PHILIP MORRIS INTERNATIONAL

Investor Information

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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. 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

- PMI is further subject to other risks detailed from time to time in its publicly filed documents, including the Form 10-Q for the quarter ended March 31, 2018. 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

Smoke-Free Future: PMI Core Strategies

1

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

Smoke-Free Future: PMI Business Transformation

1

	Actual 2017	Aspiration[a] 2025
Reduced-Risk Product Volume[b] (billion units)	36 Approx. 4% of PMI total volume	>250 >30% of PMI total volume
Combustible Product Volume[c] (billion units)	791	<550
Reduced-Risk Product Net Revenues	$ 4 billion Approx. 13% of PMI total net revenues	$17-$19 billion[d] Approx. 38%-42%[d] of PMI total net revenues

(a) Assuming constant PMI market share outside China and the U.S. We do not set aspirational targets for R&D and commercial expenditure but we expect both ratios to continue increasing to enable the stated outcome in terms of shipment volume
(b) For 2017, reduced-risk product volume includes heated tobacco units only
(c) Includes cigarettes and other combustible tobacco products
(d) At today's pricing and excise tax assumptions
Source: PMI Financials or estimates, and PMI Communication on Progress 2016 United Nations Global Compact

Smoke-Free Future: Our Strategic Objectives

1

- Develop RRPs that adult smokers who would otherwise continue to smoke find to be satisfying alternatives to smoking
- For those adult smokers, offer RRPs with a scientifically substantiated risk-reduction profile that approaches as closely as possible that associated with smoking cessation
- Substantiate the reduction of risk for the individual adult smoker and the reduction of harm to the population as a whole, based on scientific evidence of the highest standard that is made available for scrutiny and review by external independent scientists and relevant regulatory bodies
- Advocate for science-based regulatory frameworks for the development and commercialization of RRPs, including the communication of scientifically substantiated information to enable adult smokers to make better consumer choices

Smoke-Free Future: Significant Progress in Our Strategy

1

Reflecting our activities and tremendous effort,
we estimate that
5 million
adult consumers around the world
have already stopped smoking and switched to *IQOS*

Note: Reflecting new PMI methodology. For markets where *IQOS* is the only heated tobacco product, daily individual consumption of PMI heated tobacco units represents the totality of their daily tobacco consumption. For markets where *IQOS* is one among other heated tobacco products, daily individual consumption of heated tobacco units represents the totality of their daily tobacco consumption, of which at least 70% are PMI heated tobacco units
Source: PMI Financials or estimates, and *IQOS* User Panels

Smoke-Free Future: Making Our Vision a Reality

1

Three key areas in which we must excel:

1. Superior science, technology and consumer experience
2. Demonstrate to regulators, the scientific community and NGOs that RRPs will play a pivotal role in changing the lives and health trajectories of the hundreds of millions of men and women who smoke, and therefore improve public health
3. Continuously sharpen and expand our technical skills, including through partnerships or acquisitions:
   - Requires a higher degree of organizational agility, entrepreneurship, accuracy in communications and foresight

Industry: Total International Volume

2

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

Industry: Top 10 Industry Volume Markets (2017)

(billion units)

(a) Top 10 markets ranked by 2017 total industry volume, excluding the U.S. Based on OECD member list as per year-end 2017
(b) Top 10 markets ranked by 2017 total industry volume, excluding China and duty free
Note: Reflects cigarettes and heated tobacco units (where applicable)
Source: PMI Financials or estimates, Tobacco Institute of Japan, Nielsen and Hankook Research

PMI: Volume (2017)

OECD vs. Non-OECD / Developed vs. Emerging

Change vs. 2008 (pp)

(a) Includes Emerging, Frontier and non-classified markets
Note: Reflects cigarettes and heated tobacco units. OECD/non-OECD splits for 2008 and 2017 reflect the list of OECD countries for 2017
Source: PMI Financials or estimates, MSCI ACWI & Frontier Market Index and Dow Jones Global Total Stock Market Index

PMI: Net Revenues (2017)
OECD vs. Non-OECD / Developed vs. Emerging

2

Change vs. 2008 (pp)

(a) Includes Emerging, Frontier and non-classified markets
Note: OECD/non-OECD splits for 2008 and 2017 reflect the list of OECD countries for 2017
Source: PMI Financials or estimates, MSCI ACWI & Frontier Market Index and Dow Jones Global Total Stock Market Index

PMI: Total Market Share Leadership (2017)

2

(a) Excluding CNTC license production of *Marlboro* cigarettes (2.3 billion units in 2017)
(b) Excluding the U.S.
Source: PMI Financials or estimates

Industry: Top 15 International Cigarette Brands (2017)

2

(billion units)

Note: Ranking based on actual or estimated cigarette shipment volume
Source: PMI Financials or estimates. Competitive data for BAT and JT also derived from company reports

PMI: Total Volume Price Segmentation vs. Industry (2017)

2

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

Cigarettes: Rational Global Excise Tax Environment

2

- Rate of increase and structure are of paramount importance
- In general, governments recognize that revenue predictability can be enhanced by:
  - Regular, reasonable increases
  - High proportion of specific elements in excise tax structure
  - Multi-year programs
  - Income or inflation indexation
- EU Excise Tax Directive:
  - Reasonable framework through 2018, providing EU governments with structural flexibility
  - EU Commission Report of January 12, 2018: review postponed until 2019 for combustible and novel tobacco products
- From time to time, some governments implement significant excise tax increases that are disruptive (e.g., the Philippines in 2013, Korea in 2015, Saudi Arabia in 2017)
- Structural excise tax improvements in recent years, notably in Brazil, Indonesia, the Philippines, Portugal and the U.K.
- Multi-year excise tax programs notably in the Czech Republic, the Philippines and Russia
- Index adjustments notably in Israel, Sweden, Turkey and the U.K.

Cigarettes: Plain Packaging

2

- To date, the following countries have implemented plain packaging:
  - **Australia**: implemented since December 2012
  - **France**: implemented since January 2017
  - **Hungary**: full compliance required immediately for new product launches and no later than May 2019 for other products
  - **Ireland**: implemented since September 2017
  - **New Zealand**: implemented since March 2018
  - **Norway**: implemented since July 2017
  - **U.K.**: implemented since May 2017
- Plain packaging legislation has been adopted in:
  - Georgia
  - Slovenia
- Other countries are also considering adopting plain packaging legislation, including Canada, Singapore, South Africa and Turkey

Note: Status at April 26, 2018

RRPs: Society Should Demand that Adult Smokers Have Access to Information About Better Alternatives

2

- Switching to RRPs is a better consumer choice than continuing to smoke
- Adult smokers should have access to accurate information about better alternatives
- Not **whether** to reduce smoking prevalence by replacing cigarettes with RRPs, but **how** best to do it, and how we can achieve this as soon as possible
- Growing acceptance of the risk continuum for tobacco and other nicotine-containing products, stated by the FDA, Public Health England and others
- Not all tobacco and other nicotine-containing products are the same from a risk perspective
- Not all regulatory and fiscal rules that apply to cigarettes are relevant and justified for RRPs
- Smokers deserve policy choices that respect them and their ability to decide

PMI: Sequential Improvement in 2017 Volume

3

- PMI volume down by 2.7% in 2017, principally due to:
  - Lower cigarette industry volume (notably in Indonesia, the Philippines, Russia and Saudi Arabia)
  - Partly offset by strong growth in heated tobacco unit volume (particularly in Japan)
- Q4 volume up by 3.8%, or by 1.4% excluding inventory movements, driven by heated tobacco units
- Heated tobacco unit volume reached 36.2 billion units in 2017 (vs. 7.4 billion in 2016)

PMI Volume Variance (2017 vs. PY)

Source: PMI Financials or estimates

PMI: International Share Essentially Stable in 2017

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

PMI: International Share Growth on Quarterly Sequential Basis in 2017

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

PMI: 2017 Financial Results

3

	2017	% Change vs. PY	
		Actual	Ex-Currency
Net Revenues ($ billion)	28.7	7.7 %	9.4 %
Adjusted OI ($ billion)	11.6	6.2 %	7.7 %
Adjusted Diluted EPS ($)	4.72	5.4 %	10.0 %

Source: PMI Financials or estimates

PMI: 2017 Financial Results by Region

3

($ billion)

	Net Revenues			Adjusted OI		
		% Change vs. PY			% Change vs. PY	
	2017	Actual	Ex- Currency	2017	Actual	Ex- Currency
European Union	8.3	1.9 %	1.4 %	3.7	(5.8)%	(4.7)%
Eastern Europe	2.7	9.1 %	(0.1)%	0.9	(0.3)%	(9.8)%
Middle East & Africa	4.0	(11.7)%	(0.2)%	1.9	(5.3)%	(5.0)%
South & Southeast Asia	4.4	0.5 %	1.9 %	1.5	2.7 %	5.9 %
East Asia & Australia	6.4	48.7 %	50.5 %	2.6	54.2 %	58.7 %
Latin America & Canada	2.9	3.5 %	5.4 %	1.0	6.3 %	13.8 %

Source: PMI Financials or estimates

PMI: 2017, Landmark Year for RRPs

RRPs already contributed to profit growth in 2017

3

Source: PMI Financials or estimates

PMI: Combustible Product Pricing Variance

(%)

As a % of Combustible Product PY Net Revenues

2014	2015	2016	2017	2018 Forecast
6.1	6.9	6.0	5.2	~5

Total Pricing Variance as a % of Total PY Net Revenues

3

Note: Total pricing variance and total net revenues reflect both combustible and heated tobacco products
Source: PMI Financials or estimates

