



PHILIP MORRIS  
INTERNATIONAL

Delivering a Smoke-Free Future

# Consumer Analyst Group of New York (CAGNY) Conference

February 20, 2019

André Calantzopoulos  
*Chief Executive Officer*

# 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 those described under Item 1A. "Risk Factors" in PMI's annual report on Form 10-K for the year ended December 31, 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

# Agenda



- Our 2018 performance; 2019 outlook; 2019-2021 targets
- The strength of our combustible tobacco portfolio
- Reduced-risk products:
  - The international e-vapor landscape and our strategy for category leadership
  - Our unrivaled performance in the heated tobacco category
- Closing remarks

# Robust 2018 Performance



## Variance vs. PY

PMI HTU  
IMS Volume

**+93.2%**  
to 44.3 billion units  
Growth in  
all IQOS markets

Net Revenues

**+3.4%**  
(ex-currency)

PMI Total  
Shipment Volume

Flat, ex-inventory  
movements

Combustible  
Tobacco Pricing<sup>(b)</sup>

**+7.6%**

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

**+0.5pp**  
to 28.4%

Adjusted Diluted EPS

**+10.4%**  
(ex-currency)

(a) Excluding China and the U.S.

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

Source: PMI Financials or estimates

# 2019-2021: PMI Compound Annual Growth Targets



## Net Revenues

≥ 5%

CAGR  
ex-Currency

## Adjusted Diluted EPS

≥ 8%

CAGR  
ex-Currency



# Reaffirming 2019 EPS Guidance

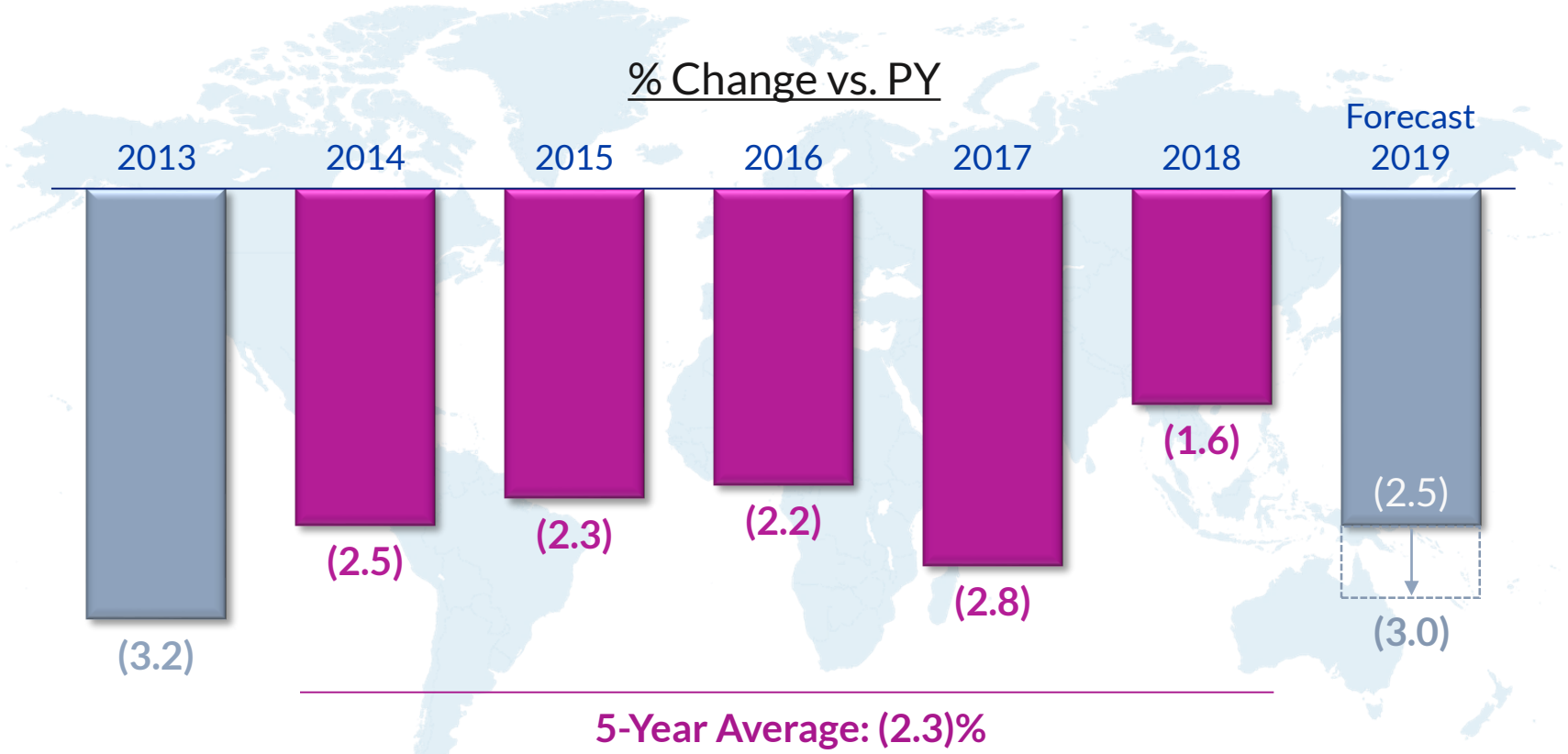
- Reaffirming reported diluted EPS guidance of at least \$5.37, at then-prevailing exchange rates (February 7, 2019), compared to \$5.08 in 2018:
  - Includes approximately 14 cents of unfavorable currency at then-prevailing exchange rates
- Ex-currency, our guidance represents a growth rate of at least 8% compared to adjusted diluted EPS of \$5.10 in 2018
- Assumes:
  - Net revenue growth of at least 5%, ex-currency
  - Operating income margin expansion of at least 100 basis points, ex-currency

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# Consistent Total Industry Volume Trend



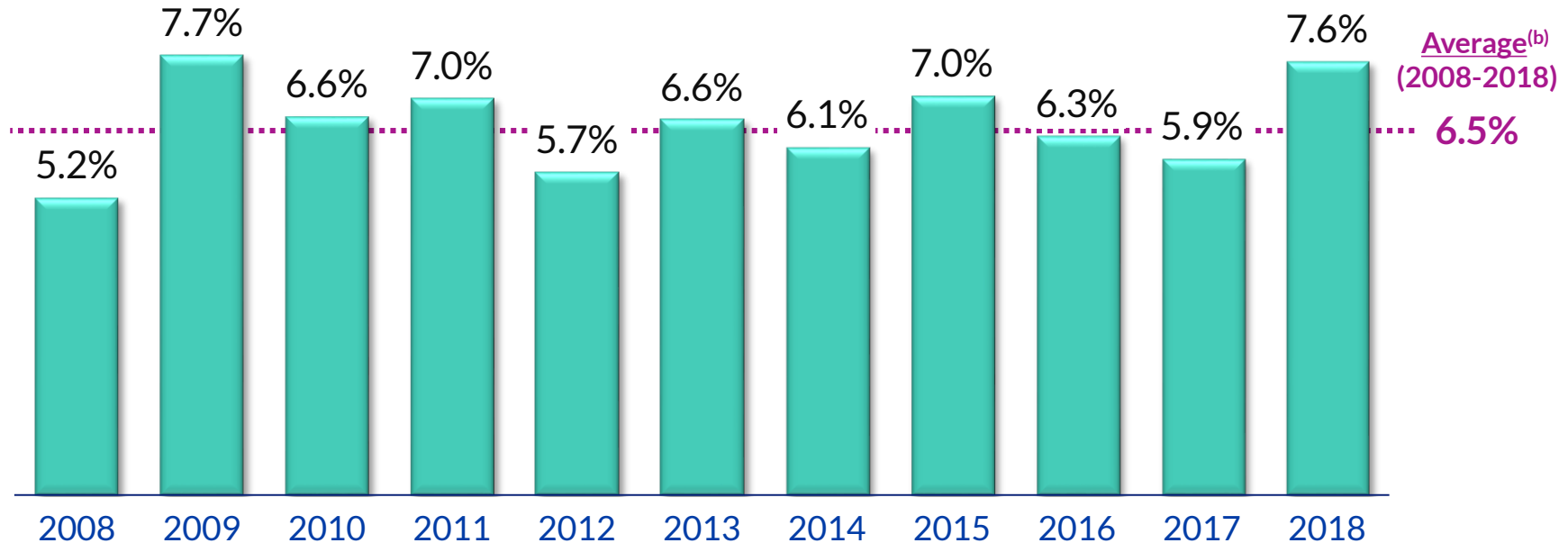
Note: Excluding China and the U.S. Reflects cigarettes and HTUs  
Source: PMI Financials or estimates



