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Chief Executive Officer
Philip Morris International Inc.

Investor Day
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(SLIDE 1.)

Thank you Nick.

Good morning, Ladies and Gentlemen, and a warm welcome to our third Investor Day. Thank you for being here with us or joining via the audio webcast.

(SLIDE 2.)

Over the past six years, we have operated under ten strategies for growth, listed here, which have served us well and remain the fundamental pillars of our long-term success.

Over the course of the next day and a half, we will show how these growth strategies are being implemented on a global and regional basis to enable us to deliver our operational and financial targets, and fulfil our steadfast commitment to generously reward shareholders.

During this time, you will also have ample opportunities to engage with PMI's senior management team and hear more about the exciting prospects for our company directly from them.

(SLIDE 3.)

I will start today with an update on our reported 2014 diluted earnings per share ("EPS") guidance.

I will then discuss our growth algorithm and its key drivers.

The advent of Reduced-Risk Products signifies a new era for our industry. I will provide a general overview of our RRPs strategy and the upside potential we see from these products. As a reminder, Reduced-Risk Products ("RRPs") is the term we use to refer to products that have the potential to reduce individual risk and population harm.

In subsequent presentations, we will provide more detail on our state-of-the-art product development and risk assessment capabilities that give us a strong competitive advantage today and will enable us to remain at the leading edge of innovation for many years to come.

We will also present our commercialization initiatives for these products with an emphasis on Platform 1, in light of the upcoming city tests in Japan and Italy later this year.

I will finish with a review of our overall value proposition to shareholders.

(SLIDE 4.)

Before discussing our 2014 guidance and our near to mid-term growth algorithm, it is worth repeating that our results since becoming an independent company have been a strong testament to the underlying power of our business and our execution capabilities.

Last year, despite exceptionally weak industry volumes, in particular in the European Union, Russia and the Philippines, we still delivered solid currency-neutral adjusted diluted EPS growth of 10% versus 2012.

Moreover, on a compound average annual basis, over the five year period since the spin, we have met or exceeded our mid- to long-term financial growth targets, despite the unprecedented economic turmoil in many key markets, particularly in the EU.

Only cigarette volumes lagged our target over the period, primarily due to the total industry volume declines in 2013, but I consider this metric less important than the overall balance of volume, share of market and pricing used to drive long-term revenue and profit growth.

(SLIDE 5.)

From a regional perspective, over the 2008 to 2013 period, we exceeded our total company mid to long-term financial targets in Asia, EEMA and Latin America and Canada, with EU performance reflecting the difficult economic conditions in the Eurozone.

Each of our four Regional Presidents will cover their respective strategies in more detail later today and tomorrow, and you will see how the components combine to deliver our overall company targets.

(SLIDE 6.)

You will have seen our revised 2014 EPS guidance in our press release this morning.

While our guidance remains unchanged on an adjusted currency-neutral basis, we could be at the low end of this range for reasons I will explain shortly.

The Company's 2014 full-year reported diluted EPS is now forecast to be in a range of $4.87 to $4.97, versus $5.26 in 2013, and compares with the range of $5.09 to $5.19 previously announced on May 7, 2014.

On an adjusted basis, diluted EPS are projected to increase at 6% to 8% versus our adjusted diluted EPS of $5.40 in 2013, reflecting:

- a $0.01 per share charge recorded as asset impairment and exit costs in the first quarter of 2014 relating to the decision to cease cigarette production in Australia by the end of 2014;
- a pre-tax charge, related to the contemplated decision to discontinue cigarette production in the Netherlands in 2014, of approximately $495 million, or $0.24 per share, the majority of which is expected to be recorded in the second quarter of 2014; and
- an unfavorable currency impact, at prevailing exchange rates, of approximately $0.61 for the full-year 2014.

The adjusted diluted EPS of $5.40 in 2013 is calculated based on reported diluted EPS of $5.26, plus a $0.02 per share charge related to discrete tax items and a $0.12 per share charge related to asset impairment and exit costs.

