



PHILIP MORRIS  
INTERNATIONAL

Designing a Smoke-Free Future

# 2018 Third-Quarter Results

October 18, 2018

# Introduction



A glossary of key terms and definitions, including the definition for reduced-risk products, or "RRPs," as well as adjustments, other calculations and 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



# Forward-Looking and Cautionary Statements

- This presentation and related discussion contain projections of future results and other forward-looking statements. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI
- PMI's business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our 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, natural disasters and conflicts; 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, and limitations on the ability to repatriate funds; 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 and effectiveness of its data privacy policies. PMI's future profitability may also be adversely affected should it be unsuccessful in its attempts to produce and commercialize reduced-risk products or if regulation or taxation do not differentiate between such products and cigarettes; 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. Future results are also subject to the lower predictability of our reduced-risk product category's performance
- 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 June 30, 2018. 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



# 2018: Reaffirming EPS Guidance

- Reaffirming 2018 reported diluted EPS guidance range of \$4.97 to \$5.02, at prevailing exchange rates, compared to \$3.88 in 2017
- Guidance includes 12 cents of unfavorable currency
- Excluding the unfavorable currency, our guidance continues to represent a growth rate of approximately 8% to 9% compared to our adjusted diluted EPS of \$4.72 in 2017

# 2018: Guidance Assumptions



**Industry  
Total Volume<sup>(a)</sup>**

**~(2.5)%**



**PMI Total  
Shipment Volume**

**~(2)%**

PMI HTU Volume (billion units)	
Shipments	In-Market Sales
<b>41-42</b>	<b>44-45</b>



**PMI  
Net Revenues**

**~3%**

**Growth,  
ex-Currency**



**PMI Combustible  
Product Pricing<sup>(b)</sup>**

**~7%**

(a) Excluding China and the U.S.

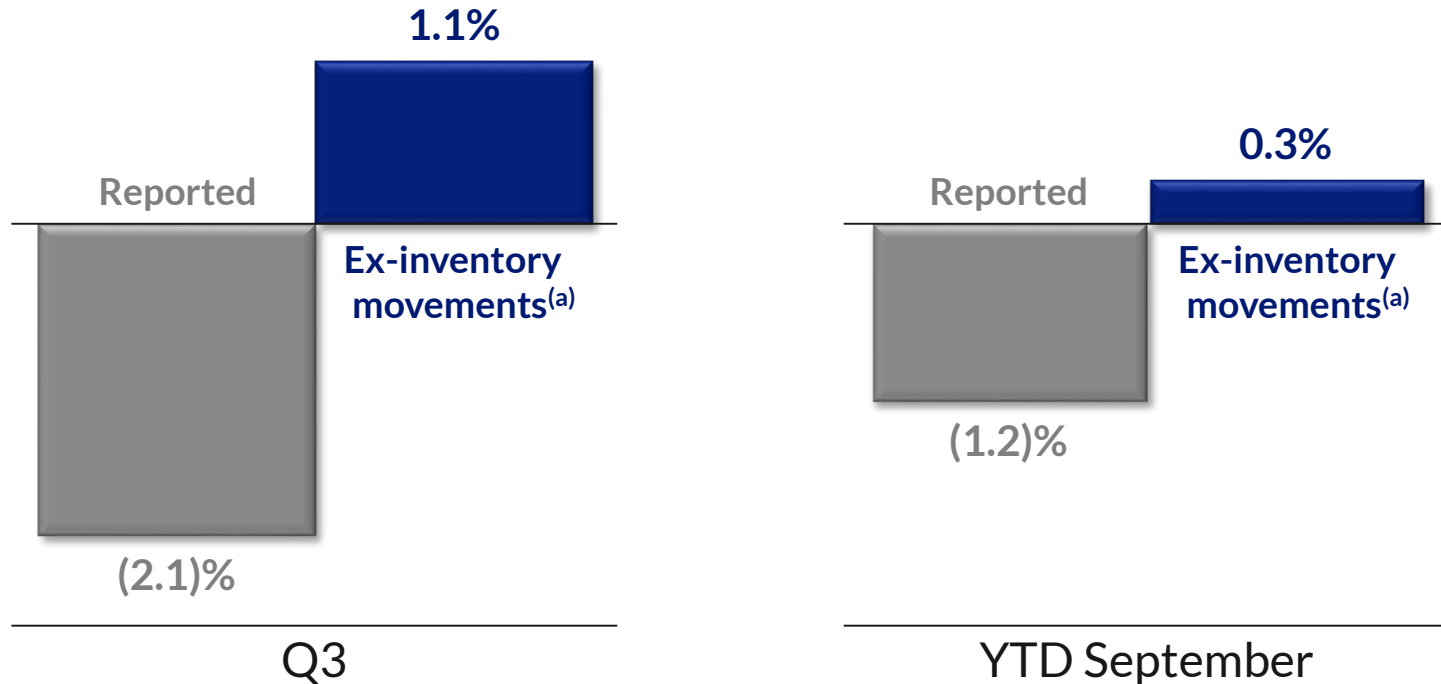
(b) As a percentage of combustible product 2017 net revenues

Note: Industry total volume and PMI total shipment volume reflect cigarettes and heated tobacco units. See Q3 2018 press release for detailed list of guidance assumptions

Source: PMI Financials or estimates



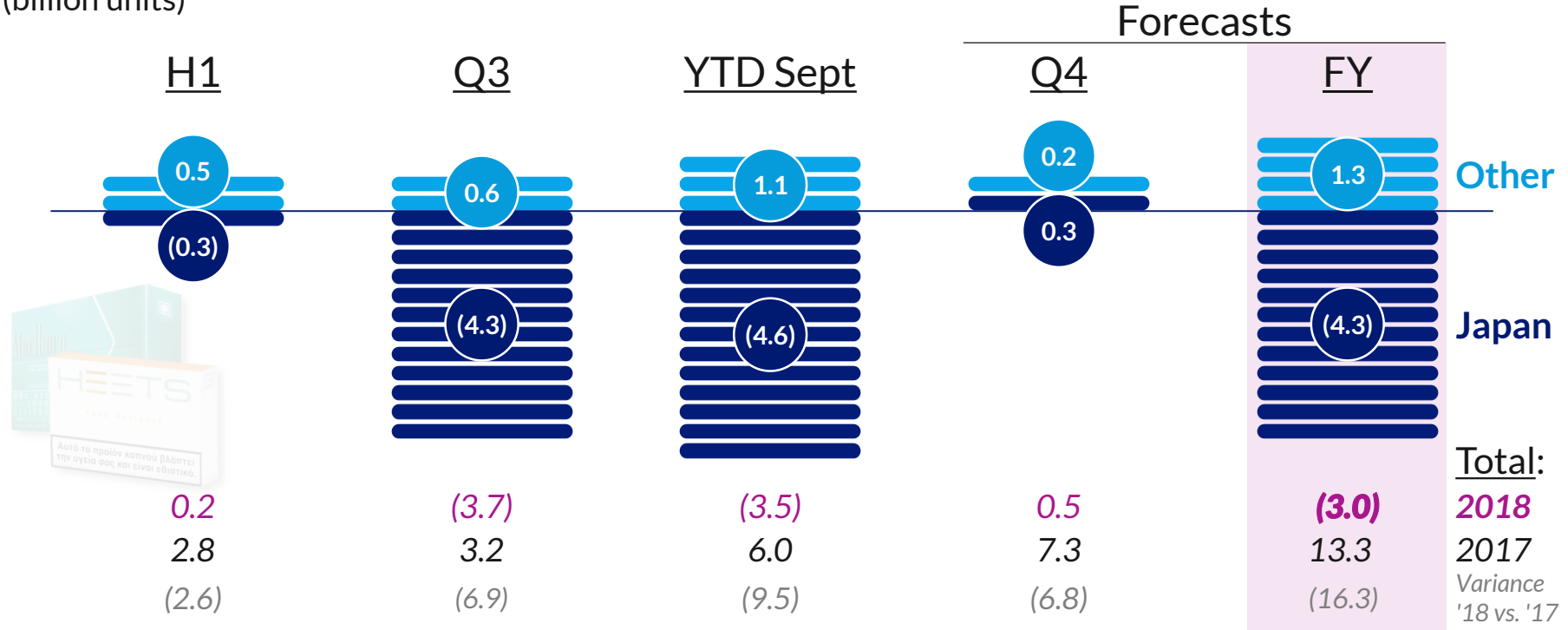
# 2018: Strong PMI Total Shipment Volume Growth, ex-Inventory Movements



(a) Distributor inventory movements as explained in the Glossary  
Note: Total shipment volume reflects cigarettes and HTUs. Variance is vs. prior year  
Source: PMI Financials or estimates

# 2018: Distributor HTU Inventory Reconciliation

(billion units)