# Strong Combustible Tobacco Pricing



PMI Combustible Tobacco Pricing Variance<sup>(a)</sup>



(a) Reflects combustible tobacco pricing as a % of PY combustible tobacco net revenues

(b) Average combustible tobacco pricing variance (2008-2018) over average base combustible product net revenues excluding excise taxes (2007-2017)

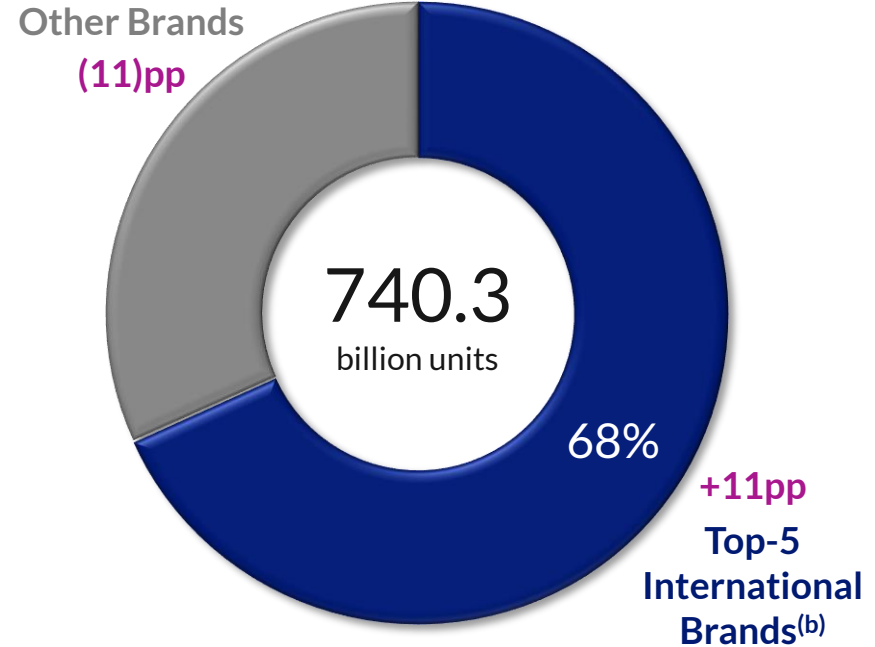
Source: PMI Financials or estimates

# Focused Cigarette Portfolio Strategy



Change vs. 2013

- Committed to maintaining:
  - Leadership of the cigarette category outside China and the U.S.
  - Price positioning for our cigarette brands at the top of their respective segments
- Focusing innovation on fewer, more impactful initiatives:
  - Can be deployed globally and swiftly
  - 44% success rate in 2018<sup>(a)</sup>
- Portfolio rationalization:
  - Brand morphing
  - Elimination of low-volume SKUs



PMI Cigarette Volume (2018)

(a) Success rate is defined as % of innovations meeting a pre-defined threshold, 12 months after launch (0.7% SoM in 12 months after launch)

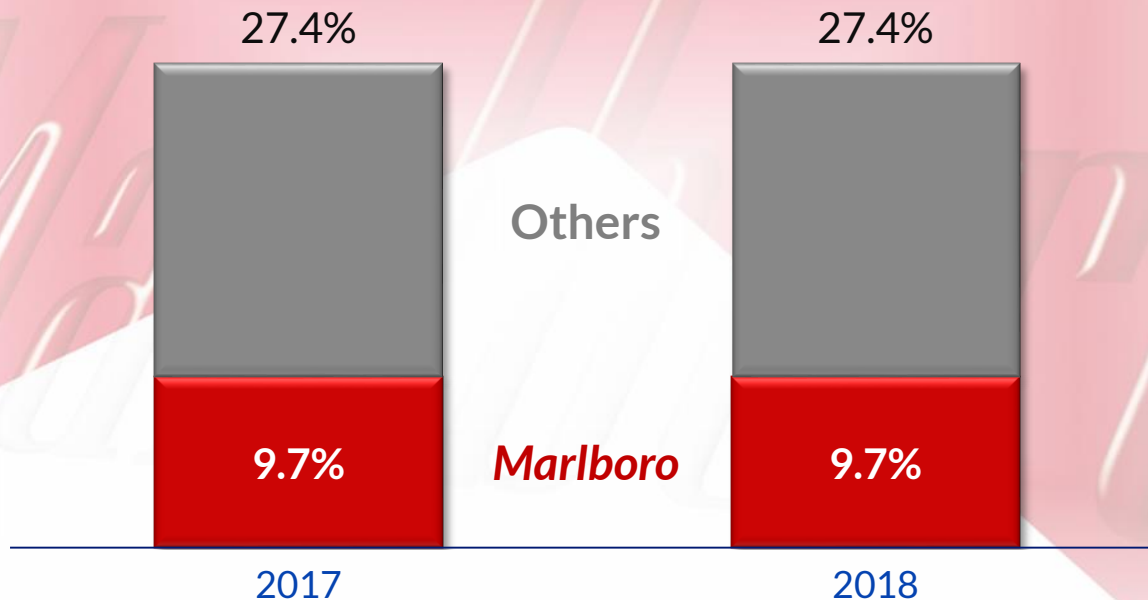
(b) Top-5 international brands in 2018: *Marlboro*, *L&M*, *Chesterfield*, *Philip Morris* and *Parliament*. Change vs. 2013 reflects same list of brands

Source: PMI Financials or estimates

# Maintaining Leadership in the Cigarette Category



## PMI International Cigarette SoM<sup>(a)</sup>



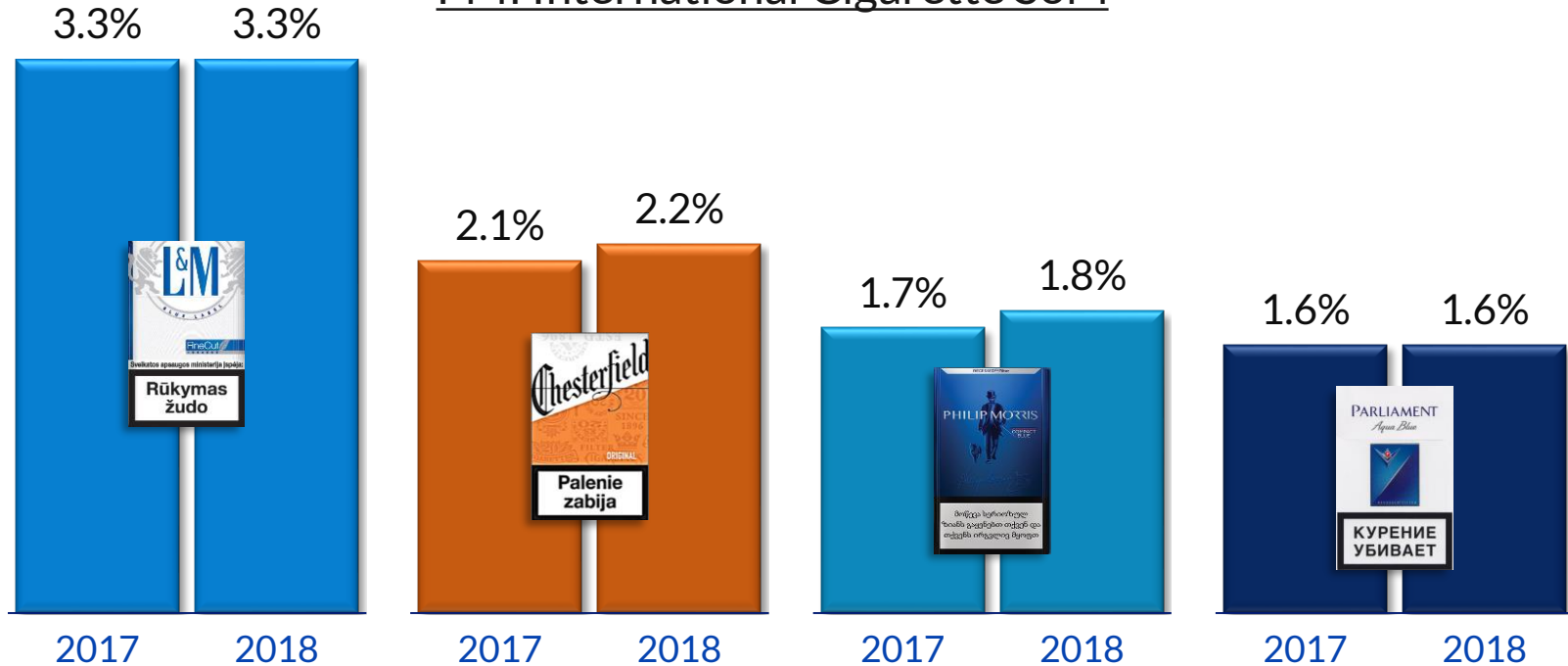
(a) Sales volume of PMI cigarettes as a percentage of the total industry sales volume for cigarettes

Note: Excluding China and the U.S.

