



PHILIP MORRIS  
INTERNATIONAL

Delivering a Smoke-Free Future

# 2019 Fourth-Quarter and Full-Year Results

## February 6, 2020

# Introduction



- A glossary of key terms and definitions, including the definition for reduced-risk products, or "RRPs," as well as adjustments, other calculations and reconciliations to the most directly comparable U.S. GAAP measures and our business transformation metrics are at the end of today's webcast slides, which are posted on our website
- Unless otherwise stated, all references to *IQOS* are to our *IQOS* heat-not-burn products
- Comparisons are presented on a "like-for-like" basis reflecting pro forma 2018 results, which have been adjusted for the deconsolidation of our Canadian subsidiary, Rothmans, Benson & Hedges, Inc. (RBH), effective March 22, 2019

# Forward-Looking and Cautionary Statements



- This presentation and related discussion contain projections of future results and other forward-looking statements. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI
- PMI's business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our products; health concerns relating to the use of tobacco products and exposure to environmental tobacco smoke; litigation related to tobacco use; intense competition; the effects of global and individual country economic, regulatory and political developments, natural disasters and conflicts; changes in adult smoker behavior; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations, and limitations on the ability to repatriate funds; adverse changes in applicable corporate tax laws; adverse changes in the cost and quality of tobacco and other agricultural products and raw materials; and the integrity of its information systems and effectiveness of its data privacy policies. PMI's future profitability may also be adversely affected should it be unsuccessful in its attempts to produce and commercialize reduced-risk products or if regulation or taxation do not differentiate between such products and cigarettes; if it is unable to successfully introduce new products, promote brand equity, enter new markets or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; or if it is unable to attract and retain the best global talent. Future results are also subject to the lower predictability of our reduced-risk product category's performance
- PMI is further subject to other risks detailed from time to time in its publicly filed documents, including the Form 10-Q for the quarter ended September 30, 2019. PMI cautions that the foregoing list of important factors is not a complete discussion of all potential risks and uncertainties. PMI does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations

# Strong Performance in 2019

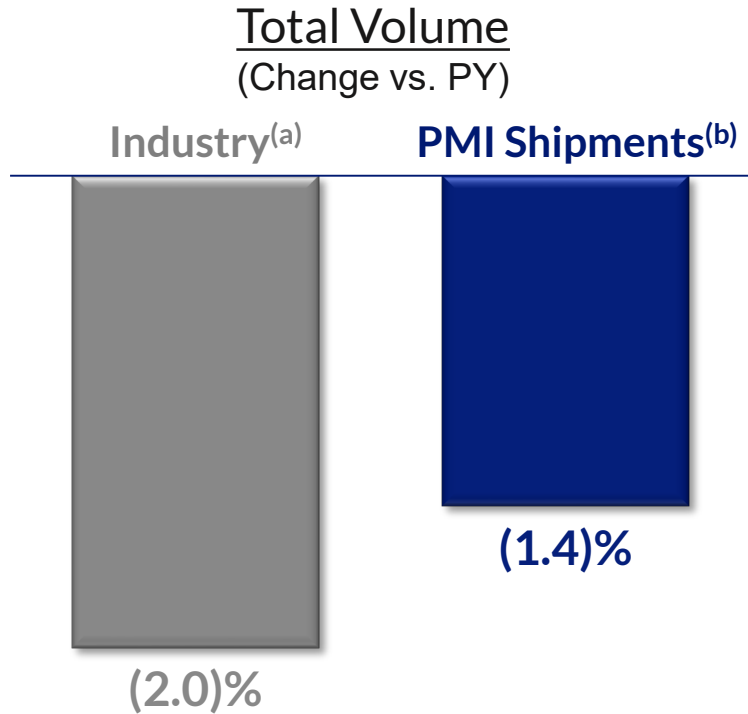
- Broad-based growth for *IQOS*
- Robust combustible tobacco portfolio results, with solid pricing
- Strong adjusted financial results on a currency-neutral like-for-like basis
- FDA Pre-Market Tobacco Authorization and U.S. commercial launch of *IQOS*<sup>(a)</sup>

(a) *IQOS* 2.4 device  
Source: PMI Financials or estimates

**IQOS 3 DUO**  
SIMPLY AMAZING



# PMI Total Volume: Full-Year 2019 In Line with Forecast



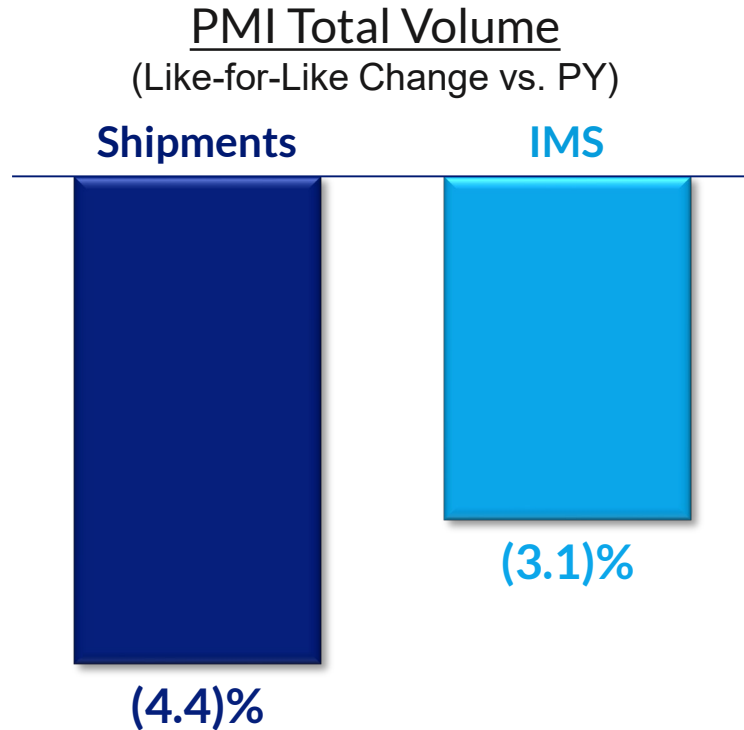
- Industry total volume decline broadly in line with historical trend; slightly better than our prior forecast of around 2.5%
- PMI volume in line with full-year forecast

(a) Excluding China and the U.S.

(b) Like-for-like basis

Source: PMI Financials or estimates

# PMI Total Volume: Q4, 2019



- Shipments include unfavorable impact of cigarette inventory movements vs. prior year quarter
- IMS decline primarily reflects the impact of recent pricing actions in Turkey and the Philippines

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



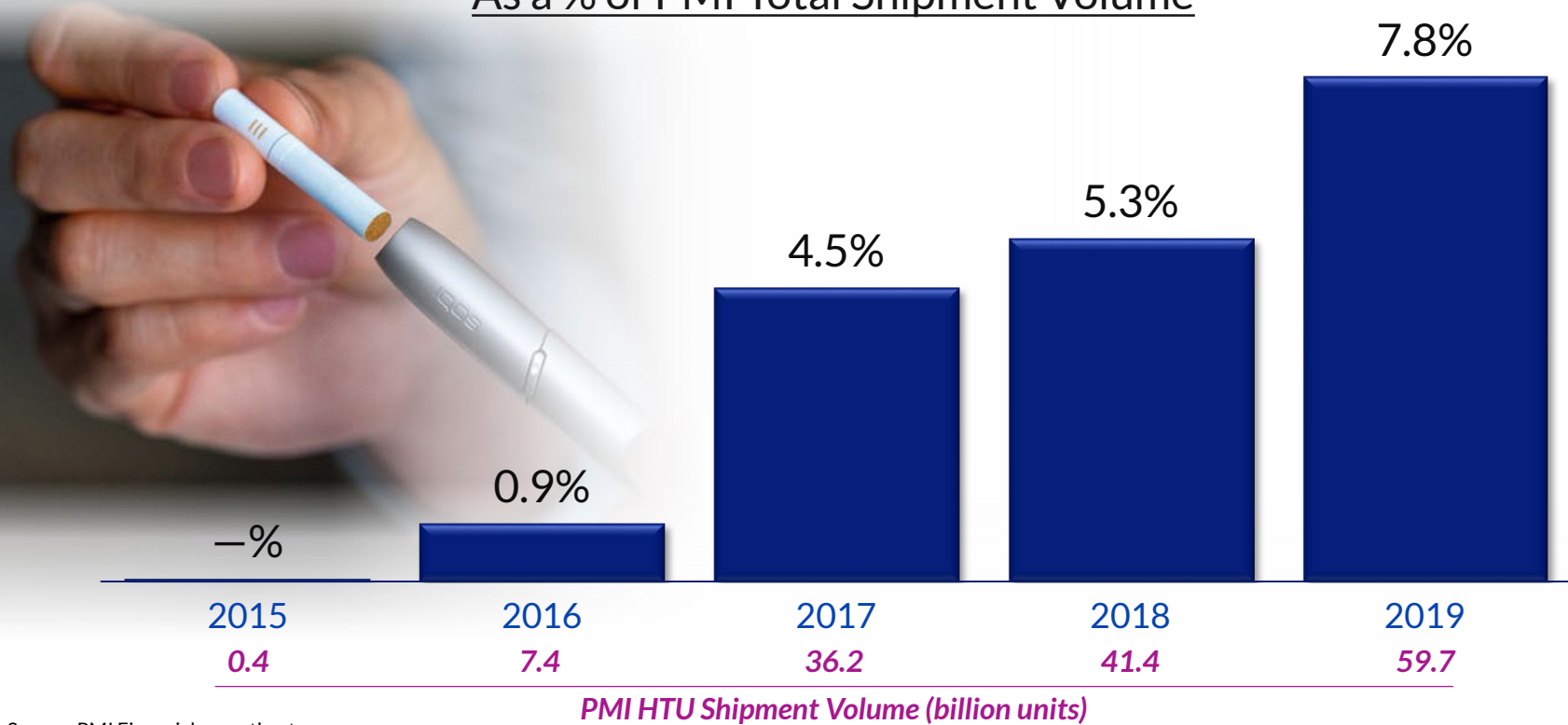
60  
billion units<sup>(a)</sup>  
in 2019

