

Investor Fact Sheet 2016 Full-Year 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 15.3% share of the total international cigarette market outside the U.S., or 27.9% excluding the People's Republic of China and the U.S. in 2016
- 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"). 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. 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 and www.pmiscience.com.

Highlights

■ On February 2, 2017, PMI Reported 2016 Full-Year Results:

- Reported diluted earnings per share of \$4.48, up by \$0.06 or 1.4% versus \$4.42 in 2015. Excluding unfavorable currency of \$0.46, reported diluted earnings per share up by \$0.52 or 11.8% versus \$4.42 in 2015.
- Adjusted diluted earnings per share of \$4.48, up by \$0.06 or 1.4% versus \$4.42 in 2015. Excluding unfavorable currency of \$0.46, adjusted diluted earnings per share up by \$0.52 or 11.8% versus \$4.42 in 2015.
- Cigarette shipment volume of 812.9 billion units, down by 4.1%.
- *HeatSticks* shipment volume of 7.4 billion units, up from 396 million units in 2015.
- During the year, PMI increased its regular quarterly dividend by 2.0% from \$1.02 to \$1.04, representing an annualized rate of \$4.16 per common share. Since its spin-off in March 2008, PMI has increased its regular quarterly dividend by 126.1% from the initial annualized rate of \$1.84 per common share. PMI did not make any share repurchases in 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

Consolidated Financial Review

(in millions of dollars, except per share data)

■ Selected Financial Highlights	For the Years Ended December 31,		
	2016	2015	% Change
Net revenues	\$74,953	\$73,908	1.4 %
Cost of sales	9,391	9,365	0.3 %
Excise taxes on products ⁽¹⁾	48,268	47,114	2.4 %
Gross profit	17,294	17,429	(0.8)%
Operating income ⁽²⁾	10,815	10,623	1.8 %
Earnings before income taxes	9,924	9,615	3.2 %
Provision for income taxes	2,768	2,688	3.0 %
Equity (income)/loss in unconsolidated subsidiaries, net	(94)	(105)	(10.5)%
Net earnings	7,250	7,032	3.1 %
Net earnings attributable to noncontrolling interests	283	159	78.0 %
Net earnings attributable to PMI	6,967	6,873	1.4 %
Basic earnings per share	4.48	4.42	1.4 %
Diluted earnings per share	4.48	4.42	1.4 %

■ Results by Business Segment	For the Years Ended December 31,			
	2016	2015	% Change	Excluding Currency
European Union				
Net revenues	\$27,129 ⁽³⁾	\$26,563	2.1 %	4.3 %
Net revenues, excluding excise taxes on products	8,162	8,068	1.2 %	3.0 %
Operating companies income ⁽²⁾	3,994	3,576	11.7 %	10.7 %
Eastern Europe, Middle East & Africa (EEMA)				
Net revenues	18,286 ⁽³⁾	18,328	(0.2)%	10.5 %
Net revenues, excluding excise taxes on products	7,000	7,364	(4.9)%	3.2 %
Operating companies income ⁽²⁾	3,016	3,425	(11.9)%	12.6 %
Asia				
Net revenues	20,531 ⁽³⁾	19,469	5.5 %	6.8 %
Net revenues, excluding excise taxes on products	8,681	8,203	5.8 %	5.9 %
Operating companies income ⁽²⁾	3,196	2,886	10.7 %	8.9 %
Latin America & Canada				
Net revenues	9,007 ⁽³⁾	9,548	(5.7)%	19.5 %
Net revenues, excluding excise taxes on products	2,842	3,159	(10.0)%	6.6 %
Operating companies income ⁽²⁾	938	1,085	(13.5)%	12.4 %

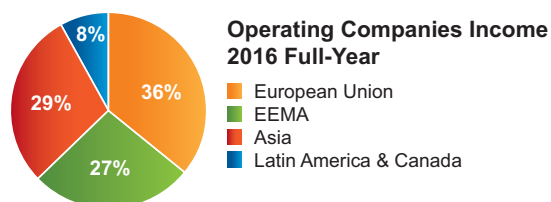
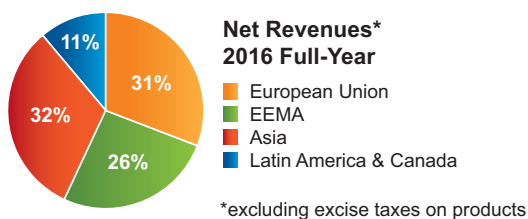
(1) The segment detail of excise taxes on products sold for the quarters ended December 31, 2016 and 2015 is shown in the Reconciliation of Non-GAAP Measures included at the end of this investor fact sheet.

