

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): October 19, 2017**

**Philip Morris International Inc.**

(Exact name of registrant as specified in its charter)

**Virginia**  
(State or other jurisdiction  
of incorporation)

**1-33708**  
(Commission File Number)

**13-3435103**  
(I.R.S. Employer  
Identification No.)

**120 Park Avenue, New York, New York**  
(Address of principal executive offices)

**10017-5592**  
(Zip Code)

**Registrant's telephone number, including area code: (917) 663-2000**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

## **Item 2.02. Results of Operations and Financial Condition.**

On October 19, 2017, Philip Morris International Inc. (the “Company”) issued a press release announcing its financial results for the quarter ended September 30, 2017. The earnings release is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference to this Item 2.02.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in Item 2.02 of this Current Report on Form 8-K shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as may be expressly set forth by specific reference in such filing or document.

## **Item 7.01. Regulation FD Disclosure.**

On October 19, 2017, the Company held a live audio webcast to discuss its financial results for the quarter ended September 30, 2017. In connection with the webcast, the Company is furnishing to the Securities and Exchange Commission the following documents attached as exhibits to this Current Report on Form 8-K and incorporated by reference to this Item 7.01: the conference call script attached as Exhibit 99.2 hereto and the webcast slides attached as Exhibit 99.3 hereto.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 7.01 of this Current Report on Form 8-K, including Exhibits 99.2 and 99.3, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in Item 7.01 of this Current Report on Form 8-K shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as may be expressly set forth by specific reference in such filing or document.

## **Item 9.01 Financial Statements and Exhibits.**

### (d) Exhibits

- 99.1 Philip Morris International Inc. Press Release dated October 19, 2017 (furnished pursuant to Item 2.02)
- 99.2 Conference Call Script dated October 19, 2017 (furnished pursuant to Item 7.01)
- 99.3 Webcast Slides dated October 19, 2017 (furnished pursuant to Item 7.01)

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHILIP MORRIS INTERNATIONAL INC.

By: /s/ JERRY WHITSON  
Name: Jerry Whitson  
Title: Deputy General Counsel  
and Corporate Secretary

DATE: October 19, 2017



PHILIP MORRIS INTERNATIONAL

**PRESS RELEASE**

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**PHILIP MORRIS INTERNATIONAL INC. (PMI) REPORTS 2017 THIRD-QUARTER RESULTS;  
REVISES 2017 FULL-YEAR REPORTED DILUTED EPS FORECAST TO A RANGE OF \$4.75 TO \$4.80,  
REFLECTING CURRENCY-NEUTRAL GROWTH OF APPROXIMATELY 9% TO 10%  
VS. 2016 ADJUSTED DILUTED EPS OF \$4.48**

**2017 Third-Quarter**

- Reported diluted earnings per share of \$1.27, up by \$0.02 or 1.6% versus \$1.25 in 2016
  - Excluding unfavorable currency of \$0.12, reported diluted earnings per share up by \$0.14 or 11.2% versus \$1.25 in 2016 as detailed in the attached Schedule 13
- Adjusted diluted earnings per share of \$1.27, up by \$0.02 or 1.6% versus \$1.25 in 2016
  - Excluding unfavorable currency of \$0.12, adjusted diluted earnings per share up by \$0.14 or 11.2% versus \$1.25 in 2016 as detailed in the attached Schedule 13
- Cigarette and heated tobacco unit shipment volume of 208.2 billion, down by 0.5%
  - Cigarette shipment volume of 198.5 billion units, down by 4.1%
  - Heated tobacco unit shipment volume of 9.7 billion units, up from 2.1 billion units in 2016
- Reported net revenues of \$20.6 billion, up by 3.5%
- Net revenues, excluding excise taxes, of \$7.5 billion, up by 7.0%
  - Excluding unfavorable currency of \$136 million, net revenues, excluding excise taxes, up by 9.0% as detailed in the attached Schedule 10
- Reported operating income of \$3.1 billion, up by 3.1%
- Operating companies income of \$3.1 billion, up by 2.2%
  - Excluding unfavorable currency of \$140 million, operating companies income up by 6.8% as detailed in the attached Schedule 10
- Adjusted operating companies income, reflecting the items detailed in the attached Schedule 12, of \$3.1 billion, up by 2.2%
  - Excluding unfavorable currency of \$140 million, adjusted operating companies income up by 6.8% as detailed in the attached Schedule 12
- Increased the regular quarterly dividend by 2.9% to an annualized rate of \$4.28 per common share

**2017 Nine Months Year-to-Date**

- Reported diluted earnings per share of \$3.43, up by \$0.05 or 1.5% versus \$3.38 in 2016
  - Excluding unfavorable currency of \$0.23, reported diluted earnings per share up by \$0.28 or 8.3% versus \$3.38 in 2016 as detailed in the attached Schedule 17
- Adjusted diluted earnings per share of \$3.39 up by \$0.01 or 0.3% versus \$3.38 in 2016
  - Excluding unfavorable currency of \$0.23, adjusted diluted earnings per share up by \$0.24 or 7.1% versus \$3.38 in 2016 as detailed in the attached Schedule 17

- Cigarette and heated tobacco unit shipment volume of 586.1 billion, down by 4.9%
  - Cigarette shipment volume of 565.6 billion units, down by 7.6%
  - Heated tobacco unit shipment volume of 20.5 billion units, up from 3.7 billion units in 2016
- Reported net revenues of \$56.5 billion, up by 1.3%
- Net revenues, excluding excise taxes, of \$20.5 billion, up by 3.8%
  - Excluding unfavorable currency of \$451 million, net revenues, excluding excise taxes, up by 6.0% as detailed in the attached Schedule 14
- Reported operating income of \$8.2 billion, down by 0.2%
- Operating companies income of \$8.4 billion, down by 0.2%
  - Excluding unfavorable currency of \$351 million, operating companies income up by 4.0% as detailed in the attached Schedule 14
- Adjusted operating companies income, reflecting the items detailed in the attached Schedule 16, of \$8.4 billion, down by 0.2%
  - Excluding unfavorable currency of \$351 million, adjusted operating companies income up by 4.0% as detailed in the attached Schedule 16

### **2017 Full-Year Forecast**

- PMI revises its 2017 full-year reported diluted earnings per share forecast to a range of \$4.75 to \$4.80, at prevailing exchange rates, versus \$4.48 in 2016. Excluding an unfavorable currency impact, at prevailing exchange rates, of approximately \$0.17 for the full-year 2017, as well as the favorable tax item of \$0.04 recorded in the first quarter of 2017, the forecast range represents a projected increase of approximately 9% to 10% versus adjusted diluted earnings per share of \$4.48 in 2016 as detailed in the attached Schedule 20
- This forecast anticipates net revenue growth, excluding excise taxes, of over 7%, excluding currency and acquisitions
- This forecast does not include any share repurchases in 2017
- This forecast excludes the impact of any future acquisitions, unanticipated asset impairment and exit cost charges, future changes in currency exchange rates, and any unusual events. Factors described in the Forward-Looking and Cautionary Statements section of this release represent continuing risks to these projections

NEW YORK, October 19, 2017 – Philip Morris International Inc. (NYSE / Euronext Paris: PM) today announced its 2017 third-quarter results.

"As expected, our third-quarter financial results were very strong, including double-digit currency-neutral EPS growth," said André Calantzopoulos, Chief Executive Officer.

"We recorded a sequential improvement in our total volume performance, driven by both our combustible and reduced-risk products, and grew our international market share."

"Despite pressure on profitability from adverse developments in Russia and Saudi Arabia, as well as significant investments behind IQOS, which continues its stellar performance, we are on track to deliver full-year currency-neutral adjusted diluted EPS growth of approximately 9% to 10%, highlighting both the strength of our combustible business and the exciting potential of a smoke-free future."

## **Conference Call**

A conference call, hosted by Jacek Olczak, Chief Financial Officer, with members of the investor community and news media, will be webcast at 9:00 a.m., Eastern Time, on October 19, 2017. Access is at [www.pmi.com/2017Q3earnings](http://www.pmi.com/2017Q3earnings). The audio webcast may also be accessed on iOS or Android devices by downloading PMI's free Investor Relations Mobile Application at [www.pmi.com/irapp](http://www.pmi.com/irapp).

## **Dividends**

During the quarter, PMI increased its regular quarterly dividend by 2.9% from \$1.04 to \$1.07, representing an annualized rate of \$4.28 per common share. Since its spin-off in March 2008, PMI has increased its regular quarterly dividend by 132.6% from the initial annualized rate of \$1.84 per common share, or a compound annual growth rate of 9.8%.

## **2017 THIRD-QUARTER CONSOLIDATED RESULTS**

### **Key Terms, Definitions and Explanatory Notes**

#### **General**

- "PMI" refers to Philip Morris International Inc. and its subsidiaries. Trademarks and service marks that are the registered property of, or licensed by, the subsidiaries of PMI, are italicized.
- Comparisons are made to the same prior-year period unless otherwise stated.
- Unless otherwise stated, references to total industry, total market, PMI volume and PMI market share performance reflect cigarettes and PMI's heated tobacco units for those markets that have commercial sales of *IQOS*.
- References to total international market, defined as worldwide cigarette and PMI heated tobacco unit volume excluding the United States, total industry, total market and market shares are PMI tax-paid estimates 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.
- "Combustible products" is the term PMI uses to refer to cigarettes and OTP, combined.
- "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.
- "Total shipment volume" is defined as the combined total of cigarette shipment volume and heated tobacco unit shipment volume.
- "EEMA" is defined as Eastern Europe, Middle East and Africa and includes PMI's international duty free business.
- "North Africa" is defined as Algeria, Egypt, Libya, Morocco and Tunisia.

## Financial

- Net revenues, excluding excise taxes, related to combustible products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives.
- "Operating Companies Income," or "OCI," is defined as operating income, excluding general corporate expenses and the amortization of intangibles, plus equity (income)/loss in unconsolidated subsidiaries, net. Management evaluates business segment performance and allocates resources based on OCI.
- "Adjusted EBITDA" is defined as earnings before interest, taxes, depreciation and amortization, excluding asset impairment and exit costs, and unusual items.
- "Net debt" is defined as total debt, less cash and cash equivalents.
- Management reviews OCI, OCI 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.
- Management reviews these measures because they exclude changes in currency exchange rates and other factors that may distort underlying business trends, thereby improving the comparability of PMI's business performance between reporting periods. Furthermore, PMI uses several of these measures in its management compensation program to promote internal fairness and a disciplined assessment of performance against company targets. PMI discloses these measures to enable investors to view the business through the eyes of management.
- Non-GAAP measures used in this release should neither be considered in isolation nor as a substitute for the financial measures prepared in accordance with U.S. GAAP. For a reconciliation of non-GAAP measures to the most directly comparable GAAP measures, see the relevant schedules provided with this press release.

## Reduced-Risk Products

- "Reduced-risk products," or "RRPs," is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. PMI has a range of RRP's in various stages of development, scientific assessment and commercialization. Because PMI's RRP's do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke.
- "Heated tobacco units" is the term PMI uses to refer to heated tobacco consumables, which include *HEETS*, *HEETS Marlboro* and *HEETS FROM MARLBORO*, defined collectively as *HEETS*, as well as *Marlboro HeatSticks* and *Parliament HeatSticks*.
- Net revenues, excluding excise taxes, 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, net of sales and promotion incentives.



## SHIPMENT VOLUME

<u>PMI Shipment Volume by Region</u> (million units)	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b><u>Cigarettes</u></b>						
European Union	49,114	52,001	(5.6)%	141,412	148,393	(4.7)%
EEMA	68,837	72,172	(4.6)%	189,825	203,630	(6.8)%
Asia	60,062	61,693	(2.6)%	173,019	196,214	(11.8)%
Latin America & Canada	20,452	21,185	(3.5)%	61,301	64,144	(4.4)%
<b>Total PMI</b>	<b>198,465</b>	<b>207,051</b>	<b>(4.1)%</b>	<b>565,557</b>	<b>612,381</b>	<b>(7.6)%</b>
<b><u>Heated Tobacco Units</u></b>						
European Union	464	56	+100.0%	1,040	103	+100.0%
EEMA	427	27	+100.0%	761	37	+100.0%
Asia	8,826	2,006	+100.0%	18,697	3,558	+100.0%
Latin America & Canada	8	—	— %	12	—	— %
<b>Total PMI</b>	<b>9,725</b>	<b>2,089</b>	<b>+100.0%</b>	<b>20,510</b>	<b>3,698</b>	<b>+100.0%</b>
<b><u>Cigarettes and Heated Tobacco Units</u></b>						
European Union	49,578	52,057	(4.8)%	142,452	148,496	(4.1)%
EEMA	69,264	72,199	(4.1)%	190,586	203,667	(6.4)%
Asia	68,888	63,699	8.1 %	191,716	199,772	(4.0)%
Latin America & Canada	20,460	21,185	(3.4)%	61,313	64,144	(4.4)%
<b>Total PMI</b>	<b>208,190</b>	<b>209,140</b>	<b>(0.5)%</b>	<b>586,067</b>	<b>616,079</b>	<b>(4.9)%</b>

In the quarter, PMI's total shipment volume decreased by 0.5%, principally due to:

- the EU, notably lower cigarette shipment volume in Germany, Italy and Spain, partly offset by higher heated tobacco unit shipment volume;
- EEMA, notably Saudi Arabia where PMI's cigarette shipment volume declined by 48.3%, reflecting the impact of the new excise tax implemented in June 2017 that resulted in the doubling of retail prices, as well as Russia and Ukraine, partly offset by North Africa and higher heated tobacco unit shipment volume; and
- Latin America & Canada, mainly due to lower cigarette shipment volume in Mexico, partly offset by Argentina and Brazil.

The decline of PMI's total shipment volume was largely offset by growth in Asia, mainly driven by: Japan, reflecting higher heated tobacco unit shipment volume, Indonesia, and Pakistan, notably reflecting a lower price gap with illicit product following a modification to the excise tax structure, partly offset by the Philippines.

In the quarter, PMI's total shipment volume benefited from the favorable impact of estimated net combustible and heated tobacco unit inventory movements, driven by approximately 2.1 billion units in Japan. The favorable estimated net inventory movements in Japan, anticipated to continue in the fourth quarter of 2017, primarily reflected the growing demand for *HeatSticks* and a manufacturing capability sufficient to begin establishing normal levels of distributor inventory of heated tobacco units for risk management purposes, partly offset by a reduction of distributor inventory of combustible products. Excluding the impact of total estimated net inventory movements, PMI's total shipment volume decreased by 1.3%.

Year-to-date, PMI's total shipment volume decreased by 4.9%, principally due to:

- the EU, notably lower cigarette shipment volume in Germany, Italy and Spain, partly offset by higher heated tobacco unit shipment volume;
- EEMA, notably Saudi Arabia where PMI's cigarette shipment volume declined by 27.6%, reflecting the impact of the new excise tax implemented in June 2017 that resulted in the doubling of retail prices, as well as Russia, Turkey and Ukraine, partly offset by North Africa, notably Algeria, and higher heated tobacco unit shipment volume;
- Asia, notably lower cigarette shipment volume in Indonesia, Japan, Pakistan and the Philippines, partly offset by higher heated tobacco unit shipment volume, mainly in Japan; and
- Latin America & Canada, mainly due to lower cigarette shipment volume in Brazil, Canada, Colombia and Mexico.

Year-to-date, excluding the impact of estimated net inventory movements, PMI's total shipment volume decreased by 4.6%.

PMI shipment volume by brand is shown in the table below.

<b><u>PMI Shipment Volume by Brand</u></b> (million units)	<b><u>Third-Quarter</u></b>			<b><u>Nine Months Year-to-Date</u></b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b>
<b><u>Cigarettes</u></b>						
<i>Marlboro</i>	68,886	73,338	(6.1)%	200,115	211,426	(5.3)%
<i>L&amp;M</i>	23,809	25,349	(6.1)%	69,091	73,592	(6.1)%
<i>Chesterfield</i>	15,116	12,425	21.7 %	40,311	34,203	17.9 %
<i>Parliament</i>	11,354	12,200	(6.9)%	31,723	34,247	(7.4)%
<i>Bond Street</i>	9,912	11,709	(15.3)%	28,675	32,792	(12.6)%
<i>Philip Morris</i>	12,838	8,726	47.1 %	36,133	26,845	34.6 %
<i>Lark</i>	6,321	6,994	(9.6)%	18,534	21,031	(11.9)%
Others	50,229	56,310	(10.8)%	140,975	178,245	(20.9)%
<b>Total Cigarettes</b>	<b>198,465</b>	<b>207,051</b>	<b>(4.1)%</b>	<b>565,557</b>	<b>612,381</b>	<b>(7.6)%</b>
Heated Tobacco Units	9,725	2,089	+100.0%	20,510	3,698	+100.0%
<b>Total PMI</b>	<b>208,190</b>	<b>209,140</b>	<b>(0.5)%</b>	<b>586,067</b>	<b>616,079</b>	<b>(4.9)%</b>

In the quarter, PMI's cigarette shipment volume of *Marlboro* decreased in: the EU, mainly due to Germany, Italy and Spain; EEMA, predominantly due to Saudi Arabia, reflecting the impact of the new excise tax implemented in June 2017 that resulted in the doubling of the retail price of *Marlboro* from SAR 12 to SAR 24 per pack; Asia, mainly due to Japan, principally reflecting out-switching to *HeatSticks*, partly offset by Indonesia and the Philippines; and Latin America & Canada, mainly due to Mexico.

PMI's cigarette shipment volume of the following brands decreased: *L&M*, mainly due to Russia, Saudi Arabia and Turkey, partly offset by North Africa; *Parliament*, mainly due to Japan and Russia, partly offset by Kazakhstan and Turkey; *Bond Street*, mainly due to Russia and Ukraine; *Lark*, principally due to Japan, partly offset by Turkey; and "Others," mainly due to local, low-price brands in the Philippines, Russia and Ukraine, partly offset by Indonesia and low-price brands in Pakistan.

PMI's cigarette shipment volume of the following brands increased: *Chesterfield*, mainly driven by Argentina, Brazil, reflecting successful brand portfolio consolidation, Saudi Arabia and Turkey, partly offset by Russia; and

*Philip Morris*, mainly driven by Russia and Ukraine, notably reflecting successful portfolio consolidation of local, low-price brands in "Others," partly offset by Argentina and Italy.

Year-to-date, PMI's cigarette shipment volume of *Marlboro* decreased in: the EU, mainly due to Germany, Italy and Spain; EEMA, predominantly due to Saudi Arabia, reflecting the same dynamic as in the quarter, partly offset by North Africa; Asia, mainly due to Japan, principally reflecting out-switching to *HeatSticks*, and Korea, partly offset by Indonesia and the Philippines; and Latin America & Canada, mainly due to Argentina, Brazil and Mexico.

PMI's cigarette shipment volume of the following brands decreased: *L&M*, mainly due to Russia, Saudi Arabia and Turkey, partly offset by Kazakhstan; *Parliament*, mainly due to Japan, Russia and Turkey, partly offset by Kazakhstan and Korea; *Bond Street*, mainly due to Kazakhstan, Russia and Ukraine; *Lark*, principally due to Japan and Turkey; and "Others," mainly due to Indonesia and local, low-price brands in Pakistan, the Philippines, Russia and Ukraine.

PMI's cigarette shipment volume of the following brands increased: *Chesterfield*, notably driven by Argentina, Saudi Arabia and Turkey, partly offset by Italy and Russia; and *Philip Morris*, mainly driven by Russia and Ukraine, notably reflecting successful portfolio consolidation of local, low-price brands in "Others," partly offset by Argentina and Italy.

**NET REVENUES (Excluding Excise Taxes)**

**PMI Net Revenues**  
**(Excluding Excise Taxes)**

(in millions)	<u>Third-Quarter</u>				<u>Nine Months Year-to-Date</u>			
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Excl. Curr.</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Excl. Curr.</u>
<b><u>Combustible Products</u></b>								
European Union	\$ 2,139	\$ 2,188	(2.2)%	(4.6)%	\$ 5,909	\$ 6,186	(4.5)%	(3.0)%
EEMA	1,742	1,932	(9.8)%	(4.3)%	4,871	5,198	(6.3)%	(1.1)%
Asia	1,889	1,940	(2.7)%	(1.3)%	5,569	5,883	(5.3)%	(5.2)%
Latin America & Canada	755	710	6.4 %	8.4 %	2,108	2,057	2.5 %	5.3 %
<b>Total PMI</b>	<b>\$ 6,526</b>	<b>\$ 6,770</b>	<b>(3.6)%</b>	<b>(2.2)%</b>	<b>\$ 18,457</b>	<b>\$ 19,323</b>	<b>(4.5)%</b>	<b>(2.3)%</b>

**RRPs**

European Union	\$ 65	\$ 13	+100%	+100%	\$ 145	\$ 32	+100%	+100%
EEMA	41	4	+100%	+100%	64	3	+100%	+100%
Asia	841	196	+100%	+100%	1,786	354	+100%	+100%
Latin America & Canada	1	—	+100%	+100%	2	—	+100%	+100%
<b>Total PMI</b>	<b>\$ 947</b>	<b>\$ 212</b>	<b>+100%</b>	<b>+100%</b>	<b>\$ 1,997</b>	<b>\$ 390</b>	<b>+100%</b>	<b>+100%</b>

**Combustible Products and RRP**

European Union	\$ 2,204	\$ 2,200	0.2 %	(2.2)%	\$ 6,054	\$ 6,218	(2.6)%	(1.1)%
EEMA	1,783	1,936	(7.9)%	(2.4)%	4,935	5,202	(5.1)%	— %
Asia	2,730	2,136	27.8 %	31.0 %	7,355	6,237	17.9 %	18.5 %
Latin America & Canada	756	710	6.5 %	8.5 %	2,110	2,057	2.6 %	5.3 %
<b>Total PMI</b>	<b>\$ 7,473</b>	<b>\$ 6,982</b>	<b>7.0 %</b>	<b>9.0 %</b>	<b>\$ 20,454</b>	<b>\$ 19,714</b>	<b>3.8 %</b>	<b>6.0 %</b>

Note: Sum of product categories or Regions might not foot to total PMI due to rounding.

In the quarter, net revenues, excluding excise taxes, of \$7.5 billion increased by 7.0%, as detailed above and in the attached Schedule 10. Excluding unfavorable currency of \$136 million, net revenues, excluding excise taxes, increased by 9.0%, driven by a favorable pricing variance of \$309 million from across all Regions, despite low price realization in Russia, notably Asia and Latin America & Canada, and favorable volume/mix of \$318 million, driven by Asia, partly offset by EU, EEMA, mainly Saudi Arabia, and Latin America & Canada.

**OPERATING COMPANIES INCOME**

<u>PMI OCI</u> (in millions)	<u>Third-Quarter</u>				<u>Nine Months Year-to-Date</u>			
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Excl. Curr.</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Excl. Curr.</u>
European Union	\$ 1,042	\$ 1,120	(7.0)%	(7.6)%	\$ 2,783	\$ 3,096	(10.1)%	(7.5)%
EEMA	765	962	(20.5)%	(11.7)%	2,188	2,389	(8.4)%	(0.8)%
Asia	1,065	761	39.9 %	47.2 %	2,753	2,288	20.3 %	21.5 %
Latin America & Canada	264	224	17.9 %	21.4 %	709	677	4.7 %	13.6 %
<b>Total PMI</b>	<b>\$ 3,136</b>	<b>\$ 3,067</b>	<b>2.2 %</b>	<b>6.8 %</b>	<b>\$ 8,433</b>	<b>\$ 8,450</b>	<b>(0.2)%</b>	<b>4.0 %</b>

In the quarter, operating companies income of \$3.1 billion increased by 2.2%. Excluding unfavorable currency of \$140 million, operating companies income increased by 6.8%, mainly driven by a favorable pricing

variance across all Regions, partly offset by unfavorable volume/mix of \$20 million, mainly due to the EU, EEMA and Latin America & Canada, largely offset by Asia, as well as an unfavorable cost comparison, primarily reflecting increased support behind reduced-risk products, predominantly in the EU.

Adjusted operating companies income and margin are shown in the table below and detailed in Schedule 12. Adjusted operating companies income, excluding unfavorable currency, increased by 6.8%. Adjusted operating companies income margin, excluding unfavorable currency, decreased by 0.8 points to 43.1%, reflecting the factors mentioned above, as detailed on Schedule 12.

<b>PMI OCI</b> (in millions)	<b>Third-Quarter</b>			<b>Excl. Curr.</b>	<b>Nine Months Year-to-Date</b>			<b>Excl. Curr.</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>		<b>2017</b>	<b>2016</b>	<b>Change</b>	
<b>OCI</b>	\$3,136	\$ 3,067	2.2%	6.8%	\$ 8,433	\$ 8,450	(0.2)%	4.0%
Asset impairment & exit costs	—	—			—	—		
<b>Adjusted OCI</b>	<b>\$3,136</b>	<b>\$ 3,067</b>	<b>2.2%</b>	<b>6.8%</b>	<b>\$ 8,433</b>	<b>\$ 8,450</b>	<b>(0.2)%</b>	<b>4.0%</b>
<b>Adjusted OCI Margin*</b>	42.0%	43.9%	(1.9)	(0.8)	41.2%	42.9%	(1.7)	(0.9)

\*Margins are calculated as adjusted OCI, divided by net revenues, excluding excise taxes.

### **EUROPEAN UNION REGION (EU)**

#### **2017 Third-Quarter**

Net revenues, excluding excise taxes, of \$2.2 billion, increased by 0.2%. Excluding favorable currency of \$53 million, net revenues, excluding excise taxes, decreased by 2.2%, mainly due to unfavorable volume/mix of \$86 million, mainly driven by France, Germany, Spain and the United Kingdom, partly offset by Italy. The unfavorable volume/mix was partly offset by a favorable pricing variance of \$37 million, driven mainly by Germany and the United Kingdom, partly offset by France and Italy.

Operating companies income of \$1.0 billion decreased by 7.0%. Excluding favorable currency of \$7 million, operating companies income decreased by 7.6%, mainly due to: unfavorable volume/mix of \$88 million, mainly in France, Germany, Spain and the United Kingdom, partly offset by Italy; and increased investment behind reduced-risk products across the Region; partly offset by favorable pricing.

Adjusted operating companies income and margin are shown in the table below and detailed on Schedule 12. Adjusted operating companies income, excluding favorable currency, decreased by 7.6%. Adjusted operating companies income margin, excluding favorable currency, decreased by 2.8 points to 48.1%, reflecting the factors mentioned above, as detailed on Schedule 12.

<b>EU OCI</b> (in millions)	<b>Third-Quarter</b>			<b>Excl. Curr.</b>	<b>Nine Months Year-to-Date</b>			<b>Excl. Curr.</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>		<b>2017</b>	<b>2016</b>	<b>Change</b>	
<b>OCI</b>	\$ 1,042	\$ 1,120	(7.0)%	(7.6)%	\$ 2,783	\$ 3,096	(10.1)%	(7.5)%
Asset impairment & exit costs	—	—			—	—		
<b>Adjusted OCI</b>	<b>\$ 1,042</b>	<b>\$ 1,120</b>	<b>(7.0)%</b>	<b>(7.6)%</b>	<b>\$ 2,783</b>	<b>\$ 3,096</b>	<b>(10.1)%</b>	<b>(7.5)%</b>
<b>Adjusted OCI Margin*</b>	47.3%	50.9%	(3.6)	(2.8)	46.0%	49.8%	(3.8)	(3.2)

\*Margins are calculated as adjusted OCI, divided by net revenues, excluding excise taxes.