PMI: Adjusted OI Margins

3

	2015	2016	2017[a]
European Union	44.6%	48.0%	45.1%
Eastern Europe	39.2	35.8	32.4
Middle East & Africa	47.6	44.1	41.9
South & Southeast Asia	27.7	33.5	34.8
East Asia & Australia	42.6	39.5	41.6
Latin America & Canada	34.3	33.0	35.6
Total PMI	**40.4**	**40.9**	**40.2**

(a) Excluding currency
Source: PMI Financials or estimates

PMI: Tobacco, Cloves & Direct Materials = 49% of COGS

3

(a) COGS = reported cost of sales of $10.4 billion
(b) Conversion, fixed manufacturing expenses and other costs
Source: PMI Financials or estimates

PMI: Tobacco Purchases by Geography

3

Note: Year-end 2017
Source: PMI Operations

PMI: Manufacturing Footprint

3

46 Manufacturing Facilities

Including:

6 Fully or Partially Dedicated to RRPs

25 Third-Party Manufacturers

38 Third-Party Operators (in Indonesia)

Note: Year-end 2017
Source: PMI Operations

PMI: Q1, 2018 Financial Results

3

	Q1 2018	% Change vs. PY	
		Actual	Ex-Currency
Net Revenues ($ billion)	6.9	13.7 %	8.3 %
Adjusted OI ($ billion)	2.4	0.4 %	(2.7)%
Adjusted Diluted EPS ($)	1.00	2.0 %	(1.0)%

Source: PMI Financials or estimates

PMI: Q1, 2018 Financial Results by Region

3

($ billion)

	Net Revenues			Adjusted OI		
	Q1 2018	% Change vs. PY		Q1 2018	% Change vs. PY	
		Actual	Ex- Currency		Actual	Ex- Currency
European Union	2.0	14.3 %	0.2 %	0.7	(1.1)%	(15.8)%
Eastern Europe	0.6	9.9 %	4.3 %	0.2	(5.0)%	(10.1)%
Middle East & Africa	1.0	– %	(1.5)%	0.4	(23.8)%	(17.3)%
South & Southeast Asia	1.1	4.8 %	5.6 %	0.4	15.9 %	19.2 %
East Asia & Australia	1.6	31.5 %	27.5 %	0.5	9.1 %	5.7 %
Latin America & Canada	0.7	16.8 %	17.0 %	0.2	23.3 %	31.3 %

Note: Regional Q1, 2018 Net Revenues do not add to Total PMI Q1, 2018 Net Revenues of $6.9 billion due to rounding
Source: PMI Financials or estimates

Q1, 2018: PMI Total Volume

- PMI total volume down by 2.3%, or by 1.1% excluding estimated inventory movements (primarily in Japan and Saudi Arabia), principally due to:
  - Lower cigarette industry volume (notably in Japan, Russia and Saudi Arabia)
  - Partly offset by strong growth in heated tobacco unit volume (particularly in Japan and Korea)
- **Full-year 2018**: anticipate a decline of around 2%

PMI Total Volume (billion units)

Note: PMI total volume includes cigarettes and heated tobacco units
Source: PMI Financials or estimates

Highlights: European Union Region

Q1, 2018 Performance:

- Industry total volume down by 4.1% to 107.7 billion units, or by 3.4% excluding estimated inventory movements, due mainly to the impact of price increases, including sizable excise tax-driven price increases in France. Anticipate decline of 2% to 3% for the full-year 2018
- PMI total volume down by 5.0% to 40.6 billion units, notably due to France, Germany and Poland; partly offset by Italy and Spain
- Regional total market share down by 0.2 points, largely reflecting the impact of estimated inventory movements, partly offset by the strong growth of *HEETS*, which reached a Regional share of 0.8%
- Adjusted OI down by 15.8%, ex-currency, partly reflecting incremental RRP investments. Anticipate low- to mid-single-digit adjusted OI growth, ex-currency, for the full-year 2018

Recent Key Developments:

France: In March 2018, following the MET increase, we raised cigarette RSPs by EUR 0.70/pack for *Marlboro*, by EUR 0.90/pack for *Philip Morris* and by EUR 1.00/pack for *Chesterfield* and *L&M*

Germany: In March 2018, following the MTT increase, we raised cigarette RSPs by approximately EUR 0.22, on average, per 20 cigarette pack equivalent (note: reflects increase of EUR 0.10/pack for standard 20 cigarette packs)

Italy: In March 2018, we increased cigarettes RSP by EUR 0.10/pack for premium brands and EUR 0.20/pack for the rest of our portfolio

Source: PMI Financials or estimates

Highlights: Eastern Europe Region

3

Q1, 2018 Performance:

- Industry total volume declined, notably due to Russia (down by 8.3%, due mainly to the impact of price increases and higher illicit trade) and Ukraine (down by 11.4%, primarily reflecting the impact of excise tax-driven retail price increases)
- PMI total volume down by 8.3% to 22.6 billion units, notably due to lower cigarette volume in Russia and Ukraine; partly offset by higher heated tobacco unit volume, notably in Russia and Ukraine
- Adjusted OI down by 10.1%, ex-currency, principally due to: unfavorable volume/mix; higher manufacturing costs; and higher marketing, administration and research costs, primarily reflecting increased investments behind *IQOS* in Russia; partly offset by a favorable pricing variance

Recent Key Developments:

Russia: We recorded a favorable pricing variance in Q1, 2018, reflecting the annualization of 2017 price increases, as well as additional price increases earlier this year. 2018 excise tax increase scheduled to take effect in July (vs. January). Weighted average total excise tax pass-on for the industry is approximately RUB 5/pack (vs. RUB 13/pack in 2017)

Source: PMI Financials or estimates

Highlights: Middle East & Africa Region

3

Q1, 2018 Performance:

- Industry total volume declined, notably due to Algeria (down by 26.7%, or by 4.4% excluding trade inventory movements, primarily reflecting an increase in the prevalence of illicit trade) and Saudi Arabia (down by 40.8%, primarily reflecting the impact of retail price increases in 2017 and Q1,2018, following the introduction of the new excise tax in June 2017 and VAT in January 2018); partly offset by Turkey (up by 12.4%, primarily reflecting a lower prevalence of illicit trade)
- PMI total volume down by 6.5% to 30.0 billion units, notably due to Algeria and Saudi Arabia; partly offset by Turkey and higher heated tobacco unit volume, notably in PMI Duty Free
- Adjusted OI down by 17.3%, ex-currency, predominantly due to unfavorable volume/mix, primarily related to Saudi Arabia

Recent Key Developments:

Saudi Arabia: In December 2017, we increased the RSP of *Chesterfield* by SAR 2/pack. As of January 2018, the VAT on the supply of goods and services (including imported items) became effective. In January, we increased RSPs by SAR 1/pack across our portfolio. We anticipate a moderation in the cigarette industry volume decline in H2, 2018, when the June 2017 price increases have been lapped

Source: PMI Financials or estimates

Highlights: South & Southeast Asia Region

3

Q1, 2018 Performance:

- Industry total volume increased, notably driven by Pakistan (up over 100%, or approximately 8.4 billion units, notably reflecting an increase in the duty-paid market driven by a reduction in the prevalence of illicit trade resulting from excise tax reform in May 2017); partly offset by Indonesia (down by 2.3%, largely reflecting the soft consumer spending environment and above-inflation excise tax-driven price increases) and the Philippines (down by 7.8%, reflecting the impact of excise tax-driven retail price increases in 2017 and an approximately 25% excise-tax driven increase to the industry weighted average retail pack price in Q1, 2018)
- PMI total volume up by 6.1% to 40.2 billion units, driven mainly by Pakistan and Thailand, partly offset by Indonesia and the Philippines
- Adjusted OI up by 19.2%, ex-currency, mainly driven by a favorable pricing variance, as well as a favorable manufacturing, and marketing, administration and research cost comparison, notably in Indonesia and the Philippines. The favorable pricing variance and cost comparison were partly offset by unfavorable volume/mix, mainly in Indonesia, partly offset by Pakistan and Thailand

Recent Key Developments:

Indonesia: New excise tax structure effective January 2018, resulting in a weighted-average excise tax increase of 10.8% industry-wide (vs. 10.3% for 2017) and a reduction in the number of tax tiers. Government issued road-map to further reduce the number of tax tiers over the coming years

Philippines: In January 2018, we increased MRSPs by PHP 1.50/cigarette for *Marlboro* and by PHP 2.50/cigarette for *Philip Morris*

Source: PMI Financials or estimates

Highlights: East Asia & Australia Region

3

Q1, 2018 Performance:

- Industry total volume declined, notably due to Australia (down by 8.4%, primarily reflecting the impact of excise tax-driven retail price increases) and Japan (down by 2.3%, primarily reflecting the decline of the total estimated cigarette market)
- PMI total volume up by 0.2% to 21.4 billion units, or by 11.2% ex-inventory movements, driven by higher heated tobacco unit volume in Japan and Korea, reflecting higher market share; largely offset by lower cigarette volume in Japan and Korea, down by 25.8% and 6.1%, respectively, primarily reflecting the lower total cigarette market and lower cigarette market share
- Adjusted OI up by 5.7%, ex-currency, mainly driven by a favorable pricing variance, favorable volume/mix, mainly in Korea, and a favorable manufacturing cost comparison driven by Japan, partly offset by higher marketing, administration and research costs, principally related to increased investment behind reduced-risk products in Japan and Korea and affiliate reorganization costs in Australia

