

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 21, 2020

Philip Morris International Inc.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction
of incorporation)

1-33708
(Commission File Number)

13-3435103
(I.R.S. Employer
Identification No.)

120 Park Avenue New York New York
(Address of principal executive offices)

10017-5592
(Zip Code)

Registrant's telephone number, including area code: (917) 663-2000

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	PM	New York Stock Exchange
1.875% Notes due 2021	PM21B	New York Stock Exchange
1.875% Notes due 2021	PM21C	New York Stock Exchange
4.125% Notes due 2021	PM21	New York Stock Exchange
2.900% Notes due 2021	PM21A	New York Stock Exchange
2.625% Notes due 2022	PM22A	New York Stock Exchange
2.375% Notes due 2022	PM22B	New York Stock Exchange
2.500% Notes due 2022	PM22	New York Stock Exchange
2.500% Notes due 2022	PM22C	New York Stock Exchange
2.625% Notes due 2023	PM23	New York Stock Exchange
2.125% Notes due 2023	PM23B	New York Stock Exchange
3.600% Notes due 2023	PM23A	New York Stock Exchange

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
2.875% Notes due 2024	PM24	New York Stock Exchange
2.875% Notes due 2024	PM24C	New York Stock Exchange
0.625% Notes due 2024	PM24B	New York Stock Exchange
3.250% Notes due 2024	PM24A	New York Stock Exchange
2.750% Notes due 2025	PM25	New York Stock Exchange
3.375% Notes due 2025	PM25A	New York Stock Exchange
2.750% Notes due 2026	PM26A	New York Stock Exchange
2.875% Notes due 2026	PM26	New York Stock Exchange
0.125% Notes due 2026	PM26B	New York Stock Exchange
3.125% Notes due 2027	PM27	New York Stock Exchange
3.125% Notes due 2028	PM28	New York Stock Exchange
2.875% Notes due 2029	PM29	New York Stock Exchange
3.375% Notes due 2029	PM29A	New York Stock Exchange
0.800% Notes due 2031	PM31	New York Stock Exchange
3.125% Notes due 2033	PM33	New York Stock Exchange
2.000% Notes due 2036	PM36	New York Stock Exchange
1.875% Notes due 2037	PM37A	New York Stock Exchange
6.375% Notes due 2038	PM38	New York Stock Exchange
1.450% Notes due 2039	PM39	New York Stock Exchange
4.375% Notes due 2041	PM41	New York Stock Exchange
4.500% Notes due 2042	PM42	New York Stock Exchange
3.875% Notes due 2042	PM42A	New York Stock Exchange
4.125% Notes due 2043	PM43	New York Stock Exchange
4.875% Notes due 2043	PM43A	New York Stock Exchange
4.250% Notes due 2044	PM44	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On July 21, 2020, Philip Morris International Inc. (the “Company”) issued a press release announcing its financial results for the quarter ended June 30, 2020. The earnings release is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference to this Item 2.02.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in Item 2.02 of this Current Report on Form 8-K shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as may be expressly set forth by specific reference in such filing or document.

Item 7.01. Financial Statements and Exhibits.

On July 21, 2020, the Company held a live audio webcast to discuss its financial results for the quarter ended June 30, 2020. In connection with the webcast, the Company is furnishing to the Securities and Exchange Commission the following documents attached as exhibits to this Current Report on Form 8-K and incorporated by reference to this Item 7.01: the conference call script attached as Exhibit 99.2 hereto and the webcast slides attached as Exhibit 99.3 hereto.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 7.01 of this Current Report on Form 8-K, including Exhibits 99.2 and 99.3, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in Item 7.01 of this Current Report on Form 8-K shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as may be expressly set forth by specific reference in such filing or document.

Item 9.01. Financial Statements and Exhibits.

(d)	<u>Exhibits.</u>
99.1	Philip Morris International Inc. Press Release dated July 21, 2020 (furnished pursuant to Item 2.02).
99.2	Conference Call Script dated July 21, 2020 (furnished pursuant to Item 7.01).
99.3	Webcast Slides dated July 21, 2020 (furnished pursuant to Item 7.01).
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHILIP MORRIS INTERNATIONAL INC.

By: /s/ JERRY WHITSON
Name: Jerry Whitson
Title: Deputy General Counsel
and Corporate Secretary

DATE: July 21, 2020

**PRESS RELEASE**

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PHILIP MORRIS INTERNATIONAL INC. REPORTS 2020 SECOND-QUARTER REPORTED DILUTED EPS OF \$1.25 VERSUS \$1.49 IN 2019, REFLECTING CURRENCY-NEUTRAL ADJUSTED DILUTED EPS DECLINE OF 7.5%;
PROVIDES 2020 FULL-YEAR REPORTED DILUTED EPS FORECAST OF \$4.84 TO \$4.99, OR ADJUSTED DILUTED EPS OF \$4.92 TO \$5.07, REFLECTING LIKE-FOR-LIKE CURRENCY-NEUTRAL GROWTH OF APPROXIMATELY 2% TO 5%

NEW YORK, July 21, 2020 – Philip Morris International Inc. (NYSE: PM) today announces its 2020 second-quarter results. Comparisons presented in this press release on a "like-for-like" basis reflect pro forma 2019 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). In addition, PMI's total market share has been restated for previous periods to reflect the deconsolidation.

2020 SECOND-QUARTER & YEAR-TO-DATE HIGHLIGHTS**2020 Second-Quarter**

- Reported diluted EPS of \$1.25, down by 16.1%; down by 12.1%, excluding currency
- Adjusted diluted EPS of \$1.29, down by 11.6%; down by 7.5%, excluding currency
- Cigarette and heated tobacco unit shipment volume down by 14.5% (reflecting cigarette shipment volume down by 17.6%, and heated tobacco unit shipment volume up by 24.3% to 18.7 billion units)
- Market share for heated tobacco units in IQOS markets, excluding the U.S., up by 1.8 points to 6.3%
- Net revenues down by 13.6%; down by 9.5%, excluding currency
- Operating income down by 14.3%; down by 11.0%, excluding currency
- Adjusted operating income down by 9.5%, excluding currency
- Adjusted operating income margin flat at 41.7%, excluding currency
- Total IQOS users at quarter-end estimated at approximately 15.4 million, of which approximately 11.2 million have stopped smoking and switched to IQOS
- During the quarter, PMI declared a regular quarterly dividend of \$1.17 per common share, representing an annualized rate of \$4.68
- On July 7, 2020, the U.S. Food and Drug Administration (FDA) authorized the marketing of the IQOS tobacco heating system as a modified risk tobacco product

2020 Six Months Year-to-Date

- Reported diluted EPS of \$2.42, up by 2.5%; up by 10.6%, excluding currency
- Adjusted diluted EPS of \$2.50, down by 2.0%; up by 8.0% on a like-for-like basis, excluding currency

- Cigarette and heated tobacco unit shipment volume down by 8.2% (reflecting cigarette shipment volume down by 11.4%, and heated tobacco unit shipment volume up by 33.4% to 35.4 billion units); down by 8.0% on a like-for-like basis
- Market share for heated tobacco units in IQOS markets, excluding the U.S., up by 1.8 points to 6.3%
- Net revenues down by 4.5%; down by 0.5% on a like-for-like basis, excluding currency
- Operating income up by 5.4%; up by 11.1%, excluding currency
- Adjusted operating income up by 5.4% on a like-for-like basis, excluding currency
- Adjusted operating income margin up by 2.3 points to 41.5% on a like-for-like basis, excluding currency

"Despite a very challenging quarter due to the pandemic, we delivered results above our previously communicated expectations for both net revenues and reported diluted EPS," said André Calantzopoulos, Chief Executive Officer.

"This primarily reflected favorable sequential performance in June, with a strong industry volume recovery -- notably in the higher margin EU Region -- and substantial IQOS user acquisition growth, as well as the benefit of certain non-underlying factors, some of which we expect to reverse in the third quarter."

"We are particularly pleased by the excellent performance of IQOS, for which we continued to grow share across a broad range of markets. This is testament to the strength and agility of our commercial model, which increasingly leverages our digital assets."

"While further volatility and restrictions are clearly possible, and the pandemic's economic impact is difficult to quantify, we have improving visibility on the trajectory of our business for the remainder of the year. We are therefore providing a full-year 2020 forecast, which reflects like-for-like currency-neutral adjusted diluted EPS growth in the low-to-mid single digits."

"Importantly, we are very pleased with the U.S. FDA's recent authorization of IQOS as a modified risk tobacco product. This is a historic milestone for both public health and PMI, and reflects the FDA's recognition that IQOS is a fundamentally different product than cigarettes and must be regulated differently."

COVID-19: Business Continuity Update

Since the onset of COVID-19, PMI has undertaken a number of business continuity measures to mitigate potential disruption to its operations and route-to-market in order to preserve the availability of products to its customers and adult consumers.

Currently, PMI has sufficient access to the inputs for its products and is not facing any significant business continuity issues with respect to key suppliers.

The large majority of PMI's manufacturing facilities globally are currently operational, including all heated tobacco unit factories. Certain cigarette production facilities are temporarily impacted by government-mandated shutdowns or production limitations. Such facilities account for less than 5% of PMI's total cigarette production capacity worldwide.

Based on current sales trends, there are adequate inventories of PMI finished goods across all key markets for cigarettes and across all IQOS markets for heated tobacco units and tobacco heating devices. While government-related restrictions have led to complexities in the company's route-to-market in select geographies, PMI does not currently anticipate out-of-stock situations in any major operating income markets and generally expects consumers to have adequate access to its products.

PMI has ample liquidity through cash on hand, the ongoing cash generation of its business, and its access to the commercial paper and debt markets. As of June 30, 2020, the company had approximately \$4.2 billion of cash and cash equivalents. The company has a well laddered bond portfolio, and on May 1, 2020, issued a three-tranche bond offering totaling \$2.25 billion, equally split among three, five and 10-year maturities. PMI has a \$0.3 billion (equivalent) bond maturing in September 2020.

Organizational Design Optimization

As part of its transformation to a smoke-free future, PMI seeks to optimize its organizational design, which includes the elimination, relocation and outsourcing of certain activities. During the second quarter, PMI recorded pre-tax asset impairment and exit costs of \$71 million related to restructuring activities in Switzerland and the outsourcing of certain activities performed in the U.S. These pre-tax charges were allocated across all segments.

2020 FULL-YEAR FORECAST

On April 21, 2020, PMI withdrew its 2020 full-year reported diluted EPS forecast of at least \$5.50, originally provided on February 6, 2020. At the time, the company was unable to forecast its full-year financial results with reasonable accuracy given the uncertainty surrounding the COVID-19 pandemic and the related impact on the company's business globally.

PMI believes that it is now in a better position to provide a 2020 full-year forecast, primarily reflecting the benefit of an additional quarter of actual results, as well as improved visibility on the progression of pandemic-related government restrictions (including lockdowns) in many of its key international markets, and the impact of such restrictions on adult smoker and reduced-risk product user behavior, as well as the company's global operations.

Notwithstanding this improved visibility, uncertainty remains as to the risk and magnitude of COVID-19 resurgence, as well as the economic consequences of the pandemic.

2020 EPS Forecast	Full-Year			
	2020 Forecast		2019	Adjusted Growth
Reported Diluted EPS	\$4.84	- \$4.99	\$4.61	
Tax items			(0.04)	
Asset impairment and exit costs		0.04	0.23	
Canadian tobacco litigation-related expense			0.09	
Loss on deconsolidation of RBH			0.12	
Russia excise and VAT audit charge			0.20	
Fair value adjustment for equity security investments		0.04	(0.02)	
Adjusted Diluted EPS	\$4.92	- \$5.07	\$5.19	
Net earnings attributable to RBH			(0.06) ^(a)	
Adjusted Diluted EPS	\$4.92	- \$5.07	\$5.13 ^(b)	
Currency		0.31		
Adjusted Diluted EPS, excluding currency	\$5.23	- \$5.38	\$5.13 ^(b)	2% - 5%

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

^(b) Pro forma.

Reported diluted earnings per share forecast to be in a range of \$4.84 to \$4.99, at prevailing exchange rates versus reported diluted earnings per share of \$4.61 in 2019.

- Excluding an unfavorable currency impact, at prevailing exchange rates, of approximately \$0.31 per share, asset impairment and exit costs of \$0.04 per share, and a fair value adjustment for equity security investments of \$0.04 per share, this forecast represents a projected increase of approximately 2% to 5% versus pro forma adjusted diluted earnings per share of \$5.13 in 2019, as detailed in the above table.

2020 Full-Year Forecast Assumptions

This forecast assumes:

- No recurrence of national lockdowns in PMI's key international markets during the second half of 2020;
- Lack of near-term recovery in PMI's duty-free business given the uncertain outlook for global travel, with current dynamics persisting at least through the third quarter;
- Full enforcement of minimum retail selling price requirements in Indonesia as of September 2020, at the earliest;
- An estimated total international industry volume decline, excluding China and the U.S., of approximately 7% to 9%;
- A total cigarette and heated tobacco unit shipment volume decline for PMI of approximately 8% to 10% on a like-for-like basis, notably due to Indonesia and PMI Duty Free;
- A full-year heated tobacco unit shipment volume that keeps PMI on-track to reach its 2021 target of 90 to 100 billion units;
- A currency-neutral net revenue decline in the low single digits, on a like-for-like basis. Excluding Indonesia and PMI Duty Free, this assumes currency-neutral net revenue growth in the low single digits on the same basis;
- An increase in currency-neutral, like-for-like adjusted operating income margin of more than 150 basis points;
- Reported diluted EPS in the third quarter broadly in line with the company's second-quarter 2020 EPS results, supported by a sequential improvement in reported net revenues in the quarter, offset by the unfavorable impact of the reversal of certain items from the first half and the timing of certain costs;
- Operating cash flow of at least \$9.0 billion, subject to year-end working capital requirements and currency movements;
- Capital expenditures of approximately \$0.7 billion;
- An effective tax rate of 22% to 23%, compared to approximately 23% assumed previously, notably reflecting changes in the company's earnings mix and a lower corporate tax rate in Indonesia; and
- No share repurchases.

This forecast excludes the impact of any future acquisitions, unanticipated asset impairment and exit cost charges, future changes in currency exchange rates, further developments related to the U.S. Tax Cuts and Jobs Act, further developments pertaining to the judgment in the two Québec Class Action lawsuits and the Companies' Creditors Arrangement Act (CCAA) protection granted to RBH, any unusual events, and any COVID-19-related developments different from the assumptions set forth in the company's forecast.

Factors described in the Forward-Looking and Cautionary Statements section of this release represent continuing risks to these projections.

FDA Authorizes Marketing of IQOS as a Modified Risk Tobacco Product

On July 7, 2020, the U.S. Food and Drug Administration (FDA) authorized the marketing of a version of IQOS, PMI's heat-not-burn product, as a modified risk tobacco product (MRTP). In doing so, the agency found that an IQOS exposure modification order is appropriate to promote the public health. IQOS is the first and only electronic nicotine product to be granted marketing orders through the FDA's MRTP process.

The FDA authorized the marketing of IQOS with the following information:

- The IQOS system heats tobacco but does not burn it
- This significantly reduces the production of harmful and potentially harmful chemicals
- Scientific studies have shown that switching completely from conventional cigarettes to the IQOS system reduces your body's exposure to harmful or potentially harmful chemicals

The agency concluded that the available scientific evidence demonstrates that IQOS is expected to benefit the health of the population as a whole, taking into account both users of tobacco products and persons who do not currently use tobacco products.

The FDA's decision further builds on the emerging independent international scientific consensus that IQOS is a better choice than continuing to smoke, and follows the FDA's April 2019 decision authorizing the commercialization of a version of IQOS in the U.S.

The FDA's decision provides an important example of how governments and public health organizations can regulate smoke-free alternatives to differentiate them from cigarettes in order to protect and promote the public health.

This decision follows a review of the extensive scientific evidence package PMI submitted to the FDA in December 2016 to support its MRTP applications.

Conference Call

A conference call, hosted by Emmanuel Babeau, Chief Financial Officer, will be webcast at 9:00 a.m., Eastern Time, on July 21, 2020. Access is at www.pmi.com/2020Q2earnings. The audio webcast may also be accessed on iOS or Android devices by downloading PMI's free Investor Relations Mobile Application at www.pmi.com/irapp.

CONSOLIDATED SHIPMENT VOLUME & MARKET SHARE

PMI Shipment Volume by Region (million units)	Second-Quarter			Six Months Year-to-Date		
	2020	2019	Change	2020	2019	Change
Cigarettes						
European Union	40,317	46,367	(13.0)%	80,963	85,855	(5.7)%
Eastern Europe	23,657	27,080	(12.6)%	45,076	47,400	(4.9)%
Middle East & Africa	27,188	31,659	(14.1)%	57,184	64,963	(12.0)%
South & Southeast Asia	33,346	46,376	(28.1)%	70,941	87,868	(19.3)%
East Asia & Australia	12,071	13,845	(12.8)%	24,370	25,958	(6.1)%
Latin America & Canada	14,780	18,472	(20.0)%	29,843	36,052	(17.2)%
Total PMI	151,359	183,799	(17.6)%	308,377	348,096	(11.4)%

Heated Tobacco Units						
European Union	4,227	3,043	38.9 %	8,888	5,336	66.6 %
Eastern Europe	5,126	2,807	82.6 %	9,492	4,355	+100%
Middle East & Africa	185	719	(74.3)%	655	1,473	(55.5)%
South & Southeast Asia	—	—	— %	—	—	— %
East Asia & Australia	9,076	8,428	7.7 %	16,198	15,277	6.0 %
Latin America & Canada ⁽¹⁾	94	59	59.3 %	202	113	78.8 %
Total PMI	18,708	15,056	24.3 %	35,435	26,554	33.4 %

Cigarettes and Heated Tobacco Units						
European Union	44,544	49,410	(9.8)%	89,851	91,191	(1.5)%
Eastern Europe	28,783	29,887	(3.7)%	54,568	51,755	5.4 %
Middle East & Africa	27,373	32,378	(15.5)%	57,839	66,436	(12.9)%
South & Southeast Asia	33,346	46,376	(28.1)%	70,941	87,868	(19.3)%
East Asia & Australia	21,147	22,273	(5.1)%	40,568	41,235	(1.6)%
Latin America & Canada	14,874	18,531	(19.7)%	30,045	36,165	(16.9)%
Total PMI	170,067	198,855	(14.5)%	343,812	374,650	(8.2)%

(1) Includes shipments to Altria Group, Inc., commencing in the third quarter of 2019, for sale in the United States under license.

Second-Quarter

PMI's total shipment volume decreased by 14.5%, principally due to:

- the EU, reflecting lower cigarette shipment volume, notably in Italy, Poland and Spain, partly offset by higher heated tobacco unit shipment volume across most markets, notably Germany, Italy and Poland;
- Eastern Europe, reflecting lower cigarette shipment volume, particularly in Russia and Ukraine, partly offset by higher heated tobacco unit shipment volume across the Region, notably in Russia;
- Middle East & Africa, reflecting lower cigarette shipment volume, particularly in North Africa, PMI Duty Free and Turkey, partly offset by Saudi Arabia, as well as lower heated tobacco shipment volume in PMI Duty Free;
- South & Southeast Asia, reflecting lower cigarette shipment volume, primarily in Indonesia, Pakistan and the Philippines;
- East Asia & Australia, reflecting lower cigarette shipment volume, mainly in Japan, partly offset by higher heated tobacco unit shipment volume in Japan; and
- Latin America & Canada, reflecting lower cigarette shipment volume, primarily in Argentina and Mexico.

Impact of Inventory Movements

Excluding the net unfavorable impact of estimated distributor inventory movements of approximately 2.3 billion units, PMI's total in-market sales declined by 13.4%, due to a 16.4% decline in cigarettes, partly offset by a 24.0% increase in heated tobacco units.

The net unfavorable impact of estimated distributor inventory movements of approximately 2.3 billion units reflected a net unfavorable impact of 2.5 billion cigarettes, mainly due to Italy, Japan, PMI Duty Free, Russia and Spain, partly offset by Saudi Arabia.

Six Months Year-to-Date

PMI's total shipment volume decreased by 8.2%, or by 8.0% on a like-for-like basis, due to:

- the EU, reflecting lower cigarette shipment volume, notably in Italy, Poland and Spain, partly offset by higher heated tobacco unit shipment volume across the Region, particularly in Italy;
- Middle East & Africa, reflecting lower cigarette shipment volume, notably in PMI Duty Free, Saudi Arabia and Turkey, partly offset by North Africa, as well as lower heated tobacco unit shipment volume in PMI Duty Free;
- South & Southeast Asia, reflecting lower cigarette shipment volume, primarily in Indonesia, Pakistan and the Philippines;
- East Asia & Australia, reflecting lower cigarette shipment volume, mainly in Japan, partly offset by higher heated tobacco unit shipment volume in Japan; and
- Latin America & Canada, reflecting lower cigarette shipment volume, primarily in Argentina, Canada (due to the impact of the deconsolidation of RBH), and Mexico. On a like-for-like basis, PMI's total shipment volume in the Region decreased by 14.6%;

partly offset by

- Eastern Europe, reflecting higher heated tobacco unit shipment volume across the Region, notably in Russia and Ukraine, partly offset by lower cigarette shipment volume, notably in Russia and Ukraine.

Impact of Inventory Movements

On a like-for-like basis, excluding the net favorable impact of estimated distributor inventory movements of approximately 3.0 billion units, PMI's total in-market sales declined by 8.8%, due to an 11.8% decline in cigarettes, partly offset by a 29.5% increase in heated tobacco units.

The net favorable impact of estimated distributor inventory movements of approximately 3.0 billion units reflected:

- a net favorable impact of 2.2 billion cigarettes, mainly driven by Japan, Kuwait and North Africa, partly offset by Saudi Arabia and Spain; and
- a net favorable impact of 0.8 billion heated tobacco units, mainly driven by Japan and Russia.

PMI Shipment Volume by Brand

PMI Shipment Volume by Brand

(million units)	Second-Quarter			Six Months Year-to-Date		
	2020	2019	Change	2020	2019	Change
Cigarettes						
<i>Marlboro</i>	54,812	68,060	(19.5)%	114,057	128,024	(10.9)%
<i>L&M</i>	22,385	23,522	(4.8)%	45,025	45,337	(0.7)%
<i>Chesterfield</i>	12,604	14,202	(11.3)%	25,507	28,501	(10.5)%
<i>Philip Morris</i>	11,106	12,950	(14.2)%	22,569	23,673	(4.7)%
<i>Parliament</i>	8,462	9,847	(14.1)%	16,035	18,677	(14.1)%
<i>Sampoerna A</i>	7,254	9,355	(22.5)%	15,802	17,256	(8.4)%
<i>Bond Street</i>	6,428	7,741	(17.0)%	12,041	13,412	(10.2)%
<i>Dji Sam Soe</i>	5,797	7,839	(26.0)%	11,972	14,490	(17.4)%
<i>Lark</i>	4,189	5,349	(21.7)%	8,213	10,619	(22.7)%
<i>Fortune</i>	2,263	3,441	(34.2)%	4,745	6,487	(26.8)%
Others	16,059	21,493	(25.3)%	32,411	41,620	(22.1)%
Total Cigarettes	151,359	183,799	(17.6)%	308,377	348,096	(11.4)%
Heated Tobacco Units ⁽¹⁾	18,708	15,056	24.3 %	35,435	26,554	33.4 %
Total PMI	170,067	198,855	(14.5)%	343,812	374,650	(8.2)%

(1) Includes shipments to Altria Group, Inc., commencing in the third quarter of 2019, for sale in the United States under license.

Note: *Sampoerna A* includes *Sampoerna*; *Philip Morris* includes *Philip Morris/Dubliiss*; and *Lark* includes *Lark Harmony*.

Second-Quarter

PMI's cigarette shipment volume of the following brands decreased:

- *Marlboro*, mainly due to Indonesia, Italy, Japan, Mexico, the Philippines and PMI Duty Free, partially offset by the GCC;
- *L&M*, mainly due to Egypt, PMI Duty Free, Poland and Thailand, partly offset by Saudi Arabia and Turkey;
- *Chesterfield*, mainly due to Mexico, Poland, Russia and Turkey, partly offset by Brazil and Saudi Arabia;
- *Philip Morris*, primarily driven by Argentina, Indonesia and Italy;
- *Parliament*, mainly due to PMI Duty Free, Russia and Turkey;
- *Sampoerna A* in Indonesia, mainly due to premium *A Mild*;
- *Bond Street*, mainly due to Russia and Ukraine;
- *Dji Sam Soe* in Indonesia, mainly due to *Dji Sam Soe Magnum Mild*;
- *Lark*, mainly due to Japan and Turkey;
- *Fortune* in the Philippines; and
- "Others," notably due to: mid-price *Sampoerna U* in Indonesia and low-price *Morven* in Pakistan.

The increase in PMI's heated tobacco unit shipment volume was mainly driven by the EU, Eastern Europe and Japan, partly offset by PMI Duty Free.

International Share of Market

PMI's total international market share (excluding China and the U.S.), defined as PMI's cigarette and heated tobacco unit sales volume as a percentage of total industry cigarette and heated tobacco unit sales volume, decreased by 0.1 point to 28.0%, reflecting:

- Total international market share for cigarettes of 25.0%, down by 1.0 point; and

- Total international market share for heated tobacco units of 3.0%, up by 0.9 points.

PMI's total international cigarette sales volume as a percentage of total industry cigarette sales volume was down by 0.7 points to 26.0%, mainly reflecting: out-switching to heated tobacco units, as well as lower cigarette market share and/or an unfavorable geographic mix impact, notably in Indonesia, Mexico, Pakistan, the Philippines and PMI Duty Free, partly offset by Germany, Russia and Turkey.

Six Months Year-to-Date

PMI's cigarette shipment volume of the following brands decreased:

- *Marlboro*, mainly due to Indonesia, Italy, Mexico, the Philippines, PMI Duty Free, Saudi Arabia, Spain and Turkey, partially offset by Germany, Kuwait, North Africa and Russia;
- *L&M*, notably due to PMI Duty Free, Poland and Thailand, partly offset by Jordan, Mexico and Turkey;
- *Chesterfield*, notably due to Russia and Turkey, partly offset by Brazil and Saudi Arabia;
- *Philip Morris*, notably due to Argentina and Italy, partly offset by Japan, the Philippines and Russia;
- *Parliament*, mainly due to PMI Duty Free, Russia and Turkey;
- *Sampoerna A* in Indonesia, mainly due to premium *A Mild*;
- *Bond Street*, mainly due to Russia and Ukraine;
- *Dji Sam Soe* in Indonesia, mainly due to *Dji Sam Soe Magnum Mild*;
- *Lark*, mainly due to Japan and Turkey;
- *Fortune* in the Philippines; and
- "Others," notably due to: the impact of the deconsolidation of RBH in Canada; mid-price *Sampoerna U* in Indonesia and *Muratti* in Turkey; and low-price *Baronet* in Mexico and *Morven* in Pakistan.

