



PHILIP MORRIS  
INTERNATIONAL

2016  
INVESTOR DAY

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**Investor Day**  
**Lausanne, September 29/30, 2016**

*Glossary of Terms*



## Glossary: General Terms

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- 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 to 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
- IMS stands for In-Market-Sales
- References to total international cigarette market, defined as worldwide cigarette volume excluding the U.S., total cigarette market, 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 China and/or PMI's duty free business
- 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
- Trademarks are italicized



## Glossary: Financial Terms

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- COGS refers to Cost of Goods Sold
- Net revenues exclude excise taxes
- G&A is General & Administrative
- 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
- Adjusted OCI is defined as OCI adjusted for asset impairment, exit and other costs
- OCI growth rates are on an adjusted basis
- Adjusted OCI margins are calculated as adjusted OCI, divided by net revenues
- EPS stands for Earnings per Share
- EBITDA is defined as Earnings Before Interest, Taxes, Depreciation and Amortization. Management reviews EBITDA on an adjusted basis (which may exclude the impact of asset impairment and exit costs and unusual or non-recurring expenses, net)
- CAPEX stands for Capital Expenditures
- Free cash flow is defined as net cash provided by operating activities less capital expenditures
- R&D stands for Research & Development



## Glossary: Industry / Market Terms

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- B2C stands for Business-to-Consumer
- 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
- Eastern Europe: Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan
- EEMA refers to the Eastern Europe, Middle East & Africa Region and includes our international duty free business
- EU refers to the European Union Region
- In Q4, 2015, to further align with the Member State composition of the European Union, PMI transferred the management of its operations in Bulgaria, Croatia, Romania and Slovenia from its Eastern Europe, Middle East & Africa segment to its European Union segment, resulting in the reclassification of current and prior year amounts between the two segments. The reclassification was not material to the respective segments' results
- ESF stands for Ego-Social Friendly



## Glossary: Industry / Market Terms

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- 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)
- 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
- FMCG stands for Fast-Moving Consumer Goods
- GCC stands for to the Gulf Cooperation Council and includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates
- GDP stands for Gross Domestic Product
- Illicit trade refers to domestic non-tax paid products
- IP stands for Intellectual Property
- LA 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
- LTN is Low Tar Nicotine



## Glossary: Industry / Market Terms

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- Middle East: Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, the Palestine Authority Area ("PAA"), Qatar, Saudi Arabia, Syria, the United Arab Emirates ("UAE") and Yemen
- MYO stands for Make Your Own
- MYO Volume Tobacco, a sub category of MYO tobacco products, is a product that is characterized by the 65% or more inclusion of expanded tobacco in the blend. In contrast, MYO tobacco has a lower inclusion of expanded tobaccos in the blend
- NEFP stands for Net ex-Factory Price
- North Africa: 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 and pipe tobacco
- PDI stands for Personal Disposable Income
- PoS stands for Point of Sale
- RYO stands for Roll Your Own
- SoM stands for Share of Market
- SoS stands for Share of Segment



## Glossary: Industry / Market Terms

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- TPD stands for the EU Tobacco Products Directive
- The European Commission published a proposed revision to the TPD1 on December 19, 2012, the revised Tobacco Products Directive (2014/40/EU) (hereafter referred to as "TPD2", which came into force as of May 2016)
- WHO stands for the World Health Organization



## Glossary: Reduced-Risk Products

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- 3R4F is a reference cigarette for laboratory testing provided by the University of Kentucky. It is used for non-clinical investigations by tobacco manufacturers, contract and government laboratories, and academic institutions
- *Ad libitum* clinical studies: free to interact with the product / able to use as often as one would like
- Aerosol refers to a gaseous suspension of fine solid particles and/or liquid droplets
- A biomarker is used as a measure of how well the body responds to a treatment for a disease or condition. Biomarkers can be classified into biomarkers of exposure and clinical risk markers
- Biomarkers of exposure: indicates exposure to a potentially hazardous substance
- Clinical risk markers: a measurable biochemical, physiological, behavioral, or other alteration within an organism that, depending upon the magnitude, can be recognized as associated with an established or possible health impairment or disease
- COPD is Chronic Obstructive Pulmonary Disease
- CVD is Cardiovascular Disease
- 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



## Glossary: Reduced-Risk Products

- 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")
- *HeatSticks* and *Heets* tobacco sticks are novel patented tobacco products specifically designed by PMI for use with PMI's *iQOS* system. The tobacco in *HeatSticks* / *Heets* is heated by our *iQOS* technology to provide adult smokers with real tobacco taste and satisfaction without combustion. Includes *Marlboro HeatSticks*, *Parliament HeatSticks* and *Heets* from *Marlboro*
- HPHC stands for Harmful or Potentially Harmful Constituents which have been identified as likely causes of tobacco related diseases
- *iQOS* is the new brand name under which PMI has chosen to commercialize its Platform 1 controlled heating device
- "Converted *iQOS* Users" means the estimated number of Legal Age (minimum 18-year-old) *iQOS* users that used *HeatSticks* for 95% or more 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* for between 70% and 94.9% of their daily tobacco consumption over the past seven days



## Glossary: Reduced-Risk Products

- MRTP stands for Modified Risk Tobacco Product, the term used by the US FDA to refer to RRPs
- MRTPA application refers for the Modified Risk Tobacco Product Application under section 911 of the FD&C Act
- PBA stands for Perception and Behavior Assessment
- P1, P2, P3 and P4 stand for Platform 1, Platform 2, Platform 3 and Platform 4, respectively
- PMTA application refers for the Premarket Tobacco Product Application under section 910 of the FD&C Act
- Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. PMI's RRPs are in various stages of development and commercialization, and we are conducting extensive and rigorous scientific studies to determine whether we can support claims for such products of reduced exposure to harmful and potentially harmful constituents in smoke, and ultimately claims of reduced disease risk, when compared to smoking cigarettes. Before making any such claims, we will rigorously evaluate the full set of data from the relevant scientific studies to determine whether they substantiate reduced exposure or risk. Any such claims may also be subject to government review and authorization, as is the case in certain markets today



# PMI Company Peer Group and International Tobacco Competitors

## PMI Company Peer Group

- Altria
- Anheuser-Busch InBev
- BAT
- Coca-Cola
- Colgate-Palmolive
- Diageo
- Heineken
- Imperial Brands<sup>(a)</sup>
- Japan Tobacco
- Johnson & Johnson
- Kimberly-Clark
- Kraft-Heinz
- McDonald's
- Mondelez International
- Nestlé
- PepsiCo
- Procter & Gamble
- Reynolds American
- Roche
- Unilever

## International Tobacco Competitors

- BAT
- Imperial Brands<sup>(a)</sup>
- Japan Tobacco

<sup>(a)</sup> Formerly Imperial Tobacco

Note: PMI has established a revised company peer group that includes a balanced mix of large, global, fast-moving consumer goods companies, as well as primary tobacco competitors