



**Philip Morris  
International**

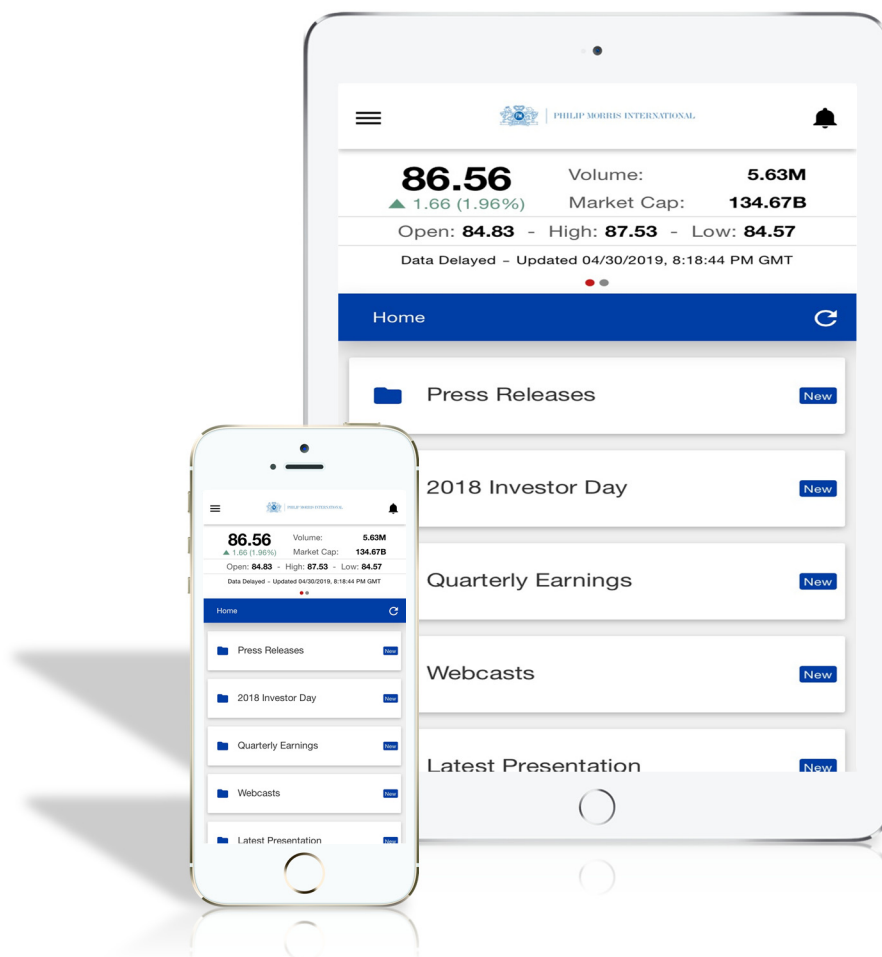
**Investor  
Information**

**April 2019**

Web Site: [www.pmi.com](http://www.pmi.com)

## PMI Investor Relations Mobile Application:

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



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# Forward-Looking and Cautionary Statements



- This presentation contains projections of future results and other forward-looking statements. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI
- PMI's business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our products; health concerns relating to the use of tobacco products and exposure to environmental tobacco smoke; litigation related to tobacco use; intense competition; the effects of global and individual country economic, regulatory and political developments, natural disasters and conflicts; changes in adult smoker behavior; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations, and limitations on the ability to repatriate funds; adverse changes in applicable corporate tax laws; adverse changes in the cost and quality of tobacco and other agricultural products and raw materials; and the integrity of its information systems and effectiveness of its data privacy policies. PMI's future profitability may also be adversely affected should it be unsuccessful in its attempts to produce and commercialize reduced-risk products or if regulation or taxation do not differentiate between such products and cigarettes; if it is unable to successfully introduce new products, promote brand equity, enter new markets or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; or if it is unable to attract and retain the best global talent. Future results are also subject to the lower predictability of our reduced-risk product category's performance
- PMI is further subject to other risks detailed from time to time in its publicly filed documents, including the Form 10-Q for the quarter ended March 31, 2019. PMI cautions that the foregoing list of important factors is not a complete discussion of all potential risks and uncertainties. PMI does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations






# Core Strategies for a Smoke-Free Future

 <b>Smoke-Free</b>	Develop, market, and sell smoke-free alternatives, and switch our adult smokers to these alternatives, as quickly as possible around the world	 <b>Transition</b>	Transition our resources from cigarettes to smoke-free alternatives
 <b>Regulation</b>	Propose regulatory policies that encourage the replacement of cigarettes by smoke-free alternatives	 <b>Sustainability</b>	Drive world-class sustainability programs across our entire value chain
 <b>Talent</b>	Be the employer of choice for our global workforce and work tirelessly to attract the best talent	 <b>Transparency</b>	Share our progress, and invite dialogue and independent verification
 <b>Growth</b>	Provide superior returns for our shareholders		



# Business Transformation for a Smoke-Free Future

	Actual <u>2018</u>	Aspiration <sup>(a)</sup> <u>2025</u>
 <b>Reduced-Risk Product Volume<sup>(b)</sup></b> (billion units)	<b>41</b> Over 5% of PMI total volume	<b>&gt;250</b> >30% of PMI total volume
 <b>Combustible Tobacco Product Volume<sup>(c)</sup></b> (billion units)	<b>767</b>	<b>&lt;550</b>
 <b>Reduced-Risk Product Net Revenues</b>	<b>\$4.1 billion</b> Nearly 14% of PMI total net revenues	<b>\$17-\$19 billion<sup>(d)</sup></b> Approx. 38% - 42% <sup>(d)</sup> of PMI total net revenues

(a) Assumes constant PMI market share outside China and the U.S. 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  
 (b) For 2018, reduced-risk product volume includes HTUs only. Total RRP volume, including e-vapor products, was 42 billion units equivalent in 2018  
 (c) Includes cigarettes (740.3 billion units) and other combustible tobacco products  
 (d) Reflects pricing and excise tax assumptions as of May 15, 2018

Note: **Aspirational targets do not constitute financial projections**

Source: PMI Financials or estimates, and PMI Communication on Progress 2017 United Nations Global Compact

## RRPs, Our Future and Most Promising Growth Opportunity

In Q1, 2019, reached the important milestone of

**>10 million**

IQOS users globally<sup>(a)</sup>

(a) Total IQOS users. See Glossary for definition  
Source: PMI Financials or estimates

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## Net Revenue Growth Target (2019-2021)



1

**≥5%**  
CAGR  
ex-Currency

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

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

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## Stable Unit Cost of Goods Sold (2019-2021)



### Cigarettes

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

### HTUs

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



### IQOS Devices

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



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

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

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

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

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## Adjusted Diluted EPS Growth Target (2019-2021)

≥8%  
CAGR  
ex-Currency

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

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



## Continued Cash Flow Growth (2019-2021)

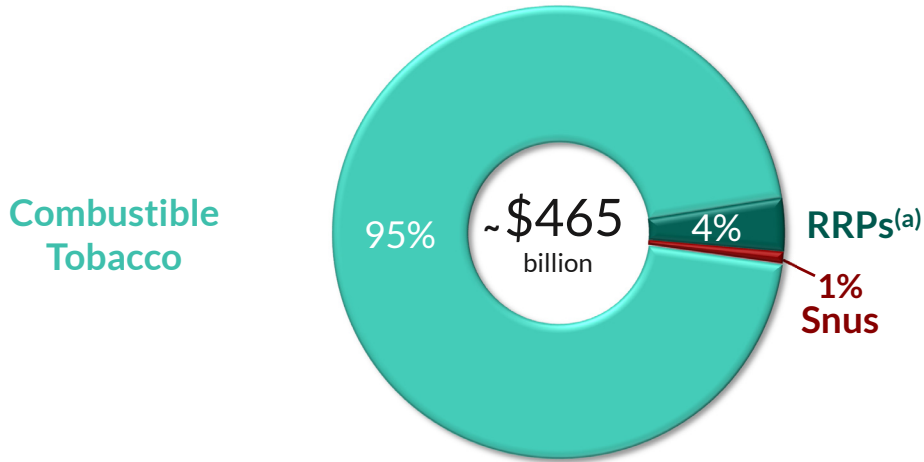
- Expect operating cash flow<sup>(a)</sup> to grow broadly in line with net earnings
- Remain focused on managing our working capital judiciously, and will target further improvements
- Anticipate annual capital expenditures of \$1.2-\$1.3 billion



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

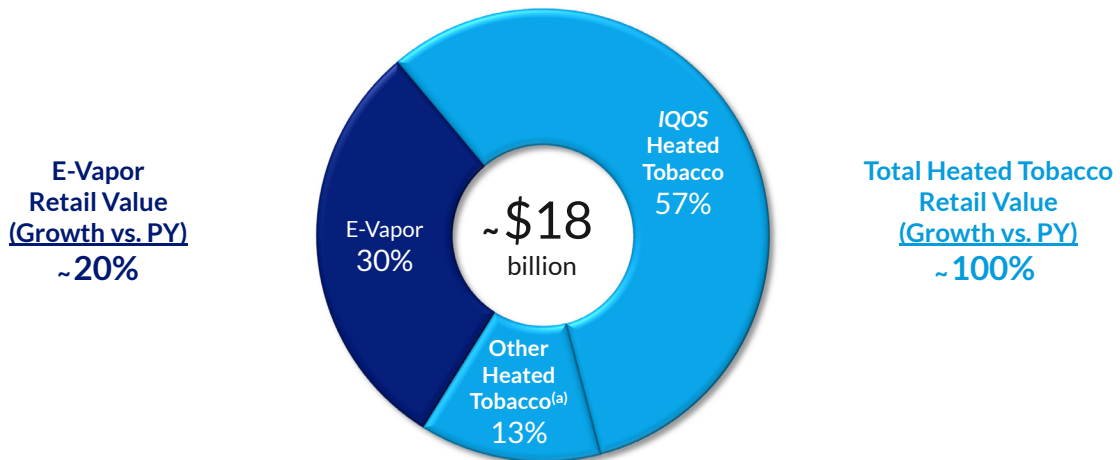
(a) Net cash provided by operating activities  
Source: PMI Financials or estimates (PMI Investor Day, September 27, 2018)

# Nicotine Market International Retail Value (2018)



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

# RRP International Retail Value (2018)



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

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

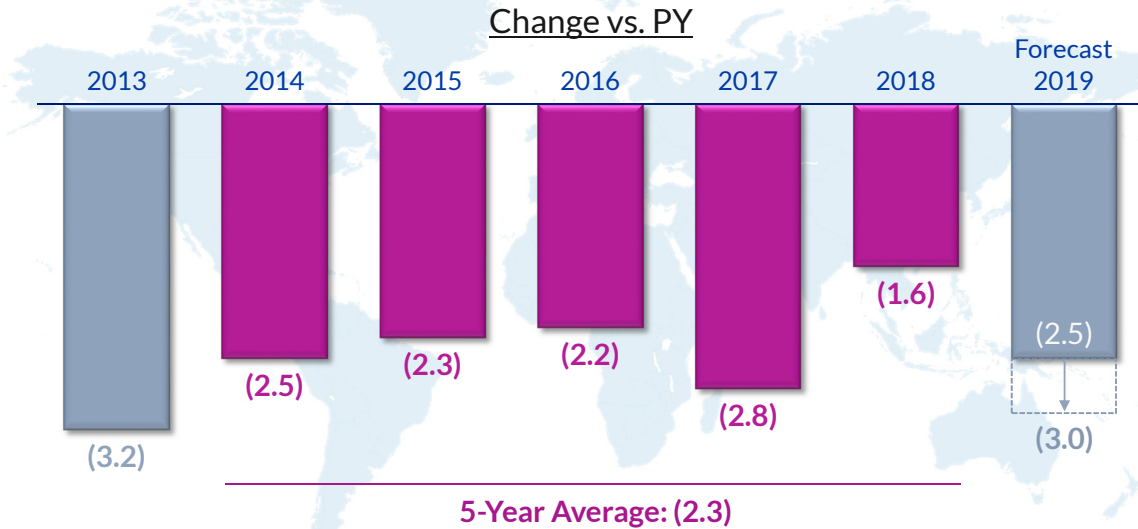
**RRP International Retail Value (Growth vs. PY)**  
 ~70%

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





# Consistent Total Industry Volume Trend (%)

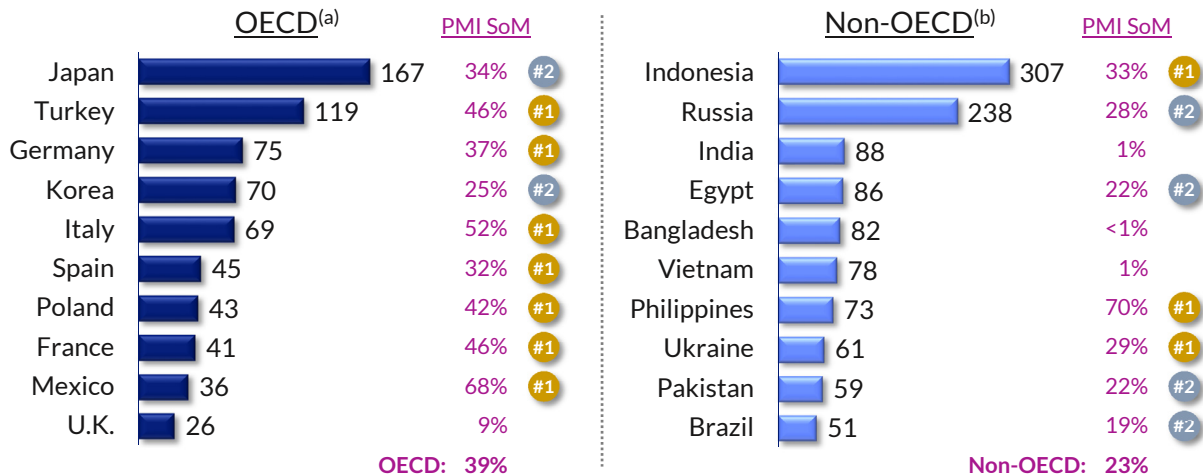


Note: Excluding China and the U.S. Reflects cigarettes and HTUs  
 Source: PMI Financials or estimates



# Top-10 Industry Volume Markets (2018)

(billion units)

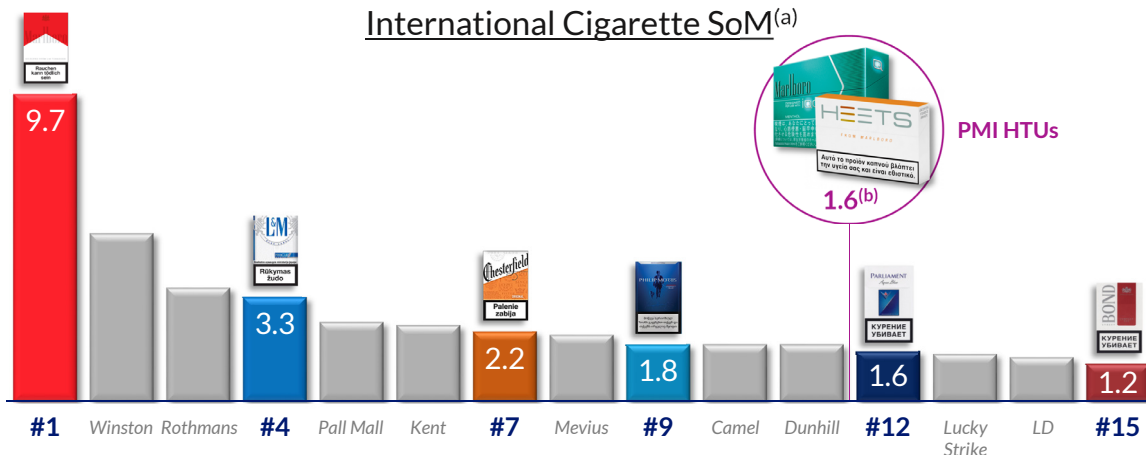


(a) Top-10 markets ranked by 2018 total industry volume, excluding the U.S. Based on OECD member list as per year-end 2018  
 (b) Top-10 markets ranked by 2018 total industry volume, excluding China and duty free  
 Note: Reflects cigarettes and HTUs (where applicable)  
 Source: PMI Financials or estimates



# Top-15 International Cigarette Brands (2018)

(%)