Source: PMI Financials or estimates

# Solid Performance from Other Top Cigarette Brands

## PMI International Cigarette SoM<sup>(a)</sup>



(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

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# Ambition for a Smoke-Free Future



# Strategic Pillars Supporting Our Smoke-Free Ambition



1. Adult Consumer Satisfaction
2. Key External Stakeholder Engagement
3. Organizational Readiness



# Strategic Pillars Supporting Our Smoke-Free Ambition



## 1. Adult Consumer Satisfaction:

- One type of product is unlikely to be the answer
- Aim for products that are the most worthy of adult smokers' efforts to switch out of cigarettes and never go back
- Investment behind our smoke-free portfolio is and will be commensurate to their potential





# Strategic Pillars Supporting Our Smoke-Free Ambition



## 2. Key External Stakeholder Engagement:

- Eager to see fiscal and regulatory measures introduced that drive large-scale switching as quickly as possible
- Put in place a rigorous and transparent scientific pre- and post-market assessment program that is unmatched in the industry:
  - This has become a cornerstone of our external engagement

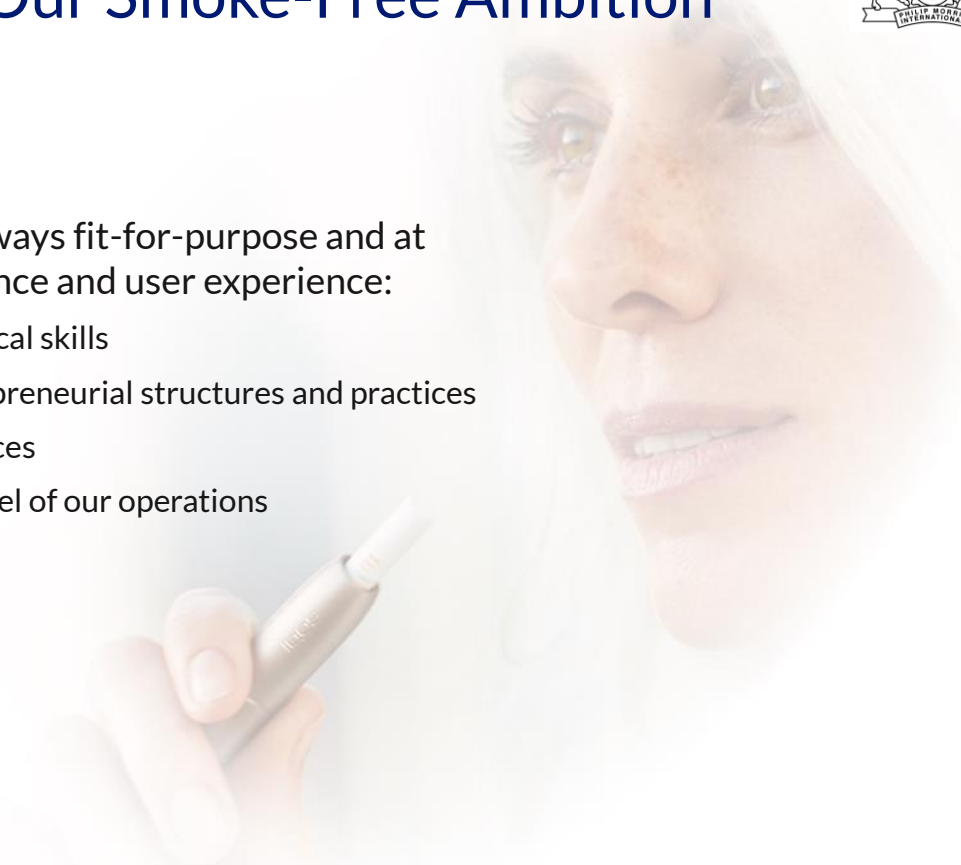


# Strategic Pillars Supporting Our Smoke-Free Ambition



## 3. Organizational Readiness:

- Ensuring that our organization is always fit-for-purpose and at the leading edge of technology, science and user experience:
  - Developing or acquiring new technical skills
  - Implementing more agile and entrepreneurial structures and practices
  - Developing new products and services
  - Driving efficiency through every level of our operations



# Over \$6 billion Invested Behind Our RRP Platforms<sup>(a)</sup>

THE SCIENCE

## "IQOS HeatControl Technology"

BRAND

# IQOS

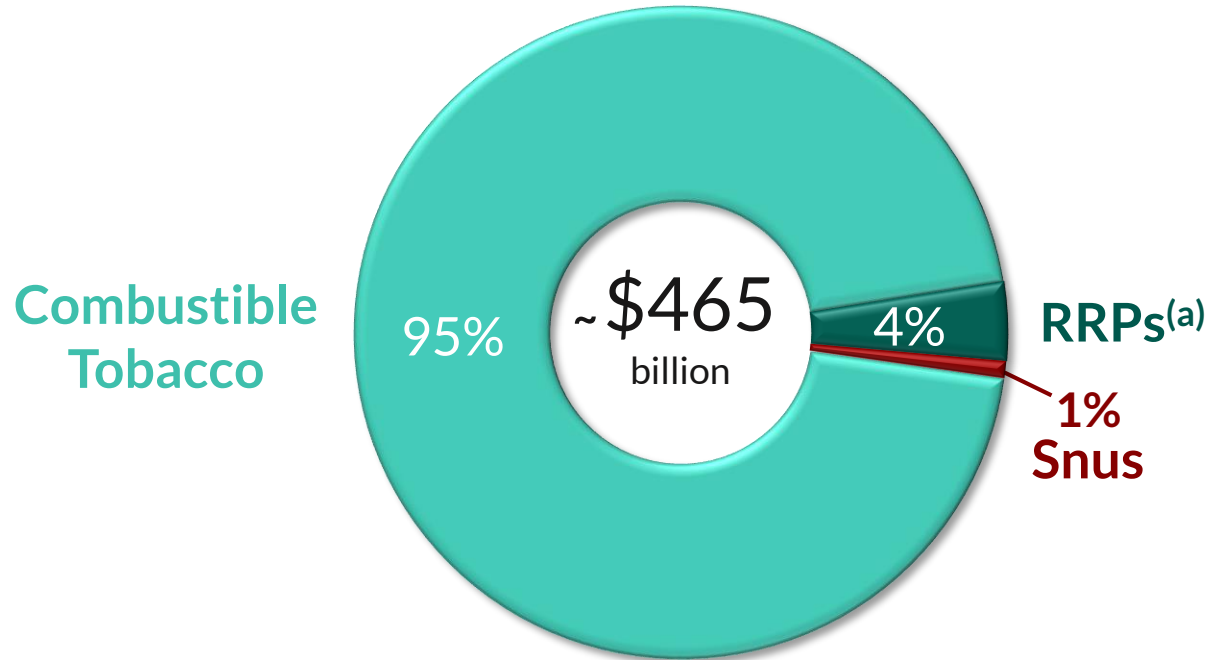
PLATFORMS



(a) From 2008 through 2018

Note: 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

# Nicotine Market International Retail Value (2018)

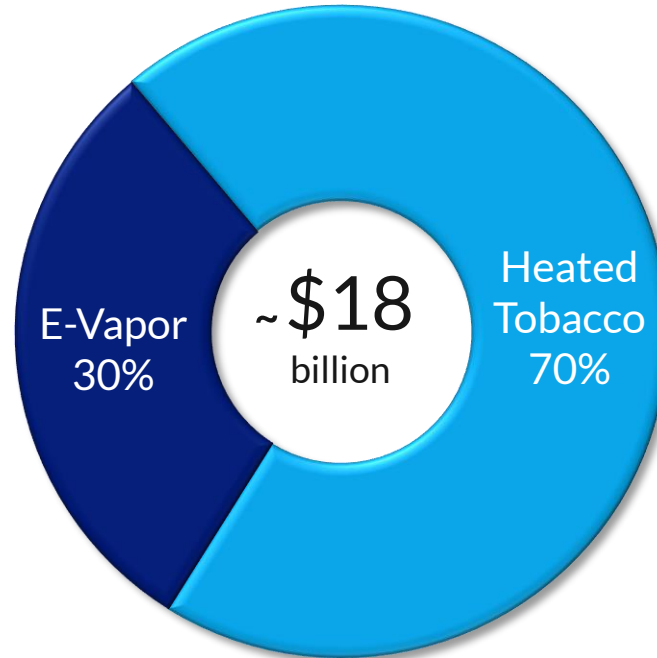


(a) Includes e-vapor and heated tobacco products (devices and consumables)  
Note: Excluding China and the U.S.  
Source: PMI Financials or estimates



