



PHILIP MORRIS INTERNATIONAL

2012 Second-Quarter Results

July 19, 2012



Introduction

- Unless otherwise stated, we will be talking about results for the second-quarter 2012 and comparing them with the same period in 2011
- References to PMI volumes refer to PMI shipment data, unless otherwise stated
- Industry volume and market shares are the latest data available from a number of internal and external sources
- Organic volume refers to volume excluding acquisitions
- Net revenues exclude excise taxes
- OCI stands for Operating Companies Income, which is defined as operating income before general corporate expenses and the amortization of intangibles. OCI growth rates are on an adjusted basis, which excludes asset impairment, exit and other costs
- Data tables showing adjustments to net revenues and OCI for currency, acquisitions, asset impairment, exit and other costs, free cash flow calculations, adjustments to EPS, and reconciliations to U.S. GAAP measures are at the end of today's webcast slides and are posted on our web site



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Forward-Looking and Cautionary Statements

- This presentation and related discussion contain forward-looking statements. Achievement of projected results is subject to risks, uncertainties and inaccurate assumptions, and PMI is identifying important factors that, individually or in the aggregate, could cause actual results to differ materially from those contained in any forward-looking statements made by PMI
- PMI's business risks include: significant increases in cigarette-related taxes; the imposition of discriminatory excise tax structures; fluctuations in customer inventory levels due to increases in product taxes and prices; increasing marketing and regulatory restrictions, often with the goal of preventing the use of tobacco 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; 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; 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 products with the potential to reduce the risk of smoking-related diseases; if it is unable to successfully introduce new products, promote brand equity, enter new markets or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; or if it is unable to attract and retain the best global talent
- PMI is further subject to other risks detailed from time to time in its publicly filed documents, including the Form 10-Q for the quarter ended March 31, 2012. 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



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Strong Underlying Business Results in Q2, 2012

- Organic cigarette volume down by 1.2%
- Organic cigarette volume, excluding Japan hurdle, up by 1.4%
- Organic OTP volume up by 11.8%

Note: OTP stands for other tobacco products, including cigars, cigarillos, fine cut, pipe tobacco and snus. Fine cut converted to cigarette equivalents based on conversion ratio of 1 unit = 0.75g

Source: PMI Financials



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Strong Underlying Business Results in Q2, 2012

- Organic cigarette volume down by 1.2%
- Organic cigarette volume, excluding Japan hurdle, up by 1.4%
- Organic OTP volume up by 11.8%
- Net revenues, excluding currency and acquisitions, up by 2.9%
- Adjusted OCI, excluding currency and acquisitions, up by 3.5%

Note: OTP stands for other tobacco products, including cigars, cigarillos, fine cut, pipe tobacco and snus. Fine cut converted to cigarette equivalents based on conversion ratio of 1 unit = 0.75g

Source: PMI Financials



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Strong Underlying Business Results in Q2, 2012

- Organic cigarette volume down by 1.2%
- Organic cigarette volume, excluding Japan hurdle, up by 1.4%
- Organic OTP volume up by 11.8%
- Net revenues, excluding currency and acquisitions, up by 2.9%
- Adjusted OCI, excluding currency and acquisitions, up by 3.5%
- Adjusted diluted EPS, excluding currency, up by 9.0%
- Adjusted diluted EPS, excluding currency and Japan hurdle, up by 17.7%

Note: OTP stands for other tobacco products, including cigars, cigarillos, fine cut, pipe tobacco and snus. Fine cut converted to cigarette equivalents based on conversion ratio of 1 unit = 0.75g

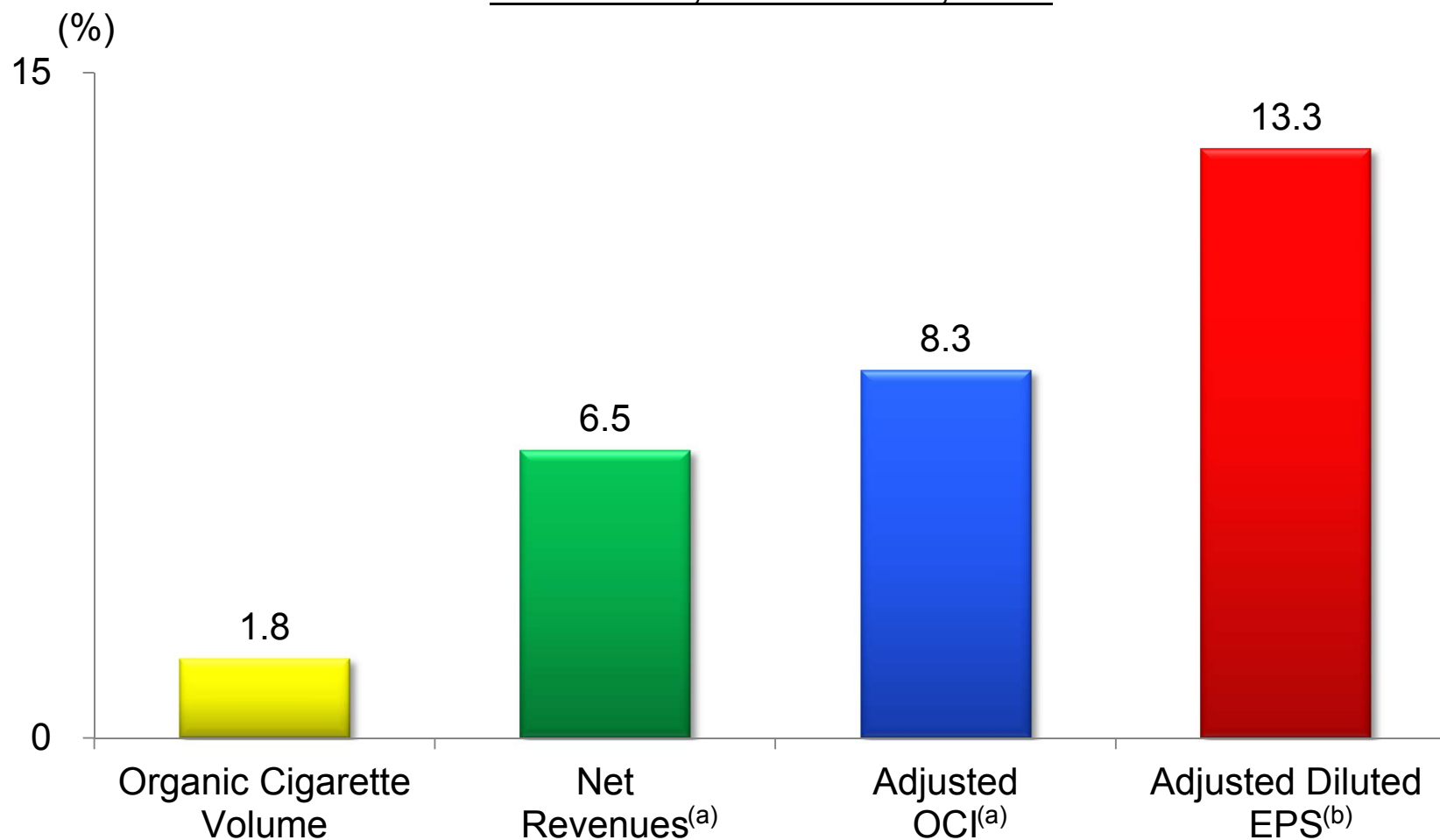
Source: PMI Financials



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Excellent First-Half 2012 Results

Growth H1, 2012 vs. H1, 2011



(a) Excluding currency and acquisitions

(b) Excluding currency

Source: PMI Financials



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2012 EPS Guidance

- These results confirm our expectation of solid organic cigarette volume growth in 2012
- Continued strong pricing and a favorable product mix only partially offset by an unfavorable geographic mix
- At current prevailing exchange rates, forecast currency headwind slightly above the 25 cents per share predicted in June for full year
- Strong underlying business momentum expected to offset the additional unfavorable currency impact of 2 cents per share