The increase in PMI's heated tobacco unit shipment volume was mainly driven by the EU (notably Italy), Eastern Europe (notably Russia and Ukraine) and Japan, partly offset by PMI Duty Free.

International Share of Market

PMI's total international market share (excluding China and the U.S.), decreased by 0.4 points to 27.7%, reflecting:

- Total international market share for cigarettes of 24.8%, down by 1.2 points; and
- Total international market share for heated tobacco units of 2.9%, up by 0.8 points.

PMI's total international cigarette sales volume as a percentage of total industry cigarette sales volume was down by 0.9 points to 25.8%, mainly reflecting: out-switching to heated tobacco units, as well as lower cigarette market share and/or an unfavorable geographic mix impact, notably in Indonesia, Mexico, Pakistan, the Philippines, PMI Duty Free and Turkey, partly offset by Germany and Russia.

CONSOLIDATED FINANCIAL SUMMARY

Second-Quarter

Financial Summary - Quarters Ended June 30, (in millions)			Change Fav./(Unfav.)		Variance Fav./(Unfav.)				
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 6,651	\$ 7,699	(13.6)%	(9.5)%	(1,048)	(317)	172	(904)	1
Cost of Sales	(2,179)	(2,665)	18.2 %	14.1 %	486	111	—	239	136
Marketing, Administration and Research Costs (1)	(1,722)	(1,831)	6.0 %	0.4 %	109	101	—	—	8
Amortization of Intangibles	(19)	(16)	(18.8)%	(25.0)%	(3)	1	—	—	(4)
Operating Income	\$ 2,731	\$ 3,187	(14.3)%	(11.0)%	(456)	(104)	172	(665)	141
Asset Impairment & Exit Costs (2)	(71)	(23)	(100)%	(100)%	(48)	—	—	—	(48)
Adjusted Operating Income	\$ 2,802	\$ 3,210	(12.7)%	(9.5)%	(408)	(104)	172	(665)	189
Adjusted Operating Income Margin	42.1%	41.7%	0.4pp	—					

⁽¹⁾ Favorable Cost/Other variance includes the 2019 and 2020 asset impairment and exit costs.

⁽²⁾ Included in Marketing, Administration and Research Costs above.

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

Net revenues, excluding unfavorable currency, decreased by 9.5%, mainly reflecting: unfavorable volume/mix, primarily due to lower cigarette volume (mainly in Indonesia, Italy, Japan, Mexico, the Philippines, PMI Duty Free and Russia, partly offset by Saudi Arabia), partially offset by higher heated tobacco unit volume (notably in the EU, Japan and Russia, partly offset by PMI Duty Free); partially offset by a favorable pricing variance (notably driven by Germany, Mexico, the Philippines, Russia and Saudi Arabia, partly offset by Indonesia and Turkey).

Operating income, excluding unfavorable currency, decreased by 11.0%, primarily reflecting: unfavorable volume/mix, due to the same factors as for net revenues noted above; partially offset by a favorable pricing variance; lower manufacturing costs (driven by productivity gains related to combustible and reduced-risk products); and lower marketing, administration and research costs (despite pandemic-related expenses in 2020 and the unfavorable net impact of asset impairment and exit costs).

Excluding asset impairment, exit costs and unfavorable currency, adjusted operating income decreased by 9.5%. Adjusted operating income margin, excluding currency, was flat at 41.7%, as detailed in Schedule 8.

Financial Summary - Six Months Ended June 30, (in millions)			Change Fav./Unfav.)		Variance Fav./Unfav.)				
	2020	2019	Total	Excl. Curr.	Total	Currency	Price	Vol/ Mix	Cost/ Other(1)
Net Revenues	\$ 13,804	\$ 14,450	(4.5)%	(1.8)%	(646)	(391)	495	(523)	(227)
Cost of Sales	(4,581)	(5,130)	10.7 %	7.6 %	549	160	—	268	121
Marketing, Administration and Research Costs (2)	(3,666)	(4,048)	9.4 %	11.2 %	382	(70)	—	—	452
Amortization of Intangibles	(37)	(35)	(5.7)%	(8.6)%	(2)	1	—	—	(3)
Operating Income	\$ 5,520	\$ 5,237	5.4 %	11.1 %	283	(300)	495	(255)	343
Asset Impairment & Exit Costs (3)	(71)	(43)	(65.1)%	(65.1)%	(28)	—	—	—	(28)
Canadian Tobacco Litigation-Related Expense (3)	—	(194)	+100%	+100%	194	—	—	—	194
Loss on Deconsolidation of RBH (3)	—	(239)	+100%	+100%	239	—	—	—	239
Adjusted Operating Income	\$ 5,591	\$ 5,713	(2.1)%	3.1 %	(122)	(300)	495	(255)	(62)
Adjusted Operating Income Margin	40.5%	39.5%	1.0pp	2.0pp					

⁽¹⁾ Cost/Other variance includes the impact of the RBH deconsolidation.

⁽²⁾ Favorable Cost/Other variance includes the 2019 Canadian tobacco litigation-related expense, the 2019 loss on deconsolidation of RBH, the 2019 and 2020 asset impairment and exit costs, and the impact of the RBH deconsolidation.

⁽³⁾ Included in Marketing, Administration and Research Costs above.

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

Net revenues, excluding unfavorable currency, decreased by 1.8%, reflecting: unfavorable volume/mix, primarily due to lower cigarette volume (mainly in Australia, Indonesia, Italy, Japan, Mexico, the Philippines, PMI Duty Free, Poland, Spain and Turkey, partly offset by Germany) and lower IQOS device volume (primarily in Japan), partially offset by higher heated tobacco unit volume (notably in the EU, Japan, Russia and Ukraine, partly offset by PMI Duty Free); and the unfavorable impact of \$227 million, shown in "Cost/Other," mainly resulting from the deconsolidation of RBH; partly offset by a favorable pricing variance (notably driven by Australia, the GCC, Germany, Mexico, and the Philippines, partially offset by Indonesia). On a like-for-like basis, net revenues, excluding unfavorable currency, decreased by 0.5%, as detailed in Schedule 9.

Operating income, excluding unfavorable currency, increased by 11.1%, notably reflecting a favorable comparison, shown in "Cost/Other," of charges recorded in the first half of 2020 of \$71 million, related to asset impairment and exit costs associated with organizational design optimization, to charges recorded in the first half of 2019 of \$476 million, related to the loss on deconsolidation of RBH, the Canadian tobacco litigation-related expense, and asset impairment and exit costs associated with plant closures in Colombia and Pakistan.

Excluding these charges and unfavorable currency, adjusted operating income increased by 3.1%, primarily reflecting: a favorable pricing variance; lower manufacturing costs (driven by productivity gains related to combustible and reduced-risk products); and lower marketing, administration and research costs (despite pandemic-related expenses in 2020); partially offset by unfavorable volume/mix, mainly due to lower cigarette volume (mainly in Australia, Indonesia, Italy, Japan, Mexico, the Philippines, PMI Duty Free, Poland and Spain, partly offset by

Germany), partly offset by higher heated tobacco unit volume (notably in the EU, Japan, Russia and Ukraine, partly offset by PMI Duty Free); and the net unfavorable impact resulting from the deconsolidation of RBH, included in "Cost/Other." On a like-for-like basis, adjusted operating income, excluding unfavorable currency, increased by 5.4%, as detailed in Schedule 9.

Adjusted operating income margin, excluding currency, increased by 2.0 points to 41.5%, as detailed in Schedule 8, or by 2.3 points to 41.5% on a like-for-like basis, as detailed in Schedule 9.

EUROPEAN UNION REGION

Second-Quarter

Financial Summary - Quarters Ended June 30, (in millions)			Change Fav./Unfav.)		Variance Fav./Unfav.)				
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 2,475	\$ 2,577	(4.0)%	(0.1)%	(102)	(100)	44	(46)	—
Operating Income	\$ 1,178	\$ 1,195	(1.4)%	4.0 %	(17)	(65)	44	(2)	6
Asset Impairment & Exit Costs (1)	(27)	—	— %	— %	(27)	—	—	—	(27)
Adjusted Operating Income	\$ 1,205	\$ 1,195	0.8 %	6.3 %	10	(65)	44	(2)	33
Adjusted Operating Income Margin	48.7%	46.4%	2.3pp	2.9pp					

⁽¹⁾ Included in marketing, administration and research costs at the consolidated operating income level.

Net revenues, excluding unfavorable currency, decreased by 0.1%, reflecting: unfavorable volume/mix, mainly due to lower cigarette volume (notably in Italy, Poland and Spain, partly offset by Germany), partially offset by higher heated tobacco unit volume (notably in Germany, Italy and Poland); largely offset by a favorable pricing variance (driven by higher combustible pricing, notably in Germany, partly offset by lower heated tobacco unit pricing).

Operating income, excluding unfavorable currency, increased by 4.0%, mainly reflecting: a favorable pricing variance; and lower manufacturing costs (notably in Italy); partly offset by higher marketing, administration and research costs (largely related to increased investments behind reduced-risk products, as well as 2020 asset impairment and exit costs).

Excluding asset impairment, exit costs and unfavorable currency, adjusted operating income increased by 6.3%. Adjusted operating income margin, excluding currency, increased by 2.9 points to 49.3%, as detailed in Schedule 8.

Financial Summary - Six Months Ended June 30, (in millions)			Change Fav./((Unfav.))		Variance Fav./((Unfav.))				
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 5,010	\$ 4,736	5.8%	9.4%	274	(170)	60	384	—
Operating Income	\$ 2,336	\$ 2,091	11.7%	17.9%	245	(130)	60	376	(61)
Asset Impairment & Exit Costs (1)	(27)	—	—%	—%	(27)	—	—	—	(27)
Adjusted Operating Income	\$ 2,363	\$ 2,091	13.0%	19.2%	272	(130)	60	376	(34)
Adjusted Operating Income Margin	47.2%	44.2%	3.0pp	3.9pp					

(1) Included in marketing, administration and research costs at the consolidated operating income level.

Net revenues, excluding unfavorable currency, increased by 9.4%, reflecting: favorable volume/mix, mainly driven by higher heated tobacco unit volume across the Region (notably in Germany, Italy and Poland), partly offset by lower cigarette volume (notably in Italy, Poland and Spain, partly offset by Germany); and a favorable pricing variance (driven by higher combustible pricing across the Region, notably in Germany, partly offset by lower heated tobacco unit and IQOS device pricing).

Operating income, excluding unfavorable currency, increased by 17.9%, mainly reflecting: favorable volume/mix, driven by the same factors as for net revenues noted above; a favorable pricing variance; and lower manufacturing costs (notably in Germany and Italy); partly offset by higher marketing, administration and research costs (largely related to increased investments behind reduced-risk products, notably in Poland, as well as 2020 asset impairment and exit costs).

Excluding asset impairment, exit costs and unfavorable currency, adjusted operating income increased by 19.2%. Adjusted operating income margin, excluding currency, increased by 3.9 points to 48.1%, as detailed in Schedule 8.

Total Market, PMI Shipment & Market Share Commentaries

European Union Key Data

	Second-Quarter			Six Months Year-to-Date		
	2020	2019	Change % / pp	2020	2019	Change % / pp
Total Market (billion units)	115.5	124.5	(7.3)%	224.6	231.8	(3.1)%
PMI Shipment Volume (million units)						
Cigarettes	40,317	46,367	(13.0)%	80,963	85,855	(5.7)%
Heated Tobacco Units	4,227	3,043	38.9 %	8,888	5,336	66.6 %
Total EU	44,544	49,410	(9.8)%	89,851	91,191	(1.5)%

PMI Market Share

<i>Marlboro</i>	17.8%	18.0%	(0.2)	17.7%	18.1%	(0.4)
<i>L&M</i>	6.5%	6.9%	(0.4)	6.5%	6.8%	(0.3)
<i>Chesterfield</i>	5.6%	5.8%	(0.2)	5.6%	5.9%	(0.3)
<i>Philip Morris</i>	2.6%	2.7%	(0.1)	2.6%	2.8%	(0.2)
<i>HEETS</i>	3.9%	2.4%	1.5	3.9%	2.3%	1.6
Others	3.0%	3.0%	—	3.1%	3.0%	0.1
Total EU	39.4%	38.8%	0.6	39.4%	38.9%	0.5

Second-Quarter

The estimated total market in the EU decreased by 7.3% to 115.5 billion units, mainly driven by:

- Czech Republic, down by 16.7%, mainly reflecting lower border sales due to lockdown measures;
- Denmark, down by 78.5%, mainly reflecting the net unfavorable impact of estimated trade inventory movements related to a significant excise tax increase on April 1, 2020. Excluding these movements, the total estimated market increased by 0.3%;
- Poland, down by 13.6%, notably reflecting lower border sales due to lockdown measures, as well as the impact of price increases in the first quarter of 2020;
- Romania, down by 16.6%, mainly reflecting the impact of lockdown measures; and
- Spain, down by 17.2%, mainly reflecting lower in-bound tourism and border sales due to lockdown measures;

partly offset by

- Germany, up by 5.9%, or by 4.2% excluding the net favorable impact of estimated trade inventory movements, primarily reflecting the favorable impact of reduced out-bound tourism and lower cross-border (non-domestic) purchases due to lockdown measures, partly offset by the impact of price increases in April and May 2020.

PMI's total shipment volume decreased by 9.8% to 44.5 billion units, reflecting:

- lower cigarette shipment volume, mainly due to the lower total market, lower market share (notably in Italy and Poland, partly reflecting out-switching to heated tobacco units) and the net unfavorable impact of estimated distributor inventory movements (partially due to distributor inventory decreases, following increases in the first quarter related to COVID-19, notably in Italy and Spain);

partly offset by

- higher heated tobacco unit shipment volume, driven by higher market share (notably in Germany, Italy and Poland).

Excluding the net unfavorable impact of estimated distributor inventory movements, PMI's total in-market sales in the Region decreased by 6.0%.

Six Months Year-to-Date

The estimated total market in the EU decreased by 3.1% to 224.6 billion units, notably due to:

- Czech Republic, down by 11.5%, primarily reflecting the same factor as in the quarter;
- Poland, down by 6.4%, mainly reflecting the same factors as in the quarter;
- Romania, down by 8.7%, primarily reflecting the same factor as in the quarter; and
- Spain, down by 8.2%, mainly reflecting the same factors as in the quarter;

partly offset by

- Germany, up by 4.9%, or by 2.3% excluding the net favorable impact of estimated trade inventory movements, primarily reflecting the same factors as in the quarter.

PMI's total shipment volume decreased by 1.5% to 89.9 billion units, reflecting:

- lower cigarette shipment volume, mainly due to the lower total market, as well as lower cigarette market share (notably in Italy and Poland, partly reflecting out-switching to heated tobacco units);

partly offset by

- higher heated tobacco unit shipment volume across the Region (notably in Germany, Italy and Poland), driven by higher market share.

EASTERN EUROPE REGION

Second-Quarter

Financial Summary - Quarters Ended June 30, (in millions)			Change Fav./Unfav.)		Variance Fav./Unfav.)				
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 783	\$ 822	(4.7)%	5.6%	(39)	(85)	27	19	—
Operating Income	\$ 266	\$ 256	3.9 %	8.2%	10	(11)	27	10	(16)
Asset Impairment & Exit Costs (1)	(7)	—	— %	—%	(7)	—	—	—	(7)
Adjusted Operating Income	\$ 273	\$ 256	6.6 %	10.9%	17	(11)	27	10	(9)
Adjusted Operating Income Margin	34.9%	31.1%	3.8pp	1.6pp					

⁽¹⁾ Included in marketing, administration and research costs at the consolidated operating income level.

Net revenues, excluding unfavorable currency, increased by 5.6%, reflecting: a favorable pricing variance, driven by higher combustible pricing (predominantly in Russia), partly offset by lower IQOS device pricing (mainly in Russia); and favorable volume/mix, driven by higher heated tobacco unit volume across the Region (primarily in Russia and Ukraine), partly offset by lower cigarette volume (mainly in Russia and Ukraine) and unfavorable cigarette mix in Russia.

Operating income, excluding unfavorable currency, increased by 8.2%, mainly reflecting: a favorable pricing variance; favorable volume/mix, reflecting the same drivers as for net revenues noted above; and lower manufacturing costs; partially offset by higher marketing, administration and research costs (largely related to increased investments behind reduced-risk products, notably in Russia).

Excluding asset impairment, exit costs and unfavorable currency, adjusted operating income increased by 10.9%. Adjusted operating income margin, excluding currency, increased by 1.6 points to 32.7%, as detailed in Schedule 8.

Six Months Year-to-Date

Financial Summary - Six Months Ended June 30, (in millions)			Change Fav.(Unfav.)		Variance Fav.(Unfav.)				
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 1,571	\$ 1,401	12.1 %	17.8%	170	(79)	41	208	—
Operating Income	\$ 365	\$ 385	(5.2)%	21.6%	(20)	(103)	41	139	(97)
Asset Impairment & Exit Costs (1)	(7)	—	— %	—%	(7)	—	—	—	(7)
Adjusted Operating Income	\$ 372	\$ 385	(3.4)%	23.4%	(13)	(103)	41	139	(90)
Adjusted Operating Income Margin	23.7%	27.5%	(3.8)pp	1.3pp					

⁽¹⁾ Included in marketing, administration and research costs at the consolidated operating income level.

Net revenues, excluding unfavorable currency, increased by 17.8%, reflecting: favorable volume/mix, predominantly driven by higher heated tobacco unit volume in Russia and Ukraine, partly offset by unfavorable cigarette volume/mix in Russia and lower cigarette volume in Ukraine; and a favorable pricing variance, driven by higher combustible pricing (primarily in Russia), partly offset by lower IQOS device pricing (mainly in Russia).

Operating income, excluding unfavorable currency, increased by 21.6%, mainly reflecting: favorable volume/mix, reflecting the same drivers as for net revenues noted above; and a favorable pricing variance; partly offset by higher manufacturing costs due to Russia; and higher marketing, administration and research costs (primarily related to increased investments behind reduced-risk products, notably in Russia and Ukraine).

Excluding asset impairment, exit costs and unfavorable currency, adjusted operating income increased by 23.4%. Adjusted operating income margin, excluding currency, increased by 1.3 points to 28.8%, as detailed in Schedule 8.

Total Market, PMI Shipment & Market Share Commentaries

PMI Shipment Volume (million units)	Second-Quarter			Six Months Year-to-Date		
	2020	2019	Change	2020	2019	Change
Cigarettes	23,657	27,080	(12.6)%	45,076	47,400	(4.9)%
Heated Tobacco Units	5,126	2,807	82.6 %	9,492	4,355	+100%
Total Eastern Europe	28,783	29,887	(3.7)%	54,568	51,755	5.4 %

Second-Quarter

The estimated total market in Eastern Europe decreased, notably due to:

- Russia, down by 4.1%, or by 6.6% excluding the net favorable impact of estimated trade inventory movements, primarily reflecting the impact of price increases, partly offset by the impact of a decrease in the prevalence of illicit trade due to lockdown measures; and
- Ukraine, down by 15.0%, mainly reflecting the impact of excise tax-driven price increases and reduced adult smoker average daily consumption due to lockdown measures.

PMI's total shipment volume decreased by 3.7% to 28.8 billion units, mainly due to:

- Ukraine, down by 14.7%, or by 11.1% excluding the net unfavorable impact of estimated distributor inventory movements, mainly reflecting the lower total market, partly offset by a higher market share, driven by heated tobacco units.

Six Months Year-to-Date

The estimated total market in Eastern Europe decreased, notably due to:

- Russia, down by 2.1%, or by 6.4% excluding the net favorable impact of estimated trade inventory movements, primarily reflecting the same factors as in the quarter; and
- Ukraine, down by 10.9%, mainly reflecting the same factors as in the quarter.

PMI's total shipment volume increased by 5.4% to 54.6 billion units, mainly due to:

- Russia, up by 10.3%, primarily reflecting a higher market share, driven by heated tobacco units, partly offset by the lower total market;

partly offset by

- Ukraine, down by 5.7%, mainly due to the same factors as in the quarter.

MIDDLE EAST & AFRICA REGION

Second-Quarter

Financial Summary - Quarters Ended June 30, (in millions)			Change Fav./((Unfav.))		Variance Fav./((Unfav.))				
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 704	\$ 1,004	(29.9)%	(28.3)%	(300)	(16)	45	(335)	6
Operating Income	\$ 237	\$ 441	(46.3)%	(47.4)%	(204)	5	45	(264)	10
Asset Impairment & Exit Costs (1)	(9)	—	— %	— %	(9)	—	—	—	(9)
Adjusted Operating Income	\$ 246	\$ 441	(44.2)%	(45.4)%	(195)	5	45	(264)	19
Adjusted Operating Income Margin	34.9%	43.9%	(9.0)pp	(10.4)pp					

(1) Included in marketing, administration and research costs at the consolidated operating income level.

Net revenues, excluding unfavorable currency, decreased by 28.3%, primarily reflecting: unfavorable volume/mix, mainly due to lower cigarette volume (predominantly in North Africa, PMI Duty Free and South Africa, partly offset by Saudi Arabia) and lower heated tobacco unit volume in PMI Duty Free; partially offset by a favorable pricing variance, driven mainly by combustible pricing in Saudi Arabia, partly offset by Turkey.

Operating income, excluding favorable currency, decreased by 47.4%, mainly reflecting: unfavorable volume/mix, due to the same factors as for net revenues noted above; partly offset by a favorable pricing variance.

Excluding asset impairment, exit costs and favorable currency, adjusted operating income decreased by 45.4%. Adjusted operating income margin, excluding currency, decreased by 10.4 points to 33.5%, as detailed in Schedule 8.

Six Months Year-to-Date

Financial Summary - Six Months Ended June 30, (in millions)			Change Fav./((Unfav.))		Variance Fav./((Unfav.))				
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 1,580	\$ 1,931	(18.2)%	(17.2)%	(351)	(18)	117	(411)	(39)
Operating Income	\$ 558	\$ 785	(28.9)%	(27.1)%	(227)	(14)	117	(294)	(36)
Asset Impairment & Exit Costs (1)	(9)	—	— %	— %	(9)	—	—	—	(9)
Adjusted Operating Income	\$ 567	\$ 785	(27.8)%	(26.0)%	(218)	(14)	117	(294)	(27)
Adjusted Operating Income Margin	35.9%	40.7%	(4.8)pp	(4.3)pp					

⁽¹⁾ Included in marketing, administration and research costs at the consolidated operating income level.

Net revenues, excluding unfavorable currency, decreased by 17.2%, reflecting: unfavorable volume/mix, mainly due to lower cigarette volume (mainly in PMI Duty Free and Turkey, partly offset by Kuwait) and lower heated tobacco unit volume in PMI Duty Free; and lower fees for certain distribution rights billed to customers in certain markets, shown in "Cost/Other"; partially offset by a favorable pricing variance, driven by combustible pricing (mainly in the GCC, particularly Saudi Arabia).

Operating income, excluding unfavorable currency, decreased by 27.1%, mainly reflecting: unfavorable volume/mix, predominantly due to lower cigarette and heated tobacco unit volume in PMI Duty Free; and unfavorable "Cost/Other," mainly due to lower fees for certain distribution rights, as noted above for net revenues; partially offset by a favorable pricing variance.

Excluding asset impairment, exit costs and unfavorable currency, adjusted operating income decreased by 26.0%. Adjusted operating income margin, excluding currency, decreased by 4.3 points to 36.4%, as detailed in Schedule 8.

Total Market, PMI Shipment & Market Share Commentaries

PMI Shipment Volume (million units)	Second-Quarter			Six Months Year-to-Date		
	2020	2019	Change	2020	2019	Change
Cigarettes	27,188	31,659	(14.1)%	57,184	64,963	(12.0)%
Heated Tobacco Units	185	719	(74.3)%	655	1,473	(55.5)%
Total Middle East & Africa	27,373	32,378	(15.5)%	57,839	66,436	(12.9)%

Second-Quarter

The estimated total market in the Middle East & Africa decreased, mainly due to:

- Egypt, down by 19.6%, notably reflecting pandemic-related supply-chain shortages involving competitors' products and reductions in adult smoker average daily consumption during lockdown;
- International Duty Free, down by 82.9%, reflecting the impact of government travel restrictions and reduced passenger traffic due to the pandemic;
- South Africa, down by 100%, reflecting the impact of the pandemic-related ban on all tobacco sales effective March 27, 2020; and
- Turkey, down by 6.8%, or by 16.9% excluding the net favorable impact of estimated trade inventory movements, mainly reflecting the impact of lockdown measures on adult smoker average daily consumption, as well as a higher prevalence of illicit trade related to cut tobacco following significant industry-wide price increases in 2019.

PMI's total shipment volume decreased by 15.5% to 27.4 billion units, notably due to:

- Egypt, down by 15.6%, or by 12.1% excluding the net unfavorable impact of estimated distributor inventory movements, mainly reflecting the lower total market, partly offset by a higher market share, primarily driven by the impact of supply chain shortages for competitors' products;
- PMI Duty Free, down by 94.4%, or by 82.1% excluding the net unfavorable impact of estimated distributor inventory movements (driven by cigarettes), mainly reflecting the lower total market; and
- Turkey, down by 6.6%, mainly reflecting the lower total market;

partly offset by

- Saudi Arabia, up by +100%. Excluding the net favorable impact of estimated distributor inventory movements of 1.7 billion cigarettes, largely attributable to the timing of shipments in 2019, PMI's in-market sales increased by 11.2%, mainly driven by the reduced prevalence of non-domestic products and the shift from duty-free to domestic sales due to the impact of pandemic-related government travel restrictions and reduced passenger traffic.

Six Months Year-to-Date

The estimated total market in the Middle East & Africa decreased, mainly due to:

- Egypt, down by 6.9%, notably reflecting the same factors as in the quarter;
- International Duty Free, down by 57.8%, reflecting the same factors as in the quarter;
- South Africa, down by 50.8%, primarily reflecting the same factor as in the quarter; and
- Turkey, down by 9.3%, mainly reflecting the same factors as in the quarter.

PMI's total shipment volume decreased by 12.9% to 57.8 billion units, notably due to:

- PMI Duty Free, down by 55.9%, mainly reflecting the lower total market; and
- Turkey, down by 17.4%, mainly reflecting the lower total market and lower market share, due primarily to adult smoker down-trading following the 2019 price increases.

