



PHILIP MORRIS  
INTERNATIONAL

Delivering a Smoke-Free Future

# Consumer Analyst Group of New York (CAGNY) Conference

February 19, 2020



**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, 2019. 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
- 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 and our business transformation metrics are at the end of today's webcast slides, which are posted on our website
- Comparisons are presented on a "like-for-like" basis reflecting pro forma 2018 results, which have been adjusted for the deconsolidation of our Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), effective March 22, 2019



A CHANGE IN  
PERSPECTIVE IS  
ALL IT TAKES.

WHEN YOU DISCOVER A BETTER WAY.  
YOU CAN'T HELP BUT SMILE.

**IQOS**  
SIMPLY AMAZING

# Agenda

- 2019 performance and mid-term outlook
- The evolving industry landscape
- PMI's portfolio strategy and competitive strengths
- Maintaining combustible tobacco leadership
- Creating a sustainable operating environment
- Closing remarks



# Excellent Year in 2019

(Variance vs. PY)

	<u>2019</u>
<b>PMI HTU Shipment Volume</b> (billion units)	<b>60</b> (+44%)
<b>PMI Total Shipment Volume</b> (like-for-like)	<b>(1.4)%</b>
<b>Net Revenues</b> (ex-currency, like-for-like)	<b>+6.4%</b>
<b>Combustible Tobacco Pricing<sup>(a)</sup></b> (like-for-like)	<b>+6.5%</b>
<b>Adjusted OI Margin</b> (ex-currency, like-for-like)	<b>+170bps</b>
<b>Adjusted Diluted EPS</b> (ex-currency, like-for-like)	<b>+9.9%</b>

(a) As a percentage of PY combustible tobacco net revenues

Source: PMI Financials or estimates



# Robust 2020 Outlook

(Variance vs. PY)

	<u>2019</u>	<u>2020</u>
<b>PMI HTU Shipment Volume</b> (billion units)	<b>60</b> (+44%)	<b>90-100</b> by 2021
<b>PMI Total Shipment Volume</b> (like-for-like)	<b>(1.4)%</b>	<b>(2.5)-(3.5)%</b>
<b>Net Revenues</b> (ex-currency, like-for-like)	<b>+6.4%</b>	<b>~5%</b>
<b>Combustible Tobacco Pricing<sup>(a)</sup></b> (like-for-like)	<b>+6.5%</b>	<b>~5%</b>
<b>Adjusted OI Margin</b> (ex-currency, like-for-like)	<b>+170bps</b>	<b>≥150bps</b>
<b>Adjusted Diluted EPS</b> (ex-currency, like-for-like)	<b>+9.9%</b>	<b>≥8%</b>

(a) As a percentage of PY 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



# 2020: Reaffirming EPS Guidance

- Reaffirming reported diluted EPS guidance of at least \$5.50, at then-prevailing exchange rates (February 6, 2020), compared to \$4.61 in 2019:
  - Includes approximately four cents of unfavorable currency at then-prevailing exchange rates
- On a currency-neutral like-for-like basis, our guidance represents a growth rate of at least 8% compared to pro forma adjusted diluted EPS of \$5.13 in 2019
- Strong Q1 with double-digit currency-neutral like-for-like adjusted EPS growth expected, and a notably softer Q2
- Coronavirus impact:
  - As of now, no impact on IQOS device supply
  - Modest impact on Duty-Free sales



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# RRPs Enhance Industry Profile

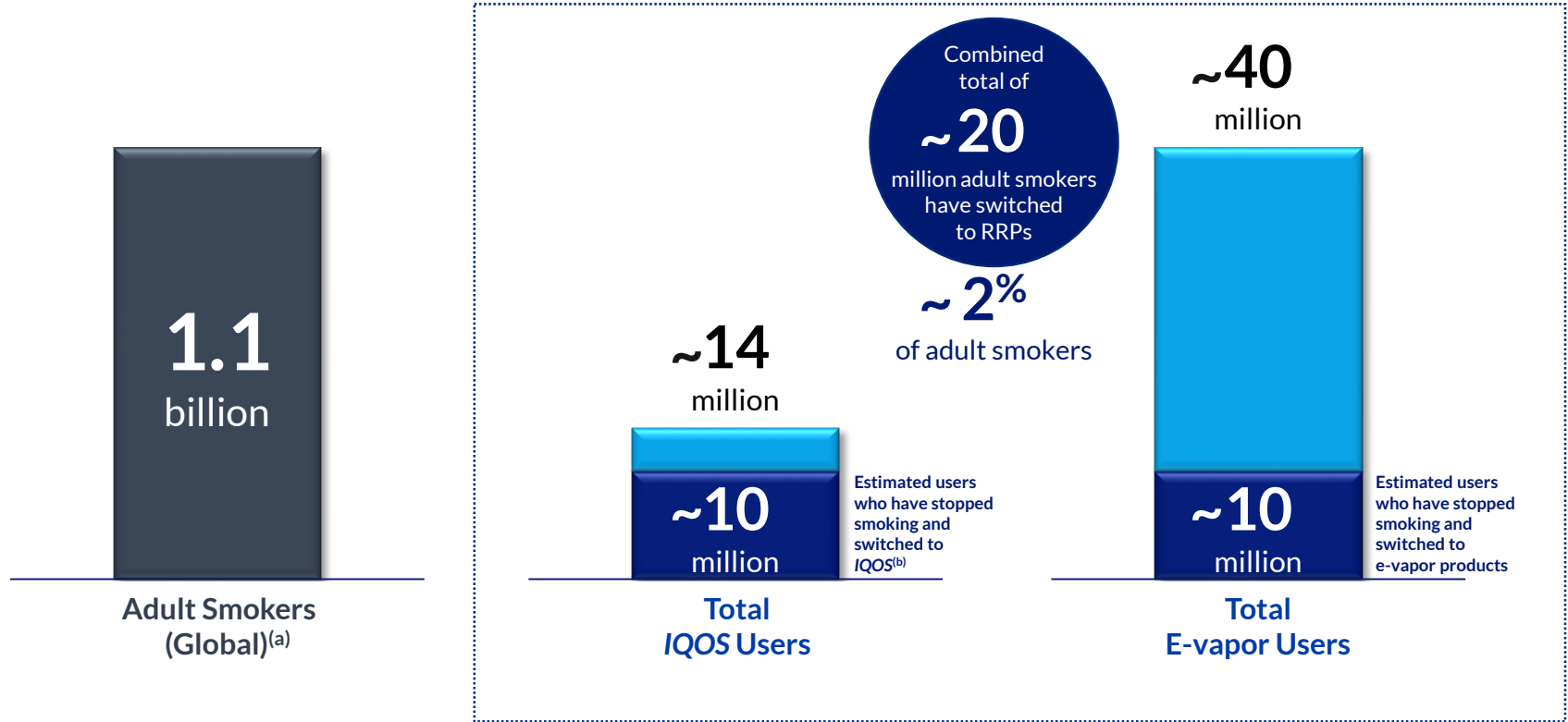
- Gaining credibility among adult consumers; stakeholder consensus lagging
- Better understanding of category dynamics:
  - Key product categories are established
  - Favorable unit margins in heated tobacco and closed e-vapor categories
  - Increasing number of adult smokers seeking better alternatives to cigarettes
- Sustainable and enhanced profit growth

**Accelerating the growth of the smoke-free category benefits adult smokers, society and shareholders**





# The RRP Opportunity Remains Vast ...



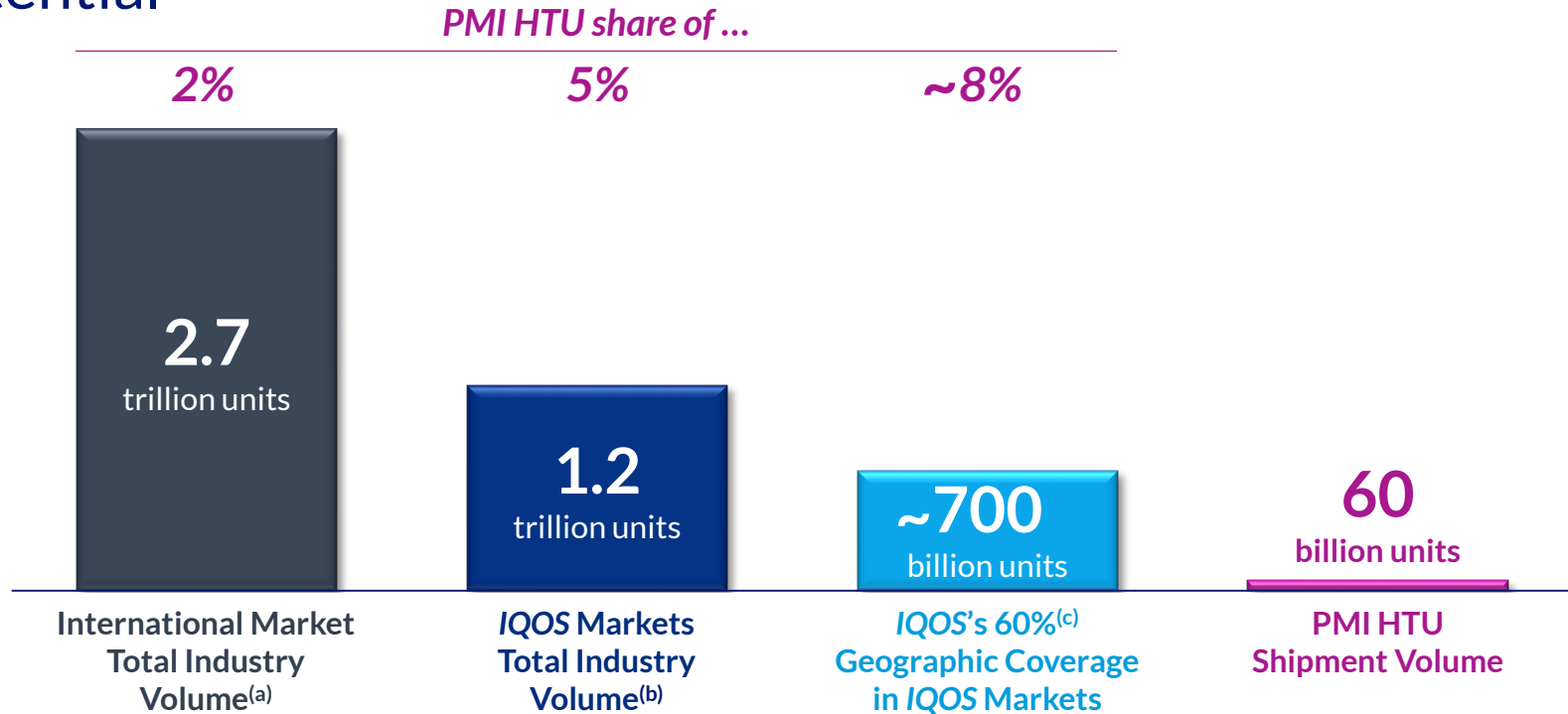
(a) Source: World Health Organization (WHO)

(b) Status at December 31, 2019. See glossary for definition

Source: PMI Financials or estimates, IQOS User Panels and PMI Market Research



# ... However RRPs Have Only Scratched the Surface of Their Potential



(a) Excluding China and the U.S.

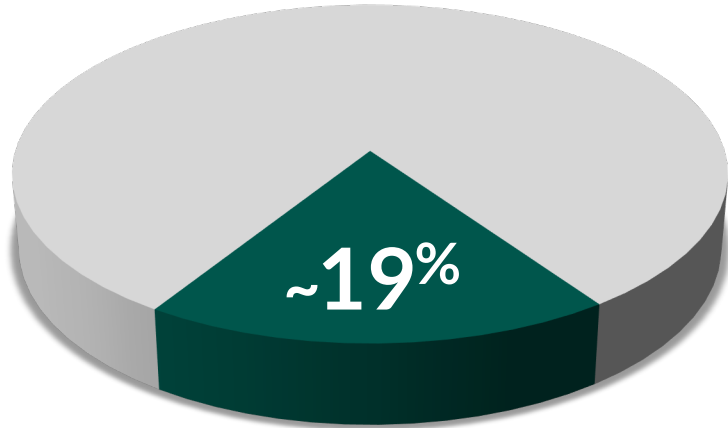
(b) Excluding the U.S.