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2012 EPS Guidance

- Reported diluted 2012 EPS guidance range reaffirmed at \$5.10 to \$5.20, compared to \$4.85 in 2011
- On a currency-neutral basis, our guidance implies a forecast growth rate of approximately 10% to 12%, compared to adjusted diluted EPS of \$4.88 in 2011

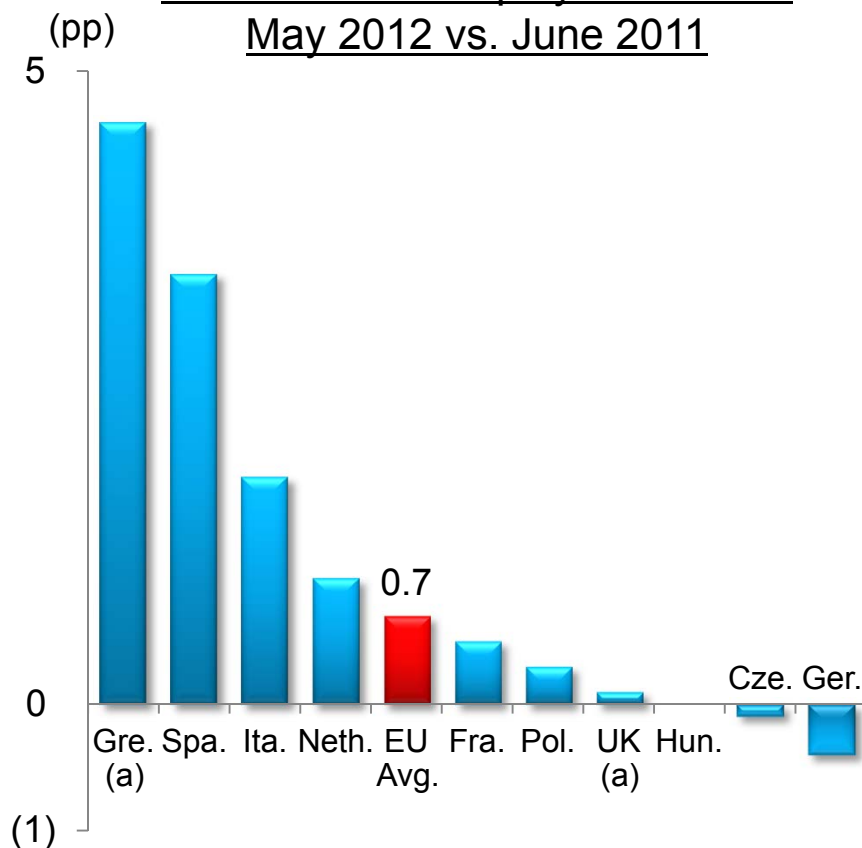
EU Region: Cigarette Industry Volume Under Considerable Pressure

	% Change	
	<u>Q2, 2012</u>	<u>H1, 2012</u>
Greece	(16.8)	(18.9)
Hungary	(16.0)	(10.9)
Spain	(18.0)	(10.0)
Italy	(10.5)	(8.5)
Netherlands	(5.7)	(6.0)
EU Region	(9.7)	(5.8)
France	(5.9)	(4.0)
Poland	(7.7)	(3.7)
Czech Republic	(4.2)	(3.6)
UK	(6.0)	(3.1)
Germany	(5.1)	(1.3)

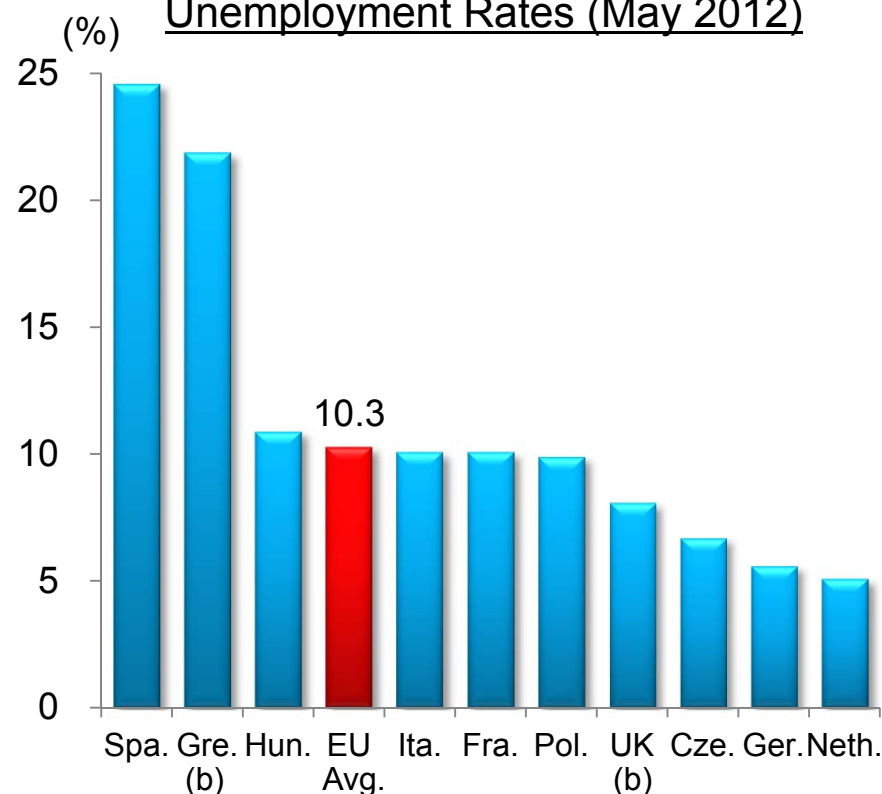


EU Region: Deteriorating Job Market

Variance in Unemployment Rates
May 2012 vs. June 2011



Unemployment Rates (May 2012)



(a) March 2012 vs. June 2011

(b) March 2012

Note: Gre. is Greece, Spa. is Spain, Ita. is Italy, Neth. is Netherlands, EU Avg. is EU average, Fra. is France, Pol. is Poland, Hun. is Hungary, Cze. is Czech Republic and Ger. is Germany

Source: Eurostat



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EU Region: Resilient Cigarette Market Shares

	<u>Q2, 2012</u>	<u>H1, 2012</u>	<u>Variance vs. PY</u>	
			<u>Q2, 2012</u>	<u>H1, 2012</u>
Total PMI	38.5%	37.9%	(0.2)pp	(0.4)pp
<i>Marlboro</i>	18.4	18.0	0.3	0.1
<i>L&M</i>	6.6	6.6	(0.2)	-
<i>Chesterfield</i>	3.5	3.4	0.3	0.4

EU Region: PMI Gaining Share in Expanding Fine Cut Category



	<u>Q2, 2012</u>	<u>H1, 2012</u>	<u>Variance vs. PY</u>	
			<u>Q2, 2012</u>	<u>H1, 2012</u>
Industry Volume (units billion)	30.9	59.3	7.9%	7.7%
PMI Share (%)	14.1	14.0	1.4pp	1.7pp

Note: Fine cut converted to cigarette equivalents based on conversion ratio of 1 unit = 0.75g
Source: PMI estimates



Italy: Increased Pressure due to Weak Economy

- Cigarette industry volume declined by 10.5% in Q2, 2012:
 - Reduced consumer purchasing power
 - Impact of price increases
 - Substitution by fine cut
 - Increase in illicit trade
- *Marlboro* performing strongly with share up in Q2, 2012
- PMI overall share down despite launch of *Philip Morris Selection* in low-price segment
- Fine cut leadership

	Market Shares		Variance vs. PY	
	Q2 <u>2012</u>	H1 <u>2012</u>	<u>Q2</u>	<u>H1</u>
<u>Cigarettes</u>				
<i>Marlboro</i>	23.0%	22.6%	0.3 pp	- pp
<i>Chesterfield</i>	3.5	3.5	(0.2)	(0.2)
<i>Diana</i>	12.4	12.6	(0.8)	(0.7)
Other	14.0	14.1	0.2	0.2
Total PMI	52.9	52.8	(0.5)	(0.6)
<u>Fine Cut</u>				
Total PMI	31.0	29.8	24.5	26.0