SOUTH & SOUTHEAST ASIA REGION

Second-Quarter

Financial Summary - Quarters Ended June 30, (in millions)			Change Fav./Unfav.)		Variance Fav./Unfav.)				
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 889	\$ 1,248	(28.8)%	(25.1)%	(359)	(46)	(15)	(298)	—
Operating Income	\$ 289	\$ 492	(41.3)%	(38.0)%	(203)	(16)	(15)	(218)	46
Asset Impairment & Exit Costs (1)	(11)	—	— %	— %	(11)	—	—	—	(11)
Adjusted Operating Income	\$ 300	\$ 492	(39.0)%	(35.8)%	(192)	(16)	(15)	(218)	57
Adjusted Operating Income Margin	33.7%	39.4%	(5.7)pp	(5.6)pp					

⁽¹⁾ Included in marketing, administration and research costs at the consolidated operating income level.

Net revenues, excluding unfavorable currency, decreased by 25.1%, reflecting: unfavorable volume/mix, mainly due to lower cigarette volume in Indonesia and the Philippines, partly offset by favorable mix in Indonesia; and an unfavorable pricing variance, principally in Indonesia, partly offset by the Philippines.

Operating income, excluding unfavorable currency, decreased by 38.0%, primarily reflecting: unfavorable volume/mix, due to the same factors as for net revenues noted above; and an unfavorable pricing variance; partly offset by lower marketing, administration and research costs; and lower manufacturing costs (mainly in Indonesia).

Excluding asset impairment, exit costs and unfavorable currency, adjusted operating income decreased by 35.8%. Adjusted operating income margin, excluding currency, decreased by 5.6 points to 33.8%, as detailed in Schedule 8.

Six Months Year-to-Date

Financial Summary - Six Months Ended June 30, (in millions)			Change Fav./Unfav.)		Variance Fav./Unfav.)				
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 2,140	\$ 2,361	(9.4)%	(8.2)%	(221)	(27)	144	(338)	—
Operating Income	\$ 888	\$ 932	(4.7)%	(5.0)%	(44)	3	144	(236)	45
Asset Impairment & Exit Costs (1)	(11)	(20)	45.0 %	45.0 %	9	—	—	—	9
Adjusted Operating Income	\$ 899	\$ 952	(5.6)%	(5.9)%	(53)	3	144	(236)	36
Adjusted Operating Income Margin	42.0%	40.3%	1.7pp	1.0pp					

⁽¹⁾ Included in marketing, administration and research costs at the consolidated operating income level.

Net revenues, excluding unfavorable currency, decreased by 8.2%, reflecting: unfavorable volume/mix, primarily due to lower cigarette volume in Indonesia, Pakistan and the Philippines, partly offset by favorable mix in Indonesia; partially offset by a favorable pricing variance, principally driven by the Philippines, partly offset by Indonesia.

Operating income, excluding favorable currency, decreased by 5.0%, mainly reflecting: unfavorable volume/mix, due to the same factors as for net revenues noted above; partially offset by a favorable pricing variance; lower marketing, administration and research costs; and lower manufacturing costs (notably in Indonesia).

Excluding asset impairment, exit costs and favorable currency, adjusted operating income decreased by 5.9%. Adjusted operating income margin, excluding currency, increased by 1.0 point to 41.3%, as detailed in Schedule 8.

Total Market, PMI Shipment & Market Share Commentaries

PMI Shipment Volume (million units)	Second-Quarter			Six Months Year-to-Date		
	2020	2019	Change	2020	2019	Change
Cigarettes	33,346	46,376	(28.1)%	70,941	87,868	(19.3)%
Heated Tobacco Units	—	—	— %	—	—	— %
Total South & Southeast Asia	33,346	46,376	(28.1)%	70,941	87,868	(19.3)%

Second-Quarter

The estimated total market in South & Southeast Asia decreased, notably due to:

- Bangladesh, down by 29.9%, or by 5.3% excluding the net unfavorable impact of estimated trade inventory movements, primarily reflecting the impact of lockdown restrictions on tobacco product availability;
- India, down by 37.6%, primarily reflecting the impact of lockdown restrictions on the movement of certain products, including tobacco;
- Indonesia, down by 17.5%, or by 22.1% excluding the net favorable impact of estimated trade inventory movements, mainly reflecting the impact of pandemic-related measures on adult smoker average daily consumption, as well as the impact of excise tax-driven price increases;
- Pakistan, down by 25.8%, mainly reflecting the impact of excise tax-driven price increases in June 2019 and value brand price increases in February 2020, coupled with the impact of trade supply disruption on tobacco product availability, due to lockdown measures; and
- the Philippines, down by 24.6%, mainly reflecting the impact of the strict enforcement of nationwide quarantine, as well as industry-wide price increases in the third quarter of 2019.

PMI's total shipment volume decreased by 28.1% to 33.3 billion units, notably due to:

- Indonesia, down by 27.7%, reflecting the lower total market, as well as a lower market share, mainly due to: the impact of elevated price gaps in the tier one segment (partly due to the delay in minimum price enforcement), adult smoker down-trading to the tax-advantaged 'below tier one' segment, and the disproportionate impact of stricter public mobility restrictions in urban areas, where PMI's share is higher;
- Pakistan, down by 39.2%, due to the lower total market and a lower market share; and
- the Philippines, down by 25.7%, mainly reflecting the lower total market.

Six Months Year-to-Date

The estimated total market in South & Southeast Asia decreased, notably due to:

- Bangladesh, down by 5.6%, primarily reflecting the same factor as in the quarter;
- India, down by 23.5%, mainly reflecting the same factor as in the quarter;
- Indonesia, down by 9.5%, or by 14.8% excluding the net favorable impact of estimated trade inventory movements, primarily reflecting the same factors as in the quarter;
- Pakistan, down by 25.6%, mainly due to the same factors as in the quarter; and
- the Philippines, down by 17.1%, mainly reflecting the same factors as in the quarter.

PMI's total shipment volume decreased by 19.3% to 70.9 billion units, notably due to:

- Indonesia, down by 18.2%, reflecting the lower total market, as well as a lower market share, mainly due to the same factors as in the quarter;
- Pakistan, down by 37.4%, mainly due to the same factors as in the quarter; and
- the Philippines, down by 17.7%, mainly reflecting the same factor as in the quarter.

EAST ASIA & AUSTRALIA REGION

Second-Quarter

Financial Summary - Quarters Ended June 30, (in millions)			Change Fav./Unfav.)		Variance Fav./Unfav.)				
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 1,432	\$ 1,521	(5.9)%	(5.1)%	(89)	(12)	30	(107)	—
Operating Income	\$ 669	\$ 642	4.2 %	5.9 %	27	(11)	30	(85)	93
Asset Impairment & Exit Costs (1)	(13)	—	— %	— %	(13)	—	—	—	(13)
Adjusted Operating Income	\$ 682	\$ 642	6.2 %	7.9 %	40	(11)	30	(85)	106
Adjusted Operating Income Margin	47.6%	42.2%	5.4pp	5.8pp					

(1) Included in marketing, administration and research costs at the consolidated operating income level.

Net revenues, excluding unfavorable currency, decreased by 5.1%, reflecting: unfavorable volume/mix, mainly due to lower cigarette volume (primarily in Australia and Japan) and unfavorable heated tobacco unit mix in Japan, partly offset by higher heated tobacco unit volume in Japan; partially offset by a favorable pricing variance, mainly driven by higher heated tobacco unit pricing in Japan and higher combustible pricing in Australia, partly offset by lower IQOS device pricing in Japan.

Operating income, excluding unfavorable currency, increased by 5.9%, mainly reflecting: lower manufacturing costs (notably related to Japan and Korea); lower marketing, administration and research costs (primarily in Japan); and a favorable pricing variance; partly offset by unfavorable volume/mix, due to the same factors as for net revenues noted above.

Excluding asset impairment, exit costs and unfavorable currency, adjusted operating income increased by 7.9%. Adjusted operating income margin, excluding currency, increased by 5.8 points to 48.0%, as detailed in Schedule 8.

Six Months Year-to-Date

Financial Summary - Six Months Ended June 30, (in millions)	2020		2019		Change Fav./Unfav.		Variance Fav./Unfav.		
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 2,687	\$ 2,842	(5.5)%	(4.7)%	(155)	(21)	43	(177)	—
Operating Income	\$ 1,155	\$ 1,069	8.0 %	9.4 %	86	(15)	43	(96)	154
Asset Impairment & Exit Costs (1)	(13)	—	— %	— %	(13)	—	—	—	(13)
Adjusted Operating Income	\$ 1,168	\$ 1,069	9.3 %	10.7 %	99	(15)	43	(96)	167
Adjusted Operating Income Margin	43.5%	37.6%	5.9pp	6.1pp					

(1) Included in marketing, administration and research costs at the consolidated operating income level.

Net revenues, excluding unfavorable currency, decreased by 4.7%, reflecting: unfavorable volume/mix, mainly due to lower cigarette volume in Japan, unfavorable volume/mix in Australia, lower IQOS device volume in Japan and unfavorable heated tobacco unit mix in Japan, partly offset by higher heated tobacco unit volume in Japan; partially offset by a favorable pricing variance, mainly driven by higher combustible pricing in Australia and higher heated tobacco pricing in Japan, partly offset by lower IQOS device pricing in Japan.

Operating income, excluding unfavorable currency, increased by 9.4%, mainly reflecting: lower marketing, administration and research costs (notably in Japan); lower manufacturing costs (mainly related to Japan and Korea); and a favorable pricing variance; partly offset by unfavorable volume/mix, primarily due to lower cigarette volume in Japan, unfavorable volume/mix in Australia and unfavorable heated tobacco unit mix in Japan, partly offset by higher heated tobacco unit volume in Japan.

Excluding asset impairment, exit costs and unfavorable currency, adjusted operating income increased by 10.7%. Adjusted operating income margin, excluding currency, increased by 6.1 points to 43.7%, as detailed in Schedule 8.

Total Market, PMI Shipment & Market Share Commentaries

PMI Shipment Volume (million units)	Second-Quarter			Six Months Year-to-Date		
	2020	2019	Change	2020	2019	Change
Cigarettes	12,071	13,845	(12.8)%	24,370	25,958	(6.1)%
Heated Tobacco Units	9,076	8,428	7.7 %	16,198	15,277	6.0 %
Total East Asia & Australia	21,147	22,273	(5.1)%	40,568	41,235	(1.6)%

Second-Quarter

The estimated total market in East Asia & Australia, excluding China, decreased, notably due to:

- Japan, down by 12.7%, mainly reflecting the impact of reduced adult smoker social consumption occasions due to pandemic-related measures, as well as adult smoker out-switching from cigarettes to the cigarillo category;

partly offset by

- Korea, up by 3.9%, notably driven by the shift of adult smokers from duty-free to domestic purchases due to the pandemic-related decline in international travel.

PMI's total shipment volume decreased by 5.1% to 21.1 billion units, notably in:

- Japan, down by 6.4%, mainly due to the lower total market, partly offset by a higher market share driven by heated tobacco units.

Six Months Year-to-Date

The estimated total market in East Asia & Australia, excluding China, decreased, notably due to:

- Japan, down by 9.4%, mainly reflecting the same factors as in the quarter;

partly offset by

- Korea, up by 3.8%, notably due the same factor as in the quarter.

PMI's total shipment volume decreased by 1.6% to 40.6 billion units, notably in:

- Japan, down by 1.0%, or by 3.6% excluding the net favorable impact of estimated distributor inventory movements, mainly due to the same factors as in the quarter; and
- Korea, down by 4.6%, mainly due to a lower market share, primarily reflecting the unfavorable impact of the growth of the cigarette new taste dimension segment, in which PMI has a relatively low share, partly offset by the higher total market.

LATIN AMERICA & CANADA REGION

Second-Quarter

Financial Summary - Quarters Ended June 30, (in millions)			Change Fav./((Unfav.))		Variance Fav./((Unfav.))				
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other
Net Revenues	\$ 368	\$ 527	(30.2)%	(19.2)%	(159)	(58)	41	(137)	(5)
Operating Income	\$ 92	\$ 161	(42.9)%	(39.1)%	(69)	(6)	41	(106)	2
Asset Impairment & Exit Costs (1)	(4)	(23)	82.6 %	82.6 %	19	—	—	—	19
Adjusted Operating Income	\$ 96	\$ 184	(47.8)%	(44.6)%	(88)	(6)	41	(106)	(17)
Adjusted Operating Income Margin	26.1%	34.9%	(8.8)pp	(11.0)pp					

⁽¹⁾ Included in marketing, administration and research costs at the consolidated operating income level.

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

Net revenues, excluding unfavorable currency, decreased by 19.2%, mainly reflecting: unfavorable volume/mix, primarily due to lower cigarette volume in Argentina, Colombia and Mexico; partly offset by a favorable pricing variance, predominantly driven by higher combustible pricing in Mexico.

Operating income, excluding unfavorable currency, decreased by 39.1%, primarily reflecting: unfavorable volume/mix (mainly due to lower cigarette volume in Mexico); partly offset by a favorable pricing variance; and lower

marketing, administration and research costs (driven by the favorable net impact of 2019 and 2020 asset impairment and exit costs).

Excluding asset impairment, exit costs and unfavorable currency, adjusted operating income decreased by 44.6%. Adjusted operating income margin, excluding currency, decreased by 11.0 points to 23.9%, as detailed in Schedule 8.

Six Months Year-to-Date

Financial Summary - Six Months Ended June 30, (in millions)			Change Fav./Unfav.)		Variance Fav./Unfav.)				
	2020	2019	Total	Excl. Curr.	Total	Cur- rency	Price	Vol/ Mix	Cost/ Other(1)
Net Revenues	\$ 816	\$ 1,179	(30.8)%	(24.3)%	(363)	(76)	90	(189)	(188)
Operating Income (Loss)	\$ 218	\$ (25)	+100%	+100%	243	(41)	90	(144)	338
Asset Impairment & Exit Costs (2)	(4)	(23)	82.6 %	82.6 %	19	—	—	—	19
Canadian Tobacco Litigation-Related Expense (2)	—	(194)	+100%	+100%	194	—	—	—	194
Loss on Deconsolidation of RBH (2)	—	(239)	+100%	+100%	239	—	—	—	239
Adjusted Operating Income	\$ 222	\$ 431	(48.5)%	(39.0)%	(209)	(41)	90	(144)	(114)
Adjusted Operating Income Margin	27.2%	36.6%	(9.4)pp	(7.1)pp					

⁽¹⁾ Cost/Other variance includes the impact of the RBH deconsolidation.

⁽²⁾ Included in marketing, administration and research costs at the consolidated operating income level.

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

Net revenues, excluding unfavorable currency, decreased by 24.3%, reflecting: unfavorable volume/mix, due to lower cigarette volume, notably in Argentina and Mexico; and the unfavorable impact of the deconsolidation of RBH shown in "Cost/Other"; partly offset by a favorable pricing variance, mainly driven by higher combustible pricing in Mexico. On a like-for-like basis, net revenues, excluding unfavorable currency, decreased by 10.7%, as detailed in Schedule 10.

Operating income, excluding unfavorable currency, increased by +100%, notably reflecting a favorable comparison, shown in "Cost/Other," of charges recorded in the first half of 2020 of \$4 million, related to asset impairment and exit costs associated with organizational design optimization, to charges recorded in the first half of 2019 of \$456 million, related to the loss on deconsolidation of RBH, the Canadian tobacco litigation-related expense, and asset impairment and exit costs associated with a plant closure in Colombia.

Excluding these charges and unfavorable currency, adjusted operating income decreased by 39.0%, reflecting: unfavorable volume/mix, due to the same factor as for net revenues noted above; and the unfavorable impact of the deconsolidation of RBH, included in "Cost/Other"; partly offset by a favorable pricing variance. On a like-for-like basis, excluding unfavorable currency, adjusted operating income decreased by 14.7%, as detailed in Schedule 10.

Adjusted operating income margin, excluding currency, decreased by 7.1 points to 29.5%, as detailed in Schedule 8, or by 1.4 points to 29.2% on a like-for-like basis, as detailed in Schedule 10.

Total Market, PMI Shipment & Market Share Commentaries

PMI Shipment Volume (million units)	Second-Quarter			Six Months Year-to-Date		
	2020	2019	Change	2020	2019	Change
Cigarettes	14,780	18,472	(20.0)%	29,843	36,052	(17.2)%
Heated Tobacco Units	94	59	59.3 %	202	113	78.8 %
Total Latin America & Canada	14,874	18,531	(19.7)%	30,045	36,165	(16.9)%

Second-Quarter

The estimated total market in Latin America & Canada decreased, notably due to:

- Argentina, down by 7.4%, mainly reflecting retail out-of-stock (particularly of PMI brands) due to temporary factory shutdowns related to the pandemic, as well as the impact of price increases, partly offset by the net favorable impact of estimated trade inventory movements;
- Colombia, down by 25.6%, primarily reflecting reduced product availability and adult smoker average daily consumption due to lockdown measures; and
- Mexico, down by 24.4%, or by 16.8% excluding the net unfavorable impact of estimated trade inventory movements (primarily related to July 2019 price increases), mainly due to the impact of excise tax-driven price increases in January 2020, as well as the impact of pandemic-related measures on adult smoker average daily consumption;

partly offset by

- Brazil, up by 8.7%, mainly reflecting a lower estimated prevalence of illicit trade due to: reduced price gaps with legal products and the impact of border restrictions imposed as a result of the pandemic.

PMI's total shipment volume decreased by 19.7% to 14.9 billion units, notably due to:

- Argentina, down by 15.2%, primarily reflecting the lower total market and a lower market share, mainly due to the impact of retail out-of-stock of PMI brands, as well as adult smoker down-trading to ultra-low-price brands produced by local manufacturers; and
- Mexico, down by 32.5%, mainly due to the lower total market (partly reflecting the net unfavorable impact of estimated trade inventory movements noted above) and lower market share, primarily reflecting adult smoker down-trading and the impact of the pandemic on adult smoker consumption patterns.

Six Months Year-to-Date

The estimated total market in Latin America & Canada decreased, notably due to:

- Argentina, down by 6.3%, mainly reflecting the same factors as in the quarter;
- Colombia, down by 15.3%, primarily due to the same factors as in the quarter; and
- Mexico, down by 18.4%, or by 13.6% excluding the net unfavorable impact of estimated trade inventory movements, mainly due to the same factors as in the quarter;

partly offset by

- Brazil, up by 9.5%, mainly reflecting the same factors as in the quarter.

PMI's total shipment volume decreased by 16.9% to 30.0 billion units, or by 14.6% on a like-for-like basis, notably due to:

- Argentina, down by 14.2%, primarily reflecting the same factors as in the quarter;
- Canada, down by 34.3%, due to the unfavorable impact of the deconsolidation of RBH; and
- Mexico, down by 25.0%, mainly due the same factors as in the quarter.

Philip Morris International: Delivering a Smoke-Free Future

Philip Morris International (PMI) is leading a transformation in the tobacco industry to create a smoke-free future and ultimately replace cigarettes with smoke-free products to the benefit of adults who would otherwise continue to smoke, society, the company and its shareholders. PMI is a leading international tobacco company engaged in the manufacture and sale of cigarettes, as well as smoke-free products and associated electronic devices and accessories, and other nicotine-containing products in markets outside the United States. In addition, PMI ships a version of its IQOS Platform 1 device and its consumables authorized by the U.S. Food and Drug Administration to Altria Group, Inc. for sale in the U.S. under license. PMI is building a future on a new category of smoke-free products that, while not risk-free, are a much better choice than continuing to smoke. Through multidisciplinary capabilities in product development, state-of-the-art facilities and scientific substantiation, PMI aims to ensure that its smoke-free products meet adult consumer preferences and rigorous regulatory requirements. PMI's smoke-free IQOS product portfolio includes heat-not-burn and nicotine-containing vapor products. As of June 30, 2020, PMI estimates that approximately 11.2 million adult smokers around the world have already stopped smoking and switched to PMI's heat-not-burn product, available for sale in 57 markets in key cities or nationwide under the IQOS brand. For more information, please visit www.pmi.com and www.pmiscience.com.

Forward-Looking and Cautionary Statements

This press release 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 and other nicotine-containing 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.

The COVID-19 pandemic has created significant societal and economic disruption, and resulted in closures of stores, factories and offices, and restrictions on manufacturing, distribution and travel, all of which will adversely impact our business, results of operations, cash flows and financial position during the continuation of the pandemic.

Our business continuity plans and other safeguards in place may not be effective to mitigate the impact of the pandemic. Currently, significant risks include our diminished ability to convert adult smokers to our RRPs, significant volume declines in our duty-free business and certain other key markets, disruptions or delays in our manufacturing and supply chain, increased currency volatility, and delays in certain cost saving, transformation and restructuring initiatives. Our business could also be adversely impacted if key personnel or a significant number of employees or business partners become unavailable due to the COVID-19 outbreak. The significant adverse impact of COVID-19 on the economic or political conditions in markets in which we operate could result in changes to the preferences of our adult consumers and lower demand for our products, particularly for our mid-price or premium-price brands. Continuation of the pandemic could disrupt our access to the credit markets or increase our borrowing costs. Governments may temporarily be unable to focus on the development of science-based regulatory frameworks for the development and commercialization of RRPs or on the enforcement or implementation of regulations that are significant to our business. In addition, messaging about the potential negative impacts of the use of our products on COVID-19 risks may lead to increasingly restrictive regulatory measures on the sale and use of our products, negatively impact demand for our products, the willingness of adult consumers to switch to our RRPs and our efforts to advocate for the development of science-based regulatory frameworks for the development and commercialization of RRPs.

The impact of these risks also depends on factors beyond our knowledge or control, including the duration and severity of the outbreak, its recurrence in our key markets, actions taken to contain its spread and to mitigate its public health effects, and the ultimate economic consequences thereof.

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 March 31, 2020. 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.

Key Terms, Definitions and Explanatory Notes

General

- "PMI" refers to Philip Morris International Inc. and its subsidiaries. Trademarks and service marks that are the registered property of, or licensed by, the subsidiaries of PMI, are italicized.
- Comparisons are made to the same prior-year period unless otherwise stated.
- Unless otherwise stated, references to total industry, total market, PMI shipment volume and PMI market share performance reflect cigarettes and heated tobacco units.
- References to total international market, defined as worldwide cigarette and heated tobacco unit volume excluding the U.S., total industry, total market and market shares are PMI estimates for tax-paid products based on the latest available data from a number of internal and external sources and may, in defined instances, exclude the People's Republic of China and/or PMI's duty free business. In addition, to reflect the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), effective March 22, 2019, PMI's total market share has been restated for previous periods.
- Estimates for second-quarter 2020 and six months year-to-date 2020 total industry volume and market share in certain geographies reflect limitations on the availability and accuracy of industry data during pandemic-related restrictions.
- "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.
- "North Africa" is defined as Algeria, Egypt, Libya, Morocco and Tunisia.
- "The GCC" (Gulf Cooperation Council) is defined as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE).
- 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*.
- 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.

Financial

- 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.
- "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.
- "Cost/Other" in the Consolidated Financial Summary table of total PMI and the six operating segments of this release reflects the currency-neutral variances of: cost of sales (excluding the volume/mix cost component); marketing, administration and research costs (including asset impairment and exit costs, the Canadian tobacco litigation-related expense and the charge related to the deconsolidation of RBH in Canada); and amortization of intangibles. "Cost/Other" also includes the currency-neutral net revenue variance, unrelated to volume/mix and price components, attributable to fees for certain distribution rights billed to customers in certain markets in the ME&A Region, as well as the impact of the deconsolidation in RBH.
- "Adjusted Operating Income Margin" is calculated as adjusted operating income, 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.
- 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, asset impairment and exit costs associated with plant closures in Pakistan and Colombia, recorded in the first and second quarters of 2019, respectively, and asset impairment and exit costs associated with organizational design optimization, recorded in the second quarter of 2020. 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.
- Management reviews these measures because they exclude changes in currency exchange rates and other factors that may distort underlying business trends, thereby improving the comparability of PMI's business performance between reporting periods. Furthermore, PMI uses several of these measures in its management compensation program to promote internal fairness and a disciplined assessment of performance against company targets. PMI discloses these measures to enable investors to view the business through the eyes of management.
- Non-GAAP measures used in this release should neither be considered in isolation nor as a substitute for the financial measures prepared in accordance with U.S. GAAP. For a reconciliation of non-GAAP measures to the most directly comparable U.S. GAAP measures, see the relevant schedules provided with this press release.
- U.S. GAAP Treatment of Argentina as a Highly Inflationary Economy. Following the categorization of Argentina by the International Practices Task Force of the Center for Audit Quality as a country with a three-year cumulative inflation rate greater than 100%, the country is considered highly inflationary in accordance with U.S. GAAP. Consequently, PMI began to account for the operations of its Argentinian affiliates as highly inflationary, and to treat the U.S. dollar as the functional currency of the affiliates, effective July 1, 2018.
- "Fair value adjustment for equity security investments" reflects the adjustment resulting from share price movements in passive investments for publicly traded entities that are not controlled or influenced by PMI. Under U.S. GAAP, such adjustments are required, since January 1, 2018, to be reflected directly in the income statement.

Reduced-Risk Products

- Reduced Risk Products ("RRPs") is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continuing smoking. PMI has a range of RRP's in various stages of development, scientific assessment and commercialization. PMI's RRP's are smoke-free products that produce an aerosol that contains far lower quantities of harmful and potentially harmful constituents than found in cigarette smoke.
- "Heated tobacco units," or "HTUs," is the term PMI uses to refer to heated tobacco consumables, which include the company's *HEETS*, *HEETS Creations*, *HEETS Marlboro* and *HEETS FROM MARLBORO*, defined collectively as *HEETS*, as well as *Marlboro HeatSticks* and *Parliament HeatSticks*.

- 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.
- Unless otherwise stated, all references to *IQOS* are to PMI's heat-not-burn products.
- 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.
- "Total *IQOS* users" is defined as the estimated number of Legal Age (minimum 18 years) *IQOS* users that used PMI HTUs for at least 5% of their daily tobacco consumption over the past seven days.
- The estimated number of people who have "stopped smoking and switched to *IQOS*" is defined as: for markets where *IQOS* is the only heat-not-burn product, daily individual consumption of PMI HTUs represents the totality of their daily tobacco consumption in the past seven days; for markets where *IQOS* is one among other heat-not-burn products, daily individual consumption of HTUs represents the totality of their daily tobacco consumption in the past seven days, of which at least 70% are PMI HTUs.