(a) 59.7 billion units

Source: PMI Financials or estimates

# Growing Contribution of HTUs to Our Total Shipments

As a % of PMI Total Shipment Volume

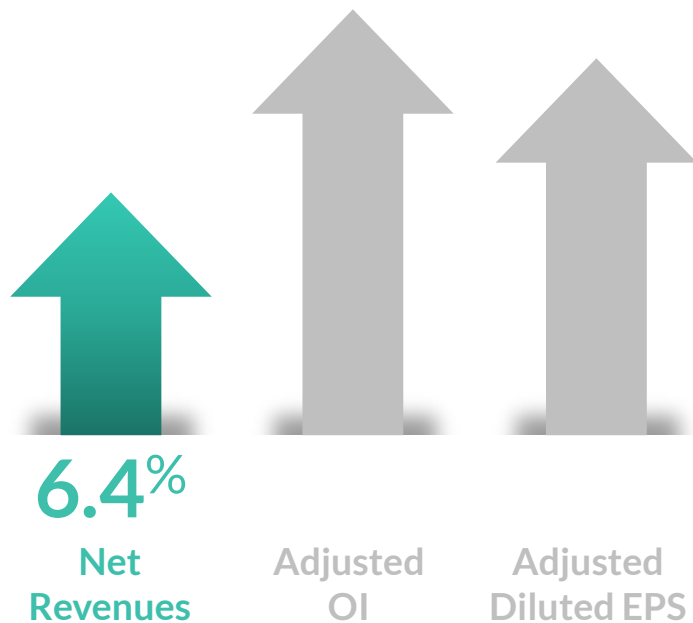




# Strong Adjusted Financial Results in 2019



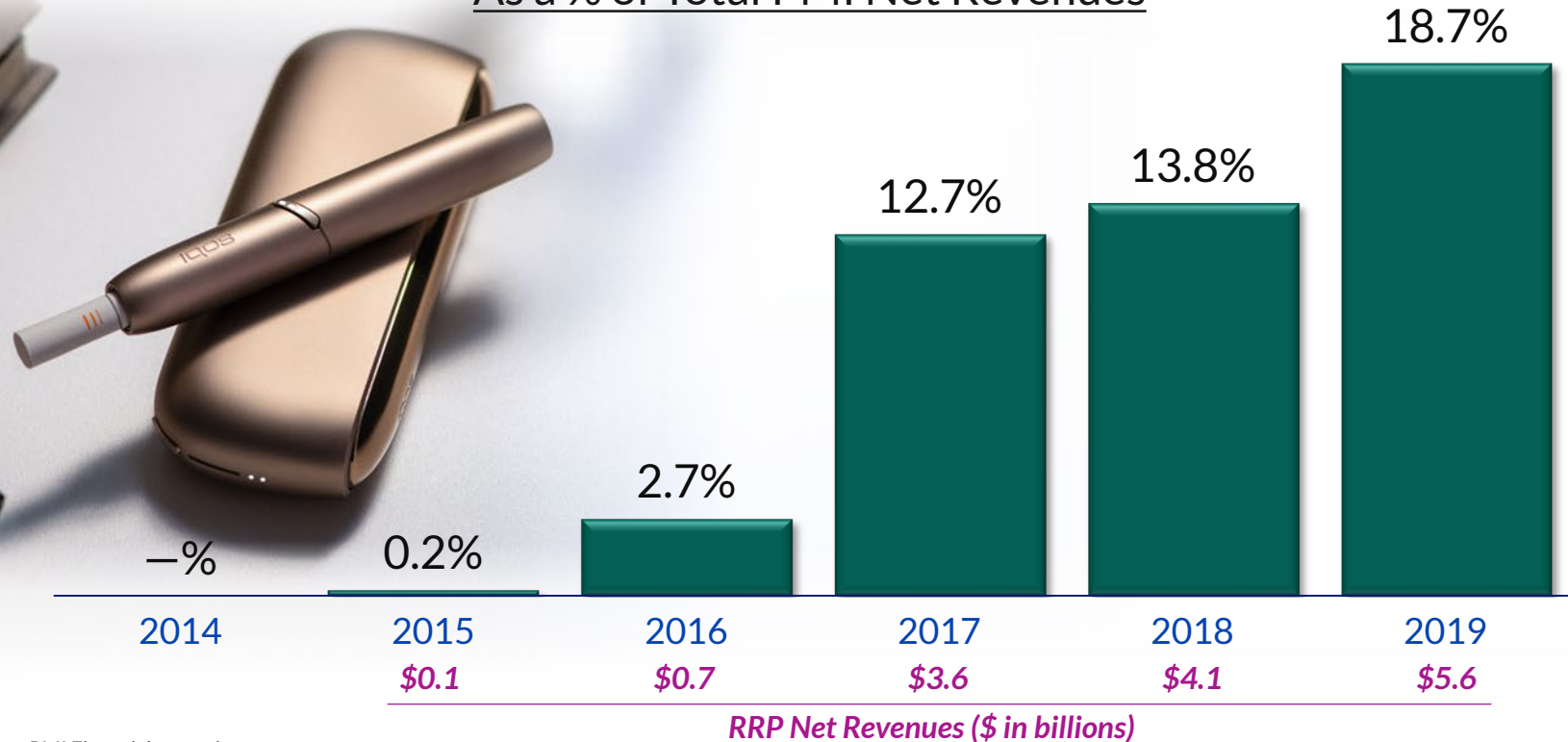
## Growth vs. PY (ex-currency, like-for-like basis)



- Currency-neutral like-for-like net revenue growth driven by:
  - Strong pricing for our combustible tobacco portfolio
  - Higher HTU shipment volume

# Five Years of Strong RRP Net Revenue Growth

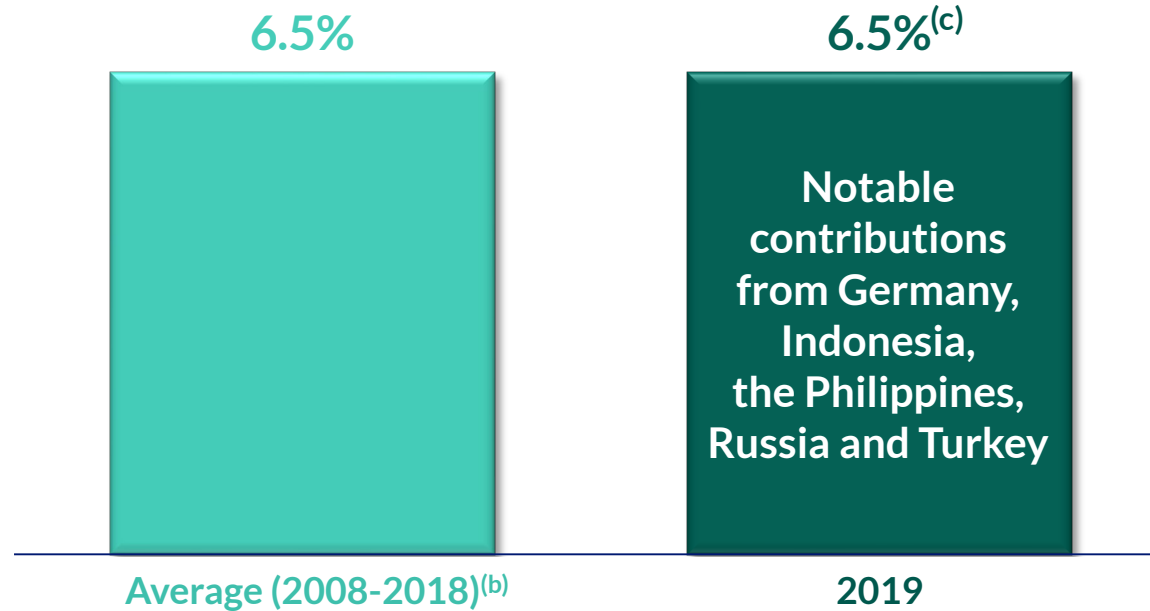
As a % of Total PMI Net Revenues



# Strong Combustible Tobacco Pricing in 2019



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



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

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

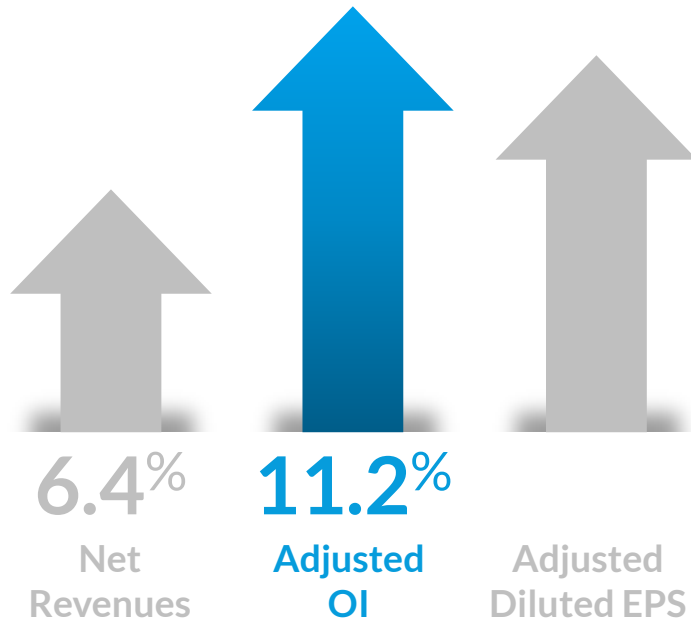
(c) On a like-for-like basis

Source: PMI Financials or estimates



# Strong Adjusted Financial Results in 2019

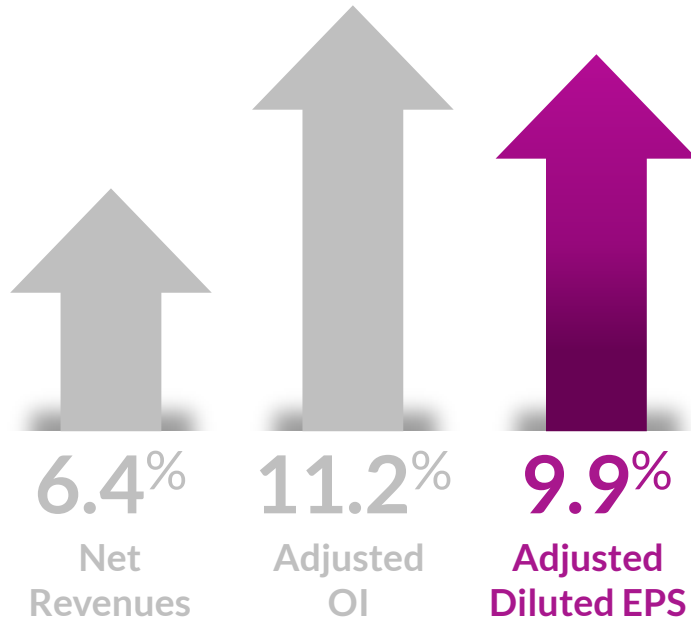
## Growth vs. PY (ex-currency, like-for-like basis)