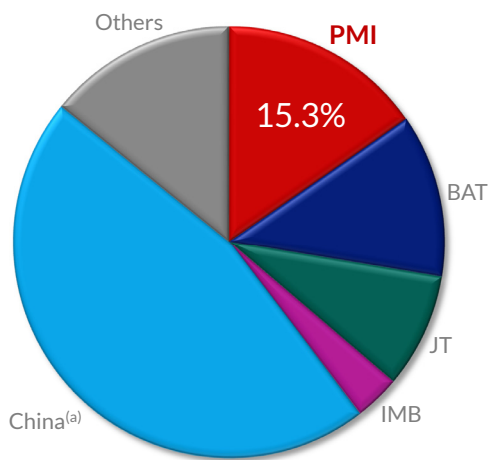


## PMI Owns Six of the World's Top-15 International Cigarette Brands

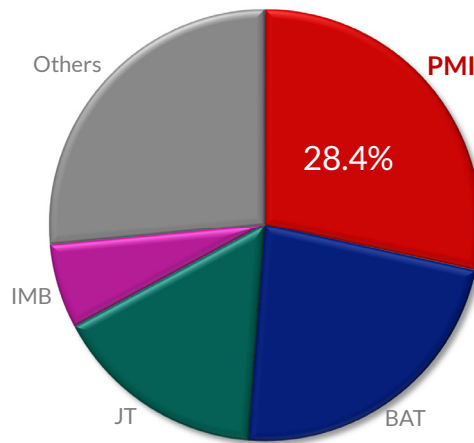
(a) Sales volume of cigarette brand as a percentage of the total industry sales volume for cigarettes  
 (b) Sales volume of PMI HTUs as a percentage of the total industry sales volume for cigarettes and HTUs  
 Note: Excluding China and the U.S.  
 Source: PMI Financials or estimates



# PMI Total Market Share Leadership (2018)



International<sup>(b)</sup>



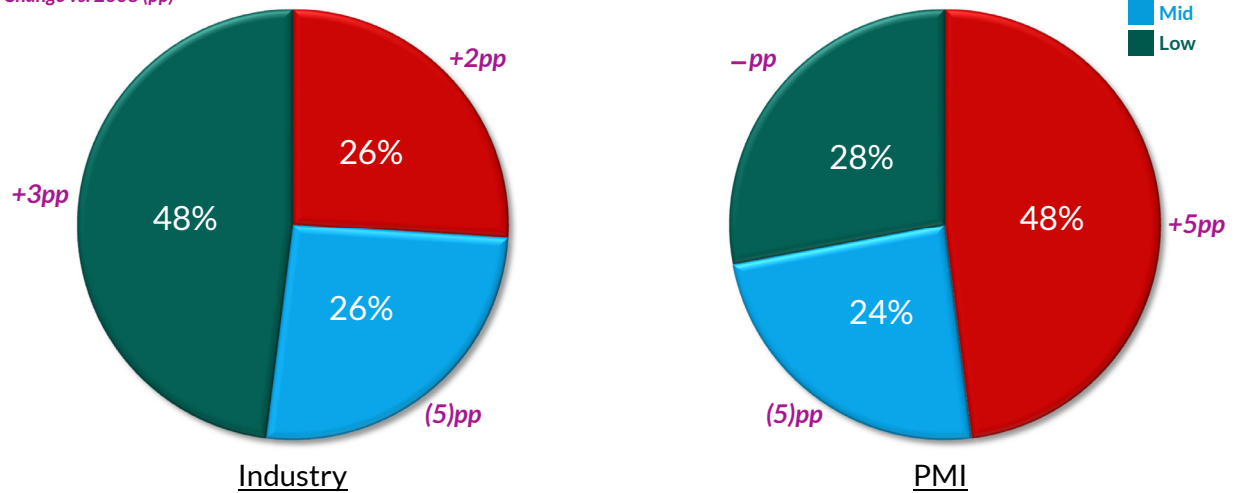
International excl. China<sup>(b)</sup>

(a) Excluding CNTC license production of *Marlboro* cigarettes (2.2 billion units in 2018)  
 (b) Excluding the U.S.  
 Note: Reflects cigarettes and HTUs  
 Source: PMI Financials or estimates

## PMI Total Volume Price Segmentation vs. Industry (2018)



Change vs. 2008 (pp)



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

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## Broadly Rational Global Cigarette Excise Tax Environment



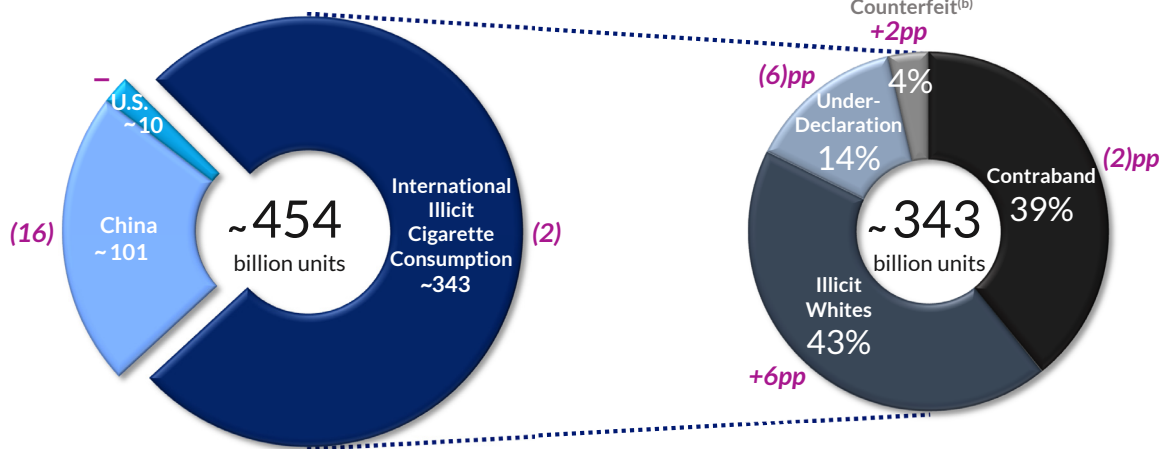
- Rate of increase and structure are of paramount importance
- In general, governments recognize that revenue predictability can be enhanced by:
  - Regular, reasonable increases
  - High proportion of specific elements in excise tax structure
  - Multi-year programs
  - Income or inflation indexation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

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# Cigarettes: Illicit Trade Overview (2018)



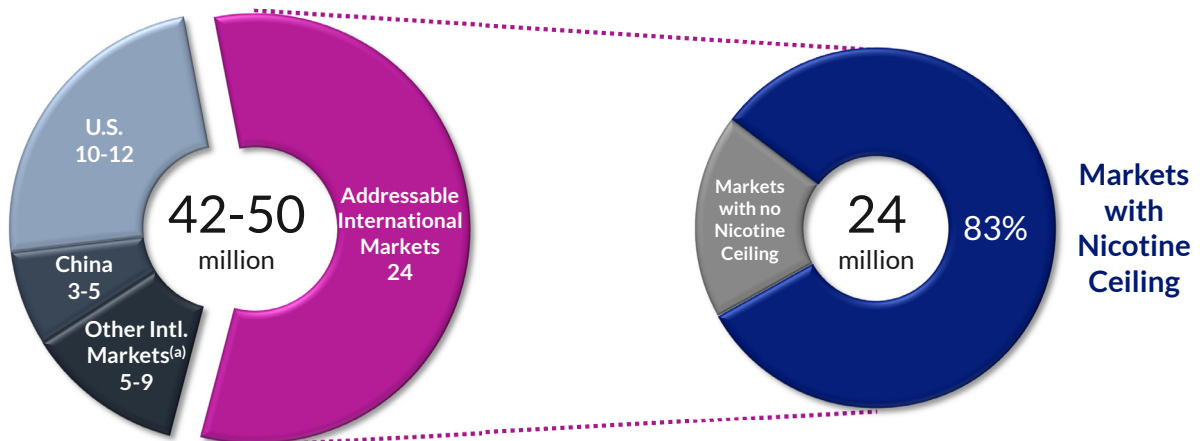
Change vs. 2017



Non Tax-Paid Cigarette Volume<sup>(a)</sup>

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

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



Global E-Vapor Market

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

## International E-Vapor: Regulation and Taxation



2

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

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

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## International E-Vapor: Competitive Environment



2

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

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

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# International E-Vapor: Unmet Adult Consumer Preferences



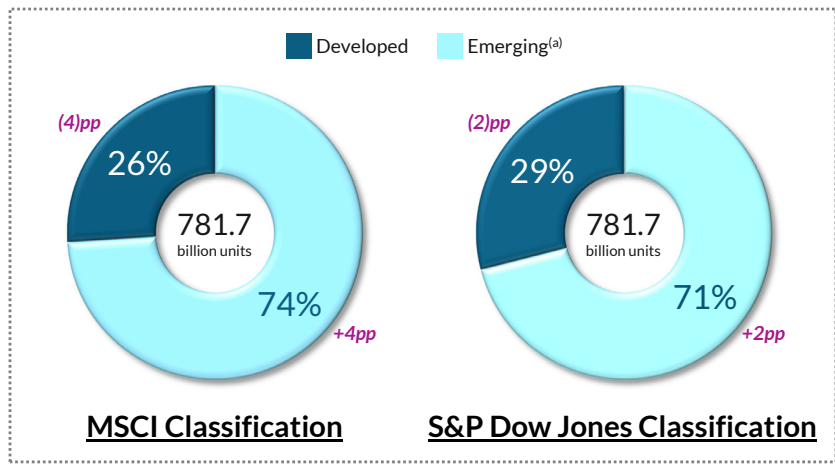
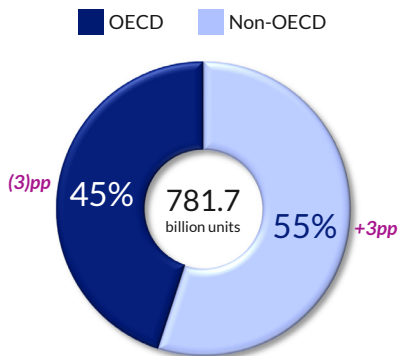
- Category still needs to deliver convincingly against key sensory and satisfaction dimensions
- Consumer uncertainty in many countries about the real health benefits of the category relative to smoking:
  - No manufacturer has produced a comprehensive scientific evidence package as we have done with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

Source: PMI Market Research

## PMI Total Volume (2018)

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

Change vs. 2008 (pp)



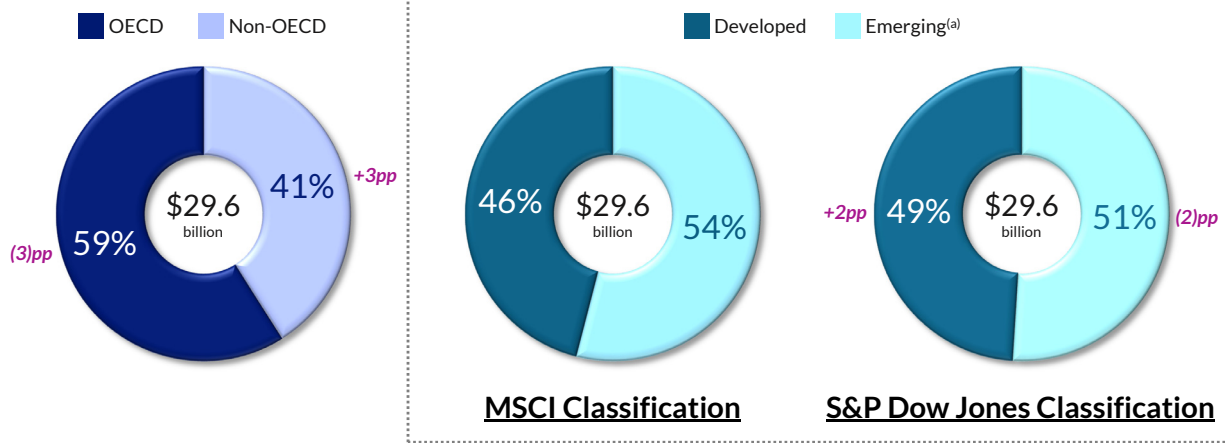
(a) Includes Emerging, Frontier and non-classified markets  
 Note: Reflects cigarettes and HTUs. OECD/non-OECD splits for 2008 and 2018 reflect the list of OECD countries for 2018;  
 Percentage split and change vs. 2008 exclude the shipment volume contribution from our duty free business  
 Source: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



# PMI Net Revenues (2018)

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

Change vs. 2008 (pp)



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

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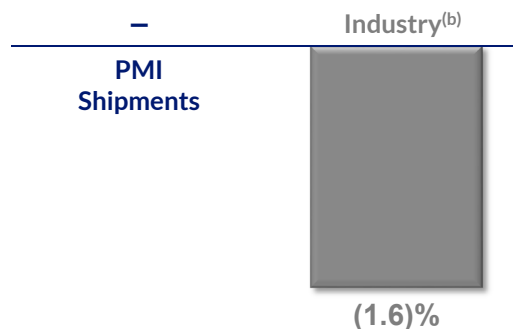
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# PMI Flat Total Shipment Volume, ex-Inventory (2018)



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

Total Volume,  
 Excluding Estimated  
Net Distributor Inventory Movements<sup>(a)</sup>  
 (Variance vs. PY)



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

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## PMI Cigarette Shipment Volume (2018)

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

3

Source: PMI Financials or estimates

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## PMI HTU Volume Performance (2018)

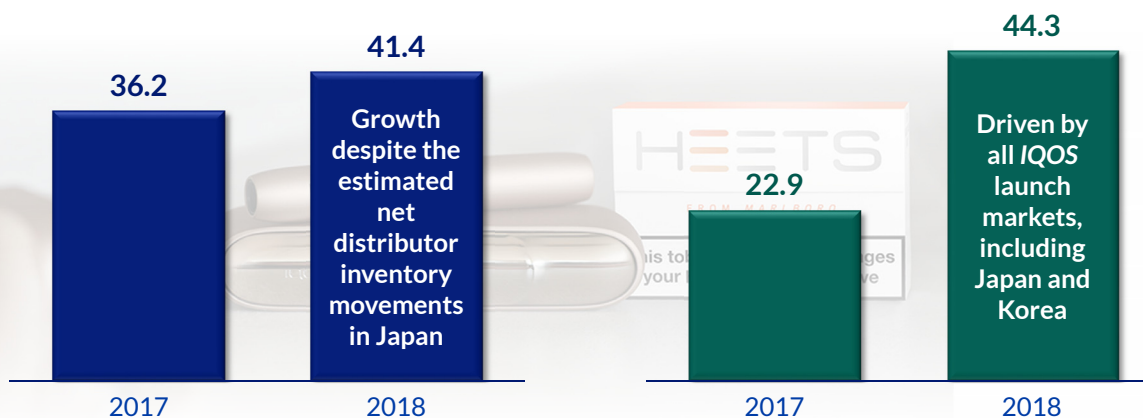
(billion units)

### Shipments

+14.2%

### In-Market Sales

+93.2%



3

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

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# PMI Financial Results



	2018	% Change vs. PY	
		Actual	Ex-Currency
Net Revenues (\$ in billions)	29.6	3.1 %	3.4 %
Adjusted OI (\$ in billions)	11.4	(1.8)%	0.1 %
Adjusted Diluted EPS (\$)	5.10	8.1 %	10.4 %

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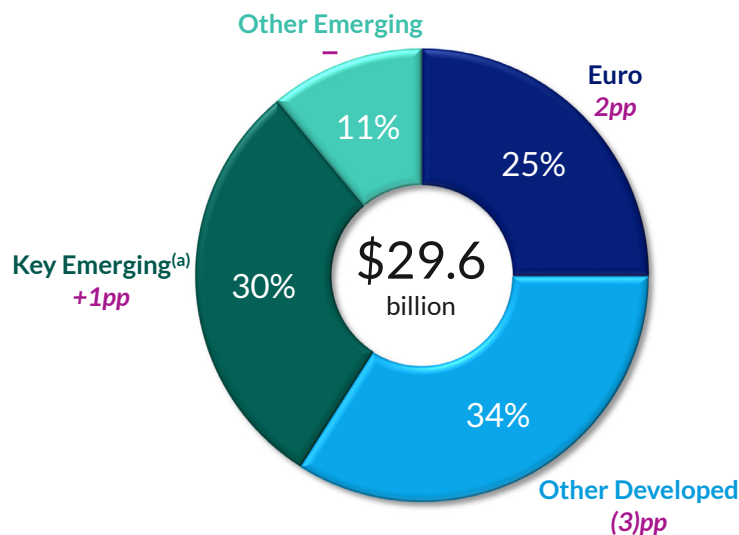
Source: PMI Financials or estimates

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# PMI Net Revenues by Currency (2018)



Change vs. 2017



3

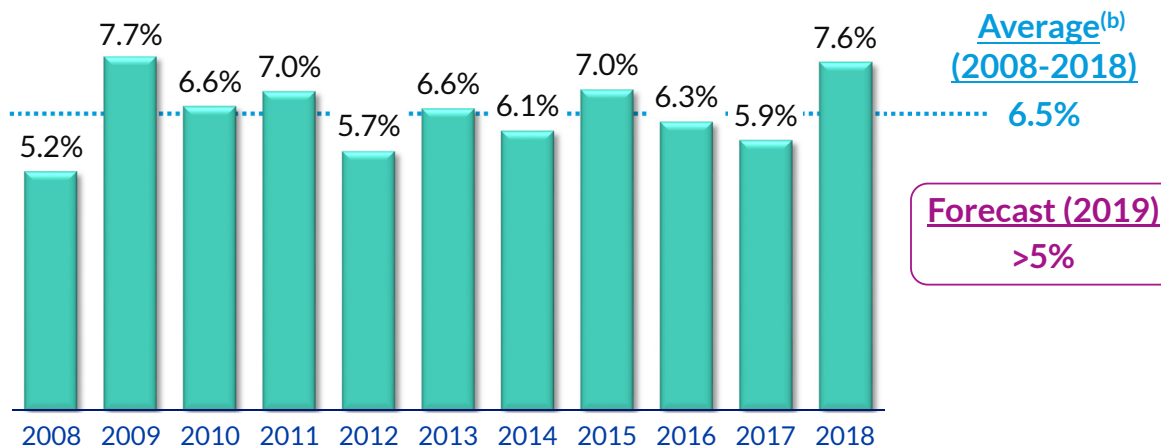
(a) Includes the Czech Krona, Egyptian Pound, Indonesian Rupiah, Mexican Peso, Philippine Peso, Polish Zloty, Russian Ruble and Turkish Lira  
 Note: List of emerging markets based on Dow Jones Global Total Stock Market Index  
 Source: PMI Financials or estimates

