



PHILIP MORRIS
INTERNATIONAL

Investor Information

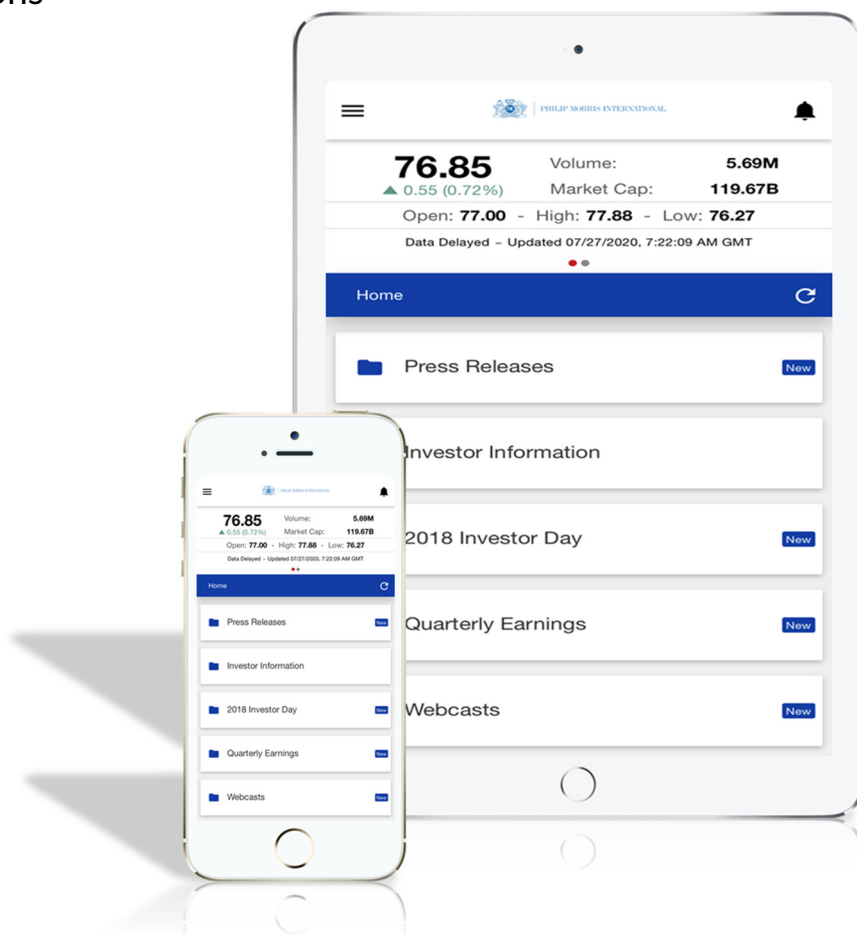
July 2020

This Investor Information posting includes summaries of information set forth in PMI's quarterly report Form 10-Q for the six months ended and the quarter ended June 30, 2020, annual report on Form 10-K for the year ended December 31, 2019, as well as press releases and presentations referenced in this document, and such summaries are qualified by reference to such documents, which are available at <https://www.pmi.com/investor-relations>

Web Site: www.pmi.com

PMI Investor Relations Mobile Application:

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



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Table of Contents



Slide

1.	COVID-19 Business Impact, Recent Performance and Outlook	4
2.	Industry and Competitive Environment	36
3.	PMI Cigarette Brand Portfolio Strategy and Performance	42
4.	The Evolving Industry Landscape	48
5.	PMI RRP Portfolio and Performance	55
6.	PMI RRP Scientific Substantiation	88
7.	Sustainability at PMI	94
8.	Capital Structure and Returns to Shareholders	99
9.	Appendix, Glossary and Reconciliation of non-GAAP Measures	105

Forward-Looking and Cautionary Statements



- This presentation and related discussion contain projections of future results and other forward-looking statements. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI
- PMI's business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our products; health concerns relating to the use of tobacco 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
- PMI is further subject to other risks detailed from time to time in its publicly filed documents, including the Form 10-Q for the six months ended and the quarter ended June 30, 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 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 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



FY 2020 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 markets such as Indonesia, Latin America, Duty Free

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) (PMI Q2 2020 Results, July 21, 2020)

5

Strong Liquidity, Balance Sheet and Cost Management

Liquidity & Balance Sheet

- Ample liquidity sources
- Strong balance sheet
- As of June 30, 2020:
 - Approximately \$4.2 billion in cash and cash equivalents
 - \$7.5 billion in stand-by revolving credit facilities
 - Well-laddered bond portfolio. 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
 - Net debt of 2.0x adjusted EBITDA (12 months rolling)
- Committed to the dividend

Cost Management

- Our cost efficiency programs continue
- Well on track to deliver over \$1 billion in efficiencies by 2021
- Reprioritizing spending plans
- Forecast 2020 capital expenditures at approximately \$0.7 billion

Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

6

Mid-Term Outlook



1

- When COVID-19 related headwinds abate, expect to resume growth consistent with targeted 2019-2021 CAGR of:
 - $\geq 5\%$ in net revenues, ex-currency
 - $\geq 8\%$ in adjusted diluted EPS, ex-currency

Note: 2019-2021 targets first communicated at PMI Investor Day, on September 27, 2018
Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

7

Robust Performance in Unprecedented Circumstances (Q2, 2020)



1

- Very strong performance from IQOS, with an estimated 15.4 million users, and 24% growth in HTU volume vs. Q2, 2019:
 - RRP's 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 RRP's in our business and growing IQOS profitability:
 - Digital efficiencies and operating leverage driving RRP profitability
 - Productivity savings in RRP's 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 (PMI Q2 2020 Results, July 21, 2020)

8

Strong Currency-Neutral Performance (H1, 2020)

(Variance vs. PY)



1

Net Revenues

(ex-currency, like-for-like)

(0.5)%

Combustible Tobacco Pricing^(a)

(like-for-like)

5.4%

Adjusted OI Margin

(ex-currency, like-for-like)

+230bps

Adjusted Diluted EPS

(ex-currency, like-for-like)

8.0%

(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 143

Source: PMI Financials or estimates

9

Better Than Expected in Challenging Quarter (Q2, 2020)

(Variance vs. PY)



1

Net Revenues

(ex-currency)

Guidance (June 11)

*Around the high end
of (8)% to (12)%*

Actuals

(9.5)%

Adjusted OI Margin

(ex-currency)

Flat

Reported Diluted EPS

Adjusted Diluted EPS

*Toward upper end of
\$1.00 to \$1.10*

\$1.25

\$1.29 (7.5)%
ex-currency

Currency Impact

(at then prevailing exchange rates)

(7) cents

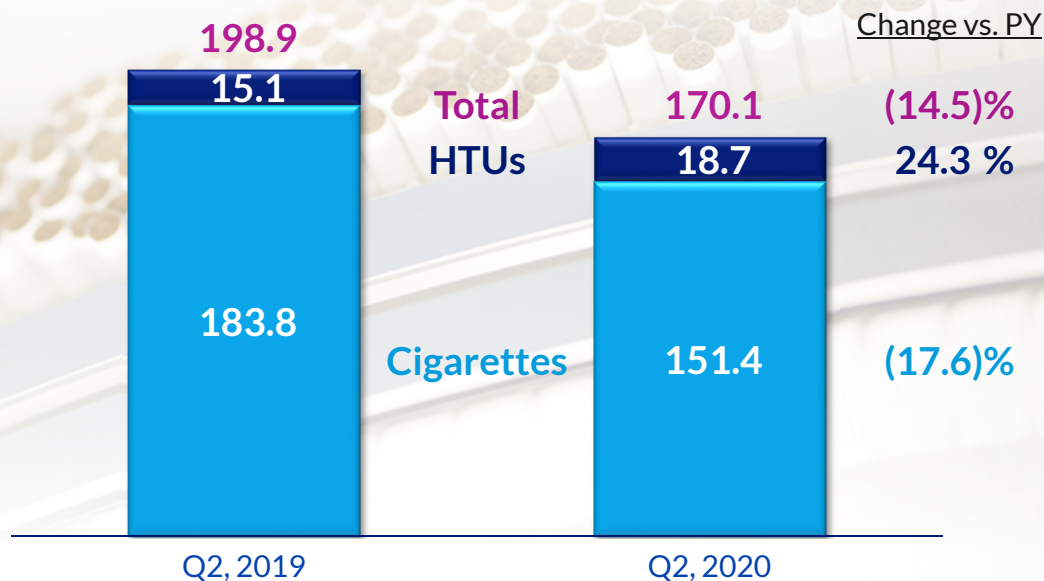
(6) cents

Source: PMI Financials or estimates

10

Total PMI Shipment Volume (Q2, 2020)

(billion units)

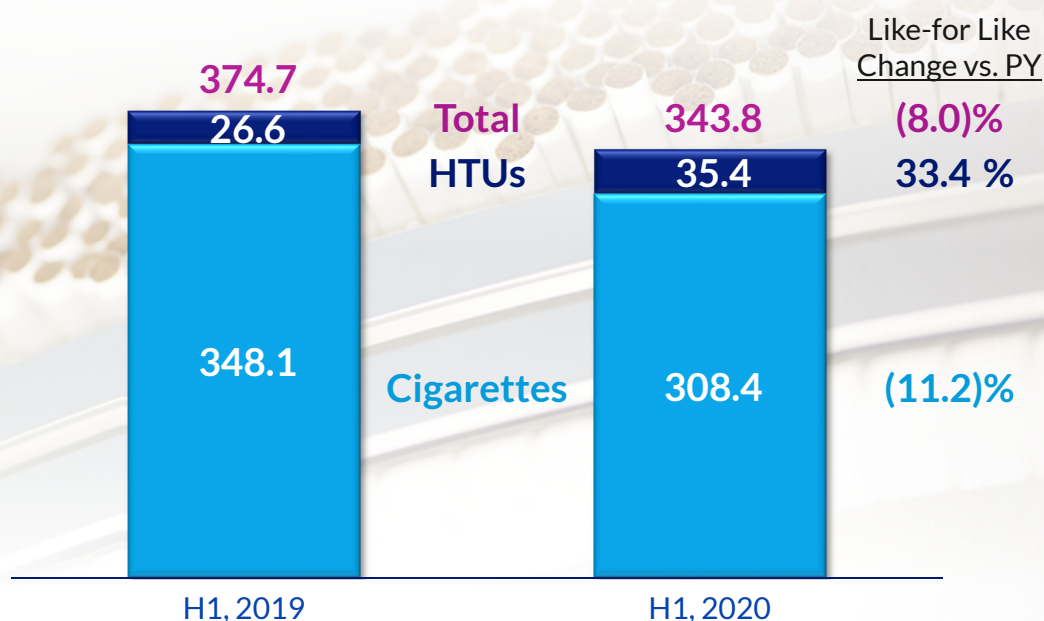


Source: PMI Financials or estimates

11

Total PMI Shipment Volume (H1, 2020)

(billion units)

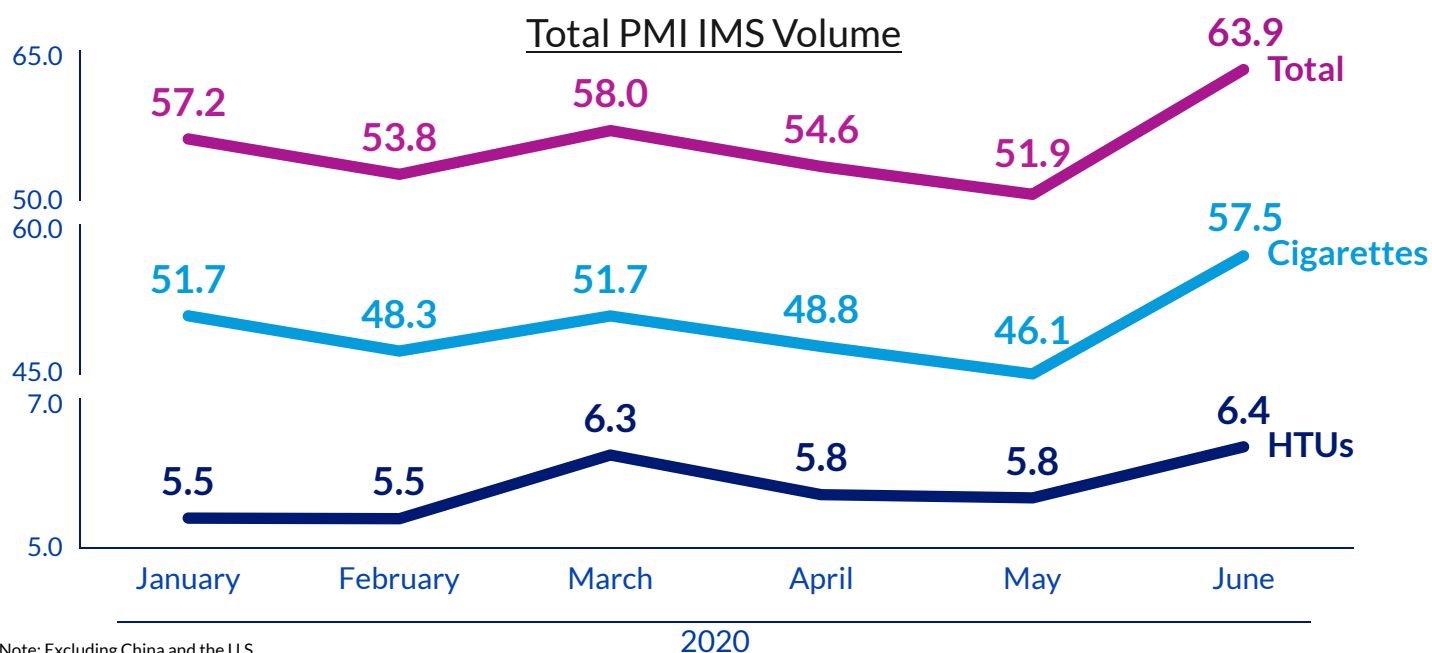


Note: Comparisons On a like-for-like basis; adjusted for the deconsolidation of RBH, effective March 22, 2019; see slides 127 (4th bullet) and 134 for more information
Source: PMI Financials or estimates

12

Sequential Volume Recovery

(billion units)



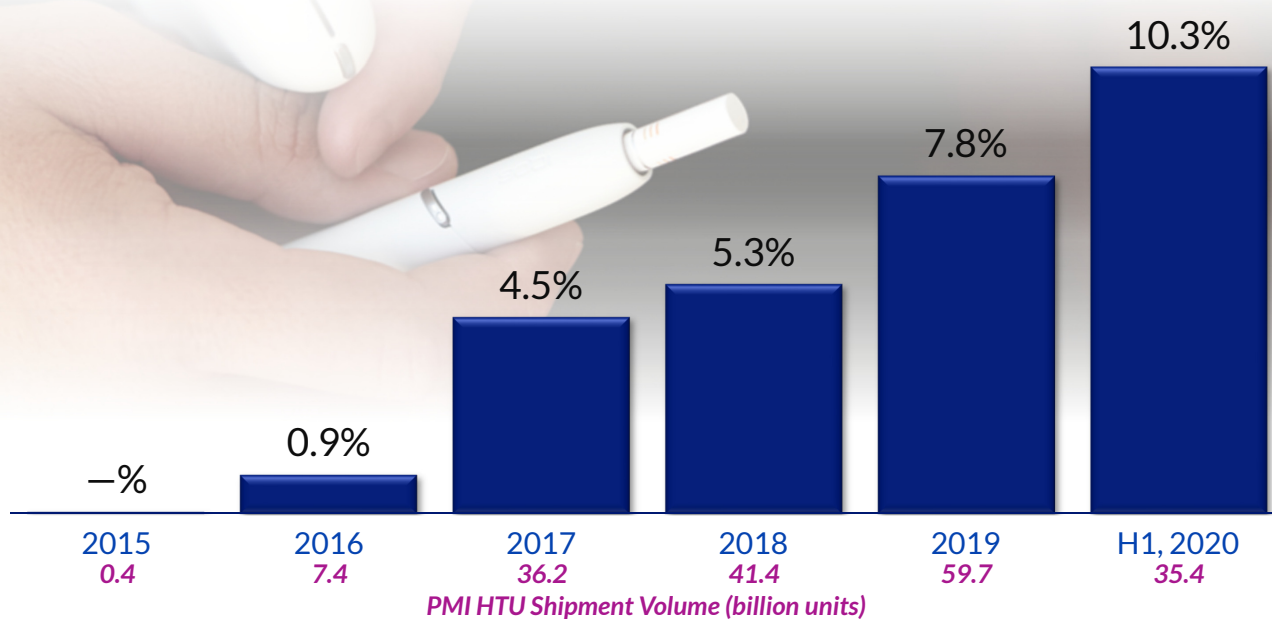
Note: Excluding China and the U.S.

Source: PMI Financials or estimates (PMI Q2 2020 Results July 21, 2020)

13

HTUs Now Comprise Over 10% of Our Total Volume

(as a % of PMI Total Shipment Volume)



Source: PMI Financials or estimates

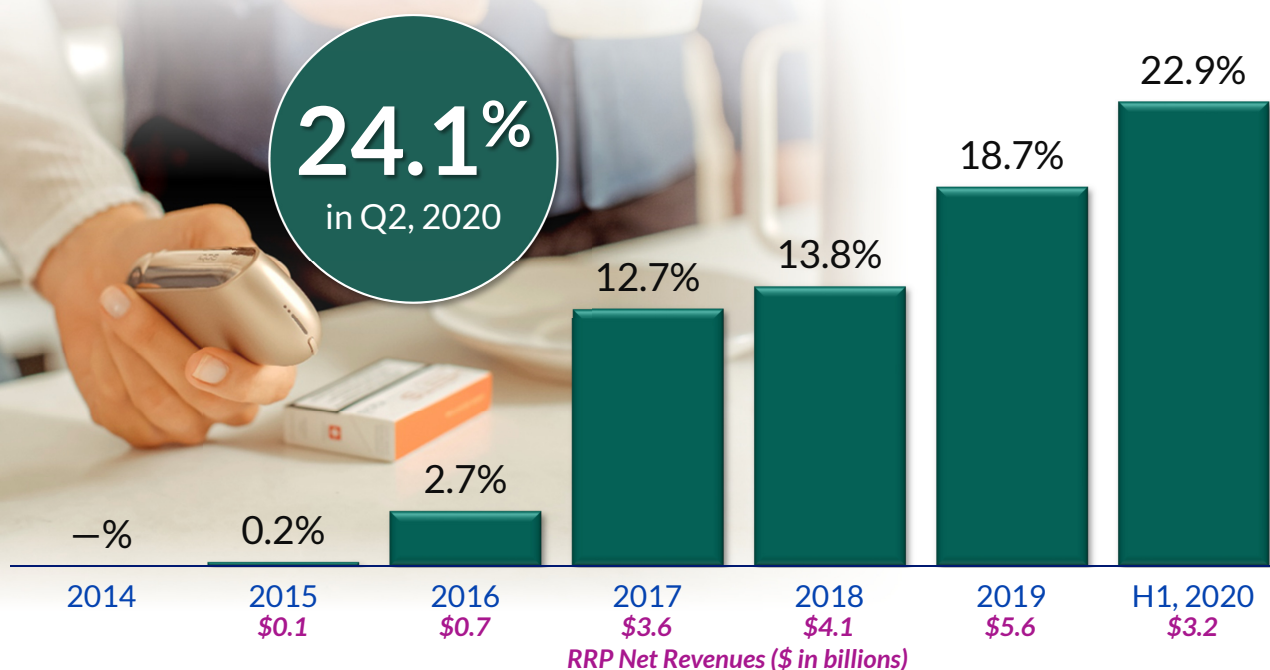
14

Increasing Weight of RRP's Driven by Strong Growth

(as a % of PMI Total Net Revenues)



1



Source: PMI Financials or estimates

15

PMI Financial Results by Region (H1, 2020)

(\$ in billions)



1

	Net Revenues			Adjusted OI		
	% Change vs. PY			% Change vs. PY		
	H1, 2020	Total	Ex- Currency	H1, 2020	Total	Ex- Currency
European Union	5.0	5.8 %	9.4 %	2.4	13.0 %	19.2 %
Eastern Europe	1.6	12.1 %	17.8 %	0.4	(3.4)%	23.4 %
Middle East & Africa	1.6	(18.2)%	(17.2)%	0.6	(27.8)%	(26.0)%
South & Southeast Asia	2.1	(9.4)%	(8.2)%	0.9	(5.6)%	(5.9)%
East Asia & Australia	2.7	(5.5)%	(4.7)%	1.2	9.3 %	10.7 %
Latin America & Canada	0.8	(30.8)%	(10.7)% ^(a)	0.2	(48.5)%	(14.7)% ^(a)
Total PMI	13.8	(4.5)%	(0.5)%^(a)	5.6	(2.1)%	5.4 %^(a)

(a) On a like-for-like basis; adjusted for the deconsolidation of RBH, effective March 22, 2019; see slides 127 (4th bullet), and 143-144 for more information

Note: Regional H1, 2020 Adjusted OI does not add to Total PMI H1, 2020 Adjusted OI of \$5.6 billion due to rounding

Source: PMI Financials or estimates


16


Regional Highlights: European Union

H1, 2020 Performance:

- **Industry total market volume:** -3.1% to 224.6 billion units, notably due to: Czech Republic (-11.5%, primarily reflecting lower border sales due to lockdown measures); Poland (-6.4%, mainly reflecting lower border sales due to lockdown measures, as well as the impact of price increases in Q1, 2020); Romania (-8.7%, primarily reflecting the impact of lockdown measures); and Spain (-8.2%, mainly reflecting lower in-bound tourism and border sales due to lockdown measures); partly offset by Germany (+4.9%, or +2.3% ex-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 total volume:** -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 HTUs); partly offset by higher HTU shipment volume across the Region (notably in Germany, Italy and Poland), driven by higher market share
- **PMI total share:** +0.5pp to 39.4%; **HEETS share:** +1.6pp to 3.9%
- **Adjusted OI:** +19.2%, ex-currency, mainly reflecting: favorable volume/mix, driven by higher HTU 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); a favorable pricing variance (driven by higher combustible pricing across the Region, notably in Germany, partly offset by lower HTU and IQOS device pricing); and lower manufacturing costs (notably in Germany and Italy); partly offset by higher marketing, administration and research costs (largely related to increased investments behind RRP, notably in Poland)

Recent Key Developments:

 **Germany:** On July 1, VAT was temporarily lowered to 16.0% (from 19.0%). The excise portion within minimum total tax is still calculated based on 19% VAT

 **Poland:** On July 1, introduction of a specific excise tax for HTUs of PLN 93.14/000, but suspended until October 1

Note: Reflects recent key developments through July 1, 2020
Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

Regional Highlights: Eastern Europe

H1, 2020 Performance:

- **Industry total market:** decreased, notably due to: Russia (-2.1%, or -6.4% ex-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 (-10.9%, mainly reflecting the impact of excise tax-driven price increases and reduced adult smoker average daily consumption due to lockdown measures)
- **PMI total volume:** +5.4% to 54.6 billion units, mainly due to: Russia (+10.3%, primarily reflecting a higher market share, driven by HTUs, partly offset by the lower total market); partly offset by Ukraine (-5.7%, mainly due to the lower total market, partly offset by a higher market share, driven by HTUs)
- **Adjusted OI:** +23.4%, ex-currency, mainly reflecting: favorable volume/mix, reflecting higher HTU 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); partly offset by higher manufacturing costs due to Russia; and higher marketing, administration and research costs (primarily related to increased investments behind RRP, notably in Russia and Ukraine)

Regional Highlights: Middle East & Africa

H1, 2020 Performance:

- **Industry total market:** decreased, mainly due to: Egypt (-6.9%, notably reflecting pandemic-related supply-chain shortages involving competitors' products and reductions in adult smoker average daily consumption during lockdown); International Duty Free (-57.8%, reflecting the impact of government travel restrictions and reduced passenger traffic due to the pandemic); South Africa (-50.8%, primarily reflecting the impact of the pandemic-related ban on all tobacco sales effective March 27, 2020); and Turkey (-9.3%, 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 total volume:** -12.9% to 57.8 billion units, notably due to: PMI Duty Free (-55.9%, mainly reflecting the lower total market); and Turkey (-17.4%, mainly reflecting the lower total market and lower market share, due primarily to adult smoker down-trading following the 2019 price increases)
- **Adjusted OI:** -26.0%, ex-currency, mainly reflecting: unfavorable volume/mix, predominantly due to lower cigarette and HTU volume in PMI Duty Free; and unfavorable "Cost/Other," mainly due to lower fees for certain distribution rights billed to customers in certain markets; partially offset by a favorable pricing variance, driven by combustible pricing (mainly in the GCC, particularly Saudi Arabia)

Recent Key Developments:



Saudi Arabia: On July 1, VAT increased from 5% to 15%. We increased cigarette RSPs by SAR 2-3/pack



South Africa: Effective March 27, the sale of IQOS is temporarily suspended due to the pandemic-related ban on tobacco products, e-cigarettes and electronic devices that heat tobacco

Note: Reflects recent key developments through July 1, 2020
Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

Regional Highlights: South & Southeast Asia

H1, 2020 Performance:

