



Philip Morris
International

Investor
Information

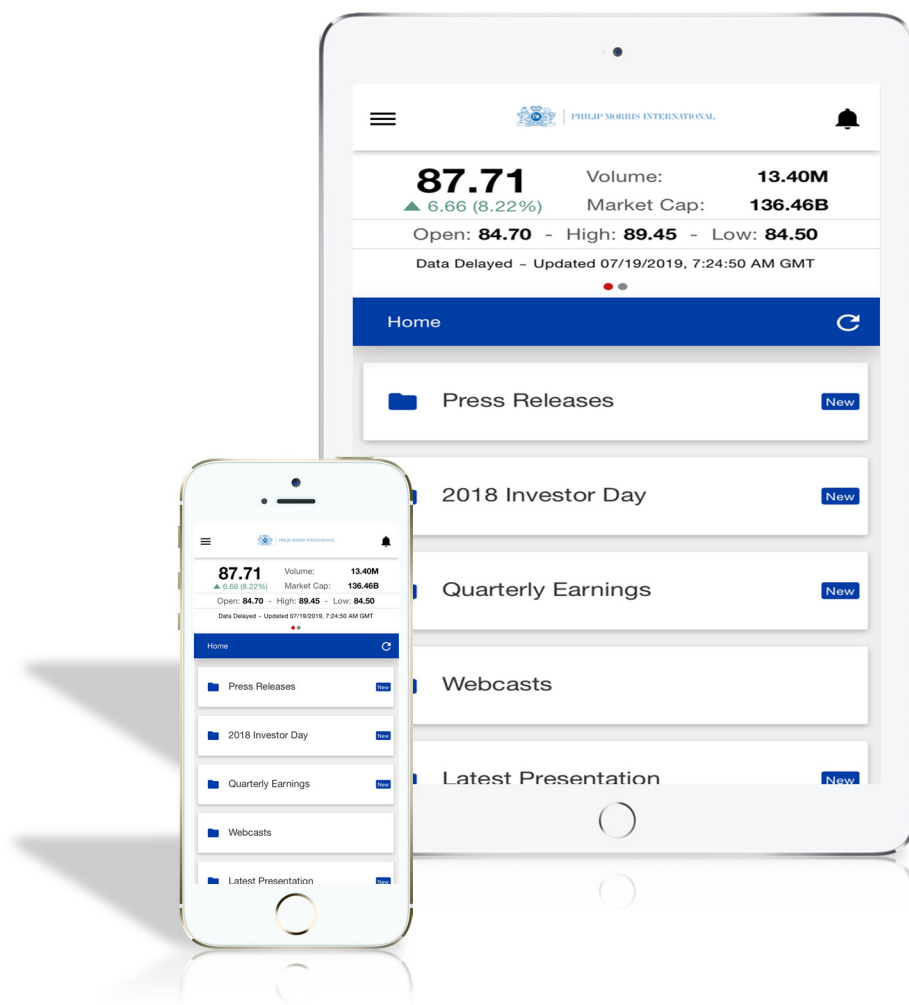
July 2019



Web Site: www.pmi.com

PMI Investor Relations Mobile Application:

The PMI Investor Relations Mobile Application, which is powered by *theIRApp*, provides users with simple, comprehensive and up-to-date access to all the company's previously disclosed investor relations materials such as: press releases, SEC filings, investor materials, and live and archived audio webcasts of earnings calls and investor presentations.



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Forward-Looking and Cautionary Statements



- This presentation contains projections of future results and other forward-looking statements. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI
- PMI's business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our products; health concerns relating to the use of tobacco products and exposure to environmental tobacco smoke; litigation related to tobacco use; intense competition; the effects of global and individual country economic, regulatory and political developments, natural disasters and conflicts; changes in adult smoker behavior; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations, and limitations on the ability to repatriate funds; adverse changes in applicable corporate tax laws; adverse changes in the cost and quality of tobacco and other agricultural products and raw materials; and the integrity of its information systems and effectiveness of its data privacy policies. PMI's future profitability may also be adversely affected should it be unsuccessful in its attempts to produce and commercialize reduced-risk products or if regulation or taxation do not differentiate between such products and cigarettes; if it is unable to successfully introduce new products, promote brand equity, enter new markets or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; or if it is unable to attract and retain the best global talent. Future results are also subject to the lower predictability of our reduced-risk product category's performance
- PMI is further subject to other risks detailed from time to time in its publicly filed documents, including the Form 10-Q for the quarter ended June 30, 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



Core Strategies for a Smoke-Free Future

Smoke-Free
Develop, market, and sell smoke-free alternatives, and switch our adult smokers to these alternatives, as quickly as possible around the world

Regulation
Propose regulatory policies that encourage the replacement of cigarettes by smoke-free alternatives

Talent
Be the employer of choice for our global workforce and work tirelessly to attract the best talent

Growth
Provide superior returns for our shareholders

Transition
Transition our resources from cigarettes to smoke-free alternatives

Sustainability
Drive world-class sustainability programs across our entire value chain

Transparency
Share our progress, and invite dialogue and independent verification



Net Revenue Growth Target (2019-2021)

≥5%
CAGR
ex-Currency

- Driven by:
 - Continued combustible strong pricing
 - Higher volume for IQOS devices and HTUs
 - Partly offset by lower cigarette volume, reflecting:
 - Switching to RRP
 - Impact of lower cigarette consumption, net of market share gains
- Strong pricing outlook supported by the broadly rational excise tax environment globally and our leading brand portfolio
- Leading product innovation capabilities position PMI to remain at the forefront of the growing RRP category



Stable Unit Cost of Goods Sold (2019-2021)



Cigarettes

- Unit COGS expected to be relatively stable, reflecting productivity improvements and limited input cost pressure

HTUs

- Unit COGS should remain in-line with those for equivalent cigarette products



IQOS Devices

- No significant changes in unit COGS expected, on average, despite the introduction of new device versions



Source: PMI Financials or estimates (PMI Investor Day, September 27, 2018)



Targeting Over \$1 Billion in Cost Efficiencies (2019-2021)

- Stepping up the pace of cost efficiencies through:
 - Increased manufacturing performance and better asset utilization
 - Productivity initiatives
 - Shift to project-based organization model
 - New zero-based budgeting initiative
- Savings from cost efficiencies will be partly reinvested to support net revenue growth

Source: PMI Financials or estimates (PMI Investor Day, September 27, 2018)



Adjusted Diluted EPS Growth Target (2019-2021)

≥8%
CAGR
ex-Currency

- Assumes over the period:
 - An effective income tax rate of approximately 24%
 - Relatively stable net interest expense
 - Assumes no share repurchases

Source: PMI Financials or estimates (PMI Investor Day, September 27, 2018)



Continued Cash Flow Growth (2019-2021)

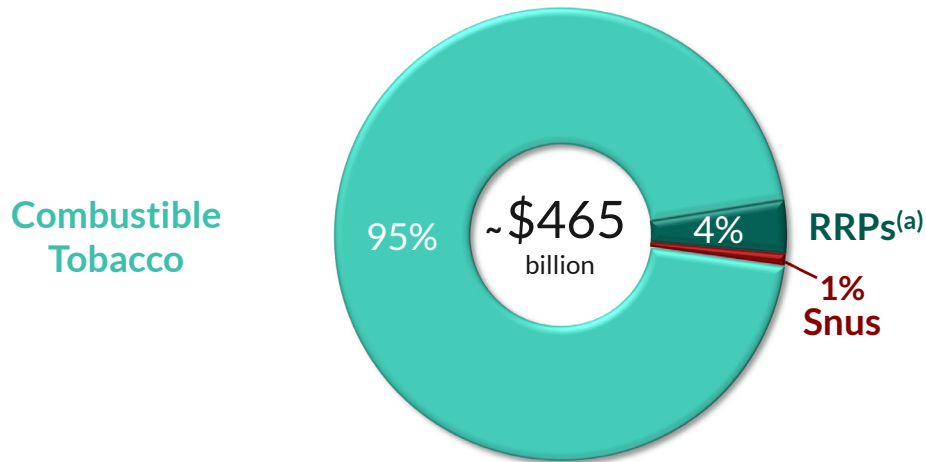
- Expect operating cash flow^(a) to grow broadly in line with net earnings
- Remain focused on managing our working capital judiciously, and will target further improvements
- Anticipate annual capital expenditures of \$1.2-\$1.3 billion



PMI employee overseeing tobacco sheet production for HEETS in our Bologna, Italy manufacturing facility

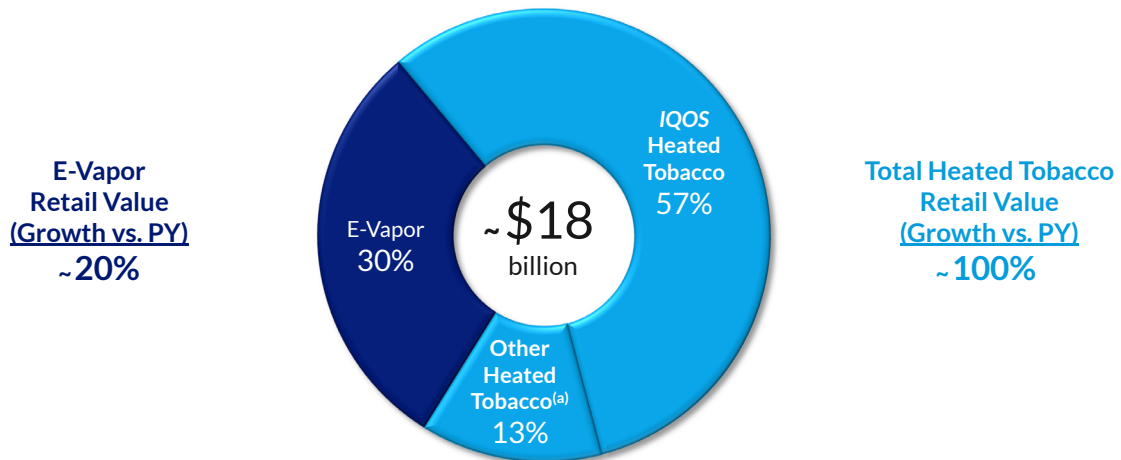
(a) Net cash provided by operating activities
Source: PMI Financials or estimates (PMI Investor Day, September 27, 2018)

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%

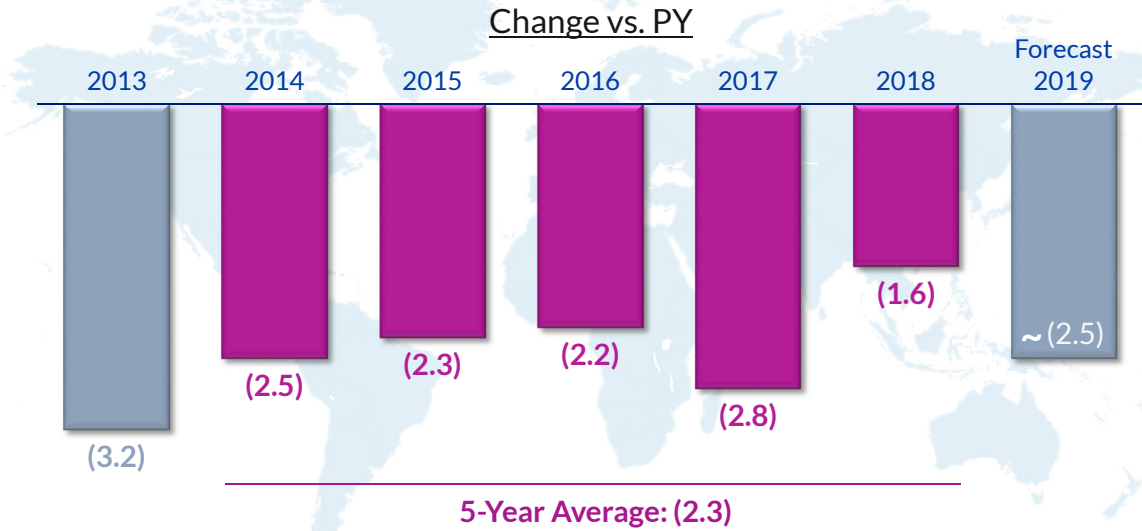
**Total Heated Tobacco
Retail Value
(Growth vs. PY)**
~100%

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

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



Consistent Total Industry Volume Trend (%)

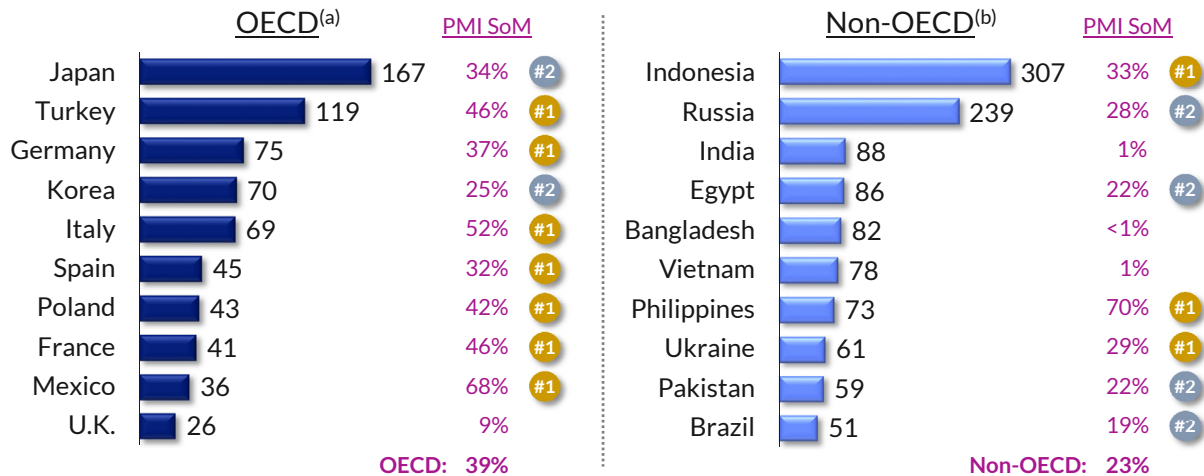


Note: Excluding China and the U.S. Reflects cigarettes and HTUs
 Source: PMI Financials or estimates (Q2, 2019 earnings call, July 18, 2019)



Top-10 Industry Volume Markets (2018)

(billion units)

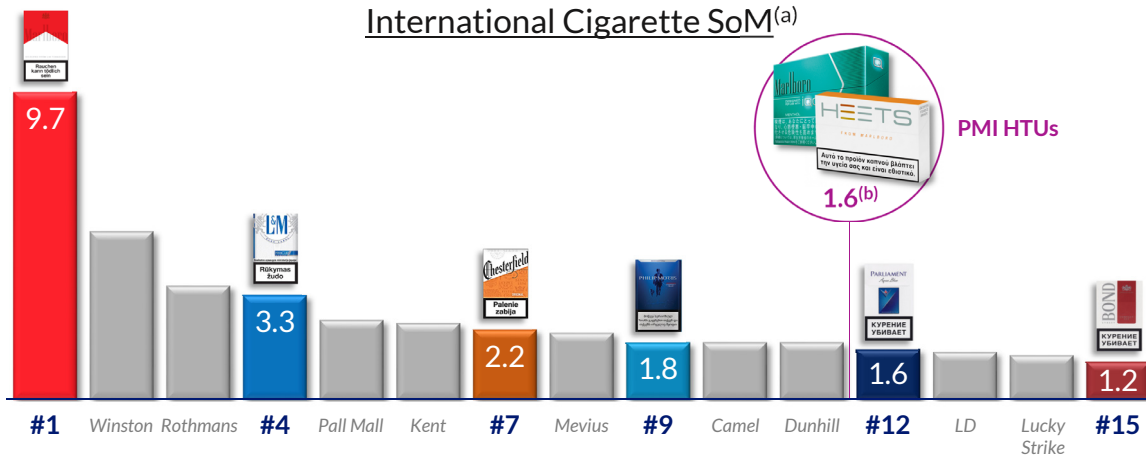


(a) Top-10 markets ranked by 2018 total industry volume, excluding the U.S. Based on OECD member list as per year-end 2018
 (b) Top-10 markets ranked by 2018 total industry volume, excluding China and duty free
 Note: Reflects cigarettes and HTUs (where applicable)
 Source: PMI Financials or estimates



Top-15 International Cigarette Brands (2018)

(%)

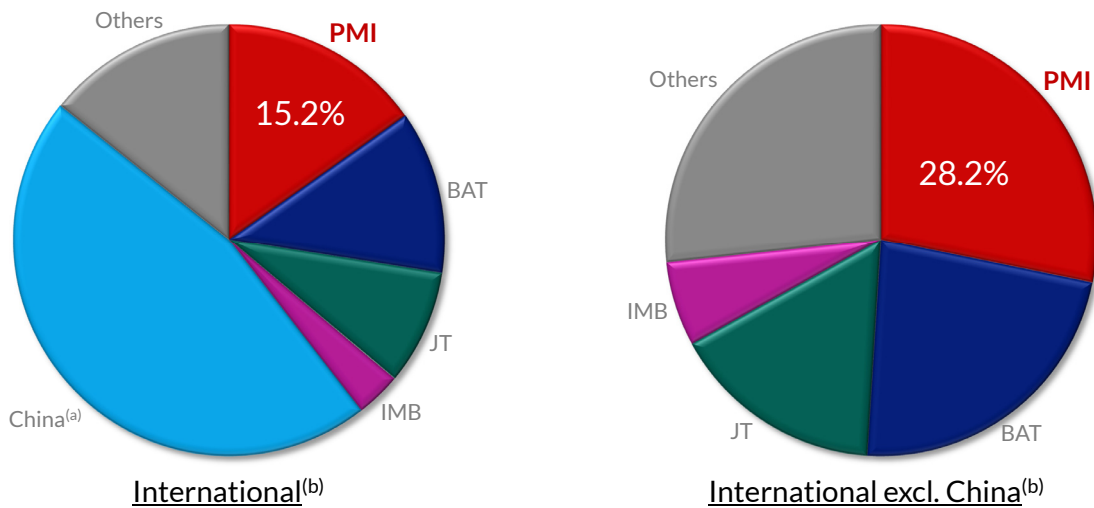


PMI Owns Six of the World's Top-15 International Cigarette Brands

(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



PMI Total Market Share Leadership (2018)

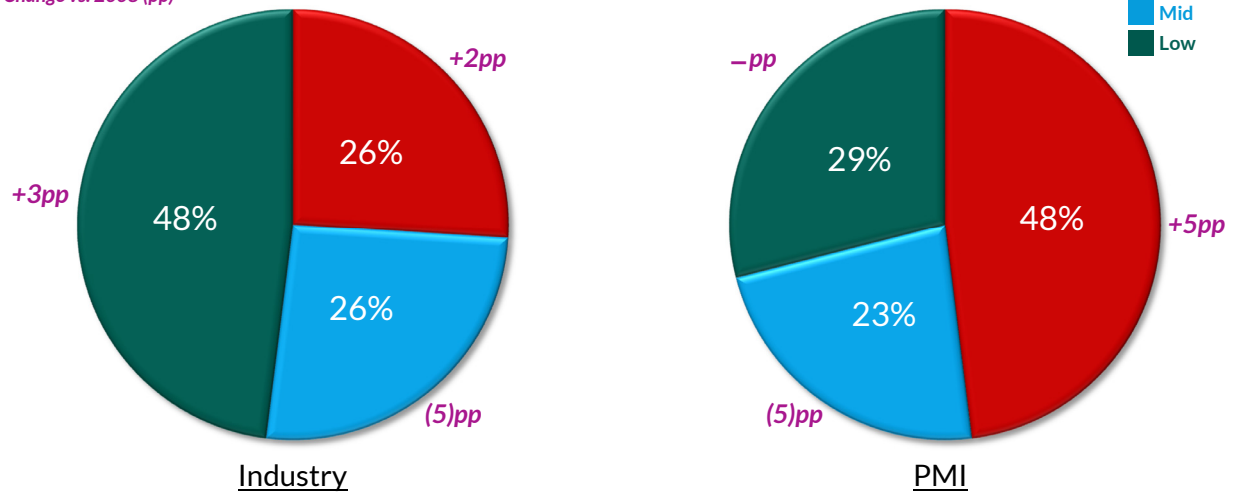


(a) Excluding CNTC license production of Marlboro cigarettes (2.2 billion units in 2018)
 (b) Excluding the U.S.
 Note: Reflects cigarettes and HTUs; PMI total market shares adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 112 (3rd bullet) for more information
 Source: PMI Financials or estimates