# RRP International Retail Value (2018)

**E-Vapor Retail Value**  
(Growth vs. PY)  
~20%

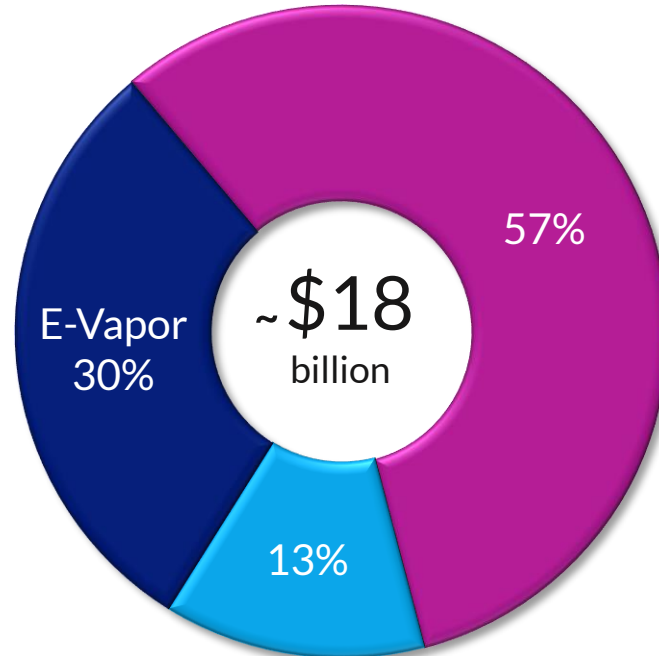


**Heated Tobacco Retail Value**  
(Growth vs. PY)  
~100%

RRP International Retail Value (Growth vs. PY)  
~70%

Note: Excluding China and the U.S. Includes devices and consumables  
Source: PMI Financials or estimates

# RRP International Retail Value (2018)



Other Heated Tobacco<sup>(a)</sup>

(a) Reflects competitors' heated tobacco products  
Note: Excluding China and the U.S. Includes devices and consumables  
Source: PMI Financials or estimates

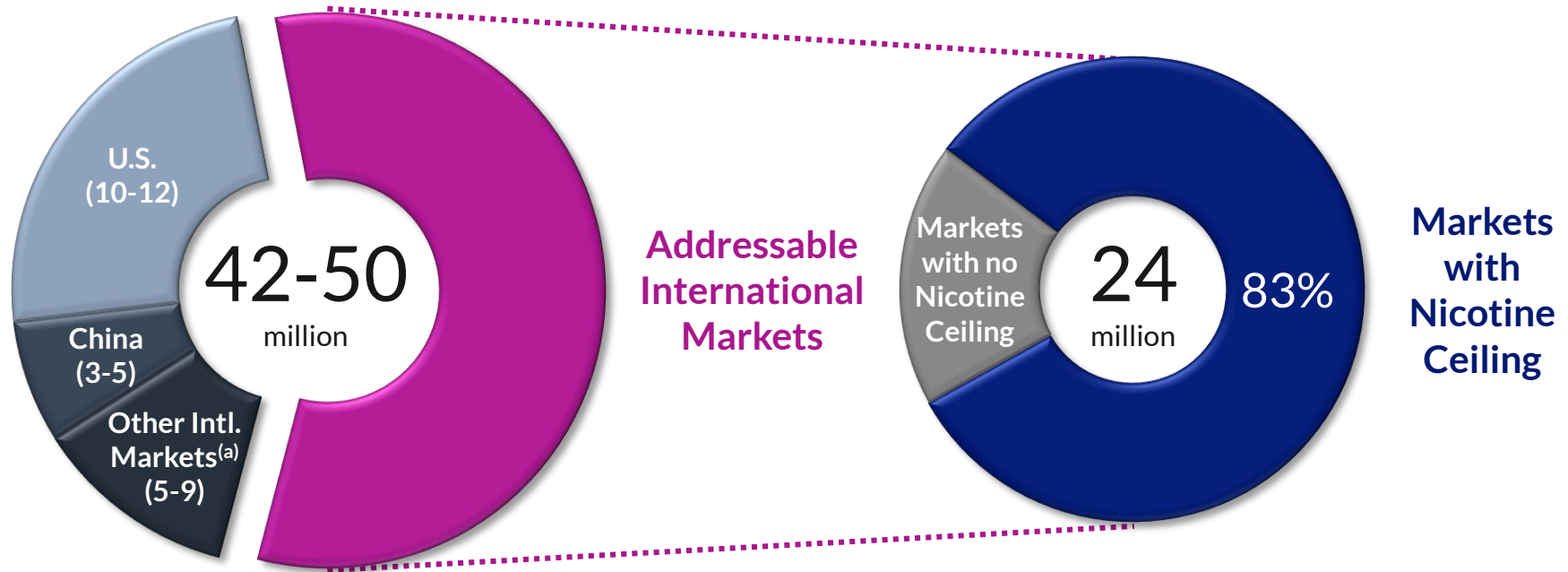
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# Global E-Vapor: User Breakdown by Geography (2018)



## Global E-Vapor Market

(a) Markets where e-vapor is banned or low presence  
Source: PMI Financials or estimates





# International E-Vapor: Regulation and Taxation

- Many regulatory limitations (especially vs. the U.S.):
  - Nicotine concentration ceilings exist in many markets, notably in the EU
- Many countries have introduced outright or maintain de facto e-vapor product bans:
  - Represents some 20% of cigarette volume
- Currently, e-vapor products are subject to low or no excise taxes:
  - As the category becomes more sizeable, it will be important to maintain a significant excise tax differential to cigarettes in a similar logic to heated tobacco



# International E-Vapor: Competitive Environment

- Fragmented competitive environment
- Reasonable manufacturer margins at premium end of closed system market, but still below cigarettes and IQOS
- Optimal price-volume-full adoption equation is admittedly difficult to harness today
- Geographic expansion requires infrastructure and organization-building to drive product awareness and availability, and to adapt to local regulations

# International E-Vapor: Unmet Adult Consumer Preferences



- Category still needs to deliver convincingly against key sensory and satisfaction dimensions
- Consumer uncertainty in many countries about the real health benefits of the category relative to smoking:
  - No manufacturer has produced a total scientific evidence package as we have done with our *IQOS* heated tobacco product
- As no e-vapor product addresses all current adult consumer preferences or pain points, we see a significant opportunity with *IQOS MESH*



# PMI: Long Recognized E-Vapor's Role in Delivering a Smoke-Free Future

- Deliberately prioritized *IQOS* heated tobacco platform:
  - Best addresses the preferences of adult smokers
  - Highest switching ability
  - Consumer credibility and trust
  - Strong brand image
  
- Not been idle on e-vapor products:
  - Invested significantly in their development
  - Now ready to introduce them at scale

# IQOS MESH Addresses Adult Consumer Key Preferences



- Eliminated the need for manual replacement
- Adaptable technology; can operate efficiently with a wide array of e-liquid formulations
- Prevents the formation of formaldehyde in the aerosol
- Tobacco-specific nitrosamines and toxic metals not detected in the *IQOS MESH* aerosol
- Approximately 30% more efficient vs. coil and wick systems at the same power level or at the same size<sup>(a)</sup>

(a) *IQOS MESH* vs. a selection of popular e-cigarette systems (open, closed systems and MODs) currently sold in the U.K.  
Source: PMI Research & Development