Note: Totals may not add up due to rounding
Source: PMI estimates

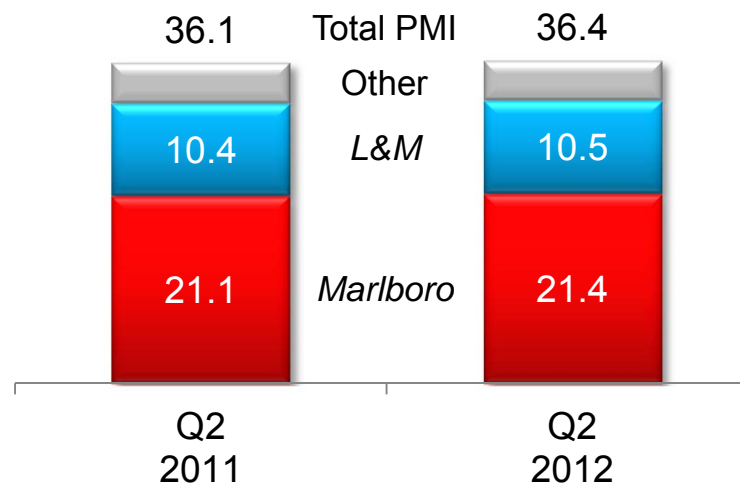


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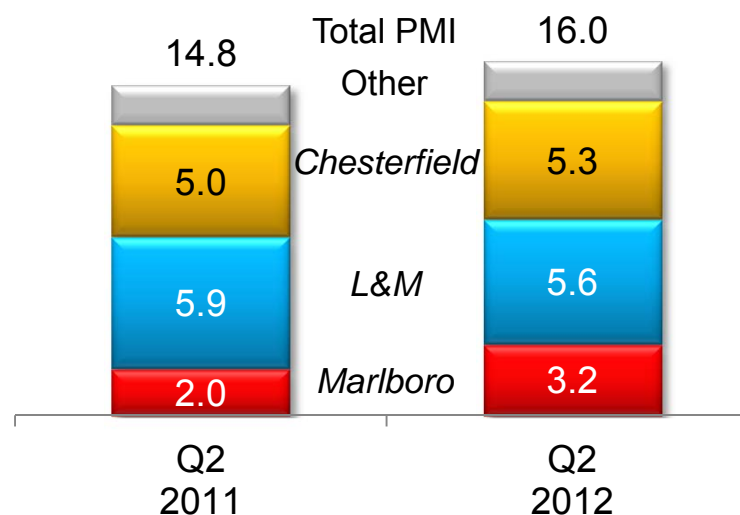
Germany: Positive PMI Share Momentum

- Cigarette industry volume declined by 5.1% in Q2, 2012:
 - Recent price increases
 - Lower consumer confidence
 - Difficult comparison with 2011
 - Some timing issues
- Cigarette industry volume down by 1.3% YTD June, 2012
- PMI achieved modest share gains in cigarette category and continued strong momentum in fine cut
- *Marlboro* gained share in both cigarettes and fine cut in Q2, 2012

PMI Cigarette Market Share (%)



PMI Fine Cut Market Share (%)



Source: PMI estimates



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EU Region: Weaker Results in Q2, 2012

	<u>Q2, 2012</u>	<u>H1, 2012</u>	<u>Variance vs. PY</u>	
			<u>Q2, 2012</u>	<u>H1, 2012</u>
Cigarette Volume (units billion)	51.8	99.6	(9.4)%	(5.8)%
OTP Volume (units billion)	4.7	9.1	18.2	23.1
Net Revenues (\$ billion)	2.3	4.3	(0.7) ^(a)	2.0 ^(a)
Adjusted OCI (\$ billion)	1.1	2.1	(2.7) ^(a)	0.2 ^(a)

(a) Excluding currency and acquisitions

Note: OTP stands for other tobacco products, including cigars, cigarillos, fine cut, pipe tobacco and snus. Fine cut converted to cigarette equivalents based on conversion ratio of 1 unit = 0.75g

Source: PMI Financials



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EEMA Region: Another Very Strong Quarter

	<u>Q2, 2012</u>	<u>H1, 2012</u>	<u>Variance vs. PY</u>	
			<u>Q2, 2012</u>	<u>H1, 2012</u>
Cigarette Volume (units billion)	79.2	145.1	4.9% ^(a)	4.2% ^(a)
Net Revenues (\$ billion)	2.2	4.0	12.7 ^(b)	12.6 ^(b)
Adjusted OCI (\$ billion)	0.9	1.8	22.9 ^(b)	20.6 ^(b)

(a) Excluding acquisitions

(b) Excluding currency and acquisitions

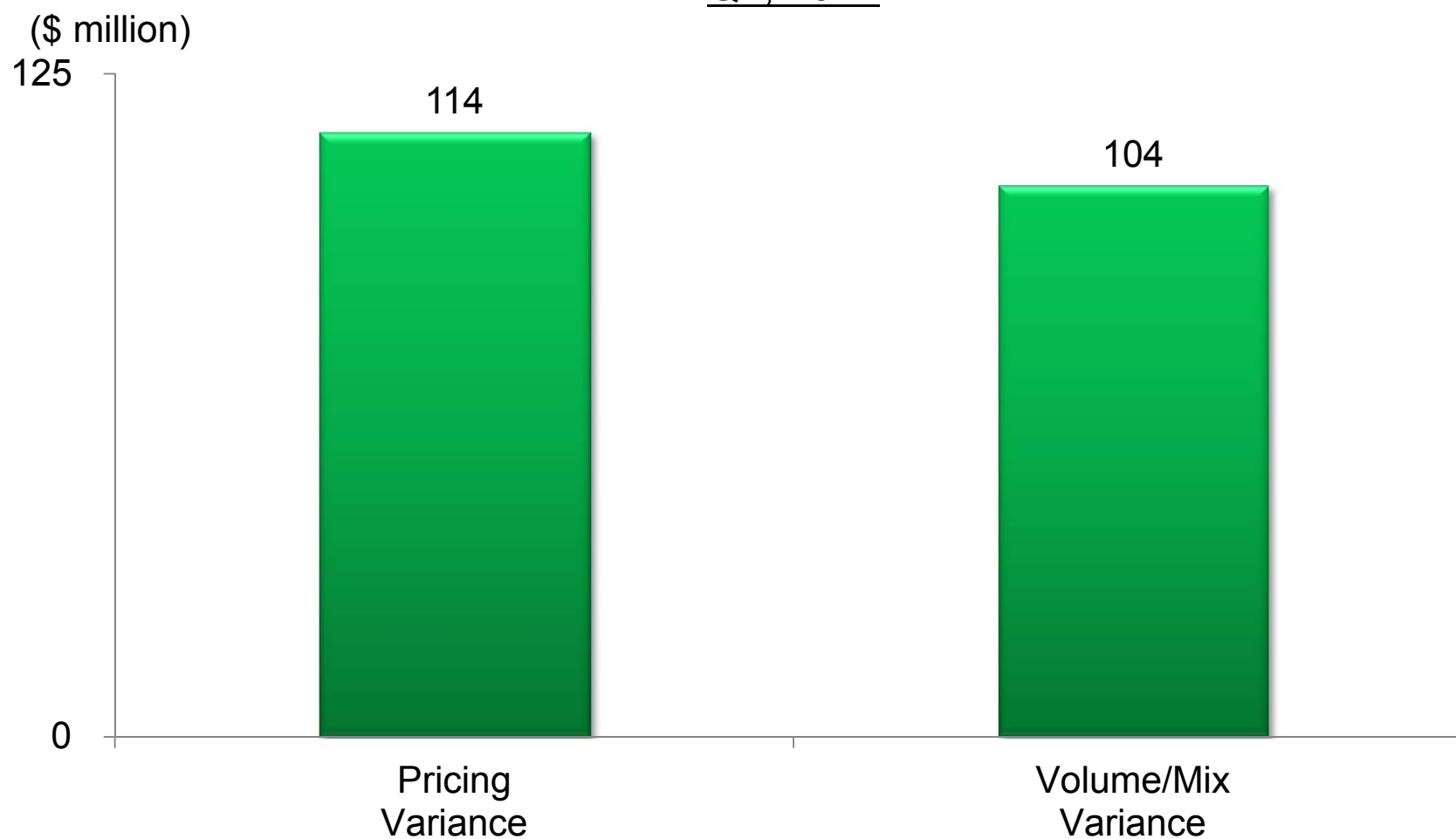
Source: PMI Financials



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EEMA Region: Positive Pricing and Volume/Mix

