>        | <b>\$ 26,794</b>                             | <b>(0.4)%</b>                                      | <b>4.4%</b>           | <b>4.4%</b>                             |

| 2016                             |                   |                  |   |                           |   |                  |  | 2015                             |  |  | % Change in Operating Companies<br>Income |                       |   |
|----------------------------------|-------------------|------------------|---|---------------------------|---|------------------|--|----------------------------------|--|--|---|-----------------------|---|
| Operating<br>Companies<br>Income |                   | Less<br>Currency | Operating<br>Companies<br>Income<br>excluding<br>Currency | Less<br>Acquisi-<br>tions | Operating<br>Companies<br>Income<br>excluding<br>Currency &<br>Acquisitions |                  |  | Operating<br>Companies<br>Income |  |  | Total                                     | Excluding<br>Currency | Excluding<br>Currency &<br>Acquisitions |
| \$ 3,994                         | \$ 34             | \$ 3,960         | \$ -  | \$ 3,960                  | European Union  | \$ 3,576         |  | \$ 3,576                         |  |  | 11.7%                                     | 10.7%                 | 10.7%                                   |
| 3,016                            | (839)             | 3,855            | -   | 3,855                     | EEMA  | 3,425            |  | 3,425                            |  |  | (11.9)%                                   | 12.6%                 | 12.6%                                   |
| 3,196                            | 52                | 3,144            | -   | 3,144                     | Asia  | 2,886            |  | 2,886                            |  |  | 10.7%                                     | 8.9%                  | 8.9%                                    |
| 938                              | (282)             | 1,220            | -   | 1,220                     | Latin America & Canada  | 1,085            |  | 1,085                            |  |  | (13.5)%                                   | 12.4%                 | 12.4%                                   |
| <b>\$ 11,144</b>                 | <b>\$ (1,035)</b> | <b>\$ 12,179</b> | <b>\$ -</b>   | <b>\$ 12,179</b>          | <b>PMI Total</b>  | <b>\$ 10,972</b> |  | <b>\$ 10,972</b>                 |  |  | <b>1.6%</b>                               | <b>11.0%</b>          | <b>11.0%</b>                            |

# 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 Years Ended December 31,  
(\$ 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 |
| \$ 3,994                   | \$ -                               | \$ 3,994                            | \$ 34         | \$ 3,960   | \$ -               | \$ 3,960  | European Union         | \$ 3,576                   | \$ (68)                            | \$ 3,644  | 9.6%     | 8.7%                        | 8.7%                                       |
| 3,016                      | -                                  | 3,016                               | (839)         | 3,855  | -                  | 3,855   | EEMA                   | 3,425                      | -                                  | 3,425   | (11.9)%  | 12.6%                       | 12.6%                                      |
| 3,196                      | -                                  | 3,196                               | 52            | 3,144  | -                  | 3,144   | Asia                   | 2,886                      | -                                  | 2,886   | 10.7%    | 8.9%                        | 8.9%                                       |
| 938                        | -                                  | 938                                 | (282)         | 1,220  | -                  | 1,220   | Latin America & Canada | 1,085                      | -                                  | 1,085   | (13.5)%  | 12.4%                       | 12.4%                                      |
| \$ 11,144                  | \$ -                               | \$ 11,144                           | \$ (1,035)    | \$ 12,179  | \$ -               | \$ 12,179   | PMI Total              | \$ 10,972                  | \$ (68)                            | \$ 11,040                                       | 0.9%     | 10.3%                       | 10.3%                                      |

| 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 |
| \$ 3,960   | \$ 8,309  | 47.7%   | \$ 3,960  | \$ 8,309  | 47.7%  | European Union         | \$ 3,644                            | \$ 8,068   | 45.2%                                      | 2.5   | 2.5  |
| 3,855  | 7,600   | 50.7%   | 3,855   | 7,600   | 50.7%  | EEMA                   | 3,425                               | 7,364  | 46.5%                                      | 4.2   | 4.2  |
| 3,144  | 8,689   | 36.2%   | 3,144   | 8,689   | 36.2%  | Asia                   | 2,886                               | 8,203  | 35.2%                                      | 1.0   | 1.0  |
| 1,220  | 3,367   | 36.2%   | 1,220   | 3,367   | 36.2%  | Latin America & Canada | 1,085                               | 3,159  | 34.3%                                      | 1.9   | 1.9  |
| \$ 12,179  | \$ 27,965   | 43.6%   | \$ 12,179   | \$ 27,965   | 43.6%  | PMI Total              | \$ 11,040                           | \$ 26,794  | 41.2%                                      | 2.4   | 2.4  |

(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

Calculation of Adjusted Operating Companies Income Margins  
(\$ in millions)  
(Rounded)