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## Consistent Combustible Tobacco Pricing Trend



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



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

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

Source: PMI Financials or estimates (PMI Annual Meeting of Shareholders, May 1, 2019)

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## PMI Financial Results by Region

(\$ in billions)

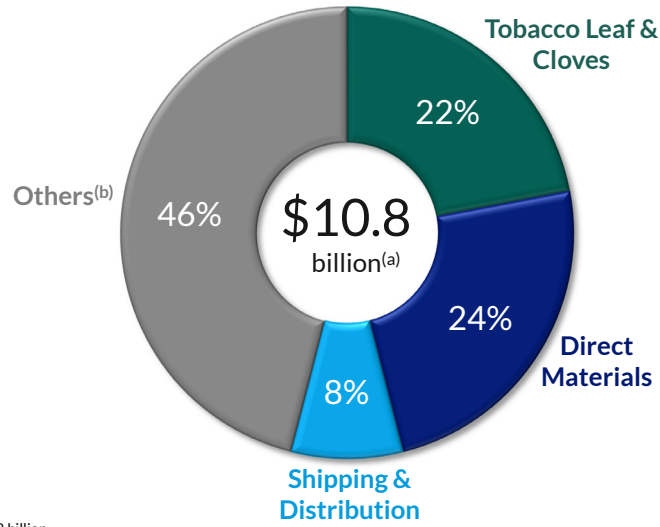


	Net Revenues			Adjusted OI		
	2018	% Change vs. PY		2018	% Change vs. PY	
		Actual	Ex- Currency		Actual	Ex- Currency
European Union	9.3	11.8 %	5.9 %	4.1	11.2 %	2.9 %
Eastern Europe	2.9	7.7 %	12.1 %	0.9	1.7 %	13.1 %
Middle East & Africa	4.1	3.2 %	8.0 %	1.6	(13.6)%	0.3 %
South & Southeast Asia	4.7	5.4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

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

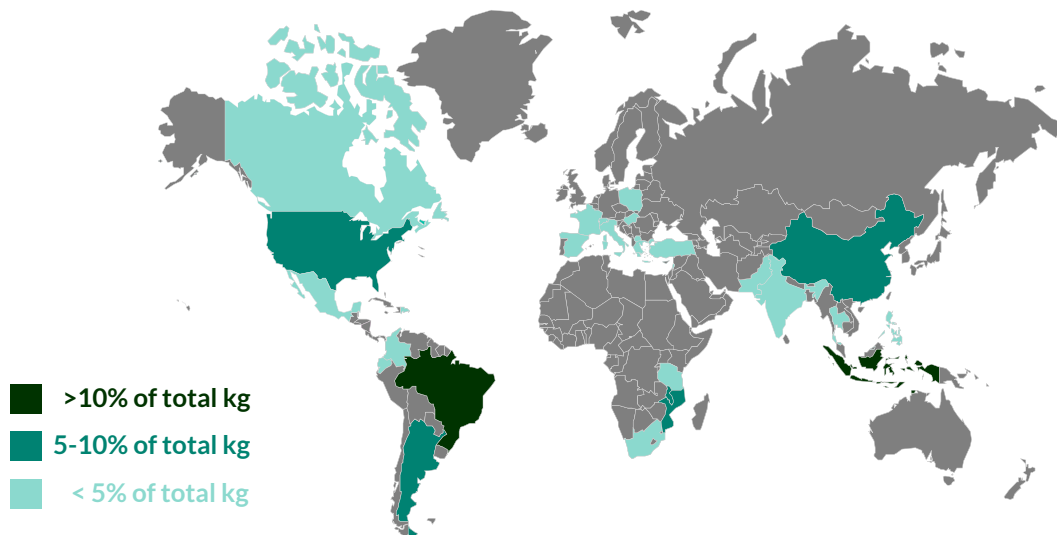
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# PMI Cost of Goods Sold (2018)



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

# PMI Tobacco Leaf Purchases by Geography (2018)



Source: PMI Operations

## PMI Manufacturing Footprint (2018)



● **44** Manufacturing Facilities<sup>(a)</sup>

● **26** Third-Party Manufacturers

**38** Third-Party Operators (in Indonesia)

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

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## PMI Costs by Currency (2018)



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

(a) Including cloves

(b) Other manufacturing related costs and shipping

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

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

Note: Excluding sales allowances

Source: PMI Financials or estimates

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## PMI Adjusted OI Margins



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

(a) Excluding currency  
Source: PMI Financials or estimates

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## PMI and Hedging



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

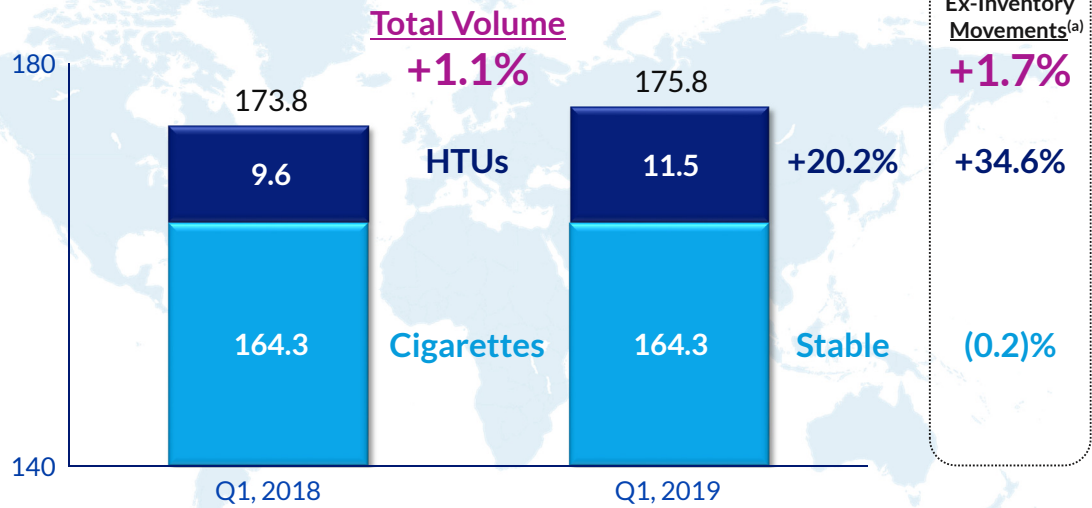
Source: PMI Financials or estimates

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## Strong Total PMI Shipment Volume Growth (Q1, 2019)

(billion units)



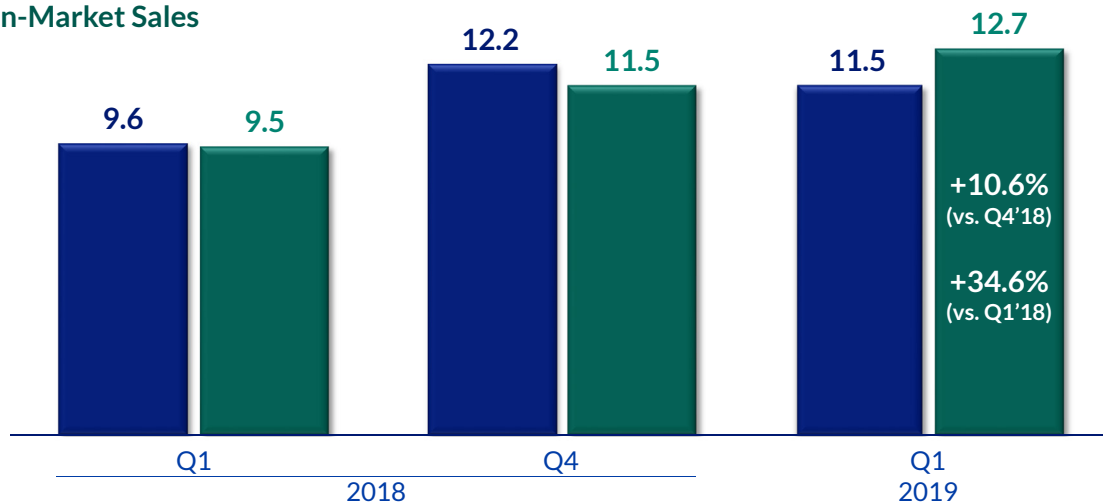
(a) Reflects in-market sales  
 Note: Totals may not add due to rounding  
 Source: PMI Financials or estimates

## PMI HTU Volume Performance (Q1, 2019)

(billion units)



■ Shipments  
 ■ In-Market Sales



Source: PMI Financials or estimates

## PMI Financial Results (Q1, 2019)



	Q1 2019	% Change vs. PY	
		Actual	Ex-Currency
Net Revenues (\$ in billions)	6.8	(2.1)%	3.2 %
Adjusted OI (\$ in billions)	2.5	3.2 %	9.1 %
Adjusted Diluted EPS (\$)	1.09	9.0 %	15.0 %

Source: PMI Financials or estimates

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## PMI Financial Results by Region (Q1, 2019)

(\$ in billions)



	Net Revenues			Adjusted OI		
	Q1 2019	% Change vs. PY		Q1 2019	% Change vs. PY	
		Actual	Ex-Currency		Actual	Ex-Currency
European Union	2.2	8.6 %	15.8 %	0.9	21.1 %	31.1 %
Eastern Europe	0.6	2.1 %	13.4 %	0.1	(14.6)%	(2.0)%
Middle East & Africa	0.9	(3.5)%	3.5 %	0.3	(8.0)%	(1.1)%
South & Southeast Asia	1.1	3.0 %	8.6 %	0.5	7.2 %	14.2 %
East Asia & Australia	1.3	(17.0)%	(17.0)%	0.4	(17.1)%	(16.1)%
Latin America & Canada	0.7	(7.9)%	(3.2)%	0.2	13.8 %	9.2 %

Note: Regional Q1, 2019 Adjusted OI does not add to Total PMI Q1, 2019 Adjusted OI of \$2.5 billion due to rounding  
Source: PMI Financials or estimates

42

3

## Regional Highlights: European Union





3

### Q1, 2019 Performance:

- Industry total volume down by 0.5% to 107.3 billion units, mainly due to France (down by 8.1%, mainly resulting from the impact of significant excise-tax driven price increases in March 2018 and 2019, and higher illicit trade), Germany (down by 4.0%, or by 1.0% ex-inventory movements, primarily reflecting the impact of price increases in March 2018) and Italy (down by 2.9%, or by 1.7% ex-inventory movements, primarily reflecting the impact of price increases in 2018 and in February 2019); partly offset by Poland and Spain (up by 8.1% and 2.7%, respectively, reflecting lower illicit trade, primarily in Poland)
- PMI total volume up by 2.9% to 41.8 billion units, notably driven by: higher HTU volume across the Region, notably Italy, driven by higher market share, and higher cigarette volume in Germany, Poland and Spain; partly offset by lower cigarette volume in France and Italy
- *HEETS* share increased by 1.3 points to 2.1%
- Adjusted OI up by 31.1%, ex-currency, mainly reflecting a favorable pricing variance, driven principally by Germany, and favorable volume/mix notably in Germany, Italy and Poland, partially offset by higher manufacturing costs primarily related to RRP

### Recent Key Developments:

-  **Germany:** In March, following the MTT increase in February, we raised cigarette RSPs by EUR 0.30/pack of 20s across the portfolio
-  **Italy:** On April 5<sup>th</sup>, we decreased the price of *HEETS* by EUR 0.50/pack of 20s to EUR 4.50, following the lowering of the excise tax for innovative smoke-free products, such as heated tobacco and e-cigarettes

Source: PMI Financials or estimates

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## Regional Highlights: Eastern Europe




3

### Q1, 2019 Performance:

- Industry total volume decreased, notably due to Russia (down by 8.3%, primarily reflecting the impact of price increases, as well as the unfavorable impact in Q1, 2019, of estimated trade inventory movements in certain key accounts) and Ukraine (down by 10.6%, primarily reflecting the impact of price increases and higher illicit trade)
- PMI total volume down by 3.3% to 21.9 billion units, primarily in Russia (down by 5.0%. Excluding the net unfavorable impact of estimated distributor inventory movements of 0.5 billion units, primarily of HTUs, reflecting an adjustment subsequent to the increase in shipments in Q4, 2018, ahead of the planned geographic expansion of *IQOS*, PMI's in-market sales decline was 0.9%, reflecting a lower total market, partly offset by higher market share of HTUs), partly offset by Kazakhstan and Ukraine
- Adjusted OI down by 2.0%, ex-currency, mainly due to higher manufacturing and marketing, administration and research costs, notably reflecting increased investments behind RRP, primarily in Russia in support of the geographic expansion, partly offset by a favorable pricing variance, driven notably by Ukraine, and favorable volume/mix

### Recent Key Developments:

-  **Russia:** Effective January 1<sup>st</sup>, cigarette and HTU excise tax increases as per government tax plan, and VAT increase from 18% to 20%. Weighted average total excise tax pass-on for the industry is approximately RUB 8/pack (vs. RUB 5/pack in 2018; RUB 13/pack in 2017)

Note: Details on Russia's excise tax plan is available in the Appendix  
Source: PMI Financials or estimates

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## Regional Highlights: Middle East & Africa



### Q1, 2019 Performance:

- Industry total volume increased, notably driven by Algeria (up by 19.3%, or down by 0.8% ex-inventory movements associated with expectations regarding excise tax announcements in 2019 compared to 2018), Saudi Arabia (up by 8.1%, primarily reflecting a favorable comparison vs. Q1, 2018, which was down by 40.8% mainly due to the impact of retail price increases in 2017 and Q1, 2018, following the introduction of the new excise tax in June 2017 and VAT in January 2018) and Turkey (up by 10.1%, or by 4.3%, ex-inventory movements associated with expectations regarding excise tax and pricing changes in 2019 compared to 2018 following the excise tax increase in January 2019)
- PMI total volume up by 13.7% to 34.1 billion units, notably in North Africa (notably in Algeria and Egypt), Saudi Arabia, and Turkey; partly offset by PMI Duty Free
- Adjusted OI down by 1.1%, ex-currency, mainly reflecting: an unfavorable pricing variance, mainly due to Saudi Arabia and Turkey, partly offset by Egypt; partly offset by a favorable volume/mix and a favorable cost/other variance (mainly driven by the timing of other revenues)

### Recent Key Developments:



**Turkey:** On April 6<sup>th</sup>, following the January 2019 amendment to the cigarette excise tax structure, we increased cigarette prices by TRY 2/pack of 20s across our portfolio (note: excise tax increase was approximately TRY 4/pack)

Source: PMI Financials or estimates

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3

## Regional Highlights: South & Southeast Asia



### Q1, 2019 Performance:

- Industry total volume decreased, notably due to Indonesia (down by 0.8%, mainly due to the impact of estimated trade inventory movements in Q1, 2019, following the absence of an excise tax increase in January 2019), and Vietnam (down by 5.6% reflecting the unfavorable impact of trade inventory movements related to an anticipated excise tax increase in January 2019), partly offset by the Philippines (up by 8.9%, benefiting from the net impact of favorable trade inventory movements associated with expectations regarding excise tax-driven price increases) and Thailand (up by 27.4%, primarily reflecting on-going recovery from the September 2017 excise tax reform)
- PMI total volume up by 3.2% to 41.5 billion units, notably driven by Pakistan, the Philippines and Thailand, partly offset by Indonesia
- Adjusted OI up by 14.2%, ex-currency, mainly reflecting: a favorable pricing variance, driven principally by Indonesia and the Philippines; favorable volume/mix, mainly driven by the Philippines, partly offset by Indonesia; partly offset by higher marketing, administration and research costs, notably due to Indonesia, and higher manufacturing costs, partly due to the Philippines

Source: PMI Financials or estimates

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3

## Regional Highlights: East Asia & Australia



### Q1, 2019 Performance:

- Industry total volume, ex-China, decreased, notably due to Japan (down by 4.5%, mainly reflecting the impact of the October 1, 2018 excise tax-driven retail price increases); partly offset by Taiwan (up by 16.6%, primarily driven by a favorable comparison with Q1, 2018, that was down by 23.9% reflecting the impact of excise tax-driven price increases in 2017)
- PMI total volume down by 11.5% to 19.0 billion units, primarily due to Japan (down by 14.2%; excluding the net unfavorable impact of estimated distributor inventory movements of approximately 1.2 billion units, comprised of approximately 0.7 billion HTUs and approximately 0.5 billion cigarettes, PMI's IMS decline was 5.6%, reflecting the lower total market and lower cigarette market share) and Korea (down by 9.7%, principally due to lower cigarette market share, notably of *Marlboro* and *Parliament*)
- Adjusted OI down by 16.1%, ex-currency, mainly reflecting unfavorable volume/mix, substantially due to Japan, partly offset by favorable pricing, driven predominantly by Japan, and lower manufacturing costs related to Japan and Korea