# Successfully Introduced *IQOS MESH* in the U.K. on a Limited Scale

- Large format; primarily addresses open system consumer preferences
- Positive adult consumer reception:
  - View technology as addressing the fundamental requirements of consistency, reliability and convenience
  - Appreciate our range of superior flavors which offer sensorial satisfaction
- Learnings instructed further product improvements

# New *IQOS MESH* Launch Later This Year

- Making further investments to support our e-vapor manufacturing capacity
- Plan to meaningfully enter the category later this year
- Our clear objective is to achieve sustainable e-vapor category leadership over time

New Range of  
Device Sizes



# Agenda

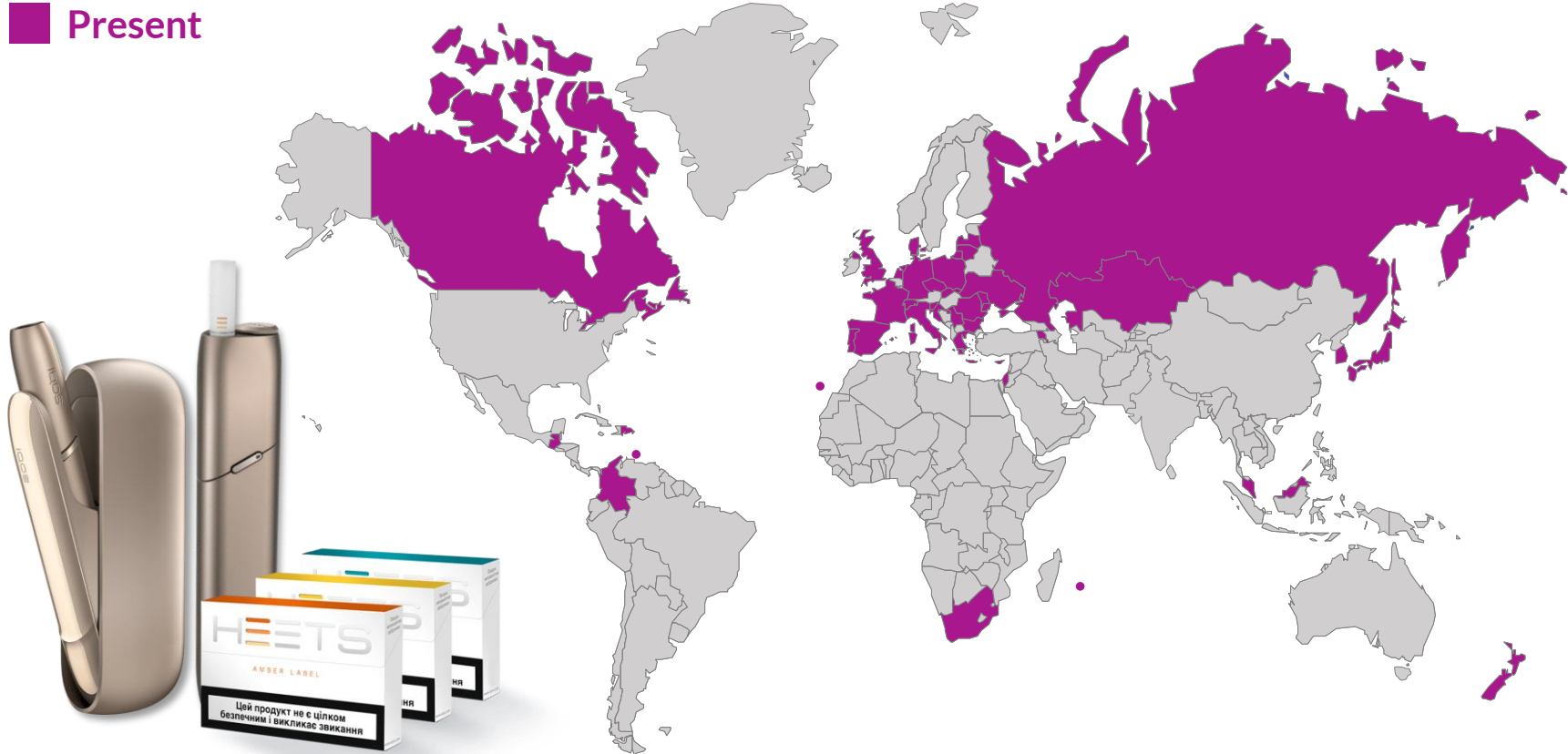


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# IQOS is Now in 44 Markets

■ Present

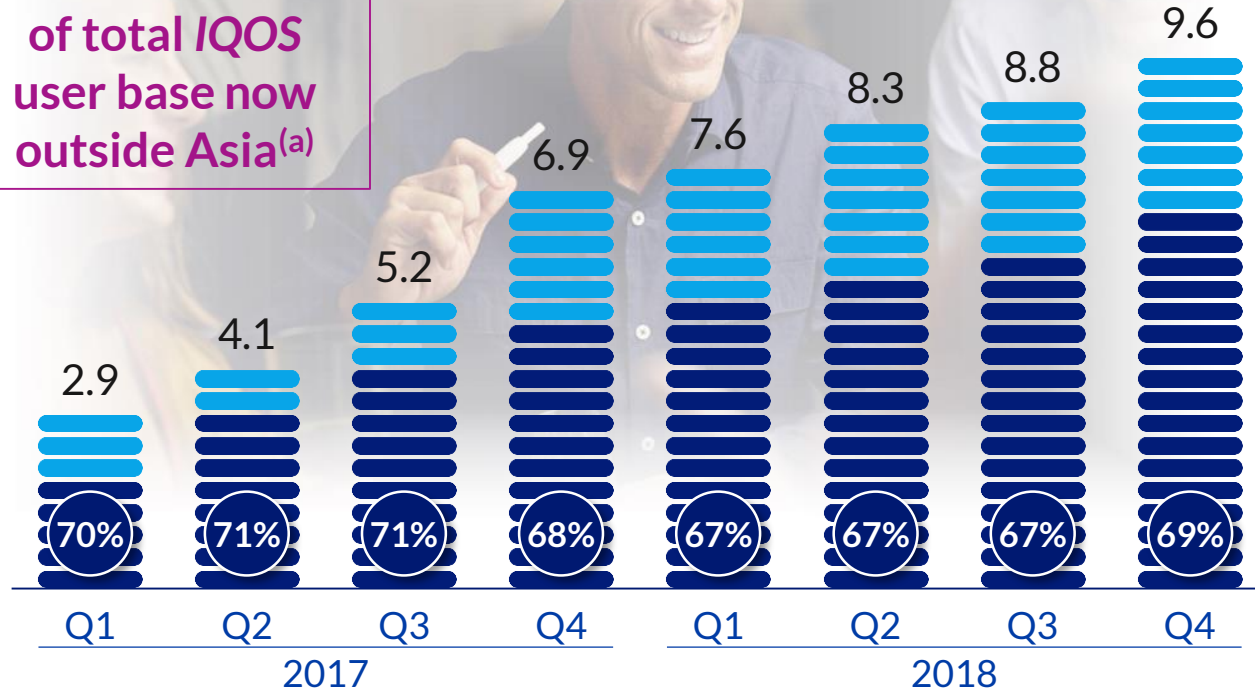


Note: Status at February 7, 2019. The number of markets includes Duty Free

# Continued IQOS User Growth

(in millions)