***IQOS* in the United States**

- On April 30, 2019, the U.S. Food and Drug Administration (FDA) announced that the marketing of a version of *IQOS*, PMI's heat-not-burn product, together with its heated tobacco units (the term PMI uses to refer to heated tobacco consumables), is appropriate for the protection of public health and authorized it for sale in the U.S. The FDA's decision follows its comprehensive assessment of PMI's premarket tobacco product applications (PMTAs) submitted to the Agency in 2017. In the third quarter of 2019, PMI brought a version of its *IQOS* Platform 1 device and three variants of its heated tobacco units to the U.S. through its license with Altria Group, Inc., whose subsidiary, Philip Morris USA Inc., is responsible for marketing the product and complying with the provisions set forth in the FDA's marketing order. On March 30, 2020, PMI submitted a supplemental PMTA for the *IQOS* 3 tobacco heating device with the FDA.
- On July 7, 2020, the FDA authorized the marketing of a version of *IQOS*, together with its heated tobacco units, as a modified risk tobacco product (MRTP). In doing so, the agency found that an *IQOS* exposure modification order is appropriate to promote the public health. The decision follows a review of the extensive scientific evidence package PMI submitted to the FDA in December 2016 to support its MRTP applications.
- Shipment volume of heated tobacco units to the U.S. is included in the heated tobacco unit shipment volume of the Latin America & Canada segment. Revenues from shipments of Platform 1 devices, heated tobacco units and accessories to Altria Group, Inc. for sale under license in the U.S. are included in Net Revenues of the Latin America & Canada segment.

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Key Market Data

Quarters Ended June 30,

Market	Total Market, bio units			PMI Shipments, bio units									PMI Market Share, % ⁽¹⁾					
				Total			Cigarette			HTU			Total			HTU		
	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change	2020	2019	PP Change	2020	2019	PP Change
Total	609.2	700.3	(13.0)	170.1	198.9	(14.5)	151.4	183.8	(17.6)	18.7	15.1	24.3	28.0	28.1	(0.1)	3.0	2.1	0.9
European Union																		
France	9.8	9.8	0.7	4.5	4.5	0.3	4.4	4.5	(0.4)	—	—	—	44.9	44.7	0.2	0.5	0.2	0.3
Germany	20.0	18.9	5.9	7.8	7.3	6.9	7.4	7.1	4.4	0.4	0.2	89.4	38.9	38.5	0.4	2.0	1.1	0.9
Italy	16.3	17.2	(4.8)	7.9	9.3	(15.5)	6.8	8.5	(20.1)	1.1	0.8	32.3	52.1	51.7	0.4	7.7	4.6	3.1
Poland	10.6	12.3	(13.6)	4.2	5.0	(16.8)	3.7	4.8	(22.2)	0.5	0.3	85.9	39.3	40.8	(1.5)	4.4	2.0	2.4
Spain	9.6	11.6	(17.2)	2.7	3.9	(29.5)	2.7	3.8	(29.7)	0.1	0.1	(23.9)	31.3	31.2	0.1	1.0	0.7	0.3
Eastern Europe																		
Russia	57.2	59.6	(4.1)	17.9	17.7	0.8	14.3	15.9	(10.1)	3.6	1.8	95.5	32.4	29.6	2.8	5.9	2.9	3.0
Middle East & Africa																		
Saudi Arabia	6.0	5.4	12.0	2.7	0.8	+100	2.7	0.8	+100	—	—	—	38.6	38.9	(0.3)	0.2	—	0.2
Turkey	29.9	32.1	(6.8)	11.7	12.5	(6.6)	11.7	12.5	(6.6)	—	—	—	38.9	38.9	—	—	—	—
South & Southeast Asia																		
Indonesia	64.0	77.6	(17.5)	18.0	24.9	(27.7)	18.0	24.9	(27.7)	—	—	—	28.2	32.2	(4.0)	—	—	—
Philippines	14.0	18.6	(24.6)	9.7	13.1	(25.7)	9.7	13.1	(25.7)	—	—	—	69.5	70.6	(1.1)	—	—	—
East Asia & Australia																		
Australia	2.6	2.9	(11.2)	0.8	0.9	(12.0)	0.8	0.9	(12.0)	—	—	—	30.8	31.0	(0.2)	—	—	—
Japan	35.4	40.6	(12.7)	14.1	15.1	(6.4)	6.3	8.0	(20.9)	7.8	7.1	10.0	36.5	34.0	2.5	20.0	16.6	3.4
Korea	18.4	17.7	3.9	3.8	4.1	(6.2)	2.6	2.8	(6.1)	1.2	1.3	(6.4)	21.1	23.1	(2.0)	6.6	7.3	(0.7)
Latin America & Canada																		
Argentina	7.3	7.8	(7.4)	4.8	5.6	(15.2)	4.8	5.6	(15.2)	—	—	—	65.4	71.8	(6.4)	—	—	—
Mexico	7.6	10.0	(24.4)	4.7	7.0	(32.5)	4.7	7.0	(32.7)	—	—	—	62.1	69.5	(7.4)	0.2	—	0.2

(1) Market share estimates are calculated using IMS data

Note: % change for Total Market and PMI shipments is computed based on millions of units; PMI Market Share estimates for previous periods are restated to reflect RBH deconsolidation and exclude RBH-owned brands.

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Key Market Data

Six Months Ended June 30,

Market	Total Market, bio units			PMI Shipments, bio units									PMI Market Share, % ⁽¹⁾					
				Total			Cigarette			HTU			Total			HTU		
	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change	2020	2019	PP Change	2020	2019	PP Change
Total	1,224.1	1,325.0	(7.6)	343.8	374.7	(8.2)	308.4	348.1	(11.4)	35.4	26.6	33.4	27.7	28.1	(0.4)	2.9	2.1	0.8
European Union																		
France	18.2	18.9	(3.9)	8.5	8.6	(1.3)	8.4	8.6	(2.1)	0.1	—	—	44.7	44.9	(0.2)	0.4	0.2	0.2
Germany	36.0	34.3	4.9	14.5	13.4	8.7	13.7	13.0	5.7	0.8	0.4	+100	40.4	38.9	1.5	2.2	1.1	1.1
Italy	32.0	32.8	(2.2)	17.1	17.0	0.2	14.6	15.6	(6.9)	2.5	1.4	78.6	52.0	51.4	0.6	7.5	4.2	3.3
Poland	21.4	22.9	(6.4)	8.5	9.2	(8.0)	7.6	8.8	(14.0)	0.9	0.4	+100	39.7	40.4	(0.7)	4.3	1.9	2.4
Spain	20.0	21.8	(8.2)	6.4	7.5	(14.4)	6.2	7.3	(15.5)	0.2	0.1	39.8	31.1	31.4	(0.3)	1.0	0.6	0.4
Eastern Europe																		
Russia	104.1	106.3	(2.1)	32.9	29.9	10.3	26.7	27.2	(1.8)	6.2	2.7	+100	32.4	29.1	3.3	6.2	3.0	3.2
Middle East & Africa																		
Saudi Arabia	10.3	10.6	(2.9)	3.8	4.7	(19.0)	3.8	4.7	(19.6)	—	—	—	39.4	40.3	(0.9)	0.1	—	0.1
Turkey	55.9	61.6	(9.3)	21.8	26.4	(17.4)	21.8	26.4	(17.4)	—	—	—	38.9	42.9	(4.0)	—	—	—
South & Southeast Asia																		
Indonesia	131.4	145.2	(9.5)	38.5	47.1	(18.2)	38.5	47.1	(18.2)	—	—	—	29.3	32.4	(3.1)	—	—	—
Philippines	29.3	35.3	(17.1)	20.5	24.9	(17.7)	20.5	24.9	(17.7)	—	—	—	69.9	70.4	(0.5)	—	—	—
East Asia & Australia																		
Australia	5.1	6.0	(15.3)	1.5	1.7	(9.8)	1.5	1.7	(9.8)	—	—	—	29.4	27.6	1.8	—	—	—
Japan	70.9	78.2	(9.4)	26.9	27.2	(1.0)	13.1	14.4	(9.1)	13.8	12.7	8.1	36.4	34.2	2.2	19.6	16.8	2.8
Korea	34.6	33.3	3.8	7.4	7.7	(4.6)	5.1	5.3	(3.8)	2.3	2.4	(6.3)	21.4	23.2	(1.8)	6.6	7.3	(0.7)
Latin America & Canada																		
Argentina	15.3	16.3	(6.3)	10.0	11.7	(14.2)	10.0	11.7	(14.2)	—	—	—	65.7	72.1	(6.4)	—	—	—
Mexico	14.2	17.4	(18.4)	8.8	11.7	(25.0)	8.7	11.7	(25.2)	—	—	—	61.6	67.0	(5.4)	0.2	—	0.2

(1) Market share estimates are calculated using IMS data

Note: % change for Total Market and PMI shipments is computed based on millions of units; PMI Market Share estimates for previous periods are restated to reflect RBH deconsolidation and exclude RBH-owned brands.

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries
 Reconciliation of Non-GAAP Measures
Shipment Volume Adjusted for the Impact of RBH Deconsolidation
 (in million units) / (Unaudited)

Total PMI	Quarters Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Total Shipment Volume	170,067	198,855	(14.5)%	343,812	374,650	(8.2)%
Shipment Volume for RBH-owned brands (1)		—			(1,008) ⁽²⁾	
Total Shipment Volume	170,067	198,855	(14.5)%	343,812	373,642 ⁽³⁾	(8.0)%
Total Cigarette Shipment Volume	151,359	183,799	(17.6)%	308,377	348,096	(11.4)%
Shipment Volume for RBH-owned brands (1)		—			(1,008) ⁽²⁾	
Total Cigarette Shipment Volume	151,359	183,799	(17.6)%	308,377	347,088 ⁽³⁾	(11.2)%
Total HTU Shipment Volume	18,708	15,056	24.3 %	35,435	26,554	33.4 %
Latin America & Canada						
Total Shipment Volume	14,874	18,531	(19.7)%	30,045	36,165	(16.9)%
Shipment Volume for RBH-owned brands		—			(995) ⁽²⁾	
Total Shipment Volume	14,874	18,531	(19.7)%	30,045	35,170 ⁽³⁾	(14.6)%

(1) Includes Duty Free sales in Canada

(2) Represents volume for RBH-owned brands from January 1, 2019 through March 21, 2019

(3) Pro forma

Note: Shipment Volume includes Cigarettes and Heated Tobacco Units; following the deconsolidation of RBH, we report the volume of brands sold by RBH for which other PMI subsidiaries are the trademark owners

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Diluted Earnings Per Share (EPS)

(\$ in millions, except per share data) / (Unaudited)

Quarters Ended June 30,	Diluted EPS	Six Months Ended June 30,
\$ 1.25	2020 Diluted Earnings Per Share (1)	\$ 2.42
\$ 1.49	2019 Diluted Earnings Per Share (1)	\$ 2.36
\$ (0.24)	Change	\$ 0.06
(16.1)%	% Change	2.5%
Reconciliation:		
\$ 1.49	2019 Diluted Earnings Per Share (1)	\$ 2.36
0.01	2019 Asset impairment and exit costs	0.02
—	2019 Canadian tobacco litigation-related expense	0.09
—	2019 Loss on deconsolidation of RBH	0.12
(0.04)	2019 Tax items	(0.04)
(0.04)	2020 Asset impairment and exit costs	(0.04)
—	2020 Fair value adjustment for equity security investments	(0.04)
—	2020 Tax items	—
(0.06)	Currency	(0.19)
(0.01)	Interest	—
0.03	Change in tax rate	0.02
(0.13)	Operations (2)	0.12
<u>\$ 1.25</u>	2020 Diluted Earnings Per Share (1)	<u>\$ 2.42</u>

(1) Basic and diluted EPS were calculated using the following (in millions):

Quarters Ended June 30,			Six Months Ended June 30,	
2020	2019		2020	2019
\$ 1,947	\$ 2,319	Net Earnings attributable to PMI	\$ 3,773	\$ 3,673
5	5	Less: Distributed and undistributed earnings attributable to share-based payment awards	10	8
<u>\$ 1,942</u>	<u>\$ 2,314</u>	Net Earnings for basic and diluted EPS	<u>\$ 3,763</u>	<u>\$ 3,665</u>
1,558	1,556	Weighted-average shares for basic EPS	1,557	1,556
—	—	Plus Contingently Issuable Performance Stock Units	—	—
<u>1,558</u>	<u>1,556</u>	Weighted-average shares for diluted EPS	<u>1,557</u>	<u>1,556</u>

(2) Includes the impact of shares outstanding and share-based payments

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

**Reconciliation of Reported Diluted EPS to Reported Diluted EPS, excluding Currency,
and Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS, excluding Currency**

(Unaudited)

Quarters Ended June 30,				Six Months Ended June 30,		
2020	2019	% Change		2020	2019	% Change
\$ 1.25	\$ 1.49	(16.1)%	Reported Diluted EPS	\$ 2.42	\$ 2.36	2.5 %
(0.06)			Less: Currency	(0.19)		
\$ 1.31	\$ 1.49	(12.1)%	Reported Diluted EPS, excluding Currency	\$ 2.61	\$ 2.36	10.6 %

Quarters Ended June 30,				Six Months Ended June 30,			Year Ended
2020	2019	% Change		2020	2019	% Change	2019
\$ 1.25	\$ 1.49	(16.1)%	Reported Diluted EPS	\$ 2.42	\$ 2.36	2.5 %	\$ 4.61
0.04	0.01		Asset impairment and exit costs	0.04	0.02		0.23
—	—		Canadian tobacco litigation-related expense	—	0.09		0.09
—	—		Loss on deconsolidation of RBH	—	0.12		0.12
—	—		Russia excise and VAT audit charge	—	—		0.20
—	—		Fair value adjustment for equity security investments	0.04	—		(0.02)
—	(0.04)		Tax items	—	(0.04)		(0.04)
\$ 1.29	\$ 1.46	(11.6)%	Adjusted Diluted EPS	\$ 2.50	\$ 2.55	(2.0)%	\$ 5.19
(0.06)			Less: Currency	(0.19)			
\$ 1.35	\$ 1.46	(7.5)%	Adjusted Diluted EPS, excluding Currency	\$ 2.69	\$ 2.55	5.5 %	

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 March 31, 2019	Quarter Ended June 30, 2019	Six Months Ended June 30, 2019	Quarter Ended September 30, 2019	Nine Months Ended September 30, 2019	Quarter Ended December 31, 2019	Year Ended December 31, 2019
Reported Diluted EPS	\$ 0.87	\$ 1.49	\$ 2.36	\$ 1.22	\$ 3.57	\$ 1.04	\$ 4.61
Asset impairment and exit costs	0.01	0.01	0.02	0.01	0.03	0.20	0.23
Canadian tobacco litigation-related expense	0.09	—	0.09	—	0.09	—	0.09
Loss on deconsolidation of RBH	0.12	—	0.12	—	0.12	—	0.12
Russia excise and VAT audit charge	—	—	—	0.20	0.20	—	0.20
Fair value adjustment for equity security investments	—	—	—	—	—	(0.02)	(0.02)
Tax items	—	(0.04)	(0.04)	—	(0.04)	—	(0.04)
Adjusted Diluted EPS	\$ 1.09	\$ 1.46	\$ 2.55	\$ 1.43	\$ 3.97	\$ 1.22	\$ 5.19
Net earnings attributable to RBH	(0.06) ⁽¹⁾	—	(0.06) ⁽¹⁾	—	(0.06) ⁽¹⁾	—	(0.06) ⁽¹⁾
Pro Forma Adjusted Diluted EPS	\$ 1.03	\$ 1.46	\$ 2.49	\$ 1.43	\$ 3.91	\$ 1.22	\$ 5.13

(1) Represents the impact of net earnings attributable to RBH from January 1, 2019 through March 21, 2019

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

Net Revenues 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	Quarters Ended June 30,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2020					Combustible Products		2019		
								% Change	
\$ 1,945	\$ (75)	\$ 2,020	—	\$ 2,020	European Union	\$ 2,149	(9.5)%	(6.0)%	(6.0)%
522	(52)	575	—	575	Eastern Europe	640	(18.3)%	(10.1)%	(10.1)%
696	(16)	712	—	712	Middle East & Africa	918	(24.2)%	(22.4)%	(22.4)%
889	(46)	935	—	935	South & Southeast Asia	1,248	(28.8)%	(25.1)%	(25.1)%
630	(15)	645	—	645	East Asia & Australia	756	(16.7)%	(14.7)%	(14.7)%
363	(57)	420	—	420	Latin America & Canada	522	(30.5)%	(19.6)%	(19.6)%
\$ 5,045	\$ (262)	\$ 5,307	—	\$ 5,307	Total Combustible	\$ 6,233	(19.1)%	(14.9)%	(14.9)%
2020					Reduced-Risk Products		2019		
								% Change	
\$ 530	\$ (25)	\$ 555	—	\$ 555	European Union	\$ 428	23.9 %	29.7 %	29.7 %
261	(33)	293	—	293	Eastern Europe	182	42.9 %	60.8 %	60.8 %
8	—	8	—	8	Middle East & Africa	86	(90.6)%	(90.7)%	(90.7)%
—	—	—	—	—	South & Southeast Asia	—	— %	— %	— %
802	3	799	—	799	East Asia & Australia	765	4.9 %	4.5 %	4.5 %
5	(1)	6	—	6	Latin America & Canada(1)	5	7.9 %	24.4 %	24.4 %
\$ 1,606	\$ (55)	\$ 1,661	—	\$ 1,661	Total RRP	\$ 1,466	9.5 %	13.3 %	13.3 %
2020					PMI		2019		
								% Change	
\$ 2,475	\$ (100)	\$ 2,575	—	\$ 2,575	European Union	\$ 2,577	(4.0)%	(0.1)%	(0.1)%
783	(85)	868	—	868	Eastern Europe	822	(4.7)%	5.6 %	5.6 %
704	(16)	720	—	720	Middle East & Africa	1,004	(29.9)%	(28.3)%	(28.3)%
889	(46)	935	—	935	South & Southeast Asia	1,248	(28.8)%	(25.1)%	(25.1)%
1,432	(12)	1,444	—	1,444	East Asia & Australia	1,521	(5.9)%	(5.1)%	(5.1)%
368	(58)	426	—	426	Latin America & Canada	527	(30.2)%	(19.2)%	(19.2)%
\$ 6,651	\$ (317)	\$ 6,968	—	\$ 6,968	Total PMI	\$ 7,699	(13.6)%	(9.5)%	(9.5)%

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

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

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	Six Months Ended June 30,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2020					Combustible Products		2019		
								% Change	
\$ 3,855	\$ (128)	\$ 3,983	—	\$ 3,983	European Union	\$ 3,961	(2.7)%	0.6 %	0.6 %
1,045	(56)	1,101	—	1,101	Eastern Europe	1,110	(5.9)%	(0.8)%	(0.8)%
1,528	(18)	1,547	—	1,547	Middle East & Africa	1,746	(12.5)%	(11.4)%	(11.4)%
2,140	(27)	2,167	—	2,167	South & Southeast Asia	2,361	(9.4)%	(8.2)%	(8.2)%
1,272	(22)	1,294	—	1,294	East Asia & Australia	1,394	(8.8)%	(7.2)%	(7.2)%
803	(75)	878	—	878	Latin America & Canada	1,168	(31.3)%	(24.9)%	(24.9)%
\$ 10,643	\$ (327)	\$ 10,970	—	\$ 10,970	Total Combustible	\$ 11,741	(9.4)%	(6.6)%	(6.6)%
2020					Reduced-Risk Products		2019		
								% Change	
\$ 1,155	\$ (42)	\$ 1,197	—	\$ 1,197	European Union	\$ 775	49.0 %	54.4 %	54.4 %
526	(23)	549	—	549	Eastern Europe	291	81.0 %	88.9 %	88.9 %
52	—	51	—	51	Middle East & Africa	185	(72.0)%	(72.2)%	(72.2)%
—	—	—	—	—	South & Southeast Asia	—	— %	— %	— %
1,415	1	1,414	—	1,414	East Asia & Australia	1,448	(2.3)%	(2.3)%	(2.3)%
13	(1)	14	—	14	Latin America & Canada(1)	11	24.4 %	33.5 %	33.5 %
\$ 3,161	\$ (64)	\$ 3,225	—	\$ 3,225	Total RRP	\$ 2,709	16.7 %	19.1 %	19.1 %
2020					PMI		2019		
								% Change	
\$ 5,010	\$ (170)	\$ 5,180	—	\$ 5,180	European Union	\$ 4,736	5.8 %	9.4 %	9.4 %
1,571	(79)	1,650	—	1,650	Eastern Europe	1,401	12.1 %	17.8 %	17.8 %
1,580	(18)	1,598	—	1,598	Middle East & Africa	1,931	(18.2)%	(17.2)%	(17.2)%
2,140	(27)	2,167	—	2,167	South & Southeast Asia	2,361	(9.4)%	(8.2)%	(8.2)%
2,687	(21)	2,708	—	2,708	East Asia & Australia	2,842	(5.5)%	(4.7)%	(4.7)%
816	(76)	892	—	892	Latin America & Canada	1,179	(30.8)%	(24.3)%	(24.3)%
\$ 13,804	\$ (391)	\$ 14,195	—	\$ 14,195	Total PMI	\$ 14,450	(4.5)%	(1.8)%	(1.8)%

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

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries
Reconciliation of Non-GAAP Measures
Adjustments of Operating Income for the Impact of Currency and Acquisitions
(\$ in millions) / (Unaudited)

Operating Income	Currency	Operating Income excluding Currency	Acquisitions	Operating Income excluding Currency & Acquisitions		Operating Income	Total	Excluding Currency	Excluding Currency & Acquisitions
2020					Quarters Ended June 30,	2019	% Change		
\$ 1,178 ⁽¹⁾	\$ (65)	\$ 1,243	—	\$ 1,243	European Union	\$ 1,195	(1.4)%	4.0 %	4.0 %
266 ⁽¹⁾	(11)	277	—	277	Eastern Europe	256	3.9 %	8.2 %	8.2 %
237 ⁽¹⁾	5	232	—	232	Middle East & Africa	441	(46.3)%	(47.4)%	(47.4)%
289 ⁽¹⁾	(16)	305	—	305	South & Southeast Asia	492	(41.3)%	(38.0)%	(38.0)%
669 ⁽¹⁾	(11)	680	—	680	East Asia & Australia	642	4.2 %	5.9 %	5.9 %
92 ⁽¹⁾	(6)	98	—	98	Latin America & Canada	161 ⁽²⁾	(42.9)%	(39.1)%	(39.1)%
\$ 2,731	\$ (104)	\$ 2,835	—	\$ 2,835	Total PMI	\$ 3,187	(14.3)%	(11.0)%	(11.0)%
2020					Six Months Ended June 30,	2019	% Change		
\$ 2,336 ⁽¹⁾	\$ (130)	\$ 2,466	—	\$ 2,466	European Union	\$ 2,091	11.7 %	17.9 %	17.9 %
365 ⁽¹⁾	(103)	468	—	468	Eastern Europe	385	(5.2)%	21.6 %	21.6 %
558 ⁽¹⁾	(14)	572	—	572	Middle East & Africa	785	(28.9)%	(27.1)%	(27.1)%
888 ⁽¹⁾	3	885	—	885	South & Southeast Asia	932 ⁽³⁾	(4.7)%	(5.0)%	(5.0)%
1,155 ⁽¹⁾	(15)	1,170	—	1,170	East Asia & Australia	1,069	8.0 %	9.4 %	9.4 %
218 ⁽¹⁾	(41)	259	—	259	Latin America & Canada	(25) ⁽⁴⁾	+100%	+100%	+100%
\$ 5,520	\$ (300)	\$ 5,820	—	\$ 5,820	Total PMI	\$ 5,237	5.4 %	11.1 %	11.1 %

(1) Includes asset impairment and exit costs (\$71 million): EU (\$27 million), EE (\$7 million), ME&A (\$9 million), S&SA (\$11 million), EA&A (\$13 million) and LA&C (\$4 million)

(2) Includes asset impairment and exit costs (\$23 million)

(3) Includes asset impairment and exit costs (\$20 million)

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries
Reconciliation of Non-GAAP Measures
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 and Others	Adjusted Operating Income	Total	Excluding Currency	Excluding Currency & Acquisitions	
2020						Quarters Ended June 30,	2019			% Change			
\$ 1,178	\$ (27) ⁽¹⁾	\$ 1,205	\$ (65)	\$ 1,270	—	\$ 1,270	European Union	\$ 1,195	—	\$ 1,195	0.8 %	6.3 %	6.3 %
266	(7) ⁽¹⁾	273	(11)	284	—	284	Eastern Europe	256	—	256	6.6 %	10.9 %	10.9 %
237	(9) ⁽¹⁾	246	5	241	—	241	Middle East & Africa	441	—	441	(44.2)%	(45.4)%	(45.4)%
289	(11) ⁽¹⁾	300	(16)	316	—	316	South & Southeast Asia	492	—	492	(39.0)%	(35.8)%	(35.8)%
669	(13) ⁽¹⁾	682	(11)	693	—	693	East Asia & Australia	642	—	642	6.2 %	7.9 %	7.9 %
92	(4) ⁽¹⁾	96	(6)	102	—	102	Latin America & Canada	161	(23) ⁽¹⁾	184	(47.8)%	(44.6)%	(44.6)%
\$ 2,731	\$ (71)	\$ 2,802	\$ (104)	\$ 2,906	—	\$ 2,906	Total PMI	\$ 3,187	\$ (23)	\$ 3,210	(12.7)%	(9.5)%	(9.5)%
2020						Six Months Ended June 30,	2019			% Change			
\$ 2,336	\$ (27) ⁽¹⁾	\$ 2,363	\$ (130)	\$ 2,493	—	\$ 2,493	European Union	\$ 2,091	—	\$ 2,091	13.0 %	19.2 %	19.2 %
365	(7) ⁽¹⁾	372	(103)	475	—	475	Eastern Europe	385	—	385	(3.4)%	23.4 %	23.4 %
558	(9) ⁽¹⁾	567	(14)	581	—	581	Middle East & Africa	785	—	785	(27.8)%	(26.0)%	(26.0)%
888	(11) ⁽¹⁾	899	3	896	—	896	South & Southeast Asia	932	(20) ⁽¹⁾	952	(5.6)%	(5.9)%	(5.9)%
1,155	(13) ⁽¹⁾	1,168	(15)	1,183	—	1,183	East Asia & Australia	1,069	—	1,069	9.3 %	10.7 %	10.7 %
218	(4) ⁽¹⁾	222	(41)	263	—	263	Latin America & Canada	(25)	(456) ⁽²⁾	431	(48.5)%	(39.0)%	(39.0)%
\$ 5,520	\$ (71)	\$ 5,591	\$ (300)	\$ 5,891	—	\$ 5,891	Total PMI	\$ 5,237	\$ (476)	\$ 5,713	(2.1)%	3.1 %	3.1 %