- Currency-neutral like-for-like net revenue growth driven by:
  - Strong pricing for our combustible tobacco portfolio
  - Higher HTU shipment volume
- 170bps currency-neutral like-for-like adjusted OI margin expansion, notably reflecting:
  - Benefit from increasing scale in RRP
  - Favorable geographic mix of HTUs
  - Combustible tobacco pricing
  - Cost efficiencies
  - Implementation of all our \$400 million planned incremental RRP investments

# Strong Adjusted Financial Results in 2019

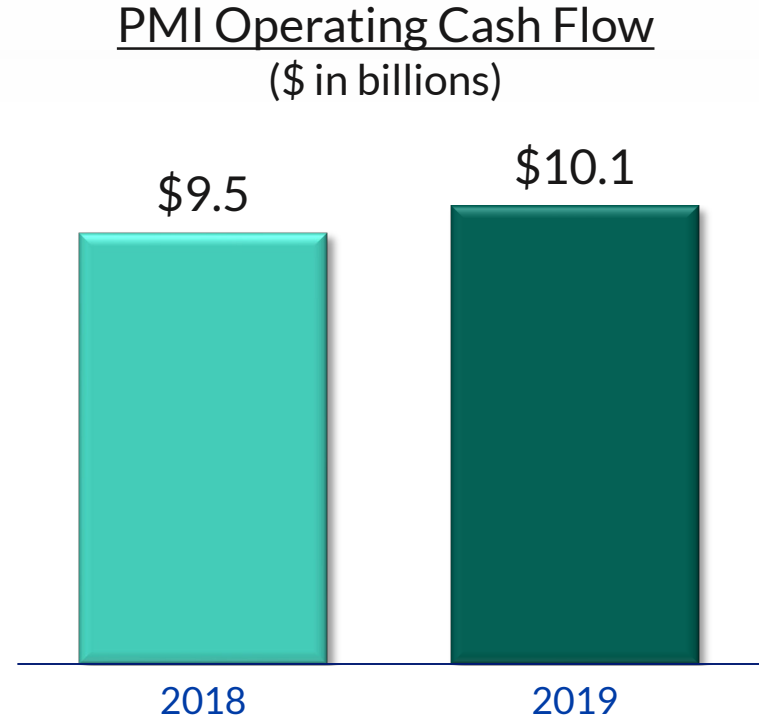
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  - Benefit from increasing scale in RRP
  - Favorable geographic mix of HTUs
  - Combustible tobacco pricing
  - Cost efficiencies
  - Implementation of all our \$400 million planned incremental RRP investments
- Lower like-for-like currency-neutral growth in adjusted diluted EPS vs. adjusted OI, reflecting higher non-controlling interests and tax rate

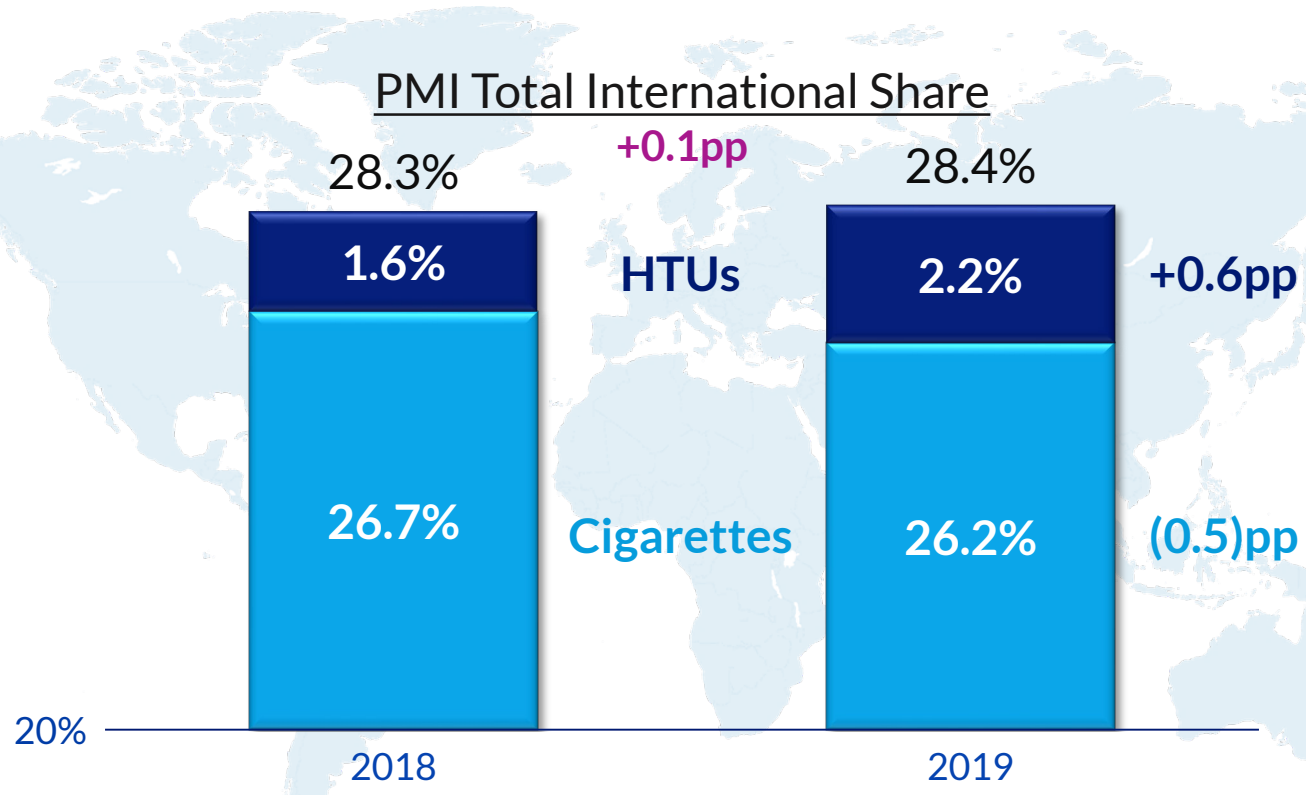
# 2019: Operating Cash Flow; Capital Expenditures

- 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





# HTUs Drove Total Share Growth in 2019

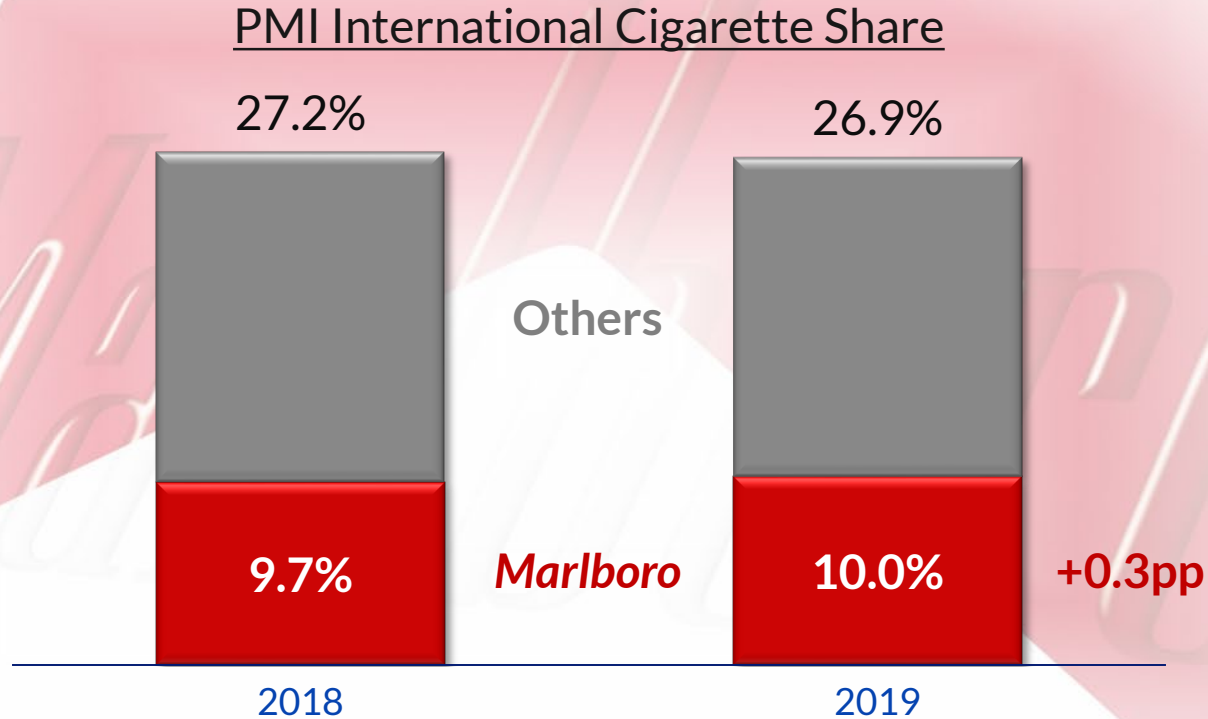


Note: Excluding China and the U.S. Current view (reflecting the deconsolidation of RBH, PMI's total market share has been restated for previous periods). Sales volume of PMI cigarettes and HTUs as a percentage of the total industry sales volume for cigarettes and HTUs