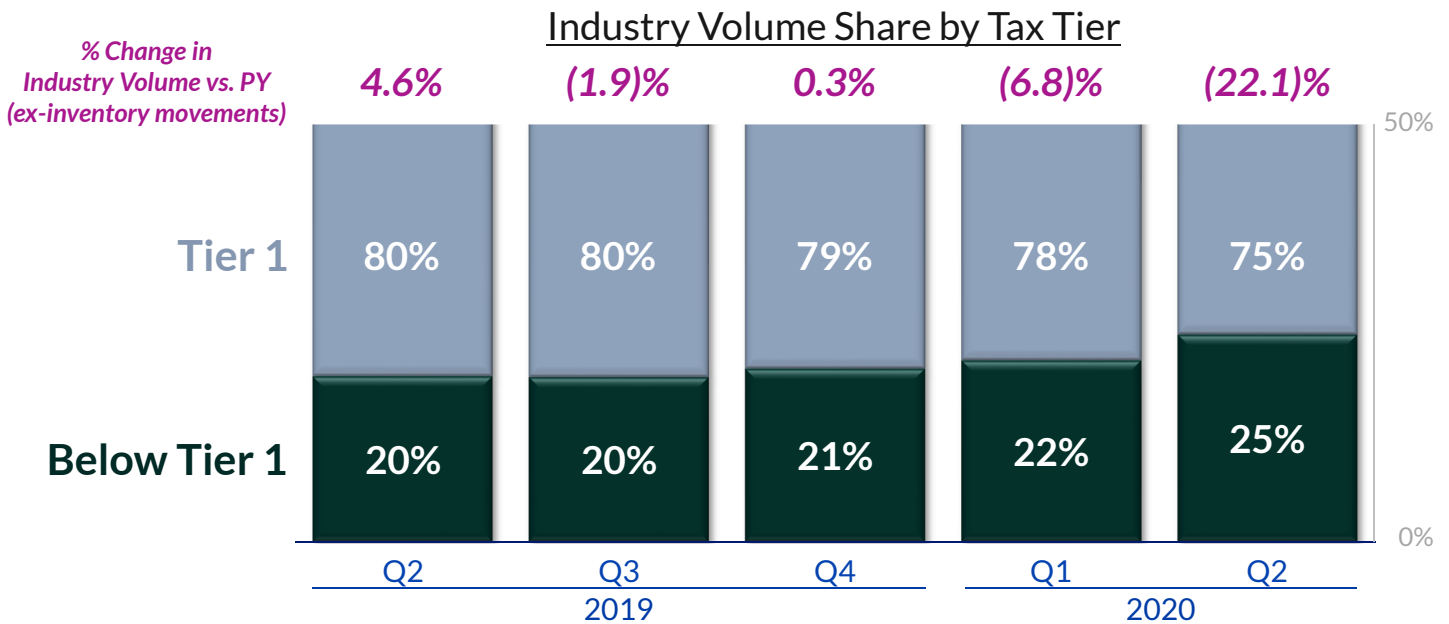
- **Industry total market:** decreased, notably due to: Bangladesh (-5.6%, primarily reflecting the impact of lockdown restrictions on tobacco product availability); India (-23.5%, mainly reflecting the impact of lockdown restrictions on the movement of certain products, including tobacco); Indonesia (-9.5%, or -14.8% ex-inventory movements, primarily 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 (-25.6%, mainly due to 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 (-17.1%, mainly reflecting the impact of the strict enforcement of nationwide quarantine, as well as industry-wide price increases in Q3, 2019)
- **PMI total volume:** -19.3% to 70.9 billion units, notably due to: Indonesia (-18.2%, 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 (-37.4%, mainly due to the lower total market and a lower market share); and the Philippines (-17.7%, mainly reflecting the lower total market)
- **Adjusted OI:** -5.9%, ex-currency, mainly reflecting: unfavorable volume/mix, 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; lower marketing, administration and research costs; and lower manufacturing costs (notably in Indonesia)

Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

Indonesia: 2020 Headwinds Exacerbated by COVID



1



21

Indonesia: Addressing the Challenges



1

- 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 (PMI Q2 2020 Results, July 21, 2020)

22

Regional Highlights: East Asia & Australia

H1, 2020 Performance:

- **Industry total market (ex-China):** decreased, notably due to: Japan (-9.4%, 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 (+3.8%, notably driven by the shift of adult smokers from duty-free to domestic purchases due to the pandemic-related decline in international travel)
- **PMI total volume:** -1.6% to 40.6 billion units, notably in: Japan (-1.0%, or -3.6% ex-inventory movements, mainly due to the lower total market, partly offset by a higher market share driven by HTUs); Korea (-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)
- **Adjusted OI:** +10.7%, ex-currency, 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, mainly driven by higher combustible pricing in Australia and higher heated tobacco pricing in Japan, partly offset by lower IQOS device pricing in Japan; partly offset by unfavorable volume/mix, primarily due to lower cigarette volume in Japan, unfavorable volume/mix in Australia and unfavorable HTU mix in Japan, partly offset by higher HTU volume in Japan

Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

23

Regional Highlights: Latin America & Canada

H1, 2020 Performance:

- **Industry total market:** decreased, notably due to Argentina (-6.3%, 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 (-15.3%, primarily due to reduced product availability and adult smoker average daily consumption due to lockdown measures); and Mexico (-18.4%, or -13.6% ex-inventory movements, 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 (+9.5%, 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 total volume:** -16.9% to 30.0 billion units, or -14.6% on a like-for-like basis^(a), notably due to: Argentina, Canada and Mexico
- **Adjusted OI:** -39.0%, ex-currency, reflecting unfavorable volume/mix, due to lower cigarette volume, notably in Argentina and Mexico; and the unfavorable impact of the deconsolidation of RBH, included in "Cost/Other"; partly offset by a favorable pricing variance, mainly driven by higher combustible pricing in Mexico
- **Adjusted OI (like-for-like)^(a):** -14.7%, ex-currency

Recent Key Developments:



Argentina: On June 1, we increased prices by ARS 10/pack (or by 8% on average). *Marlboro Box* now retails at ARS 157/pack



Canada: On April 1, the Federal government increased the Federal Excise Duty (FED) by CAD 0.46/carton to CAD 24.84/carton (+1.9%) in line with inflation. RBH increased prices across its portfolio by an additional CAD 0.10/carton above pass on.

On July 1, new vaping regulations came into effect in Ontario that restrict the sale of vaping products with flavors other than tobacco or menthol, or with a nicotine content greater than 20 mg/ml. *HEETS* are not impacted by these regulations

(a) Adjusted for the deconsolidation of RBH, effective March 22, 2019; see slides 127 (4th bullet), 134 and 144 for more information

Note: Reflects recent key developments through July 1, 2020

Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

24



Excellent Year (2019)

(Variance vs. PY)

PMI HTU Shipment Volume

(billion units)

~60 (+44%)

PMI Total Shipment Volume

(like-for-like)

(1.4)%

Net Revenues

(ex-currency, like-for-like)

+6.4%

Combustible Tobacco Pricing^(a)

(like-for-like)

+6.5%

Adjusted OI Margin

(ex-currency, like-for-like)

+170bps

Adjusted Diluted EPS

(ex-currency, like-for-like)

+9.9%

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

Note: Comparisons presented on a "like-for-like" basis reflect pro forma 2018 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 slides 147, 149, 151, 153, and 156

Source: PMI Financials or estimates



PMI Financial Results by Region (2019)

(\$ in billions)

	Net Revenues			Adjusted OI		
	% Change vs. PY			% Change vs. PY		
	2019	Total	Ex- Currency	2019	Total	Ex- Currency
European Union	9.8	5.6 %	11.6 %	4.3	5.0 %	13.1 %
Eastern Europe	3.3	12.4 %	16.1 %	0.9	2.1 %	(0.4)%
Middle East & Africa	4.0	(1.8)%	2.2 %	1.7	3.5 %	6.8 %
South & Southeast Asia	5.1	9.4 %	9.6 %	2.2	25.0 %	24.0 %
East Asia & Australia	5.4	(3.9)%	(3.4)%	1.9	4.4 %	2.4 %
Latin America & Canada	2.2	(27.8)%	(1.9)% ^(a)	0.7	(36.4)%	18.0 % ^(a)
Total PMI	29.8	0.6 %	6.4 %^(a)	11.8	3.4 %	11.2 %^(a)

(a) On a like-for-like basis: adjusted for the deconsolidation of RBH, effective March 22, 2019; see slides 127 (4th bullet), 151 and 153-154 for more information

Note: Regional 2019 Adjusted OI do not add to Total PMI 2019 Adjusted OI of \$11.8 billion due to rounding

Source: PMI Financials or estimates

PMI Adjusted OI Margins

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u> ^(a)
European Union	44.6%	48.0%	44.4%	44.1%	44.7%
Eastern Europe	39.2	35.8	32.7	30.9	26.5
Middle East & Africa	47.6	44.1	47.2	39.5	41.3
South & Southeast Asia	27.7	33.5	34.3	37.5	42.4
East Asia & Australia	42.6	39.5	40.9	33.2	35.2
Latin America & Canada	34.3	33.0	33.9	26.1 ^(b)	31.4 ^(b)
Total PMI	40.4	40.9	40.3	37.5^(b)	39.2^(b)

(a) Excluding currency

(b) On a like-for-like basis; adjusted for the deconsolidation of RBH, effective March 22, 2019; see slides 127 (4th bullet) and 156 for more information

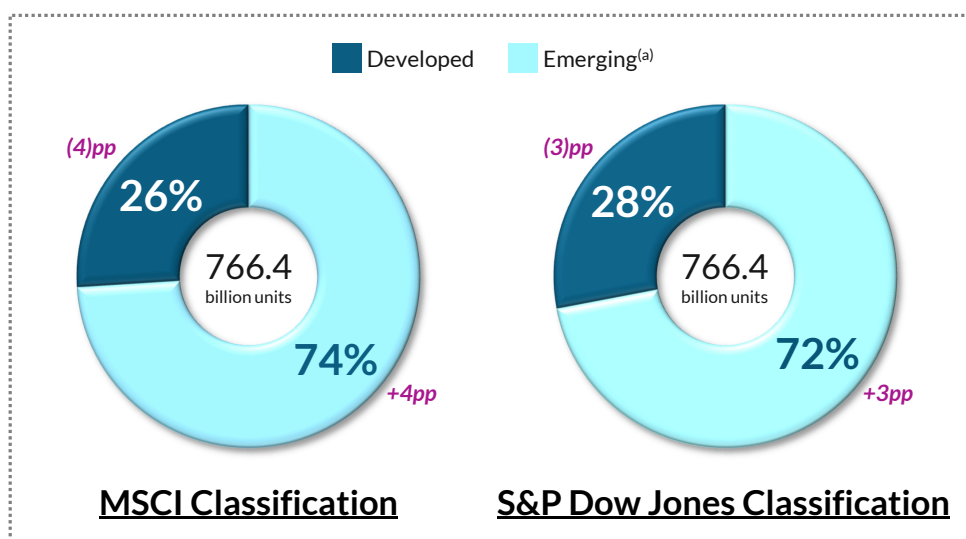
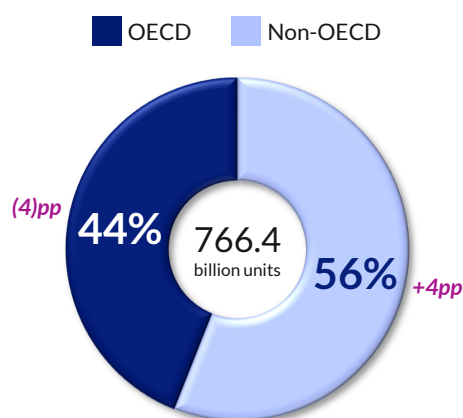
Source: PMI Financials or estimates

27

PMI Total Volume (2019)

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

Change vs. 2008 (pp)



(a) Includes Emerging, Frontier and non-classified markets

Note: Reflects cigarettes and HTUs. OECD/non-OECD splits for 2008 and 2019 reflect the list of OECD countries for 2019; Percentage split and change vs. 2008 exclude the shipment volume contribution from our duty free business

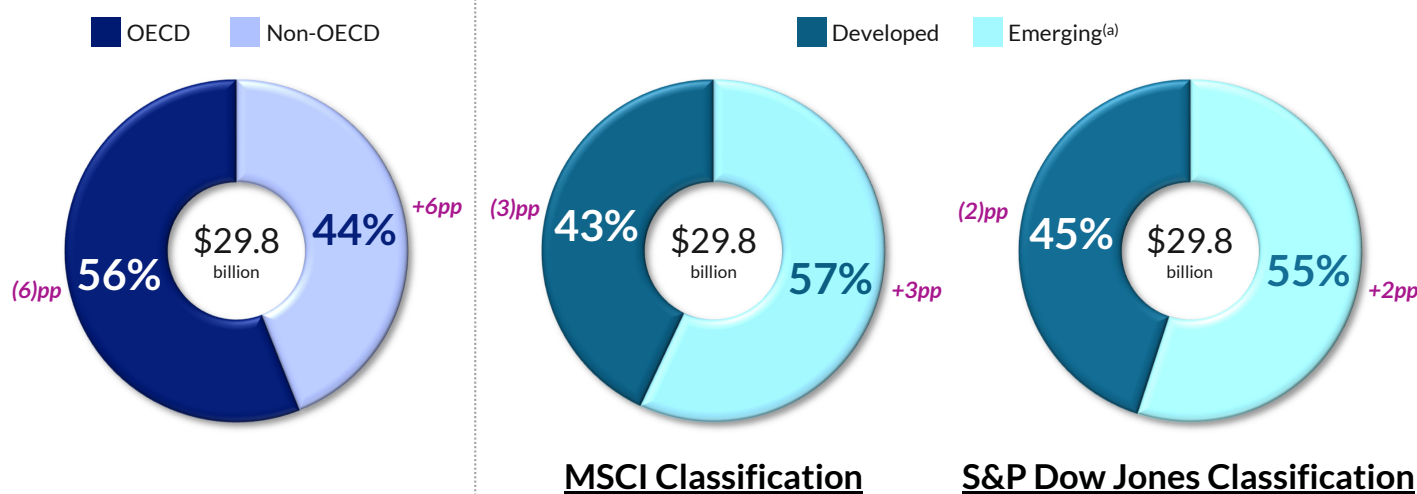
Source: PMI Financials or estimates, MSCI ACWI & Frontier Market Index and Dow Jones Global Total Stock Market Index

28

PMI Net Revenues (2019)

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

Change vs. 2008 (pp)



(a) Includes Emerging, Frontier and non-classified markets

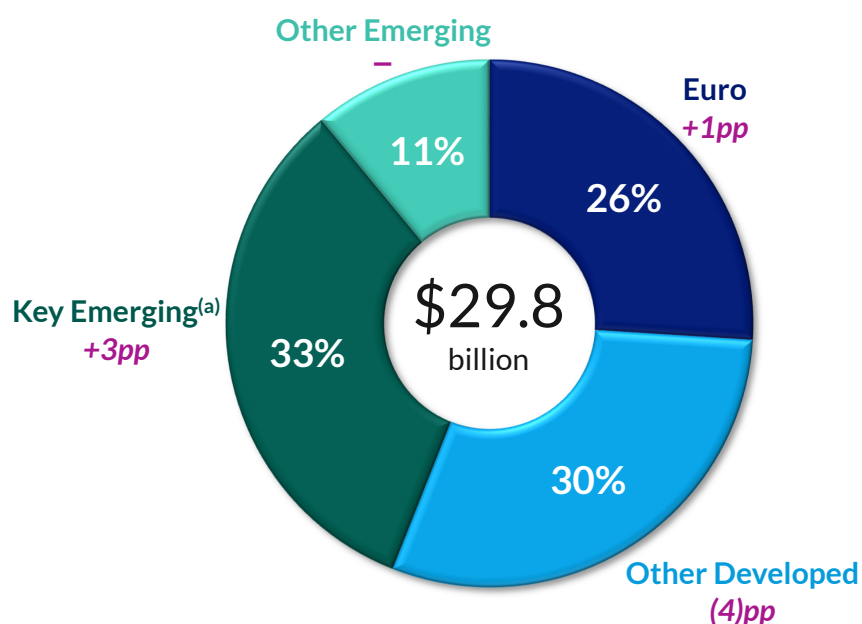
Note: OECD/non-OECD splits for 2008 and 2019 reflect the list of OECD countries for 2019; Percentage split and change vs. 2008 exclude the net revenue contribution from our duty free business

Source: PMI Financials or estimates, MSCI ACWI & Frontier Market Index and Dow Jones Global Total Stock Market Index

29

PMI Net Revenues by Currency (2019)

Change vs. 2018 (pp)



(a) Includes the Czech Krona, Egyptian Pound, Indonesian Rupiah, Mexican Peso, Philippine Peso, Polish Zloty, Russian Ruble and Turkish Lira

Note: List of emerging markets based on Dow Jones Global Total Stock Market Index

Source: PMI Financials or estimates

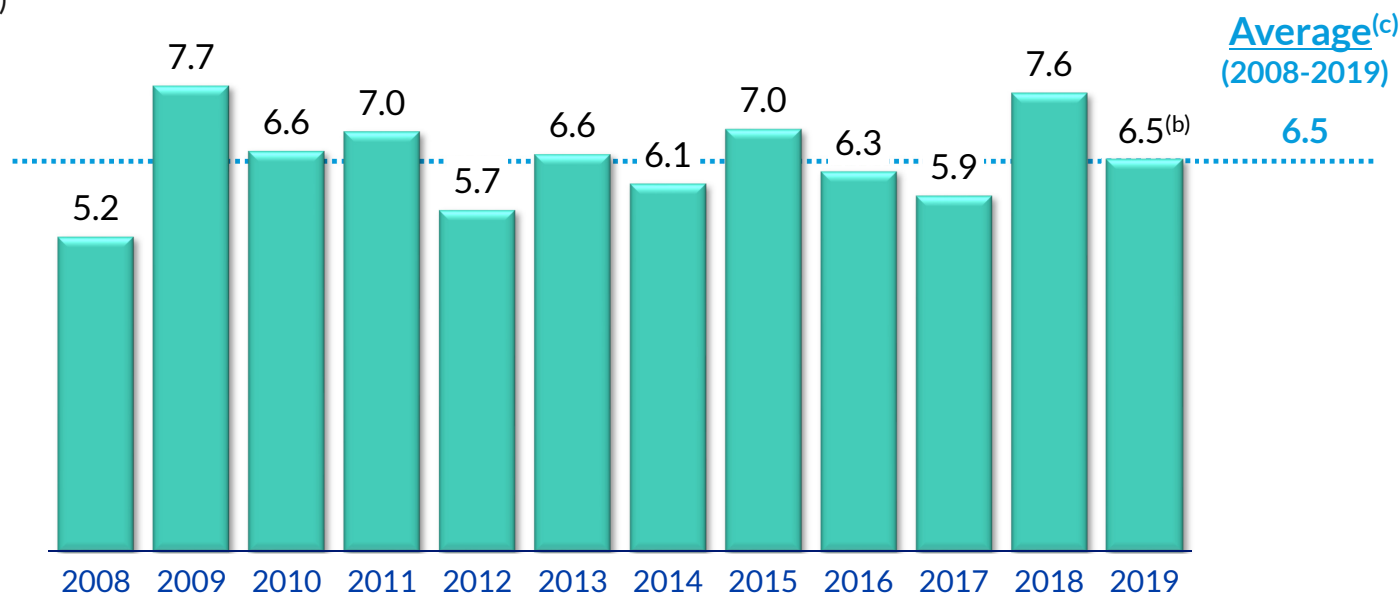
30

Consistent Combustible Tobacco Pricing^(a)

(%)



1



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

(b) On a like-for-like basis

(c) Average combustible tobacco pricing variance (2008-2019) over average base combustible product net revenues (2007-2018). 2019 tobacco pricing variance and 2018 combustible product net revenues are on a like-for-like basis (adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 127 (4th bullet) for more information)

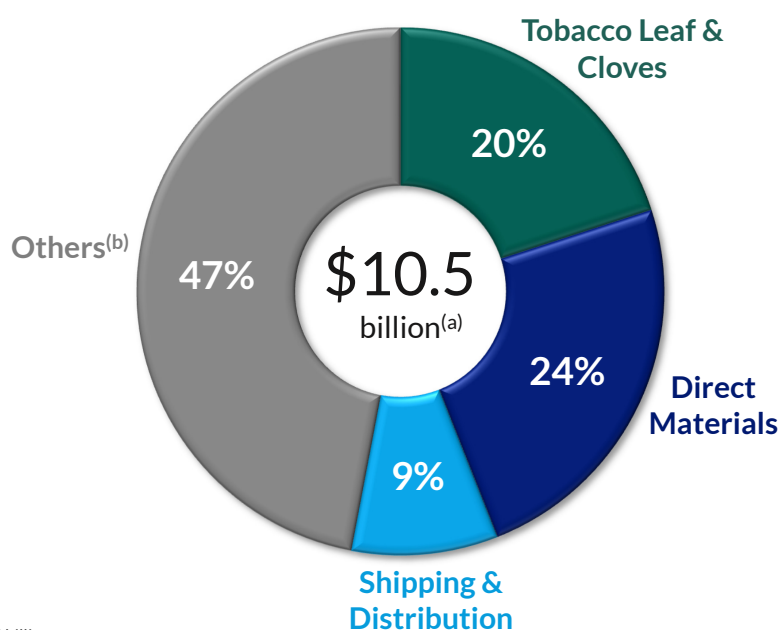
Source: PMI Financials or estimates

31

PMI Cost of Goods Sold (2019)



1



(a) COGS = reported cost of sales of \$10.5 billion

(b) Conversion, fixed manufacturing expenses and other costs

Source: PMI Financials or estimates

32

PMI Costs by Currency (2019)

	Total (\$ billion)	Currency (%)				
		USD	EUR	CHF	IDR	Other
Tobacco ^(a)	2.1	18	55	—	19	8
Direct Materials	2.5	35	57	1	1	6
Other COGS ^(b)	5.9	32	21	7	11	29
Marketing, Overhead & Other Costs above OI	7.5	13	20	21	4	42
Total Adjusted Costs^{(c)(d)}	18.0	23	30	11	8	28

(a) Including cloves

(b) Other manufacturing related costs and shipping

(c) Total costs above reported OI of \$19.3 billion = reported cost of sales of \$10.5 billion + reported marketing, administration and research costs of \$8.7 billion + \$0.1 billion amortization of intangibles

(d) Excludes reporting adjustments of \$1.2 billion (refer to slide 152): asset impairment and exit costs (\$422 million), 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)

Note: Total cost base excludes sales allowances and reflects the deconsolidation of RBH effective March 22, 2019

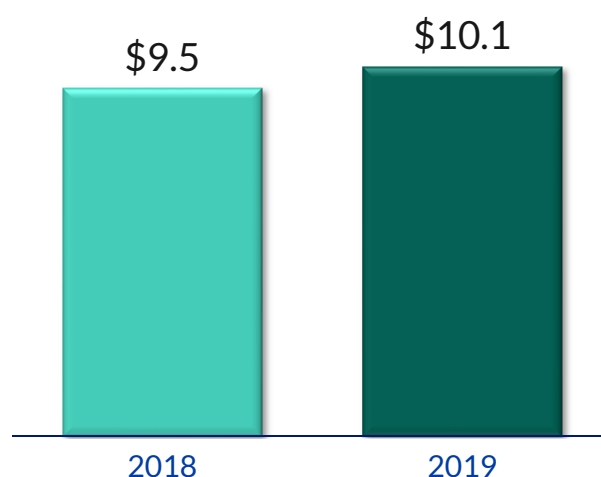
Source: PMI Financials or estimates

33

Operating Cash Flow; Capital Expenditures (2019)

- Operating cash flow up by \$0.6 billion, benefiting from:
 - Working capital initiatives
 - The timing of certain cash costs related to our Berlin factory optimization
- Capital expenditures of \$0.9 billion, benefiting from production efficiencies

PMI Operating Cash Flow (\$ in billions)



Note: Operating cash flow is defined as net cash provided by operating activities
Source: PMI Financials or estimates

34

PMI and Hedging



1

- Where appropriate, PMI carries out cash flow hedges ("transaction hedges")
- Opportunities for hedging in emerging markets are generally limited and/or expensive
- We do not carry out net income hedges
- PMI has implemented a balance sheet hedging policy since 2008, primarily focusing on hedging Euro net asset positions
- Hedges are performed through Euro-denominated debt, complemented by underlying financial instruments; at the end of 2019, around 60% of total debt was in Euros
- Realized results and valuation changes on balance sheet hedges are booked in equity