3

Source: PMI Financials or estimates

47

## Regional Highlights: Latin America & Canada



### Q1, 2019 Performance:

- Industry total volume decreased, notably due to Argentina (down by 9.1%, primarily due to the impact of cumulative price increases and the continuing economic downturn), Brazil (down by 5.2%, mainly due to the impact of cumulative price increases), Canada (down by 9.7%, primarily due to the impact of cumulative pricing) and Venezuela (down by 56.7%, mainly reflecting the deterioration of the socioeconomic environment and the impact of inflation-driven price increases)
- PMI total volume down by 7.4% to 17.6 billion units, mainly due to Argentina and Canada; partly offset by Brazil
- Adjusted OI up by 9.2%, ex-currency, reflecting: a favorable pricing variance notably in Canada and Mexico, partially offset by Argentina (reflecting, in part, the adoption of highly inflationary accounting); lower marketing, administration and research costs, as well as lower manufacturing costs; partly offset by unfavorable volume/mix, mainly in Argentina and Canada

3

### Recent Key Developments:



**Argentina:** In April, decrease in turnover tax from 3.58% to 3.31%



**Canada:** In April, increase in inflationary tobacco tax of CAD 0.52/carton (or +2.2%)

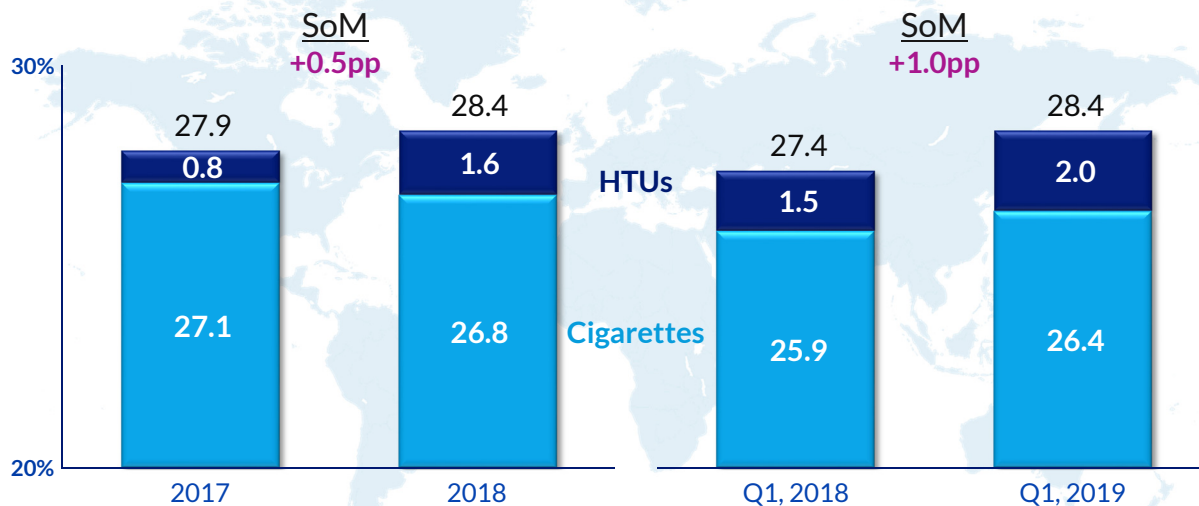
Note: Adjusted OI excludes Canadian tobacco litigation-related expense and loss on deconsolidation of RBH  
Source: PMI Financials or estimates

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# PMI Total International Share

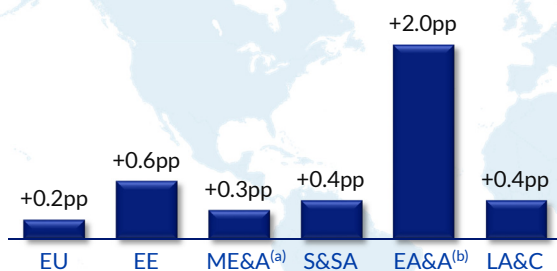
(%)



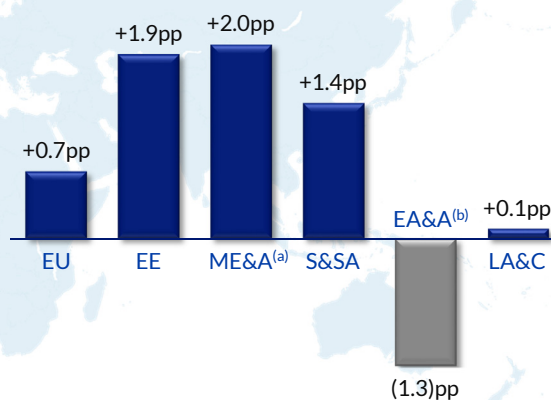
Note: Excluding China and the U.S.  
Source: PMI Financials or estimates

# PMI Total Regional Shares

Variance (2018 vs. PY)  
SoM: 38.5% 27.3% 23.8% 23.5% 27.4% 40.0%



Variance (Q1, 2019 vs. PY)  
38.9% 27.6% 24.1% 23.8% 26.6% 39.0%



(a) Includes duty free  
(b) Excludes China  
Note: Reflects cigarettes and HTUs  
Source: PMI Financials or estimates

## PMI Total Market Share: Select Markets



	Full-Year			Q1		
	2018	2017	Variance	2019	2018	Variance
Argentina	73.7%	74.7%	(1.0)pp	73.2%	74.8%	(1.6)pp
Australia	29.7	30.6	(0.9)	24.4	28.7	(4.3)
France	45.5	43.5	2.0	45.0	44.8	0.2
Germany	37.3	37.2	0.1	39.5	36.3	3.2
Indonesia	33.0	33.0	–	32.2	33.2	(1.0)
Italy	51.8	52.2	(0.4)	51.1	52.1	(1.0)
Japan	34.0	32.1	1.9	34.4	34.7	(0.3)
Korea	25.0	21.2	3.8	23.3	25.5	(2.2)

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

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## PMI Total Market Share: Select Markets (cont.)



	Full-Year			Q1		
	2018	2017	Variance	2019	2018	Variance
Mexico	68.0	68.1	(0.1)pp	64.1	63.5	0.6 pp
Philippines	69.9	67.6	2.3	70.1	70.2	(0.1)
Poland	41.5	42.7	(1.2)	39.9	39.7	0.2
Russia	28.4	27.8	0.6	28.9	26.8	2.1
Saudi Arabia	41.5	45.2	(3.7) <sup>(a)</sup>	41.8	41.6	0.2
Spain	32.1	32.3	(0.2)	31.8	32.3	(0.5)
Turkey	46.4	46.7	(0.3)	48.9	44.5	4.4

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

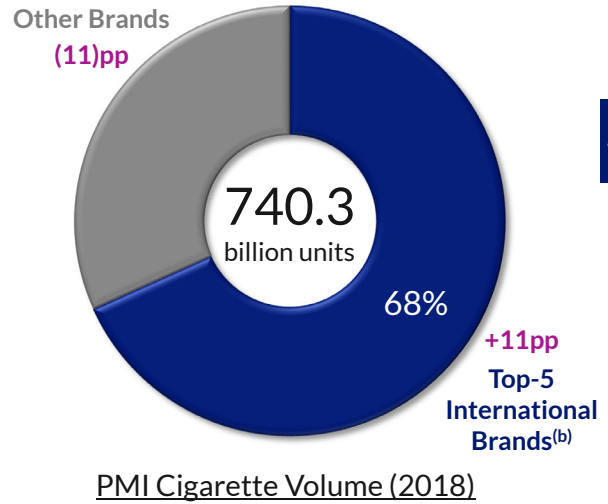
52

# PMI Cigarettes: Focused Portfolio Strategy



Change vs. 2013

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



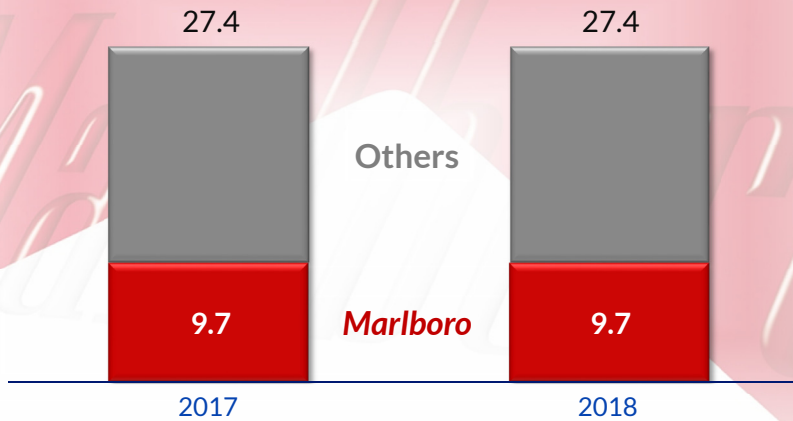
4

(a) Success rate is defined as % of innovations meeting a pre-defined threshold, 12 months after launch (0.7% SoM in 12 months after launch)  
 (b) Top-5 international brands in 2018: *Marlboro*, *L&M*, *Chesterfield*, *Philip Morris* and *Parliament*. Change vs. 2013 reflects same list of brands  
 Source: PMI Financials or estimates

# PMI Cigarettes: Maintaining Leadership in the Category (%)



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



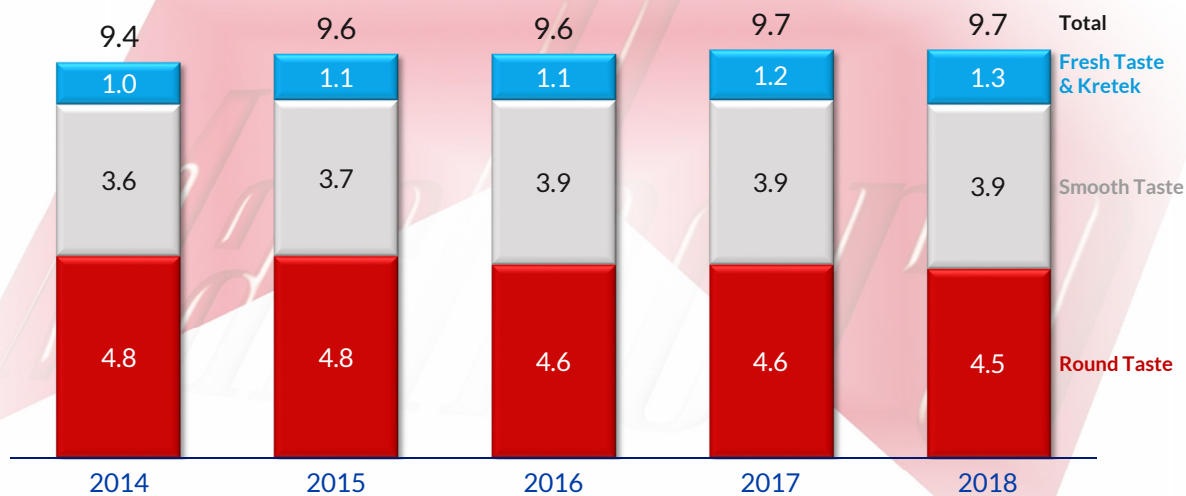
4

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



# PMI Cigarettes: Marlboro's International Share

(%)



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

Source: PMI Financials or estimates



# PMI Cigarettes: Solid Performance from Other Top Brands

(%)

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



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

Note: Excluding China and the U.S.

Source: PMI Financials or estimates



## PMI Cigarettes: RSPs in Select Markets

(April 1, 2019)

		Above Premium	Premium	Mid-Price	Low-Price
Argentina <sup>(a)</sup>	ARS	<i>Parliament</i> 93.00	<i>Marlboro</i> 86.00	<i>Philip Morris</i> 77.00	<i>Chesterfield</i> 71.00
Australia <sup>(b)</sup>	AUD		<i>Marlboro</i> 29.16	<i>Peter Jackson</i> 28.43	<i>Bond Street</i> 24.98
France	EUR		<i>Marlboro</i> 8.80		<i>Chesterfield / L&amp;M</i> 8.40
Germany	EUR		<i>Marlboro</i> 6.70		<i>Chesterfield / L&amp;M</i> 6.30
Indonesia <sup>(c)</sup>	IDR		<i>Sampoerna A Mild</i> 22,968	<i>U Mild</i> 18,776	<i>DSS Magnum Mild</i> 15,967
Italy	EUR		<i>Marlboro</i> 5.70		<i>Chesterfield / L&amp;M</i> 4.90
Japan <sup>(d)</sup>	JPY	<i>Parliament</i> 530	<i>Marlboro</i> 510	<i>Lark</i> 450	<i>Lark Smart Plus</i> 390
Korea	KRW		<i>Marlboro</i> 4,500		

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

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

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

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

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

Source: PMI affiliates and Nielsen

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4



## PMI Cigarettes: RSPs in Select Markets (cont.)

(April 1, 2019)

		Above Premium	Premium	Mid-Price	Low-Price
Mexico	MXN		<i>Marlboro</i> 55.00		<i>Chesterfield</i> 42.00
Philippines	PHP		<i>Marlboro</i> 78.00	<i>Fortune</i> 72.00	
Poland	PLN		<i>Marlboro</i> 16.50	<i>L&amp;M</i> 14.99	<i>Chesterfield</i> 13.99
Russia <sup>(a)</sup>	RUB	<i>Parliament</i> 189.00	<i>Marlboro</i> 162.00	<i>Chesterfield</i> 149.00	<i>Bond Street Compact</i> <sup>(b)</sup> 117.00
Saudi Arabia	SAR	<i>Parliament</i> 27.00	<i>Marlboro</i> 25.00	<i>L&amp;M</i> 20.00	<i>Chesterfield</i> 16.00
Spain	EUR		<i>Marlboro</i> 5.00	<i>Chesterfield</i> 4.70	<i>L&amp;M</i> 4.45
Turkey <sup>(c)</sup>	TRY	<i>Parliament</i> 15.50	<i>Marlboro</i> 15.00	<i>Muratti</i> 13.00	<i>Lark</i> 12.00

(a) Maximum RSPs for mainline variants

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

(c) Effective April 6<sup>th</sup>

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

Source: PMI affiliates

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4



# Strategic Pillars Supporting Our Smoke-Free Ambition

## 1. Adult Consumer Satisfaction:

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

## 2. Key External Stakeholder Engagement:

- Eager to see fiscal and regulatory measures introduced that drive large-scale switching as quickly as possible:
  - UNSMOKE Campaign
- Put in place a rigorous and transparent scientific pre- and post-market assessment program that is unmatched in the industry

## 3. Organizational Readiness:

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

5



# Our RRP Platforms

THE SCIENCE

## "IQOS HeatControl Technology"

BRAND

# IQOS

PLATFORMS



Heated Tobacco Products      Nicotine-Containing E-Vapor Products

5

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



# Highest Standards of Responsibility for the Category



## Good Conversion Practices for Our Smoke-Free Products

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

5

Source: 2017 PMI Sustainability Report

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## IQOS Device Progression



Nagoya and Milan Pilots (2014)



2016



2017



2018 onwards

### Base device

- Aesthetics
- Automatic blade cleaning
- Easier holder insertion

Product Reliability and Improvements

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

Product Reliability and Improvements

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

Continued Innovation

5

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# IQOS 3 and IQOS 3 Multi Product Characteristics



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

new IQOS 3



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

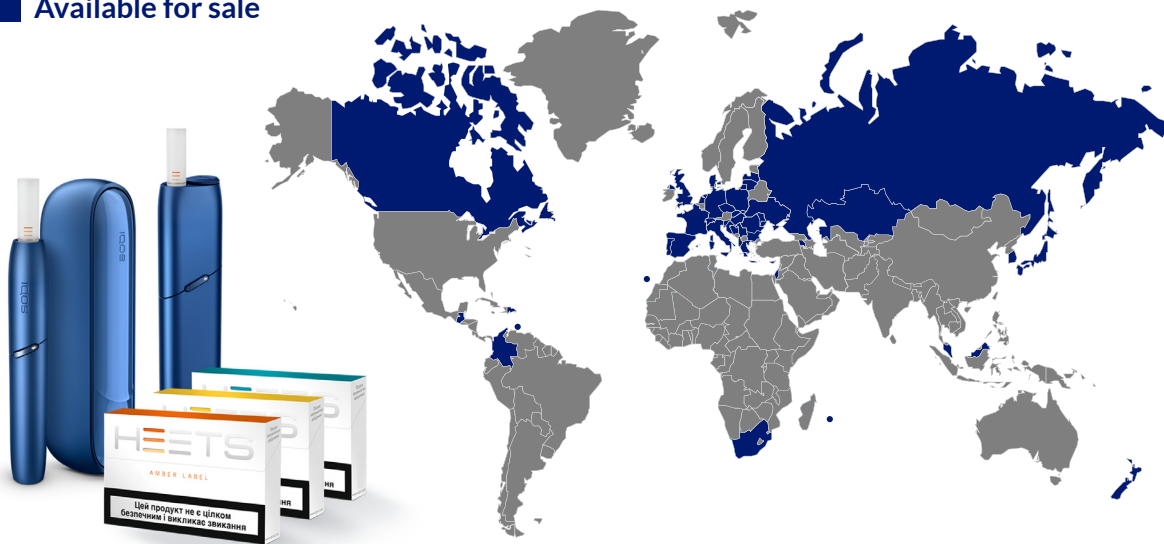
new IQOS 3 MULTI

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# IQOS Now Available for Sale in 47 Markets Worldwide

