

# Investor Fact Sheet 2016 Second-Quarter Report



## PHILIP MORRIS INTERNATIONAL

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### Profile

- Philip Morris International Inc. (PMI) is a U.S. corporation with headquarters in New York
- Our center of operations is in Lausanne, Switzerland
- PMI is the world's leading international tobacco company
- Our products are sold in more than 180 markets
- We own 6 of the top 15 international cigarette brands in the world
- We held an estimated 15.6% share of the total international cigarette market outside the U.S., or 28.7% excluding the People's Republic of China and the U.S. in 2015
- In addition to the manufacture and sale of cigarettes, including *Marlboro*, the number one global cigarette brand, and other tobacco products, PMI is engaged in the development and commercialization of Reduced-Risk Products ("RRPs"). RRP is the term PMI uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. Through multidisciplinary capabilities in product development, state-of-the-art facilities, and industry-leading scientific substantiation, PMI aims to provide an RRP portfolio that meets a broad spectrum of adult smoker preferences and rigorous regulatory requirements. For more information, see [www.pmi.com](http://www.pmi.com) and [www.pmiscience.com](http://www.pmiscience.com).

## Highlights

### ■ On July 19, 2016, PMI Reported 2016 Second-Quarter Results:

- Reported diluted earnings per share of \$1.15, down by \$0.06 or 5.0% versus \$1.21 in 2015. Excluding unfavorable currency of \$0.08, reported diluted earnings per share up by \$0.02 or 1.7% versus \$1.21 in 2015.
- Adjusted diluted earnings per share of \$1.15, down by \$0.06 or 5.0% versus \$1.21 in 2015. Excluding unfavorable currency of \$0.08, adjusted diluted earnings per share up by \$0.02 or 1.7% versus \$1.21 in 2015.
- Cigarette shipment volume of 209.3 billion units, down by 4.8%.

- During the quarter, PMI declared a regular quarterly dividend of \$1.02, representing an annualized rate of \$4.08 per common share. Since the spin-off in March 2008, PMI has increased the regular quarterly dividend by 121.7% from the initial annualized rate of \$1.84. PMI did not make any share repurchases in the first six months of 2016.

- A reconciliation of Non-GAAP Measures is included at the end of this investor fact sheet.

Additional information is available at [www.pmi.com/investors](http://www.pmi.com/investors)

## Consolidated Financial Review

(in millions of dollars, except per share data)

■ Selected Financial Highlights	For the Quarters Ended June 30,		
	2016	2015	% Change
Net revenues	\$19,041	\$18,763	1.5 %
Cost of sales	2,364	2,378	(0.6)%
Excise taxes on products <sup>(1)</sup>	12,392	11,904	4.1 %
Gross profit	4,285	4,481	(4.4)%
Operating income <sup>(2)</sup>	2,753	2,892	(4.8)%
Earnings before income taxes	2,530	2,633	(3.9)%
Provision for income taxes	716	743	(3.6)%
Equity (income)/loss in unconsolidated subsidiaries, net	(28)	(26)	7.7 %
Net earnings	1,842	1,916	(3.9)%
Net earnings attributable to noncontrolling interests	54	29	86.2 %
Net earnings attributable to PMI	1,788	1,887	(5.2)%
Basic earnings per share	1.15	1.21	(5.0)%
Diluted earnings per share	1.15	1.21	(5.0)%

■ Results by Business Segment	For the Quarters Ended June 30,			
	2016	2015	% Change	Excluding Currency
<b>European Union</b>				
Net revenues	\$7,134 <sup>(3)</sup>	\$6,676	6.9 %	5.4 %
Net revenues, excluding excise taxes on products	2,155	2,060	4.6 %	2.7 %
Operating companies income <sup>(2)</sup>	1,070	1,005	6.5 %	3.5 %
<b>Eastern Europe, Middle East &amp; Africa (EEMA)</b>				
Net revenues	4,531 <sup>(3)</sup>	4,654	(2.6)%	8.6 %
Net revenues, excluding excise taxes on products	1,664	1,847	(9.9)%	(0.6)%
Operating companies income <sup>(2)</sup>	794	853	(6.9)%	10.1 %
<b>Asia</b>				
Net revenues	5,212 <sup>(3)</sup>	5,039	3.4 %	6.4 %
Net revenues, excluding excise taxes on products	2,133	2,145	(0.6)%	1.1 %
Operating companies income <sup>(2)</sup>	749	797	(6.0)%	(5.4)%
<b>Latin America &amp; Canada</b>				
Net revenues	2,164 <sup>(3)</sup>	2,394	(9.6)%	15.4 %
Net revenues, excluding excise taxes on products	697	807	(13.6)%	3.2 %
Operating companies income <sup>(2)</sup>	224	325	(31.1)%	(7.1)%