(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 decreased net revenues as follows: European Union \$(571), EEMA \$(1,963), Asia \$(266), Latin America & Canada \$(2,403); totaling \$(5,203).

Consolidated Financial Review (CONTINUED)

(in millions of dollars, except per share data)



■ Balance Sheet Highlights and Ratios

	December 31, 2016	December 31, 2015
Cash and cash equivalents	\$ 4,239	\$ 3,417
Receivables	3,499	2,778
Inventories	9,017	8,473
Property, plant and equipment, net	6,064	5,721
Goodwill	7,324	7,415
Other intangible assets, net	2,470	2,623
Investments in unconsolidated subsidiaries	1,011	890
Total assets	36,851	33,956
Total debt	29,067	28,480
Total liabilities	47,751	45,432
Total stockholders' deficit	(10,900)	(11,476)
Total debt to Adjusted EBITDA	2.51 ⁽⁴⁾	2.49 ⁽⁴⁾
Net debt to Adjusted EBITDA	2.15 ⁽⁴⁾	2.19 ⁽⁴⁾

■ Cash Flow Statement Highlights

	For the Years Ended December 31,	
	2016	2015
Net cash provided by operating activities	\$ 8,077	\$ 7,865
Capital expenditures	(1,172)	(960)
Long-term debt proceeds	3,536	1,539
Long-term debt repaid	(2,393)	(1,229)
Dividends paid	(6,378)	(6,250)

(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 Years Ended December 31, (\$ in millions) (Unaudited)	2016	2015	% Change
Operating Income	\$10,815	\$10,623	1.8 %
Excluding:			
Amortization of intangibles	74	82	
General corporate expenses (included in marketing, administration and research costs)	161	162	
Plus:			
Equity(income)/loss in unconsolidated subsidiaries, net	(94)	(105)	
Operating Companies Income	\$11,144	\$10,972	1.6 %

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

For the Years Ended December 31, (Unaudited)	2016	2015	% Change
Reported Diluted EPS	\$4.48	\$4.42	1.4 %
Adjustments:			
Asset impairment and exit costs	—	0.03	
Tax items	—	(0.03)	
Adjusted Diluted EPS	\$4.48	\$4.42	1.4 %
Less:			
Currency impact	(0.46)		
Adjusted Diluted EPS, excluding Currency	\$4.94	\$4.42	11.8 %

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

For the Years Ended December 31, (Unaudited)	2016	2015	% Change
Reported Diluted EPS	\$4.48	\$4.42	1.4 %
Less:			
Currency impact	(0.46)		
Reported Diluted EPS, excluding Currency	\$4.94	\$4.42	11.8 %

■ Adjustments for the Impact of Currency and Acquisitions

For the Years Ended December 31,

(\$ 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			
\$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%		
\$74,953	\$48,268	\$26,685	\$ (1,280)	\$27,965	\$ —	\$27,965	PMI Total	\$73,908	\$47,114	\$26,794	(0.4)%	4.4%	4.4%		

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	Operating Companies Income	Total	Excluding Currency	Excluding Currency & 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 %		
\$11,144	\$ (1,035)	\$12,179	\$ —	\$12,179	PMI Total	\$10,972	\$10,972	1.6 %	11.0 %	11.0 %		

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 December 31, 2016	For the Year Ended December 31, 2015
Net Earnings	\$ 7,250	\$ 7,032
Equity (income)/loss in unconsolidated subsidiaries, net	(94)	(105)
Provision for Income Taxes	2,768	2,688
Interest expense, net	891	1,008
Depreciation and amortization	743	754
Asset impairment and exit costs	—	68
Adjusted EBITDA	\$ 11,558	\$ 11,445
	December 31, 2016	December 31, 2015
Short-term borrowings	\$ 643	\$ 825
Current portion of long-term debt	2,573	2,405
Long-term debt	25,851	25,250
Total Debt	\$ 29,067	\$ 28,480
Less: Cash and cash equivalents	4,239	3,417
Net Debt	\$ 24,828	\$ 25,063
Ratios		
Total Debt to Adjusted EBITDA	2.51	2.49
Net Debt to Adjusted EBITDA	2.15	2.19

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,

please visit: www.pmi.com/investors or you may download PMI’s free Investor Relations Mobile Application at www.pmi.com/irapp

■ **Shareholder Response Center:**

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P.O. Box 43078

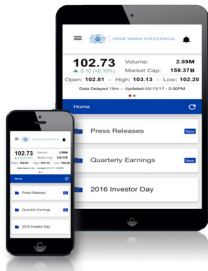
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