Available for sale



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Note: Status at May 1, 2019. The number of markets includes Duty Free

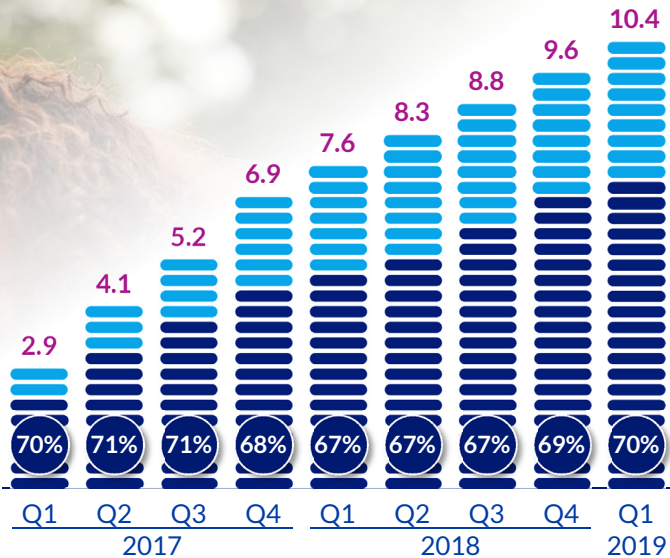


# Over 10 Million IQOS Users as of Q1, 2019

(in millions)

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

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



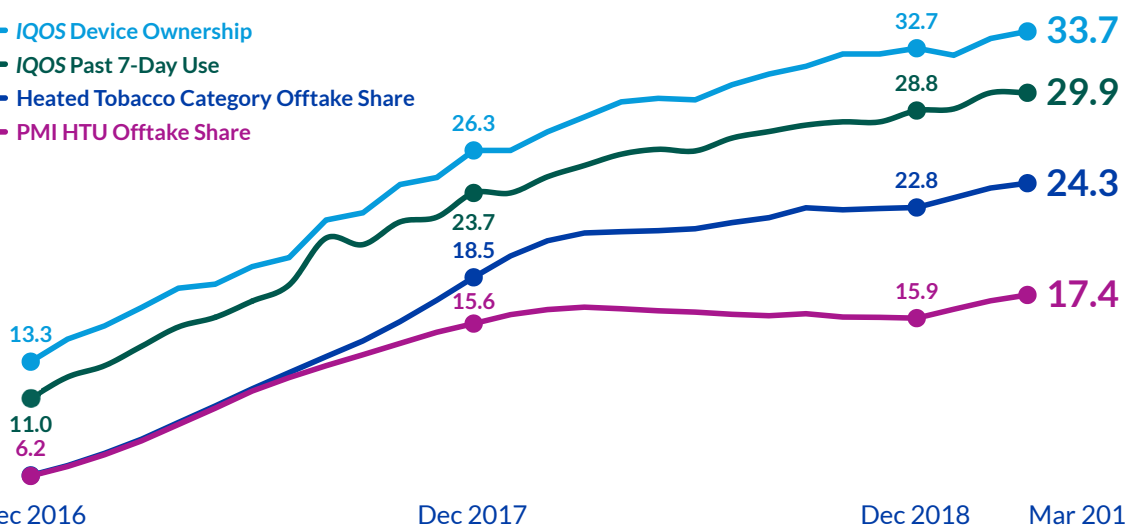
(a) See Glossary for definition  
Source: PMI Financials or estimates, IQOS user panels and PMI Market Research



# Japan: IQOS Initiatives Starting to Pay Off

(%)

- IQOS Device Ownership
- IQOS Past 7-Day Use
- Heated Tobacco Category Offtake Share
- PMI HTU Offtake Share



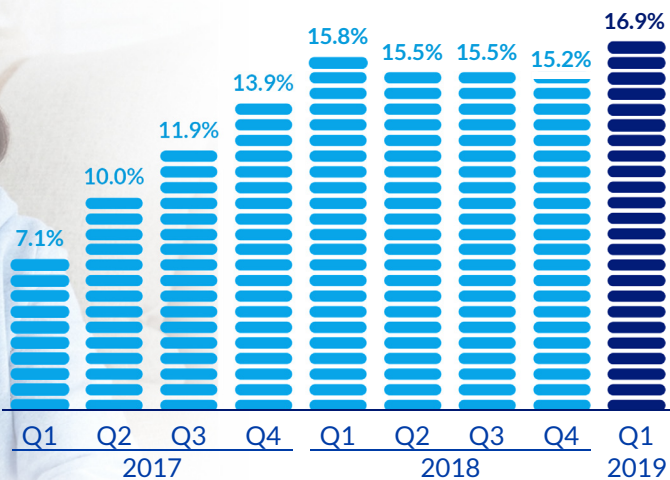
Note: All numbers reflect a three-month moving average. IQOS device ownership among all adult tobacco users in Japan. Past 7-day use of IQOS among all adult tobacco users in Japan. Heated tobacco category and PMI HTU offtake shares represent select C-Store sales volume for industry HTUs and PMI HTUs, respectively, as a percentage of the total retail sales volume for cigarettes and HTUs in these C-Stores  
Source: PMI Financials or estimates, IQOS user panels and PMI Market Research



# Japan: Return to Sequential PMI HTU Share Growth



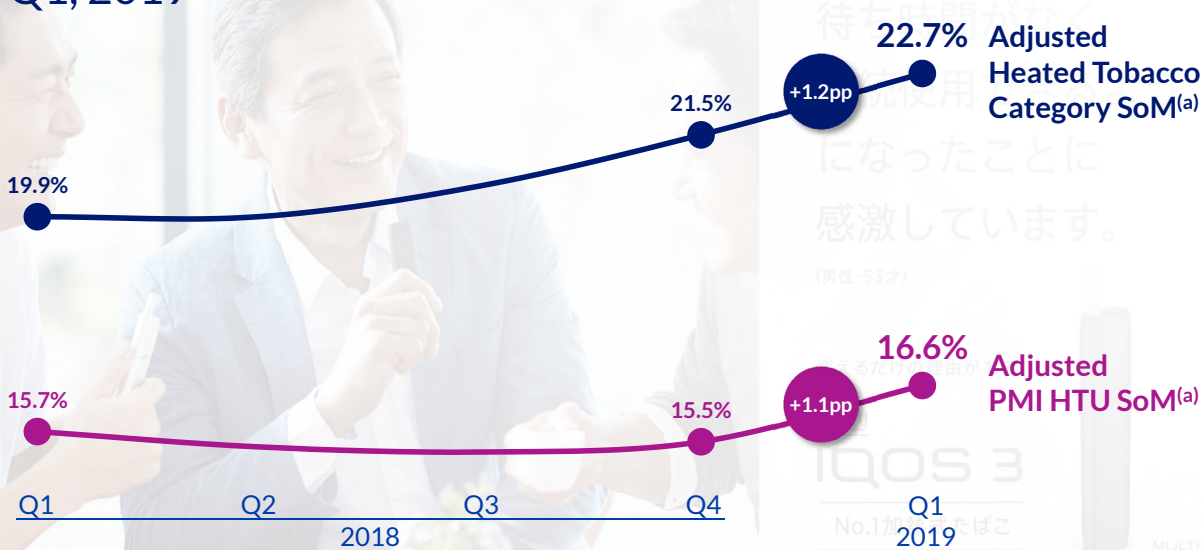
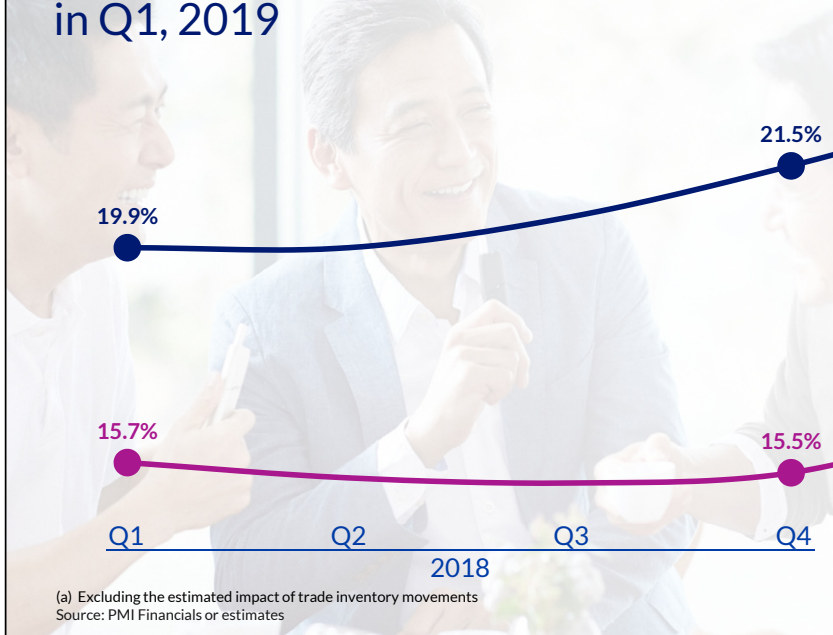
Adjusted SoM<sup>(a)</sup>: 15.5% 16.6%



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



# Japan: PMI HTUs Drove Category Share Growth in Q1, 2019

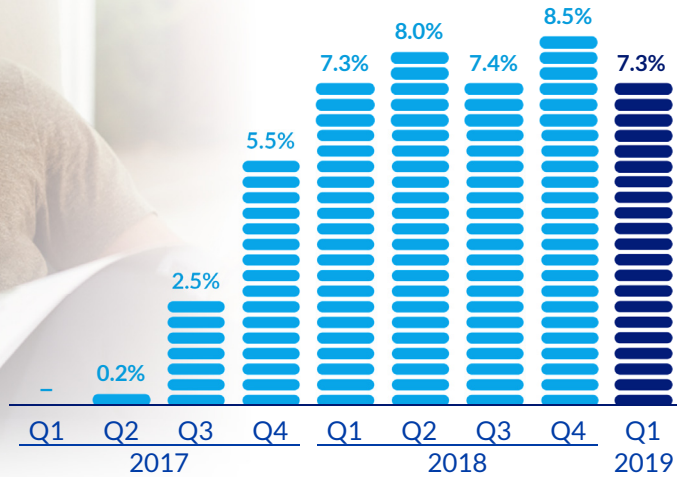


(a) Excluding the estimated impact of trade inventory movements  
Source: PMI Financials or estimates



## Korea: Stable Adjusted *HEETS* Share

Adjusted SoM<sup>(a)</sup>: 7.8% 7.8%

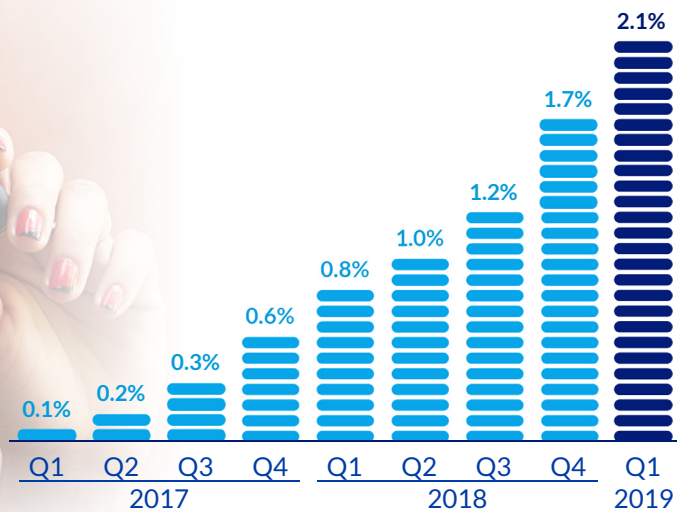


(a) Excluding the estimated impact of trade inventory movements  
Source: PMI Financials or estimates

5



## EU Region: *HEETS* Sequential Share Growth Continues



Source: PMI Financials or estimates

5



## Select EU Region *HEETS* Market Shares

	<u>Q1. 2019</u>	<u>Growth vs. PY</u>		<u>Q1. 2019</u>	<u>Growth vs. PY</u>
Bulgaria	5.7%	+4.5pp	Lithuania	11.9%	+9.9pp
Czech Republic	4.9	+3.1	Poland	1.8	+1.3
Germany	1.0	+0.6	Portugal	5.4	+3.2
Greece	8.7	+5.2	Slovak Republic	5.2	+2.7
Italy	3.7	+2.2	Switzerland	2.5	+0.9

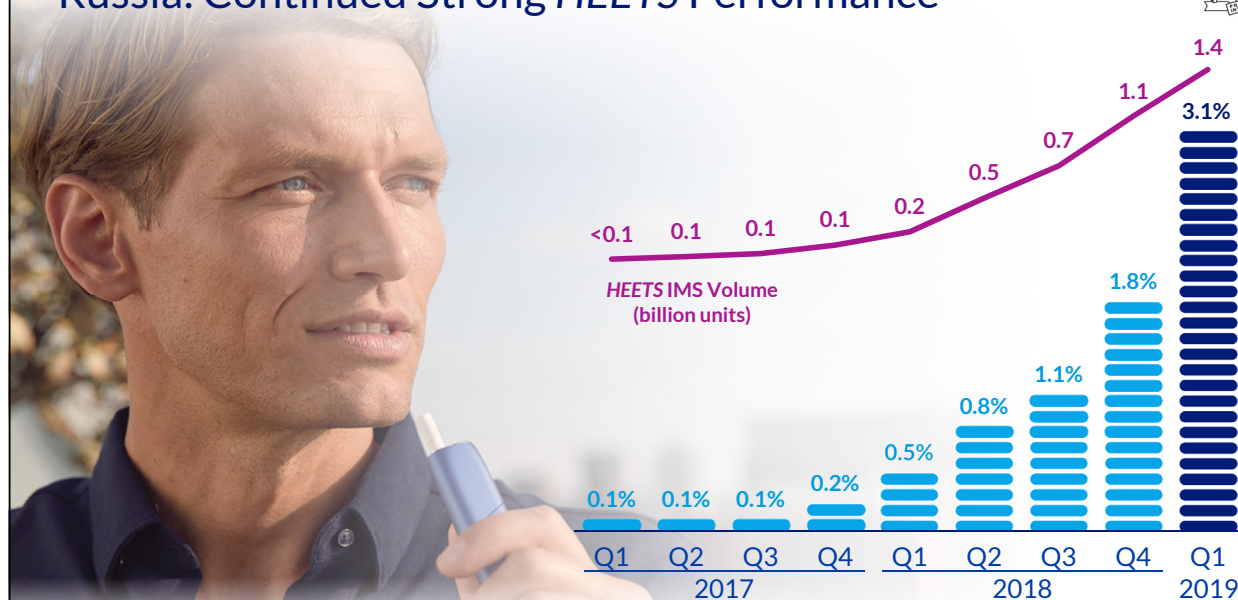
Source: PMI Financials or estimates

71

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## Russia: Continued Strong *HEETS* Performance



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

72

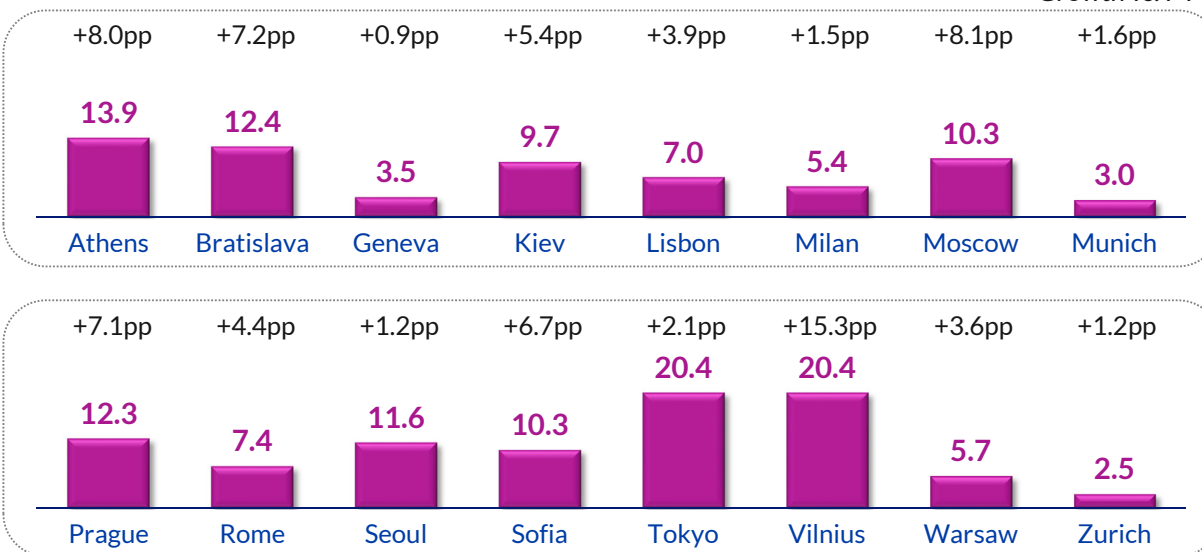
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## Select PMI HTU Key City Offtake Shares in Q1, 2019