This forecast includes a productivity and cost savings target of $300 million and a share repurchase target of $4.0 billion. This forecast excludes the impact of any future acquisitions, unanticipated asset impairment and exit cost charges, future changes in currency exchange rates and any unusual events.

(SLIDE 7.)

In summary, as anticipated, 2014 is proving to be a complex and truly atypical year for PMI.

A number of very significant initiatives are coming to life with the first city launches and completion of a number of clinical trials for our RRPs, the roll-out of our revamped international brand portfolio led by the *Marlboro* Architecture 2.0 and the large scale deployment of our new commercial approach.

We also face significant currency headwinds, an improving but weak macroeconomic environment in the EU and specific market challenges in Asia, namely:

- the special situation in the Philippines and related investments in price gap management;
- the annualization of our share erosion, inventory adjustments and marketing investments in Japan;
- the decline of the hand-rolled kretek segment in Indonesia, which combined with a temporarily unfavorable price point for our leading brand *Dji Sam Soe*, has put pressure on our share performance;
- and more recently, in Australia, where there has been an acceleration in adult smoker down-trading following the December 2013 excise tax increase and significant price discounting at the low end of the market. If the situation in Australia persists throughout the year, it could result in our EPS being at the lower end of our guidance range.

As you will see over the next two days, we have robust strategies and action plans in place that are addressing these market challenges and we already see encouraging improvements.

We anticipate that the negative comparisons from these challenges will be substantially behind us as we enter 2015.

(SLIDE 8.)

Consequently, as of 2015 and for the near-term, which I would characterize as the period until RRPs will start to contribute positively to our bottom line, we aim to return to currency-neutral net revenue and adjusted OCI growth within our 4%-6% and 6%-8% mid- to long-term annual target ranges.

This is despite the fact that volumes are expected to remain flat to 1% down per year and we anticipate further incremental investments in the commercial expansion of our RRPs.

On this basis, we target currency-neutral adjusted diluted EPS annual growth in the range of 8% to 10%. This target reflects share repurchases in the range of $2 to $3 billion per year, which are consistent with our dual goals of returning at least 100% of our free cash flow after acquisitions to our shareholders, while maintaining our current single A credit rating.

We anticipate that RRPs will become accretive to the bottom line within the next three to four years, and will then represent an upside to all of the metrics in our growth algorithm, including volume.

Although the precise timing and magnitude of that upside is difficult to quantify accurately today, and we will have much more visibility in the second half of 2015 after the city tests and first national roll-outs have taken place, I will provide our preliminary perspective later in the presentation.

(SLIDE 9.)

I will now spend a few minutes discussing the underlying basis for our targets going forward.

Total industry volume trends have a significant impact on our performance and are influenced by general macro-economic conditions, societal trends, the prevalence of illicit trade, changes in excise tax regimes and, in a few markets, the emergence of e-vapor products. I will explain why we expect total industry declines to moderate to between 1% and 2% in 2015 and beyond, following declines of 2% to 3% in 2014.

Our balanced geographic footprint, leading portfolio of brands and higher-than-average exposure to all of the major growing industry segments, give us confidence in continued market share gains going forward. This morning, you will hear about our global marketing undertakings from Fred, including the roll-out of the *Marlboro* Architecture 2.0 and our new commercial approach, which underscore this confidence.

The strength of our portfolio also provides the basis for continued pricing in line with our historical average increases of approximately $1.8 billion per year.

We are seeing stabilization in illicit trade volumes and the overall regulatory environment for our combustible business remains manageable.

We will continue to combat excessive regulatory proposals such as plain packaging, display bans and product bans.

On the fiscal front, we see increasing predictability in terms of tax levels and improving tax structures.

(SLIDE 10.)

RRPs represent a potential paradigm shift for the industry, public health and adult smokers. We will spend ample time on our initiatives as the leader in shaping the future of this segment and capturing its upside potential.

A critical aspect of these efforts will be the creation of robust regulatory regimes for the development, assessment and commercialization of these products, as this is unchartered territory for most governments and adult smokers. Fortunately, there is a strong comprehensive blueprint in place at the Food and Drug

Administration in the United States, which can be used as a base for these discussions.