Q2, 2012

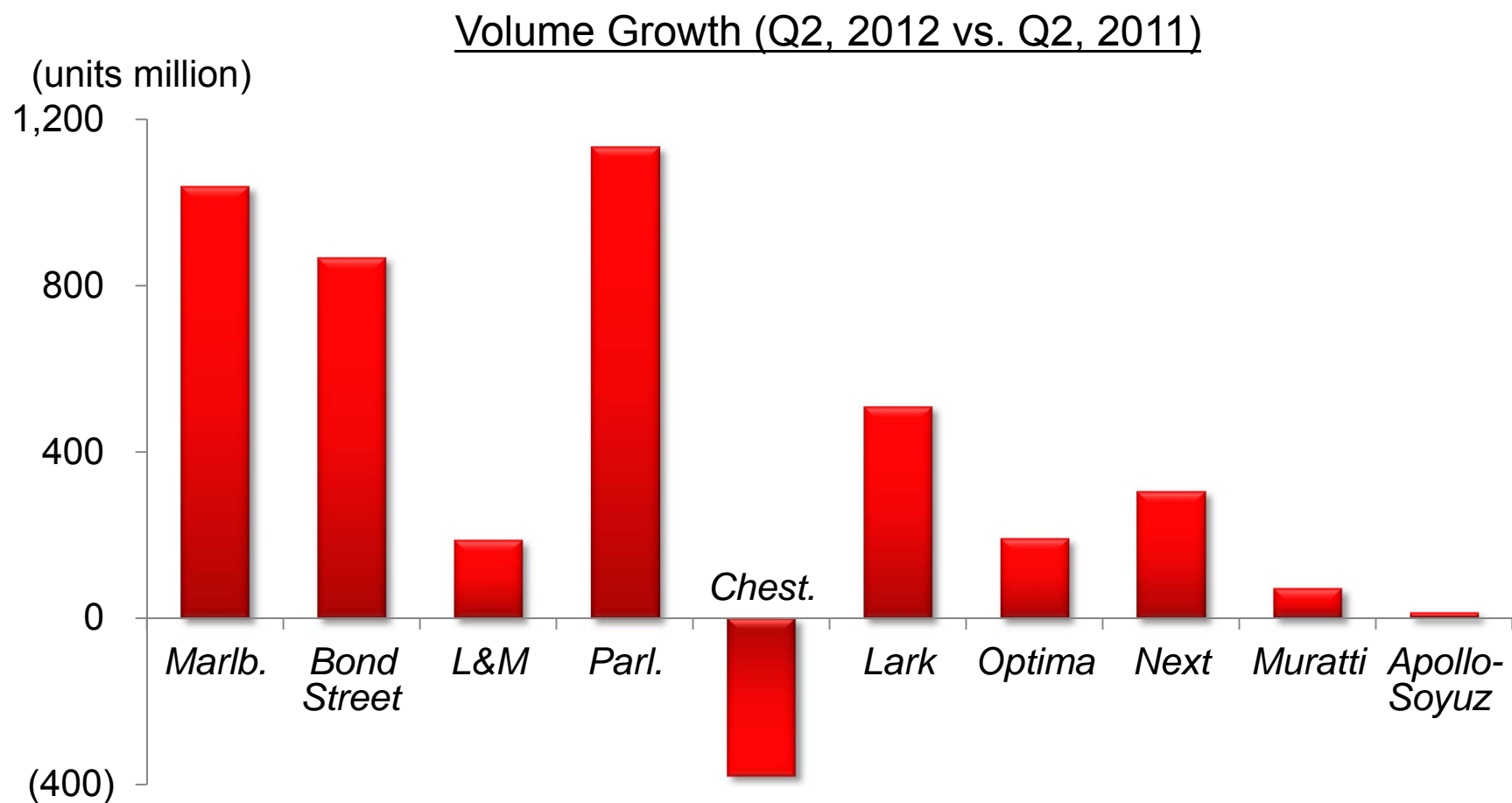


Note: Variances at OCI level
Source: PMI Financials



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EEMA Region: Growth of Key Brands



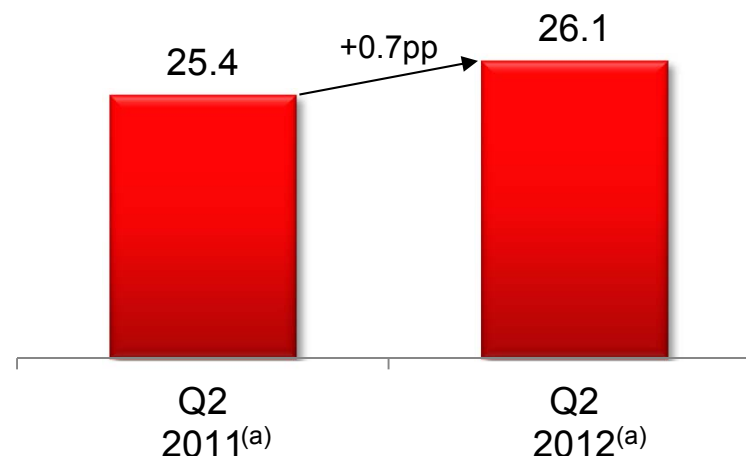
Note: *Marlb.* is Marlboro, *Parl.* is Parliament and *Chest.* is Chesterfield
Source: PMI Financials



Russia: Market and Share Growth

- Total market grew slightly during first half of 2012
- PMI volume increased by 8.7% in Q2, 2012
- Adult smokers continue to upgrade gradually
- PMI market share gains QTD May thanks to *Parliament*, *L&M*, *Bond Street* and *Next*
- Price increase of RUB 3/pack in July 2012

PMI Market Share (%)



Price Segments (%)



(a) Q2 and H1 data through end May
Source: PMI estimates, PMI Financials and Nielsen



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Russia: *Marlboro ClearTaste* Launched

**НОВЫЙ
ЧИСТЫЙ ВКУС**
MARLBORO CLEARTASTE™

компактные стандартные супертонкие

Действительное количество смолы, никотина и СО₂, потребляемое Вами, будет зависеть от того, как Вы курите сигарету.

КУРЕНИЕ УБИВАЕТ

Asia Region: Japan Hurdle Masks

Another Very Strong Quarter



	<u>Q2, 2012</u>	<u>H1, 2012</u>	<u>Variance vs. PY</u>	
			<u>Q2, 2012</u>	<u>H1, 2012</u>
Cigarette Volume (units billion)	83.5	164.5	(0.7)%	5.4 %
Cigarette Volume ex. Japan Hurdle			7.4	9.8
Adjusted OCI (\$ billion)	1.4	2.8	(2.6) ^(a)	8.9 ^(a)

(a) Excluding currency and acquisitions
Source: PMI Financials



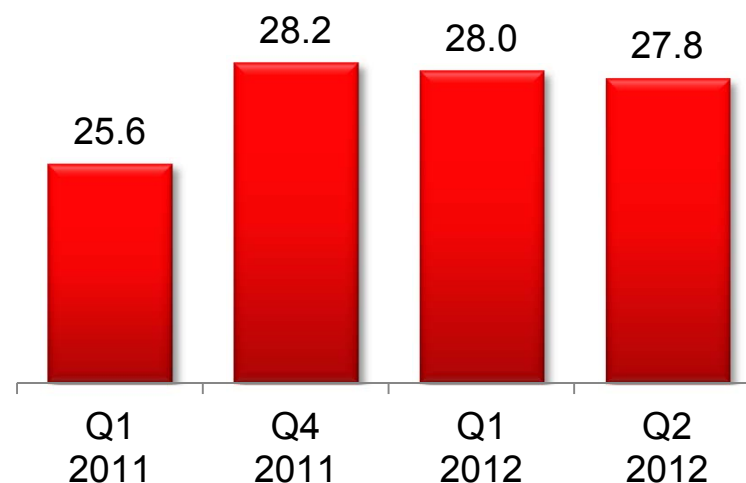
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Japan: Resilient Share Performance