Recent Key Developments:

Australia: In late-February, we increased our cigarette recommended retail selling prices by 1% to 4% per pack for the majority of our portfolio, in anticipation of the March tobacco excise tax increase of 1.7% to AUD 710.46/000 (based on the AWOTE indexation)

Note: "AWOTE" stands for average weekly ordinary time earnings
Source: PMI Financials or estimates

Highlights: Latin America & Canada Region

3

Q1, 2018 Performance:

- Industry total volume declined, notably due to Brazil (down by 8.0%, primarily reflecting the impact of retail price increases in 2017), Colombia (down by 15.7%, primarily reflecting the impact of excise tax-driven retail price increases of approximately 25%) and Mexico (down by 2.7%, primarily reflecting the impact of price increases in January 2018)
- PMI total volume down by 1.4% to 19.0 billion units, notably due to Argentina and Mexico, reflecting lower total market and market share
- Adjusted OI up by 31.3%, ex-currency, largely reflecting a favorable pricing variance, partly offset by higher manufacturing costs, mainly in Argentina, and higher marketing, administration and research costs, partly related to increased investment behind reduced-risk products in the Region

Recent Key Developments:

Argentina: Tax reform approved as of March. For cigarettes, the ad-valorem excise tax decreased from 75% to 70%; introduction of MET of ARS 28.00 (to be indexed to inflation every three months)

Source: PMI Financials or estimates

PMI Total Market Shares: Select Markets

3

	Full-Year			Q1		
	2017	2016	Variance	2018	2017	Variance
Argentina	74.7%	76.3%	(1.6)pp	74.2%	74.8%	(0.6)pp
Australia	30.6	32.8	(2.2)	28.7	27.8	0.9
Canada	37.3	38.4	(1.1)	39.0	35.2	3.8
France	43.2	42.4	0.8	44.4	42.8	1.6
Germany	37.2	37.1	0.1	36.3	38.2	(1.9)
Indonesia	33.0	33.4	(0.4)	33.2	33.0	0.2
Italy	52.2	52.5	(0.3)	52.1	51.7	0.4
Japan	32.1	27.1	5.0	34.7	30.0	4.7

Note: PMI total market shares reflect cigarettes and heated tobacco units (where applicable)
Source: PMI Financials or estimates, InfoView Technologies Pty Ltd. and Tobacco Institute of Japan

PMI Total Market Shares: Select Markets (cont.)

3

	Full-Year			Q1		
	2017	2016	Variance	2018	2017	Variance
Korea	21.2%	21.0%	0.2 pp	25.5%	19.1%	6.4 pp
Mexico	68.1	69.3	(1.2)	63.5	64.4	(0.9)
Philippines	67.6	71.3	(3.7)	70.5	65.9	4.6
Poland	42.7	42.3	0.4	39.7	42.1	(2.4)
Russia	27.1	27.2	(0.1)	26.3[a]	27.4[a]	(1.1)[a]
Saudi Arabia[b]	45.2	52.1	(6.9)	41.6	54.1	(12.5)
Spain	32.3	33.9	(1.6)	32.3	32.1	0.2
Turkey	43.3	44.3	(1.0)	43.1[a]	42.9[a]	0.2[a]

(a) QTD February
(b) Cigarette market share impacted by the June 2017 excise tax-driven price increases
Note: PMI total market shares reflect cigarettes and heated tobacco units (where applicable). Russia and Turkey reflect cigarettes only
Source: PMI Financials or estimates, Hankook Research and Nielsen

Cigarette Retail Selling Prices: Select Markets
(May 1, 2018)

3

		Above Premium	Premium	Mid-Price	Low-Price
Argentina	ARS	*Parliament* 66.00	*Marlboro* 61.00	*Philip Morris* 57.00[a]	*Chesterfield* 49.00[a]
Australia[b]	AUD		*Marlboro* 26.84	*Peter Jackson* 25.40	*Bond Street* 21.98
Canada[c]	CAD		*Belmont* 13.17	*Canadian Classics* 12.02	*Next* 10.66
France	EUR		*Marlboro* 8.00		*Chesterfield / L&M* 7.80 / 7.70
Germany	EUR		*Marlboro* 6.40		*Chesterfield / L&M* 6.00
Indonesia[d]	IDR		*Sampoerna A Mild* 21,125	*U Mild* 16,956	*DSS Magnum Mild* 14,942
Italy	EUR		*Marlboro* 5.50		*Chesterfield / L&M* 4.70
Japan	JPY	*Parliament* 490	*Marlboro* 470	*Lark* 420	

(a) RSP for 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) RSP for Province of Ontario. Price for pack of 20 cigarettes equivalent (*Belmont* 25s, *Canadian Classics* 25s and *Next* 25s)
(d) Based on Nielsen March 2018 estimates. Reflects average observed retail selling prices. 16 cigarettes per pack. A more detailed list of RSPs for this market is available in the Appendix
Note: 20 cigarettes per pack unless otherwise stated. Low includes super-low. *DSS* is *Dji Sam Soe*
Source: PMI affiliates and Nielsen

Cigarette Retail Selling Prices: Select Markets (cont.)
(May 1, 2018)

3

		Above Premium	Premium	Mid-Price	Low-Price
Korea	KRW		*Marlboro* 4,500		
Mexico	MXN		*Marlboro* 52.00		*Chesterfield*[(a)] 39.00
Philippines	PHP		*Marlboro* 78.00		*Fortune* 52.00
Poland	PLN		*Marlboro* 16.50	*L&M* 15.20	*Chesterfield* 13.99
Russia[(b)]	RUB	*Parliament* 165.00	*Marlboro* 145.00	*Chesterfield* 125.00	*Bond Street Compact*[(c)] 100.00
Saudi Arabia	SAR	*Parliament* 27.00	*Marlboro* 25.00	*L&M* 19.00	*Chesterfield* 15.00
Spain	EUR		*Marlboro* 5.00	*Chesterfield* 4.70	*L&M* 4.45
Turkey	TRY	*Parliament* 13.50	*Marlboro* 13.00	*Muratti* 11.00	*Lark* 10.00

(a) *Delicados* is morphing into *Chesterfield* as of Q1, 2018
(b) Maximum RSPs for mainline variants. A more detailed list of MRSPs for this market is available in the Appendix
(c) *Bond Street*'s best-selling variant
Note: 20 cigarettes per pack unless otherwise stated. Low includes super-low
Source: PMI affiliates

PMI: Cigarette Brand Strategy

4

- Remain focused on maintaining:
  - Leadership of the combustible tobacco category outside China and the U.S.
  - Premium positioning of our brands
- Consolidating our brand portfolio through morphing of local brands into international trademarks:
  - Focus our innovation and support smaller number of brands
  - Remove complexity and costs from production processes

PMI Cigarette Volume (2017)

(a) *Marlboro, L&M, Chesterfield, Philip Morris, Parliament* and *Bond Street*
Source: PMI Financials or estimates

PMI: Cigarette Innovation

- Rigorous review process in place
- Clearly defined market share threshold for authorizing, and subsequently evaluating, the success of new launches
- Supported by predictive model
- Reduced number of new product launches with significantly higher success rate
- Reduced number of SKUs:
  - 4,213 in 2017 (vs. 4,595 in 2015)
- Strategy becomes increasingly important with the advent of RRPs

(a) Based on latest available share for 2017 launches with a minimum of three months since launch
Note: Strike rate is defined as % of innovations meeting a pre-defined threshold, 12 months after launch
Source: PMI Financials or estimates

Marlboro: International Cigarette Share

(a) Share of premium segment is defined as *Marlboro* premium cigarette volume as a percentage of total premium cigarette volume. Premium includes above premium
Note: Excluding China and the U.S. *Marlboro* international cigarette market share is defined as PMI total sales volume for *Marlboro* cigarettes as a percentage of the total industry estimated sales volume for cigarettes. Totals may not add due to rounding
Source: PMI Financials or estimates

RRPs: Our Platforms

Heated Tobacco Products

Nicotine-Containing E-Vapor Products

Platform 1

Platform 3

Platform 2

Platform 4

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

RRPs: *IQOS* Now Present in 40 Markets Worldwide[(a)]

European Union		Eastern Europe	Middle East & Africa	South & Southeast Asia	East Asia & Australia	Latin America & Canada
Andorra	Lithuania	Armenia	Duty Free		Japan	Canada
Bulgaria	Monaco	Israel	Palestine		Korea	Colombia
Canary Islands	Neth.	Kazakhstan	South Africa		New Zealand	Curacao
Croatia	Poland	Russia	Turkish Cyprus			Guatemala
Cyprus	Portugal	Serbia				
Czech Republic	Romania	Ukraine				
Denmark	Slovak Republic					
France	Slovenia					
Germany	Spain					
Greece	Switz.					
Italy	United Kingdom					
Latvia						

(a) Status April 19, 2018
Note: Neth. is the Netherlands. Switz. is Switzerland

RRPs: Growing PMI National Heated Tobacco Market Shares

Note: Underlying share data is unrounded
Source: PMI Financials or estimates, Tobacco Institute of Japan and Hankook Research

RRPs: Growing PMI Focus Area Heated Tobacco Offtake Shares

Note: Underlying share data is unrounded
Source: PMI Financials or estimates

RRPs: Solid *HeatSticks* Offtake Share Performance in Sendai, Japan

Note: Offtake share represents select C-Store sales volume for *HeatSticks* as a percentage of the total retail sales volume for cigarettes and heated tobacco units in these C-Stores
Source: PMI Financials or estimates