PMI Total Volume Price Segmentation vs. Industry (2018)



Change vs. 2008 (pp)



Note: Reflects cigarettes and HTUs. Excluding China, the U.S. and duty free. Premium includes above-premium. Low includes super-low and undefined
Source: PMI Financials or estimates

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Broadly Rational Global Cigarette Excise Tax Environment



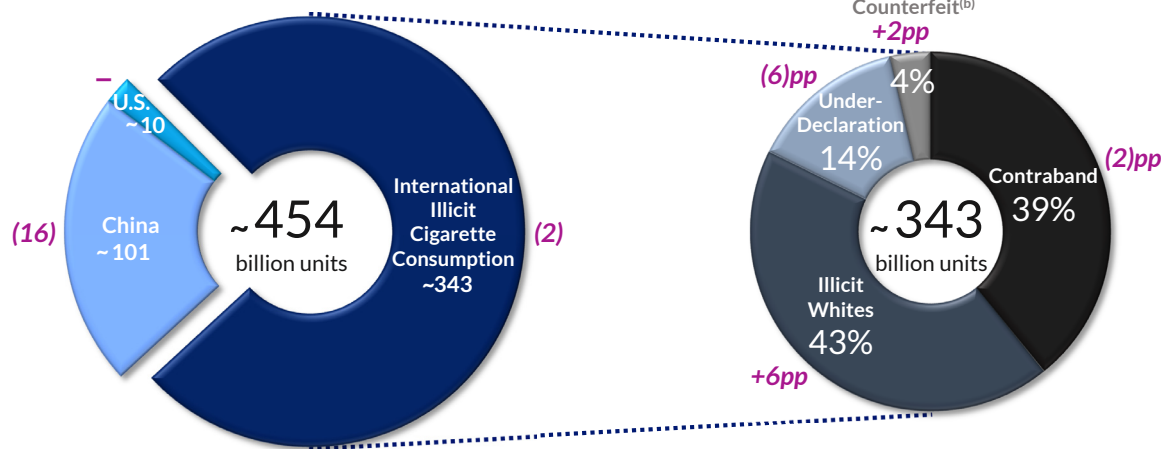
- Rate of increase and structure are of paramount importance
- In general, governments recognize that revenue predictability can be enhanced by:
 - Regular, reasonable increases
 - High proportion of specific elements in excise tax structure
 - Multi-year programs
 - Income or inflation indexation
- EU Excise Tax Directive:
 - Reasonable framework through 2019, providing EU governments with structural flexibility
 - EU Commission's review report for combustible products, novel tobacco products and e-cigarettes expected to be released in Q3, 2019
- Structural excise tax improvements in recent years, notably in Argentina, Pakistan and the Philippines
- Multi-year excise tax programs notably in Japan, Kazakhstan, the Philippines and Russia
- Index adjustments notably in Canada, Israel, Sweden, Turkey and the U.K.

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Cigarettes: Illicit Trade Overview (2018)

Change vs. 2017

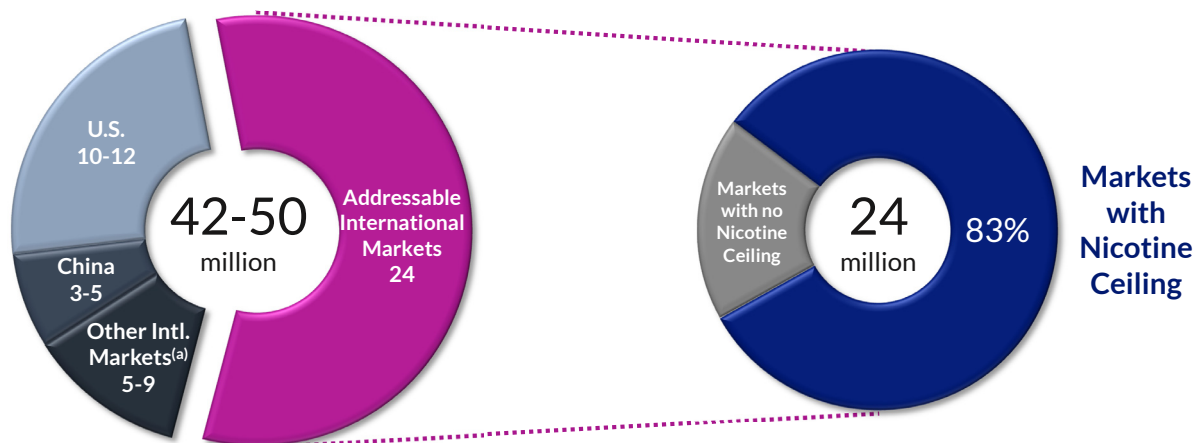


Non Tax-Paid Cigarette Volume^(a)

(a) Excluding an estimated 51 billion units of duty-free cigarette volume and other legitimate imports
 (b) Estimate for PMI worldwide and BAT, JT and IMB for selected markets
 Source: PMI Financials or estimates



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

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

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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

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

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International E-Vapor: Unmet Adult Consumer Preferences



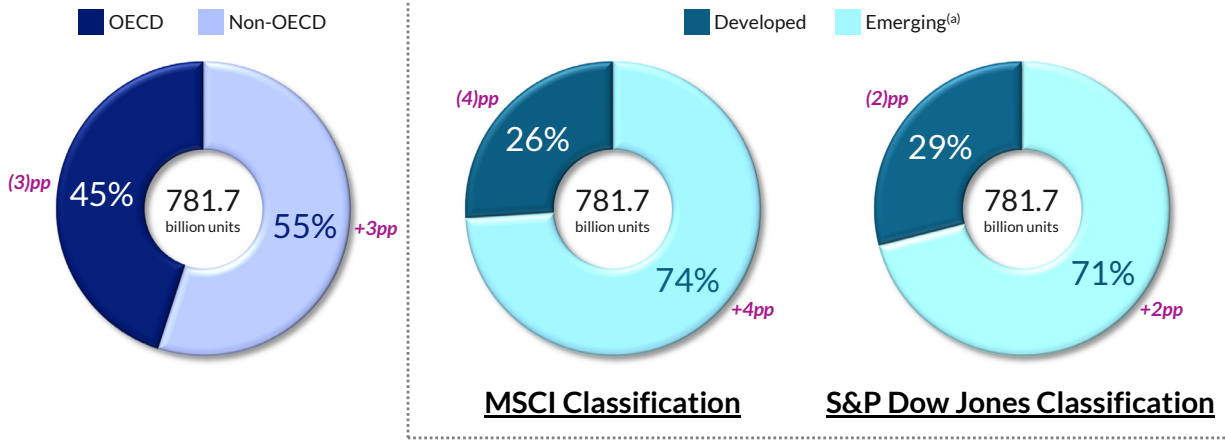
- Category still needs to deliver convincingly against key sensory and satisfaction dimensions
- Consumer uncertainty in many countries about the real health benefits of the category relative to smoking:
 - No manufacturer has produced a comprehensive scientific evidence package as we have done with 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

Source: PMI Market Research

PMI Total Volume (2018)

(OECD vs. Non-OECD / Developed vs. Emerging)

Change vs. 2008 (pp)



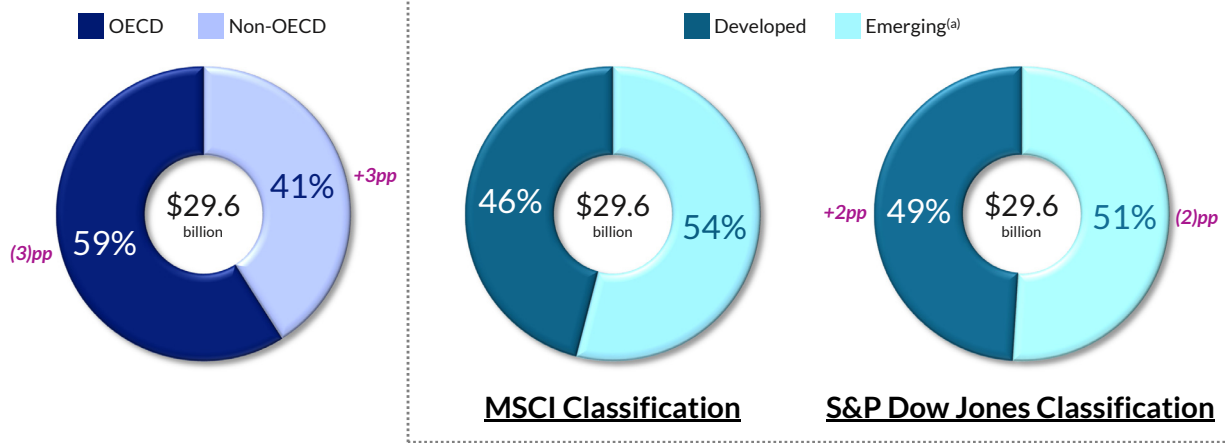
(a) Includes Emerging, Frontier and non-classified markets
 Note: Reflects cigarettes and HTUs. OECD/non-OECD splits for 2008 and 2018 reflect the list of OECD countries for 2018;
 Percentage split and change vs. 2008 exclude the shipment volume contribution from our duty free business
 Source: PMI Financials or estimates, MSCI ACWI & Frontier Market Index and Dow Jones Global Total Stock Market Index



PMI Net Revenues (2018)

(OECD vs. Non-OECD / Developed vs. Emerging)

Change vs. 2008 (pp)



(a) Includes Emerging, Frontier and non-classified markets
 Note: OECD/non-OECD splits for 2008 and 2018 reflect the list of OECD countries for 2018;
 Percentage split and change vs. 2008 exclude the net revenue contribution from our duty free business
 Source: PMI Financials or estimates, MSCI ACWI & Frontier Market Index and Dow Jones Global Total Stock Market Index

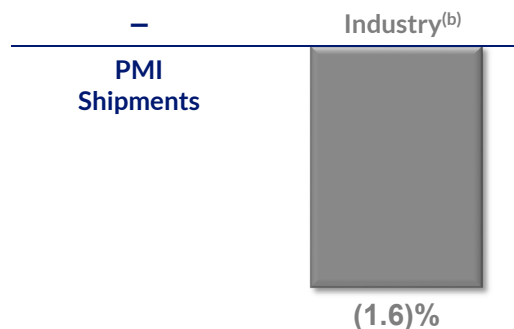
3

PMI Flat Total Shipment Volume, ex-Inventory (2018)



- Reported volume down by 2.1%, notably reflecting the reduction in distributor HTU inventory in Japan
- Flat volume, excluding estimated net distributor inventory movements:
 - Best annual performance since 2012
 - Strong HTU growth offsetting decline in cigarettes

Total Volume,
 Excluding Estimated
Net Distributor Inventory Movements^(a)
 (Variance vs. PY)



(a) Net estimated distributor inventory movements as explained in the Glossary
 (b) Excluding China and the U.S.
 Note: Total shipment and total industry volume reflect cigarettes and HTUs
 Source: PMI Financials or estimates

3



PMI Cigarette Shipment Volume (2018)

- Volume down by 2.8%, due mainly to:
 - Lower industry volume (notably in Russia and Saudi Arabia)
 - Impact of consumer switching to HTUs (notably in Japan, Korea and the EU Region)
- Decline partly offset by increased volume, notably in:
 - Pakistan and Turkey (driven by higher industry volume)
 - Thailand (driven by higher market share)

3

Source: PMI Financials or estimates

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PMI HTU Volume Performance (2018)

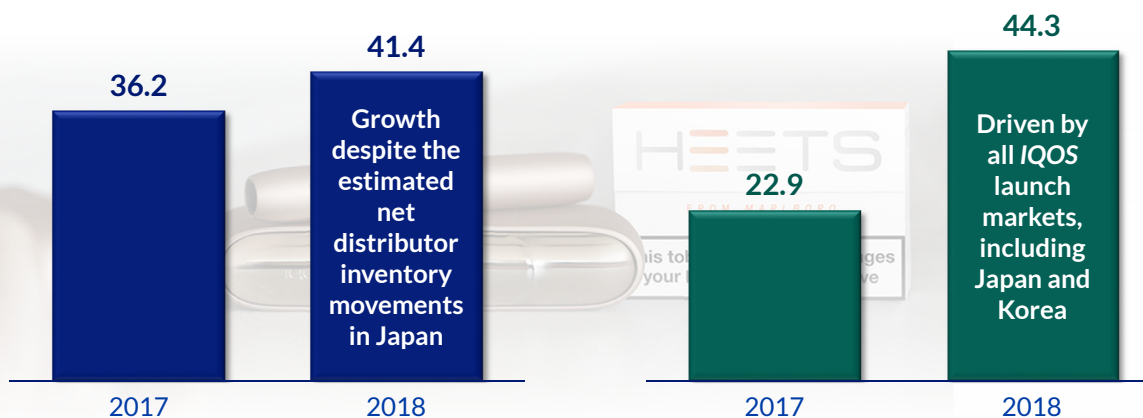
(billion units)

Shipments

+14.2%

In-Market Sales

+93.2%



3

Note: % change for shipments and in-market sales is computed based on millions of units
Source: PMI Financials or estimates

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PMI Financial Results (2018)



% Change vs. PY

3

	<u>2018</u>	<u>Actual</u>	<u>Ex-Currency</u>
Net Revenues (\$ in billions)	29.6	3.1 %	3.4 %
Adjusted OI (\$ in billions)	11.4	(1.8)%	0.1 %
Adjusted Diluted EPS (\$)	5.10	8.1 %	10.4 %

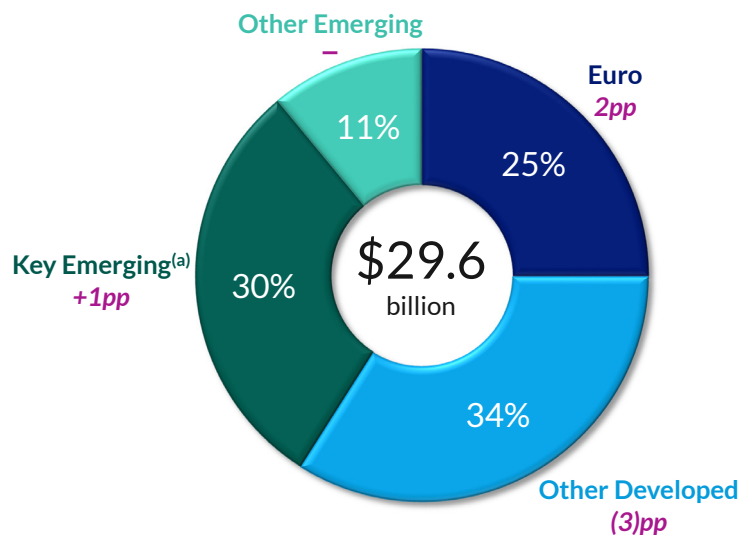
Source: PMI Financials or estimates

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PMI Net Revenues by Currency (2018)



Change vs. 2017



3

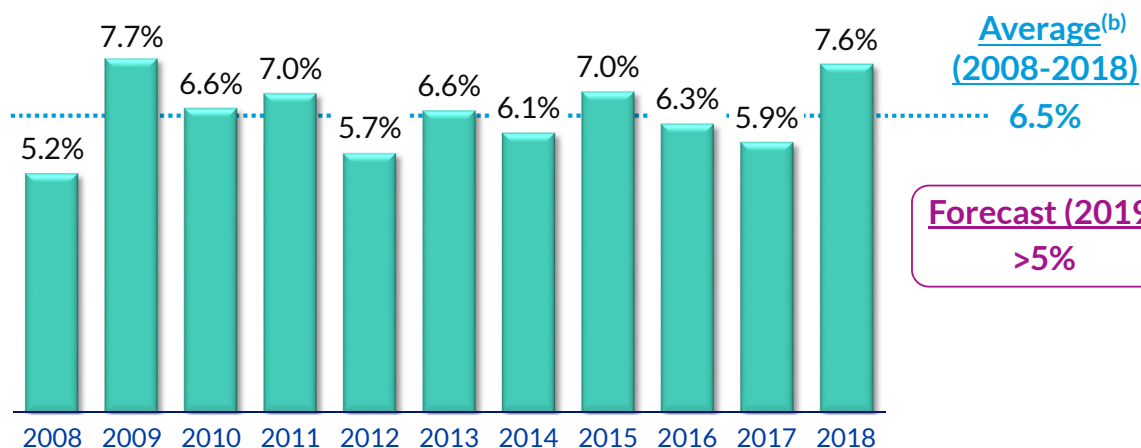
(a) Includes the Czech Krona, Egyptian Pound, Indonesian Rupiah, Mexican Peso, Philippine Peso, Polish Zloty, Russian Ruble and Turkish Lira
 Note: List of emerging markets based on Dow Jones Global Total Stock Market Index
 Source: PMI Financials or estimates

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Consistent Combustible Tobacco Pricing Trend



PMI Combustible Tobacco Pricing Variance^(a)



(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 (Q2, 2019 earnings call, July 18, 2019)

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PMI Financial Results by Region (2018)

(\$ in billions)



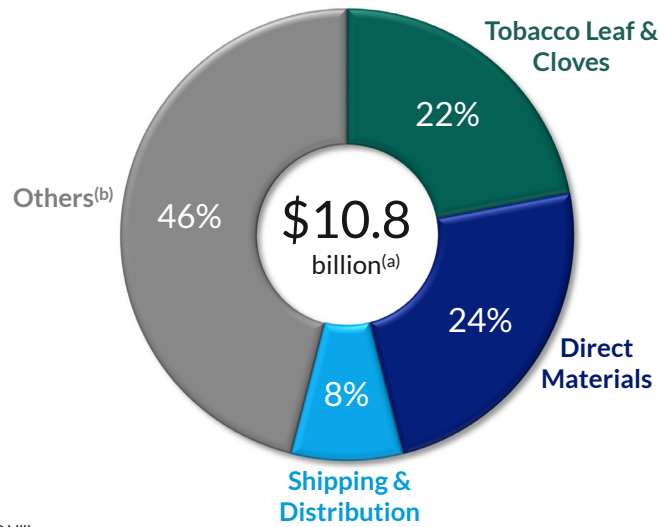
	Net Revenues			Adjusted OI		
	2018	% Change vs. PY		2018	% Change vs. PY	
		Actual	Ex- Currency		Actual	Ex- Currency
European Union	9.3	11.8 %	5.9 %	4.1	11.2 %	2.9 %
Eastern Europe	2.9	7.7 %	12.1 %	0.9	1.7 %	13.1 %
Middle East & Africa	4.1	3.2 %	8.0 %	1.6	(13.6)%	0.3 %
South & Southeast Asia	4.7	5.4 %	10.9 %	1.7	15.4 %	23.6 %
East Asia & Australia	5.6	(12.4)%	(13.4)%	1.9	(29.0)%	(28.9)%
Latin America & Canada	3.1	3.9 %	7.3 %	1.1	14.8 %	18.1 %

Note: Regional 2018 Net Revenues and Adjusted OI do not add to Total PMI 2018 Net Revenues of \$29.6 billion and Total PMI Adjusted OI of \$11.4 billion due to rounding
Source: PMI Financials or estimates