- Industry volume should be stable in 2012 and underlying trend remains a moderate decline of 1-2% per year
- PMI Q2, 2012 market share slightly down due to acceleration in new launches by Japan Tobacco
- *Marlboro Black Menthol Edge* launched in Q2, 2012
- *Marlboro Ice Blast* 5mg / 1mg launched this July
- Increase of Consumption Tax from 5% to 8% in 2014 and 10% in 2015 approved



PMI Market Share (%)



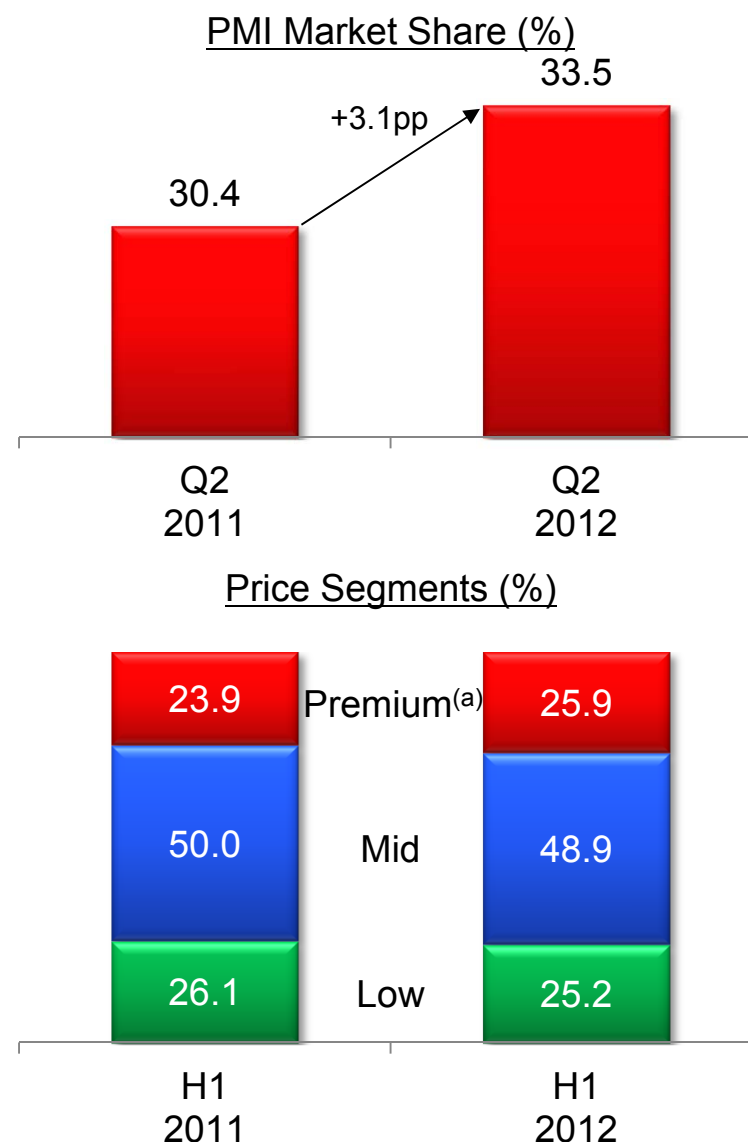
Source: PMI estimates and Tobacco Institute of Japan



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Indonesia: PMI Momentum Continues

- Industry volume growth of 6.9% in Q2, 2012
- PMI volume increased by 17.8% in second quarter
- Adult smokers uptrading in strong economy
- PMI share up 3.1 points to 33.5% in Q2, 2012:
 - Strongest and broadest portfolio
 - *Sampoerna A* fastest-growing brand
 - Rounded price points

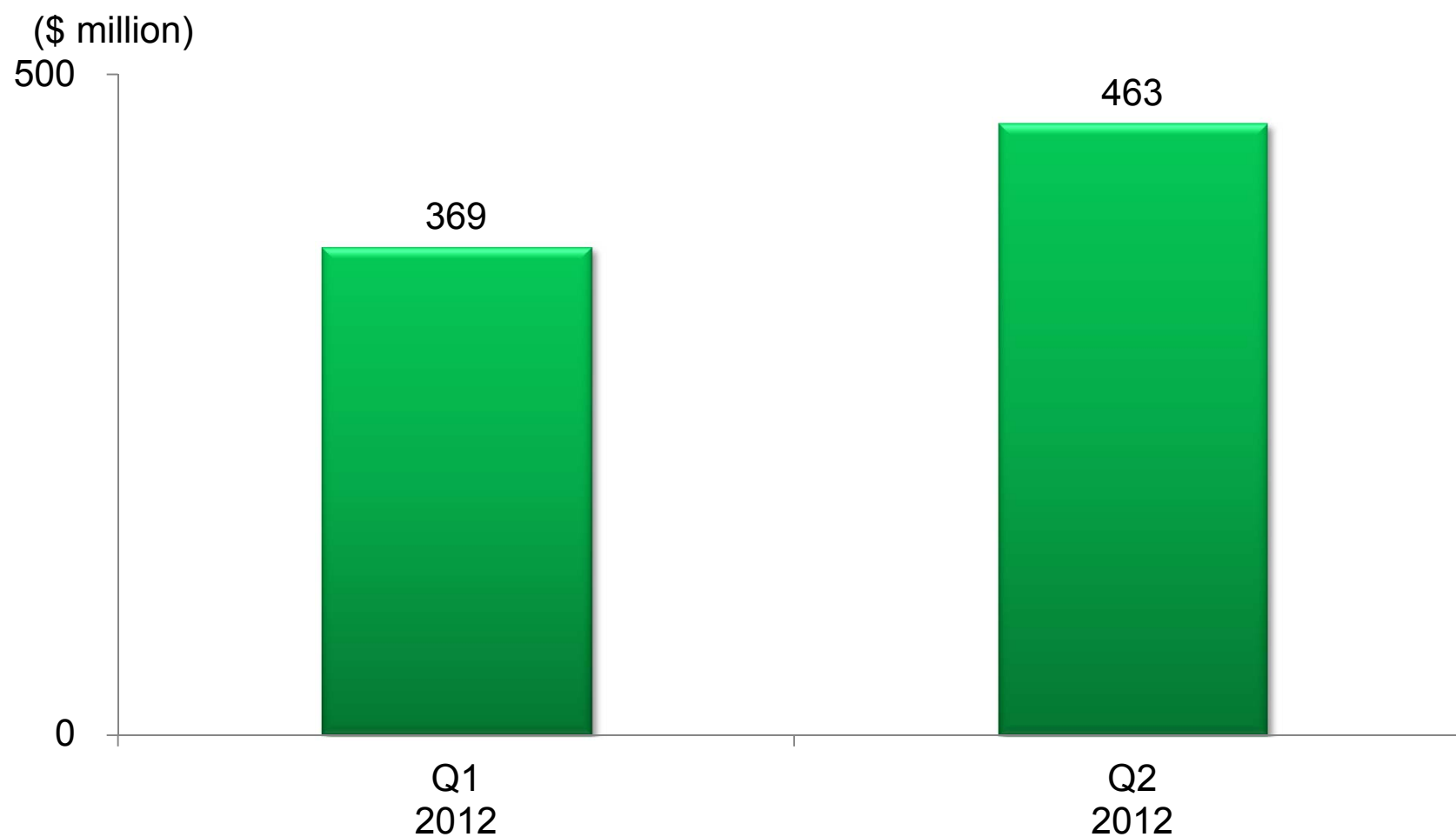


Source: PMI estimates and PMI Financials



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Favorable Pricing Continued in Q2, 2012