## EU Total Market, PMI Shipment & Market Share Commentaries

In the quarter, the estimated total market in the EU decreased by 4.5% to 131.9 billion units. Excluding the net impact of estimated trade inventory movements, largely associated with the third quarter of 2016 reflecting the anticipated implementation of the Tobacco Products Directive in 2017, notably in France, Italy and the United Kingdom, the estimated total market declined by 3.9%.

Year-to-date, the estimated total market in the EU decreased by 2.7% to 372.8 billion units. The net impact of estimated trade inventory movements year-to-date was immaterial.

### EU PMI Shipment Commentaries

#### EU PMI Shipment Volume by Brand (million units)

	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b><u>Cigarettes</u></b>						
<i>Marlboro</i>	24,246	25,943	(6.5)%	69,770	73,582	(5.2)%
<i>L&amp;M</i>	8,990	9,454	(4.9)%	25,992	26,628	(2.4)%
<i>Chesterfield</i>	8,002	8,055	(0.7)%	22,270	23,111	(3.6)%
<i>Philip Morris</i>	3,779	4,330	(12.7)%	11,635	12,621	(7.8)%
Others	4,097	4,219	(2.9)%	11,745	12,451	(5.7)%
<b>Total Cigarettes</b>	<b>49,114</b>	<b>52,001</b>	<b>(5.6)%</b>	<b>141,412</b>	<b>148,393</b>	<b>(4.7)%</b>
Heated Tobacco Units	464	56	+100.0%	1,040	103	+100.0%
<b>Total EU</b>	<b>49,578</b>	<b>52,057</b>	<b>(4.8)%</b>	<b>142,452</b>	<b>148,496</b>	<b>(4.1)%</b>

#### EU Market Shares by Brand

	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
			<u>p.p.</u>			<u>p.p.</u>
<i>Marlboro</i>	18.6%	19.0%	(0.4)	18.7%	19.0%	(0.3)
<i>L&amp;M</i>	6.8%	6.9%	(0.1)	6.9%	6.9%	—
<i>Chesterfield</i>	6.0%	5.9%	0.1	6.0%	5.9%	0.1
<i>Philip Morris</i>	3.0%	3.2%	(0.2)	3.1%	3.3%	(0.2)
Others*	3.6%	3.1%	0.5	3.4%	3.2%	0.2
<b>Total EU</b>	<b>38.0%</b>	<b>38.1%</b>	<b>(0.1)</b>	<b>38.1%</b>	<b>38.3%</b>	<b>(0.2)</b>

\*Includes heated tobacco units.

### 2017 Third-Quarter and Nine Months Year-to-Date

In the quarter, PMI's total shipment volume decreased by 4.8% to 49.6 billion units, mainly due to cigarette volume declines in Germany, Italy and Spain. Estimated net inventory movements were immaterial. The decrease in cigarette shipment volume of *Marlboro* was mainly due to Germany, Italy and Spain. The decrease in cigarette shipment volume of *L&M* was mainly due to Germany, Poland and Spain. The decrease in cigarette shipment volume of *Chesterfield* was mainly due to Portugal and the United Kingdom, largely offset by Poland. The decrease in cigarette shipment volume of *Philip Morris* was mainly due to France and Italy. The decrease in cigarette shipment volume of "Others" was mainly due to *RGD* in Poland.

In the quarter, PMI's total market share decreased by 0.1 point to 38.0%, with gains in France, Italy and Poland largely offset by declines in Germany and Spain.

Year-to-date, PMI's total shipment volume decreased by 4.1% to 142.5 billion units, mainly due to cigarette volume declines in Germany, Italy and Spain. Excluding estimated net inventory movements, principally associated with distributor cigarette inventory movements in France, Italy and Spain, PMI's total shipment volume decreased by 3.2%. The decrease in cigarette shipment volume of *Marlboro* was mainly due to Germany, Italy and Spain. The decrease in cigarette shipment volume of *L&M* was mainly due to Germany and Spain. The decrease in cigarette shipment volume of *Chesterfield* was mainly due to Italy, Portugal and Spain, partly offset by Poland. The decrease in cigarette shipment volume of *Philip Morris* was mainly due to Italy. The decrease in cigarette shipment volume of "Others" was mainly due to *Muratti* in Italy.

Year-to-date, PMI's total market share decreased by 0.2 points to 38.1%, with declines in Germany, Italy and Spain partly offset by gains in France and Poland.

### **EU Key Market Commentaries**

In **France**, estimated industry size, PMI shipment volume and market share performance, shown in the table below, include cigarettes and PMI's heated tobacco units.

<b><u>France Key Market Data</u></b>	<b><u>Third-Quarter</u></b>			<b><u>Nine Months Year-to-Date</u></b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>% / p.p.</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>% / p.p.</u></b>
<b>Total Market (billion units)</b>	11.4	12.1	(5.4)%	34.0	34.5	(1.3)%
<b>PMI Shipments (million units)</b>	4,804	5,037	(4.6)%	14,679	14,872	(1.3)%
<b>PMI Market Share</b>						
<i>Marlboro</i>	27.3%	26.3%	1.0	26.9%	26.2%	0.7
<i>Philip Morris</i>	10.0%	10.1%	(0.1)	10.2%	10.1%	0.1
<i>Chesterfield</i>	3.0%	3.1%	(0.1)	3.1%	3.1%	—
Others*	2.7%	2.7%	—	2.7%	2.8%	(0.1)
<b>Total</b>	<b>43.0%</b>	<b>42.2%</b>	<b>0.8</b>	<b>42.9%</b>	<b>42.2%</b>	<b>0.7</b>

\*Includes heated tobacco units.

In the quarter, the estimated total market decreased by 5.4%. Excluding the aforementioned net impact of estimated trade inventory movements, the estimated total market declined by 3.6%. The decrease in PMI's shipment volume was mainly due to the lower total market, partly offset by higher market share, principally *Marlboro*, notably reflecting the growth of both *Marlboro* Red and Gold in 30s packs launched in March 2017.

Year-to-date, the estimated total market decreased by 1.3%. The decrease in PMI's shipment volume mainly reflected the lower total market, partly offset by higher market share.

In **Germany**, estimated industry size, PMI shipment volume and market share performance, shown in the table below, include cigarettes and PMI's heated tobacco units.

<b><u>Germany Key Market Data</u></b>	<b><u>Third-Quarter</u></b>			<b><u>Nine Months Year-to-Date</u></b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>% / p.p.</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>% / p.p.</u></b>
<b>Total Market (billion units)</b>	20.4	21.7	(6.1)%	57.6	59.7	(3.4)%
<b>PMI Shipments (million units)</b>	7,082	7,693	(7.9)%	21,014	22,068	(4.8)%
<b>PMI Market Share</b>						
<i>Marlboro</i>	21.0%	21.5%	(0.5)	22.1%	22.3%	(0.2)
<i>L&amp;M</i>	10.8%	11.1%	(0.3)	11.3%	11.6%	(0.3)
<i>Chesterfield</i>	1.5%	1.5%	—	1.5%	1.6%	(0.1)
Others*	1.4%	1.3%	0.1	1.6%	1.5%	0.1
<b>Total</b>	<b>34.7%</b>	<b>35.4%</b>	<b>(0.7)</b>	<b>36.5%</b>	<b>37.0%</b>	<b>(0.5)</b>

\*Includes heated tobacco units.

In the quarter, the estimated total market decreased by 6.1%, partly reflecting the impact of price increases in March 2017 as well as a challenging comparison with the third quarter of 2016, which declined by 0.5%. The decrease in PMI's shipment volume was mainly due to the lower total market and market share, mainly *Marlboro*, reflecting the impact of its price increase from the round €6.00 per pack price point to €6.30 in March 2017, combined with the later timing of competitors' price increases.

Year-to-date, the estimated total market decreased by 3.4%, partly reflecting the impact of price increases in March 2017 as well as a challenging comparison with the nine months year-to-date of 2016, which declined by 0.3%, benefiting from a lower prevalence of illicit trade and the estimated favorable impact of immigration. The decrease in PMI's shipment volume was mainly due to the lower total market and lower market share, largely reflecting the same dynamics as in the quarter.



In **Italy**, estimated industry size, PMI shipment volume and market share performance, shown in the table below, include cigarettes and PMI's heated tobacco units.

<u>Italy Key Market Data</u>	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
			<b>Change</b>			<b>Change</b>
	<u>2017</u>	<u>2016</u>	<u>% / p.p.</u>	<u>2017</u>	<u>2016</u>	<u>% / p.p.</u>
<b>Total Market (billion units)</b>	18.7	19.7	(5.1)%	53.1	55.6	(4.3)%
<b>PMI Shipments (million units)</b>	9,694	9,967	(2.7)%	27,738	29,914	(7.3)%
<b>PMI Market Share</b>						
<i>Marlboro</i>	24.1%	24.3%	(0.2)	23.9%	24.5%	(0.6)
<i>Chesterfield</i>	11.3%	11.6%	(0.3)	11.3%	11.6%	(0.3)
<i>Philip Morris</i>	7.7%	8.3%	(0.6)	7.8%	8.6%	(0.8)
<i>HEETS</i>	0.7%	0.1%	0.6	0.6%	0.1%	0.5
Others	8.6%	8.0%	0.6	8.5%	7.9%	0.6
<b>Total</b>	<b>52.4%</b>	<b>52.3%</b>	<b>0.1</b>	<b>52.1%</b>	<b>52.7%</b>	<b>(0.6)</b>

In the quarter, the estimated total market decreased by 5.1%. Excluding the aforementioned net impact of estimated trade inventory movements, the estimated total market declined by 3.6%, partly reflecting the Tobacco Product Directive's ban on pack sizes of ten cigarettes that fueled growth in cheaper alternatives, including fine cut and cigarillos. The decline of PMI's shipments, down by 5.0% excluding the net impact of distributor inventory movements, mainly reflected the lower total market. PMI's slightly higher market share was mainly driven by *HEETS* and *Merit* in "Others," largely offset by low-price *Philip Morris*, impacted by the growth of the super-low price segment.

Year-to-date, the estimated total market decreased by 4.3%, mainly reflecting the same dynamics as in the quarter. The decline of the total market also reflected a challenging comparison with the first nine months of 2016, which were flat. The decline of PMI's shipments, down by 5.4% excluding the net impact of distributor inventory movements, mainly reflected the lower total market, as well as lower cigarette market share, principally due to *Marlboro*, partly reflecting the ban on pack sizes of ten cigarettes, and low-price *Philip Morris*, impacted by the growth of the super-low price segment, partly offset by *HEETS* and *Merit* in "Others."

In **Poland**, estimated industry size, PMI shipment volume and market share performance, shown in the table below, include cigarettes and PMI's heated tobacco units.

<b><u>Poland Key Market Data</u></b>	<b><u>Third-Quarter</u></b>			<b><u>Nine Months Year-to-Date</u></b>		
			<b>Change</b>			<b>Change</b>
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>% / p.p.</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>% / p.p.</u></b>
<b>Total Market (billion units)</b>	11.2	11.5	(2.9)%	32.3	32.3	(0.1)%
<b>PMI Shipments (million units)</b>	4,819	4,864	(0.9)%	13,695	13,515	1.3 %
<b>PMI Market Share</b>						
<i>Marlboro</i>	10.6%	11.3%	(0.7)	10.6%	11.3%	(0.7)
<i>L&amp;M</i>	17.9%	18.2%	(0.3)	18.3%	18.3%	—
<i>Chesterfield</i>	11.6%	9.4%	2.2	10.5%	9.1%	1.4
Others*	2.9%	3.2%	(0.3)	3.0%	3.1%	(0.1)
<b>Total</b>	<b>43.0%</b>	<b>42.1%</b>	<b>0.9</b>	<b>42.4%</b>	<b>41.8%</b>	<b>0.6</b>

\*Includes heated tobacco units.

In the quarter, the estimated total market decreased by 2.9%. The decrease in PMI's shipment volume primarily reflected the lower total market, partly offset by an increase in PMI's market share, driven by *Chesterfield*, benefiting from brand support.

Year-to-date, the estimated total market decreased by 0.1%, reflecting a lower prevalence of illicit trade. The increase in PMI's shipment volume was primarily driven by higher market share, mainly reflecting the same dynamics as in the quarter.

In **Spain**, estimated industry size, PMI shipment volume and market share performance, shown in the table below, include cigarettes and PMI's heated tobacco units.

<b><u>Spain Key Market Data</u></b>	<b><u>Third-Quarter</u></b>			<b><u>Nine Months Year-to-Date</u></b>		
			<b>Change</b>			<b>Change</b>
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>% / p.p.</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>% / p.p.</u></b>
<b>Total Market (billion units)</b>	12.4	13.0	(5.0)%	34.1	35.3	(3.4)%
<b>PMI Shipments (million units)</b>	3,847	4,274	(10.0)%	11,131	12,640	(11.9)%
<b>PMI Market Share</b>						
<i>Marlboro</i>	17.1%	18.6%	(1.5)	16.6%	18.1%	(1.5)
<i>L&amp;M</i>	5.3%	5.3%	—	5.4%	5.4%	—
<i>Chesterfield</i>	8.5%	8.4%	0.1	8.5%	8.6%	(0.1)
Others*	2.2%	2.1%	0.1	1.9%	2.0%	(0.1)
<b>Total</b>	<b>33.1%</b>	<b>34.4%</b>	<b>(1.3)</b>	<b>32.4%</b>	<b>34.1%</b>	<b>(1.7)</b>

\*Includes heated tobacco units.

In the quarter, the estimated total market decreased by 5.0%, mainly reflecting the impact of price increases in December 2016. The decline of PMI's shipment volume was mainly due to the lower total market and lower market share, principally due to *Marlboro*, reflecting the impact of price increases, particularly above the round

€5.00 per pack price point in the vending channel, as well as a challenging comparison with the third quarter of 2016 in which the market share of *Marlboro* grew by 0.9 points.

Year-to-date, the estimated total market decreased by 3.4%. The decline of PMI's shipment volume, down by 7.8% excluding the net impact of distributor inventory movements, was mainly due to the lower total market and lower market share, principally due to *Marlboro*, reflecting the same dynamics as in the quarter, as well as a challenging comparison with the first nine months of 2016 in which the market share of *Marlboro* grew by 1.2 points.

### **EASTERN EUROPE, MIDDLE EAST & AFRICA REGION (EEMA)**

#### **2017 Third-Quarter**

Net revenues, excluding excise taxes, of \$1.8 billion decreased by 7.9%. Excluding unfavorable currency of \$107 million, net revenues, excluding excise taxes, decreased by 2.4%, principally due to unfavorable volume/mix of \$111 million, primarily reflecting a lower total market in Russia, and a lower total market and market share in Saudi Arabia, mainly resulting from the implementation of the new excise tax, partly offset by North Africa. The unfavorable volume/mix was partly offset by a favorable pricing variance of \$65 million, despite low price realization in Russia, driven mainly by North Africa, notably Egypt, and Ukraine, partly offset by Turkey.

Operating companies income of \$765 million decreased by 20.5%. Excluding unfavorable currency of \$84 million, operating companies income decreased by 11.7%, principally due to: unfavorable volume/mix of \$121 million, predominantly in Russia and Saudi Arabia, partly offset by a favorable pricing variance.

Adjusted operating companies income and margin are shown in the table below and detailed on Schedule 12. Adjusted operating companies income, excluding unfavorable currency, decreased by 11.7%. Adjusted operating companies income margin, excluding unfavorable currency, decreased by 4.8 points to 44.9%, reflecting the factors mentioned above, as detailed on Schedule 12.

<b><u>EEMA OCI</u></b> <b>(in millions)</b>	<b><u>Third-Quarter</u></b>				<b><u>Nine Months Year-to-Date</u></b>			
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b>	<b><u>Excl. Curr.</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b>	<b><u>Excl. Curr.</u></b>
<b>OCI</b>	\$ 765	\$ 962	(20.5)%	(11.7)%	\$ 2,188	\$ 2,389	(8.4)%	(0.8)%
Asset impairment & exit costs	—	—			—	—		
<b>Adjusted OCI</b>	<b>\$ 765</b>	<b>\$ 962</b>	<b>(20.5)%</b>	<b>(11.7)%</b>	<b>\$ 2,188</b>	<b>\$ 2,389</b>	<b>(8.4)%</b>	<b>(0.8)%</b>
<b>Adjusted OCI Margin*</b>	42.9%	49.7%	(6.8)	(4.8)	44.3%	45.9%	(1.6)	(0.3)

\*Margins are calculated as adjusted OCI, divided by net revenues, excluding excise taxes.

## EEMA PMI Shipment Commentaries

<u>EEMA PMI Shipment Volume by Brand</u> (million units)	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b><u>Cigarettes</u></b>						
<i>Marlboro</i>	18,655	20,082	(7.1)%	51,808	55,005	(5.8)%
<i>L&amp;M</i>	12,639	13,486	(6.3)%	35,919	39,511	(9.1)%
<i>Bond Street</i>	9,473	11,159	(15.1)%	27,449	31,310	(12.3)%
<i>Parliament</i>	8,710	9,262	(6.0)%	23,525	25,501	(7.8)%
<i>Philip Morris</i>	5,501	344	+100.0%	13,813	824	+100.0%
Others	13,859	17,839	(22.3)%	37,311	51,479	(27.5)%
<b>Total Cigarettes</b>	<b>68,837</b>	<b>72,172</b>	<b>(4.6)%</b>	<b>189,825</b>	<b>203,630</b>	<b>(6.8)%</b>
Heated Tobacco Units	427	27	+100.0%	761	37	+100.0%
<b>Total EEMA</b>	<b>69,264</b>	<b>72,199</b>	<b>(4.1)%</b>	<b>190,586</b>	<b>203,667</b>	<b>(6.4)%</b>

### 2017 Third-Quarter and Nine Months Year-to-Date

In the quarter, PMI's total shipment volume decreased by 4.1% to 69.3 billion units, mainly due to cigarette volume declines in: Russia, Saudi Arabia, where PMI's cigarette shipment volume declined by 48.3% reflecting the impact of the new excise tax implemented in June 2017, and Ukraine, partly offset by North Africa, notably Egypt, and higher heated tobacco unit shipment volume. The decrease in cigarette shipment volume of *Marlboro* was mainly due to Saudi Arabia. The decrease in cigarette shipment volume of *L&M* was mainly due to Russia, Saudi Arabia and Turkey, partly offset by Kazakhstan and North Africa, notably Egypt. The decrease in cigarette shipment volume of *Bond Street* was mainly due to Russia and Ukraine. The decrease in cigarette shipment volume of *Parliament* was mainly due to Russia, partly offset by Kazakhstan and Turkey. The increase in cigarette shipment volume of *Philip Morris* was driven by Russia and Ukraine, reflecting successful portfolio consolidation of local, low-price brands. The decrease in cigarette shipment volume of "Others" was mainly due to low-price *Next/Dubliss* in Russia.

Year-to-date, PMI's total shipment volume decreased by 6.4% to 190.6 billion units, mainly reflecting cigarette volume declines in Russia, Saudi Arabia, Turkey and Ukraine, partly offset by North Africa, notably Algeria, and higher heated tobacco unit shipment volume. The decrease in cigarette shipment volume of *Marlboro* was mainly due to Saudi Arabia, partly offset by North Africa. The decrease in cigarette shipment volume of *L&M* was mainly due to Russia, Saudi Arabia and Turkey, partly offset by Kazakhstan. The decrease in cigarette shipment volume of *Bond Street* was mainly due to Kazakhstan, Russia and Ukraine. The decrease in cigarette shipment volume of *Parliament* was mainly due to Russia, Saudi Arabia and Turkey, partly offset by Kazakhstan. The increase in cigarette shipment volume of *Philip Morris* was driven by Russia and Ukraine, reflecting the same dynamics as in the quarter. The decrease in cigarette shipment volume of "Others" was mainly due to the same dynamics as in the quarter.

## EEMA Key Market Commentaries

In **North Africa**, estimated cigarette industry size, PMI cigarette shipment volume and cigarette market share performance are shown in the table below.

<u>North Africa Key Market Data</u>	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>% / p.p.</u>	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>% / p.p.</u>
<b>Total Cigarette Market (billion units)</b>	37.6	36.9	1.7%	104.7	105.4	(0.7)%
<b>PMI Cigarette Shipments (million units)</b>	9,558	8,480	12.7%	25,953	25,893	0.2 %
<b>PMI Cigarette Market Share</b>						
<i>Marlboro</i>	10.4%	10.2%	0.2	9.3%	8.2%	1.1
<i>L&amp;M</i>	13.1%	11.6%	1.5	12.1%	12.5%	(0.4)
Others	3.3%	2.5%	0.8	2.9%	2.9%	—
<b>Total</b>	<b>26.8%</b>	<b>24.3%</b>	<b>2.5</b>	<b>24.3%</b>	<b>23.6%</b>	<b>0.7</b>

In the quarter, the estimated total cigarette market increased by 1.7%. The increase in PMI's cigarette shipment volume mainly reflected higher cigarette market share, notably of *Marlboro* and *L&M* in Algeria and Egypt.

Year-to-date, the estimated total cigarette market decreased by 0.7%, mainly due to Algeria, partially offset by Egypt. The increase in PMI's cigarette shipment volume, up by 2.2% excluding estimated distributor inventory movements, was mainly driven by higher cigarette market share, notably of *Marlboro* in Algeria, partly offset by *L&M* in Egypt.

In **Russia**, estimated industry size and PMI shipment volume, shown in the table below, include cigarettes and PMI's heated tobacco units. August quarter-to-date and year-to-date market share performance, as measured by Nielsen and shown in the table below, reflects that of cigarettes.

<u>Russia Key Market Data</u>	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>% / p.p.</u>	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>% / p.p.</u>
<b>Total Market (billion units)</b>	70.4	76.5	(7.9)%	193.9	209.0	(7.2)%
<b>PMI Shipments (million units)</b>	18,942	20,778	(8.8)%	53,365	59,132	(9.8)%
<b>PMI Cigarette Market Share</b>						
<i>Marlboro</i>	1.6%	1.3%	0.3	1.4%	1.4%	—
<i>Parliament</i>	3.6%	3.8%	(0.2)	3.6%	3.9%	(0.3)
<i>Bond Street</i>	8.5%	8.2%	0.3	8.9%	8.1%	0.8
<i>Philip Morris</i>	5.1%	0.1%	5.0	3.6%	0.1%	3.5
Others	8.5%	13.5%	(5.0)	9.7%	13.7%	(4.0)
<b>Total</b>	<b>27.3%</b>	<b>26.9%</b>	<b>0.4</b>	<b>27.2%</b>	<b>27.2%</b>	<b>—</b>

In the quarter, the estimated total market decreased by 7.9%, reflecting the impact of excise tax-driven price increases and an increase in the prevalence of illicit trade. The decline of PMI's shipment volume was mainly due to the lower total market. The increase in PMI's market share was mainly driven by *Philip Morris*, reflecting successful portfolio consolidation of local, low-price brands in "Others."

Year-to-date, the estimated total market decreased by 7.2%, reflecting the same dynamics as in the quarter. PMI's market share was flat, largely reflecting the same dynamics as in the quarter.

In **Turkey**, estimated cigarette industry size, PMI cigarette shipment volume and August quarter-to-date and year-to-date cigarette market share performance, as measured by Nielsen, are shown in the table below.

<b><u>Turkey Key Market Data</u></b>	<b><u>Third-Quarter</u></b>			<b><u>Nine Months Year-to-Date</u></b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>% / p.p.</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>% / p.p.</u></b>
<b>Total Cigarette Market (billion units)</b>	29.9	29.3	2.1%	77.6	79.5	(2.3)%
<b>PMI Cigarette Shipments (million units)</b>	14,130	14,041	0.6%	36,094	37,550	(3.9)%
<b>PMI Cigarette Market Share</b>						
<i>Marlboro</i>	10.3%	10.4%	(0.1)	10.1%	10.2%	(0.1)
<i>Parliament</i>	11.6%	11.7%	(0.1)	11.5%	11.6%	(0.1)
<i>Lark</i>	6.8%	7.3%	(0.5)	6.9%	7.5%	(0.6)
Others	14.7%	15.1%	(0.4)	14.7%	14.9%	(0.2)
<b>Total</b>	<b>43.4%</b>	<b>44.5%</b>	<b>(1.1)</b>	<b>43.2%</b>	<b>44.2%</b>	<b>(1.0)</b>

In the quarter, the estimated total cigarette market increased by 2.1%. Excluding the net impact of estimated trade inventory movements, the estimated total cigarette market increased by 1.1%. The increase in PMI's cigarette shipments was mainly due to the higher total market. The decline in PMI's cigarette market share, as measured by Nielsen, was mainly due to low-price *Lark*, reflecting competitive pressure from super-low price alternatives, and *L&M* and *Muratti* in "Others."

Year-to-date, the estimated total cigarette market decreased by 2.3%, partly reflecting a challenging comparison with the nine months year-to-date of 2016, which increased by 6.0%, benefiting from a lower prevalence of illicit trade. Excluding the net impact of estimated trade inventory movements associated with the timing of anticipated price increases, the estimated total cigarette market declined by 4.1%, mainly reflecting a higher prevalence of illicit trade resulting from the impact of price increases. The decrease in PMI's cigarette shipments was principally due to the lower total cigarette market and lower cigarette market share, mainly due to the same dynamics as in the quarter.

In **Ukraine**, estimated industry size and PMI shipment volume, shown in the table below, include cigarettes and PMI's heated tobacco units. August quarter-to-date and year-to-date market share performance, as measured by Nielsen and shown in the table below, reflects that of cigarettes.

<b><u>Ukraine Key Market Data</u></b>	<b><u>Third-Quarter</u></b>			<b><u>Nine Months Year-to-Date</u></b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>% / p.p.</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>% / p.p.</u></b>
<b>Total Market (billion units)</b>	17.9	19.1	(6.2)%	50.7	56.0	(9.5)%
<b>PMI Shipments (million units)</b>	5,116	5,626	(9.1)%	14,521	17,226	(15.7)%
<b>PMI Cigarette Market Share</b>						
<i>Marlboro</i>	3.0%	3.2%	(0.2)	3.1%	3.2%	(0.1)
<i>Parliament</i>	3.3%	3.0%	0.3	3.3%	2.8%	0.5
<i>Bond Street</i>	8.4%	10.3%	(1.9)	8.9%	10.4%	(1.5)
<i>Philip Morris</i>	3.6%	—%	3.6	2.7%	—%	2.7
Others	9.4%	13.1%	(3.7)	9.7%	13.8%	(4.1)
<b>Total</b>	<b>27.7%</b>	<b>29.6%</b>	<b>(1.9)</b>	<b>27.7%</b>	<b>30.2%</b>	<b>(2.5)</b>

In the quarter, the estimated total market decreased by 6.2%, mainly due to the impact of price increases and a challenging comparison with the third quarter of 2016, which grew by 1.7%. The decrease in PMI's shipment volume was primarily due to the lower total market, as well as lower cigarette market share, notably of low-price *Bond Street*, partly offset by *Parliament* and *Philip Morris*, following successful portfolio consolidation of a local, low-price brand in "Others."

Year-to-date, the estimated total market decreased by 9.5%, mainly due to the impact of price increases and a challenging comparison with the first nine months of 2016, which grew by 6.9%. The decrease in PMI's shipment volume was primarily due to the lower total market, as well as lower cigarette market share, reflecting the same dynamics as in the quarter.

## **ASIA REGION**

### **2017 Third-Quarter**

Net revenues, excluding excise taxes, of \$2.7 billion increased by 27.8%. Excluding unfavorable currency of \$68 million, net revenues, excluding excise taxes, increased by 31.0%, reflecting: a favorable pricing variance of \$122 million, driven principally by Australia, Indonesia and the Philippines; and a favorable volume/mix of \$540 million, predominantly driven by heated tobacco unit volume in Japan and Korea, as well as cigarette volume in Pakistan, partly offset by unfavorable volume due mainly to the lower total cigarette market in Australia.