**Inventory right-sized; poised for future growth**

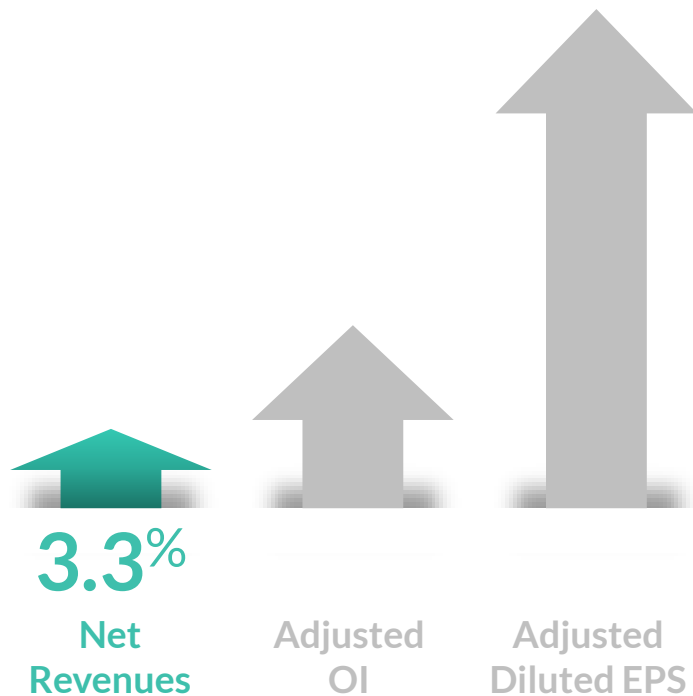
Note: Distributor inventory movements as explained in the Glossary

Source: PMI Financials or estimates

# Q3, 2018: Financial Results, ex-Currency



## Growth vs. PY



- Net revenues increase driven by:
  - Strong pricing for our combustible tobacco portfolio
  - Partly offset by the impact of the HTU inventory adjustment and an unfavorable combustible tobacco volume/mix



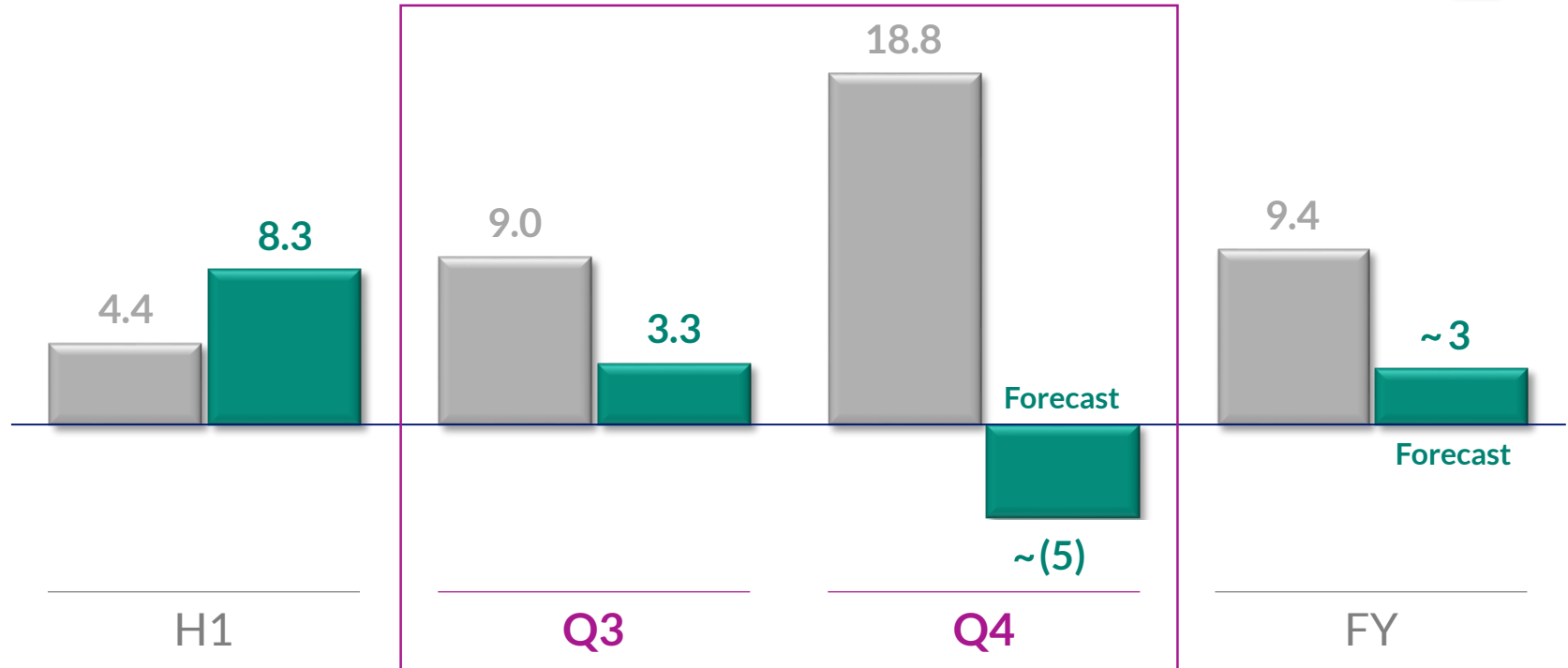


# 2018: Net Revenue Growth Phasing for H2

(%)

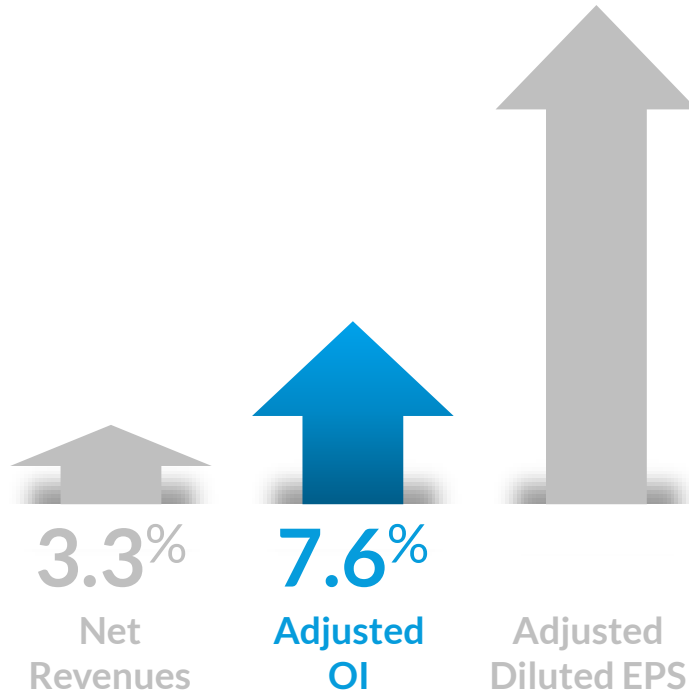


Variance vs. PY (ex-currency)



# Q3, 2018: Financial Results, ex-Currency

## Growth vs. PY

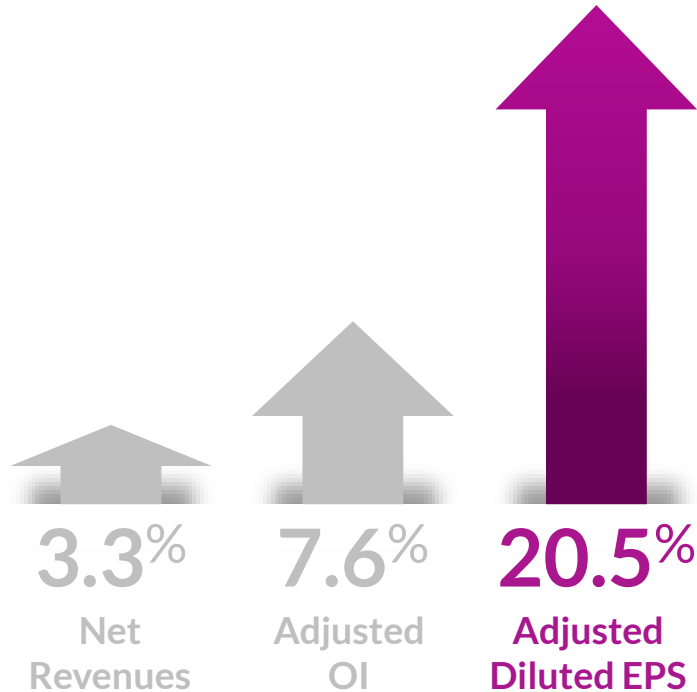


- Adjusted OI increase reflecting:
  - Price-driven growth in net revenues
  - Favorable margin impact of lower IQOS device sales
  - Lower manufacturing and marketing costs for combustible products
  - Partly offset by incremental RRP investments across IQOS launch markets
- Adjusted OI margin increased by 1.8 points, ex-currency