5

RRPs: High Adult Smoker Switching Rates to *IQOS*[(a)]

(a) Status as of December 2017
Note: Switz. is Switzerland
Source: *IQOS* User Panels

5

RRPs: Adult Smoker Switching Rate to *IQOS* in Japan

- **68%** of *IQOS* purchasers switched exclusively to the heated tobacco category

  Of this group:

  - **82%** use *IQOS* only within the heated tobacco category
  - **9%** use *IQOS* predominantly (>70% of their daily tobacco use)
  - **8%** use *IQOS* less than predominantly
  - **1%** have completely switched from *IQOS* to other competitive heated tobacco products

5

Note: Status as of December 2017
Source: *IQOS* User Panels

RRPs: Approach to *IQOS* Commercialization

5

RRPs: Significant Up-Front Investments for *IQOS*

- Up-front investments are much greater than those required for launching a cigarette brand
- They entail:
  - Additional specialized field resources to engage with adult smokers, the trade and other stakeholders
  - Retail spaces, including full-fledged flagship stores, boutiques and pop-up stores in high-traffic, urban areas
  - Customer care service infrastructure, for after-sales support
  - Digital platforms

2017 Commercial Cost Composition (%)

(a) Includes customer care & e-commerce
Note: Totals may not add to 100% due to rounding
Source: PMI Financials or estimates

RRPs: *IQOS* Device Economics

- **Retail selling price**: global average of around $110 in 2017
- **Introductory discounts**: approximately 25%[a] of the RSP, on average
- **Unit cost**: down by around 15% in 2017, mainly reflecting:
  - Economies of scale
  - Addition of our second supplier late-2017
- **Accessories**: small contribution; high unit margins

Expect unit economics of devices to continue to improve

(a) Reflects volume weighted discount
Source: PMI Financials or estimates

RRPs: *IQOS* Heated Tobacco Unit Economics

- **Retail selling price**: generally sold at premium retail price points across all markets
- **COGS per unit**: approaching those for equivalent cigarettes (e.g., premium products produced at a similar factory)
- **Trade margins**: consistent with those of cigarettes
- **Unit margin**: in line with premium cigarettes, assuming similar excise tax treatment
- **Excise tax treatment**:
  - Varies by market
  - In the majority of instances, lower level vs. cigarettes

Positive mix benefit from uptrading

Source: PMI Financials or estimates

5

RRPs: Evolution of Switching Costs for *IQOS* in Japan

Cost of Adult Smoker Conversion
Cost Per Converted User
(index = 2015; cost/000 users)

Commercial Expenditures[(a)]
(index = 2015; cost/000 units)

(a) Excluding sales allowances
Note: Commercial expenditure includes costs for marketing, consumer engagement, and trade promotions
Source: PMI Financials or estimates

5

RRPs: Total Commercial Expenditures for *IQOS* in Japan

Note: Commercial expenditure includes costs for marketing, consumer engagement, and trade promotions
Source: PMI Financials or estimates, and Tobacco Institute of Japan

5

RRPs: Our Other Platforms

Platform 2 (*TEEPS*):

- Small-scale city test in the Dominican Republic, in December 2017
- RSP: DOP 180/pack

Platform 3:

- Nicotine salt-based technology
- Consumer test planned for 2018

Platform 4 (*MESH*):

- Continue to test our nicotine-containing product in Birmingham, U.K.
- Expect to initiate a pilot launch of a next-generation version in 2018:
  - Will address the major deficiencies of current e-vapor products using novel technologies

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

5

RRPs: Strategic Framework Agreements with Altria

- In December 2013, we established a strategic framework with Altria Group, Inc. ("Altria") under which Altria will make available its e-vapor products exclusively to us for commercialization outside the U.S., and we will make available two of our RRPs exclusively to Altria for commercialization in the U.S.
- In July 2015, we extended the strategic framework with Altria to include a Joint Research, Development and Technology Sharing Agreement. The additional agreement provides the framework under which PMI and Altria will collaborate to develop the next generation of e-vapor products for commercialization in the U.S. by Altria and in markets outside the U.S. by PMI
- The collaboration between PMI and Altria in this endeavor is enabled by exclusive technology cross licenses and technical information sharing. The agreements also provide for cooperation on the scientific assessment of, and for the sharing of improvements to, the existing generation of licensed products

5

RRPs: U.S. FDA MRTP Application & 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 application to FDA in December 2016:
  - On May 24, 2017, the FDA published the executive summary and research summaries supporting our application
  - Publication of PMI's summaries initiated a substantive scientific review process by the FDA's Center for Tobacco Products
  - The FDA has established a one-year timetable for reviewing MRTP applications. However, this timing is non-binding
- Submitted PMTA to FDA in March 2017:
  - On August 4, 2017, the FDA completed a preliminary review and accepted our application for substantive review
  - By statute, the FDA should make a determination on a PMTA within 180 days of the application
- Applications consistent with our strategy for the commercialization of *IQOS* by Altria in the U.S.

5

RRPs: 2018 TPSAC Meeting on PMI's MRTP Applications for *IQOS*

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

5

RRPs: Integrity of Our Scientific Assessment

- Adhere to internationally recognized standards including Good Laboratory Practices and Good Clinical Practices
- Actively share our methods and study results, making them available for public review
- Our systems toxicology methods and results are subjected to an even higher level of scientific scrutiny through the sbvIMPROVER methodology:
  - Reviews of our *IQOS* studies were submitted to the FDA as part of our MRTP applications
- This year, making the raw data from our non-clinical and clinical RRP studies available to the public
- Welcome independent studies of our RRPs. 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 RRPs

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

6

RRPs: Our Best-in-Class R&D Capability

- Since 2008, PMI has:
  - Hired over 400 world-class scientists, engineers, and technicians
  - Invested over $4.5 billion in research, product development and scientific substantiation
- Two R&D centers and global partnership network
- Leading RRP science
- State-of-the-art product assessment
- Clinical studies registered on ClinicalTrials.gov
- Portfolio of over 2,900 granted RRP-related patents worldwide[(a)]

6

(a) Status at December 31, 2017
Source: PMI Research & Development

RRPs: Our Published Patents

- Rapidly increasing RRP IP portfolio of granted patents and pending applications
- Extensive coverage protecting a broad range of inventions, from tobacco substrate to aerosol generation and control, to manufacturing process
- Majority of our patents have a lifetime beyond 2030

PMI RRP Published Patents Worldwide[(a)]

6

(a) Cumulative status at December 31
Source: PMI Research & Development

IQOS: Nicotine Pharmacokinetic Profile

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

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

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

IQOS: Substantiating Reduced Risk

- Post-Market Studies and Surveillance
- Consumer Perception and Behavior Assessment
- Clinical Trials
- Systems Toxicology Assessment
- Standard Toxicology Assessment
- Aerosol Chemistry and Physics
- Product Design and Control Principles

IQOS Clinical Studies

1	Pharmacokinetics/ Pharmacodynamics	- Four studies completed Full results: Q1, 2015	U.K., Japan, U.S.
2	Reduced Exposure: One-week confinement	- Two studies completed Full results: Q2, 2015	Japan, Poland
3	Reduced Exposure: Three-month ambulatory	- Two studies completed Full results: Q4, 2015	Japan, U.S.
4	6+6 Month Exposure Response	- First 6-month term: study results received end-2017 - Second 6-month term: expect to receive results for analysis in Q2, 2018	U.S.

6

IQOS: Scientific Substantiation Progress

Totality-of-Scientific Evidence Supporting Reduced Risk Potential

- No combustion
- Reduced HPHC formation
- Reduced toxicity
- Reduced exposure
- Reversal of clinical risk markers
- Pre-market perception and behavior assessment

Reduced Impact on Users and Those Around Them

- Less smell
- No ash
- No risk of burning
- No negative impact on indoor air quality

Improved Oral Hygiene

- Better breath
- Less unpleasant after taste
- Reduced tooth discoloration

6

PMI's Commitment to Sustainability & Long-Term Growth

Sustainability Report 2017:
(Publication in May 2018)

- Sustainability strategy towards smoke-free future
- Sustainability performance

Environment:

- CDP Climate A-List
- CDP Water A-List
- CDP Supplier Engagement Leadership

Social:

- Equipping our people to successfully transform our business
- Developing a Human Rights action plan based on our Human Rights Commitment
- Over 34% women in management (vs. nearly 33% in 2016)

Governance:

- Publication of PMI Responsible Marketing Principles and Engagement Principles
- Continuous improvement in supply chain risk management:
  - Responsible Sourcing Principles roll-out
  - External assessments of our Agricultural Labor Practice (ALP) program
  - Tracking and tracing intended to prevent product diversion
  - Assessment of main Electronic Manufacturing Services (EMS) suppliers

7

Business Development: Vietnam, India and Bangladesh

Vietnam

- Partnership with Vinataba, the state-owned monopoly, progressing well
- Distribution expansion beyond six cities
- Focus on *Marlboro*; introduced *Champion* in the below-premium segment

India

- PMI-controlled venture contracts with local partner GPI for manufacturing and logistics services
- Focus on *Marlboro* in key urban areas
- Continued expansion of distribution footprint

Bangladesh

- Contract manufacturing and distribution agreement with Dhaka Tobacco
- Focus on driving distribution depth in Dhaka and beyond

Q1, 2018

Combined Total[(a)]