Source: PMI Financials or estimates



# Marlboro Cigarette Share at All-Time High in 2019



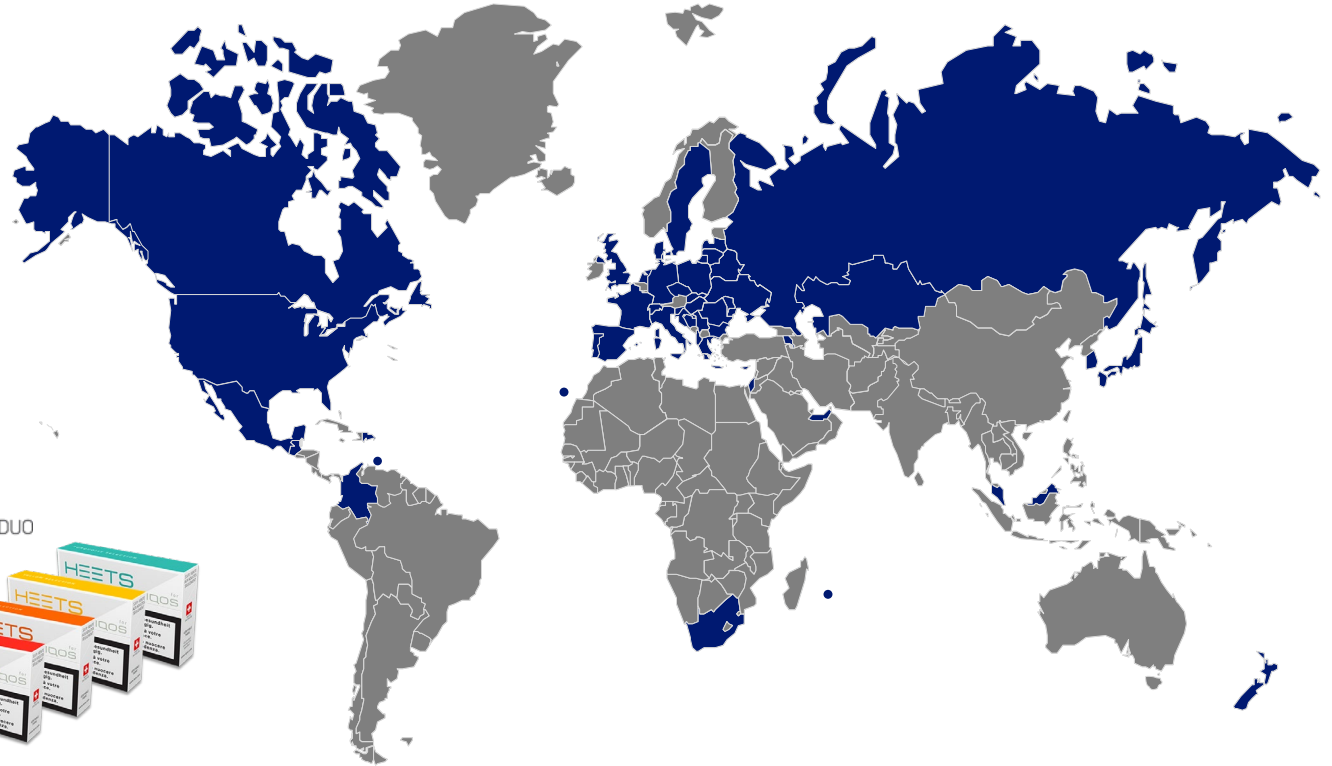
Note: Excluding China and the U.S. Current view (reflecting the deconsolidation of RBH, PMI's total market share has been restated for previous periods). Sales volume of PMI cigarettes as a percentage of the total industry sales volume for cigarettes

Source: PMI Financials or estimates



# IQOS Available for Sale in 52 Markets Worldwide

## Available for sale



(a) IQOS 2.4 Plus internationally, IQOS 2.4 in the U.S.

Note: Status at February 6, 2020. Reflects markets where IQOS is available in key cities or nationwide. The number of markets includes Duty Free

# IQOS 3 DUO Now Offered in All IQOS Markets<sup>(a)</sup>



**Positive  
initial effects on  
adult smoker  
conversion  
& satisfaction**

**NEW DUO**  
*THE POWER IS  
IN YOUR HANDS.*

One or two in a row.  
The choice is yours.

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



**IQOS 3 DUO**  
SIMPLY AMAZING

**THIS PRODUCT CONTAINS NICOTINE AND IS NOT-RISK FREE. FOR ADULT USE ONLY.  
THE BEST WAY TO REDUCE TOBACCO RELATED HEALTH RISKS IS TO QUIT TOBACCO USE ALTOGETHER.**

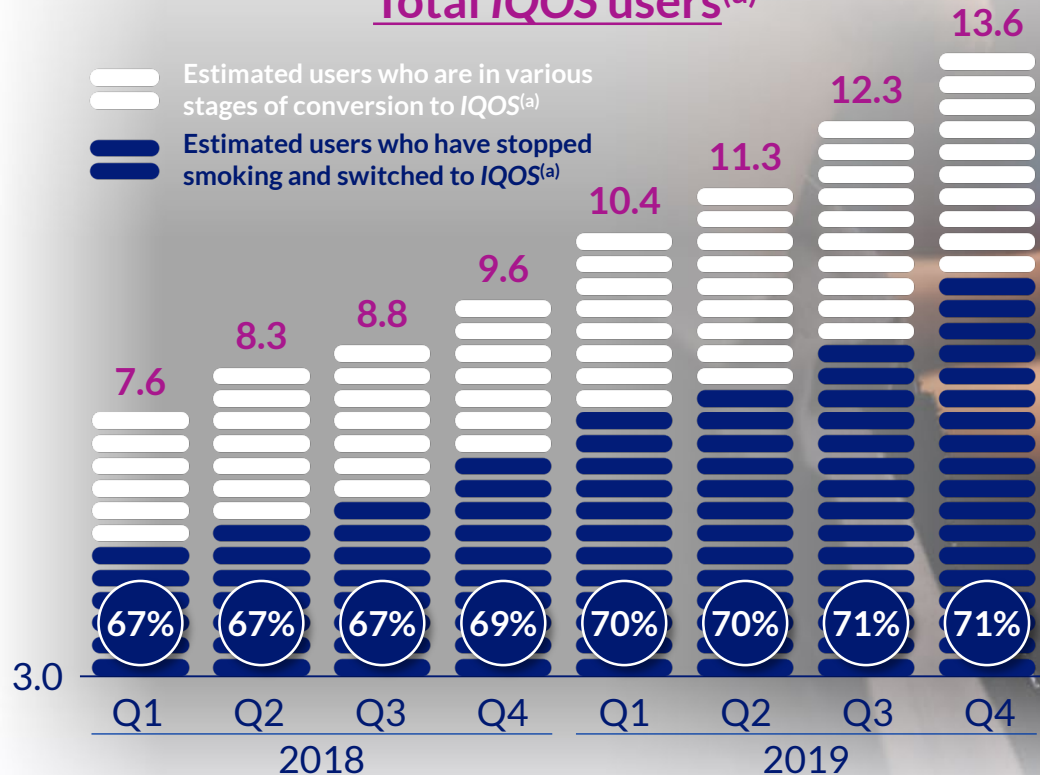
(a) Excluding the U.S.

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

# Approaching 14 Million IQOS Users

(in millions)