Source: PMI Financials or estimates

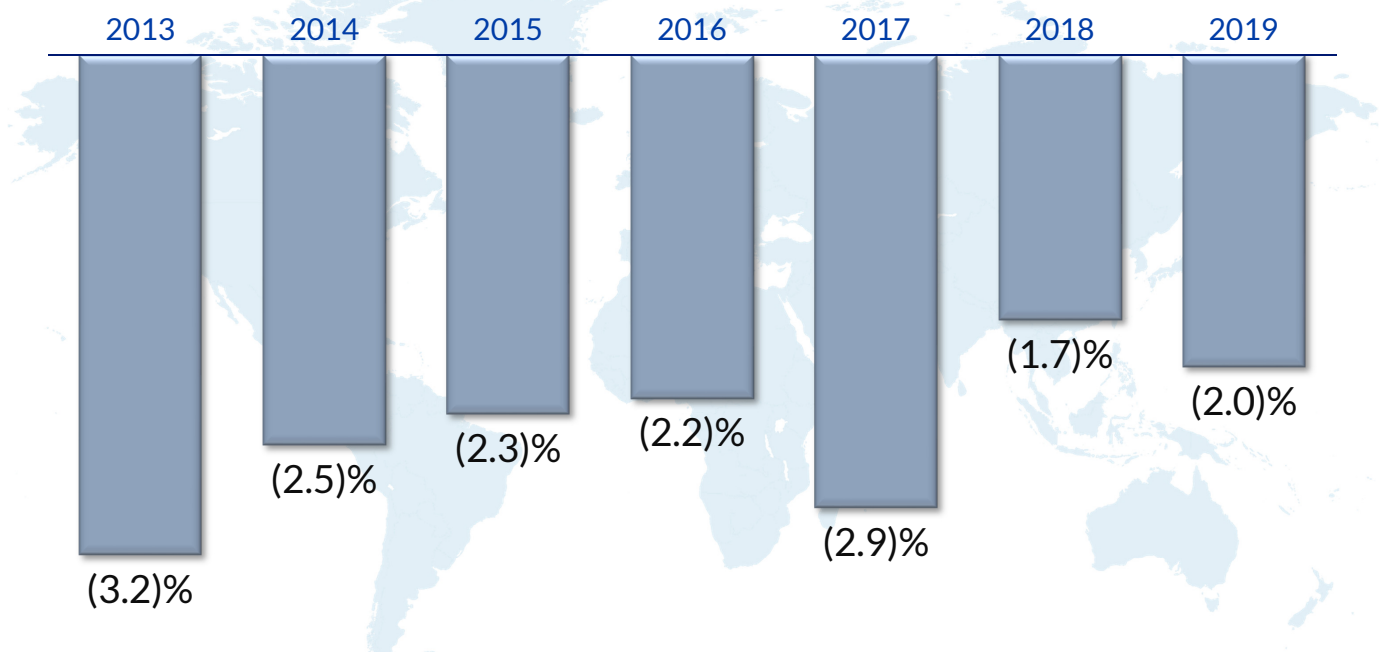
35

Consistent Total Industry Volume Trend

(% Change vs. PY)



2



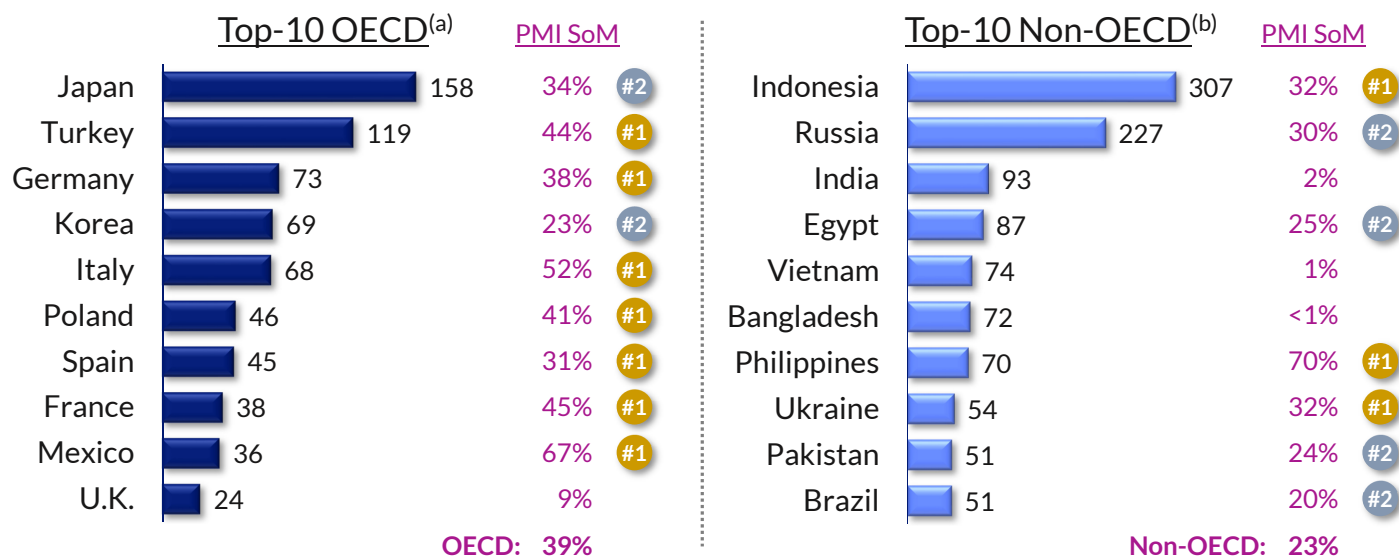
Note: Excluding China and the U.S. Reflects cigarettes and HTUs
Source: PMI Financials or estimates (PMI FY 2019 Results, February 6, 2020)

36

Top Industry Volume Markets (2019)

(billion units)

2



(a) Top-10 markets ranked by 2019 total industry volume, excluding the U.S. Based on OECD member list as per year-end 2019

(b) Top-10 markets ranked by 2019 total industry volume, excluding China and duty free

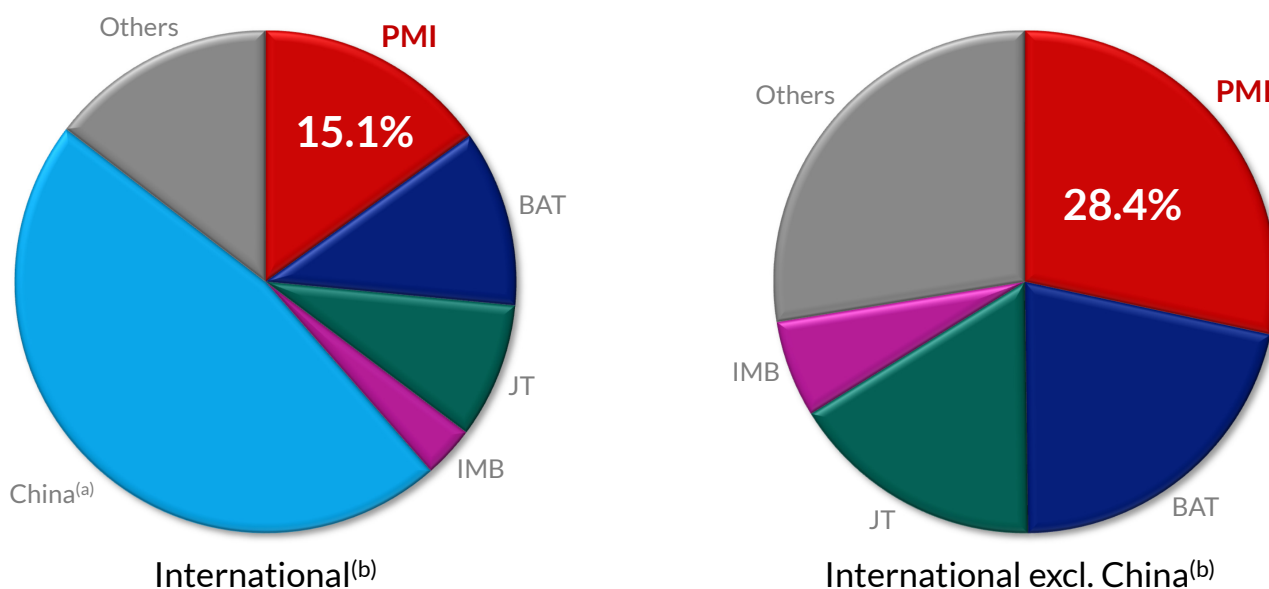
Note: Reflects cigarettes and HTUs (where applicable)

Source: PMI Financials or estimates (PMI FY 2019 Results, February 6, 2020)

37

PMI Total Market Share Leadership (2019)

2



(a) Excluding CNTC license production of Marlboro and Parliament cigarettes (2.3 billion units in 2019)

(b) Excluding the U.S.

Note: Reflects cigarettes and HTUs; PMI total market shares adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 127 (4th bullet) for more information

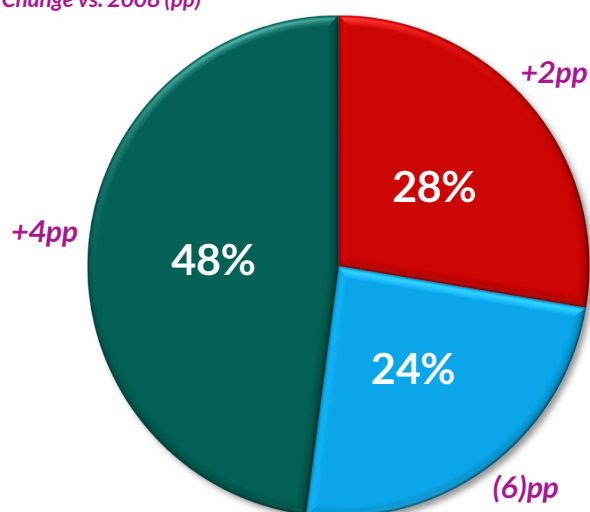
Source: PMI Financials or estimates (PMI FY 2019 Results, February 6, 2020)

38

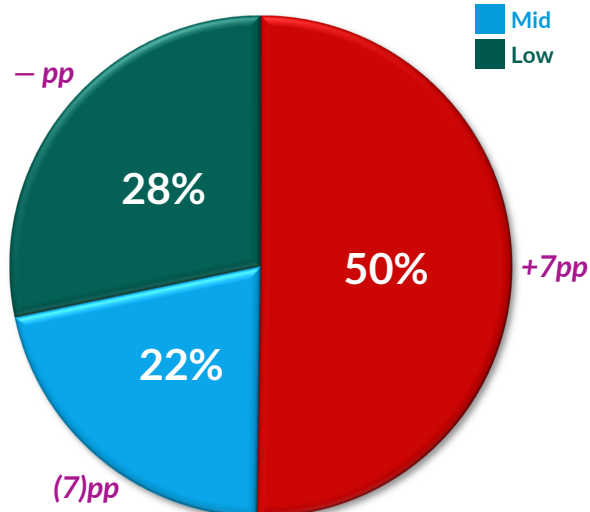
PMI Total Volume Price Segmentation vs. Industry (2019)



Change vs. 2008 (pp)



Industry



PMI

Note: Reflects cigarettes and HTUs. Excluding China and the U.S. Premium includes above-premium. Low includes super-low and undefined
Source: PMI Financials or estimates (PMI FY 2019 Results, February 6, 2020)

39

PMI Total Market Share: Select Markets



	Full-Year			H1		
	2019	2018	Variance	2020	2019	Variance
Argentina	70.0%	73.8%	(3.8)pp	65.7%	72.1%	(6.4)pp
Australia	27.5	29.7	(2.2)	29.4	27.6	1.8
France	45.0	45.5	(0.5)	44.7	44.9	(0.2)
Germany	38.0	37.3	0.7	40.4	38.9	1.5
Indonesia	32.1	33.4	(1.3)	29.3	32.4	(3.1)
Italy	51.8	51.8	—	52.0	51.4	0.6
Japan	34.5	34.0	0.5	36.4	34.2	2.2
Korea	22.6	25.0	(2.4)	21.4	23.2	(1.8)

Note: PMI total market shares reflect cigarettes and HTUs (where applicable)
Source: PMI Financials or estimates (PMI FY 2019 Results, February 6, 2020. PMI Q2 2020 Results, July 21, 2020)

40

PMI Total Market Share: Select Markets (cont.)



2

	Full-Year			H1		
	2019	2018	Variance	2020	2019	Variance
Mexico	67.1%	68.0%	(0.9)pp	61.6%	67.0%	(5.4)pp
Philippines	70.5	69.9	0.6	69.9	70.4	(0.5)
Poland	41.2	41.5	(0.3)	39.7	40.4	(0.7)
Russia	30.1	28.3	1.8	32.4	29.1	3.3
Saudi Arabia	43.0	41.5	1.5	39.4	40.3	(0.9)
Spain	31.3	32.1	(0.8)	31.1	31.4	(0.3)
Turkey	43.7	46.4	(2.7)	38.9	42.9	(4.0)

Note: PMI total market shares reflect cigarettes and HTUs (where applicable)
Source: PMI Financials or estimates (PMI FY 2019 Results, February 6, 2020. PMI Q2 2020 Results, July 21, 2020)

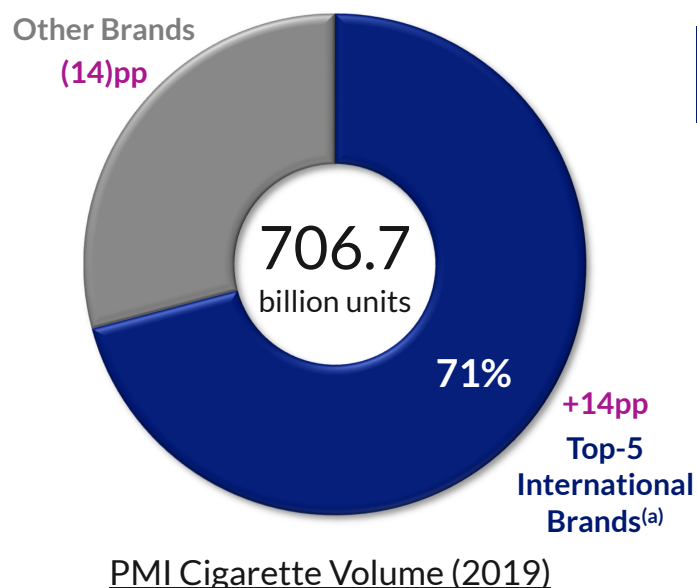
41

PMI Cigarettes: Focused Portfolio Strategy



Change vs. 2013

- Committed to maintaining:
 - Leadership of the cigarette category outside China and the U.S.
 - Price positioning for our cigarette brands at the top of their respective segments
- Focusing innovation on fewer, more impactful initiatives:
 - Can be deployed swiftly in any market
- Portfolio rationalization:
 - Brand morphing
 - Elimination of low-volume SKUs
- Cigarette leadership and efficiency provides resources to invest in switching adult smokers to RPs



(a) Top-5 international brands in 2019: Marlboro, L&M, Chesterfield, Philip Morris and Parliament. Change vs. 2013 reflects same list of brands
Note: PMI cigarette volume adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 127 (4th bullet) for more information
Source: PMI Financials or estimates

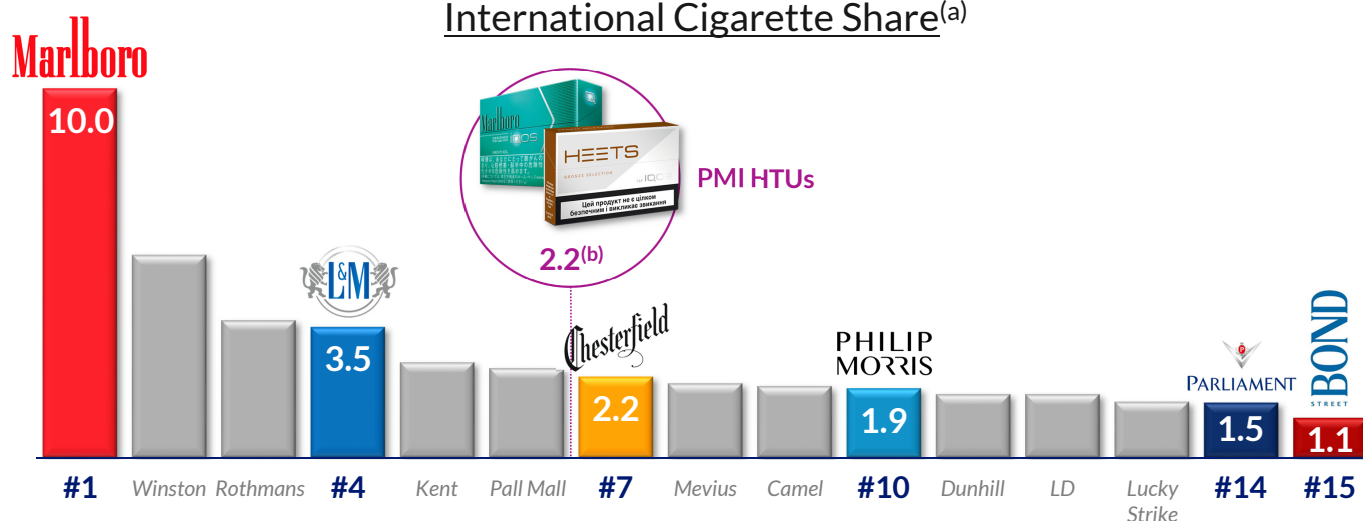
42

3



PMI Cigarettes: Top-15 International Brands (2019)

(%)



3

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

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

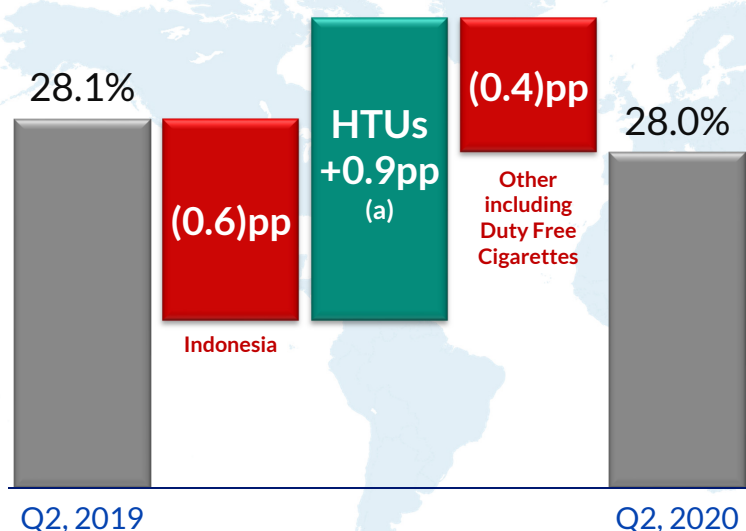
(b) Sales volume of PMI HTUs as a percentage of the total industry sales volume for cigarettes and HTUs

Note: Excluding China and the U.S. Philip Morris includes Philip Morris/Dubliiss

Source: PMI Financials or estimates (PMI FY, 2019 Results, February 6, 2020)

43

PMI Total International Market Share (Q2, 2020)



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

Note: Excluding China and the U.S. Adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 127 (4th bullet) for more information. Sales volume of PMI cigarettes and HTUs as a percentage of the total industry sales volume for cigarettes and HTUs

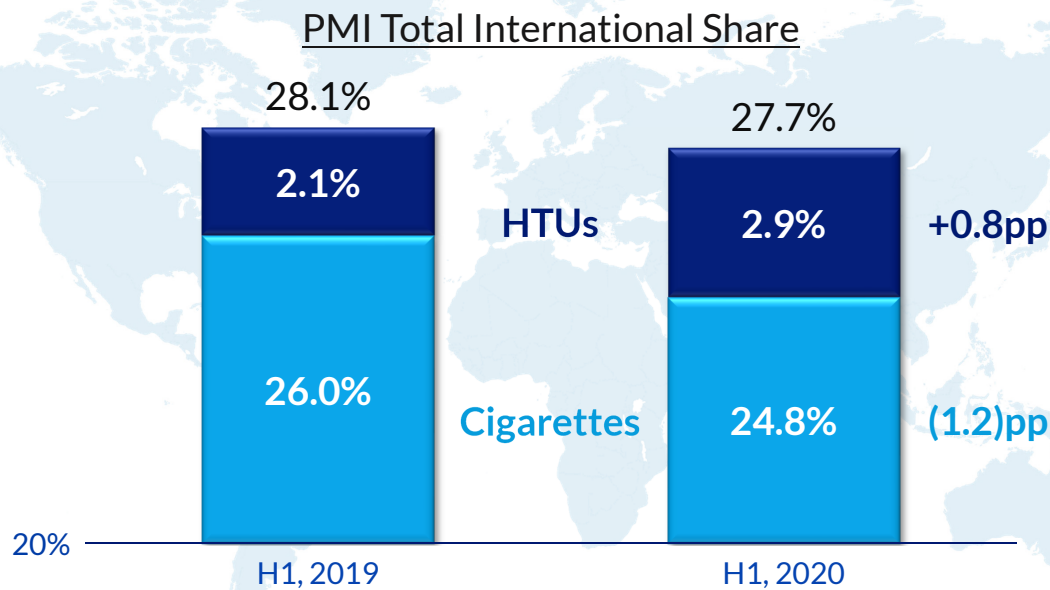
Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

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

3

44

PMI Total International Share (H1, 2020)



Note: Excluding China and the U.S. Adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 127 (4th bullet) for more information. Sales volume of PMI cigarettes and HTUs as a percentage of the total industry sales volume for cigarettes and HTUs
Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

45

Cigarettes: Broadly Rational Global Excise Tax Environment



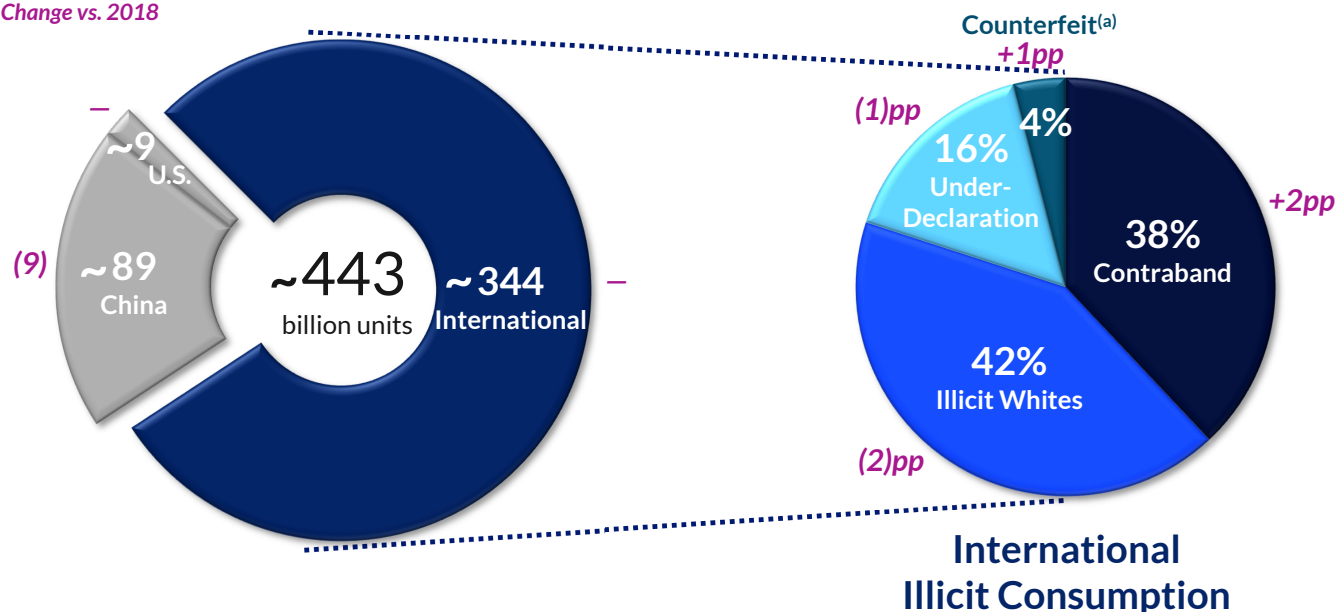
- Rate of increase and structure are of paramount importance
- In general, governments recognize that revenue predictability can be enhanced by:
 - Regular, reasonable increases
 - High proportion of specific elements in excise tax structure
 - Multi-year programs
 - Income or inflation indexation
- EU tobacco excise tax:
 - Reasonable current EU framework, providing governments with structural flexibility between specific, ad valorem and minimum tax tools
 - Process for EU Tobacco Excise Directive:
 - EU Commission's Evaluation Report (February 10, 2020) covering combustible products, novel tobacco products and e-cigarettes
 - EU Council Conclusions (June 2, 2020) requesting the EU Commission to prepare the necessary impact assessment plus legislative proposal, expected earliest by 2021
- Structural excise tax improvements in recent years, notably in Argentina, Pakistan and the Philippines
- Multi-year excise tax programs notably in Japan, Kazakhstan and the Philippines
- Index adjustments notably in Israel, Sweden, Turkey and the U.K.