(c) Weighted average

Note: Total volume reflects cigarettes and HTUs

Source: PMI Financials or estimates (2019)

# RRPs, Already Around 1/5 of Our Total Net Revenues in 2019



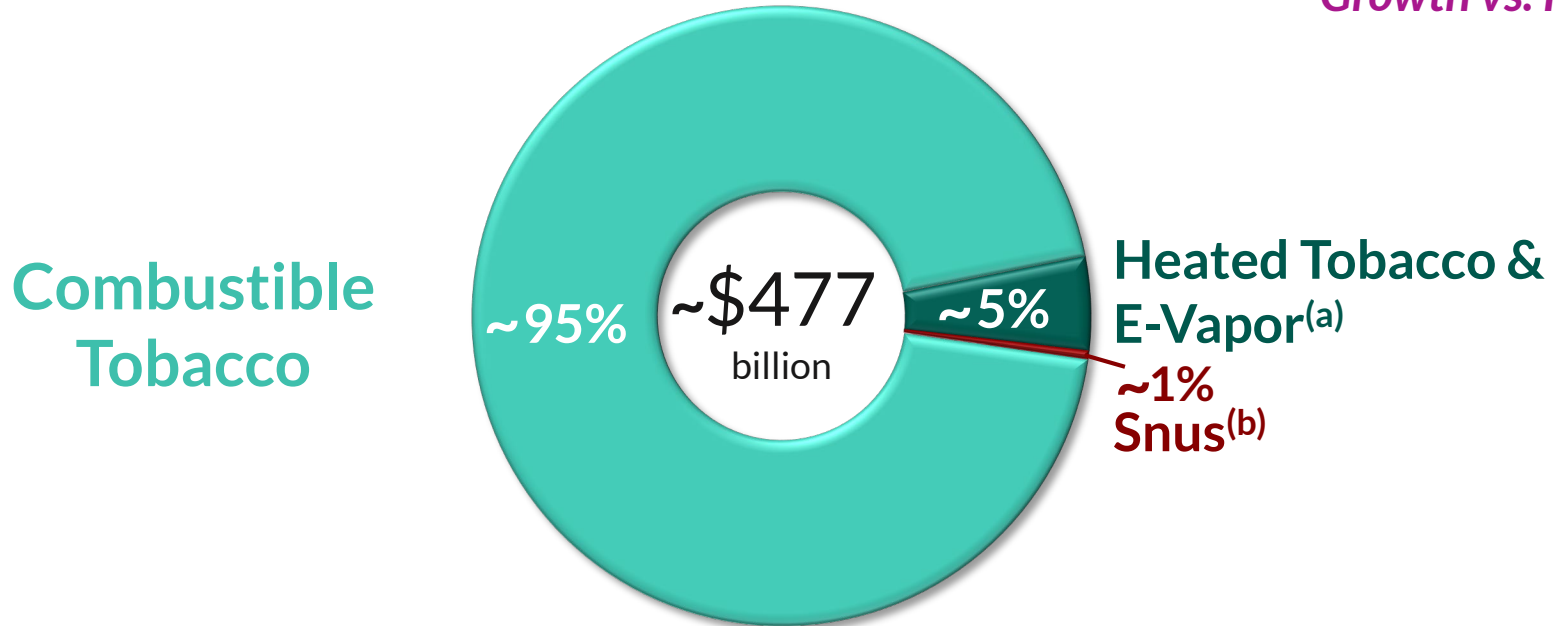
**Reduced-Risk Products**  
(\$5.6 billion)

# Still a Small Portion of Total Nicotine Retail Value



Nicotine Market International Retail Value (2019)

**~4%**  
Growth vs. PY



(a) Includes e-vapor, heated tobacco products (devices and consumables)

(b) Includes nicotine pouches

Note: Excluding China and the U.S. Does not foot due to rounding

Source: PMI Financials or estimates

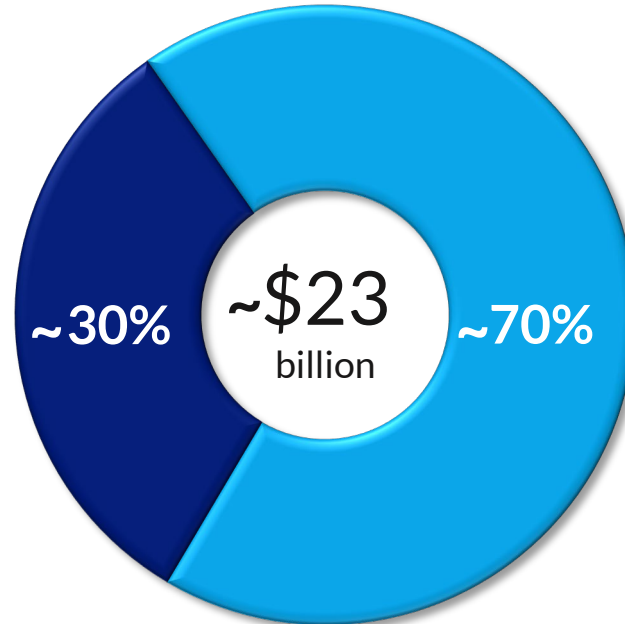


# Principal RRP Categories Established

International Retail Value (2019)

**~20%**  
Growth vs. PY

**E-vapor**  
**~14%**  
Growth vs. PY

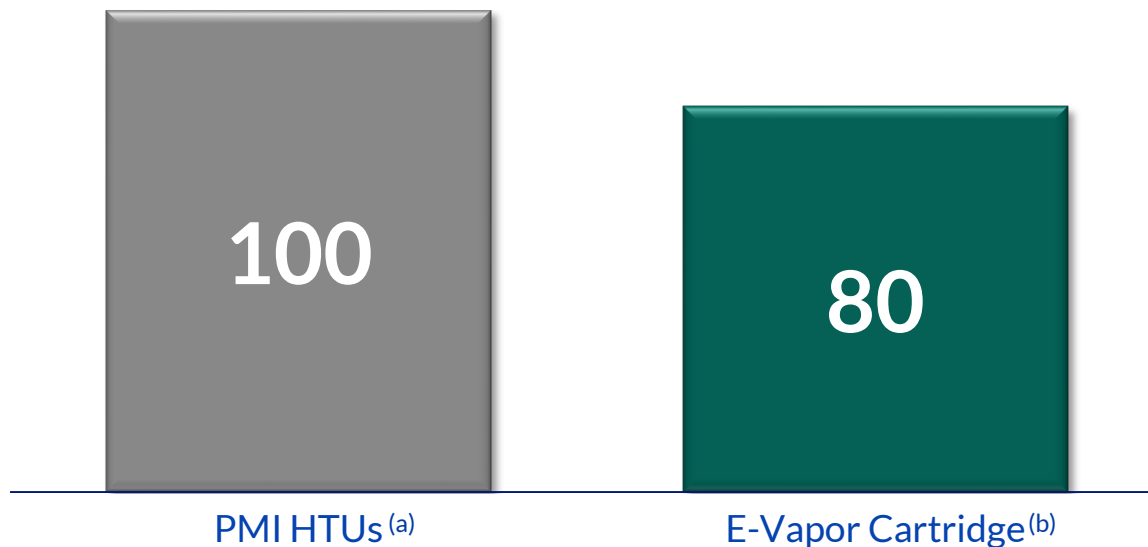


**Heated Tobacco**  
**~23%**  
Growth vs. PY

# RRPs Have Attractive Unit Margins ...



2019 Average  
(Index=PMI HTUs)



(a) Based on average \$ per pack of 20

(b) Based on estimated industry average \$ per closed system cartridge. Average for select key e-vapor markets (Russia and select EU markets)

Source: PMI Financials or estimates



# ... Providing Return on Large Investments

- Significant upfront infrastructure costs and capital expenditures for any serious long-term participant
- Variable costs related to consumer acquisition and retention
- Significant sales volumes needed for accretion to the bottom line
- Entails significant segment volume share, which PMI has achieved in HTUs
- Infrastructure and IQOS brand equity to be leveraged for critical mass in e-vapor



Scientific Substantiation



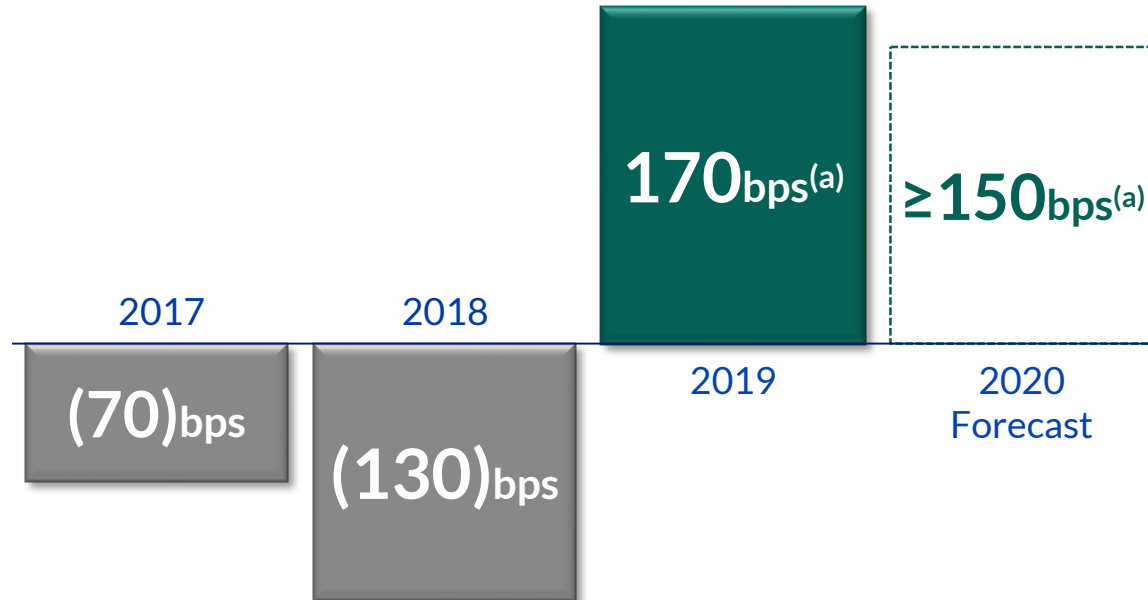
IQOS Stores



R&D Facility in Neuchâtel, Switzerland

# ... Upfront Investments, Subsequent Returns

## PMI Adjusted OI Margin Variance vs. PY (ex-currency)

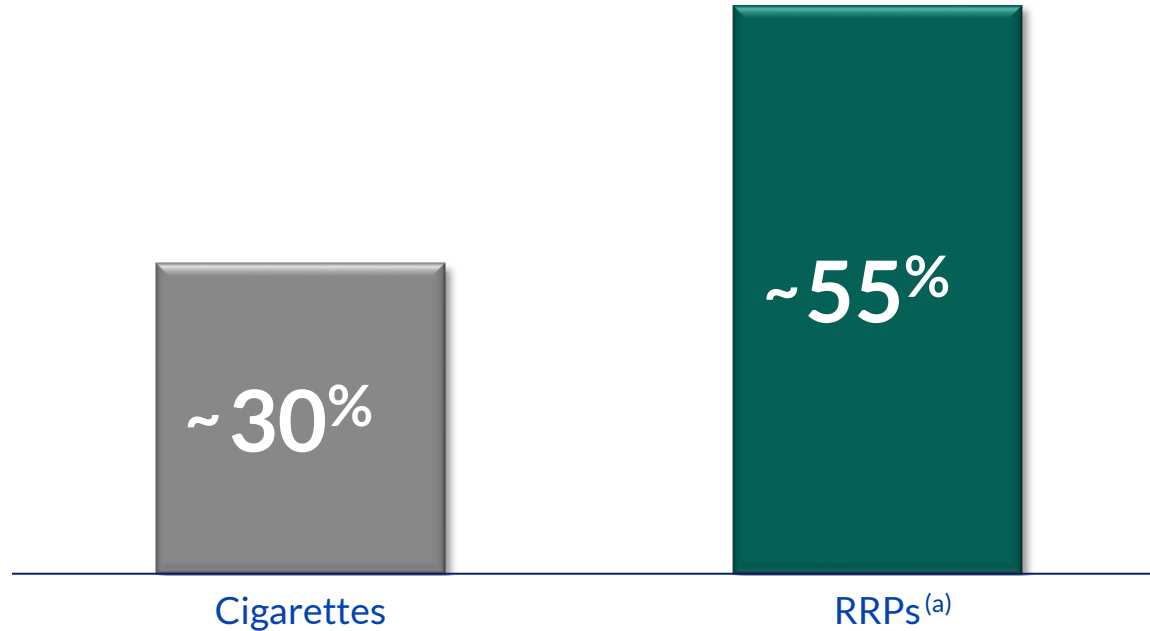


(a) Like-for-like  
Source: PMI Financials or estimates

# Share Gains Can Further Accelerate Growth



## PMI International Share of Retail Value (2019)



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

# Adult Consumer Insights Underpin RRP Outlook



**80%** of legal age smokers express mid-to-high interest in RRP

# Adult Consumer Insights Underpin RRP Outlook

**80%** of legal age smokers express mid-to-high interest in RRP

**32%**



## Familiarity Seekers

- Tobacco taste
- Familiar ritual
- Convenience

*Best served by heated tobacco*

**38%**



## Experimenters

- High interest to switch
- On-trend
- Novelty and design
- Cleanliness

*Best served by heated tobacco or e-vapor / other novel RRP*

**10%**



## Best of Both Worlds

- Choice
- RRP Polyusage

*Best served by heated tobacco and e-vapor / other novel RRP*

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# RRP Portfolio Strategy and Competitive Strengths

- Growing the category to its full potential will require different product formats, technologies and taste experiences
- HTUs have the highest conversion rates (approximately 70% for IQOS):
  - Faster scale, establishing IQOS as most credible brand in the category
- We have the technology and capabilities to expand to the e-vapor category



## Key Pillars of Competitive Strength

---

- Superior products backed by science, technology and consumer insights
- A formidable commercial engine to deploy portfolio rapidly at scale
- Strong brand equity and awareness that we continue to build with *IQOS*



# Product Superiority: Regular Device Innovation



2015-2016

- Aesthetics
- Automatic blade cleaning
- Easier holder insertion



2017

- Aesthetics
- Reinforced opening
- Faster charging of holder
- Bluetooth connectivity
- Improved user interface
- Utility accessories
- Mobile App



IQOS 3

IQOS 3  
Multi

2018

- New design language
- *ProtectPlus™*
- Faster charging of holder
- Sequential heating
- More intuitive
- Portfolio of accessories
- Compact
- Personalization



IQOS 3  
DUO

2019 onwards

- Faster charging of holder
- Two consecutive uses without recharging the holder



# Innovating Our Heated Tobacco Consumables Portfolio



# Widening Options, Price Points in More Advanced Markets

## Japan

Total HTU SoM

16.9%

Marlboro HeatSticks SoM

14.5%

15.3%

15.2%



HEETS SoM

2.4%

0.1%

Oct 2018

Dec 2019

Note: Excluding the impact of estimated trade inventory movements, and including the cigarillo category. HEETS launched in October 2018  
Source: PMI Financials or estimates

Always  
more to  
explore

APRICITY

YUGEN

GLAZE

NOOR

HEETS  
*Creations*  
for IQOS  
УПОТРЕБЛЕНИЕ ТАБАКА  
ВРЕДИТ ВАШЕМУ ЗДОРОВЬЮ

APRICITY

NOOR

YUGEN

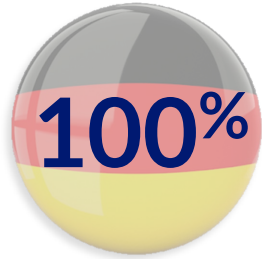
HEETS  
*Creations*  
made for IQOS

FLAVORS INSPIRED BY THE BEAUTY OF NATURE,  
CREATED BY TASTE MASTERS.