~1/3  
of total IQOS  
user base now  
outside Asia<sup>(a)</sup>



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

Estimated users who have stopped smoking and switched to IQOS<sup>(b)</sup>

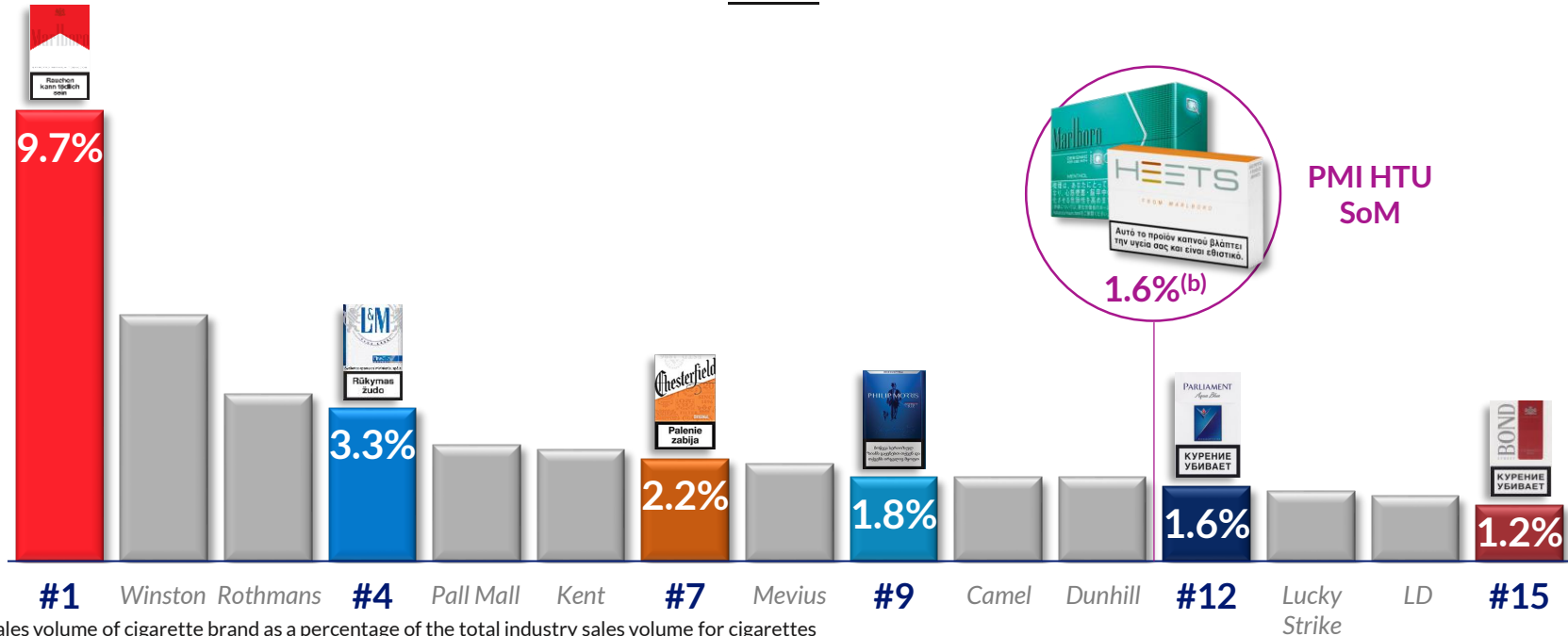
(a) As of Q4, 2018

(b) See Glossary for definition

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

# PMI HTU Share Ranks Among Top-15 International Brands in 2018

SoM<sup>(a)</sup>



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

# IQOS's Growing Contribution to Net Revenues

**Over  
\$4 billion**

in 2018  
total RRP  
net revenues



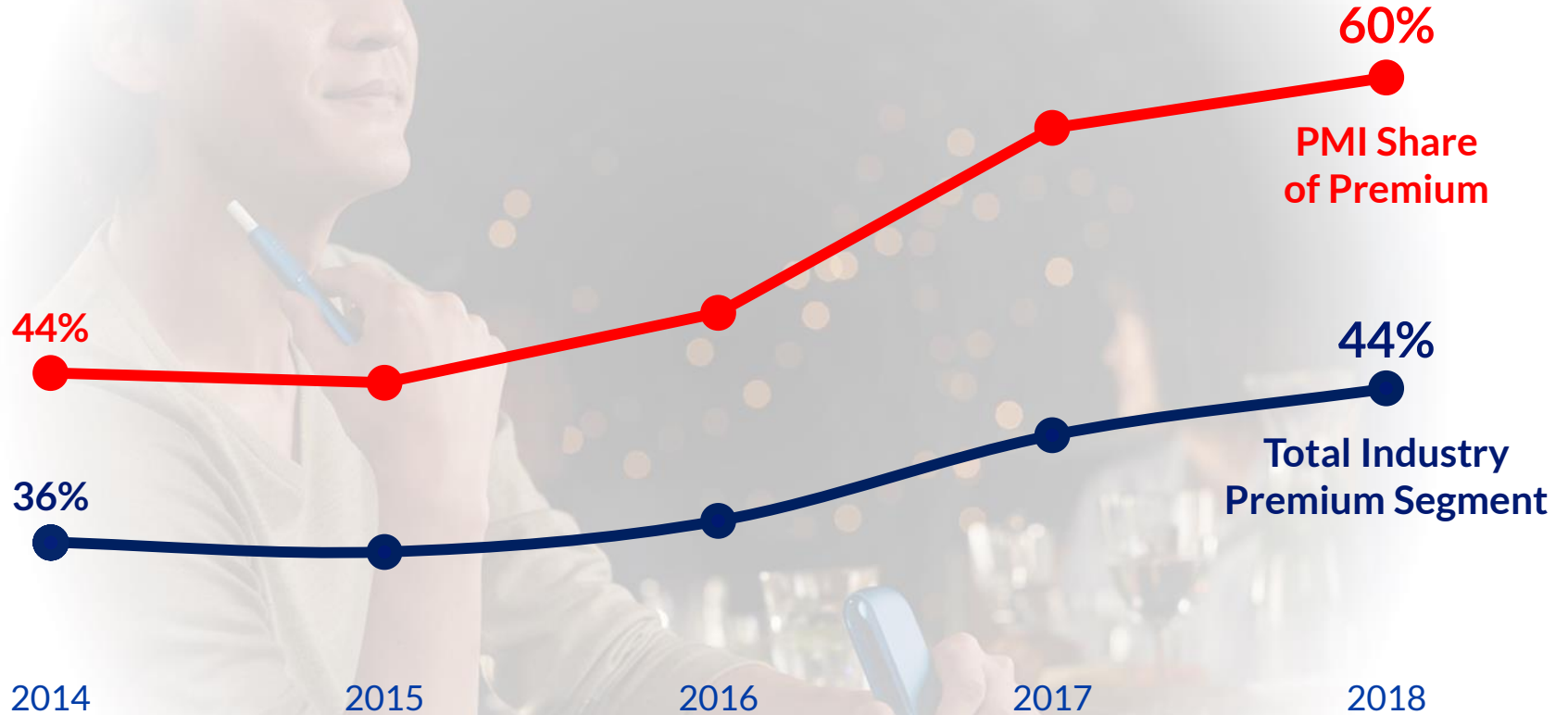
# Encouraging Sequential PMI HTU Offtake Share in Japan



Note: Offtake share represents select C-Store sales volume for HTUs as a percentage of the total retail sales volume for cigarettes and HTUs in these C-Stores  
Source: PMI Financials or estimates

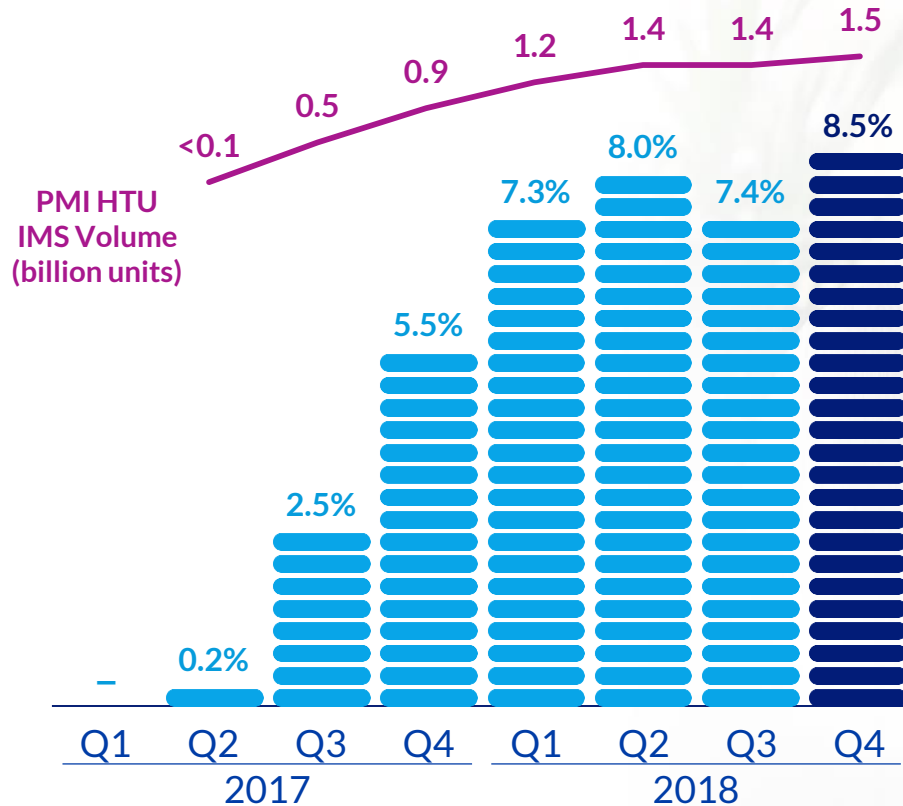


# IQOS Fueling Premium Segment Growth in Japan



Note: Historical view. Reflects cigarettes and HTUs. Premium includes above premium  
Source: PMI Financials or estimates, and Tobacco Institute of Japan