(1) Represents asset impairment and exit costs

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures

Reconciliation of Adjusted Operating Income Margin, excluding Currency and Acquisitions

(\$ in millions) / (Unaudited)

Adjusted Operating Income (1)	Net Revenues	Adjusted Operating Income Margin	Adjusted Operating Income excluding Currency (1)	Net Revenues excluding Currency (2)	Adjusted Operating Income Margin excluding Currency	Adjusted Operating Income excluding Currency & Acquisitions (1)	Net Revenues excluding Currency & Acquisitions (2)	Adjusted Operating Income Margin excluding Currency & Acquisitions		Adjusted Operating Income (1)	Net Revenues	Adjusted Operating Income Margin	Adjusted Operating Income Margin	Adjusted Operating Income Margin excluding Currency	Adjusted Operating Income Margin excluding Currency & Acquisitions
									Quarters Ended June 30,				% Points Change		
2020									2019						
\$ 1,205	\$ 2,475	48.7%	\$ 1,270	\$ 2,575	49.3%	\$ 1,270	\$ 2,575	49.3%	European Union	\$ 1,195	\$ 2,577	46.4%	2.3	2.9	2.9
273	783	34.9%	284	868	32.7%	284	868	32.7%	Eastern Europe	256	822	31.1%	3.8	1.6	1.6
246	704	34.9%	241	720	33.5%	241	720	33.5%	Middle East & Africa	441	1,004	43.9%	(9.0)	(10.4)	(10.4)
300	889	33.7%	316	935	33.8%	316	935	33.8%	South & Southeast Asia	492	1,248	39.4%	(5.7)	(5.6)	(5.6)
682	1,432	47.6%	693	1,444	48.0%	693	1,444	48.0%	East Asia & Australia	642	1,521	42.2%	5.4	5.8	5.8
96	368	26.1%	102	426	23.9%	102	426	23.9%	Latin America & Canada	184	527	34.9%	(8.8)	(11.0)	(11.0)
\$ 2,802	\$ 6,651	42.1%	\$ 2,906	\$ 6,968	41.7%	\$ 2,906	\$ 6,968	41.7%	Total PMI	\$ 3,210	\$ 7,699	41.7%	0.4	—	—
									Six Months Ended June 30,				% Points Change		
2020									2019						
\$ 2,363	\$ 5,010	47.2%	\$ 2,493	\$ 5,180	48.1%	\$ 2,493	\$ 5,180	48.1%	European Union	\$ 2,091	\$ 4,736	44.2%	3.0	3.9	3.9
372	1,571	23.7%	475	1,650	28.8%	475	1,650	28.8%	Eastern Europe	385	1,401	27.5%	(3.8)	1.3	1.3
567	1,580	35.9%	581	1,598	36.4%	581	1,598	36.4%	Middle East & Africa	785	1,931	40.7%	(4.8)	(4.3)	(4.3)
899	2,140	42.0%	896	2,167	41.3%	896	2,167	41.3%	South & Southeast Asia	952	2,361	40.3%	1.7	1.0	1.0
1,168	2,687	43.5%	1,183	2,708	43.7%	1,183	2,708	43.7%	East Asia & Australia	1,069	2,842	37.6%	5.9	6.1	6.1
222	816	27.2%	263	892	29.5%	263	892	29.5%	Latin America & Canada	431	1,179	36.6%	(9.4)	(7.1)	(7.1)
\$ 5,591	\$ 13,804	40.5%	\$ 5,891	\$ 14,195	41.5%	\$ 5,891	\$ 14,195	41.5%	Total PMI	\$ 5,713	\$ 14,450	39.5%	1.0	2.0	2.0

(1) For the calculation of Adjusted Operating Income and Adjusted Operating Income excluding currency and acquisitions refer to Schedule 7

(2) For the calculation of Net Revenues excluding currency and acquisitions refer to Schedules 4 and 5

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries
Reconciliation of Non-GAAP Measures
Adjustments for the Impact of RBH, excluding Currency
(\$ in millions, except per share data) / (Unaudited)

	Quarters Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Net Revenues	\$ 6,651	\$ 7,699	(13.6)%	\$ 13,804	\$ 14,450	(4.5)%
Net Revenues attributable to RBH		—			(181) ⁽¹⁾	
Net Revenues	\$ 6,651	\$ 7,699	(13.6)%	\$ 13,804	\$ 14,269 ⁽²⁾	(3.3)%
Less: Currency	(317)			(392)		
Net Revenues, ex. currency	\$ 6,968	\$ 7,699	(9.5)%	\$ 14,196	\$ 14,269 ⁽²⁾	(0.5)%
Adjusted Operating Income (3)	\$ 2,802	\$ 3,210	(12.7)%	\$ 5,591	\$ 5,713	(2.1)%
Operating Income attributable to RBH		—			(126) ⁽¹⁾	
Adjusted Operating Income	\$ 2,802	\$ 3,210	(12.7)%	\$ 5,591	\$ 5,587 ⁽²⁾	0.1%
Less: Currency	(104)			(299)		
Adjusted Operating Income, ex. currency	\$ 2,906	\$ 3,210	(9.5)%	\$ 5,890	\$ 5,587 ⁽²⁾	5.4%
Adjusted OI Margin	42.1%	41.7%	0.4	40.5%	39.5%	1.0
Adjusted OI Margin attributable to RBH		—			(0.3) ⁽¹⁾	
Adjusted OI Margin	42.1%	41.7%	0.4	40.5%	39.2% ⁽²⁾	1.3
Less: Currency	—			—		
Adjusted OI Margin, ex. currency	41.7%	41.7%	—	41.5%	39.2% ⁽²⁾	2.3
Adjusted Diluted EPS (4)	\$ 1.29	\$ 1.46	(11.6)%	\$ 2.50	\$ 2.55	(2.0)%
Net earnings attributable to RBH		—			(0.06) ⁽¹⁾	
Adjusted Diluted EPS	\$ 1.29	\$ 1.46	(11.6)%	\$ 2.50	\$ 2.49 ⁽²⁾	0.4%
Less: Currency	(0.06)			(0.19)		
Adjusted Diluted EPS, ex. currency	\$ 1.35	\$ 1.46	(7.5)%	\$ 2.69	\$ 2.49 ⁽²⁾	8.0%

(1) Represents the impact attributable to RBH from January 1, 2019 through March 21, 2019

(2) Pro forma

(3) For the calculation of Adjusted Operating Income, see Schedule 7

(4) For the calculation, see Schedule 2

Note: Financials attributable to RBH include Duty Free sales in Canada

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	Quarters Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Net Revenues	\$ 368	\$ 527	(30.2)%	\$ 816	\$ 1,179	(30.8)%
Net Revenues attributable to RBH		—			(179) ⁽¹⁾	
Net Revenues	\$ 368	\$ 527	(30.2)%	\$ 816	\$ 1,000⁽²⁾	(18.4)%
Less: Currency	(58)			(77)		
Net Revenues, ex. currency	\$ 426	\$ 527	(19.2)%	\$ 893	\$ 1,000⁽²⁾	(10.7)%
Operating Income	\$ 92	\$ 161	(42.9)%	\$ 218	\$ (25)	+100%
Less:						
Asset impairment and exit costs	(4)	(23)		(4)	(23)	
Canadian tobacco litigation-related expense	—	—		—	(194)	
Loss on deconsolidation of RBH	—	—		—	(239)	
Adjusted Operating Income	\$ 96	\$ 184	(47.8)%	\$ 222	\$ 431	(48.5)%
Operating Income attributable to RBH		—			(125) ⁽¹⁾	
Adjusted Operating Income	\$ 96	\$ 184	(47.8)%	\$ 222	\$ 306⁽²⁾	(27.5)%
Less: Currency	(6)			(39)		
Adjusted Operating Income, ex. currency	\$ 102	\$ 184	(44.6)%	\$ 261	\$ 306⁽²⁾	(14.7)%
Adjusted OI Margin	26.1%	34.9%	(8.8)	27.2%	36.6%	(9.4)
Adjusted OI Margin attributable to RBH		—			(6.0) ⁽¹⁾	
Adjusted OI Margin	26.1%	34.9%	(8.8)	27.2%	30.6%⁽²⁾	(3.4)
Less: Currency	2.2			(2.0)		
Adjusted OI Margin, ex. currency	23.9%	34.9%	(11.0)	29.2%	30.6%⁽²⁾	(1.4)

(1) Represents the impact attributable to RBH from January 1, 2019 through March 21, 2019

(2) Pro forma

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Condensed Statements of Earnings

(\$ in millions, except per share data) / (Unaudited)

Quarters Ended June 30,			Six Months Ended June 30,			
2020	2019	Change Fav./Unfav.)		2020	2019	Change Fav./Unfav.)
\$ 17,819	\$ 19,987	(10.8)%	Revenues including Excise Taxes	\$ 36,072	\$ 37,692	(4.3)%
11,168	12,288	9.1 %	Excise Taxes on products	22,268	23,242	4.2 %
6,651	7,699	(13.6)%	Net Revenues	13,804	14,450	(4.5)%
2,179	2,665	18.2 %	Cost of sales	4,581	5,130	10.7 %
4,472	5,034	(11.2)%	Gross profit	9,223	9,320	(1.0)%
1,722	1,831	6.0 %	Marketing, administration and research costs (1)	3,666	4,048	9.4 %
19	16		Amortization of intangibles	37	35	
2,731	3,187	(14.3)%	Operating Income	5,520	5,237	5.4 %
162	150	(8.0)%	Interest expense, net	291	302	3.6 %
22	20	(10.0)%	Pension and other employee benefit costs	45	41	(9.8)%
2,547	3,017	(15.6)%	Earnings before income taxes	5,184	4,894	5.9 %
528	611	13.6 %	Provision for income taxes	1,124	1,035	(8.6)%
(30)	(30)		Equity investments and securities (income)/loss, net	24	(41)	
2,049	2,436	(15.9)%	Net Earnings	4,036	3,900	3.5 %
102	117		Net Earnings attributable to noncontrolling interests	263	227	
\$ 1,947	\$ 2,319	(16.0)%	Net Earnings attributable to PMI	\$ 3,773	\$ 3,673	2.7 %
Per share data (2):						
\$ 1.25	\$ 1.49	(16.1)%	Basic Earnings Per Share	\$ 2.42	\$ 2.36	2.5 %
\$ 1.25	\$ 1.49	(16.1)%	Diluted Earnings Per Share	\$ 2.42	\$ 2.36	2.5 %

(1) Six months ended and quarter ended June 30, 2020 includes asset impairment and exit costs (\$71 million). Six months ended June 30, 2019 includes asset impairment and exit costs (\$43 million), Canadian tobacco litigation-related expense (\$194 million) and the loss on deconsolidation of RBH (\$239 million). Quarter ended June 30, 2019 includes asset impairment and exit costs (\$23 million).

(2) Net Earnings and weighted-average shares used in the basic and diluted Earnings Per Share computations for the quarters and for the six months ended June 30, 2020 and 2019 are shown on Schedule 1, Footnote 1.

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Condensed Balance Sheets

(\$ in millions, except ratios) / (Unaudited)

	June 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 4,200	\$ 6,861
All other current assets	13,576	13,653
Property, plant and equipment, net	6,184	6,631
Goodwill	5,653	5,858
Other intangible assets, net	1,948	2,113
Investments in unconsolidated subsidiaries and equity securities	4,516	4,635
Other assets	3,085	3,124
Total assets	\$ 39,162	\$ 42,875
Liabilities and Stockholders' (Deficit) Equity		
Short-term borrowings	\$ 281	\$ 338
Current portion of long-term debt	2,304	4,051
All other current liabilities	13,207	14,444
Long-term debt	27,043	26,656
Deferred income taxes	775	908
Other long-term liabilities	5,672	6,077
Total liabilities	49,282	52,474
Total PMI stockholders' deficit	(11,997)	(11,577)
Noncontrolling interests	1,877	1,978
Total stockholders' (deficit) equity	(10,120)	(9,599)
Total liabilities and stockholders' (deficit) equity	\$ 39,162	\$ 42,875

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 June 30, 2020			Year Ended December 31, 2019
	July ~ December 2019	January ~ June 2020	12 months rolling	
Net Earnings	\$ 3,828	\$ 4,036	\$ 7,864	\$ 7,728
Equity investments and securities (income)/loss, net	(108)	24	(84)	(149)
Provision for income taxes	1,258	1,124	2,382	2,293
Interest expense, net	268	291	559	570
Depreciation and amortization	492	470	962	964
Asset impairment and exit costs and Others (1)	753	71	824	1,229
Adjusted EBITDA	\$ 6,491	\$ 6,016	\$ 12,507	\$ 12,635
			June 30,	December 31,
			2020	2019
Short-term borrowings			\$ 281	\$ 338
Current portion of long-term debt			2,304	4,051
Long-term debt			27,043	26,656
Total Debt			\$ 29,628	\$ 31,045
Cash and cash equivalents			4,200	6,861
Net Debt			\$ 25,428	\$ 24,184
Ratios:				
Total Debt to Adjusted EBITDA			2.37	2.46
Net Debt to Adjusted EBITDA			2.03	1.91

(1) For the period July to December 2019, Others include the Russia excise and VAT charge (\$374 million). For the year ended December 31, 2019, Others include the Canadian tobacco litigation-related expense (\$194 million), the loss on deconsolidation of RBH (\$239 million) and the Russia excise and VAT audit charge (\$374 million).

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries
 Reconciliation of Non-GAAP Measures
Reconciliation of Operating Cash Flow to Operating Cash Flow, excluding Currency
 (\$ in millions) / (Unaudited)

Quarters Ended June 30,				Six Months Ended June 30,		
2020	2019	% Change		2020	2019	% Change
\$ 1,925	\$ 3,442	(44.1)%	Net cash provided by operating activities (1)	\$ 3,036	\$ 4,683	(35.2)%
(198)			Less: Currency	(248)		
\$ 2,123	\$ 3,442	(38.3)%	Net cash provided by operating activities, excluding currency	\$ 3,284	\$ 4,683	(29.9)%

(1) Operating cash flow

Philip Morris International Inc.
2020 Second-Quarter Conference Call
July 21, 2020

NICK ROLLI

(SLIDE 1.)

Welcome. Thank you for joining us. Earlier today, we issued a press release containing detailed information on our 2020 second-quarter results. You may access the release on www.pmi.com or the PMI Investor Relations App.

(SLIDE 2.)

A glossary of terms, including the definition for reduced-risk products, or "RRPs," as well as adjustments, other calculations and reconciliations to the most directly comparable U.S. GAAP measures and additional heated tobacco unit market data are at the end of today's webcast slides, which are posted on our website. Unless otherwise stated, all references to IQOS are to our IQOS heat-not-burn products.

In addition, please note our estimates for total industry and market share for the quarter are subject to limitations on the availability and accuracy of industry data in certain geographies during pandemic-related restrictions.

Comparisons presented on a "like-for-like" basis reflect pro forma 2019 results, which have been adjusted for the deconsolidation of our Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), effective March 22, 2019.

(SLIDE 3.)

Today's remarks contain forward-looking statements and projections of future results. I direct your attention to the Forward-Looking and Cautionary Statements disclosure in today's presentation and press release for a review of the various factors that could cause actual results to differ materially from projections or forward-looking statements.

(SLIDE 4.)

Please also note the additional Forward-Looking and Cautionary Statements related to COVID-19.

It's now my pleasure to introduce Emmanuel Babeau, our Chief Financial Officer.

Emmanuel.

(SLIDE 5.)

Thank you, Nick, and welcome, ladies and gentlemen. I hope everyone listening to the call, and those close to you, are safe and well.

Our main focus remains the health and wellbeing of our employees, their families and the communities in which we operate.

During restrictions, we have implemented stringent policies and measures to minimize risks for those who continued to work in our facilities and offices. For all our employees, including those working from home, providing guidance and support is also essential. We are now facilitating a gradual, carefully managed return to the workplace in some locations, where local conditions and authorities' restrictions allow.

The strength and spirit shown in these challenging times by the people that make up our organization continues to be a real inspiration to me and the PMI management team, and I'd like to take this opportunity to thank them for their outstanding efforts.

(SLIDE 6.)

I now turn to the business, which delivered a robust performance in the first half of the year despite the unprecedented circumstances of the pandemic.

Most importantly, the continued momentum of IQOS was excellent with an estimated 15.4 million users at the end of the second quarter. Our commercial model pivoted rapidly to digital and remote engagement, while preserving high rates of IQOS user acquisition and brand retention. With volumes of heated tobacco units growing 24% in Q2, 2020 compared to the prior year, RRP's made up almost one quarter of our net revenues.

In addition, after two very difficult months in the quarter due to the pandemic, our combustible business is now improving. Industry volumes started to recover in June and the beginning of July, reflecting the gradual easing of confinements in many countries. The improvement was particularly driven by the EU, our largest region in terms of net revenues and adjusted operating income. The main enduring headwinds linked to COVID-related restrictions are the absence of recovery in Duty Free and in Indonesia, where this is compounded by pricing dynamics. Economic uncertainty remains and we all hope for no major resurgence of the pandemic.

Notably, despite additional COVID-related expenses, our operating margins have been strong in both the second quarter and first half. This reflects the increasing mix of RRP's in our business and their improving profitability. Productivity savings in manufacturing across RRP's and combustibles, S,G&A savings from the pivot to digital, the elimination or postponement of certain lower priority projects, and the operating leverage of higher RRP volumes all contributed. Indeed, it is no coincidence that the three Regions where RRP's have a strong presence are driving this margin performance.

(SLIDE 7.)

We reached a truly historic milestone for IQOS, our mission and our future growth prospects on July 7th with the FDA's authorization of IQOS as a modified risk tobacco product (MRTP). IQOS is the first electronic nicotine product to receive an MRTP order.

Following a review of our extensive scientific evidence package, the agency found that an exposure modification order for IQOS is appropriate to promote the public health in the United States, demonstrating that IQOS is a fundamentally different product from combustible cigarettes and a better choice for adults who would otherwise continue to smoke. The agency concluded that issuing the order for IQOS is expected to benefit the health of the population as a whole, taking into account both users of tobacco products and persons who do not currently use tobacco products.

A critical enabler for the future growth of RRP is the implementation of differentiated regulatory frameworks that can help encourage adults who would otherwise continue to smoke to instead switch to better alternatives, in line with the harm reduction principle. The authorization allows a version of IQOS to be marketed with information confirming the validity of our scientific studies with regard to the significant reduction of exposure to the harmful and potentially harmful chemicals contained in cigarette smoke. The FDA's decision, and subsequent comprehensive post-market controls and monitoring, focusing on youth use prevention, provide an important example of how governments and public health organizations around the world can implement an inclusive, science-based approach to help rapidly shift adult smokers who would otherwise continue smoking to better options, while simultaneously guarding against unintended consequences.

(SLIDE 8.)

With investors increasingly focused on environmental, social and governance aspects, I would like to highlight our recently published Integrated Report for 2019. The report covers a variety of important ESG topics and measures, including our business transformation metrics. Notably, our expanded aspirational targets now include new goals for the number of users of our smoke-free products in non-OECD countries, and youth access prevention. The report is available on our website at pmi.com.

(SLIDE 9.)

Let's turn to our strong performance over the first half of the year. This was clearly a very challenging period, with disruption to many aspects of our operations, including our supply chain and route-to-market. I am proud to say that our organization had the strength and agility to withstand this with limited impact on supply to our consumers and trade partners.

Despite these unprecedented headwinds across many of our key markets, our currency-neutral net revenues, helped by a strong first quarter, were close to flat

versus the prior year, on a like-for-like basis. Driven by pricing in combustibles, manufacturing and S,G&A efficiencies, and the dual RRP margin effect of growing weight and improving profitability, our adjusted operating income margin increased over 200 basis points to deliver 8% adjusted diluted EPS growth, all on a like-for-like ex-currency basis.

(SLIDE 10.)

I focus now on our second-quarter performance. The effects of confinement on mobility impacted daily consumption patterns in certain markets, including those of daily income workers in developing countries, and disrupted the retail trade. This led to significant industry volume declines in a number of geographies during April and May, which primarily impacted our combustible business. As expected, Duty Free sales were weak, the March build-up of trade and distributor inventories largely reversed in the first part of the quarter and we had to delay a few pricing decisions. This period also coincided with a challenging prior year comparison.

Notwithstanding these challenges, our performance was better than we expected when we last updated our guidance on June 11th. Currency-neutral net revenues declined 9.5% compared to our assumption of around the high end of -8% to -12%.

Given this net revenue decline and the strong prior year profitability, we were pleased to maintain a stable adjusted operating income margin. This was supported by growth in the net revenues and profitability of RRPs, and cost efficiencies. Combustible pricing of 3.3% also contributed, and reflects robust pricing in many markets, partly offset by Indonesia and a strong prior year comparison in Turkey.

Reported diluted EPS of \$1.25 was notably better than the upper end of our previous guidance range, including a lower currency impact of six cents. Our adjusted diluted EPS was \$1.29 excluding reporting adjustments for asset impairment and exit costs, which represents an ex-currency decline of 7.5% compared to the prior year.

There were three main drivers of this better-than-anticipated performance. First, the recovery of industry volumes in June, notably in the higher margin EU Region, benefited our net revenues and margins. Second, IQOS user acquisition grew substantially in the same month, with markets such as Russia back to pre-COVID rates and overall IQOS acquisition for the quarter only 35% below pre-pandemic levels. Last, we had the benefit of certain non-underlying factors. These include trade inventory movements in June ahead of tax and regulatory changes in Germany, Russia and Saudi Arabia, cost phasing, and a lower tax charge, largely driven by a reduced corporate income tax rate in Indonesia, as well as changes in our earnings mix. These latter factors accounted for approximately 10 cents of the better EPS performance.

(SLIDE 11.)

Before we come to guidance, I will outline some of the dynamics for the second half of the year. We expect a gradual underlying improvement in the combustible business coupled with continued robust growth for IQOS.

The pandemic continues to present an uncertain operating environment, with the potential for tightened restrictions in localized areas. While not included in our guidance assumptions, there also remains a non-negligible risk of a resurgence in the virus and the return of national lockdowns. The full economic fallout of the various restrictions is also unclear.

This said, we observe relative stability in terms of pandemic restrictions and improving visibility across a number of geographies in recent weeks. Conversely, visibility remains lower in some areas such as Indonesia and Latin America, in addition to the absence of any recovery so far in Duty Free, which as a reminder represented close to 4% of our net revenues in 2019.

In terms of our cigarette business, while underlying industry volumes are gradually improving as restrictions ease, we assume that the return to a 'normal' level of consumption occasions for consumers will take time. We do not assume a significant widespread increase in downtrading, with such dynamics currently concentrated in markets where a trend already existed due to elevated price gaps. It is reasonable to expect some delays in the timing of pricing in certain markets due to the pandemic situation.

In RRP's, sales of devices and HTUs are performing strongly, reflecting the better-than-expected IQOS user acquisition and continued strong brand retention and conversion. Our unique commercial model has demonstrated the flexibility to accelerate the shift to digital and remote activities, and we continue with a high level of such engagement in markets where stores have reopened.

(SLIDE 12.)

Despite the exceptional headwinds of 2020, we expect to grow our full-year adjusted diluted EPS between 2% and 5% on a currency-neutral like-for-like basis. This corresponds to an adjusted diluted EPS range of \$4.92 to \$5.07, including an estimated unfavorable currency impact, at prevailing exchange rates, of 31 cents.

This forecast assumes a total industry decline of 7% to 9%, excluding the U.S. and China, and a decline in total PMI shipment volumes of 8% to 10% on a like-for-like basis, due notably to Duty Free and Indonesia. With regard to net revenues, in like-for-like ex-currency terms, we assume low-single digit growth excluding Duty Free and Indonesia, but due to these two factors our overall net revenues may see a modest decline. The forecast also reflects expansion in our ex-currency like-for-like adjusted operating income margin of more than 150 basis points. We expect the full-year effective tax rate to be in a range of 22% to 23%, 2020 operating cash flow of at least \$9.0 billion and \$0.7 billion of capital expenditures. All these estimates assume that national lockdowns will not recur in our key international markets in the remainder of the year.

(SLIDE 13.)

Specifically for the second half, while underlying trends should gradually improve, we expect the recovery in our growth to be skewed toward the fourth quarter. This assumes the progressive easing of restrictions across the remaining markets with commensurate greater industry recovery toward the end of the year, and the compound effect of increased sequential *IQOS* user acquisition.

In the third quarter we expect the reversal of certain one-time benefits from the first half, with an EPS impact of approximately 10 cents and a net revenue impact of around 1%. The continuation of headwinds in Duty Free and Indonesia, the timing of 2020 pricing in certain markets, and the phasing-in of costs are also included in our assumptions.

We expect to see a good sequential improvement in reported net revenues in the third quarter but a decline compared to the challenging prior year comparison. For adjusted EPS, also due to the timing of certain S,G&A costs and the one-off items of the first half, we expect Q3, 2020 to be broadly in line with Q2, 2020.

Sequential improvement in reported net revenues should continue in the fourth quarter, although likely still in slightly negative territory compared to 2019. Growth in adjusted EPS will also be driven by a greater expected realization of cost efficiencies from new initiatives.

(SLIDE 14.)

I will now cover our second quarter performance in more detail. As expected, our shipment volumes were weak, driven by the effect of marked industry declines on our combustible volumes due to pandemic-related lockdown measures. Notable market contributors to this decline were Indonesia, Mexico and the Philippines, all of which were impacted by restrictions, loss of income for daily wage workers and significant price increases. Conversely, our HTU shipment volumes continued to grow strongly to reach a record 18.7 billion units -- driven by the EU Region, Japan and Russia.

(SLIDE 15.)

While overall volumes in the quarter were weak, the sequential recovery seen in June and the beginning of July is more encouraging. Our combined June in-market sales volumes were the highest monthly total this year and grew 2.8% compared to June 2019. Though this growth includes an estimated 3 billion unit effect from inventory movements, it mainly reflects better industry dynamics across many geographies, notably the EU Region which declined by 7.3% in Q2 overall, but grew in June. We are also encouraged by the sequential improvement in HTU volumes which exhibited positive year-on-year growth throughout the quarter.

(SLIDE 16.)

This strong performance from IQOS means that heated tobacco units made up over 10% of our total shipment volume in the first half of the year, as compared to approximately 8% in 2019, and 5% in 2018. While somewhat flattered in Q2, 2020 by weaker combustible volumes, we expect this proportion to grow over time as our positive momentum on RRP continues.

(SLIDE 17.)