With respect to our cost structure, we aim to limit the growth of our cost of goods sold, excluding our RRPs investments, and stay within a range of 1% to 3% growth through a combination of purchasing and manufacturing productivity, including the recently-announced manufacturing footprint optimization proposals, and other cost savings and operating efficiencies across the business. As part of our productivity initiatives, we also rigorously manage our balance sheet and working capital usage.

Our Regional Presidents will elaborate on how these global initiatives are being implemented around the world.

Above all, my confidence in the long-term success and growth of our business is anchored in the exceptional leadership and business skills of PMI's senior management team present here today and the company's over 90,000 employees, whose talent, focus, dedication and determination even in the most adverse circumstances are the guarantors of our future prosperity.

(SLIDE 11.)

Let us now look more closely at total cigarette industry volume trends.

In 2013, we estimate that cigarette industry volumes outside China and the USA declined by 3%. While volume trends were moderately worse in many markets due to global macroeconomic conditions, there were particularly accelerated declines in the EU and in two non-OECD countries, Russia and the Philippines.

We currently forecast an industry decline in the range of 2% to 3% for 2014, as some of these conditions have persisted from last year.

However, I have already noted that we are starting to see greater stability in the macroeconomic conditions in the EU, which should lead to further improvements in total cigarette industry volume trends there.

We are also witnessing some year-over-year improvements in the rate of decline in the duty-paid industry in the Philippines this year, and in Russia we expect the rate of decline to moderate in 2015 due to the smaller planned tax increase for that year.

In other non-OECD markets, we are not anticipating the introduction of any further excessive excise tax plans, and positive demographic dynamics should continue to support favorable total market trends.

Therefore, as of 2015, we are cautiously optimistic that total cigarette industry volume decreases will be closer to the previous historical averages and in a range of 1% to 2%.

(SLIDE 12.)

Over the last five years, we extended our leading positions in all major growing segments such as premium, menthol, capsules, low tar and slims.

While we anticipate improvements in total industry volume performance, we also expect that adult smokers will continue to trade up to premium brands, particularly in emerging economies, and that premium international products will continue to outperform the overall industry. With over 50% share of the premium segment and the largest, most international global brand, we are ideally positioned to benefit from this trend.

Furthermore, we will continue to grow share through our robust innovation pipeline in other profitable consumer segments and enhanced commercial execution.

(SLIDE 13.)

PMI has gained share over the last five years in both OECD and non-OECD markets, with the majority of this growth coming from our international brands, including *Marlboro*, despite the difficult economic conditions over this period.

Marlboro's performance in the premium and above segment has been complemented by the phenomenal gains of *Parliament,* which has grown volume at a compound annual rate of 8.3% over the past three years despite being generally priced at a premium to *Marlboro*.

We are also gaining share with the combination of *Chesterfield* and *L&M* in the medium and low price segments.

(SLIDE 14.)

Let me now turn to illicit trade, which continues to be a challenge for the industry and governments, but is one where we have seen recent progress and anticipate further opportunities to bring adult smokers back to legal volumes.

In 2013, global non-tax paid cigarette volume stood at approximately 600 billion units and we estimate that 339 billion units or about 11% of international cigarette volume, represent international illicit cigarette consumption. This represents an increase of approximately 7% versus 2012, and was largely due to significant increases in the Philippines and Turkey.

Over the past two years, we have seen notable improvements in key markets such as Mexico, Italy and Canada, but perhaps the biggest testament to our efforts is in the EU, where the most recent KPMG report showed a decline in illicit consumption for the first time since 2006.

We continue to work with governments and industry participants on a variety of fronts, including the introduction of tighter controls and "know your customer" procedures for the suppliers of critical materials such as paper and acetate tow. This is a long-term battle, but worth the effort.

By way of illustration, one percentage point reduction in illicit prevalence represents potential incremental OCI for PMI of approximately $120 million assuming we capture our fair share of the volume; a one percentage point reduction also represents an opportunity for governments to capture nearly 10 times that amount in higher excise taxes from the total industry.

(SLIDE 15.)