# Q3, 2018: Financial Results, ex-Currency

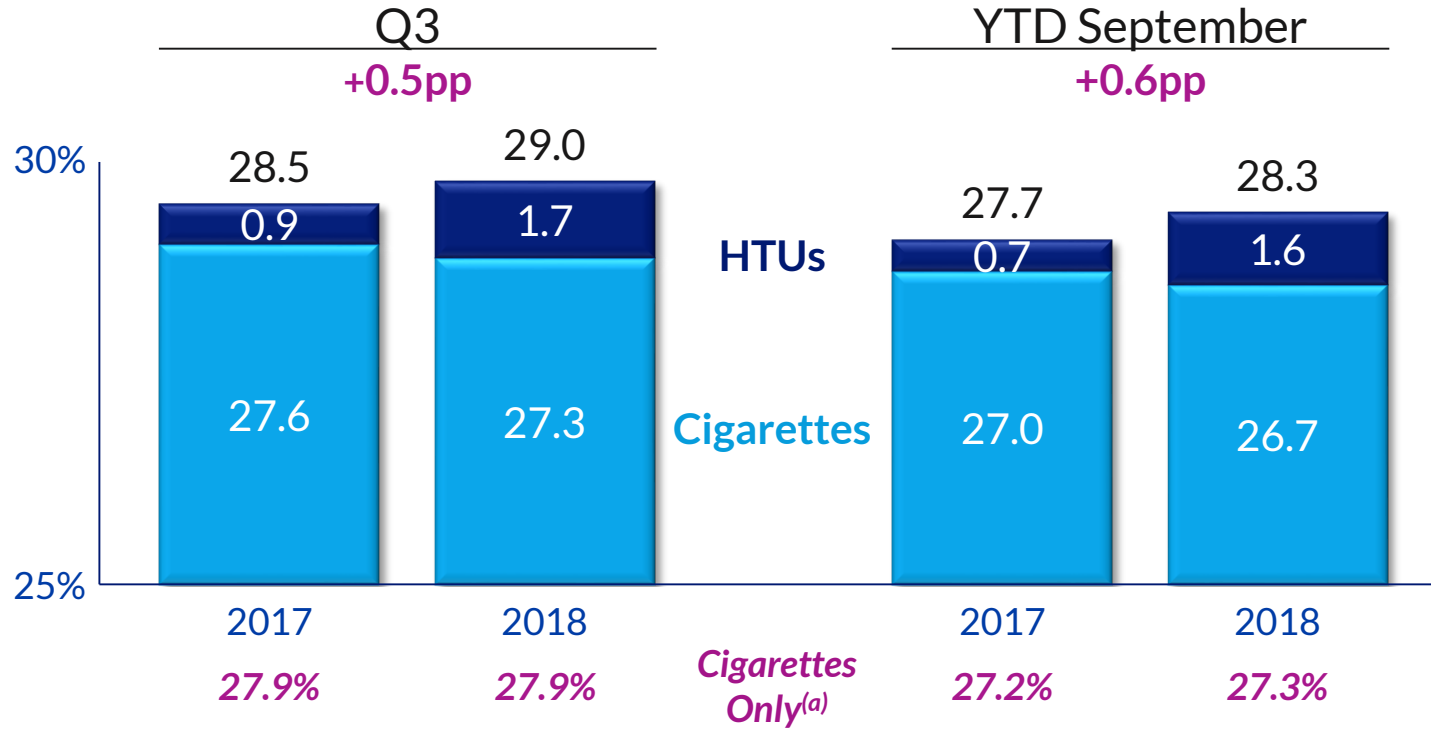
## Growth vs. PY



- Reported diluted EPS of \$1.44 increased by 13.4%:
  - Driven by a favorable business performance
  - Also benefited from lower effective tax rate and lower interest expense



# PMI Total Share Growth, Driven by HTUs

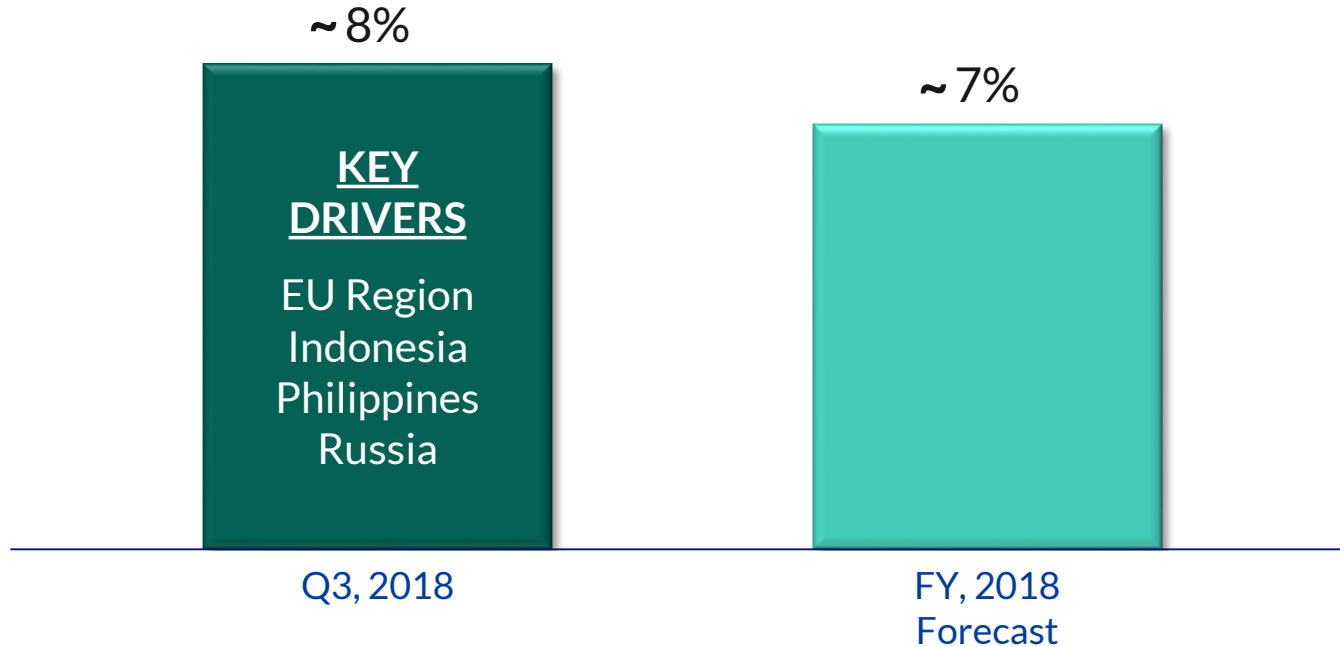


(a) Sales volume of PMI cigarettes as a percentage of the total industry sales volume for cigarettes  
Note Excluding China and the U.S.  
Source: PMI Financials or estimates

# Q3, 2018: Robust Cigarette Fundamentals



## PMI Combustible Product Pricing Variance<sup>(a)</sup>

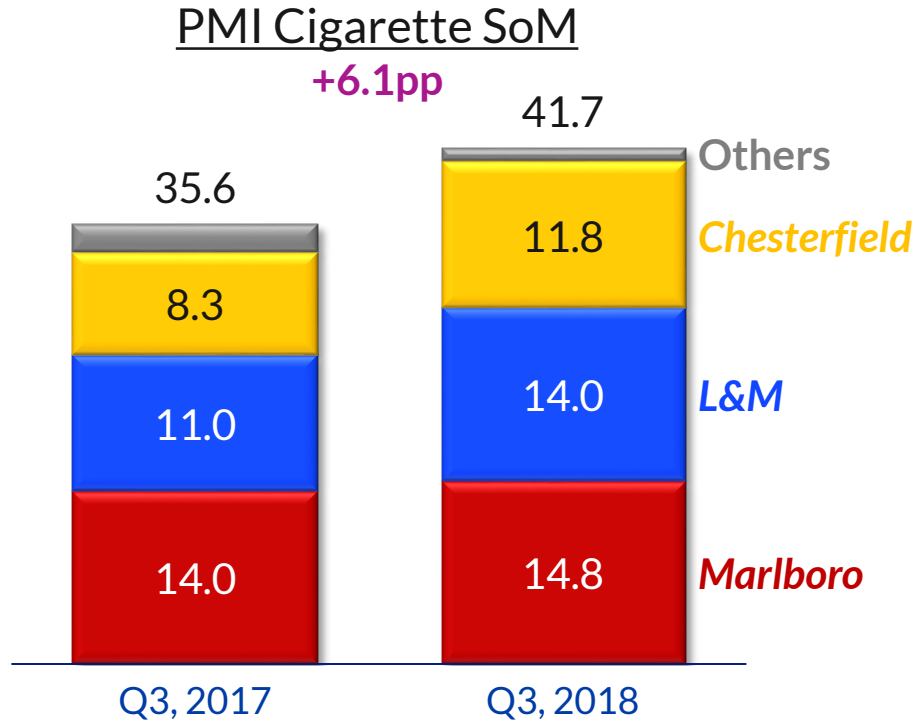


(a) As a % of combustible product 2017 net revenues  
Source: PMI Financials or estimates