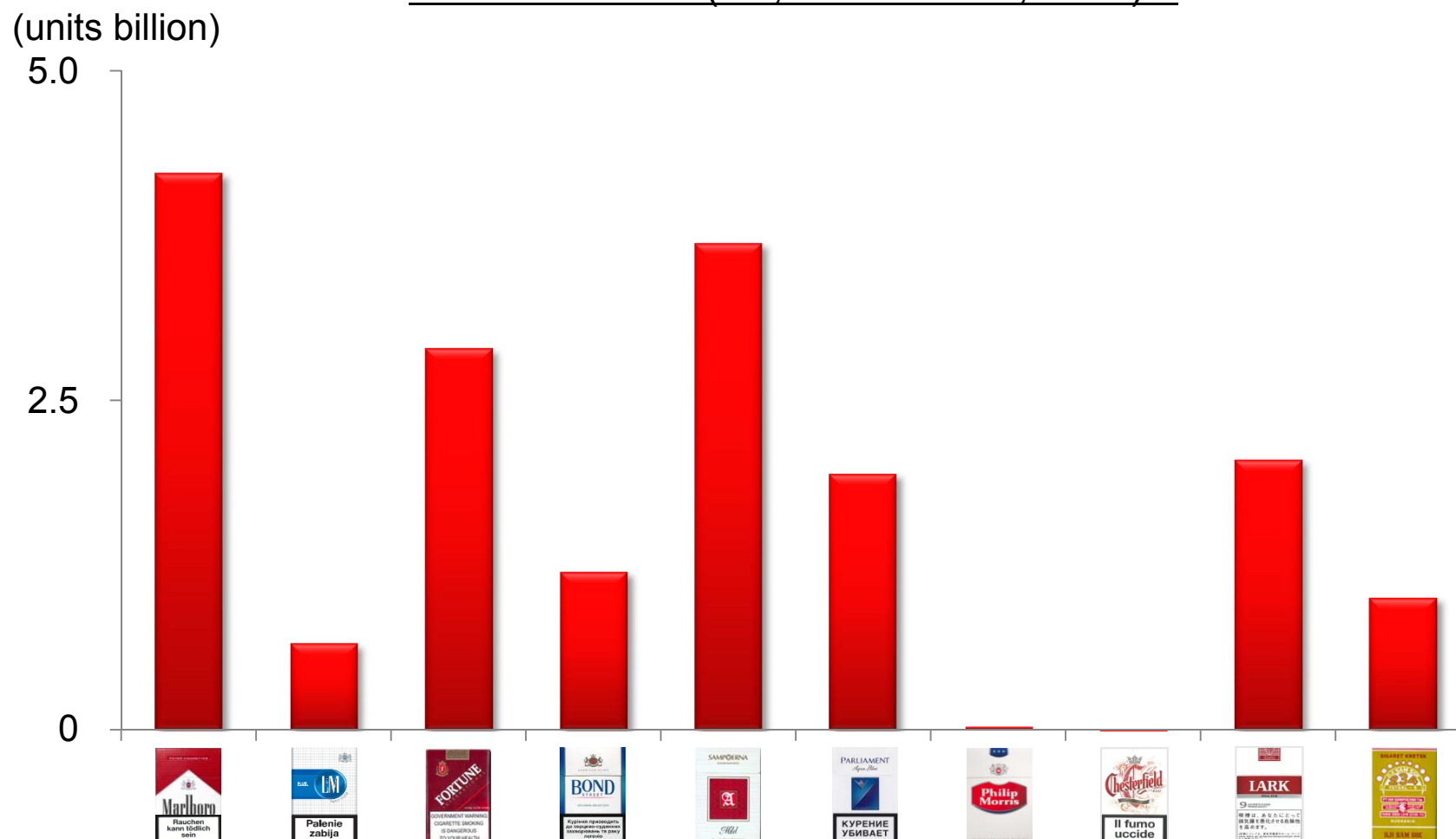
Note: Variances at OCI level
Source: PMI Financials



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Strong Brand Performance Continues

Volume Growth (H1, 2012 vs. H1, 2011)^(a)



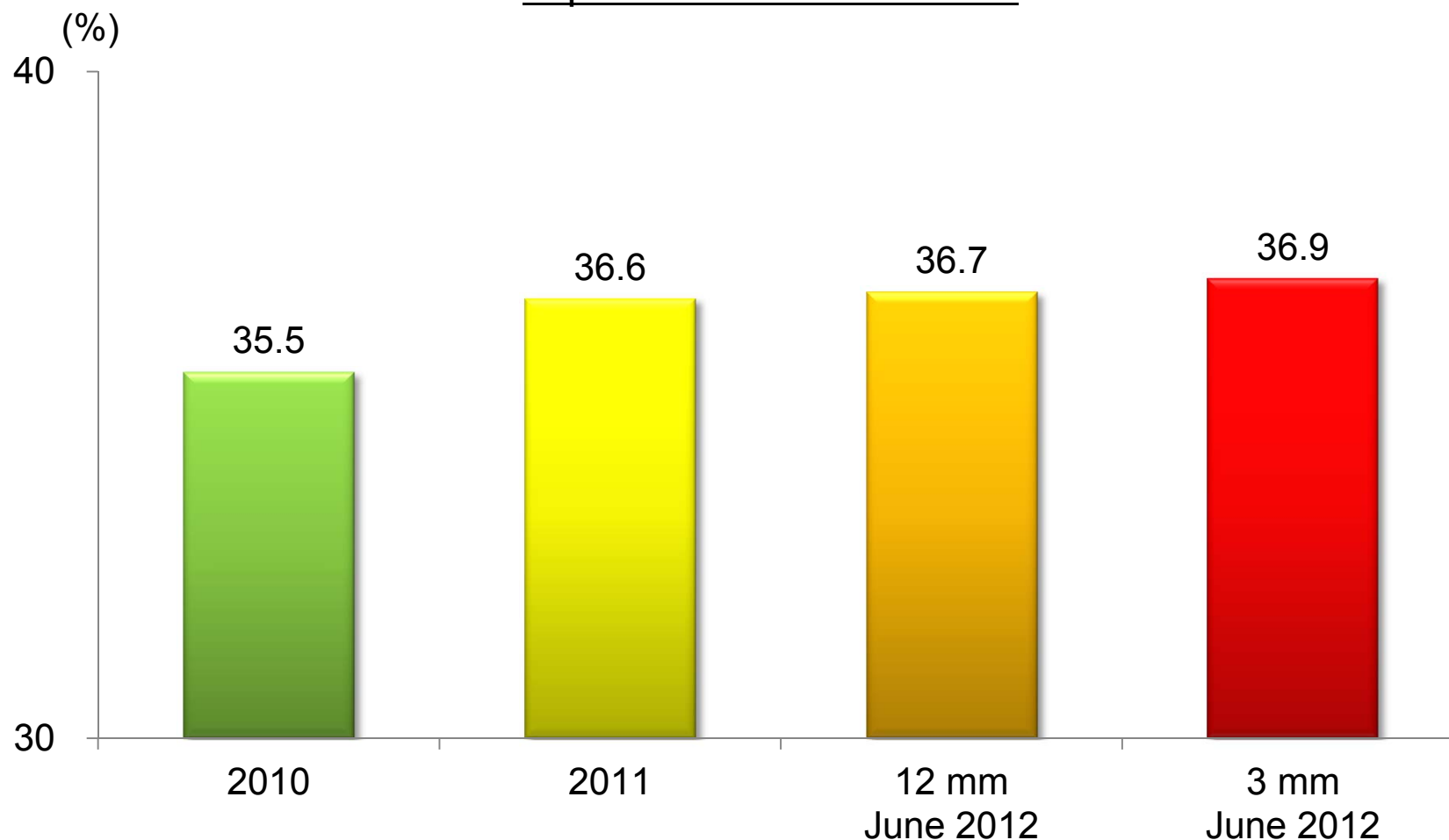
(a) Excluding Japan hurdle
Source: PMI Financials