We are the industry leader in three of our four Regions. In recent years, we have reinforced our leading position in the EU Region despite our premium-oriented portfolio. We have become the leader in both the Asia and EEMA Regions and have strengthened our overall number two position in the Latin America and Canada Region.

Despite these gains, approximately 775 billion units, representing 25% of total industry volume ex-China and the USA, are not sold by the four large international manufacturers.

As you will hear later from the Regional Presidents, geographic expansion remains one of our core strategies and we are confident in our ability to capture share in these "white spaces" - both organically, and through accretive business development initiatives.

(SLIDE 16.)

Let me return now to the subject of pricing and its ongoing sustainability.

Since the spin, pricing has been well balanced between OECD and non-OECD markets, with a proportionate contribution from all of our Regions. On an annual basis, pricing contributed $1.8 billion of incremental revenue on average, which was equivalent to annual revenue growth of 6.7% on average.

We view absolute dollar pricing around these historical averages as sustainable on a global basis, understanding that there will be fluctuations in any given year related to the timing of pricing in particular markets.

(SLIDE 17.)

This sustainability is ultimately based on the underlying affordability of our products from a consumer standpoint, after taking excise taxes and adult smoker purchasing power into account.

To put our price increases in perspective, let's take a look at recent changes in prices of another global consumer good – the *Big Mac*. According to the Economist's "Big Mac Index," prices on the well-known burger weighed by PMI volumes have increased from 2009 to 2013 by a compound annual rate of 3%. This is broadly in line with the increase of 4% for a comparable volume weighted average of PMI's retail selling price per pack and at approximately the same pace as compound annual global nominal GDP growth, excluding China and the USA, of just over 3%.

(SLIDE 18.)

At the same time, over the last five years, changes in excise tax systems towards higher specific components have resulted in an improvement in the average pricing yield in our top 30 OCI markets, which augurs well for our ability to capture our fair share of price increases seen by adult smokers in the future.

In 2013, the specific-to-total excise tax ratio for cigarettes in these markets was 50%, up from 35% in 2008. As a consequence, over the same time period, the average pricing yield improved by four percentage points to 56% in 2013.

We see further opportunities to improve tax structures over time in large markets that have high ad valorem components, in particular France, Italy, Spain and Turkey.

We are also encouraged by the fact that more and more governments are opting for long-term fiscal plans, including the introduction of multi-year timetables to implement step-by-step tax increases or reforms, as we have seen, for example, in Brazil, Germany, the Philippines and Russia. Such measures provide predictable revenues for governments and minimize disruptive consequences for adult smokers and the industry.

(SLIDE 19.)

Obtaining a fair and reasonable regulatory environment in our markets is another component of our strategy and we continue to operate very effectively in highly regulated markets. We continue to advocate reasonable, science and evidence-based regulation while opposing, including through litigation as a last resort, excessive measures. We believe excessive measures, such as plain packaging, display bans and excessive health warnings, do not impact smoking prevalence but do have other negative consequences for society, such as fostering illicit trade.

You will hear more from Drago about the new EU Tobacco Products Directive, but I would note that during the two-year transposition period, our focus will be on ensuring that no additional measures are introduced, achieving a meaningful transposition of the "Novel Tobacco Products Regulation" and supporting implementation with minimal disruption to the business.

(SLIDE 20.)

Let me now talk about the flawed policy of plain packaging in more detail. As I have highlighted before, plain packaging represents the unprecedented destruction of brands, which help consumers understand the intrinsic characteristics of products and therefore differentiate and choose among them. We oppose it because it expropriates our valuable intellectual property, such as our brands and trademarks, and moves the industry closer to a commodity business where, without branding, the ability to compete for adult smoker market share on the basis of product quality and differentiation is significantly reduced.

Early data from Australia, the only country to implement plain packaging, appears to confirm what we have always said, namely that, with plain packaging, adult smokers do not quit more or smoke less. They do, however, appear to down-trade much more readily to lower price, lower margin brands and illicit products.

According to recent industry-commissioned studies, illicit trade in Australia has increased since the implementation of plain packaging, with a significant shift towards branded illicit products, while the data shows no impact on smoking prevalence.