# Q3, 2018: Robust Cigarette Fundamentals (cont.)

(%)

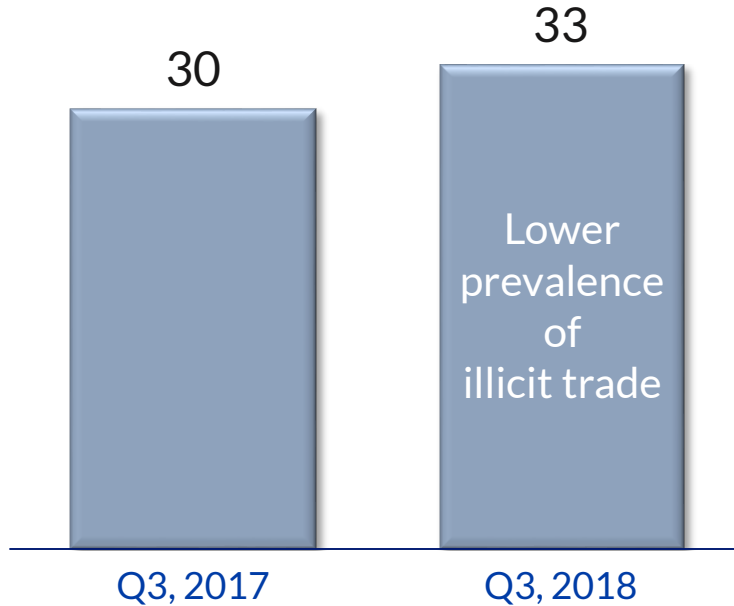


# Q3, 2018: Robust Cigarette Fundamentals (cont.)

(billion units)

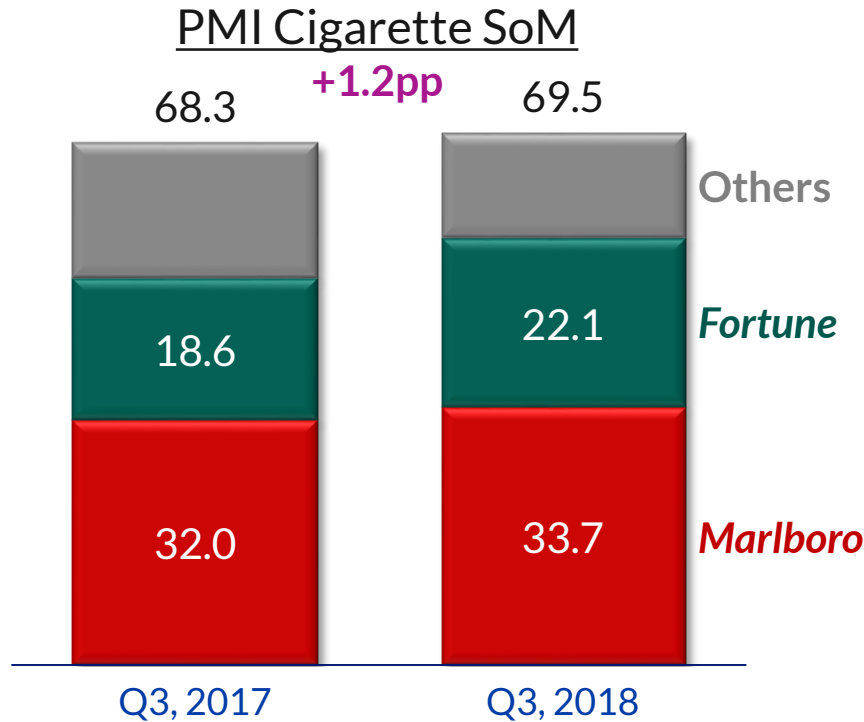
## Cigarette industry Volume

+11.3%



# Q3, 2018: Robust Cigarette Fundamentals (cont.)

(%)

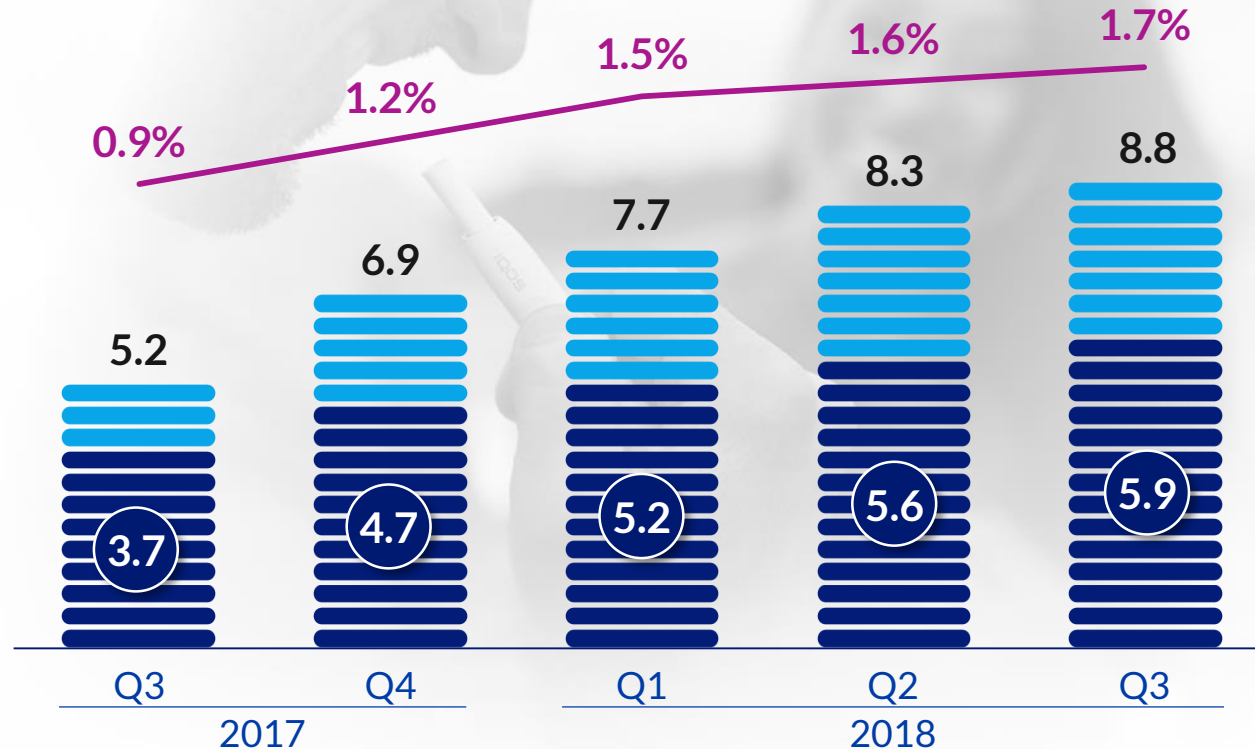






# IQOS: Continued User and Share Growth

(in millions)



PMI HTU  
International SoM<sup>(a)</sup>

Total IQOS users<sup>(b)</sup>

Estimated users that  
have stopped smoking  
and switched to IQOS<sup>(c)</sup>

(a) Sales volume of PMI HTUs as a percentage of the total industry sales volume for cigarettes and HTUs, excluding China and the U.S.