RRP net revenues reached \$3.2 billion in the first half, reaching almost one quarter of PMI's total net revenues in Q2. IQOS devices accounted for approximately 8% of RRP net revenues in the second quarter due to a lower ratio of new users to existing users given pandemic effects, longer replacement cycles and geographic mix, as in some countries we still sell a substantial amount of the lower-priced IQOS 2.4+ device.

(SLIDE 18.)

Turning now to market share, our total international share declined by 0.1 point to 28.0% in the second quarter, with higher share for heated tobacco units, which increased by 0.9 points to reach 3.0%, offset by lower share for cigarettes.

Our market share was negatively impacted by Indonesia and the market mix effect of Duty Free, where volumes dropped sharply and our share is typically much higher than our overall international share. The cannibalization effects of out-switching to IQOS were essentially offset by positive impacts elsewhere and, in markets where IQOS has a meaningful presence, our share increased with almost no exceptions. It follows that our combined market share increased notably in the EU Region, Japan and Russia.

It's also true that in many markets, *Marlboro* over-indexes to social consumption occasions, which were naturally lower during COVID-related confinements. We expect *Marlboro* share to recover as restrictions ease.

(SLIDE 19.)

Indonesia's cigarette market saw an accumulation of headwinds in the second quarter. A pronounced impact from pandemic-related restrictions on daily consumption added to the effects of tax-driven pricing and retail disruption. Industry volumes declined by 22% excluding trade inventory movements, whereas our shipments declined 28%.

Our share decline can be attributed to three broad dynamics. First, within the tier one segment, price gaps remain elevated given our price leadership of the past 18 months and the delay in the enforcement of the minimum retail price. Combined with COVID effects, this has contributed to the underperformance of our premium-skewed portfolio, despite better sequential performance from *A Mild*.

The process of minimum selling price enforcement has started. Government inspectors have returned to the field; however, the full enforcement and

subsequent trade flow-through of compliant products may not be complete until the fourth quarter.

Second is the strong growth of the tax-advantaged 'below tier one' segment, which in conjunction with the tax-driven pricing and pandemic situation of 2020, has led to increased downtrading. This was designed for small players with production below a certain volume threshold. However, the segment is not operating within the spirit and intent of the law. With the segment now at approximately 25% of the market, this represents a serious threat to government excise revenues and the correction of volume-based tax tiers becomes urgent.

Third, the stricter public mobility restrictions in urban areas, where our share is higher, has disproportionately impacted our portfolio. However, our market share sequentially improved in June, supported by the strength of our brands.

While we see signs of improvement in the market, the situation remains challenging. We now assume the total industry decline will be approximately 15% for the full year, reflecting progressive sequential improvement in daily consumption from the particularly weak second quarter.

(SLIDE 20.)

We are fully committed to improving our performance in this key market. We have a number of ongoing commercial initiatives to leverage the equity of our brand portfolio through the remainder of the year. This includes the introduction of new variants in the growing SKT and full-flavor SKM segments such as *Dji Sam Soe 12s*, launched in March, and *Marlboro Filter Black 16s*, launched this month.

However, with enforcement of the minimum retail price now underway, the main outstanding structural issue is the volume-tiered tax system, which clearly advantages growth of the super-low segment. In the status quo, this will have a significant impact on government excise revenues this year. We concur with the public policy experts and economists that urge the government to create more predictability and a level playing field by reforming the multi-tier excise tax structure and enforcing the minimum retail selling price without exception across Indonesia.

Overall, while short-term challenges remain, the structural headwinds in the market are addressable through government action. The headwinds directly related to the pandemic are likely to be temporary in nature and our brands are strong, giving us a solid platform to rebuild our share.

(SLIDE 21.)

I shift now to our RRP performance. We estimate that there were 15.4 million total IQOS users as of June 30, compared to an estimated 14.6 million last quarter. This represents the addition of around 4 million adult users since the same time last year - a phenomenal achievement given the circumstances.

This reflects widespread user growth momentum across all key IQOS geographies, including Japan, the EU Region and Russia.

We further estimate that 72% of this total -- or 11.2 million adult smokers -- have stopped smoking and switched to IQOS, with the balance in various stages of conversion. We observe early indications that the propensity of smokers to switch to RRP is trending positively since the pandemic began, and we will see how this develops in the coming periods. We are also optimistic that the FDA's granting of the Modified Risk Tobacco Product order for a version of IQOS will contribute over time to better understanding of the heated tobacco category and the benefits of switching to IQOS compared to continued smoking.

(SLIDE 22.)

The overall share performance of IQOS HTUs continues to see excellent progress. Indeed, in international markets where IQOS has been commercialized, IQOS HTUs were again the third-largest 'brand' in the second quarter with 6.3% share, increasing from 4.5% in Q2, 2019 on a comparable market footprint. This was achieved despite not having full national distribution in many markets.

(SLIDE 23.)

In the EU Region, we added a record number of IQOS users in the second quarter to reach 4.3 million, an impressive performance given the context of the pandemic. This includes strong growth in Italy, the Czech Republic, Poland and Germany, and in historically slower markets such as the UK, where HTU volumes increased more than five-fold over the prior year quarter, and Spain. National offtake share surpassed 1% in both of these latter markets despite limited distribution.

(SLIDE 24.)

Second-quarter share for HEETS reached 3.9% of total industry volume, which was depressed by an estimated 0.2 points due to consumer pantry loading effects.

Sequential share increased by 0.3 points on an adjusted basis, with in-market sales volume 5% higher compared to Q1, 2020. I also refer you to the appendix where we show shares for key EU markets and global key cities, which serve as a useful indicator for national share growth potential.

(SLIDE 25.)

IQOS continued its strong performance in Russia, with HEETS share up by 3.0 points to reach 5.9%. On a sequential basis versus the first quarter of 2020, HEETS share decreased by 0.6 points, reflecting a higher combustible market in the quarter due to increased daily consumption in the warmer months and a trade inventory build-up ahead of the July introduction of a track-and-trace system. A more reliable indicator is sequential in-market sales which increased by approximately 12% compared to 3% sequential growth in the first quarter.

(SLIDE 26.)

In Japan, our total reported share for heated tobacco units reached 20.0% in the second quarter, supported by line extensions for both *Marlboro HeatSticks* and *HEETS*. *IQOS* users grew to an estimated total of 5.8 million, of which an estimated 4.3 million have stopped smoking and switched to *IQOS*.

On an adjusted total tobacco view including cigarillos and adjusted for trade inventory movements, the share for our HTU brands increased by 2.0 points versus the prior year quarter, and by 0.7 points sequentially, to 18.5%.

Q2, 2020 adjusted in-market sales volumes for our HTU brands grew 4.9% sequentially. This helped drive growth of the overall heated tobacco category to a second-quarter total tobacco share of over 25%.

(SLIDE 27.)

In addition to strong RRP growth in existing markets, the geographical expansion of *IQOS* continues. Despite pandemic-related restrictions we leveraged our digital capabilities to launch in 4 new markets: Austria, North Macedonia, Montenegro and Saudi Arabia. This takes the total number of markets where *IQOS* is available for sale to 57.

Importantly, we still plan to expand our portfolio of smoke-free offerings in the second half of the year with the launches of *IQOS VEEV* in the e-vapor category and of licensed KT&G products in select markets.

(SLIDE 28.)

To conclude on today's presentation, our growth prospects remain strong. The continued momentum of *IQOS* through the unprecedented circumstances of the COVID pandemic demonstrates the structural growth characteristics of RRP, and we are on track to reach our 2021 target of 90 to 100 billion shipments of heated tobacco units.

RRPs now make up almost a quarter of our net revenues, and we expect this percentage to grow over time. With digital efficiencies, operating leverage from scale effects and productivity savings simultaneously driving up the profitability of RRP, this is a very positive dynamic for our margin outlook.

The historic milestone of Modified Risk Tobacco Product authorization for *IQOS* is a further testament to the integrity of the product and brand proposition, and underlines the need for governments to implement science-based regulation.

In addition, after a difficult April and May, the industry recovery has now started, providing better visibility for the rest of the year. It is also now clear that the effects of the pandemic on the Duty Free business and the specific dynamics in Indonesia will persist for at least another quarter. These factors are reflected in our expectation of sequential improvement through the second half of 2020.

We assume the global economic backdrop is likely to affect total cigarette volumes and induce some downtrading in certain markets. This is a dynamic we have faced before in a variety of markets, where we have demonstrated robust business performance. As a reminder we expect the unprecedented declines in Q2, 2020 to reverse next year, easing comparisons. We also remain committed to increasing our market share through the growth of RRP's and by maintaining our leadership position in combustibles.

This is supported by a continued sharp focus on costs. We remain on track to deliver our target of over \$1 billion in efficiencies by 2021 through both manufacturing productivities and S,G&A savings. We have additional opportunities on top of this from changes in our post-pandemic way of working, including the acceleration of digital activities.

Importantly, our balance sheet and financial position are strong, and our commitment to the dividend remains unwavering.

Last, when COVID-related headwinds abate we expect to resume growth consistent with the currency-neutral compound annual growth rates in our 2019-2021 algorithm of at least 5% net revenue growth and at least 8% adjusted diluted EPS growth.

(SLIDE 29.)

Thank you. I am now happy to answer your questions.

NICK ROLLI

That concludes our call today. Thank you for joining us. If you have any follow-up questions, please contact the Investor Relations team. Thank you again and have a nice day.



PHILIP MORRIS
INTERNATIONAL

Exhibit 9

Delivering a Smoke-Free Future

2020 Second-Quarter Results

July 21, 2020





Introduction

- A glossary of key terms and definitions, including the definition for reduced-risk products, or "RRPs," additional heated tobacco unit market data, as well as adjustments, other calculations and reconciliations to the most directly comparable U.S. GAAP measures are at the end of today's webcast slides, which are posted on our website
 - Unless otherwise stated, all references to IQOS are to our IQOS heat-not-burn products
 - Our estimates for total industry and market share for the quarter are subject to limitations on the availability and accuracy of industry data in certain geographies during pandemic-related restrictions
 - Comparisons presented on a "like-for-like" basis reflect pro forma 2019 results, which have been adjusted for the deconsolidation of our Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), effective March 22, 2019
-



Forward-Looking and Cautionary Statements

- This presentation and related discussion contain projections of future results and other forward-looking statements. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statement. 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 and other nicotine-containing 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 development; 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 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 March 31, 2020. 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
-

Forward-Looking and Cautionary Statements (COVID-19)



- The COVID-19 pandemic has created significant societal and economic disruption, and resulted in closures of stores, factories and offices and restrictions on manufacturing, distribution and travel, all of which will adversely impact our business, results of operations, cash flow and financial position during the continuation of the pandemic
 - Our business continuity plans and other safeguards in place may not be effective to mitigate the impact of the pandemic. Currently significant risks include our diminished ability to convert adult smokers to our RRP, significant volume declines in our duty-free business and certain other key markets, disruptions or delays in our manufacturing and supply chain, increased currency volatility, and delays in certain cost saving, transformation and restructuring initiatives. Our business could also be adversely impacted if key personnel or a significant number of employees or business partners become unavailable due to the COVID-19 outbreak. The significant adverse impact of COVID-19 on the economic or political conditions in markets in which we operate could result in changes to the preferences of our adult consumers and lower demand for our products, particularly for our mid-price or premium-price brands. Continuation of the pandemic could disrupt our access to the credit markets or increase our borrowing costs. Governments may temporarily be unable to focus on the development of science-based regulatory frameworks for the development and commercialization of RRP or on the enforcement or implementation of regulations that are significant to our business. In addition, messaging about the potential negative impacts of the use of our products on COVID-19 risks may lead to increasingly restrictive regulatory measures on the sale and use of our products, negatively impact demand for our products, the willingness of adult consumers to switch to our RRP and our efforts to advocate for the development of science-based regulatory frameworks for the development and commercialization of RRP
 - The impact of these risks also depends on factors beyond our knowledge or control, including the duration and severity of the outbreak, its recurrence in our key markets, actions taken to contain its spread and to mitigate its public health effects, and the ultimate economic consequences thereof
-

Supporting Our Employees and Communities Through the COVID Pandemic

- Our main focus remains the health and wellbeing of our employees, their families and the communities in which we operate
- Implemented policies and measures to protect, support and reassure employees
- Outstanding strength and spirit shown by all our people



Robust Performance in Unprecedented Circumstances



- Very strong performance from IQOS, with an estimated 15.4 million users, and 24% growth in HTL volume vs. Q2, 2019:
 - RRPs now account for 24% of total net revenues
- Industry volume recovery started in June and the beginning of July as confinements gradually ease, with improving visibility on our combustible business:
 - Notably in the EU Region
 - Main enduring headwinds: Duty Free and Indonesia dynamics
 - Post-COVID economic uncertainty remains
- Strong OI margins in Q2 and H1, 2020, driven by increasing mix of RRPs in our business and growing IQOS profitability:
 - Digital efficiencies and operating leverage driving RRP profitability
 - Productivity savings in RRPs and combustibles
 - Cost efficiencies and elimination or postponement of certain lower priority projects
 - Notable margin growth in our current main RRP Regions (EU, EE and EA&A)

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

Historic Milestone:

***U.S. FDA
Authorizes
Marketing of IQOS
as a Modified Risk
Tobacco Product***

- **First electronic nicotine product authorized as a Modified Risk Tobacco Product (MRTP) with reduced exposure message**
- Demonstrates that IQOS is a fundamentally different tobacco product, and a better choice for adults who would otherwise continue smoking
- Decision validates PMI's science-based approach, the U.S. approach to harm reduction for adult smokers, and the tobacco and nicotine risk continuum
- FDA found that the exposure modification order for IQOS would be appropriate to promote the public health and is expected to benefit the health of the population as a whole
- FDA's comprehensive post-market controls and monitoring provide an important example for implementing science-based regulations that promote public health while minimizing undesirable outcomes





June 30, 2019

PMI Report 2019 ESG Performance Its First Integrated Report

DELIVERING A SMOKE-FREE FUTURE

Progress toward a world
without cigarettes

INTEGRATED REPORT 2019



PHILIP MORRIS
INTERNATIONAL

Source: <https://www.pmi.com/integrated-report-2019>



H1, 2020: Strong Currency-Neutral Performance

(Variance vs. PY)

Net Revenues (ex-currency, like-for-like)	(0.5)%
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Combustible Tobacco Pricing^(a) (like-for-like)	5.4%
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Adjusted OI Margin (ex-currency, like-for-like)	+230bps
---	----------------

Adjusted Diluted EPS (ex-currency, like-for-like)	8.0%
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(a) As a percentage of PY combustible tobacco net revenues

Note: Comparisons presented on a "like-for-like" basis reflect pro forma 2019 results, which have been adjusted for the deconsolidation of our Canadian subsidiary, Rothmans, Benson & Hedges Inc. (RBH), effective March 22, 2019. For reconciliations to the most directly comparable U.S. GAAP measures for the impact attributable to RBH, refer to slide 51.

Source: PMI Financials or estimates



Q2, 2020: Better Than Expected in Challenging Quarter

(Variance vs. PY)

	<u>Guidance (June 11)</u>	<u>Actuals</u>
Net Revenues (ex-currency)	Around the high end of (8)% to (12)%	(9.5)%
Adjusted OI Margin (ex-currency)		Flat
Reported Diluted EPS	Toward upper end of \$1.00 to \$1.10	\$1.25
Adjusted Diluted EPS		\$1.29 (7.5 ex-curr)
Currency Impact (at then prevailing exchange rates)	(7) cents	(6) cents

Source: PMI Financials or estimates

Outlook: Uncertain Environment, Gradual Improvement



Operating Environment

- Uncertainty remains in terms of:
 - Volatility and risk of virus resurgence
 - Economic fallout
- Relative stability in some geographies, notably the EU Region
- Continued low visibility in some other areas such as Indonesia, Latin America, Duty

Business Dynamics

- 'Normality' in consumption occasions will take time to recover, but underlying industry volumes are sequentially improving
- We do not assume widespread increases in down-trading; concentrated in certain markets with an existing trend due to higher price gaps
- Some delays in planned pricing due to pandemic-related restrictions
- Continued growth in IQOS users and HTU sales

Source: PMI Financials or estimates (status on July 21, 2020)



FY, 2020: Expect Growth in Underlying Adjusted EPS

- Expect low-to-mid single digit adjusted diluted EPS growth, on a currency-neutral like-for-like basis
 - Forecast of 2% to 5% currency-neutral like-for-like growth reflects a range of \$4.92 to \$5.07, including estimated 31 cents currency headwind, at prevailing exchange rates
- Assumes:
 - An estimated total market volume decline of approximately 7% to 9%^(a)
 - PMI shipment volume decline of approximately 8% to 10%, on a like-for-like basis, notably due to Duty Free and Indonesia
 - Low single digit net revenue growth excluding Duty Free and Indonesia; low-single digit decline overall; all on a currency-neutral like-for-like basis
 - Operating income margin expansion of more than 150bps, on a currency-neutral like-for-like basis
 - An effective tax rate in a range of 22% to 23%
 - Operating cash flow of at least \$9.0 billion^(b)
 - Capital expenditures of approximately \$0.7 billion
 - Non-recurrence of national lockdowns in key international markets
 - No share repurchases

(a) Excluding China and the U.S.

(b) Operating cash flow is defined as net cash provided by operating activities. Subject to year-end working capital requirements and currency movements

Source: PMI Financials or estimates

H2, 2020: Gradual Underlying Improvement



EPS Growth Expected to Skew to Q4

Q3

- Sequential underlying improvement in net revenues and adjusted EPS
- Performance impacted by:
 - Reversal of certain H1 effects
 - Phasing of certain S,G&A investments
 - Timing of 2020 pricing in certain markets
- Adjusted EPS broadly in line with Q2

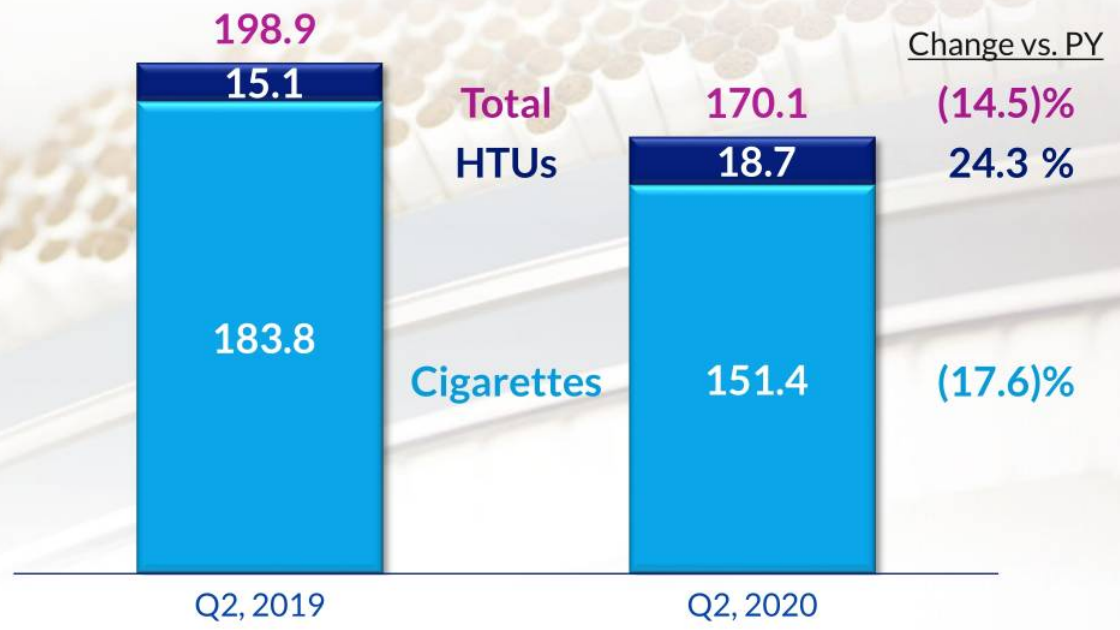
Q4

- Expect growth in adjusted EPS, further sequential improvement in net revenue
 - Assume further underlying recovery in many markets
 - Stepped-up cost efficiencies to have greater impact

Source: PMI Financials or estimates

Total PMI Shipment Volume

(billion units)

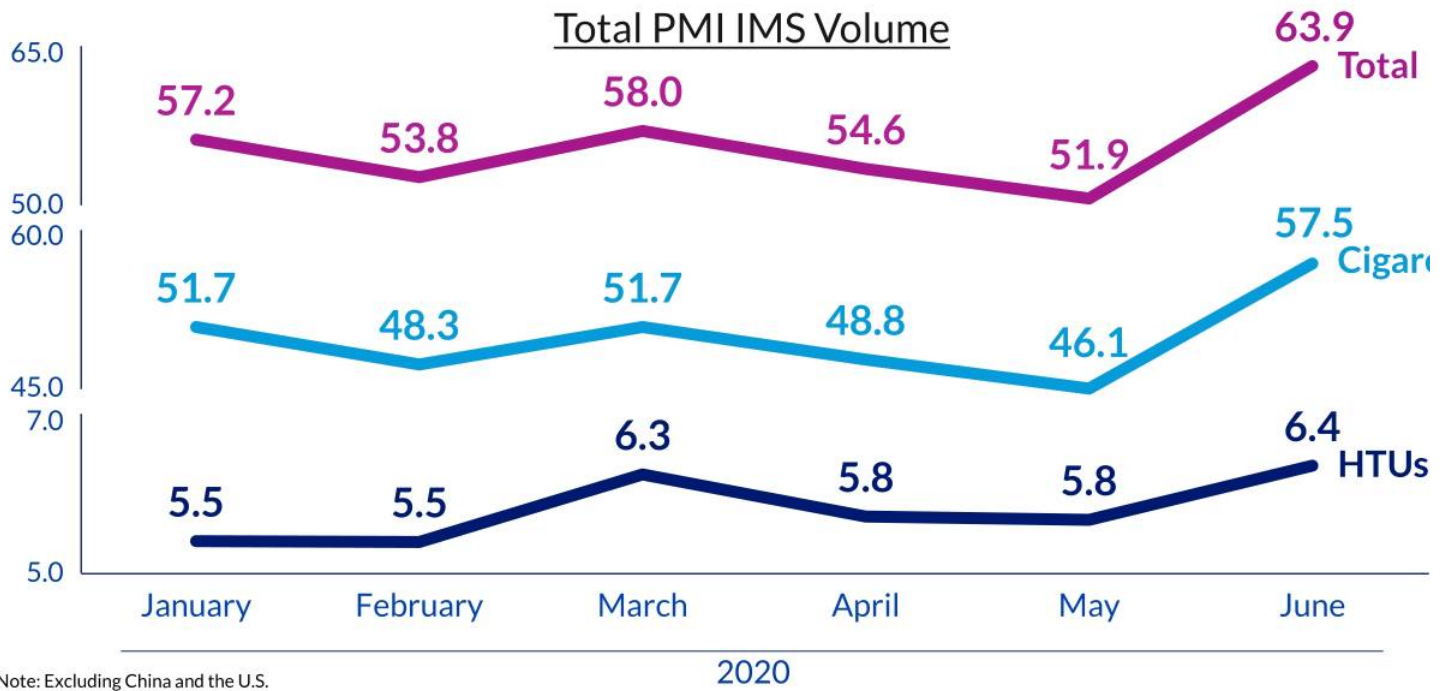


Source: PMI Financials or estimates



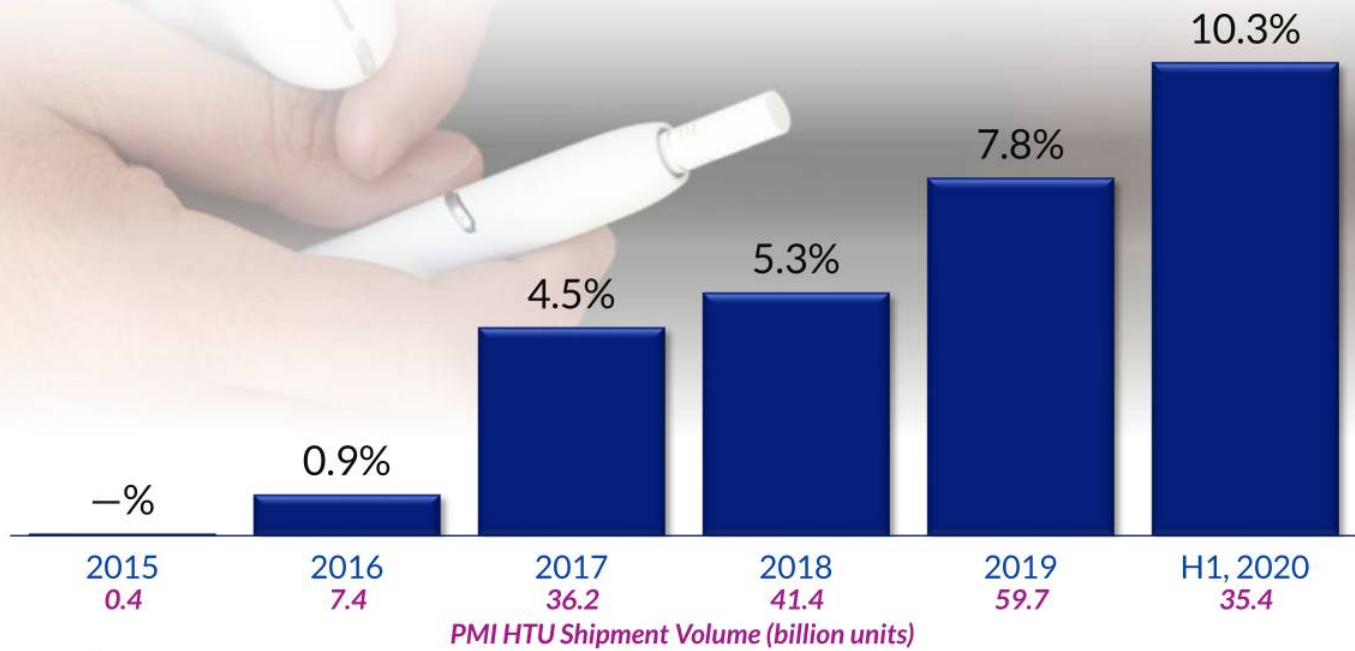
Sequential Volume Recovery

(billion units)



HTUs Now Comprise Over 10% of Our Total Volume

(as a % of PMI Total Shipment Volume)