Explore more on [iqos.com](http://iqos.com)

# Clear Leader in the Heated Tobacco Category

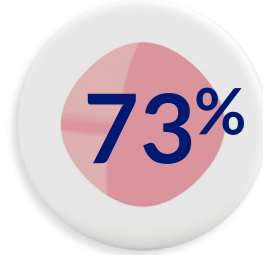
(PMI 2019 share of heated tobacco segment)



Germany



Italy



Japan<sup>(a)</sup>



Korea<sup>(a)</sup>



Russia



(a) Excluding the impact of estimated trade inventory movements  
Source: PMI Financials or estimates

# Significant Investment in Physical and Digital Infrastructure

**199**

**IQOS Stores**

**3.3**

**thousand**

**Exclusive  
IQOS Retail  
Touchpoints**

**11**

**thousand**

**Commercial  
Salespeople**

**(Sales experts and  
IQOS coaches)**

**23**

**Call Centers**

**1.6**

**million**

**Adult Consumer  
Feedback  
in 2019**

**46**

**million**

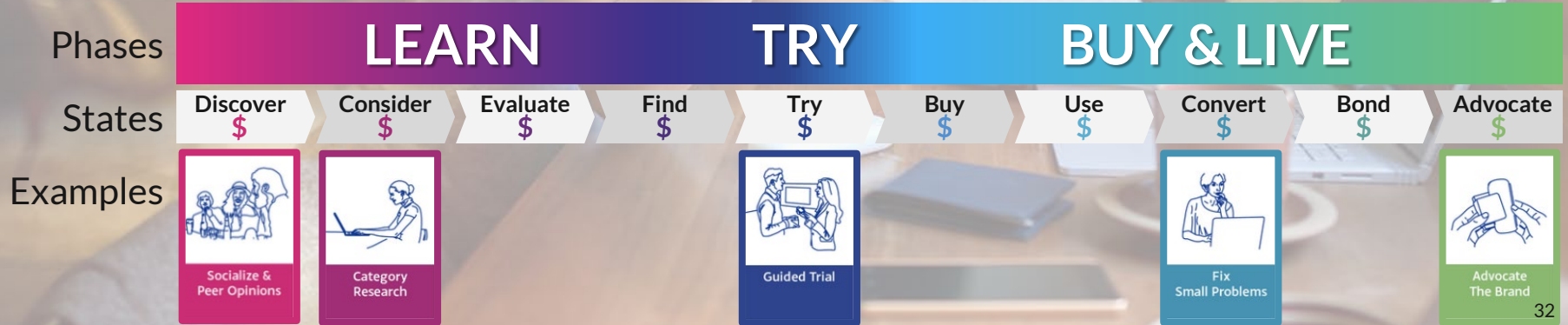
**Unique Visits to  
IQOS Digital Assets  
in 2019**

# PMI's Commercial Engine, A Sustainable Competitive Strength

- Key pillars of commercial engine:
  - An organization and approach aligned to the IQOS consumer journey
  - Omni-channel model giving consistent service and experience to consumers
  - Digitally-driven CRM approach for tailored communications
  - Systems and processes to generate consumer feedback driving learnings and improvements
- Simple in concept but complex and time-consuming to implement:
  - "Business-to-Consumer" approach
  - Relentless focus on execution excellence and minimizing unintended consequences



# Commercial Approach Aligned to IQOS Consumer Journey





Coach providing  
guided trial



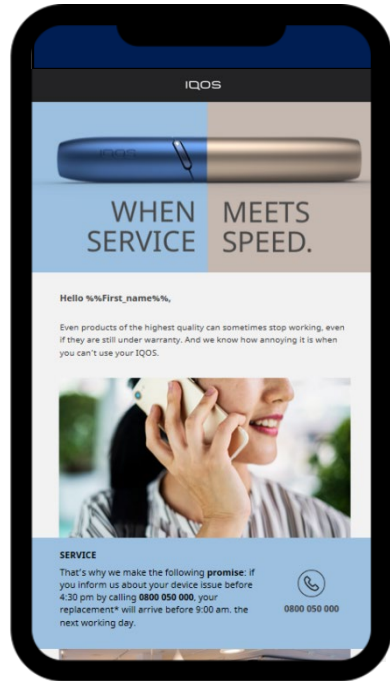
Digital Coach



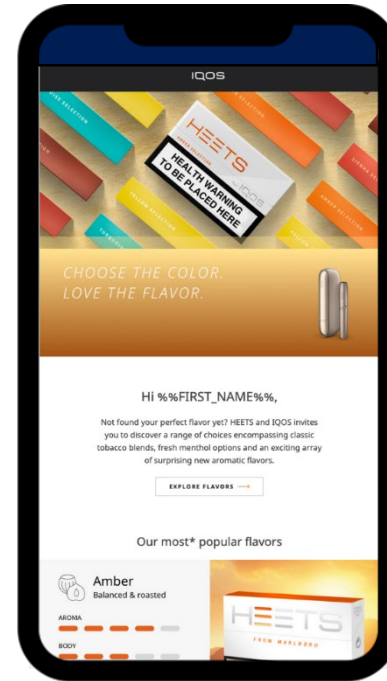
# Omni-channel Approach Across Multiple Touchpoints



# From Reactive to Proactive Consumer Insight-Driven Communication



- Support e-mail to offer personalized attention, schedule a call or an appointment with our coach experts



- HEETS education, showing the aroma, body and intensity of each flavour to help them take the right decision in their conversion process

# Execution Matters

- Seizing the RRP opportunity requires both product and deployment excellence
- We are not just "selling RRP," we are working to **change smoker behavior** to switch to less harmful alternatives
- Hard-to-replicate competitive advantage
- Superior *IQOS* growth in markets where commercial engine is more developed

*FEEL THE POWER  
OF AMAZING.*

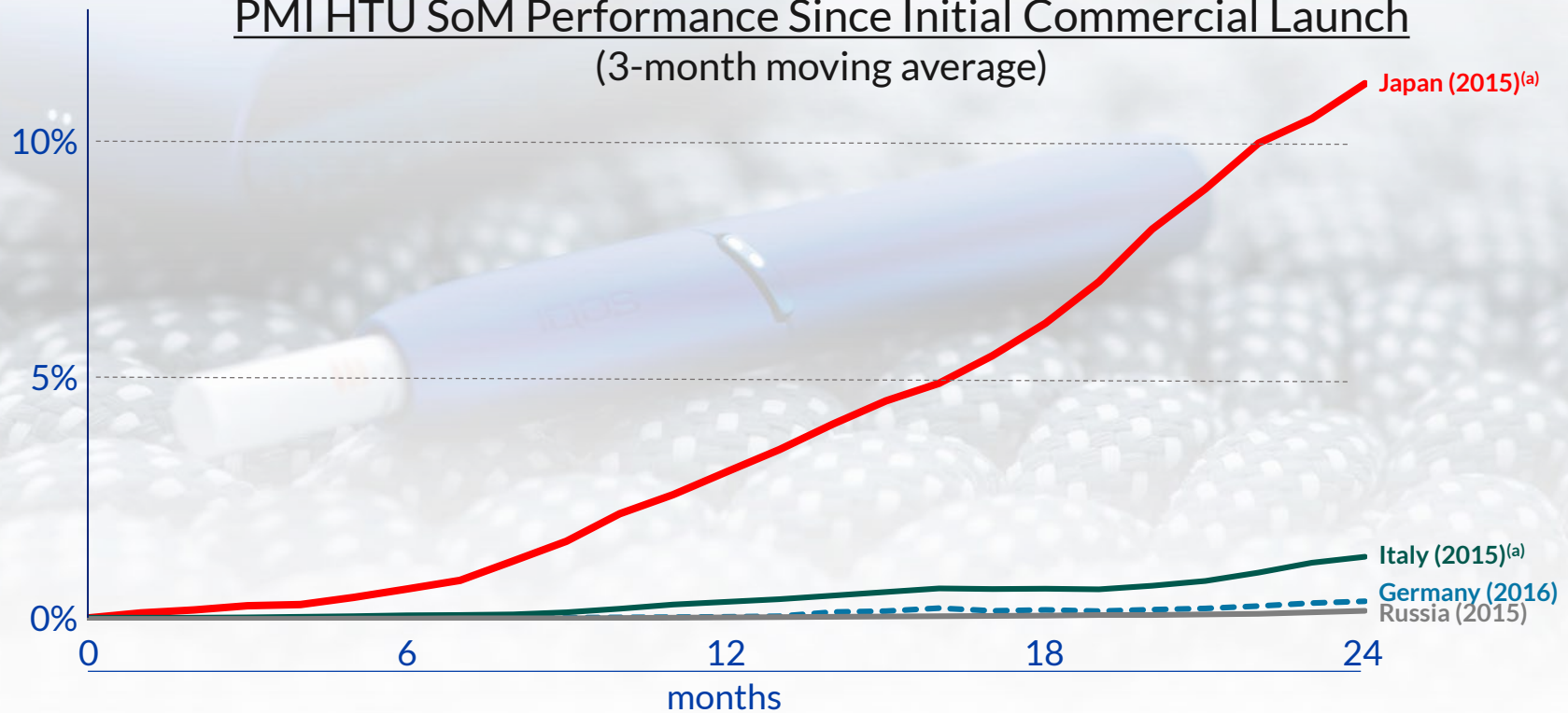
ENJOYING A BETTER ALTERNATIVE TO CIGARETTES  
NEVER FELT SO GOOD.

**IQOS**  
SIMPLY AMAZING

Important  
information: IQOS  
is not risk-free.

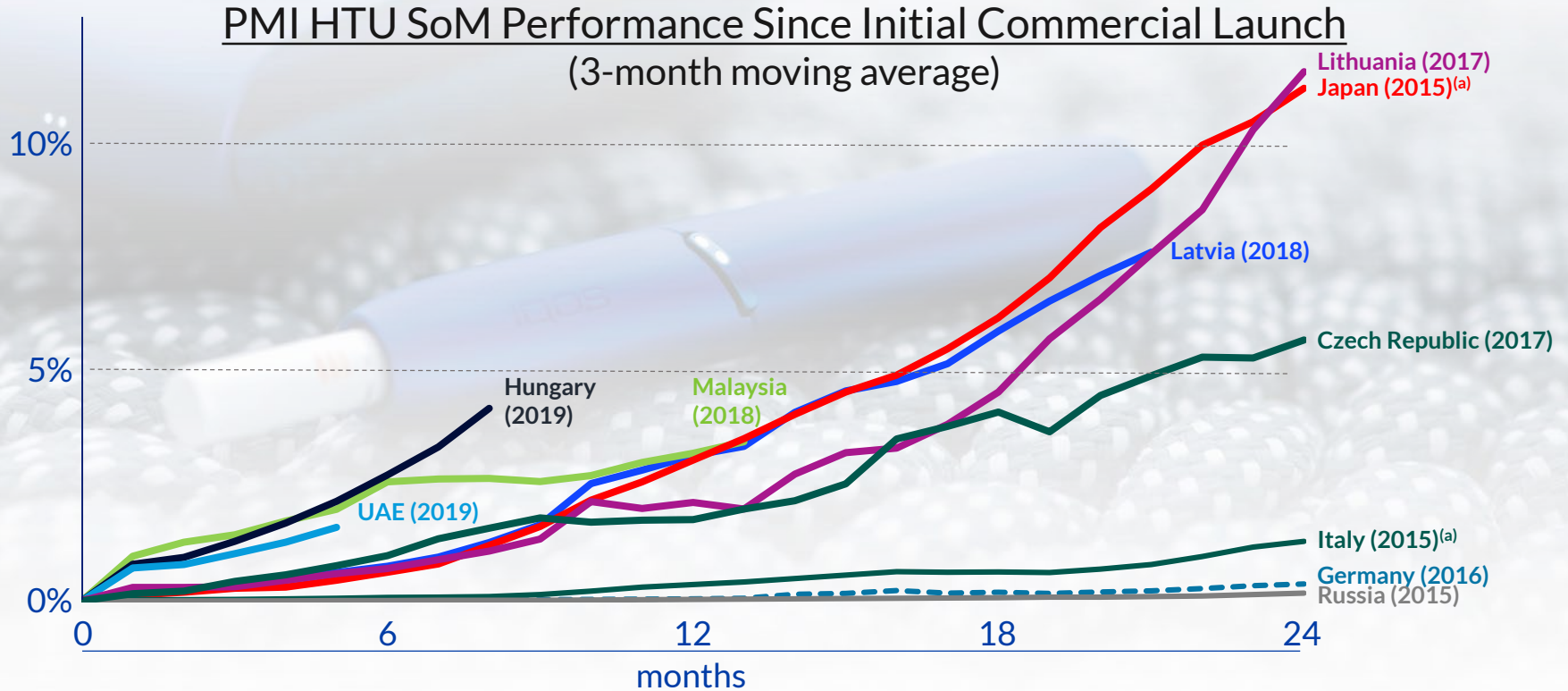
# Execution Learnings Drive Faster Results

PMI HTU SoM Performance Since Initial Commercial Launch  
(3-month moving average)