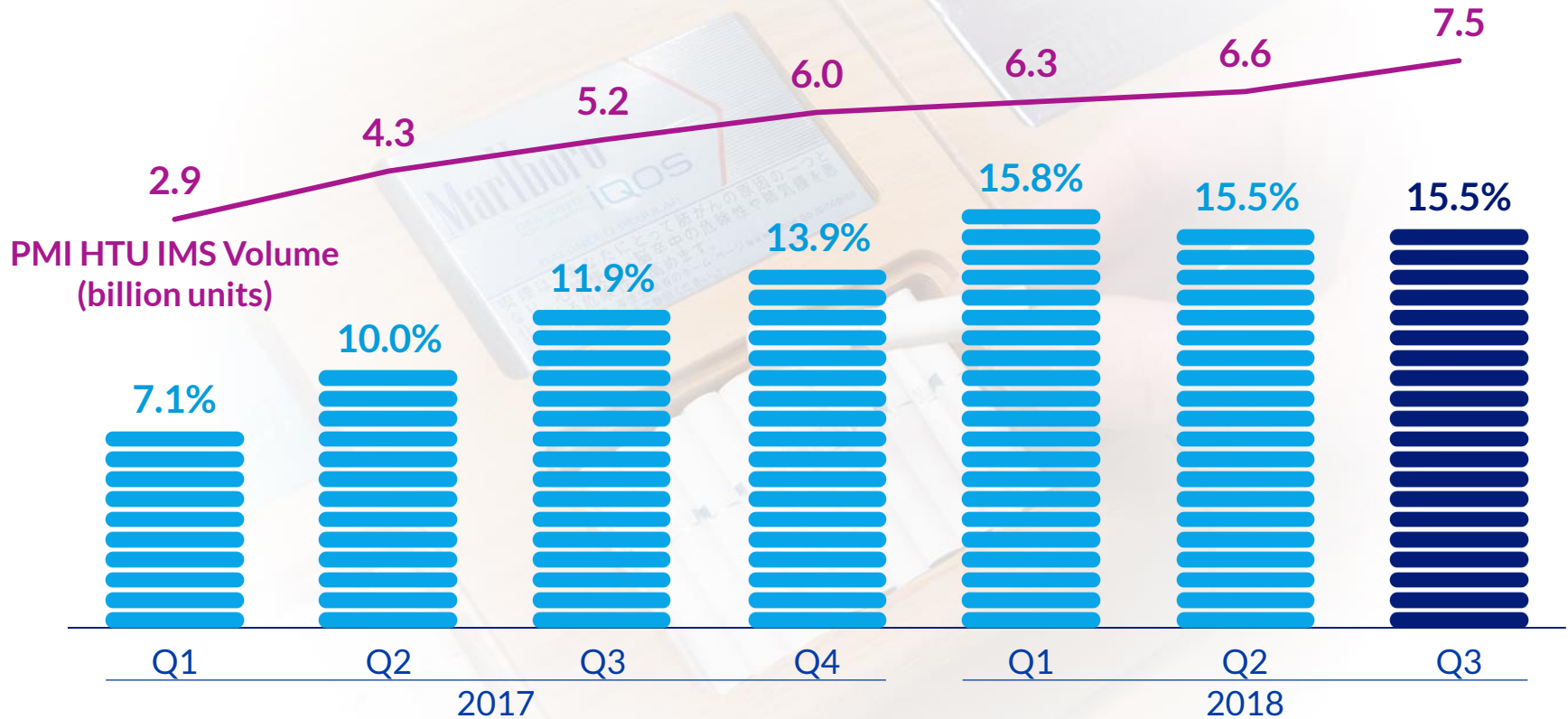
(b) Estimated number of Legal Age (minimum 18-year-old) who have used *HeatSticks/HEETS* for at least 5% of their daily tobacco consumption over the past seven days

(c) See Glossary for definition

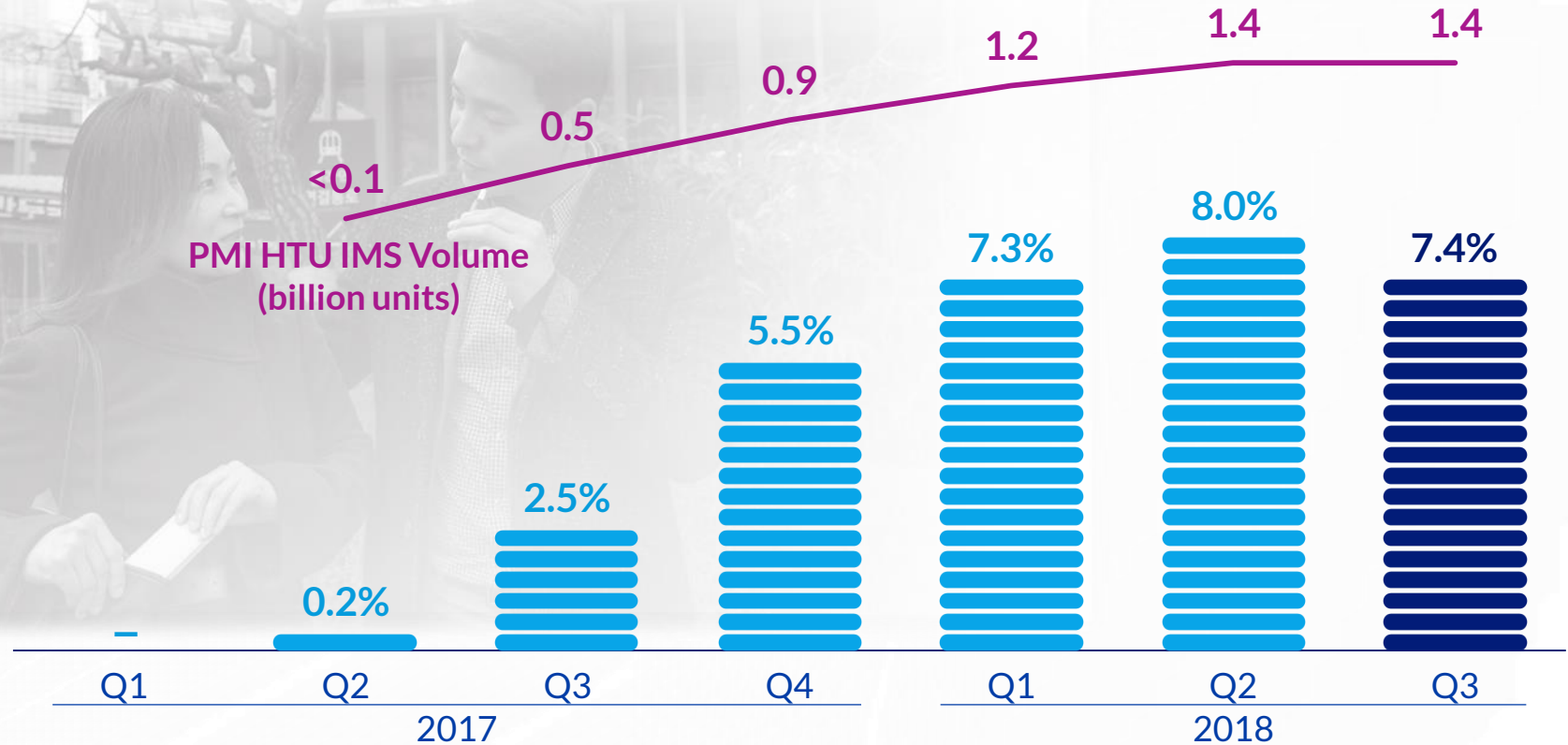
Source: PMI Financials or estimates, and IQOS user panels and PMI Market Research