Operating companies income of \$1.1 billion increased by 39.9%. Excluding unfavorable currency of \$55 million, operating companies income increased by 47.2%, mainly driven by a favorable pricing variance and favorable volume/mix of \$226 million, mainly in Japan, Korea and Pakistan, partly offset by Australia.

Adjusted operating companies income and margin are shown in the table below and detailed on Schedule 12. Adjusted operating companies income, excluding unfavorable currency, increased by 47.2%. Adjusted operating companies income margin, excluding unfavorable currency, increased by 4.4 points to 40.0%, reflecting the factors mentioned above, as detailed on Schedule 12.

<b>Asia OCI</b> (in millions)	<b>Third-Quarter</b>				<b>Nine Months Year-to-Date</b>			
	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>Excl. Curr.</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>Excl. Curr.</b>
<b>OCI</b>	\$ 1,065	\$ 761	39.9%	47.2%	\$ 2,753	\$ 2,288	20.3%	21.5%
Asset impairment & exit costs	—	—			—	—		
<b>Adjusted OCI</b>	<b>\$ 1,065</b>	<b>\$ 761</b>	<b>39.9%</b>	<b>47.2%</b>	<b>\$ 2,753</b>	<b>\$ 2,288</b>	<b>20.3%</b>	<b>21.5%</b>
<b>Adjusted OCI Margin*</b>	39.0%	35.6%	3.4	4.4	37.4%	36.7%	0.7	0.9

\*Margins are calculated as adjusted OCI, divided by net revenues, excluding excise taxes.

### **Asia PMI Shipment Commentaries**

<b>Asia PMI Shipment Volume by Brand</b> (million units)	<b>Third-Quarter</b>			<b>Nine Months Year-to-Date</b>		
	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
<b><u>Cigarettes</u></b>						
<i>Marlboro</i>	18,227	18,967	(3.9)%	54,255	57,277	(5.3)%
<i>Lark</i>	3,539	4,274	(17.2)%	11,396	13,421	(15.1)%
<i>Parliament</i>	2,269	2,545	(10.8)%	7,128	7,534	(5.4)%
Others	36,027	35,907	0.3 %	100,240	117,982	(15.0)%
<b>Total Cigarettes</b>	<b>60,062</b>	<b>61,693</b>	<b>(2.6)%</b>	<b>173,019</b>	<b>196,214</b>	<b>(11.8)%</b>
Heated Tobacco Units	8,826	2,006	+100.0%	18,697	3,558	+100.0%
<b>Total Asia</b>	<b>68,888</b>	<b>63,699</b>	<b>8.1 %</b>	<b>191,716</b>	<b>199,772</b>	<b>(4.0)%</b>

### **2017 Third-Quarter and Nine Months Year-to-Date**

In the quarter, PMI's total shipment volume increased by 8.1% to 68.9 billion units, mainly driven by Indonesia, Pakistan, notably reflecting a lower price gap with illicit product following a modification to the excise tax structure, and higher heated tobacco unit volume, mainly in Japan and Korea. The increase was partly offset by cigarette volume declines in Japan, primarily reflecting out-switching to *HeatSticks*, and the Philippines. The decrease in cigarette shipment volume of *Marlboro* was notably due to Japan and Korea, primarily reflecting out-switching to PMI's heated tobacco units, partly offset by Indonesia. The decrease in cigarette shipment volume of *Lark* was primarily due to Japan. The decrease in cigarette shipment volume of *Parliament* was mainly due to Japan, partly offset by Korea. The increase in cigarette shipment volume of "Others" was mainly driven by Indonesia and low-price brands in Pakistan.

In the quarter, PMI's total shipment volume benefited from the favorable impact of estimated net combustible and heated tobacco unit inventory movements, driven by approximately 2.1 billion units in Japan. The favorable estimated net inventory movements in Japan, anticipated to continue in the fourth quarter of 2017, primarily reflected the growing demand for *HeatSticks* and a manufacturing capability sufficient to begin establishing normal levels of distributor inventory of heated tobacco units for risk management purposes, partly offset by a reduction of distributor inventory of combustible products. Excluding the impact of total estimated net inventory movements, PMI's total shipment volume increased by 4.7%.

Year-to-date, PMI's total shipment volume decreased by 4.0% to 191.7 billion units, mainly due to lower cigarette shipment volume in Indonesia, Japan, Pakistan and the Philippines, partly offset by higher heated tobacco unit volume, mainly in Japan and Korea. The decrease in cigarette shipment volume of *Marlboro* was mainly due



to Japan, primarily reflecting out-switching to *HeatSticks*, and Korea, partly offset by Indonesia and the Philippines. The decrease in cigarette shipment volume of *Lark* was primarily due to Japan. The decrease in cigarette shipment volume of *Parliament* was mainly due to Japan, partly offset by Korea. The decrease in cigarette shipment volume of "Others" was mainly due to Indonesia and local, low-price brands in Pakistan and the Philippines.

Year-to-date, PMI's total shipment volume benefited from the favorable impact of estimated net combustible and heated tobacco unit inventory movements, driven by approximately 3.5 billion units in Japan. Excluding the impact of these estimated net inventory movements, PMI's total shipment volume decreased by 5.6%.

### Asia Key Market Commentaries

In **Indonesia**, estimated cigarette industry size, PMI cigarette shipment volume, cigarette market share and segmentation performance are shown in the tables below.

<u>Indonesia Key Market Data</u>	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>% / p.p.</u>	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>% / p.p.</u>
<b>Total Cigarette Market (billion units)</b>	79.2	74.4	6.5%	225.9	235.1	(3.9)%
<b>PMI Cigarette Shipments (million units)</b>	26,211	25,084	4.5%	74,421	78,792	(5.5)%
<b>PMI Cigarette Market Share</b>						
<i>Sampoerna A</i>	13.2%	14.0%	(0.8)	13.7%	14.0%	(0.3)
<i>Dji Sam Soe</i>	8.1%	6.4%	1.7	6.9%	6.5%	0.4
<i>Sampoerna U</i>	4.2%	5.9%	(1.7)	4.6%	5.2%	(0.6)
Others	7.6%	7.4%	0.2	7.7%	7.8%	(0.1)
<b>Total</b>	<b>33.1%</b>	<b>33.7%</b>	<b>(0.6)</b>	<b>32.9%</b>	<b>33.5%</b>	<b>(0.6)</b>

<u>Indonesia Segmentation Data</u>	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>p.p.</u>	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>p.p.</u>
<b>Segment % of Total Market</b>						
<i>Hand-Rolled Kretek (SKT)</i>	17.4%	17.6%	(0.2)	17.7%	18.2%	(0.5)
<i>Machine-Made Kretek (SKM)</i>	77.6%	76.4%	1.2	77.0%	75.7%	1.3
<i>Whites (SPM)</i>	5.0%	6.0%	(1.0)	5.3%	6.1%	(0.8)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>—</b>	<b>100.0%</b>	<b>100.0%</b>	<b>—</b>
<b>PMI % Share of Segment</b>						
<i>Hand-Rolled Kretek (SKT)</i>	38.4%	36.8%	1.6	37.5%	37.1%	0.4
<i>Machine-Made Kretek (SKM)</i>	29.7%	29.5%	0.2	29.2%	28.9%	0.3
<i>Whites (SPM)</i>	67.3%	79.3%	(12.0)	72.4%	80.4%	(8.0)

In the quarter, the estimated total cigarette market increased by 6.5%. Excluding the favorable impact of net estimated trade inventory movements mainly associated with the timing of Ramadan, the estimated total cigarette market was flat, reflecting the impact of above-inflation tax-driven price increases and the impact of higher utility prices on consumer spending. The increase in PMI's cigarette shipments was primarily driven by the higher estimated total cigarette market, partly offset by a lower cigarette market share, mainly due to *Sampoerna A* and *Sampoerna*

U, largely reflecting the impact of price increases, partly offset by *Dji Sam Soe*, notably *Magnum Mild*, and *Marlboro Filter Black* in "Others."

Year-to-date, the estimated total cigarette market decreased by 3.9%, reflecting the same dynamics as in the quarter. The decrease in PMI's shipments was mainly due to the lower total market and lower cigarette market share, largely reflecting the same dynamics as in the quarter.

In **Japan**, estimated industry size, PMI shipment volume and market share performance, shown in the table below, include cigarettes and PMI's heated tobacco units.

<b><u>Japan Key Market Data</u></b>	<b><u>Third-Quarter</u></b>			<b><u>Nine Months Year-to-Date</u></b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change % / p.p.</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change % / p.p.</u></b>
<b>Total Market (billion units)</b>	44.0	46.1	(4.6)%	128.0	133.7	(4.3)%
<b>PMI Shipments (million units)</b>						
Cigarettes	8,196	10,691	(23.3)%	27,171	33,284	(18.4)%
Heated Tobacco Units	8,325	2,006	+100%	18,157	3,559	+100%
<b>Total</b>	<b>16,521</b>	<b>12,697</b>	<b>30.1 %</b>	<b>45,328</b>	<b>36,843</b>	<b>23.0 %</b>
<b>PMI Market Share</b>						
<i>Marlboro</i>	9.5%	10.7%	(1.2)	9.7%	10.7%	(1.0)
<i>HeatSticks</i>	11.9%	3.5%	8.4	9.7%	2.2%	7.5
<i>Parliament</i>	2.0%	2.3%	(0.3)	2.1%	2.4%	(0.3)
<i>Lark</i>	8.5%	9.7%	(1.2)	8.8%	9.7%	(0.9)
Others	1.3%	1.6%	(0.3)	1.5%	1.7%	(0.2)
<b>Total</b>	<b>33.2%</b>	<b>27.9%</b>	<b>5.3</b>	<b>31.8%</b>	<b>26.7%</b>	<b>5.1</b>

In the quarter, the estimated total market decreased by 4.6%. The increase in PMI's shipment volume, up by 13.7% excluding the impact of estimated net distributor inventory movements of approximately 2.1 billion units, mainly reflected higher share, driven by *HeatSticks*.

Year-to-date, the estimated total market decreased by 4.3%. PMI's shipment volume increased by 13.5%, excluding the impact of estimated net distributor inventory movements of approximately 3.5 billion units, mainly reflecting higher share, driven by *HeatSticks*.

In **Korea**, estimated industry size, PMI shipment volume and market share performance, shown in the table below, include cigarettes and PMI's heated tobacco units.

<u>Korea Key Market Data</u>	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>% / p.p.</u>	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>% / p.p.</u>
<b>Total Market (billion units)</b>	19.9	19.8	0.1%	54.2	55.6	(2.5)%
<b>PMI Shipments (million units)</b>	4,214	4,109	2.6%	10,959	11,553	(5.1)%
<b>PMI Market Share</b>						
<i>Marlboro</i>	8.5%	9.7%	(1.2)	8.8%	9.5%	(0.7)
<i>Parliament</i>	7.8%	7.5%	0.3	8.0%	7.6%	0.4
<i>HEETS</i>	2.5%	—%	2.5	1.0%	—%	1.0
<i>Virginia S.</i>	2.0%	3.1%	(1.1)	2.0%	3.2%	(1.2)
Others	0.3%	0.5%	(0.2)	0.4%	0.5%	(0.1)
<b>Total</b>	<b>21.1%</b>	<b>20.8%</b>	<b>0.3</b>	<b>20.2%</b>	<b>20.8%</b>	<b>(0.6)</b>

In the quarter, the estimated total market increased by 0.1%. The increase in PMI's shipment volume mainly reflected higher market share, driven mainly by the May 2017 launch of *HEETS*. The decline in market share of *Virginia S.* reflected the successful consolidation of its super slims variants to *Parliament* during the first nine months of 2016.

Year-to-date, the estimated total market decreased by 2.5%, primarily reflecting a challenging comparison with the first nine months of 2016, which increased by 12.6%. The decrease in PMI's shipment volume was due to the lower total market, as well as lower market share, mainly reflecting the impact of competitors' new cigarette brand launches, partly offset by *HEETS*.

In the **Philippines**, estimated cigarette industry size, PMI cigarette shipment volume and cigarette market share performance are shown in the table below.

<u>Philippines Key Market Data</u>	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>% / p.p.</u>	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>% / p.p.</u>
<b>Total Cigarette Market (billion units)</b>	18.6	20.2	(8.1)%	54.3	60.2	(9.8)%
<b>PMI Cigarette Shipments (million units)</b>	12,677	14,277	(11.2)%	36,303	43,558	(16.7)%
<b>PMI Cigarette Market Share</b>						
<i>Marlboro</i>	31.9%	28.4%	3.5	32.0%	27.9%	4.1
<i>Fortune</i>	18.6%	23.3%	(4.7)	18.0%	24.3%	(6.3)
<i>Jackpot</i>	6.5%	7.5%	(1.0)	6.3%	8.3%	(2.0)
Others	11.1%	11.3%	(0.2)	10.6%	11.9%	(1.3)
<b>Total</b>	<b>68.1%</b>	<b>70.5%</b>	<b>(2.4)</b>	<b>66.9%</b>	<b>72.4%</b>	<b>(5.5)</b>

In the quarter, the estimated total cigarette market decreased by 8.1%, mainly due to the impact of excise tax-driven price increases, including those on PMI's full brand portfolio in the fourth quarter of 2016. The decline in PMI's cigarette shipment volume was due to the lower total cigarette market, as well as lower cigarette market

share, particularly of PMI's low and super-low price brands as a result of the timing of competitors' price increases, which initially widened the price gaps to PMI's principal competitor's discounted brands, partly offset by *Marlboro*, which benefited from in-switching from lower-priced brands.

Year-to-date, the decline of the estimated total cigarette market, PMI's cigarette shipment volume and cigarette market share all reflected the same dynamics as in the quarter.

### LATIN AMERICA & CANADA REGION

#### 2017 Third-Quarter

Net revenues, excluding excise taxes, of \$756 million increased by 6.5%. Excluding unfavorable currency of \$14 million, net revenues, excluding excise taxes, increased by 8.5%, primarily reflecting a favorable pricing variance of \$85 million, driven principally by Argentina, Canada and Mexico, partly offset by unfavorable volume/mix of \$25 million, mainly due to Canada and Mexico.

Operating companies income of \$264 million increased by 17.9%. Excluding unfavorable currency of \$8 million, operating companies income increased by 21.4%, primarily reflecting a favorable pricing variance, partly offset by unfavorable volume/mix of \$37 million, mainly due to Canada and Mexico.

Adjusted operating companies income and margin are shown in the table below and detailed on Schedule 12. Adjusted operating companies income, excluding unfavorable currency, increased by 21.4%. Adjusted operating companies income margin, excluding unfavorable currency, increased by 3.8 points to 35.3%, principally driven by the factors mentioned above, as detailed on Schedule 12.

<u>Latin America &amp; Canada OCI</u> (in millions)	<u>Third-Quarter</u>				<u>Nine Months Year-to-Date</u>			
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Excl. Curr.</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Excl. Curr.</u>
OCI	\$ 264	\$ 224	17.9%	21.4%	\$ 709	\$ 677	4.7%	13.6%
Asset impairment & exit costs	—	—			—	—		
<b>Adjusted OCI</b>	<b>\$ 264</b>	<b>\$ 224</b>	<b>17.9%</b>	<b>21.4%</b>	<b>\$ 709</b>	<b>\$ 677</b>	<b>4.7%</b>	<b>13.6%</b>
<b>Adjusted OCI Margin*</b>	34.9%	31.5%	3.4	3.8	33.6%	32.9%	0.7	2.6

\*Margins are calculated as adjusted OCI, divided by net revenues, excluding excise taxes.

## Latin America & Canada PMI Shipment Commentaries

### Latin America & Canada PMI Shipment Volume by Brand (million units)

	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b><u>Cigarettes</u></b>						
<i>Marlboro</i>	7,758	8,345	(7.0)%	24,282	25,561	(5.0)%
<i>Philip Morris</i>	3,335	3,793	(12.1)%	9,985	12,550	(20.4)%
<i>Chesterfield</i>	2,537	667	+100.0%	6,536	1,061	+100.0%
Others	6,822	8,380	(18.6)%	20,498	24,972	(17.9)%
<b>Total Cigarettes</b>	<b>20,452</b>	<b>21,185</b>	<b>(3.5)%</b>	<b>61,301</b>	<b>64,144</b>	<b>(4.4)%</b>
Heated Tobacco Units	8	—	— %	12	—	— %
<b>Total Latin America &amp; Canada</b>	<b>20,460</b>	<b>21,185</b>	<b>(3.4)%</b>	<b>61,313</b>	<b>64,144</b>	<b>(4.4)%</b>

### 2017 Third-Quarter and Nine Months Year-to-Date

In the quarter, PMI's total shipment volume decreased by 3.4% to 20.5 billion units, mainly due to Mexico, partly offset by Argentina and Brazil. The decrease in cigarette shipment volume of *Marlboro* was mainly due to Mexico. The decrease in cigarette shipment volume of *Philip Morris* was mainly due to Argentina. The increase in cigarette shipment volume of *Chesterfield* was mainly driven by Argentina and Brazil. The decrease in cigarette shipment volume of "Others" was mainly due to local brands in Argentina, Brazil, reflecting successful brand portfolio consolidation, Colombia and Mexico.

Year-to-date, PMI's total shipment volume decreased by 4.4% to 61.3 billion units, mainly due to cigarette volume declines in Brazil, Canada, Colombia and Mexico. The decrease in cigarette shipment volume of *Marlboro* was mainly due to Argentina, Brazil and Mexico. The decrease in cigarette shipment volume of *Philip Morris* was mainly due to Argentina. The increase in cigarette shipment volume of *Chesterfield* was driven by Argentina, Brazil, Colombia and Venezuela. The decrease in cigarette shipment volume of "Others" was mainly due to local brands in Argentina, Brazil, reflecting successful brand portfolio consolidation, Canada, Colombia and Venezuela.

## Latin America & Canada Key Market Commentaries

In **Argentina**, estimated cigarette industry size, PMI cigarette shipment volume and cigarette market share performance are shown in the table below.

<u>Argentina Key Market Data</u>	<u>Third-Quarter</u>			<u>Nine Months Year-to-Date</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>% / p.p.</u>	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>% / p.p.</u>
<b>Total Cigarette Market (billion units)</b>	8.9	8.5	4.9%	27.0	26.7	1.2 %
<b>PMI Cigarette Shipments (million units)</b>	6,683	6,418	4.1%	20,142	20,389	(1.2)%
<b>PMI Cigarette Market Share</b>						
<i>Marlboro</i>	20.2%	22.1%	(1.9)	20.1%	23.0%	(2.9)
<i>Chesterfield</i>	16.0%	6.7%	9.3	15.4%	3.5%	11.9
<i>Philip Morris</i>	33.2%	39.9%	(6.7)	33.4%	43.2%	(9.8)
Others	5.6%	6.8%	(1.2)	5.8%	6.8%	(1.0)
<b>Total</b>	<b>75.0%</b>	<b>75.5%</b>	<b>(0.5)</b>	<b>74.7%</b>	<b>76.5%</b>	<b>(1.8)</b>

In the quarter, the estimated total cigarette market increased by 4.9%, primarily reflecting a favorable comparison to the third quarter of 2016, which declined by 14.1%, mainly due to the impact of excise-tax driven price increases. The increase in PMI's cigarette shipment volume mainly reflected the higher total market, partly offset by lower cigarette market share. The lower cigarette market share principally reflected the growth of the ultra-low price segment, where local manufacturers are exempt from paying minimum excise tax, resulting in widened price gaps with premium *Marlboro* and mid-price *Philip Morris*, partly offset by low-price *Chesterfield* that benefited from successful brand portfolio consolidation of a low-price brand in "Others."

Year-to-date, the estimated total cigarette market increased by 1.2%, primarily reflecting a favorable comparison to the nine months year-to-date 2016, which declined by 10.5%. The decrease in PMI's cigarette shipment volume was mainly due to lower cigarette market share, reflecting the same dynamics as in the quarter.

In **Canada**, estimated industry size, PMI shipment volume and market share performance, shown in the table below, include cigarettes and PMI's heated tobacco units.

<b><u>Canada Key Market Data</u></b>	<b><u>Third-Quarter</u></b>			<b><u>Nine Months Year-to-Date</u></b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>% / p.p.</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>% / p.p.</u></b>
<b>Total Market (billion units)</b>	6.4	6.9	(6.3)%	18.0	19.5	(7.8)%
<b>PMI Shipments (million units)</b>	2,554	2,675	(4.5)%	6,782	7,466	(9.2)%
<b>PMI Market Share</b>						
<i>Belmont</i>	4.4%	3.9%	0.5	4.0%	3.7%	0.3
<i>Canadian Classics</i>	10.0%	10.2%	(0.2)	9.5%	10.2%	(0.7)
<i>Next</i>	12.2%	11.5%	0.7	11.5%	11.3%	0.2
<i>Others*</i>	13.1%	13.3%	(0.2)	12.4%	13.1%	(0.7)
<b>Total</b>	<b>39.7%</b>	<b>38.9%</b>	<b>0.8</b>	<b>37.4%</b>	<b>38.3%</b>	<b>(0.9)</b>

\*Includes heated tobacco units.

In the quarter, the estimated total market decreased by 6.3%, mainly reflecting the impact of retail price increases. The decrease in PMI's shipment volume was mainly due to the lower total market, partly offset by higher market share that largely reflected the favorable impact of estimated trade inventory movements.

Year-to-date, the estimated total market decreased by 7.8%, reflecting the impact of price increases. The decrease in PMI's shipment volume was mainly due to the lower total market, as well as lower cigarette market share, reflecting the unfavorable impact of estimated trade inventory movements.

In **Mexico**, estimated cigarette industry size, PMI cigarette shipment volume and cigarette market share performance are shown in the table below.

<b><u>Mexico Key Market Data</u></b>	<b><u>Third-Quarter</u></b>			<b><u>Nine Months Year-to-Date</u></b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>% / p.p.</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Change</u></b> <b><u>% / p.p.</u></b>
<b>Total Cigarette Market (billion units)</b>	8.0	8.8	(10.0)%	25.6	26.4	(3.1)%
<b>PMI Cigarette Shipments (million units)</b>	5,129	6,055	(15.3)%	17,092	18,013	(5.1)%
<b>PMI Cigarette Market Share</b>						
<i>Marlboro</i>	46.7%	48.3%	(1.6)	48.2%	47.8%	0.4
<i>Delicados</i>	7.9%	9.6%	(1.7)	8.2%	9.8%	(1.6)
<i>Benson &amp; Hedges</i>	4.5%	4.8%	(0.3)	4.9%	4.6%	0.3
<i>Others</i>	5.4%	5.8%	(0.4)	5.5%	6.0%	(0.5)
<b>Total</b>	<b>64.5%</b>	<b>68.5%</b>	<b>(4.0)</b>	<b>66.8%</b>	<b>68.2%</b>	<b>(1.4)</b>

In the quarter, the estimated total cigarette market decreased by 10.0%. Excluding the impact of estimated trade inventory movements, the estimated total cigarette market decreased by 1.9%. The decrease in PMI's cigarette shipment volume mainly reflected the lower total cigarette market. The decrease of PMI's cigarette market share largely reflected the unfavorable impact of the estimated trade inventory movements.

Year-to-date, the estimated total cigarette market decreased by 3.1%, or increased by 0.5% excluding the impact of estimated inventory movements. The decrease in PMI's cigarette shipment volume mainly reflected the lower total cigarette market. The decrease of PMI's cigarette market share largely reflected the unfavorable impact of the estimated trade inventory movements.



### **About Philip Morris International Inc. (“PMI”)**

PMI is a leading international tobacco company, with six of the world's top 15 international brands and products sold in more than 180 markets. In addition to the manufacture and sale of cigarettes, including *Marlboro*, the number one global cigarette brand, and other tobacco products, PMI is engaged in the development and commercialization of reduced-risk products (“RRPs”). RRP 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. Through multidisciplinary capabilities in product development, state-of-the-art facilities, and industry-leading scientific substantiation, PMI aims to provide an RRP portfolio that meets a broad spectrum of adult smoker preferences and rigorous regulatory requirements. For more information, see [www.pmi.com](http://www.pmi.com) and [www.pmiscience.com](http://www.pmiscience.com).

### **Forward-Looking and Cautionary Statements**

This press release contains projections of future results and other forward-looking statements. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. In the event that risks or uncertainties materialize, or underlying assumptions prove inaccurate, actual results could vary materially from those contained in such forward-looking statements. Pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, PMI is identifying important factors that, individually or in the aggregate, could cause actual results and outcomes to differ materially from those contained in any forward-looking statements made by PMI.

PMI's business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our products; health concerns relating to the use of tobacco products and exposure to environmental tobacco smoke; litigation related to tobacco use; intense competition; the effects of global and individual country economic, regulatory and political developments, natural disasters and conflicts; changes in adult smoker behavior; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations, and limitations on the ability to repatriate funds; adverse changes in applicable corporate tax laws; adverse changes in the cost and quality of tobacco and other agricultural products and raw materials; and the integrity of its information systems. 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 June 30, 2017. 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.

PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Condensed Statements of Earnings  
**For the Quarters Ended September 30,**  
(\$ in millions, except per share data)  
(Unaudited)

	2017	2016	% Change
<b>Net Revenues</b>	<b>\$ 20,638</b>	<b>\$ 19,935</b>	<b>3.5%</b>
Cost of sales	2,735	2,432	12.5%
Excise Taxes on products (1)	13,165	12,953	1.6%
Gross profit	4,738	4,550	4.1%
Marketing, administration and research costs	1,649	1,554	
Asset impairment and exit costs	—	—	
Amortization of intangibles	21	19	
<b>Operating Income (2)</b>	<b>3,068</b>	<b>2,977</b>	<b>3.1%</b>
Interest expense, net	223	220	
Earnings before income taxes	2,845	2,757	3.2%
Provision for income taxes	812	764	6.3%
Equity (income)/loss in unconsolidated subsidiaries, net	(12)	(35)	
Net Earnings	2,045	2,028	0.8%
Net Earnings attributable to noncontrolling interests	75	90	
<b>Net Earnings attributable to PMI</b>	<b>\$ 1,970</b>	<b>\$ 1,938</b>	<b>1.7%</b>
<b>Per share data (3):</b>			
<b>Basic Earnings Per Share</b>	<b>\$ 1.27</b>	<b>\$ 1.25</b>	<b>1.6%</b>
<b>Diluted Earnings Per Share</b>	<b>\$ 1.27</b>	<b>\$ 1.25</b>	<b>1.6%</b>

(1) The segment detail of Excise Taxes on products sold for the quarters ended September 30, 2017 and 2016 is shown on Schedule 2.

(2) PMI's management evaluates segment performance and allocates resources based on operating companies income, which PMI defines as operating income, excluding general corporate expenses and amortization of intangibles, plus equity (income)/loss in unconsolidated subsidiaries, net. The reconciliation from operating income to operating companies income is as follows:

	2017	2016	% Change
<b>Operating Income</b>	<b>\$ 3,068</b>	<b>\$ 2,977</b>	<b>3.1%</b>
<u>Excluding:</u>			
- Amortization of intangibles	21	19	
- General corporate expenses (included in marketing, administration and research costs above)	35	36	
Plus: Equity (income)/loss in unconsolidated subsidiaries, net	(12)	(35)	
<b>Operating Companies Income</b>	<b>\$ 3,136</b>	<b>\$ 3,067</b>	<b>2.2%</b>

(3) Net Earnings and weighted-average shares used in the basic and diluted earnings per share computations for the quarters ended September 30, 2017 and 2016 are shown on Schedule 4, Footnote 1.

PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Selected Financial Data by Business Segment  
**For the Quarters Ended September 30,**  
(\$ in millions)  
(Unaudited)

		<b>Net Revenues excluding Excise Taxes</b>				
		<b>European Union</b>	<b>EEMA</b>	<b>Asia</b>	<b>Latin America &amp; Canada</b>	<b>Total</b>
<b>2017</b>	Net Revenues (1)	\$ 7,346	\$ 4,990	\$ 5,846	\$ 2,456	\$ 20,638
	Excise Taxes on products	(5,142)	(3,207)	(3,116)	(1,700)	(13,165)
	<b>Net Revenues excluding Excise Taxes</b>	<b>2,204</b>	<b>1,783</b>	<b>2,730</b>	<b>756</b>	<b>7,473</b>
<b>2016</b>	Net Revenues	\$ 7,387	\$ 5,122	\$ 5,113	\$ 2,313	\$ 19,935
	Excise Taxes on products	(5,187)	(3,186)	(2,977)	(1,603)	(12,953)
	<b>Net Revenues excluding Excise Taxes</b>	<b>2,200</b>	<b>1,936</b>	<b>2,136</b>	<b>710</b>	<b>6,982</b>
<b>Variance</b>	Currency	53	(107)	(68)	(14)	(136)
	Acquisitions	—	—	—	—	—
	Operations	(49)	(46)	662	60	627
	<b>Variance Total</b>	<b>4</b>	<b>(153)</b>	<b>594</b>	<b>46</b>	<b>491</b>
	Variance Total (%)	0.2 %	(7.9)%	27.8%	6.5%	7.0%
	Variance excluding Currency	(49)	(46)	662	60	627
	Variance excluding Currency (%)	(2.2)%	(2.4)%	31.0%	8.5%	9.0%
	Variance excluding Currency & Acquisitions	(49)	(46)	662	60	627
	Variance excluding Currency & Acquisitions (%)	(2.2)%	(2.4)%	31.0%	8.5%	9.0%

(1) 2017 Currency increased / (decreased) Net Revenues as follows:

European Union	\$ 191
EEMA	(608)
Asia	(87)
Latin America & Canada	(112)
	<u>\$ (616)</u>

PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Selected Financial Data by Business Segment  
**For the Quarters Ended September 30,**  
(\$ in millions)  
(Unaudited)

		<b>Operating Companies Income</b>				
		<b>European Union</b>	<b>EEMA</b>	<b>Asia</b>	<b>Latin America &amp; Canada</b>	<b>Total</b>
<b>2017</b>	<b>Operating Companies Income</b>	\$ 1,042	\$ 765	\$ 1,065	\$ 264	\$ 3,136
<b>2016</b>	<b>Operating Companies Income</b>	1,120	962	761	224	3,067
<b>Variance</b>						
	2016 Asset impairment and exit costs	—	—	—	—	—
	2017 Asset impairment and exit costs	—	—	—	—	—
	Currency	7	(84)	(55)	(8)	(140)
	Acquisitions	—	—	—	—	—
	Operations	(85)	(113)	359	48	209
	<b>Variance Total</b>	<b>(78)</b>	<b>(197)</b>	<b>304</b>	<b>40</b>	<b>69</b>
	Variance Total (%)	(7.0)%	(20.5)%	39.9%	17.9%	2.2%
	Variance excluding Currency	(85)	(113)	359	48	209
	Variance excluding Currency (%)	(7.6)%	(11.7)%	47.2%	21.4%	6.8%
	Variance excluding Currency & Acquisitions	(85)	(113)	359	48	209
	Variance excluding Currency & Acquisitions (%)	(7.6)%	(11.7)%	47.2%	21.4%	6.8%

PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Diluted Earnings Per Share  
**For the Quarters Ended September 30,**  
(\$ in millions, except per share data)  
(Unaudited)

	<b>Diluted E.P.S.</b>		
2017 Diluted Earnings Per Share	\$ 1.27	(1)	
2016 Diluted Earnings Per Share	\$ 1.25	(1)	
Change	\$ 0.02		
% Change	1.6%		
 <b><u>Reconciliation:</u></b>			
<b>2016 Diluted Earnings Per Share</b>	<b>\$ 1.25</b>	(1)	
 <b><u>Special Items:</u></b>			
2016 Asset impairment and exit costs	—		
2016 Tax items	—		
2017 Asset impairment and exit costs	—		
2017 Tax items	—		
Currency	(0.12)		
Interest	—		
Change in tax rate	(0.02)		
Operations	0.16	(2)	
<b>2017 Diluted Earnings Per Share</b>	<b>\$ 1.27</b>	(1)	

(1) Basic and diluted EPS were calculated using the following (in millions):

	<b>Q3 2017</b>	<b>Q3 2016</b>
Net Earnings attributable to PMI	\$ 1,970	\$ 1,938
Less distributed and undistributed earnings attributable to share-based payment awards	4	5
Net Earnings for basic and diluted EPS	\$ 1,966	\$ 1,933
Weighted-average shares for basic EPS	1,553	1,551
Plus Contingently Issuable Performance Stock Units (PSUs)	1	—
Weighted-average shares for diluted EPS	1,554	1,551

(2) Includes the impact of shares outstanding and share-based payments

PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Condensed Statements of Earnings  
**For the Nine Months Ended September 30,**  
(\$ in millions, except per share data)  
(Unaudited)

	2017	2016	% Change
<b>Net Revenues</b>	<b>\$ 56,513</b>	<b>\$ 55,764</b>	<b>1.3 %</b>
Cost of sales	7,431	6,892	7.8 %
Excise Taxes on products (1)	36,059	36,050	— %
Gross profit	13,023	12,822	1.6 %
Marketing, administration and research costs	4,773	4,563	
Asset impairment and exit costs	—	—	
Amortization of intangibles	65	56	
<b>Operating Income (2)</b>	<b>8,185</b>	<b>8,203</b>	<b>(0.2)%</b>
Interest expense, net	655	690	
Earnings before income taxes	7,530	7,513	0.2 %
Provision for income taxes	2,042	2,110	(3.2)%
Equity (income)/loss in unconsolidated subsidiaries, net	(57)	(72)	
Net Earnings	5,545	5,475	1.3 %
Net Earnings attributable to noncontrolling interests	204	219	
<b>Net Earnings attributable to PMI</b>	<b>\$ 5,341</b>	<b>\$ 5,256</b>	<b>1.6 %</b>
<b>Per share data (3):</b>			
<b>Basic Earnings Per Share</b>	<b>\$ 3.43</b>	<b>\$ 3.38</b>	<b>1.5 %</b>
<b>Diluted Earnings Per Share</b>	<b>\$ 3.43</b>	<b>\$ 3.38</b>	<b>1.5 %</b>

(1) The segment detail of Excise Taxes on products sold for the nine months ended September 30, 2017 and 2016 is shown on Schedule 6.

(2) PMI's management evaluates segment performance and allocates resources based on operating companies income, which PMI defines as operating income, excluding general corporate expenses and amortization of intangibles, plus equity (income)/loss in unconsolidated subsidiaries, net. The reconciliation from operating income to operating companies income is as follows:

	2017	2016	% Change
<b>Operating Income</b>	<b>\$ 8,185</b>	<b>\$ 8,203</b>	<b>(0.2)%</b>
<u>Excluding:</u>			
- Amortization of intangibles	65	56	
- General corporate expenses (included in marketing, administration and research costs above)	126	119	
Plus: Equity (income)/loss in unconsolidated subsidiaries, net	(57)	(72)	
<b>Operating Companies Income</b>	<b>\$ 8,433</b>	<b>\$ 8,450</b>	<b>(0.2)%</b>

(3) Net Earnings and weighted-average shares used in the basic and diluted Earnings Per Share computations for the nine months ended September 30, 2017 and 2016 are shown on Schedule 8, Footnote 1.

PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Selected Financial Data by Business Segment  
**For the Nine Months Ended September 30,**  
(\$ in millions)  
(Unaudited)

		<b>Net Revenues excluding Excise Taxes</b>				
		<b>European Union</b>	<b>EEMA</b>	<b>Asia</b>	<b>Latin America &amp; Canada</b>	<b>Total</b>
<b>2017</b>	Net Revenues (1)	\$ 20,156	\$13,177	\$ 16,051	\$ 7,129	\$ 56,513
	Excise Taxes on products	(14,102)	(8,242)	(8,696)	(5,019)	(36,059)
	<b>Net Revenues excluding Excise Taxes</b>	<b>6,054</b>	<b>4,935</b>	<b>7,355</b>	<b>2,110</b>	<b>20,454</b>
<b>2016</b>	Net Revenues	\$ 20,664	\$13,650	\$ 15,014	\$ 6,436	\$ 55,764
	Excise Taxes on products	(14,446)	(8,448)	(8,777)	(4,379)	(36,050)
	<b>Net Revenues excluding Excise Taxes</b>	<b>6,218</b>	<b>5,202</b>	<b>6,237</b>	<b>2,057</b>	<b>19,714</b>
<b>Variance</b>	Currency	(94)	(268)	(33)	(56)	(451)
	Acquisitions	—	—	—	—	—
	Operations	(70)	1	1,151	109	1,191
	<b>Variance Total</b>	<b>(164)</b>	<b>(267)</b>	<b>1,118</b>	<b>53</b>	<b>740</b>
	Variance Total (%)	(2.6)%	(5.1)%	17.9%	2.6%	3.8%
	Variance excluding Currency	(70)	1	1,151	109	1,191
	Variance excluding Currency (%)	(1.1)%	— %	18.5%	5.3%	6.0%
	Variance excluding Currency & Acquisitions	(70)	1	1,151	109	1,191
	Variance excluding Currency & Acquisitions (%)	(1.1)%	— %	18.5%	5.3%	6.0%

(1) 2017 Currency decreased Net Revenues as follows:

European Union	\$ (316)
EEMA	(1,632)
Asia	(24)
Latin America & Canada	(326)
	<u>\$ (2,298)</u>

PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Selected Financial Data by Business Segment  
**For the Nine Months Ended September 30,**  
(\$ in millions)  
(Unaudited)

		<b>Operating Companies Income</b>				
		<b>European Union</b>	<b>EEMA</b>	<b>Asia</b>	<b>Latin America &amp; Canada</b>	<b>Total</b>
<b>2017</b>	<b>Operating Companies Income</b>	\$ 2,783	\$ 2,188	\$ 2,753	\$ 709	\$ 8,433
<b>2016</b>	<b>Operating Companies Income</b>	3,096	2,389	2,288	677	8,450
<b>Variance</b>						
	2016 Asset impairment and exit costs	—	—	—	—	—
	2017 Asset impairment and exit costs	—	—	—	—	—
	Currency	(82)	(183)	(26)	(60)	(351)
	Acquisitions	—	—	—	—	—
	Operations	(231)	(18)	491	92	334
	<b>Variance Total</b>	<b>(313)</b>	<b>(201)</b>	<b>465</b>	<b>32</b>	<b>(17)</b>
	Variance Total (%)	(10.1)%	(8.4)%	20.3%	4.7%	(0.2)%
	Variance excluding Currency	(231)	(18)	491	92	334
	Variance excluding Currency (%)	(7.5)%	(0.8)%	21.5%	13.6%	4.0 %
	Variance excluding Currency & Acquisitions	(231)	(18)	491	92	334
	Variance excluding Currency & Acquisitions (%)	(7.5)%	(0.8)%	21.5%	13.6%	4.0 %



PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Diluted Earnings Per Share  
**For the Nine Months Ended September 30,**  
(\$ in millions, except per share data)  
(Unaudited)

	<b>Diluted E.P.S.</b>	
2017 Diluted Earnings Per Share	\$ 3.43	(1)
2016 Diluted Earnings Per Share	\$ 3.38	(1)
Change	\$ 0.05	
% Change	1.5%	
 <b>Reconciliation:</b>		
<b>2016 Diluted Earnings Per Share</b>	<b>\$ 3.38</b>	<b>(1)</b>
 <u>Special Items:</u>		
2016 Asset impairment and exit costs	—	
2016 Tax items	—	
2017 Asset impairment and exit costs	—	
2017 Tax items	0.04	
Currency	(0.23)	
Interest	0.03	
Change in tax rate	0.01	
Operations	0.20	(2)
<b>2017 Diluted Earnings Per Share</b>	<b>\$ 3.43</b>	<b>(1)</b>

(1) Basic and diluted EPS were calculated using the following (in millions):

	<b>YTD September 2017</b>	<b>YTD September 2016</b>
Net Earnings attributable to PMI	\$ 5,341	\$ 5,256
Less distributed and undistributed earnings attributable to share-based payment awards	12	15
Net Earnings for basic and diluted EPS	\$ 5,329	\$ 5,241
Weighted-average shares for basic EPS	1,552	1,551
Plus Contingently Issuable Performance Stock Units (PSUs)	1	—
Weighted-average shares for diluted EPS	1,553	1,551

(2) Includes the impact of shares outstanding and share-based payments

## PHILIP MORRIS INTERNATIONAL INC.

and Subsidiaries

**Condensed Balance Sheets**

(\$ in millions, except ratios)

(Unaudited)

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 7,667	\$ 4,239
All other current assets	13,192	13,369
Property, plant and equipment, net	6,857	6,064
Goodwill	7,681	7,324
Other intangible assets, net	2,501	2,470
Investments in unconsolidated subsidiaries	1,080	1,011
Other assets	2,973	2,374
<b>Total assets</b>	<b>\$ 41,951</b>	<b>\$ 36,851</b>
<b><u>Liabilities and Stockholders' (Deficit) Equity</u></b>		
Short-term borrowings	\$ 2,905	\$ 643
Current portion of long-term debt	3,005	2,573
All other current liabilities	12,604	13,251
Long-term debt	28,065	25,851
Deferred income taxes	1,037	1,897
Other long-term liabilities	3,968	3,536
Total liabilities	51,584	47,751
Total PMI stockholders' deficit	(11,407)	(12,688)
Noncontrolling interests	1,774	1,788
Total stockholders' deficit	(9,633)	(10,900)
<b>Total liabilities and stockholders' (deficit) equity</b>	<b>\$ 41,951</b>	<b>\$ 36,851</b>
Total debt	\$ 33,975	\$ 29,067
Total debt to Adjusted EBITDA	2.92 <sup>(1)</sup>	2.51 <sup>(1)</sup>
Net debt to Adjusted EBITDA	2.26 <sup>(1)</sup>	2.15 <sup>(1)</sup>

(1) For the calculation of Total Debt to Adjusted EBITDA and Net Debt to Adjusted EBITDA ratios, refer to Schedule 18.

PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Reconciliation of Non-GAAP Measures  
Adjustments for the Impact of Currency and Acquisitions  
**For the Quarters Ended September 30,**  
(\$ in millions)  
(Unaudited)

2017							2016			% Change in Net Revenues excluding Excise Taxes			
Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions	
\$ 7,346	\$ 5,142	\$ 2,204	\$ 53	\$ 2,151	\$ —	\$ 2,151	European Union	\$ 7,387	\$ 5,187	\$ 2,200	0.2 %	(2.2)%	(2.2)%
4,990	3,207	1,783	(107)	1,890	—	1,890	EEMA	5,122	3,186	1,936	(7.9)%	(2.4)%	(2.4)%
5,846	3,116	2,730	(68)	2,798	—	2,798	Asia	5,113	2,977	2,136	27.8 %	31.0 %	31.0 %
2,456	1,700	756	(14)	770	—	770	Latin America & Canada	2,313	1,603	710	6.5 %	8.5 %	8.5 %
<b>\$ 20,638</b>	<b>\$ 13,165</b>	<b>\$ 7,473</b>	<b>\$ (136)</b>	<b>\$ 7,609</b>	<b>\$ —</b>	<b>\$ 7,609</b>	<b>PMI Total</b>	<b>\$ 19,935</b>	<b>\$ 12,953</b>	<b>\$ 6,982</b>	<b>7.0 %</b>	<b>9.0 %</b>	<b>9.0 %</b>

2017						2016			% Change in Operating Companies Income		
Operating Companies Income	Less Currency	Operating Companies Income excluding Currency	Less Acquisitions	Operating Companies Income excluding Currency & Acquisitions		Operating Companies Income	Total	Excluding Currency	Excluding Currency & Acquisitions		
\$ 1,042	\$ 7	\$ 1,035	\$ —	\$ 1,035	European Union	\$ 1,120	(7.0)%	(7.6)%	(7.6)%		
765	(84)	849	—	849	EEMA	962	(20.5)%	(11.7)%	(11.7)%		
1,065	(55)	1,120	—	1,120	Asia	761	39.9 %	47.2 %	47.2 %		
264	(8)	272	—	272	Latin America & Canada	224	17.9 %	21.4 %	21.4 %		
<b>\$ 3,136</b>	<b>\$ (140)</b>	<b>\$ 3,276</b>	<b>\$ —</b>	<b>\$ 3,276</b>	<b>PMI Total</b>	<b>\$ 3,067</b>	<b>2.2 %</b>	<b>6.8 %</b>	<b>6.8 %</b>		

## PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures  
Selected Financial Data by Product Category  
**For the Quarters Ended September 30,**  
(\$ in millions) / (Unaudited)

2017							2016			% Change in Combustible Products Net Revenues excluding Excise Taxes			
Net Revenues (1)	Less Excise Taxes (3)	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisit ions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Combustible Products	Net Revenues (1)	Less Excise Taxes (3)	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions
\$ 7,269	\$ 5,129	\$ 2,139	\$ 53	\$ 2,086	\$ —	\$ 2,086	European Union	\$ 7,374	\$ 5,186	\$ 2,188	(2.2)%	(4.6)%	(4.6)%
4,947	3,205	1,742	(107)	1,849	—	1,849	EEMA	5,118	3,186	1,932	(9.8)%	(4.3)%	(4.3)%
4,974	3,085	1,889	(27)	1,916	—	1,916	Asia	4,917	2,977	1,940	(2.7)%	(1.3)%	(1.3)%
2,454	1,699	755	(14)	769	—	769	Latin America & Canada	2,312	1,603	710	6.4 %	8.4 %	8.4 %
<b>\$ 19,644</b>	<b>\$ 13,119</b>	<b>\$ 6,526</b>	<b>\$ (95)</b>	<b>\$ 6,620</b>	<b>\$ —</b>	<b>\$ 6,620</b>	<b>Total Combustible Products</b>	<b>\$ 19,722</b>	<b>\$ 12,952</b>	<b>\$ 6,770</b>	<b>(3.6)%</b>	<b>(2.2)%</b>	<b>(2.2)%</b>
2017							2016			% Change in Reduced-Risk Products Net Revenues excluding Excise Taxes			
Net Revenues (2)	Less Excise Taxes (3)	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisit ions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Reduced-Risk Products	Net Revenues (2)	Less Excise Taxes (3)	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions
\$ 79	\$ 14	\$ 65	\$ 1	\$ 63	\$ —	\$ 63	European Union	\$ 14	1	\$ 13	+100%	+100%	+100%
43	3	41	—	41	—	41	EEMA	4	—	4	+100%	+100%	+100%
871	30	841	(42)	883	—	883	Asia	196	—	196	+100%	+100%	+100%
1	—	1	—	1	—	1	Latin America & Canada	—	—	—	+100%	+100%	+100%
<b>\$ 994</b>	<b>\$ 47</b>	<b>\$ 947</b>	<b>\$ (41)</b>	<b>\$ 988</b>	<b>\$ —</b>	<b>\$ 988</b>	<b>Total Reduced-Risk Products</b>	<b>\$ 214</b>	<b>\$ 2</b>	<b>\$ 212</b>	<b>+100%</b>	<b>+100%</b>	<b>+100%</b>
<b>\$ 20,638</b>	<b>\$ 13,165</b>	<b>\$ 7,473</b>	<b>\$ (136)</b>	<b>\$ 7,609</b>	<b>\$ —</b>	<b>\$ 7,609</b>	<b>PMI Total</b>	<b>\$ 19,935</b>	<b>\$ 12,953</b>	<b>\$ 6,982</b>	<b>7.0 %</b>	<b>9.0 %</b>	<b>9.0 %</b>

(1) Net revenue amounts for our combustible products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives. These net revenue amounts consist of the sale of our cigarettes and other tobacco products combined. Other tobacco products primarily include tobacco for roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos and do not include reduced-risk products.

(2) Net revenue amounts for our reduced-risk products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives. These net revenue amounts consist of the sale of our heated tobacco units, our IQOS devices and related accessories, and other nicotine-containing products, which primarily include our e-vapor products. Reduced-risk products is the term we use 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. We have a range of reduced-risk products in various stages of development, scientific assessment and commercialization. Because our reduced-risk products do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke.

(3) PMI often collects excise taxes from its customers and then remits them to governments, and, in those circumstances, PMI includes the excise taxes in its net revenues and in excise taxes on products. In some jurisdictions, including Japan, PMI is not responsible for collecting excise taxes.

Note: Sum of product categories or Regions might not foot to PMI total due to rounding.

PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Reconciliation of Non-GAAP Measures  
Reconciliation of Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
**For the Quarters Ended September 30,**  
(\$ in millions)  
(Unaudited)

2017							2016			% Change in Adjusted Operating Companies Income			
Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Less Currency	Adjusted Operating Companies Income excluding Currency	Less Acquisitions	Adjusted Operating Companies Income excluding Currency & Acquisitions	Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions	
\$ 1,042	\$ —	\$ 1,042	\$ 7	\$ 1,035	\$ —	\$ 1,035	European Union	\$ 1,120	\$ —	\$ 1,120	(7.0)%	(7.6)%	(7.6)%
765	—	765	(84)	849	—	849	EEMA	962	—	962	(20.5)%	(11.7)%	(11.7)%
1,065	—	1,065	(55)	1,120	—	1,120	Asia	761	—	761	39.9 %	47.2 %	47.2 %
264	—	264	(8)	272	—	272	Latin America & Canada	224	—	224	17.9 %	21.4 %	21.4 %
<b>\$ 3,136</b>	<b>\$ —</b>	<b>\$ 3,136</b>	<b>\$ (140)</b>	<b>\$ 3,276</b>	<b>\$ —</b>	<b>\$ 3,276</b>	<b>PMI Total</b>	<b>\$ 3,067</b>	<b>\$ —</b>	<b>\$ 3,067</b>	<b>2.2 %</b>	<b>6.8 %</b>	<b>6.8 %</b>

2017							2016			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency(1)	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions(1)	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes(1)	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	
\$ 1,035	\$ 2,151	48.1%	\$ 1,035	\$ 2,151	48.1%	European Union	\$ 1,120	\$ 2,200	50.9%	(2.8)	(2.8)
849	1,890	44.9%	849	1,890	44.9%	EEMA	962	1,936	49.7%	(4.8)	(4.8)
1,120	2,798	40.0%	1,120	2,798	40.0%	Asia	761	2,136	35.6%	4.4	4.4
272	770	35.3%	272	770	35.3%	Latin America & Canada	224	710	31.5%	3.8	3.8
<b>\$ 3,276</b>	<b>\$ 7,609</b>	<b>43.1%</b>	<b>\$ 3,276</b>	<b>\$ 7,609</b>	<b>43.1%</b>	<b>PMI Total</b>	<b>\$ 3,067</b>	<b>\$ 6,982</b>	<b>43.9%</b>	<b>(0.8)</b>	<b>(0.8)</b>

(1) For the calculation of Net Revenues excluding Excise Taxes, currency and acquisitions, refer to Schedule 10.

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 and Adjusted Diluted EPS, excluding Currency  
**For the Quarters Ended September 30,**  
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<b>Reported Diluted EPS</b>	<b>\$ 1.27</b>	<b>\$ 1.25</b>	<b>1.6%</b>
Less:			
Currency impact	<u>(0.12)</u>	<u>          </u>	
<b>Reported Diluted EPS, excluding Currency</b>	<b><u>\$ 1.39</u></b>	<b><u>\$ 1.25</u></b>	<b>11.2%</b>
	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<b>Reported Diluted EPS</b>	<b>\$ 1.27</b>	<b>\$ 1.25</b>	<b>1.6%</b>
Adjustments:			
Asset impairment and exit costs	—	—	
Tax items	<u>—</u>	<u>—</u>	
<b>Adjusted Diluted EPS</b>	<b>\$ 1.27</b>	<b>\$ 1.25</b>	<b>1.6%</b>
Less:			
Currency impact	<u>(0.12)</u>	<u>          </u>	
<b>Adjusted Diluted EPS, excluding Currency</b>	<b><u>\$ 1.39</u></b>	<b><u>\$ 1.25</u></b>	<b>11.2%</b>

PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Reconciliation of Non-GAAP Measures  
Adjustments for the Impact of Currency and Acquisitions  
**For the Nine Months Ended September 30,**  
(\$ in millions)  
(Unaudited)

2017							2016			% Change in Net Revenues excluding Excise Taxes		
Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions
\$ 20,156	\$ 14,102	\$ 6,054	\$ (94)	\$ 6,148	\$ —	\$ 6,148	\$ 20,664	\$ 14,446	\$ 6,218	(2.6)%	(1.1)%	(1.1)%
13,177	8,242	4,935	(268)	5,203	—	5,203	13,650	8,448	5,202	(5.1)%	— %	— %
16,051	8,696	7,355	(33)	7,388	—	7,388	15,014	8,777	6,237	17.9 %	18.5 %	18.5 %
7,129	5,019	2,110	(56)	2,166	—	2,166	6,436	4,379	2,057	2.6 %	5.3 %	5.3 %
<b>\$ 56,513</b>	<b>\$ 36,059</b>	<b>\$ 20,454</b>	<b>\$ (451)</b>	<b>\$ 20,905</b>	<b>\$ —</b>	<b>\$ 20,905</b>	<b>\$ 55,764</b>	<b>\$ 36,050</b>	<b>\$ 19,714</b>	<b>3.8 %</b>	<b>6.0 %</b>	<b>6.0 %</b>

2017						2016			% Change in Operating Companies Income		
Operating Companies Income	Less Currency	Operating Companies Income excluding Currency	Less Acquisitions	Operating Companies Income excluding Currency & Acquisitions	Operating Companies Income	Operating Companies Income	Total	Excluding Currency	Excluding Currency & Acquisitions		
\$ 2,783	\$ (82)	\$ 2,865	\$ —	\$ 2,865	\$ 3,096	(10.1)%	(7.5)%	(7.5)%			
2,188	(183)	2,371	—	2,371	2,389	(8.4)%	(0.8)%	(0.8)%			
2,753	(26)	2,779	—	2,779	2,288	20.3 %	21.5 %	21.5 %			
709	(60)	769	—	769	677	4.7 %	13.6 %	13.6 %			
<b>\$ 8,433</b>	<b>\$ (351)</b>	<b>\$ 8,784</b>	<b>\$ —</b>	<b>\$ 8,784</b>	<b>\$ 8,450</b>	<b>(0.2)%</b>	<b>4.0 %</b>	<b>4.0 %</b>			

## PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures  
Selected Financial Data by Product Category  
For the Nine Months Ended September 30,  
(\$ in millions) / (Unaudited)

2017							2016			% Change in Combustible Products Net Revenues excluding Excise Taxes			
Net Revenues (1)	Less Excise Taxes (3)	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisit ions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Combustible Products	Net Revenues (1)	Less Excise Taxes (3)	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions
\$ 19,983	\$ 14,074	\$ 5,909	\$ (91)	\$ 6,000	\$ —	\$ 6,000	European Union	\$ 20,630	\$ 14,444	\$ 6,186	(4.5)%	(3.0)%	(3.0)%
13,109	8,238	4,871	(268)	5,139	—	5,139	EEMA	13,646	8,448	5,198	(6.3)%	(1.1)%	(1.1)%
14,232	8,663	5,569	(7)	5,576	—	5,576	Asia	14,660	8,777	5,883	(5.3)%	(5.2)%	(5.2)%
7,126	5,018	2,108	(56)	2,165	—	2,165	Latin America & Canada	6,435	4,378	2,057	2.5 %	5.3 %	5.3 %
<b>\$ 54,451</b>	<b>\$ 35,994</b>	<b>\$ 18,457</b>	<b>\$ (423)</b>	<b>\$ 18,880</b>	<b>\$ —</b>	<b>\$ 18,880</b>	<b>Total Combustible Products</b>	<b>\$ 55,371</b>	<b>\$ 36,047</b>	<b>\$ 19,323</b>	<b>(4.5)%</b>	<b>(2.3)%</b>	<b>(2.3)%</b>
2017							2016			% Change in Reduced-Risk Products Net Revenues excluding Excise Taxes			
Net Revenues (2)	Less Excise Taxes (3)	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisit ions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Reduced-Risk Products	Net Revenues (2)	Less Excise Taxes (3)	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions
\$ 173	\$ 28	\$ 145	\$ (2)	\$ 148	\$ —	\$ 148	European Union	\$ 35	2	\$ 32	+100%	+100%	+100%
69	5	64	—	64	—	64	EEMA	3	—	3	+100%	+100%	+100%
1,819	33	1,786	(26)	1,812	—	1,812	Asia	354	—	354	+100%	+100%	+100%
2	—	2	—	2	—	2	Latin America & Canada	2	1	—	+100%	+100%	+100%
<b>\$ 2,063</b>	<b>\$ 66</b>	<b>\$ 1,997</b>	<b>\$ (29)</b>	<b>\$ 2,026</b>	<b>\$ —</b>	<b>\$ 2,026</b>	<b>Total Reduced-Risk Products</b>	<b>\$ 394</b>	<b>\$ 3</b>	<b>\$ 390</b>	<b>+100%</b>	<b>+100%</b>	<b>+100%</b>
<b>\$ 56,513</b>	<b>\$ 36,059</b>	<b>\$ 20,454</b>	<b>\$ (451)</b>	<b>\$ 20,905</b>	<b>\$ —</b>	<b>\$ 20,905</b>	<b>PMI Total</b>	<b>\$ 55,764</b>	<b>\$ 36,050</b>	<b>\$ 19,714</b>	<b>3.8 %</b>	<b>6.0 %</b>	<b>6.0 %</b>

(1) Net revenue amounts for our combustible products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives. These net revenue amounts consist of the sale of our cigarettes and other tobacco products combined. Other tobacco products primarily include tobacco for roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos and do not include reduced-risk products.