# HEETS Share in Korea



- Q4, 2018 share distorted by trade inventory movements:
  - Ahead of the change in health warnings on heated tobacco products in late-December 2018
- FY 2018 share up by 5.8 points to 7.8%

# Sequential *HEETS* Share Growth in the EU Region



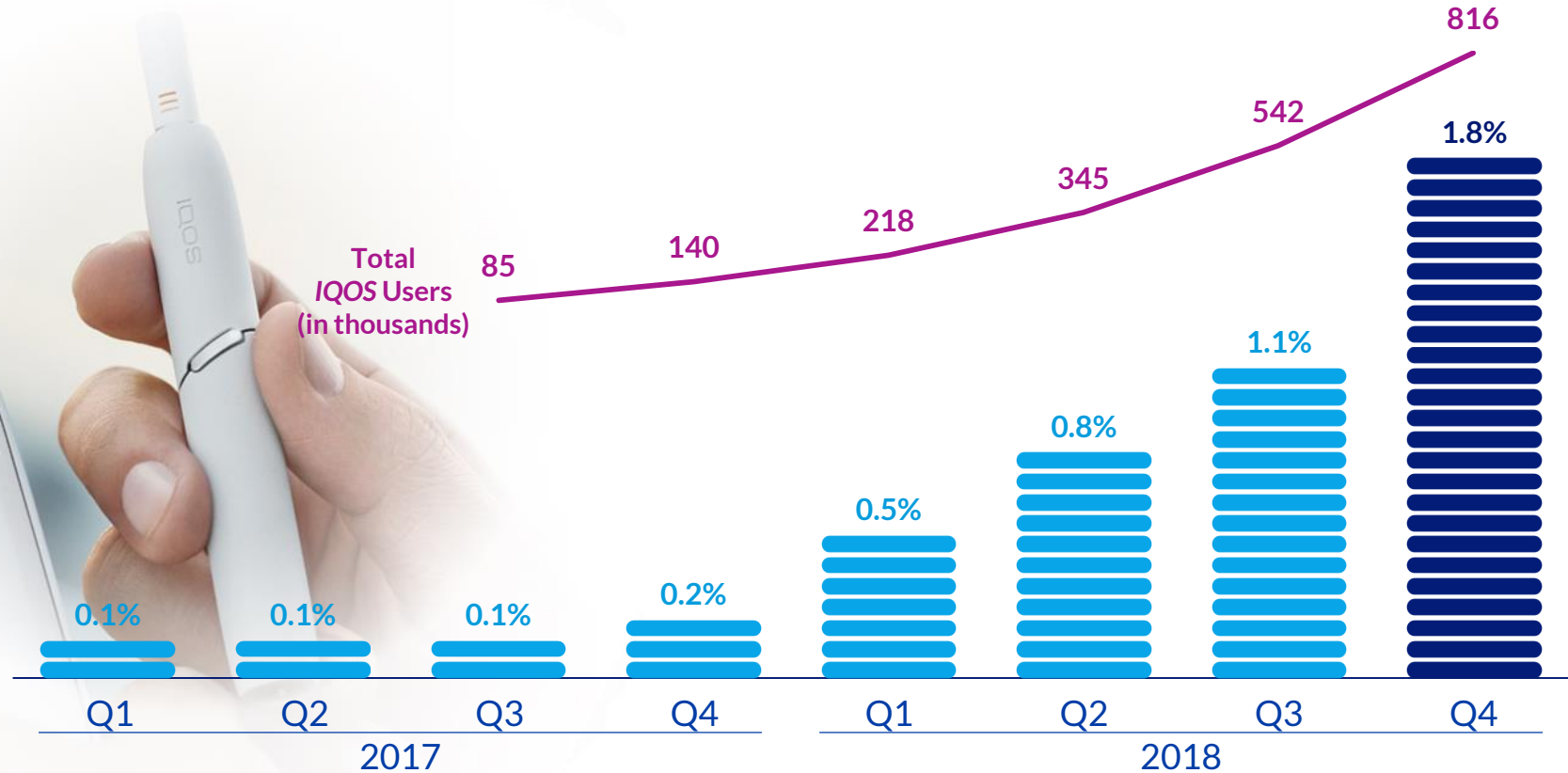




# Select EU Region *HEETS* Market Shares

|                | <u>Q4, 2018</u> | <u>Growth vs. PY</u> |                 | <u>Q4, 2018</u> | <u>Growth vs. PY</u> |
|----------------|-----------------|----------------------|-----------------|-----------------|----------------------|
| Bulgaria       | 4.7%            | +4.5pp               | Lithuania       | 8.5%            | +6.3pp               |
| Croatia        | 1.7             | +1.7                 | Poland          | 1.5             | +0.9                 |
| Czech Republic | 4.2             | +3.2                 | Portugal        | 4.4             | +2.9                 |
| Germany        | 0.8             | +0.6                 | Romania         | 2.1             | +0.4                 |
| Greece         | 6.6             | +3.8                 | Slovak Republic | 6.0             | +4.6                 |
| Italy          | 3.3             | +2.1                 | Slovenia        | 2.2             | +1.6                 |
| Latvia         | 1.6             | +1.6                 | Switzerland     | 2.1             | +0.9                 |

# Sequential *HEETS* Share Growth in Russia

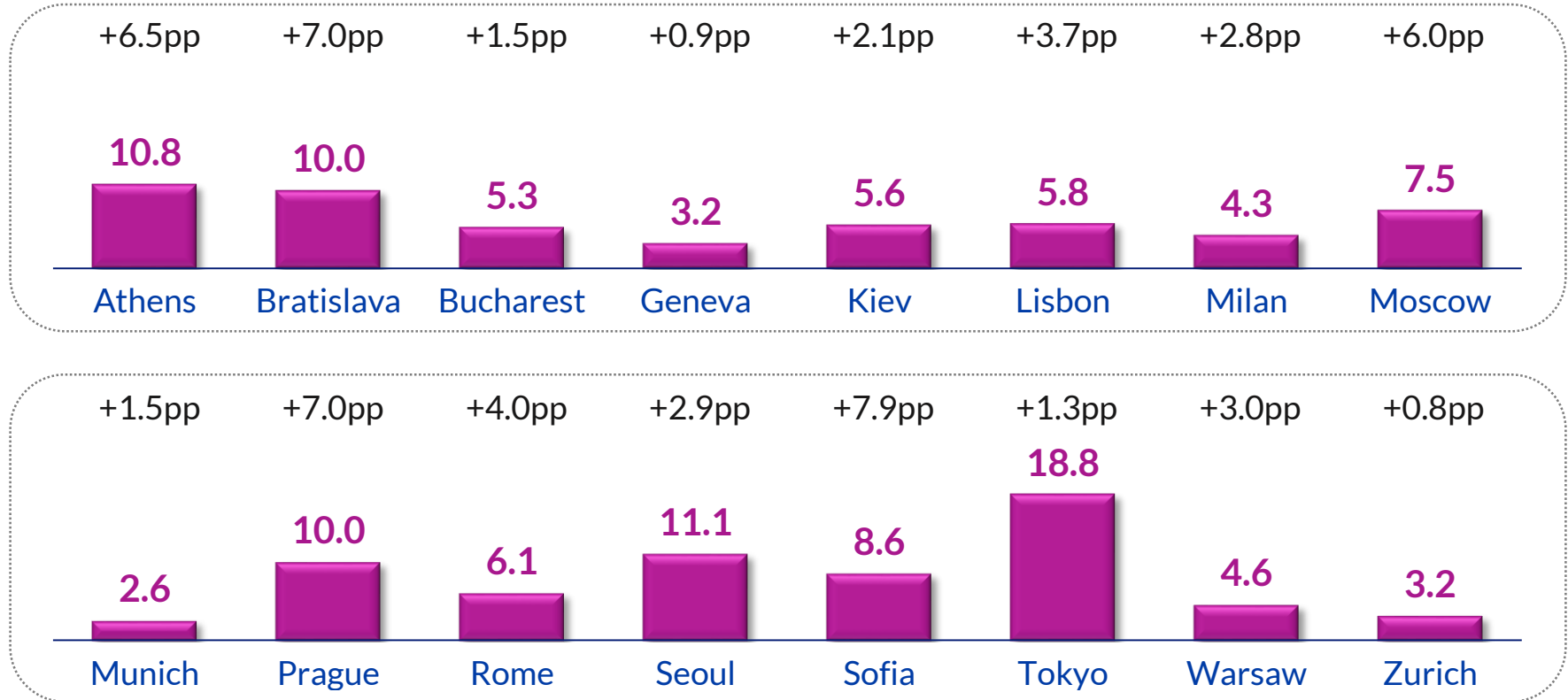




# PMI HTU Key City Offtake Shares in Q4, 2018

(%)