# IQOS: HeatSticks National Share in Japan

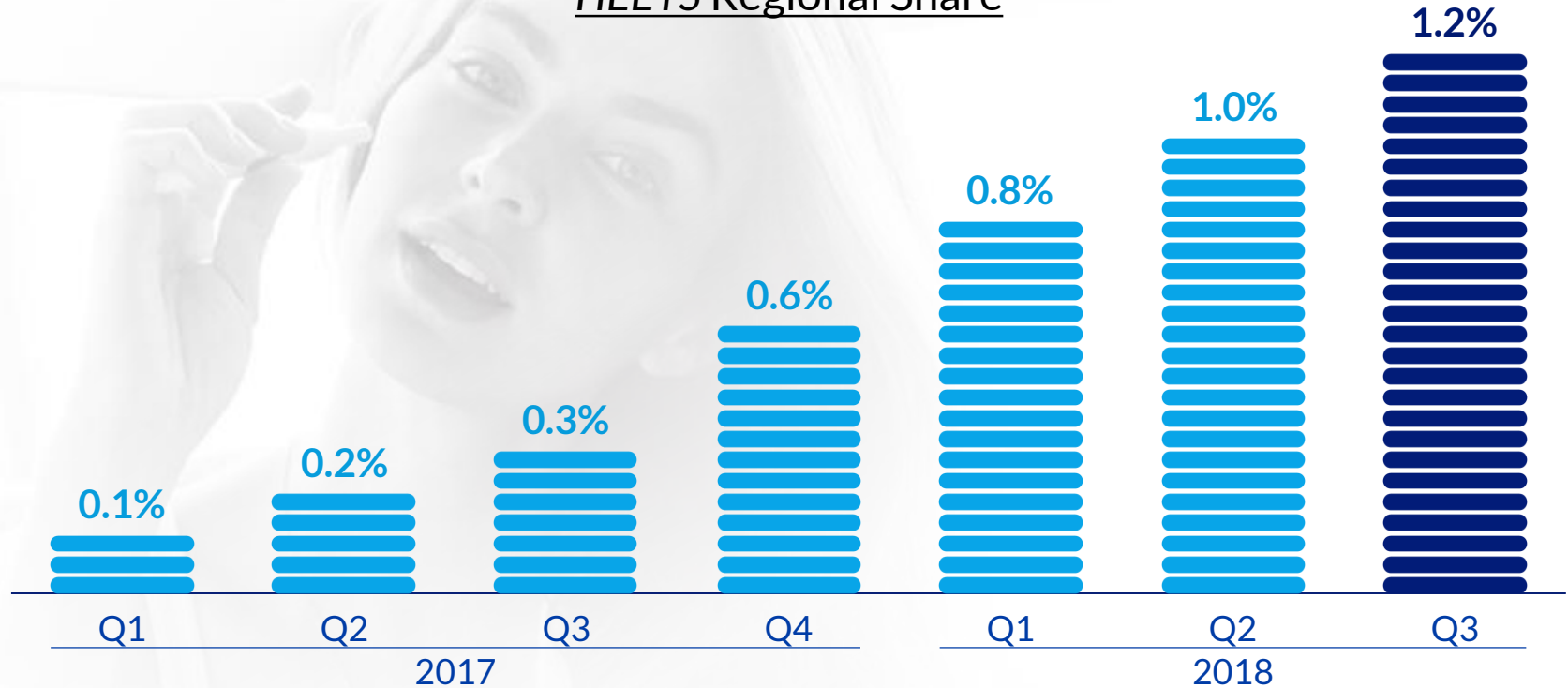


# IQOS: HEETS National Share in Korea



# IQOS: Steady Sequential Share Growth Continues in EU Region

## HEETS Regional Share



# IQOS: Strong HTU Share Performance in Russia



Note: HTU share reflects in-market sales (vs. Nielsen for cigarette share)  
Source: PMI Financials or estimates



# 2018 Business Outlook Remains Intact

- **Solid Q3 results, ex-currency**
- **2018 business outlook remains intact, supported by:**
  - Robust fundamentals for combustible products
  - Increasingly broad-based *IQOS* growth across geographies
- **Reaffirming 2018 reported diluted EPS guidance:**
  - Continues to represent a growth rate of approximately 8% to 9%, ex-currency, compared to adjusted diluted EPS of \$4.72 in 2017



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# 2018 Third-Quarter Results

## Questions & Answers

Have you downloaded the PMI Investor Relations App yet?

The free IR App is available to download at the Apple App Store for iOS devices and at Google Play for Android mobile devices

Or go to: [www.pmi.com/irapp](http://www.pmi.com/irapp)

iOS Download



Android Download



# Closing Remarks

- Steadfast in our commitment to a successful transformation to a smoke-free future
- Strong combustible tobacco business provides the foundation to accomplish our ambitious goals
- RRP's are our most promising growth opportunity
- Achievable three-year currency-neutral compound annual growth targets:

**Net Revenues**

**≥ 5%**

CAGR  
ex-Currency

**Adjusted Diluted EPS**

**≥ 8%**

CAGR  
ex-Currency





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# **Appendix, Glossary of Key Terms and Definitions, and Reconciliation of Non-GAAP Measures**



# Glossary: General Terms

- "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
- Unless otherwise stated, references to total industry, total market, PMI shipment volume and PMI market share performance reflect cigarettes and heated tobacco units
- References to total international market, defined as worldwide cigarette and heated tobacco unit volume excluding the United States, total industry, total market and market shares are PMI estimates for tax-paid products based on the latest available data from a number of internal and external sources and may, in defined instances, exclude the People's Republic of China and/or PMI's duty free business
- "OTP" is defined as "other tobacco products," primarily roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos, and does not include reduced-risk products
- "Combustible products" is the term PMI uses to refer to cigarettes and OTP, combined
- In-market sales, or "IMS," is defined as sales to the retail channel, depending on the market and distribution model
- "PMI volume" is defined as the combined total of cigarette shipment volume and heated tobacco unit shipment volume
- Effective January 1, 2018, PMI began managing its business in six reporting segments as follows: the European Union Region (EU); the Eastern Europe Region (EE); the Middle East & Africa Region (ME&A), which includes PMI Duty Free; the South & Southeast Asia Region (S&SA); the East Asia & Australia Region (EA&A); and the Latin America & Canada Region (LA&C)
- "SoM" stands for share of market

# Glossary: General Terms (cont.)



- From time to time, PMI's shipment volumes are subject to the impact of distributor inventory movements, and estimated total industry/market volumes are subject to the impact of inventory movements in various trade channels that include estimated trade inventory movements of PMI's competitors arising from market-specific factors that significantly distort reported volume disclosures. Such factors may include changes to the manufacturing supply chain, shipment methods, consumer demand, timing of excise tax increases or other influences that may affect the timing of sales to customers. In such instances, in addition to reviewing PMI shipment volumes and certain estimated total industry/market volumes on a reported basis, management reviews these measures on an adjusted basis that excludes the impact of distributor and/or estimated trade inventory movements. Management also believes that disclosing PMI shipment volumes and estimated total industry/market volumes in such circumstances on a basis that excludes the impact of distributor and/or estimated trade inventory movements improves the comparability of performance and trends for these measures over different reporting periods



# Glossary: Financial Terms

- Net revenues related to combustible products refer to the operating revenues generated from the sale of these products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. PMI recognizes revenue when control is transferred to the customer, typically either upon shipment or delivery of goods
- Net revenues related to RRP's represent the sale of heated tobacco units, IQOS devices and related accessories, and other nicotine-containing products, primarily e-vapor products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. PMI recognizes revenue when control is transferred to the customer, typically either upon shipment or delivery of goods
- PMI has adopted Accounting Standard Update ASU 2014-09 "Revenue from Contracts with Customers" as of January 1, 2018 on a retrospective basis. PMI made an accounting policy election to exclude excise taxes collected from customers from the measurement of the transaction price, thereby presenting revenues, net of excise taxes in all periods. The underlying principles of the new standard, relating to the measurement of revenue and the timing of recognition, are closely aligned with PMI's current business model and practices
- PMI adopted Accounting Standard Update ASU 2017-07 "Compensation - Retirement Benefits" as of January 1, 2018 on a retrospective basis. Previously, total pension and other employee benefit costs were included in operating income. Beginning January 1, 2018, only the service cost component is required to be shown in operating income, while all other cost components are presented in a new line item "pension and other employee benefit costs" below operating income
- Prior to 2018, management evaluated business segment performance, and allocated resources, based on operating companies income, or "OCI." Effective January 1, 2018, management began evaluating business segment performance, and allocating resources, based on operating income, or "OI"
- "Adjusted OI margin" is calculated as adjusted OI, divided by net revenues

# Glossary: Financial Terms (cont.)



- Management reviews net revenues, OI, OI margins, operating cash flow and earnings per share, or "EPS," on an adjusted basis, which may exclude the impact of currency and other items such as acquisitions, asset impairment and exit costs, tax items and other special items



# Glossary: Reduced-Risk Products

- "Reduced-risk products," or "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 PMI's RRP's do not burn tobacco, they produce an aerosol that contains far lower quantities of harmful and potentially harmful constituents than found in cigarette smoke
- "Aerosol" refers to a gaseous suspension of fine solid particles and/or liquid droplets
- "Combustion" is the process of burning a substance in oxygen, producing heat and often light
- "Smoke" is a visible suspension of solid particles, liquid droplets and gases in air, emitted when a material burns
- The "IQOS" heat-not-burn device is a precisely controlled heating device into which a specially designed and proprietary tobacco unit is inserted and heated to generate an aerosol
- "Heated tobacco product," or "HTP," is a manufactured tobacco product that delivers a nicotine containing vapor (aerosol), without combustion of the tobacco mixture
- "Heated tobacco units," or "HTUs," is the term PMI uses to refer to heated tobacco consumables, which include the company's *HEETS*, *HEETS Marlboro* and *HEETS FROM MARLBORO*, defined collectively as *HEETS*, as well as *Marlboro HeatSticks* and *Parliament HeatSticks*
- Heated tobacco unit "offtake volume" represents the estimated retail offtake of heated tobacco units based on a selection of sales channels that vary by market, but notably include retail points of sale and e-commerce platforms
- Heated tobacco unit "offtake share" represents the estimated retail offtake volume of heated tobacco units divided by the sum of estimated total offtake volume for cigarettes, heated tobacco units and, where the data is available, other RRP's
- National market share for heated tobacco units is defined as the total sales volume for heated tobacco units as a percentage of the total estimated sales volume for cigarettes and heated tobacco units



# Glossary: Reduced-Risk Products (cont.)

- "Converted IQOS Users" means the estimated number of Legal Age (minimum 18-year-old) IQOS users that used *HeatSticks* /*HEETS* heated tobacco units for over 95% 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* /*HEETS* heated tobacco units for between 70% and 95% of their daily tobacco consumption over the past seven days
- New PMI methodology as of 2018 for estimating the number of people who have stopped smoking and made the change to IQOS: for markets where IQOS is the only heated tobacco product, daily individual consumption of PMI heated tobacco units represents the totality of their daily tobacco consumption in the past seven days. For markets where IQOS is one among other heated tobacco products, daily individual consumption of heated tobacco units represents the totality of their daily tobacco consumption in the past seven days, of which at least 70% are PMI heated tobacco units
- "Situational IQOS Users" means the estimated number of Legal Age (minimum 18-year-old) IQOS users that used *HeatSticks* /*HEETS* heated tobacco units for between 5% and less than 70% of their daily tobacco consumption over the past seven days
- "Abandoned IQOS Users" means the estimated number of Legal Age (minimum 18-year-old) IQOS users that used *HeatSticks* /*HEETS* heated tobacco units for less than 5% of their daily tobacco consumption over the past seven days