(a) Reflects date of initial geographic expansion beyond pilot launch city  
Source: PMI Financials or estimates

# Execution Learnings Drive Faster Results



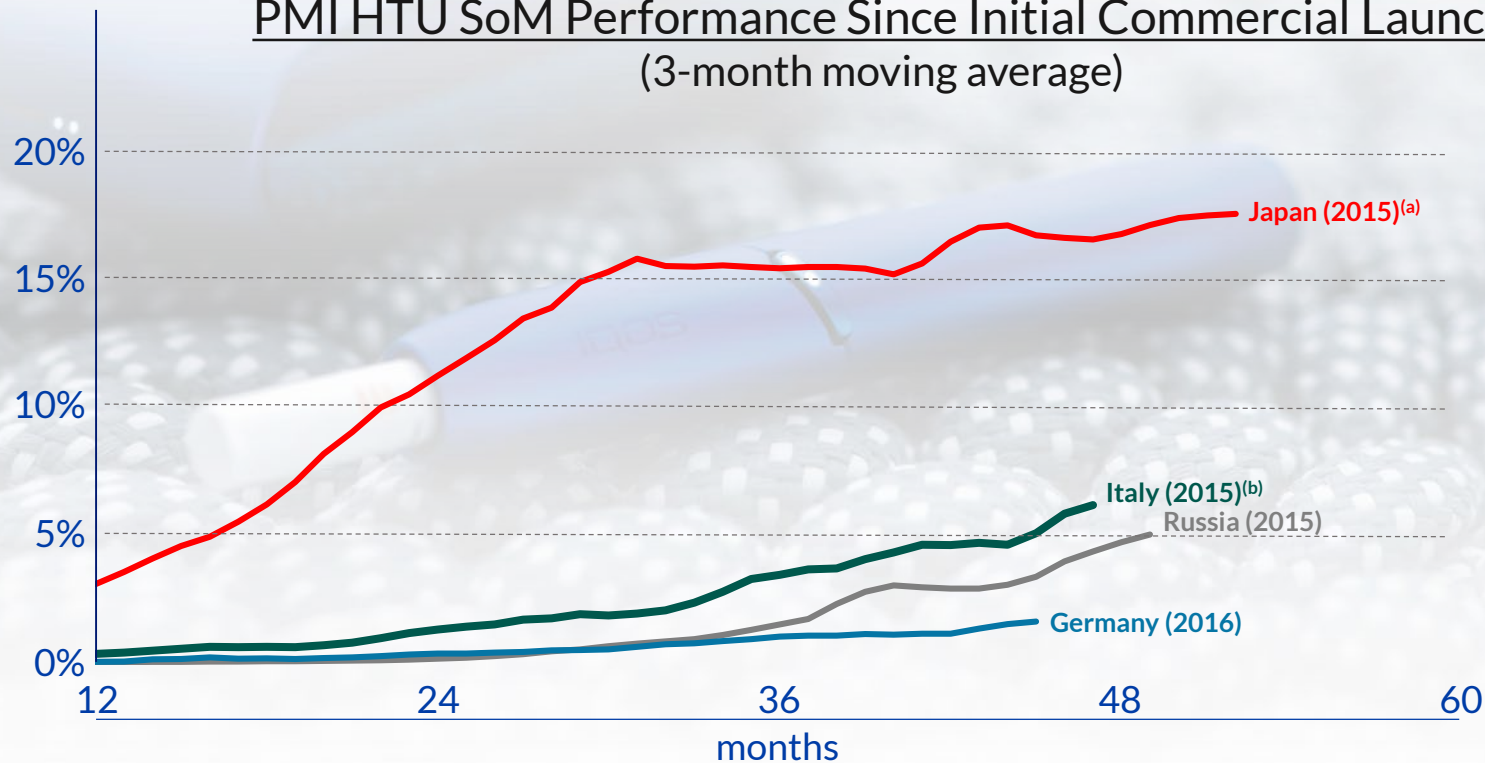
(a) Reflects date of initial geographic expansion beyond pilot launch city

Source: PMI Financials or estimates



# Execution Learnings Drive Faster Results

PMI HTU SoM Performance Since Initial Commercial Launch  
(3-month moving average)



(a) Reflects date of initial geographic expansion beyond pilot launch city; excludes the impact of estimated trade inventory movements, and includes the cigarillo category

(b) Reflects date of initial geographic expansion beyond pilot launch city

Source: PMI Financials or estimates

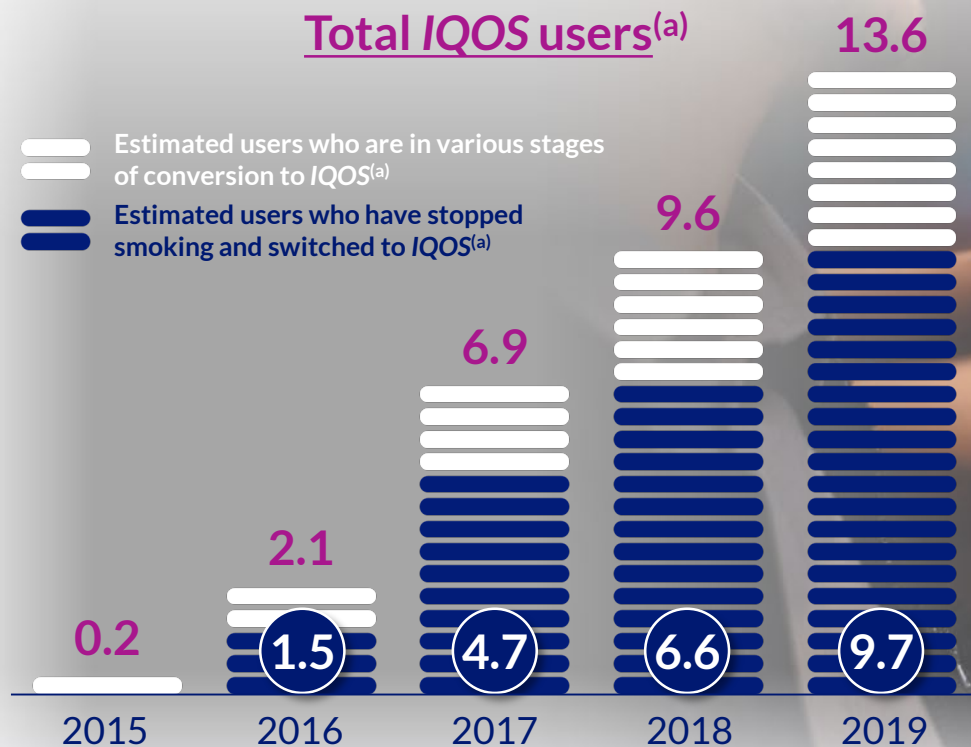


# Leveraging Our Commercial Platform for IQOS Platform 1



# We Expect Accelerated User Growth in 2020

(in millions)

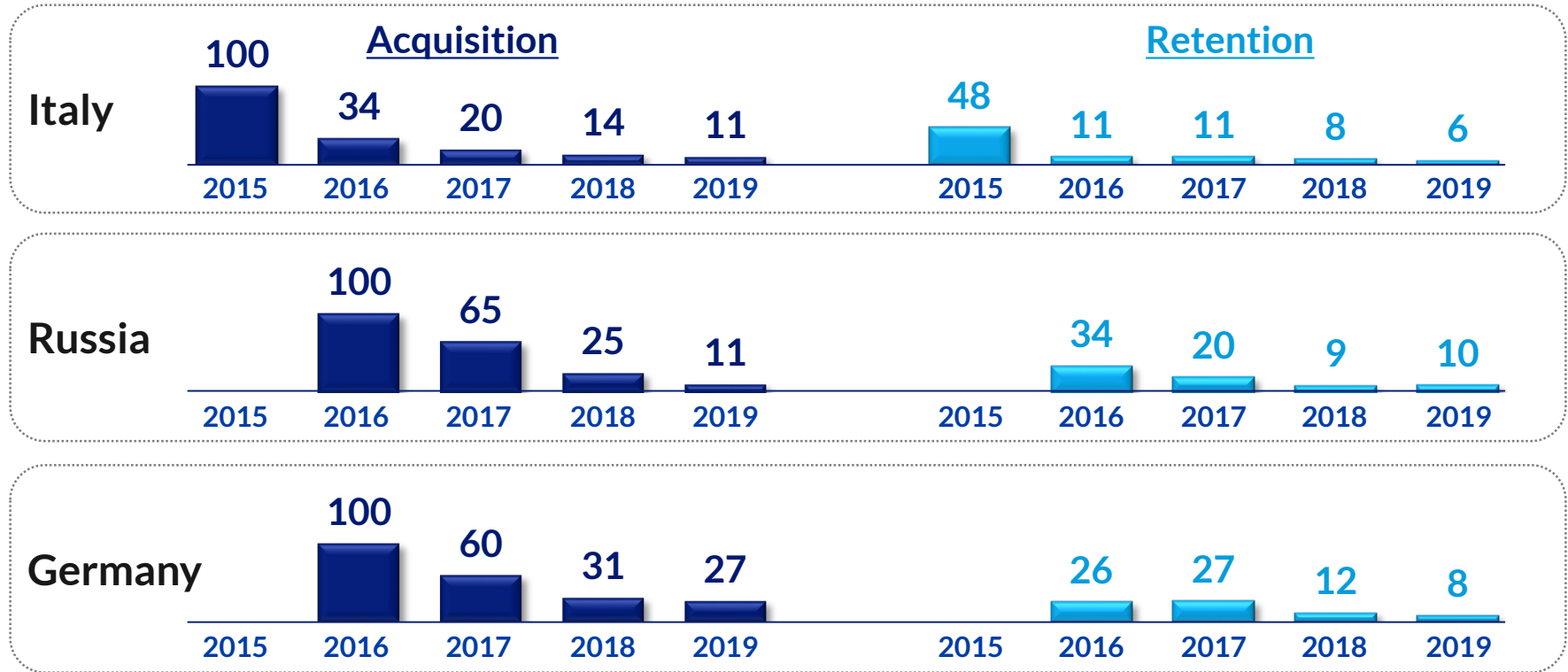


(a) See Glossary for definition

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

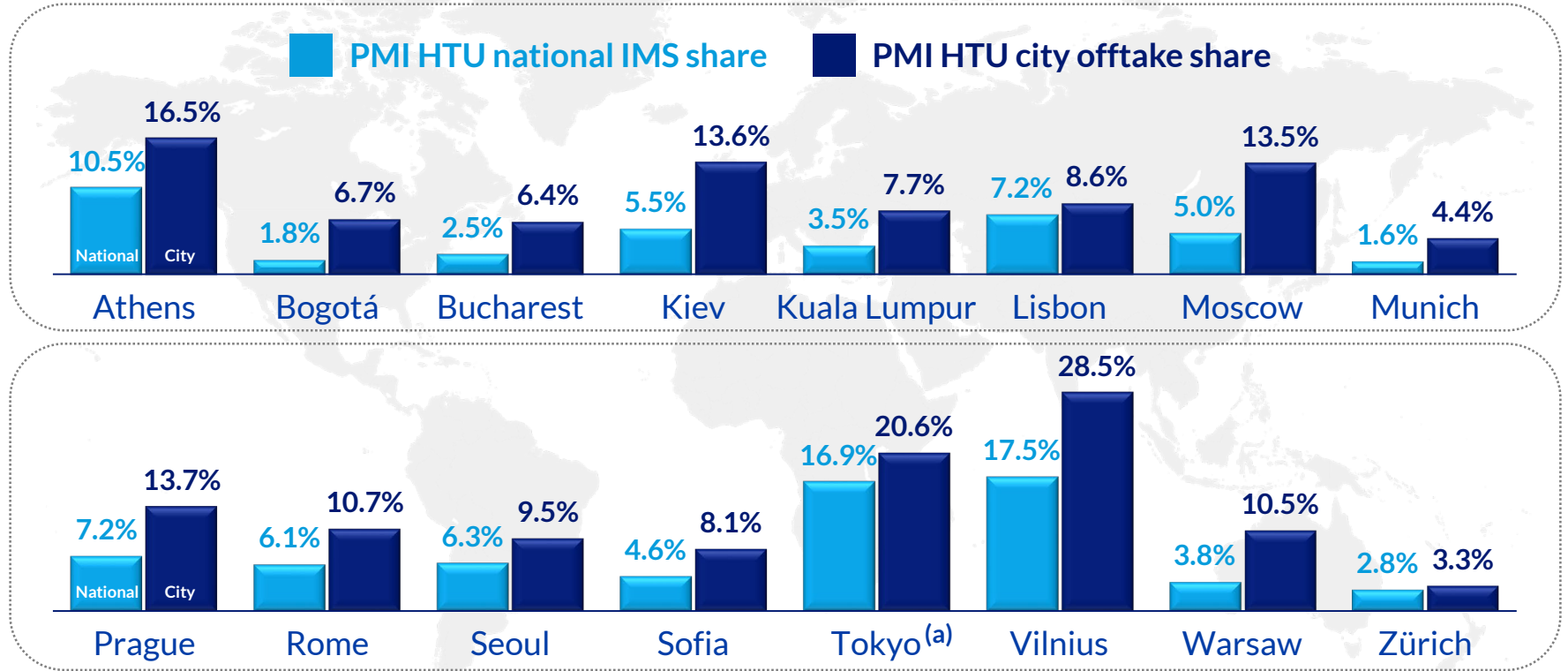
# Execution and Scale Improve Cost per User

(Index)



# Commercial Engine Built in Key Cities Shows National Potential

(Q4, 2019)