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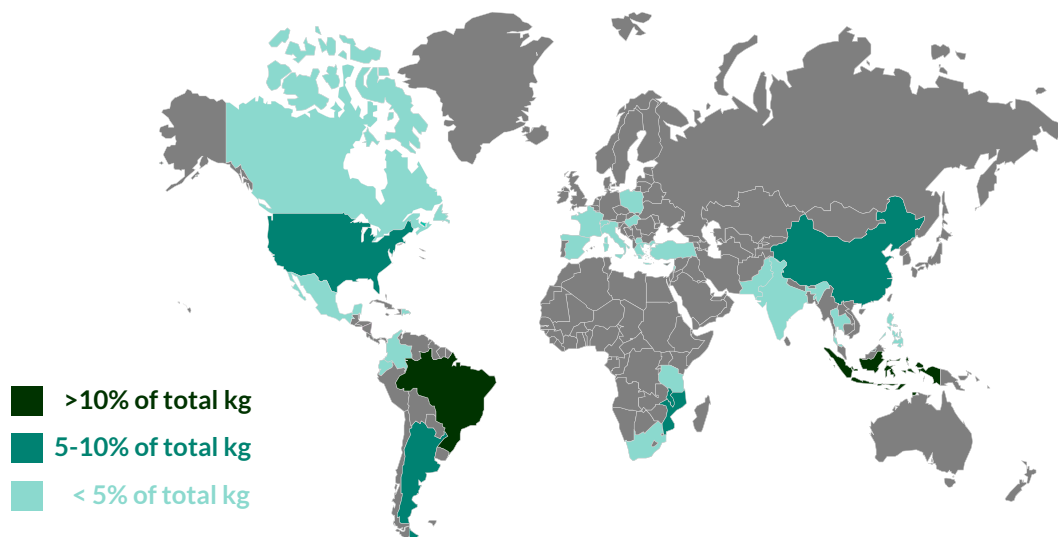
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PMI Cost of Goods Sold (2018)



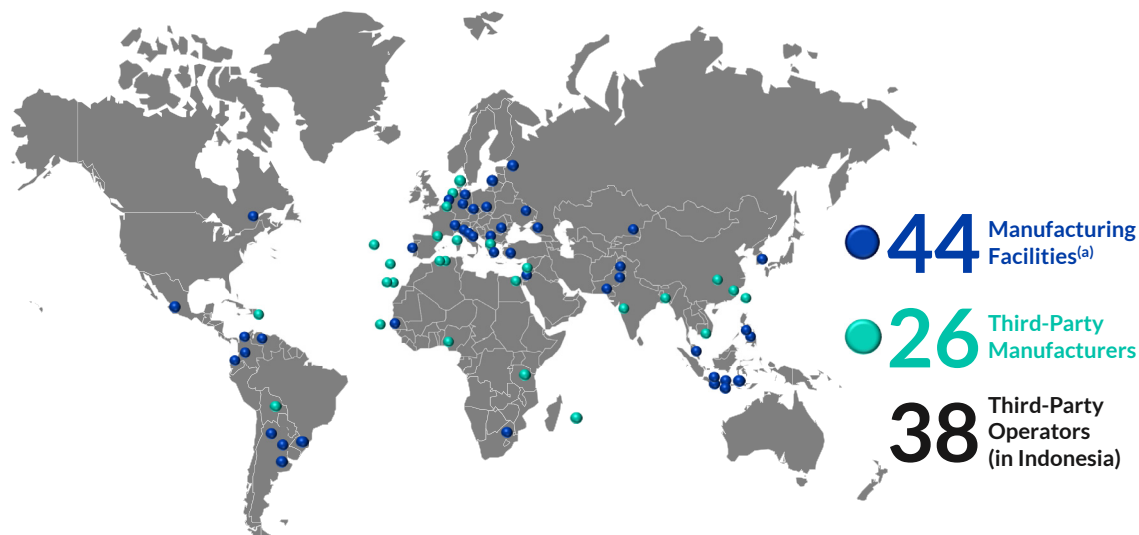
(a) COGS = reported cost of sales of \$10.8 billion
 (b) Conversion, fixed manufacturing expenses and other costs
 Source: PMI Financials or estimates

PMI Tobacco Leaf Purchases by Geography (2018)



Source: PMI Operations

PMI Manufacturing Footprint (2018)



(a) Includes facilities in Greece, Italy, Korea, Poland, Romania, Russia and Switzerland that are fully or partially dedicated to the production of HTUs or other nicotine-containing products
Source: PMI Operations and PMI Form 10-K (fiscal year ended December 31, 2018)

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PMI Costs by Currency (2018)



	Total (\$ billion)	Currency (%)				
		USD	EUR	IDR	CHF	Other
Tobacco ^(a)	2.4	12	60	19	–	9
Direct Materials	2.6	37	51	2	1	9
Other COGS ^(b)	5.8	19	35	11	6	29
Marketing, Overhead & Other Costs above OI	7.5	12	20	4	19	45
Total Costs^{(c)(d)}	18.2	18	34	8	10	30

(a) Including cloves

(b) Other manufacturing related costs and shipping

(c) Total costs above reported OI of \$18.2 billion = reported cost of sales of \$10.8 billion + reported marketing, administration and research costs of \$7.4 billion – general corporate expenses (included in reported marketing, administration and research costs) of \$0.1 billion + \$0.1 billion amortization of intangibles

(d) Sum of cost components might not add to total costs due to rounding

Note: Excluding sales allowances

Source: PMI Financials or estimates

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PMI Adjusted OI Margins

	2015	2016	2017	2018 ^(a)
European Union	44.6%	48.0%	44.4%	43.1%
Eastern Europe	39.2	35.8	32.7	33.0
Middle East & Africa	47.6	44.1	47.2	43.9
South & Southeast Asia	27.7	33.5	34.3	38.2
East Asia & Australia	42.6	39.5	40.9	33.6
Latin America & Canada	34.3	33.0	33.9	37.3
Total PMI	40.4	40.9	40.3	39.0

(a) Excluding currency
Source: PMI Financials or estimates

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3



PMI and Hedging

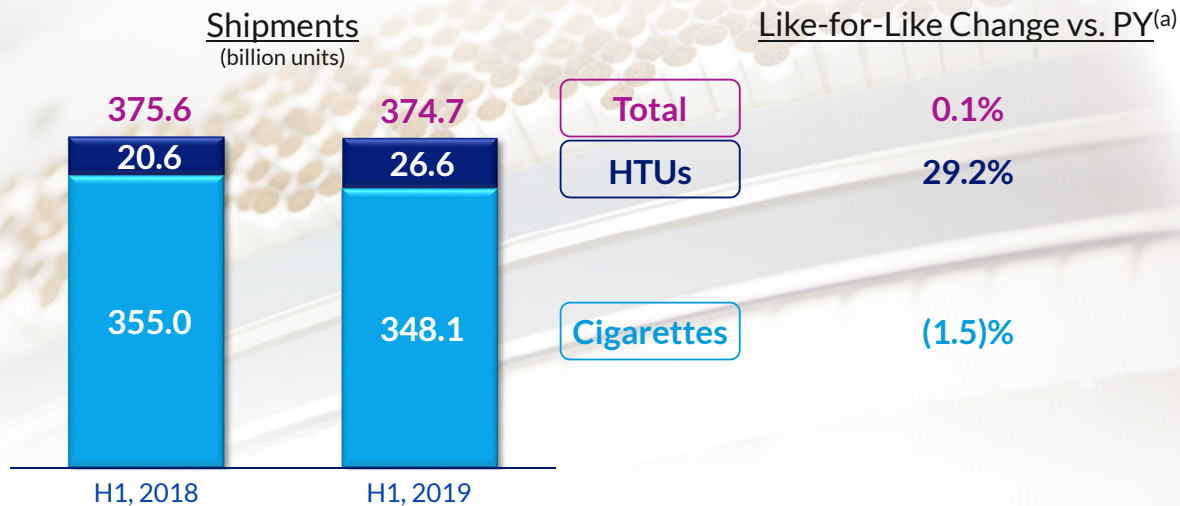
- Where appropriate, PMI carries out cash flow hedges ("transaction hedges")
- Opportunities for hedging in emerging markets are generally limited and/or expensive
- We do not carry out net income hedges
- PMI has implemented a balance sheet hedging policy since 2008, primarily focusing on hedging Euro net asset positions
- Hedges are performed through Euro-denominated debt, complemented by underlying financial instruments; at the end of 2018, around 60% of total debt was in Euros
- Realized results and valuation changes on balance sheet hedges are booked in equity

Source: PMI Financials or estimates

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3

Better-than-Anticipated Total PMI Volume (H1, 2019)



(a) Adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 112 (3rd bullet) for more information
Source: PMI Financials or estimates

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3

PMI Financial Results (H1, 2019)



	H1 2019	% Change vs. PY	
		Actual	Ex-Currency, Like-for-Like ^(a)
Net Revenues (\$ in billions)	14.5	(1.2)%	6.2 %
Adjusted OI (\$ in billions)	5.7	3.5 %	12.7 %
Adjusted Diluted EPS (\$)	2.55	5.8 %	15.0 %

(a) Adjusted for the deconsolidation of RBH, effective March 22, 2019; see slides 112 (3rd bullet), 118, 121, 124 for more information
Source: PMI Financials or estimates

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3



PMI Financial Results by Region (H1, 2019)

(\$ in billions)

	Net Revenues			Adjusted OI		
	H1, 2019	% Change vs. PY		H1, 2019	% Change vs. PY	
		Actual	Ex-Currency		Actual	Ex-Currency
European Union	4.7	5.5 %	13.4 %	2.1	9.1 %	19.2 %
Eastern Europe	1.4	5.6 %	15.4 %	0.4	(6.6)%	1.9 %
Middle East & Africa	1.9	(2.6)%	5.3 %	0.8	1.0 %	10.3 %
South & Southeast Asia	2.4	5.5 %	9.7 %	1.0	9.6 %	14.6 %
East Asia & Australia	2.8	(7.4)%	(6.6)%	1.1	5.5 %	3.5 %
Latin America & Canada	1.2	(22.2)%	(2.7)% ^(a)	0.4	(18.8)%	16.9 % ^(a)

(a) On a like-for-like basis; adjusted for the deconsolidation of RBH, effective March 22, 2019; see slides 112 (3rd bullet), 122 and 125 for more information
 Note: Regional H1, 2019 Net Revenues and Adjusted OI do not add to Total PMI H1, 2019 Net Revenues and Adjusted OI of \$14.5 billion and \$5.7 billion, respectively, due to rounding
 Source: PMI Financials or estimates

3

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Regional Highlights: European Union



H1, 2019 Performance:

- Industry total volume down by 1.1% to 231.5 billion units, notably due to: France, Germany and Italy (down by 7.3%, 3.7%, and 3.0%, respectively, primarily reflecting the impact of price increases in 2018 and Q1, 2019); partly offset by Poland (up by 8.0%, primarily reflecting a lower prevalence of illicit trade) and Spain (up by 0.9%, partly reflecting a lower prevalence of illicit trade)
- PMI total volume up by 1.6% to 91.2 billion units, notably driven by: higher HTU volume across the Region, notably Italy (driven by higher market share); partly offset by lower cigarette volume, mainly in France (due to the lower total market) and Italy (due to lower total market and lower cigarette market share), notably offset by Poland (mainly driven by the higher total market)
- PMI total share up by 0.6 points to 38.9%; *HEETS* share up by 1.4 points to 2.3%
- Adjusted OI up by 19.2%, ex-currency, mainly reflecting: a favorable pricing variance, driven principally by Germany; and a favorable volume/mix, notably in the Czech Republic, Italy and Poland, driven by HTU volume, partially offset by lower cigarette volume/mix, notably in France, Germany and Italy; partially offset by higher manufacturing costs and higher marketing, administration and research costs primarily related to RRP

3

Source: PMI Financials or estimates

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Regional Highlights: Eastern Europe

3

H1, 2019 Performance:

- Industry total volume decreased, notably due to: Russia (down by 4.9%, primarily reflecting the impact of price increases, a higher prevalence of illicit trade, and the unfavorable impact in Q1, 2019, of estimated trade inventory movements in certain key accounts) and Ukraine (down by 12.8%, primarily reflecting the impact of excise tax-driven price increases and an increase in the prevalence of illicit trade)
- PMI total volume down by 0.5% to 51.8 billion units, primarily in Russia (down by 1.5%; excluding the net unfavorable impact of estimated distributor inventory movements of 0.5 billion units, primarily of HTUs, PMI's IMS growth was 0.3%, reflecting a higher market share of HTUs, partially offset by the lower total market); partly offset by Kazakhstan (up by 11.9%), reflecting a higher total market and a higher market share of heated tobacco units
- Adjusted OI up by 1.9%, ex-currency, reflecting: a favorable pricing variance, driven notably by Ukraine; and a favorable volume/mix, predominantly driven by HTU volume in Russia, partly offset by lower cigarette volume/mix in Russia; partly offset by higher manufacturing costs and higher marketing, administration and research costs, notably reflecting increased investments behind RRP's, primarily in Russia in support of geographic expansion

Recent Key Developments:



Russia: During Q2, 2019, we increased cigarette RSPs for around 90% of our weighted portfolio by market share (an average increase of RUB 6.8/pack). The RSP increases are expected to reach the market between July and November, following inventory depletion

Source: PMI Financials or estimates

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Regional Highlights: Middle East & Africa

3

H1, 2019 Performance:

- Industry total volume increased, notably driven by: Algeria (up by 4.9%, or down by 4.1%, ex-inventory movements associated with expectations regarding excise tax announcements in 2019 compared to 2018), Saudi Arabia (up by 7.5%, primarily reflecting a favorable comparison with H1, 2018, which was down by 33.2% mainly due to the impact of retail price increases in 2017 and Q1, 2018, following the introduction of the new excise tax in June 2017 and VAT in January 2018, respectively) and Turkey (up by 11.5%, mainly reflecting a lower prevalence of illicit trade); partly offset by Egypt (down by 2.2%, mainly due to the impact of price increases in 2018)
- PMI total volume up by 2.0% to 66.4 billion units, notably in Egypt, Saudi Arabia and Turkey; partly offset by PMI Duty Free
- Adjusted OI up by 10.3%, ex-currency, mainly reflecting: a favorable pricing variance driven by Egypt, PMI Duty Free and Turkey, partly offset by Saudi Arabia; lower manufacturing costs; and a favorable cost/other variance mainly driven by the timing of other revenues; partly offset by unfavorable volume/mix, notably due to unfavorable cigarette and HTU volume in PMI Duty Free, partly offset by favorable cigarette volume/mix in Saudi Arabia and favorable cigarette volume in Turkey

Recent Key Developments:



Saudi Arabia: In July, the Board of Directors of the General Authority for Zakat and Income approved the setting of a minimum excise tax (or MET) for all tobacco products, excluding cigars, effective December 1, 2019. The MET for cigarettes to be set at SAR 8/20s pack



Turkey: On July 3rd, MET and specific excise tax increased by TRY 21.60 to TRY 289.50/000, and by TRY 1.70/000 to TRY 22.70/000, respectively. Note: On May 1st, MET had increased to TRY 267.90/000 (previously TRY 0 since January 5, 2019)

Source: PMI Financials or estimates

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Regional Highlights: South & Southeast Asia

H1, 2019 Performance:

- Industry total volume increased, notably driven by: Indonesia (up by 2.1%, mainly driven by the absence of an excise tax increase in January 2019), Pakistan (up by 10.5%, mainly driven by the timing of estimated trade inventory movements related to anticipated excise tax-driven price increases in 2019 compared to the prior year; down by 4.0%, excluding the impact of trade inventory movements), the Philippines (up by 3.2%, mainly reflecting the impact of net favorable estimated trade inventory movements in Q1, 2019, associated with expectations regarding excise tax-driven price increases, partly offset by the impact of price increases in the below-premium segment in Q4, 2018) and Thailand (up by 17.8%, primarily reflecting on-going recovery from the September 2017 excise tax reform); partly offset by Vietnam (down by 5.3%, reflecting the impact of the excise tax increase in January 2019)
- PMI total volume up by 3.4% to 87.9 billion units, notably driven by Pakistan, the Philippines and Thailand, partly offset by Indonesia
- Adjusted OI up by 14.6%, ex-currency, mainly reflecting: a favorable pricing variance, driven principally by Indonesia and the Philippines; and a favorable volume/mix, mainly driven by favorable cigarette volume and mix in the Philippines, partly offset by lower cigarette volume and mix in Indonesia; partly offset by higher manufacturing costs, mainly due to Indonesia and the Philippines, and higher marketing, administration and research costs, partly due to the Philippines

3

Recent Key Developments:



Philippines: On July 25, 2019, a bill to increase tobacco excise taxes was signed into law (see slide 98 for the new cigarette excise tax rates effective January 1, 2020, and thereafter). The law introduces specific excise taxes for heated tobacco and e-vapor products, also effective January 1, 2020 (PHP 10 / pack of 20s for heated tobacco and PHP 10 / 10 ml for vapor products containing liquid solutions [increments of PHP 10 / additional 10 ml of liquid], with increases of 5% per year beginning January 1, 2021)

Source: PMI Financials or estimates

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Regional Highlights: East Asia & Australia

H1, 2019 Performance:

- Industry total volume, ex-China, decreased, notably due to: Japan (down by 4.4%, mainly reflecting the impact of the October 1, 2018, excise tax-driven retail price increases) and Taiwan (down by 3.8%, primarily reflecting the impact of excise tax-driven retail price increases in 2017)
- PMI total volume down by 7.1% to 41.2 billion units, notably in: Japan (down by 7.1%; excluding the net unfavorable impact of estimated distributor inventory movements of approximately 0.5 billion units, comprised of approximately 0.1 billion HTUs and approximately 0.4 billion cigarettes, PMI's IMS decline was 5.5%, reflecting the lower total market and lower cigarette market share) and Korea (down by 9.7%, principally due to lower cigarette market share)
- Adjusted OI up by 3.5%, ex-currency, mainly reflecting: a favorable pricing variance driven predominantly by Japan; lower manufacturing costs related to Japan and Korea; and lower marketing, administration and research costs, notably in Australia and Korea, partly offset by Japan; partly offset by unfavorable volume/mix, mainly due to unfavorable cigarette volume in Australia and Japan, and unfavorable cigarette and heated tobacco unit volume in Korea, partially offset by heated tobacco unit volume in Japan

3

Source: PMI Financials or estimates

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Regional Highlights: Latin America & Canada

3

H1, 2019 Performance:

- Industry total volume decreased, notably due to Argentina (down by 8.6%, primarily due to the impact of cumulative price increases and the economic downturn as of H2, 2018; excluding estimated net trade inventory movements, the total market decreased by 7.4%), Canada (down by 9.5%, primarily due to the impact of cumulative price increases) and Venezuela (down by 58.5%, mainly reflecting the deterioration of the socioeconomic environment and the impact of inflation-driven price increases)
- PMI total volume down by 7.9% to 36.2 billion units (or down by 4.4% on a like-for-like basis), mainly due to: Argentina and Venezuela; partly offset by Mexico
- On a like-for-like basis, adjusted OI up by 16.9%, ex-currency, reflecting: a favorable pricing variance, notably in Canada and Mexico, partially offset by Argentina, mainly due to the adoption of highly inflationary accounting; lower manufacturing costs; and lower marketing, administration and research costs, partly resulting from the adoption of highly inflationary accounting in Argentina; partly offset by an unfavorable volume/mix, mainly due to lower cigarette volume in Argentina and Canada, partly offset by higher cigarette volume in Mexico (largely due to the timing of retail price increases compared to 2018)

Recent Key Developments:

- Argentina:** In June, MET increased by 11.8% to ARS 46.24. In May, we raised cigarette RSPs by ARS 3-7/pack of 20s across the portfolio
- Canada:** On May 1st, the Government published regulations on plain packaging for tobacco products, including *HEETS* and *IQOS* devices. Plain pack design changes effective as of November 9, 2019, for manufacturers and distributors, and as of February 7, 2020, for retailers
- Mexico:** In July, we raised cigarette RSPs by MXN 2/pack of 20s across the portfolio

Note: Adjusted OI excludes Canadian tobacco litigation-related expense and loss on deconsolidation of RBH
 Source: PMI Financials or estimates

