

Reconciliation of Non-GAAP Measures

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency

For the Years Ended December 31, (Unaudited)	2019	2018	% Change
Reported Diluted EPS	\$ 4.61	\$ 5.08	(9.3)%
Adjustments:			
Asset impairment and exit costs	0.23	—	
Canadian tobacco litigation-related expense	0.09	—	
Loss on deconsolidation of RBH	0.12	—	
Russia excise and VAT audit charge	0.20	—	
Fair value adjustment for equity security investments	(0.02)	—	
Tax items	(0.04)	0.02	
Adjusted Diluted EPS	\$ 5.19	\$ 5.10	1.8 %
Less:			
Currency	(0.13)		
Adjusted Diluted EPS, excluding Currency	\$ 5.32	\$ 5.10	4.3 %

Net Revenues by Product Category & Adjustments of Net Revenues for the Impact of Currency and Acquisitions

For the Years Ended December 31,

(in millions) (Unaudited)							2018	% Change in Net Revenues		
2019										
Net Revenues	Less Currency	Net Revenues excluding Currency	Less Acquisitions	Net Revenues excluding Currency & Acquisitions		Net Revenues	Total	Excluding Currency	Excluding Currency & Acquisitions	
\$ 24,218	\$ (831)	\$ 25,049	\$ —	\$ 25,049	Combustible Products	\$ 25,529	(5.1)%	(1.9)%	(1.9)%	
5,587	(106)	5,693	—	5,693	Reduced-Risk Products	4,096	36.4 %	39.0 %	39.0 %	
\$ 29,805	\$ (937)	\$ 30,742	\$ —	\$ 30,742	Total PMI	\$ 29,625	0.6 %	3.8 %	3.8 %	

Adjustments for the Impact of RBH, excluding Currency

For the Years Ended December 31, (in millions, except per share data) (Unaudited)	2019	2018	% Change
Net Revenues	\$ 29,805	\$ 29,625	0.6 %
Net Revenues attributable to RBH		(742) ⁽¹⁾	
Net Revenues	29,805	28,883	3.2 %
Less: Currency	(937)		
Net Revenues, ex. currency	\$ 30,742	\$ 28,883	6.4 %
Operating Income	\$ 10,531	\$ 11,377	(7.4)%
Less:			
Asset impairment and exit costs	(422)	—	
Canadian tobacco litigation-related expense	(194)	—	
Loss on deconsolidation of RBH	(239)	—	
Russia excise and VAT audit charge	(374)	—	
Adjusted Operating Income	\$ 11,760	\$ 11,377	3.4 %
Operating Income attributable to RBH		(542) ⁽¹⁾	
Adjusted Operating Income	11,760	10,835	8.5 %
Less: Currency	(293)		
Adjusted Operating Income, ex. currency	\$ 12,053	\$ 10,835	11.2 %
Adjusted Operating Income Margin	39.5% ⁽³⁾	38.4% ⁽⁴⁾	1.1
Adjusted Operating Income Margin attributable to RBH		(0.9) ⁽¹⁾	
Adjusted Operating Income Margin	39.5%	37.5% ⁽²⁾	2.0
Less: Currency	0.3		
Adjusted Operating Income Margin, ex. currency	39.2%	37.5% ⁽²⁾	1.7
Adjusted Diluted EPS ⁽⁵⁾	\$ 5.19	\$ 5.10	1.8 %
Net earnings attributable to RBH		(0.26) ⁽¹⁾	
Adjusted Diluted EPS	\$ 5.19	\$ 4.84	7.2 %
Less: Currency	(0.13)		
Adjusted Diluted EPS, ex. currency	\$ 5.32	\$ 4.84	9.9 %
Net cash provided by operating activities ⁽⁶⁾	\$ 10,090	\$ 9,478	6.5 %
Net cash provided by operating activities attributable to RBH		(366) ⁽¹⁾	
Net cash provided by operating activities ⁽⁶⁾	\$ 10,090	\$ 9,112	10.7 %
Less: Currency	(972)		
Net cash provided by operating activities, excluding currency	\$ 11,062	\$ 9,112	21.4 %

(1) Represents the impact attributable to RBH from March 22, 2018 through end of period date

(2) Pro forma

(3) 2019 Adjusted Operating Income Margin was 39.5%, calculated as 2019 Adjusted Operating Income of \$11,760 divided by 2019 Net Revenues of \$29,805

(4) 2018 Adjusted Operating Income Margin was 38.4%, calculated as 2018 Adjusted Operating Income of \$11,377 divided by 2018 Net Revenues of \$29,625

(5) For the calculation, see "Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency" in this section

(6) Operating cash flow

Note: Financials attributable to RBH include Duty Free sales in Canada