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## New Geographic Segmentation (effective January 1, 2018)



### European Union

- Andorra
- Austria
- Baltic States
- Belgium
- Bulgaria
- Canary Islands
- Croatia
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Italy
- Luxembourg
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden
- Switzerland
- United Kingdom

### Eastern Europe

- Albania
- Armenia
- Belarus
- Bosnia & Herzegovina
- Georgia
- Israel
- Kazakhstan
- Kosovo
- Kyrgyzstan
- Macedonia
- Moldova
- Mongolia
- Montenegro
- Russia
- Serbia
- Tajikistan
- Turkmenistan
- Ukraine
- Uzbekistan

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## New Geographic Segmentation (effective January 1, 2018)



### Middle East & Africa

- Algeria
- Bahrain
- Central Africa<sup>(a)</sup>
- Duty Free
- Eastern Africa<sup>(b)</sup>
- Egypt
- Iraq
- Jordan
- Kuwait
- Lebanon
- Libya
- Morocco
- Oman
- Palestine Auth. Area
- Qatar
- Saudi Arabia
- Southern Africa<sup>(c)</sup>
- Tunisia
- Turkey
- Turkish Cyprus
- United Arab Emirates (UAE)
- West Africa<sup>(d)</sup>
- Yemen

### South & Southeast Asia

- Afghanistan
- Bangladesh
- Cambodia
- East Timor
- India
- Indonesia
- Laos
- Maldives
- Nepal
- Pakistan
- Philippines
- Sri Lanka
- Thailand
- Vietnam

(a) Central Africa includes Angola, Cameroon, Democratic Republic of the Congo, Equatorial Guinea and Gabon

(b) Eastern Africa includes Djibouti, Ethiopia, Kenya, Malawi, Mozambique, Somalia and Tanzania

(c) Southern Africa includes Botswana, Lesotho, Mauritius, Mayotte, Namibia, Reunion and Swaziland

(d) West Africa includes Benin, Burkina Faso, Cape Verde, The Gambia, Guinea, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## New Geographic Segmentation (effective January 1, 2018)



### East Asia & Australia

- Australia
- Hong Kong
- Japan
- Macau
- Malaysia
- New Zealand
- People's Republic of China
- Singapore
- South Korea
- South Pacific<sup>(a)</sup>
- Taiwan

### Latin America & Canada

- Argentina
- Bolivia
- Brazil
- Canada
- Caribbean<sup>(b)</sup>
- Chile
- Colombia
- Costa Rica
- Dominican Republic
- Ecuador
- El Salvador
- Guatemala
- Honduras
- Mexico
- Nicaragua
- Panama
- Paraguay
- Peru
- Uruguay
- Venezuela

(a) South Pacific includes Christmas Islands, French Polynesia, Marshall Islands, Nauru, New Caledonia, Palau, Papua New Guinea, Tonga, Vanuatu and other South Pacific islands

(b) Caribbean includes Aruba, Bahamas, Bermuda, Bonaire, Cayman Islands, Curacao, Guadeloupe, Martinique, St. Barth's, St. Maarten, St. Martin and other Caribbean markets



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Reconciliation of Reported Diluted EPS to Reported Diluted EPS, excluding Currency,  
and Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS, excluding Currency  
(Unaudited)

	Quarters Ended September 30,		
	2018	2017	% Change
<b>Reported Diluted EPS</b>	<b>\$ 1.44</b>	<b>\$ 1.27</b>	<b>13.4%</b>
Currency	(0.09)		
<b>Reported Diluted EPS, excluding Currency</b>	<b>\$ 1.53</b>	<b>\$ 1.27</b>	<b>20.5%</b>

	Quarters Ended September 30,			Year Ended
	2018	2017	% Change	2017
<b>Reported Diluted EPS</b>	<b>\$ 1.44</b>	<b>\$ 1.27</b>	<b>13.4%</b>	<b>\$ 3.88</b>
Asset impairment and exit costs	-	-		-
Tax items	-	-		0.84
<b>Adjusted Diluted EPS</b>	<b>\$ 1.44</b>	<b>\$ 1.27</b>	<b>13.4%</b>	<b>\$ 4.72</b>
Currency	(0.09)			
<b>Adjusted Diluted EPS, excluding Currency</b>	<b>\$ 1.53</b>	<b>\$ 1.27</b>	<b>20.5%</b>	



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Adjustments of Net Revenues for the Impact of Currency and Acquisitions  
(\$ in millions) / (Unaudited)

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Quarters Ended September 30,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2018					PMI	2017	% Change		
\$ 2,467	\$ 30	\$ 2,437	\$ -	\$ 2,437	European Union	\$ 2,204	11.9%	10.6%	10.6%
778	(46)	824	-	824	Eastern Europe	705	10.4%	16.9%	16.9%
1,143	(97)	1,240	-	1,240	Middle East & Africa	1,078	6.0%	15.0%	15.0%
1,197	(81)	1,278	-	1,278	South & Southeast Asia	1,129	6.0%	13.2%	13.2%
1,166	6	1,160	-	1,160	East Asia & Australia	1,601	(27.2)%	(27.5)%	(27.5)%
753	(25)	778	-	778	Latin America & Canada	756	(0.4)%	2.9%	2.9%
<b>\$ 7,504</b>	<b>\$ (213)</b>	<b>\$ 7,717</b>	<b>\$ -</b>	<b>\$ 7,717</b>	<b>Total PMI</b>	<b>\$ 7,473</b>	<b>0.4%</b>	<b>3.3%</b>	<b>3.3%</b>



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Reconciliation of Operating Income to Adjusted Operating Income, excluding Currency and Acquisitions  
(\$ in millions) / (Unaudited)

Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Currency	Adjusted Operating Income excluding Currency	Acquisitions	Adjusted Operating Income excluding Currency & Acquisitions		Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Total	Excluding Currency	Excluding Currency & Acquisitions
2018							Quarters Ended September 30,	2017			% Change		
\$ 1,179	\$ -	\$ 1,179	\$ 19	\$ 1,160	\$ -	\$ 1,160	European Union	\$ 1,025	\$ -	\$ 1,025	15.0%	13.2%	13.2%
270	-	270	(56)	326	-	326	Eastern Europe	244	-	244	10.7%	33.6%	33.6%
491	-	491	(97)	588	-	588	Middle East & Africa	495	-	495	(0.8)%	18.8%	18.8%
455	-	455	(43)	498	-	498	South & Southeast Asia	411	-	411	10.7%	21.2%	21.2%
426	-	426	(6)	432	-	432	East Asia & Australia	648	-	648	(34.3)%	(33.3)%	(33.3)%
335	-	335	16	319	-	319	Latin America & Canada	265	-	265	26.4%	20.4%	20.4%
<b>\$ 3,156</b>	<b>\$ -</b>	<b>\$ 3,156</b>	<b>\$ (167)</b>	<b>\$ 3,323</b>	<b>\$ -</b>	<b>\$ 3,323</b>	<b>Total PMI</b>	<b>\$ 3,088</b>	<b>\$ -</b>	<b>\$ 3,088</b>	<b>2.2%</b>	<b>7.6%</b>	<b>7.6%</b>



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Reconciliation of Adjusted Operating Income Margin, excluding Currency and Acquisitions  
(\$ in millions) / (Unaudited)

