



PHILIP MORRIS
INTERNATIONAL

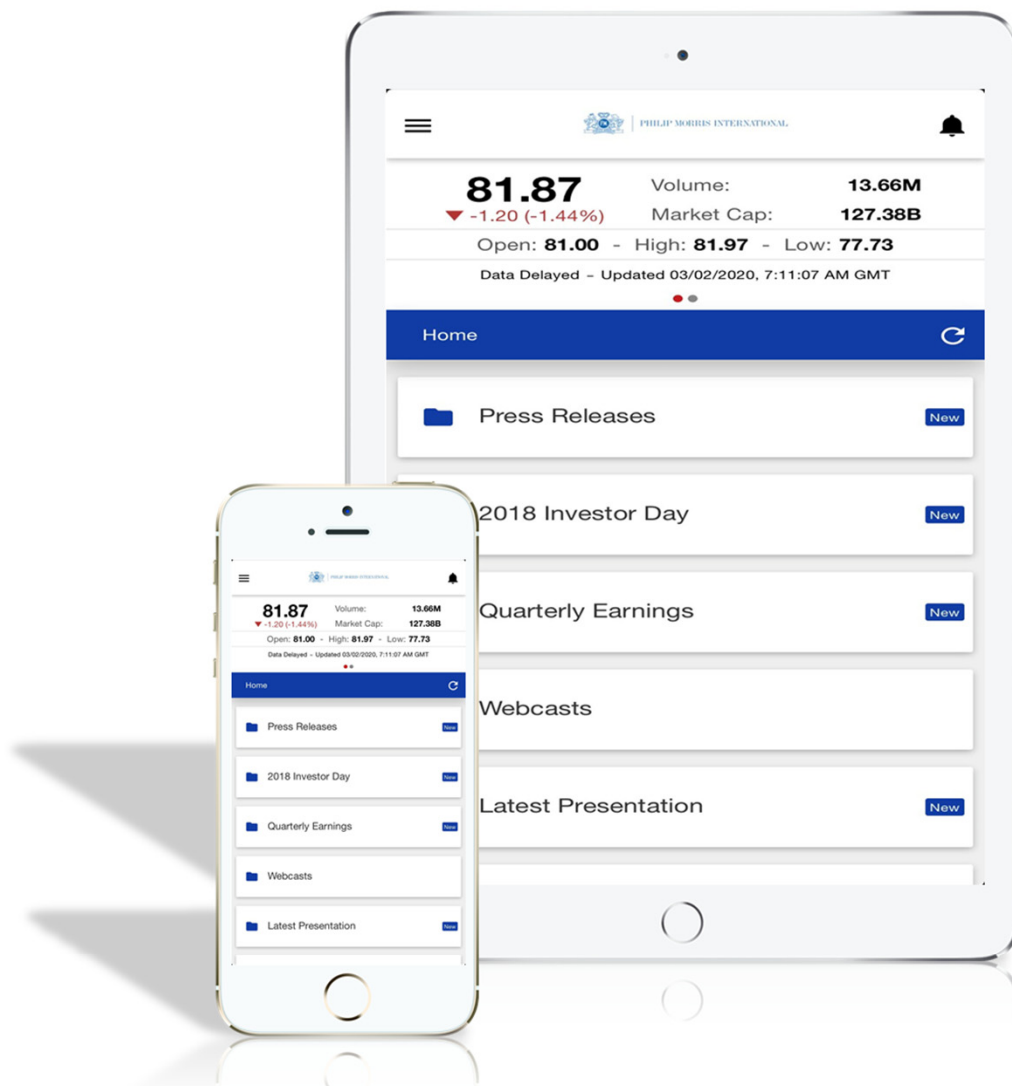
Investor Information

February 2020

Web Site: www.pmi.com

PMI Investor Relations Mobile Application:

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



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Forward-Looking and Cautionary Statements



- This presentation and related discussion contain projections of future results and other forward-looking statements. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI
- PMI's business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our products; health concerns relating to the use of tobacco products and exposure to environmental tobacco smoke; litigation related to tobacco use; intense competition; the effects of global and individual country economic, regulatory and political developments, natural disasters and conflicts; changes in adult smoker behavior; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations, and limitations on the ability to repatriate funds; adverse changes in applicable corporate tax laws; adverse changes in the cost and quality of tobacco and other agricultural products and raw materials; and the integrity of its information systems and effectiveness of its data privacy policies. PMI's future profitability may also be adversely affected should it be unsuccessful in its attempts to produce and commercialize reduced-risk products or if regulation or taxation do not differentiate between such products and cigarettes; if it is unable to successfully introduce new products, promote brand equity, enter new markets or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; or if it is unable to attract and retain the best global talent. Future results are also subject to the lower predictability of our reduced-risk product category's performance
- PMI is further subject to other risks detailed from time to time in its publicly filed documents, including those described under Item 1A. "Risk Factors" in PMI's annual report on Form 10-K for the year ended December 31, 2019. PMI cautions that the foregoing list of important factors is not a complete discussion of all potential risks and uncertainties. PMI does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations

Excellent Year (2019)

(Variance vs. PY)



1

PMI HTU Shipment Volume

(billion units)

~60 (+44%)

Combustible Tobacco Pricing^(a)

(like-for-like)

+6.5%

PMI Total Shipment Volume

(like-for-like)

(1.4)%

Adjusted Diluted EPS

(ex-currency, like-for-like)

+9.9%

Net Revenues

(ex-currency, like-for-like)

+6.4%

Adjusted OI Margin

(ex-currency, like-for-like)

+170bps

(a) As a percentage of PY combustible tobacco net revenues
Source: PMI Financials or estimates

3

PMI Financial Results by Region (2019)

(\$ in billions)



1

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

(a) On a like-for-like basis: adjusted for the deconsolidation of RBH, effective March 22, 2019; see slides 128 (4th bullet), and 138-143 for more information
Note: Regional 2019 Adjusted OI does not add to Total PMI 2019 Adjusted OI of \$11.8 billion due to rounding
Source: PMI Financials or estimates

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PMI Adjusted OI Margins

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

(a) On a like-for-like basis; adjusted for the deconsolidation of RBH, effective March 22, 2019; see slides 128 (4th bullet), 145-146 for more information

(b) Excluding currency

Source: PMI Financials or estimates



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Regional Highlights: European Union

2019 Performance:

- **Industry total market:** -0.4% to 482.5 billion units, notably due to: France (-7.4%, primarily reflecting impact of significant excise-tax driven price increases and higher illicit trade), Germany (-2.5%, primarily reflecting impact of price increases in 2018 and March 2019), and Italy (-1.5%, primarily reflecting impact of price increases in 2018 and Q1, 2019); partly offset by Poland (+6.8%, primarily reflecting lower illicit trade), and Spain (+0.8%, partly reflecting lower illicit trade)
- **PMI total volume:** +0.7% to 186.9 billion units, reflecting: higher HTU volume across the Region (notably Italy), driven by higher market share; partly offset by lower cigarette volume, mainly in France (lower total market and cigarette market share), as well as Germany and Italy (partly reflecting out-switching to HTUs)
- **PMI total share:** +0.3pp to 38.8%; **HEETS share:** +1.3pp to 2.5%
- **Adjusted OI:** +13.1%, ex-currency, mainly reflecting: a favorable pricing variance (driven principally by France and Germany, partly offset by Poland), and favorable volume/mix (primarily driven by HTU volume, notably in the Czech Republic, Germany, Greece, Italy and Poland, partly offset by lower cigarette volume, notably in France and Italy, and unfavorable cigarette volume/mix in Germany); partially offset by higher manufacturing costs, and higher marketing, administration and research costs (notably related to increased RRP investments)

Recent Key Developments:

-  **Italy:** In January, cigarette excise tax increase and weighted average price adjustment: specific (+EUR 0.68 to EUR 21.58/000 cigarettes); MTT (+EUR 7.85 to EUR 188.73/000 cigarettes)
-  **Poland:** In January, cigarette excise tax increase: ad valorem (+0.64 points to 32.05%); specific (+PLN 21.34 to PLN 228.10/000 cigarettes). MET recalculated based on 2019 weighted-average price (+PLN 26.96 to PLN 454.21/000 cigarettes). Increased cigarette RSPs by PLN 0.80-1.00/pack across our portfolio

Note: Reflects recent key developments through February 1, 2020

Source: PMI Financials or estimates

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Regional Highlights: Eastern Europe

2019 Performance:

- **Industry total market:** -5.4% to 397.4 billion units, notably due to: Russia (-5.2%, primarily reflecting impact of price increases, as well as higher illicit trade), and Ukraine (-12.0%, primarily reflecting impact of excise tax-driven price increases, as well as higher illicit trade); partly offset by Kazakhstan (+5.7%, partly reflecting lower illicit trade)
- **PMI total volume:** +0.4% to 114.1 billion units, notably reflecting: Kazakhstan (+11.6%, reflecting higher total market and HTU market share); partly offset by Ukraine (-3.0%, reflecting lower total market, partly offset by higher HTU market share)
- **PMI total share:** +1.6 points to 28.7%
- **Adjusted OI:** -0.4%, ex-currency, due to: higher marketing, administration and research costs (notably reflecting increased RRP investments, primarily in Russia in support of geographic expansion), and higher manufacturing costs; partly offset by a favorable pricing variance (mainly driven by Russia and Ukraine), and favorable volume/mix (predominantly driven by HTU volume in Kazakhstan, Russia and Ukraine, partly offset by unfavorable cigarette volume/mix in Russia)

Source: PMI Financials or estimates



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Regional Highlights: Middle East & Africa

2019 Performance:

- **Industry total market:** essentially flat at 592.4 billion units, notably reflecting: Algeria (+7.0%, partly reflecting the timing of 2019 inventory movements vs. 2018), and Egypt (+1.6%, mainly driven by timing of 2019 inventory movements related to anticipated price increases); offset by Duty Free (-1.6%, mainly lower purchases by travelers to China), and Morocco (-16.0%, primarily reflecting the impact of significant 2019 excise tax-driven price increases)
- **PMI total volume:** -2.0% to 137.2 billion units, notably in: PMI Duty Free and Turkey; partly offset by Egypt and Saudi Arabia
- **PMI total share:** -0.2 points to 23.5%
- **Adjusted OI:** +6.8%, ex-currency, mainly reflecting: a favorable pricing variance (primarily driven by Egypt, the GCC, PMI Duty Free and Turkey, partly offset by Morocco), lower manufacturing costs, and lower marketing, administration and research costs (notably in the GCC); partly offset by unfavorable volume/mix (mainly due to HTU and cigarette volume in PMI Duty Free, as well as cigarette volume in Kuwait, partly offset by favorable cigarette volume in Egypt and favorable cigarette volume/mix in Algeria and Saudi Arabia)

Recent Key Developments:

-  **Saudi Arabia:** On December 1st, the Minimum Reference Price for cigarettes of SAR 8.00/pack came into effect. We increased the recommended RSP of *Chesterfield* by SAR 1.00 to SAR 16.00/pack (marginally above pass on). Plain packaging implemented in December
-  **Turkey:** As per Presidential Decree (published on December 31st, 2019), no annual specific tax and MET inflation adjustments for the January-June 2020 period. Plain packaging implemented as of January 5th

Note: Reflects recent key developments through February 1, 2020
Source: PMI Financials or estimates


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Regional Highlights: South & Southeast Asia

2019 Performance:

- **Industry total market:** -1.2% to 738.1 billion units, notably due to: Pakistan (-14.0%, mainly reflecting the impact of excise tax-driven price increases), the Philippines (-3.7%, primarily reflecting the impact of Q4, 2018 below-premium segment price increases, as well as Q3, 2019 price increases), and Vietnam (-5.2%, mainly reflecting the impact of excise tax-driven price increases); partly offset by Indonesia (+1.1%, reflecting the absence of a excise tax increase in 2019), and Thailand (+5.8%, primarily reflecting on-going recovery from the September 2017 excise tax reform)
- **PMI total volume:** -2.0% to 174.9 billion units, notably due to: Indonesia, Pakistan and the Philippines; partly offset by Thailand
- **PMI total share:** -0.1 point to 23.7%
- **Adjusted OI:** +24.0%, ex-currency, mainly reflecting: a favorable pricing variance (principally driven by Indonesia and the Philippines), and lower manufacturing costs; partly offset by unfavorable volume/mix (largely due to Indonesia, partly offset by favorable volume in India and Thailand, as well as favorable mix in the Philippines), and higher marketing, administration and research costs (partly due to the Philippines)

Recent Key Developments:

 **Indonesia:** 2020 excise tax took effect on January 1st, implying a weighted-average excise tax increase of 24% industry-wide, with a 46% increase in the minimum banderole price. The average percentage increase is broadly in-line with historical levels considering there was no excise tax increase last year. The tax increase and higher banderole price should provide us with the opportunity to address price gaps which impacted our 2019 share performance

 **Philippines:** New 5-year excise tax plan took effect on January 1st (see slide 111 for details)

Note: Reflects recent key developments through February 1, 2020
Source: PMI Financials or estimates

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Indonesia Dynamics (2020)

- **Excise tax and minimum banderole price increases:**
 - January 1st: excise tax +24%^(a) / minimum banderole price +46%^(a)
 - April 1st: minimum RSP of 85% of new banderole price takes effect
 - In context of a two-year stack, increases broadly in-line with historical levels
 - Opportunity for narrowing of price gaps
- **One-time impact on 2020 pricing variance:**
 - No excise tax increase in 2019 and consequent lack of related price annualization in 2020
- **Expect total industry to decline by around 6% to 7%**
- **Expect market dynamics to improve in 2021**

(a) Weighted-average
Source: PMI Financials or estimates (Full-Year 2019 earnings call, February 6, 2020)

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Regional Highlights: East Asia & Australia

2019 Performance:

- **Industry total market (ex-China):** -4.0% to 299.2 billion units, notably due to: Australia (-5.9%, or -8.9% excluding inventory movements, mainly reflecting the impact of excise tax-driven retail price increases), Japan (-5.6%, mainly reflecting the impact of the October 1, 2018 excise tax-driven retail price increases, as well as out-switching to the cigarillo category), Korea (-1.4%, reflecting the secular decline of the cigarette category, partly offset by the growth of the heat-not-burn category), and Taiwan (-1.9%, continuing to reflect the impact of June 2017 significant excise tax-driven retail price increases, as well as higher illicit trade)
- **PMI total volume:** -2.9% to 80.6 billion units, notably in: Korea (-11.1%, principally due to lower cigarette and HTU market share, as well as the lower total market); partly offset by Japan (+0.3%, reflecting net favorable impact of estimated distributor inventory movements of approximately 2.6 billion units – comprised of approximately 3.4 billion HTUs, partially offset by approximately 0.8 billion cigarettes – mainly due to a favorable comparison with 2018 in which IQOS consumable inventories in Japan were reduced. -4.2%, excluding inventory movements, primarily reflecting the lower total market, partly offset by higher HTU market share)
- **PMI total share, ex-China:** -0.5 points to 26.9%
- **Adjusted OI:** +2.4%, ex-currency, mainly reflecting: a favorable pricing variance (predominantly driven by Australia and Japan), and lower manufacturing costs (primarily related to Japan and Korea); partly offset by unfavorable volume/mix (mainly due to lower cigarette volume in Australia, Japan and Korea, lower IQOS device volume in Japan, and lower HTU volume and IQOS device volume in Korea, partly offset by higher HTU volume in Japan), as well as higher marketing, administration and research costs

Recent Key Developments:



Australia: In December, we increased cigarette recommended RSPs for our entire portfolio

Note: Reflects recent key developments through February 1, 2020
Source: PMI Financials or estimates

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Regional Highlights: Latin America & Canada

2019 Performance:

- **Industry total volume:** -4.3% to 194.1 billion units, notably due to: Argentina (-4.6%, primarily due to the impact of cumulative price increases and the impact of the economic downturn as of H2, 2018), Canada (-7.7%, primarily due to the impact of cumulative price increases, as well as the growing prevalence of e-vapor products), and Venezuela (-61.6%, mainly reflecting the deterioration of the socioeconomic environment and the impact of inflation-driven price increases)
- **PMI total volume:** -10.3% to 72.6 billion units, or -5.2% on a like-for-like basis^(a), notably due to: Argentina (-9.4%, primarily reflecting the lower total market, as well as lower market share), and Venezuela (-74.8%, primarily reflecting the lower total market)
- **PMI total share:** -0.4 point to 36.9%
- **Adjusted OI, on like-for-like basis^(a):** +18.0%, ex-currency, reflecting: a favorable pricing variance (notably in Brazil, Canada, Colombia and Mexico, partially offset by Argentina, mainly due to the adoption of highly inflationary accounting), lower manufacturing costs, and lower marketing, administration and research costs; partially offset by an unfavorable volume/mix (mainly due to lower cigarette volume in Argentina and Canada)

Recent Key Developments:



Argentina: In January, we increased cigarette RSPs by an average 6.0% (+ARS 8/pack of 20s)



Mexico: In January, the specific excise tax component increased by MXN 144.40 to MXN 494.40/000 cigarettes (tax pass on of MXN 4/pack). We increased cigarette prices by MXN 6/pack across most of our portfolio (MXN 5/pack for ultra low priced brands). As of January 2021, the increases in specific excise tax component will be indexed to the official inflation of the prior 12 months

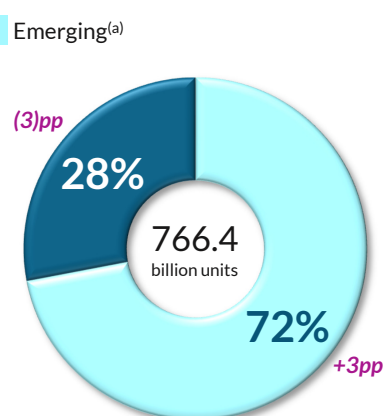
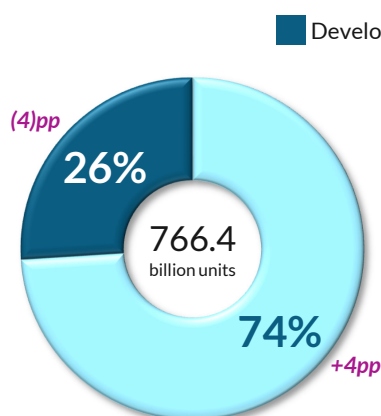
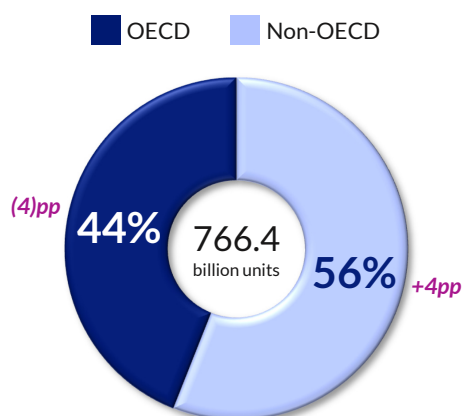
(a) Adjusted for the deconsolidation of RBH, effective March 22, 2019; see slides 128 (4th bullet) and 143 for more information
Note: Reflects recent key developments through February 1, 2020
Source: PMI Financials or estimates

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PMI Total Volume (2019)

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

Change vs. 2008 (pp)



MSCI Classification

S&P Dow Jones Classification

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

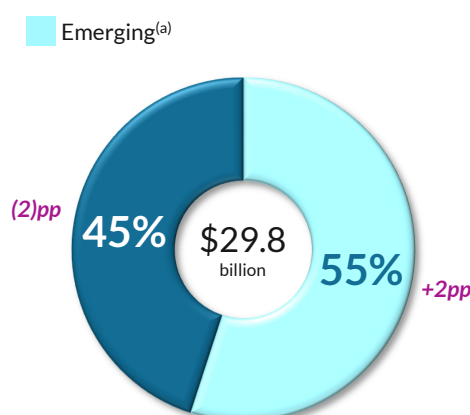
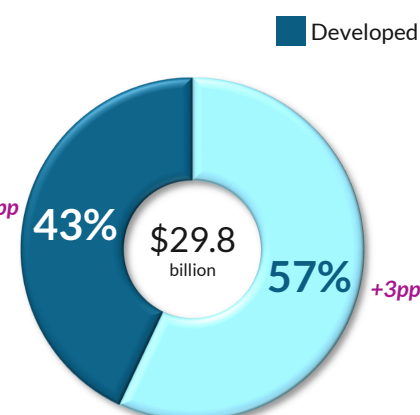
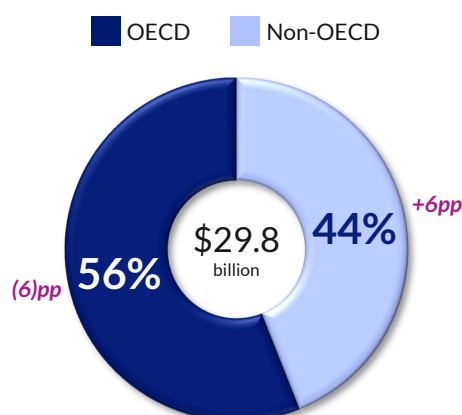
Note: Reflects cigarettes and HTUs. OECD/non-OECD splits for 2008 and 2019 reflect the list of OECD countries for 2019; Percentage split and change vs. 2008 exclude the shipment volume contribution from our duty free business

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

PMI Net Revenues (2019)

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

Change vs. 2008 (pp)