The Australian plain packaging law is being rigorously challenged both at the World Trade Organization ("WTO") and by PMI under the Australia Hong Kong bilateral investment treaty, or "BIT".

At the WTO, a panel will decide whether the Australian legislation contravenes the relevant WTO treaties, and in particular the agreement on Trade-Related Aspects of Intellectual Property Rights, or "TRIPS". Panel decisions typically take 12-18 months, but with a case of this sort we expect that a decision will likely be announced in 2016. The appellate process will likely take until 2017 for the WTO to issue a final resolution.

The Tribunal assigned to hear the BIT challenge has scheduled a hearing on questions related to jurisdiction for the week of February 16, 2015, in Singapore, and will later hear the arguments at the core of the case.

We hope that the evidence from Australia's experiment with plain packaging will prompt policy makers in other jurisdictions contemplating plain packaging to question its rationale and implications. We will continue to engage in a dialogue with regulators, including those in the UK and Ireland, based on scientific evidence and facts, but will also pursue other alternatives to ensure protection of our intellectual property.

(SLIDE 21.)

We will continue to pursue strategic business development opportunities to enhance shareholder returns and target financial returns in excess of those found via share repurchases. Transactions in Mexico, Algeria, Russia and Egypt were indicative of these opportunities, which were underpinned by solid strategic rationale and also resulted in incremental EPS accretion.

(SLIDE 22.)

Turning to our Reduced-Risk Products, we already have in place a portfolio that addresses a wide array of adult smoker profiles and preferences. In broad terms, it is based on technologies that either heat tobacco or aerosolize liquids or other substrates containing nicotine. They have been developed with a dual objective of substantially reducing individual risk and population harm compared to combustible products whilst delivering taste satisfaction and a ritual that is as close as possible to combustible products, to facilitate adoption by current adult smokers.

The high rate of trial of e-vapor products in many markets demonstrates the strong latent demand for less harmful nicotine and tobacco-based products. However, at present, the low rate of conversion from trial to usage of e-vapor products also indicates the lack of overall satisfaction provided by the current generation of these products. This is a very significant barrier and a fact that we outlined years ago based on experience from our own developments.

We remain on-track with our product development, clinical testing and commercialization plans, and Bertrand, Manuel and Fred, as well as the relevant Regions, will discuss them in significant detail.

Let me also briefly note that this week we have acquired Nicocigs Limited, one of the leading UK e-vapor companies with a 27% retail share through April of this year as measured by Nielsen, whose principal brand is *Nicolites*. This acquisition is complementary to our existing license and distribution agreement with Altria for Platform 4 products. It also provides an immediate entry into the UK, one of the largest e-vapor markets, as well as a strong retail presence there, which is particularly complementary to the current restructuring of our distribution arrangements in the market as Drago will discuss later today. Furthermore, Nicocigs' supply chain will pave the way for a faster and broader market entry for the existing generation of Platform 4 products before our second generation of products, currently under development, is commercialized.

(SLIDE 23.)

It is worth pausing for a moment to discuss the broader long-term implications of these products on the tobacco industry.

Some have suggested that the industry is at a cross-roads, but I would characterize the situation differently. The reality is that we are at the early stages of a transformational process, which we at PMI fully understood when we began the development of these products over a decade ago. We knew that this process would entail continuous improvement of our existing product platforms, a much deeper innovation pipeline for new platforms based on a combination of internal developments and partnerships or acquisitions, shorter product life cycles, new manufacturing and supply chain capabilities, state-of-the-art R&D and clinical testing capabilities to substantiate the potential product claims, and more complex regulatory regimes.

We are starting to notice greater recognition among health advocates and regulators of the potential value of RRPs as a supplement to smoking prevention efforts.

In addition, these new products will require specific skills and organizational competencies for effective commercialization, particularly for the electronic-based platforms.

As the industry leader, we fully appreciate these complexities and, far from being apprehensive with respect to the potential challenges, we are prepared and confident in our ability to thrive in this evolving environment and generate incremental profits, at attractive margins, from these platforms.