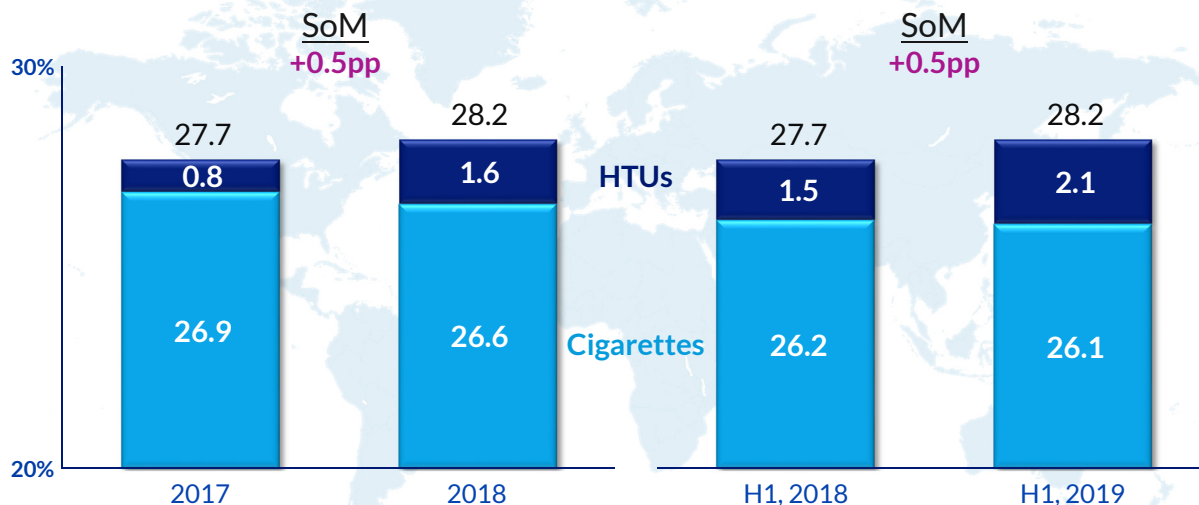
45



PMI Total International Share

(%)

3



Note: Excluding China and the U.S. Adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 112 (3rd bullet) for more information
 Source: PMI Financials or estimates

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PMI Total Market Share: Select Markets



	Full-Year			H1		
	2018	2017	Variance	2019	2018	Variance
Argentina	73.7%	74.7%	(1.0)pp	72.0%	73.5%	(1.5)pp
Australia	29.7	30.6	(0.9)	27.6	29.3	(1.7)
France	45.5	43.5	2.0	44.9	45.0	(0.1)
Germany	37.3	37.2	0.1	38.9	37.2	1.7
Indonesia	33.0	33.0	–	31.9	33.2	(1.3)
Italy	51.8	52.2	(0.4)	51.4	51.7	(0.3)
Japan	34.0	32.1	1.9	34.1	34.6	(0.5)
Korea	25.0	21.2	3.8	23.2	25.4	(2.2)

Note: PMI total market shares reflect cigarettes and HTUs (where applicable)
Source: PMI Financials or estimates

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PMI Total Market Share: Select Markets (cont.)



	Full-Year			H1		
	2018	2017	Variance	2019	2018	Variance
Mexico	68.0%	68.1%	(0.1)pp	67.0%	65.1%	1.9 pp
Philippines	69.9	67.6	2.3	70.3	69.9	0.4
Poland	41.5	42.7	(1.2)	40.4	40.6	(0.2)
Russia	28.3	27.8	0.5	29.0	27.5	1.5
Saudi Arabia	41.5	45.2	(3.7) ^(a)	40.3	40.8	(0.5)
Spain	32.1	32.3	(0.2)	31.4	32.0	(0.6)
Turkey	46.4	46.7	(0.3)	43.4	45.9	(2.5)

(a) Cigarette market share impacted by the June 2017 excise tax-driven price increases
Note: PMI total market shares reflect cigarettes and HTUs (where applicable)
Source: PMI Financials or estimates

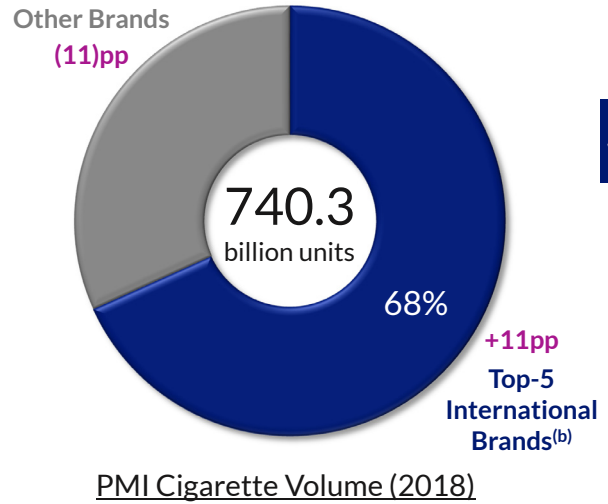
48

PMI Cigarettes: Focused 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 swiftly in any market
 - 44% success rate in 2018^(a)
- Portfolio rationalization:
 - Brand morphing
 - Elimination of low-volume SKUs



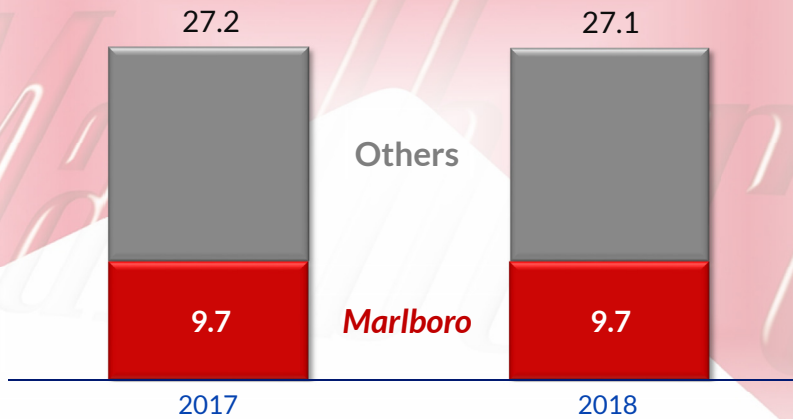
4

(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

PMI Cigarettes: Maintaining Leadership in the Category (%)



PMI International Cigarette SoM^(a)



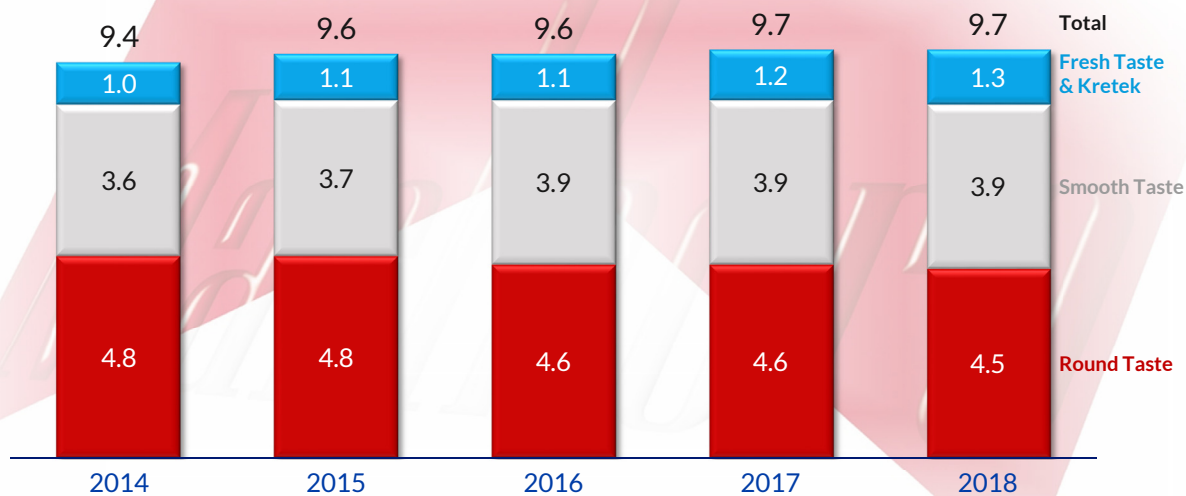
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(a) Sales volume of PMI cigarettes as a percentage of the total industry sales volume for cigarettes
 Note: Excluding China and the U.S. Adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 112 (3rd bullet) for more information
 Source: PMI Financials or estimates



PMI Cigarettes: Marlboro's International Share

(%)



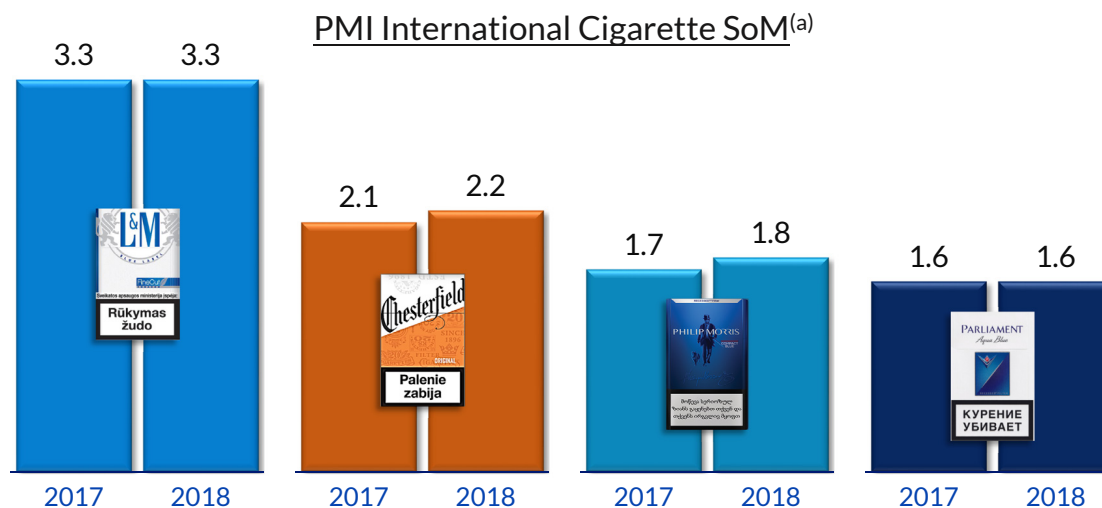
Note: Excluding China and the U.S. *Marlboro* international cigarette market share is defined as PMI total sales volume for *Marlboro* cigarettes as a percentage of the total industry estimated sales volume for cigarettes

Source: PMI Financials or estimates



PMI Cigarettes: Solid Performance from Other Top Brands

(%)



(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



PMI Cigarettes: RSPs in Select Markets

(July 1, 2019)

		Above Premium	Premium	Mid-Price	Low-Price
Argentina ^(a)	ARS	<i>Parliament</i> 100.00	<i>Marlboro</i> 92.00	<i>Philip Morris</i> 81.00	<i>Chesterfield</i> 75.00
Australia ^(b)	AUD		<i>Marlboro</i> 29.16	<i>Peter Jackson</i> 28.43	<i>Bond Street</i> 24.97
France	EUR		<i>Marlboro</i> 8.80		<i>Chesterfield / L&M</i> 8.40
Germany	EUR		<i>Marlboro</i> 6.70		<i>Chesterfield / L&M</i> 6.30
Indonesia ^(c)	IDR		<i>Sampoerna A Mild</i> 23,072	<i>U Mild</i> 18,899	<i>DSS Magnum Mild</i> 15,970
Italy	EUR		<i>Marlboro</i> 5.70		<i>Chesterfield / L&M</i> 4.90
Japan ^(d)	JPY	<i>Parliament</i> 530	<i>Marlboro</i> 510	<i>Lark</i> 450	<i>Lark Smart Plus</i> 390
Korea	KRW		<i>Marlboro</i> 4,500		

(a) RSPs for *Philip Morris* and *Chesterfield* are for the soft pack (best-selling variant)

(b) Recommended RSP. Actual RSP may differ. Price for pack of 20 cigarettes equivalent (*Marlboro* 25s; *Peter Jackson* 30s and *Bond Street* 40s)

(c) Based on Nielsen May 2019 estimates. Reflects average observed retail selling prices. 16 cigarettes per pack

(d) RSPs for *Parliament* 100's, *Marlboro* regular, *Lark* regular and *Lark Smart Plus* 19s

Note: 20 cigarettes per pack unless otherwise stated. Low includes super-low. DSS is *Dji Sam Soe*

Source: PMI affiliates and Nielsen

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4



PMI Cigarettes: RSPs in Select Markets (cont.)

(July 1, 2019)

		Above Premium	Premium	Mid-Price	Low-Price
Mexico ^(a)	MXN		<i>Marlboro</i> 57.00		<i>Chesterfield</i> 44.00
Philippines	PHP		<i>Marlboro</i> 78.00	<i>Fortune</i> 72.00	
Poland	PLN		<i>Marlboro</i> 16.50	<i>L&M</i> 14.99	<i>Chesterfield</i> 13.99
Russia ^(b)	RUB	<i>Parliament</i> 189	<i>Marlboro</i> 169	<i>Chesterfield</i> 149	<i>Bond Street Compact</i> ^(c) 122
Saudi Arabia	SAR	<i>Parliament</i> 27.00	<i>Marlboro</i> 25.00	<i>L&M</i> 20.00	<i>Chesterfield</i> 15.00
Spain	EUR		<i>Marlboro</i> 5.00	<i>Chesterfield</i> 4.70	<i>L&M</i> 4.45
Turkey	TRY	<i>Parliament</i> 15.50	<i>Marlboro</i> 15.00	<i>Muratti</i> 13.00	<i>Lark</i> 12.00

(a) As of July 2nd

(b) Maximum RSPs for mainline variants

(c) *Bond Street*'s best-selling variant

Note: 20 cigarettes per pack unless otherwise stated. Low includes super-low

Source: PMI affiliates

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4



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

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

3. Organizational Readiness:

- Ensuring that our organization is always fit-for-purpose and at the leading edge of technology, science and user experience:
 - New technical skills
 - More agile and entrepreneurial structures and practices
 - New products and services
 - Efficiency through every level of our operations

5



Our RRP Platforms

THE SCIENCE

"IQOS HeatControl Technology"

BRAND

IQOS

PLATFORMS



5

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

Good Conversion Practices for Our Smoke-Free Products



1. Smoke-free products are for adult smokers who want to continue enjoying tobacco or nicotine
2. We do not offer smoke-free products to people who have never smoked or who have quit smoking
3. Our goal is to switch every adult smoker who would otherwise keep smoking combustible products to smoke-free products, such as IQOS. We are committed to supporting adult smokers in their switching journey through education and guidance
4. Smoke-free products are not an alternative to quitting. The best choice for consumers concerned about the health risks of smoking is to quit altogether
5. To experience the benefit of smoke-free products, adult smokers should switch completely and abandon smoking permanently
6. Smoke-free products are not risk free or a safe alternative to cigarettes, but they are a much better consumer choice for smokers who wish to continue to use tobacco and nicotine

5

Source: 2018 PMI Sustainability Report

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IQOS Device Progression



Nagoya and Milan Pilots (2014)



2016



2017



2018 onwards

Base device

- Aesthetics
- Automatic blade cleaning
- Easier holder insertion

Product Reliability and Improvements

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

Product Reliability and Improvements

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

Continued Innovation

5

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IQOS 3 and IQOS 3 Multi Product Characteristics



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

new
IQOS 3



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

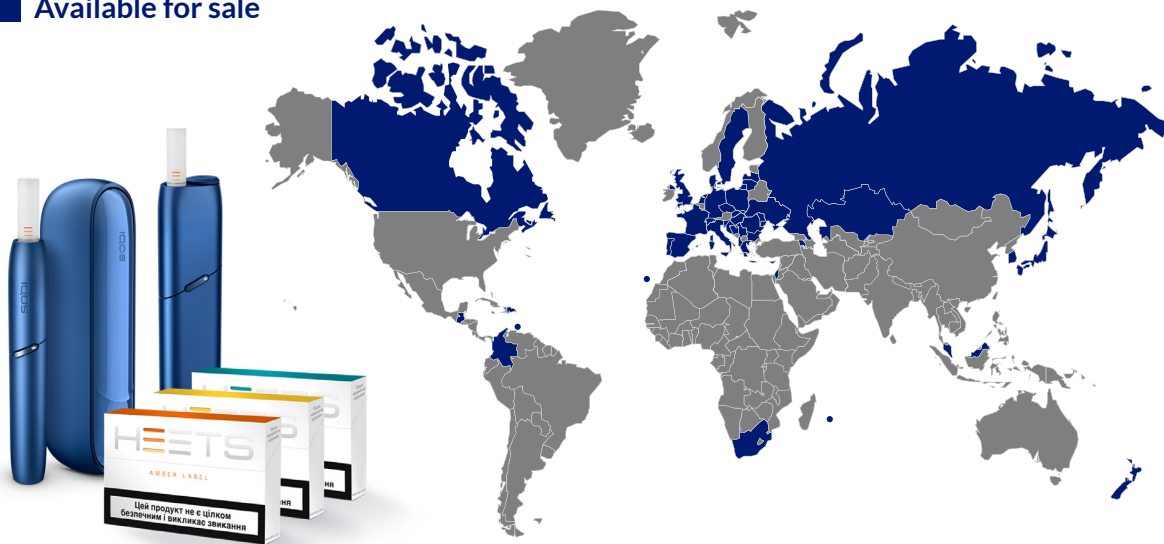
new
IQOS 3 MULTI

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IQOS Available for Sale in 48 Markets Worldwide

■ Available for sale

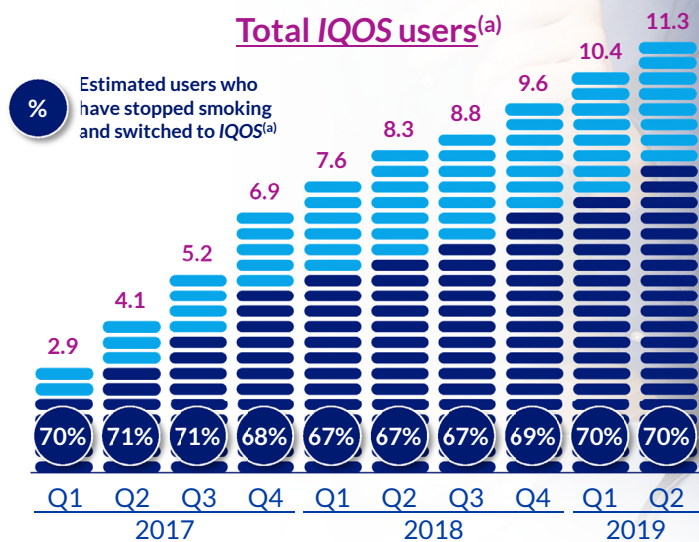


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Note: Status at July 18, 2019. The number of markets includes Duty Free



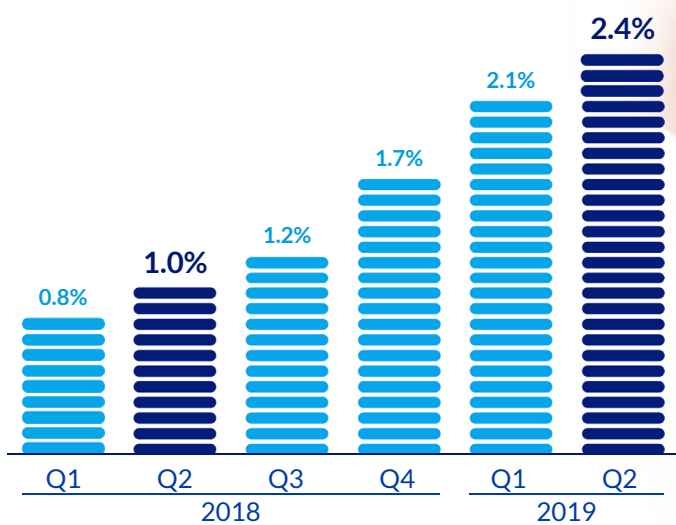
Over 11 Million IQOS Users in Q2, 2019 (in millions)