46



Cigarettes: Illicit Trade Overview (2019)

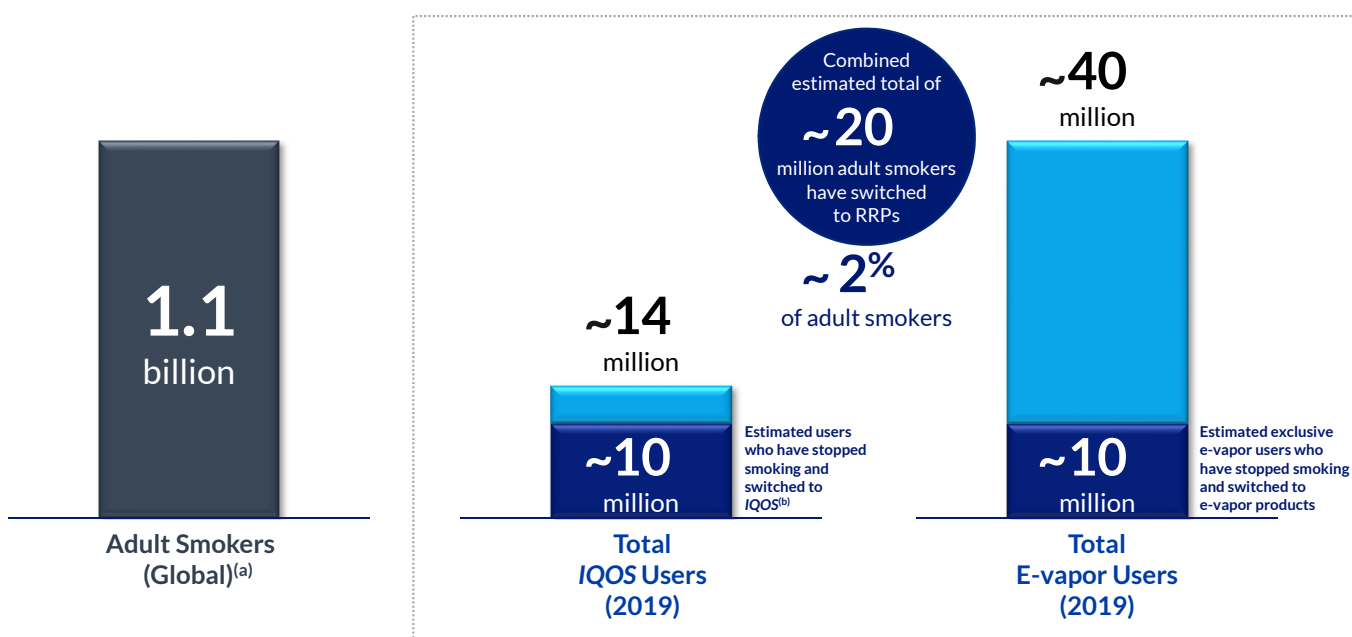
Change vs. 2018



(a) Estimate for PMI worldwide and BAT, JT and IMB for selected markets
Source: PMI Financials or estimates

47

The RRP Opportunity Remains Vast ...



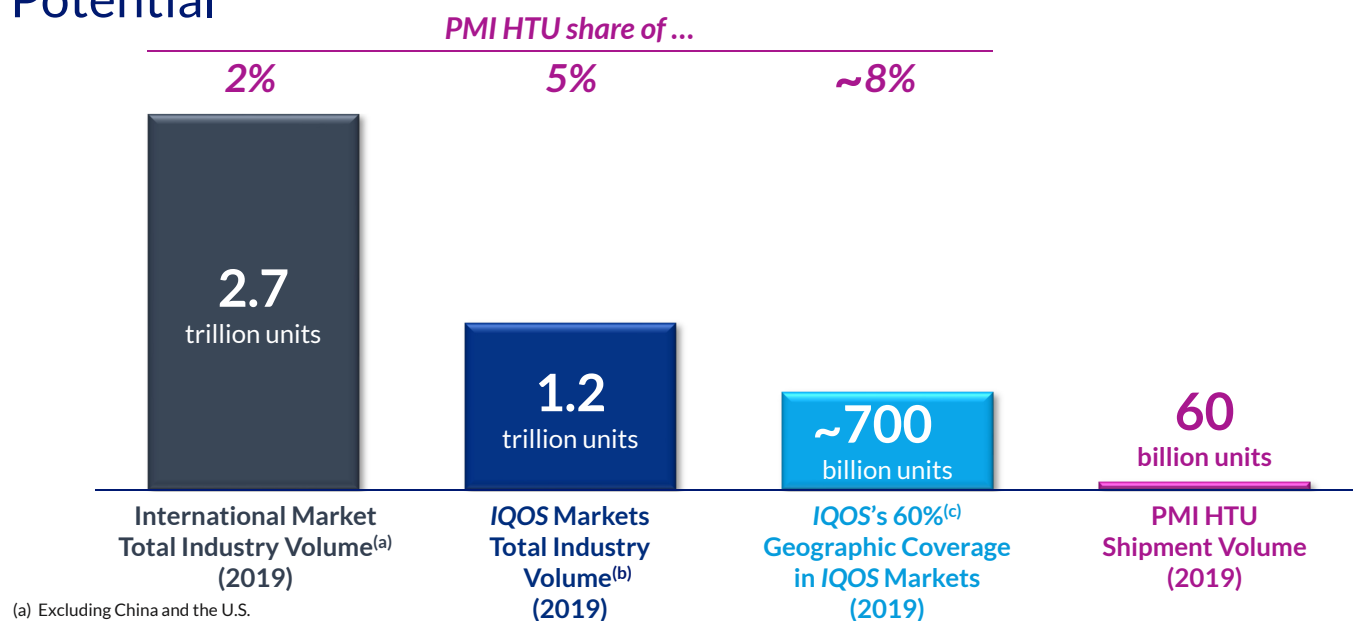
(a) Source: World Health Organization (WHO)

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

Source: PMI Financials or estimates, IQOS User Panels and PMI Market Research (Consumer Analyst Group of New York Conference, February 19, 2020)

48

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



(a) Excluding China and the U.S.

(b) Excluding the U.S.

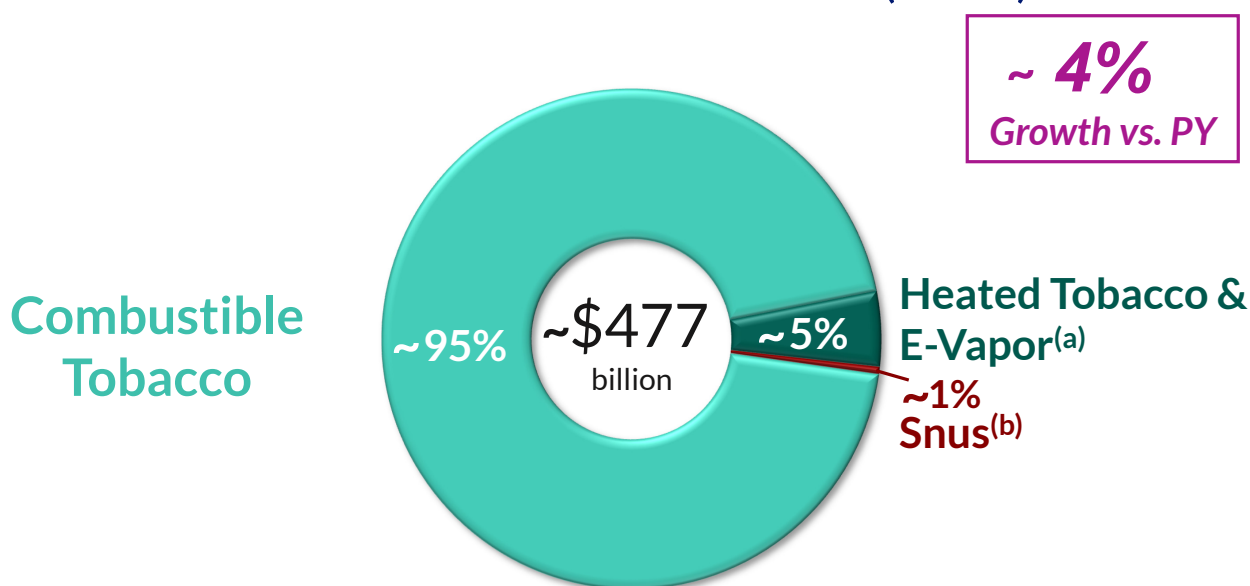
(c) Weighted average

Note: Total volume reflects cigarettes and HTUs

Source: PMI Financials or estimates (Consumer Analyst Group of New York Conference, February 19, 2020)

49

Nicotine Market International Retail Value (2019)



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

(b) Includes nicotine pouches

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

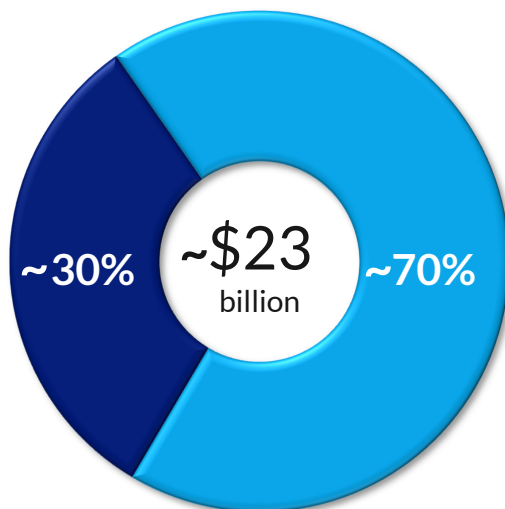
Source: PMI Financials or estimates (Consumer Analyst Group of New York Conference, February 19, 2020)

50

RRP International Retail Value (2019)



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



~**20%**
Growth vs. PY

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

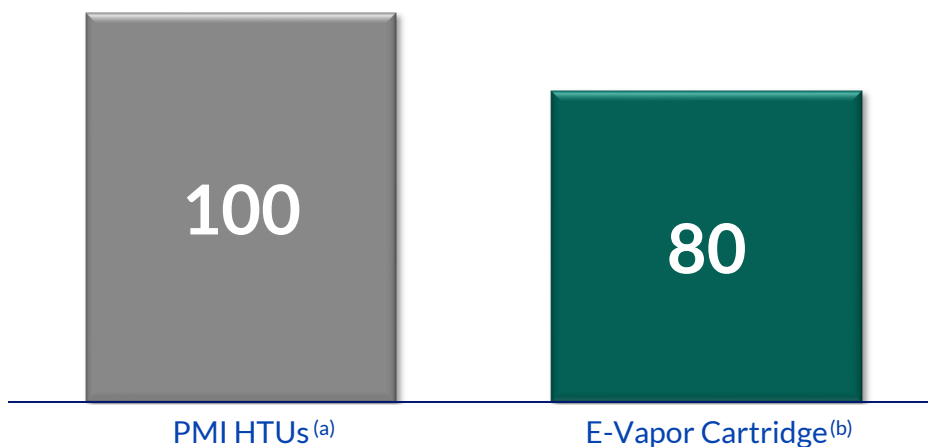
Note: Excluding China and the U.S. Includes e-vapor and heated tobacco products (devices and consumables), and excludes nicotine pouches and snus
Source: PMI Financials or estimates (Consumer Analyst Group of New York Conference, February 19, 2020)

51

RRPs Have Attractive Unit Margins ...



2019 Average
(Index=PMI HTUs)



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

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

Source: PMI Financials or estimates (Consumer Analyst Group of New York Conference, February 19, 2020)

52

... Providing Return on Large Investments

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

Source: PMI Financials or estimates (Consumer Analyst Group of New York Conference, February 19, 2020)



Scientific Substantiation



IQOS Stores



R&D Facility in Neuchâtel, Switzerland

Adult Consumer Insights Underpin RRP Outlook



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



32%

Familiarity Seekers

- Tobacco taste
- Familiar ritual
- Convenience

Best served by heated tobacco



38%

Experimenters

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

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



10%

Best of Both Worlds

- Choice
- RRP polyusage

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

Source: PMI Market Research (Consumer Analyst Group of New York Conference, February 19, 2020)

RRP Portfolio Strategy and Competitive Strengths



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



Source: PMI Financials or estimates, IQOS user panels and PMI Market Research (Consumer Analyst Group of New York Conference, February 19, 2020)

5

55

Key Pillars of Competitive Strength

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



5

56

Our RRP Platforms

THE SCIENCE

"IQOS HeatControl Technology"

BRAND

IQOS

PLATFORMS



Note: The products depicted are subject to ongoing development and therefore the visuals are illustrative and do not necessarily represent the latest stages of product development

57

Product Superiority: Regular Device Innovation



2015-2016

- Aesthetics
- Automatic blade cleaning
- Easier holder insertion



2017

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



2018

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



2019 onwards

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

58

IQOS 3 Family Product Characteristics



- Two consecutive uses without recharging the holder
- Shortened holder recharge time and longer battery life
- Creatively customizable

IQOS 3 DUO



- Shortened holder recharge time and longer battery life vs. IQOS 2.4 Plus
- Creatively customizable

IQOS 3



- Continuous back-to-back use
- Creatively customizable
- Enhanced portability

IQOS 3 MULTI



Innovating Our Heated Tobacco Consumables Portfolio

Launched Above-Premium *HEETS* Creations in Russia

HEETS
Creations
made for IQOS

RUB 170

per pack

vs. RUB 145
per pack
for HEETS



Note: RSPs as of July 1, 2020

Source: Consumer Analyst Group of New York Conference, February 19, 2020

61

Widening Options, Price Points in More Advanced Markets



Japan



0.1%

HEETS SoM

2.4%

Oct 2018

Dec 2019

Note: Excluding the impact of estimated trade inventory movements, and including the cigarillo category. *HEETS* launched in October 2018

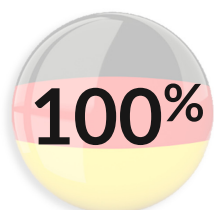
Source: PMI Financials or estimates (Consumer Analyst Group of New York Conference, February 19, 2020)

62



Clear Leader in the Heated Tobacco Category

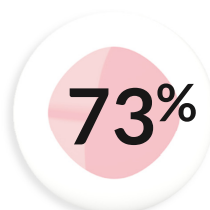
(PMI 2019 share of heated tobacco segment)



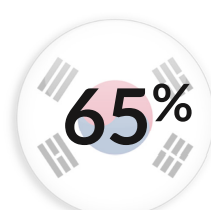
Germany



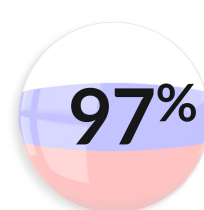
Italy



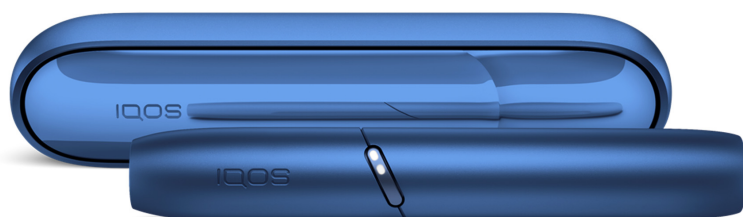
Japan^(a)



Korea^(a)



Russia



(a) Excluding the impact of estimated trade inventory movements

Source: PMI Financials or estimates (Consumer Analyst Group of New York Conference, February 19, 2020)

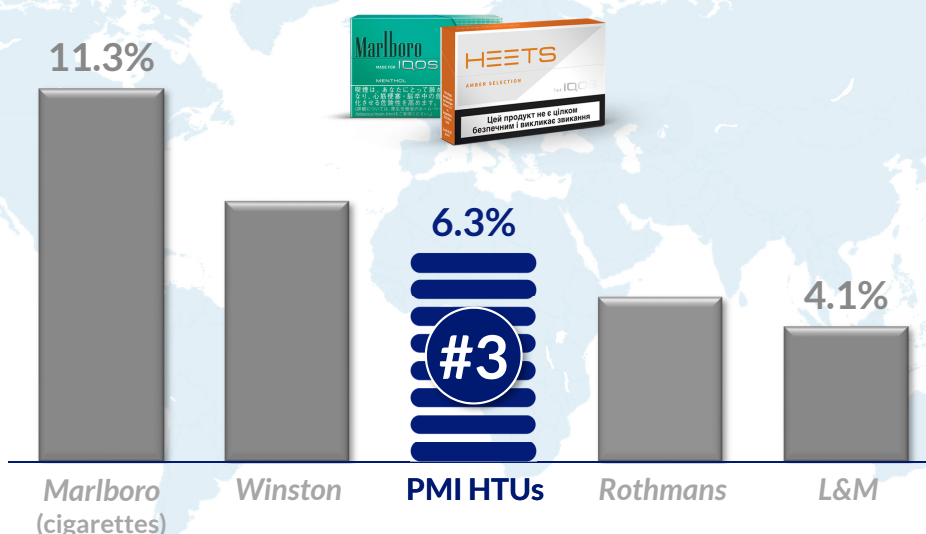
63

5

Third-Largest Tobacco 'Brand' in IQOS Markets



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



(a) Reflects 56 markets where IQOS has been commercialized 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 (PMI Q2 2020 Results, July 21, 2020)

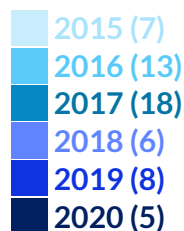
64

5

Geographic Expansion of IQOS Continues



Market Launches



57^(a)
Markets
Worldwide^(b)

(a) Effective March 27, 2020, the sale of IQOS is temporarily suspended in South Africa due to the pandemic-related ban on tobacco products, e-cigarettes and electronic devices that heat tobacco

(b) Status at July 2, 2020

Note: Reflects markets where IQOS has been commercialized in key cities or nationwide. Reflects date of initial geographic expansion beyond pilot launch city. The number of markets includes International 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

Source: PMI Q2 2020 Results, July 21, 2020

65

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

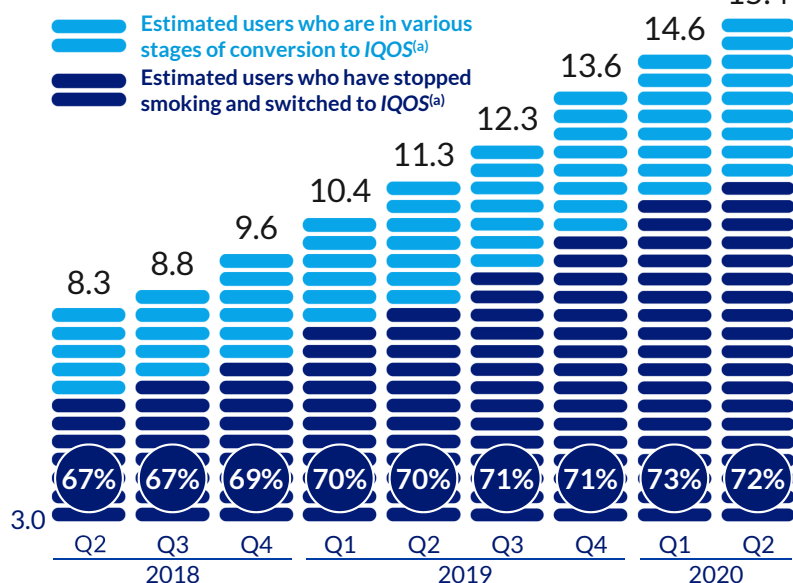
Discover more at [IQOS.com](https://www.iqos.com)

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



Total IQOS Users^(a)

(in millions)

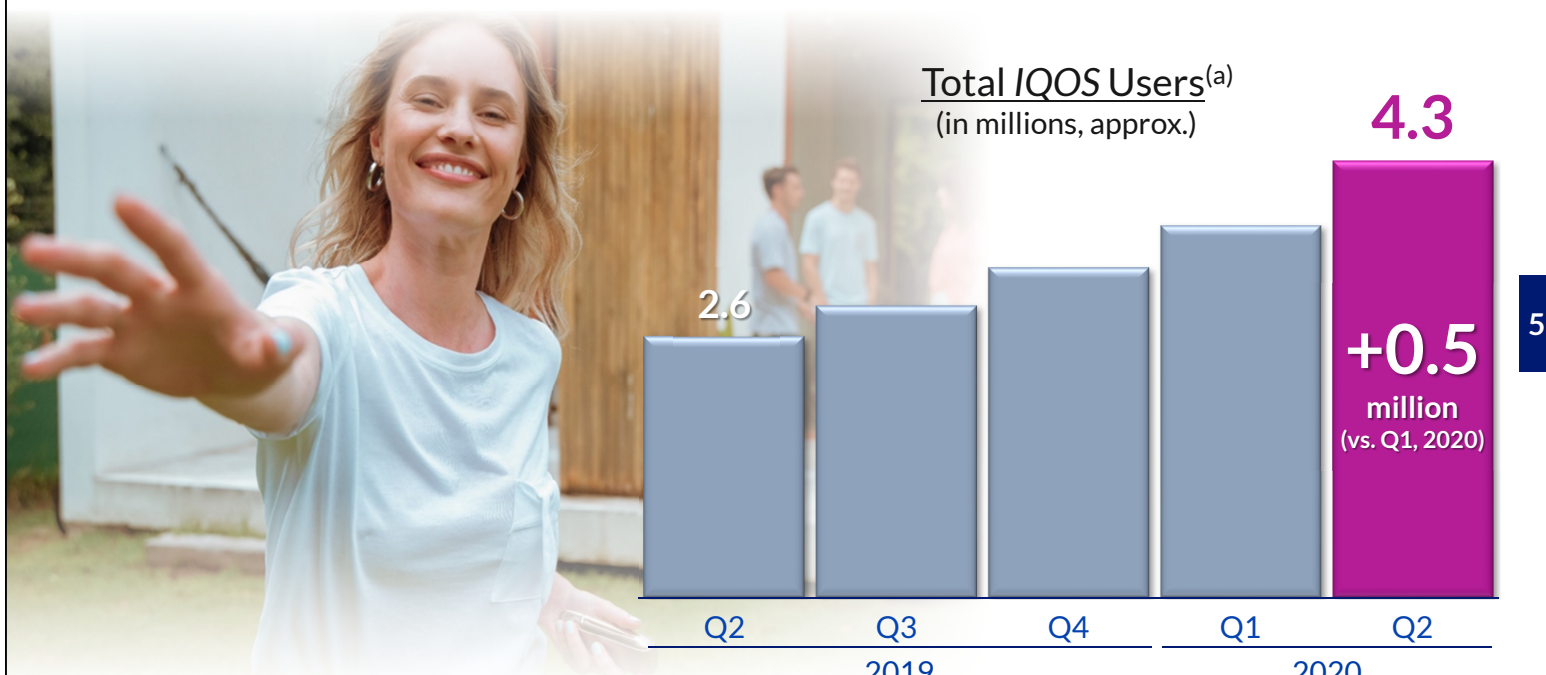


(a) See Glossary for definition

Source: PMI Financials or estimates, IQOS user panels and PMI Market Research (PMI Q2 2020 Results, July 21, 2020)

66

EU Region: Record IQOS User Growth in Q2, 2020

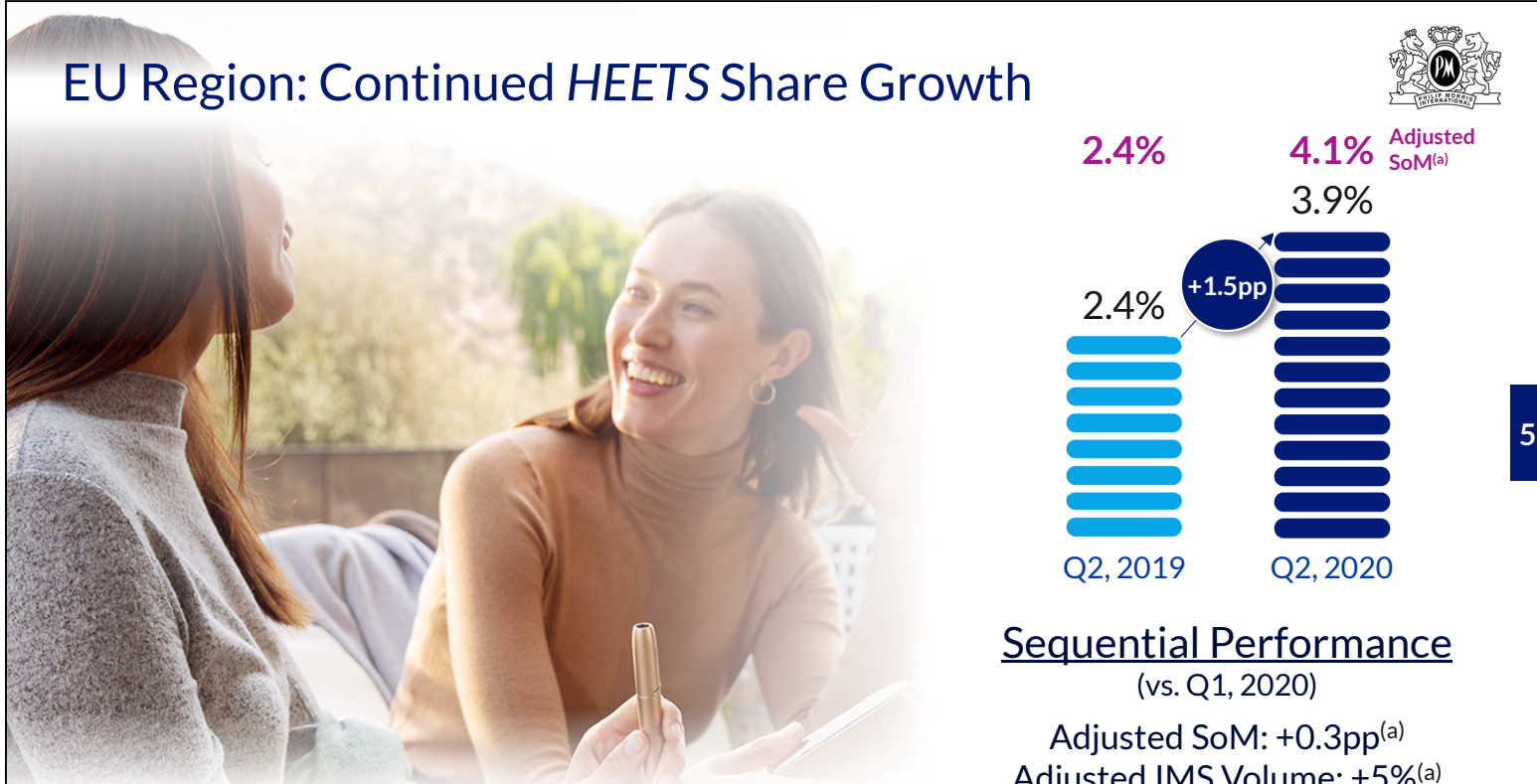


(a) See Glossary for definition

Source: PMI Financials or estimates, IQOS user panels and PMI Market Research (PMI Q2 2020 Results, July 21, 2020)