(2) Net revenue amounts for our reduced-risk products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives. These net revenue amounts consist of the sale of our heated tobacco units, our IQOS devices and related accessories, and other nicotine-containing products, which primarily include our e-vapor products. Reduced-risk products is the term we use 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. We have a range of reduced-risk products in various stages of development, scientific assessment and commercialization. Because our reduced-risk products do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke.

(3) PMI often collects excise taxes from its customers and then remits them to governments, and, in those circumstances, PMI includes the excise taxes in its net revenues and in excise taxes on products. In some jurisdictions, including Japan, PMI is not responsible for collecting excise taxes.

Note: Sum of product categories or Regions might not foot to PMI total due to rounding.



PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Reconciliation of Non-GAAP Measures  
Reconciliation of Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
**For the Nine Months Ended September 30,**  
(\$ in millions)  
(Unaudited)

2017							2016			% Change in Adjusted Operating Companies Income		
Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Less Currency	Adjusted Operating Companies Income excluding Currency	Less Acquisitions	Adjusted Operating Companies Income excluding Currency & Acquisitions	Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 2,783	\$ —	\$ 2,783	\$ (82)	\$ 2,865	\$ —	\$ 2,865	\$ 3,096	\$ —	\$ 3,096	(10.1)%	(7.5)%	(7.5)%
2,188	—	2,188	(183)	2,371	—	2,371	2,389	—	2,389	(8.4)%	(0.8)%	(0.8)%
2,753	—	2,753	(26)	2,779	—	2,779	2,288	—	2,288	20.3 %	21.5 %	21.5 %
709	—	709	(60)	769	—	769	677	—	677	4.7 %	13.6 %	13.6 %
<b>\$ 8,433</b>	<b>\$ —</b>	<b>\$ 8,433</b>	<b>\$ (351)</b>	<b>\$ 8,784</b>	<b>\$ —</b>	<b>\$ 8,784</b>	<b>\$ 8,450</b>	<b>\$ —</b>	<b>\$ 8,450</b>	<b>(0.2)%</b>	<b>4.0 %</b>	<b>4.0 %</b>
							European Union					
							EEMA					
							Asia					
							Latin America & Canada					
							<b>PMI Total</b>					
2017							2016			% Points Change		
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency(1)	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions(1)	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes(1)	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions		
\$ 2,865	\$ 6,148	46.6%	\$ 2,865	\$ 6,148	46.6%	\$ 3,096	\$ 6,218	49.8%	(3.2)	(3.2)		
2,371	5,203	45.6%	2,371	5,203	45.6%	2,389	5,202	45.9%	(0.3)	(0.3)		
2,779	7,388	37.6%	2,779	7,388	37.6%	2,288	6,237	36.7%	0.9	0.9		
769	2,166	35.5%	769	2,166	35.5%	677	2,057	32.9%	2.6	2.6		
<b>\$ 8,784</b>	<b>\$ 20,905</b>	<b>42.0%</b>	<b>\$ 8,784</b>	<b>\$ 20,905</b>	<b>42.0%</b>	<b>\$ 8,450</b>	<b>\$ 19,714</b>	<b>42.9%</b>	<b>(0.9)</b>	<b>(0.9)</b>		
							European Union					
							EEMA					
							Asia					
							Latin America & Canada					
							<b>PMI Total</b>					

(1) For the calculation of Net Revenues excluding Excise Taxes, currency and acquisitions, refer to Schedule 14.

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 and Adjusted Diluted EPS, excluding Currency

**For the Nine Months Ended September 30,**

(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<b>Reported Diluted EPS</b>	<b>\$ 3.43</b>	<b>\$ 3.38</b>	<b>1.5%</b>
Less:			
Currency impact	<u>(0.23)</u>		
<b>Reported Diluted EPS, excluding Currency</b>	<b><u>\$ 3.66</u></b>	<b><u>\$ 3.38</u></b>	<b>8.3%</b>

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<b>Reported Diluted EPS</b>	<b>\$ 3.43</b>	<b>\$ 3.38</b>	<b>1.5%</b>
Adjustments:			
Asset impairment and exit costs	—	—	
Tax items	<u>(0.04)</u>	—	
<b>Adjusted Diluted EPS</b>	<b>\$ 3.39</b>	<b>\$ 3.38</b>	<b>0.3%</b>
Less:			
Currency impact	<u>(0.23)</u>		
<b>Adjusted Diluted EPS, excluding Currency</b>	<b><u>\$ 3.62</u></b>	<b><u>\$ 3.38</u></b>	<b>7.1%</b>

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)

	For the Year Ended September 30, 2017			For the Year Ended December 31, 2016	
	October ~ December 2016	January ~ September 2017	12 months rolling		
<b>Net Earnings</b>	\$ 1,775	\$ 5,545	\$ 7,320	\$	7,250
Equity (income)/loss in unconsolidated subsidiaries, net	(22)	(57)	(79)		(94)
Provision for Income Taxes	658	2,042	2,700		2,768
Interest expense, net	201	655	856		891
Depreciation and amortization	195	632	827		743
Asset impairment and exit costs	—	—	—		—
<b>Adjusted EBITDA</b>	<b>\$ 2,807</b>	<b>\$ 8,817</b>	<b>\$ 11,624</b>	<b>\$</b>	<b>11,558</b>

	September 30, 2017	December 31, 2016
Short-term borrowings	\$ 2,905	\$ 643
Current portion of long-term debt	3,005	2,573
Long-term debt	28,065	25,851
<b>Total Debt</b>	<b>\$ 33,975</b>	<b>\$ 29,067</b>
Less: Cash and cash equivalents	7,667	4,239
<b>Net Debt</b>	<b>\$ 26,308</b>	<b>\$ 24,828</b>
<u>Ratios:</u>		
<b>Total Debt to Adjusted EBITDA</b>	<b>2.92</b>	<b>2.51</b>
<b>Net Debt to Adjusted EBITDA</b>	<b>2.26</b>	<b>2.15</b>

PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Reconciliation of Non-GAAP Measures  
Reconciliation of Operating Cash Flow to Operating Cash Flow, excluding Currency  
**For the Nine Months Ended September 30,**  
(\$ in millions)  
(Unaudited)

	<b>For the Quarters Ended September 30,</b>			<b>For the Nine Months Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>% Change</b>	<b>2017</b>	<b>2016</b>	<b>% Change</b>
<b>Net cash provided by operating activities (1)</b>	<b>\$ 1,920</b>	<b>\$ 3,092</b>	<b>(37.9)%</b>	<b>\$ 5,991</b>	<b>\$ 5,928</b>	<b>1.1 %</b>
Less:						
Currency impact	(113)			198		
<b>Net cash provided by operating activities, excluding currency</b>	<b>\$ 2,033</b>	<b>\$ 3,092</b>	<b>(34.2)%</b>	<b>\$ 5,793</b>	<b>\$ 5,928</b>	<b>(2.3)%</b>

(1) Operating cash flow.

PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Reconciliation of Non-GAAP Measures  
Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS  
**For the Year Ended December 31,**  
(Unaudited)

	<u>2016</u>
<b>Reported Diluted EPS</b>	<b>\$ 4.48</b>
Adjustments:	
Asset impairment and exit costs	—
Tax items	—
	<hr/>
<b>Adjusted Diluted EPS</b>	<b><u><u>\$ 4.48</u></u></b>

**Philip Morris International Inc.  
2017 Third-Quarter Results Conference Call  
October 19, 2017**

**NICK ROLLI**

**(SLIDE 1.)**

Welcome. Thank you for joining us. Earlier today, we issued a press release containing detailed information on our 2017 third-quarter results. You may access the release on [www.pmi.com](http://www.pmi.com) or the PMI Investor Relations App.

**(SLIDE 2.)**

During our call today, please note the following unless otherwise stated. First, we will be talking about results for the third quarter of 2017 and comparing them to the same period in 2016. Second, all references to total industry, PMI volume and PMI market share performance reflect cigarettes and PMI's heated tobacco units for those markets that have commercial sales of *IQOS*.

A glossary of terms, adjustments and other calculations, as well as reconciliations to the most directly comparable U.S. GAAP measures, are at the end of today's webcast slides, which are posted on our website. Reduced-risk products, or "RRPs," is the term we use 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.

**(SLIDE 3.)**

Today's remarks contain forward-looking statements and projections of future results. I direct your attention to the Forward-Looking and Cautionary Statements disclosure in today's presentation and press release for a review of the various factors that could cause actual results to differ materially from projections or forward-looking statements.

It's now my pleasure to introduce Jacek Olczak, our Chief Financial Officer.

Jacek.

**(SLIDE 4.)**

Thank you, Nick, and welcome, ladies and gentlemen.

We are pleased by our third quarter performance, notably reflecting:

- Very strong currency-neutral financial results, including growth in adjusted diluted EPS of 11.2%;
- Sequential improvement in our total shipment volume performance, supported by both cigarettes and heated tobacco units;
- Higher total international market share, excluding China and the U.S.; and
- Continued positive momentum for *IQOS* in all geographies, particularly Japan and Korea.

However, industry-wide dynamics in Saudi Arabia and Russia that we had flagged previously are putting pressure on our results and moderating our growth outlook for the year.

In Saudi Arabia, the significant excise tax increase in June -- which resulted in the doubling of retail prices -- is currently driving higher-than-anticipated declines in cigarette industry volume, especially in the highly profitable premium segment, where *Marlboro* is the leading brand.

In Russia, cigarette industry volume is also softer than expected, while net pricing in the market remains constrained by the competitive environment.

**(SLIDE 5.)**

We are therefore revising our 2017 reported diluted EPS guidance to a range of \$4.75 to \$4.80, at prevailing exchange rates. Our guidance also now includes approximately 17 cents of unfavorable currency, compared to 14 cents previously, due principally to the Egyptian Pound.

Excluding currency and the favorable four-cent tax item recorded in the first quarter, our guidance represents a growth rate of approximately 9% to 10% compared to our adjusted diluted EPS of \$4.48 in 2016.

**(SLIDE 6.)**

Our full year outlook continues to reflect a total shipment volume decline of around 3%, at the low end of the 3% to 4% decline range that we expected earlier this year, as well as currency-neutral net revenue growth of over 7%.

We do, however, anticipate a moderate decline in our full-year adjusted OCI margin, excluding currency. This primarily reflects the impact of the industry dynamics in Saudi Arabia and Russia, coupled with higher investments supporting the commercialization of *IQOS*, consistent with our aspiration for a smoke-free future.

Additionally, for the fourth quarter we estimate a positive currency variance on our reported diluted EPS, at prevailing exchange rates. This is due to a favorable comparison related to the Egyptian Pound, which had an adverse transactional currency impact on our results in the fourth quarter of 2016 due to its significant devaluation versus the U.S. Dollar.

**(SLIDE 7.)**

Let me now take you through our third-quarter results in greater detail, beginning with our total shipment volume, which declined by 0.5%, or 1.3% excluding inventory movements.

The sequential improvement in our total volume decline notably reflected heated tobacco volume growth, driven by Japan and Korea, as well as cigarette volume growth in Indonesia and Pakistan, coupled with a deceleration in the cigarette volume decline in the Philippines, one of our largest cigarette shipment volume markets.

We expect total volume growth in the fourth quarter, driven by heated tobacco units, and despite the anticipated cigarette volume drag from: Saudi Arabia, where industry volume declined by over 30% in the third quarter and should remain weak into 2018; and other Gulf Cooperation Council markets, which are expected to implement a tax structure similar to that of Saudi Arabia.

**(SLIDE 8.)**

We recorded very strong currency-neutral financial results in the quarter, building upon our sequential quarterly momentum in the first half of this year.

Net revenues increased by 9.0%, driven by higher heated tobacco unit and IQOS device sales, notably in Japan, as well as favorable pricing for our combustible tobacco portfolio.

Adjusted OCI increased by 6.8%, primarily reflecting the impact of higher net revenues, partly offset by increased investments supporting the commercialization of IQOS, particularly in the EU Region.

Adjusted diluted EPS increased by 11.2%, supporting year-to-date September growth of 7.1%.

Please note that our third-quarter financial results on a reported basis were impacted by the Egyptian Pound, which depreciated by approximately 50% versus the U.S. Dollar since the third quarter of 2016 -- based on average quarterly rates -- and contributed approximately eight cents of the total 12-cent negative currency impact on our EPS.



**(SLIDE 9.)**

Thanks to the exceptional performance of *IQOS*, our third-quarter net revenues for RRP's reached \$947 million and accounted for nearly 13% of our total net revenues.

Please keep in mind that a portion of these net revenues are from *IQOS* devices, which yield a negative margin due to introductory discounts offered in the initial commercialization phase to accelerate adult smoker switching.

While we remain in the early stages of our transformation to a smoke-free future, the size of our RRP net revenues confirms the exciting progress that we are already making on this journey.

**(SLIDE 10.)**

Our pricing variance of \$309 million in the quarter reflects positive contributions from all four Regions, and was driven by Asia and Latin America & Canada, in particular.

Our September year-to-date pricing variance of \$1.1 billion came despite essentially no net pricing in Russia.

**(SLIDE 11.)**

Turning to market share, we recorded a second straight quarter of strong sequential growth in our total international share, excluding China and the U.S., driven by both our cigarette and heated tobacco brands.

Our international market share was also up slightly versus the third quarter of 2016.

**(SLIDE 12.)**

I will now discuss a few of our key geographies, beginning with the EU Region.

Total industry volume in the third quarter declined by 4.5%, in part due to estimated 2016 trade inventory movements related to the Tobacco Products Directive, mainly in Italy, France and the U.K. September year-to-date industry volume declined by 2.7%, consistent with our full-year decline forecast of 2% to 3%.

Our Regional market share, including cigarettes and heated tobacco units, was essentially flat in the quarter. Share in Germany and Spain remained under some pressure, largely due to *Marlboro's* move above round price points, which I have discussed in prior quarters. However, France and Poland recorded strong market share gains, driven by *Marlboro* and *Chesterfield*, respectively. Share in Italy increased slightly, driven by the strong growth of *HEETS*. We have now grown our share sequentially in Italy for three consecutive quarters.

Regional adjusted OCI in the quarter declined by 7.6%, excluding currency, primarily reflecting higher investments behind the commercialization of *IQOS*. We expect a return to currency-neutral adjusted OCI growth in the fourth quarter, driven by higher heated tobacco unit volume and a favorable cigarette industry volume comparison.

**(SLIDE 13.)**

Moving to Russia, total industry volume declined by 7.9% in the quarter, due largely to the impact of further excise-tax driven price increases, as well as recent growth in illicit trade. For the full-year, we now anticipate a decline of around 7%, compared to a range of 5% to 6% previously, mainly reflecting the growth in illicit trade and lower expected trade inventory movements at year end due to a shift in the planned 2018 excise tax increase from January to July.

Our August quarter-to-date cigarette share increased by 40 basis points versus the same period last year. The growth was driven notably by *Philip Morris*, largely reflecting the successful portfolio consolidation of low-price local brands, as well as adult smoker downtrading in the market. Our quarter-to-date share also increased sequentially, growing by ten basis points versus the second quarter.

As noted earlier, net price realization in Russia is a challenge this year due to the ongoing competitive environment.

**(SLIDE 14.)**

In the Philippines, our profit growth continued in the third quarter, driven primarily by higher pricing.

Importantly, price increases at the bottom of the market, albeit delayed, have further narrowed the price gaps of lower-priced brands to *Marlboro* and *Fortune*. *Marlboro*, in particular, has benefited from the narrowing price gaps, which contributed to a share increase of 3.5 points for the brand in the quarter.

While our total cigarette share declined by 2.4 points, it was up by 1.6 points versus the second quarter, reflecting share gains for both *Marlboro* and *Fortune*.

**(SLIDE 15.)**

In Indonesia, cigarette industry volume in the third quarter grew by 6.5%, primarily reflecting a favorable comparison related to inventory movements mainly associated with the timing of Ramadan. Excluding these movements, industry volume was stable. For the full year, we continue to anticipate a cigarette industry decline of around 3%, due mainly to the soft economic environment and related pressure on consumer spending.

Our cigarette market share declined by 60 basis points in the quarter, due primarily to *Sampoerna U* and *Sampoerna A*, mainly reflecting the impact of price increases, partly offset by the strong performance of *Dji Sam Soe Magnum Mild*. Share for *Marlboro* increased by 20 basis points, driven by the continued growth of our machine-made kretek *Marlboro Filter Black* offer, up by 1.7 points

following distribution expansion, partly offset by the decline of *Marlboro* in the "whites" segment, mainly due to its price increase above the round price point of 20,000 Rupiah per pack.

**(SLIDE 16.)**

In Japan, the spectacular performance of *IQOS* continues to drive our results.

Our total market share increased by 5.3 points to 33.2% in the third quarter, with *HeatSticks* up by 8.4 points to 11.9%. *HeatSticks* is currently our largest brand in Japan and the second-largest brand industry-wide.

September year-to-date total industry volume decreased by 4.1%, excluding inventory movements, consistent with the secular decline range for cigarettes prior to the introduction of *IQOS*.

**(SLIDE 17.)**

Our retail offtake shares in Japan further highlight the success of *IQOS*, irrespective of geography and the presence of competitive smoke-free products. *HeatSticks* closed the quarter with a weekly offtake share of 14.6% nationally, up by 1.9 points versus the last week of the second quarter, with share gains across all areas.

**(SLIDE 18.)**

Importantly, we are beginning to fully supply the Japanese market with *HeatSticks* and build normal inventory levels commensurate with the growth in demand -- a process that we expect to continue in the fourth quarter.

As part of this effort, we began the process of shifting our *HeatSticks* shipments to Japan from air freight to sea freight during the third quarter.

However, we effectively remain supply-constrained in the market due to *IQOS* device capacity. This limitation should gradually ease over the coming months, in part due to the increasing contribution of devices from our second supplier. We expect to be able to fully supply the market with devices in early 2018, based on our current demand forecasts.

The current constraint on devices also reflects a growing number of consumers who choose to own multiple devices or who upgrade to the latest device model sooner than we had initially assumed.

**(SLIDE 19.)**

Turning to Korea, the exceptional early performance of *IQOS* continues. National market share for *HEETS* reached 2.5% in the quarter, despite a relatively limited distribution focusing on Seoul and other major cities.

This success has been driven in large part by high *IQOS* awareness, which exceeded 50% among adult smokers nationally within just four months of launch.

In fact, before *IQOS* was even launched in Korea, its awareness had reached around 20%.

Another measure of the early success of *IQOS* in Korea is the high level of full or predominant conversion, which reached 83% in September. This is already above the 70% to 80% range generally observed in our more established *IQOS* launch markets.

**(SLIDE 20.)**

Looking now at some of our *IQOS* launch markets in the EU Region, we're approaching -- and even exceeding, in the case of Greece -- a national market share of 1%, with solid growth compared to the third quarter of 2016. As our weighted distribution in these markets still only ranges from around 35% to 75%, this clearly implies higher shares within the areas where we are focusing our marketing and distribution efforts.

Additionally, in all five markets presented on this slide, we increased our sequential market share compared to the second quarter.

**(SLIDE 21.)**

In EU, EEMA and Latin America & Canada Region launch markets where our focus remains more targeted, such as those presented on this slide, we are also pleased with our overall progress. With the exception of Spain, where *IQOS* was only launched in the fourth quarter of 2016, we grew our focus area offtake share by at least 50 basis points in each market over the past year, and also increased our share sequentially compared to the second quarter.

It is important to note that the positive momentum for *IQOS* outside Asia has been achieved despite the more challenging environment for building *IQOS* awareness and product comprehension among adult smokers, which is due largely to the stricter limitations on consumer communication. Furthermore, adult smokers outside Asia who purchase *IQOS* generally have similar high levels of product conversion.

**(SLIDE 22.)**

Turning now to shareholder returns, in September our Board approved an increase in our quarterly dividend to an annualized rate of \$4.28 per share. This marked the tenth consecutive year in which PMI has increased its dividend, representing a total increase of 132.6%, or a compound annual growth rate of 9.8%, since PMI became a public company in 2008.

**(SLIDE 23.)**

Before concluding, let me share a few comments on the management changes and new geographic segmentation, announced on September 28th, which are intended to drive the company's transformation towards a smoke-free future while maintaining its financial performance.

These changes should enable faster decision-making and a greater focus on both parts of our business.

Effective January 1, 2018, PMI will operate in six geographic Regions, up from the current four, as follows:

- European Union Region
- Eastern Europe Region
- Middle East & Africa Region and PMI Duty Free
- East Asia & Australia Region
- South & Southeast Asia Region, and
- Latin America & Canada Region

A detailed split of the markets by Region is included in the glossary of this presentation.

We will begin reporting results based on the new regional structure as of the first quarter of 2018, and plan to provide three years of historical data reflecting the new structure no later than our first-quarter earnings release in April.

**(SLIDE 24.)**

To conclude, we recorded very strong currency-neutral financial results in the quarter, supported by a sequential improvement in our total shipment volume performance.

The strong momentum for *IQOS* continues. To date we have launched *IQOS* in key cities in 31 markets and more than 3.7 million adult consumers have already stopped smoking and switched to *IQOS*.

Our revised 2017 EPS guidance reflects a growth rate of approximately 9% to 10%, excluding currency and the favorable tax item, compared to adjusted diluted EPS of \$4.48 in 2016. This strong full-year outlook reflects currency-neutral net revenue growth above 7%.

Finally, we remain focused on generously rewarding our shareholders with our robust cash flow. For the year, we continue to target operating cash flow of approximately \$8.5 billion and capital expenditures of \$1.6 billion.

**(SLIDE 25.)**

Thank you. I am now happy to answer your questions.

**NICK ROLLI**

That concludes our call today. Thank you for joining us. If you have any follow-up questions, please contact the Investor Relations team.

Thank you again and have a nice day.



# PHILIP MORRIS INTERNATIONAL

Designing a  
Smoke-Free Future

**2017 Third-Quarter Results**

October 19, 2017



## Introduction

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- Unless otherwise stated, we will be talking about results for the third quarter of 2017 and comparing them to the same period in 2016
- Unless otherwise stated, references to total industry, total market, PMI volume and PMI market share performance reflect cigarettes and PMI's heated tobacco units for those markets that have commercial sales of IQOS
- A glossary of terms, adjustments and other calculations, as well as reconciliations to the most directly comparable U.S. GAAP measures, are at the end of today's webcast slides, which are posted on our website
- "Reduced-risk products," or "RRPs," is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. PMI has a range of RRP's in various stages of development, scientific assessment and commercialization. Because PMI's RRP's do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke



## Forward-Looking and Cautionary Statements

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- 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 June 30, 2017. 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





## Q3, 2017 Highlights

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- Very strong currency-neutral financial results (adjusted diluted EPS growth of 11.2%)
- Sequential quarterly improvement in our total shipment volume
- Higher total international market share<sup>(a)</sup>
- Continued positive momentum for *IQOS*
- Industry-wide dynamics in Saudi Arabia and Russia putting pressure on our results and moderating our growth outlook for the year

(a) Excluding China and the U.S.