MSCI Classification

S&P Dow Jones Classification

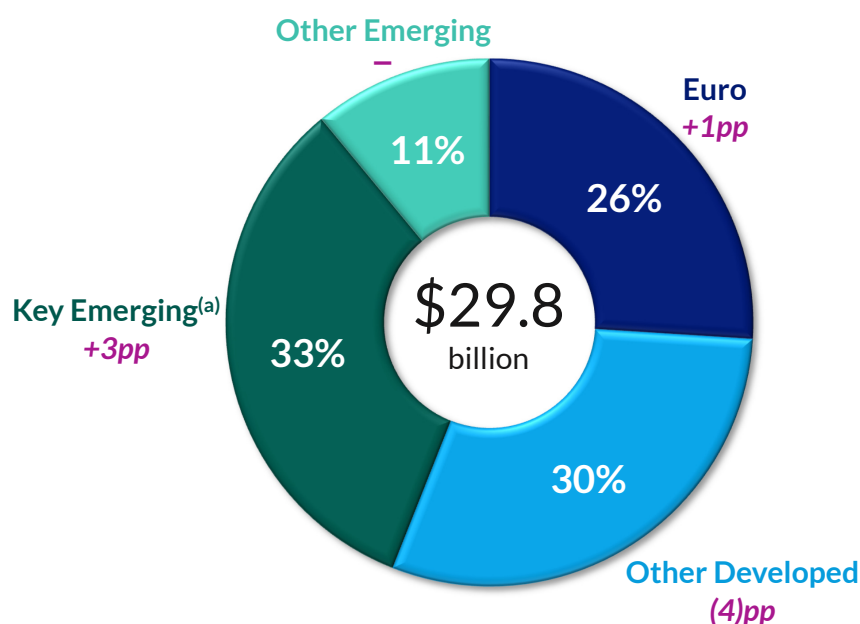
(a) Includes Emerging, Frontier and non-classified markets

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

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

PMI Net Revenues by Currency (2019)

Change vs. 2018 (pp)



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

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

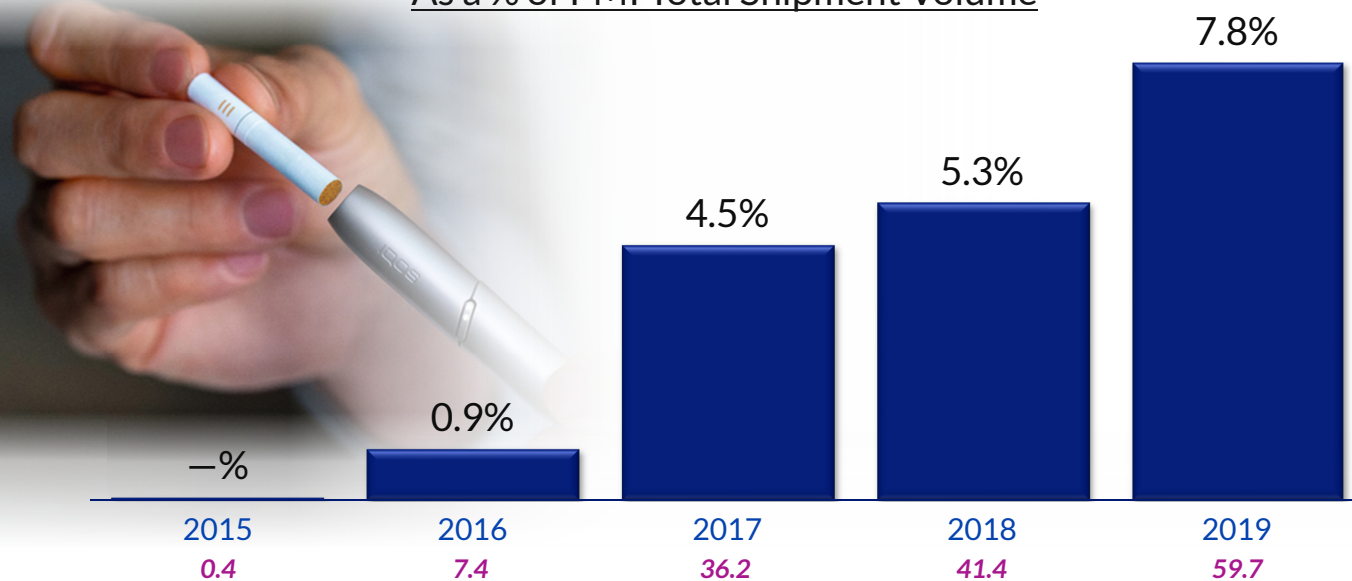
Source: PMI Financials or estimates

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Growing Contribution of HTUs to Our Total Shipments

Well On Track to Deliver HTU Shipment Volume Target of 90 to 100 Billion Units by 2021

As a % of PMI Total Shipment Volume



Note: On a reported basis

Source: PMI Financials or estimates

PMI HTU Shipment Volume (billion units)

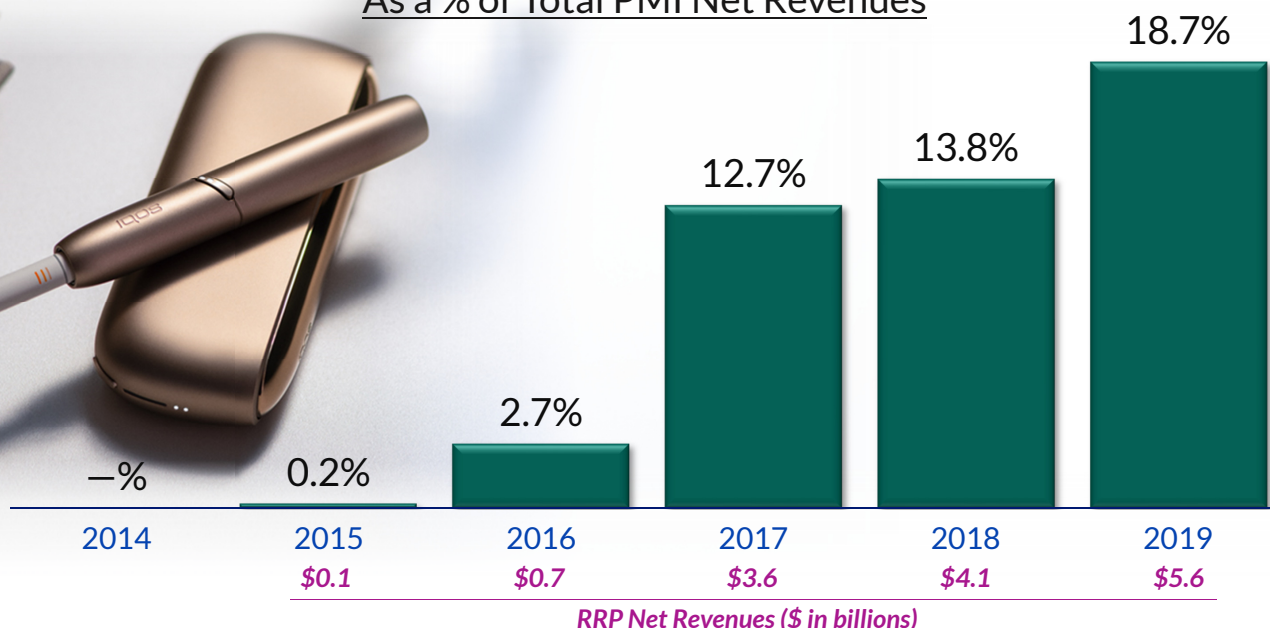
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Five Years of Strong RRP Net Revenue Growth



1

As a % of Total PMI Net Revenues



Source: PMI Financials or estimates

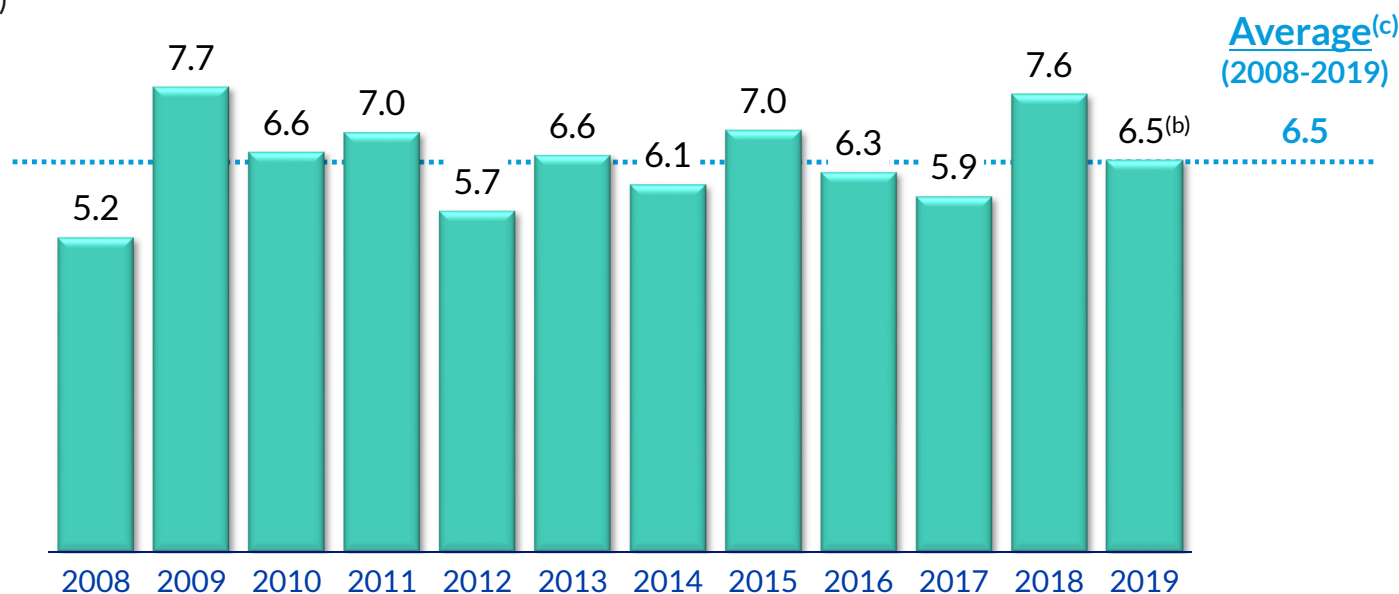
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Consistent Combustible Tobacco Pricing^(a)

(%)



1



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

(b) On a like-for-like basis

(c) Average combustible tobacco pricing variance (2008-2019) over average base combustible product net revenues (2007-2018). 2019 tobacco pricing variance and 2018 combustible product net revenues are on a like-for-like basis (adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 128 (4th bullet) for more information)

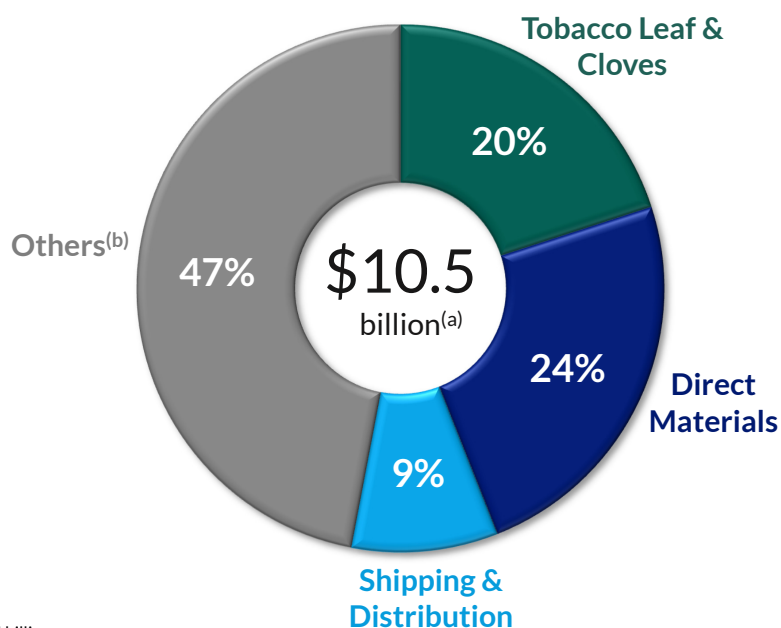
Source: PMI Financials or estimates (Full-year 2019 earnings call, February 6, 2020)

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PMI Cost of Goods Sold (2019)



1



(a) COGS = reported cost of sales of \$10.5 billion
 (b) Conversion, fixed manufacturing expenses and other costs
 Source: PMI Financials or estimates

19

PMI Costs by Currency (2019)



1

	Total (\$ billion)	Currency (%)				
		USD	EUR	CHF	IDR	Other
Tobacco ^(a)	2.1	18	55	—	19	8
Direct Materials	2.5	35	57	1	1	6
Other COGS ^(b)	5.9	32	21	7	11	29
Marketing, Overhead & Other Costs above OI ^(c)	8.8	29	44	18	3	6
Total Costs^{(d)(e)}	19.3	30	40	10	7	13

(a) Including cloves
 (b) Other manufacturing related costs and shipping
 (c) Includes reporting adjustments
 (d) Total costs above reported OI of \$19.3 billion = reported cost of sales of \$10.5 billion + reported marketing, administration and research costs of \$8.7 billion + \$0.1 billion amortization of intangibles
 (e) Sum of cost components might not add to total costs due to rounding
 Note: Excluding sales allowances
 Source: PMI Financials or estimates

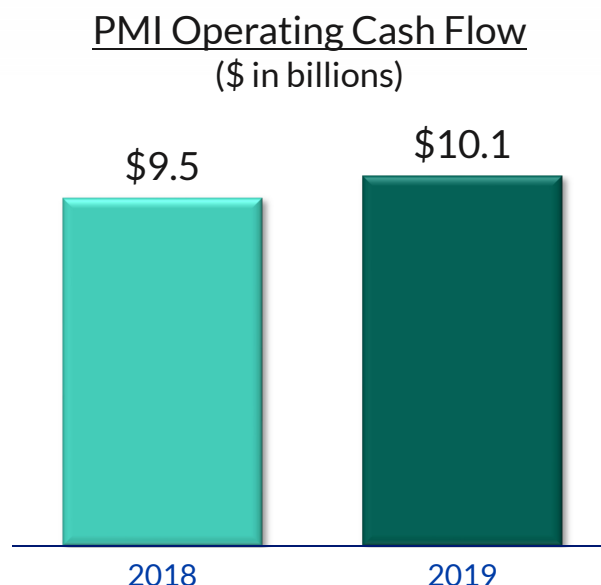
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Operating Cash Flow; Capital Expenditures (2019)



1

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



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

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PMI and Hedging



1

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

Source: PMI Financials or estimates

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Net Revenue Growth Target (2019-2021)

≥5%
CAGR
ex-Currency

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

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)



1

- 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)



1

$\geq 8\%$
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)

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Continued Cash Flow Growth (2019-2021)



1

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



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

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

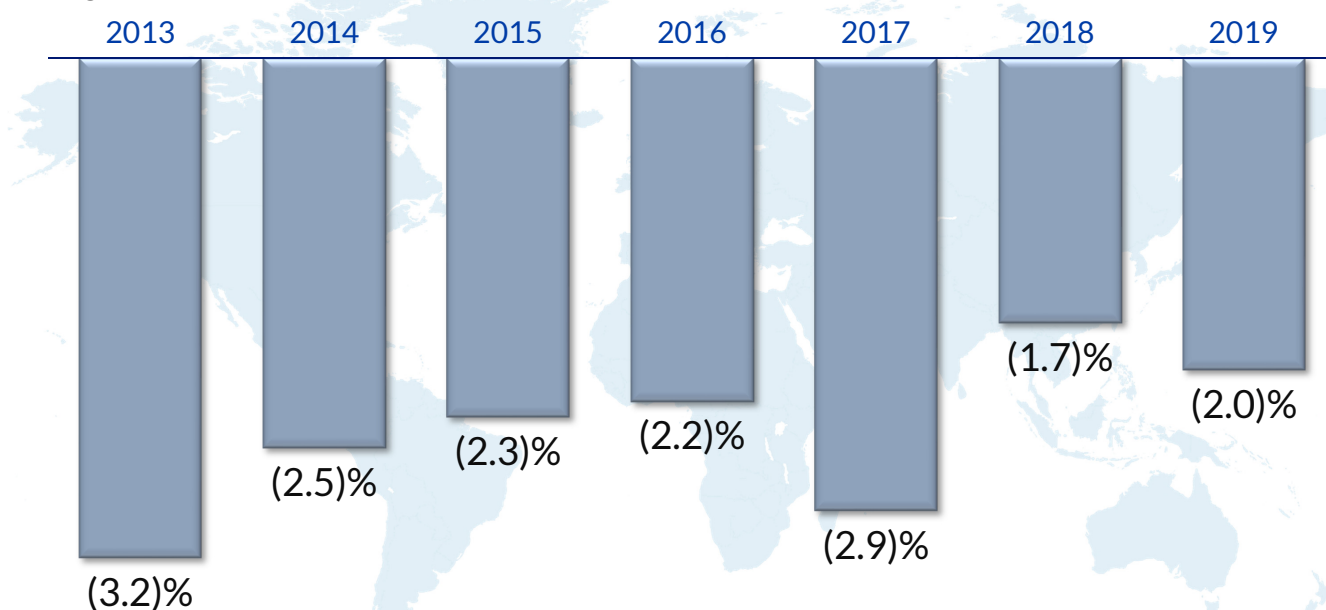
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Consistent Total Industry Volume Trend

(% Change vs. PY)



2

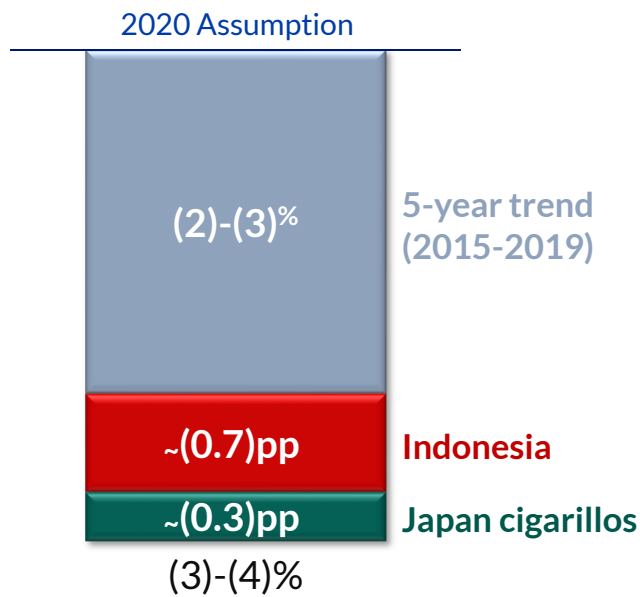


Note: Excluding China and the U.S. Reflects cigarettes and HTUs
Source: PMI Financials or estimates

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Total Industry Volume Decline Assumption (2020)

2



- 3% to 4% decline weaker than historical average, impacted by:
 - **Indonesia: 2020 excise tax increase**
 - **Japan: cigarillo category growth driven by preferential tax treatment**
- Underlying fundamentals remain unchanged
- EU TPD menthol ban not expected to have significant impact

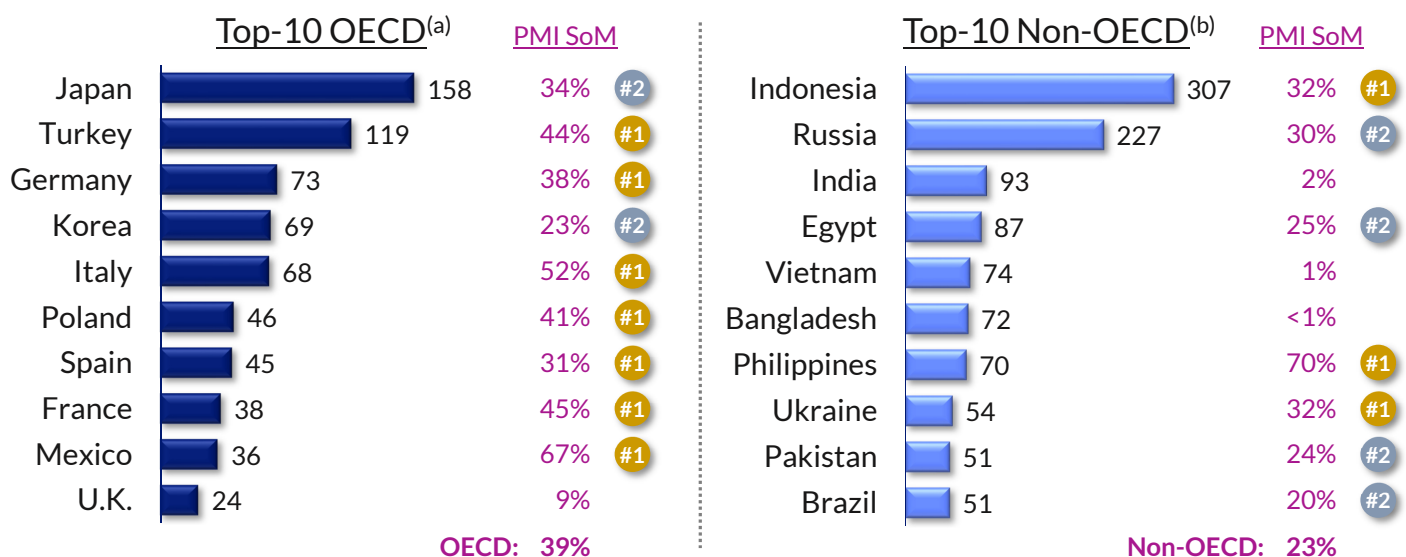
Note: Excluding China and the U.S.
Source: PMI Financials or estimates (Full-Year 2019 earnings call, February 6, 2020)

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Top Industry Volume Markets (2019)

(billion units)

2



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

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

Note: Reflects cigarettes and HTUs (where applicable)

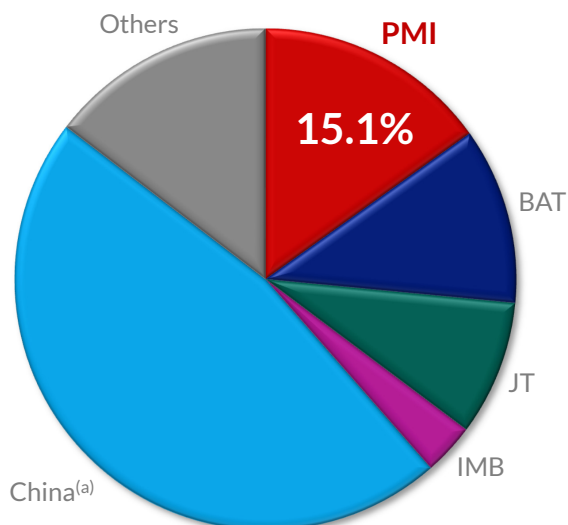
Source: PMI Financials or estimates

30

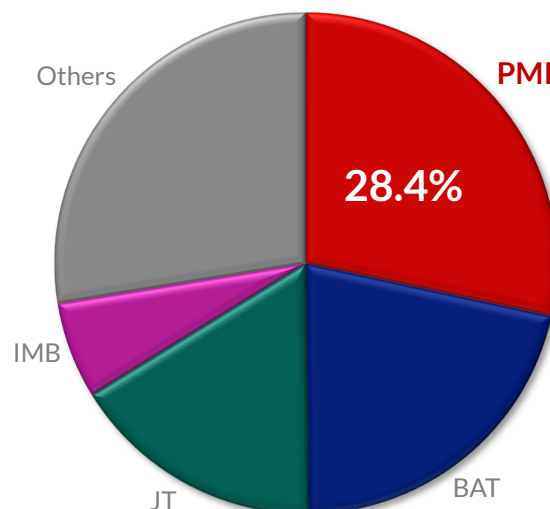
PMI Total Market Share Leadership (2019)



2



International^(b)



International excl. China^(b)

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

(b) Excluding the U.S.