For the Year Ended December 31, 2015

|                        | Operating<br>Companies<br>Income | Less Asset<br>Impairment &<br>Exit Costs | Adjusted<br>Operating<br>Companies<br>Income | Net<br>Revenues  | Less<br>Excise<br>Taxes | Net<br>Revenues<br>excluding<br>Excise Taxes | Adjusted<br>Operating<br>Companies<br>Income Margin |
|------------------------|----------------------------------|--|--|------------------|-------------------------|--|---|
| European Union         | \$ 3,576                         | \$ (68)                                  | \$ 3,644                                     | \$ 26,563        | \$ 18,495               | \$ 8,068                                     | 45.2%   |
| EEMA                   | 3,425                            | -  | 3,425  | 18,328           | 10,964                  | 7,364  | 46.5%   |
| Asia                   | 2,886                            | -  | 2,886  | 19,469           | 11,266                  | 8,203  | 35.2%   |
| Latin America & Canada | 1,085                            | -  | 1,085  | 9,548            | 6,389                   | 3,159  | 34.3%   |
| <b>PMI Total</b>       | <b>\$ 10,972</b>                 | <b>\$ (68)</b>                           | <b>\$ 11,040</b>                             | <b>\$ 73,908</b> | <b>\$ 47,114</b>        | <b>\$ 26,794</b>                             | <b>41.2%</b>  |

For the Year Ended December 31, 2016

|                        | Operating<br>Companies<br>Income | Less Asset<br>Impairment &<br>Exit Costs | Adjusted<br>Operating<br>Companies<br>Income | Net<br>Revenues  | Less<br>Excise<br>Taxes | Net<br>Revenues<br>excluding<br>Excise Taxes | Adjusted<br>Operating<br>Companies<br>Income Margin |
|------------------------|----------------------------------|--|--|------------------|-------------------------|--|---|
| European Union         | \$ 3,994                         | \$ -                                     | \$ 3,994                                     | \$ 27,129        | \$ 18,967               | \$ 8,162                                     | 48.9%   |
| EEMA                   | 3,016                            | -  | 3,016  | 18,286           | 11,286                  | 7,000  | 43.1%   |
| Asia                   | 3,196                            | -  | 3,196  | 20,531           | 11,850                  | 8,681  | 36.8%   |
| Latin America & Canada | 938                              | -  | 938  | 9,007            | 6,165                   | 2,842  | 33.0%   |
| <b>PMI Total</b>       | <b>\$ 11,144</b>                 | <b>\$ -</b>                              | <b>\$ 11,144</b>                             | <b>\$ 74,953</b> | <b>\$ 48,268</b>        | <b>\$ 26,685</b>                             | <b>41.8%</b>  |

# 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)

|   | <u>2016</u>    | <u>2015</u>    | <u>% Change</u> |
|---|----------------|----------------|-----------------|
| <b>Reported Diluted EPS</b>                     | <b>\$ 4.48</b> | <b>\$ 4.42</b> | <b>1.4%</b>     |
| Adjustments:                                    |                |                |                 |
| Asset impairment and exit costs                 | -              | 0.03           |                 |
| Tax items                                       | -              | (0.03)         |                 |
| <b>Adjusted Diluted EPS</b>                     | <b>\$ 4.48</b> | <b>\$ 4.42</b> | <b>1.4%</b>     |
| Less:   |                |                |                 |
| Currency impact                                 | (0.46)         |                |                 |
| <b>Adjusted Diluted EPS, excluding Currency</b> | <b>\$ 4.94</b> | <b>\$ 4.42</b> | <b>11.8%</b>    |

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Reported Diluted EPS, excluding Currency  
For the Years Ended December 31,  
(Unaudited)

|   | <u>2016</u>           | <u>2015</u>           | <u>% Change</u> |
|---|-----------------------|-----------------------|-----------------|
| <b>Reported Diluted EPS</b>                     | <b>\$ 4.48</b>        | <b>\$ 4.42</b>        | <b>1.4%</b>     |
| Less:   |                       |                       |                 |
| Currency impact                                 | <u>(0.46)</u>         | <u></u>               |                 |
| <b>Reported Diluted EPS, excluding Currency</b> | <b><u>\$ 4.94</u></b> | <b><u>\$ 4.42</u></b> | <b>11.8%</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<br>December 31, |                 |          | For the Years Ended<br>December 31, |                 |          |
|--|--|-----------------|----------|-------------------------------------|-----------------|----------|
|  | 2016                                   | 2015            | % Change | 2016                                | 2015            | % Change |
| <b>Net cash provided by operating activities<sup>(a)</sup></b> | \$ 2,149                               | \$ 1,872        | 14.8%    | \$ 8,077                            | \$ 7,865        | 2.7%     |
| Less:  |  |                 |          |                                     |                 |          |
| Capital expenditures   | 438                                    | 324             |          | 1,172                               | 960             |          |
| <b>Free cash flow</b>  | \$ 1,711                               | \$ 1,548        | 10.5%    | \$ 6,905                            | \$ 6,905        | – %      |
| Less:  |  |                 |          |                                     |                 |          |
| Currency impact  | (338)                                  |                 |          | (340)                               |                 |          |
| <b>Free cash flow, excluding currency</b>                      | <u>\$ 2,049</u>                        | <u>\$ 1,548</u> | 32.4%    | <u>\$ 7,245</u>                     | <u>\$ 6,905</u> | 4.9%     |

(a) Operating Cash Flow



PHILIP MORRIS INTERNATIONAL

# 2016 Fourth-Quarter and Full-Year Results

February 2, 2017