(%)

Growth vs. PY



Source: PMI Financials or estimates (based on latest available data)

73

5

5



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

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

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



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

5

Note: April 30, 2019

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## 2018 TPSAC Meeting on PMI's MRTP Applications for IQOS



- Part of FDA's review of PMI's applications to commercialize IQOS in the U.S.
- Discussion reflected respect for the integrity of our scientific data and our commitment to bring IQOS to the U.S.
- TPSAC confirmed that the evidence supported the statement that switching completely to IQOS significantly reduces exposure to harmful chemicals
- Meeting was one step in a broader, on-going review of our MRTP applications by the FDA; recommendations and votes of TPSAC are advisory
- We look forward to working with the FDA to clarify any outstanding points
- PMI's PMTA was not before TPSAC as it follows a parallel regulatory pathway

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

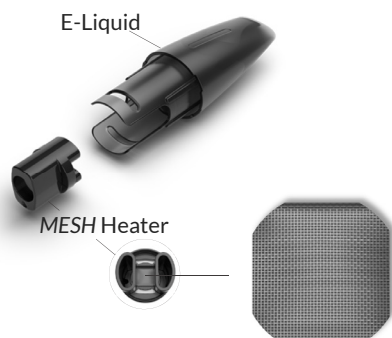
- Deliberately prioritized IQOS heated tobacco platform:
  - Best addresses the preferences of adult smokers
  - Highest switching ability
  - Consumer credibility and trust
  - Strong brand image
- Not been idle on e-vapor products:
  - Invested significantly in their development
  - Now ready to introduce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

5

Source: PMI Market Research and IQOS User Panels

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## IQOS MESH: Addresses Adult Consumer Key Preferences



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

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

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## IQOS MESH: Successfully Introduced in the U.K. on a Limited Scale in July 2018

- Large format; primarily addresses open system consumer preferences
- Positive adult consumer reception:
  - View technology as addressing the fundamental requirements of consistency, reliability and convenience
  - Appreciate our range of superior flavors which offer sensorial satisfaction
- Learnings instructed further product improvements
- New *IQOS MESH* launch later this year:
  - Making further investments to support our e-vapor manufacturing capacity
  - Plan to meaningfully enter the category
  - Our clear objective is to achieve sustainable e-vapor category leadership over time



5

Source: PMI Market Research

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## Our Other RRP Platforms



### Platform 2 (TEEPS):

Heated Tobacco Product

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



5

### Platform 3 (STEEM):

Nicotine-Containing E-Vapor Product

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



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

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## Integrity of Our Scientific Assessment

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

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

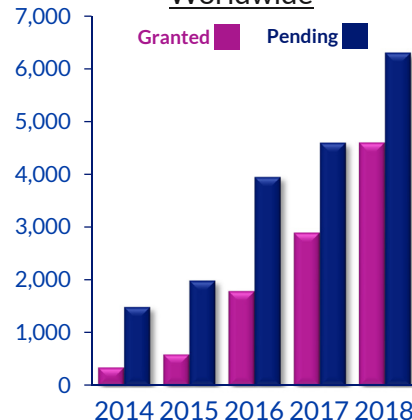
81



## Our Best-in-Class R&D Capability

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

**PMI RRP Published Patents Worldwide<sup>(a)</sup>**

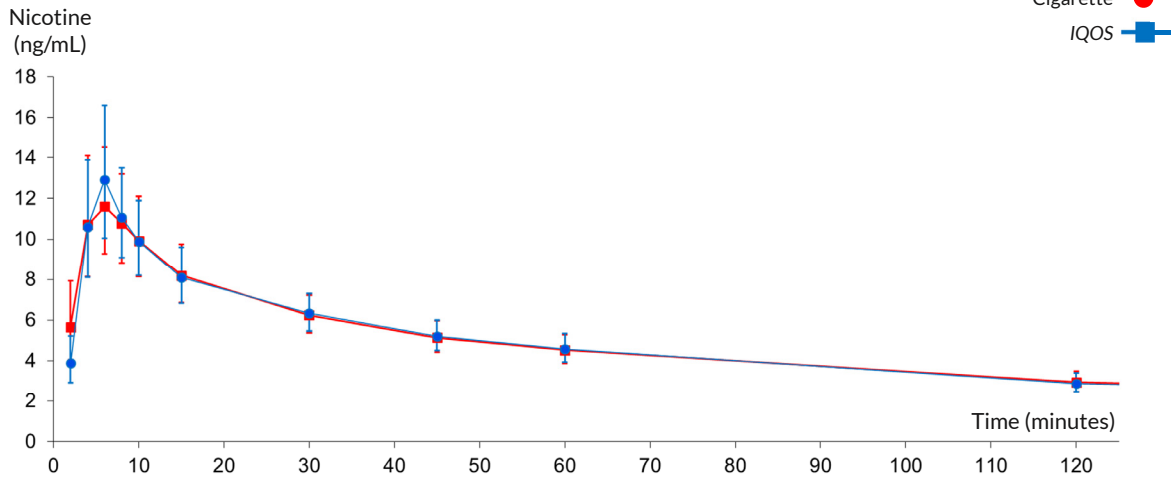


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<sup>(a)</sup> Status at December 31, 2018  
Source: PMI Research & Development

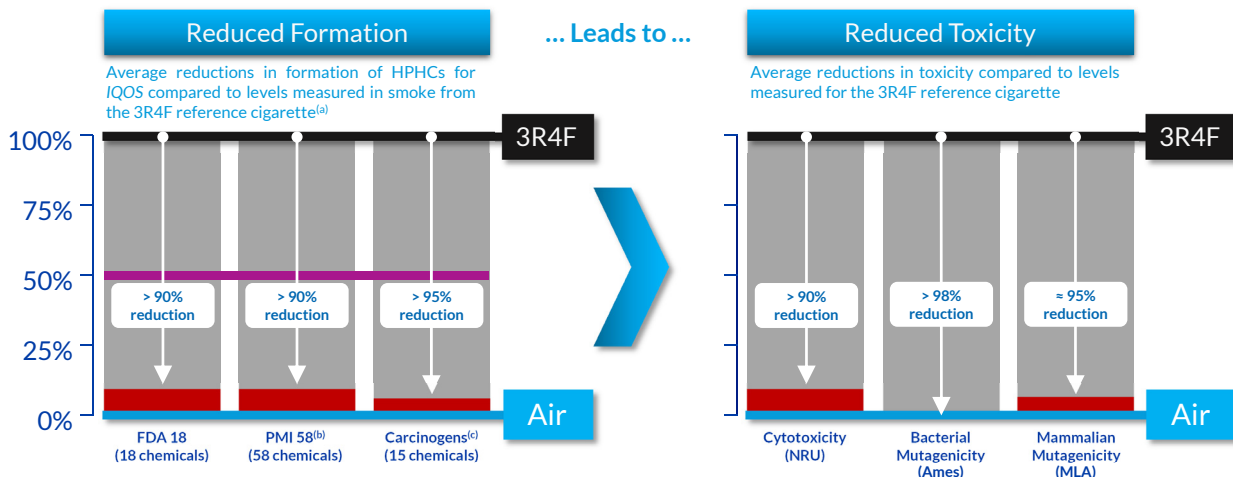
82

# IQOS: Nicotine Pharmacokinetic Profile



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)

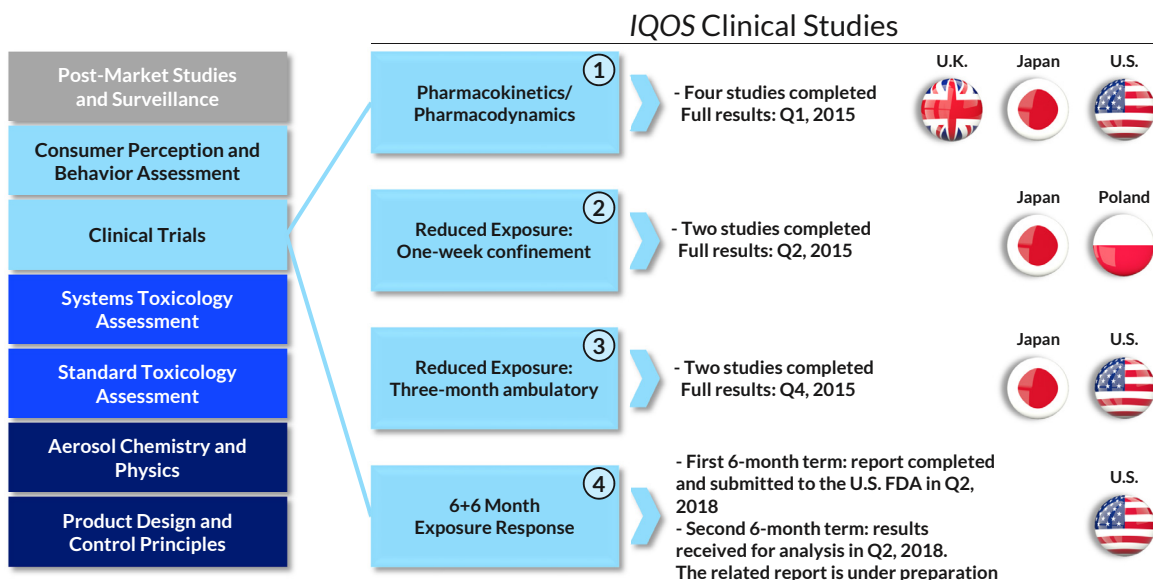
# IQOS: Reduced Formation Leads to Reduced Toxicity *in vitro*



(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



# IQOS: Substantiating Reduced Risk



6



# IQOS: Scientific Substantiation Progress

<b>Totally-of-Scientific Evidence Supporting Reduced Risk Potential</b>	<b>Reduced Impact on Users and Those Around Them</b>	<b>Improved Oral Hygiene</b>
<ul style="list-style-type: none"> <li>On average 95% lower levels of harmful chemicals</li> <li>Reduced toxicity</li> <li>Reduced exposure</li> <li>Reversal of selected clinical risk markers</li> <li>Pre-market perception and behavior assessment</li> <li>Presents less risk to health than continued smoking</li> </ul>	<ul style="list-style-type: none"> <li>No combustion, no ash, no smoke</li> <li>No secondhand smoke</li> <li>No increased exposure to nicotine and TSNAs for bystanders passively exposed to IQOS aerosol</li> <li>Less smell</li> <li>No risk of burning</li> <li>No negative impact on indoor air quality</li> <li>Better choice than continued smoking</li> </ul>	<ul style="list-style-type: none"> <li>Better breath</li> <li>Less unpleasant aftertaste</li> <li>Less teeth staining</li> </ul>

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

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

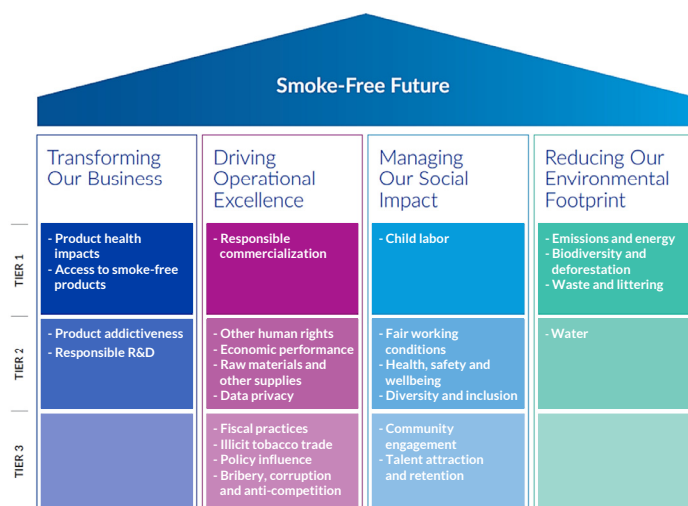
- We have supplemented our MRTP application with the results of a 6-month clinical Exposure Response Study
- The clinical study met its primary objective:
  - All co-primary endpoints shift in the same direction as smoking cessation
  - Majority of co-primary endpoints statistically significantly different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

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

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

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

# Sustainability at PMI



- Updated sustainability strategy and priorities based on comprehensive stakeholder consultation in 2018
- Further strengthened sustainability governance (Nominating and Corporate Governance Committee of the Board of Directors; Functions; Markets)
- Publication of 2018 Sustainability Report expected in May 2019

Source: PMI Sustainability



# Sustainability at PMI: Managing Social Impact



## Responsible Sourcing of Materials and Services

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



## Crop Diversification

- Multi-stakeholder approach with suppliers, NGOs, and other agricultural companies to enable viable alternatives
- In 2018, +150,000 contracted farmers in Africa produced close to 400,000 tons of food with PMI's support

Source: PMI Sustainability



## Labor Relations

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

## Living Wage

- Permanent and temporary PMI employees paid above living wage rates

## Inclusion and Diversity

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



## Pilot Human Rights Impact Assessment in Mexico

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

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# Sustainability at PMI: Reducing Environmental Footprint

## Climate



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

## Water



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

Source: PMI Sustainability



## Electronic Waste

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

## Litter



- Preparing economically viable and environmentally friendly collection and treatment schemes ahead of implementation of the EU Directive on single-use plastics
- Strengthening prevention and anti-littering campaigns

7

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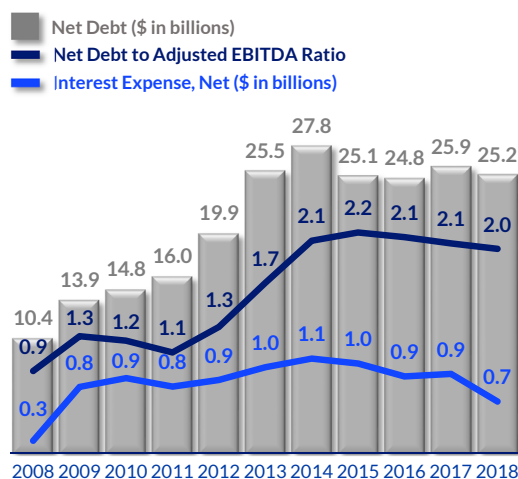


## Solid Capital Structure

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

(a) Reflects ratings for Moody's, Standard & Poor's and Fitch, respectively  
Source: PMI Financials or estimates (as of March 31, 2019)

## Net Debt, Leverage and Interest Expense Evolution

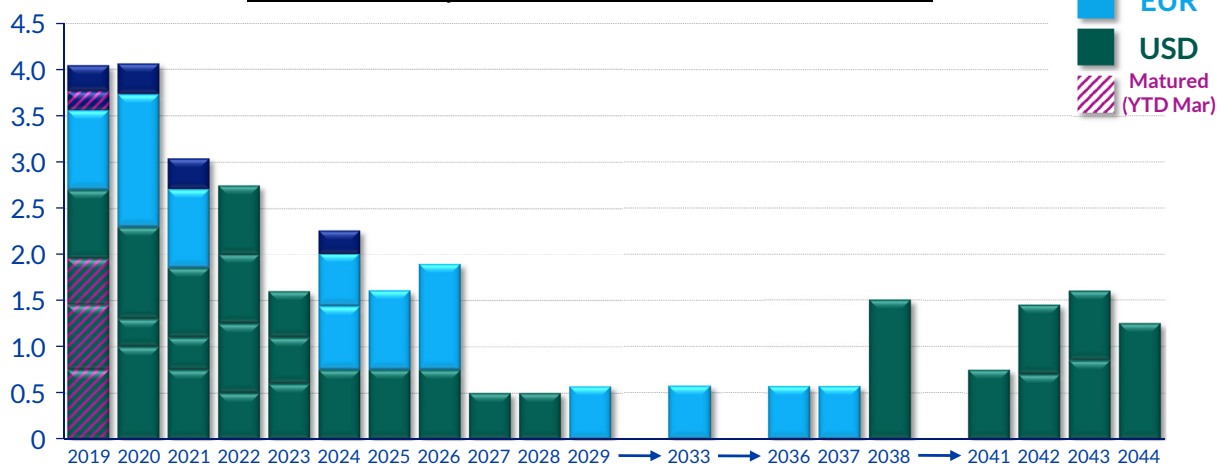


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## Well-Laddered Bond Portfolio

(\$ in billions)

### Bond Maturity Profile as of December 31, 2018



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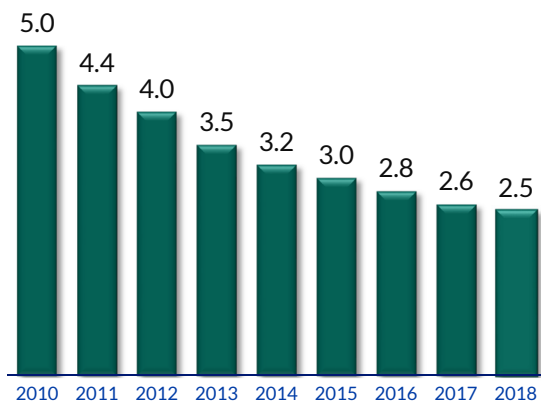
Source: PMI Financials or estimates