Note: Total shipment volume includes cigarettes and heated tobacco units

Source: PMI Financials or estimates



## 2017 EPS Guidance

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- Revising 2017 reported diluted EPS guidance to \$4.75 to \$4.80, at prevailing exchange rates:
  - Now includes approximately 17 cents of unfavorable currency at prevailing exchange rates (vs. 14 cents previously)
  - Includes four cents for favorable tax item recorded in Q1, 2017
  - No share repurchases
- Excluding currency and the favorable tax item, our guidance represents a growth rate of approximately 9% to 10% versus our adjusted diluted EPS of \$4.48 in 2016



## 2017 EPS Guidance: Key Components

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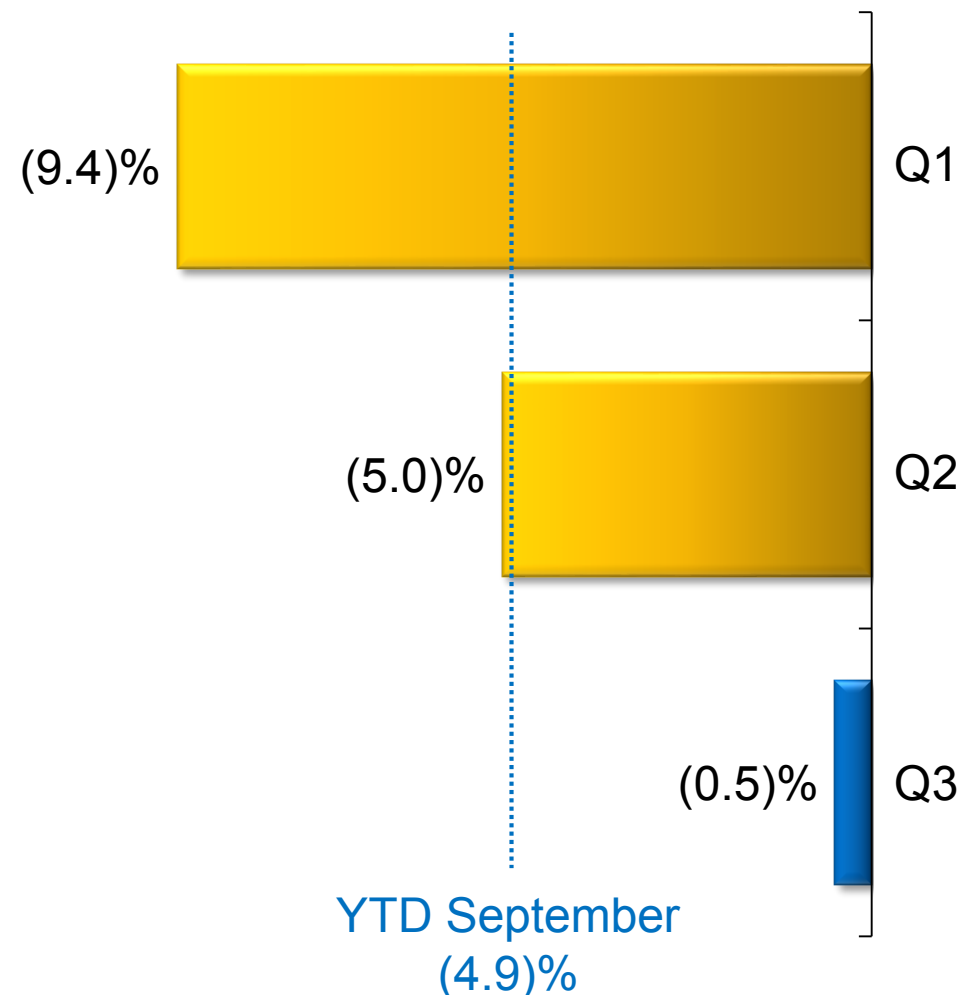
- PMI volume decline of around 3%
- Currency-neutral net revenue growth of over 7%
- Moderate decline in currency-neutral adjusted OCI margin, primarily reflecting:
  - The impact of Saudi Arabia and Russia
  - Higher investments supporting the commercialization of *IQOS*
- Positive currency variance estimated for Q4:
  - Favorable comparison related to the Egyptian Pound, which had an adverse transactional currency impact on our results in Q4, 2016



## PMI Volume: Sequential Improvement Continued in Q3, 2017

- PMI volume down by 0.5%, or by 1.3% excluding inventory movements
- Sequential improvement in the decline notably reflected:
  - Strong growth from our heated tobacco products, driven by Japan and Korea
  - Cigarette volume growth in Indonesia and Pakistan
  - Deceleration in the cigarette volume decline in the Philippines
- Q4, 2017:
  - Expect volume growth, driven by heated tobacco units

PMI Volume Variance (2017 vs. PY)





# PMI Financial Results: Very Strong Performance, ex-Currency

% Growth (2017 vs. PY)

## Net Revenues

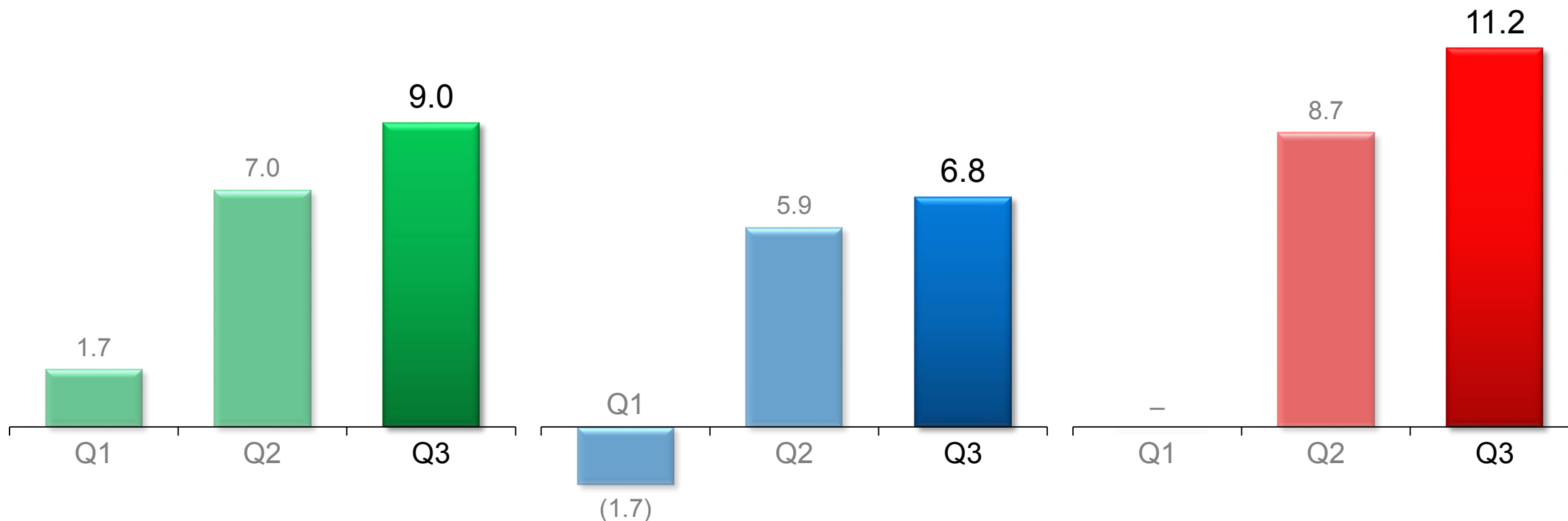
YTD Sept: 6.0%

## Adjusted OCI

YTD Sept: 4.0%

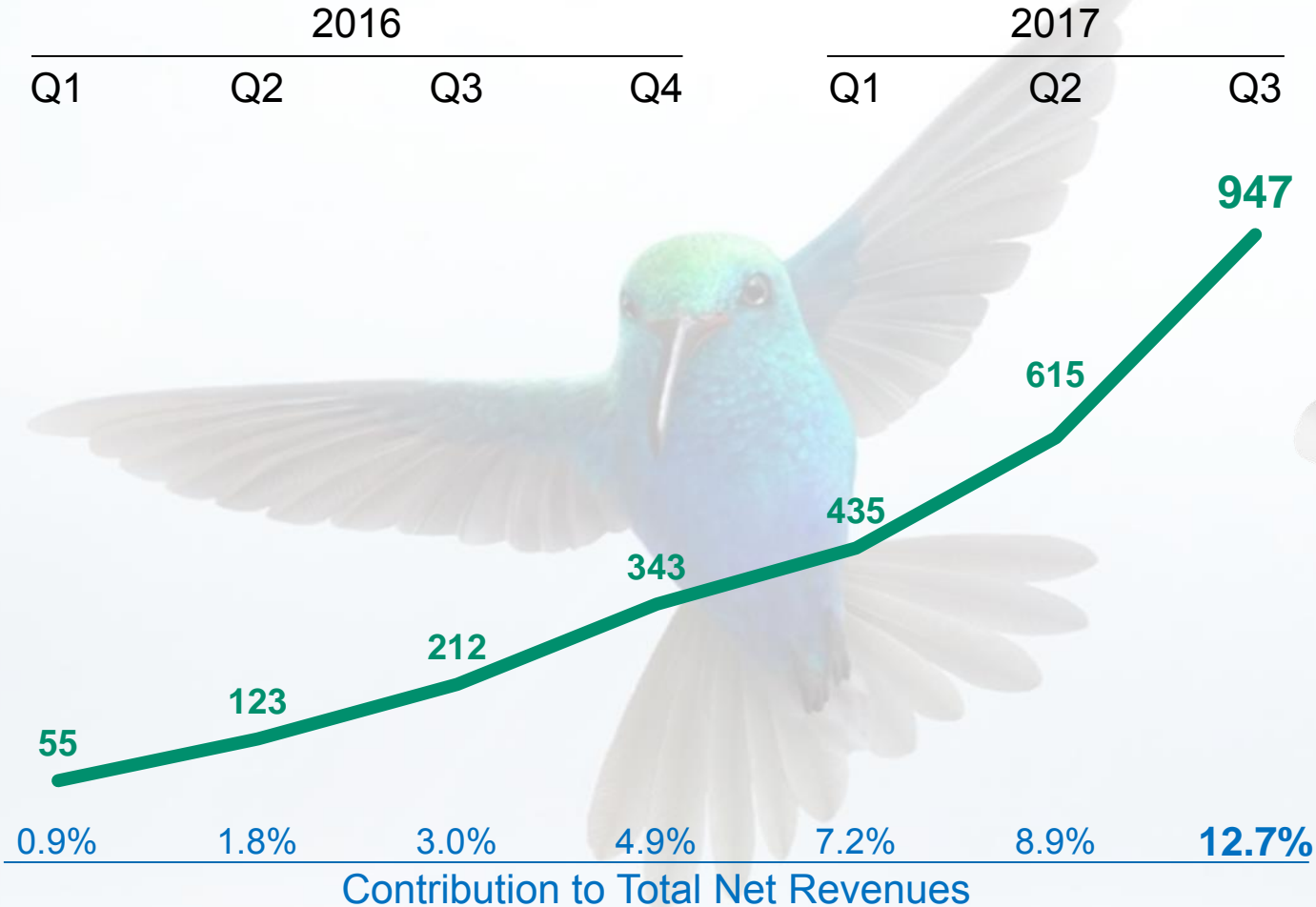
## Adjusted Diluted EPS

YTD Sept: 7.1%



# PMI Financial Results: Strong Sequential Growth Trend in RRP Net Revenues

(\$ million)



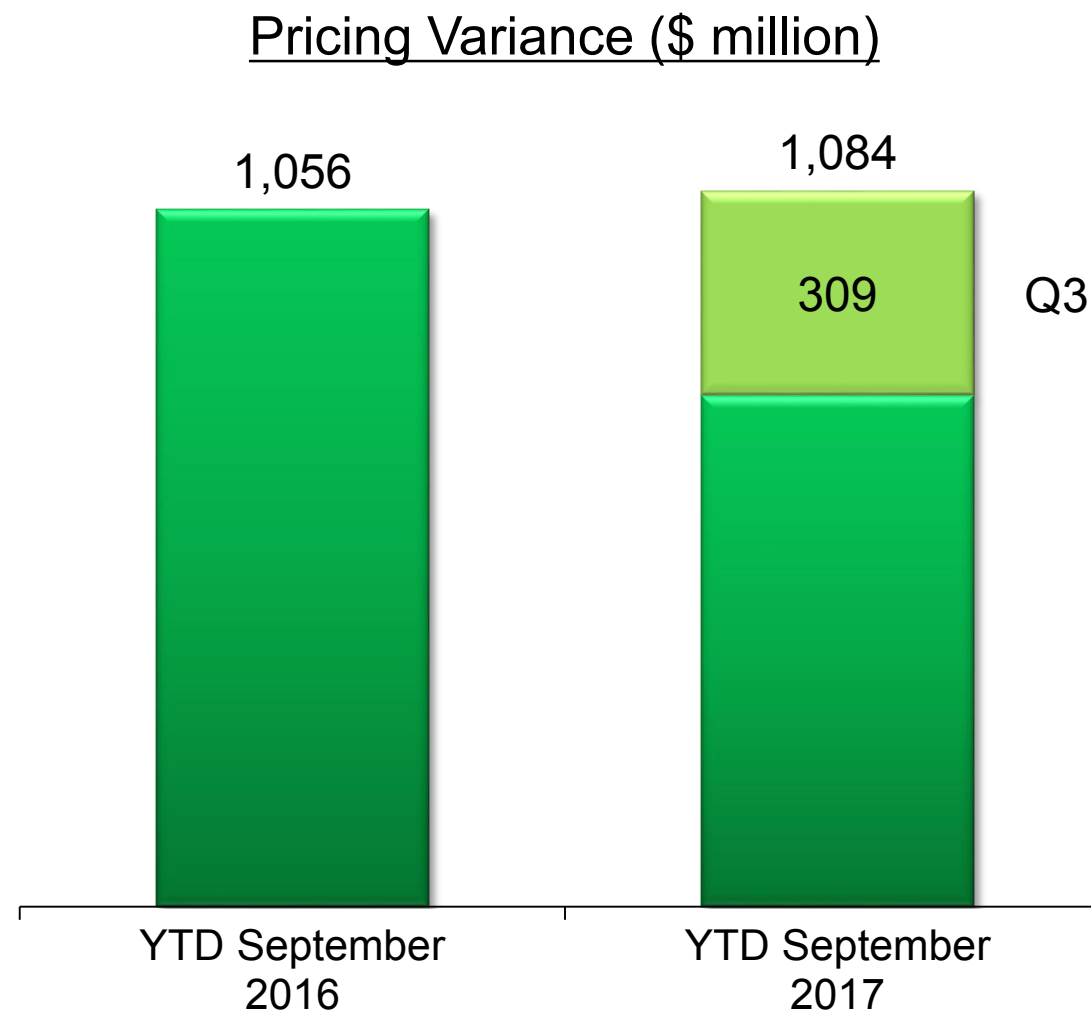
Note: Net revenues exclude excise taxes. "Reduced-risk products," or "RRPs," is the term PMI uses to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. Pack design and visual are for illustrative purposes only

Source: PMI Financials or estimates



## PMI Pricing Variance

- **Q3, 2017:** favorable pricing variance in all Regions, driven mainly by Asia and Latin America & Canada
- **YTD September, 2017:** pricing variance of \$1.1 billion:
  - Essentially no net pricing in Russia

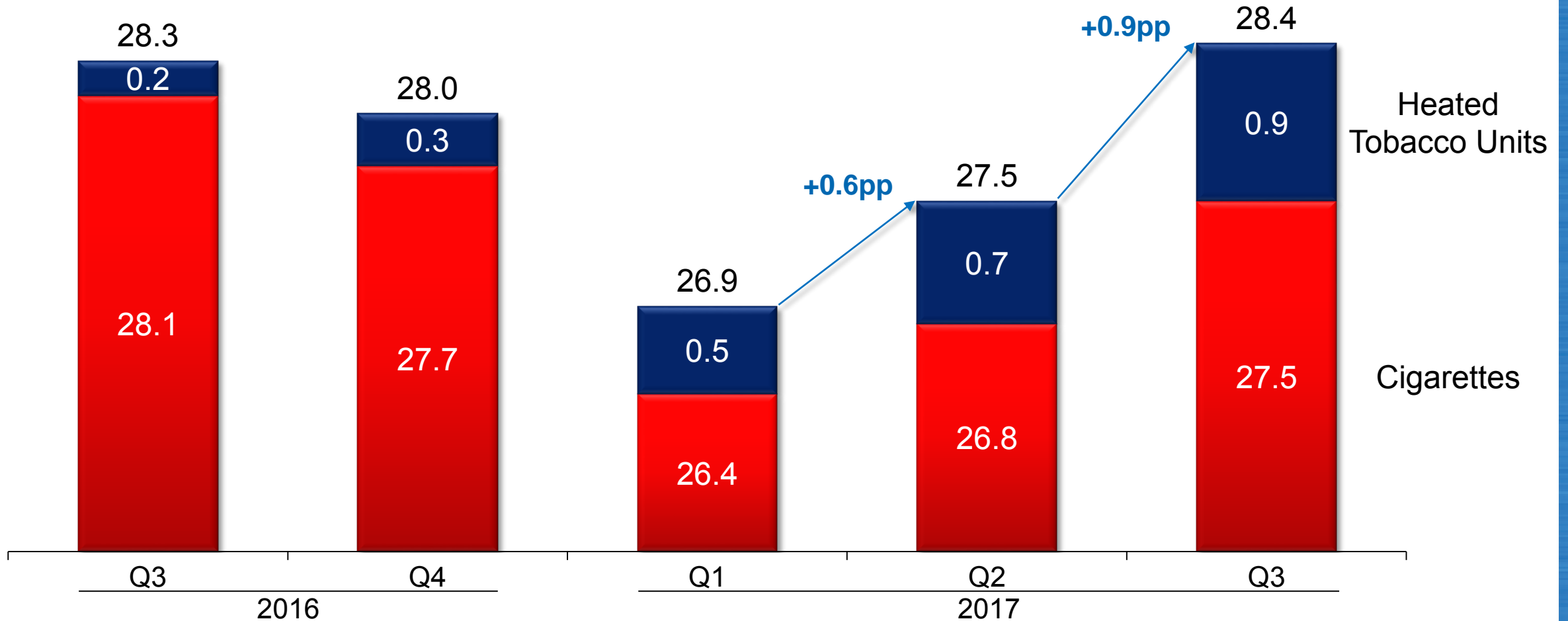


# PMI Market Share: Two Straight Quarters of Strong Sequential Growth



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PMI International Market Share (%)



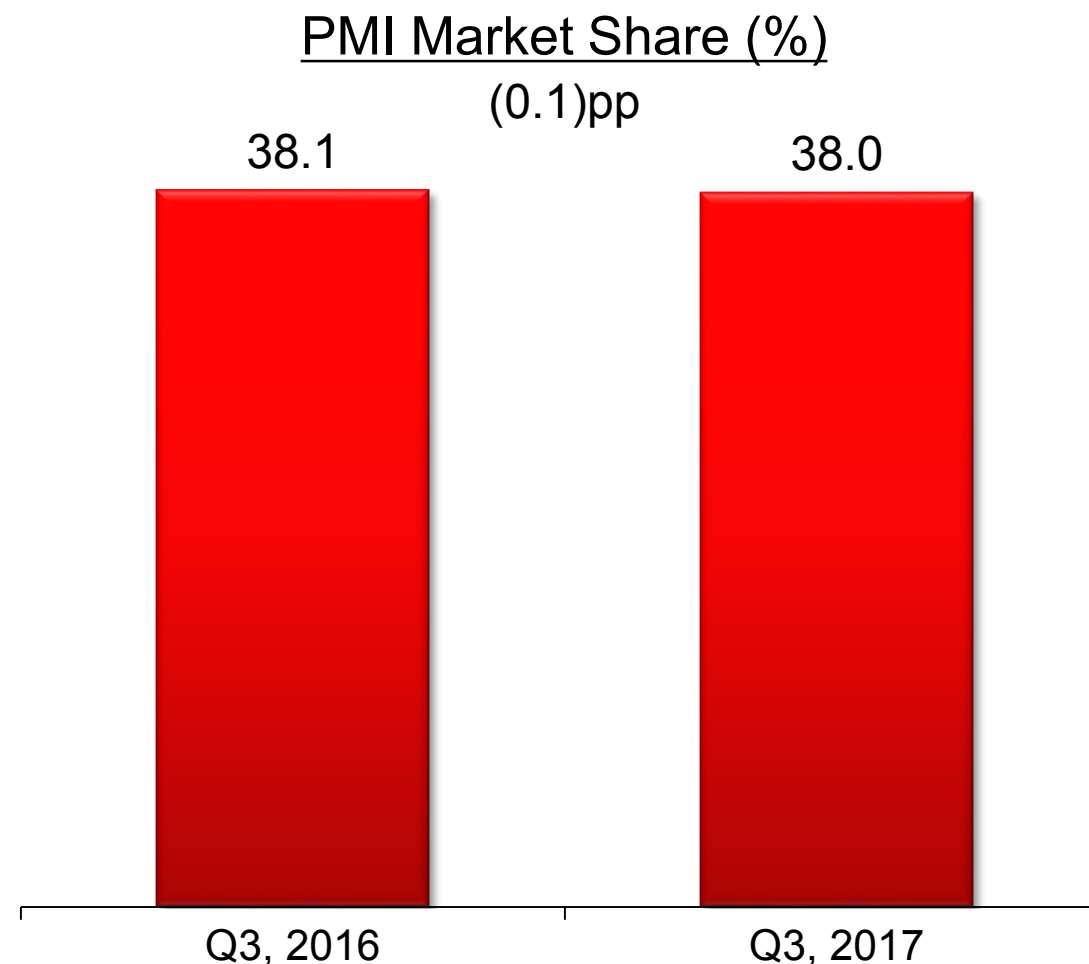
Note: Excluding China and the U.S.  
Source: PMI Financials or estimates





## EU Region: Market Share Essentially Flat in Q3, 2017

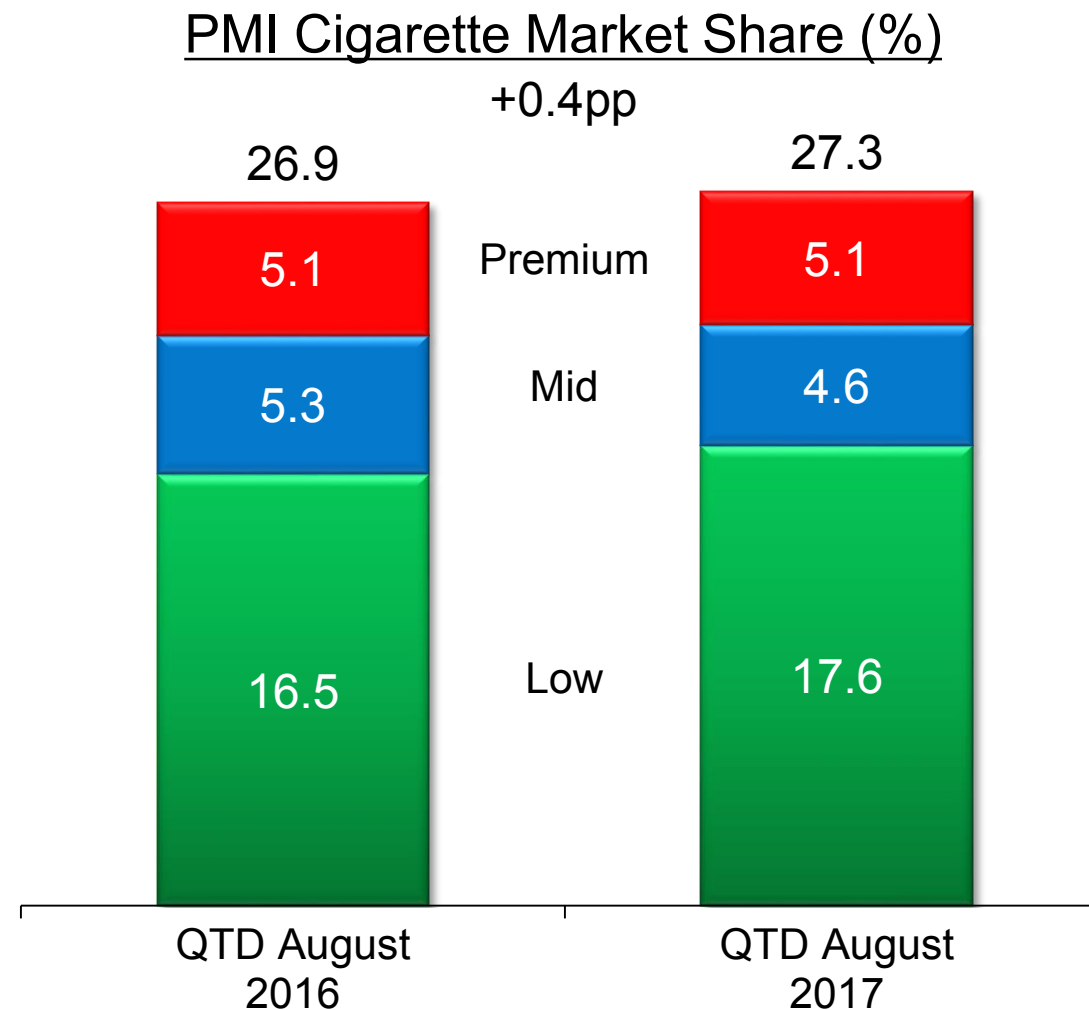
- Total industry volume down by 4.5%, partly due to estimated 2016 trade inventory movements related to the TPD
- YTD September, 2017, total industry volume down by 2.7%:
  - Consistent with our full-year decline forecast of 2% to 3%
- Regional share essentially flat:
  - Share declines in Germany and Spain
  - Strong share gains in France and Poland
- Adjusted OCI down by 7.6%, ex-currency, primarily reflecting higher investments behind *IQOS*





## Russia: Strong Share Performance in Competitive Environment

- Total industry volume down by 7.9% in Q3, 2017, due largely to:
  - Impact of further excise tax-driven price increases
  - Recent growth in illicit trade
- Anticipate full-year 2017 total industry volume decline of around 7%
- QTD August, 2017 cigarette share growth, driven notably by *Philip Morris*
- Net price realization a challenge this year due to ongoing competitive environment

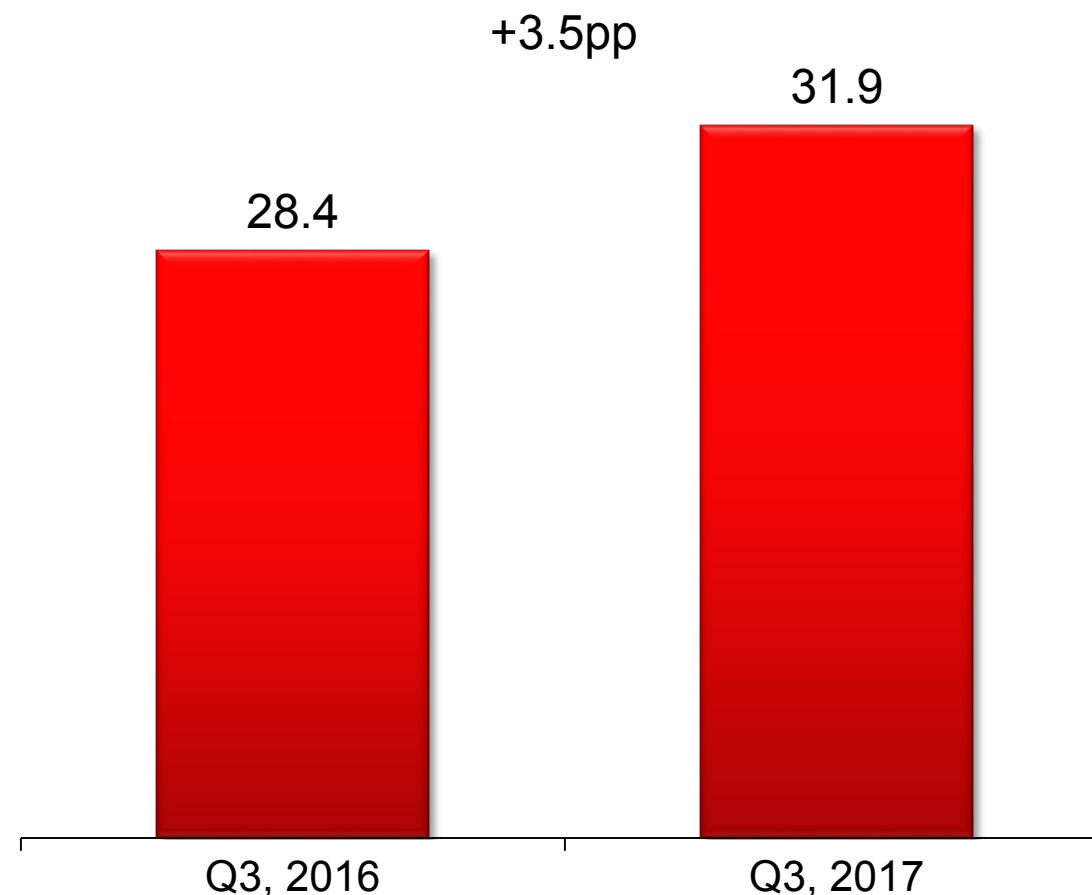




## Philippines: Strong Performance of *Marlboro* Continued in Q3, 2017

- Profitability growth driven primarily by higher pricing
- Price increases at the bottom of the market further narrowed price gaps to *Marlboro* and *Fortune*
- *Marlboro* cigarette share growth driven by in-switching from lower-priced brands
- Cigarette share up by 1.6 points vs. Q2, 2017, reflecting share gains for *Marlboro* and *Fortune*

Marlboro Cigarette Market Share (%)