Note: Reflects cigarettes and HTUs; PMI total market shares adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 128 (4th bullet) for more information

Source: PMI Financials or estimates

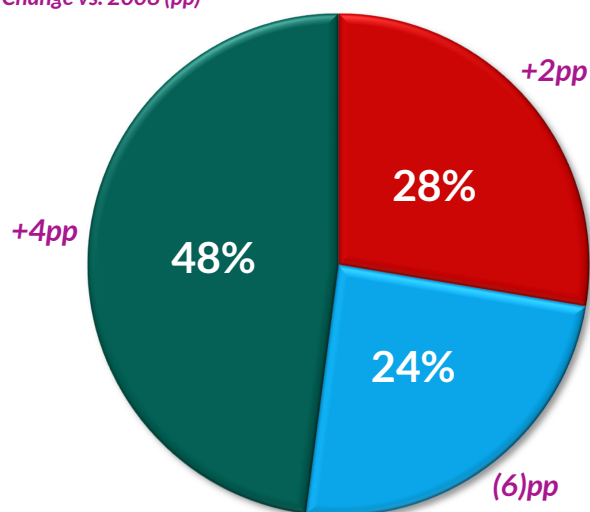
31

PMI Total Volume Price Segmentation vs. Industry (2019)

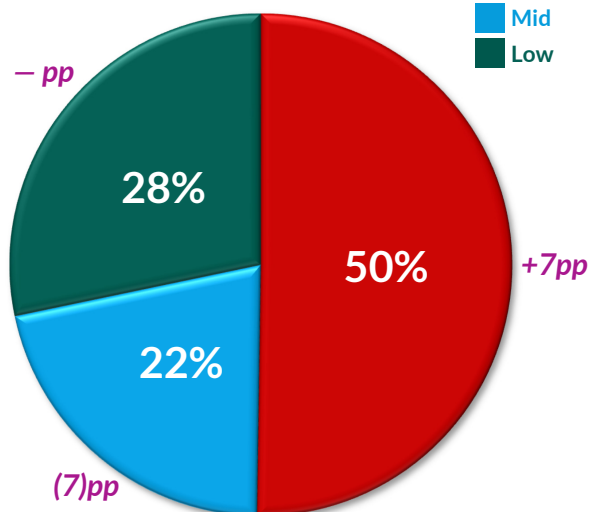


2

Change vs. 2008 (pp)



Industry



PMI

Note: Reflects cigarettes and HTUs. Excluding China and the U.S. Premium includes above-premium. Low includes super-low and undefined

Source: PMI Financials or estimates

32

PMI Total Market Share: Select Markets

2

	Q4			Full-Year		
	<u>2019</u>	<u>2018</u>	<u>Variance</u>	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Argentina	66.4%	73.2%	(6.8)pp	70.0%	73.8%	(3.8)pp
Australia	27.2	31.0	(3.8)	27.5	29.7	(2.2)
France	45.1	46.3	(1.2)	45.0	45.5	(0.5)
Germany	39.0	39.4	(0.4)	38.0	37.3	0.7
Indonesia	31.6	33.3	(1.7)	32.1	33.4	(1.3)
Italy	52.3	52.0	0.3	51.8	51.8	—
Japan	34.9	33.0	1.9	34.5	34.0	0.5
Korea	21.7	25.3	(3.6)	22.6	25.0	(2.4)

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

33

PMI Total Market Share: Select Markets (cont.)

2

	Q4			Full-Year		
	<u>2019</u>	<u>2018</u>	<u>Variance</u>	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Mexico	70.0%	71.8%	(1.8)pp	67.1%	68.0%	(0.9)pp
Philippines	69.9	70.3	(0.4)	70.5	69.9	0.6
Poland	41.5	41.3	0.2	41.2	41.5	(0.3)
Russia	31.2	29.6	1.6	30.1	28.3	1.8
Saudi Arabia	51.6	42.7	8.9	43.0	41.5	1.5
Spain	30.7	31.8	(1.1)	31.3	32.1	(0.8)
Turkey	44.9	46.6	(1.7)	43.7	46.4	(2.7)

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

34

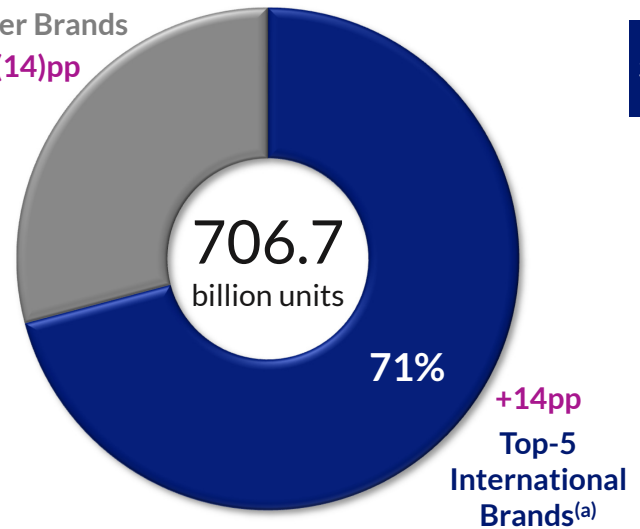
PMI Cigarettes: Focused Portfolio Strategy



Change vs. 2013

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

Other Brands
(14)pp



PMI Cigarette Volume (2019)

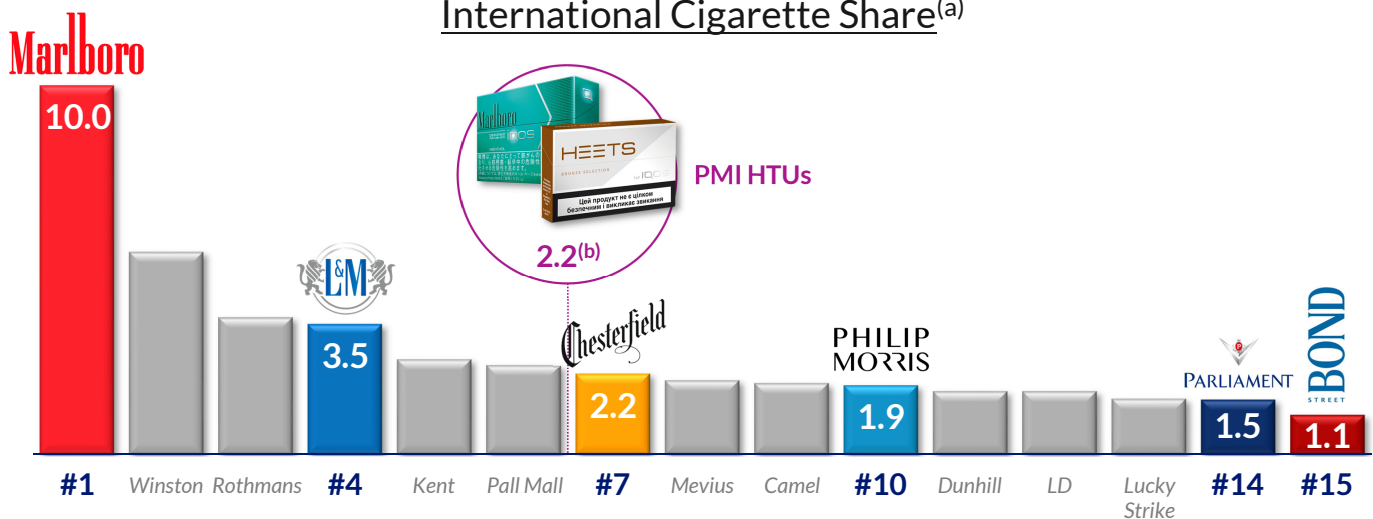
(a) Top-5 international brands in 2019: Marlboro, L&M, Chesterfield, Philip Morris and Parliament. Change vs. 2013 reflects same list of brands
Note: PMI cigarette volume adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 128 (4th bullet) for more information
Source: PMI Financials or estimates

35

PMI Cigarettes: Top-15 International Brands (2019) (%)



International Cigarette Share^(a)



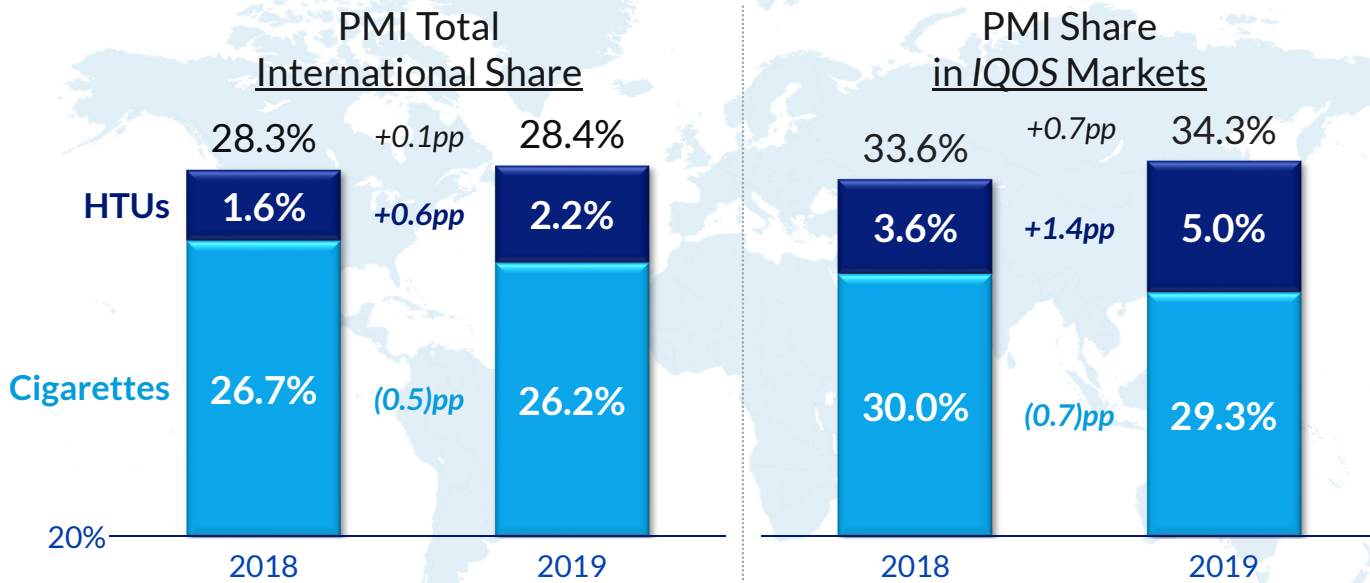
PMI Owns Six of the World's Top-15 International Cigarette Brands

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

36



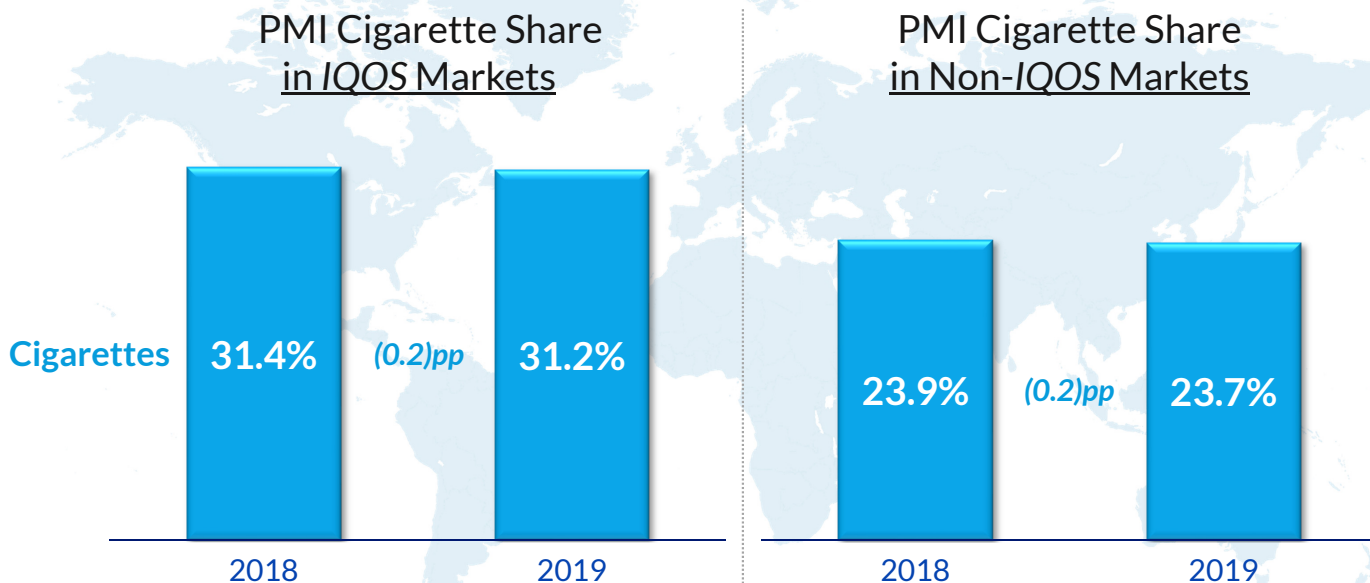
PMI Cigarettes: Recent Share Decline Does Not Reflect Higher Cannibalization from HTUs



Note: Excluding China and the U.S. Adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 128 (4th bullet) for more information. Sales volume of PMI cigarettes and HTUs as a percentage of the total industry sales volume for cigarettes and HTUs
Source: PMI Financials or estimates

37

PMI Cigarettes: Recent Share Decline Does Not Reflect Higher Cannibalization from HTUs (cont.)



Note: Excluding China and the U.S. Adjusted for the deconsolidation of RBH, effective March 22, 2019; see slide 128 (4th bullet) for more information. Sales volume of PMI cigarettes as a percentage of the total industry sales volume for cigarettes
Source: PMI Financials or estimates

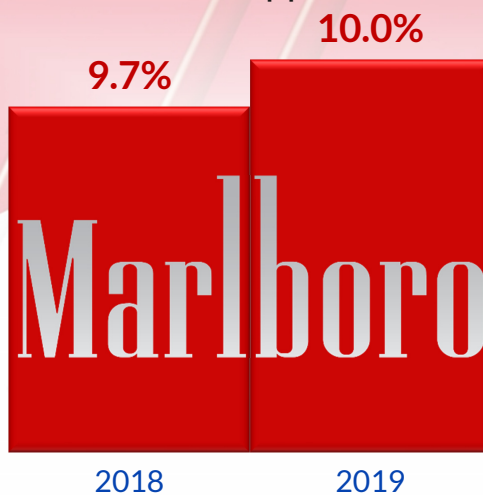
38

PMI Cigarettes: *Marlboro* Share at All-Time High in 2019



PMI International Cigarette SoM^(a)

+0.3pp



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

Note: Excluding China and the U.S.

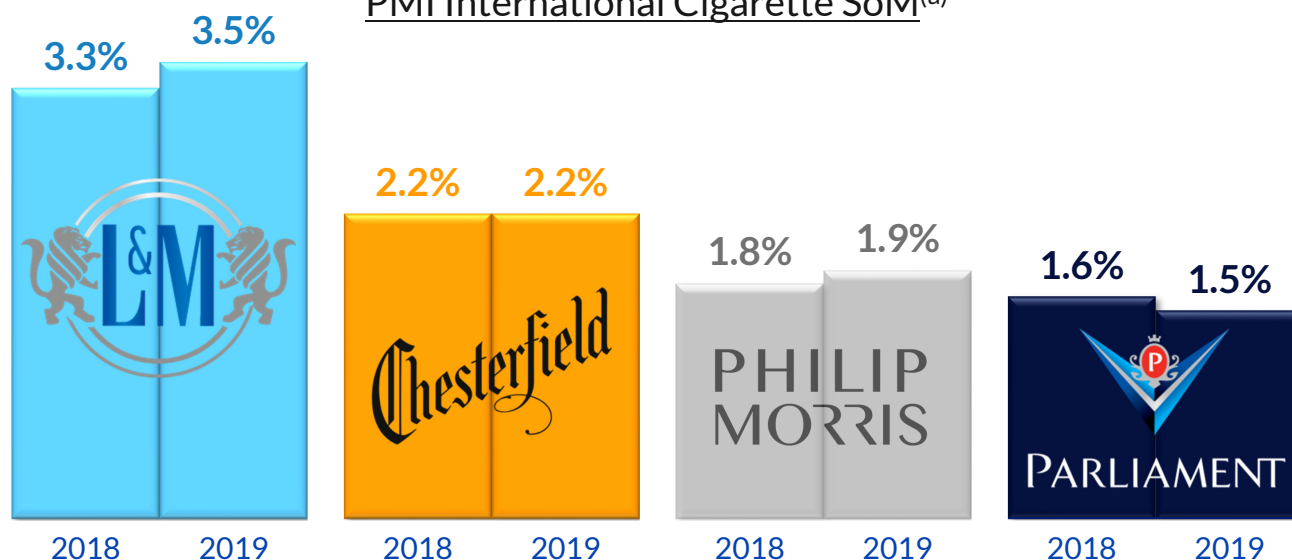
Source: PMI Financials or estimates

39

PMI Cigarettes: Solid Performance from Other Top Brands



PMI International Cigarette SoM^(a)



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

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

Source: PMI Financials or estimates

40

Cigarettes: Broadly Rational Global Excise Tax Environment



- Rate of increase and structure are of paramount importance
- In general, governments recognize that revenue predictability can be enhanced by:
 - Regular, reasonable increases
 - High proportion of specific elements in excise tax structure
 - Multi-year programs
 - Income or inflation indexation
- Structural excise tax improvements in recent years, notably in Argentina, Pakistan and the Philippines
- Multi-year excise tax programs notably in Japan, Kazakhstan and the Philippines
- Index adjustments notably in Canada, Israel, Sweden, Turkey and the U.K.