67

EU Region: Continued HEETS Share Growth



Sequential Performance

(vs. Q1, 2020)

Adjusted SoM: +0.3pp^(a)

Adjusted IMS Volume: +5%^(a)

(a) Excluding the estimated impact of consumer pantry loading

Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

68

EU Region: *HEETS* SoM Performance in Select Markets

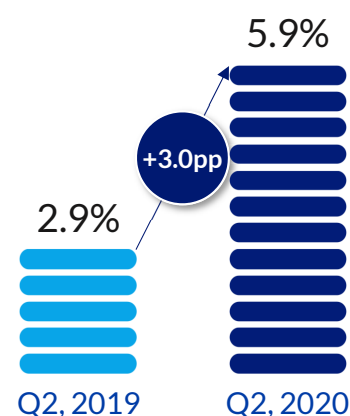


	Q2, 2020	Growth vs. PY		Q2, 2020	Growth vs. PY		Q2, 2020	Growth vs. PY
Croatia	4.6%	+1.2pp	Italy	7.7%	+3.1pp	Romania	2.8%	+0.6pp
Czech Republic	9.6	+3.9	Latvia	10.5	+5.9	Slovak Republic	8.7	+1.5
Germany	2.0	+0.9	Lithuania	19.0	+6.9	Slovenia	4.6	+1.6
Greece	11.3	+3.2	Poland	4.4	+2.4	Switzerland	4.0	+1.4
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 (PMI Q2 2020 Results, July 21, 2020)

69

Russia: Continued *HEETS* Share Growth



Sequential Performance

(vs. Q1, 2020)

SoM: (0.6)pp

IMS Volume: +11.9%

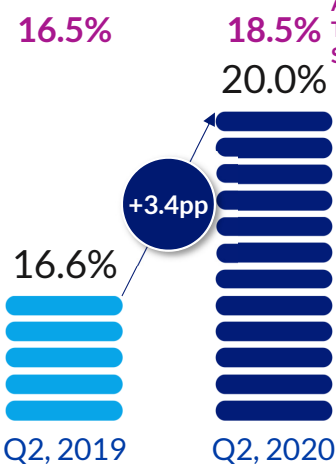
Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

70

Japan: Continued PMI HTU Share Growth



Adjusted
Total Tobacco
SoM^(a)



Sequential Performance

(vs. Q1, 2020)

Adjusted Total Tobacco SoM: +0.7pp^(a)
Adjusted IMS Volume: +4.9%^(a)

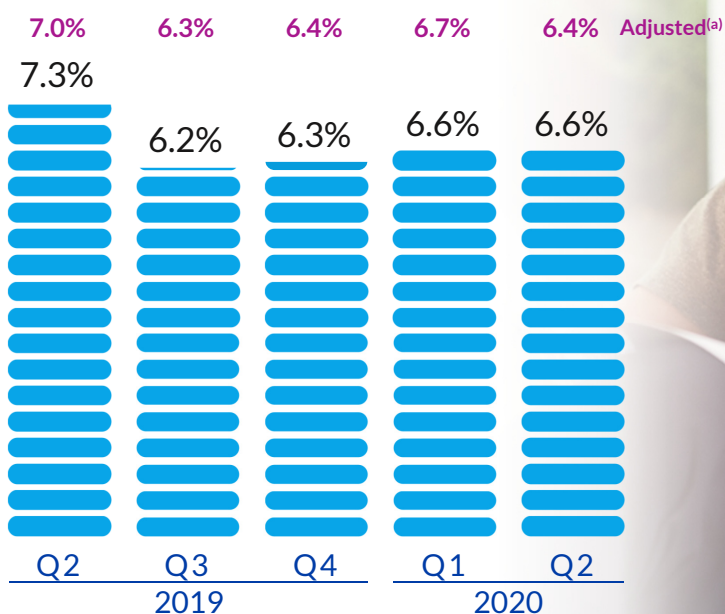
(a) Excluding the impact of estimated trade inventory movements, and including the cigarillo category
Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

71

Korea: Sequential Share Performance



HEETS SoM



(a) Excluding the impact of estimated trade inventory movements
Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

72

Significant Investment in Physical and Digital Infrastructure

199

IQOS Stores

3.3

thousand

Exclusive
IQOS Retail
Touchpoints

11

thousand

Commercial
Salespeople
(Sales experts and
IQOS coaches)

23

Call Centers

1.6

million

Adult Consumer
Feedback
in 2019

46

million

Unique Visits to
IQOS Digital Assets
in 2019

Note: Status at December 31, 2019

Source: PMI Financials or estimates (Consumer Analyst Group of New York Conference, February 19, 2020)

73

PMI's Commercial Engine, A Sustainable Competitive Strength

- Key pillars of commercial engine:

- An organization and approach aligned to the IQOS consumer journey
- Omni-channel model giving consistent service and experience to consumers
- Digitally-driven CRM approach for tailored communications
- Systems and processes to generate consumer feedback driving learnings and improvements

- Simple in concept but complex and time-consuming to implement:

- "Business-to-Consumer" approach
- Relentless focus on execution excellence and minimizing unintended consequences

Source: Consumer Analyst Group of New York Conference, February 19, 2020)

74

Good Conversion Practices for PMI's Smoke-Free Products



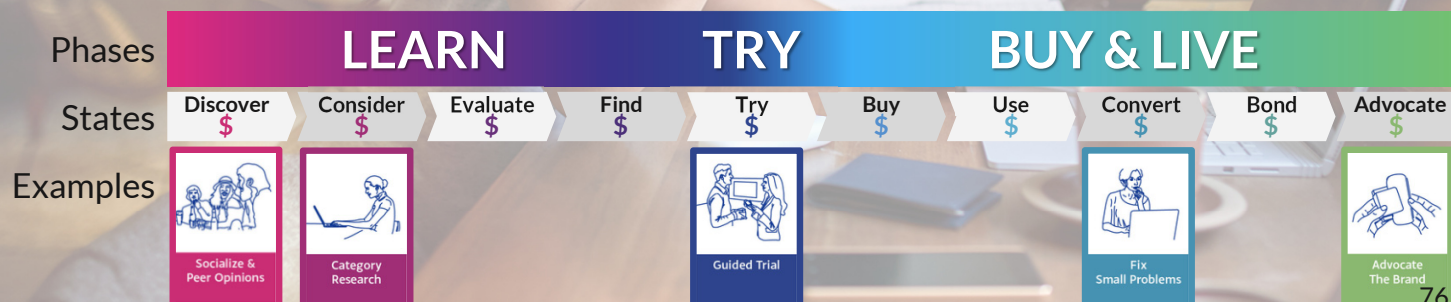
- Cigarette smoking causes serious diseases and is addictive. Without question, the best decision any smoker can make is to quit tobacco and nicotine use altogether
- PMI's smoke-free products are for adults who would otherwise continue to smoke or use other nicotine products
- We do not offer PMI's smoke-free products to people who have never used tobacco or nicotine products or who have quit using tobacco and nicotine products. Our smoke-free products are not an alternative to quitting and are not designed as cessation aids
- PMI's smoke-free products are not risk free and contain nicotine, which is addictive. Switching to a smoke-free product is, however, a much better choice than smoking
- We support our adult smoke-free product users in their journey to full conversion through education and guidance
- For consumers to experience the benefits of smoke-free products, they must switch completely and abandon smoking permanently
- Minors should not use tobacco or nicotine in any form
- Pregnant women, diabetics and people with heart problems should not use any tobacco or nicotine product

Source: <https://www.pmi.com/smoke-free-life/youth-and-nicotine>

75

5

Commercial Approach Aligned to IQOS Consumer Journey



5

76

Execution Matters

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

FEEL THE POWER
OF AMAZING.

ENJOYING A BETTER ALTERNATIVE TO CIGARETTES
NEVER FELT SO GOOD.

IQOS
SIMPLY AMAZING

Important
information: IQOS
is not risk-free.

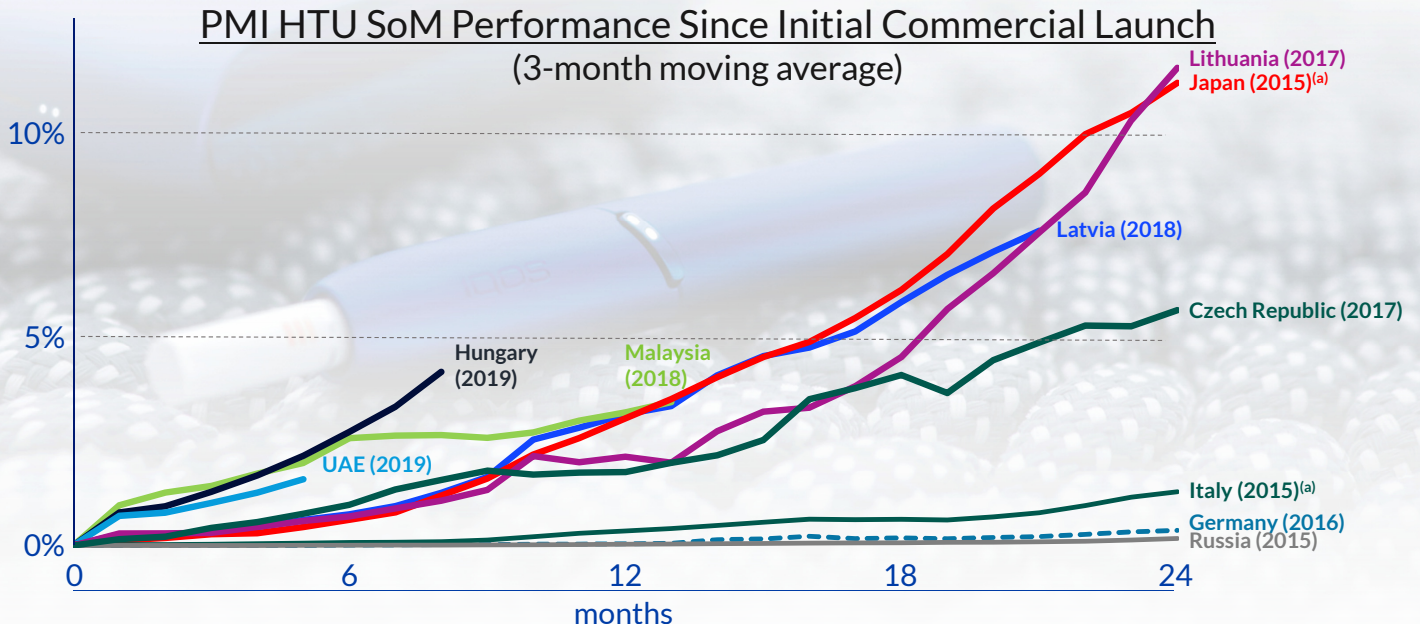
Source: Consumer Analyst Group of New York Conference, February 19, 2020)

77

5

Execution Learnings Drive Faster Results

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



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

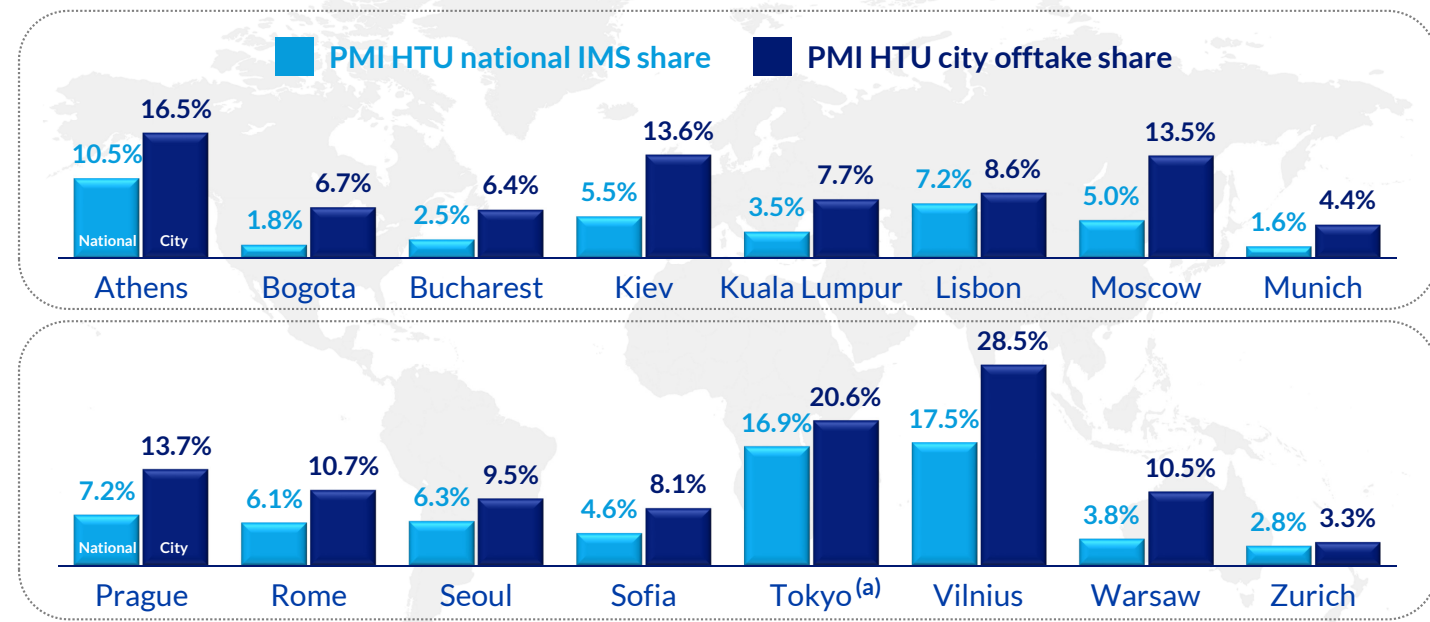
Source: PMI Financials or estimates (Consumer Analyst Group of New York Conference, February 19, 2020)

78

5

Commercial Engine Built in Key Cities Shows National Potential

(Q4, 2019)

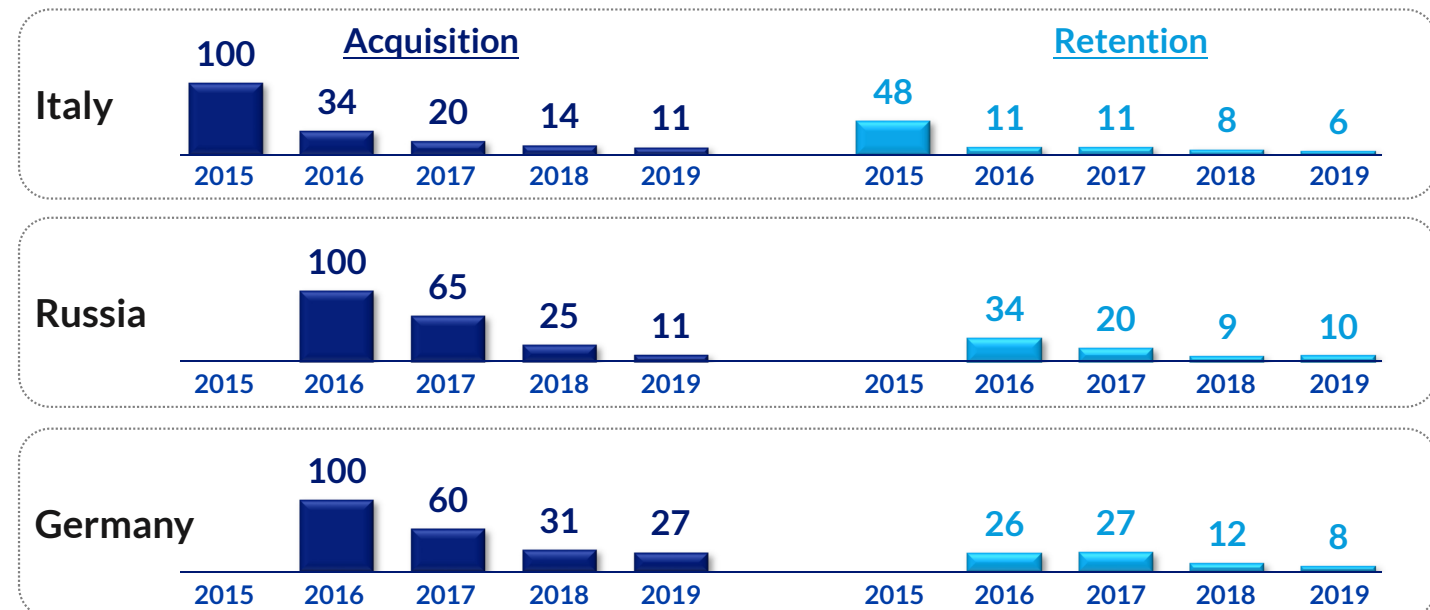


(a) Total market includes the cigarillo category. Excludes the impact of estimated trade inventory movements
Source: PMI Financials or estimates (Consumer Analyst Group of New York Conference, February 19, 2020)

79

Execution and Scale Improve Cost per User

(Index)



Source: PMI Financials or estimates (Consumer Analyst Group of New York Conference, February 19, 2020)

80



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 (MRTTP) 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

5

81

FDA's PMTA Marketing Order for IQOS (April 2019)



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

5

Note: The FDA's marketing order does not mean that the agency "approved" our IQOS heat-not-burn product. The authorization is subject to strict marketing, reporting and other requirements and is not a guarantee that the product will remain authorized, particularly if there is a significant uptake in youth initiation. The FDA will monitor the marketing of the product
Source: FDA Press Release April 30, 2019 (<https://www.fda.gov/news-events/press-announcements/fda-permits-sale-iqos-tobacco-heating-system-through-premarket-tobacco-product-application-pathway>)

82



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

- PMI filing applications with the U.S. FDA under FD&C Act sections 910 and 911:

- 910 (PMTA) authorization required for products not on the market as of February 2007
- 911 (MRTP application) authorization to market products with modified risk claims

- Submitted PMTA to FDA in March 2017:

- On August 4, 2017, the FDA completed a preliminary review and accepted our application for substantive review
- On April 30, 2019, the FDA authorized the sale of a version of IQOS in the U.S.^(a)
- On March 30, 2020, we submitted a supplemental PMTA for IQOS 3 with the FDA
- In March 2020, we requested a clarification from the FDA regarding the applicability of its new health warning requirements to our heated tobacco units sold in the U.S.

(a) See previous slide for more information

Source: Form 10-Q for the six months ended and the quarter ended June 30, 2020 (pp. 69-70)

- Submitted Modified Risk Tobacco Product (MRTP) applications to FDA in December 2016:

- On May 24, 2017, the FDA published the executive summary and research summaries supporting our applications
- Publication of PMI's summaries initiated a substantive scientific review process by the FDA's Center for Tobacco Products
- On February 11, 2019, the public comment period for our MRTP applications closed
- In late 2019, PMI provided a response to the FDA's request for clarification regarding PMI's A/J mice study. Following PMI's response, the FDA re-opened a public comment period, which ended on February 24, 2020
- On July 7, 2020, the FDA determined that the available scientific evidence demonstrates that the issuance of an exposure modification order would be appropriate for the promotion of public health and authorized the marketing of a version of IQOS as a MRTP

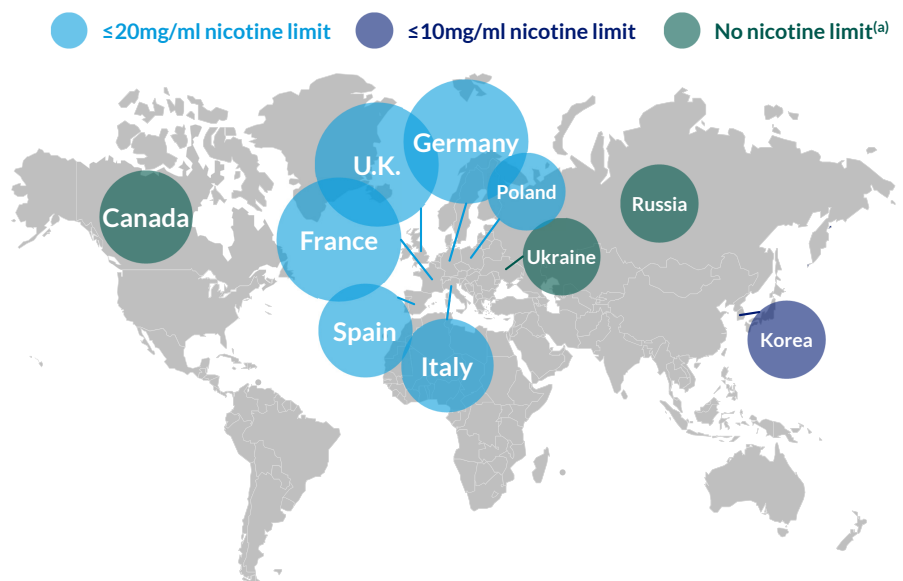
5

83

International E-Vapor: Landscape (2019)



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



10 Largest International E-vapor Markets^(b)

(a) Includes markets where nicotine limit is not meaningful

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

Source: PMI Financials or estimates and PMI Market Research (Consumer Analyst Group of New York Conference, February 19, 2020)

5

84



Important Information:
IQOS is not risk-free

IQOS VEEV: Planned Launch in 2020

Due to the COVID-19 pandemic, commercialization plans may be delayed

- Leverage IQOS Platform 1 capabilities to deploy IQOS VEEV at scale
- IQOS brand embodies our commitment to responsible marketing
- Differentiated technology for superior adult consumer experience
- Targeting legal age smokers and existing RRP users
- In light of consumer confusion on the e-vapor category, in February 2020, we postponed our planned launch of this product until the second half of 2020

Source: PMI Financials or estimates, IQOS user panels and PMI Market Research. Form 10-Q for the six months ended and the quarter ended June 30, 2020 (pp. 67-69) 85

IQOS VEEV
PRECISION VAPING

5

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

Due to the COVID-19 pandemic, commercialization plans may be delayed



Driving Growth in Smoke-Free Category

- Requires multiple products providing a wide array of brand, taste, price and technology choices to adult smokers
- Leveraging on PMI's best-in-class RRP commercialization, technology, scientific substantiation and regulatory engagement capabilities to broaden our strong portfolio and innovation pipeline, to further drive category growth
- KT&G's smoke-free products are complementary to ours
- PMI has responsibility for all elements of commercialization and we intend to apply a market-by-market approach to deployment

The Agreement

- Will run for an initial three-year period; royalty-based agreement
- Intention to expand the market footprint based on commercial success
- Products subject to careful scientific assessment before commercialization
- Currently plan to launch in select markets in the second half of 2020
- No current plans to commercialize KT&G products in the U.S.



Source: Form 10-Q for the six months ended and the quarter ended June 30, 2020 (p. 73)

5

86

Our Other RRP Platforms

Due to the COVID-19 pandemic, commercialization plans may be delayed

Heated Tobacco Product

Platform 2 (TEEPS):

- Completed a small-scale city test in the Dominican Republic that we initiated in December 2017
- Encouraged by consumer interest
- Finalizing improvements to this product. Plan to conduct a consumer test in the beginning of 2021



Nicotine-Containing E-Vapor Product

Platform 3 (STEEM):

- Nicotine salt-based technology
- One pharmacokinetic study completed. Full results (Q4, 2018) indicate product's potential as an acceptable alternative to continued cigarette smoking in terms of product satisfaction
- In February 2020, completed a product use and adaptation study in adult smokers. The analysis was completed and the related report finalized in Q2, 2020. Plan to conduct a consumer test by the end of 2020



Note: The products depicted are subject to ongoing development and therefore the visuals are illustrative and do not necessarily represent the latest stages of product development
Source: Form 10-Q for the six months ended and the quarter ended June 30, 2020 (pp. 67-69)

5

87

Best-in-Class R&D Capability in the Industry and Commitment to Transparency



942

R&D positions (FTEs), including scientists, engineers, technicians, and support staff



45th

largest patent filer in the EU



>\$7.2

billion invested since 2008



365

peer-reviewed scientific publications & book chapters on smoke-free products

Note: Status at December 31, 2019. Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding
Source: PMI Financials or estimates, PMI Research & Development and PMI Integrated Report 2019

6

88

Integrity of Our Scientific Assessment

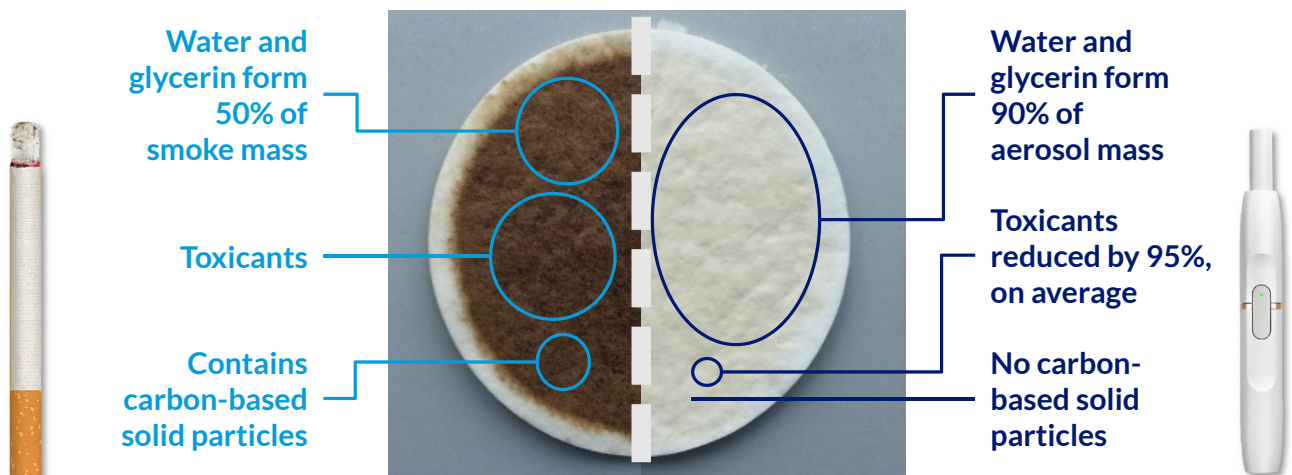
- Adhere to internationally recognized standards including Good Laboratory Practices and Good Clinical Practices
- Actively share our methods and study results, making them available for public review
- Our systems toxicology methods and results are subjected to an even higher level of scientific scrutiny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

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

89

6

Why Heat Tobacco Rather than Burn it?