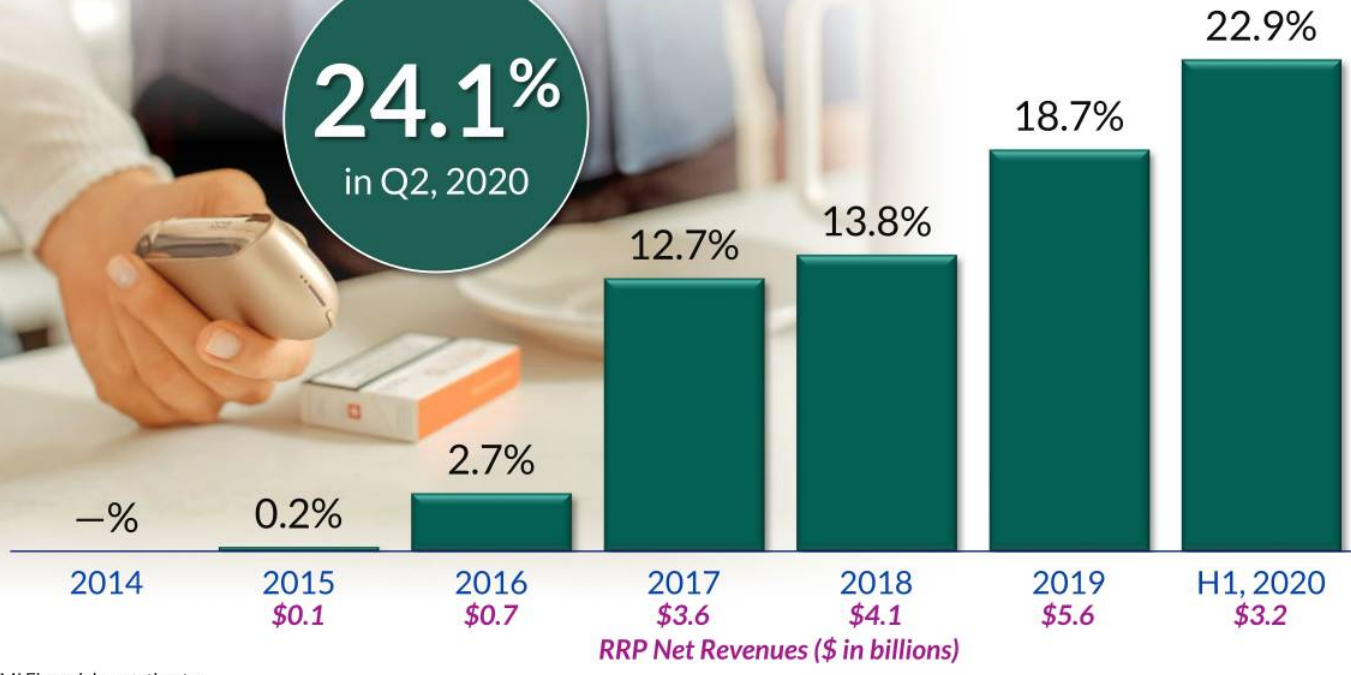


Source: PMI Financials or estimates

Increasing Weight of RRP Driven by Strong Growth

(as a % of PMI Total Net Revenues)

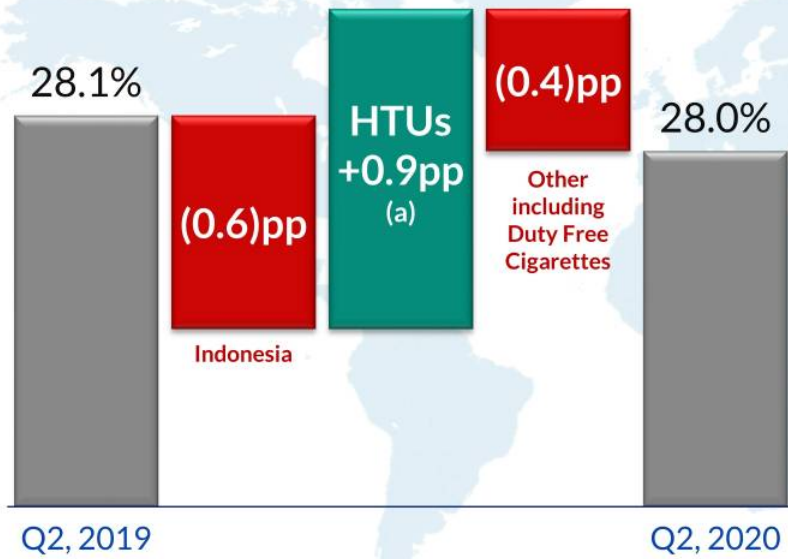
24.1%
in Q2, 2020



Source: PMI Financials or estimates



PMI Total International Market Share



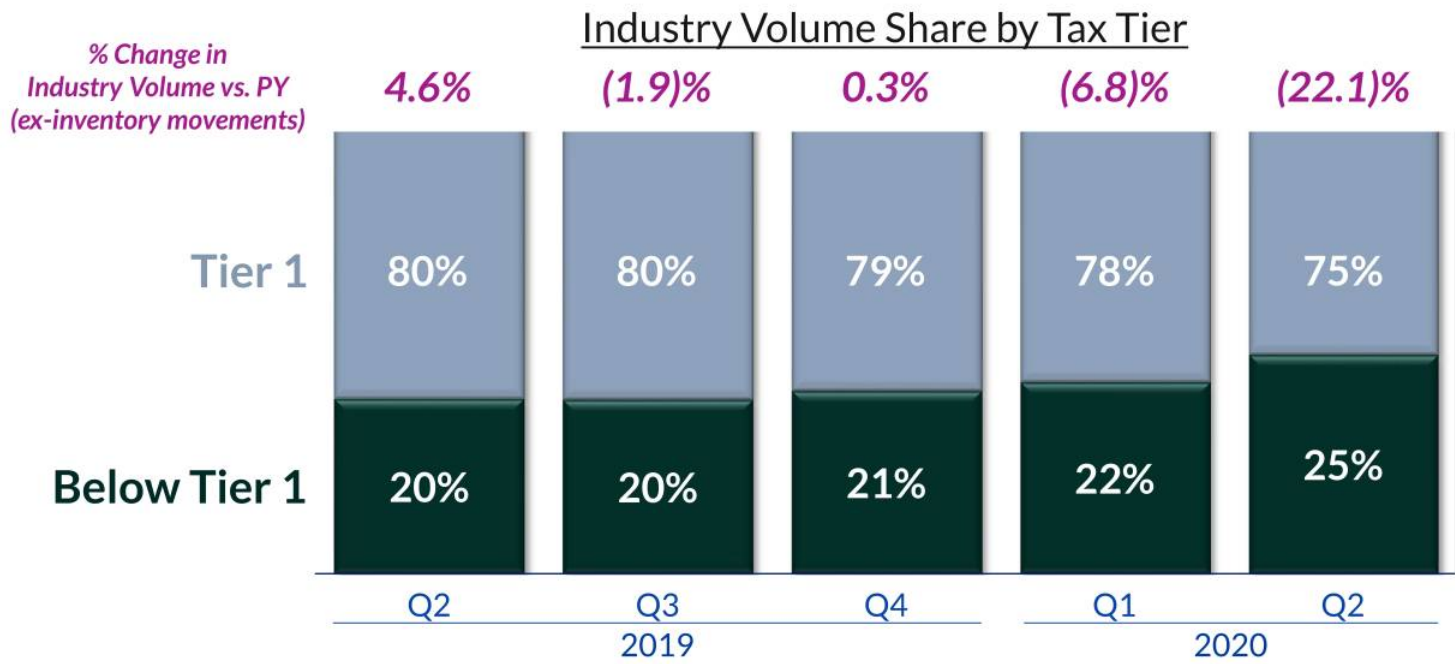
- Higher share in majority of EU market, Japan and Russia
- Lower share in Indonesia
- Negative market mix impact of Duty Free
- IQOS cannibalization offset by impact elsewhere
- Over-indexing of *Marlboro* to social consumption

(a) HTUs include a (0.1)pp impact of Duty Free HTUs

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

Source: PMI Financials or estimates

Indonesia: 2020 Headwinds Exacerbated by COVID



Source: PMI Financials or estimates

Indonesia: Addressing the Challenges

- Ongoing initiatives to leverage our strong brand portfolio
- The growth of the super-low segment will have a significant impact on government excise revenues this year
- We concur with the public policy experts and economists that urge the government to create more predictability and a level playing field, by:
 - Reforming the multi-tier excise tax structure
 - Enforcing the minimum retail selling price without exception across Indonesia
- Market environment remains challenging, but with signs of gradual improvement

Source: PMI Financials or estimates



Over 15 Million IQOS Users

*HOME IS WHERE
THE SMOKE ISN'T*

IQOS has no second hand smoke and produces no fire or ash, and leaves significantly less staining on your curtains and furniture.

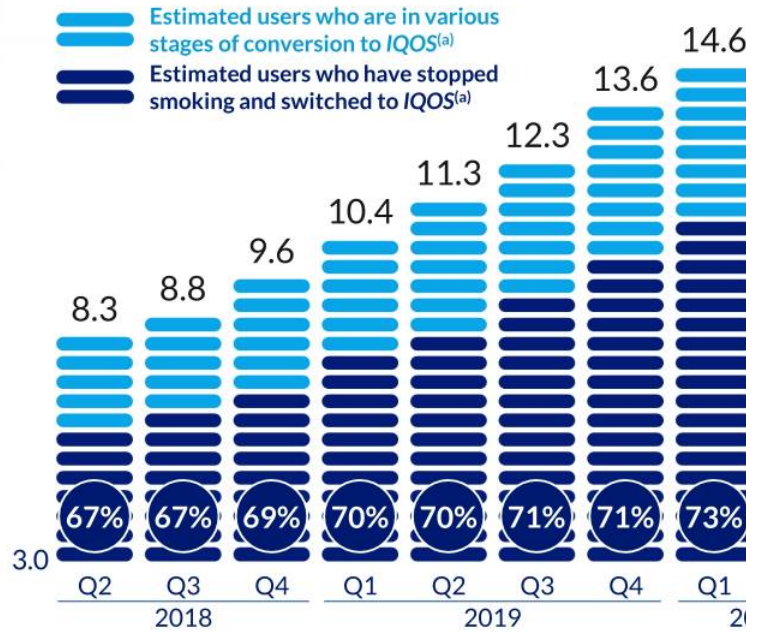
TOGETHER. FORWARD.

IQOS

Discover more at IQOS.com

This product is not risk free and is addictive. For adult use only.

Total IQOS Users^(a) (in millions)



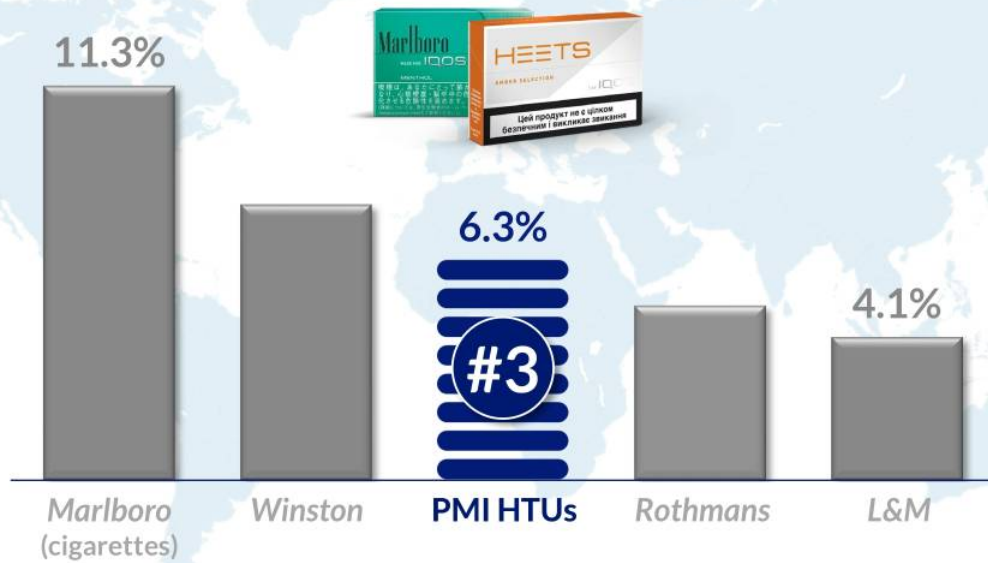
(a) See Glossary for definition

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



Third-Largest Tobacco 'Brand' in IQOS Markets

Share in IQOS Markets (Q2, 2020)^(a)



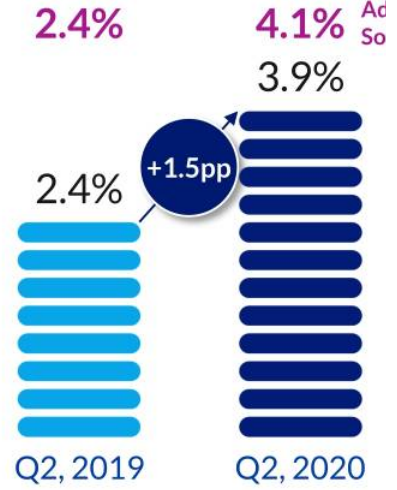
(a) Reflects 56 markets where IQOS is available in key cities or nationwide at July 2, 2020. Excludes the U.S.
Note: Reflects sales volume as a percentage of the total industry sales volume for cigarettes and HTUs
Source: PMI Financials or estimates

EU Region: Record IQOS User Growth in Q2, 2020



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

EU Region: Continued *HEETS* Share Growth



Sequential Performance

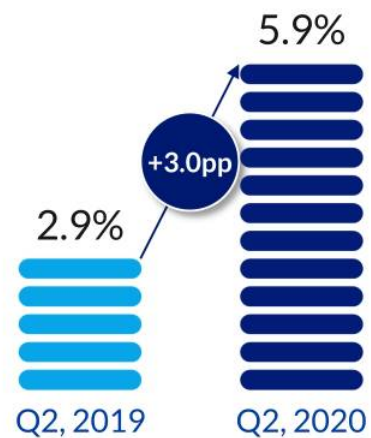
(vs. Q1, 2020)

Adjusted SoM: +0.3pp^(a)
Adjusted IMS Volume: +5%

(a) Excluding the estimated impact of consumer pantry loading
Source: PMI Financials or estimates



Russia: Continued *HEETS* Share Growth



Sequential Performance

(vs. Q1, 2020)

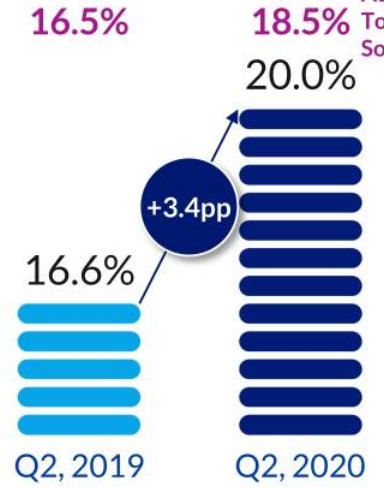
SoM: (0.6)pp

IMS Volume: +11.9%

Source: PMI Financials or estimates



Japan: Continued PMI HTU Share Growth



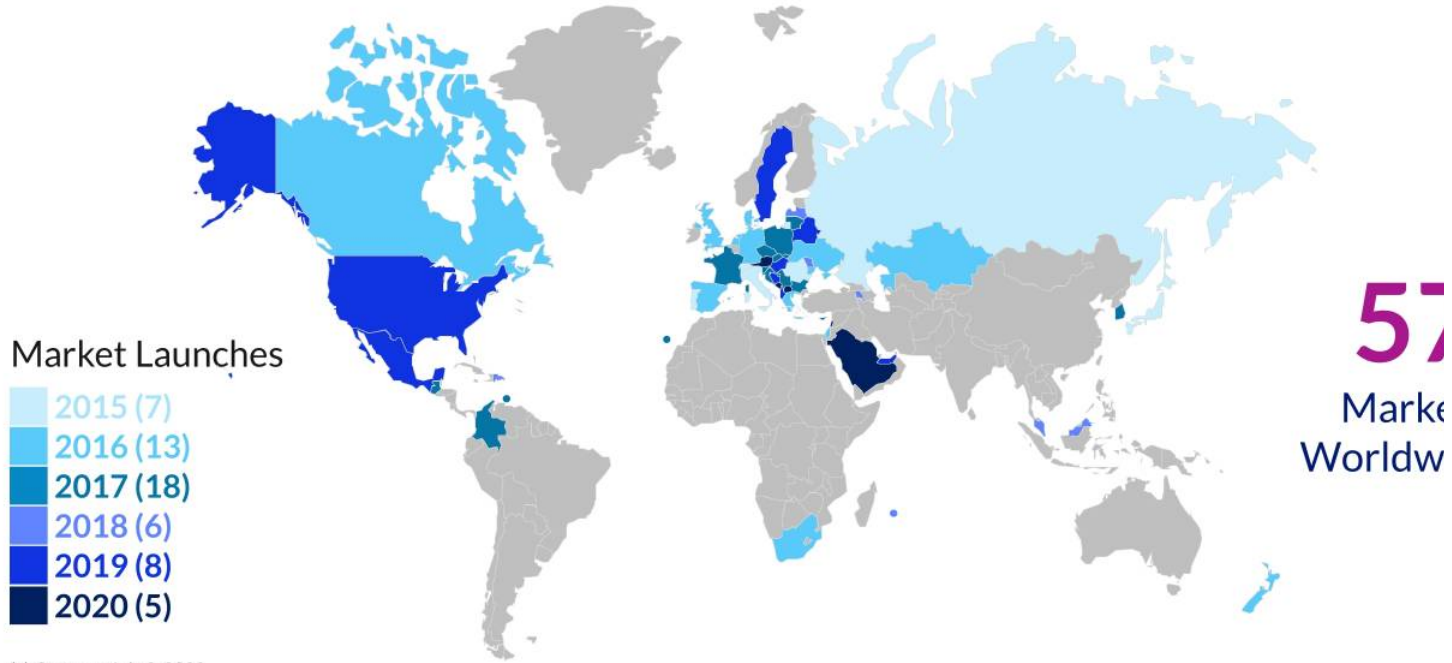
Sequential Performance

(vs. Q1, 2020)

Adjusted Total Tobacco SoM: +C
Adjusted IMS Volume: +4.9%

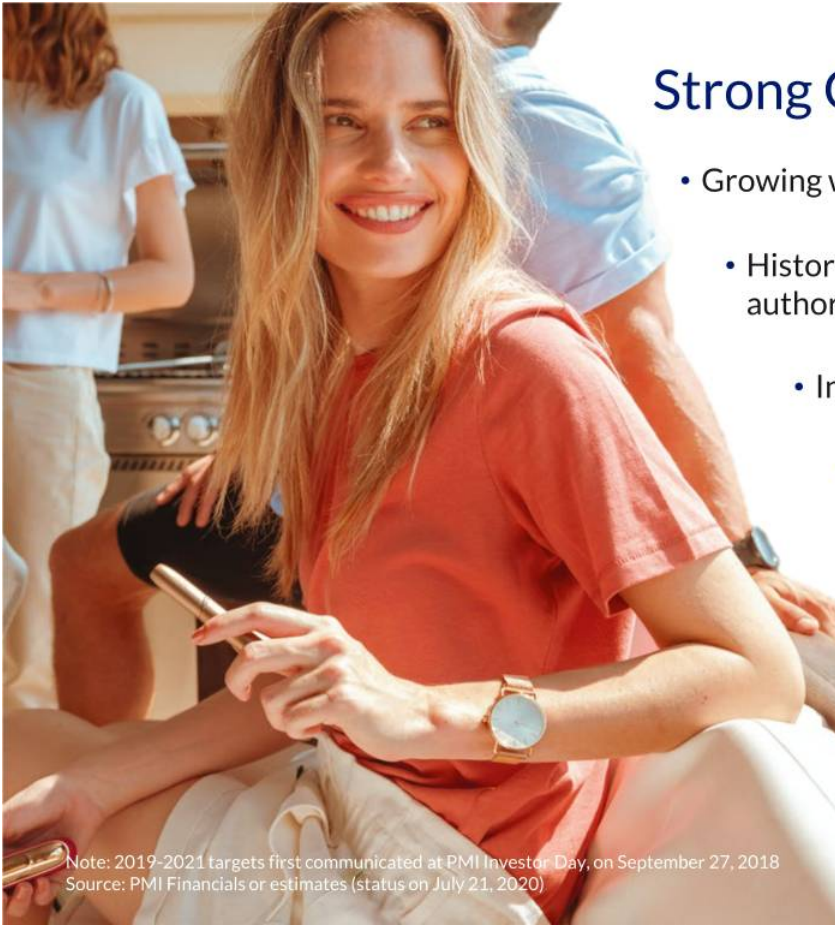
(a) Excluding the impact of estimated trade inventory movements, and including the cigarillo category
Source: PMI Financials or estimates

Geographic Expansion of IQOS Continues



(a) Status at July 2, 2020

Note: Reflects markets where IQOS is available in key cities or nationwide. Reflects date of initial geographic expansion beyond pilot launch city. The number of markets includes Inter Duty Free. While IQOS is currently available for sale in Mexico, the country recently banned the importation of e-cigarettes and devices that heat tobacco. Effective March 27, 2020, South Africa banned all tobacco sales (including HEETS) due to the pandemic



Strong Growth Prospects



- Growing weight and profitability of RRP
- Historic milestone of Modified Risk Tobacco Product authorization for IQOS
- Industry volume recovery has started
- Strong cost and margin focus while continuing to invest in RRP
- Strong balance sheet and unwavering commitment to the dividend
- Remain confident in our mid-term growth prospects; when COVID-related headwinds abate, expect to resume growth consistent with targeted 2019-2021

Note: 2019-2021 targets first communicated at PMI Investor Day, on September 27, 2018
Source: PMI Financials or estimates (status on July 21, 2020)



PHILIP MORRIS
INTERNATIONAL

Delivering a Smoke-Free Future

2020 Second-Quarter Results

Questions & Answers

Have you downloaded the PMI Investor Relations App yet?

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Or go to: www.pmi.com/irapp

iOS Download



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Delivering a Smoke-Free Fut

2020 Second-Quarter Results

July 21, 2020



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



Glossary: General Terms

- "PMI" refers to Philip Morris International Inc. and its subsidiaries
 - Until March 28, 2008, PMI was a wholly owned subsidiary of Altria Group, Inc. ("Altria"). Since that time the company has been independent and is listed on the New York Stock Exchange (ticker symbol "PM")
 - "RBH" refers to PMI's Canadian subsidiary, Rothmans, Benson & Hedges Inc.
 - The Companies' Creditors Arrangement Act (CCAA) is a Canadian federal law that permits a Canadian business to restructure its affairs while continuing to carry 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 cigarette and heated tobacco units
 - References to total international market, defined as worldwide cigarette and heated tobacco unit volume excluding the U.S., total industry 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
 - Estimates for second-quarter 2020 and six months year-to-date 2020 total industry volume and market share in certain geographies reflect limitations on the availability and accuracy of industry data during pandemic-related restrictions
 - "OTP" is defined as "other tobacco products," primarily roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos, and does not include reduced-risk products
 - "Combustible products" is the term PMI uses to refer to cigarettes and OTP, combined
 - In-market sales, or "IMS," is defined as sales to the retail channel, depending on the market and distribution model
 - "Total shipment volume" is defined as the combined total of cigarette shipment volume and heated tobacco unit shipment volume
-



Glossary: General Terms (cont.)

- "EU" is defined as the European Union Region
 - "EE" is defined as the Eastern Europe Region
 - "ME&A" is defined as the Middle East & Africa Region and includes PMI's duty free business
 - "S&SA" is defined as the South & Southeast Asia Region
 - "EA&A" is defined as the East Asia & Australia Region
 - "LA&C" is defined as the Latin America & Canada Region
 - Following the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), PMI will continue to report the volume of brands sold by RBH for which other PMI subsidiaries are the trademark owner. These include *HEETS*, *Next*, *Philip Morris* and *Rooftop*
 - 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 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
 - "Illicit trade" refers to domestic non-tax paid products
 - "RSP" stands for retail selling price
 - "SoM" stands for share of market
 - "ESG" stands for environmental, social, and governance
-



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
 - "S,G&A" stands for selling, general & administrative
 - "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
 - 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, asset impairment and exit costs associated with plant closures in Pakistan and Colombia, recorded in the first and second quarters of 2019, respectively, and asset impairment and exit costs associated with organizational design optimization, recorded in the second quarter of 2020. 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 : year-to-date, see Schedule 3 in PMI's first-quarter 2019 earnings release
 - "Fair value adjustment for equity security investments" reflects the adjustment resulting from share price movements in passive investments for publicly traded entities that are not controlled or influenced by PMI. Under U.S. GAAP, such adjustments are required, since January 1, 2018, to be reflected directly in the income statement
-



Glossary: Reduced-Risk Products

- "Reduced-risk products," or "RRPs," is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continuing smoking. PMI has a range of RRP in various stages of development, scientific assessment and commercialization. PMI RRP are smoke-free products that produce an aerosol that contains far lower quantities of harmful and potentially harmful constituents than found in cigarette smoke
 - "Aerosol" refers to a gaseous suspension of fine solid particles and/or liquid droplets
 - "Combustion" is the process of burning a substance in oxygen, producing heat and often light
 - "Smoke" is a visible suspension of solid particles, liquid droplets and gases in air, emitted when a material burns
 - "Heated tobacco units," or "HTUs," is the term PMI uses to refer to heated tobacco consumables, which for PMI include the company's *HEETS*, *HEETS Creations*, *HEETS Marlboro* and *HEETS FROM MARLBORO*, defined collectively as *HEETS*, as well as *Marlboro HeatSticks* and *Parliament HeatSticks*
 - The *IQOS* heat-not-burn device is a precisely controlled heating device into which a specially designed and proprietary tobacco unit is inserted and heated to generate an aerosol
 - HTU "offtake volume" represents the estimated retail offtake of HTUs based on a selection of sales channels that vary by market, but notably include retail points of sale and e-commerce platforms
 - HTU "offtake share" represents the estimated retail offtake volume of HTUs divided by the sum of estimated total offtake volume for cigarettes and HTUs
 - 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
 - "Total *IQOS* users" is defined as the estimated number of Legal Age (minimum 18 years) *IQOS* users that used PMI HTUs for at least 5% of their daily tobacco consumption over the past seven days
 - "Converted *IQOS* Users" is defined as the estimated number of Legal Age (minimum 18 years) *IQOS* users that used PMI HTUs for over 95% of their daily tobacco consumption over the past seven days
-



Glossary: Reduced-Risk Products (cont.)