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PMI Expanding its Market Share

Top 30 PMI OCI Markets^(a)



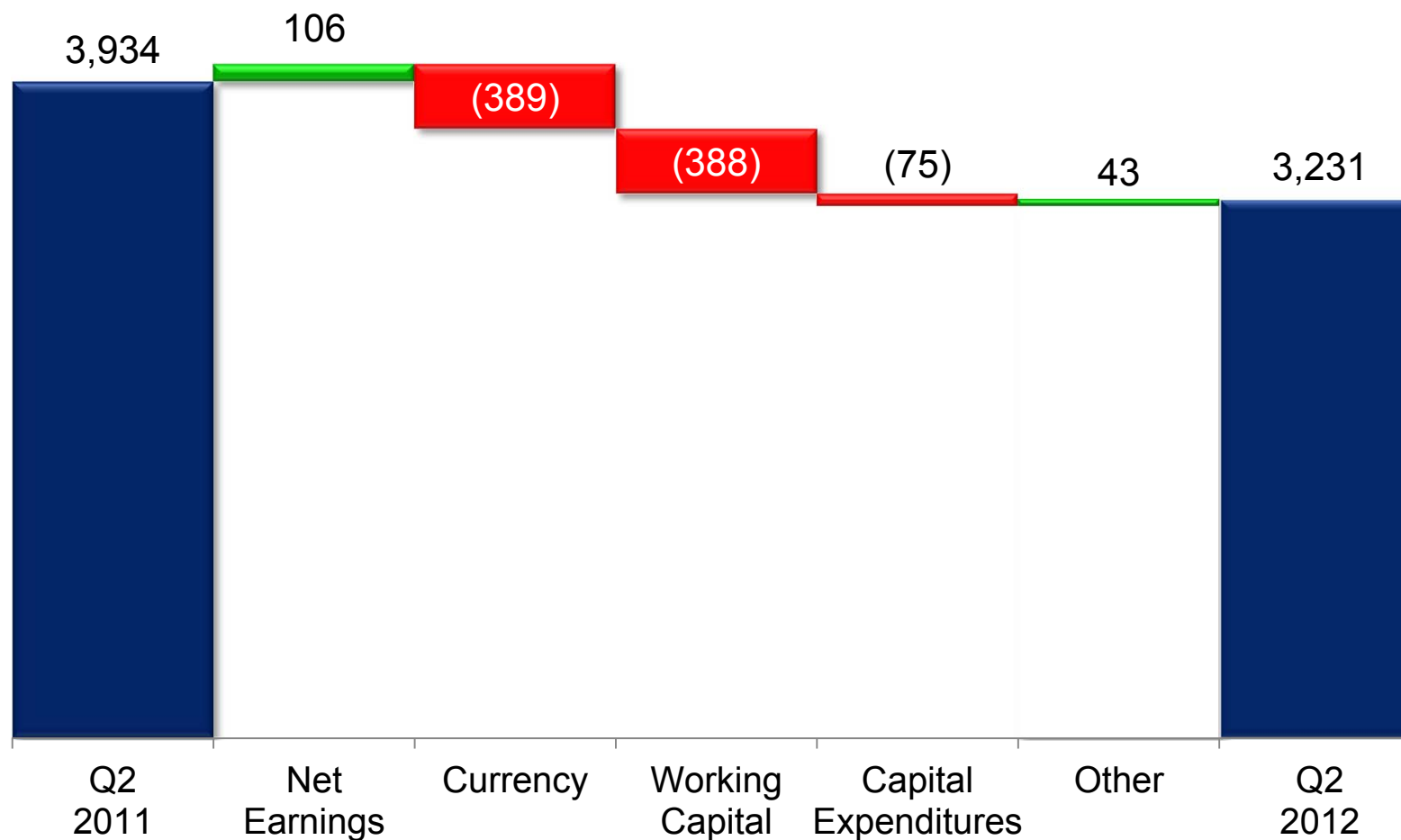
(a) Excluding duty free

Note: Historical data adjusted for pro forma inclusion of business combination with Fortune Tobacco Corporation in the Philippines and Jordan acquisition

Source: PMI Financials and PMI estimates

Free Cash Flow^(a) Impacted by Currency and Working Capital Requirements

(\$ million)



(a) Free cash flow equals net cash provided by operating activities less capital expenditures
Source: PMI Financials



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Share Repurchase Program Further Extended

- In Q2, 2012, PMI spent \$1.5 billion to repurchase 17.8 million shares
- New three-year \$18 billion share repurchase program to start in August when funds from previous authorization fully utilized
- Target for 2012 remains \$6 billion in share repurchases
- Since spin, \$24.4 billion spent to repurchase 21.3% of shares outstanding at the time



Conclusion

- Underlying business momentum remains strong
- Very strong results in EEMA and Asia Regions offset unusually weak industry volume in EU Region and the Japan hurdle
- Breadth of footprint, superior brand portfolio and continued strong pricing environment driving growth
- Net revenues and adjusted OCI increased in Q2, 2012, excluding currency and acquisitions
- Adjusted diluted EPS, excluding currency, up 9.0% in Q2, 2012
- Reaffirmed guidance range of \$5.10 to \$5.20 for reported diluted EPS in 2012, despite slightly greater currency unfavorability
- This represents a growth rate of approximately 10% to 12% on a currency-neutral basis, compared to adjusted diluted EPS of \$4.88 in 2011



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2012 Second-Quarter Results

Questions & Answers

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

2012								2011				% Change in Reported Net Revenues excluding Excise Taxes		
Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Less Currency	Reported Net Revenues excluding Excise Taxes & Currency	Less Acquisi- tions	Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions		Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions	
\$ 7,280	\$ 4,995	\$ 2,285	\$ (195)	\$ 2,480	\$ -	\$ 2,480	European Union	\$ 8,080	\$ 5,583	\$ 2,497	(8.5)%	(0.7)%	(0.7)%	
5,062	2,911	2,151	(127)	2,278	11	2,267	EEMA	4,603	2,591	2,012	6.9%	13.2%	12.7%	
5,317	2,462	2,855	(29)	2,884	-	2,884	Asia	5,146	2,210	2,936	(2.8)%	(1.8)%	(1.8)%	
2,378	1,549	829	(51)	880	-	880	Latin America & Canada	2,405	1,577	828	0.1%	6.3%	6.3%	
\$ 20,037	\$ 11,917	\$ 8,120	\$ (402)	\$ 8,522	\$ 11	\$ 8,511	PMI Total	\$ 20,234	\$ 11,961	\$ 8,273	(1.8)%	3.0%	2.9%	

2012					2011					% Change in Reported Operating Companies Income		
Reported Operating Companies Income	Less Currency	Reported Operating Companies Income excluding Currency	Less Acquisitions	Reported Operating Companies Income excluding Currency & Acquisitions		Reported Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions			
\$ 1,117	\$ (130)	\$ 1,247	\$ -	\$ 1,247		\$ 1,280	(12.7)%	(2.6)%	(2.6)%			
948	(80)	1,028	2	1,026		835	13.5%	23.1%	22.9%			
1,364	3	1,361	-	1,361		1,398	(2.4)%	(2.6)%	(2.6)%			
249	(25)	274	-	274		268	(7.1)%	2.2%	2.2%			
\$ 3,678	\$ (232)	\$ 3,910	\$ 2	\$ 3,908		\$ 3,781	(2.7)%	3.4%	3.4%			

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Reconciliation of Non-GAAP Measures



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Reconciliation of Reported 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)