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



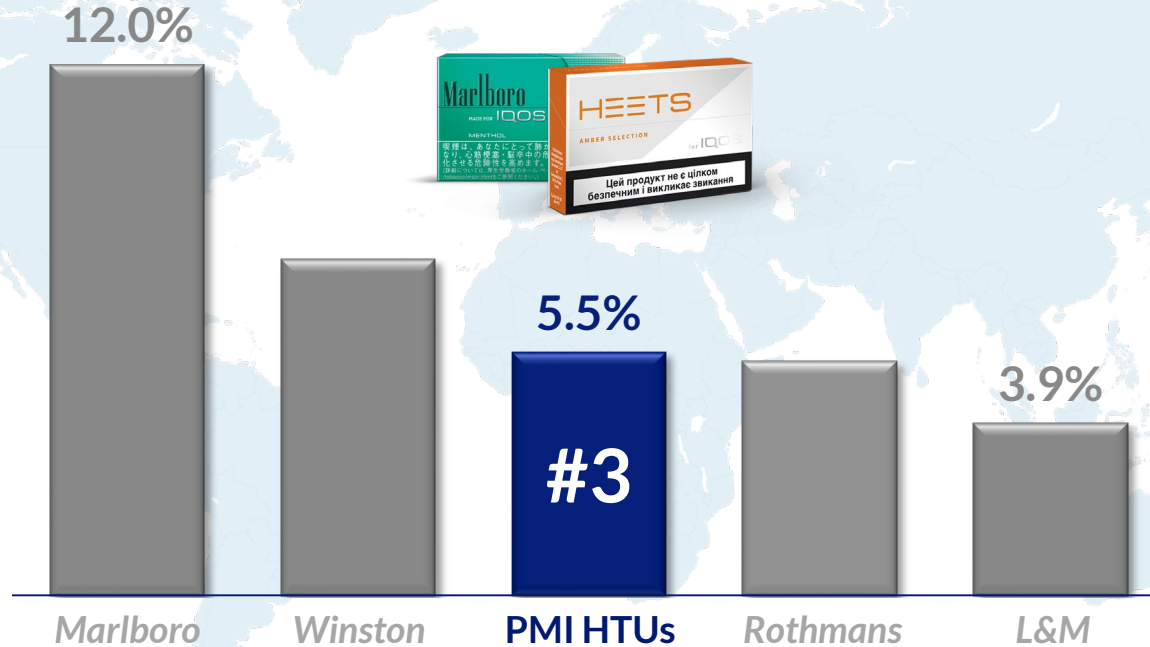
(a) See Glossary for definition

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



# Third-Largest Tobacco 'Brand' in IQOS Markets

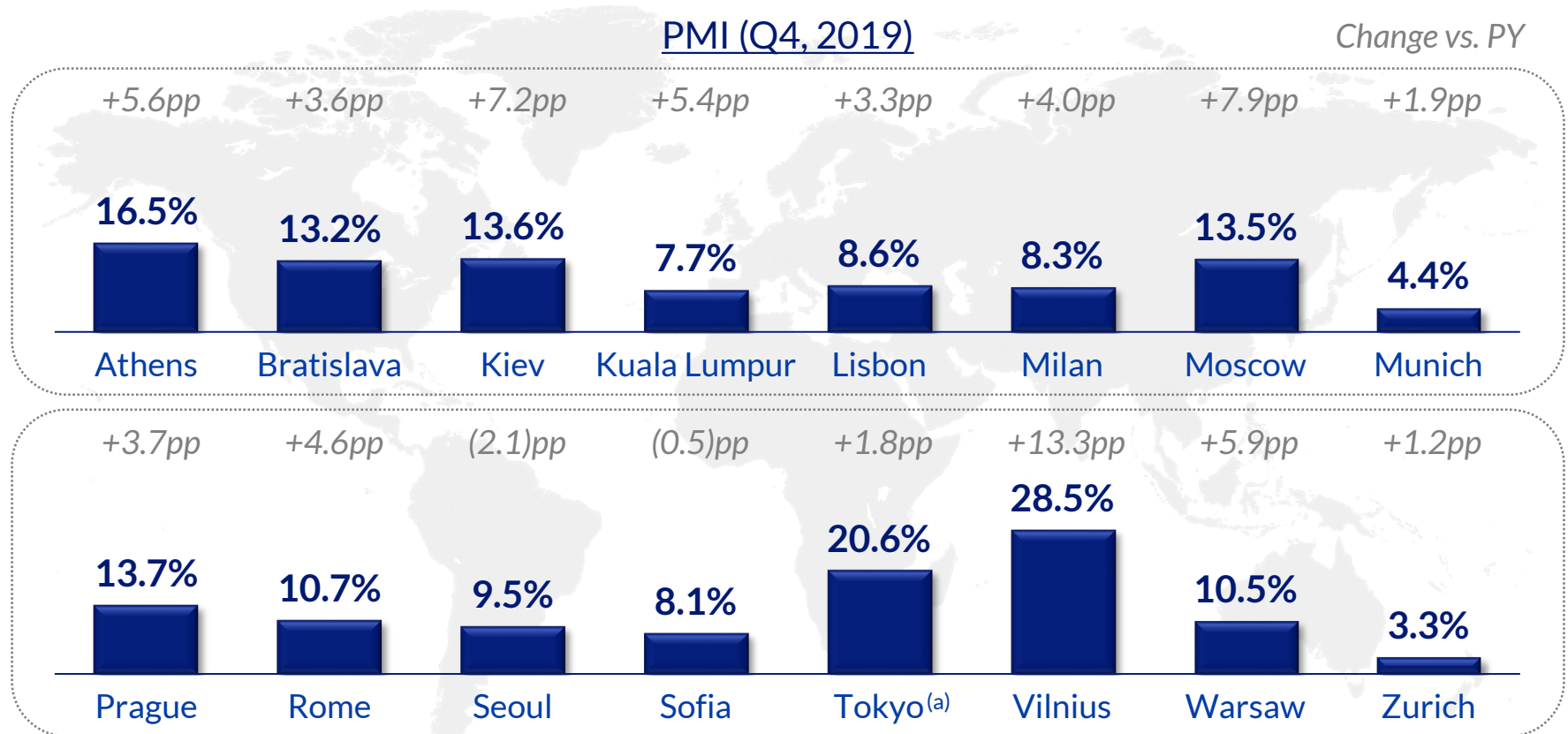
Share in IQOS Markets (Q4, 2019)



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

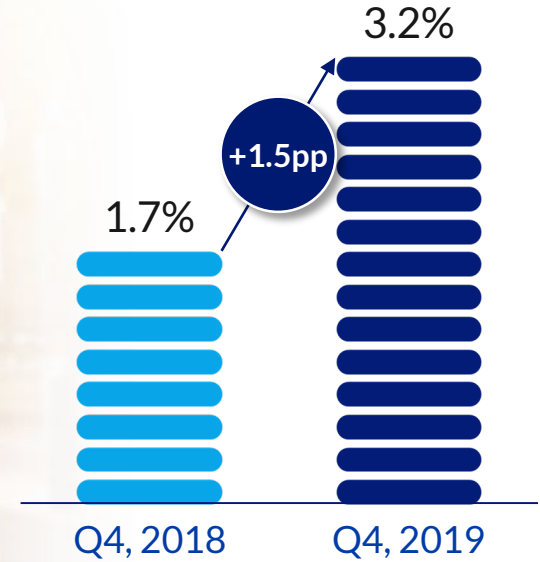
# HTU Offtake Shares in Key Cities



(a) Japan total market includes the cigarillo category. Full-year 2019 HTU offtake shares are provided in the appendix  
 Source: PMI Financials or estimates



# EU Region: Continued *HEETS* Share Growth



## Sequential Performance

(vs. Q3, 2019)

SoM: +0.7pp

IMS Volume: +16.1%



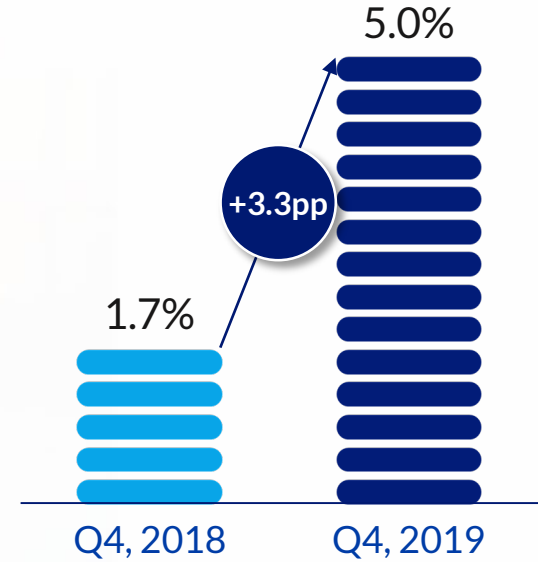
# EU Region: *HEETS* SoM Performance in Select Markets

|                | <u>Q4, 2019</u> | <u>Growth vs. PY</u> |           | <u>Q4, 2019</u> | <u>Growth vs. PY</u> |                 | <u>Q4, 2019</u> | <u>Growth vs. PY</u> |
|----------------|-----------------|----------------------|-----------|-----------------|----------------------|-----------------|-----------------|----------------------|
| 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  $\geq 1\%$ . Full-year 2019 *HEETS* market shares are provided in the appendix

Source: PMI Financials or estimates

# Russia: Continued Strong *HEETS* Share Growth



Sequential Performance

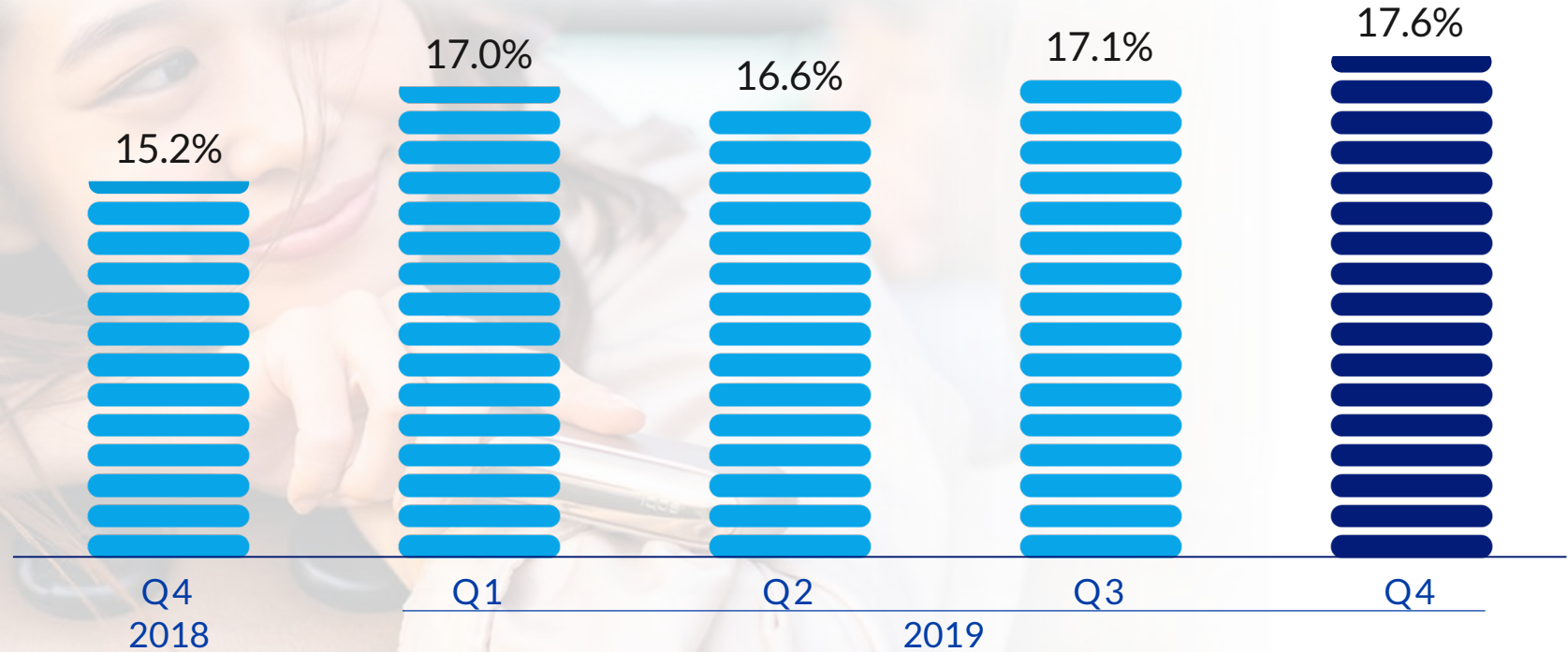
(vs. Q3, 2019)