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

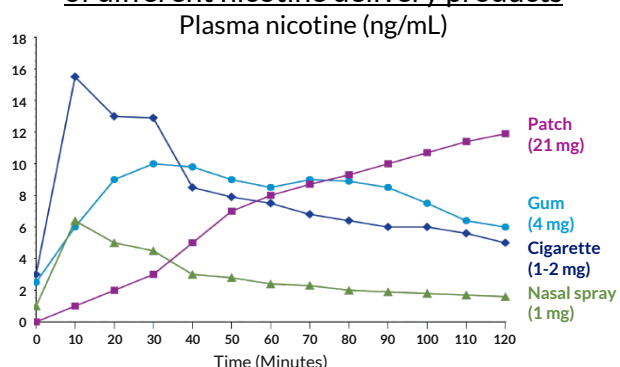
Source: PMI Research & Development

90

6

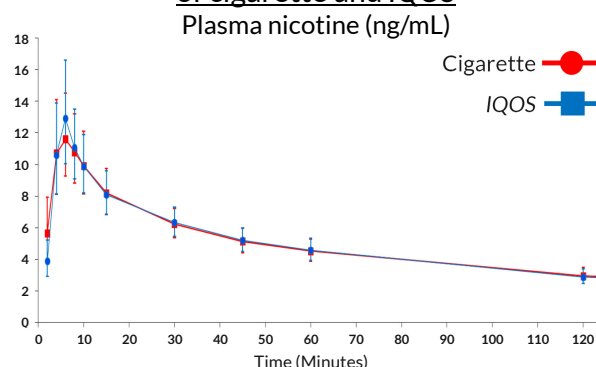
IQOS: Nicotine Pharmacokinetic Profile

Levels of nicotine in the blood following use of different nicotine delivery products



Note: The amount of nicotine in each product is shown in parentheses. The pattern produced by the nicotine lozenge and nicotine inhaler resemble that of nicotine gum. mg = milligram; mL = milliliter; ng = nanogram.
Source: Modified from Garrett et al. 2001

Levels of nicotine in the blood following use of cigarette and IQOS

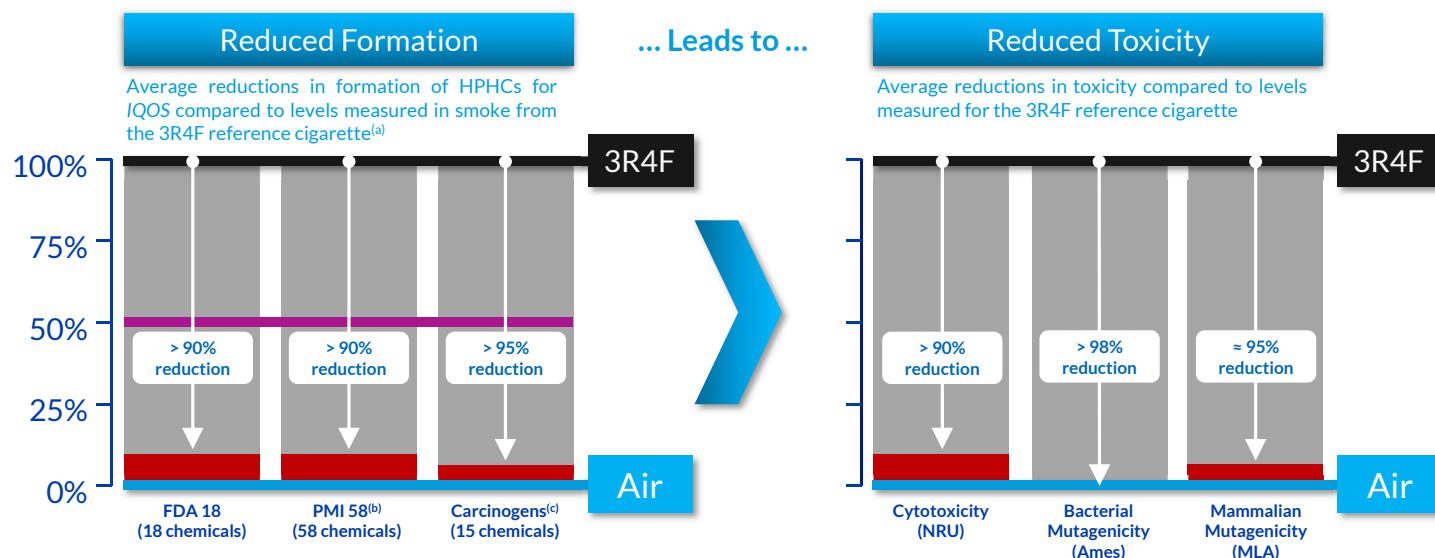


Note: These data alone do not represent a claim of reduced exposure or reduced risk.
Source: PMI Research & Development (PMI Investor Day, June 26, 2014)

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

91

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



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

92



IQOS: Independent Verification on PMI Science (Governmental Reports)



China National Tobacco Quality Supervision and Test Centre (China, 2019): "THS 2.2 delivered fewer harmful constituents than the conventional cigarette 3R4F."



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



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



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



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



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

Note: To date, several governmental agencies have published their scientific findings that analyze the harm-reduction potential of certain RRP's versus continuing smoking, including the above select examples. Refer to Form 10-Q for the six months ended and the quarter ended June 30, 2020, for additional information

93

6

June 30, 2020 PMI Reports 2019 ESG Performance in 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>

94

7



Shifting Our Resources to Deliver a Smoke-Free Future

Business Transformation Metrics: **Product Health Impacts**^(a)

	2016	2017	2018	2019
R&D expenditure (smoke-free/total) ^(b)	72%	74%	92%	98%
Total R&D expenditure (in millions USD)	429	453	383	465
Number of R&D positions (FTEs) ^(c)	n/a	n/a	764	942
Patents granted relating to smoke-free products (cumulative)	1,800	2,900	4,600	5,800
Patents granted in IP5 jurisdictions relating to smoke-free products (cumulative) ^(d)	170	300	480	740
Number of studies completed by PMI on smoke-free products (cumulative, since 2015)				
• Toxicological assessment	36	57	82	109
• Clinical assessment (short-term, focused on biomarkers)	11	12	19	19
• Perception and behavior	7	7	9	9

(a) As of December 31, 2019

(b) Smoke-free products include heated tobacco units and e-cigarettes. Total products include smoke-free products, cigarettes, and other combustible products

(c) R&D positions: include scientists, engineers, technicians, and support staff. Comparable data for years prior to 2018 are not available, as the scope of R&D positions changed following company organizational changes

(d) Includes published international (PCT) patent applications. IP5 jurisdictions include Europe (patent applications published and patents granted by the European Patent Office), China, South Korea, Japan, and the U.S.

Source: PMI Integrated Report 2019

95

7



Shifting Our Resources to Deliver a Smoke-Free Future

Business Transformation Metrics: **Access to Smoke-Free Products**^(a)

	2016	2017	2018	2019	Aspiration ^(b) by 2025
Number of factories producing smoke-free products out of total number of factories ^(c)	3 / 48	4 / 46	8 / 44	8 / 38	
Total SKU count – combustible cigarettes	4,421	4,201	3,968	3,799	
Total SKU count – heated tobacco units	62	145	253	414	
Number of markets where PMI smoke-free products are available for purchase	20	38	44	52	
Proportion of markets where PMI smoke-free products are available, which are outside the OECD ^(d)	32%	43%	47%	47%	
Number of IQOS stores	26	63	81	199	
Number of retailers that sell PMI smoke-free products consumables (in thousands)	90	292	488	679	
Commercial expenditure (smoke-free/total)	15%	39%	60%	71%	
Net revenues (smoke-free/total) ^(e)	2.7%	12.7%	13.8%	18.7%	38-42%
Number of markets where net revenues from smoke-free products exceed 10% of total new revenues	1	5	19	31	
Number of markets where net revenues from smoke-free products exceed 50% of total new revenues	0	1	3	4	
Smoke-free product shipment volume (billion units)	7.7	36	42	60	>250
Combustible product shipment volume (billion units)	845	791	767	732	<550
Smoke-free product shipment ratio (smoke-free/total) ^(f)	0.9%	4.4%	5.1%	7.6%	>30%
Total users of PMI smoke-free products (in millions) ^(g)	2.1	6.9	9.6	13.6	
Estimated users who have stopped smoking and switched to PMI smoke-free products ^(g) outside of the OECD countries (in millions)	0.0	0.2	1.1	3.0	>20
Estimated users who have stopped smoking and switched to PMI smoke-free products (in millions) ^(g)	1.5	4.7	6.6	9.7	>40

(a) As of December 31, 2019. Smoke-free products include heated tobacco units and e-cigarettes. Total products include smoke-free products, cigarettes, and other combustible products

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

(c) Previous years' data were restated to account for our second manufacturing facility in Italy, Bologna, that started producing heated tobacco units in 2016

(d) Excluding PMI Duty Free

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

(f) The smoke-free product shipment ratio is computed based on millions of units

(g) See Glossary for definition

Source: PMI Integrated Report 2019

96

7

Sustainability Priorities – Materiality Result



Transforming for a sustainable smoke-free future	STRATEGIC PILLARS	TIER 1 TOPICS	TIER 2 TOPICS
	Innovating for better products	Product health impacts Access to smoke-free products	Product attractiveness Product reliability
	Operating with excellence	Responsible marketing & sales practices Sustainable supply chain management Respect for human rights	Responsible and transparent R&D Data privacy and protection Business integrity Illicit tobacco trade prevention Responsible advocacy Fair fiscal practices
	Caring for the people we work with	Socio-economic well-being of tobacco-farming communities Health, safety, and well-being at work	Fair working conditions Community support Diverse and inclusive working environment Talent attraction, retention and employability
	Protecting the environment	Climate protection Littering prevention Product eco-design and circularity	Forest conservation Biodiversity Water stewardship Waste reduction

Source: PMI Integrated Report 2019

97

Sustainability Targets are Business Targets



Transforming for a sustainable smoke-free future	STRATEGIC PILLARS	TIER 1 TOPICS	SELECT TARGETS
	Innovating for better products	Product health impacts Access to smoke-free products	>40 million >20 million adult smokers globally who switch to PMI smoke-free products (aspirational target) adult smokers in non-OECD countries who switch to PMI smoke-free products (aspirational target) by 2025
	Operating with excellence	Responsible marketing & sales practices Sustainable supply chain management Respect for human rights	>90% 100% youth access prevention programs in place in markets representing >90% of PMI's total shipment volume by 2020 of PMI's portfolio of electronic smoke-free devices equipped with age-verification technology by 2023
	Caring for the people we work with	Socio-economic well-being of tobacco-farming communities Health, safety, and well-being at work	100% of farmers supplying tobacco to PMI earn a living income or better, which will help eliminate child labor in our tobacco supply chain by 2025
	Protecting the environment	Climate protection Littering prevention Product eco-design and circularity	Carbon-neutral • PMI's direct operations (scope 1+2) by 2030 • PMI's value chain (scope 1+2+3) by 2050

(a) Source: PMI Financials or estimates, IQOS user panels and PMI Market Research. See Glossary for definition
Source: PMI Integrated Report 2019

98

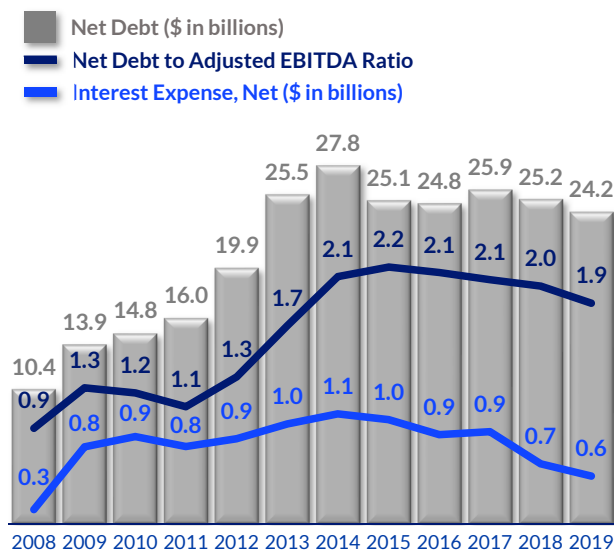
Solid Capital Structure



- Remain fully committed to our single A rating
- Long-term credit ratings and outlook:
 - Moody's: A2 (stable)
 - Standard & Poor's: A (stable)
 - Fitch: A (stable)
- Short-term credit ratings—P-1 / A-1 / F1^(a):
 - Access to tier 1 commercial paper market
- Strong liquidity profile backed by \$7.5 billion stand-by revolving credit facilities
- Stable capital structure with relative weighting towards longer maturity and fixed-rate instruments
- Optimized capital structure and net interest expense following U.S. Tax Cuts and Jobs Act

(a) Reflects ratings for Moody's, Standard & Poor's and Fitch, respectively
Source: PMI Financials or estimates (as of June 30, 2020)

Net Debt, Leverage and Interest Expense Evolution



8

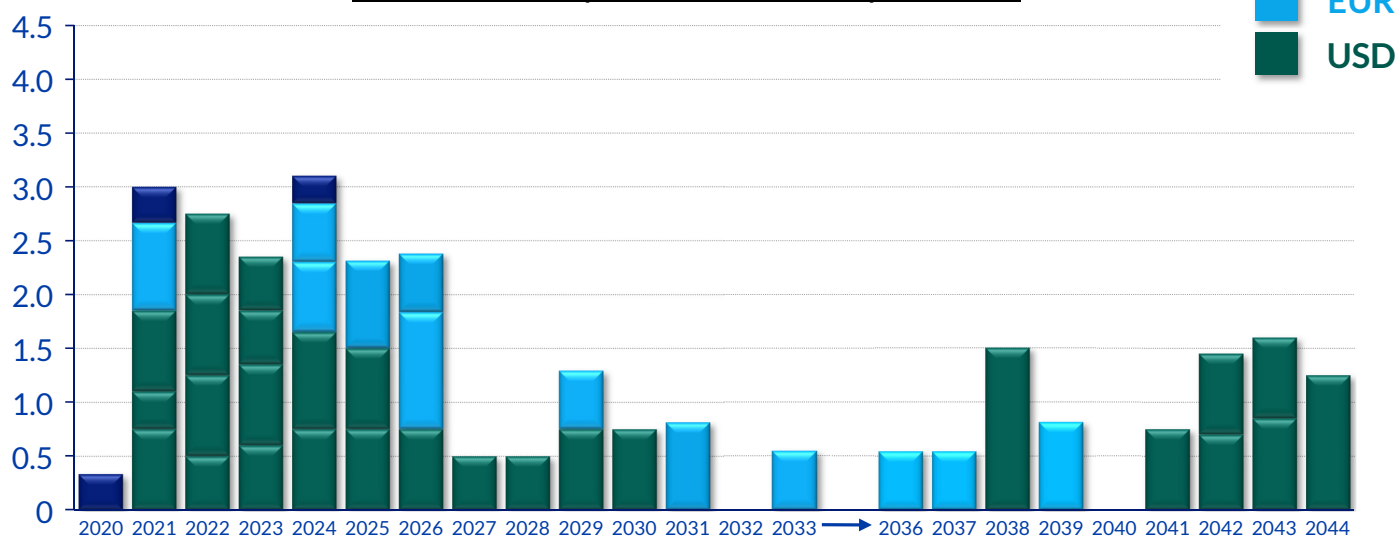
99

Well-Laddered Bond Portfolio

(\$ in billions)



Bond Maturity Profile as of July 1, 2020



8

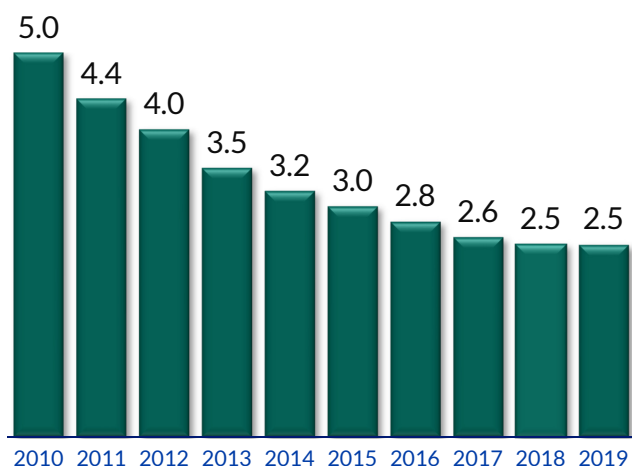
Note: PMI repaid approximately \$3.6 billion in bond maturities during Q1, 2020
Source: PMI Financials or estimates

100

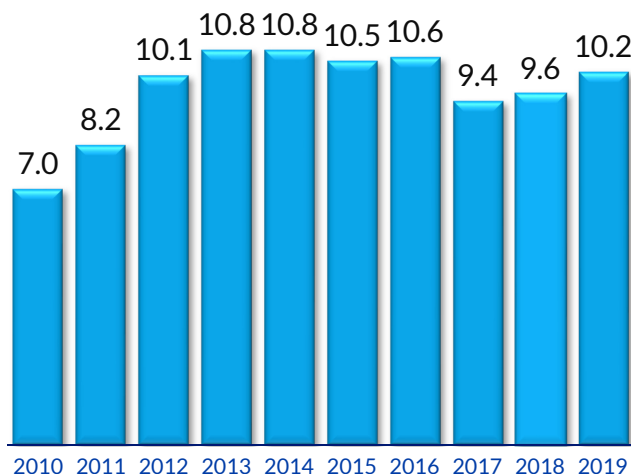


Debt Financing at Attractive Terms

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



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



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

101

8

Rewarding Our Shareholders: Attractive Dividend



- Dividends are the primary use of our operating cash flow^(a) after capital expenditures
- Increased dividend by 2.6% in September 2019:
 - Twelfth consecutive year with a dividend increase
 - Total increase of approximately 154% since 2008

PMI Dividend
CAGR: 8.9%



(a) Net cash provided by operating activities

Note: Dividends for 2008 and 2019 are annualized rates. The 2008 annualized rate is based on a quarterly dividend of \$0.46 per common share, declared June 18, 2008. The 2019 annualized rate is based on a quarterly dividend of \$1.17 per common share, declared September 11, 2019
Source: PMI Financials or estimates

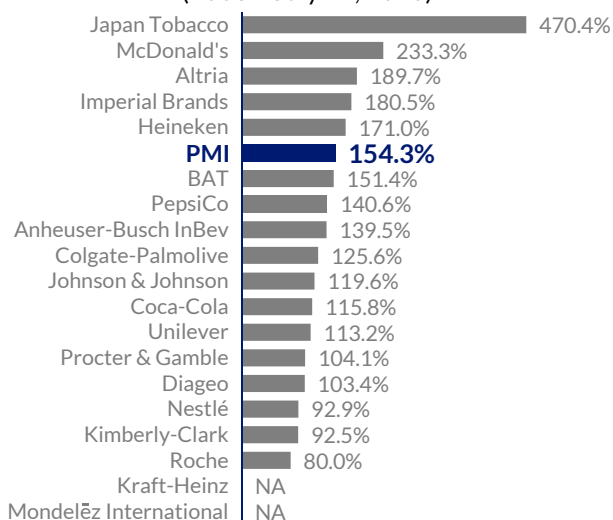
102

8

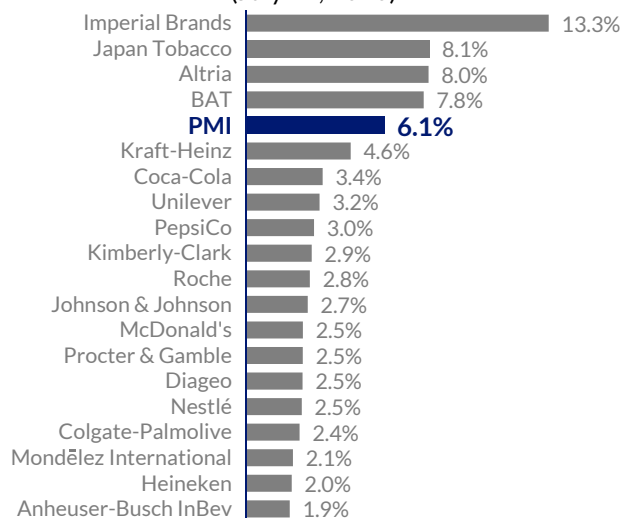
Rewarding Our Shareholders: Attractive Dividend



Dividend Growth: Peer Group (2008 – July 24, 2020)



Trailing Dividend Yield: Peer Group (July 24, 2020)



Note: PMI reflects absolute growth in annualized announced dividends from time of first PMI dividend of \$0.46 in June 2008 through July 24, 2020. Companies in the Peer Group reflect absolute growth from FY 2008 dividends or Q2, 2008 annualized dividend through current last twelve months dividends or current last quarter annualized dividend as appropriate. Dividend yield represents the trailing annualized dividend on July 24, 2020, over the closing share price on that date. The current annualized dividend rate for PMI is \$4.68. The closing share price for PMI was \$76.85 on July 24, 2020. NA stands for not available
Source: FactSet

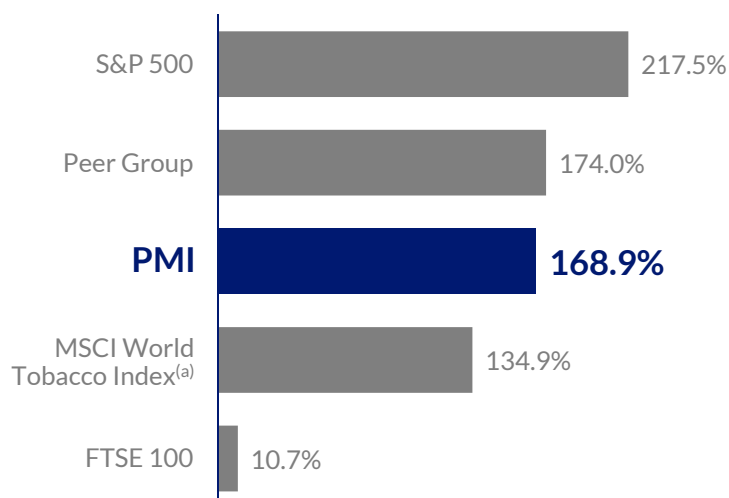
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103

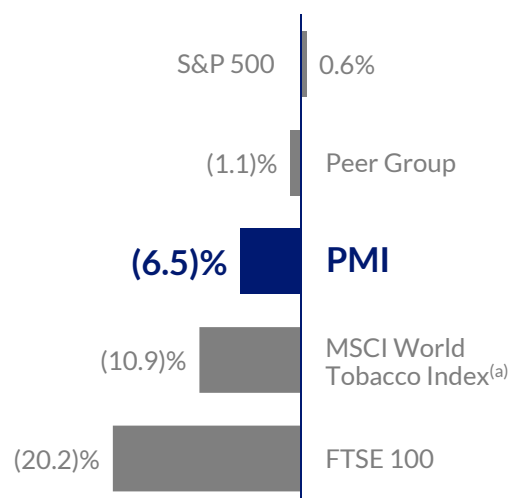
Rewarding Our Shareholders: Total Return



