



PHILIP MORRIS INTERNATIONAL

2012 Third-Quarter Results

October 18, 2012



Introduction

- Unless otherwise stated, we will be talking about results for the third-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 June 30, 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



2012 EPS Guidance

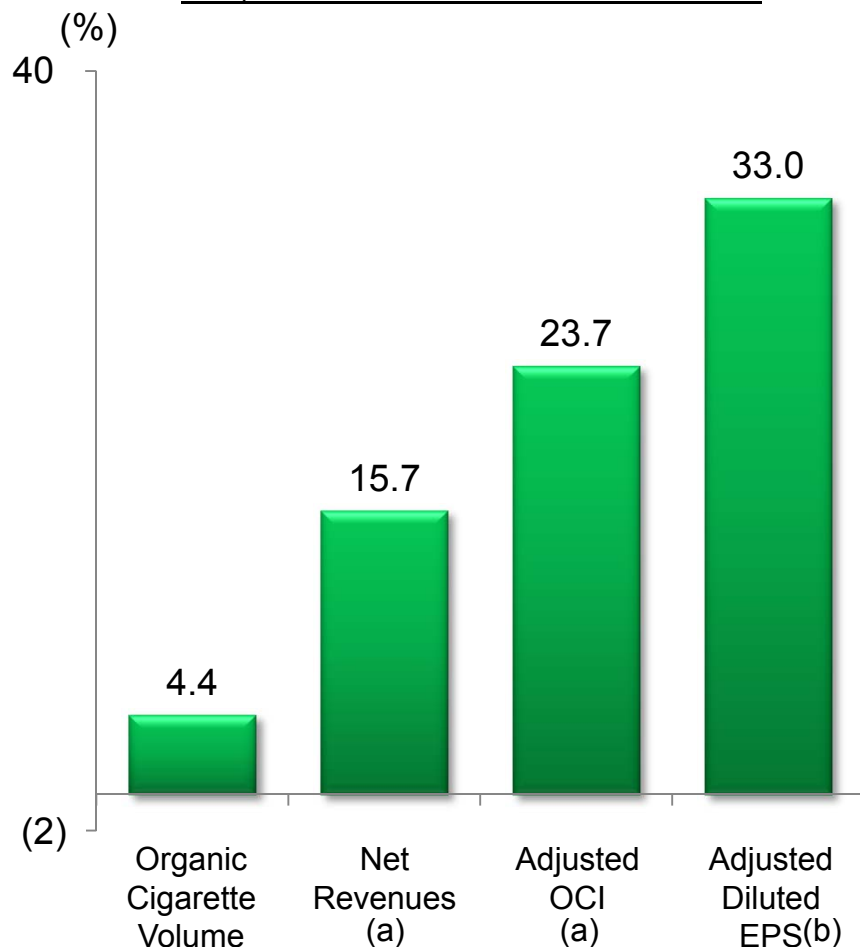
- Narrowed 2012 reported diluted EPS guidance range to \$5.12 to \$5.18, compared to \$4.85 in 2011
- New guidance includes:
 - 23 cents for unfavorable currency
 - 5 cents for tax charge
 - 2 cents for asset impairment and exit costs
- Excluding the impact of currency, tax charge and asset impairment and exit costs, new guidance represents a growth rate of approximately 11% to 12% compared to adjusted diluted EPS of \$4.88 in 2011