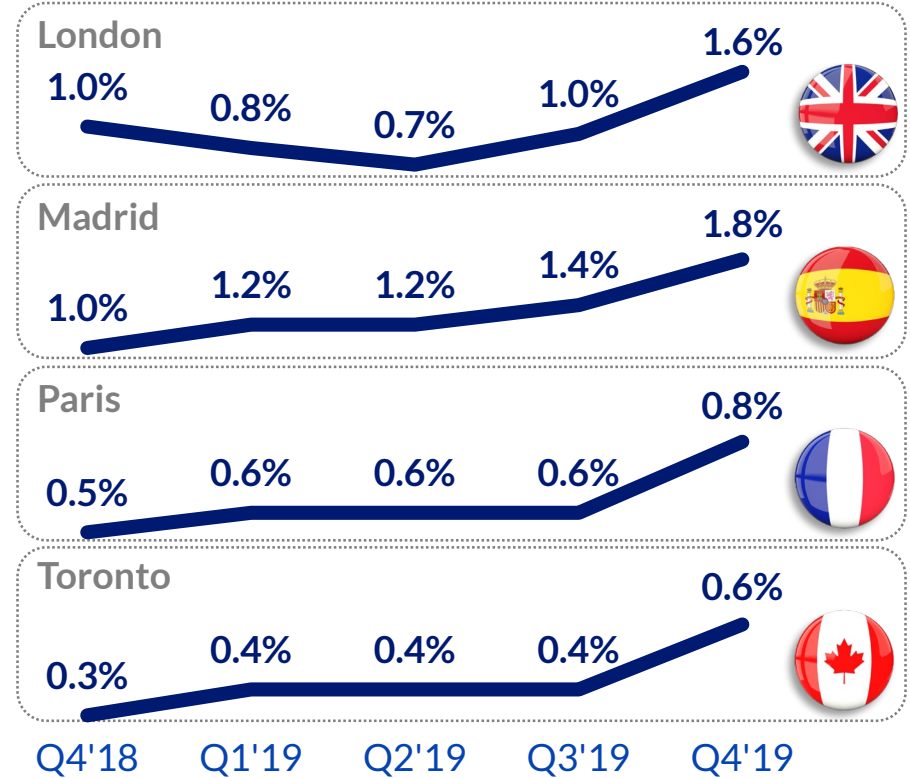
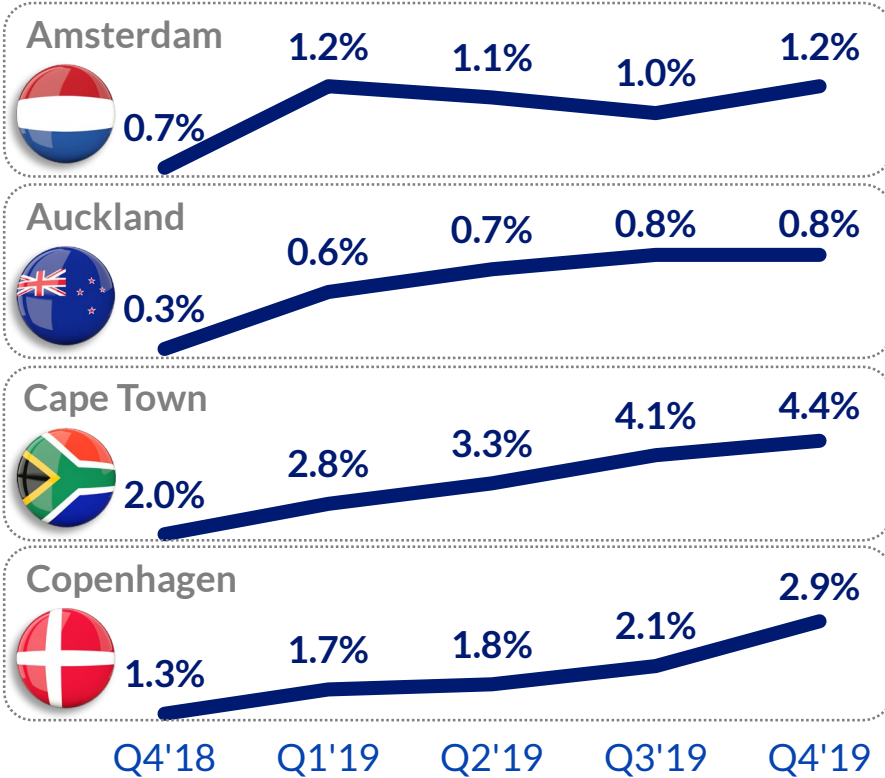


(a) Total market includes the cigarillo category. Excludes the impact of estimated trade inventory movements

Source: PMI Financials or estimates

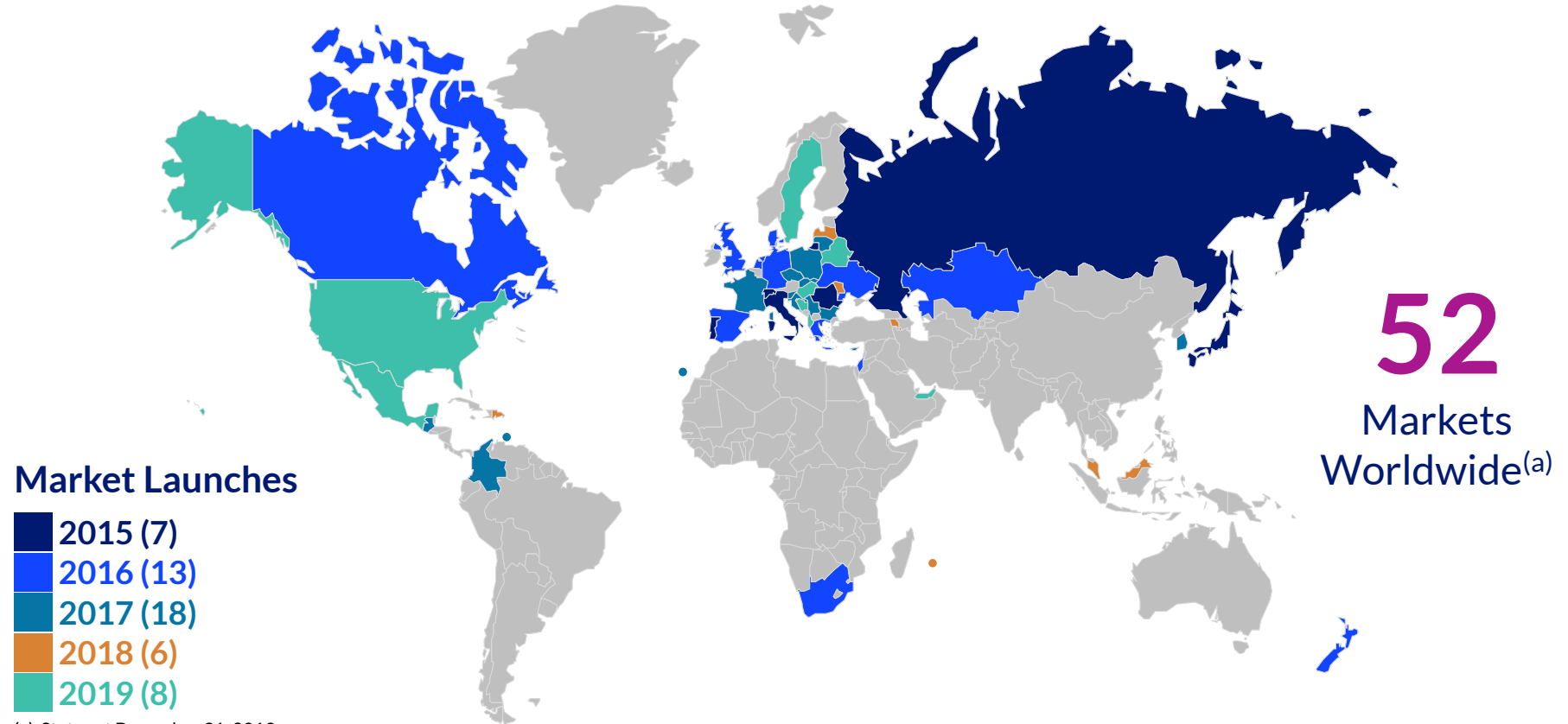
# Improving Performance in Slower Growth IQOS Markets

(PMI HTU city offtake share)





# Building Our Platform: IQOS Available for Sale in ...



(a) Status at December 31, 2019

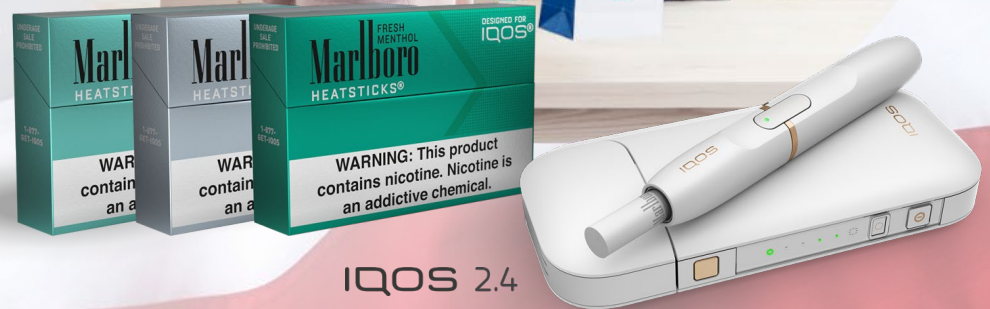
Reflects markets where IQOS is available in key cities or nationwide. Reflects date of initial geographic expansion beyond pilot launch city. The number of markets includes Duty Free

# IQOS: Now Available in the U.S.

- First *IQOS* retail stores opened in the initial launch markets of Atlanta and Richmond
- The only heat-not-burn product authorized through FDA's PMTA pathway as "appropriate for the protection of public health"
- Plan to seek an additional marketing order under the PMTA pathway for the *IQOS* 3 device in the coming months

40

million  
adult smokers  
in the U.S.



**IQOS VEEV**  
PRECISION VAPING



**Leveraging Our Commercial Platform  
for *IQOS VEEV***

A close-up, profile view of a woman with blonde hair, wearing a white lab coat, holding a gold IQOS VEEV device in her hand. The background is softly blurred, showing another person's face and hair, suggesting a professional or clinical setting. The lighting is warm and natural, highlighting the woman's features and the sleek design of the device.

## IQOS VEEV: Leveraging Our Commercial Engine

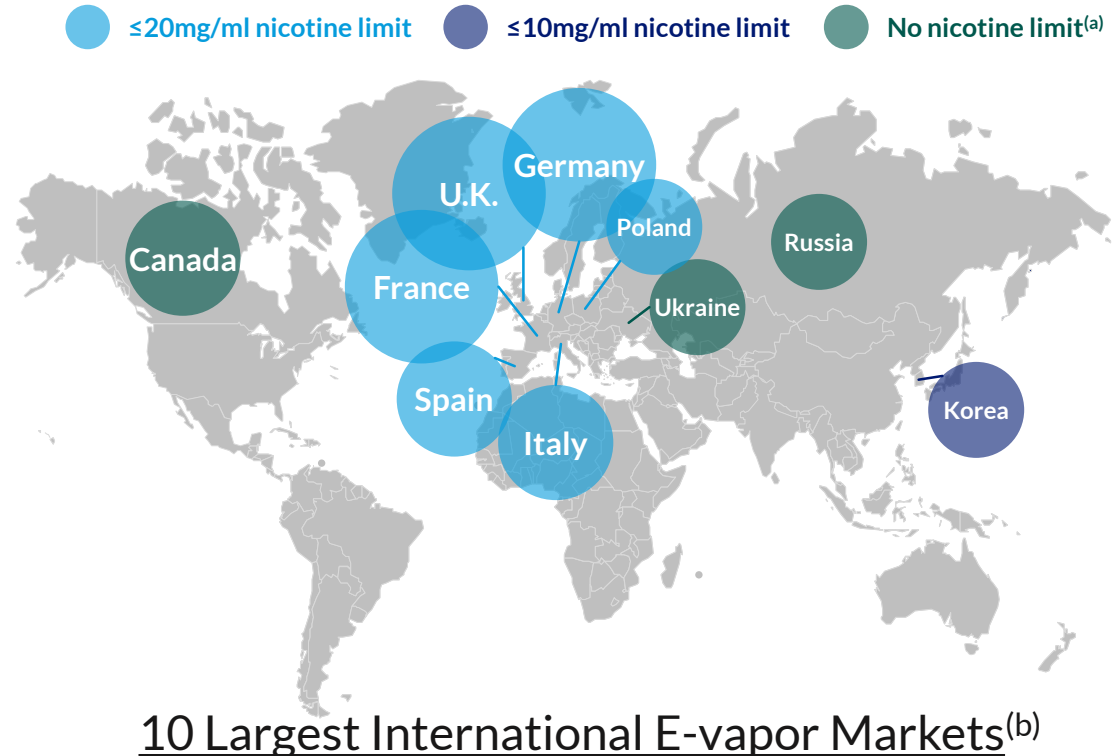
- Leverage *IQOS* Platform 1 capabilities to deploy *IQOS VEEV* at scale
- *IQOS* brand embodies our commitment to responsible marketing
- Differentiated technology for superior adult consumer experience
- Targeting legal age smokers and existing RRP users

**IQOS VEEV**  
PRECISION VAPING



# IQOS VEEV: The E-Vapor Landscape

- Around 25 million international users (approximately 70% in 10 markets)
- About 75% use open systems, but faster growth from closed systems
- Nicotine limits in most key markets
- We have infrastructure and capabilities in all major e-vapor markets