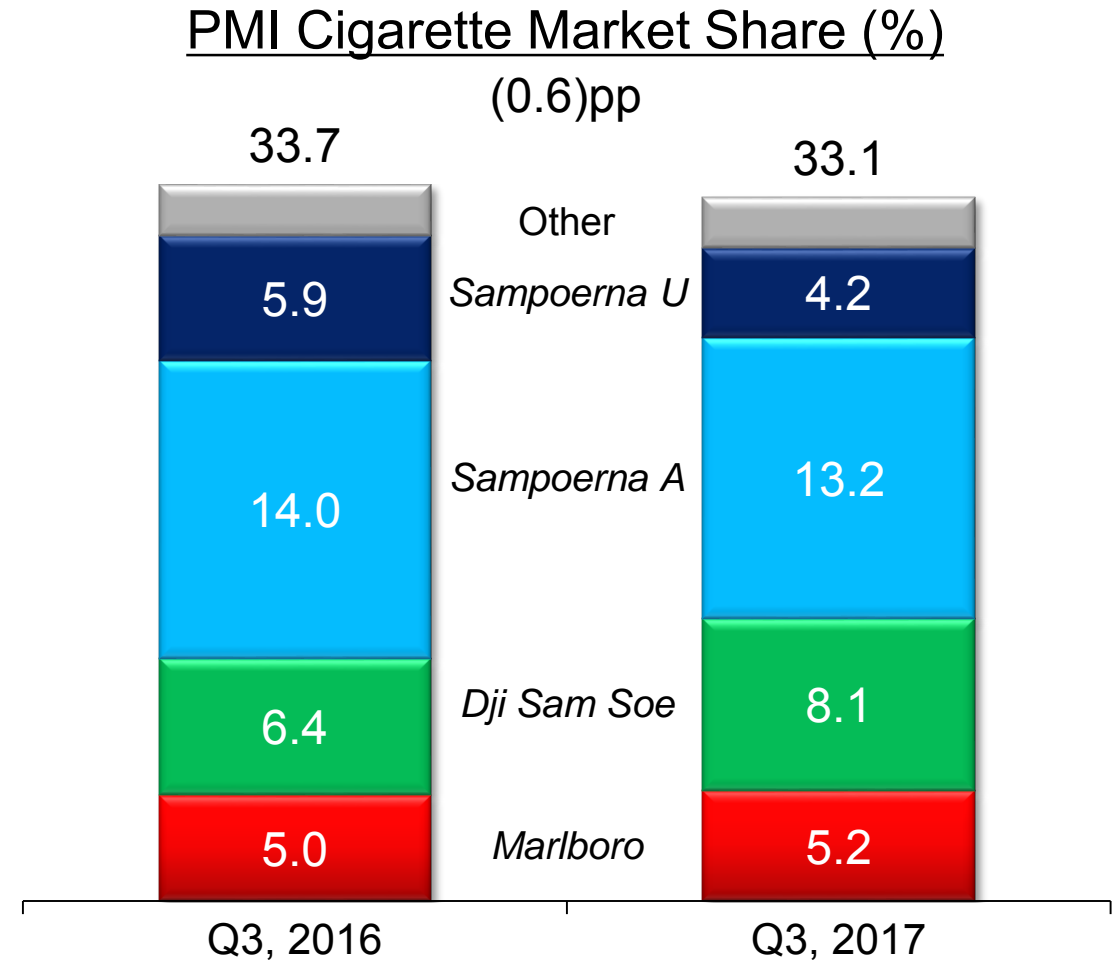


# Indonesia: Stable Cigarette Industry Volume in Q3, 2017, ex-Inventory Movements



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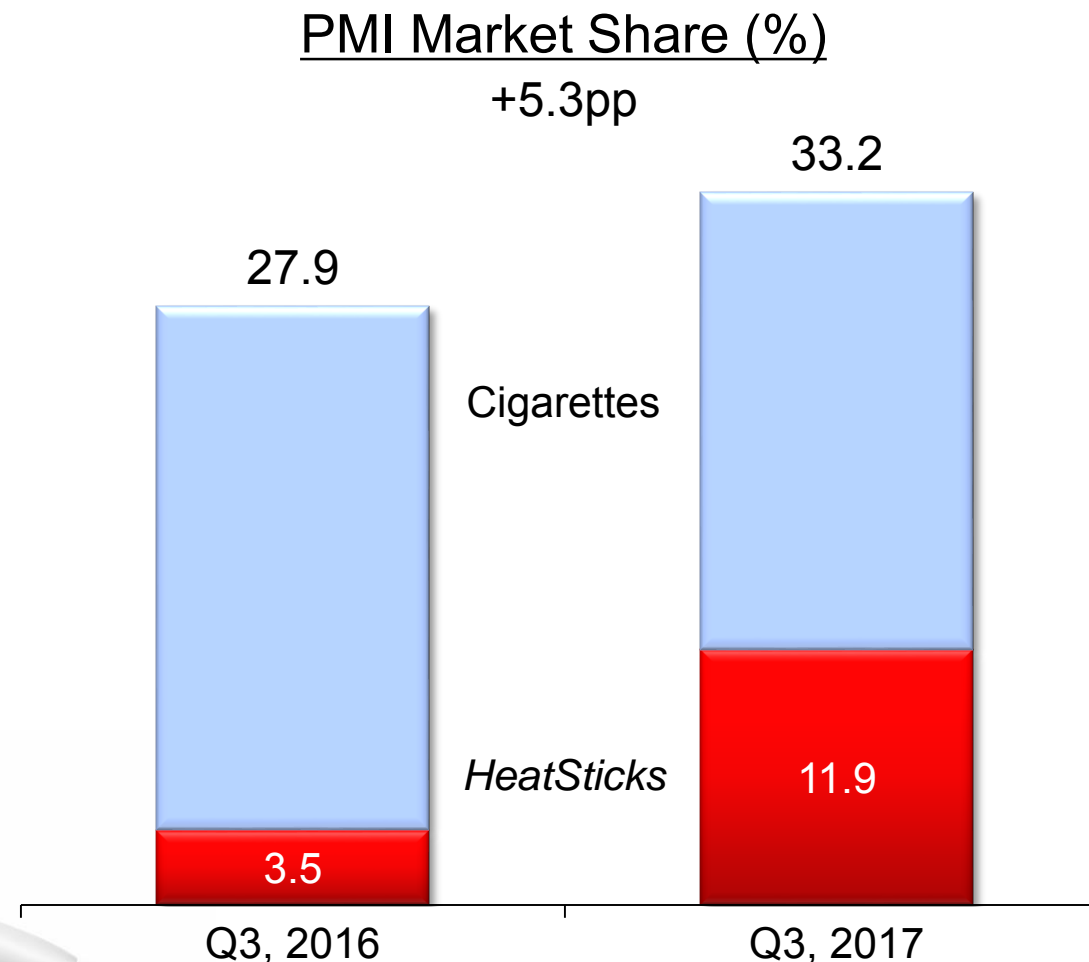
- Cigarette industry volume up by 6.5%, primarily reflecting favorable inventory movements related to the timing of Ramadan:
  - Stable industry volume, excluding inventory movements
  - Anticipate full-year 2017 industry volume decline of around 3%
- Cigarette share down due primarily to:
  - *Sampoerna U* and *Sampoerna A*
  - Partly offset by *Dji Sam Soe Magnum Mild*
- Solid performance of *Marlboro*, reflecting:
  - Continued share growth for *Marlboro Filter Black* (machine-made kretek offer)
  - Partly offset by share decline in the "whites" segment





## Japan: Spectacular Performance of IQOS Continued in Q3, 2017

- *HeatSticks* currently the #1 brand in our portfolio, and the #2 brand industry-wide
- Total industry volume down by 4.1% YTD September, 2017, excluding inventory movements
- On October 1<sup>st</sup>, increased retail selling prices for *Marlboro* cigarettes by JPY 10/pack



# Japan: Continued Growth in *HeatSticks* Offtake Shares

2017 Weekly Offtake Shares (%)

<u>Week ending:</u>	<u>Jan-29</u>	<u>Apr-2</u>	<u>Jul-2</u>	<u>Oct-1</u>	<u>Variance Oct-1 vs. Jul-2</u>
Fukuoka	7.4	8.9	11.4	13.3	+1.9pp
Sendai	12.9	14.9	17.1	18.6	+1.5pp
Tokyo	9.5	11.6	14.8	16.2	+1.4pp
National	7.6	9.6	12.7	14.6	+1.9pp

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  
 Source: PMI Financials or estimates

# Japan: Beginning to Fully Supply the Market with *HeatSticks*, though Device Availability Currently Constrained

---

## ***HeatSticks:***

- Beginning to fully supply the market and build normal inventory levels commensurate with the growth in demand
- In Q3, 2017, we began the process of shifting *HeatSticks* shipments from air freight to sea freight

## ***IQOS devices:***

- Currently supply-constrained due to device capacity
- Limitation should gradually ease over the coming months, in part due to the increasing contribution of devices from our second supplier
- Expect to be able to fully supply the market in early 2018

# IQOS: Exceptional Early Performance Continues in Korea

## HEETS Market Share (%)

+2.3pp

2.5

0.2

Q2, 2017

Q3, 2017

- Launched in Seoul in May 2017
- Expanded distribution within Seoul and other major cities
- Approximate weighted distribution coverage<sup>(a)</sup> of around 30% as of September 2017
- **High awareness:** exceeded 50% among adult smokers nationally within just four months of launch
- **High conversion rate:** 83%<sup>(b)</sup>

(a) Portion of the national cigarette distribution coverage in which heated tobacco products are also sold

(b) As of September 2017. Includes converted and predominant IQOS users

Source: PMI Financials or estimates, Hankook Research and Korea IQOS User Panel



# IQOS: Growing Heated Tobacco Unit National Market Shares

Italy

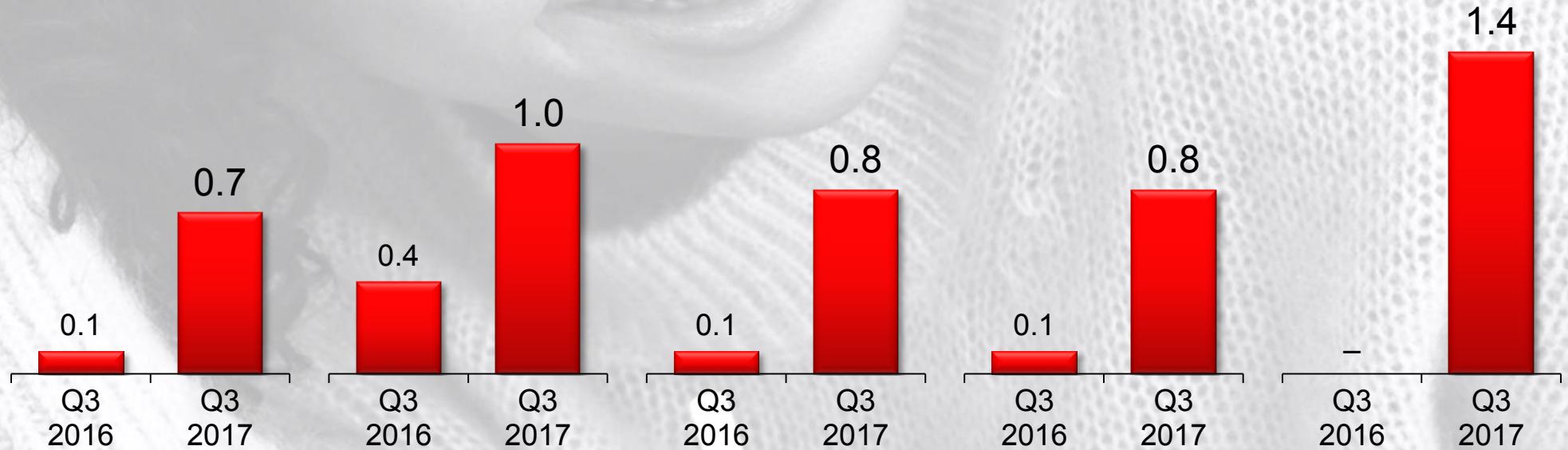
Switzerland

Portugal

Romania

Greece

**National  
SoM (%)**



**Approximate  
Weighted Distribution  
Coverage<sup>(a)</sup>**

74%

59%

36%

48%

73%

(a) Portion of the national cigarette distribution coverage in which heated tobacco products are also sold (as of September 2017)

Source: PMI Financials or estimates

# IQOS: Growing Heated Tobacco Unit Offtake Shares

Germany

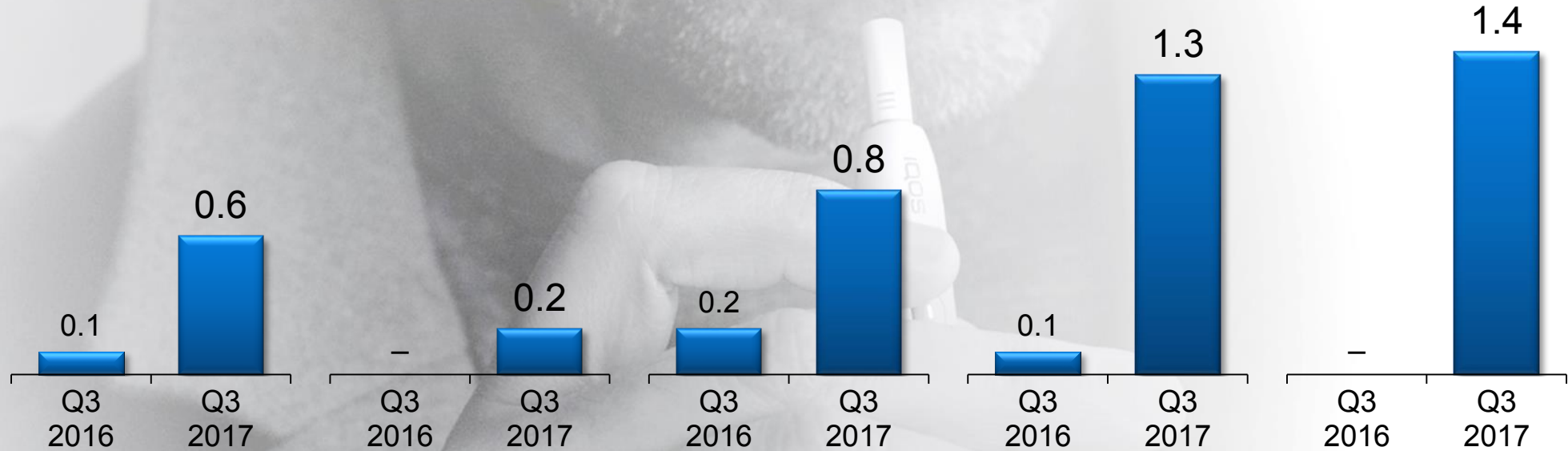
Spain

Russia

Ukraine

Colombia

**Focus Area**  
Offtake SoM (%)



Focus Area  
(September 2017)

7  
cities

Barcelona  
& Madrid

Moscow

5  
cities

Bogota

Focus Area Cigarette  
Industry Volume  
Coverage<sup>(a)</sup>

12%

23%

7%

23%

9%

(a) Portion of cigarette industry volume covered by IQOS focus area in each market (as of September 2017)

Source: PMI Financials or estimates



## Rewarding Our Shareholders: Attractive Dividend

- Dividends are the primary use of our operating cash flow<sup>(a)</sup> after capital expenditures
- Increased our dividend last month to an annualized rate of \$4.28 per share
- Tenth consecutive year with a dividend increase:
  - Total increase of 132.6% since 2008
- Attractive dividend yield of 3.8% as of last Friday



(a) Net cash provided by operating activities

Note: Dividend yield represents the annualized dividend on October 13, 2017, over the closing share price on that date. The closing share price for PMI was \$113.99 on October 13, 2017. 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



# Management Changes and New Geographic Segmentation

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- Intended to drive the company's transformation towards a smoke-free future while maintaining its financial performance
- Should enable faster decision-making and a greater focus on both parts of our business
- Six geographic Regions, effective January 1, 2018:
  - European Union Region
  - Eastern Europe Region
  - Middle East & Africa Region and PMI Duty Free
  - East Asia & Australia Region
  - South & Southeast Asia Region
  - Latin America & Canada Region



## Conclusion: Strong Outlook for Full-Year 2017

---

- Very strong currency-neutral financial results in Q3, 2017, supported by a sequential improvement in our total shipment volume performance
- *IQOS* strong growth momentum continues:
  - Launched *IQOS* in key cities in 31 markets<sup>(a)</sup>
  - More than 3.7 million<sup>(b)</sup> adult consumers have already stopped smoking and switched to *IQOS*
- Revised 2017 EPS guidance, ex-currency and the favorable tax item recorded in the first quarter, reflecting a growth rate of approximately 9% to 10%, compared to adjusted diluted EPS of \$4.48 in 2016
- Continue to target operating cash flow<sup>(c)</sup> of approximately \$8.5 billion and capital expenditures of \$1.6 billion

(a) Status on October 19, 2017

(b) Status at the end of September 2017

(c) Net cash provided by operating activities

Source: PMI Financials or estimates



# PHILIP MORRIS INTERNATIONAL

Designing a Smoke-Free Future

## Have you downloaded the PMI Investor Relations App yet?

The free IR App is available to download at the Apple App Store for iOS devices and at Google Play for Android mobile devices

iOS Download



Android Download



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

## 2017 Third-Quarter Results

## Questions & Answers



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INTERNATIONAL

Designing a  
Smoke-Free Future

**Glossary and Reconciliation of  
Non-GAAP Measures**



## Glossary: General Terms

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- "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 volume and PMI market share performance reflect cigarettes and PMI's heated tobacco units for those markets that have commercial sales of IQOS
- References to total international market, defined as worldwide cigarette and PMI heated tobacco unit volume excluding the United States, total industry, total market and market shares are PMI tax-paid estimates 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
- "Combustible products" is the term PMI uses to refer to cigarettes and OTP, combined
- "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
- "PMI volume" is defined as the combined total of cigarette shipment volume and heated tobacco unit shipment volume
- "EU" is defined as the European Union Region
- "EEMA" is defined as Eastern Europe, Middle East and Africa and includes PMI's international duty free business
- "LA&C" is defined as the Latin America & Canada Region
- "SoM" stands for share of market





## Glossary: Financial Terms

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- Net revenues exclude excise taxes
- Net revenues, excluding excise taxes, related to combustible products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives
- "Operating Companies Income," or "OCI," is defined as operating income, excluding general corporate expenses and the amortization of intangibles, plus equity (income)/loss in unconsolidated subsidiaries, net. Management evaluates business segment performance and allocates resources based on OCI
- Management reviews OCI, OCI 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 RRP's in various stages of development, scientific assessment and commercialization. Because PMI's RRP's do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds 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": a visible suspension of solid particles, liquid droplets and gases in air, emitted when a material burns
- "Heated tobacco product" is a manufactured tobacco product that delivers a nicotine containing vapor (aerosol), without combustion of the tobacco mixture
- An "e-vapor product" is an electrical product that generates an aerosol by heating a nicotine or non-nicotine containing liquid, such as electronic cigarettes (or "e-cigarettes")
- "E-liquids" refer to a liquid solution that is used in/with e-cigarettes. E-liquids contain different levels of nicotine in a propylene glycol and/or vegetable glycerin based solution with various flavors
- "IQOS" is the brand name under which PMI has chosen to commercialize its Platform 1 controlled heating device into which a specially designed and proprietary tobacco unit is inserted and heated to generate an aerosol
- "Heated tobacco units" is the term PMI uses to refer to heated tobacco consumables, which include *HEETS*, *HEETS Marlboro* and *HEETS FROM MARLBORO*, defined collectively as *HEETS*, as well as *Marlboro HeatSticks* and *Parliament HeatSticks*



## Glossary: Reduced-Risk Products

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- 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
- Net revenues, excluding excise taxes, related to RRPs represent the sale of heated tobacco units, IQOS devices and related accessories, and other nicotine-containing products, primarily e-vapor products, net of sales and promotion incentives
- "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



# PMI: New Geographic Segmentation (1/3)

---

## European Union Region (no change)

---

- 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 Region

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- Belarus
- Caucasus & Moldova
- Central Asia
- Israel
- Kazakhstan
- Russia
- South East Europe
- Ukraine



## PMI: New Geographic Segmentation (2/3)

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### Middle East & Africa Region and PMI Duty Free

---

- Algeria
- Central Africa
- Eastern Africa
- Egypt
- Indian Ocean Islands
- Iraq
- Jordan
- Kuwait
- Lebanon
- Libya
- Morocco
- Other GCC & Middle East
- Other Levant
- PMI Duty Free
- Saudi Arabia
- Southern Africa
- Tunisia
- Turkey
- Turkish Cyprus
- UAE
- West Africa

### East Asia & Australia Region

---

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

Note: Effective January 1, 2018

GCC stands for to the Gulf Cooperation Council and includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE)



## PMI: New Geographic Segmentation (3/3)

---

### South & Southeast Asia Region

---

- Afghanistan
- Bangladesh
- Cambodia
- East Timor
- India
- Indonesia
- Laos
- Maldives
- Other South Asia
- Pakistan
- Philippines
- Thailand
- Vietnam

### Latin America & Canada Region (no change)

---

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

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency  
For the Quarters Ended September 30,  
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<b>Reported Diluted EPS</b>	<b>\$ 1.27</b>	<b>\$ 1.25</b>	<b>1.6%</b>
Adjustments:			
Asset impairment and exit costs	-	-	
Tax items	-	-	
<b>Adjusted Diluted EPS</b>	<b>\$ 1.27</b>	<b>\$ 1.25</b>	<b>1.6%</b>
Less:			
Currency impact	(0.12)		
<b>Adjusted Diluted EPS, excluding Currency</b>	<b>\$ 1.39</b>	<b>\$ 1.25</b>	<b>11.2%</b>

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Reported Diluted EPS, excluding Currency  
For the Quarters Ended September 30,  
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<b>Reported Diluted EPS</b>	<b>\$ 1.27</b>	<b>\$ 1.25</b>	<b>1.6%</b>
Less:			
Currency impact	(0.12)		
<b>Reported Diluted EPS, excluding Currency</b>	<b><u><u>\$ 1.39</u></u></b>	<b><u><u>\$ 1.25</u></u></b>	<b>11.2%</b>



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS  
For the Year Ended December 31,  
(Unaudited)

	<u>2016</u>
<b>Reported Diluted EPS</b>	<b>\$ 4.48</b>
Adjustments:	
Asset impairment and exit costs	-
Tax items	-
<b>Adjusted Diluted EPS</b>	<b><u>\$ 4.48</u></b>



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
For the Quarters Ended March 31,  
(\$ in millions)  
(Unaudited)

2017							2016			% Change in Adjusted Operating Companies Income			
Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Less Currency	Adjusted Operating Companies Income excluding Currency	Less Acquisitions	Adjusted Operating Companies Income excluding Currency & Acquisitions	Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions	
\$ 772	\$ -	\$ 772	\$ (28)	\$ 800	\$ -	\$ 800	European Union	\$ 906	\$ -	\$ 906	(14.8)%	(11.7)%	(11.7)%
690	-	690	(12)	702	-	702	EEMA	633	-	633	9.0%	10.9%	10.9%
852	-	852	54	798	-	798	Asia	778	-	778	9.5%	2.6%	2.6%
177	-	177	(26)	203	-	203	Latin America & Canada	229	-	229	(22.7)%	(11.4)%	(11.4)%
<b>\$ 2,491</b>	<b>\$ -</b>	<b>\$ 2,491</b>	<b>\$ (12)</b>	<b>\$ 2,503</b>	<b>\$ -</b>	<b>\$ 2,503</b>	<b>PMI Total</b>	<b>\$ 2,546</b>	<b>\$ -</b>	<b>\$ 2,546</b>	<b>(2.2)%</b>	<b>(1.7)%</b>	<b>(1.7)%</b>

2017							2016			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency <sup>(a)</sup>	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions <sup>(a)</sup>	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes <sup>(a)</sup>	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	
\$ 800	\$ 1,795	44.6%	\$ 800	\$ 1,795	44.6%	European Union	\$ 906	\$ 1,863	48.6%	(4.0)	(4.0)
702	1,576	44.5%	702	1,576	44.5%	EEMA	633	1,602	39.5%	5.0	5.0
798	2,185	36.5%	798	2,185	36.5%	Asia	778	1,968	39.5%	(3.0)	(3.0)
203	628	32.3%	203	628	32.3%	Latin America & Canada	229	650	35.2%	(2.9)	(2.9)
<b>\$ 2,503</b>	<b>\$ 6,184</b>	<b>40.5%</b>	<b>\$ 2,503</b>	<b>\$ 6,184</b>	<b>40.5%</b>	<b>PMI Total</b>	<b>\$ 2,546</b>	<b>\$ 6,083</b>	<b>41.9%</b>	<b>(1.4)</b>	<b>(1.4)</b>

(a) For the calculation of net revenues excluding excise taxes, currency and acquisitions, refer to previous slide

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency  
For the Quarters Ended March 31,  
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<b>Reported Diluted EPS</b>	<b>\$ 1.02</b>	<b>\$ 0.98</b>	<b>4.1%</b>
Adjustments:			
Asset impairment and exit costs	-	-	
Tax items	(0.04)	-	
<b>Adjusted Diluted EPS</b>	<b>\$ 0.98</b>	<b>\$ 0.98</b>	<b>- %</b>
Less:			
Currency impact	-	-	
<b>Adjusted Diluted EPS, excluding Currency</b>	<b>\$ 0.98</b>	<b>\$ 0.98</b>	<b>- %</b>

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

### Adjustments for the Impact of Currency and Acquisitions For the Quarters Ended June 30, (\$ in millions) (Unaudited)

2017							2016			% Change in Net Revenues excluding Excise Taxes		
Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions
\$ 6,921	\$ 4,811	\$ 2,110	\$ (92)	\$ 2,202	\$ -	\$ 2,202	\$ 7,134	\$ 4,979	\$ 2,155	(2.1)%	2.2%	2.2%
4,492	2,817	1,675	(62)	1,737	-	1,737	4,531	2,867	1,664	0.7%	4.4%	4.4%
5,367	2,983	2,384	(21)	2,405	-	2,405	5,212	3,079	2,133	11.8%	12.8%	12.8%
2,539	1,791	748	(20)	768	-	768	2,164	1,467	697	7.3%	10.2%	10.2%
<b>\$ 19,319</b>	<b>\$ 12,402</b>	<b>\$ 6,917</b>	<b>\$ (195)</b>	<b>\$ 7,112</b>	<b>\$ -</b>	<b>\$ 7,112</b>	<b>\$ 19,041</b>	<b>\$ 12,392</b>	<b>\$ 6,649</b>	<b>4.0%</b>	<b>7.0%</b>	<b>7.0%</b>

2017					2016			% Change in Operating Companies Income		
Operating Companies Income	Less Currency	Operating Companies Income excluding Currency	Less Acquisitions	Operating Companies Income excluding Currency & Acquisitions	Operating Companies Income	Total	Excluding Currency	Excluding Currency & Acquisitions		
\$ 969	\$ (61)	\$ 1,030	\$ -	\$ 1,030	\$ 1,070	(9.4)%	(3.7)%	(3.7)%		
733	(87)	820	-	820	794	(7.7)%	3.3%	3.3%		
836	(25)	861	-	861	749	11.6%	15.0%	15.0%		
268	(26)	294	-	294	224	19.6%	31.3%	31.3%		
<b>\$ 2,806</b>	<b>\$ (199)</b>	<b>\$ 3,005</b>	<b>\$ -</b>	<b>\$ 3,005</b>	<b>\$ 2,837</b>	<b>(1.1)%</b>	<b>5.9%</b>	<b>5.9%</b>		

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
For the Quarters Ended June 30,  
(\$ in millions)  
(Unaudited)