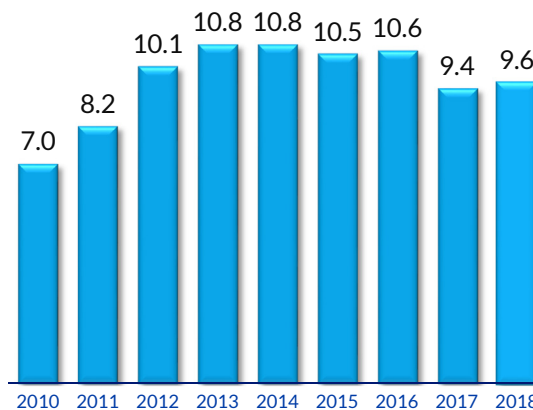


## Debt Financing at Increasingly Attractive Terms

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



### Weighted-Average Time to Maturity of Total Long-Term Debt (years)<sup>(a)</sup>



(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

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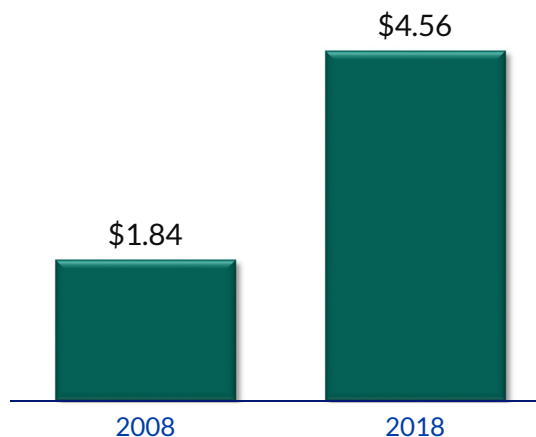
## Rewarding Our Shareholders: Attractive Dividend



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

### PMI Dividend

CAGR: 9.5%



(a) Net cash provided by operating activities  
Note: Dividends for 2008 and 2018 are annualized rates. The 2008 annualized rate is based on a quarterly dividend of \$0.46 per common share, declared June 18, 2008. The 2018 annualized rate is based on a quarterly dividend of \$1.14 per common share, declared June 8, 2018  
Source: PMI Financials or estimates

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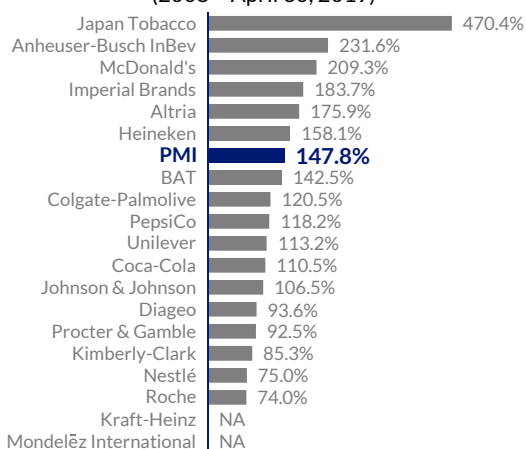
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# Rewarding Our Shareholders: Attractive Dividend

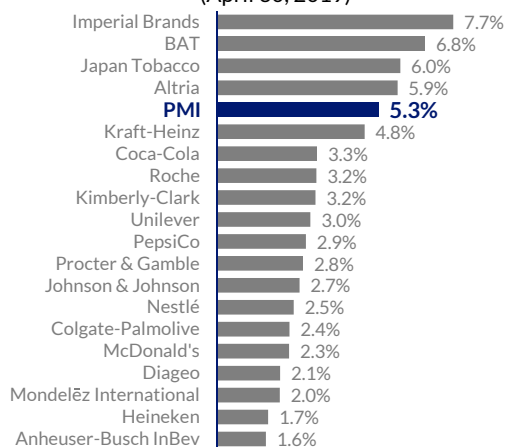
## Dividend Growth: Peer Group

(2008 – April 30, 2019)



## Dividend Yield: Peer Group

(April 30, 2019)

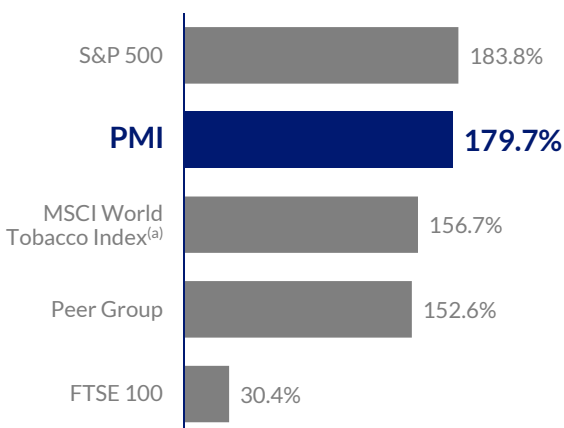


Note: PMI reflects absolute growth in annualized announced dividends from time of first PMI dividend of \$0.46 in June 2008 through April 30, 2019. Companies in the Peer Group reflect absolute growth from FY 2008 dividends or Q2, 2008 annualized dividend through current last twelve months dividends or current last quarter annualized dividend as appropriate. Dividend yield represents the annualized dividend on April 30, 2019, over the closing share price on that date. The current annualized dividend rate for PMI is \$4.56. The closing share price for PMI was \$86.56 on April 30, 2019. NA stands for not available  
Source: FactSet

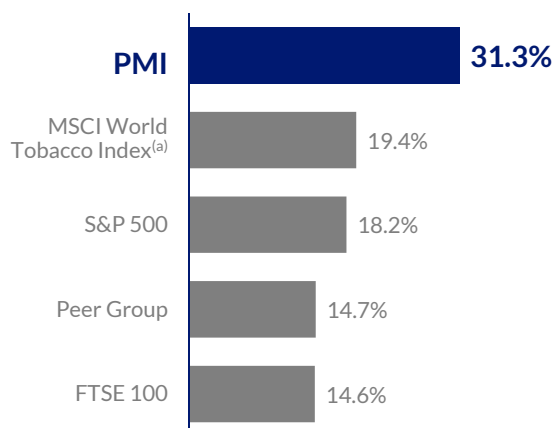


# Rewarding Our Shareholders: Total Return

Spin (March 28, 2008) – April 30, 2019



January 1, 2019 – April 30, 2019



(a) Includes PMI, Altria, BAT, Imperial Brands, Japan Tobacco and Swedish Match  
Note: TSR in USD. The MSCI World Tobacco Index and the company peer group represent the market weighted-average return of the index/group. PMI total shareholder return pro forma for additional \$0.46 per share dividend paid in April 2008 impacts the period March 28, 2008 – April 30, 2019. Exchange rates are as of March 28, 2008, January 1, 2019 and April 30, 2019. The company peer group is defined in the glossary  
Source: FactSet, Bloomberg, and MSCI World Tobacco Index



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

## Cigarette Excise Tax Structures: Select Markets (April 1, 2019)



Argentina			Australia		Germany	
	%					
	Nominal	RSP <sup>(f)</sup>				
Social Assistance Fund (SAF) <sup>(a)</sup>	7.00	7.00	Tobacco Excise Tax (AUD/Kg)	1,090.34	Ad Valorem Excise Tax	21.69%
Special Tobacco Fund (STF) <sup>(b)</sup>	7.35	9.03	Tobacco Excise Tax (AUD/000) <sup>(a)</sup>	817.75	Specific Excise Tax (EUR/000)	98.20
Excise Tax <sup>(c)</sup>	70.00	54.56	VAT (Nominal)	10%	Minimum Total Tax (EUR/000) <sup>(a)</sup>	207.87
VAT <sup>(d)</sup>	21.00	4.91			VAT (Nominal)	19.0%
Turnover Tax <sup>(e)</sup>	3.31	0.53	(a) If not exceeding 0.8g per cigarette		(a) Minimum Total Tax also includes the VAT	
Tax Burden		76.03				
			France		Italy	
			Ad Valorem Excise Tax	51.70%	Ad Valorem Excise Tax	50.97%
			Specific Excise Tax (EUR/000)	61.10	Specific Excise Tax (EUR/000)	20.90
			Minimum Excise Tax (EUR/000)	279.00	Minimum Total Tax (EUR/000) <sup>(a)</sup>	180.88
			VAT (Nominal)	20.0%	VAT (Nominal)	22.0%
					(a) Minimum Total Tax also includes the VAT	

(a) 7% x RSP  
 (b) [7.35% x (RSP - SAF - VAT)] + ARS 1.9691 (as per January 2019)  
 (c) 70% x [RSP - SAF - VAT - STF]. Minimum excise tax: ARS 41.35 (March 2019-May 2019)  
 (d) NEFP 21% + Wholesaler & Retailer margin x 21%  
 (e) Net ex-factory price x 3.31%  
 (f) Based on Philip Morris soft pack (ARS 77.00)  
 Note: NEFP is net ex-factory price

## Cigarette Excise Tax Structures: Select Markets (cont.)

(April 1, 2019)



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

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

Mexico	
Ad Valorem Excise Tax <sup>(a)</sup>	160%
Specific Excise Tax (MXN/000)	350.00
VAT (Nominal)	16%
(a) Ad valorem excise tax is 160% of manufacturer / wholesale price to retail excluding taxes (VAT and Excise)	

Philippines	
Specific Excise Tax (PHP/pack) <sup>(a)</sup>	35.00
(a) January 1, 2020 (PHP 37.50); January 1, 2022 (PHP 40.00); January 1, 2024 onwards (+4% per year)	

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

Saudi Arabia	
Ad Valorem Excise Tax (% of RSP) <sup>(a)</sup>	50.00%
VAT (Nominal)	5.0%
(a) % of RSP before VAT, effective excise tax is 47.60% of RSP including VAT	

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

Turkey	
Ad Valorem Excise Tax (% of RSP)	67.00%
Specific Excise Tax (TRY/000)	21.00
Minimum Ad Valorem Yield (TRY/000)	0.00
VAT (Nominal)	18%

Note: 20 cigarettes per pack

## Excise Tax Structure: Russia

(April 1, 2019)



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

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

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

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

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



## Excise Tax Structure: Indonesia

(April 1, 2019)

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

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

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## Excise Tax Structure: Japan

(April 1, 2019)

### Cigarettes

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

### Heated Tobacco Products (HTPs)

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

Note: 20 cigarettes/heated tobacco units per pack

## HTP Excise Tax Structure



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

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

10,928

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

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## Multi-Year Tobacco Tax Plan: Japan

(April 1, 2019)

	Previous	Oct 1, 2018 – Sept 30, 2019	Oct 1, 2019 – Sept 30, 2020	Oct 1, 2020 – Sept 30, 2021	Oct 1, 2021 – Sept 30, 2022	Oct 1, 2022 and Onwards
VAT (Nominal)	8%	8%	10%	10%	10%	10%
Excise Tax: Cigarettes (JPY/000)	12,244	13,244	13,244	14,244	15,244	15,244
Excise Tax: Pipe Tobacco (JPY/kg) <sup>(a)</sup>	12,244	13,244	13,244	14,244	15,244	15,244
<b>Excise Tax: New HTP Category</b>						
-Effective Specific Rate (JPY/kg) <sup>(b)</sup>	-	16,555	16,555	17,805	19,055	19,055
-Effective Ad Valorem Rate <sup>(c)(d)</sup>	-	30%	30%	30%	30%	30%
<b>HTP Phase-in Period</b>						
-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

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## IQOS: Retail Selling Prices

(April 1, 2019)

Market	Currency	IQOS Kit			Pack	
		2.4 Plus	3 Multi	3	HTUs	Marlboro Cigarettes
ALBANIA <sup>(b)</sup>	ALL	6,500	12,500	12,900	320	320
ANDORRA	EUR	79	99	109	3.55	3.65
ARMENIA	AMD	29,000	52,000	59,000	650	700
BOSNIA & HERZ. <sup>(b)</sup>	BAM	100	190	199	5.50	5.70
BULGARIA	BGN	90	195	220	5.80	5.50
CANADA <sup>(c)</sup>	CAD	124	141	164	11.72	13.77
CANARY ISLANDS	EUR	79	99	109	3.30	3.70
COLOMBIA	COP	200,000	350,000	400,000	6,500	7,000
CROATIA	HRK	750	-	1,220	26.00	30.00
CURACAO	ANG	139	199	229	10.50	10.75

- (a) Either a RSP, a recommended RSP or a maximum RSP, where applicable  
 (b) IQOS launched on April 18, 2019. BOSNIA & HERZ. is Bosnia and Herzegovina  
 (c) RSPs are for the Province of Ontario and exclude sales tax. HTUs sold in cartons of 8 packs of 20 units, and 5 packs of 10 units, for CAD 93.79 and CAD 31.92, respectively. Cigarette RSP for pack of 20 cigarettes equivalent (RBH brand: Belmont 25s)  
 Note: Excludes duty free. RSPs for the IQOS kit reflect the latest available model in each market. Unless otherwise stated, 200 cigarettes / HTUs per carton; 20 cigarettes / HTUs per pack  
 Source: PMI affiliates

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## IQOS: Retail Selling Prices (cont.)

(April 1, 2019)

Market	Currency	RSP <sup>(a)</sup>				
		IQOS Kit			Pack	
		2.4 Plus	3 Multi	3	HTUs	Marlboro Cigarettes
CYPRUS	EUR	100	99	109	4.00	4.90
CZECH REPUBLIC	CZK	1,790	2,490	2,790	100	106
DENMARK	DKK	499	699	779	44.00	45.50
DOMINICAN REP.	DOP	3,500	5,750	6,500	240	240
FRANCE	EUR	99	-	-	7.00	8.80
GERMANY	EUR	89	99	109	6.00	6.70
GREECE	EUR	59	-	109	4.00	4.60
GUATEMALA	GTQ	500	850	950	25.00	25.00
HUNGARY <sup>(b)</sup>	HUF	19,990	30,990	34,990	1,300	1,340
ISRAEL	ILS	-	425	475	34.00	34.00

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

(b) IQOS launched on April 18, 2019

Note: Excludes duty free. RSPs for the IQOS kit reflect the latest available model in each market. Unless otherwise stated, 200 cigarettes / HTUs per carton; 20 cigarettes / HTUs per pack

Source: PMI affiliates

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## IQOS: Retail Selling Prices (cont.)

(April 1, 2019)

Market	Currency	RSP <sup>(a)</sup>				
		IQOS Kit			Pack	
		2.4 Plus	3 Multi	3	HTUs	Marlboro Cigarettes
ITALY	EUR	70	100	110	4.50 <sup>(b)</sup>	5.70
JAPAN <sup>(c)</sup>	JPY	7,980	8,980	10,980	470/500	510
KAZAKHSTAN	KZT	21,500	38,000	43,500	440	450
KOREA	KRW	100,000	110,000	130,000	4,500	4,500
LATVIA	EUR	49	100	115	3.80	3.80
LITHUANIA	EUR	49	100	115	3.30	3.75
MALAYSIA	MYR	260	350	390	14.00	17.40
MOLDOVA	MDL	1,049	1,899	2,099	30.00	32.00
MONACO	EUR	99	109	119	7.00	8.80
NETHERLANDS	EUR	89	99	109	6.00	7.00

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

(b) As of April 5<sup>th</sup>

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

Note: Excludes duty free. RSPs for the IQOS kit reflect the latest available model in each market. Unless otherwise stated, 200 cigarettes / HTUs per carton; 20 cigarettes / HTUs per pack

Source: PMI affiliates

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## IQOS: Retail Selling Prices (cont.)

(April 1, 2019)

Market	Currency	RSP <sup>(a)</sup>				
		IQOS Kit			Pack	
		2.4 Plus	3 Multi	3	HTUs	Marlboro Cigarettes
NEW ZEALAND <sup>(b)</sup>	NZD	129	169	189	20.00	32.00
PALESTINE	ILS	220	400	450	22.00 <sup>(c)</sup>	25.00
POLAND	PLN	270	420	480	15.00	16.50
PORTUGAL	EUR	70	99	109	4.50	5.00
REUNION	EUR	60	-	-	9.00	10.00
ROMANIA	RON	250	450	500	17.00	18.50
RUSSIA	RUB	5,990	6,990	7,990	139	162
SERBIA	RSD	5,999	11,500	12,500	280	340
SLOVAK REPUBLIC	EUR	69	99	109	3.50	4.00
SLOVENIA	EUR	49	-	109	3.80	4.10

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

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

(c) As of April 4<sup>th</sup>

Note: Excludes duty free. RSPs for the IQOS kit reflect the latest available model in each market. Unless otherwise stated, 200 cigarettes / HTUs per carton; 20 cigarettes / HTUs per pack  
Source: PMI affiliates

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## IQOS: Retail Selling Prices (cont.)