S&SA Region Cigarette Industry Volume

PMI Cigarette Market Shares

(a) Vietnam, India and Bangladesh
Source: PMI Financials or estimates

8

Business Development: China

- Cigarette industry volume reached 2.4 trillion units in 2017
- CNTC is a state monopoly and a major source of government revenues
- PMI-CNTC agreements:
  - License production of *Marlboro* (2.3 billion units in 2017)
  - International joint venture (11.0 billion units in 2017)[(a)]

License Production of *Marlboro*

International Joint Venture

(a) Includes OTP equivalent units
Note: CNTC stands for China National Tobacco Corporation
Source: PMI Financials or estimates

Illicit Trade: Scale (2017)

Non Tax-Paid Cigarette Volume

International
Illicit Cigarette Consumption

(a) Including an estimated 56 billion units of duty-free cigarette volume and other legitimate imports
(b) Estimate for PMI worldwide and BAT, JT and IMB for selected markets
Source: PMI Financials or estimates

Currency: PMI Net Revenues (2017)

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

9

Currency: PMI Costs (2017)

	Total ($ billion)	Currency (%)				
		USD	EUR	IDR	CHF	Other
Tobacco[a]	2.5	10	57	19	–	14
Direct Materials	2.6	36	54	2	1	7
Other COGS[b]	5.3	28	23	12	6	31
Marketing, Overhead & Other Costs above OI	6.7	9	20	5	20	46
Total Costs[c][d]	**17.2**	**19**	**31**	**9**	**10**	**31**

(a) Including cloves
(b) Other manufacturing related costs and shipping
(c) Total costs above reported OI of $17.2 billion = reported cost of sales of $10.4 billion + reported marketing, administration and research costs of $6.6 billion – general corporate expenses (included in reported marketing, administration and research costs) of $0.2 billion + $0.1 billion amortization of intangibles
(d) Sum of cost components might not add to total costs due to rounding
Note: Excluding sales allowances
Source: PMI Financials or estimates

9

Currency: PMI and Hedging

- Where appropriate, PMI carries out cash flow hedges ("transaction hedges")
- Opportunities for hedging in emerging markets are generally limited and/or expensive
- We do not carry out net income hedges
- PMI has implemented a balance sheet hedging policy since 2008, primarily focusing on hedging Euro net asset positions
- Hedges are performed through Euro-denominated debt, complemented by underlying financial instruments; at the end of 2017, approximately 60% of total debt was in Euros
- Realized results and valuation changes on balance sheet hedges are booked in equity

9

Source: PMI Financials or estimates

PMI: Solid Capital Structure

- Remain fully committed to our single-A credit rating
- Long-term credit ratings and outlook:
  - Moody's A2 (stable)
  - Standard & Poor's A (stable)
  - Fitch A (negative)
- Strong liquidity profile backed by $8 billion stand-by revolving credit facilities
- Short-term credit ratings[(a)] : P-1 / A-1 / F1
- Access to tier 1 commercial paper market
- Stable capital structure with relative weighting towards longer maturity and fixed rate instruments:
  - Approximately $34 billion in well-laddered bonds
- U.S. Tax Cuts and Jobs Act provides greater flexibility on cash repatriation

10

(a) Reflects ratings for Moody's, Standard & Poor's and Fitch, respectively
Source: PMI Financials or estimates (as of March 31, 2018)

PMI: Well-Laddered Bond Portfolio

10

Source: PMI Financials or estimates

PMI: Debt Financing at Increasingly Attractive Terms

10

Note: 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

PMI: Debt Evolution and Leverage Ratios

($ billion, except ratios)

	2014	2015	2016	2017
Cash	$ 1.7	$ 3.4	$ 4.2	$ 8.4
Total Debt	29.5	28.5	29.1	34.3
Net Debt	**$ 27.8**	**$ 25.1**	**$ 24.8**	**$ 25.9**
Adjusted EBITDA	**$ 13.1**	**$ 11.4**	**$ 11.6**	**$ 12.4**
Net Debt to Adjusted EBITDA	**2.12**	**2.19**	**2.15**	**2.09**
EBITDA to Interest[(a)]	**12.2**	**10.5**	**10.6**	**10.6**

(a) Each of our committed credit facilities requires PMI to maintain a ratio of consolidated earnings before interest, taxes, depreciation and amortization ("consolidated EBITDA") to consolidated interest expense of not less than 3.5 to 1.0 on a rolling four-quarter basis. The terms "consolidated EBITDA" and "consolidated interest expense", both of which include certain adjustments, are defined in the facility agreements filed with the U.S. Securities and Exchange Commission
Note: Totals may not add due to rounding
Source: PMI Financials or estimates

10

Net Debt to Adjusted EBITDA
(December 31, 2017)

10

Note: PMI's Net Debt and Adjusted EBITDA were $25.9 billion and $12.4 billion, respectively, for the 12 months ending December 31, 2017. Peer comparisons exclude certain one-time items and restructuring costs. For peers, the figures are for the 12 month period ending December 31, 2017 or nearest comparable period
Source: PMI Financials and Company filings

2018: PMI Effective Tax Rate

- Reduction in our estimated effective tax rate to approximately 26% (vs. 28% previously communicated), driven by:
  1. Further analysis and interpretation of the Tax Cuts and Jobs Act, primarily related to foreign tax credit limitations due to the Global Intangible Low Taxed Income provisions of the Act
  2. Revised foreign income tax estimates due to a change in the mix of our foreign earnings

10

Note: This estimate reflects our current capital structure, as well as our current interpretation of the new tax law, which may change as further regulations and clarifications become available. It also reflects current assumptions regarding earnings mix and tax rates by taxing jurisdiction, which may also change
Source: PMI Financials or estimates. For more information, refer to our Form 10-Q for the period ended March 31, 2018 (particularly, Note 9)

Rewarding Our Shareholders: Attractive Dividend

- Dividends are the primary use of our operating cash flow[(a)] after capital expenditures
- Increased our dividend in September 2017 to an annualized rate of $4.28 per share
- Tenth consecutive year with a dividend increase:
  - Total increase of 132.6% since 2008

10

(a) Net cash provided by operating activities
Note: Dividends for 2008 and 2017 are annualized rates. The 2008 annualized rate is based on a quarterly dividend of $0.46 per common share, declared June 18, 2008. The 2017 annualized rate is based on a quarterly dividend of $1.07 per common share, declared September 13, 2017
Source: PMI Financials or estimates

Rewarding Our Shareholders: Attractive Dividend

Note: PMI reflects absolute growth in annualized announced dividends from time of first PMI dividend of $0.46 in June 2008 through April 30, 2018. Companies in the Peer Group reflect absolute growth from FY 2008 dividends or Q2, 2008 annualized dividend through current last twelve months dividends or current last quarter annualized dividend as appropriate. Dividend yield represents the annualized dividend on April 30, 2018, over the closing share price on that date. The current annualized dividend rate for PMI is $4.28. The closing share price for PMI was $82.00 on April 30, 2018. NA stands for not available
Source: FactSet

10

Rewarding Our Shareholders: Total Return

10

Note: In USD. The peer group represents the market weighted-average return of the group. PMI total shareholder return pro forma for additional $0.46 per share dividend paid in April 2008 impacts the period March 28, 2008 – April 30, 2018. Exchange rates are as of March 28, 2008 and April 30, 2018. The company peer group is defined in the glossary
Source: FactSet and Bloomberg

Appendix, Glossary and Reconciliation of Non-GAAP Measures

Cigarette Excise Tax Structures: Select Markets (May 1, 2018)

Argentina

	%	
	Nominal	RSP[f]
Social Assistance Fund (SAF)[a]	7.00	7.00
Special Tobacco Fund (STF)[b]	7.35	9.28
Excise Tax[c]	70.00	54.38
VAT[d]	21.00	4.89
Turnover Tax[e]	3.56	0.56
Tax Burden		76.11

(a) 7% x RSP
(b) [7.35% x (RSP – SAF – VAT)] + ARS 1.5965 (as per Jan 2018)
(c) 70% x [RSP – SAF – VAT – STF). Minimum excise tax: ARS 28.00
(d) NEFP 21% + Wholesaler & Retailer margin x 21%
(e) Net ex-factory price x 3.56%
(f) Based on *Philip Morris* soft pack (ARS 57.00)
Note: NEFP is net ex-factory price

Australia

Tobacco Excise Tax (AUD/Kg)	916.72
Tobacco Excise Tax (AUD/000)[a]	710.46
VAT (Nominal)	10%

(a) If not exceeding 0.8g per cigarette

Germany

Ad-Valorem Excise Tax	21.69%
Specific Excise Tax (EUR/000)	98.20
Minimum Total Tax (EUR/000)[a]	204.34
VAT (Nominal)	19.0%

(a) Minimum Total Tax also includes the VAT

France

Ad-Valorem Excise Tax	50.80%
Specific Excise Tax (EUR/000)	59.90
Minimum Excise Tax (EUR/000)	261.00
VAT (Nominal)	20.0%

Italy

Ad-Valorem Excise Tax	51.00%
Specific Excise Tax (EUR/000)	19.36
Minimum Total Tax (EUR/000)[a]	175.54
VAT (Nominal)	22.0%

(a) Minimum Total Tax also includes the VAT

Note: 20 cigarettes per pack

Cigarette Excise Tax Structures: Select Markets (cont.)
(May 1, 2018)