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



Glossary: IQOS in the United States

- On April 30, 2019, the U.S. Food and Drug Administration (FDA) announced that the marketing of a version of IQOS, PMI's heat-not-burn product, together with its heated tobacco units (the term PMI uses to refer to heated tobacco consumables), is appropriate for the protection of public health and authorized it for sale in the U.S. The FDA's decision follows its comprehensive assessment of PMI's premarket tobacco product applications (PMTAs) submitted to the Agency in 2017. In the third quarter of 2019, PMI brought a version of its IQOS Platform 1 device and three variants of its heated tobacco units to the U.S. through its license with Altria Group, Inc., whose subsidiary, Philip Morris USA Inc., is responsible for marketing the product and complying with the provisions set forth in the FDA's marketing order. On March 30, 2020, PMI submitted a supplemental PMTA for the IQOS 3 tobacco heating device with the U.S. Food and Drug Administration
 - On July 7, 2020, the FDA authorized the marketing of a version of IQOS, together with its heated tobacco units, as a modified risk tobacco product (MRTP). In doing so, the agency found that an IQOS exposure modification order is appropriate to promote the public health. The decision follows a review of the extensive scientific evidence package PMI submitted to the FDA in December 2016 to support its MRTP authorization applications
 - Shipment volume of heated tobacco units to the U.S. is included in the heated tobacco unit shipment volume of the Latin America & Canada segment. Revenues from shipments of Platform 1 devices, heated tobacco units and accessories to Altria Group, Inc. for sale under license in the U.S. are included in Net Revenues of the Latin America & Canada segment
-



2020: EPS Guidance

(\$/share)

Full-Year

	<u>2020 Forecast</u>	<u>2019</u>	<u>Adjusted Growth</u>
Reported Diluted EPS	\$4.84 to \$4.99	\$4.61	
- Tax items		(0.04)	
- Asset impairment and exit costs	0.04	0.23	
- Canadian tobacco litigation-related expense		0.09	
- Loss on deconsolidation of RBH		0.12	
- Russia excise and VAT audit charge		0.20	
- Fair value adjustment for equity security investments	0.04	(0.02)	
Adjusted Diluted EPS	\$4.92 to \$5.07	\$5.19	
- Net earnings attributable to RBH		(0.06) ^(a)	
Adjusted Diluted EPS	\$4.92 to \$5.07	\$5.13 ^(b)	
- Currency	0.31		
Adjusted Diluted EPS, excluding currency	\$5.23 to \$5.38	\$5.13 ^(b)	2% to 5%

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

(b) Pro forma

Source: PMI Financials or estimates



Select Key Market Highlights for Q2, 2020

Germany	<ul style="list-style-type: none">• Industry total market: +6%• Total PMI shipments: +7%• Total PMI SoM: +0.4pp to 38.9%, driven by HEETS (+0.9pp to 2.0%)
Russia	<ul style="list-style-type: none">• Industry total market: -4%• Total PMI shipments: +1%• Total PMI SoM: +2.8pp to 32.4%, driven by HTUs and stable share within combustibles
Turkey	<ul style="list-style-type: none">• Industry total market: -7%, following substantial prior year price increases• PMI SoM: stable
Philippines	<ul style="list-style-type: none">• Industry total market: -25%, with recent recovery in PMI shipments helped by competitor of-stocks• PMI SoM: -1.1pp to 69.5%• Marlboro SoM: +3.1pp to all-time high of 41.7%
Japan	<ul style="list-style-type: none">• Industry total tobacco market^(a): -7%, driven by combustible products• Industry RRP volume^(b): +4%, driven by PMI HTUs• Industry cigarillo SoM: growth to >7% of industry, expect closing of tax gap in October to moderate category evolution• PMI total tobacco SoM^(a): +0.3pp

(a) Excluding the impact of estimated trade inventory movements, and including the cigarillo category

(b) Excluding the impact of estimated trade inventory movements

Source: PMI Financials or estimates (status on July 21, 2020)

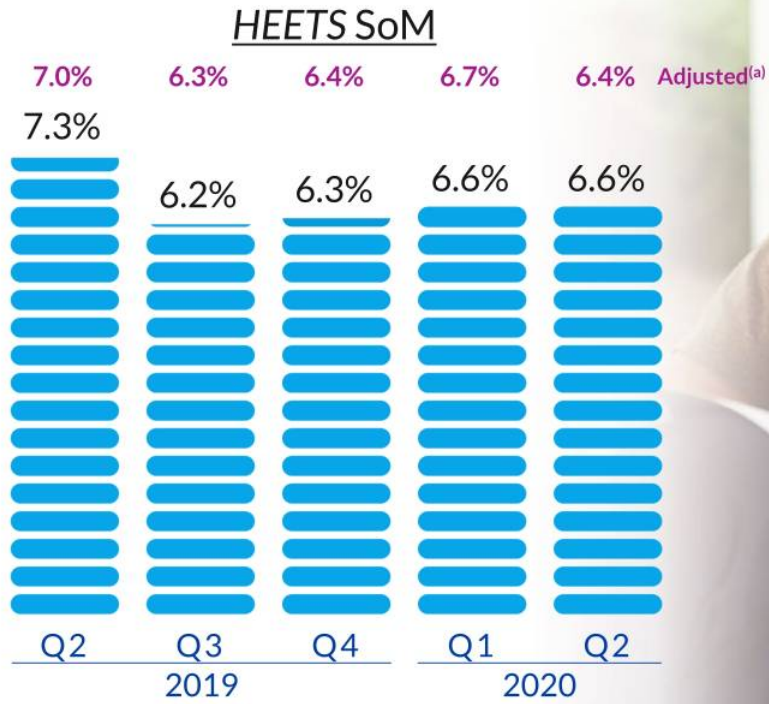
EU Region: HEETS SoM Performance in Select Markets



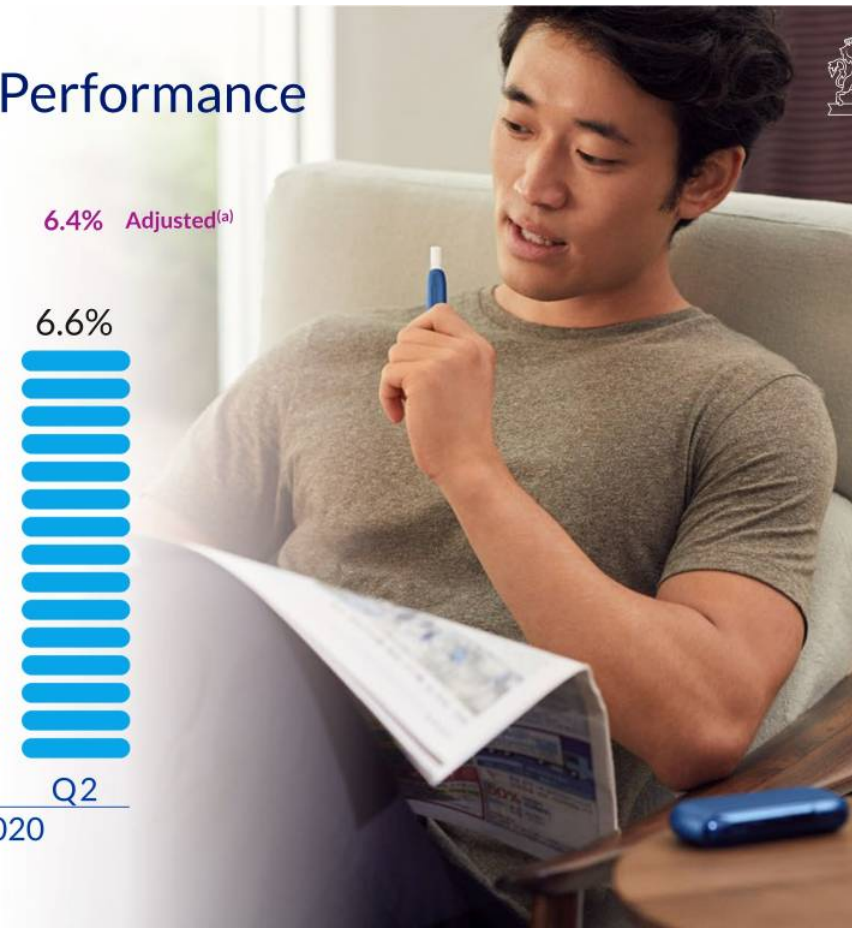
	Q2, 2020	Growth vs. PY		Q2, 2020	Growth vs. PY		Q2, 2020	Growth vs. PY
Croatia	4.6%	+1.2pp	Italy	7.7%	+3.1pp	Romania	2.8%	+0.6
Czech Republic	9.6	+3.9	Latvia	10.5	+5.9	Slovak Republic	8.7	+1.5
Germany	2.0	+0.9	Lithuania	19.0	+6.9	Slovenia	4.6	+1.6
Greece	11.3	+3.2	Poland	4.4	+2.4	Switzerland	4.0	+1.4
Hungary	8.8	+7.8	Portugal	8.2	+2.4	United Kingdom	1.2	+1.0

Note: Select markets where HEETS share is $\geq 1\%$
 Source: PMI Financials or estimates

Korea: Sequential Share Performance



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





HTU Offtake Shares in Key Cities



(a) Japan total market includes the cigarillo category
 Note: Kuala L. is Kuala Lumpur
 Source: PMI Financials or estimates

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

	Quarters Ended June 30,		
	2020	2019	% Change
Reported Diluted EPS	\$ 1.25	\$ 1.49	(16.1)%
Less: Currency	(0.06)		
Reported Diluted EPS, excluding Currency	\$ 1.31	\$ 1.49	(12.1)%

	Quarters Ended June 30,			Year Ended 2019
	2020	2019	% Change	
Reported Diluted EPS	\$ 1.25	\$ 1.49	(16.1)%	\$ 4.61
Asset impairment and exit costs	0.04	0.01		0.23
Canadian tobacco litigation-related expense	-	-		0.09
Loss on deconsolidation of RBH	-	-		0.12
Russia excise and VAT audit charge	-	-		0.20
Fair value adjustment for equity security investments	-	-		(0.02)
Tax items	-	(0.04)		(0.04)
Adjusted Diluted EPS	\$ 1.29	\$ 1.46	(11.6)%	\$ 5.19
Less: Currency	(0.06)			
Adjusted Diluted EPS, excluding Currency	\$ 1.35	\$ 1.46	(7.5)%	

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	Quarters Ended June 30,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2020					Reduced-Risk Products	2019	% Change		
\$ 530	\$ (25)	\$ 555	\$ -	\$ 555	European Union	\$ 428	23.9%	29.7%	29.7%
261	(33)	293	-	293	Eastern Europe	182	42.9%	60.8%	60.8%
8	-	8	-	8	Middle East & Africa	86	(90.6)%	(90.7)%	(90.7)%
-	-	-	-	-	South & Southeast Asia	-	-	-	-
802	3	799	-	799	East Asia & Australia	765	4.9%	4.5%	4.5%
5	(1)	6	-	6	Latin America & Canada ^(a)	5	7.9%	24.4%	24.4%
\$ 1,606	\$ (55)	\$ 1,661	\$ -	\$ 1,661	Total RRP's	\$ 1,466	9.5%	13.3%	13.3%
2020					PMI	2019	% Change		
\$ 2,475	\$ (100)	\$ 2,575	\$ -	\$ 2,575	European Union	\$ 2,577	(4.0)%	(0.1)%	(0.1)%
783	(85)	868	-	868	Eastern Europe	822	(4.7)%	5.6%	5.6%
704	(16)	720	-	720	Middle East & Africa	1,004	(29.9)%	(28.3)%	(28.3)%
889	(46)	935	-	935	South & Southeast Asia	1,248	(28.8)%	(25.1)%	(25.1)%
1,432	(12)	1,444	-	1,444	East Asia & Australia	1,521	(5.9)%	(5.1)%	(5.1)%
368	(58)	426	-	426	Latin America & Canada	527	(30.2)%	(19.2)%	(19.2)%
\$ 6,651	\$ (317)	\$ 6,968	\$ -	\$ 6,968	Total PMI	\$ 7,699	(13.6)%	(9.5)%	(9.5)%

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

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Currency	Adjusted Operating Income excluding Currency	Acquisitions	Adjusted Operating Income excluding Currency & Acquisitions		Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Total	Excluding Currency	Excluding Currency & Acquisitions
2020							Quarters Ended June 30,	2019			% Change		
\$ 1,178	\$ (27)	\$ 1,205	\$ (65)	\$ 1,270	\$ -	\$ 1,270	European Union	\$ 1,195	\$ -	\$ 1,195	0.8%	6.3%	6
266	(7)	273	(11)	284	-	284	Eastern Europe	256	-	256	6.6%	10.9%	10
237	(9)	246	5	241	-	241	Middle East & Africa	441	-	441	(44.2)%	(45.4)%	(45.4)
289	(11)	300	(16)	316	-	316	South & Southeast Asia	492	-	492	(39.0)%	(35.8)%	(35.8)
669	(13)	682	(11)	693	-	693	East Asia & Australia	642	-	642	6.2%	7.9%	7
92	(4)	96	(6)	102	-	102	Latin America & Canada	161	(23)	184	(47.8)%	(44.6)%	(44.6)
\$ 2,731	\$ (71)	\$ 2,802	\$ (104)	\$ 2,906	\$ -	\$ 2,906	Total PMI	\$ 3,187	\$ (23)	\$ 3,210	(12.7)%	(9.5)%	(9.5)

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
2020														
\$ 1,205	\$ 2,475	48.7%	\$ 1,270	\$ 2,575	49.3%	\$ 1,270	\$ 2,575	49.3%	Quarters Ended June 30,					
273	783	34.9%	284	868	32.7%	284	868	32.7%	2019		% Points Change			
246	704	34.9%	241	720	33.5%	241	720	33.5%	European Union	\$ 1,195	\$ 2,577	46.4%	2.3	2.9
300	889	33.7%	316	935	33.8%	316	935	33.8%	Eastern Europe	256	822	31.1%	3.8	1.6
682	1,432	47.6%	693	1,444	48.0%	693	1,444	48.0%	Middle East & Africa	441	1,004	43.9%	(9.0)	(10.4)
96	368	26.1%	102	426	23.9%	102	426	23.9%	South & Southeast Asia	492	1,248	39.4%	(5.7)	(5.6)
									East Asia & Australia	642	1,521	42.2%	5.4	5.8
									Latin America & Canada	184	527	34.9%	(8.8)	(11.0)
\$ 2,802	\$ 6,651	42.1%	\$ 2,906	\$ 6,968	41.7%	\$ 2,906	\$ 6,968	41.7%	Total PMI	\$ 3,210	\$ 7,699	41.7%	0.4	-

(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 44

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,		
	2020	2019	% Change
Reported Diluted EPS	\$ 2.42	\$ 2.36	2.5%
Less: Currency	(0.19)		
Reported Diluted EPS, excluding Currency	\$ 2.61	\$ 2.36	10.6%

	Six Months Ended June 30,			Year Ended
	2020	2019	% Change	2019
Reported Diluted EPS	\$ 2.42	\$ 2.36	2.5%	\$ 4.61
Asset impairment and exit costs	0.04	0.02		0.23
Canadian tobacco litigation-related expense	-	0.09		0.09
Loss on deconsolidation of RBH	-	0.12		0.12
Russia excise and VAT audit charge	-	-		0.20
Fair value adjustment for equity security investments	0.04	-		(0.02)
Tax items	-	(0.04)		(0.04)
Adjusted Diluted EPS	\$ 2.50	\$ 2.55	(2.0)%	\$ 5.19
Less: Currency	(0.19)			
Adjusted Diluted EPS, excluding Currency	\$ 2.69	\$ 2.55	5.5%	

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	Six Months Ended June 30,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2020					Reduced-Risk Products	2019	% Change		
\$ 1,155	\$ (42)	\$ 1,197	\$ -	\$ 1,197	European Union	\$ 775	49.0%	54.4%	54.4%
526	(23)	549	-	549	Eastern Europe	291	81.0%	88.9%	88.9%
52	-	51	-	51	Middle East & Africa	185	(72.0)%	(72.2)%	(72.2)%
-	-	-	-	-	South & Southeast Asia	-	-	-	-
1,415	1	1,414	-	1,414	East Asia & Australia	1,448	(2.3)%	(2.3)%	(2.3)%
13	(1)	14	-	14	Latin America & Canada ^(a)	11	24.4%	33.5%	33.5%
\$ 3,161	\$ (64)	\$ 3,225	\$ -	\$ 3,225	Total RRP s	\$ 2,709	16.7%	19.1%	19.1%
2020					PMI	2019	% Change		
\$ 5,010	\$ (170)	\$ 5,180	\$ -	\$ 5,180	European Union	\$ 4,736	5.8%	9.4%	9.4%
1,571	(79)	1,650	-	1,650	Eastern Europe	1,401	12.1%	17.8%	17.8%
1,580	(18)	1,598	-	1,598	Middle East & Africa	1,931	(18.2)%	(17.2)%	(17.2)%
2,140	(27)	2,167	-	2,167	South & Southeast Asia	2,361	(9.4)%	(8.2)%	(8.2)%
2,687	(21)	2,708	-	2,708	East Asia & Australia	2,842	(5.5)%	(4.7)%	(4.7)%
816	(76)	892	-	892	Latin America & Canada	1,179	(30.8)%	(24.3)%	(24.3)%
\$ 13,804	\$ (391)	\$ 14,195	\$ -	\$ 14,195	Total PMI	\$ 14,450	(4.5)%	(1.8)%	(1.8)%

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

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Currency	Adjusted Operating Income excluding Currency	Acquisitions	Adjusted Operating Income excluding Currency & Acquisitions		Operating Income	Asset Impairment & Exit Costs and Others	Adjusted Operating Income	Total	Excluding Currency	Excluding Currency & Acquisitions
2020							Six Months Ended June 30,	2019			% Change		
\$ 2,336	\$ (27)	\$ 2,363	\$ (130)	\$ 2,493	\$ -	\$ 2,493	European Union	\$ 2,091	\$ -	\$ 2,091	13.0%	19.2%	19
365	(7)	372	(103)	475	-	475	Eastern Europe	385	-	385	(3.4)%	23.4%	23
558	(9)	567	(14)	581	-	581	Middle East & Africa	785	-	785	(27.8)%	(26.0)%	(26)
888	(11)	899	3	896	-	896	South & Southeast Asia	932	(20) ^(a)	952	(5.6)%	(5.9)%	(5)
1,155	(13)	1,168	(15)	1,183	-	1,183	East Asia & Australia	1,069	-	1,069	9.3%	10.7%	10
218	(4)	222	(41)	263	-	263	Latin America & Canada	(25)	(456) ^(b)	431	(48.5)%	(39.0)%	(39)
\$ 5,520	\$ (71)	\$ 5,591	\$ (300)	\$ 5,891	\$ -	\$ 5,891	Total PMI	\$ 5,237	\$ (476)	\$ 5,713	(2.1)%	3.1%	3

(a) Represents asset impairment and exit costs

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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 excluding Currency	Adjusted Operating Income Margin excluding Currency	Adjusted Operating Income Margin excluding Currency & Acquisitions	
									Six Months Ended June 30,				% Points Change			
									2020				2019			
\$ 2,363	\$ 5,010	47.2%	\$ 2,493	\$ 5,180	48.1%	\$ 2,493	\$ 5,180	48.1%	European Union	\$ 2,091	\$ 4,736	44.2%	3.0	3.9		
372	1,571	23.7%	475	1,650	28.8%	475	1,650	28.8%	Eastern Europe	385	1,401	27.5%	(3.8)	1.3		
567	1,580	35.9%	581	1,598	36.4%	581	1,598	36.4%	Middle East & Africa	785	1,931	40.7%	(4.8)	(4.3)		
899	2,140	42.0%	896	2,167	41.3%	896	2,167	41.3%	South & Southeast Asia	952	2,361	40.3%	1.7	1.0		
1,168	2,687	43.5%	1,183	2,708	43.7%	1,183	2,708	43.7%	East Asia & Australia	1,069	2,842	37.6%	5.9	6.1		
222	816	27.2%	263	892	29.5%	263	892	29.5%	Latin America & Canada	431	1,179	36.6%	(9.4)	(7.1)		
\$ 5,591	\$ 13,804	40.5%	\$ 5,891	\$ 14,195	41.5%	\$ 5,891	\$ 14,195	41.5%	Total PMI	\$ 5,713	\$ 14,450	39.5%	1.0	2.0		

(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 48

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

	Six Months Ended June 30,		
	2020	2019	% Change
Net Revenues	\$ 13,804	\$ 14,450	(4.5)%
Net Revenues attributable to RBH		(181) ^(a)	
Net Revenues	\$ 13,804	\$ 14,269^(b)	(3.3)%
Less: Currency	(392)		
Net Revenues, excluding Currency	\$ 14,196	\$ 14,269^(b)	(0.5)%
Adjusted Operating Income^(c)	\$ 5,591	\$ 5,713	(2.1)%
Operating Income attributable to RBH		(126) ^(a)	
Adjusted Operating Income	\$ 5,591	\$ 5,587^(b)	0.1%
Less: Currency	(299)		
Adjusted Operating Income, excluding Currency	\$ 5,890	\$ 5,587^(b)	5.4%
Adjusted OI Margin	40.5%	39.5%	1.0
Adjusted OI Margin attributable to RBH		(0.3) ^(a)	
Adjusted OI Margin	40.5%	39.2%^(b)	1.3
Less: Currency	(1.0)		
Adjusted OI Margin, excluding Currency	41.5%	39.2%^(b)	2.3
Adjusted Diluted EPS^(d)	\$ 2.50	\$ 2.55	(2.0)%
Net earnings attributable to RBH		(0.06) ^(a)	
Adjusted Diluted EPS	\$ 2.50	\$ 2.49^(b)	0.4%
Less: Currency	(0.19)		
Adjusted Diluted EPS, excluding Currency	\$ 2.69	\$ 2.49^(b)	8.0%

(a) Represents the impact attributable to RBH from January 1, 2019 through March 21, 2019

(b) Pro forma

(c) For the calculation of Adjusted Operating Income refer to slide 49

(d) For the calculation refer to slide 47

Note: Financials attributable to RBH include Duty Free sales in Canada

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, 2019	Quarter Ended Jun 30, 2019	Six Months Ended Jun 30, 2019	Quarter Ended Sept 30, 2019	Nine Months Ended Sept 30, 2019	Quarter Ended Dec 31, 2019	Year Ended Dec 31, 2019
Reported Diluted EPS	\$ 0.87	\$ 1.49	\$ 2.36	\$ 1.22	\$ 3.57	\$ 1.04	\$ 4.61
Asset impairment and exit costs	0.01	0.01	0.02	0.01	0.03	0.20	0.23
Canadian tobacco litigation-related expense	0.09	-	0.09	-	0.09	-	0.09
Loss on deconsolidation of RBH	0.12	-	0.12	-	0.12	-	0.12
Russia excise and VAT audit charge	-	-	-	0.20	0.20	-	0.20
Fair value adjustment for equity security investments	-	-	-	-	-	(0.02)	(0.02)
Tax items	-	(0.04)	(0.04)	-	(0.04)	-	(0.04)
Adjusted Diluted EPS	\$ 1.09	\$ 1.46	\$ 2.55	\$ 1.43	\$ 3.97	\$ 1.22	\$ 5.19
Net earnings attributable to RBH	(0.06) ^(a)	-	(0.06) ^(a)	-	(0.06) ^(a)	-	(0.06) ^(a)
Pro Forma Adjusted Diluted EPS	\$ 1.03	\$ 1.46	\$ 2.49	\$ 1.43	\$ 3.91	\$ 1.22	\$ 5.13

(a) Represents the impact of net earnings attributable to RBH from January 1, 2019 through March 21, 2019

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

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

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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
2017					Reduced-Risk Products	2016	% Change		
\$ 269	\$ 5	\$ 264	\$ -	\$ 264	European Union	\$ 57	+100%	+100%	+100%
55	3	52	-	52	Eastern Europe	6	+100%	+100%	+100%
94	(3)	98	-	98	Middle East & Africa	4	+100%	+100%	+100%
-	-	-	-	-	South & Southeast Asia	-	-	-	-
3,218	(94)	3,312	-	3,312	East Asia & Australia	666	+100%	+100%	+100%
4	-	4	-	4	Latin America & Canada	1	+100%	+100%	+100%
\$ 3,640	\$(89)	\$ 3,729	\$ -	\$ 3,729	Total RRP's	\$ 733	+100%	+100%	+100%
2017					PMI	2016	% Change		
\$ 8,318	\$ 45	\$ 8,273	\$ -	\$ 8,273	European Union	\$ 8,162	1.9%	1.4%	1.4%
2,711	229	2,482	-	2,482	Eastern Europe	2,484	9.1%	(0.1)%	(0.1)%
3,988	(520)	4,508	-	4,508	Middle East & Africa	4,516	(11.7)%	(0.2)%	(0.2)%
4,417	(63)	4,480	-	4,480	South & Southeast Asia	4,396	0.5%	1.9%	1.9%
6,373	(74)	6,447	-	6,447	East Asia & Australia	4,285	48.7%	50.5%	50.5%
2,941	(54)	2,995	-	2,995	Latin America & Canada	2,842	3.5%	5.4%	5.4%
\$ 28,748	\$(437)	\$ 29,185	\$ -	\$ 29,185	Total PMI	\$ 26,685	7.7%	9.4%	9.4%

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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
2016					Reduced-Risk Products	2015	% Change		
\$ 57	\$ (2)	\$ 60	\$ -	\$ 60	European Union	\$ 29	96.4%	+100%	+100%
6	-	6	-	6	Eastern Europe	-	-	-	-
4	1	3	-	3	Middle East & Africa	-	-	-	-
-	-	-	-	-	South & Southeast Asia	-	-	-	-
666	70	597	-	597	East Asia & Australia	35	+100%	+100%	+100%
1	-	1	-	1	Latin America & Canada	-	-	-	-
\$ 733	\$ 67	\$ 666	\$ -	\$ 666	Total RRP's	\$ 64	+100%	+100%	+100%
2016					PMI	2015	% Change		
\$ 8,162	\$ (147)	\$ 8,309	\$ -	\$ 8,309	European Union	\$ 8,068	1.2%	3.0%	3.0%
2,484	(340)	2,824	-	2,824	Eastern Europe	2,735	(9.2)%	3.3%	3.3%
4,516	(260)	4,776	-	4,776	Middle East & Africa	4,629	(2.4)%	3.2%	3.2%
4,396	(71)	4,467	-	4,467	South & Southeast Asia	4,288	2.5%	4.2%	4.2%
4,285	63	4,222	-	4,222	East Asia & Australia	3,915	9.5%	7.8%	7.8%
2,842	(525)	3,367	-	3,367	Latin America & Canada	3,159	(10.0)%	6.6%	6.6%
\$ 26,685	\$ (1,280)	\$ 27,965	\$ -	\$ 27,965	Total PMI	\$ 26,794	(0.4)%	4.4%	4.4%

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



PHILIP MORRIS
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Delivering a Smoke-Free Fut

2020 Second-Quarter Results

July 21, 2020