(a) Includes markets where nicotine limit is not meaningful

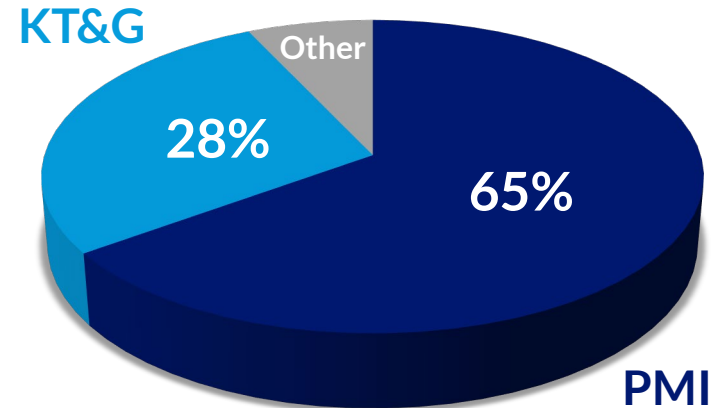
(b) Based on the number of legal age users in 2019. Excludes China and the U.S. Size of bubbles is for illustrative purposes only

Source: PMI Financials or estimates and PMI Market Research

# Global Collaboration Agreement with KT&G to Accelerate the Achievement of a Smoke-Free Future

- Our infrastructure and commercial engine enables a broader offering of smoke-free alternatives to adult consumers
- Complementing our portfolio with KT&G products to reach more consumers
- PMI has responsibility for all elements of commercialization

Korea: 2019 HTU SoS<sup>(a)</sup>



(a) Excluding the impact of estimated trade inventory movements  
Source: PMI Financials or estimates

# KT&G's lil Portfolio Includes ...



***lil Hybrid***

***lil Plus***



***lil Mini***

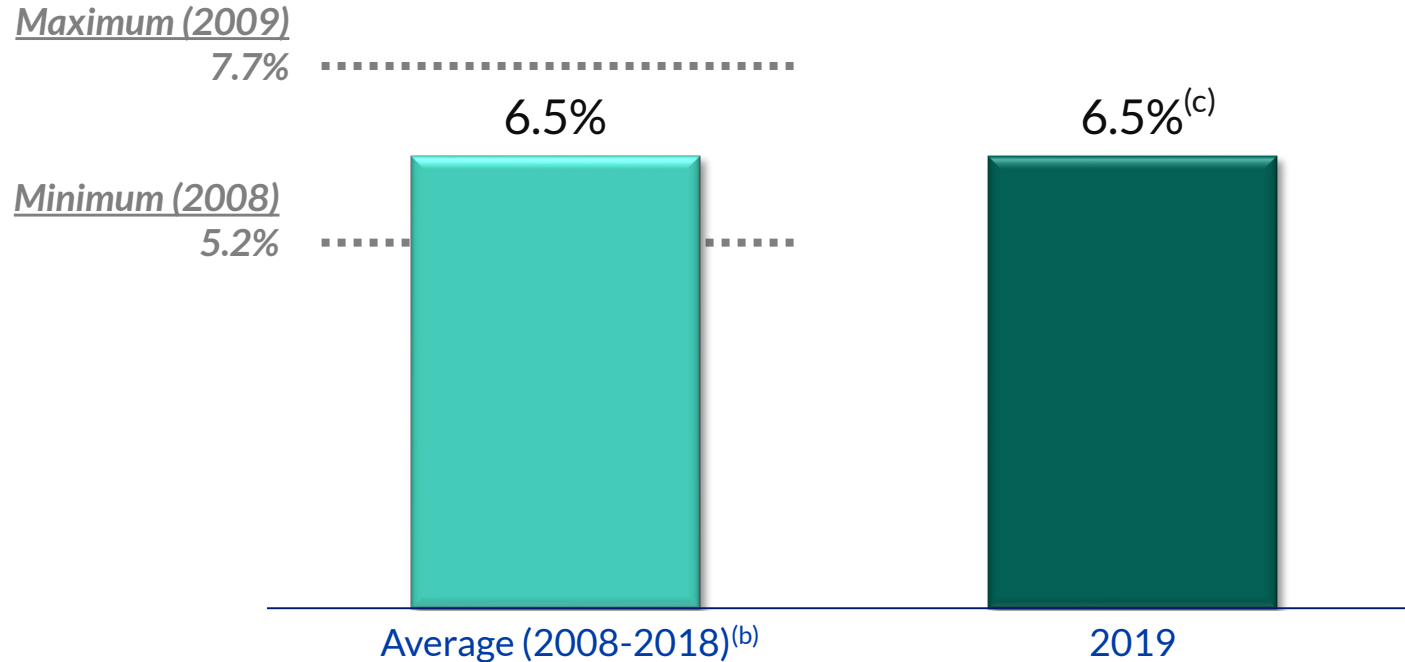
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# RRP Growth Supported by Strong Combustible Portfolio



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



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

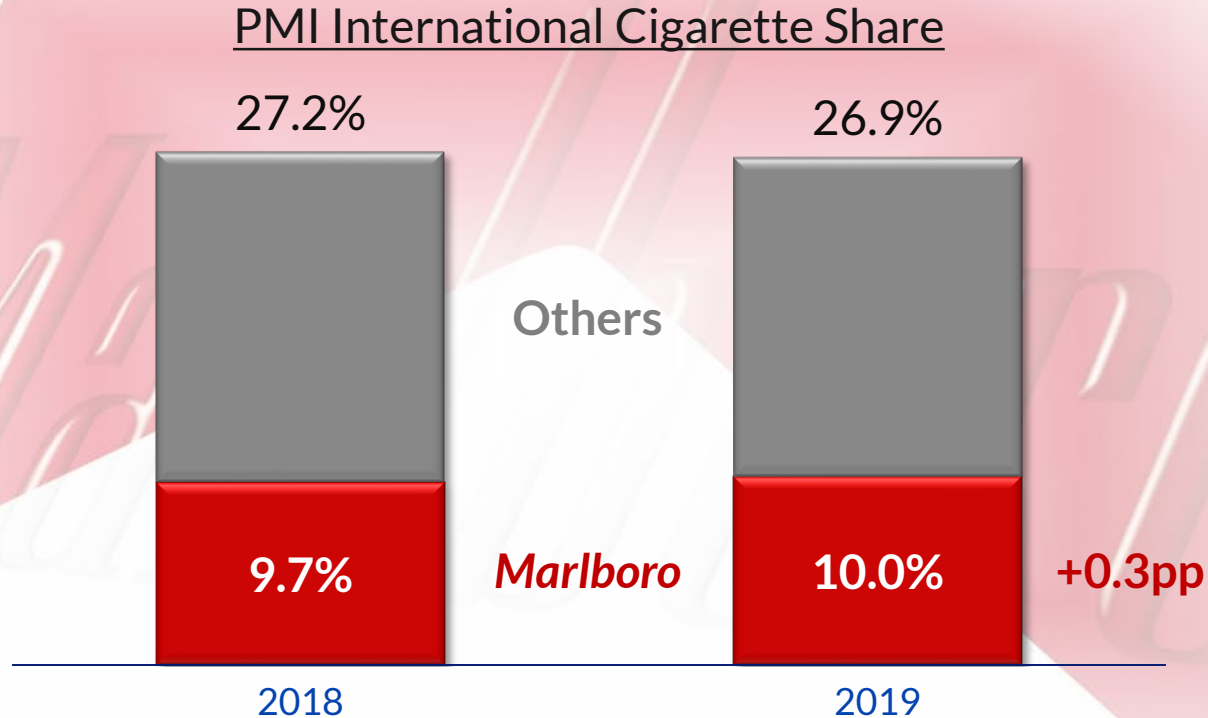
(b) Average combustible tobacco pricing variance (2008-2018) over average base combustible product net revenues (2007-2017)

(c) On a like-for-like basis

Source: PMI Financials or estimates



# Marlboro Cigarette Share at All-Time High in 2019

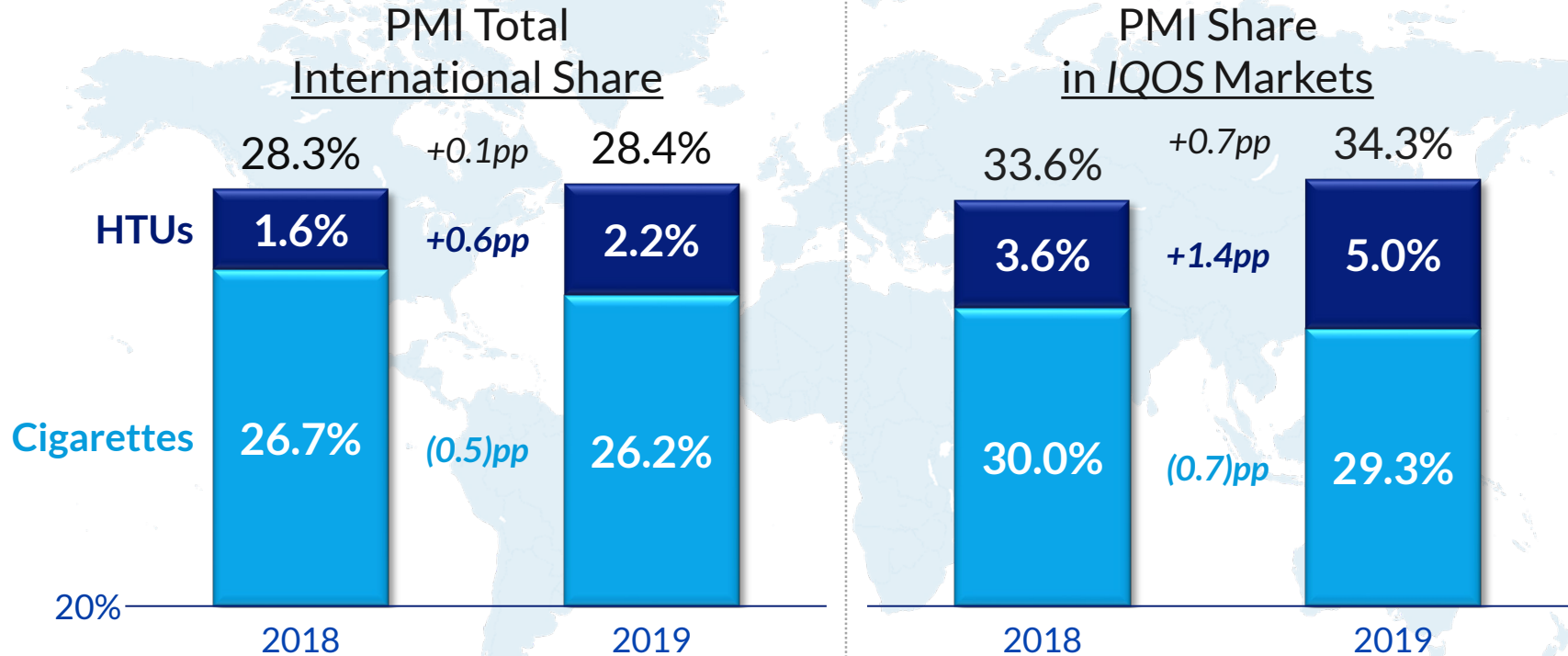


Note: Excluding China and the U.S. Current view (reflecting the deconsolidation of RBH, PMI's total market share has been restated for previous periods). Sales volume of PMI cigarettes as a percentage of the total industry sales volume for cigarettes

Source: PMI Financials or estimates



# Recent Cigarette Share Decline Does Not Reflect Higher Cannibalization from HTUs

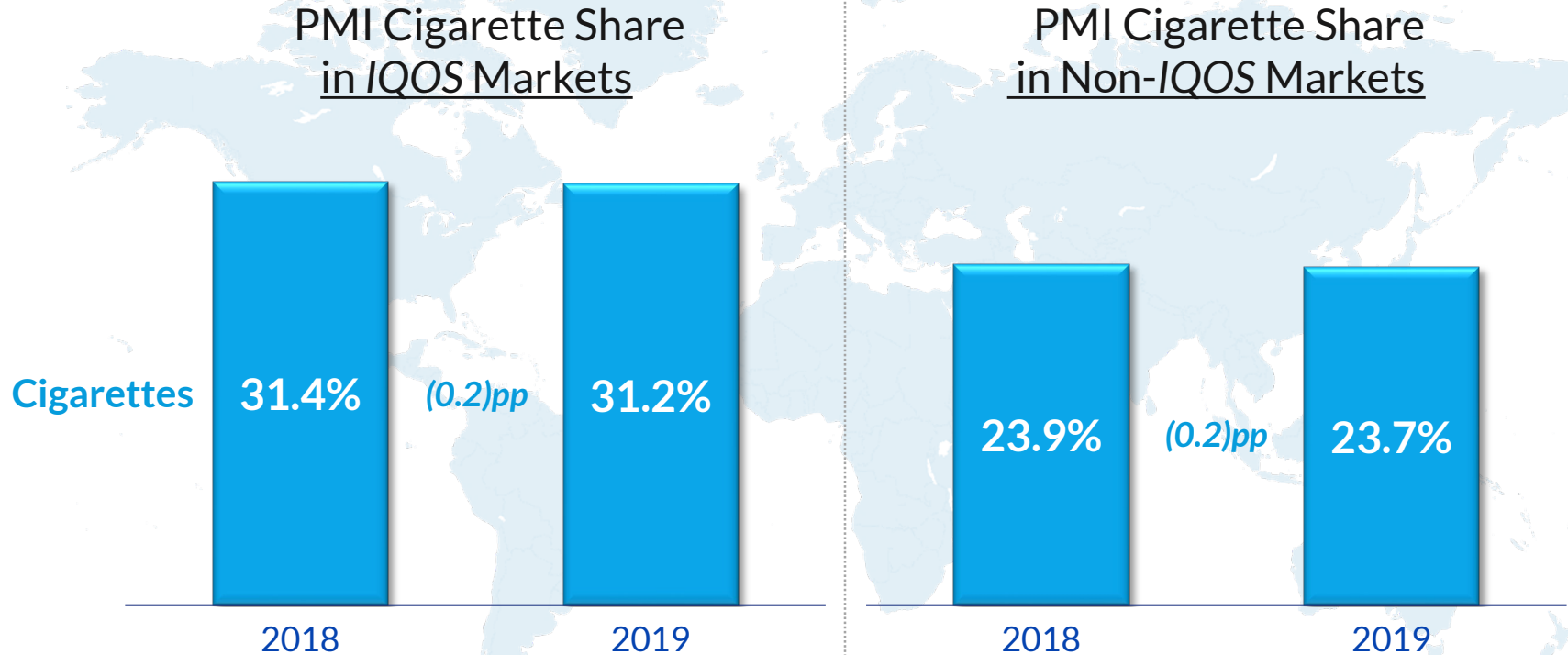


Note: Excluding China and the U.S. Current view (reflecting the deconsolidation of RBH, PMI's total market share has been restated for previous periods). Sales volume of PMI cigarettes and HTUs as a percentage of the total industry sales volume for cigarettes and HTUs