Japan	
National – Tobacco Tax (JPY/pack)	106.04
National – Special Tobacco Tax (JPY/pack)	16.40
Local Excise Tax (JPY/pack)	122.44
Total (JPY/pack)	**244.88**
VAT (Nominal)	8%

Korea	
Tobacco Consumption Tax (KRW/pack)	1,007.00
Public Health Tax (KRW/pack)	841.00
Education Tax (KRW/pack)	442.98
Green Fund Tax (KRW/pack)	23.84
Individual Consumption Tax (KRW/pack)	594.00
Farmer's Subsidy Tax (KRW/pack)	5.00
Total (KRW/pack)	**2,913.82**
VAT (Nominal)	10%

Mexico	
Ad-Valorem Excise Tax[a]	160%
Specific Excise Tax (MXN/000)	350.00
VAT (Nominal)	16%

(a) Ad-valorem excise tax is 160% of manufacturer / wholesale price to retail excluding taxes (VAT and Excise)

Poland	
Ad-Valorem Excise Tax	31.41%
Specific Excise Tax (PLN/000)	206.76
Minimum Excise Tax (PLN/000)	422.85
VAT (Nominal)	23.0%

Russia	
Ad-Valorem Excise Tax (% of MRSP)	14.5%
Specific Excise Tax (RUB/000)	1,562
Minimum Excise Tax (RUB/000)	2,123
VAT (Nominal)	18%

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

Turkey	
Ad-Valorem Excise Tax (% of RSP)	65.25%
Specific Excise Tax (TRY/000)	16.23
Minimum Ad-Valorem Yield (TRY/000)	242.90
VAT (Nominal)	18%

Note: 20 cigarettes per pack

Russia: MRSPs and Excise Tax Plan
(May 1, 2018)

Cigarette MRSPs (RUB; KS Box 20 cigarettes/pack):

- *Parliament* (mainline): 165.00
- *Marlboro* (mainline): 145.00
- *Chesterfield* (mainline): 125.00
- *L&M* (mainline): 115.00
- *Bond Street* (mainline): 115.00
- *Bond Street Compact* (*Bond Street*'s best-selling variant): 100.00
- *Next/Dubliss* (SSL): 100.00
- *Philip Morris*: 85.00

Cigarette Excise Tax Structure:	2016	Tax Code 2017[a]	Tax Code 2018[b]
Ad Valorem Excise Tax (% of MRSP)	12.0%	14.5%	14.5%
Specific Excise Tax (RUB/000)	1,250	1,562	1,718
Minimum Excise Tax (RUB/000)	1,680	2,123	2,335

(a) Current structure
(b) Effective as of July 1, 2018

Japan: New Excise Tax Structure
(Effective October 1, 2018)

Cigarettes:

- Excise tax increases of JPY 1/cigarette (JPY 20/pack):
  - October 2018/2020/2021
  - Total increase of JPY 3/cigarette spread over four years. No increase in October 2019, due to planned VAT increase that year

"Heat-not-Burn" (HNB) products:

- Newly created HNB category:
  - Taxable base for the specific tax will be the tobacco mixture
  - For products using a liquid to create an aerosol, the liquid portion will be considered as tobacco for tax purposes
  - Taxable base will have a new stick conversion ratio of 0.4 g = 1 cigarette (currently 1 g = 1 cigarette)
- New ad valorem component added:
  - (RSP – VAT) * 60%, then converted on a 50% contribution to excise
- New excise tax to be phased in over five-year period, with the first year to reflect 80% of the current system and 20% of the new proposal

HNB Excise Tax Structure

CURRENT	
Specific Component	
Specific Rate for HNB (JPY/kg)	12,244
Full HTU Weight (kg/000)	0.816 kg[(a)]
Contribution to Excise	100%
Excise Tax (JPY/000)	**9,996**

PROPOSED (Effective October 1, 2018)	
Specific Component	
Cigarette Excise Tax Rate (JPY/000)	13,244
0.4g of HNB = 1 cigarette (per MOF)	0.4
Specific Rate for HNB (JPY/kg)	33,110
HTU Tobacco & Liquid Weight (kg/000)	0.300 kg[(b)]
Contribution to Excise	50%
Excise Tax (JPY/000)	**4,966**
Ad Valorem Component (based on RSP net of VAT)	
HTU RSP (JPY/pack)[(c)]	460
HTU RSP (JPY/000)	23,000
HTU RSP net of 8% VAT (JPY/000)	21,296
Excise Incidence	60%
Contribution to Excise	50%
Excise Tax (JPY/000)	**6,389**
Total Excise Tax (JPY/000)	**11,355**

(a) Reflects total weight for *HeatSticks*
(b) Reflects tobacco weight for *HeatSticks*
(c) Assuming current RSP of JPY 460 for *HeatSticks*
Note: HTU stands for heated tobacco unit. MOF refers to Japan's Ministry of Finance. 20 cigarettes/heated tobacco units per pack

Indonesia: Excise Tax Structure
(January 1, 2018)

Cigarette Type	Volume Tier	Price Tier		(IDR/stick)
		Tier	Minimum HJE (IDR/stick)	Total Excise + Regional Tax
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
		2	890	319.0
	Volume Tier 2 (> 500 million units– 2 billion units)	1	470	198.0
	Volume Tier 3 (≤ 500 million units)		400	110.0

Note: HJE stands for banderole price

Indonesia: Cigarette Retail Selling Prices
(Latest Estimates)

(IDR/pack):

- *Marlboro* Red KS Box 20s: 24,842
- *Sampoerna A Mild* 16s: 21,125
- *Marlboro Filter Black* 20s: 21,033
- *U Mild* 16s: 16,956
- *Dji Sam Soe Magnum* 12s: 16,519
- *Dji Sam Soe* 12s: 16,134
- *Dji Sam Soe Magnum Mild* 16s: 14,942
- *Sampoerna Kretek* 12s: 12,232
- *U Bold* 12s: 12,148

Note: Reflects average observed retail selling prices
Source: Nielsen as of March 2018

IQOS: Retail Selling Prices
(May 1, 2018)

Market	Currency	*IQOS* Kit RSP	Heated Tobacco Units Brand	Heated Tobacco Units RSP	*Marlboro* Cigarettes RSP	Notes
ANDORRA	EUR	70	*HEETS Marlboro*	3.55	3.55	(a)
ARMENIA	AMD	50,000	*HEETS*	650	650	
BULGARIA	BGN	195	*HEETS*	5.50	5.50	
CANADA	CAD	141	*HEETS*	11.72	13.17	(b)
CANARY ISLANDS	EUR	70	*HEETS Marlboro*	3.30	3.50	(a)
COLOMBIA	COP	310,000	*HEETS*	6,000	6,000	
CROATIA	HRK	750	*HEETS*	26.00	28.00	
CURACAO	ANG	199	*HEETS*	10.50	10.50	
CYPRUS	EUR	100	*HEETS*	4.00	4.80	
CZECH REPUBLIC	CZK	2,690	*HEETS FROM MARLBORO*	100	105	

(a) Free market (pricing and distribution). Recommended RSPs
(b) RSPs are for the Province of Ontario. *HEETS* sold in a bundle of 8 packs for CAD 93.76. Cigarette RSP for pack of 20 cigarettes equivalent (*Belmont* 25s)
Note: Excludes duty free. RSPs for the *IQOS* kit reflect the latest available model in each market. 20 cigarettes / heated tobacco unit per pack
Source: PMI affiliates

IQOS: Retail Selling Prices (cont.)
(May 1, 2018)

Market	Currency	*IQOS* Kit RSP	Heated Tobacco Units Brand	Heated Tobacco Units RSP	*Marlboro* Cigarettes RSP	Notes
DENMARK	DKK	749	*HEETS*	44.00	44.50	
FRANCE	EUR	99	*HEETS Marlboro*	7.00	8.00	
GERMANY	EUR	99	*HEETS FROM MARLBORO*	6.00	6.40	
GREECE	EUR	100	*HEETS FROM MARLBORO*	4.00	4.50	
GUATEMALA	GTQ	850	*HEETS FROM MARLBORO*	24.00	24.00	
ISRAEL	ILS	450	*HEETS*	34.00	34.00	
ITALY	EUR	70	*HEETS FROM MARLBORO*	5.00	5.50	
JAPAN	JPY	10,980	*Marlboro HeatSticks*	460	470	
KAZAKHSTAN	KZT	37,000	*HEETS*	400	400	
KOREA	KRW	120,000	*HEETS*	4,500	4,500	

Note: Excludes duty free. RSPs for the *IQOS* kit reflect the latest available model in each market. 20 cigarettes / heated tobacco unit per pack
Source: PMI affiliates

IQOS: Retail Selling Prices (cont.)
(May 1, 2018)

Market	Currency	*IQOS* Kit RSP	Heated Tobacco Units Brand	Heated Tobacco Units RSP	*Marlboro* Cigarettes RSP	Notes
LATVIA	EUR	100	*HEETS FROM MARLBORO*	3.80	3.80	
LITHUANIA	EUR	89	*HEETS FROM MARLBORO*	3.30	3.75	
MONACO	EUR	70	*HEETS FROM MARLBORO*	7.00	8.00	
NETHERLANDS	EUR	70	*HEETS FROM MARLBORO*	6.00	6.90	
NEW ZEALAND	NZD	150	*HEETS*	20.00	28.90	
PALESTINE	ILS	350	*HEETS*	25.00	25.00	
POLAND	PLN	400	*HEETS FROM MARLBORO*	15.00	16.50	(a)
PORTUGAL	EUR	70	*HEETS*	4.50	5.00	
ROMANIA	RON	450	*HEETS FROM MARLBORO*	17.00	17.50	
RUSSIA	RUB	5,990	*Parliament HeatSticks / HEETS FROM PARLIAMENT*	130	165	(b)