Spin (March 28, 2008) – July 24, 2020



January 1, 2020 – July 24, 2020



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

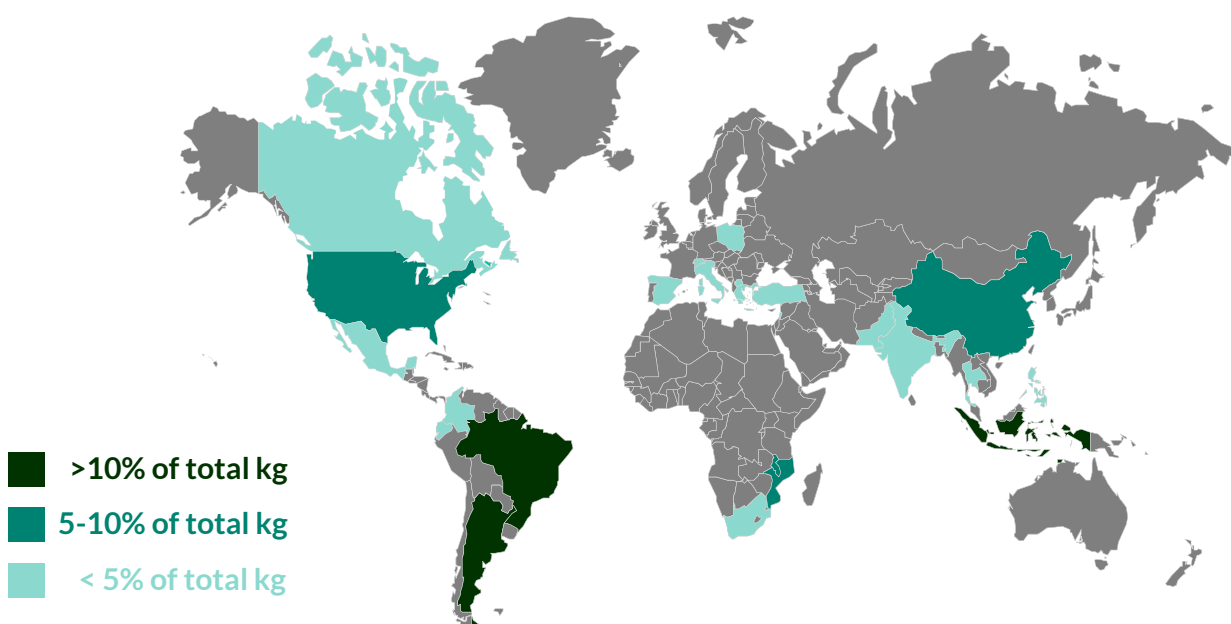
Note: TSR in USD. The MSCI World Tobacco Index and the company peer group represent the market weighted-average return of the index/group. PMI total shareholder return pro forma for additional \$0.46 per share dividend paid in April 2008 impacts the period March 28, 2008 – July 24, 2020. Exchange rates are as of March 28, 2008, January 1, 2020 and July 24, 2020. The company peer group is defined in the Glossary
Source: FactSet, Bloomberg, and MSCI World Tobacco Index

8

104

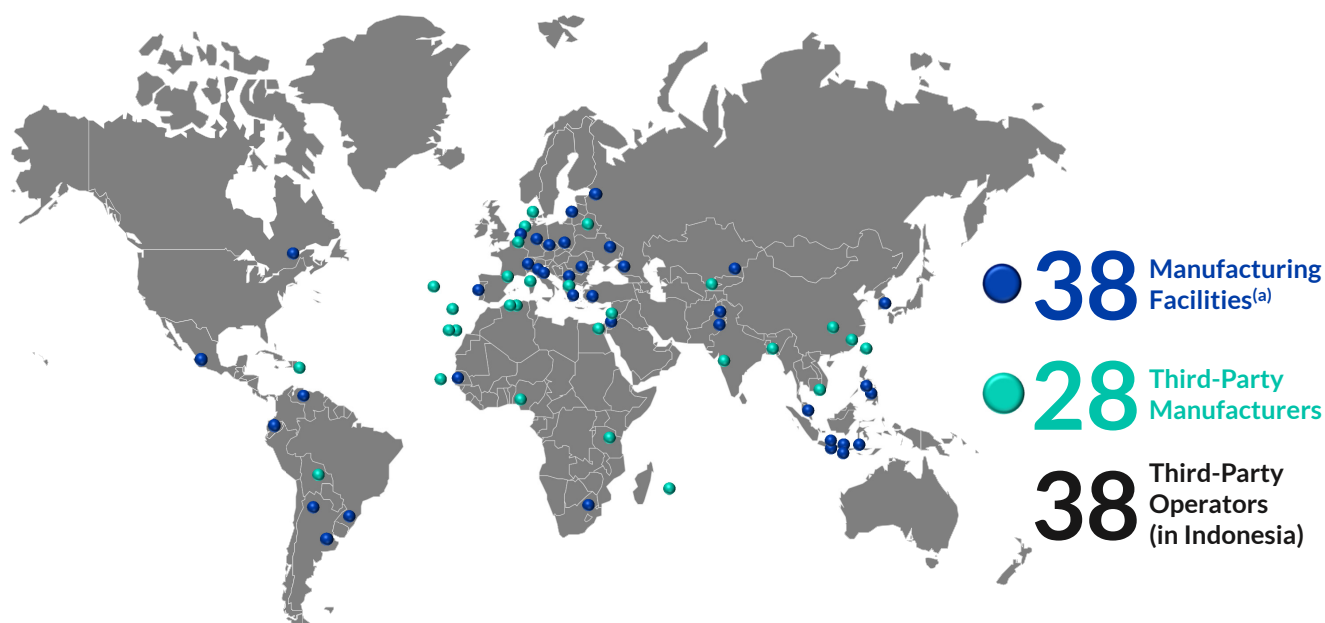
Appendix, Glossary of Key Terms and Definitions, and Reconciliation of Non-GAAP Measures

PMI Tobacco Leaf Purchases by Geography (2019)





PMI Manufacturing Footprint (2019)



(a) Includes facilities in Greece, Italy, Korea, Poland, Romania, Russia and Switzerland that are fully or partially dedicated to the production of HTUs or other nicotine-containing products
Source: PMI Operations and Form 10-K for the year ended December 31, 2019 (p. 11)

107

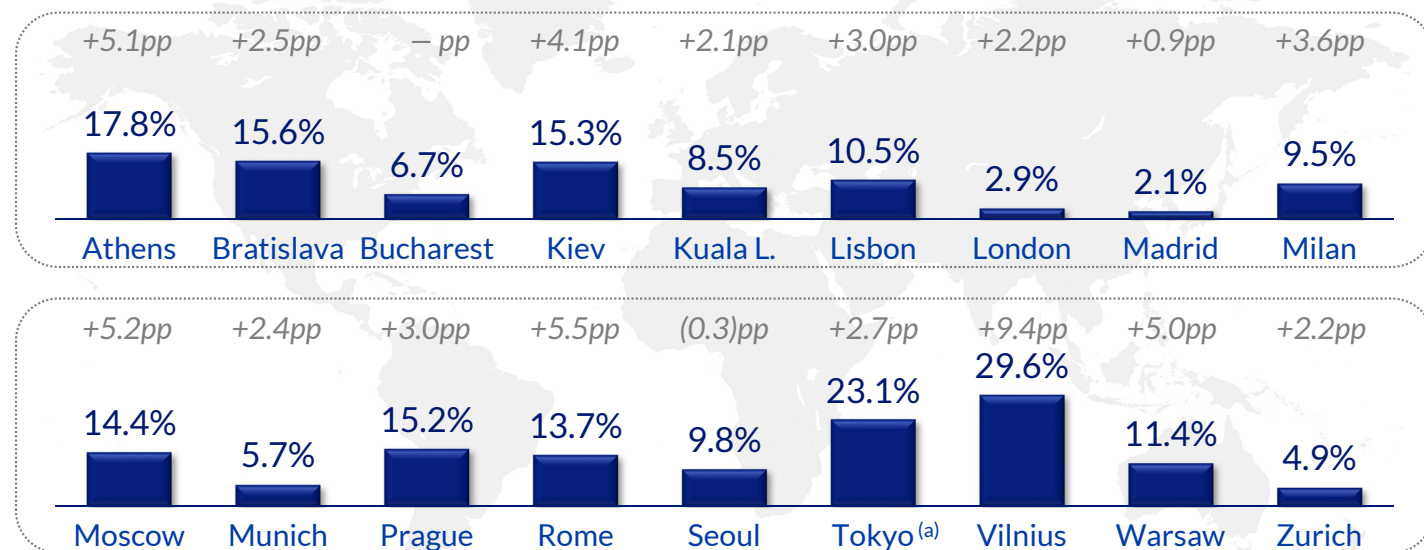
9



HTU Offtake Shares in Key Cities

PMI (Q2, 2020)

Change vs. PY



(a) Japan total market includes the cigarillo category
Note: Kuala L. is Kuala Lumpur
Source: PMI Financials or estimates (PMI Q2 2020 Results, July 21, 2020)

108

9



Cigarette Excise Tax Structures: Select Markets

(July 1, 2020)

Argentina			Australia		Germany	
	%					
	Nominal	RSP ^(f)				
Social Assistance Fund (SAF) ^(a)	7.00	7.00	Tobacco Excise Tax (AUD/Kg)	1,309.85	Ad Valorem Excise Tax	21.69%
Special Tobacco Fund (STF) ^(b)	7.35	9.27	Tobacco Excise Tax (AUD/000) ^(a)	949.64	Specific Excise Tax (EUR/000)	98.20
Excise Tax ^(c)	70.00	54.39	VAT (Nominal)	10%	Minimum Total Tax (EUR/000) ^(a)	211.72
VAT ^(d)	21.00	4.89			VAT (Nominal) ^(b)	16.0%
Turnover Tax ^(e)	3.57	0.58			(a) Minimum Total Tax (MTT) also includes the VAT	
Tax Burden		76.13			(b) On July 1, 2020, VAT was temporarily lowered to 16.0% (from 19.0%). While generally the adjusted VAT is applied to tobacco products, the calculation of the excise tax portion within the unchanged combined minimum total tax amount is still based on 19% VAT	
(a) 7% x RSP			France		Italy	
(b) [7.35% x (RSP - SAF - VAT)] + ARS 3.6362 (as per July 2020)			Ad Valorem Excise Tax	54.00%	Ad Valorem Excise Tax	51.24%
(c) 70% x (RSP - SAF - VAT - STF). Minimum excise tax: ARS 68.56 (June 2020 - August 2020)			Specific Excise Tax (EUR/000)	62.80	Specific Excise Tax (EUR/000)	21.58
(d) (NEFP + Wholesaler & Retailer margin) x 21%			Minimum Excise Tax (EUR/000)	314.00	Minimum Total Tax (EUR/000) ^(a)	188.73
(e) NEFP x 3.57%			VAT (Nominal)	20.0%	VAT (Nominal)	22.0%
(f) Based on Philip Morris soft pack (ARS 130.00)					(a) Minimum Total Tax also includes the VAT	
Note: NEFP is net ex-factory price						

Note: 20 cigarettes per pack

109

9

Cigarette Excise Tax Structures: Select Markets (cont.)

(July 1, 2020)



Japan		Mexico		Saudi Arabia	
National - Tobacco Tax (JPY/pack)	116.04	Ad Valorem Excise Tax ^(a)	160%	Ad Valorem Excise Tax (% of RSP) ^(a)	50.00%
National - Special Tobacco Tax (JPY/pack)	16.40	Specific Excise Tax (MXN/000)	494.40	VAT (Nominal)	15.0%
Local Excise Tax (JPY/pack)	132.44	VAT (Nominal)	16%	Minimum Reference Price (SAR/pack)	8.00
Total (JPY/pack)	264.88	(a) Ad valorem excise tax is 160% of manufacturer / wholesale price to retail excluding taxes (VAT and Excise)		(a) % of RSP before VAT, effective excise tax is 43.50% of RSP including VAT	
VAT (Nominal)	10%	Philippines		Spain	
		Specific Excise Tax (PHP/pack) ^(a)	45.00	Ad Valorem Excise Tax	51.00%
		(a) January 1, 2021 (PHP 50.00); January 1, 2022 (PHP 55.00); January 1, 2023 (PHP 60.00); January 1, 2024 onwards (+5% / year)		Specific Excise Tax (EUR/000)	24.70
		Poland		Minimum Excise Tax (EUR/000)	131.50
		Ad Valorem Excise Tax	32.05%	VAT (Nominal)	21.0%
		Specific Excise Tax (PLN/000)	228.10		
		Minimum Excise Tax (PLN/000)	454.21		
		VAT (Nominal)	23.0%		
		Turkey ^(a)			
		Ad Valorem Excise Tax (% of RSP)	67.00%		
		Specific Excise Tax (TRY/000)	24.255		
		Minimum Ad Valorem Yield (TRY/000)	488.33		
		VAT (Nominal)	18%		

(a) Effective July 3
Note: 20 cigarettes per pack

110

9



Excise Tax Structure: Russia

(July 1, 2020)

Tax Plan

<u>Cigarettes</u>	<u>2019^(a)</u>	<u>2020^(a)</u>	<u>2021^(a)</u>	<u>2022^(a)</u>
Ad Valorem Excise Tax (% of MRSP)	14.5%	14.5%	14.5%	14.5%
Specific Excise Tax (RUB/000)	1,890	1,966	2,045	2,127
Minimum Excise Tax (RUB/000)	2,568	2,671	2,778	2,889
<u>Heated Tobacco Products</u>				
Specific Excise Tax (RUB/kg)	5,808	6,040	6,282	6,534
Electronic Nicotine Delivery Systems; Tobacco Heating Devices (RUB/device)		50	52	54

(a) Effective as of January 1st for both cigarettes and heated tobacco products
Note: Tax plan subject to revision annually. VAT currently at 20% (effective since January 1, 2019)

111

9



Excise Tax Structure: Indonesia

(January 1, 2020)

(January 1, 2020)

		Price Tier			Total Excise + Regional Tax	
		Minimum HJE ^(a) (IDR/stick)			(IDR/stick)	
Cigarette Type	Volume Tier	Tier	Current	Previous	Current	Previous
Machine-Made Kretek (SKM)	Volume Tier 1 (> 3 billion units)	1	1,700	1,120	814.0	649.0
	Volume Tier 2 (≤ 3 billion units)	1	1,276	896	517.0	423.5
		2	1,020	715	500.5	407.0
Whites (SPM)	Volume Tier 1 (> 3 billion units)	1	1,790	1,130	869.0	687.5
	Volume Tier 2 (≤ 3 billion units)	1	1,486	936	533.5	407.0
		2	1,015	640	517.0	390.5
Hand-Rolled Kretek (SKT)	Volume Tier 1 (> 2 billion units)	1	1,461	1,261	467.5	401.5
		2	1,015	890	363.0	319.0
	Volume Tier 2 (> 500 million units–2 billion units)	1	535	470	220.0	198.0
		Volume Tier 3 (≤ 500 million units)		450	400	121.0

(a) HJE stands for banderole price

112

9

Excise Tax Structure: Japan

(July 1, 2020)



Cigarettes

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

Heated Tobacco Products (HTPs)

- "Heated tobacco" category:
 - Dedicated excise tax category for heated tobacco products (previously: pipe tobacco category)
 - Taxable base for the specific excise tax is weight of heated tobacco
 - For products using liquid to create an aerosol, the liquid portion is considered as tobacco for tax purposes
- Heated tobacco excise tax is being phased in over a five-year period (2018-2022), with the second year reflecting 60% of the previous system (pipe tobacco category) and 40% of the new system (heated tobacco category). See next slide for details

Note: 20 cigarettes/heated tobacco units per pack

HTP Excise Tax Structure

	Pipe Tobacco Category	Heated Tobacco Category
RSP (JPY/pack)	520	520
VAT (Nominal)	10%	10%
RSP Net of VAT (JPY/pack)	473	473
Effective Specific Rate (JPY/kg)	13,244	16,555 ^(a)
Tax Base	Full product weight (16.1 g/pack) ^(b)	Heated tobacco weight (6.1 g/pack) ^(c)
Specific Yield (JPY/000)	10,661	5,049
Effective Ad Valorem Rate	n/a	30%
Tax Base	n/a	RSP net of VAT
Ad Valorem Yield (JPY/000)	n/a	7,091
Total Excise Tax Yield (JPY/000)	10,661 60%	12,141 40%

Heated Tobacco Category: Indicative Excise Tax Payable as of October 1, 2019 (JPY/000)

11,253

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

113

9

Multi-Year Tobacco Tax Plan: Japan

(July 1, 2020)



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

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

114

9

IQOS: Retail Selling Prices

(July 1, 2020)



RSP(a)

Market	Currency	IQOS Kit				Pack	
		<u>2.4 Plus</u>	<u>3 Multi</u>	<u>3</u>	<u>3 DUO</u>	<u>HTUs</u>	<u>Marlboro Cigarettes</u>
ALBANIA	ALL	5,000	6,500	-	7,900	320	330
ANDORRA	EUR	59	79	-	99	3.55	3.65
ARMENIA	AMD	15,500	35,000	-	39,000	700	800
AUSTRIA	EUR	69	89	-	99	5.00	5.50
BELARUS	BYN	149	169	139	209	3.70	3.30
BOSNIA & HERZ.	BAM	75	100	-	130	5.50	6.00
BULGARIA	BGN	90	150	-	190	5.80	5.70
CANADA ^(b)	CAD	68	130	-	107	7.16	14.17
CANARY ISLANDS	EUR	49	79	-	99	3.00	3.80
COLOMBIA	COP	200,000	250,000	-	315,000	7,500	7,800

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

(b) RSPs are for the Province of Ontario. As of May 1, 2020, IQOS kits are now only sold in a bundle with HTUs. Kit RSPs represent the most popular bundle RSP for one kit and one carton of HTUs (160 units). HTU RSP represents the weighted average price between the different selling options. HTUs are sold in cartons of 8 packs of 20 units, and 5 packs of 10 units, for CAD 56.50 and CAD 22.60, respectively, as well as in a bundle of two cartons of 160 units for CAD 107.35. Cigarette RSP for pack of 20 cigarettes equivalent (RBH brand: Belmont 25s)

Note: Excludes the U.S. and International Duty Free. Unless otherwise stated, 20 cigarettes / HTUs per pack. Bosnia & Herz. is Bosnia & Herzegovina

Source: PMI affiliates

115

9

IQOS: Retail Selling Prices (cont.)

(July 1, 2020)



RSP(a)

Market	Currency	IQOS Kit				Pack	
		<u>2.4 Plus</u>	<u>3 Multi</u>	<u>3</u>	<u>3 DUO</u>	<u>HTUs</u>	<u>Marlboro Cigarettes</u>
CROATIA	HRK	320	590	-	690	26.00	32.00
CURACAO	ANG	95	135	-	190	12.00	13.00
CYPRUS	EUR	49	79	-	99	4.00	4.90
CZECH REPUBLIC	CZK	1,290	2,090	-	2,490	103	119
DENMARK	DKK	499	549	-	699	44.00	61.00
DOMINICAN REP.	DOP	2,500	3,500	-	5,000	250	260
FRANCE	EUR	49	89	89	99	7.00	10.00
GERMANY	EUR	49	69	-	79	6.00	7.00
GREECE	EUR	49	49	69	99	4.00	4.60
GUATEMALA	GTQ	400	550	-	800	22.00	25.00

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

Note: Excludes the U.S. and International Duty Free. Unless otherwise stated, 20 cigarettes / HTUs per pack. Dominican Rep. is the Dominican Republic

Source: PMI affiliates

116

9



IQOS: Retail Selling Prices (cont.)

(July 1, 2020)

RSP^(a)

Market	Currency	IQOS Kit				Pack	
		2.4 Plus	3 Multi	3	3 DUO	HTUs	Marlboro Cigarettes
HUNGARY	HUF	14,990	30,990	-	31,990	1,330	1,470
ISRAEL	ILS	-	325	349	349	30.0	32.0
ITALY	EUR	49	89	-	99	4.50	5.90
JAPAN ^(b)	JPY	4,980	6,980	8,980	9,980	470/520	520
KAZAKHSTAN	KZT	15,990	27,990	-	32,990	480	500
KOREA	KRW	-	110,000	110,000	130,000	4,500	4,500
LATVIA	EUR	49	79	-	99	3.60	3.90
LEBANON	LBP	-	170,000	-	290,000	7,250	12,250
LITHUANIA	EUR	49	79	-	99	3.70	4.15
MALAYSIA	MYR	169	269	-	369	14.00	17.40

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

(b) HTU RSPs: JPY 470/pack for HEETS; JPY 520/pack for Marlboro HeatSticks

Note: Excludes the U.S. and International Duty Free. Unless otherwise stated, 20 cigarettes / HTUs per pack

Source: PMI affiliates

117

9



IQOS: Retail Selling Prices (cont.)

(July 1, 2020)

RSP^(a)

Market	Currency	IQOS Kit				Pack	
		2.4 Plus	3 Multi	3	3 DUO	HTUs	Marlboro Cigarettes
MEXICO ^(b)	MXN	1,199	1,599	-	1,899	60.00	63.00
MOLDOVA	MDL	599	1,299	-	1,299	35.0	36.0
MONACO	EUR	49	89	89	99	7.00	10.00
MONTENEGRO	EUR	40	60	-	70	2.70	3.30
NETHERLANDS	EUR	49	79	-	89	6.00	8.00
NEW ZEALAND ^(c)	NZD	89	99	-	139	20.00	32.30
N. MACEDONIA	MKD	2,400	3,700	-	4,300	150.0	150.0
PALESTINE	ILS	170	325	-	340	22.00	25.00
POLAND	PLN	270	350	-	399	14.00	17.99
PORTUGAL	EUR	29	49	-	99	4.50	5.10

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

(b) HTU RSP is for direct channels only. The HTU RSP for indirect channels is MXN 63.00

(c) On e-commerce, HTUs are sold at a bundle offer of NZD 159 for 10 packs

Note: Excludes the U.S. and International Duty Free. Unless otherwise stated, 20 cigarettes / HTUs per pack. N. Macedonia is North Macedonia

Source: PMI affiliates

118

9



IQOS: Retail Selling Prices (cont.)

(July 1, 2020)

RSP^(a)

Market	Currency	IQOS Kit				Pack	
		<u>2.4 Plus</u>	<u>3 Multi</u>	<u>3</u>	<u>3 DUO</u>	<u>HTUs</u>	<u>Marlboro Cigarettes</u>
REUNION	EUR	60	89	-	99	9.00	11.20
ROMANIA	RON	149	359	-	449	17.00	20.50
RUSSIA ^(b)	RUB	2,990	4,990	3,990	5,990	145	175
SAUDI ARABIA	SAR	-	-	-	350	25.00	28.00
SERBIA	RSD	3,500	6,500	-	7,500	300	360
SLOVAK REP.	EUR	49	79	-	99	3.50	4.00
SLOVENIA	EUR	49	79	-	99	3.80	4.20
SOUTH AFRICA	ZAR	970	1,300	-	1,450	43.50	46.00
SPAIN	EUR	49	79	-	99	4.85	5.00
SWEDEN	SEK	-	849	-	999	50.00	68.00

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

(b) HTU RSPs: RUB 145/pack for HEETS; RUB 170/pack for HEETS Creations

Note: Excludes the U.S. and International Duty Free. Unless otherwise stated, 20 cigarettes / HTUs per pack. Slovak Rep. is the Slovak Republic

Source: PMI affiliates



IQOS: Retail Selling Prices (cont.)

(July 1, 2020)

RSP^(a)

Market	Currency	IQOS Kit				Pack	
		<u>2.4 Plus</u>	<u>3 Multi</u>	<u>3</u>	<u>3 DUO</u>	<u>HTUs</u>	<u>Marlboro Cigarettes</u>
SWITZERLAND	CHF	69	89	-	109	8.00	8.80
TURKISH CYPRUS	TRY	399	549	-	629	18.00	18.00
UKRAINE ^(b)	UAH	999	1,999	-	1,999	53.00	54.00
UAE	AED	-	-	-	500	20.00	22.00
U.K.	GBP	49	79	-	89	5.00	11.49

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

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

Note: Excludes the U.S. and International Duty Free. Unless otherwise stated, 20 cigarettes / HTUs per pack. UAE is the United Arab Emirates. U.K. is the United Kingdom

Source: PMI affiliates



PMI Cigarettes: RSPs in Select Markets

(July 1, 2020)

		Above Premium	Premium	Mid-Price	Low-Price
Argentina ^(a)	ARS	<i>Parliament</i> 173.00	<i>Marlboro</i> 157.00	<i>Philip Morris</i> 130.00	<i>Chesterfield</i> 114.00
Australia ^(b)	AUD		<i>Marlboro</i> 33.64	<i>Peter Jackson</i> 32.07	<i>Bond Street</i> 28.48
France	EUR		<i>Marlboro</i> 10.00	<i>Philip Morris</i> 9.80	<i>Chesterfield / L&M</i> 9.50
Germany	EUR		<i>Marlboro</i> 7.00		<i>Chesterfield / L&M</i> 6.60
Indonesia ^(c)	IDR		<i>Sampoerna A Mild</i> 24,228	<i>U Mild</i> 21,708	<i>DSS Magnum Mild</i> 19,688
Italy	EUR		<i>Marlboro</i> 5.90		<i>Chesterfield / L&M</i> 5.00
Japan ^(d)	JPY	<i>Parliament</i> 540	<i>Marlboro</i> 520	<i>Lark</i> 460	<i>Lark Smart Plus</i> 390
Korea	KRW		<i>Marlboro</i> 4,500		

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

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

(c) Based on Nielsen June 2020 estimates. Reflects average observed retail selling prices. 16 cigarettes per pack. SKM low tar category segment

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

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

Source: PMI affiliates and Nielsen

121

9



PMI Cigarettes: RSPs in Select Markets (cont.)