SoM: +1.0pp

IMS Volume: +20.3%



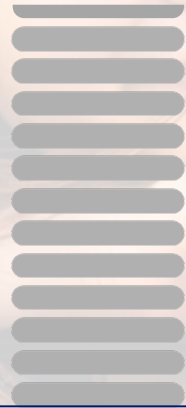
# Japan: PMI HTU Share Performance



# Japan: PMI HTU Share Performance

Adjusted Total Tobacco SoM<sup>(a)</sup> **15.4%**

15.2%



Q4  
2018

**16.6%**

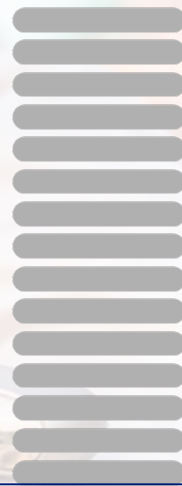
17.0%



Q1

**16.5%**

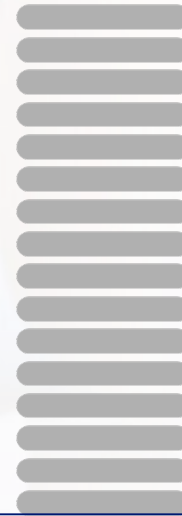
16.6%



Q2

**16.3%**

17.1%



Q3

**16.9%**

17.6%

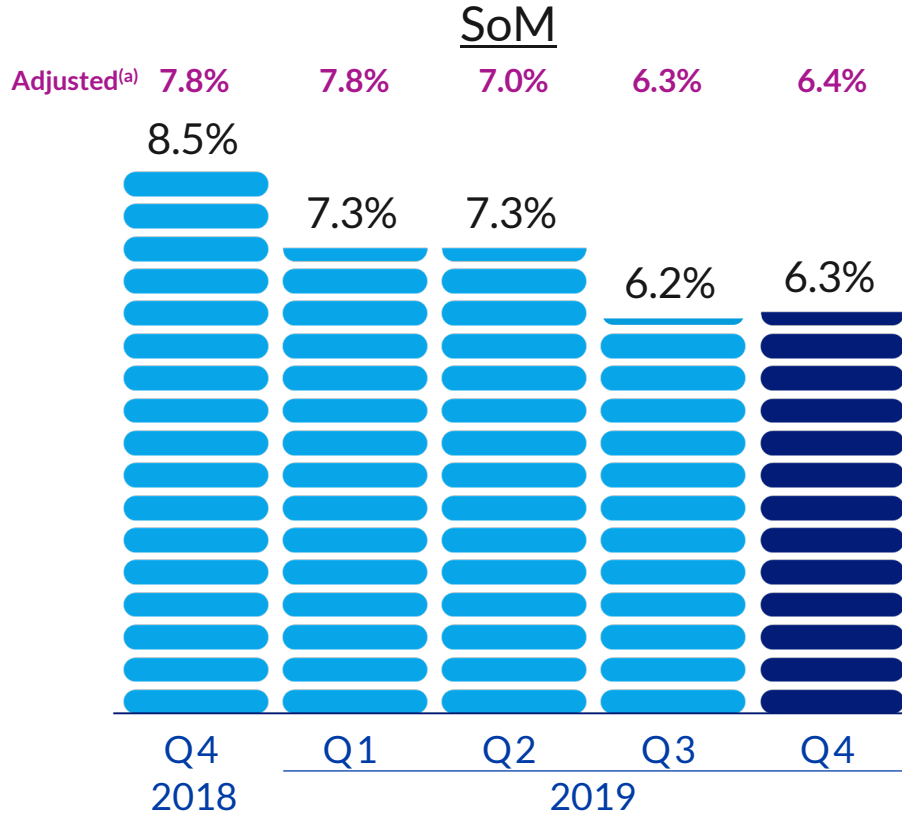


Q4

2019

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

# Korea: Stable *HEETS* Sequential Share Performance

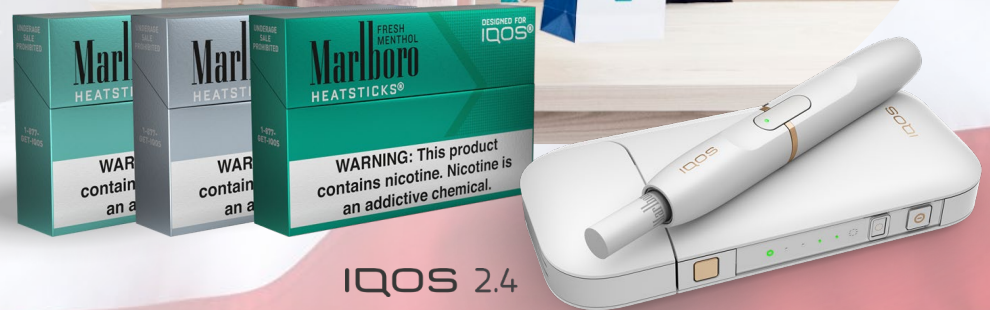


(a) Excluding the impact of estimated trade inventory movements  
Source: PMI Financials or estimates

# IQOS Now Available in the U.S.

- First *IQOS* retail stores opened in the initial launch markets of Atlanta and Richmond
- 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

40  
million  
adult smokers  
in the U.S.



# Launching *IQOS MESH 2.0* Across Multiple Markets in 2020



- Consumer misperceptions on e-vapor category, albeit moderating, still persist
- Now plan accelerated launch starting in Q3, 2020
- Notable international e-vapor market dynamics:
  - 10 markets account for around 70% of total international adult users
  - Skew towards open tank systems; low degree of product differentiation
  - Low rate of full conversion (vs. heated tobacco products)
  - Majority of markets have nicotine concentration limits
- *IQOS MESH 2.0* designed to address these dynamics and will leverage our RRP commercial infrastructure and capabilities





# 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.

# 2020: EPS Guidance



- Reported diluted EPS guidance of at least \$5.50, at prevailing exchange rates, compared to \$4.61 in 2019:
  - Includes four cents of unfavorable currency at prevailing exchange rates
  - Does not include any share repurchases
- On a currency-neutral like-for-like basis, our guidance represents a growth rate of at least 8% compared to pro forma adjusted diluted EPS of \$5.13 in 2019
- Expect a particularly strong Q1 and notably softer Q2
- Higher weighting of growth to markets with significant non-controlling interests seen in H2, 2019 will continue into H1, 2020 due to annualization effects

# 2020: Indonesia Dynamics



- Excise tax and minimum banderole price increases:
  - January 1<sup>st</sup>: excise tax +24%<sup>(a)</sup> / minimum banderole price +46%<sup>(a)</sup>
  - April 1<sup>st</sup>: 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
  - PMI pricing of 8%<sup>(a)</sup> announced since October 2019
- 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





# 2020: Select Guidance Assumptions

**Combustible Tobacco  
Pricing Variance<sup>(a)</sup>**

**~5%**

ex-currency, like-for-like basis

**Net Revenue Growth**

**~5%**

ex-currency, like-for-like basis

(a) Reflects combustible tobacco pricing as a % of PY combustible tobacco net revenues  
Source: PMI Financials or estimates



## 2020: Select Guidance Assumptions (cont.)

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

~5%

ex-currency, like-for-like basis

Net Revenue Growth

~5%

ex-currency, like-for-like basis

Adjusted OI  
Margin Expansion

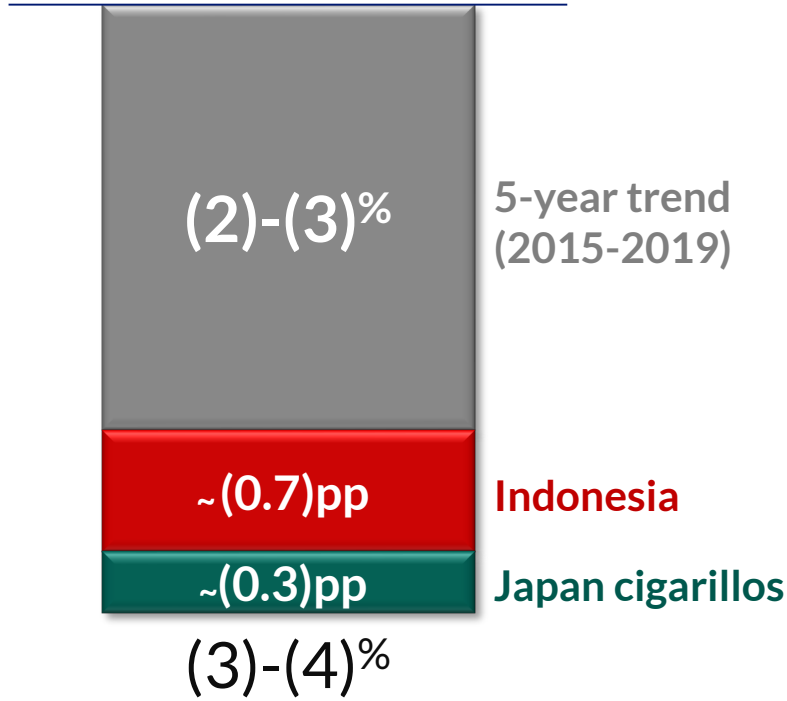
≥150<sup>bps</sup>

ex-currency, like-for-like basis

*Expect improvement of 25% in our acquisition cost/IQOS user*

(a) Reflects combustible tobacco pricing as a % of PY combustible tobacco net revenues  
Source: PMI Financials or estimates