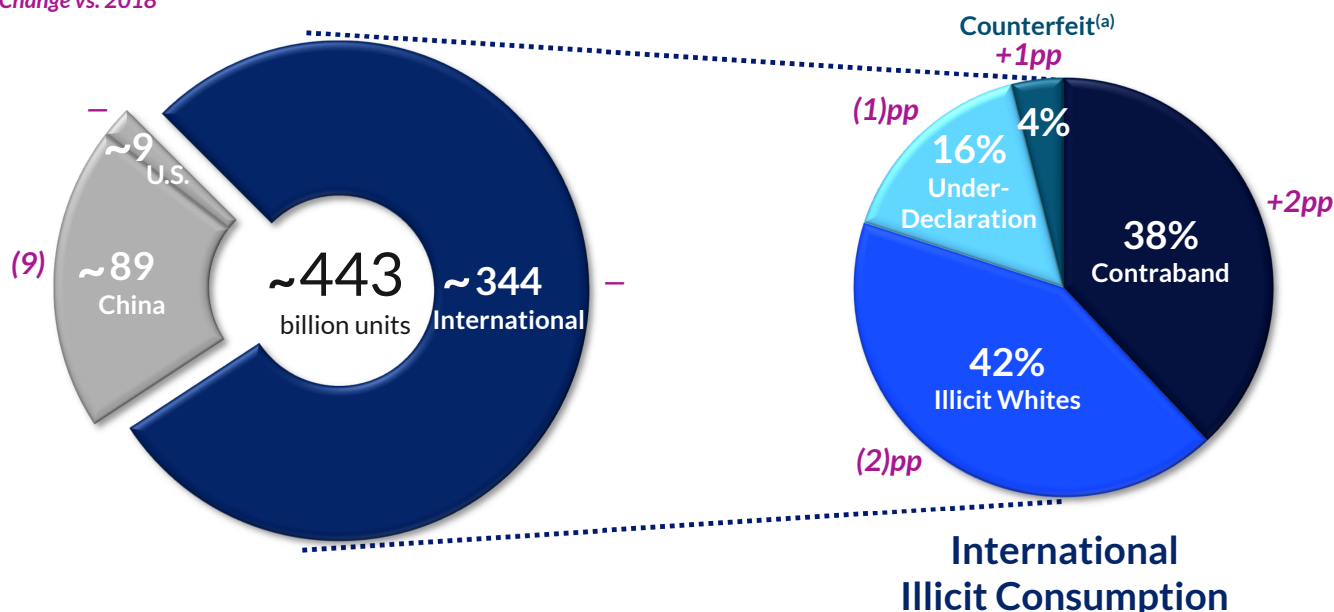
3

41

Cigarettes: Illicit Trade Overview (2019)



Change vs. 2018



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

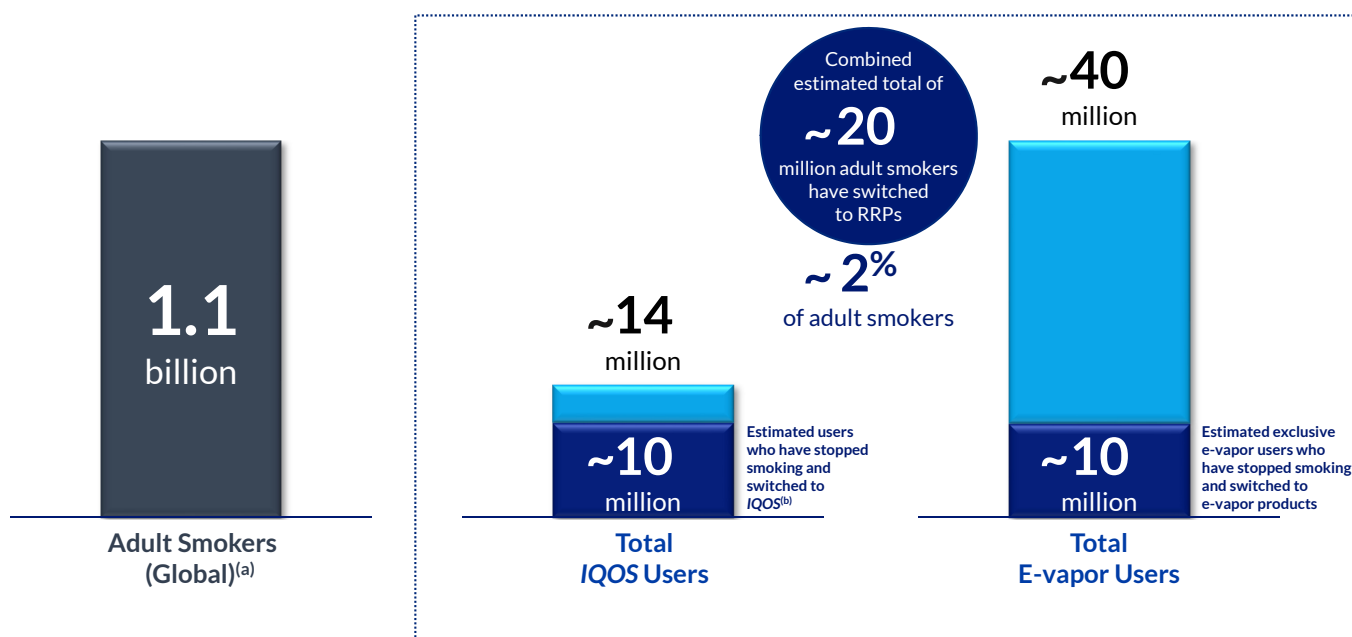
3

42



The RRP Opportunity Remains Vast ...

4



(a) Source: World Health Organization (WHO)

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

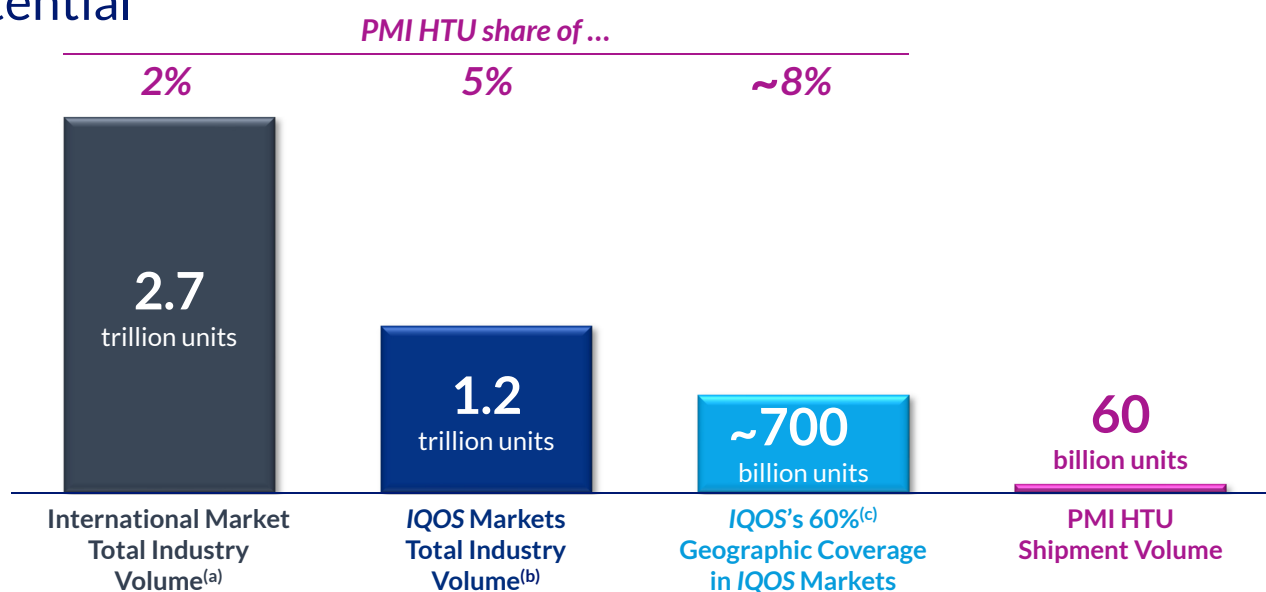
Source: PMI Financials or estimates, IQOS User Panels and PMI Market Research

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



4



(a) Excluding China and the U.S.

(b) Excluding the U.S.

(c) Weighted average

Note: Total volume reflects cigarettes and HTUs

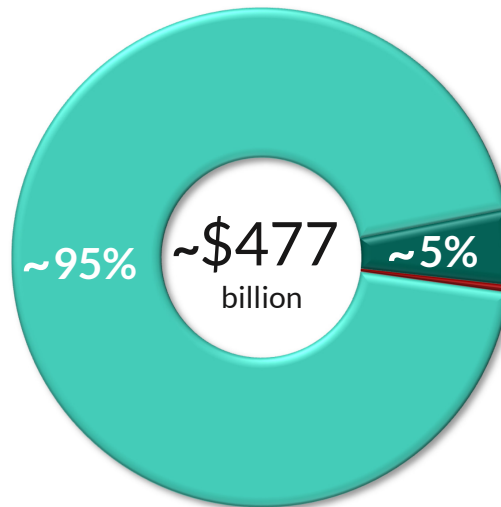
Source: PMI Financials or estimates (2019)

44

Nicotine Market International Retail Value (2019)



**Combustible
Tobacco**



~ 4%
Growth vs. PY

**Heated Tobacco &
E-Vapor^(a)**

**~1%
Snus^(b)**

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

(b) Includes nicotine pouches

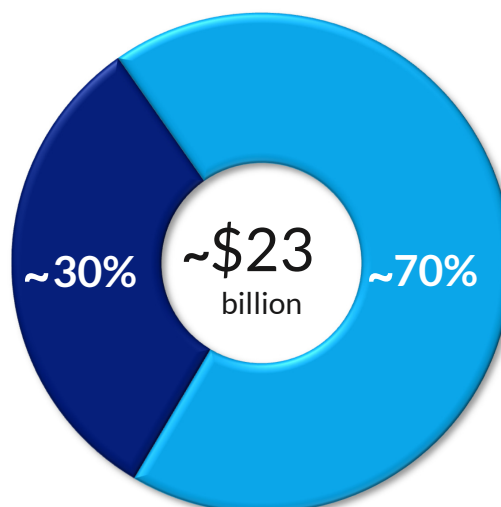
Note: Excluding China and the U.S. Does not foot due to rounding

Source: PMI Financials or estimates

RRP International Retail Value (2019)



E-vapor
~14%
Growth vs. PY



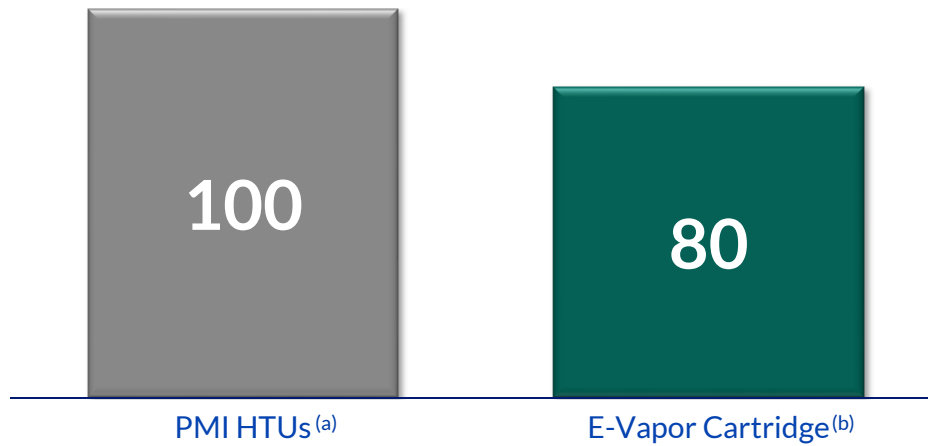
~20%
Growth vs. PY

Heated Tobacco
~23%
Growth vs. PY

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

RRPs Have Attractive Unit Margins ...

2019 Average
(Index=PMI HTUs)



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

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

Source: PMI Financials or estimates

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... Providing Return on Large Investments

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

Source: PMI Financials or estimates



4

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Adult Consumer Insights Underpin RRP Outlook

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



32%

Familiarity Seekers

- Tobacco taste
- Familiar ritual
- Convenience

Best served by heated tobacco



38%

Experimenters

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

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



10%

Best of Both Worlds

- Choice
- RRP polyusage

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

Source: PMI Market Research

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RRP Portfolio Strategy and Competitive Strengths

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



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

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Key Pillars of Competitive Strength

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

5

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Our RRP Platforms

THE SCIENCE

"IQOS HeatControl Technology"

BRAND

IQOS

PLATFORMS



1



2



3

IQOS VEEV



4

Heated Tobacco Products

Nicotine-Containing E-Vapor Products

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

52

5

Product Superiority: Regular Device Innovation



2015-2016

- Aesthetics
- Automatic blade cleaning
- Easier holder insertion



2017

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



IQOS 3

IQOS 3 Multi

2018

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



IQOS 3 DUO

2019 onwards

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

5

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IQOS 3 Family Product Characteristics



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

IQOS 3 DUO



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

IQOS 3



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

IQOS 3 MULTI

5

54

Flavor Selection	Flavor Profile	Intensity	Body	Aroma
Bronze Selection	RICH AND WARM	High	High	High
Sierra Selection	BALANCED AND WOODY	Medium-High	Medium-High	Medium-High
Amber Selection	BALANCED AND ROASTED	Medium	Medium	Medium
Yellow Selection	MILD AND ZESTY	Low-Medium	Low-Medium	Low-Medium
Silver Selection	REFINED AND TOASTED	Low	Low	Low
Blue Selection	DEEP AND COOLING	Low	Low	Low
Turquoise Selection	REFRESHING AND COOLING	Low	Low	Low
Emerald Selection	ZESTY AND FRESH	Low	Low	Low
Purple Selection	RICH AND SATISFYING	Low	Low	Low

Innovating Our Heated Tobacco Consumables Portfolio

5

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Recently Launched Above-Premium *HEETS Creations* in Russia

RUB 170

per pack

vs. RUB 150 per pack for HEETS

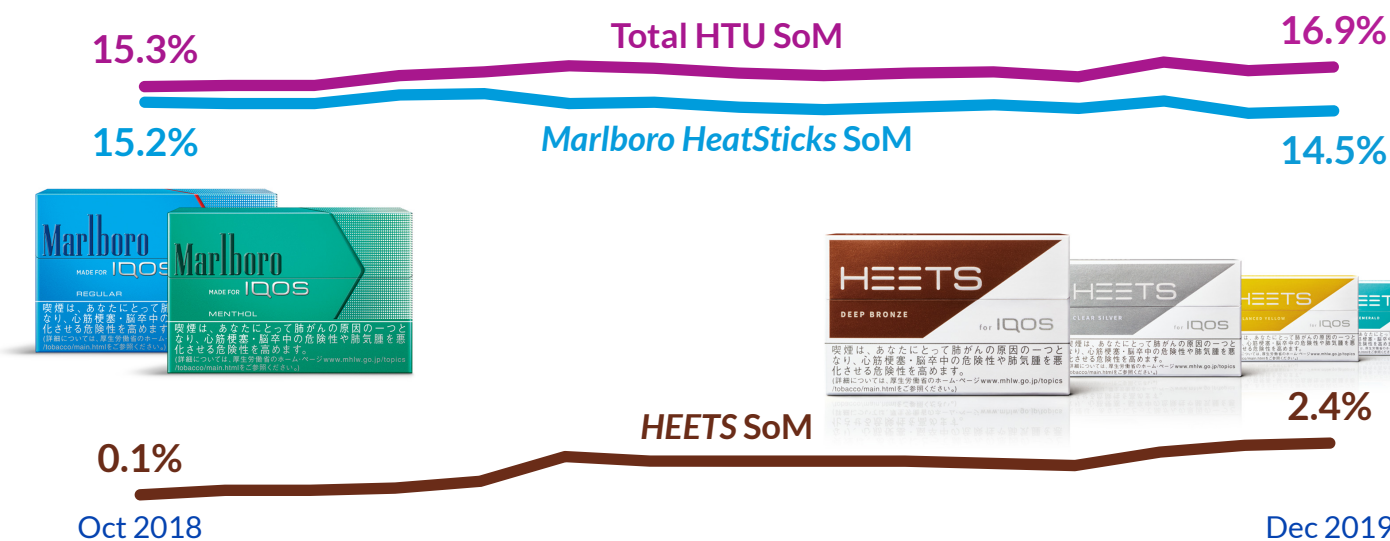
5

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Widening Options, Price Points in More Advanced Markets



Japan



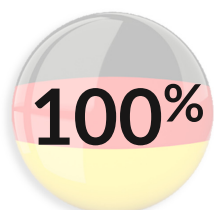
Note: Excluding the impact of estimated trade inventory movements, and including the cigarillo category. HEETS launched in October 2018

Source: PMI Financials or estimates

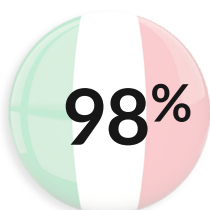
57

Clear Leader in the Heated Tobacco Category

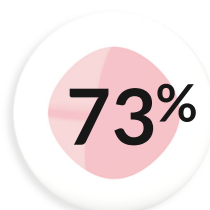
(PMI 2019 share of heated tobacco segment)



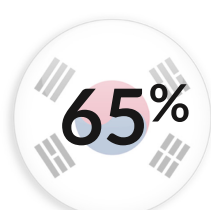
Germany



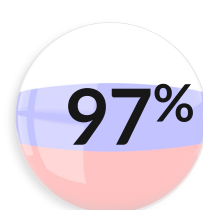
Italy



Japan^(a)



Korea^(a)



Russia



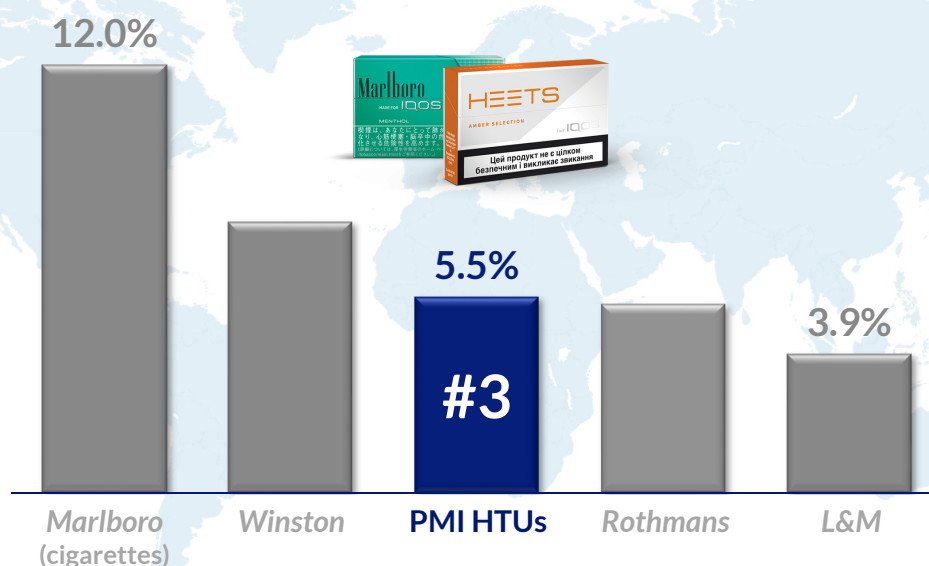
(a) Excluding the impact of estimated trade inventory movements

Source: PMI Financials or estimates

58

Third-Largest Tobacco 'Brand' in IQOS Markets

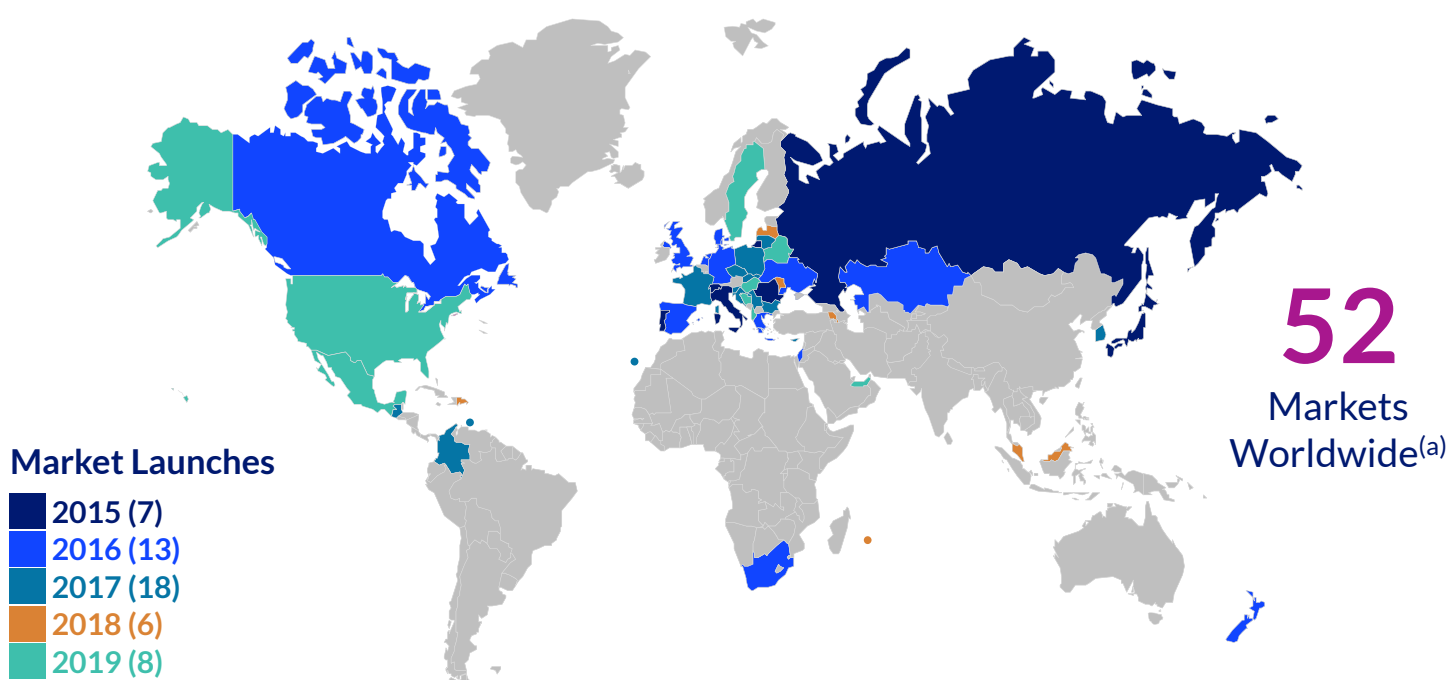
Share in IQOS Markets (Q4, 2019)



Note: Excluding the U.S. Reflects sales volume as a percentage of the total industry sales volume for cigarettes and HTUs
Source: PMI Financials or estimates

59

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



(a) Status at December 31, 2019

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

60

IQOS Now Available in the U.S.