(a) See Glossary for definition
Source: PMI Financials or estimates, IQOS user panels and PMI Market Research



EU Region: HEETS Sequential Share Growth



Source: PMI Financials or estimates



EU Region: HEETS Share Growth Across Markets

	Q2, 2019	Growth vs. PY		Q2, 2019	Growth vs. PY		Q2, 2019	Growth vs. PY
Bulgaria	4.5%	+2.5pp	Hungary	1.0%	+1.0pp	Portugal	5.9%	+3.4pp
Croatia	3.6	+3.1	Italy	4.6	+2.7	Romania	2.2	+0.4
Czech Republic	5.7	+3.9	Latvia	4.6	+4.3	Slovak Republic	7.2	+4.5
Germany	1.1	+0.7	Lithuania	12.1	+8.7	Slovenia	3.1	+1.9
Greece	8.1	+4.0	Poland	2.0	+1.4	Switz.	2.6	+1.1

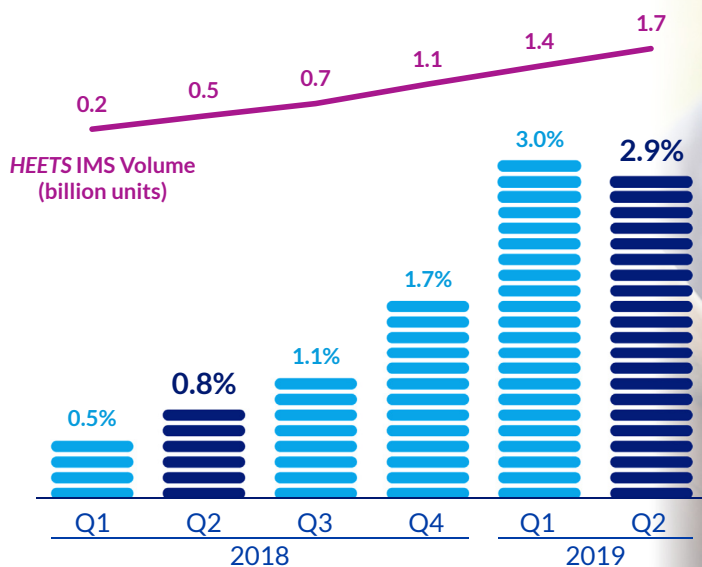
Note: Select markets where HEETS share is ≥ 1%. Switz. is Switzerland
Source: PMI Financials or estimates

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Russia: Continued Strong HEETS Performance



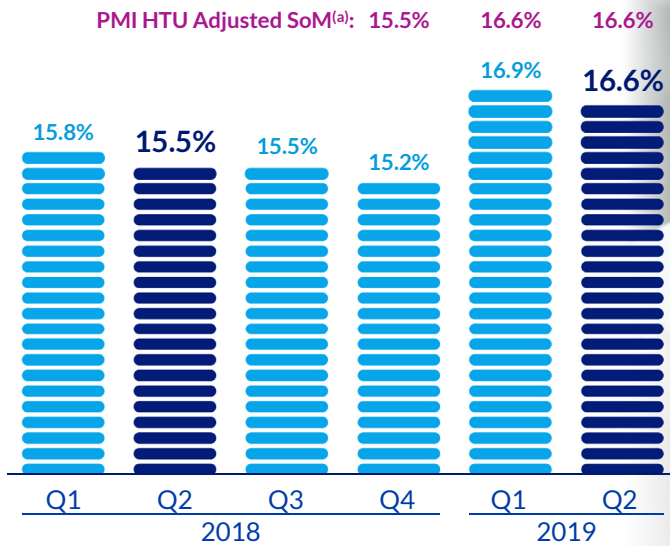
• Q1, 2019 share flattered by the impact on the total market of seasonally lower cigarette industry volume

Note: Includes Parliament HeatSticks through Q3, 2018
Source: PMI Financials or estimates

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Japan: H2, 2018 Initiatives Paying Off



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

65

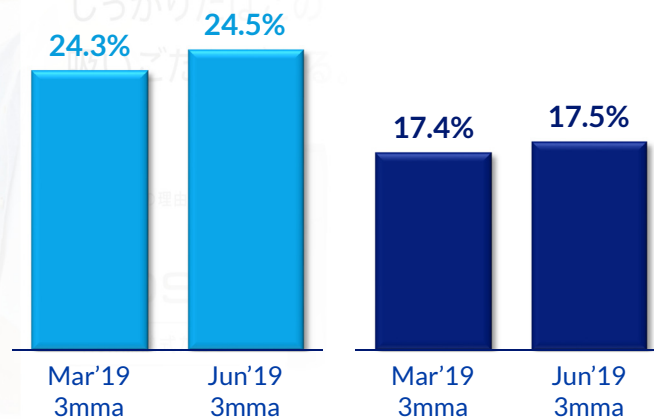
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Japan: HTU Category and PMI Offtake Share Growth



HTU Category
+0.2pp

PMI HTUs
+0.1pp

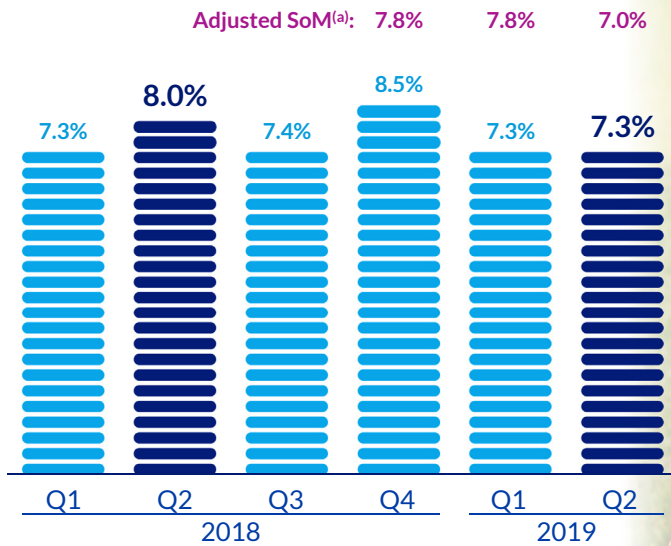


Note: 3mma is three-month moving average.
HTU category and PMI HTU offtake shares represent select C-Store sales volume for industry HTUs and PMI HTUs, respectively, as a percentage of the total retail sales volume for cigarettes and HTUs in these C-Stores
Source: PMI Financials or estimates

66

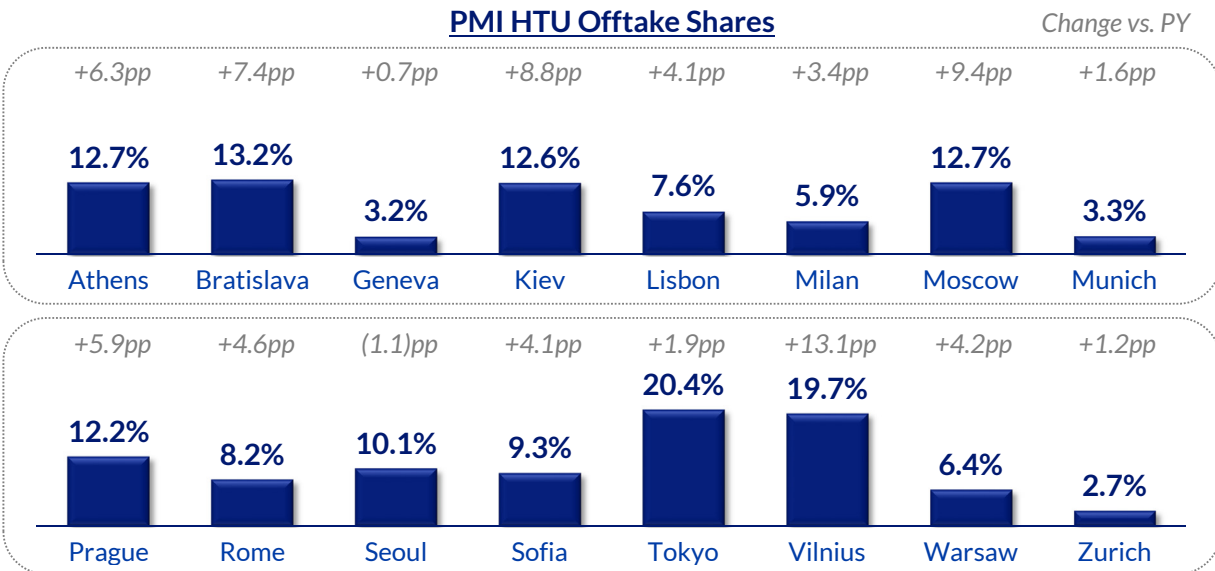
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Korea: Stable Sequential HEETS Share



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

Encouraging Q2, 2019 HTU Offtake Shares in Key Cities



Source: PMI Financials or estimates



U.S. FDA MRTP Applications & PMTA Filing Status for IQOS

- PMI filing applications with the U.S. FDA under FD&C Act sections 910 and 911:
 - 910 (PMTA) authorization required for products not on the market as of February 2007
 - 911 (MRTP application) authorization to market products with modified risk claims
- Submitted MRTP applications to FDA in December 2016:
 - On May 24, 2017, the FDA published the executive summary and research summaries supporting our applications
 - Publication of PMI's summaries initiated a substantive scientific review process by the FDA's Center for Tobacco Products
 - The FDA has established a one-year timetable for reviewing MRTP applications. However, this timing is non-binding
 - On February 11, 2019, the public comment period for our MRTP applications closed
- Submitted PMTA to FDA in March 2017:
 - On August 4, 2017, the FDA completed a preliminary review and accepted our application for substantive review
 - On April 30, 2019, the FDA authorized the sale of IQOS in the U.S.^(a)
- Applications consistent with our strategy for the commercialization of IQOS by Altria in the U.S.

(a) See slides 70 and 71 for more information

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FDA Authorizes the Sale of IQOS in the U.S.

- Historic milestone and an important step forward for the approximately 40 million American men and women who smoke
- The order sets out clear commercialization guidelines, including marketing requirements, that maximize the opportunity for adults to switch from combustible cigarettes, while minimizing unintended use
- "FDA has set a high standard and we look forward to working with them to implement the order so that IQOS can reach the right audience – current adult smokers"
- PMI will bring IQOS to the U.S. market through an exclusive license with Altria
- FDA continues to review MRTP applications for IQOS

Note: April 30, 2019

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FDA's PMTA Marketing Order for IQOS



- "Following a rigorous science-based review through the premarket tobacco product application (PMTA) pathway, the agency determined that authorizing these products for the U.S. market is appropriate for the protection of the public health..."
- "The agency found that the aerosol produced by the *IQOS Tobacco Heating System* contains fewer toxic chemicals than cigarette smoke, and many of the toxins identified are present at lower levels than in cigarette smoke."
- "Additionally, *IQOS* delivers nicotine in levels close to combustible cigarettes suggesting a likelihood that *IQOS* users may be able to completely transition away from combustible cigarettes and use *IQOS* exclusively."
- "Available data, while limited, also indicate that few non-tobacco users would be likely to choose to start using *IQOS*, including youth."

5

Source: <https://www.fda.gov/news-events/press-announcements/fda-permits-sale-iqos-tobacco-heating-system-through-premarket-tobacco-product-application-pathway>

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2018 TPSAC Meeting on PMI's MRTP Applications for IQOS



- Part of FDA's review of PMI's applications to commercialize *IQOS* in the U.S.
- Discussion reflected respect for the integrity of our scientific data and our commitment to bring *IQOS* to the U.S.
- TPSAC confirmed that the evidence supported the statement that switching completely to *IQOS* significantly reduces exposure to harmful chemicals
- Meeting was one step in a broader, on-going review of our MRTP applications by the FDA; recommendations and votes of TPSAC are advisory
- We look forward to working with the FDA to clarify any outstanding points

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

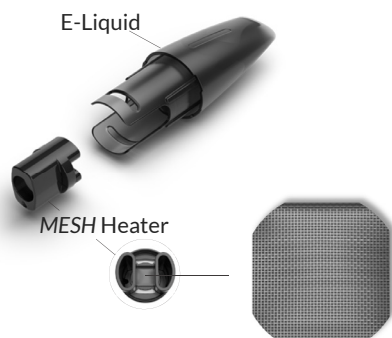
- Deliberately prioritized IQOS heated tobacco platform:
 - Best addresses the preferences of adult smokers
 - Highest switching ability
 - Consumer credibility and trust
 - Strong brand image
- Not been idle on e-vapor products:
 - Invested significantly in their development
 - Getting ready to introduce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

5

Source: PMI Market Research and IQOS User Panels

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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^(a)

5

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

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IQOS MESH: Pilot Launch in the U.K.

- 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
- Launch of new *IQOS MESH* planned for later this year^(a):
 - Making further investments in our e-vapor manufacturing capacity to support launches in additional markets in 2020
 - Our clear objective is to achieve sustainable e-vapor category leadership over time



(a) Initial launch market not yet disclosed
Source: PMI Market Research

5

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Our Other RRP Platforms



Platform 2 (TEEPS):

Heated Tobacco Product

- Completed a small-scale city test in the Dominican Republic that we had initiated in December 2017
- Encouraged by consumer interest
- Working on improving this product and incorporating our learnings into our future plans



5

Platform 3 (STEEM):

Nicotine-Containing E-Vapor Product

- Nicotine salt-based technology
- One pharmacokinetic study completed. Full results (Q4, 2018) indicate product's potential as an acceptable alternative to continued cigarette smoking in terms of product satisfaction
- Conducting a product use and adaptation study in adult smokers; expect results in 2020 (plan to conduct a consumer test, depending on the outcome of the study)



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

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Integrity of Our Scientific Assessment



- Adhere to internationally recognized standards including Good Laboratory Practices and Good Clinical Practices
- Actively share our methods and study results, making them available for public review
- Our systems toxicology methods and results are subjected to an even higher level of scientific scrutiny through the sbvIMPROVER methodology:
 - Reviews of our IQOS studies were submitted to the FDA as part of our MRTP applications
- This year, making the raw data from our non-clinical and clinical RRP studies available to the public
- Welcome independent studies of our RRP. Encourage others to undertake serious non-clinical and clinical studies with IQOS
- Believe our consumers deserve our unwavering commitment to help them fully understand the benefits of switching to RRP

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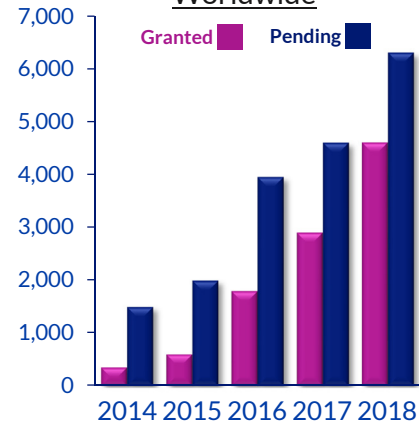
We believe our scientific research capabilities are on par with the best in the life science industries

Our Best-in-Class R&D Capability



- Since 2008, PMI has:
 - Hired over 400 world-class scientists, engineers, and technicians
 - Invested over \$6.0 billion^(a) in research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding
- Two R&D centers and global partnership network
- Clinical studies registered on ClinicalTrials.gov
- Portfolio of 4,600 granted RRP-related patents worldwide^(a):
 - Rapidly increasing RRP IP portfolio of granted patents and pending applications
 - Extensive coverage protecting a broad range of inventions, from tobacco substrate to aerosol generation and control, to manufacturing process
 - Majority of our patents have a lifetime beyond 2030

PMI RRP Published Patents Worldwide^(a)

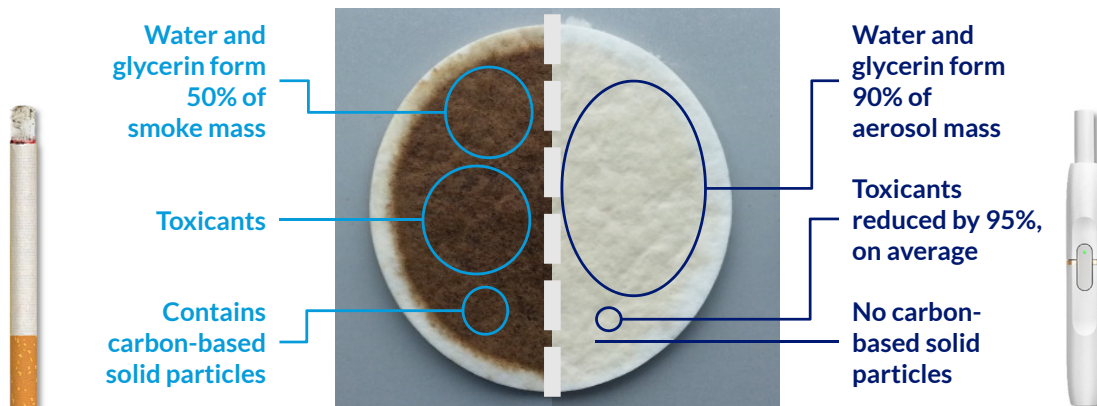


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^(a) Status at December 31, 2018
Source: PMI Research & Development



Why Heat Tobacco Rather than Burn it?