# 2020: Industry Total Volume Decline Assumption



- 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

# 2020: Select Guidance Assumptions (cont.)



**PMI Total Shipments**

**(2.5)-(3.5)%**  
like-for-like basis

**PMI HTU Shipments**

**Well on track to meet  
90 to 100 billion units  
by 2021**



## 2020: Select Guidance Assumptions (cont.)

**Full-Year Effective Tax Rate**

**~23%**

**Net Interest Expense**

**Relatively Stable**

**Operating Cash Flow**

**~\$10.5 billion**

**Total Capital Expenditures**

**~\$1.0 billion**

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

# Anticipate Strong Underlying Business Fundamentals to Continue into 2020

- Very significant progress on our transformation to a smoke-free future
- IQOS continues to perform strongly:
  - Project significantly more new users in 2020
- Robust combustible tobacco portfolio performance and pricing power
- Well on track to deliver 2019-2021 currency-neutral CAGR targets of:
  - $\geq 5\%$  for net revenues
  - $\geq 8\%$  for adjusted diluted EPS

FEEL THE POWER  
OF AMAZING.

ENJOYING A BETTER ALTERNATIVE TO CIGARETTES  
NEVER FELT SO GOOD.

**IQOS**  
SIMPLY AMAZING

Important  
information: IQOS  
is not risk-free.

Source: PMI Financials or estimates



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# 2019 Fourth-Quarter and Full-Year Results Questions & Answers

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Or go to: [www.pmi.com/irapp](http://www.pmi.com/irapp)

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# 2019 Fourth-Quarter and Full-Year Results

## February 6, 2020





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



# Glossary: General Terms

- "PMI" refers to Philip Morris International Inc. and its subsidiaries
- Until March 28, 2008, PMI was a wholly owned subsidiary of Altria Group, Inc. ("Altria"). Since that time the company has been independent and is listed on the New York Stock Exchange (ticker symbol "PM")
- "RBH" refers to PMI's Canadian subsidiary, Rothmans, Benson & Hedges Inc.
- The Companies' Creditors Arrangement Act (CCAA) is a Canadian federal law that permits a Canadian business to restructure its affairs while 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
- "SoM" stands for share of market
- "SoS" stands for share of segment

# Glossary: Financial Terms



- Net revenues related to combustible products refer to the operating revenues generated from the sale of these products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. PMI recognizes revenue when control is transferred to the customer, typically either upon shipment or delivery of goods
- Net revenues related to RRP's represent the sale of heated tobacco units, IQOS devices and related accessories, and other nicotine-containing products, primarily e-vapor products, including shipping and handling charges billed to customers, net of sales and promotion incentives, and excise taxes. PMI recognizes revenue when control is transferred to the customer, typically either upon shipment or delivery of goods.
- "Adjusted Operating Income (OI) Margin" is calculated as adjusted OI, divided by net revenues
- 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. For PMI's 2018 pro forma adjusted diluted EPS by quarter and year-to-date, see Schedule 3 in PMI's fourth-quarter 2019 earnings release
- "Fair value adjustment for equity security investments" reflects the adjustment resulting from share price movements in passive investments for publicly traded entities that are not controlled or influenced by PMI. Under U.S. GAAP, such adjustments are required, since January 1, 2018, to be reflected directly in the income statement



# Glossary: Reduced-Risk Products

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

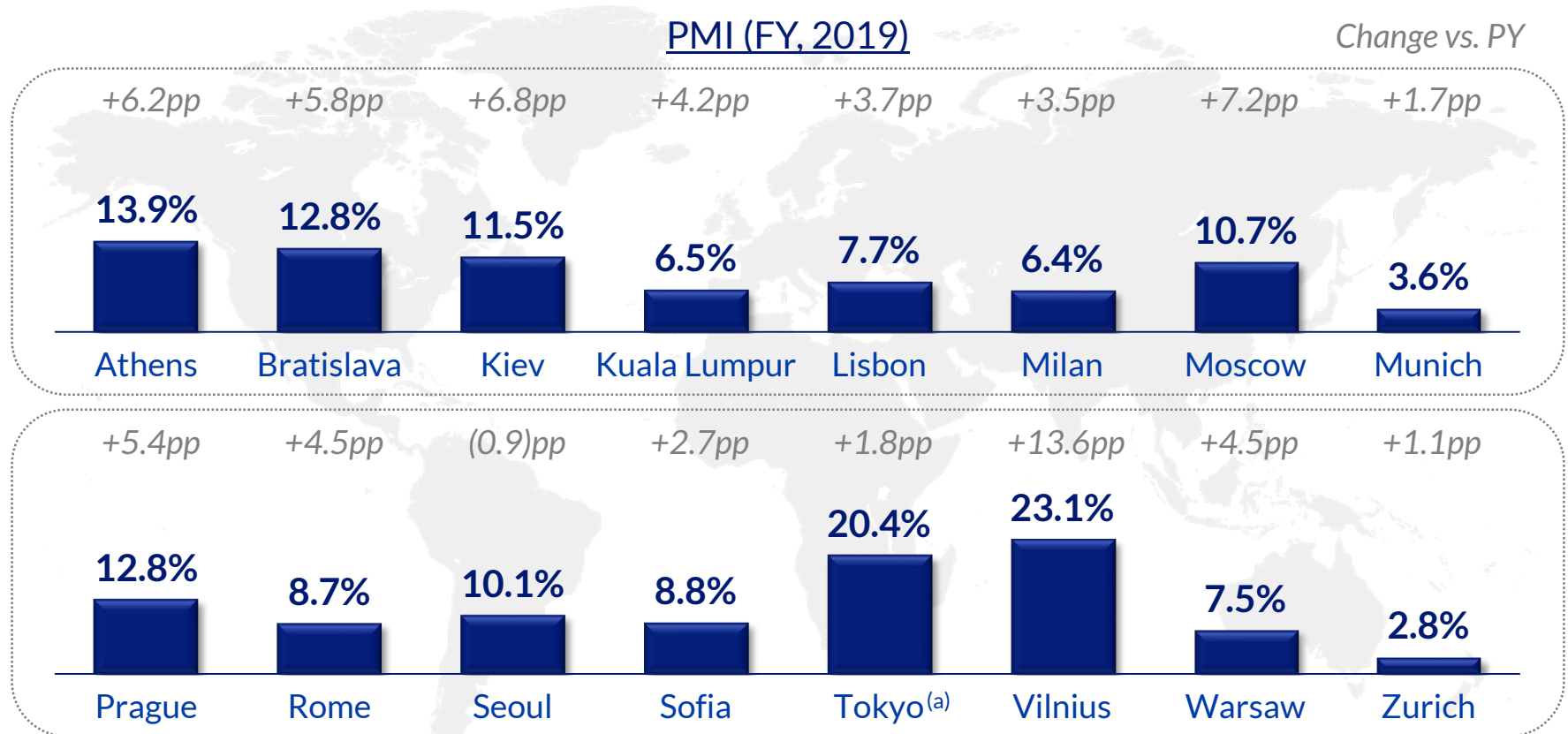
- "Total IQOS users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that used PMI HTUs for at least 5% of their daily tobacco consumption over the past seven days
- "Converted IQOS Users" is defined as the estimated number of Legal Age (minimum 18 years) IQOS users that 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
- "FDA" stands for the U.S. Food & Drug Administration
- "MRTP" stands for Modified Risk Tobacco Product, the term used by the U.S. FDA to refer to RRP
- "MRTP application" stands for Modified Risk Tobacco Product application under section 911 of the FD&C Act
- "PMTA" stands for Premarket Tobacco Application under section 910 of the FD&C Act

# Glossary: IQOS in the United States



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

# HTU Offtake Shares in Key Cities



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





# EU Region: *HEETS* SoM Performance in Select Markets

|                | <u>FY, 2019</u> | <u>Growth vs. PY</u> |           | <u>FY, 2019</u> | <u>Growth vs. PY</u> |                 | <u>FY, 2019</u> | <u>Growth vs. PY</u> |
|----------------|-----------------|----------------------|-----------|-----------------|----------------------|-----------------|-----------------|----------------------|
| 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

# 2020: EPS Guidance

(\$/share)



Full-Year

|   | 2020<br>Forecast | 2019                         | Adjusted<br>Growth |
|---|------------------|------------------------------|--------------------|
| <b>Reported Diluted EPS</b>                             | <b>≥ \$5.50</b>  | <b>\$4.61</b>                |                    |
| - Tax items   |                  | (0.04)                       |                    |
| - 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)                       |                    |
| <b>Adjusted Diluted EPS</b>                             | <b>\$5.50</b>    | <b>\$5.19</b> <sup>(a)</sup> |                    |
| - Net earnings attributable to RBH                      |                  | (0.06)                       |                    |
| <b>Adjusted Diluted EPS</b>                             | <b>\$5.50</b>    | <b>\$5.13</b> <sup>(b)</sup> |                    |
| - Currency  | (0.04)           |                              |                    |
| <b>Adjusted Diluted EPS, excluding currency</b>         | <b>≥ \$5.54</b>  | <b>\$5.13</b> <sup>(b)</sup> | <b>≥ 8%</b>        |