- First IQOS retail stores opened in the initial launch markets of Atlanta and Richmond; planned launch in Charlotte in April 2020^(a)
- The only heat-not-burn product authorized through FDA's PMTA pathway as "appropriate for the protection of public health"
- Plan to seek an additional marketing order under the PMTA pathway for the IQOS 3 device in the coming months

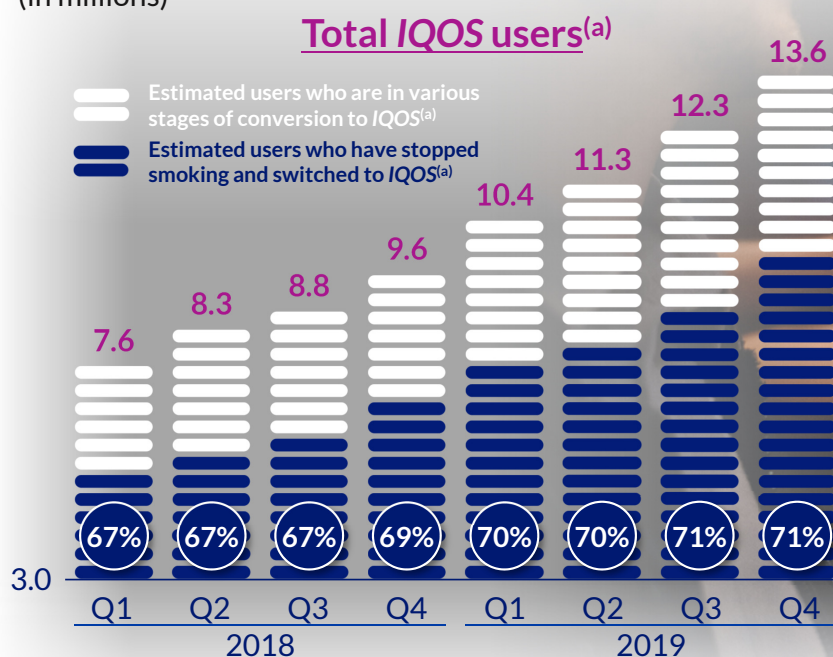
(a) Launch in the U.S. under our licensing agreement with Altria
Source: PMI Financials or estimates



5

61

Approaching 14 Million IQOS Users (in millions)

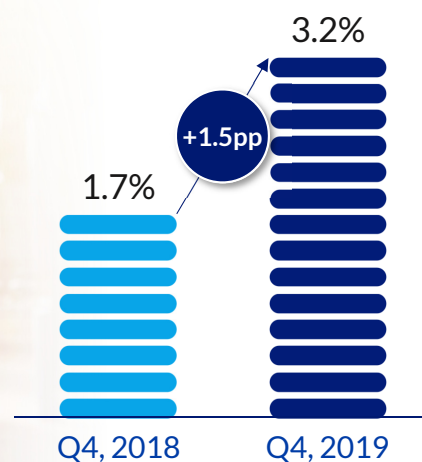


(a) See Glossary for definition
Source: PMI Financials or estimates, IQOS user panels and PMI Market Research

5

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EU Region: Continued *HEETS* Share Growth



Sequential Performance
(vs. Q3, 2019)

SoM: +0.7pp
IMS Volume: +16.1%

Source: PMI Financials or estimates

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EU Region: *HEETS* SoM Performance in Select Markets



	Q4, 2019	Growth vs. PY		Q4, 2019	Growth vs. PY		Q4, 2019	Growth vs. PY
Bulgaria	4.6%	(0.1)pp	Hungary	4.2%	+4.2pp	Portugal	7.2%	+2.8pp
Croatia	4.2	+2.5	Italy	6.1	+2.8	Romania	2.5	+0.5
Czech Republic	7.2	+3.0	Latvia	7.7	+6.1	Slovak Republic	7.5	+1.5
Germany	1.6	+0.8	Lithuania	17.5	+9.0	Slovenia	3.7	+1.5
Greece	10.5	+3.9	Poland	3.8	+2.3	Switzerland	2.8	+0.7

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

64

EU Region: *HEETS* SoM Performance in Select Markets

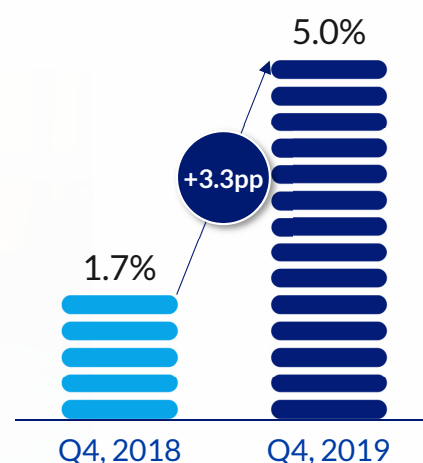


	FY, 2019	Growth vs. PY		FY, 2019	Growth vs. PY		FY, 2019	Growth vs. PY
Bulgaria	4.5%	+1.7pp	Hungary	1.9%	+1.9pp	Portugal	6.2%	+3.2pp
Croatia	3.4	+2.6	Italy	4.8	+2.6	Romania	2.3	+0.4
Czech Republic	5.9	+3.3	Latvia	5.4	+4.7	Slovak Republic	6.8	+3.2
Germany	1.2	+0.7	Lithuania	14.1	+9.2	Slovenia	3.1	+1.6
Greece	8.7	+4.0	Poland	2.5	+1.6	Switzerland	2.6	+0.9

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

65

Russia: Continued Strong *HEETS* Share Growth



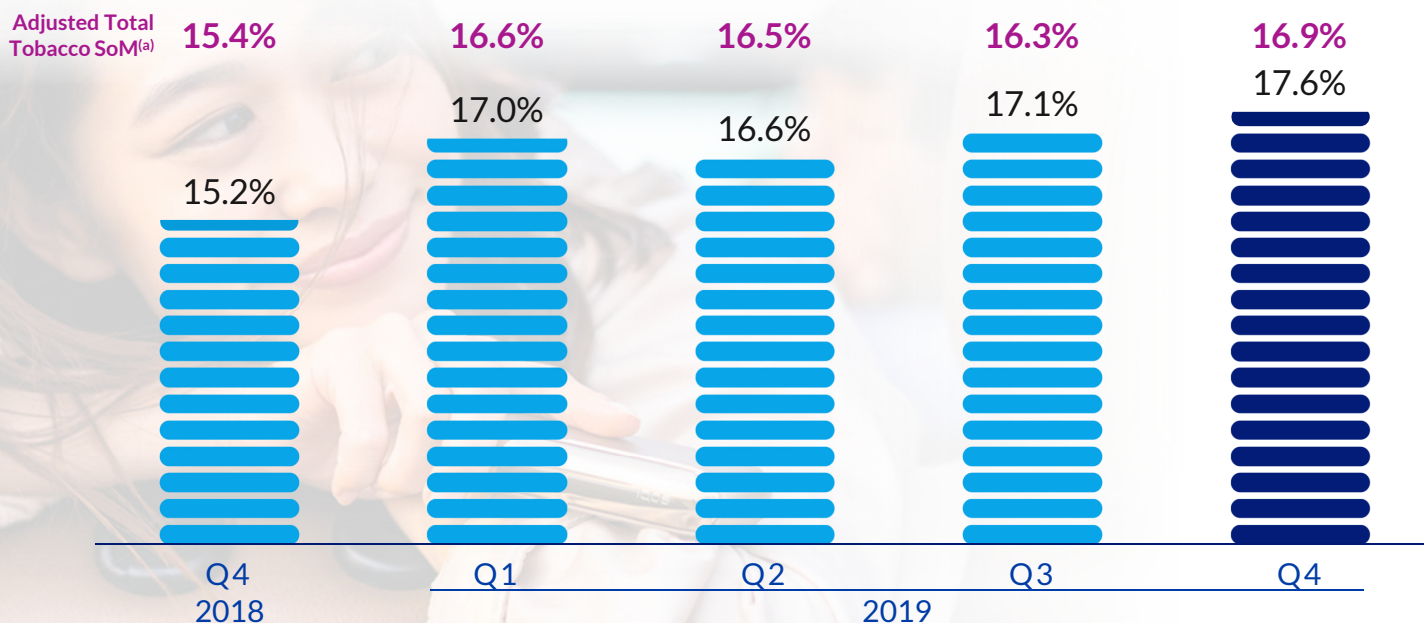
Sequential Performance
(vs. Q3, 2019)

SoM: +1.0pp
IMS Volume: +20.3%

Source: PMI Financials or estimates

66

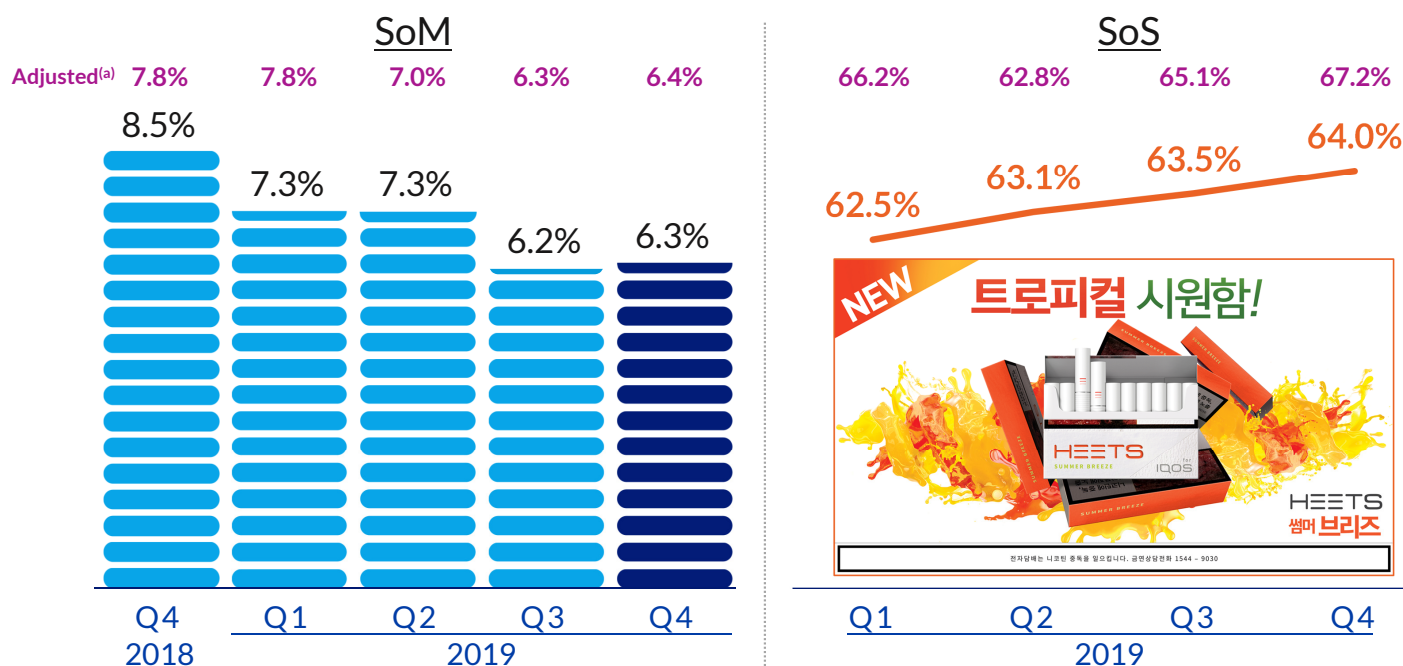
Japan: PMI HTU Share Performance



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

67

Korea: Stable HEETS Sequential Share Performance



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

68

Significant Investment in Physical and Digital Infrastructure

199

IQOS Stores

3.3

thousand

Exclusive
IQOS Retail
Touchpoints

11

thousand

Commercial
Salespeople
(Sales experts and
IQOS coaches)

23

Call Centers

1.6

million

Adult Consumer
Feedback
in 2019

46

million

Unique Visits to
IQOS Digital Assets
in 2019

Note: Status at December 31, 2019
Source: PMI Financials or estimates

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PMI's Commercial Engine, A Sustainable Competitive Strength

- Key pillars of commercial engine:

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

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

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

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Good Conversion Practices for PMI's Smoke-Free Products

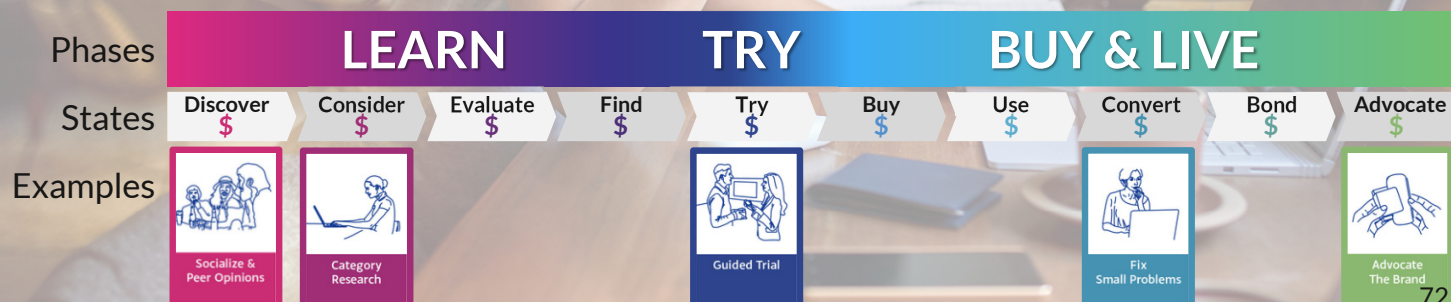


- Cigarette smoking causes serious diseases and is addictive. Without question, the best decision any smoker can make is to quit tobacco and nicotine use altogether
- PMI's smoke-free products are for adults who would otherwise continue to smoke or use other nicotine products
- We do not offer PMI's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

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

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Commercial Approach Aligned to IQOS Consumer Journey



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Execution Matters

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

5

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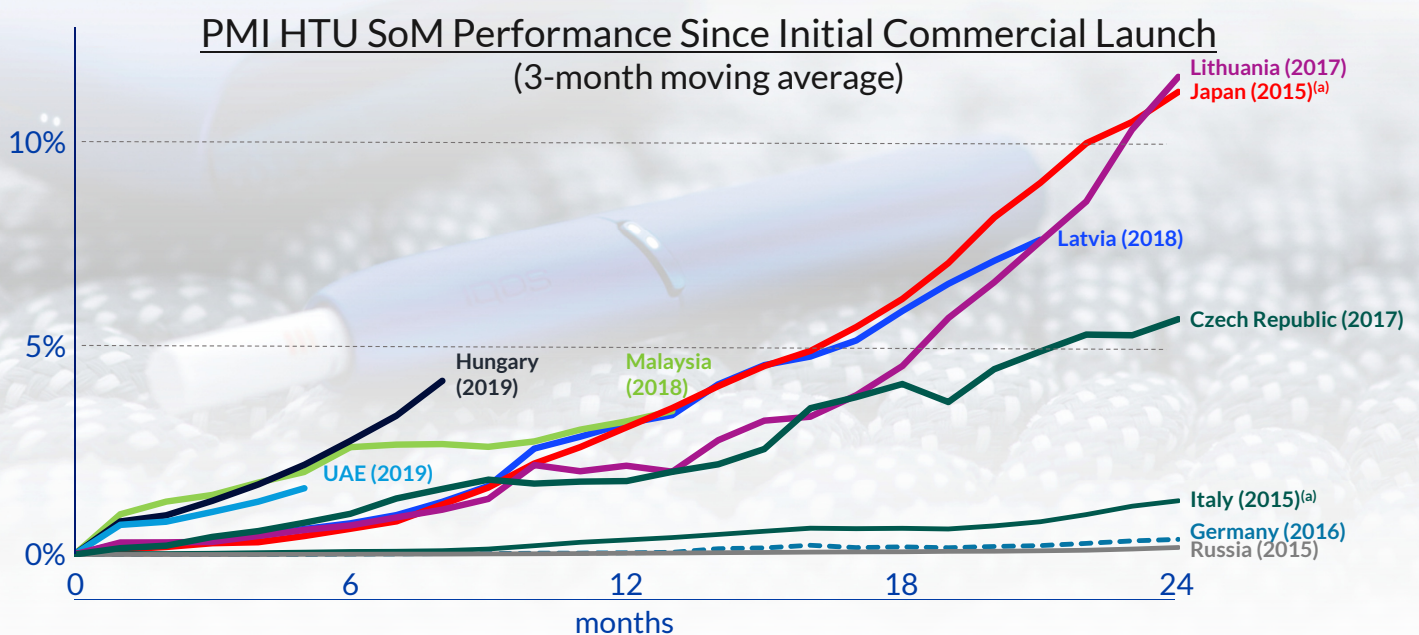
FEEL THE POWER
OF AMAZING.

ENJOYING A BETTER ALTERNATIVE TO CIGARETTES
NEVER FELT SO GOOD.

IQOS
SIMPLY AMAZING

Important
information: IQOS
is not risk-free.

Execution Learnings Drive Faster Results



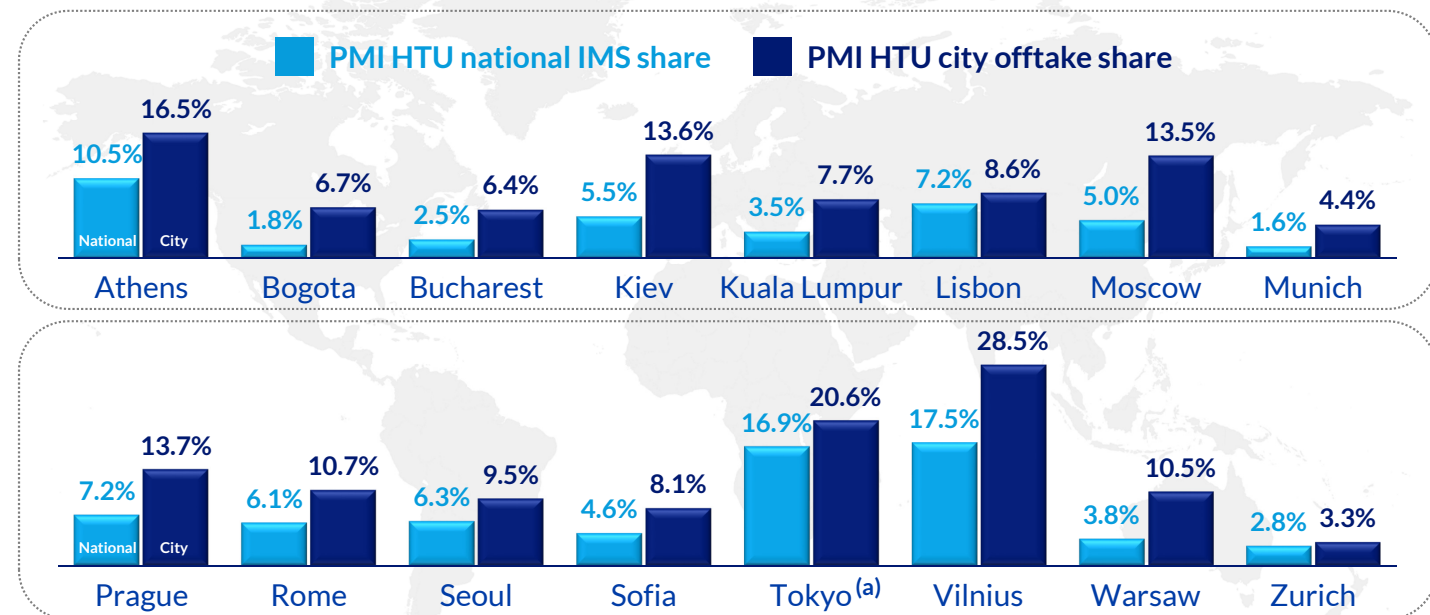
(a) Reflects date of initial geographic expansion beyond pilot launch city
Source: PMI Financials or estimates

5

74

Commercial Engine Built in Key Cities Shows National Potential

(Q4, 2019)

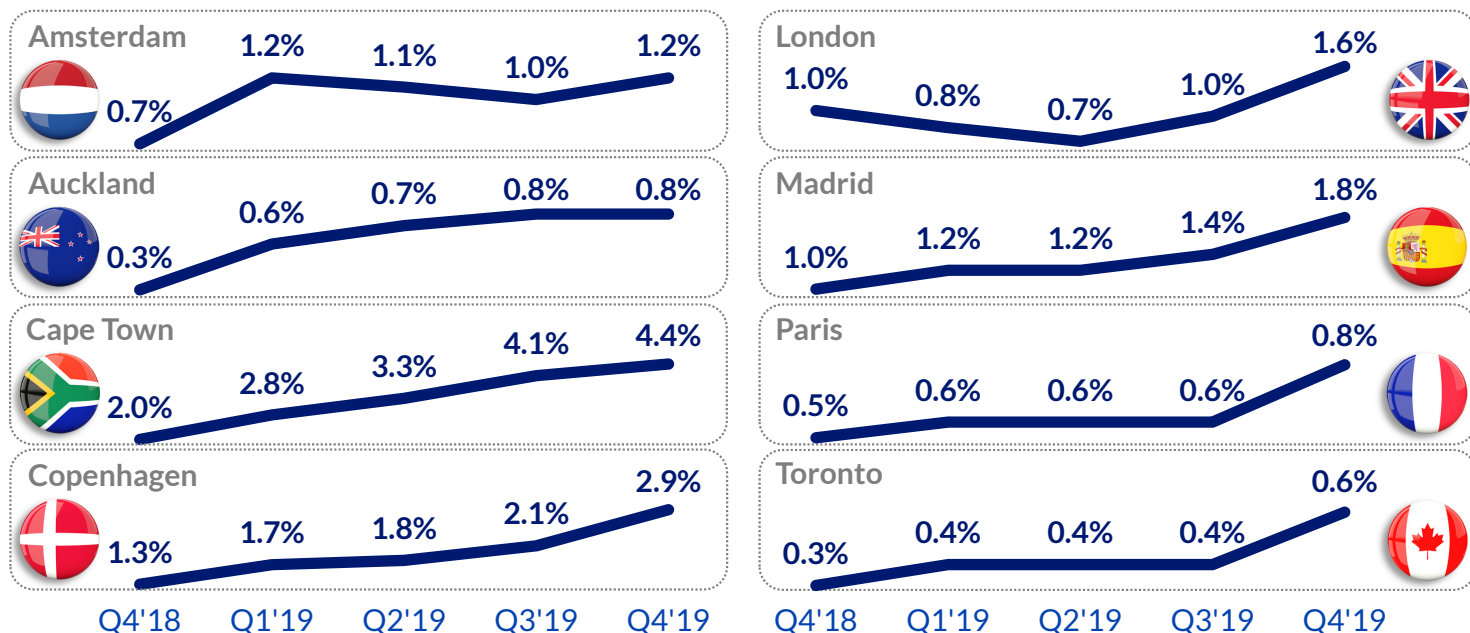


(a) Total market includes the cigarillo category. Excludes the impact of estimated trade inventory movements
Source: PMI Financials or estimates

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Improving Performance in Slower Growth IQOS Markets

(PMI HTU city offtake share)