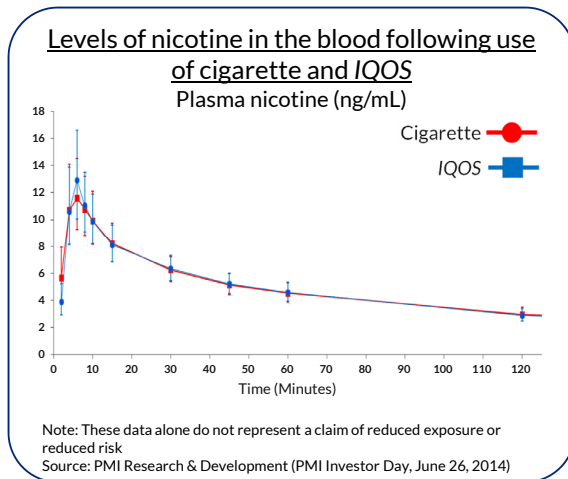
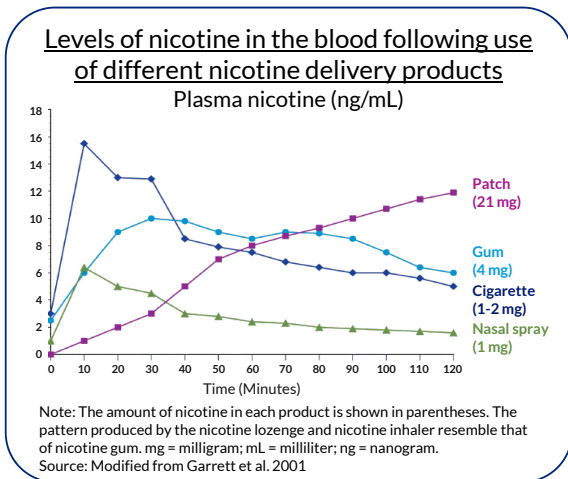
Smoke and aerosol were collected on a Cambridge filter pad using Health Canada Intense smoking regime

Source: PMI Research & Development

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IQOS: Nicotine Pharmacokinetic Profile



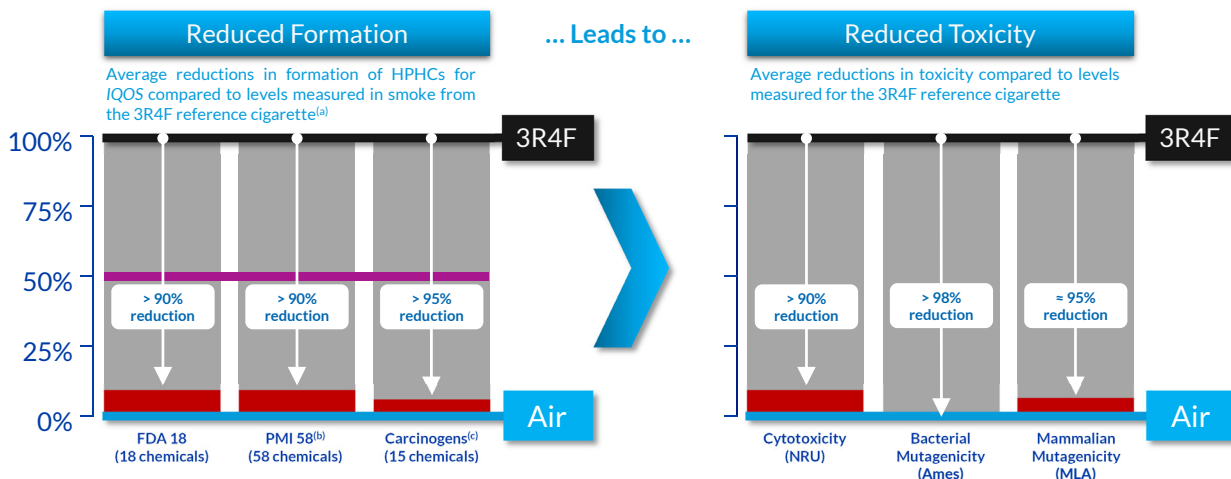
- The amount and rate of nicotine absorbed by the body is influenced by the route of absorption
- No notable difference in the nicotine absorption between cigarette and IQOS

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IQOS: Reduced Formation Leads to Reduced Toxicity *in vitro*

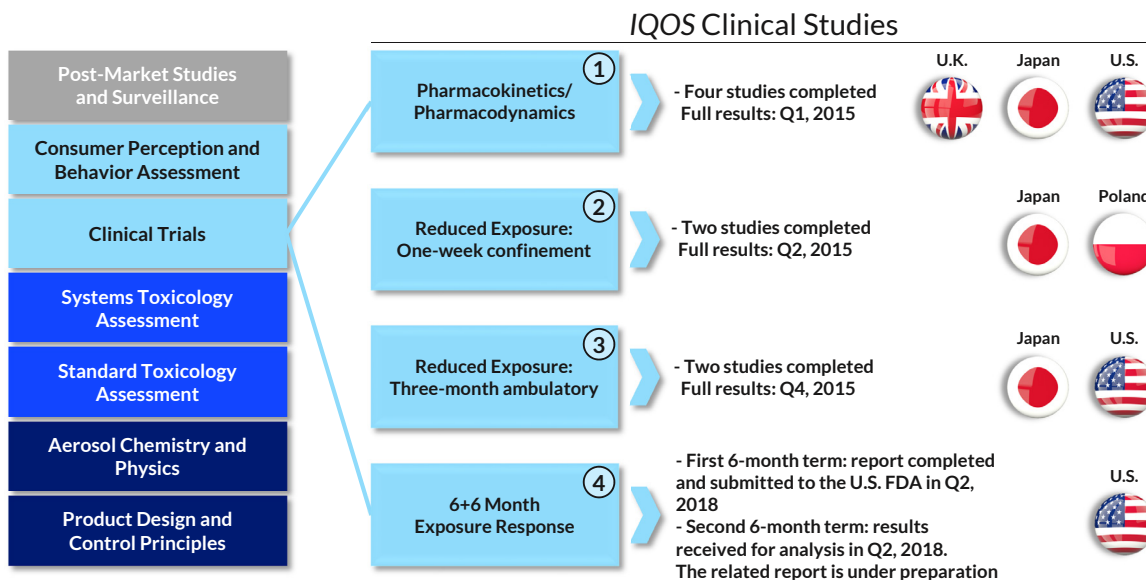


(a) Aerosol collection with Intense Health Canada's Smoking Regime: 55 mL puff volume, 2-second puff duration, 30-second interval puff. Comparison on a per-stick basis. Reduction calculations exclude Nicotine, Glycerin and Total Particulate Matter
 (b) The PMI 58 list includes the FDA 18 and (c) the 15 carcinogens of the IARC Group 1
 Note: These data alone do not represent a claim of reduced exposure or risk
 Source: PMI Research & Development

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IQOS: Substantiating Reduced Risk



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IQOS: Scientific Substantiation Progress

Totally-of-Scientific Evidence Supporting Reduced Risk Potential

- On average 95% lower levels of harmful chemicals
- Reduced toxicity
- Reduced exposure
- Reversal of selected clinical risk markers
- Pre-market perception and behavior assessment
- Presents less risk to health than continued smoking

Reduced Impact on Users and Those Around Them

- No combustion, no ash, no smoke
- No secondhand smoke
- No increased exposure to nicotine and TSNAs for bystanders passively exposed to IQOS aerosol
- Less smell
- No risk of burning
- No negative impact on indoor air quality
- Better choice than continued smoking

Improved Oral Hygiene

- Better breath
- Less unpleasant aftertaste
- Less teeth staining

Note: TSNAs stands for tobacco-specific nitrosamines
Source: PMI Research & Development

IQOS: 6-month Clinical Exposure Response Study Confirms Risk Reduction Potential



- We have supplemented our MRTP application with the results of a 6-month clinical Exposure Response Study
- The clinical study met its primary objective:
 - All co-primary endpoints shift in the same direction as smoking cessation
 - Majority of co-primary endpoints statistically significantly different vs. continued smoking
 - Results achieved even with 30% concomitant use of cigarettes
 - Results correlate with the amount of concomitant cigarette use

Co-Primary Endpoints linked to Smoking-Related Diseases		
Disease	Mechanism	Clinical Risk Endpoint
Cardiovascular Disease	Lipid Metabolism	HDL-C ✓
	Clotting	11-DTX-B2 ✓
	Endothelial Function	sICAM - 1 ✓
	Acute Effect	COHb ✓
Respiratory Disease and Cancer	Inflammation	WBC ✓
	Oxidative Stress	8-epi-PGF2α ✓
	Lung Function	FEV ₁ %Pred ✓
	Genotoxicity	Total NNAL ✓

✓ in the same direction of change as observed for smoking cessation statistically significantly different to continued smoking

Source: PMI Research & Development. Clinical Study Report (study ZRHR-ERS09-US). www.clinicaltrials.gov (identifier: NCT02396381)



IQOS: Independent Verification on PMI Science (Governmental Reports)



Federal Institute for Risk Assessment (BfR) (Germany, 2018): "The herein confirmed reductions of relevant toxicants by about 80-99% are substantial."



Food and Drug Administration (FDA) (U.S., 2018): "The independent testing performed by STL [FDA's Southeast Tobacco Laboratory] confirmed the lower levels of selected [harmful and potentially harmful compounds] HPHCs in the aerosol from the HeatSticks compared to mainstream cigarette smoke."



Public Health England (U.K., 2018): "Compared with cigarette smoke, heated tobacco products are likely to expose users and bystanders to lower levels of particulate matter and harmful and potentially harmful compounds. The extent of the reduction found varies between studies."



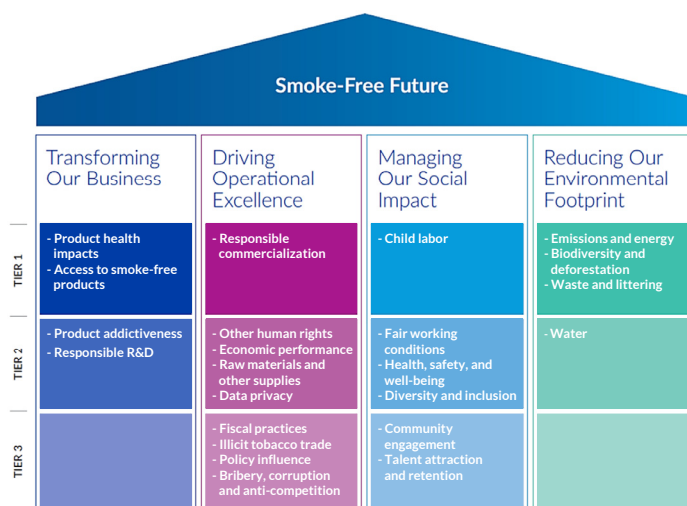
U.K. Committee of Toxicology (U.K., 2017) "[I]t is likely that there is a reduction in risk, though not to zero, to health for smokers who switch completely to heat-not-burn tobacco products."



National Institute for Public Health and the Environment (RIVM) (the Netherlands, 2018): "The use of heatsticks with the IQOS is harmful to health, but probably less harmful than smoking tobacco cigarettes."

Note: Select examples; refer to Form 10-Q for the quarter ended June 30, 2019, for additional information

Sustainability at PMI



- Updated sustainability strategy and priorities based on comprehensive stakeholder consultation in 2018
- Further strengthened sustainability governance (Nominating and Corporate Governance Committee of the Board of Directors; Functions; Markets)
- Published our [2018 Sustainability Report](#) and [Report Highlights](#)

Source: PMI Sustainability



PMI Business Transformation Metrics^(a)

	2015	2016	2017	2018	Aspiration ^(b)
R&D expenditure (smoke-free/total)*	70%	72%	74%	92%	–
Patents granted relating to smoke-free products (cumulative)	600	1,800	2,900	4,600	–
Number of factories producing smoke-free products / total number of factories	2 / 48	2 / 48	3 / 46	7 / 44	–
Number of markets where IQOS is available	6	20	38	44	–
Commercial expenditure (smoke-free/total)*	8%	15%	39%	60%	–
Net revenues ^(c) (smoke-free/total)*	0.2%	2.7%	12.7%	13.8%	38-42% by 2025
Number of markets where net revenues from smoke-free products exceed 10% / 50% of total net revenues	0 / 0	1 / 0	5 / 1	19 / 3	–
Smoke-free product ^(d) shipment volume (billion units)*	0.8	7.7	36	42	90-100 by 2021 ^(e) >250 by 2025
Combustible product ^(f) shipment volume (billion units)*	881	845	791	767	<550 by 2025
Smoke-free product shipment ratio ^(g) (smoke-free/total)*	0.1%	0.9%	4.4%	5.1%	>30% by 2025
Total IQOS users (in millions)	0.2	2.1	6.9	9.6	–
Estimated users that have stopped smoking and switched to IQOS (in millions) ^(h)	n/a	1.5	4.7	6.6	>40 by 2025

(a) The 2018 metrics marked with a star (*) are subject to PwC's Assurance Report. See page 129 of PMI Sustainability Report 2018

(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) Includes heated tobacco units and e-cigarettes

(e) The 90-100 billion units shipment volume is a target and pertains exclusively to heated tobacco units

(f) Includes cigarettes and other combustible products

(g) The smoke-free product shipment ratio is compiled based on millions of units

(h) Metric introduced in 2018. See glossary for definition

Source: PMI 2018 Sustainability Report

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Sustainability at PMI: Managing Social Impact



Responsible Sourcing of Materials and Services

- Comprehensive global program to eliminate child labor and improve labor practices in tobacco growing (approach in high risk countries reviewed in 2018)
- Roll out of our Responsible Sourcing Principles and strengthening our Supplier Due Diligence Framework



Crop Diversification

- Multi-stakeholder approach with suppliers, NGOs, and other agricultural companies to enable viable alternatives
- In 2018, contracted farmers in Africa produced close to 400,000 tons of food with PMI's support



Labor Relations

- 81 collective labor agreements in 35 countries, covering approximately 65% of employees



Inclusion and Diversity

- 35.2% women in management, with a goal to reach at least 40% by 2022
- Global Equal-Salary certification in 2019

Pilot Human Rights Impact Assessment in Mexico

- Covering our manufacturing operations, non-leaf supply chain, security operators and communities

Source: PMI Sustainability

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Sustainability at PMI: Reducing Environmental Footprint



Climate



- CDP Climate A-List for 5 years in a row
- CDP Supplier engagement leadership for 2 years in a row

Water



- PMI's manufacturing operations in Brazil, Portugal and Turkey were AWS certified
- Commitment to certify all factories by 2025



Electronic Waste

- Collection and recycling of IQOS used devices
- 2 global hubs for recycling component parts



Litter

- In connection with the anticipated implementation of the EU Directive on single-use plastics, we are preparing measures to improve:
 - The behavior of littering consumers
 - Our products' sustainability footprint

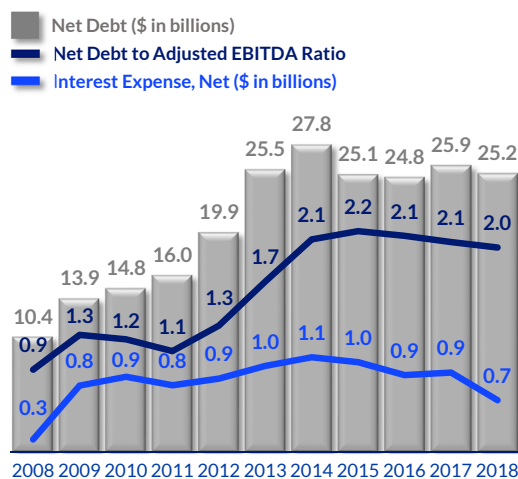
Source: PMI Sustainability

Solid Capital Structure

- Remain fully committed to our current credit rating
- Long-term credit ratings and outlook:
 - Moody's: A2 (stable)
 - Standard & Poor's: A (stable)
 - Fitch: A (stable)
- Short-term credit ratings—P-1 / A-1 / F1^(a):
 - Access to tier 1 commercial paper market
- Strong liquidity profile backed by \$8 billion stand-by revolving credit facilities
- Stable capital structure with relative weighting towards longer maturity and fixed-rate instruments
- U.S. Tax Cuts and Jobs Act has provided us with greater flexibility on cash repatriation, capital structure optimization and opportunity to further reduce net interest expense

(a) Reflects ratings for Moody's, Standard & Poor's and Fitch, respectively
Source: PMI Financials or estimates (as of June 30, 2019)

Net Debt, Leverage and Interest Expense Evolution



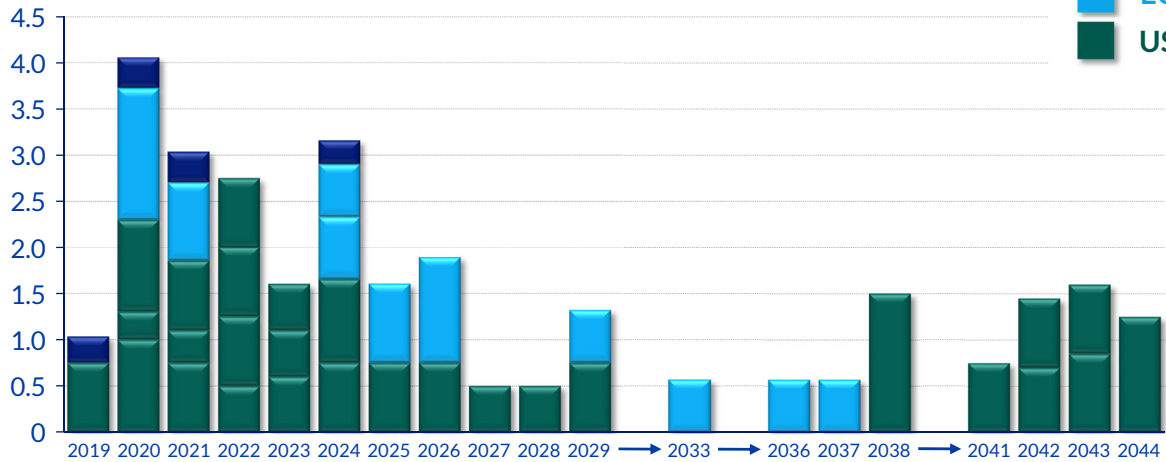
Well-Laddered Bond Portfolio

(\$ in billions)



Bond Maturity Profile as of June 30, 2019

■ CHF
■ EUR
■ USD

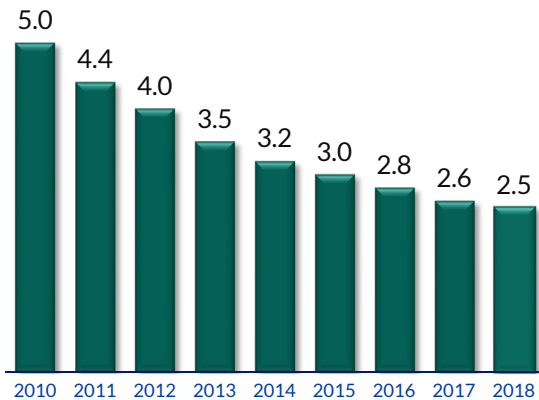


Source: PMI Financials or estimates

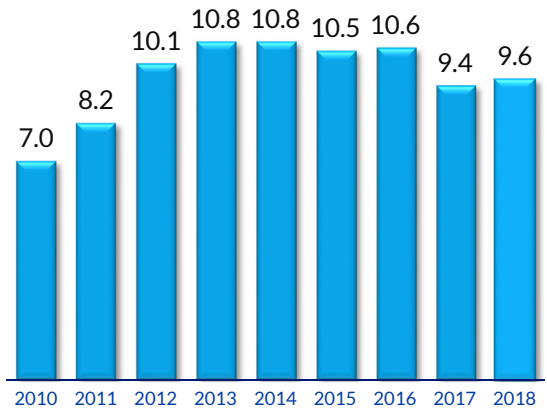
Debt Financing at Increasingly Attractive Terms



Weighted-Average All-in Financing Cost of Total Debt (%)



Weighted-Average Time to Maturity of Total Long-Term Debt (years)^(a)

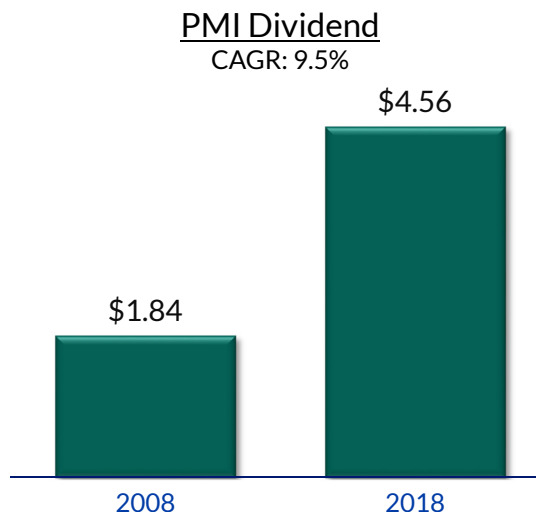


(a) Weighted-average time to maturity of total long-term debt excludes the current portion of the bond portfolio and reflects the weighted-average at the respective year-end
Source: PMI Financials or estimates



Rewarding Our Shareholders: Attractive Dividend

- Dividends are the primary use of our operating cash flow^(a) after capital expenditures
- Increased dividend by 6.5% in June 2018:
 - Eleventh consecutive year with a dividend increase
 - Total increase of approximately 148% since 2008



(a) Net cash provided by operating activities

Note: Dividends for 2008 and 2018 are annualized rates. The 2008 annualized rate is based on a quarterly dividend of \$0.46 per common share, declared June 18, 2008. The 2018 annualized rate is based on a quarterly dividend of \$1.14 per common share, declared June 8, 2018

Source: PMI Financials or estimates

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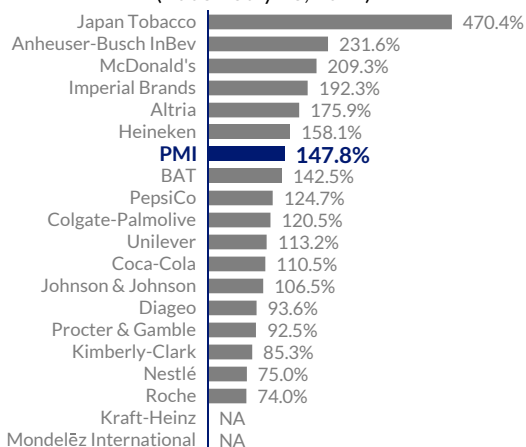
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Rewarding Our Shareholders: Attractive Dividend