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

(b) Pro forma

Source: PMI Financials or estimates



# Business Transformation Metrics<sup>(a)</sup>

Shifting Company Resources to Deliver a Smoke-Free Future

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

(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 slide 46 for definition

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



# 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      |
| <b>Reported Diluted EPS</b>                     | <b>\$ 4.61</b>           | <b>\$ 5.08</b> | <b>(9.3)%</b> |
| Currency  | (0.13)                   |                |               |
| <b>Reported Diluted EPS, excluding Currency</b> | <b>\$ 4.74</b>           | <b>\$ 5.08</b> | <b>(6.7)%</b> |

|   | Years Ended December 31, |                |               |
|---|--------------------------|----------------|---------------|
|   | 2019                     | 2018           | % Change      |
| <b>Reported Diluted EPS</b>                           | <b>\$ 4.61</b>           | <b>\$ 5.08</b> | <b>(9.3)%</b> |
| 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           |               |
| <b>Adjusted Diluted EPS</b>                           | <b>\$ 5.19</b>           | <b>\$ 5.10</b> | <b>1.8%</b>   |
| Currency  | (0.13)                   |                |               |
| <b>Adjusted Diluted EPS, excluding Currency</b>       | <b>\$ 5.32</b>           | <b>\$ 5.10</b> | <b>4.3%</b>   |



# 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    |
| <b>Adjusted Diluted EPS<sup>(a)</sup></b>       | <b>\$ 5.19</b>           | <b>\$ 5.10</b>               | <b>1.8%</b> |
| Net earnings attributable to RBH                |                          | (0.26) <sup>(b)</sup>        |             |
| <b>Adjusted Diluted EPS</b>                     | <b>\$ 5.19</b>           | <b>\$ 4.84<sup>(c)</sup></b> | <b>7.2%</b> |
| Currency  | (0.13)                   |                              |             |
| <b>Adjusted Diluted EPS, excluding Currency</b> | <b>\$ 5.32</b>           | <b>\$ 4.84<sup>(c)</sup></b> | <b>9.9%</b> |

(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



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

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

| Net Revenues     | Currency       | Net Revenues excluding Currency | Acquisitions | Net Revenues excluding Currency & Acquisitions | Years Ended December 31,              | Net Revenues     | Total        | Excluding Currency | Excluding Currency & Acquisitions |
|------------------|----------------|---------------------------------|--------------|--|---------------------------------------|------------------|--------------|--------------------|-----------------------------------|
|                  |                | <b>2019</b>                     |              |  | <b>Reduced-Risk Products</b>          | <b>2018</b>      |              | <b>% Change</b>    |                                   |
| \$ 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 <sup>(a)</sup> | 19               | 41.9%        | 49.9%              | 49.9%                             |
| <b>\$ 5,587</b>  | <b>\$(106)</b> | <b>\$ 5,693</b>                 | <b>\$-</b>   | <b>\$ 5,693</b>                                | <b>Total RRPs</b>                     | <b>\$ 4,096</b>  | <b>36.4%</b> | <b>39.0%</b>       | <b>39.0%</b>                      |
|                  |                | <b>2019</b>                     |              |  | <b>PMI</b>                            | <b>2018</b>      |              | <b>% Change</b>    |                                   |
| \$ 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)%                           |
| <b>\$ 29,805</b> | <b>\$(937)</b> | <b>\$ 30,742</b>                | <b>\$-</b>   | <b>\$ 30,742</b>                               | <b>Total PMI</b>                      | <b>\$ 29,625</b> | <b>0.6%</b>  | <b>3.8%</b>        | <b>3.8%</b>                       |

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

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



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

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

|   | Years Ended December 31, |                                |             |
|---|--------------------------|--------------------------------|-------------|
|   | 2019                     | 2018                           | % Change    |
| <b>Net Revenues</b>                     | <b>\$ 29,805</b>         | <b>\$ 29,625</b>               | <b>0.6%</b> |
| Net Revenues attributable to RBH        |                          | (742) <sup>(a)</sup>           |             |
| <b>Net Revenues</b>                     | <b>\$ 29,805</b>         | <b>\$ 28,883<sup>(b)</sup></b> | <b>3.2%</b> |
| Currency                                | (937)                    |                                |             |
| <b>Net Revenues, excluding Currency</b> | <b>\$ 30,742</b>         | <b>\$ 28,883<sup>(b)</sup></b> | <b>6.4%</b> |

(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 | 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) <sup>(a)</sup>       | \$ 4,312                  | \$ (330)        | \$ 4,642                                     | \$ -         | \$ 4,642  | European Union           | \$ 4,105         | \$ -                          | \$ 4,105                  | 5.0%        | 13.1%              | 13.1%                             |
| 547              | (374) <sup>(b)</sup>          | 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) <sup>(a)</sup>           | 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) <sup>(c)</sup>          | 728                       | 14              | 714  | -            | 714   | Latin America & Canada   | 1,145            | -                             | 1,145                     | (36.4)%     | (37.6)%            | (37.6)%                           |
| <b>\$ 10,531</b> | <b>\$ (1,229)</b>             | <b>\$ 11,760</b>          | <b>\$ (292)</b> | <b>\$ 12,052</b>                             | <b>\$ -</b>  | <b>\$ 12,052</b>  | <b>Total PMI</b>         | <b>\$ 11,377</b> | <b>\$ -</b>                   | <b>\$ 11,377</b>          | <b>3.4%</b> | <b>5.9%</b>        | <b>5.9%</b>                       |

(a) Represents asset impairment and exit costs

(b) Represents the Russia excise and VAT audit charge

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





# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures

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

|  | Years Ended December 31, |                                |               |
|--|--------------------------|--------------------------------|---------------|
|  | 2019                     | 2018                           | % Change      |
| <b>Operating Income</b>                              | <b>\$ 10,531</b>         | <b>\$ 11,377</b>               | <b>(7.4)%</b> |
| Asset impairment and exit costs                      | (422)                    | -                              |               |
| Canadian tobacco litigation-related expense          | (194)                    | -                              |               |
| Loss on deconsolidation of RBH                       | (239)                    | -                              |               |
| Russia excise and VAT audit charge                   | (374)                    | -                              |               |
| <b>Adjusted Operating Income</b>                     | <b>\$ 11,760</b>         | <b>\$ 11,377</b>               | <b>3.4%</b>   |
| Operating Income attributable to RBH                 |                          | (542) <sup>(a)</sup>           |               |
| <b>Adjusted Operating Income</b>                     | <b>\$ 11,760</b>         | <b>\$ 10,835<sup>(b)</sup></b> | <b>8.5%</b>   |
| Currency   | (293)                    |                                |               |
| <b>Adjusted Operating Income, excluding Currency</b> | <b>\$ 12,053</b>         | <b>\$ 10,835<sup>(b)</sup></b> | <b>11.2%</b>  |

(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 |
|-------------------------------|------------------|----------------------------------|--|-------------------------------------|---|---|--|--|--------------------------|-------------------------------|------------------|----------------------------------|----------------------------------|---|--|
|                               |                  |                                  |  |                                     |   |   |  |  | Years Ended December 31, |                               |                  |                                  | % Points Change                  |   |  |
|                               |                  |                                  |  |                                     |   |   |  |  | 2019                     | 2018                          |                  |                                  |                                  |   |  |
| \$ 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)  |
| <b>\$ 11,760</b>              | <b>\$ 29,805</b> | <b>39.5%</b>                     | <b>\$ 12,052</b>                                 | <b>\$ 30,742</b>                    | <b>39.2%</b>  | <b>\$ 12,052</b>  | <b>\$ 30,742</b>                                   | <b>39.2%</b>   | <b>Total PMI</b>         | <b>\$ 11,377</b>              | <b>\$ 29,625</b> | <b>38.4%</b>                     | <b>1.1</b>                       | <b>0.8</b>  | <b>0.8</b>   |

(a) For the calculation of Adjusted Operating Income and Adjusted Operating Income excluding currency and acquisitions refer to slide 56

(b) For the calculation of Net Revenues excluding currency and acquisitions refer to slide 54



# 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 <sup>(a)</sup>      | \$ 11,760                | \$ 11,377                   | 3.4%       |
| Net Revenues                                  | \$ 29,805                | \$ 29,625                   |            |
| <b>Adjusted OI Margin</b>                     | <b>39.5%</b>             | <b>38.4%</b>                | <b>1.1</b> |
| Adjusted OI Margin attributable to RBH        |                          | (0.9) <sup>(b)</sup>        |            |
| <b>Adjusted OI Margin</b>                     | <b>39.5%</b>             | <b>37.5%</b> <sup>(c)</sup> | <b>2.0</b> |
| Currency                                      | 0.3                      |                             |            |
| <b>Adjusted OI Margin, excluding Currency</b> | <b>39.2%</b>             | <b>37.5%</b> <sup>(c)</sup> | <b>1.7</b> |

(a) For the calculation of Adjusted Operating Income refer to slide 56

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

(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 |
|------------------|-------------------|---------------------------------|--------------|--|--------------------------|------------------------------|---------------|--------------------|-----------------------------------|
|                  |                   |                                 |              |  | <b>2016</b>              | <b>Reduced-Risk Products</b> | <b>2015</b>   | <b>% Change</b>    |                                   |
| \$ 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   | -                            | -             | -                  | -                                 |
| <b>\$ 733</b>    | <b>\$ 67</b>      | <b>\$ 666</b>                   | <b>\$ -</b>  | <b>\$ 666</b>                                  | <b>Total RRPs</b>        | <b>\$ 64</b>                 | <b>+100%</b>  | <b>+100%</b>       | <b>+100%</b>                      |
|                  |                   |                                 |              |  | <b>2016</b>              | <b>PMI</b>                   | <b>2015</b>   | <b>% Change</b>    |                                   |
| \$ 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%                              |
| <b>\$ 26,685</b> | <b>\$ (1,280)</b> | <b>\$ 27,965</b>                | <b>\$ -</b>  | <b>\$ 27,965</b>                               | <b>Total PMI</b>         | <b>\$ 26,794</b>             | <b>(0.4)%</b> | <b>4.4%</b>        | <b>4.4%</b>                       |

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



PHILIP MORRIS  
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Delivering a Smoke-Free Future

# 2019 Fourth-Quarter and Full-Year Results

## February 6, 2020