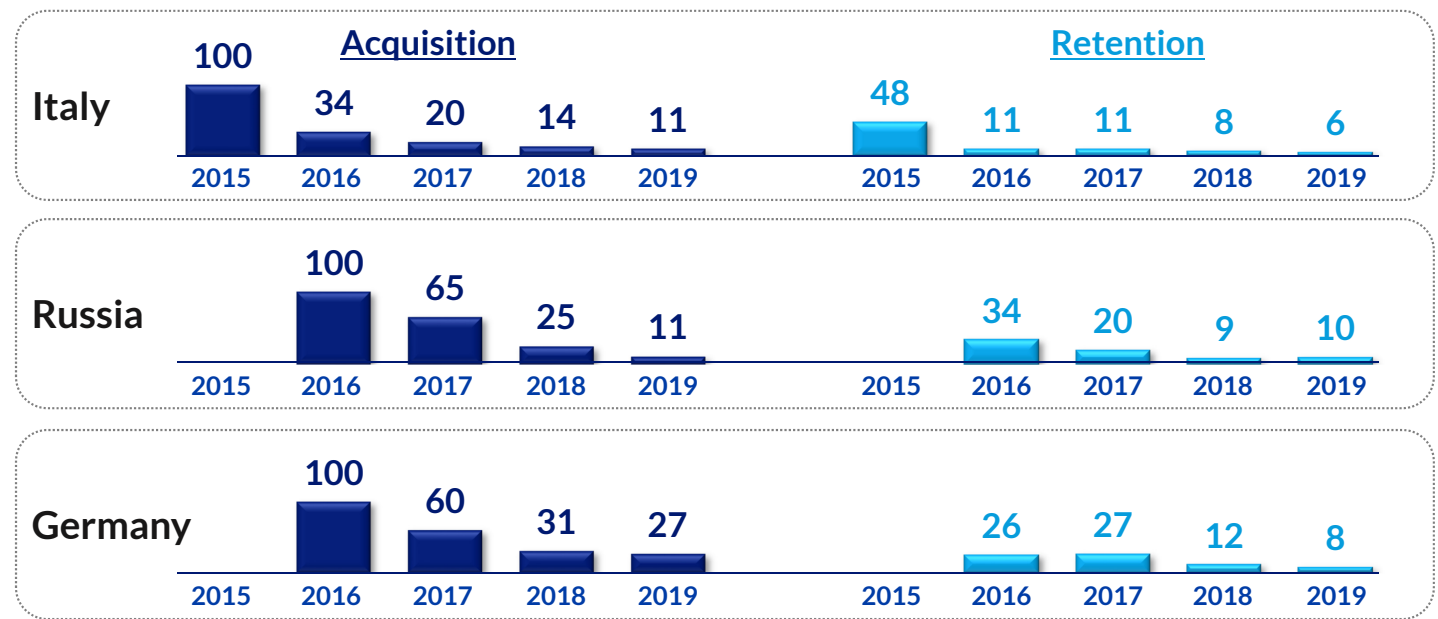
Source: PMI Financials or estimates

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Execution and Scale Improve Cost per User

(Index)



Source: PMI Financials or estimates

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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
 - On February 11, 2019, the public comment period for our MRTP applications closed
 - In late 2019, PMI provided a response to the FDA's request for clarification regarding PMI's A/J mice study. Following PMI's response, the FDA re-opened a public comment period, which ended on February 24, 2020
- Submitted PMTA to FDA in March 2017:
 - On August 4, 2017, the FDA completed a preliminary review and accepted our application for substantive review
 - On April 30, 2019, the FDA authorized the sale of a version of IQOS in the U.S.^(a)
 - Plan to seek an additional marketing order under the PMTA pathway for the IQOS 3 device in the coming months
- Applications consistent with our strategy for the commercialization of IQOS by Altria in the U.S.

(a) See next slide for more information

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FDA's PMTA Marketing Order for IQOS



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

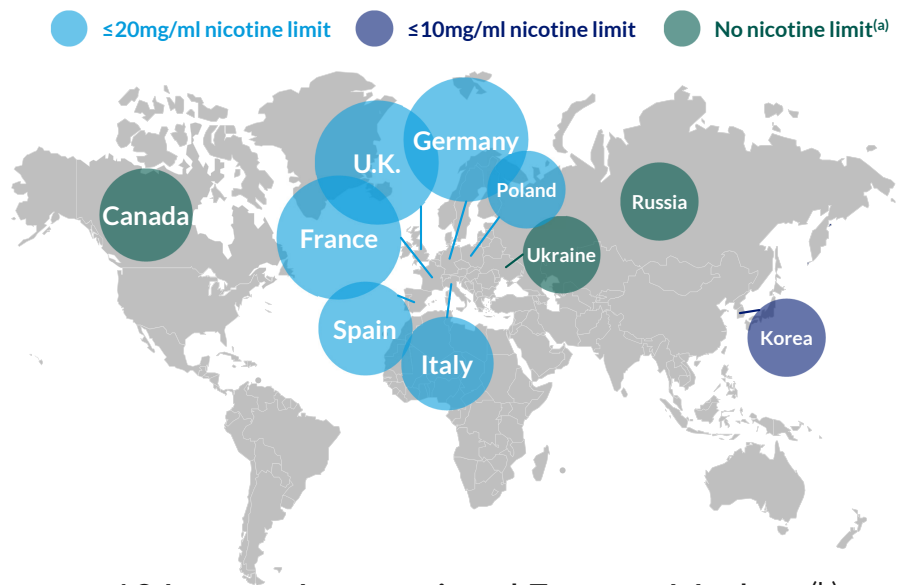
Note: The FDA's marketing order does not mean that the agency "approved" our *IQOS* heat-not-burn product. The authorization is subject to strict marketing, reporting and other requirements and is not a guarantee that the product will remain authorized, particularly if there is a significant uptake in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

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International E-Vapor: Landscape (2019)



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



10 Largest International E-vapor Markets^(b)

(a) Includes markets where nicotine limit is not meaningful

(b) Based on the number of legal age users in 2019. Excludes China and the U.S. Size of bubbles is for illustrative purposes only
Source: PMI Financials or estimates and PMI Market Research

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IQOS VEEV: Launching Across Multiple Markets in 2020

- Planned launch in Q3, 2020
- Leverage IQOS Platform 1 capabilities to deploy IQOS VEEV at scale
- IQOS brand embodies our commitment to responsible marketing
- Differentiated technology for superior adult consumer experience
- Targeting legal age smokers and existing RRP users

IQOS VEEV
PRECISION VAPING

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

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



Driving Growth in Smoke-Free Category

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

The Agreement

- Will run for an initial three-year period; royalty-based agreement
- Intention to expand the market footprint based on commercial success
- Products subject to careful scientific assessment before commercialization
- Working towards the first launches later this year
- No current plans to commercialize KT&G products in the U.S.



5

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Our Other RRP Platforms

Platform 2 (TEEPS):

Heated Tobacco Product

- Completed a small-scale city test in the Dominican Republic that we had initiated in December 2017
- Encouraged by consumer interest
- Plan to conduct a consumer test by the end of 2020



Platform 3 (STEEM):

Nicotine-Containing E-Vapor Product

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



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



Hired
>430 R&D Experts. Over one third of our scientists with a life sciences background^(a)

Portfolio of
>4,600 granted patents worldwide^(b)



Pipeline of
~6,300 pending patent applications^(b)

45th largest patent filer in the EU, only tobacco company in top-50^(b)



Invested
>\$7.2 billion since 2008^(a)

>340 peer-reviewed scientific publications & book chapters on smoke-free products^(b)



(a) Status at December 31, 2019

(b) Status at December 31, 2018

Note: Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding
Source: PMI Financials or estimates, and PMI Research & Development (CECP 2020 CEO Investor Forum, February 24, 2020)

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Integrity of Our Scientific Assessment

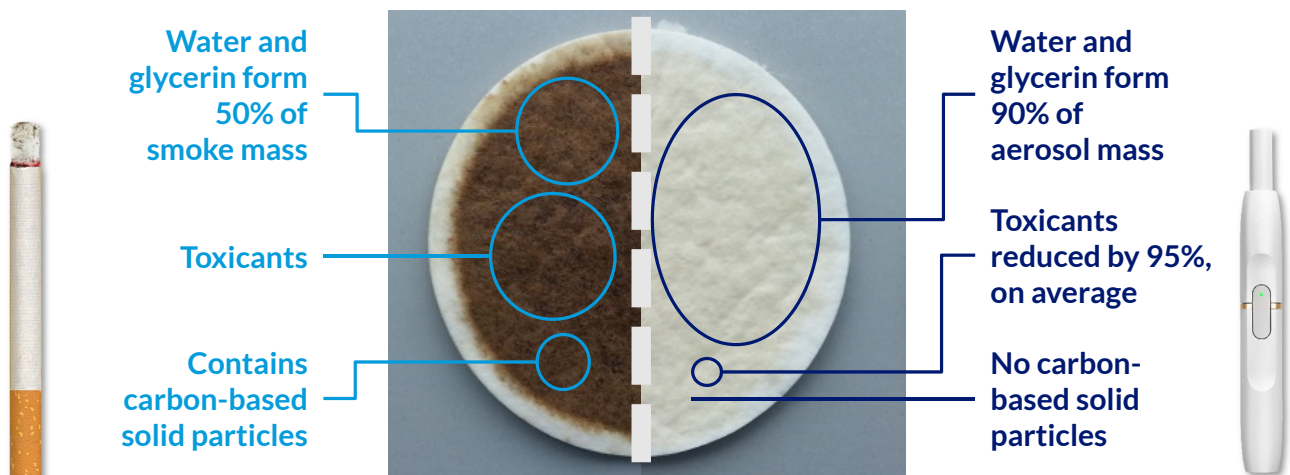
- Adhere to internationally recognized standards including Good Laboratory Practices and Good Clinical Practices
- Actively share our methods and study results, making them available for public review
- Our systems toxicology methods and results are subjected to an even higher level of scientific scrutiny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

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

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6

Why Heat Tobacco Rather than Burn it?



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

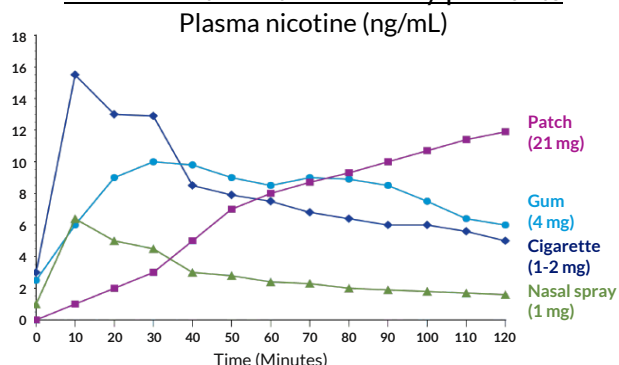
Source: PMI Research & Development

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6

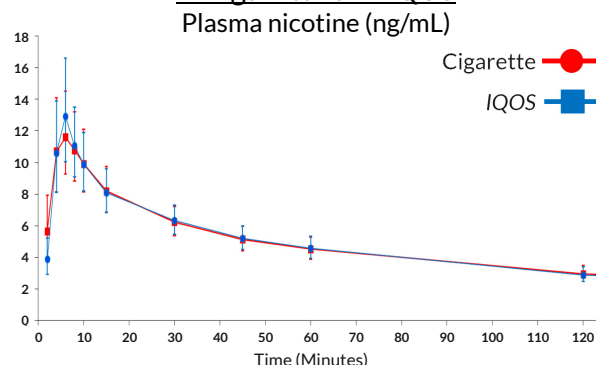
IQOS: Nicotine Pharmacokinetic Profile

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



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

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



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

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

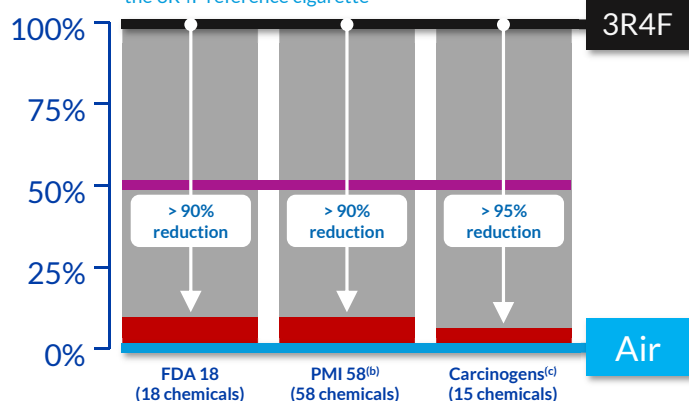
87

6

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

Reduced Formation

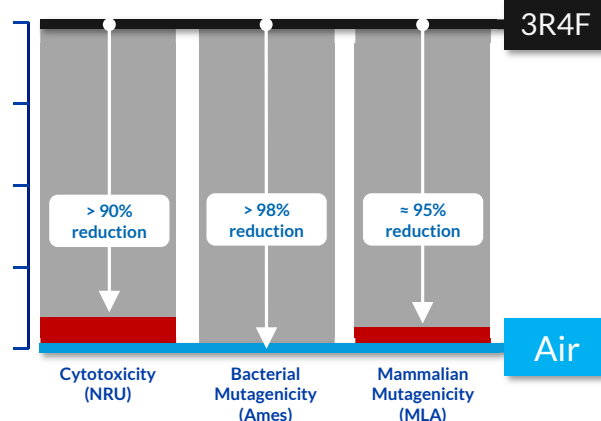
Average reductions in formation of HPHCs for IQOS compared to levels measured in smoke from the 3R4F reference cigarette^(a)



... Leads to ...

Reduced Toxicity

Average reductions in toxicity compared to levels measured for the 3R4F reference cigarette



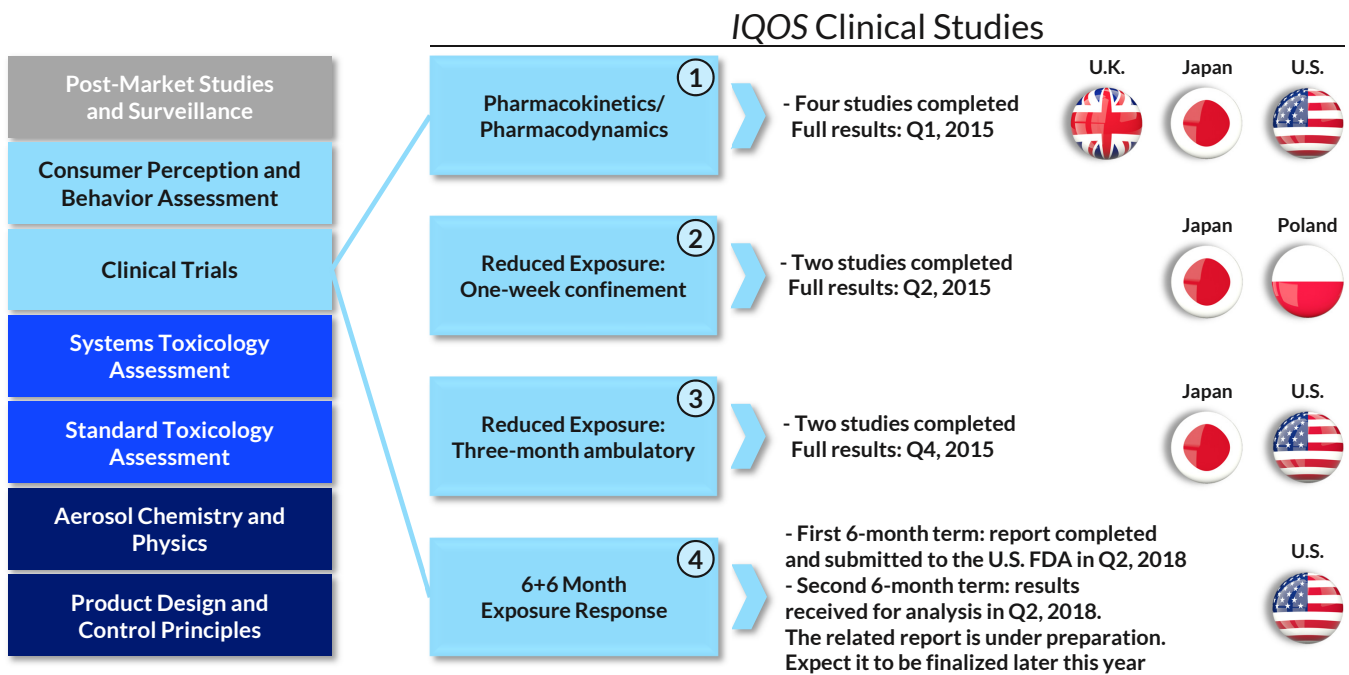
(a) Aerosol collection with Intense Health Canada's Smoking Regime: 55 mL puff volume, 2-second puff duration, 30-second interval puff. Comparison on a per-stick basis. Reduction calculations exclude Nicotine, Glycerin and Total Particulate Matter
(b) The PMI 58 list includes the FDA 18 and (c) the 15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

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IQOS: Substantiating Reduced Risk



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IQOS: Scientific Substantiation Progress



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

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

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

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

Source: PMI Research & Development. Clinical Study Report (study ZRHR-ERS09-US). [www.clinicaltrials.gov](https://www.clinicaltrials.gov/ct2/show/study?term=NCT02396381) (identifier: NCT02396381)

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IQOS: Independent Verification on PMI Science (Governmental Reports)



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



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



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



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



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

Note: To date, several governmental agencies have published their scientific findings that analyze the harm-reduction potential of certain RRP's versus continuing smoking, including the above select examples. Refer to Form 10-K for the year ended December 31, 2019, for additional information

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Shifting Our Resources to Deliver a Smoke-Free Future

Business Transformation Metrics^(a)



Aspiration^(b)
by 2025

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

To track the progress we are making towards creating a smoke-free future,
we introduced and report on a set of 13 bespoke KPIs

(a) As of December 31, 2019

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

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

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

(e) See Glossary for definition

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

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Sustainability Strategy



STRATEGIC PILLARS



MATERIALITY ANALYSIS

- 26 key topics identified
- Formal approach to impact assessment
- 800+ stakeholders provided input
- 10 topics prioritized based on impact assessment and stakeholder feedback
- Since 2016, reporting on over 100+ ESG metrics
- Targets established for all priority topics

Addressing (P) product impact remains our first priority & the core of our ESG strategy

Source: CECP 2020 CEO Investor Forum, February 24, 2020

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Sustainability Priorities – Materiality Result



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

Source: CECP 2020 CEO Investor Forum, February 24, 2020

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Sustainability Targets are Business Targets



Transforming for a sustainable smoke-free future	STRATEGIC PILLARS	PRIORITY TOPICS	SELECT TARGETS	
	Innovating for better products	Product health impacts Access to smoke-free products	>40 million users who have stopped smoking & switched to IQOS ^(a) (aspirational target)	2025
	Operating with excellence	Responsible marketing & sales practices Sustainable supply chain management Respect for human rights	Ongoing strict adherence to good conversion practices • Post-market surveillance • Third-party verification	
	Caring for the people we work with	Socio-economic well-being of tobacco farming communities Health, safety & well-being at work	100% of farmers supplying tobacco to PMI earn a living income or better, which will help eliminate child labor in our tobacco supply chain	by 2025
	Protecting the environment	Climate protection Littering prevention Product eco-design & circularity	Carbon-neutral • PMI (scope 1-2) • Our value chain (scope 1-3)	by 2030 by 2050

(a) Source: PMI Financials or estimates, IQOS user panels and PMI Market Research. See Glossary for definition
Source: CECP 2020 CEO Investor Forum, February 24, 2020

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Sustainability at PMI: Managing Social Impact



Responsible Sourcing of Materials and Services

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



Crop Diversification

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



Labor Relations

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



Inclusion and Diversity

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

Pilot Human Rights Impact Assessment in Mexico

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

Source: PMI Sustainability

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Sustainability at PMI: Reducing Environmental Footprint

Climate



- CDP Climate A-List for 6 years in a row
- CDP Supplier engagement leadership for 3 years in a row

Water



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



Electronic Waste

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

Litter



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

Source: PMI Sustainability

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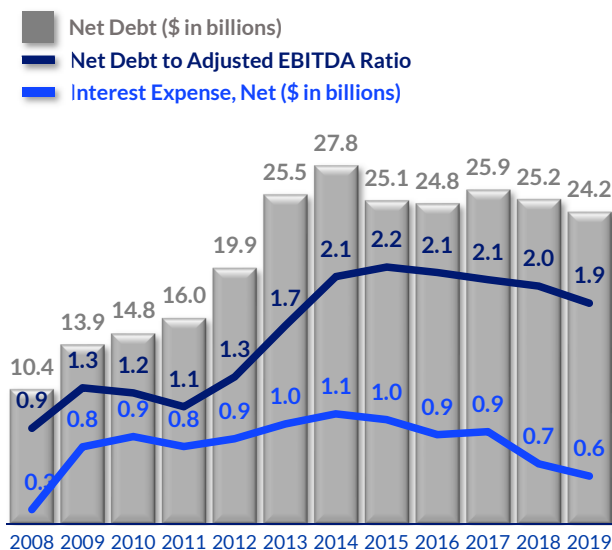
Solid Capital Structure



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

(a) Reflects ratings for Moody's, Standard & Poor's and Fitch, respectively
Source: PMI Financials or estimates (as of February 10, 2020)

