



PHILIP MORRIS
INTERNATIONAL

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Glossary of Terms



Glossary: General Terms

- PMI stands for 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")
- Unless otherwise stated, results are compared with those of the same period in the preceding year
- PMI volumes refer to PMI cigarette shipment data, unless otherwise stated
- Organic volume refers to volume excluding acquisitions
- References to total international cigarette market, total cigarette market, total market and market shares reflect our best estimates based on a number of internal and external sources
- Acquisitions, for the purposes of this presentation, also include our business combination with Fortune Tobacco Corporation in the Philippines
- Trademarks are italicized



Glossary: Financial Terms

- Adjusted OCI is defined as reported OCI adjusted for asset impairment, exit and other costs
- Adjusted OCI margins are calculated as adjusted OCI, divided by net revenues
- CAPEX stands for Capital Expenditures
- COGS refers to Cost of Goods Sold
- EBITDA stands for Earnings Before Interest, Taxes, Depreciation and Amortization
- EPS stands for Earnings per Share
- Free cash flow is defined as net cash provided by operating activities less capital expenditures
- Historical view extracts the share data as reported at a given period, while current view generates the restated data across all periods as per the latest attribute information
- Net revenues exclude excise taxes
- Operating Companies Income, or "OCI", is defined as operating income, excluding general corporate expenses and the amortization of intangibles, plus equity (income) or loss in unconsolidated subsidiaries, net. OCI growth rates are on an adjusted basis, which excludes asset impairment, exit and other costs



Glossary: Industry/Market Terms

- CIS stands for Commonwealth of Independent States and includes Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan
- Direct Materials include printed board and paper (used to manufacture packs, cartons and bundles), acetate tow (the key component of cigarette filters), fine papers (used to manufacture cigarette and filter rods), flexibles (mainly wrapping films, inner liner and tear tape) and a variety of materials such as shipping cases, and ingredients
- EEMA refers to the Eastern Europe, Middle East & Africa Region
- Emerging Europe includes Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Georgia, Kosovo, Macedonia, Mongolia (included in Emerging Europe for presentation purposes only), Montenegro, Romania, Serbia, Slovenia, Turkey & Turkish Cyprus and Ukraine
- EU refers to the European Union Region
- EU-28 includes Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom
- FF stands for full flavor
- FDA stands for the U.S. Food and Drug Administration
- Fine cut includes Make Your Own (MYO), MYO volume tobacco and Roll Your Own (RYO)



Glossary: Industry/Market Terms

- Fine cut is converted to cigarette equivalent on the basis of 0.60g per unit for MYO volume tobacco and RYO, and 0.73g per unit for MYO
- GDP stands for Gross Domestic Product
- GCC stands for to the Gulf Cooperation Council and includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates
- Illicit trade refers to domestic non-tax paid products
- "Illicit whites" are branded cigarettes manufactured purely for export and resale without paying any taxes
- INTERPOL stands for the International Criminal Police Organization
- LA (minimum 18) stands for Legal Age (minimum 18) year old smokers
- LA&C refers to the Latin America & Canada Region
- LTLN stands for low tar/low nicotine
- MET stands for Minimum Excise Tax
- Middle East includes Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, the Palestine Authority Area ("PAA"), Qatar, Saudi Arabia, Syria, the United Arab Emirates ("UAE") and Yemen
- mm stands for months-moving
- MPPC stands for Most Popular Price Category



Glossary: Industry/Market Terms

- MRSP stands for Maximum Retail Selling Price
- MYO stands for Make Your Own
- North Africa includes Algeria, Egypt, Libya, Morocco and Tunisia
- OECD stands for Organisation for Economic Co-operation and Development
- OTP stands for Other Tobacco Products, including cigars, cigarillos, fine cut, pipe tobacco and snus
- RRSP stands for Recommended Retail Selling Price
- RSP stands for Retail Selling Price
- RYO stands for Roll Your Own
- SKUs stands for Stock Keeping Units
- SoM stands for Share of Market
- SoS stands for Share of Segment
- TPD stands for the EU Tobacco Products Directive
- TPMs stands for Third-Party Manufacturers
- TPOs stands for Third-Party Operators
- VAT stands for Value Added Tax



Glossary: Industry/Market Terms

- "Whites" stands for non-kretek cigarettes
- WHO stands for the World Health Organization
- WTO stands for the World Trade Organization



Glossary: Reduced-Risk Products and E-Vapor Products

- 3R4F reference cigarette is a standardized combustible cigarette supplied by the University of Kentucky for research purposes only
- An ambulatory study is a study carried out under real world (actual use) conditions as opposed to a confined setting in a clinic
- Aerosol refers to a gaseous suspension of fine solid particles and/or liquid droplets
- Atomizer refers to the heating system of an e-cigarette, generally consisting of a small heating element responsible for vaporizing e-liquids
- A "cartomizer" consists of an atomizer, e-liquid and a wick
- CC means Combustible Cigarette
- 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
- E-vapor products are products that generate nicotine containing aerosols without combustion
- *HeatStick* tobacco sticks are novel patented tobacco products specifically designed by PMI for use with PMI's *iQOS* system. The tobacco in the *HeatStick* is heated by our *iQOS* technology to provide adult smokers with real tobacco taste and satisfaction without combustion
- HPHC stands for Harmful or Potentially Harmful Constituents which have been identified as likely causes of tobacco related diseases



Glossary: Reduced-Risk Products and E-Vapor Products

- *i*QOS is the new brand name under which PMI has chosen to commercialize the Platform 1 electronic system
- LOQ stands for Limit of Quantification
- MRTP stands for Modified Risk Tobacco Product, the term used by the US FDA to refer to RRP
- NCP stands for Nicotine-Containing Product, which are e-vapor products without tobacco
- P1 refers to Platform 1, P2 to Platform 2, P3 to Platform 3 and P4 to Platform 4
- Reduced-Risk Products ("RRPs") are products in various stages of development for which PMI is conducting extensive scientific studies to determine whether it can support claims of reduced exposure to harmful and potentially harmful constituents in smoke (also referred to as HPHCs), and ultimately claims of reduced disease risk when compared to smoking combustible cigarettes. Before making any such claims, PMI will need not only rigorous data to substantiate reduced risk, but may also require government review and approval, as is the case in the USA today. These presentations and related discussions are not intended to suggest that the legal or regulatory standards for making such a claim regarding a tobacco product or nicotine containing product have been met
- "Tank systems" refer to rechargeable e-vapor products which can be refilled with nicotine containing e-liquids



Glossary: PMI Peer Groups

Compensation Survey Group

- BAT
- Bayer
- Coca-Cola
- Diageo
- GlaxoSmithKline
- Heineken
- Imperial Tobacco
- Johnson & Johnson
- Kraft^(a)
- McDonald's
- Mondelēz International^(b)
- Nestlé
- Novartis
- PepsiCo
- Pfizer
- Roche
- Unilever
- Vodafone

Tobacco Peer Group

- Altria
- BAT
- Imperial Tobacco
- Japan Tobacco
- Lorillard
- Reynolds American

(a) Effective until September 30, 2012

(b) Effective as of October 1, 2012