(SLIDE 24.)

Before moving on, I would like to explain how we see the potential economics of the RRPs space evolving, and its impact on PMI. As I said, any volume projections will be more informed in the second half of 2015 after city tests and the first market launch are completed.

However, based on what we know from e-vapor products and the fact that our Platform 1 product offers a vastly superior satisfaction profile as well as the high adoption rates of Platform 1 during extensive home usage tests, we can form a preliminary view. For the initial five years, the markets in scope for our launches represent an aggregate total cigarette consumption of about one trillion units. If we assume that 3% to 5% of this potential adult user base, net of cannibalization, fully adopts our Reduced-Risk Products, this implies potential incremental volume for PMI equivalent to some 30-50 billion units. We assume both a slow initial volume build-up and incremental expenses compared to this year, in support of our clinical trials and commercialization initiatives as the products are rolled-out in new geographies. Consequently, we assume RRPs will have a negative OCI impact due to these investments in 2014, 2015 and 2016, which is included in our near-term growth algorithm outlined earlier. However, the OCI contribution of RRPs should become neutral or positive thereafter.

We expect to be able to generate unit margins on Platform 1 equivalent to those of combustible products implying that the year we reach the lower-end of the target volume range, or 30 billion units, the OCI contribution would be around $700 million. This calculation assumes pricing and manufacturing costs similar to those of conventional products, which we fully anticipate once we achieve economies of scale. We have also made a conservative assumption that excise taxes would be the same as cigarettes, although we believe a lower excise tax for these products, reflecting their product characteristics, risk reduction potential and research and development costs, would be most appropriate.

While these targets are eminently achievable, as I said earlier, we will know more regarding the scale of the likely benefits and timing of their realization at the end of next year following the completion of our city tests and national roll-out.

We also continue to believe that our research and development efforts, and the acceptance of these products by adult smokers and regulators globally, will provide a path to enter geographies where we have very limited presence today.

(SLIDE 25.)

Returning now to our overall value proposition for shareholders, PMI's adjusted diluted EPS growth has outperformed nearly all major companies in our compensation survey group over the past two years, and our target for 8%-10% currency-neutral adjusted diluted annual EPS growth, even before the potential upsides from RRPs or business development, ranks at the high end of the recent performance of these companies.

(SLIDE 26.)

Turning to the other components of total shareholder returns, namely dividend and share repurchases. Our dividend yield is among the highest in our Compensation Survey Group and stood on Tuesday at 4.2%.

The spread between our dividend yield and yields of key benchmarks also compares very favorably to historical averages. Our yield is approximately 85 basis points above the compensation survey group and tobacco peer average, compared with a 19 basis point gap historically. The yield spread between our dividend and the 10-year U.S. Treasury is also modestly above historical average levels.

With regard to future dividends, this is clearly a Board decision, which takes into consideration a number of factors beyond our target payout ratio. Looking at our history, we have a proven track record of rewarding our shareholders generously even in turbulent times.

(SLIDE 27.)

We have consistently complemented our generous dividend policy with substantial share repurchase programs.

Since the spin through the end of the first quarter of this year, we spent $35.1 billion to repurchase nearly 572 million shares, or 27.1% of the shares outstanding at the time of the spin.

PMI clearly stands out above its peers in returning cash to its shareholders, as evidenced by the average amount returned annually as a percentage of our market capitalization.

(SLIDE 28.)

The specific market challenges of 2013 are continuing in 2014, but we remain on track to return to our mid- to long-term net revenue and adjusted OCI targets in 2015 and beyond.

We believe we have the brand portfolio, the geographic reach, the pricing power, the productivity programs and above all the people and the organizational power to drive our performance at a net revenue and adjusted OCI level in line with our growth targets.

We are on the verge of leading a paradigm shift with RRPs that has the potential in the mid-term to add very significantly to margins, with the added benefit of providing potential entry point into geographies where we are today significantly under-represented. This makes me more confident than ever in the long-term outlook for PMI.

Thank you. Let me now turn the podium over to Bertrand, who along with Manuel and Fred, will discuss our RRPs strategy.