Net Debt, Leverage and Interest Expense Evolution



8

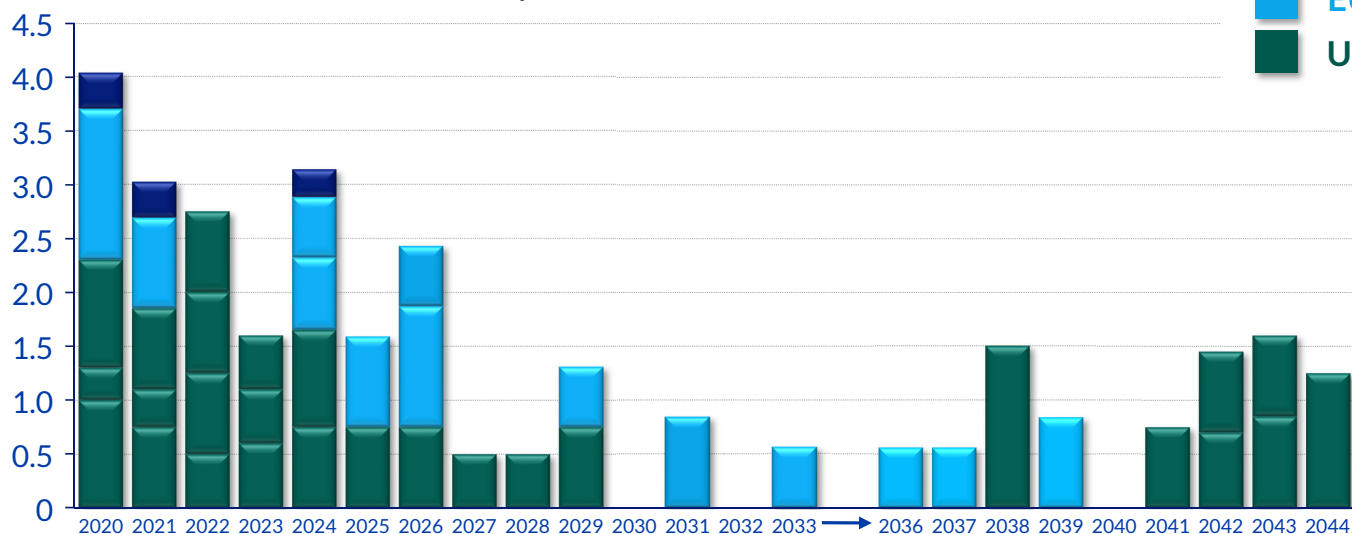
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Well-Laddered Bond Portfolio

(\$ in billions)



Bond Maturity Profile as of December 31, 2019



8

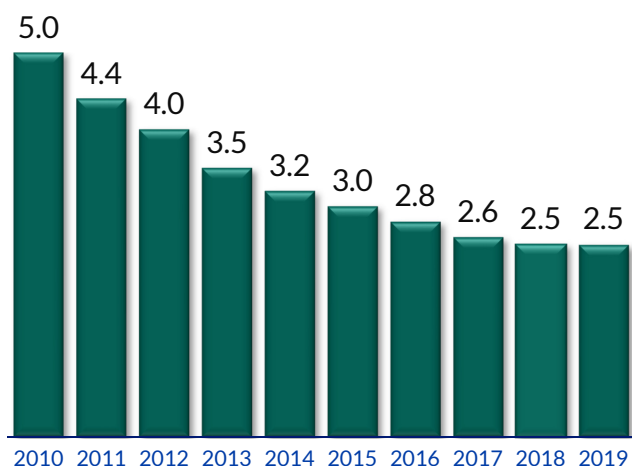
Source: PMI Financials or estimates

100

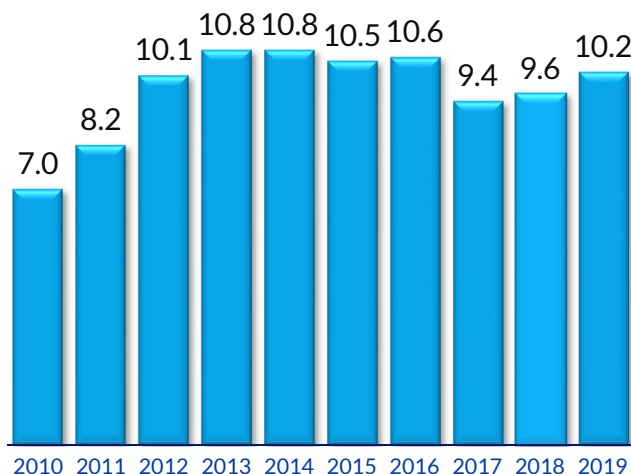


Debt Financing at Attractive Terms

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



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



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

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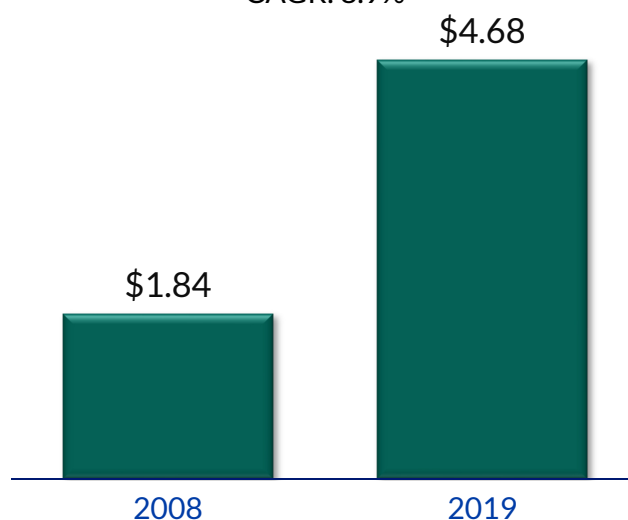
8

Rewarding Our Shareholders: Attractive Dividend



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

PMI Dividend
CAGR: 8.9%



(a) Net cash provided by operating activities

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

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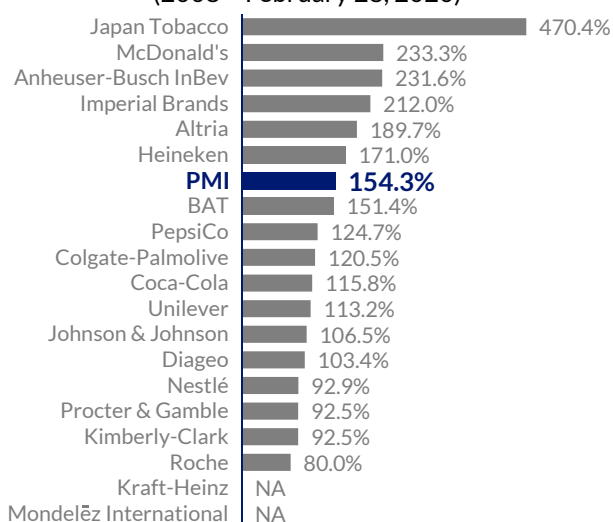
8

Rewarding Our Shareholders: Attractive Dividend



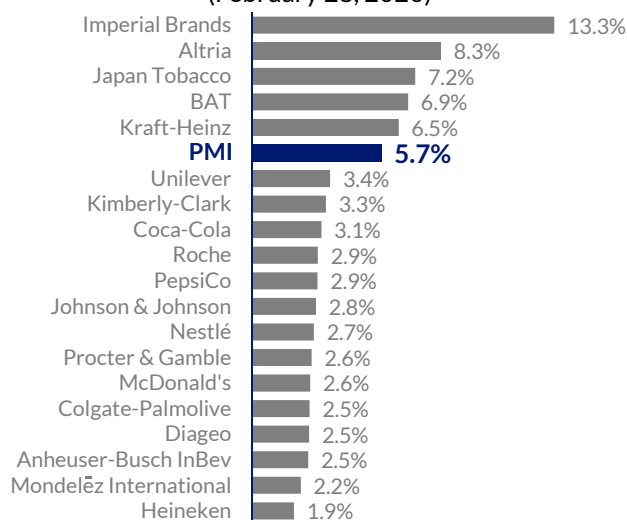
Dividend Growth: Peer Group

(2008 – February 28, 2020)



Dividend Yield: Peer Group

(February 28, 2020)



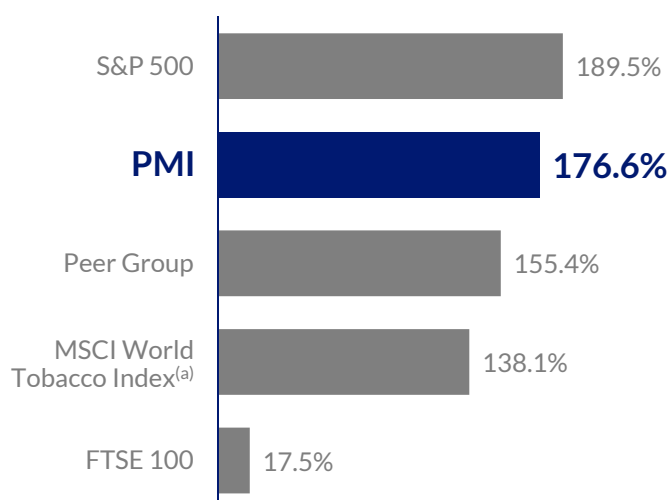
Note: PMI reflects absolute growth in annualized announced dividends from time of first PMI dividend of \$0.46 in June 2008 through February 28, 2020. Companies in the Peer Group reflect absolute growth from FY 2008 dividends or Q2, 2008 annualized dividend through current last twelve months dividends or current last quarter annualized dividend as appropriate. Dividend yield represents the annualized dividend on February 28, 2020, over the closing share price on that date. The current annualized dividend rate for PMI is \$4.68. The closing share price for PMI was \$81.87 on February 28, 2020. NA stands for not available
Source: FactSet

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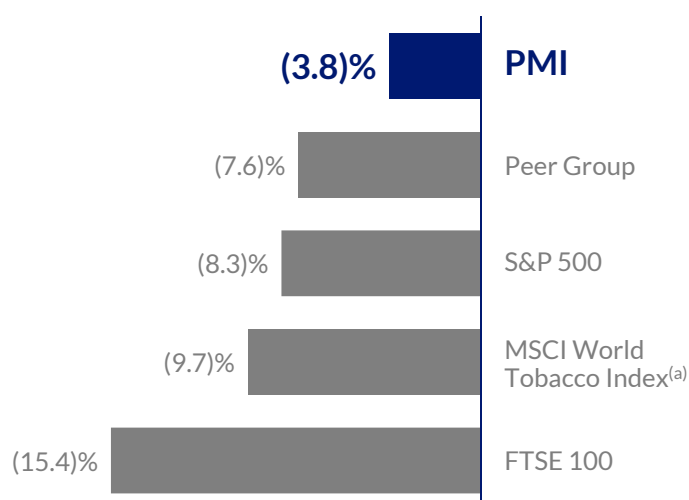
Rewarding Our Shareholders: Total Return



Spin (March 28, 2008) – February 28, 2020



January 1, 2020 – February 28, 2020



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

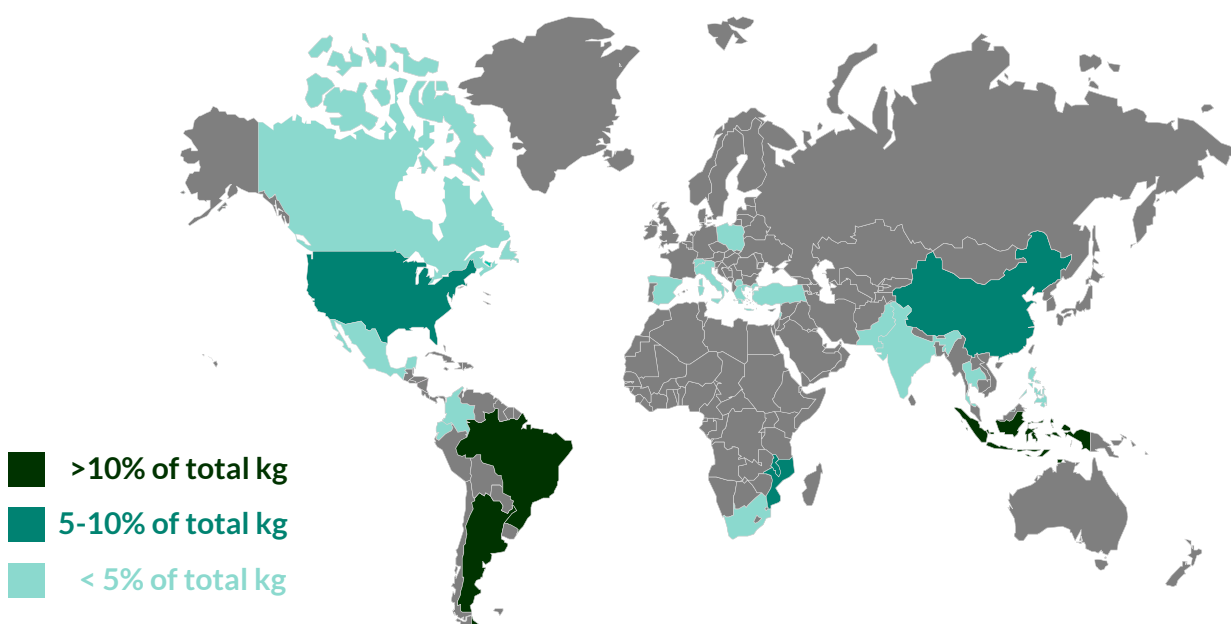
Note: TSR in USD. The MSCI World Tobacco Index and the company peer group represent the market weighted-average return of the index/group. PMI total shareholder return pro forma for additional \$0.46 per share dividend paid in April 2008 impacts the period March 28, 2008 – February 28, 2020. Exchange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

Source: FactSet, Bloomberg, and MSCI World Tobacco Index

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

PMI Tobacco Leaf Purchases by Geography (2019)



PMI Manufacturing Footprint (2019)

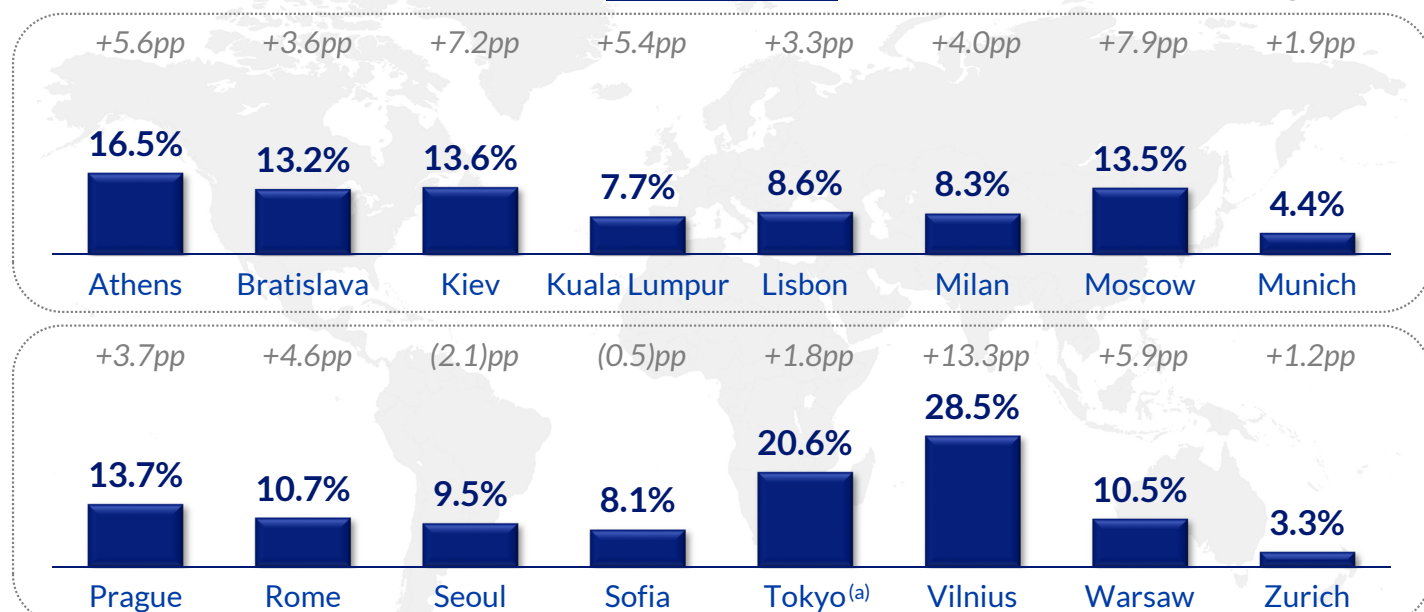


(a) Includes facilities in Greece, Italy, Korea, Poland, Romania, Russia and Switzerland that are fully or partially dedicated to the production of HTUs or other nicotine-containing products
Source: PMI Operations and PMI Form 10-K (fiscal year ended December 31, 2019)

HTU Offtake Shares in Key Cities

PMI (Q4, 2019)

Change vs. PY



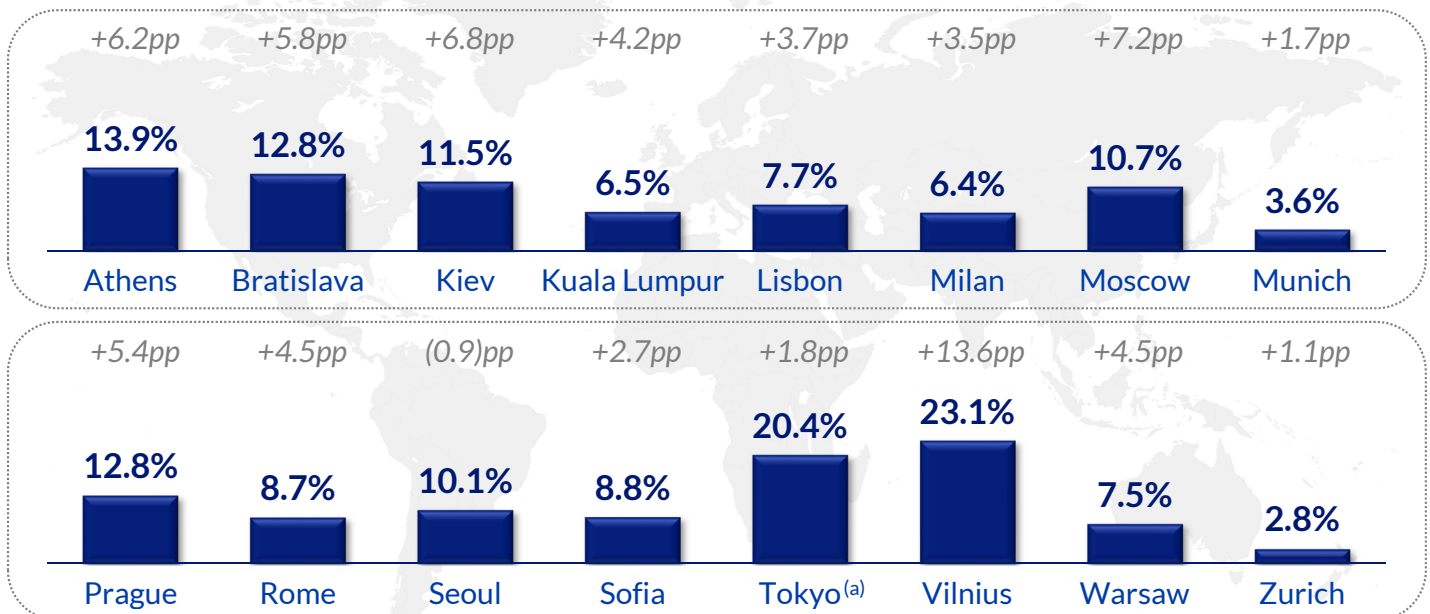
(a) Japan total market includes the cigarillo category
Source: PMI Financials or estimates



HTU Offtake Shares in Key Cities

PMI (FY, 2019)

Change vs. PY



(a) Japan total market includes the cigarillo category
Source: PMI Financials or estimates

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Cigarette Excise Tax Structures: Select Markets

(February 1, 2020)

Argentina			Australia		Germany	
	%					
	Nominal	RSP ^(f)	Tobacco Excise Tax (AUD/Kg)	1,291.77	Ad Valorem Excise Tax	21.69%
Social Assistance Fund (SAF) ^(a)	7.00	7.00	Tobacco Excise Tax (AUD/000) ^(a)	936.53	Specific Excise Tax (EUR/000)	98.20
Special Tobacco Fund (STF) ^(b)	7.35	9.01	VAT (Nominal)	10%	Minimum Total Tax (EUR/000) ^(a)	207.87
Excise Tax ^(c)	70.00	54.57	(a) If not exceeding 0.8g per cigarette		VAT (Nominal)	19.0%
VAT ^(d)	21.00	4.91			(a) Minimum Total Tax also includes the VAT	
Turnover Tax ^(e)	3.53	0.57	France		Italy	
Tax Burden		76.07	Ad Valorem Excise Tax	52.70%	Ad Valorem Excise Tax	51.24%
(a) 7% x RSP			Specific Excise Tax (EUR/000)	62.00	Specific Excise Tax (EUR/000)	21.58
(b) [7.35% x (RSP - SAF - VAT)] + 2.8663 (as per Jan 2020)			Minimum Excise Tax (EUR/000)	297.00	Minimum Total Tax (EUR/000) ^(a)	188.73
(c) 70% x (RSP - SAF - VAT - STF). Minimum excise tax: ARS 56.98 (December 2019-February 2020)			VAT (Nominal)	20.0%	VAT (Nominal)	22.0%
(d) NEFP 21% + Wholesaler & Retailer margin x 21%					(a) Minimum Total Tax also includes the VAT	
(e) Net ex-factory price x 3.53%						
(f) Based on Philip Morris soft pack (ARS 113.00)						
Note: NEFP is net ex-factory price						

Note: 20 cigarettes per pack

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Cigarette Excise Tax Structures: Select Markets (cont.)