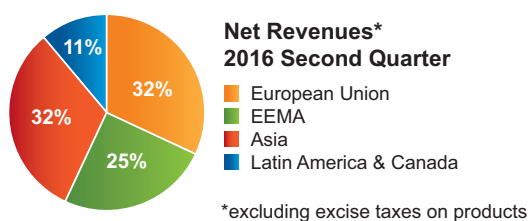
(1) The segment detail of excise taxes on products sold for the quarters ended June 30, 2016 and 2015 is shown in the Reconciliation of Non-GAAP Measures included at the end of this investor fact sheet.

(2) PMI's management evaluates segment performance and allocates resources based on operating companies income, which PMI defines as operating income, excluding general corporate expenses and amortization of intangibles, plus equity (income)/loss in unconsolidated subsidiaries, net. The reconciliation from operating income to operating companies income is shown in the Reconciliation of Non-GAAP Measures included at the end of this investor fact sheet.

(3) 2016 Currency increased (decreased) net revenues as follows: European Union \$97, EEMA \$(525), Asia \$(150), Latin America & Canada \$(598); totaling \$(1,176).

## Consolidated Financial Review (CONTINUED)

(in millions of dollars, except per share data)



### ■ Balance Sheet Highlights and Ratios

	June 30, 2016	December 31, 2015
Cash and cash equivalents	\$ 3,814	\$ 3,417
Receivables	3,085	2,778
Inventories	7,989	8,473
Property, plant and equipment, net	5,931	5,721
Goodwill	7,622	7,415
Other intangible assets, net	2,603	2,623
Investments in unconsolidated subsidiaries	948	890
Total assets	34,802	33,956
Total debt	29,969	28,480
Total liabilities	45,601	45,432
Total stockholders' deficit	(10,799)	(11,476)
Total debt to Adjusted EBITDA	2.75 <sup>(4)</sup>	2.49 <sup>(4)</sup>
Net debt to Adjusted EBITDA	2.40 <sup>(4)</sup>	2.19 <sup>(4)</sup>

### ■ Cash Flow Statement Highlights

	For the Six Months Ended June 30, 2016	2015
Net cash provided by operating activities	\$ 2,836	\$ 3,300
Capital expenditures	(480)	(413)
Long-term debt proceeds	3,536	302
Long-term debt repaid	(2,072)	(400)
Dividends paid	(3,173)	(3,110)

(4) For the calculation of Total Debt to Adjusted EBITDA and Net Debt to Adjusted EBITDA ratios, refer to Reconciliation of Non-GAAP Measures included at the end of this investor fact sheet.

## Reconciliation of Non-GAAP Measures

### ■ Reconciliation of Operating Income to Operating Companies Income

For the Quarters Ended June 30, (\$ in millions) (Unaudited)	2016	2015	% Change
<b>Operating Income</b>	\$2,753	\$2,892	(4.8)%
Excluding:			
Amortization of intangibles	19	21	
General corporate expenses (included in marketing, administration and research costs)	37	41	
Plus:			
Equity(income)/loss in unconsolidated subsidiaries, net	(28)	(26)	
<b>Operating Companies Income</b>	\$2,837	\$2,980	(4.8)%