(a) Promotion on *IQOS* kit for first time purchase: PLN 250 (vs. PLN 400)
(b) RSP for a *Parliament* cigarettes pack
Note: Excludes duty free. RSPs for the *IQOS* kit reflect the latest available model in each market. 20 cigarettes / heated tobacco unit per pack
Source: PMI affiliates

IQOS: Retail Selling Prices (cont.)
(May 1, 2018)

Market	Currency	*IQOS* Kit RSP	Heated Tobacco Units Brand	Heated Tobacco Units RSP	*Marlboro* Cigarettes RSP	Notes
SERBIA	RSD	12,900	*HEETS*	260	320	
SLOVAK REPUBLIC	EUR	99	*HEETS*	3.50	3.90	
SLOVENIA	EUR	99	*HEETS*	4.00	4.10	
SOUTH AFRICA	ZAR	1,600	*HEETS FROM MARLBORO*	41.50	42.00	
SPAIN	EUR	70	*HEETS Marlboro*	4.85	5.00	
SWITZERLAND	CHF	99	*HEETS FROM MARLBORO*	8.00	8.60	
TURKISH CYPRUS	TRY	350	*HEETS FROM MARLBORO*	13.00	13.00	
UKRAINE	UAH	2,999	*HEETS*	38.00	38.33	(a)
UNITED KINGDOM	GBP	99	*HEETS*	8.00	10.70	(b)

(a) Effective maximum RSPs for *HEETS* and *Parliament* cigarette packs (reflecting the price to adult smokers including 5% sales tax)
(b) RSP for *HEETS* reflects RSP / 20s (GBP 8 / 20s). *HEETS* are sold on www.iqos.co.uk and *IQOS* stores for GBP 70 / 200 heated tobacco units and GBP 37.50 / 100 heated tobacco units
Note: Excludes duty free. RSPs for the *IQOS* kit reflect the latest available model in each market. 20 cigarettes / heated tobacco unit per pack
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")
- Trademarks are italicized
- Comparisons are made to the same prior-year period unless otherwise stated
- Unless otherwise stated, references to total industry, total market, PMI shipment volume and PMI market share performance reflect cigarettes and heated tobacco units
- References to total international market, defined as worldwide cigarette and heated tobacco unit volume excluding the United States, total industry, total market and market shares are PMI estimates for tax-paid products based on the latest available data from a number of internal and external sources and may, in defined instances, exclude the People's Republic of China and/or PMI's duty free business
- "OTP" is defined as "other tobacco products," primarily roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos, and does not include reduced-risk products
- "Combustible products" is the term PMI uses to refer to cigarettes and OTP, combined
- "PMI volume" is defined as the combined total of cigarette shipment volume and heated tobacco unit shipment volume
- Effective January 1, 2018, PMI began managing its business in six reporting segments as follows: the European Union Region (EU); the Eastern Europe Region (EE); the Middle East & Africa Region (ME&A), which includes PMI Duty Free; the South & Southeast Asia Region (S&SA); the East Asia & Australia Region (EA&A); and the Latin America & Canada Region (LA&C)

Glossary: General Terms

- "CNTC" stands for China National Tobacco Corporation
- "The GCC" (Gulf Cooperation Council) is defined as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE)
- "GPI" stands for Godfrey Phillips India Ltd.
- "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
- "Illicit trade" refers to domestic non-tax paid products
- "Illicit whites" are branded cigarettes manufactured purely for export and resale without paying any taxes
- "LAMPs" stands for legal age meeting points
- "MRSP" stands for maximum retail selling price
- "NGOs" stand for intergovernmental organizations and non-governmental organizations, respectively
- "OECD" stands for 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
- "TPD" stands for the EU Tobacco Products Directive
- "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
- PMI has adopted Accounting Standard Update ASU 2014-09 "Revenue from Contracts with Customers" as of January 1, 2018 on a retrospective basis. PMI made an accounting policy election to exclude excise taxes collected from customers from the measurement of the transaction price, thereby presenting revenues, net of excise taxes in all periods. The underlying principles of the new standard, relating to the measurement of revenue and the timing of recognition, are closely aligned with PMI's current business model and practices
- PMI adopted Accounting Standard Update ASU 2017-07 "Compensation - Retirement Benefits" as of January 1, 2018 on a retrospective basis. Previously, total pension and other employee benefit costs were included in operating income. Beginning January 1, 2018, only the service cost component is required to be shown in operating income, while all other cost components are presented in a new line item "pension and other employee benefit costs" below operating income
- Prior to 2018, management evaluated business segment performance, and allocated resources, based on operating companies income, or "OCI." Effective January 1, 2018, management began evaluating business segment performance, and allocating resources, based on operating income, or "OI"
- OCI was defined as operating income, excluding general corporate expenses and the amortization of intangibles, plus equity (income)/loss in unconsolidated subsidiaries, net
- "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

Glossary: Financial Terms (cont.)

- "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 OI margin" is calculated as adjusted OI, divided by net revenues
- "Adjusted EBITDA" is defined as earnings before interest, taxes, depreciation, amortization and equity (income)/loss in unconsolidated subsidiaries, excluding asset impairment and exit costs, and unusual items.
- "Net debt" is defined as total debt, less cash and cash equivalents
- Management reviews net revenues, OI, OI margins, operating cash flow and earnings per share, or "EPS," on an adjusted basis, which may exclude the impact of currency and other items such as acquisitions, asset impairment and exit costs, tax items and other special items

Glossary: Reduced-Risk Products

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

Glossary: Reduced-Risk Products (cont.)

- 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
- "*MESH*" is the brand name that PMI has chosen for one of its Platform 4 reduced-risk product that leverages new proprietary vaporization technology
- Net revenues related to RRPs 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
- "Converted *IQOS* Users" means the estimated number of Legal Age (minimum 18-year-old) *IQOS* users that used *HeatSticks /HEETS* heated tobacco units for over 95% of their daily tobacco consumption over the past seven days
- "Predominant *IQOS* Users" means the estimated number of Legal Age (minimum 18-year-old) *IQOS* users that used *HeatSticks /HEETS* heated tobacco units for between 70% and 95% of their daily tobacco consumption over the past seven days
- New PMI methodology as of 2018 for estimating the number of people who have stopped smoking and made the change to *IQOS*: for markets where *IQOS* is the only heated tobacco product, daily individual consumption of PMI heated tobacco units represents the totality of their daily tobacco consumption. For markets where *IQOS* is one among other heated tobacco products, daily individual consumption of heated tobacco units represents the totality of their daily tobacco consumption, of which at least 70% are PMI heated tobacco units
- "Situational *IQOS* Users" means the estimated number of Legal Age (minimum 18-year-old) *IQOS* users that used *HeatSticks /HEETS* heated tobacco units for between 5% and less than 70% of their daily tobacco consumption over the past seven days

Glossary: Reduced-Risk Products (cont.)

- "Abandoned *IQOS* Users" means the estimated number of Legal Age (minimum 18-year-old) *IQOS* users that used *HeatSticks /HEETS* heated tobacco units for less than 5% of their daily tobacco consumption over the past seven days
- "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 RRPs
- "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
- "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:" 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

PMI: Peer Group

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

(a) Formerly Imperial Tobacco
Source: Form 10-K for the period ended December 31, 2017 (p. 13)

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries
New Geographic Segmentation (effective January 1, 2018)

European Union

- Andorra
- Austria
- Baltic States
- Belgium
- Bulgaria
- Canary Islands
- Croatia
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Italy
- Luxembourg
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden
- Switzerland
- United Kingdom

Eastern Europe

- Albania
- Armenia
- Belarus
- Bosnia & Herzegovina
- Georgia
- Israel
- Kazakhstan
- Kosovo
- Kyrgyzstan
- Macedonia
- Moldova
- Mongolia
- Montenegro
- Russia
- Serbia
- Tajikistan
- Turkmenistan
- Ukraine
- Uzbekistan

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries
New Geographic Segmentation (effective January 1, 2018)

Middle East & Africa

- Algeria
- Bahrain
- Central Africa[a]
- Duty Free
- Eastern Africa[b]
- Egypt
- Iraq
- Jordan
- Kuwait
- Lebanon
- Libya
- Morocco
- Oman
- Palestine Auth. Area
- Qatar
- Saudi Arabia
- Southern Africa[c]
- Tunisia
- Turkey
- Turkish Cyprus
- United Arab Emirates (UAE)
- West Africa[d]
- Yemen

South & Southeast Asia

- Afghanistan
- Bangladesh
- Cambodia
- East Timor
- India
- Indonesia
- Laos
- Maldives
- Nepal
- Pakistan
- Philippines
- Sri Lanka
- Thailand
- Vietnam

(a) Central Africa includes Angola, Cameroon, Democratic Republic of the Congo, Equatorial Guinea and Gabon
(b) Eastern Africa includes Djibouti, Ethiopia, Kenya, Malawi, Mozambique, Somalia and Tanzania
(c) Southern Africa includes Botswana, Lesotho, Mauritius, Mayotte, Namibia, Reunion and Swaziland
(d) West Africa includes Benin, Burkina Faso, Cape Verde, The Gambia, Guinea, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries
New Geographic Segmentation (effective January 1, 2018)