(February 1, 2020)

Japan		Mexico		Saudi Arabia	
National – Tobacco Tax (JPY/pack)	116.04	Ad Valorem Excise Tax ^(a)	160%	Ad Valorem Excise Tax (% of RSP) ^(a)	50.00%
National – Special Tobacco Tax (JPY/pack)	16.40	Specific Excise Tax (MXN/000)	494.40	VAT (Nominal)	5.0%
Local Excise Tax (JPY/pack)	<u>132.44</u>	VAT (Nominal)	16%	Minimum Reference Price (SAR/pack)	8.00
Total (JPY/pack)	264.88	(a) Ad valorem excise tax is 160% of manufacturer / wholesale price to retail excluding taxes (VAT and Excise)		(a) % of RSP before VAT, effective excise tax is 47.60% of RSP including VAT	
VAT (Nominal)	10%	Philippines		Spain	
Korea		Specific Excise Tax (PHP/pack) ^(a)	45.00	Ad Valorem Excise Tax	51.00%
Tobacco Consumption Tax (KRW/pack)	1,007.00	(a) Jan. 1, 2021 (PHP 50.00); Jan. 1, 2022 (PHP 55.00); Jan. 1, 2023 (PHP 60.00); January 1, 2024 onwards (+5% / year)		Specific Excise Tax (EUR/000)	24.70
Public Health Tax (KRW/pack)	841.00	Poland		Minimum Excise Tax (EUR/000)	131.50
Education Tax (KRW/pack)	442.98	Ad Valorem Excise Tax	32.05%	VAT (Nominal)	21.0%
Green Fund Tax (KRW/pack)	24.92	Specific Excise Tax (PLN/000)	228.10	Turkey	
Individual Consumption Tax (KRW/pack)	594.00	Minimum Excise Tax (PLN/000)	454.21	Ad Valorem Excise Tax (% of RSP)	67.00%
Farmer's Subsidy Tax (KRW/pack)	5.00	VAT (Nominal)	23.0%	Specific Excise Tax (TRY/000)	22.70
Total (KRW/pack)	2,914.90			Minimum Ad Valorem Yield (TRY/000)	389.90
VAT (Nominal)	10%			VAT (Nominal)	18%

Note: 20 cigarettes per pack

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Excise Tax Structure: Russia

(February 1, 2020)



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

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

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Excise Tax Structure: Indonesia

(January 1, 2020)

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	1,700	814.0
	Volume Tier 2 (≤ 3 billion units)	1	1,276	517.0
		2	1,020	500.5
Whites (SPM)	Volume Tier 1 (> 3 billion units)	1	1,790	869.0
	Volume Tier 2 (≤ 3 billion units)	1	1,486	533.5
		2	1,015	517.0
Hand-Rolled Kretek (SKT)	Volume Tier 1 (> 2 billion units)	1	1,461	467.5
	Volume Tier 2 (> 500 million units–2 billion units)	2	1,015	363.0
		1	535	220.0
	Volume Tier 3 (≤ 500 million units)		450	121.0

Note: HJE stands for banderole price

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Excise Tax Structure: Indonesia (Previous)

(January 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
	Volume Tier 2 (≤ 3 billion units)	1	896	423.5
		2	715	407.0
Whites (SPM)	Volume Tier 1 (> 3 billion units)	1	1,130	687.5
	Volume Tier 2 (≤ 3 billion units)	1	936	407.0
		2	640	390.5
Hand-Rolled Kretek (SKT)	Volume Tier 1 (> 2 billion units)	1	1,261	401.5
	Volume Tier 2 (> 500 million units–2 billion units)	2	890	319.0
		1	470	198.0
	Volume Tier 3 (≤ 500 million units)		400	110.0

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

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Excise Tax Structure: Japan

(February 1, 2020)



Cigarettes

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

Heated Tobacco Products (HTPs)

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

Note: 20 cigarettes/heated tobacco units per pack

HTP Excise Tax Structure

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

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

11,253

(a) Reflects effective specific rate for the second year of five-year-phase-in period

(b) Reflects indicative simple average "total weight" for Marlboro HeatSticks

(c) Reflects indicative simple average "heated tobacco weight" for Marlboro HeatSticks

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Multi-Year Tobacco Tax Plan: Japan

(February 1, 2020)



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

(a) Previously, HTPs were taxed based on pipe tobacco excise tax rate

(b) Taxable base is weight of heated tobacco

(c) Taxable base is RSP net of VAT

(d) Effective ad valorem rate is calculated as the excise tax incidence based on announced average RSP

Note: Based on current law

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IQOS: Retail Selling Prices

(February 1, 2020)

RSP^(a)

Market	Currency	IQOS Kit				Pack	
		2.4 Plus	3 Multi	3	3 DUO	HTUs	Marlboro Cigarettes
ALBANIA	ALL	5,000	9,900	9,900	10,900	320	320
ANDORRA	EUR	59	79	-	99	3.55	3.65
ARMENIA	AMD	22,000	43,000	50,000	50,000	650	750
BELARUS	BYN	85	199	199	209	3.70	3.19
BOSNIA & HERZ.	BAM	75	150	150	170	5.50	5.80
BULGARIA	BGN	90	150	170	190	5.80	5.70
CANADA ^(b)	CAD	102	130	147	153	7.29	14.10
CANARY ISLANDS	EUR	49	79	59	99	3.00	3.80
COLOMBIA	COP	200,000	250,000	300,000	315,000	7,500	7,800
CROATIA	HRK	320	590	490	690	26.00	30.00

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

(b) RSPs are for the Province of Ontario. HTUs sold in cartons of 8 packs of 20 units, and 5 packs of 10 units, for CAD 56.50 and CAD 22.60, respectively. Cigarette RSP for pack of 20 cigarettes equivalent (RBH brand: *Belmont* 25s)

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

Source: PMI affiliates

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IQOS: Retail Selling Prices (cont.)

(February 1, 2020)

RSP^(a)

Market	Currency	IQOS Kit				Pack	
		2.4 Plus	3 Multi	3	3 DUO	HTUs	Marlboro Cigarettes
CURACAO	ANG	95	135	170	190	11.50	12.00
CYPRUS	EUR	49	79	-	99	4.00	4.90
CZECH REPUBLIC	CZK	1,290	2,090	2,290	2,490	100	109
DENMARK ^(b)	DKK	499	549	-	699	35.00	46.50
DOMINICAN REP.	DOP	2,500	3,500	4,500	5,000	250	260
FRANCE	EUR	49	89	89	99	7.00	9.30
GERMANY	EUR	69	89	59	99	6.00	6.70
GREECE	EUR	49	79	69	99	4.00	4.60
GUATEMALA	GTQ	400	550	700	800	25.00	25.00
HUNGARY	HUF	19,990	30,990	-	31,990	1,300	1,440

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

(b) HTU pack RSP based on bundle of 10 packs (representing 80% of total volume). HTU pack RSP for single *HEETS* pack is DKK 44.00

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

Source: PMI affiliates

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IQOS: Retail Selling Prices (cont.)

(February 1, 2020)

RSP^(a)

Market	Currency	IQOS Kit				Pack	
		2.4 Plus	3 Multi	3	3 DUO	HTUs	Marlboro Cigarettes
ISRAEL	ILS	-	325	-	349	30.0	32.0
ITALY	EUR	49	89	89	99	4.50	5.70
JAPAN ^(b)	JPY	4,980	6,980	8,980	9,980	470/520	520
KAZAKHSTAN	KZT	17,000	33,500	-	37,000	480	500
KOREA	KRW	100,000	110,000	110,000	130,000	4,500	4,500
LATVIA	EUR	49	79	-	99	3.50	3.90
LITHUANIA	EUR	49	79	-	99	3.40	3.95
MALAYSIA	MYR	169	269	329	369	14.00	17.40
MEXICO	MXN	1,199	1,599	-	1,899	60.00	63.00
MOLDOVA	MDL	799	1,599	-	1,699	35.0	36.0

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

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

Note: Excludes the U.S. and duty free. Unless otherwise stated, 20 cigarettes / HTUs per pack

Source: PMI affiliates

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IQOS: Retail Selling Prices (cont.)

(February 1, 2020)

RSP^(a)

Market	Currency	IQOS Kit				Pack	
		2.4 Plus	3 Multi	3	3 DUO	HTUs	Marlboro Cigarettes
MONACO	EUR	52	91	89	104	7.00	9.30
NETHERLANDS	EUR	59	79	69	89	6.00	7.20
NEW ZEALAND ^(b)	NZD	99	129	159	169	20.00	32.30
PALESTINE	ILS	170	325	-	340	22.00	25.00
POLAND	PLN	270	350	-	399	14.00	17.99
PORTUGAL	EUR	49	79	59	99	4.50	5.10
REUNION	EUR	60	89	-	99	9.00	10.60
ROMANIA	RON	250	359	-	449	17.00	19.50
RUSSIA	RUB	2,990	5,990	5,990	6,490	145	175
SERBIA	RSD	4,500	9,000	-	10,000	300 ^(c)	360 ^(c)

(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) Effective February 3rd

Note: Excludes the U.S. and duty free. Unless otherwise stated, 20 cigarettes / HTUs per pack

Source: PMI affiliates

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IQOS: Retail Selling Prices (cont.)

(February 1, 2020)

RSP^(a)

Market	Currency	IQOS Kit				Pack	
		2.4 Plus	3 Multi	3	3 DUO	HTUs	Marlboro Cigarettes
SLOVAK REP.	EUR	49	79	-	99	3.50	4.00
SLOVENIA	EUR	49	79	69	99	3.80	4.20
SOUTH AFRICA	ZAR	970	1,300	1,370	1,450	43.50	44.00
SPAIN	EUR	49	79	49	99	4.85	5.00
SWEDEN	SEK	-	849	-	999	50.00	68.00
SWITZERLAND	CHF	69	89	99	109	8.00	8.60
TURKISH CYPRUS	TRY	399	549	-	629	17.00	17.00
UKRAINE ^(b)	UAH	1,299	2,399	2,299	2,699	50.00	51.00
UAE	AED	-	-	-	500	20.00	22.00
U.K.	GBP	59	79	89	89	5.00	11.05

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

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

Note: Excludes the U.S. and duty free. Unless otherwise stated, 20 cigarettes / HTUs per pack. Slovak Rep. is Slovak Republic. UAE is the United Arab Emirates

Source: PMI affiliates

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PMI Cigarettes: RSPs in Select Markets

(February 1, 2020)



		Above Premium	Premium	Mid-Price	Low-Price
Argentina ^(a)	ARS	Parliament 153.00	Marlboro 138.00	Philip Morris 113.00	Chesterfield 98.00
Australia ^(b)	AUD		Marlboro 33.44	Peter Jackson 31.63	Bond Street 28.35
France	EUR		Marlboro 9.30	Philip Morris 9.10	Chesterfield / L&M 8.90
Germany	EUR		Marlboro 6.70		Chesterfield / L&M 6.30
Indonesia ^(c)	IDR		Sampoerna A Mild 23,773	U Mild 20,381	DSS Magnum Mild 18,458
Italy	EUR		Marlboro 5.70		Chesterfield / L&M 4.90
Japan ^(d)	JPY	Parliament 540	Marlboro 520	Lark 460	Lark Smart Plus 390
Korea	KRW		Marlboro 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 January 2020 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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PMI Cigarettes: RSPs in Select Markets (cont.)

(February 1, 2020)

		Above Premium	Premium	Mid-Price	Low-Price
Mexico	MXN		<i>Marlboro</i> 63.00		<i>Chesterfield</i> 50.00
Philippines	PHP		<i>Marlboro</i> 99.00	<i>Fortune</i> 90.00	
Poland ^(a)	PLN		<i>Marlboro</i> 17.99	<i>L&M</i> 16.50	<i>Chesterfield</i> 15.30
Russia ^(b)	RUB	<i>Parliament</i> 195	<i>Marlboro</i> 175	<i>Chesterfield</i> 149	<i>Bond Street Compact</i> ^(c) 117
Saudi Arabia	SAR	<i>Parliament</i> 27.00	<i>Marlboro</i> 25.00	<i>L&M</i> 20.00	<i>Chesterfield</i> 16.00
Spain	EUR		<i>Marlboro</i> 5.00	<i>Chesterfield</i> 4.70	<i>L&M</i> 4.45
Turkey	TRY	<i>Parliament</i> 18.50	<i>Marlboro</i> 18.00	<i>Muratti</i> 16.00	<i>Chesterfield</i> 14.50

(a) Reflects new RSPs announced on January 1, 2020. Until February 1st, cigarette packs were still being sold at old prices: *Marlboro* (PLN 17.00), *L&M* (PLN 15.0), *Chesterfield* (PLN 14.50)

(b) Maximum RSPs for mainline variants

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

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

Source: PMI affiliates

Glossary: General Terms



- "PMI" refers to Philip Morris International Inc. and its subsidiaries
- Until March 28, 2008, PMI was a wholly owned subsidiary of Altria Group, Inc. ("Altria"). Since that time the company has been independent and is listed on the New York Stock Exchange (ticker symbol "PM")
- "RBH" refers to PMI's Canadian subsidiary, Rothmans, Benson & Hedges Inc.
- The Companies' Creditors Arrangement Act (CCAA) is a Canadian federal law that permits a Canadian business to restructure its affairs while carrying on its business in the ordinary course
- Trademarks are italicized
- Comparisons are made to the same prior-year period unless otherwise stated
- Unless otherwise stated, references to total industry, total market, PMI shipment volume and PMI market share performance reflect cigarettes and heated tobacco units
- References to total international market, defined as worldwide cigarette and heated tobacco unit volume excluding the U.S., total industry, total market and market shares are PMI estimates for tax-paid products based on the latest available data from a number of internal and external sources and may, in defined instances, exclude the People's Republic of China and/or PMI's duty free business. In addition, to reflect the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), effective March 22, 2019, PMI's total market share has been restated for previous periods
- "OTP" is defined as "other tobacco products," primarily roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos, and does not include reduced-risk products
- "Combustible products" is the term PMI uses to refer to cigarettes and OTP, combined
- "In-market sales," or "IMS," is defined as sales to the retail channel, depending on the market and distribution model
- "Total shipment volume" is defined as the combined total of cigarette shipment volume and heated tobacco unit shipment volume



Glossary: General Terms (cont.)

- "EU" is defined as the European Union Region
- "EE" is defined as the Eastern Europe Region
- "ME&A" is defined as the Middle East & Africa Region and includes PMI's duty free business
- "S&SA" is defined as the South & Southeast Asia Region
- "EA&A" is defined as the East Asia & Australia Region
- "LA&C" is defined as the Latin America & Canada Region
- Following the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), PMI will continue to report the volume of brands sold by RBH for which other PMI subsidiaries are the trademark owner. These include *HEETS*, *Next*, *Philip Morris* and *Rooftop*, which accounted for approximately 40% of RBH's total shipment volume in 2018
- From time to time, PMI's shipment volumes are subject to the impact of distributor inventory movements, and estimated total industry/market volumes are subject to the impact of inventory movements in various trade channels that include estimated trade inventory movements of PMI's competitors arising from market-specific factors that significantly distort reported volume disclosures. Such factors may include changes to the manufacturing supply chain, shipment methods, consumer demand, timing of excise tax increases or other influences that may affect the timing of sales to customers. In such instances, in addition to reviewing PMI shipment volumes and certain estimated total industry/market volumes on a reported basis, management reviews these measures on an adjusted basis that excludes the impact of distributor and/or estimated trade inventory movements. Management also believes that disclosing PMI shipment volumes and estimated total industry/market volumes in such circumstances on a basis that excludes the impact of distributor and/or estimated trade inventory movements, such as on an IMS basis, improves the comparability of performance and trends for these measures over different reporting periods
- "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
- "SoS" stands for share of segment
- "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 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, and the Russia excise & VAT charge, recorded in the third quarter of 2019. PMI believes that the adjusted measures, including pro forma measures, will provide useful insight into underlying business trends and results, and will provide a more meaningful performance comparison for the period during which RBH remains under CCAA protection
- "Fair value adjustment for equity security investments" reflects the adjustment resulting from share price movements in passive investments for publicly traded entities that are not controlled or influenced by PMI. Under U.S. GAAP, such adjustments are required, since January 1, 2018, to be reflected directly in the income statement
- Historical view extracts the share data as reported at a given period, while current view generates the restated data across all periods as per the latest attribute information
- Comparisons presented on a "like-for-like" basis reflect pro forma 2018 results, which have been adjusted for the deconsolidation of PMI's Canadian subsidiary, Rothmans, Benson & Hedges Inc. (RBH), effective March 22, 2019 (the date of deconsolidation). Where noted, PMI's market shares have been restated for previous periods to reflect the deconsolidation



Glossary: Reduced-Risk Products

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



Glossary: Reduced-Risk Products (cont.)

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



Glossary: Reduced-Risk Products (cont.)

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



Glossary: IQOS in the United States

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

Glossary: Sustainability



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

PMI: Peer Group



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

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



Shipment Volume Adjusted for the Impact of RBH Deconsolidation
(in million units) / (Unaudited)

Total PMI

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

Latin America & Canada

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

(a) Includes Duty Free sales in Canada

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

(c) Pro forma

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

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

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



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

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

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

(a) For the calculation, see previous slide

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

(c) Pro forma

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

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

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

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

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

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

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

(b) Pro forma



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

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

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

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

(b) Pro forma

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

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

(a) Represents asset impairment and exit costs

(b) Represents the Russia excise and VAT audit charge

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

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PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

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

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

(b) Pro forma

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

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

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

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



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

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

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

(a) For the calculation of Adjusted Operating Income and Adjusted Operating Income excluding currency and acquisitions refer to slide 141
(b) For the calculation of Net Revenues excluding currency and acquisitions refer to slide 138



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

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

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

(a) For the calculation of Adjusted Operating Income refer to slide 141

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

(c) Pro forma



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

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

Latin America & Canada	Years Ended December 31,		
	2019	2018	% Change
Adjusted Operating Income ^(a)	\$ 728	\$ 1,145	(36.4)%
Net Revenues	\$ 2,206	\$ 3,056	
Adjusted OI Margin	33.0%	37.5%	(4.5)
Adjusted OI Margin attributable to RBH		(11.4) ^(b)	
Adjusted OI Margin	33.0%	26.1% ^(c)	6.9
Less: Currency	1.6		
Adjusted OI Margin, excluding Currency	31.4%	26.1% ^(c)	5.3

(a) For the calculation of Adjusted Operating Income refer to slide 143

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

(c) Pro forma



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

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

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

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

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

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

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



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

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

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Years Ended December 31,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2017					Reduced-Risk Products	2016	% Change		
\$ 269	\$ 5	\$ 264	\$ -	\$ 264	European Union	\$ 57	+100%	+100%	+100%
55	3	52	-	52	Eastern Europe	6	+100%	+100%	+100%
94	(3)	98	-	98	Middle East & Africa	4	+100%	+100%	+100%
-	-	-	-	-	South & Southeast Asia	-	-	-	-
3,218	(94)	3,312	-	3,312	East Asia & Australia	666	+100%	+100%	+100%
4	-	4	-	4	Latin America & Canada	1	+100%	+100%	+100%
\$ 3,640	\$ (89)	\$ 3,729	\$ -	\$ 3,729	Total RRP	\$ 733	+100%	+100%	+100%
2017					PMI	2016	% Change		
\$ 8,318	\$ 45	\$ 8,273	\$ -	\$ 8,273	European Union	\$ 8,162	1.9%	1.4%	1.4%
2,711	229	2,482	-	2,482	Eastern Europe	2,484	9.1%	(0.1)%	(0.1)%
3,988	(520)	4,508	-	4,508	Middle East & Africa	4,516	(11.7)%	(0.2)%	(0.2)%
4,417	(63)	4,480	-	4,480	South & Southeast Asia	4,396	0.5%	1.9%	1.9%
6,373	(74)	6,447	-	6,447	East Asia & Australia	4,285	48.7%	50.5%	50.5%
2,941	(54)	2,995	-	2,995	Latin America & Canada	2,842	3.5%	5.4%	5.4%
\$ 28,748	\$ (437)	\$ 29,185	\$ -	\$ 29,185	Total PMI	\$ 26,685	7.7%	9.4%	9.4%

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

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



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

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Years Ended December 31,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
2016					Reduced-Risk Products	2015	% Change		
\$ 57	\$ (2)	\$ 60	\$ -	\$ 60	European Union	\$ 29	96.4%	+100%	+100%
6	-	6	-	6	Eastern Europe	-	-	-	-
4	1	3	-	3	Middle East & Africa	-	-	-	-
-	-	-	-	-	South & Southeast Asia	-	-	-	-
666	70	597	-	597	East Asia & Australia	35	+100%	+100%	+100%
1	-	1	-	1	Latin America & Canada	-	-	-	-
\$ 733	\$ 67	\$ 666	\$ -	\$ 666	Total RRPs	\$ 64	+100%	+100%	+100%
2016					PMI	2015	% Change		
\$ 8,162	\$ (147)	\$ 8,309	\$ -	\$ 8,309	European Union	\$ 8,068	1.2%	3.0%	3.0%
2,484	(340)	2,824	-	2,824	Eastern Europe	2,735	(9.2)%	3.3%	3.3%
4,516	(260)	4,776	-	4,776	Middle East & Africa	4,629	(2.4)%	3.2%	3.2%
4,396	(71)	4,467	-	4,467	South & Southeast Asia	4,288	2.5%	4.2%	4.2%
4,285	63	4,222	-	4,222	East Asia & Australia	3,915	9.5%	7.8%	7.8%
2,842	(525)	3,367	-	3,367	Latin America & Canada	3,159	(10.0)%	6.6%	6.6%
\$ 26,685	\$ (1,280)	\$ 27,965	\$ -	\$ 27,965	Total PMI	\$ 26,794	(0.4)%	4.4%	4.4%

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

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



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

Year Ended December 31, 2017					
	Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Net Revenues	Adjusted Operating Income Margin
European Union	\$ 3,691	\$ -	\$ 3,691	\$ 8,318	44.4%
Eastern Europe	887	-	887	2,711	32.7%
Middle East & Africa	1,884	-	1,884	3,988	47.2%
South & Southeast Asia	1,514	-	1,514	4,417	34.3%
East Asia & Australia	2,608	-	2,608	6,373	40.9%
Latin America & Canada	997	-	997	2,941	33.9%
Total PMI	\$ 11,581	\$ -	\$ 11,581	\$ 28,748	40.3%



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

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

Year Ended December 31, 2016

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



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

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

Year Ended December 31, 2015

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

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

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

(b) Includes the Canadian tobacco litigation-related expense (\$194 million), the loss on deconsolidation of RBH (\$239 million) and the Russia excise and VAT audit charge (\$374 million)

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