(July 1, 2020)

		Above Premium	Premium	Mid-Price	Low-Price
Mexico	MXN		<i>Marlboro</i> 63.00		<i>Chesterfield</i> 50.00
Philippines	PHP		<i>Marlboro</i> 99.00	<i>Fortune</i> 90.00	
Poland ^(a)	PLN		<i>Marlboro</i> 17.99	<i>L&M</i> 16.50	<i>Chesterfield</i> 14.99
Russia ^(b)	RUB	<i>Parliament</i> 199	<i>Marlboro</i> 175	<i>Chesterfield</i> 154	<i>Bond Street Compact</i> ^(c) 122
Saudi Arabia	SAR	<i>Parliament</i> 30.00	<i>Marlboro</i> 28.00	<i>L&M</i> 22.00	<i>Chesterfield</i> 18.00
Spain	EUR		<i>Marlboro</i> 5.00	<i>Chesterfield</i> 4.70	<i>L&M</i> 4.45
Turkey	TRY	<i>Parliament</i> 18.50	<i>Marlboro</i> 18.00	<i>Muratti</i> 16.00	<i>L&M</i> 14.00

(a) *Chesterfield* list price is PLN 15.30/pack. Currently sold at a discount

(b) Maximum RSPs for mainline variants

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

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

Source: PMI affiliates

122

9



Glossary: General Terms

- "PMI" refers to Philip Morris International Inc. and its subsidiaries
- Until March 28, 2008, PMI was a wholly owned subsidiary of Altria Group, Inc. ("Altria"). Since that time the company has been independent and is listed on the New York Stock Exchange (ticker symbol "PM")
- "RBH" refers to PMI's Canadian subsidiary, Rothmans, Benson & Hedges Inc.
- The Companies' Creditors Arrangement Act (CCAA) is a Canadian federal law that permits a Canadian business to restructure its affairs while carrying on its business in the ordinary course
- Trademarks are italicized
- Comparisons are made to the same prior-year period unless otherwise stated
- Unless otherwise stated, references to total industry, total market, PMI shipment volume and PMI market share performance reflect cigarettes and heated tobacco units
- References to total international market, defined as worldwide cigarette and heated tobacco unit volume excluding the U.S., total industry, total market and market shares are PMI estimates for tax-paid products based on the latest available data from a number of internal and external sources and may, in defined instances, exclude the People's Republic of China and/or PMI's duty free business. In addition, to reflect the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), effective March 22, 2019, PMI's total market share has been restated for previous periods
- 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 in such circumstances on a basis that excludes the impact of distributor and/or estimated trade inventory movements, such as on an IMS basis, improves the comparability of performance and trends for these measures over different reporting periods
- "CNTC" stands for China National Tobacco Corporation
- "Direct materials" include printed board and paper (used to manufacture packs, cartons and bundles), acetate tow (the key component of cigarette filters), fine papers (used to manufacture cigarette and filter rods), flexibles (mainly wrapping films, inner liner and tear tape) and a variety of materials such as shipping cases, and ingredients



Glossary: General Terms (cont.)

- "Illicit trade" refers to domestic non-tax paid products
- "Contraband" refers to genuine tobacco products that are produced for lawful distribution in their market of intended destination but illegally diverted into a different market (i.e., smuggling)
- "Counterfeit" refers to tobacco products that have been manufactured without the permission of the trademark rights holder
- "Illicit whites" refer to cigarettes that are legally produced in one jurisdiction for the sole purpose of being exported and illegally sold in another jurisdiction where they have no legitimate market
- "Under declaration" refers to tobacco products that are produced and distributed in the same country, a portion of which is not declared to the domestic tax authorities
- "IP" stands for intellectual property
- "MET" stands for minimum excise tax
- "MTT" stands for minimum total tax
- "VAT" stands for value added tax
- "MRSP" stands for maximum retail selling price
- "RSP" stands for retail selling price
- "NGOs" stands for non-governmental organizations
- "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)
- "OECD" is defined as Organisation for Economic Co-operation and Development
- "R&D" stands for Research & Development
- "SKU" stands for stock keeping unit
- "SoM" stands for share of market



Glossary: Financial Terms

- Net revenues related to combustible products refer to the operating revenues generated from the sale of these products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. PMI recognizes revenue when control is transferred to the customer, typically either upon shipment or delivery of goods
- Net revenues related to RRP's represent the sale of heated tobacco units, IQOS devices and related accessories, and other nicotine-containing products, primarily e-vapor products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. PMI recognizes revenue when control is transferred to the customer, typically either upon shipment or delivery of goods
- "COGS" stands for cost of goods sold
- "Cost of sales" consists principally of: tobacco leaf, non-tobacco raw materials, labor and manufacturing costs; shipping and handling costs; and the cost of IQOS devices produced by third-party electronics manufacturing service providers. Estimated costs associated with IQOS warranty programs are generally provided for in cost of sales in the period the related revenues are recognized
- "Marketing, administration and research costs" include the costs of marketing and selling our products, other costs generally not related to the manufacture of our products (including general corporate expenses), and costs incurred to develop new products. The most significant components of our marketing, administration and research costs are marketing and sales expenses and general and administrative expenses
- "Adjusted Operating Income (OI) Margin" is calculated as adjusted OI, divided by net revenues
- "Adjusted EBITDA" is defined as earnings before interest, taxes, depreciation, amortization and equity (income)/loss in unconsolidated subsidiaries, excluding asset impairment and exit costs, and unusual items
- "Net debt" is defined as total debt, less cash and cash equivalents



Glossary: Financial Terms (cont.)

- Management reviews net revenues, OI, OI margins, operating cash flow and earnings per share, or "EPS," on an adjusted basis, which may exclude the impact of currency and other items such as acquisitions, asset impairment and exit costs, tax items and other special items. For example, PMI's adjusted diluted EPS and other impacted results reflect the loss on deconsolidation of RBH and the Canadian tobacco litigation-related expense, recorded in the first quarter of 2019, 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 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
- Historical view extracts the share data as reported at a given period, while current view generates the restated data across all periods as per the latest attribute information
- Comparisons presented on a "like-for-like" basis reflect pro forma 2018 and 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). Where noted, PMI's market shares have been restated for previous periods to reflect the deconsolidation
- The estimated impact from the COVID-19 pandemic primarily reflects management's estimate for shipments to distributors and trade partners that have been made solely for the purpose of increasing safety stocks. The impact also includes the estimated reduction of shipments to duty free distributors and trade partners resulting from the pandemic-related decline in international travel



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
- "Heated tobacco product," or "HTP," is a manufactured tobacco product that delivers a nicotine containing vapor (aerosol), without combustion of the tobacco mixture
- Unless otherwise stated, all references to *IQOS* are to PMI's heat-not-burn products
- HTU "offtake volume" represents the estimated retail offtake of HTUs based on a selection of sales channels that vary by market, but notably include retail points of sale and e-commerce platforms
- HTU "offtake share" represents the estimated retail offtake volume of HTUs divided by the sum of estimated total offtake volume for cigarettes and HTUs
- National market share for HTUs is defined as the total sales volume for HTUs as a percentage of the total estimated sales volume for cigarettes and HTUs



Glossary: Reduced-Risk Products (cont.)

- "Total IQOS users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for at least 5% of their daily tobacco consumption over the past seven days
- "Converted IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for over 95% of their daily tobacco consumption over the past seven days
- "Predominant IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs units for between 70% and 95% of their daily tobacco consumption over the past seven days
- "Situational IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for between 5% and less than 70% of their daily tobacco consumption over the past seven days
- "Abandoned IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for less than 5% of their daily tobacco consumption over the past seven days
- The estimated number of people who have "stopped smoking and switched to IQOS" is defined as: for markets where IQOS is the only heat-not-burn product, daily individual consumption of PMI HTUs represents the totality of their daily tobacco consumption in the past seven days; for markets where IQOS is one among other heat-not-burn products, daily individual consumption of HTUs represents the totality of their daily tobacco consumption in the past seven days, of which at least 70% are PMI HTUs
- An "e-vapor product" is an electrical product that generates an aerosol by heating a nicotine or non-nicotine containing liquid, such as electronic cigarettes (or "e-cigarettes")
- "E-liquids" refer to a liquid solution that is used in/with e-cigarettes. E-liquids contain different levels of nicotine in a propylene glycol and/or vegetable glycerin based solution with various flavors
- "IQOS VEEV" is the brand name that PMI has chosen for one of its Platform 4 reduced-risk products



Glossary: Reduced-Risk Products (cont.)

- "3R4F" is a reference cigarette for laboratory testing provided by the University of Kentucky. It is used for non-clinical investigations by tobacco manufacturers, contract and government laboratories, and academic institutions
- An "ambulatory study" is a study carried out under real world (actual use) conditions as opposed to a confined setting in a clinic
- A "biomarker" is used as a measure of how well the body responds to a treatment for a disease or condition. Biomarkers can be classified into biomarkers of exposure and clinical risk markers
- "Biomarkers of exposure" indicates exposure to a potentially hazardous substance
- "Clinical risk markers" represents a measurable biochemical, physiological, behavioral, or other alteration within an organism that, depending upon the magnitude, can be recognized as associated with an established or possible health impairment or disease
- "HPHCs" stands for harmful or potentially harmful constituents which have been identified as likely causes of tobacco related diseases
- "FDA" stands for the U.S. Food & Drug Administration
- "MRTP" stands for Modified Risk Tobacco Product, the term used by the U.S. FDA to refer to RRP
- "MRTP application" stands for Modified Risk Tobacco Product application under section 911 of the FD&C Act
- "PMTA" stands for Premarket Tobacco Application under section 910 of the FD&C Act
- "TPSAC" stands for the Tobacco Product Scientific Advisory Committee
- PMI presentation to TPSAC on MRTP applications for IQOS (January 24, 2018): <https://www.pmiscience.com/news/pmi-presents-our-modified-risk-tobacco-product-application-iqos-tobacco-products-scientific>
- FDA press release on PMTA applications for IQOS (April 30, 2019): <https://www.fda.gov/news-events/press-announcements/fda-permits-sale-iqos-tobacco-heating-system-through-premarket-tobacco-product-application-pathway>



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



Glossary: Sustainability

- In the "Sustainability at PMI" section of this presentation, the terms "materiality," "material" and similar terms, when used in the context of economic, environmental, and social topics, are defined in the referenced sustainability standards, and are not meant to correspond to the concept of materiality under the U.S. securities laws and/or disclosures required by the U.S. Securities and Exchange Commission
- "ESG" stands for environmental, social, and governance

PMI: Peer Group



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

(a) Formerly Imperial Tobacco
Source: Form 10-K for the year ended December 31, 2019 (p. 12)

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 ^(a)		-			(1,008) ^(b)	
Total Shipment Volume	170,067	198,855	(14.5)%	343,812	373,642 ^(c)	(8.0)%
Total Cigarette Shipment Volume	151,359	183,799	(17.6)%	308,377	348,096	(11.4)%
Shipment Volume for RBH-owned brands ^(a)		-			(1,008) ^(b)	
Total Cigarette Shipment Volume	151,359	183,799	(17.6)%	308,377	347,088 ^(c)	(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) ^(b)	
Total Shipment Volume	14,874	18,531	(19.7)%	30,045	35,170 ^(c)	(14.6)%

(a) Includes Duty Free sales in Canada

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

(c) 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

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
	2020	2019	% Change	2019
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)%	

135

9

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 RRPs	\$ 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

136

9

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%	6.3%
266	(7)	273	(11)	284	-	284	Eastern Europe	256	-	256	6.6%	10.9%	10.9%
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%	7.9%
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									Quarters Ended June 30,	2019			% Points Change		
\$ 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	-	-

(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 136



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 RRPs	\$ 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%	19.2%
365	(7)	372	(103)	475	-	475	Eastern Europe	385	-	385	(3.4)%	23.4%	23.4%
558	(9)	567	(14)	581	-	581	Middle East & Africa	785	-	785	(27.8)%	(26.0)%	(26.0)%
888	(11)	899	3	896	-	896	South & Southeast Asia	932	(20) ^(a)	952	(5.6)%	(5.9)%	(5.9)%
1,155	(13)	1,168	(15)	1,183	-	1,183	East Asia & Australia	1,069	-	1,069	9.3%	10.7%	10.7%
218	(4)	222	(41)	263	-	263	Latin America & Canada	(25)	(456) ^(b)	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%

(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	Adjusted Operating Income Margin excluding Currency	Adjusted Operating Income Margin excluding Currency & Acquisitions
2020									Six Months Ended June 30,	2019			% Points Change		
\$ 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

(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 140

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 ^(d)	\$ 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 141

(d) For the calculation refer to slide 139

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) ^(a)	
Net Revenues	\$ 368	\$ 527	(30.2)%	\$ 816	\$ 1,000 ^(b)	(18.4)%
Less: Currency	(58)			(77)		
Net Revenues, excluding Currency	\$ 426	\$ 527	(19.2)%	\$ 893	\$ 1,000 ^(b)	(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) ^(a)	
Adjusted Operating Income	\$ 96	\$ 184	(47.8)%	\$ 222	\$ 306 ^(b)	(27.5)%
Less: Currency	(6)			(39)		
Adjusted Operating Income, excluding Currency	\$ 102	\$ 184	(44.6)%	\$ 261	\$ 306 ^(b)	(14.7)%

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

(b) Pro forma

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 ^(a)	753	71	824	1,229
Adjusted EBITDA	\$ 6,491	\$ 6,016	\$ 12,507	\$ 12,635
			June 30, 2020	December 31, 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

(a) 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)

145

9

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

146

9

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 December 31,			Years Ended December 31,		
	2019	2018	% Change	2019	2018	% Change
Total Shipment Volume	192,207	202,413	(5.0)%	766,361	781,687	(2.0)%
Shipment Volume for RBH-owned brands ^(a)		(1,413)			(4,335) ^(b)	
Total Shipment Volume	192,207	201,000 ^(c)	(4.4)%	766,361	777,352 ^(c)	(1.4)%

Latin America & Canada

Total Shipment Volume	19,484	21,958	(11.3)%	72,592	80,885	(10.3)%
Shipment Volume for RBH-owned brands		(1,399)			(4,295) ^(b)	
Total Shipment Volume	19,484	20,559 ^(c)	(5.2)%	72,592	76,590 ^(c)	(5.2)%

(a) Includes Duty Free sales in Canada

(b) Represents volume for RBH-owned brands from March 22, 2018 through end of period date

(c) 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

Reconciliation of Non-GAAP Measures



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

	Years Ended December 31,		
	2019	2018	% Change
Reported Diluted EPS	\$ 4.61	\$ 5.08	(9.3)%
Less: Currency	(0.13)		
Reported Diluted EPS, excluding Currency	\$ 4.74	\$ 5.08	(6.7)%

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

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

(a) For the calculation, see previous slide

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

(c) Pro forma

Note: Financials attributable to RBH include Duty Free in Canada

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	\$ 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 Platform 1 devices, heated tobacco units and accessories to Altria Group, Inc., commencing in the third quarter of 2019, for sale under license in the United States

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



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

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

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

Latin America & Canada	Years Ended December 31,		
	2019	2018	% Change
Net Revenues	\$ 2,206	\$ 3,056	(27.8)%
Net Revenues attributable to RBH		(737) ^(a)	
Net Revenues	\$ 2,206	\$ 2,319^(b)	(4.9)%
Less: Currency	(68)		
Net Revenues, excluding Currency	\$ 2,274	\$ 2,319^(b)	(1.9)%

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

(b) Pro forma

Note: Financials attributable to RBH include Duty Free in Canada



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

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

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

(a) Represents asset impairment and exit costs

(b) Represents the Russia excise and VAT audit charge

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



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

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

	Years Ended December 31,		
	2019	2018	% Change
Operating Income	\$ 10,531	\$ 11,377	(7.4)%
Less:			
Asset impairment and exit costs	(422)	-	
Canadian tobacco litigation-related expense	(194.0)	-	
Loss on deconsolidation of RBH	(239)	-	
Russia excise and VAT audit charge	(374)	-	
Adjusted Operating Income	\$ 11,760	\$ 11,377	3.4%
Operating Income attributable to RBH		(542) ^(a)	
Adjusted Operating Income	\$ 11,760	\$ 10,835 ^(b)	8.5%
Less: Currency	(293)		
Adjusted Operating Income, excluding Currency	\$ 12,053	\$ 10,835 ^(b)	11.2%

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

(b) Pro forma

Note: Financials attributable to RBH include Duty Free 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	Years Ended December 31,		
	2019	2018	% Change
Operating Income	\$ 235	\$ 1,145	(79.5)%
Less:			
Asset impairment and exit costs	(60)	-	
Canadian tobacco litigation-related expense	(194)	-	
Loss on deconsolidation of RBH	(239)	-	
Adjusted Operating Income	\$ 728	\$ 1,145	(36.4)%
Operating Income attributable to RBH		(539) ^(a)	
Adjusted Operating Income	\$ 728	\$ 606 ^(b)	20.1%
Less: Currency	13		
Adjusted Operating Income, excluding Currency	\$ 715	\$ 606 ^(b)	18.0%

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

(b) Pro forma



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

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

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

- (a) For the calculation of Adjusted Operating Income and Adjusted Operating Income excluding currency and acquisitions refer to slide 152
(b) For the calculation of Net Revenues excluding currency and acquisitions refer to slide 150



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

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

	Years Ended December 31,		
	2019	2018	% Change
Adjusted Operating Income ^(a)	\$ 11,760	\$ 11,377	3.4%
Net Revenues	\$ 29,805	\$ 29,625	
Adjusted OI Margin	39.5%	38.4%	1.1
Adjusted OI Margin attributable to RBH		(0.9) ^(b)	
Adjusted OI Margin	39.5%	37.5%^(c)	2.0
Less: Currency	0.3		
Adjusted OI Margin, excluding Currency	39.2%	37.5%^(c)	1.7
Latin America & Canada			
	Years Ended December 31,		
	2019	2018	% Change
Adjusted Operating Income ^(a)	\$ 728	\$ 1,145	(36.4)%
Net Revenues	\$ 2,206	\$ 3,056	
Adjusted OI Margin	33.0%	37.5%	(4.5)
Adjusted OI Margin attributable to RBH		(11.4) ^(b)	
Adjusted OI Margin	33.0%	26.1%^(c)	6.9
Less: Currency	1.6		
Adjusted OI Margin, excluding Currency	31.4%	26.1%^(c)	5.3

- (a) For the calculation of Adjusted Operating Income refer to slides 153-154
(b) Represents the impact attributable to RBH from March 22, 2018 through end of period date
(c) Pro forma
Note: Financials attributable to RBH include Duty Free 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, 2018	Quarter Ended Jun 30, 2018	Six Months Ended Jun 30, 2018	Quarter Ended Sept 30, 2018	Nine Months Ended Sept 30, 2018	Quarter Ended Dec 31, 2018	Year Ended Dec 31, 2018	Quarter Ended Mar 31, 2019
Reported Diluted EPS	\$ 1.00	\$ 1.41	\$ 2.41	\$ 1.44	\$ 3.85	\$ 1.23	\$ 5.08	\$ 0.87
Asset impairment and exit costs	-	-	-	-	-	-	-	0.01
Canadian tobacco litigation-related expense	-	-	-	-	-	-	-	0.09
Loss on deconsolidation of RBH	-	-	-	-	-	-	-	0.12
Tax items	-	-	-	-	-	0.02	0.02	-
Adjusted Diluted EPS	\$ 1.00	\$ 1.41	\$ 2.41	\$ 1.44	\$ 3.85	\$ 1.25	\$ 5.10	\$ 1.09 ^(c)
Net earnings attributable to RBH	- ^(a)	(0.08)	(0.08) ^(a)	(0.09)	(0.18) ^(a)	(0.08)	(0.26) ^(a)	- ^(b)
Pro Forma Adjusted Diluted EPS	\$ 1.00	\$ 1.33	\$ 2.33	\$ 1.35	\$ 3.67	\$ 1.17	\$ 4.84	

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

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

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

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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 RRPs	\$ 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	\$ 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

159 9

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



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

	Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Net Revenues	Adjusted Operating Income Margin
Year Ended December 31, 2017					
European Union	\$ 3,691	\$ -	\$ 3,691	\$ 8,318	44.4%
Eastern Europe	887	-	887	2,711	32.7%
Middle East & Africa	1,884	-	1,884	3,988	47.2%
South & Southeast Asia	1,514	-	1,514	4,417	34.3%
East Asia & Australia	2,608	-	2,608	6,373	40.9%
Latin America & Canada	997	-	997	2,941	33.9%
Total PMI	\$ 11,581	\$ -	\$ 11,581	\$ 28,748	40.3%
Year Ended December 31, 2016					
European Union	\$ 3,920	\$ -	\$ 3,920	\$ 8,162	48.0%
Eastern Europe	890	-	890	2,484	35.8%
Middle East & Africa	1,990	-	1,990	4,516	44.1%
South & Southeast Asia	1,474	-	1,474	4,396	33.5%
East Asia & Australia	1,691	-	1,691	4,285	39.5%
Latin America & Canada	938	-	938	2,842	33.0%
Total PMI	\$ 10,903	\$ -	\$ 10,903	\$ 26,685	40.9%
Year Ended December 31, 2015					
European Union	\$ 3,530	\$ (68)	\$ 3,598	\$ 8,068	44.6%
Eastern Europe	1,073	-	1,073	2,735	39.2%
Middle East & Africa	2,205	-	2,205	4,629	47.6%
South & Southeast Asia	1,186	-	1,186	4,288	27.7%
East Asia & Australia	1,666	-	1,666	3,915	42.6%
Latin America & Canada	1,085	-	1,085	3,159	34.3%
Total PMI	\$ 10,745	\$ (68)	\$ 10,813	\$ 26,794	40.4%

160 9

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)

	Years Ended December 31,											
	2008 ^(a)	2009 ^(a)	2010 ^(a)	2011 ^(a)	2012 ^(a)	2013	2014	2015	2016	2017	2018	2019
Net Earnings	\$ 7,150	\$ 6,552	\$ 7,498	\$ 8,879	\$ 9,154	\$ 8,850	\$ 7,658	\$ 7,032	\$ 7,250	\$ 6,341	\$ 8,286	\$ 7,728
Equity (income)/loss in unconsolidated subsidiaries, net	-	6	8	10	17	22	(105)	(105)	(94)	(59)	(60)	(149)
Provision for income taxes	2,787	2,691	2,826	3,653	3,833	3,670	3,097	2,688	2,768	4,307	2,445	2,293
Interest expense, net	311	797	876	800	859	973	1,052	1,008	891	914	665	570
Depreciation and amortization	842	853	932	993	898	882	889	754	743	875	989	964
Asset impairment, exit costs and other	208	164	47	109	83	309	535	68	-	-	-	1,229 ^(b)
Adjusted EBITDA	\$ 11,298	\$ 11,063	\$ 12,187	\$ 14,444	\$ 14,844	\$ 14,706	\$ 13,126	\$ 11,445	\$ 11,558	\$ 12,378	\$ 12,325	\$ 12,635
	2008 ^(a)	2009 ^(a)	2010 ^(a)	2011 ^(a)	2012 ^(a)	2013	2014	2015	2016	2017	2018	2019
Short-term borrowings	\$ 375	\$ 1,662	\$ 1,747	\$ 1,511	\$ 2,419	\$ 2,400	\$ 1,208	\$ 825	\$ 643	\$ 499	\$ 730	\$ 338
Current portion of long-term debt	209	82	1,385	2,206	2,781	1,255	1,318	2,405	2,573	2,506	4,054	4,051
Long-term debt	11,377	13,672	13,370	14,828	17,639	24,023	26,929	25,250	25,851	31,334	26,975	26,656
Total Debt	\$ 11,961	\$ 15,416	\$ 16,502	\$ 18,545	\$ 22,839	\$ 27,678	\$ 29,455	\$ 28,480	\$ 29,067	\$ 34,339	\$ 31,759	\$ 31,045
Cash and cash equivalents	1,531	1,540	1,703	2,550	2,983	2,154	1,682	3,417	4,239	8,447	6,593	6,861
Net Debt	\$ 10,430	\$ 13,876	\$ 14,799	\$ 15,995	\$ 19,856	\$ 25,524	\$ 27,773	\$ 25,063	\$ 24,828	\$ 25,892	\$ 25,166	\$ 24,184
Ratios:												
Total Debt to Adjusted EBITDA	1.06	1.39	1.35	1.28	1.54	1.88	2.24	2.49	2.51	2.77	2.58	2.46
Net Debt to Adjusted EBITDA	0.92	1.25	1.21	1.11	1.34	1.74	2.12	2.19	2.15	2.09	2.04	1.91

(a) Certain amounts have been reclassified to conform with the year 2013 presentation due to the separate disclosure of equity (income)/loss in unconsolidated subsidiaries, net

(b) Includes 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)

Note: In 2008, we included Equity Loss from RBH Legal Settlement (\$124 million) and in 2009 we included the Colombian Investment and Cooperation Agreement charge (\$135 million)