Source: PMI Financials or estimates



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Note: Excluding China and the U.S. Current view (reflecting the deconsolidation of RBH, PMI's total market share has been restated for previous periods). Sales volume of PMI cigarettes as a percentage of the total industry sales volume for cigarettes

Source: PMI Financials or estimates



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# ESG Strategy: Product at the Core



# ESG Targets

	Strategic Pillars	Priority Topics	Select Targets
Transforming for a sustainable smoke-free future	Innovating for better products	Product health impacts Access to smoke-free products	<b>&gt;40 million</b> users who have stopped smoking and switched to IQOS <sup>®</sup> (aspirational target) <b>by 2025</b>
	Operating with excellence	Responsible marketing and sales practices Sustainable supply chain management Respect for human rights	<b>Ongoing strict adherence to good conversion practices</b> <ul style="list-style-type: none"> <li>• Post-market surveillance</li> <li>• Third-party verification</li> </ul>
	Caring for the people we work with	Socio-economic well-being of tobacco farming communities Health, safety and well-being at work	<b>100%</b> of farmers supplying tobacco to PMI earn a living income or better, which will help eliminate child labor in our tobacco supply chain <b>by 2025</b>
	Protecting the environment	Climate protection Littering prevention Product eco-design and circularity	<b>Carbon-neutral</b> in our manufacturing facilities <b>by 2030</b>



(a) See Glossary for definition  
Source: PMI Sustainability

# ESG Achievements

	Strategic Pillars	Priority Topics	Select Targets	Achievements
Transforming for a sustainable smoke-free future	Innovating for better products	Product health impacts Access to smoke-free products	<b>&gt;40 million</b> users who have stopped smoking and switched to IQOS <sup>(a)</sup> (aspirational target) by 2025	<b>~10 million users have stopped smoking and switched to IQOS<sup>(a)</sup></b>
	Operating with excellence	Responsible marketing and sales practices Sustainable supply chain management Respect for human rights	<b>Ongoing strict adherence to good conversion practices</b> <ul style="list-style-type: none"><li>Post-market surveillance</li><li>Third-party verification</li></ul>	<b>CDP SUPPLIER ENGAGEMENT LEADER 2019</b> 
	Caring for the people we work with	Socio-economic well-being of tobacco farming communities Health, safety and well-being at work	<b>100%</b> of farmers supplying tobacco to PMI earn a living income or better, which will help eliminate child labor in our tobacco supply chain by 2025	<b>EQUAL-SALARY GLOBALLY CERTIFIED</b> 
	Protecting the environment	Climate protection Littering prevention Product eco-design and circularity	<b>Carbon-neutral</b> in our manufacturing facilities by 2030	<b>CDP CLIMATE A LIST 2019</b> <b>CDP WATER A LIST 2019</b> <b>On track to reach zero deforestation</b> 

(a) See Glossary for definition  
Source: PMI Sustainability





*FEEL THE POWER  
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ENJOYING A BETTER ALTERNATIVE TO CIGARETTES  
NEVER FELT SO GOOD.

**IQOS**  
SIMPLY AMAZING

Important  
information: IQOS  
is not risk-free.

## Outlook: Delivering Superior & Sustainable Growth

- Structural industry landscape is favorable
- Sustainable competitive advantages
- Commercial engine supports ongoing margin expansion and strong cashflow
- Strong combustible portfolio
- Confident in our 2019-2021 targets
- Generously rewarding our shareholders

Source: PMI Financials or estimates



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Important  
information: IQOS  
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PHILIP MORRIS  
INTERNATIONAL

Delivering a Smoke-Free Future

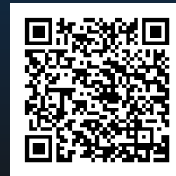
## Consumer Analyst Group of New York (CAGNY) Conference

### Questions & Answers

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# **Glossary of Key Terms and Definitions, Appendix, 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")
- "RBH" refers to PMI's Canadian subsidiary, Rothmans, Benson & Hedges Inc.
- The Companies' Creditors Arrangement Act (CCAA) is a Canadian federal law that permits a Canadian business to restructure its affairs while carrying on its business in the ordinary course
- 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 U.S., 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. In addition, to reflect the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), effective March 22, 2019, PMI's total market share has been restated for previous periods
- "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





# Glossary: General Terms (cont.)

- "EU" is defined as the European Union Region
- "EE" is defined as the Eastern Europe Region
- "ME&A" is defined as the Middle East & Africa Region and includes PMI's duty free business
- "S&SA" is defined as the South & Southeast Asia Region
- "EA&A" is defined as the East Asia & Australia Region
- "LA&C" is defined as the Latin America & Canada Region
- Following the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), PMI will continue to report the volume of brands sold by RBH for which other PMI subsidiaries are the trademark owner. These include *HEETS*, *Next*, *Philip Morris* and *Rooftop*, which accounted for approximately 40% of RBH's total shipment volume in 2018
- 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, such as on an IMS basis, improves the comparability of performance and trends for these measures over different reporting periods
- "SoM" stands for share of market
- "SoS" stands for share of segment



# 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.
- "Adjusted Operating Income (OI) Margin" is calculated as adjusted OI, divided by net revenues
- 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. For example, PMI's adjusted diluted EPS and other impacted results reflect the loss on deconsolidation of RBH and the Canadian tobacco litigation-related expense, recorded in the first quarter of 2019, and the Russia excise & VAT charge, recorded in the third quarter of 2019. PMI believes that the adjusted measures, including pro forma measures, will provide useful insight into underlying business trends and results, and will provide a more meaningful performance comparison for the period during which RBH remains under CCAA protection
- "Fair value adjustment for equity security investments" reflects the adjustment resulting from share price movements in passive investments for publicly traded entities that are not controlled or influenced by PMI. Under U.S. GAAP, such adjustments are required, since January 1, 2018, to be reflected directly in the income statement

# 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 continuing smoking. PMI has a range of RRP in various stages of development, scientific assessment and commercialization. PMI RRP are smoke-free products that 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
- "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*
- 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
- 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.)

- "Total IQOS users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for at least 5% of their daily tobacco consumption over the past seven days
- "Converted IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for over 95% of their daily tobacco consumption over the past seven days
- "Predominant IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs units for between 70% and 95% of their daily tobacco consumption over the past seven days
- "Situational IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) 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" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for less than 5% of their daily tobacco consumption over the past seven days
- The estimated number of people who have "stopped smoking and switched to IQOS" is defined as: for markets where IQOS is the only heat-not-burn 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 heat-not-burn 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
- "FDA" stands for the U.S. Food & Drug Administration
- "MRTP" stands for Modified Risk Tobacco Product, the term used by the U.S. FDA to refer to RRP
- "MRTP application" stands for Modified Risk Tobacco Product application under section 911 of the FD&C Act
- "PMTA" stands for Premarket Tobacco Application under section 910 of the FD&C Act

# Glossary: IQOS in the United States



- On April 30, 2019, the U.S. Food and Drug Administration (FDA) announced that the marketing of a version of IQOS, PMI's heat-not-burn product, together with its heated tobacco units (the term PMI uses to refer to heated tobacco consumables), is appropriate for the protection of public health and authorized it for sale in the U.S. The FDA's decision follows its comprehensive assessment of PMI's premarket tobacco product applications (PMTAs) submitted to the Agency in 2017. In the third quarter of 2019, PMI brought a version of its IQOS Platform 1 device and three variants of its heated tobacco units to the U.S. through its license with Altria Group, Inc., whose subsidiary, Philip Morris USA Inc., is responsible for marketing the product and complying with the provisions set forth in the FDA's marketing order
- Shipment volume of heated tobacco units to the U.S. is included in the heated tobacco unit shipment volume of the Latin America & Canada segment. Revenues from shipments of Platform 1 devices, heated tobacco units and accessories to Altria Group, Inc. for sale under license in the U.S. are included in Net Revenues of the Latin America & Canada segment

# 2020: EPS Guidance

(\$/share)



Full-Year

	2020 Forecast	2019	Adjusted Growth
<b>Reported Diluted EPS</b>	<b>≥ \$5.50</b>	<b>\$4.61</b>	
- Tax items		(0.04)	
- Asset impairment and exit costs		0.23	
- Canadian tobacco litigation-related expense		0.09	
- Loss on deconsolidation of RBH		0.12	
- Russia excise and VAT audit charge		0.20	
- Fair value adjustment for equity security investments		(0.02)	
<b>Adjusted Diluted EPS</b>	<b>\$5.50</b>	<b>\$5.19</b> <sup>(a)</sup>	
- Net earnings attributable to RBH		(0.06)	
<b>Adjusted Diluted EPS</b>	<b>\$5.50</b>	<b>\$5.13</b> <sup>(b)</sup>	
- Less: Currency	(0.04)		
<b>Adjusted Diluted EPS, excluding currency</b>	<b>≥ \$5.54</b>	<b>\$5.13</b> <sup>(b)</sup>	<b>≥ 8%</b>

(a) Net reported diluted EPS attributable to RBH from January 1, 2019 through March 21, 2019

(b) Pro forma

Source: PMI Financials or estimates



# Business Transformation Metrics<sup>(a)</sup>

Shifting Company Resources to Deliver a Smoke-Free Future

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	Aspiration <sup>(b)</sup> by 2025
<b>R&amp;D expenditure</b> (smoke-free/total)	70%	72%	74%	92%	98%	
<b>Commercial expenditure</b> (smoke-free/total)	8%	15%	39%	60%	71%	
<b>Net revenues<sup>(c)</sup></b> (smoke-free/total)	0.2%	2.7%	12.7%	13.8%	18.7%	38-42%
<b>Smoke-free product shipment ratio<sup>(d)</sup></b> (smoke-free/total)	0.1%	0.9%	4.4%	5.1%	7.6%	>30%
<b>Estimated users who have stopped smoking and switched to IQOS<sup>(e)</sup></b> (in millions)	n/a	1.5	4.7	6.6	9.7	>40

(a) As of December 31, 2019

(b) Assuming constant PMI market share. We do not set aspirational targets for R&D and commercial expenditure but we expect both ratios to continue increasing to enable the stated outcome in terms of shipment volume. **Note: Aspirational targets do not constitute financial projections**

(c) Excluding excise taxes. For future periods, at today's pricing and excise tax assumptions

(d) The smoke-free product shipment ratio is computed based on millions of units. Smoke-free products include heated tobacco units and e-cigarettes. Total products include smoke-free products, cigarettes and other combustible products

(e) See slide 68 for definition

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



# 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,		
	2019	2018	% Change
<b>Reported Diluted EPS</b>	<b>\$ 4.61</b>	<b>\$ 5.08</b>	<b>(9.3)%</b>
Less: Currency	(0.13)		
<b>Reported Diluted EPS, excluding Currency</b>	<b>\$ 4.74</b>	<b>\$ 5.08</b>	<b>(6.7)%</b>

	Years Ended December 31,		
	2019	2018	% Change
<b>Reported Diluted EPS</b>	<b>\$ 4.61</b>	<b>\$ 5.08</b>	<b>(9.3)%</b>
Asset impairment and exit costs	0.23	-	
Canadian tobacco litigation-related expense	0.09	-	
Loss on deconsolidation of RBH	0.12	-	
Russia excise and VAT audit charge	0.20	-	
Fair value adjustment for equity security investments	(0.02)	-	
Tax items	(0.04)	0.02	
<b>Adjusted Diluted EPS</b>	<b>\$ 5.19</b>	<b>\$ 5.10</b>	<b>1.8%</b>
Less: Currency	(0.13)		
<b>Adjusted Diluted EPS, excluding Currency</b>	<b>\$ 5.32</b>	<b>\$ 5.10</b>	<b>4.3%</b>





# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Adjustments for the Impact of RBH, excluding Currency  
(Unaudited)

	Years Ended December 31,		
	2019	2018	% Change
<b>Adjusted Diluted EPS</b> <sup>(a)</sup>	<b>\$ 5.19</b>	<b>\$ 5.10</b>	<b>1.8%</b>
Net earnings attributable to RBH		(0.26) <sup>(b)</sup>	
<b>Adjusted Diluted EPS</b>	<b>\$ 5.19</b>	<b>\$ 4.84</b> <sup>(c)</sup>	<b>7.2%</b>
Less: Currency	(0.13)		
<b>Adjusted Diluted EPS, excluding Currency</b>	<b>\$ 5.32</b>	<b>\$ 4.84</b> <sup>(c)</sup>	<b>9.9%</b>

(a) For the calculation, see previous slide

(b) Represents the impact attributable to RBH from March 22, 2018 through end of period date