2012									2011					% Change in Adjusted Operating Companies Income		
Reported 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			Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions			
\$ 1,117	\$ -	\$ 1,117	\$ (130)	\$ 1,247	\$ -	\$ 1,247	European Union		\$ 1,280	\$ (1)	\$ 1,281	(12.8)%	(2.7)%	(2.7)%		
948	-	948	(80)	1,028	2	1,026	EEMA		835	-	835	13.5%	23.1%	22.9%		
1,364	-	1,364	3	1,361	-	1,361	Asia		1,398	-	1,398	(2.4)%	(2.6)%	(2.6)%		
249	(8)	257	(25)	282	-	282	Latin America & Canada		268	-	268	(4.1)%	5.2%	5.2%		
\$ 3,678	\$ (8)	\$ 3,686	\$ (232)	\$ 3,918	\$ 2	\$ 3,916	PMI Total		\$ 3,781	\$ (1)	\$ 3,782	(2.5)%	3.6%	3.5%		

2012								2011			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency ^(a)	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions ^(a)	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions			Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes ^(a)	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions
\$ 1,247	\$ 2,480	50.3%	\$ 1,247	\$ 2,480	50.3%	European Union		\$ 1,281	\$ 2,497	51.3%	(1.0)	(1.0)
1,028	2,278	45.1%	1,026	2,267	45.3%	EEMA		835	2,012	41.5%	3.6	3.8
1,361	2,884	47.2%	1,361	2,884	47.2%	Asia		1,398	2,936	47.6%	(0.4)	(0.4)
282	880	32.0%	282	880	32.0%	Latin America & Canada		268	828	32.4%	(0.4)	(0.4)
\$ 3,918	\$ 8,522	46.0%	\$ 3,916	\$ 8,511	46.0%	PMI Total		\$ 3,782	\$ 8,273	45.7%	0.3	0.3

(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



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

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Reported Diluted EPS	\$ 1.36	\$ 1.35	0.7%
Adjustments:			
Asset impairment and exit costs	-	-	
Tax items	-	(0.01)	
Adjusted Diluted EPS	\$ 1.36	\$ 1.34	1.5%
Less:			
Currency impact	(0.10)		
Adjusted Diluted EPS, excluding Currency	\$ 1.46	\$ 1.34	9.0%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Reported Diluted EPS	\$ 1.36	\$ 1.35	0.7%
Less:			
Currency impact	<u>(0.10)</u>	<u></u>	
Reported Diluted EPS, excluding Currency	<u>\$ 1.46</u>	<u>\$ 1.35</u>	8.1%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

2012								2011						% Change in Reported Net Revenues excluding Excise Taxes		
Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Less Currency	Reported Net Revenues excluding Excise Taxes & Currency	Less Acquisi- tions	Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions		Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions			
\$ 13,750	\$ 9,412	\$ 4,338	\$ (249)	\$ 4,587	\$ -	\$ 4,587	European Union	\$ 14,495	\$ 9,997	\$ 4,498	(3.6)%	2.0%	2.0%			
9,131	5,145	3,986	(200)	4,186	20	4,166	EEMA	8,274	4,575	3,699	7.8%	13.2%	12.6%			
10,494	4,862	5,632	45	5,587	1	5,586	Asia	9,434	4,175	5,259	7.1%	6.2%	6.2%			
4,684	3,072	1,612	(90)	1,702	-	1,702	Latin America & Canada	4,561	2,953	1,608	0.2%	5.8%	5.8%			
\$ 38,059	\$ 22,491	\$ 15,568	\$ (494)	\$ 16,062	\$ 21	\$ 16,041	PMI Total	\$ 36,764	\$ 21,700	\$ 15,064	3.3%	6.6%	6.5%			

2012						2011						% Change in Reported Operating Companies Income		
Reported Operating Companies Income	Less Currency	Reported Operating Companies Income excluding Currency	Less Acquisitions	Reported Operating Companies Income excluding Currency & Acquisitions		Reported Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions					
\$ 2,147	\$ (155)	\$ 2,302	\$ -	\$ 2,302	European Union	\$ 2,286	(6.1)%	0.7%	0.7%					
1,758	(124)	1,882	2	1,880	EEMA	1,557	12.9%	20.9%	20.7%					
2,771	56	2,715	-	2,715	Asia	2,491	11.2%	9.0%	9.0%					
486	(42)	528	-	528	Latin America & Canada	519	(6.4)%	1.7%	1.7%					
\$ 7,162	\$ (265)	\$ 7,427	\$ 2	\$ 7,425	PMI Total	\$ 6,853	4.5%	8.4%	8.3%					

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

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

2012									2011					% Change in Adjusted Operating Companies Income		
Reported 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			Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions			
\$ 2,147	\$ -	\$ 2,147	\$ (155)	\$ 2,302	\$ -	\$ 2,302	European Union		\$ 2,286	\$ (12)	\$ 2,298	(6.6)%	0.2%	0.2%		
1,758	-	1,758	(124)	1,882	2	1,880	EEMA		1,557	(2)	1,559	12.8%	20.7%	20.6%		
2,771	-	2,771	56	2,715	-	2,715	Asia		2,491	(2)	2,493	11.2%	8.9%	8.9%		
486	(16)	502	(42)	544	-	544	Latin America & Canada		519	(1)	520	(3.5)%	4.6%	4.6%		
\$ 7,162	\$ (16)	\$ 7,178	\$ (265)	\$ 7,443	\$ 2	\$ 7,441	PMI Total		\$ 6,853	\$ (17)	\$ 6,870	4.5%	8.3%	8.3%		

2012									2011			% Points Change			
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency ^(a)	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions ^(a)	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions				Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes ^(a)	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions		
\$ 2,302	\$ 4,587	50.2%	\$ 2,302	\$ 4,587	50.2%	European Union			\$ 2,298	\$ 4,498	51.1%	(0.9)	(0.9)		
1,882	4,186	45.0%	1,880	4,166	45.1%	EEMA			1,559	3,699	42.1%	2.9	3.0		
2,715	5,587	48.6%	2,715	5,586	48.6%	Asia			2,493	5,259	47.4%	1.2	1.2		
544	1,702	32.0%	544	1,702	32.0%	Latin America & Canada			520	1,608	32.3%	(0.3)	(0.3)		
\$ 7,443	\$ 16,062	46.3%	\$ 7,441	\$ 16,041	46.4%	PMI Total			\$ 6,870	\$ 15,064	45.6%	0.7	0.8		

(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



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

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Reported Diluted EPS	\$ 2.60	\$ 2.42	7.4%
Adjustments:			
Asset impairment and exit costs	0.01	0.01	
Tax items	-	(0.02)	
Adjusted Diluted EPS	\$ 2.61	\$ 2.41	8.3%
Less:			
Currency impact	(0.12)		
Adjusted Diluted EPS, excluding Currency	\$ 2.73	\$ 2.41	13.3%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Reported Diluted EPS	\$ 2.60	\$ 2.42	7.4%
Less:			
Currency impact	<u>(0.12)</u>	<u></u>	
Reported Diluted EPS, excluding Currency	<u>\$ 2.72</u>	<u>\$ 2.42</u>	12.4%

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>2011</u>
Reported Diluted EPS	\$ 4.85
Adjustments:	
Asset impairment and exit costs	0.05
Tax items	<u>(0.02)</u>
Adjusted Diluted EPS	<u>\$ 4.88</u>

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

Reconciliation of Operating Cash Flow to Free Cash Flow and Free Cash Flow, excluding Currency
For the Quarters and Six Months Ended June 30,
(\$ in millions)
(Unaudited)

	For the Quarters Ended June 30,			For the Six Months Ended June 30,		
	2012	2011	% Change	2012	2011	% Change
Net cash provided by operating activities^(a)	\$ 3,480	\$ 4,120	(15.5)%	\$ 5,378	\$ 6,515	(17.5)%
Less:						
Capital expenditures	249	186		476	345	
Free cash flow	\$ 3,231	\$ 3,934	(17.9)%	\$ 4,902	\$ 6,170	(20.6)%
Less:						
Currency impact	(389)			(439)		
Free cash flow, excluding currency	\$ 3,620	\$ 3,934	(8.0)%	\$ 5,341	\$ 6,170	(13.4)%

(a) Operating Cash Flow



PHILIP MORRIS INTERNATIONAL

2012 Second-Quarter Results

July 19, 2012