(April 1, 2019)

Market	Currency	RSP <sup>(a)</sup>				
		IQOS Kit			Pack	
		2.4 Plus	3 Multi	3	HTUs	Marlboro Cigarettes
SOUTH AFRICA	ZAR	950	1,600	1,800	41.50	42.00
SPAIN	EUR	79	99	109	4.85	5.00
SWITZERLAND	CHF	99	115	129	8.00	8.60
TURKISH CYPRUS	TRY	450	599	699	15.00 <sup>(b)</sup>	15.00 <sup>(b)</sup>
UKRAINE <sup>(c)</sup>	UAH	1,690	3,099	3,499	43.00	44.00
UNITED KINGDOM	GBP	79	89	99	8.00	11.05

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

(b) As of April 10<sup>th</sup>

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

Note: Excludes duty free. RSPs for the IQOS kit reflect the latest available model in each market. Unless otherwise stated, 200 cigarettes / HTUs per carton; 20 cigarettes / HTUs per pack  
Source: PMI affiliates

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## Glossary: General Terms

- "PMI" refers to Philip Morris International Inc. and its subsidiaries
- Until March 28, 2008, PMI was a wholly owned subsidiary of Altria Group, Inc. ("Altria"). Since that time the company has been independent and is listed on the New York Stock Exchange (ticker symbol "PM")
- "RBH" refers to PMI's Canadian subsidiary, Rothmans, Benson & Hedges Inc.
- The Companies' Creditors Arrangement Act (CCAA) is a Canadian federal law that permits a Canadian business to restructure its affairs while carrying on its business in the ordinary course
- Trademarks are italicized
- Comparisons are made to the same prior-year period unless otherwise stated
- Unless otherwise stated, references to total industry, total market, PMI shipment volume and PMI market share performance reflect cigarettes and heated tobacco units
- References to total international market, defined as worldwide cigarette and heated tobacco unit volume excluding the United States, total industry, total market and market shares are PMI estimates for tax-paid products based on the latest available data from a number of internal and external sources and may, in defined instances, exclude the People's Republic of China and/or PMI's duty free business
- "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 tobacco products" is the term PMI uses to refer to cigarettes and OTP, combined
- "Snus" is a type of tobacco snuff consumed in the form of a moist powder which is placed under the upper lip, without chewing
- 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 our Canadian subsidiary, we will continue to report the volume of brands sold by RBH for which other PMI subsidiaries are the trademark owners. These include *HEETS*, *Next*, *Philip Morris* and *RoofTop*, which together accounted for approximately 40% of RBH's total shipment volume in 2018
- From time to time, PMI's shipment volumes are subject to the impact of distributor inventory movements, and estimated total industry/market volumes are subject to the impact of inventory movements in various trade channels that include estimated trade inventory movements of PMI's competitors arising from market-specific factors that significantly distort reported volume disclosures. Such factors may include changes to the manufacturing supply chain, shipment methods, consumer demand, timing of excise tax increases or other influences that may affect the timing of sales to customers. In such instances, in addition to reviewing PMI shipment volumes and certain estimated total industry/market volumes on a reported basis, management reviews these measures on an adjusted basis that excludes the impact of distributor and/or estimated trade inventory movements. Management also believes that disclosing PMI shipment volumes and estimated total industry/market volumes in such circumstances on a basis that excludes the impact of distributor and/or estimated trade inventory movements improves the comparability of performance and trends for these measures over different reporting periods
- "CNTC" stands for China National Tobacco Corporation



## Glossary: General Terms (cont.)

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



## Glossary: Financial Terms

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



## Glossary: Financial Terms (cont.)

- Management reviews net revenues, OI, OI margins, operating cash flow and earnings per share, or "EPS," on an adjusted basis, which may exclude the impact of currency and other items such as acquisitions, asset impairment and exit costs, tax items and other special items. For example, PMI's adjusted diluted EPS and other impacted results reflect the loss on deconsolidation of RBH and the Canadian tobacco litigation-related expense, recorded in the first quarter of 2019. PMI believes that the adjusted measures, including pro forma measures, will provide useful insight into underlying business trends and results, and will provide a more meaningful performance comparison for the period during which RBH remains under CCAA protection. For PMI's 2018 pro forma adjusted diluted EPS by quarter and year-to-date, see Schedule 3 in PMI's first-quarter 2019 earnings release
- Historical view extracts the share data as reported at a given period, while current view generates the restated data across all periods as per the latest attribute information



## Glossary: Reduced-Risk Products

- "Reduced-risk products," or "RRPs," is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. PMI has a range of RRP's in various stages of development, scientific assessment and commercialization. Because PMI's RRP's do not burn tobacco, they produce an aerosol that contains far lower quantities of harmful and potentially harmful constituents than found in cigarette smoke
- "Aerosol" refers to a gaseous suspension of fine solid particles and/or liquid droplets
- "Combustion" is the process of burning a substance in oxygen, producing heat and often light
- "Smoke" is a visible suspension of solid particles, liquid droplets and gases in air, emitted when a material burns
- The IQOS heat-not-burn device is a precisely controlled heating device into which a specially designed and proprietary tobacco unit is inserted and heated to generate an aerosol
- "Heated tobacco product," or "HTP," is a manufactured tobacco product that delivers a nicotine containing vapor (aerosol), without combustion of the tobacco mixture
- "Heated tobacco units," or "HTUs," is the term PMI uses to refer to heated tobacco consumables, which for PMI include the company's HEETS, HEETS Marlboro and HEETS FROM MARLBORO, defined collectively as HEETS, as well as Marlboro HeatSticks and Parliament HeatSticks
- Unless otherwise stated, all references to IQOS are to PMI's heat-not-burn products
- HTU "offtake volume" represents the estimated retail offtake of HTUs based on a selection of sales channels that vary by market, but notably include retail points of sale and e-commerce platforms
- HTU "offtake share" represents the estimated retail offtake volume of HTUs divided by the sum of estimated total offtake volume for cigarettes and HTUs
- National market share for HTUs is defined as the total sales volume for HTUs as a percentage of the total estimated sales volume for cigarettes and HTUs



## Glossary: Reduced-Risk Products (cont.)

- "Total IQOS Users" means the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for at least 5% of their daily tobacco consumption over the past seven days
- "Converted IQOS Users" means the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for over 95% of their daily tobacco consumption over the past seven days
- "Predominant IQOS Users" means the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs units for between 70% and 95% of their daily tobacco consumption over the past seven days
- "Situational IQOS Users" means the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for between 5% and less than 70% of their daily tobacco consumption over the past seven days
- "Abandoned IQOS Users" means the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for less than 5% of their daily tobacco consumption over the past seven days
- New PMI methodology as of 2018 for estimating the number of people who have stopped smoking and made the change to IQOS: for markets where IQOS is the only heated tobacco product, daily individual consumption of PMI HTUs represents the totality of their daily tobacco consumption in the past seven days. For markets where IQOS is one among other heated tobacco products, daily individual consumption of HTUs represents the totality of their daily tobacco consumption in the past seven days, of which at least 70% are PMI HTUs
- An "e-vapor product" is an electrical product that generates an aerosol by heating a nicotine or non-nicotine containing liquid, such as electronic cigarettes (or "e-cigarettes")
- "E-liquids" refer to a liquid solution that is used in/with e-cigarettes. E-liquids contain different levels of nicotine in a propylene glycol and/or vegetable glycerin based solution with various flavors
- "IQOS MESH" is the brand name that PMI has chosen for one of its Platform 4 reduced-risk product that leverages new proprietary vaporization technology. IQOS MESH is a closed tank system, to be used exclusively with VEEV flavor caps



## Glossary: Reduced-Risk Products (cont.)

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

## PMI: Peer Group



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

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

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



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

	Quarters Ended March 31,		
	2019	2018	% Change
<b>Reported Diluted EPS</b>	<b>\$ 0.87</b>	<b>\$ 1.00</b>	<b>(13.0)%</b>
Currency	(0.06)		
<b>Reported Diluted EPS, excluding Currency</b>	<b>\$ 0.93</b>	<b>\$ 1.00</b>	<b>(7.0)%</b>

	Quarters Ended March 31,		
	2019	2018	% Change
<b>Reported Diluted EPS</b>	<b>\$ 0.87</b>	<b>\$ 1.00</b>	<b>(13.0)%</b>
Asset impairment and exit costs	0.01	-	
Canadian tobacco litigation-related expense	0.09	-	
Loss on deconsolidation of RBH	0.12	-	
Tax items	-	-	
<b>Adjusted Diluted EPS</b>	<b>\$ 1.09</b>	<b>\$ 1.00</b>	<b>9.0%</b>
Currency	(0.06)		
<b>Adjusted Diluted EPS, excluding Currency</b>	<b>\$ 1.15</b>	<b>\$ 1.00</b>	<b>15.0%</b>

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



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

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

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

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

(c) Includes approximately \$0.06 per share of net earnings attributable to RBH from January 1, 2019 through March 22, 2019

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

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



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

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Quarters Ended March 31,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2019					PMI	2018	% Change		
\$ 2,159	\$(143)	\$ 2,302	\$ -	\$ 2,302	European Union	\$ 1,988	8.6%	15.8%	15.8%
579	(64)	643	-	643	Eastern Europe	567	2.1%	13.4%	13.4%
927	(68)	995	-	995	Middle East & Africa	961	(3.5)%	3.5%	3.5%
1,113	(61)	1,174	-	1,174	South & Southeast Asia	1,081	3.0%	8.6%	8.6%
1,321	-	1,321	-	1,321	East Asia & Australia	1,591	(17.0)%	(17.0)%	(17.0)%
652	(33)	685	-	685	Latin America & Canada	708	(7.9)%	(3.2)%	(3.2)%
<b>\$ 6,751</b>	<b>\$(369)</b>	<b>\$ 7,120</b>	<b>\$ -</b>	<b>\$ 7,120</b>	<b>Total PMI</b>	<b>\$ 6,896</b>	<b>(2.1)%</b>	<b>3.2%</b>	<b>3.2%</b>

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



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

Operating Income	Asset Impairment & Exit Costs and Others	Adjusted Operating Income	Currency	Adjusted Operating Income excluding Currency	Acquisitions	Adjusted Operating Income excluding Currency & Acquisitions	Quarters Ended March 31,	Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	% Change		
											Total	Excluding Currency	Excluding Currency & Acquisitions
		2019						2018					
\$ 896	\$ -	\$ 896	\$ (74)	\$ 970	\$ -	\$ 970	European Union	\$ 740	\$ -	\$ 740	21.1%	31.1%	31.1%
129	-	129	(19)	148	-	148	Eastern Europe	151	-	151	(14.6)%	(2.0)%	(2.0)%
344	-	344	(26)	370	-	370	Middle East & Africa	374	-	374	(8.0)%	(1.1)%	(1.1)%
440	(20) <sup>(a)</sup>	460	(30)	490	-	490	South & Southeast Asia	429	-	429	7.2%	14.2%	14.2%
427	-	427	(5)	432	-	432	East Asia & Australia	515	-	515	(17.1)%	(16.1)%	(16.1)%
(186)	(433) <sup>(b)</sup>	247	10	237	-	237	Latin America & Canada	217	-	217	13.8%	9.2%	9.2%
<b>\$ 2,050</b>	<b>\$ (453)</b>	<b>\$ 2,503</b>	<b>\$ (144)</b>	<b>\$ 2,647</b>	<b>\$ -</b>	<b>\$ 2,647</b>	<b>Total PMI</b>	<b>\$ 2,426</b>	<b>\$ -</b>	<b>\$ 2,426</b>	<b>3.2%</b>	<b>9.1%</b>	<b>9.1%</b>

(a) Represents asset impairment and exit costs

(b) Represents Canadian tobacco litigation-related expense (\$194 million) and the loss on deconsolidation of RBH (\$239 million)

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



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

	Years Ended December 31,		
	2018	2017	% Change
<b>Reported Diluted EPS</b>	<b>\$ 5.08</b>	<b>\$ 3.88</b>	<b>30.9%</b>
Currency	(0.11)		
<b>Reported Diluted EPS, excluding Currency</b>	<b>\$ 5.19</b>	<b>\$ 3.88</b>	<b>33.8%</b>
Years Ended December 31,			
	2018	2017	% Change
<b>Reported Diluted EPS</b>	<b>\$ 5.08</b>	<b>\$ 3.88</b>	<b>30.9%</b>
Asset impairment and exit costs	-	-	
Tax items	0.02	0.84	
<b>Adjusted Diluted EPS</b>	<b>\$ 5.10</b>	<b>\$ 4.72</b>	<b>8.1%</b>
Currency	(0.11)		
<b>Adjusted Diluted EPS, excluding Currency</b>	<b>\$ 5.21</b>	<b>\$ 4.72</b>	<b>10.4%</b>

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



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

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Years Ended December 31,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
					<b>2018</b>	<b>2017</b>	<b>% Change</b>		
					<b>Reduced-Risk Products</b>				
\$ 865	\$ 36	\$ 829	\$ -	\$ 829	European Union	\$ 269	+100%	+100%	+100%
324	(22)	346	-	346	Eastern Europe	55	+100%	+100%	+100%
382	4	378	-	378	Middle East & Africa	94	+100%	+100%	+100%
-	-	-	-	-	South & Southeast Asia	-	-	-	-
2,506	33	2,474	-	2,474	East Asia & Australia	3,218	(22.1)%	(23.1)%	(23.1)%
19	-	19	-	19	Latin America & Canada	4	+100%	+100%	+100%
<b>\$ 4,096</b>	<b>\$ 51</b>	<b>\$ 4,045</b>	<b>\$ -</b>	<b>\$ 4,045</b>	<b>Total RRPps</b>	<b>\$ 3,640</b>	<b>12.5%</b>	<b>11.1%</b>	<b>11.1%</b>
					<b>PMI</b>				
					<b>2018</b>	<b>2017</b>	<b>% Change</b>		
\$ 9,298	\$ 489	\$ 8,809	\$ -	\$ 8,809	European Union	\$ 8,318	11.8%	5.9%	5.9%
2,921	(118)	3,039	-	3,039	Eastern Europe	2,711	7.7%	12.1%	12.1%
4,114	(193)	4,307	-	4,307	Middle East & Africa	3,988	3.2%	8.0%	8.0%
4,656	(244)	4,900	-	4,900	South & Southeast Asia	4,417	5.4%	10.9%	10.9%
5,580	62	5,518	-	5,518	East Asia & Australia	6,373	(12.4)%	(13.4)%	(13.4)%
3,056	(99)	3,155	-	3,155	Latin America & Canada	2,941	3.9%	7.3%	7.3%
<b>\$ 29,625</b>	<b>\$ (103)</b>	<b>\$ 29,728</b>	<b>\$ -</b>	<b>\$ 29,728</b>	<b>Total PMI</b>	<b>\$ 28,748</b>	<b>3.1%</b>	<b>3.4%</b>	<b>3.4%</b>

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

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



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

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

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



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

Adjusted Operating Income (a)	Net Revenues	Adjusted Operating Income Margin	Adjusted Operating Income excluding Currency (a)	Net Revenues excluding Currency (b)	Adjusted Operating Income Margin excluding Currency	Adjusted Operating Income excluding Currency & Acquisitions (a)	Net Revenues excluding Currency & Acquisitions (b)	Adjusted Operating Income Margin excluding Currency & Acquisitions	Adjusted Operating Income (a)	Net Revenues	Adjusted Operating Income Margin	Adjusted Operating Income Margin	Adjusted Operating Income Margin excluding Currency	Adjusted Operating Income Margin excluding Currency & Acquisitions	
									Years Ended December 31,			% Points Change			
2018									2017						
\$ 4,105	\$ 9,298	44.1%	\$ 3,797	\$ 8,809	43.1%	\$ 3,797	\$ 8,809	43.1%	European Union	\$ 3,691	\$ 8,318	44.4%	(0.3)	(1.3)	(1.3)
902	2,921	30.9%	1,003	3,039	33.0%	1,003	3,039	33.0%	Eastern Europe	887	2,711	32.7%	(1.8)	0.3	0.3
1,627	4,114	39.5%	1,890	4,307	43.9%	1,890	4,307	43.9%	Middle East & Africa	1,884	3,988	47.2%	(7.7)	(3.3)	(3.3)
1,747	4,656	37.5%	1,871	4,900	38.2%	1,871	4,900	38.2%	South & Southeast Asia	1,514	4,417	34.3%	3.2	3.9	3.9
1,851	5,580	33.2%	1,853	5,518	33.6%	1,853	5,518	33.6%	East Asia & Australia	2,608	6,373	40.9%	(7.7)	(7.3)	(7.3)
1,145	3,056	37.5%	1,177	3,155	37.3%	1,177	3,155	37.3%	Latin America & Canada	997	2,941	33.9%	3.6	3.4	3.4
<b>\$ 11,377</b>	<b>\$ 29,625</b>	<b>38.4%</b>	<b>\$ 11,591</b>	<b>\$ 29,728</b>	<b>39.0%</b>	<b>\$ 11,591</b>	<b>\$ 29,728</b>	<b>39.0%</b>	<b>Total PMI</b>	<b>\$ 11,581</b>	<b>\$ 28,748</b>	<b>40.3%</b>	<b>(1.9)</b>	<b>(1.3)</b>	<b>(1.3)</b>

(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 123

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



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

#### Year Ended December 31, 2016

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

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



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

Year Ended December 31, 2015

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

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



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

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

(a) Certain amounts have been reclassified to conform with the year 2013 presentation due to the separate disclosure of equity (income)/loss in unconsolidated subsidiaries, net  
Note: In 2008, we included Equity Loss from RBH Legal Settlement (\$124 million) and in 2009 we included the Colombian Investment and Cooperation Agreement charge of \$135 million 128 9