Adjusted Operating Income (a)	Net Revenues	Adjusted Operating Income Margin	Adjusted Operating Income excluding Currency (a)	Net Revenues excluding Currency (b)	Adjusted Operating Income Margin excluding Currency	Adjusted Operating Income excluding Currency & Acquisitions (a)	Net Revenues excluding Currency & Acquisitions (b)	Adjusted Operating Income Margin excluding Currency & Acquisitions		Adjusted Operating Income (a)	Net Revenues	Adjusted Operating Income Margin	Adjusted Operating Income Margin	Adjusted Operating Income Margin excluding Currency	Adjusted Operating Income Margin excluding Currency & Acquisitions
									Quarters Ended September 30,				% Points Change		
2018									2017						
\$ 1,179	\$ 2,467	47.8%	\$ 1,160	\$ 2,437	47.6%	\$ 1,160	\$ 2,437	47.6%	European Union	\$ 1,025	\$ 2,204	46.5%	1.3	1.1	1.1
270	778	34.7%	326	824	39.6%	326	824	39.6%	Eastern Europe	244	705	34.6%	0.1	5.0	5.0
491	1,143	43.0%	588	1,240	47.4%	588	1,240	47.4%	Middle East & Africa	495	1,078	45.9%	(2.9)	1.5	1.5
455	1,197	38.0%	498	1,278	39.0%	498	1,278	39.0%	South & Southeast Asia	411	1,129	36.4%	1.6	2.6	2.6
426	1,166	36.5%	432	1,160	37.2%	432	1,160	37.2%	East Asia & Australia	648	1,601	40.5%	(4.0)	(3.3)	(3.3)
335	753	44.5%	319	778	41.0%	319	778	41.0%	Latin America & Canada	265	756	35.1%	9.4	5.9	5.9
<b>\$ 3,156</b>	<b>\$ 7,504</b>	<b>42.1%</b>	<b>\$ 3,323</b>	<b>\$ 7,717</b>	<b>43.1%</b>	<b>\$ 3,323</b>	<b>\$ 7,717</b>	<b>43.1%</b>	<b>Total PMI</b>	<b>\$ 3,088</b>	<b>\$ 7,473</b>	<b>41.3%</b>	<b>0.8</b>	<b>1.8</b>	<b>1.8</b>

(a) For the calculation of Adjusted Operating Income and Adjusted Operating Income excluding currency and acquisitions refer to previous slide

(b) For the calculation of Net Revenues excluding currency and acquisitions refer to slide 37



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Adjustments of Net Revenues for the Impact of Currency and Acquisitions  
(\$ in millions) / (Unaudited)

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Nine Months Ended September 30,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2018					PMI	2017	% Change		
\$ 6,958	\$ 553	\$ 6,405	\$ -	\$ 6,405	European Union	\$ 6,054	14.9%	5.8%	5.8%
2,105	(26)	2,131	-	2,131	Eastern Europe	1,918	9.7%	11.1%	11.1%
3,126	(83)	3,209	-	3,209	Middle East & Africa	3,017	3.6%	6.4%	6.4%
3,434	(130)	3,564	-	3,564	South & Southeast Asia	3,206	7.1%	11.2%	11.2%
4,235	99	4,136	-	4,136	East Asia & Australia	4,149	2.1%	(0.3)%	(0.3)%
2,268	(62)	2,330	-	2,330	Latin America & Canada	2,110	7.5%	10.4%	10.4%
<b>\$ 22,126</b>	<b>\$ 351</b>	<b>\$ 21,775</b>	<b>\$ -</b>	<b>\$ 21,775</b>	<b>Total PMI</b>	<b>\$ 20,454</b>	<b>8.2%</b>	<b>6.5%</b>	<b>6.5%</b>





# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Adjustments of Net Revenues for the Impact of Currency and Acquisitions  
(\$ in millions) / (Unaudited)

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Six Months Ended June 30,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2018					PMI	2017	% Change		
\$ 4,491	\$ 523	\$ 3,968	\$ -	\$ 3,968	European Union	\$ 3,850	16.6%	3.1%	3.1%
1,327	20	1,307	-	1,307	Eastern Europe	1,213	9.4%	7.7%	7.7%
1,983	14	1,969	-	1,969	Middle East & Africa	1,939	2.3%	1.5%	1.5%
2,237	(49)	2,286	-	2,286	South & Southeast Asia	2,077	7.7%	10.1%	10.1%
3,069	93	2,976	-	2,976	East Asia & Australia	2,548	20.4%	16.8%	16.8%
1,515	(37)	1,552	-	1,552	Latin America & Canada	1,354	11.9%	14.6%	14.6%
<b>\$ 14,622</b>	<b>\$ 564</b>	<b>\$ 14,058</b>	<b>\$ -</b>	<b>\$ 14,058</b>	<b>Total PMI</b>	<b>\$ 12,981</b>	<b>12.6%</b>	<b>8.3%</b>	<b>8.3%</b>



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Adjustments of Net Revenues for the Impact of Currency and Acquisitions  
(\$ in millions) / (Unaudited)

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Quarters Ended December 31,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2017					PMI	2016	% Change		
\$ 2,264	\$ 139	\$ 2,125	\$ -	\$ 2,125	European Union	\$ 1,944	16.5%	9.3%	9.3%
793	53	740	-	740	Eastern Europe	690	14.9%	7.2%	7.2%
971	(76)	1,047	-	1,047	Middle East & Africa	1,108	(12.4)%	(5.5)%	(5.5)%
1,211	(37)	1,248	-	1,248	South & Southeast Asia	1,194	1.4%	4.5%	4.5%
2,224	(67)	2,291	-	2,291	East Asia & Australia	1,250	77.9%	83.3%	83.3%
831	2	829	-	829	Latin America & Canada	785	5.9%	5.6%	5.6%
<b>\$ 8,294</b>	<b>\$ 14</b>	<b>\$ 8,280</b>	<b>\$ -</b>	<b>\$ 8,280</b>	<b>Total PMI</b>	<b>\$ 6,971</b>	<b>19.0%</b>	<b>18.8%</b>	<b>18.8%</b>



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Adjustments of Net Revenues for the Impact of Currency and Acquisitions  
(\$ in millions) / (Unaudited)

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Years Ended December 31,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2017					PMI	2016	% Change		
\$ 8,318	\$ 45	\$ 8,273	\$ -	\$ 8,273	European Union	\$ 8,162	1.9%	1.4%	1.4%
2,711	229	2,482	-	2,482	Eastern Europe	2,484	9.1%	(0.1)%	(0.1)%
3,988	(520)	4,508	-	4,508	Middle East & Africa	4,516	(11.7)%	(0.2)%	(0.2)%
4,417	(63)	4,480	-	4,480	South & Southeast Asia	4,396	0.5%	1.9%	1.9%
6,373	(74)	6,447	-	6,447	East Asia & Australia	4,285	48.7%	50.5%	50.5%
2,941	(54)	2,995	-	2,995	Latin America & Canada	2,842	3.5%	5.4%	5.4%
<b>\$ 28,748</b>	<b>\$ (437)</b>	<b>\$ 29,185</b>	<b>\$ -</b>	<b>\$ 29,185</b>	<b>Total PMI</b>	<b>\$ 26,685</b>	<b>7.7%</b>	<b>9.4%</b>	<b>9.4%</b>



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Adjustments of Net Revenues for the Impact of Currency and Acquisitions  
(\$ in millions) / (Unaudited)

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Quarters Ended September 30,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2017					PMI	2016	% Change		
\$ 2,204	\$ 53	\$ 2,151	\$ -	\$ 2,151	European Union	\$ 2,200	0.2%	(2.2)%	(2.2)%
705	46	659	-	659	Eastern Europe	687	2.6%	(4.1)%	(4.1)%
1,078	(153)	1,231	-	1,231	Middle East & Africa	1,249	(13.7)%	(1.4)%	(1.4)%
1,129	(19)	1,148	-	1,148	South & Southeast Asia	1,015	11.2%	13.1%	13.1%
1,601	(49)	1,650	-	1,650	East Asia & Australia	1,121	42.8%	47.2%	47.2%
756	(14)	770	-	770	Latin America & Canada	710	6.5%	8.5%	8.5%
<b>\$ 7,473</b>	<b>\$ (136)</b>	<b>\$ 7,609</b>	<b>\$ -</b>	<b>\$ 7,609</b>	<b>Total PMI</b>	<b>\$ 6,982</b>	<b>7.0%</b>	<b>9.0%</b>	<b>9.0%</b>



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Adjustments of Net Revenues for the Impact of Currency and Acquisitions  
(\$ in millions) / (Unaudited)

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Six Months Ended June 30,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2017					PMI	2016	% Change		
\$ 3,850	\$ (147)	\$ 3,997	\$ -	\$ 3,997	European Union	\$ 4,018	(4.2)%	(0.5)%	(0.5)%
1,213	130	1,083	-	1,083	Eastern Europe	1,107	9.6%	(2.2)%	(2.2)%
1,939	(291)	2,230	-	2,230	Middle East & Africa	2,159	(10.2)%	3.3%	3.3%
2,077	(7)	2,084	-	2,084	South & Southeast Asia	2,187	(5.0)%	(4.7)%	(4.7)%
2,548	42	2,506	-	2,506	East Asia & Australia	1,914	33.1%	30.9%	30.9%
1,354	(42)	1,396	-	1,396	Latin America & Canada	1,347	0.5%	3.6%	3.6%
<b>\$ 12,981</b>	<b>\$ (315)</b>	<b>\$ 13,296</b>	<b>\$ -</b>	<b>\$ 13,296</b>	<b>Total PMI</b>	<b>\$ 12,732</b>	<b>2.0%</b>	<b>4.4%</b>	<b>4.4%</b>



PHILIP MORRIS  
INTERNATIONAL

Designing a Smoke-Free Future

# 2018 Third-Quarter Results

October 18, 2018