### ■ Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency

For the Quarters Ended June 30, (Unaudited)	2016	2015	% Change
<b>Reported Diluted EPS</b>	\$1.15	\$1.21	(5.0)%
Adjustments:			
Asset impairment and exit costs	—	—	
Tax items	—	—	
<b>Adjusted Diluted EPS</b>	\$1.15	\$1.21	(5.0)%
Less:			
Currency impact	(0.08)		
<b>Adjusted Diluted EPS, excluding Currency</b>	\$1.23	\$1.21	1.7%

### ■ Reconciliation of Reported Diluted EPS to Reported Diluted EPS, excluding Currency

For the Quarters Ended June 30, (Unaudited)	2016	2015	% Change
<b>Reported Diluted EPS</b>	\$1.15	\$1.21	(5.0)%
Less:			
Currency impact	(0.08)		
<b>Reported Diluted EPS, excluding Currency</b>	\$1.23	\$1.21	1.7%

### ■ Adjustments for the Impact of Currency and Acquisitions

For the Quarters Ended June 30,

(\$ in millions) (Unaudited)							2016			2015			% Change in Net Revenues excluding Excise Taxes		
Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions			
\$ 7,134	\$ 4,979	\$ 2,155	\$ 39	\$ 2,116	\$ —	\$ 2,116	European Union	\$ 6,676	\$ 4,616	\$ 2,060	4.6 %	2.7%	2.7%		
4,531	2,867	1,664	(171)	1,835	—	1,835	EEMA	4,654	2,807	1,847	(9.9)%	(0.6)%	(0.6)%		
5,212	3,079	2,133	(35)	2,168	—	2,168	Asia	5,039	2,894	2,145	(0.6)%	1.1%	1.1%		
2,164	1,467	697	(136)	833	—	833	Latin America & Canada	2,394	1,587	807	(13.6)%	3.2%	3.2%		
\$19,041	\$12,392	\$ 6,649	\$ (303)	\$ 6,952	\$ —	\$ 6,952	PMI Total	\$18,763	\$11,904	\$ 6,859	(3.1)%	1.4%	1.4%		

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

## Reconciliation of Non-GAAP Measures (CONTINUED)

### ■ Calculation of Total Debt to Adjusted EBITDA and Net Debt to Adjusted EBITDA Ratios

(\$ in millions, except ratios) (Unaudited)	For the Year Ended June 30, 2016			For the Year Ended December 31, 2015
	July - December 2015	January - June 2016	12 months rolling	
<b>Net Earnings</b>	\$ 3,282	\$ 3,447	\$ 6,729	\$ 7,032
Equity (income)/loss in unconsolidated subsidiaries, net	(56)	(37)	(93)	(105)
Provision for Income Taxes	1,160	1,346	2,506	2,688
Interest expense, net	474	470	944	1,008
Depreciation and amortization	377	360	737	754
Extraordinary, unusual or non-recurring expenses, net <sup>(1)</sup>	68	—	68	68
<b>Adjusted EBITDA</b>	\$ 5,305	\$ 5,586	\$ 10,891	\$ 11,445
			June 30, 2016	December 31, 2015
Short-term borrowings			\$ 696	\$ 825
Current portion of long-term debt			1,175	2,405
Long-term debt			28,098	25,250
<b>Total Debt</b>			\$ 29,969	\$ 28,480
Less: Cash and cash equivalents			3,814	3,417
<b>Net Debt</b>			\$ 26,155	\$ 25,063
Ratios				
<b>Total Debt to Adjusted EBITDA</b>			2.75	2.49
<b>Net Debt to Adjusted EBITDA</b>			2.40	2.19

(1) Asset Impairment and Exit Costs at Operating Income level.

## Shareholder Information



Philip Morris International Inc. is listed on the New York Stock Exchange and NYSE Euronext/Paris (ticker symbol “PM”). The company is also listed on the SIX Swiss Exchange (ticker symbol “PMI”).

■ **Investor Relations:**

New York: 917-663-2233

Lausanne: 41(0)58-242-4666

■ **Shareholder Publications:**

For our filings with the Securities and Exchange Commission and other publications and reports,

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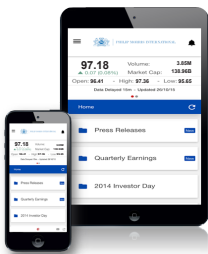
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