(c) Pro forma



# 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>2019</b>			<b>Reduced-Risk Products</b>	<b>2018</b>		<b>% Change</b>	
\$ 1,724	\$(98)	\$ 1,822	\$-	\$ 1,822	European Union	\$ 865	99.2%	+100%	+100%
844	(19)	864	-	864	Eastern Europe	324	+100%	+100%	+100%
321	(1)	322	-	322	Middle East & Africa	382	(15.8)%	(15.7)%	(15.7)%
-	-	-	-	-	South & Southeast Asia	-	-	-	-
2,671	13	2,658	-	2,658	East Asia & Australia	2,506	6.6%	6.0%	6.0%
27	(1)	28	-	28	Latin America & Canada <sup>(a)</sup>	19	41.9%	49.9%	49.9%
<b>\$ 5,587</b>	<b>\$(106)</b>	<b>\$ 5,693</b>	<b>\$-</b>	<b>\$ 5,693</b>	<b>Total RRPs</b>	<b>\$ 4,096</b>	<b>36.4%</b>	<b>39.0%</b>	<b>39.0%</b>
		<b>2019</b>			<b>PMI</b>	<b>2018</b>		<b>% Change</b>	
\$ 9,817	\$(563)	\$ 10,380	\$-	\$ 10,380	European Union	\$ 9,298	5.6%	11.6%	11.6%
3,282	(108)	3,390	-	3,390	Eastern Europe	2,921	12.4%	16.1%	16.1%
4,042	(162)	4,204	-	4,204	Middle East & Africa	4,114	(1.8)%	2.2%	2.2%
5,094	(10)	5,104	-	5,104	South & Southeast Asia	4,656	9.4%	9.6%	9.6%
5,364	(26)	5,390	-	5,390	East Asia & Australia	5,580	(3.9)%	(3.4)%	(3.4)%
2,206	(68)	2,274	-	2,274	Latin America & Canada	3,056	(27.8)%	(25.6)%	(25.6)%
<b>\$ 29,805</b>	<b>\$(937)</b>	<b>\$ 30,742</b>	<b>\$-</b>	<b>\$ 30,742</b>	<b>Total PMI</b>	<b>\$ 29,625</b>	<b>0.6%</b>	<b>3.8%</b>	<b>3.8%</b>

(a) Net Revenues include revenues from shipments of Platform 1 devices, heated tobacco units and accessories to Altria Group, Inc., commencing in the third quarter of 2019, for sale under license in the United States

Note: Sum of Regions might not foot to Total PMI due to roundings. "-" indicates amounts between -\$0.5 million and +\$0.5 million



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Adjustments for the Impact of RBH, excluding Currency  
(\$ in millions) / (Unaudited)

	Years Ended December 31,		
	2019	2018	% Change
<b>Net Revenues</b>	<b>\$ 29,805</b>	<b>\$ 29,625</b>	<b>0.6%</b>
Net Revenues attributable to RBH		(742) <sup>(a)</sup>	
<b>Net Revenues</b>	<b>\$ 29,805</b>	<b>\$ 28,883<sup>(b)</sup></b>	<b>3.2%</b>
Less: Currency	(937)		
<b>Net Revenues, excluding Currency</b>	<b>\$ 30,742</b>	<b>\$ 28,883<sup>(b)</sup></b>	<b>6.4%</b>

(a) Represents the impact attributable to RBH from March 22, 2018 through end of period date

(b) Pro forma



# 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 and Other	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
2019							Years Ended December 31,	2018			% Change		
\$ 3,970	\$ (342) <sup>(a)</sup>	\$ 4,312	\$ (330)	\$ 4,642	\$ -	\$ 4,642	European Union	\$ 4,105	\$ -	\$ 4,105	5.0%	13.1%	13.1%
547	(374) <sup>(b)</sup>	921	23	898	-	898	Eastern Europe	902	-	902	2.1%	(0.4)%	(0.4)%
1,684	-	1,684	(53)	1,737	-	1,737	Middle East & Africa	1,627	-	1,627	3.5%	6.8%	6.8%
2,163	(20) <sup>(a)</sup>	2,183	17	2,166	-	2,166	South & Southeast Asia	1,747	-	1,747	25.0%	24.0%	24.0%
1,932	-	1,932	37	1,895	-	1,895	East Asia & Australia	1,851	-	1,851	4.4%	2.4%	2.4%
235	(493) <sup>(c)</sup>	728	14	714	-	714	Latin America & Canada	1,145	-	1,145	(36.4)%	(37.6)%	(37.6)%
<b>\$ 10,531</b>	<b>\$ (1,229)</b>	<b>\$ 11,760</b>	<b>\$ (292)</b>	<b>\$ 12,052</b>	<b>\$ -</b>	<b>\$ 12,052</b>	<b>Total PMI</b>	<b>\$ 11,377</b>	<b>\$ -</b>	<b>\$ 11,377</b>	<b>3.4%</b>	<b>5.9%</b>	<b>5.9%</b>

(a) Represents asset impairment and exit costs

(b) Represents the Russia excise and VAT audit charge

(c) Includes asset impairment and exit costs (\$60 million), the Canadian tobacco litigation-related expense (\$194 million) and the loss on deconsolidation of RBH (\$239 million)



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Adjustments for the Impact of RBH, excluding Currency  
(\$ in millions) / (Unaudited)

	Years Ended December 31,		
	2019	2018	% Change
<b>Operating Income</b>	<b>\$ 10,531</b>	<b>\$ 11,377</b>	<b>(7.4)%</b>
<b>Less:</b>			
Asset impairment and exit costs	(422)	-	
Canadian tobacco litigation-related expense	(194)	-	
Loss on deconsolidation of RBH	(239)	-	
Russia excise and VAT audit charge	(374)	-	
<b>Adjusted Operating Income</b>	<b>\$ 11,760</b>	<b>\$ 11,377</b>	<b>3.4%</b>
Operating Income attributable to RBH		(542) <sup>(a)</sup>	
<b>Adjusted Operating Income</b>	<b>\$ 11,760</b>	<b>\$ 10,835<sup>(b)</sup></b>	<b>8.5%</b>
Less: Currency	(293)		
<b>Adjusted Operating Income, excluding Currency</b>	<b>\$ 12,053</b>	<b>\$ 10,835<sup>(b)</sup></b>	<b>11.2%</b>

(a) Represents the impact attributable to RBH from March 22, 2018 through end of period date

(b) Pro forma



# 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
									Years Ended December 31,				% Points Change		
									2019	2018					
\$ 4,312	\$ 9,817	43.9%	\$ 4,642	\$ 10,380	44.7%	\$ 4,642	\$ 10,380	44.7%	European Union	\$ 4,105	\$ 9,298	44.1%	(0.2)	0.6	0.6
921	3,282	28.1%	898	3,390	26.5%	898	3,390	26.5%	Eastern Europe	902	2,921	30.9%	(2.8)	(4.4)	(4.4)
1,684	4,042	41.7%	1,737	4,204	41.3%	1,737	4,204	41.3%	Middle East & Africa	1,627	4,114	39.5%	2.2	1.8	1.8
2,183	5,094	42.9%	2,166	5,104	42.4%	2,166	5,104	42.4%	South & Southeast Asia	1,747	4,656	37.5%	5.4	4.9	4.9
1,932	5,364	36.0%	1,895	5,390	35.2%	1,895	5,390	35.2%	East Asia & Australia	1,851	5,580	33.2%	2.8	2.0	2.0
728	2,206	33.0%	714	2,274	31.4%	714	2,274	31.4%	Latin America & Canada	1,145	3,056	37.5%	(4.5)	(6.1)	(6.1)
<b>\$ 11,760</b>	<b>\$ 29,805</b>	<b>39.5%</b>	<b>\$ 12,052</b>	<b>\$ 30,742</b>	<b>39.2%</b>	<b>\$ 12,052</b>	<b>\$ 30,742</b>	<b>39.2%</b>	<b>Total PMI</b>	<b>\$ 11,377</b>	<b>\$ 29,625</b>	<b>38.4%</b>	<b>1.1</b>	<b>0.8</b>	<b>0.8</b>

(a) For the calculation of Adjusted Operating Income and Adjusted Operating Income excluding currency and acquisitions refer to slide 76

(b) For the calculation of Net Revenues excluding currency and acquisitions refer to slide 74



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Adjustments for the Impact of RBH, excluding Currency  
(\$ in millions) / (Unaudited)

	Years Ended December 31,		
	2019	2018	% Change
Adjusted Operating Income <sup>(a)</sup>	\$ 11,760	\$ 11,377	3.4%
Net Revenues	\$ 29,805	\$ 29,625	
<b>Adjusted OI Margin</b>	<b>39.5%</b>	<b>38.4%</b>	<b>1.1</b>
Adjusted OI Margin attributable to RBH		(0.9) <sup>(b)</sup>	
<b>Adjusted OI Margin</b>	<b>39.5%</b>	<b>37.5%</b> <sup>(c)</sup>	<b>2.0</b>
Less: Currency	0.3		
<b>Adjusted OI Margin, excluding Currency</b>	<b>39.2%</b>	<b>37.5%</b> <sup>(c)</sup>	<b>1.7</b>

(a) For the calculation of Adjusted Operating Income refer to slide 76

(b) Represents the impact attributable to RBH from March 22, 2018 through end of period date

(c) Pro forma



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

### Reconciliation of Reported Diluted EPS to Pro Forma Adjusted Diluted EPS (Unaudited)

	Quarter Ended Mar 31, 2018	Quarter Ended Jun 30, 2018	Six Months Ended Jun 30, 2018	Quarter Ended Sept 30, 2018	Nine Months Ended Sept 30, 2018	Quarter Ended Dec 31, 2018	Year Ended Dec 31, 2018	Quarter Ended Mar 31, 2019
<b>Reported Diluted EPS</b>	<b>\$ 1.00</b>	<b>\$ 1.41</b>	<b>\$ 2.41</b>	<b>\$ 1.44</b>	<b>\$ 3.85</b>	<b>\$ 1.23</b>	<b>\$ 5.08</b>	<b>\$ 0.87</b>
Asset impairment and exit costs	-	-	-	-	-	-	-	0.01
Canadian tobacco litigation-related expense	-	-	-	-	-	-	-	0.09
Loss on deconsolidation of RBH	-	-	-	-	-	-	-	0.12
Tax items	-	-	-	-	-	0.02	0.02	-
<b>Adjusted Diluted EPS</b>	<b>\$ 1.00</b>	<b>\$ 1.41</b>	<b>\$ 2.41</b>	<b>\$ 1.44</b>	<b>\$ 3.85</b>	<b>\$ 1.25</b>	<b>\$ 5.10</b>	<b>\$ 1.09</b> <sup>(c)</sup>
Net earnings attributable to RBH	- <sup>(a)</sup>	(0.08)	(0.08) <sup>(a)</sup>	(0.09)	(0.18) <sup>(a)</sup>	(0.08)	(0.26) <sup>(a)</sup>	- <sup>(b)</sup>
<b>Pro Forma Adjusted Diluted EPS</b>	<b>\$ 1.00</b>	<b>\$ 1.33</b>	<b>\$ 2.33</b>	<b>\$ 1.35</b>	<b>\$ 3.67</b>	<b>\$ 1.17</b>	<b>\$ 4.84</b>	

(a) Represents the impact of net earnings attributable to RBH from March 22, 2018 through end of period date

(b) Represents the impact of net earnings attributable to RBH from March 22, 2019 through end of period date

(c) Includes approximately \$0.06 per share of net earnings attributable to RBH from January 1, 2019 through March 21, 2019

Note: EPS is computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not agree to the total for the year





# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

Net Revenues 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	Net Revenues	Net Revenues excluding Currency	Net Revenues excluding Currency & Acquisitions
					2017	2016	% Change		
\$ 28,748	\$ (437)	\$ 29,185	\$ -	\$ 29,185	Total PMI	\$ 26,685	7.7%	9.4%	9.4%
					2018	2017	% Change		
\$ 29,625	\$ (103)	\$ 29,728	\$ -	\$ 29,728	Total PMI	\$ 28,748	3.1%	3.4%	3.4%



# 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	Acqui-sitions	Adjusted Operating Income excluding Currency & Acqui-sitions	Years Ended December 31,	Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Adjusted Operating Income	Adjusted Operating Income excluding Currency	Adjusted Operating Income excluding Currency & Acqui-sitions
2017								2016			% Change		
\$ 11,581	\$ -	\$ 11,581	\$ (157)	\$ 11,738	\$ -	\$ 11,738	Total PMI	\$ 10,903	\$ -	\$ 10,903	6.2%	7.7%	7.7%
2018								2017			% Change		
\$ 11,377	\$ -	\$ 11,377	\$ (214)	\$ 11,591	\$ -	\$ 11,591	Total PMI	\$ 11,581	\$ -	\$ 11,581	(1.8)%	0.1%	0.1%



# 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 excluding Currency	Adjusted Operating Income excluding Currency & Acquisitions (a)	Net Revenues excluding Currency & Acquisitions (b)	Adjusted Operating Income excluding Currency & Acquisitions	Years Ended December 31,	Adjusted Operating Income (a)	Net Revenues	Adjusted Operating Income Margin	Adjusted Operating Income Margin	Adjusted Operating Income excluding Currency	Adjusted Operating Income excluding Currency & Acquisitions
			2017						2016			% Points Change			
\$ 11,581	\$ 28,748	40.3%	\$ 11,738	\$ 29,185	40.2%	\$ 11,738	\$ 29,185	40.2%	Total PMI	\$ 10,903	\$ 26,685	40.9%	(0.6)	(0.7)	(0.7)
			2018						2017			% Points Change			
\$ 11,377	\$ 29,625	38.4%	\$ 11,591	\$ 29,728	39.0%	\$ 11,591	\$ 29,728	39.0%	Total PMI	\$ 11,581	\$ 28,748	40.3%	(1.9)	(1.3)	(1.3)

(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 81



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