2017							2016			% Change in Adjusted Operating Companies Income			
Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Less Currency	Adjusted Operating Companies Income excluding Currency	Less Acquisitions	Adjusted Operating Companies Income excluding Currency & Acquisitions	Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions	
\$ 969	\$ -	\$ 969	\$ (61)	\$ 1,030	\$ -	\$ 1,030	European Union	\$ 1,070	\$ -	\$ 1,070	(9.4)%	(3.7)%	(3.7)%
733	-	733	(87)	820	-	820	EEMA	794	-	794	(7.7)%	3.3%	3.3%
836	-	836	(25)	861	-	861	Asia	749	-	749	11.6%	15.0%	15.0%
268	-	268	(26)	294	-	294	Latin America & Canada	224	-	224	19.6%	31.3%	31.3%
<b>\$ 2,806</b>	<b>\$ -</b>	<b>\$ 2,806</b>	<b>\$ (199)</b>	<b>\$ 3,005</b>	<b>\$ -</b>	<b>\$ 3,005</b>	<b>PMI Total</b>	<b>\$ 2,837</b>	<b>\$ -</b>	<b>\$ 2,837</b>	<b>(1.1)%</b>	<b>5.9%</b>	<b>5.9%</b>

2017							2016			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency <sup>(a)</sup>	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions <sup>(a)</sup>	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes <sup>(a)</sup>	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	
\$ 1,030	\$ 2,202	46.8%	\$ 1,030	\$ 2,202	46.8%	European Union	\$ 1,070	\$ 2,155	49.7%	(2.9)	(2.9)
820	1,737	47.2%	820	1,737	47.2%	EEMA	794	1,664	47.7%	(0.5)	(0.5)
861	2,405	35.8%	861	2,405	35.8%	Asia	749	2,133	35.1%	0.7	0.7
294	768	38.3%	294	768	38.3%	Latin America & Canada	224	697	32.1%	6.2	6.2
<b>\$ 3,005</b>	<b>\$ 7,112</b>	<b>42.3%</b>	<b>\$ 3,005</b>	<b>\$ 7,112</b>	<b>42.3%</b>	<b>PMI Total</b>	<b>\$ 2,837</b>	<b>\$ 6,649</b>	<b>42.7%</b>	<b>(0.4)</b>	<b>(0.4)</b>

(a) For the calculation of net revenues excluding excise taxes, currency and acquisitions, refer to previous slide

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency  
For the Quarters Ended June 30,  
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<b>Reported Diluted EPS</b>	<b>\$ 1.14</b>	<b>\$ 1.15</b>	<b>(0.9)%</b>
Adjustments:			
Asset impairment and exit costs	-	-	
Tax items	-	-	
<b>Adjusted Diluted EPS</b>	<b>\$ 1.14</b>	<b>\$ 1.15</b>	<b>(0.9)%</b>
Less:			
Currency impact	(0.11)		
<b>Adjusted Diluted EPS, excluding Currency</b>	<b>\$ 1.25</b>	<b>\$ 1.15</b>	<b>8.7%</b>

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

### Adjustments for the Impact of Currency and Acquisitions For the Quarters Ended September 30, (\$ in millions) (Unaudited)

2017							2016			% Change in Net Revenues excluding Excise Taxes		
Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions
\$ 7,346	\$ 5,142	\$ 2,204	\$ 53	\$ 2,151	\$ -	\$ 2,151	\$ 7,387	\$ 5,187	\$ 2,200	0.2%	(2.2)%	(2.2)%
4,990	3,207	1,783	(107)	1,890	-	1,890	5,122	3,186	1,936	(7.9)%	(2.4)%	(2.4)%
5,846	3,116	2,730	(68)	2,798	-	2,798	5,113	2,977	2,136	27.8%	31.0%	31.0%
2,456	1,700	756	(14)	770	-	770	2,313	1,603	710	6.5%	8.5%	8.5%
<b>\$ 20,638</b>	<b>\$ 13,165</b>	<b>\$ 7,473</b>	<b>\$ (136)</b>	<b>\$ 7,609</b>	<b>\$ -</b>	<b>\$ 7,609</b>	<b>\$ 19,935</b>	<b>\$ 12,953</b>	<b>\$ 6,982</b>	<b>7.0%</b>	<b>9.0%</b>	<b>9.0%</b>

2017					2016			% Change in Operating Companies Income		
Operating Companies Income	Less Currency	Operating Companies Income excluding Currency	Less Acquisitions	Operating Companies Income excluding Currency & Acquisitions	Operating Companies Income	Total	Excluding Currency	Excluding Currency & Acquisitions		
\$ 1,042	\$ 7	\$ 1,035	\$ -	\$ 1,035	\$ 1,120	(7.0)%	(7.6)%	(7.6)%		
765	(84)	849	-	849	962	(20.5)%	(11.7)%	(11.7)%		
1,065	(55)	1,120	-	1,120	761	39.9%	47.2%	47.2%		
264	(8)	272	-	272	224	17.9%	21.4%	21.4%		
<b>\$ 3,136</b>	<b>\$ (140)</b>	<b>\$ 3,276</b>	<b>\$ -</b>	<b>\$ 3,276</b>	<b>\$ 3,067</b>	<b>2.2%</b>	<b>6.8%</b>	<b>6.8%</b>		



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
For the Quarters Ended September 30,  
(\$ in millions)  
(Unaudited)

2017							2016			% Change in Adjusted Operating Companies Income		
Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Less Currency	Adjusted Operating Companies Income excluding Currency	Less Acquisitions	Adjusted Operating Companies Income excluding Currency & Acquisitions	Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 1,042	\$ -	\$ 1,042	\$ 7	\$ 1,035	\$ -	\$ 1,035	\$ 1,120	\$ -	\$ 1,120	(7.0)%	(7.6)%	(7.6)%
765	-	765	(84)	849	-	849	962	-	962	(20.5)%	(11.7)%	(11.7)%
1,065	-	1,065	(55)	1,120	-	1,120	761	-	761	39.9%	47.2%	47.2%
264	-	264	(8)	272	-	272	224	-	224	17.9%	21.4%	21.4%
<b>\$ 3,136</b>	<b>\$ -</b>	<b>\$ 3,136</b>	<b>\$ (140)</b>	<b>\$ 3,276</b>	<b>\$ -</b>	<b>\$ 3,276</b>	<b>\$ 3,067</b>	<b>\$ -</b>	<b>\$ 3,067</b>	<b>2.2%</b>	<b>6.8%</b>	<b>6.8%</b>
							European Union					
							EEMA					
							Asia					
							Latin America & Canada					
							<b>PMI Total</b>					

2017							2016			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency <sup>(a)</sup>	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions <sup>(a)</sup>	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes <sup>(a)</sup>	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	
\$ 1,035	\$ 2,151	48.1%	\$ 1,035	\$ 2,151	48.1%	\$ 1,120	\$ 2,200	50.9%	(2.8)	(2.8)	
849	1,890	44.9%	849	1,890	44.9%	962	1,936	49.7%	(4.8)	(4.8)	
1,120	2,798	40.0%	1,120	2,798	40.0%	761	2,136	35.6%	4.4	4.4	
272	770	35.3%	272	770	35.3%	224	710	31.5%	3.8	3.8	
<b>\$ 3,276</b>	<b>\$ 7,609</b>	<b>43.1%</b>	<b>\$ 3,276</b>	<b>\$ 7,609</b>	<b>43.1%</b>	<b>\$ 3,067</b>	<b>\$ 6,982</b>	<b>43.9%</b>	<b>(0.8)</b>	<b>(0.8)</b>	
						European Union					
						EEMA					
						Asia					
						Latin America & Canada					
						<b>PMI Total</b>					

(a) For the calculation of net revenues excluding excise taxes, currency and acquisitions, refer to previous slide

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Adjustments for the Impact of Currency and Acquisitions  
For the Nine Months Ended September 30,  
(\$ in millions)  
(Unaudited)

2017							2016							% Change in Net Revenues excluding Excise Taxes		
Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Net Revenues	Less Excise Taxes	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions				
\$ 20,156	\$ 14,102	\$ 6,054	\$ (94)	\$ 6,148	\$ -	\$ 6,148	\$ 20,664	\$ 14,446	\$ 6,218	(2.6)%	(1.1)%	(1.1)%				
13,177	8,242	4,935	(268)	5,203	-	5,203	13,650	8,448	5,202	(5.1)%	- %	- %				
16,051	8,696	7,355	(33)	7,388	-	7,388	15,014	8,777	6,237	17.9%	18.5%	18.5%				
7,129	5,019	2,110	(56)	2,166	-	2,166	6,436	4,379	2,057	2.6%	5.3%	5.3%				
<b>\$ 56,513</b>	<b>\$ 36,059</b>	<b>\$ 20,454</b>	<b>\$ (451)</b>	<b>\$ 20,905</b>	<b>\$ -</b>	<b>\$ 20,905</b>	<b>\$ 55,764</b>	<b>\$ 36,050</b>	<b>\$ 19,714</b>	<b>3.8%</b>	<b>6.0%</b>	<b>6.0%</b>				

2017							2016							% Change in Operating Companies Income		
Operating Companies Income	Less Currency	Operating Companies Income excluding Currency	Less Acquisitions	Operating Companies Income excluding Currency & Acquisitions	Operating Companies Income	Less Currency	Operating Companies Income	Less Currency	Operating Companies Income excluding Currency & Acquisitions	Total	Excluding Currency	Excluding Currency & Acquisitions				
\$ 2,783	\$ (82)	\$ 2,865	\$ -	\$ 2,865	\$ 3,096	\$ (82)	\$ 3,096	\$ (82)	\$ 2,865	(10.1)%	(7.5)%	(7.5)%				
2,188	(183)	2,371	-	2,371	2,389	(183)	2,389	(183)	2,371	(8.4)%	(0.8)%	(0.8)%				
2,753	(26)	2,779	-	2,779	2,288	(26)	2,288	(26)	2,779	20.3%	21.5%	21.5%				
709	(60)	769	-	769	677	(60)	677	(60)	769	4.7%	13.6%	13.6%				
<b>\$ 8,433</b>	<b>\$ (351)</b>	<b>\$ 8,784</b>	<b>\$ -</b>	<b>\$ 8,784</b>	<b>\$ 8,450</b>	<b>\$ (351)</b>	<b>\$ 8,450</b>	<b>\$ (351)</b>	<b>\$ 8,784</b>	<b>(0.2)%</b>	<b>4.0%</b>	<b>4.0%</b>				

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions  
For the Nine Months Ended September 30,  
(\$ in millions)  
(Unaudited)

2017							2016							% Change in Adjusted Operating Companies Income		
Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Less Currency	Adjusted Operating Companies Income excluding Currency	Less Acquisitions	Adjusted Operating Companies Income excluding Currency & Acquisitions	Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions				
\$ 2,783	\$ -	\$ 2,783	\$ (82)	\$ 2,865	\$ -	\$ 2,865	\$ 3,096	\$ -	\$ 3,096	(10.1)%	(7.5)%	(7.5)%				
2,188	-	2,188	(183)	2,371	-	2,371	2,389	-	2,389	(8.4)%	(0.8)%	(0.8)%				
2,753	-	2,753	(26)	2,779	-	2,779	2,288	-	2,288	20.3%	21.5%	21.5%				
709	-	709	(60)	769	-	769	677	-	677	4.7%	13.6%	13.6%				
<b>\$ 8,433</b>	<b>\$ -</b>	<b>\$ 8,433</b>	<b>\$ (351)</b>	<b>\$ 8,784</b>	<b>\$ -</b>	<b>\$ 8,784</b>	<b>\$ 8,450</b>	<b>\$ -</b>	<b>\$ 8,450</b>	<b>(0.2)%</b>	<b>4.0%</b>	<b>4.0%</b>				

2017							2016							% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency <sup>(a)</sup>	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions <sup>(a)</sup>	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	Adjusted Operating Companies Income	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes <sup>(a)</sup>	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions				
\$ 2,865	\$ 6,148	46.6%	\$ 2,865	\$ 6,148	46.6%	\$ 3,096	\$ 6,218	49.8%		(3.2)	(3.2)				
2,371	5,203	45.6%	2,371	5,203	45.6%	2,389	5,202	45.9%		(0.3)	(0.3)				
2,779	7,388	37.6%	2,779	7,388	37.6%	2,288	6,237	36.7%		0.9	0.9				
769	2,166	35.5%	769	2,166	35.5%	677	2,057	32.9%		2.6	2.6				
<b>\$ 8,784</b>	<b>\$ 20,905</b>	<b>42.0%</b>	<b>\$ 8,784</b>	<b>\$ 20,905</b>	<b>42.0%</b>	<b>\$ 8,450</b>	<b>\$ 19,714</b>	<b>42.9%</b>		<b>(0.9)</b>	<b>(0.9)</b>				

(a) For the calculation of net revenues excluding excise taxes, currency and acquisitions, refer to previous slide

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency  
For the Nine Months Ended September 30,  
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<b>Reported Diluted EPS</b>	<b>\$ 3.43</b>	<b>\$ 3.38</b>	<b>1.5%</b>
Adjustments:			
Asset impairment and exit costs	-	-	
Tax items	(0.04)	-	
<b>Adjusted Diluted EPS</b>	<b>\$ 3.39</b>	<b>\$ 3.38</b>	<b>0.3%</b>
Less:			
Currency impact	(0.23)		
<b>Adjusted Diluted EPS, excluding Currency</b>	<b>\$ 3.62</b>	<b>\$ 3.38</b>	<b>7.1%</b>

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Reported Diluted EPS, excluding Currency  
For the Nine Months Ended September 30,  
(Unaudited)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<b>Reported Diluted EPS</b>	<b>\$ 3.43</b>	<b>\$ 3.38</b>	<b>1.5%</b>
Less:			
Currency impact	(0.23)		
<b>Reported Diluted EPS, excluding Currency</b>	<b>\$ 3.66</b>	<b>\$ 3.38</b>	<b>8.3%</b>

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Selected Financial Data by Product Category  
(\$ in millions)  
(Unaudited)

	2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full-Year
<b>Net Revenues</b>					
Combustible Products <sup>(a)</sup>	\$ 16,732	\$ 18,917	\$ 19,721	\$ 18,844	\$ 74,214
Reduced-Risk Products <sup>(b)</sup>	56	124	214	345	739 <sup>(c)</sup>
<b>PMI Total</b>	<b>\$ 16,788</b>	<b>\$ 19,041</b>	<b>\$ 19,935</b>	<b>\$ 19,189</b>	<b>\$ 74,953</b>
<b>Net Revenues excluding Excise Taxes<sup>(e)</sup></b>					
Combustible Products	\$ 6,028	\$ 6,526	\$ 6,770	\$ 6,628	\$ 25,952
Reduced-Risk Products	55	123	212	343	733 <sup>(d)</sup>
<b>PMI Total</b>	<b>\$ 6,083</b>	<b>\$ 6,649</b>	<b>\$ 6,982</b>	<b>\$ 6,971</b>	<b>\$ 26,685</b>

(a) Net revenue amounts for our combustible products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives. These net revenue amounts consist of the sale of our cigarettes and other tobacco products combined. Other tobacco products primarily include tobacco for roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos and do not include reduced-risk products

(b) Net revenue amounts for our reduced-risk products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives. These net revenue amounts consist of the sale of our heated tobacco units, our IQOS devices and related accessories, and other nicotine-containing products, which primarily include our e-vapor products. Reduced-risk products is the term we use 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. We have a range of reduced-risk products in various stages of development, scientific assessment and commercialization. Because our reduced-risk products do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke

(c) Primarily in Asia Region. Reduced-risk products net revenues in our Asia Region are as follows: Q1: \$47, Q2: \$111, Q3: \$196, Q4: \$312 and full year: \$666

(d) Primarily in Asia Region. Reduced-risk products net revenues, excluding excise taxes, in our Asia Region are as follows: Q1: \$47, Q2: \$111, Q3: \$196, Q4: \$312 and full year: \$666

(e) PMI often collects excise taxes from its customers and then remits them to governments, and, in those circumstances, PMI includes the excise taxes in its net revenues and in excise taxes on products. In some jurisdictions, including Japan, PMI is not responsible for collecting excise taxes

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Selected Financial Data by Product Category  
For the Quarters Ended March 31,  
(\$ in millions)  
(Unaudited)

2017							2016						% Change in Combustible Products Net Revenues excluding Excise Taxes		
Net Revenues <sup>(a)</sup>	Less Excise Taxes <sup>(c)</sup>	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Combustible Products	Net Revenues <sup>(a)</sup>	Less Excise Taxes <sup>(c)</sup>	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions		
\$ 5,852	\$ 4,143	\$ 1,709	\$ (55)	\$ 1,764	\$ -	\$ 1,764	European Union	\$ 6,134	\$ 4,279	\$ 1,855	(7.9)%	(4.9)%	(4.9)%		
3,687	2,218	1,470	(99)	1,569	-	1,569	EEMA	3,998	2,395	1,603	(8.3)%	(2.1)%	(2.1)%		
4,442	2,597	1,845	38	1,806	-	1,806	Asia	4,642	2,722	1,921	(4.0)%	(6.0)%	(6.0)%		
2,134	1,529	605	(22)	627	-	627	Latin America & Canada	1,958	1,309	650	(6.8)%	(3.5)%	(3.5)%		
<b>\$ 16,116</b>	<b>\$ 10,487</b>	<b>\$ 5,629</b>	<b>\$ (137)</b>	<b>\$ 5,766</b>	<b>\$ -</b>	<b>\$ 5,766</b>	<b>Total Combustible</b>	<b>\$ 16,732</b>	<b>\$ 10,704</b>	<b>\$ 6,028</b>	<b>(6.6)%</b>	<b>(4.3)%</b>	<b>(4.3)%</b>		

2017							2016						% Change in Reduced-Risk Products Net Revenues excluding Excise Taxes		
Net Revenues <sup>(b)</sup>	Less Excise Taxes <sup>(c)</sup>	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Reduced-Risk Products	Net Revenues <sup>(b)</sup>	Less Excise Taxes <sup>(c)</sup>	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions		
\$ 36	\$ 5	\$ 31	\$ (1)	\$ 33	\$ -	\$ 33	European Union	\$ 9	\$ 0	\$ 9	+100%	+100%	+100%		
8	1	7	0	7	-	7	EEMA	(1)	0	(1)	+100%	+100%	+100%		
396	0	396	18	379	-	379	Asia	47	-	47	+100%	+100%	+100%		
0	0	0	0	0	-	0	Latin America & Canada	1	0	0	20.0%	12.5%	12.5%		
<b>\$ 440</b>	<b>\$ 5</b>	<b>\$ 435</b>	<b>\$ 17</b>	<b>\$ 418</b>	<b>\$ -</b>	<b>\$ 418</b>	<b>Total RRs</b>	<b>\$ 56</b>	<b>\$ 1</b>	<b>\$ 55</b>	<b>+100%</b>	<b>+100%</b>	<b>+100%</b>		
<b>\$ 16,556</b>	<b>\$ 10,492</b>	<b>\$ 6,064</b>	<b>\$ (120)</b>	<b>\$ 6,184</b>	<b>\$ -</b>	<b>\$ 6,184</b>	<b>PMI Total</b>	<b>\$ 16,788</b>	<b>\$ 10,705</b>	<b>\$ 6,083</b>	<b>(0.3)%</b>	<b>1.7%</b>	<b>1.7%</b>		

(a) Net revenue amounts for our combustible products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives. These net revenue amounts consist of the sale of our cigarettes and other tobacco products combined. Other tobacco products primarily include tobacco for roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos and do not include reduced-risk products

(b) Net revenue amounts for our reduced-risk products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives. These net revenue amounts consist of the sale of our heated tobacco units, our IQOS devices and related accessories, and other nicotine-containing products, which primarily include our e-vapor products. Reduced-risk products is the term we use 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. We have a range of reduced-risk products in various stages of development, scientific assessment and commercialization. Because our reduced-risk products do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke

(c) PMI often collects excise taxes from its customers and then remits them to governments, and, in those circumstances, PMI includes the excise taxes in its net revenues and in excise taxes on products. In some jurisdictions, including Japan, PMI is not responsible for collecting excise taxes

Note: Sum of product categories or Regions might not foot to PMI total due to rounding

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Selected Financial Data by Product Category  
For the Quarters Ended June 30,  
(\$ in millions)  
(Unaudited)

2017							2016					% Change in Combustible Products Net Revenues excluding Excise Taxes		
Net Revenues <sup>(a)</sup>	Less Excise Taxes <sup>(c)</sup>	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Combustible Products	Net Revenues <sup>(a)</sup>	Less Excise Taxes <sup>(c)</sup>	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions	
\$ 6,862	\$ 4,802	\$ 2,060	\$ (89)	\$ 2,150	\$ -	\$ 2,150	European Union	\$ 7,122	\$ 4,979	\$ 2,143	(3.8)%	0.3%	0.3%	
4,474	2,815	1,659	(61)	1,720	-	1,720	EEMA	4,531	2,867	1,664	(0.3)%	3.4%	3.4%	
4,816	2,981	1,835	(19)	1,854	-	1,854	Asia	5,100	3,079	2,022	(9.2)%	(8.3)%	(8.3)%	
2,538	1,790	748	(21)	768	-	768	Latin America & Canada	2,164	1,467	697	7.3%	10.2%	10.2%	
<b>\$ 18,691</b>	<b>\$ 12,388</b>	<b>\$ 6,302</b>	<b>\$ (190)</b>	<b>\$ 6,493</b>	<b>\$ -</b>	<b>\$ 6,493</b>	<b>Total Combustible</b>	<b>\$ 18,917</b>	<b>\$ 12,391</b>	<b>\$ 6,526</b>	<b>(3.4)%</b>	<b>(0.5)%</b>	<b>(0.5)%</b>	

2017							2016					% Change in Reduced-Risk Products Net Revenues excluding Excise Taxes		
Net Revenues <sup>(b)</sup>	Less Excise Taxes <sup>(c)</sup>	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Reduced-Risk Products	Net Revenues <sup>(b)</sup>	Less Excise Taxes <sup>(c)</sup>	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions	
\$ 59	\$ 9	\$ 50	\$ (2)	\$ 52	\$ -	\$ 52	European Union	\$ 12	\$ 1	\$ 11	+100%	+100%	+100%	
18	2	16	-	16	-	16	EEMA	-	-	-	+100%	+100%	+100%	
551	2	549	(2)	551	-	551	Asia	111	-	111	+100%	+100%	+100%	
1	0	1	-	1	-	1	Latin America & Canada	1	0	0	+100%	+100%	+100%	
<b>\$ 628</b>	<b>\$ 13</b>	<b>\$ 615</b>	<b>\$ (4)</b>	<b>\$ 620</b>	<b>\$ -</b>	<b>\$ 620</b>	<b>Total RRs</b>	<b>\$ 124</b>	<b>\$ 1</b>	<b>\$ 123</b>	<b>+100%</b>	<b>+100%</b>	<b>+100%</b>	
<b>\$ 19,319</b>	<b>\$ 12,402</b>	<b>\$ 6,917</b>	<b>\$ (195)</b>	<b>\$ 7,112</b>	<b>\$ -</b>	<b>\$ 7,112</b>	<b>PMI Total</b>	<b>\$ 19,041</b>	<b>\$ 12,392</b>	<b>\$ 6,649</b>	<b>4.0%</b>	<b>7.0%</b>	<b>7.0%</b>	

(a) Net revenue amounts for our combustible products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives. These net revenue amounts consist of the sale of our cigarettes and other tobacco products combined. Other tobacco products primarily include tobacco for roll-your-own and make-your-own cigarettes, pipe tobacco, cigars and cigarillos and do not include reduced-risk products

(b) Net revenue amounts for our reduced-risk products refer to the operating revenues generated from the sale of these products, net of sales and promotion incentives. These net revenue amounts consist of the sale of our heated tobacco units, our IQOS devices and related accessories, and other nicotine-containing products, which primarily include our e-vapor products. Reduced-risk products is the term we use 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. We have a range of reduced-risk products in various stages of development, scientific assessment and commercialization. Because our reduced-risk products do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke

(c) PMI often collects excise taxes from its customers and then remits them to governments, and, in those circumstances, PMI includes the excise taxes in its net revenues and in excise taxes on products. In some jurisdictions, including Japan, PMI is not responsible for collecting excise taxes

Note: Sum of product categories or Regions might not foot to PMI total due to rounding



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

Selected Financial Data by Product Category  
For the Quarters Ended September 30,  
(\$ in millions)  
(Unaudited)

2017							2016					% Change in Combustible Products Net Revenues excluding Excise Taxes		
Net Revenues <sup>(a)</sup>	Less Excise Taxes <sup>(c)</sup>	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Combustible Products	Net Revenues <sup>(a)</sup>	Less Excise Taxes <sup>(c)</sup>	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions	
\$ 7,269	\$ 5,129	\$ 2,139	\$ 53	\$ 2,086	\$ -	\$ 2,086	European Union	\$ 7,374	\$ 5,186	\$ 2,188	(2.2)%	(4.6)%	(4.6)%	
4,947	3,205	1,742	(107)	1,849	-	1,849	EEMA	5,118	3,186	1,932	(9.8)%	(4.3)%	(4.3)%	
4,974	3,085	1,889	(27)	1,916	-	1,916	Asia	4,917	2,977	1,940	(2.7)%	(1.3)%	(1.3)%	
2,454	1,699	755	(14)	769	-	769	Latin America & Canada	2,312	1,603	710	6.4%	8.4%	8.4%	
<b>\$ 19,644</b>	<b>\$ 13,119</b>	<b>\$ 6,526</b>	<b>\$ (95)</b>	<b>\$ 6,620</b>	<b>\$ -</b>	<b>\$ 6,620</b>	<b>Total Combustible</b>	<b>\$ 19,722</b>	<b>\$ 12,952</b>	<b>\$ 6,770</b>	<b>(3.6)%</b>	<b>(2.2)%</b>	<b>(2.2)%</b>	

2017							2016					% Change in Reduced-Risk Products Net Revenues excluding Excise Taxes		
Net Revenues <sup>(b)</sup>	Less Excise Taxes <sup>(c)</sup>	Net Revenues excluding Excise Taxes	Less Currency	Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions	Reduced-Risk Products	Net Revenues <sup>(b)</sup>	Less Excise Taxes <sup>(c)</sup>	Net Revenues excluding Excise Taxes	Total	Excluding Currency	Excluding Currency & Acquisitions	
\$ 79	\$ 14	\$ 65	\$ 1	\$ 63	\$ -	\$ 63	European Union	\$ 14	\$ 1	\$ 13	+100%	+100%	+100%	
43	3	41	-	41	-	41	EEMA	4	-	4	+100%	+100%	+100%	
871	30	841	(42)	883	-	883	Asia	196	-	196	+100%	+100%	+100%	
1	-	1	-	1	-	1	Latin America & Canada	-	-	-	+100%	+100%	+100%	
<b>\$ 994</b>	<b>\$ 47</b>	<b>\$ 947</b>	<b>\$ (41)</b>	<b>\$ 988</b>	<b>\$ -</b>	<b>\$ 988</b>	<b>Total RRs</b>	<b>\$ 214</b>	<b>\$ 2</b>	<b>\$ 212</b>	<b>+100%</b>	<b>+100%</b>	<b>+100%</b>	
<b>\$ 20,638</b>	<b>\$ 13,165</b>	<b>\$ 7,473</b>	<b>\$ (136)</b>	<b>\$ 7,609</b>	<b>\$ -</b>	<b>\$ 7,609</b>	<b>PMI Total</b>	<b>\$ 19,935</b>	<b>\$ 12,953</b>	<b>\$ 6,982</b>	<b>7.0%</b>	<b>9.0%</b>	<b>9.0%</b>	

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# PHILIP MORRIS INTERNATIONAL

Designing a  
Smoke-Free Future

**2017 Third-Quarter Results**

October 19, 2017