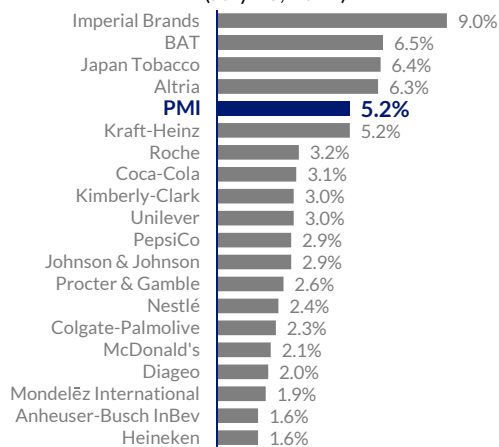
Dividend Growth: Peer Group

(2008 – July 18, 2019)



Dividend Yield: Peer Group

(July 18, 2019)



Note: PMI reflects absolute growth in annualized announced dividends from time of first PMI dividend of \$0.46 in June 2008 through July 18, 2019. Companies in the Peer Group reflect absolute growth from FY 2008 dividends or Q2, 2008 annualized dividend through current last twelve months dividends or current last quarter annualized dividend as appropriate. Dividend yield represents the annualized dividend on July 18, 2019, over the closing share price on that date. The current annualized dividend rate for PMI is \$4.56. The closing share price for PMI was \$87.71 on July 18, 2019. NA stands for not available

Source: FactSet

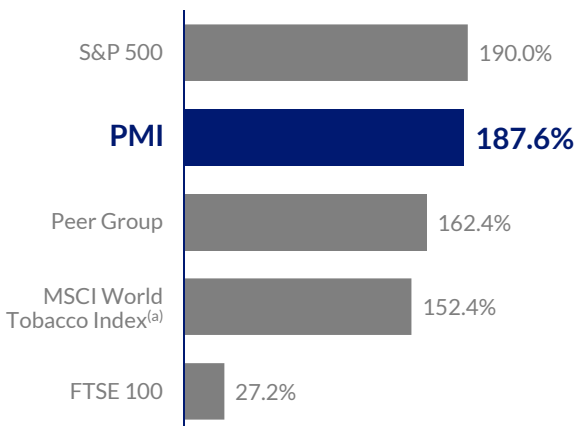
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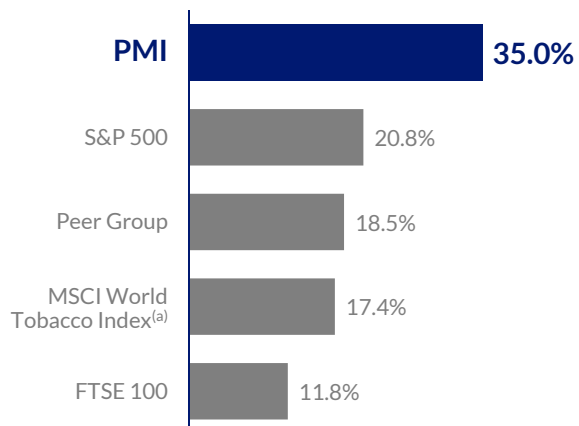


Rewarding Our Shareholders: Total Return

Spin (March 28, 2008) – July 18, 2019



January 1, 2019– July 18, 2019



(a) Includes PMI, Altria, BAT, Imperial Brands, Japan Tobacco and Swedish Match

Note: TSR in USD. The MSCI World Tobacco Index and the company peer group represent the market weighted-average return of the index/group. PMI total shareholder return pro forma for additional \$0.46 per share dividend paid in April 2008 impacts the period March 28, 2008 – July 18, 2019. Exchange rates are as of March 28, 2008, January 1, 2019 and July 18, 2019. The company peer group is defined in the glossary

Source: FactSet, Bloomberg, and MSCI World Tobacco Index

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

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Cigarette Excise Tax Structures: Select Markets

(July 1, 2019)

	%	
	Nominal	RSP ^(f)
Social Assistance Fund (SAF) ^(a)	7.00	7.00
Special Tobacco Fund (STF) ^(b)	7.35	9.49
Excise Tax ^(c)	70.00	57.09
VAT ^(d)	21.00	4.38
Turnover Tax ^(e)	3.53	0.48
Tax Burden		78.44

(a) 7% x RSP
 (b) [7.35% x (RSP - SAF - VAT)] + ARS 2.4092 (as per July 2019)
 (c) 70% x [RSP - SAF - VAT - STF]. Minimum excise tax: ARS 46.24 (June 2019-August 2019)
 (d) NEFP 21% + Wholesaler & Retailer margin x 21%
 (e) Net ex-factory price x 3.53%
 (f) Based on Philip Morris soft pack (ARS 81.00)
 Note: NEFP is net ex-factory price

Australia	
Tobacco Excise Tax (AUD/Kg)	1,090.33
Tobacco Excise Tax (AUD/000) ^(a)	817.75
VAT (Nominal)	10%

(a) If not exceeding 0.8g per cigarette

Germany	
Ad Valorem Excise Tax	21.69%
Specific Excise Tax (EUR/000)	98.20
Minimum Total Tax (EUR/000) ^(a)	207.87
VAT (Nominal)	19.0%

(a) Minimum Total Tax also includes the VAT

France	
Ad Valorem Excise Tax	51.70%
Specific Excise Tax (EUR/000)	61.10
Minimum Excise Tax (EUR/000)	279.00
VAT (Nominal)	20.0%

Italy	
Ad Valorem Excise Tax	50.97%
Specific Excise Tax (EUR/000)	20.90
Minimum Total Tax (EUR/000) ^(a)	180.88
VAT (Nominal)	22.0%

(a) Minimum Total Tax also includes the VAT

Note: 20 cigarettes per pack

Cigarette Excise Tax Structures: Select Markets (cont.)

(July 1, 2019)



Japan	
National - Tobacco Tax (JPY/pack)	116.04
National - Special Tobacco Tax (JPY/pack)	16.40
Local Excise Tax (JPY/pack)	<u>132.44</u>
Total (JPY/pack)	264.88
VAT (Nominal)	8%

Korea	
Tobacco Consumption Tax (KRW/pack)	1,007.00
Public Health Tax (KRW/pack)	841.00
Education Tax (KRW/pack)	442.98
Green Fund Tax (KRW/pack)	24.92
Individual Consumption Tax (KRW/pack)	594.00
Farmer's Subsidy Tax (KRW/pack)	<u>5.00</u>
Total (KRW/pack)	2,914.90
VAT (Nominal)	10%

Mexico	
Ad Valorem Excise Tax ^(a)	160%
Specific Excise Tax (MXN/000)	350.00
VAT (Nominal)	16%

(a) Ad valorem excise tax is 160% of manufacturer / wholesale price to retail excluding taxes (VAT and Excise)

Philippines	
Specific Excise Tax (PHP/pack) ^(a)	35.00

(a) **New rates:** Jan. 1, 2020 (PHP 45.00); Jan. 1, 2021 (PHP 50.00); Jan. 1, 2022 (PHP 55.00); Jan. 1, 2023 (PHP 60.00); January 1, 2024 onwards (+5% / year)

Poland	
Ad Valorem Excise Tax	31.41%
Specific Excise Tax (PLN/000)	206.76
Minimum Excise Tax (PLN/000)	427.25
VAT (Nominal)	23.0%

Saudi Arabia	
Ad Valorem Excise Tax (% of RSP) ^(a)	50.00%
VAT (Nominal)	5.0%

(a) % of RSP before VAT, effective excise tax is 47.60% of RSP including VAT

Spain	
Ad Valorem Excise Tax	51.00%
Specific Excise Tax (EUR/000)	24.70
Minimum Excise Tax (EUR/000)	131.50
VAT (Nominal)	21.0%

Turkey	
Ad Valorem Excise Tax (% of RSP)	67.00%
Specific Excise Tax (TRY/000) ^(a)	22.70
Minimum Ad Valorem Yield (TRY/000) ^(a)	289.50
VAT (Nominal)	18%

(a) Effective July 3rd

Note: 20 cigarettes per pack



Excise Tax Structure: Russia

(July 1, 2019)

	2018 ^(a)	2019 ^(b)	Tax Plan	
			2020 ^(b)	2021 ^(b)
Ad Valorem Excise Tax (% of MRSP)	14.5%	14.5%	14.5%	14.5%
Specific Excise Tax (RUB/000)	1,718	1,890	1,966	2,045
Minimum Excise Tax (RUB/000)	2,335	2,568	2,671	2,778
Heated Tobacco Products				
Specific Excise Tax (RUB/kg) ^(c)	5,280	5,808	6,040	6,282

(a) Effective as of July 1, 2018, for cigarettes, and January 1, 2018, for HTUs

(b) Effective as of January 1st for both cigarettes and heated tobacco products

(c) Specific excise tax (RUB/000 equivalent): 1,610 / 1,771 / 1,842 / 1,916 for 2018 / 2019 / 2020 / 2021, respectively

Note: VAT currently at 20% (effective since January 1, 2019)

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Excise Tax Structure: Indonesia

(July 1, 2019)



Cigarette Type	Volume Tier	Price Tier		Total Excise + Regional Tax (IDR/stick)
		Tier	Minimum HJE (IDR/stick)	
Machine-Made Kretek (SKM)	Volume Tier 1 (> 3 billion units)	1	1,120	649.0
		1	896	423.5
	Volume Tier 2 (≤ 3 billion units)	2	715	407.0
Whites (SPM)	Volume Tier 1 (> 3 billion units)	1	1,130	687.5
		1	936	407.0
	Volume Tier 2 (≤ 3 billion units)	2	640	390.5
Hand-Rolled Kretek (SKT)	Volume Tier 1 (> 2 billion units)	1	1,261	401.5
		2	890	319.0
	Volume Tier 2 (> 500 million units – 2 billion units)	1	470	198.0
		Volume Tier 3 (≤ 500 million units)		400

Note: In November 2018, the Indonesian Finance Minister announced no excise tax increase for 2019 (with no change to the 2018 excise tax structure) plan. HJE stands for banderole price

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Excise Tax Structure: Japan

(July 1, 2019)



Cigarettes

- Excise tax increases of JPY 20/pack in October 2018, 2020 and 2021:
 - No increase in October 2019, due to planned nominal VAT increase from 8% to 10%

Heated Tobacco Products (HTPs)

- Newly created "heated tobacco" category:
 - Dedicated excise tax category for heated tobacco products (previously: pipe tobacco category)
 - Taxable base for the specific excise tax is weight of heated tobacco
 - For products using liquid to create an aerosol, the liquid portion will be considered as tobacco for tax purposes
- New heated tobacco excise tax to be phased in over a five-year period (2018-2022), with the first year to reflect 80% of the previous system (pipe tobacco category) and 20% of the new system (heated tobacco category). See next slide for details

Note: 20 cigarettes/heated tobacco units per pack

HTP Excise Tax Structure

	Pipe Tobacco Category	Heated Tobacco Category
RSP (JPY/pack)	500	500
VAT (Nominal)	8%	8%
RSP Net of VAT (JPY/pack)	463	463
Effective Specific Rate (JPY/kg)	13,244	16,555 ^(a)
Tax Base	Full product weight (16.1 g/pack) ^(b)	Heated tobacco weight (6.1 g/pack) ^(c)
Specific Yield (JPY/000)	10,661	5,049
Effective Ad Valorem Rate	n/a	30%
Tax Base	n/a	RSP net of VAT
Ad Valorem Yield (JPY/000)	n/a	6,944
Total Excise Tax Yield (JPY/000)	10,661	11,994
	80%	20%

Heated Tobacco Category: Indicative Excise Tax Payable as of October 1, 2018 (JPY/000)

10,928

- (a) Reflects effective specific rate for the first year of five-year-phase-in period
 (b) Reflects indicative simple average "total weight" for Marlboro HeatSticks
 (c) Reflects indicative simple average "heated tobacco weight" for Marlboro HeatSticks

Multi-Year Tobacco Tax Plan: Japan

(July 1, 2019)



	Previous	Oct 1, 2018 – Sept 30, 2019	Oct 1, 2019 – Sept 30, 2020	Oct 1, 2020 – Sept 30, 2021	Oct 1, 2021 – Sept 30, 2022	Oct 1, 2022 and Onwards
VAT (Nominal)	8%	8%	10%	10%	10%	10%
Excise Tax: Cigarettes (JPY/000)	12,244	13,244	13,244	14,244	15,244	15,244
Excise Tax: Pipe Tobacco (JPY/kg) ^(a)	12,244	13,244	13,244	14,244	15,244	15,244
Excise Tax: New HTP Category						
-Effective Specific Rate (JPY/kg) ^(b)	-	16,555	16,555	17,805	19,055	19,055
-Effective Ad Valorem Rate ^{(c)(d)}	-	30%	30%	30%	30%	30%
HTP Phase-in Period						
-Portion of New HTP System	-	20%	40%	60%	80%	100%
-Portion of Previous System	-	80%	60%	40%	20%	0%

- (a) Previously, HTPs were taxed based on pipe tobacco excise tax rate
 (b) Taxable base is weight of heated tobacco
 (c) Taxable base is RSP net of VAT
 (d) Effective ad valorem rate is calculated as the excise tax incidence based on announced average RSP
 Note: Based on current law



IQOS: Retail Selling Prices

(July 1, 2019)

Market	Currency	IQOS Kit			Pack	
		2.4 Plus	3 Multi	3	HTUs	Marlboro Cigarettes
ALBANIA	ALL	6,500	12,500	12,900	320	320
ANDORRA	EUR	79	99	109	3.55	3.65
ARMENIA	AMD	29,000	52,000	59,000	650	750
BOSNIA & HERZ.	BAM	100	190	199	5.50	5.80
BULGARIA	BGN	90	150	170	5.80	5.50
CANADA ^(b)	CAD	124	141	164	11.93	13.77
CANARY ISLANDS	EUR	49	79	89	3.00	3.70
COLOMBIA	COP	200,000	350,000	400,000	7,000	7,000
CROATIA ^(c)	HRK	320	590	650	26.00	30.00
CURCAO	ANG	139	199	229	10.50	11.25

(a) Either a RSP, a recommended RSP or a maximum RSP, where applicable

(b) RSPs are for the Province of Ontario and exclude sales tax. HTUs sold in cartons of 8 packs of 20 units, and 5 packs of 10 units, for CAD 93.76 and CAD 31.92, respectively. Cigarette RSP for pack of 20 cigarettes equivalent (RBH brand: Belmont 25s)

(c) As of July 15th

Note: Excludes duty free. RSPs for the IQOS kit reflect the latest available model in each market. Unless otherwise stated, 20 cigarettes / HTUs per pack

Source: PMI affiliates

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IQOS: Retail Selling Prices (cont.)

(July 1, 2019)

Market	Currency	IQOS Kit			Pack	
		2.4 Plus	3 Multi	3	HTUs	Marlboro Cigarettes
CYPRUS	EUR	59	99	109	4.00	4.90
CZECH REPUBLIC	CZK	1,290	2,490	2,790	100	106
DENMARK	DKK	499	699	779	44.00	45.50
DOMINICAN REP.	DOP	3,500	5,750	6,500	240	240
FRANCE ^(b)	EUR	69	89	99	7.00	8.80
GERMANY	EUR	69	89	99	6.00	6.70
GREECE	EUR	49	79	89	4.00	4.60
GUATEMALA	GTQ	500	850	950	25.00	25.00
HUNGARY ^(b)	HUF	19,990	30,990	31,900	1,300	1,380
ISRAEL	ILS	-	425	475	34.00	34.00

(a) Either a RSP, a recommended RSP or a maximum RSP, where applicable

(b) As of July 15th

Note: Excludes duty free. RSPs for the IQOS kit reflect the latest available model in each market. Unless otherwise stated, 20 cigarettes / HTUs per pack.

DOMINICAN REP. is Dominican Republic

Source: PMI affiliates

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IQOS: Retail Selling Prices (cont.)

(July 1, 2019)

Market	Currency	RSP ^(a)				
		IQOS Kit			Pack	
		2.4 Plus	3 Multi	3	HTUs	Marlboro Cigarettes
ITALY	EUR	50	90	100	4.50	5.70
JAPAN ^(b)	JPY	7,980	8,980	10,980	470/500	510
KAZAKHSTAN	KZT	17,000	33,500	33,500	460	470
KOREA	KRW	100,000	110,000	130,000	4,500	4,500
LATVIA	EUR	49	79	89	3.50	3.90
LITHUANIA ^(c)	EUR	49	79	89	3.40	3.95
MALAYSIA	MYR	260	350	390	14.00	17.40
MOLDOVA	MDL	1,049	1,899	2,099	30.00	33.00
MONACO	EUR	99	109	119	7.00	8.80
NETHERLANDS	EUR	59	79	89	6.00	7.00

(a) Either a RSP, a recommended RSP or a maximum RSP, where applicable

(b) HTU RSPs: JPY 470/pack for HEETS; JPY 500/pack for Marlboro HeatSticks

(c) As of July 15th

Note: Excludes duty free. RSPs for the IQOS kit reflect the latest available model in each market. Unless otherwise stated, 20 cigarettes / HTUs per pack

Source: PMI affiliates

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IQOS: Retail Selling Prices (cont.)

(July 1, 2019)

Market	Currency	RSP ^(a)				
		IQOS Kit			Pack	
		2.4 Plus	3 Multi	3	HTUs	Marlboro Cigarettes
NEW ZEALAND ^(b)	NZD	99	149	169	20.00	32.30
PALESTINE	ILS	170	325	325	22.00	25.00
POLAND ^(c)	PLN	270	350	399	15.00	16.50
PORTUGAL	EUR	49	79	89	4.50	5.00
REUNION	EUR	60	-	-	9.00	10.00
ROMANIA ^(c)	RON	250	359	399	17.00	19.00
RUSSIA	RUB	2,990	5,990	5,990	139	169
SERBIA	RSD	4,500	9,000	9,000	280	340
SLOVAK REPUBLIC	EUR	49	99	109	3.50	4.00
SLOVENIA	EUR	49	79	89	3.80	4.20

(a) Either a RSP, a recommended RSP or a maximum RSP, where applicable

(b) Currently, HEETS are only being sold through e-commerce and select retail outlets as per cigarette style plain packaging, on an interim basis, to comply with the Ministry of Health's interpretation of standardized packaging regulations

(c) As of July 15th

Note: Excludes duty free. RSPs for the IQOS kit reflect the latest available model in each market. Unless otherwise stated, 20 cigarettes / HTUs per pack

Source: PMI affiliates

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IQOS: Retail Selling Prices (cont.)

(July 1, 2019)

Market	Currency	RSP ^(a)				
		IQOS Kit			Pack	
		<u>2.4 Plus</u>	<u>3 Multi</u>	<u>3</u>	<u>HTUs</u>	<u>Marlboro Cigarettes</u>
SOUTH AFRICA	ZAR	970	1,300	1,370	37.00	44.00
SPAIN	EUR	49	99	109	4.85	5.00
SWEDEN	SEK	-	849	999	50.00	67.00
SWITZERLAND ^(b)	CHF	69	115	129	8.00	8.60
TURKISH CYPRUS	TRY	399	549	599	15.00	15.00
UKRAINE ^(c)	UAH	1,690	3,099	3,499	45.00	48.00
UNITED KINGDOM	GBP	59	79	89	5.00	11.05

(a) Either a RSP, a recommended RSP or a maximum RSP, where applicable

(b) As of July 15th

(c) Effective recommended RSPs for HTUs and effective maximum RSP for *Marlboro* cigarette packs (both reflecting the price to adult smokers including 5% sales tax)

Note: Excludes duty free. RSPs for the IQOS kit reflect the latest available model in each market. Unless otherwise stated, 20 cigarettes / HTUs per pack

Source: PMI affiliates

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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 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. 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

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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
- "CNTC" stands for China National Tobacco Corporation



Glossary: General Terms (cont.)