East Asia & Australia

- Australia
- Hong Kong
- Japan
- Macau
- Malaysia
- New Zealand
- People's Republic of China
- Singapore
- South Korea
- South Pacific[a]
- Taiwan

Latin America & Canada

- Argentina
- Bolivia
- Brazil
- Canada
- Caribbean[b]
- Chile
- Colombia
- Costa Rica
- Dominican Republic
- Ecuador
- El Salvador
- Guatemala
- Honduras
- Mexico
- Nicaragua
- Panama
- Paraguay
- Peru
- Uruguay
- Venezuela

(a) South Pacific includes Christmas Islands, French Polynesia, Marshall Islands, Nauru, New Caledonia, Palau, Papua New Guinea, Tonga, Vanuatu and other South Pacific islands
(b) Caribbean includes Aruba, Bahamas, Bermuda, Bonaire, Cayman Islands, Curacao, Guadeloupe, Martinique, St. Barth's, St. Maarten, St. Martin and other Caribbean markets

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

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

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

Note: Sum of Regions might not foot to Total PMI due to rounding

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	Acqui-sitions	Adjusted Operating Income excluding Currency & Acqui-sitions	Years Ended December 31,	Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Total	Excluding Currency	Excluding Currency & Acqui-sitions
		2017						2016				% Change	
$ 3,691	$ -	$ 3,691	$ (43)	$ 3,734	$ -	$ 3,734	European Union	$ 3,920	$ -	$ 3,920	(5.8)%	(4.7)%	(4.7)%
887	-	887	84	803	-	803	Eastern Europe	890	-	890	(0.3)%	(9.8)%	(9.8)%
1,884	-	1,884	(6)	1,890	-	1,890	Middle East & Africa	1,990	-	1,990	(5.3)%	(5.0)%	(5.0)%
1,514	-	1,514	(47)	1,561	-	1,561	South & Southeast Asia	1,474	-	1,474	2.7%	5.9%	5.9%
2,608	-	2,608	(75)	2,683	-	2,683	East Asia & Australia	1,691	-	1,691	54.2%	58.7%	58.7%
997	-	997	(70)	1,067	-	1,067	Latin America & Canada	938	-	938	6.3%	13.8%	13.8%
$ 11,581	**$ -**	**$ 11,581**	**$ (157)**	**$ 11,738**	**$ -**	**$ 11,738**	**Total PMI**	**$ 10,903**	**$ -**	**$ 10,903**	**6.2%**	**7.7%**	**7.7%**

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,		
	2017	2016	% Change
Reported Diluted EPS	**$ 3.88**	**$ 4.48**	**(13.4)%**
Currency	(0.21)		
Reported Diluted EPS, excluding Currency	**$ 4.09**	**$ 4.48**	**(8.7)%**

	Years Ended December 31,		
	2017	2016	% Change
Reported Diluted EPS	**$ 3.88**	**$ 4.48**	**(13.4)%**
Asset impairment and exit costs	-	-	
Tax items	0.84	-	
Adjusted Diluted EPS	**$ 4.72**	**$ 4.48**	**5.4%**
Currency	(0.21)		
Adjusted Diluted EPS, excluding Currency	**$ 4.93**	**$ 4.48**	**10.0%**

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 & Acqui-sitions (a)	Net Revenues excluding Currency & Acqui-sitions (b)	Adjusted Operating Income Margin excluding Currency & Acqui-sitions	Years Ended December 31,	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 & Acqui-sitions
2017										2016			% Points Change		
$ 3,691	$ 8,318	44.4%	$ 3,734	$ 8,273	45.1%	$ 3,734	$ 8,273	45.1%	European Union	$ 3,920	$ 8,162	48.0%	(3.6)	(2.9)	(2.9)
887	2,711	32.7%	803	2,482	32.4%	803	2,482	32.4%	Eastern Europe	890	2,484	35.8%	(3.1)	(3.4)	(3.4)
1,884	3,988	47.2%	1,890	4,508	41.9%	1,890	4,508	41.9%	Middle East & Africa	1,990	4,516	44.1%	3.1	(2.2)	(2.2)
1,514	4,417	34.3%	1,561	4,480	34.8%	1,561	4,480	34.8%	South & Southeast Asia	1,474	4,396	33.5%	0.8	1.3	1.3
2,608	6,373	40.9%	2,683	6,447	41.6%	2,683	6,447	41.6%	East Asia & Australia	1,691	4,285	39.5%	1.4	2.1	2.1
997	2,941	33.9%	1,067	2,995	35.6%	1,067	2,995	35.6%	Latin America & Canada	938	2,842	33.0%	0.9	2.6	2.6
$ 11,581	**$ 28,748**	**40.3%**	**$ 11,738**	**$ 29,185**	**40.2%**	**$ 11,738**	**$ 29,185**	**40.2%**	**Total PMI**	**$ 10,903**	**$ 26,685**	**40.9%**	**(0.6)**	**(0.7)**	**(0.7)**

(a) For the calculation of Adjusted Operating Income and Adjusted Operating Income excluding currency and acquisitions refer to slide 108
(b) For the calculation of Net Revenues excluding currency and acquisitions refer to slide 107

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

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

Net Revenues	Currency	Net Revenues excluding Currency	Acquisitions	Net Revenues excluding Currency & Acquisitions	Quarters Ended March 31,	Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions
		2018			PMI	2017		% Change	
$ 1,988	$ 245	$ 1,743	$ -	$ 1,743	European Union	$ 1,740	14.3%	0.2%	0.2%
567	29	538	-	538	Eastern Europe	516	9.9%	4.3%	4.3%
961	14	947	-	947	Middle East & Africa	961	- %	(1.5)%	(1.5)%
1,081	(8)	1,089	-	1,089	South & Southeast Asia	1,031	4.8%	5.6%	5.6%
1,591	48	1,543	-	1,543	East Asia & Australia	1,210	31.5%	27.5%	27.5%
708	(1)	709	-	709	Latin America & Canada	606	16.8%	17.0%	17.0%
$ 6,896	**$ 327**	**$ 6,569**	**$ -**	**$ 6,569**	**Total PMI**	**$ 6,064**	**13.7%**	**8.3%**	**8.3%**

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	Acqui-sitions	Adjusted Operating Income excluding Currency & Acqui-sitions		Operating Income	Asset Impairment & Exit Costs	Adjusted Operating Income	Total	Excluding Currency	Excluding Currency & Acqui-sitions
2018							Quarters Ended March 31,	2017			% Change		
$ 740	$ -	$ 740	$ 110	$ 630	$ -	$ 630	European Union	$ 748	$ -	$ 748	(1.1)%	(15.8)%	(15.8)%
151	-	151	8	143	-	143	Eastern Europe	159	-	159	(5.0)%	(10.1)%	(10.1)%
374	-	374	(32)	406	-	406	Middle East & Africa	491	-	491	(23.8)%	(17.3)%	(17.3)%
429	-	429	(12)	441	-	441	South & Southeast Asia	370	-	370	15.9%	19.2%	19.2%
515	-	515	16	499	-	499	East Asia & Australia	472	-	472	9.1%	5.7%	5.7%
217	-	217	(14)	231	-	231	Latin America & Canada	176	-	176	23.3%	31.3%	31.3%
$ 2,426	**$ -**	**$ 2,426**	**$ 76**	**$ 2,350**	**$ -**	**$ 2,350**	**Total PMI**	**$ 2,416**	**$ -**	**$ 2,416**	**0.4%**	**(2.7)%**	**(2.7)%**

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

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

	Quarters Ended March 31,		
	2018	**2017**	**% Change**
Reported Diluted EPS	**$ 1.00**	**$ 1.02**	**(2.0)%**
Currency	0.03		
Reported Diluted EPS, excluding Currency	**$ 0.97**	**$ 1.02**	**(4.9)%**

	Quarters Ended March 31,		
	2018	**2017**	**% Change**
Reported Diluted EPS	**$ 1.00**	**$ 1.02**	**(2.0)%**
Asset impairment and exit costs	-	-	
Tax items	-	(0.04)	
Adjusted Diluted EPS	**$ 1.00**	**$ 0.98**	**2.0%**
Currency	0.03		
Adjusted Diluted EPS, excluding Currency	**$ 0.97**	**$ 0.98**	**(1.0)%**

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

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

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2017
Net Earnings	**$ 7,658**	**$ 7,032**	**$ 7,250**	**$ 6,341**
Equity (income)/loss in unconsolidated subsidiaries, net	(105)	(105)	(94)	(59)
Provision for income taxes	3,097	2,688	2,768	4,307
Interest expense, net	1,052	1,008	891	914
Depreciation and amortization	889	754	743	875
Asset impairment and exit costs	535	68	-	-
Adjusted EBITDA	**$ 13,126**	**$ 11,445**	**$ 11,558**	**$ 12,378**

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Short-term borrowings	$ 1,208	$ 825	$ 643	$ 499
Current portion of long-term debt	1,318	2,405	2,573	2,506
Long-term debt	26,929	25,250	25,851	31,334
Total Debt	**$ 29,455**	**$ 28,480**	**$ 29,067**	**$ 34,339**
Cash and cash equivalents	1,682	3,417	4,239	8,447
Net Debt	**$ 27,773**	**$ 25,063**	**$ 24,828**	**$ 25,892**
Ratios:				
Total Debt to Adjusted EBITDA	**2.24**	**2.49**	**2.51**	**2.77**
Net Debt to Adjusted EBITDA	**2.12**	**2.19**	**2.15**	**2.09**