Growth vs. PY



# Global Launch of Next Generation of IQOS, the World's Leading Heated Tobacco Product



- Stylish, discreet design
- Intuitive user experience
- Premium
- Shortened recharge time and longer battery life vs. *IQOS 2.4 Plus*
- Creatively customizable



- Sleek, all-in-one pocket design
- Intuitive user experience
- Premium
- Continuous back-to-back use
- Creatively customizable
- Enhanced portability

new  
**IQOS 3**

new  
**IQOS 3 MULTI**

# Confident in 90-100 Billion HTU Shipment Target by 2021



- Driven by growth in every IQOS market, including Japan and Korea
- Reflects geographic expansion within current IQOS markets, as well as new market launches
- Assumes no improvement in the current regulations for heated tobacco products

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**Corresponds to total IQOS net revenues of approximately \$8.5 to \$9.5 billion<sup>(a)</sup>**

(a) Assuming current retail selling price and excise tax levels. Includes devices and consumables  
Source: PMI Financials or estimates

# Our Smoke-Free Strategy, the Single-Largest Opportunity to Accelerate Business Growth

- Robust 2018 performance; foundation laid for a strong business performance in 2019 and beyond
- Combustible tobacco portfolio remains strong
- IQOS continues to grow globally
- Additional opportunity from international e-vapor category; investing thoughtfully and deliberately to best address the preferences of adult smokers
- Continue to generously reward our shareholders over time



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Delivering a Smoke-Free Future

# Consumer Analyst Group of New York (CAGNY) Conference Questions & Answers

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# **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
- "Total shipment 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)



## 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
- "SKU" stands for stock keeping unit
- "SoM" stands for share of market

# 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
- Historical view extracts the share data as reported at a given period, while current view generates the restated data across all periods as per the latest attribute information



# 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 for PMI include the company's *HEETS*, *HEETS Marlboro* and *HEETS FROM MARLBORO*, defined collectively as *HEETS*, as well as *Marlboro HeatSticks* and *Parliament HeatSticks*
- HTU "offtake volume" represents the estimated retail offtake of HTUs based on a selection of sales channels that vary by market, but notably include retail points of sale and e-commerce platforms
- HTU "offtake share" represents the estimated retail offtake volume of HTUs divided by the sum of estimated total offtake volume for cigarettes and HTUs
- National market share for HTUs is defined as the total sales volume for HTUs as a percentage of the total estimated sales volume for cigarettes and HTUs



# Glossary: Reduced-Risk Products (cont.)

- "Converted IQOS Users" means the estimated number of Legal Age (minimum 18-year-old) IQOS users that used PMI HTUs 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 PMI HTUs 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 HTUs 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 HTUs represents the totality of their daily tobacco consumption in the past seven days, of which at least 70% are PMI HTUs
- "Situational IQOS Users" means the estimated number of Legal Age (minimum 18-year-old) IQOS users that used PMI HTUs 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 PMI HTUs for less than 5% of their daily tobacco consumption over the past seven days
- "Total IQOS users" means the estimated number of Legal Age (minimum 18-year-old) IQOS users that used PMI HTUs for at least 5% of their daily tobacco consumption over the past seven days
- "HPHCs" stands for harmful or potentially harmful constituents



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Net Revenues by Product Category and 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 |
|------------------|-----------------|---------------------------------|--------------|--|------------------------------|------------------|-----------------|--------------------|-----------------------------------|
| <b>2018</b>      |                 |                                 |              |  | <b>Reduced-Risk Products</b> | <b>2017</b>      | <b>% Change</b> |                    |                                   |
| \$ 865           | \$ 36           | \$ 829                          | \$ -         | \$ 829   | European Union               | \$ 269           | +100%           | +100%              | +100%                             |
| 324              | (22)            | 346                             | -            | 346  | Eastern Europe               | 55               | +100%           | +100%              | +100%                             |
| 382              | 4               | 378                             | -            | 378  | Middle East & Africa         | 94               | +100%           | +100%              | +100%                             |
| -                | -               | -                               | -            | -  | South & Southeast Asia       | -                | -               | -                  | -                                 |
| 2,506            | 33              | 2,474                           | -            | 2,474  | East Asia & Australia        | 3,218            | (22.1)%         | (23.1)%            | (23.1)%                           |
| 19               | -               | 19                              | -            | 19   | Latin America & Canada       | 4                | +100%           | +100%              | +100%                             |
| <b>\$ 4,096</b>  | <b>\$ 51</b>    | <b>\$ 4,045</b>                 | <b>\$ -</b>  | <b>\$ 4,045</b>                                | <b>Total RRPs</b>            | <b>\$ 3,640</b>  | <b>12.5%</b>    | <b>11.1%</b>       | <b>11.1%</b>                      |
| <b>2018</b>      |                 |                                 |              |  | <b>PMI</b>                   | <b>2017</b>      | <b>% Change</b> |                    |                                   |
| \$ 9,298         | \$ 489          | \$ 8,809                        | \$ -         | \$ 8,809                                       | European Union               | \$ 8,318         | 11.8%           | 5.9%               | 5.9%                              |
| 2,921            | (118)           | 3,039                           | -            | 3,039  | Eastern Europe               | 2,711            | 7.7%            | 12.1%              | 12.1%                             |
| 4,114            | (193)           | 4,307                           | -            | 4,307  | Middle East & Africa         | 3,988            | 3.2%            | 8.0%               | 8.0%                              |
| 4,656            | (244)           | 4,900                           | -            | 4,900  | South & Southeast Asia       | 4,417            | 5.4%            | 10.9%              | 10.9%                             |
| 5,580            | 62              | 5,518                           | -            | 5,518  | East Asia & Australia        | 6,373            | (12.4)%         | (13.4)%            | (13.4)%                           |
| 3,056            | (99)            | 3,155                           | -            | 3,155  | Latin America & Canada       | 2,941            | 3.9%            | 7.3%               | 7.3%                              |
| <b>\$ 29,625</b> | <b>\$ (103)</b> | <b>\$ 29,728</b>                | <b>\$ -</b>  | <b>\$ 29,728</b>                               | <b>Total PMI</b>             | <b>\$ 28,748</b> | <b>3.1%</b>     | <b>3.4%</b>        | <b>3.4%</b>                       |

Note: Sum of Regions might not foot to total due to rounding





# 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)

|   | Years Ended December 31, |                |              |
|---|--------------------------|----------------|--------------|
|   | 2018                     | 2017           | % Change     |
| <b>Reported Diluted EPS</b>                     | <b>\$ 5.08</b>           | <b>\$ 3.88</b> | <b>30.9%</b> |
| Currency  | (0.11)                   |                |              |
| <b>Reported Diluted EPS, excluding Currency</b> | <b>\$ 5.19</b>           | <b>\$ 3.88</b> | <b>33.8%</b> |

|   | Years Ended December 31, |                |              |
|---|--------------------------|----------------|--------------|
|   | 2018                     | 2017           | % Change     |
| <b>Reported Diluted EPS</b>                     | <b>\$ 5.08</b>           | <b>\$ 3.88</b> | <b>30.9%</b> |
| Asset impairment and exit costs                 | -                        | -              |              |
| Tax items                                       | 0.02                     | 0.84           |              |
| <b>Adjusted Diluted EPS</b>                     | <b>\$ 5.10</b>           | <b>\$ 4.72</b> | <b>8.1%</b>  |
| Currency  | (0.11)                   |                |              |
| <b>Adjusted Diluted EPS, excluding Currency</b> | <b>\$ 5.21</b>           | <b>\$ 4.72</b> | <b>10.4%</b> |



PHILIP MORRIS  
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# Consumer Analyst Group of New York (CAGNY) Conference

February 20, 2019