- "Direct materials" include printed board and paper (used to manufacture packs, cartons and bundles), acetate tow (the key component of cigarette filters), fine papers (used to manufacture cigarette and filter rods), flexibles (mainly wrapping films, inner liner and tear tape) and a variety of materials such as shipping cases, and ingredients
- "The GCC" (Gulf Cooperation Council) is defined as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE)
- "Illicit trade" refers to domestic non-tax paid products
- "Illicit whites" are branded cigarettes manufactured purely for export and resale without paying any taxes
- "IP" stands for intellectual property
- "MET" stands for minimum excise tax
- "MRSP" stands for maximum retail selling price
- "MTT" stands for minimum total tax
- "NGOs" stands for non-governmental organizations
- "North Africa" is defined as Algeria, Egypt, Libya, Morocco and Tunisia
- "OECD" is defined as Organisation for Economic Co-operation and Development
- "R&D" stands for Research & Development
- "RSP" stands for retail selling price
- "SKU" stands for stock keeping unit
- "SoM" stands for share of market
- "VAT" stands for value added tax



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
- "COGS" stands for cost of goods sold
- "Cost of sales" consists principally of: tobacco leaf, non-tobacco raw materials, labor and manufacturing costs; shipping and handling costs; and the cost of IQOS devices produced by third-party electronics manufacturing service providers. Estimated costs associated with IQOS warranty programs are generally provided for in cost of sales in the period the related revenues are recognized
- "Marketing, administration and research costs" include the costs of marketing and selling our products, other costs generally not related to the manufacture of our products (including general corporate expenses), and costs incurred to develop new products. The most significant components of our marketing, administration and research costs are marketing and sales expenses and general and administrative expenses
- "Adjusted Operating Income (OI) Margin" is calculated as adjusted OI, divided by net revenues
- "Adjusted EBITDA" is defined as earnings before interest, taxes, depreciation, amortization and equity (income)/loss in unconsolidated subsidiaries, excluding asset impairment and exit costs, and unusual items
- "Net debt" is defined as total debt, less cash and cash equivalents



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. 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. 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. For PMI's 2018 pro forma adjusted diluted EPS by quarter and year-to-date, see Schedule 3 in PMI's second-quarter 2019 earnings release
- 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
- Comparisons presented on a "like-for-like" basis reflect pro forma 2018 results, which have been adjusted for the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges Inc. (RBH), effective March 22, 2019 (the date of deconsolidation). Where noted, PMI's market shares have been restated for previous periods to reflect the deconsolidation



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*
- Unless otherwise stated, all references to *IQOS* are to PMI's heat-not-burn products
- 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" means 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" means 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" means 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" means 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" means 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
- 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
- An "e-vapor product" is an electrical product that generates an aerosol by heating a nicotine or non-nicotine containing liquid, such as electronic cigarettes (or "e-cigarettes")
- "E-liquids" refer to a liquid solution that is used in/with e-cigarettes. E-liquids contain different levels of nicotine in a propylene glycol and/or vegetable glycerin based solution with various flavors
- "IQOS MESH" is the brand name that PMI has chosen for one of its Platform 4 reduced-risk product that leverages new proprietary vaporization technology. *IQOS MESH* is a closed tank system, to be used exclusively with *VEEV* flavor caps



Glossary: Reduced-Risk Products (cont.)

- "3R4F" is a reference cigarette for laboratory testing provided by the University of Kentucky. It is used for non-clinical investigations by tobacco manufacturers, contract and government laboratories, and academic institutions
- An "ambulatory study" is a study carried out under real world (actual use) conditions as opposed to a confined setting in a clinic
- A "biomarker" is used as a measure of how well the body responds to a treatment for a disease or condition. Biomarkers can be classified into biomarkers of exposure and clinical risk markers
- "Biomarkers of exposure" indicates exposure to a potentially hazardous substance
- "Clinical risk markers" represents a measurable biochemical, physiological, behavioral, or other alteration within an organism that, depending upon the magnitude, can be recognized as associated with an established or possible health impairment or disease
- "HPHCs" stands for harmful or potentially harmful constituents which have been identified as likely causes of tobacco related diseases
- "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's
- "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
- "TPSAC" stands for the Tobacco Product Scientific Advisory Committee
- PMI presentation to TPSAC on MRTP applications for IQOS (January 24, 2018): <https://www.pmiscience.com/news/pmi-presents-our-modified-risk-tobacco-product-application-iqos-tobacco-products-scientific>
- FDA press release on PMTA applications for IQOS (April 30, 2019): <https://www.fda.gov/news-events/press-announcements/fda-permits-sale-iqos-tobacco-heating-system-through-premarket-tobacco-product-application-pathway>



PMI: Peer Group

- Altria
- Anheuser-Busch InBev
- BAT
- Coca-Cola
- Colgate-Palmolive
- Diageo
- Heineken
- Imperial Brands^(a)
- Japan Tobacco
- Johnson & Johnson
- Kimberly-Clark
- Kraft-Heinz
- McDonald's
- Mondelez International
- Nestlé
- PepsiCo
- Procter & Gamble
- Roche
- Unilever

(a) Formerly Imperial Tobacco
Source: Form 10-K for the period ended December 31, 2018 (p. 12)

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)

	Six Months Ended June 30,		
	2019	2018	% Change
Reported Diluted EPS	\$ 2.36	\$ 2.41	(2.1)%
Currency	(0.13)		
Reported Diluted EPS, excluding Currency	\$ 2.49	\$ 2.41	3.3%

	Six Months Ended June 30,			Year Ended
	2019	2018	% Change	2018
Reported Diluted EPS	\$ 2.36	\$ 2.41	(2.1)%	\$ 5.08
Asset impairment and exit costs	0.02	-		-
Canadian tobacco litigation-related expense	0.09	-		-
Loss on deconsolidation of RBH	0.12	-		-
Tax items	(0.04)	-		0.02
Adjusted Diluted EPS	\$ 2.55	\$ 2.41	5.8%	\$ 5.10
Currency	(0.13)			
Adjusted Diluted EPS, excluding Currency	\$ 2.68	\$ 2.41	11.2%	

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PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries Reconciliation of Non-GAAP Measures



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

	Six Months Ended June 30,		
	2019	2018	% Change
Adjusted Diluted EPS^(a)	\$ 2.55	\$ 2.41	5.8%
Net earnings attributable to RBH		(0.08) ^(b)	
Adjusted Diluted EPS	\$ 2.55	\$ 2.33^(c)	9.4%
Currency	(0.13)		
Adjusted Diluted EPS, excluding Currency	\$ 2.68	\$ 2.33^(c)	15.0%

(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

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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
Reported Diluted EPS	\$ 1.00	\$ 1.41	\$ 2.41	\$ 1.44	\$ 3.85	\$ 1.23	\$ 5.08	\$ 0.87
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	-
Adjusted Diluted EPS	\$ 1.00	\$ 1.41	\$ 2.41	\$ 1.44	\$ 3.85	\$ 1.25	\$ 5.10	\$ 1.09 ^(c)
Net earnings attributable to RBH	- ^(a)	(0.08)	(0.08) ^(a)	(0.09)	(0.18) ^(a)	(0.08)	(0.26) ^(a)	- ^(b)
Pro Forma Adjusted Diluted EPS	\$ 1.00	\$ 1.33	\$ 2.33	\$ 1.35	\$ 3.67	\$ 1.17	\$ 4.84	

(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



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

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Six Months Ended June 30,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2019					PMI	2018	% Change		
\$ 4,736	\$(359)	\$ 5,095	\$ -	\$ 5,095	European Union	\$ 4,491	5.5%	13.4%	13.4%
1,401	(130)	1,531	-	1,531	Eastern Europe	1,327	5.6%	15.4%	15.4%
1,931	(158)	2,089	-	2,089	Middle East & Africa	1,983	(2.6)%	5.3%	5.3%
2,361	(93)	2,454	-	2,454	South & Southeast Asia	2,237	5.5%	9.7%	9.7%
2,842	(25)	2,867	-	2,867	East Asia & Australia	3,069	(7.4)%	(6.6)%	(6.6)%
1,179	(51)	1,230	-	1,230	Latin America & Canada	1,515	(22.2)%	(18.8)%	(18.8)%
\$ 14,450	\$(816)	\$ 15,266	\$ -	\$ 15,266	Total PMI	\$ 14,622	(1.2)%	4.4%	4.4%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries Reconciliation of Non-GAAP Measures



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

	Six Months Ended June 30,		
	2019	2018	% Change
Net Revenues	\$ 14,450	\$ 14,622	(1.2)%
Net Revenues attributable to RBH		(253) ^(a)	
Net Revenues	\$ 14,450	\$ 14,369 ^(b)	0.6 %
Currency	(816)		
Net Revenues, excluding Currency	\$ 15,266	\$ 14,369 ^(b)	6.2 %

(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



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

Latin America & Canada	Six Months Ended June 30,		
	2019	2018	% Change
Net Revenues	\$ 1,179	\$ 1,515	(22.2)%
Net Revenues attributable to RBH		(251) ^(a)	
Net Revenues	\$ 1,179	\$ 1,264 ^(b)	(6.7)%
Currency	(51)		
Net Revenues, excluding Currency	\$ 1,230	\$ 1,264 ^(b)	(2.7)%

(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 Others	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
\$ 2,091	\$ -	\$ 2,091	\$ (195)	\$ 2,286	\$ -	\$ 2,286	European Union	\$ 1,917	\$ -	\$ 1,917	9.1%	19.2%	19.2%
385	-	385	(35)	420	-	420	Eastern Europe	412	-	412	(6.6)%	1.9%	1.9%
785	-	785	(72)	857	-	857	Middle East & Africa	777	-	777	1.0%	10.3%	10.3%
932	(20) ^(a)	952	(44)	996	-	996	South & Southeast Asia	869	-	869	9.6%	14.6%	14.6%
1,069	-	1,069	21	1,048	-	1,048	East Asia & Australia	1,013	-	1,013	5.5%	3.5%	3.5%
(25)	(456) ^(b)	431	16	415	-	415	Latin America & Canada	531	-	531	(18.8)%	(21.8)%	(21.8)%
\$ 5,237	\$ (476)	\$ 5,713	\$ (309)	\$ 6,022	\$ -	\$ 6,022	Total PMI	\$ 5,519	\$ -	\$ 5,519	3.5%	9.1%	9.1%

(a) Represents asset impairment and exit costs

(b) Includes asset impairment and exit costs (\$23 million), Canadian tobacco litigation-related expense (\$194 million) and the loss on deconsolidation of RBH (\$239 million)

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PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries Reconciliation of Non-GAAP Measures



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

	Six Months Ended June 30,		
	2019	2018	% Change
Operating Income	\$ 5,237	\$ 5,519	(5.1)%
Asset impairment and exit costs	(43)	-	
Canadian tobacco litigation-related expense	(194)	-	
Loss on deconsolidation of RBH	(239)	-	
Adjusted Operating Income	\$ 5,713	\$ 5,519	3.5 %
Operating Income attributable to RBH		(177) ^(a)	
Adjusted Operating Income	\$ 5,713	\$ 5,342 ^(b)	6.9 %
Currency	(309)		
Adjusted Operating Income, excluding Currency	\$ 6,022	\$ 5,342 ^(b)	12.7 %

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

(b) Pro forma

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PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries Reconciliation of Non-GAAP Measures

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

Latin America & Canada	Six Months Ended June 30,		
	2019	2018	% Change
Operating Income	\$ (25)	\$ 531	-(100)%
Asset impairment and exit costs	(23)	-	
Canadian tobacco litigation-related expense	(194)	-	
Loss on deconsolidation of RBH	(239)	-	
Adjusted Operating Income	\$ 431	\$ 531	(18.8)%
Operating Income attributable to RBH		(176) ^(a)	
Adjusted Operating Income	\$ 431	\$ 355^(b)	21.4 %
Currency	16		
Adjusted Operating Income, excluding Currency	\$ 415	\$ 355^(b)	16.9 %

(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 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
Reported Diluted EPS	\$ 5.08	\$ 3.88	30.9%
Currency	(0.11)		
Reported Diluted EPS, excluding Currency	\$ 5.19	\$ 3.88	33.8%

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

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
					Reduced-Risk Products	% Change			
2018					2017				
\$ 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%
\$ 4,096	\$ 51	\$ 4,045	\$ -	\$ 4,045	Total RRP	\$ 3,640	12.5%	11.1%	11.1%
2018					PMI				
\$ 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%
\$ 29,625	\$ (103)	\$ 29,728	\$ -	\$ 29,728	Total PMI	\$ 28,748	3.1%	3.4%	3.4%

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

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PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries Reconciliation of Non-GAAP Measures



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

Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Currency	Adjusted Operating Income excluding Currency	Acquisitions	Adjusted Operating Income excluding Currency & Acquisitions	Years Ended December 31,	Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Total	Excluding Currency	Excluding Currency & Acquisitions
						% Change							
2018						2017							
\$ 4,105	\$ -	\$ 4,105	\$ 308	\$ 3,797	\$ -	\$ 3,797	European Union	\$ 3,691	\$ -	\$ 3,691	11.2%	2.9%	2.9%
902	-	902	(101)	1,003	-	1,003	Eastern Europe	887	-	887	1.7%	13.1%	13.1%
1,627	-	1,627	(263)	1,890	-	1,890	Middle East & Africa	1,884	-	1,884	(13.6)%	0.3%	0.3%
1,747	-	1,747	(124)	1,871	-	1,871	South & Southeast Asia	1,514	-	1,514	15.4%	23.6%	23.6%
1,851	-	1,851	(2)	1,853	-	1,853	East Asia & Australia	2,608	-	2,608	(29.0)%	(28.9)%	(28.9)%
1,145	-	1,145	(32)	1,177	-	1,177	Latin America & Canada	997	-	997	14.8%	18.1%	18.1%
\$ 11,377	\$ -	\$ 11,377	\$ (214)	\$ 11,591	\$ -	\$ 11,591	Total PMI	\$ 11,581	\$ -	\$ 11,581	(1.8)%	0.1%	0.1%

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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			
2018									2017						
\$ 4,105	\$ 9,298	44.1%	\$ 3,797	\$ 8,809	43.1%	\$ 3,797	\$ 8,809	43.1%	European Union	\$ 3,691	\$ 8,318	44.4%	(0.3)	(1.3)	(1.3)
902	2,921	30.9%	1,003	3,039	33.0%	1,003	3,039	33.0%	Eastern Europe	887	2,711	32.7%	(1.8)	0.3	0.3
1,627	4,114	39.5%	1,890	4,307	43.9%	1,890	4,307	43.9%	Middle East & Africa	1,884	3,988	47.2%	(7.7)	(3.3)	(3.3)
1,747	4,656	37.5%	1,871	4,900	38.2%	1,871	4,900	38.2%	South & Southeast Asia	1,514	4,417	34.3%	3.2	3.9	3.9
1,851	5,580	33.2%	1,853	5,518	33.6%	1,853	5,518	33.6%	East Asia & Australia	2,608	6,373	40.9%	(7.7)	(7.3)	(7.3)
1,145	3,056	37.5%	1,177	3,155	37.3%	1,177	3,155	37.3%	Latin America & Canada	997	2,941	33.9%	3.6	3.4	3.4
\$ 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 127

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries Reconciliation of Non-GAAP Measures



Calculation of Adjusted Operating Income Margins (\$ in millions) / (Rounded)

Year Ended December 31, 2016

	Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Net Revenues	Adjusted Operating Income Margin
European Union	\$ 3,920	\$ -	\$ 3,920	\$ 8,162	48.0%
Eastern Europe	890	-	890	2,484	35.8%
Middle East & Africa	1,990	-	1,990	4,516	44.1%
South & Southeast Asia	1,474	-	1,474	4,396	33.5%
East Asia & Australia	1,691	-	1,691	4,285	39.5%
Latin America & Canada	938	-	938	2,842	33.0%
Total PMI	\$ 10,903	\$ -	\$ 10,903	\$ 26,685	40.9%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries Reconciliation of Non-GAAP Measures



Calculation of Adjusted Operating Income Margins
(\$ in millions) / (Rounded)

Year Ended December 31, 2015

	Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Net Revenues	Adjusted Operating Income Margin
European Union	\$ 3,530	\$ (68)	\$ 3,598	\$ 8,068	44.6%
Eastern Europe	1,073	-	1,073	2,735	39.2%
Middle East & Africa	2,205	-	2,205	4,629	47.6%
South & Southeast Asia	1,186	-	1,186	4,288	27.7%
East Asia & Australia	1,666	-	1,666	3,915	42.6%
Latin America & Canada	1,085	-	1,085	3,159	34.3%
Total PMI	\$ 10,745	\$ (68)	\$ 10,813	\$ 26,794	40.4%

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PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries Reconciliation of Non-GAAP Measures



Calculation of Total Debt to Adjusted EBITDA and Net Debt to Adjusted EBITDA Ratios
(\$ in millions, except ratios) / (Unaudited)

	Year Ended										
	Dec 31, 2008 ^(a)	Dec 31, 2009 ^(a)	Dec 31, 2010 ^(a)	Dec 31, 2011 ^(a)	Dec 31, 2012 ^(a)	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2018
Net Earnings	\$ 7,150	\$ 6,552	\$ 7,498	\$ 8,879	\$ 9,154	\$ 8,850	\$ 7,658	\$ 7,032	\$ 7,250	\$ 6,341	\$ 8,286
Equity (income)/loss in unconsolidated subsidiaries, net	-	6	8	10	17	22	(105)	(105)	(94)	(59)	(65)
Provision for income taxes	2,787	2,691	2,826	3,653	3,833	3,670	3,097	2,688	2,768	4,307	2,445
Interest expense, net	311	797	876	800	859	973	1,052	1,008	891	914	665
Depreciation and amortization	842	853	932	993	898	882	889	754	743	875	989
Asset impairment, exit costs and other	208	164	47	109	83	309	535	68	-	-	-
Adjusted EBITDA	\$ 11,298	\$ 11,063	\$ 12,187	\$ 14,444	\$ 14,844	\$ 14,706	\$ 13,126	\$ 11,445	\$ 11,558	\$ 12,378	\$ 12,320
	Dec 31, 2008 ^(a)	Dec 31, 2009 ^(a)	Dec 31, 2010 ^(a)	Dec 31, 2011 ^(a)	Dec 31, 2012 ^(a)	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2018
Short-term borrowings	\$ 375	\$ 1,662	\$ 1,747	\$ 1,511	\$ 2,419	\$ 2,400	\$ 1,208	\$ 825	\$ 643	\$ 499	\$ 730
Current portion of long-term debt	209	82	1,385	2,206	2,781	1,255	1,318	2,405	2,573	2,506	4,054
Long-term debt	11,377	13,672	13,370	14,828	17,639	24,023	26,929	25,250	25,851	31,334	26,975
Total Debt	\$ 11,961	\$ 15,416	\$ 16,502	\$ 18,545	\$ 22,839	\$ 27,678	\$ 29,455	\$ 28,480	\$ 29,067	\$ 34,339	\$ 31,759
Cash and cash equivalents	1,531	1,540	1,703	2,550	2,983	2,154	1,682	3,417	4,239	8,447	6,593
Net Debt	\$ 10,430	\$ 13,876	\$ 14,799	\$ 15,995	\$ 19,856	\$ 25,524	\$ 27,773	\$ 25,063	\$ 24,828	\$ 25,892	\$ 25,166
Ratios:											
Total Debt to Adjusted EBITDA	1.06	1.39	1.35	1.28	1.54	1.88	2.24	2.49	2.51	2.77	2.58
Net Debt to Adjusted EBITDA	0.92	1.25	1.21	1.11	1.34	1.74	2.12	2.19	2.15	2.09	2.04

(a) Certain amounts have been reclassified to conform with the year 2013 presentation due to the separate disclosure of equity (income)/loss in unconsolidated subsidiaries, net
Note: In 2008, we included Equity Loss from RBH Legal Settlement (\$124 million) and in 2009 we included the Colombian Investment and Cooperation Agreement charge of \$135 million 132 9