Q3, 2012: Very Difficult Comparisons due to Exceptional Results in Q3, 2011

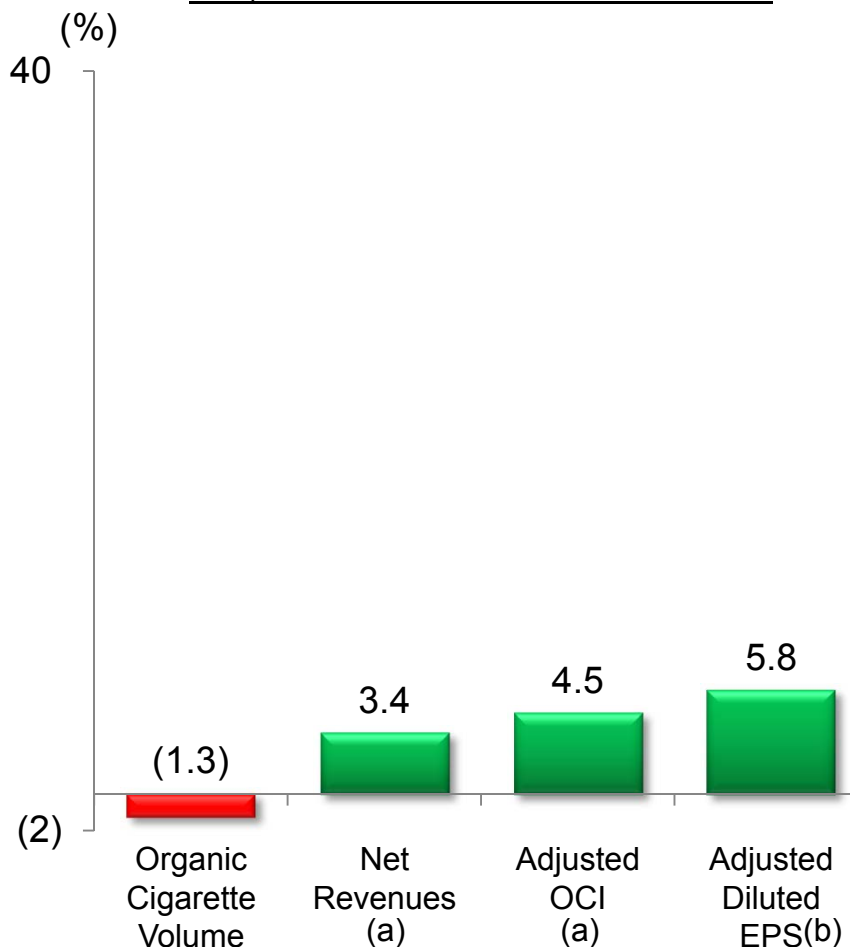


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Q3, 2011 vs. PY Growth Rates



Q3, 2012 vs. PY Growth Rates



(a) Excluding currency and acquisitions

(b) Excluding currency

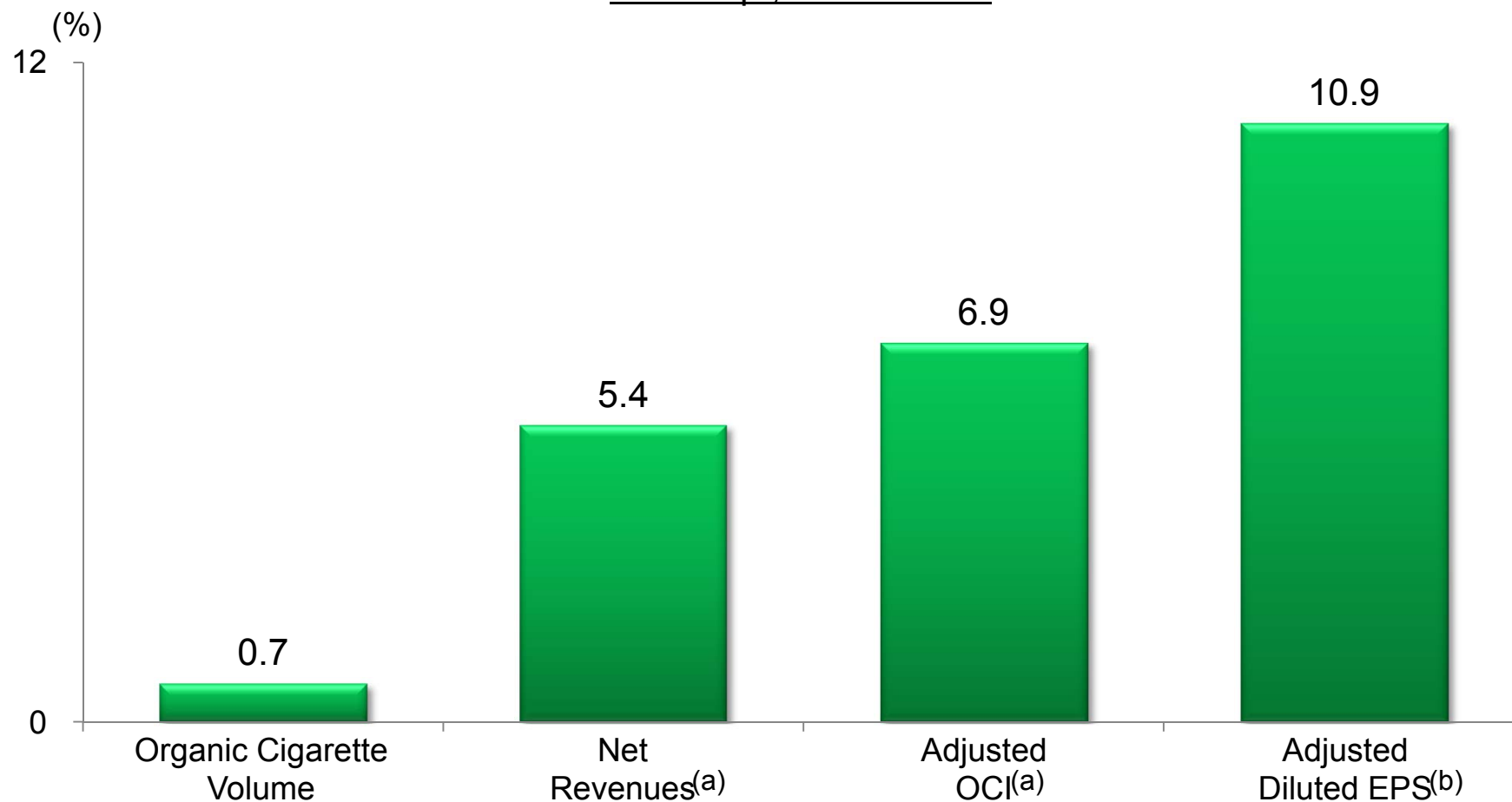
Source: PMI Financials

YTD Sept, 2012: Volume Growth and Strong Financial Results



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YTD Sept, 2012 vs. PY



(a) Excluding currency and acquisitions

(b) Excluding currency

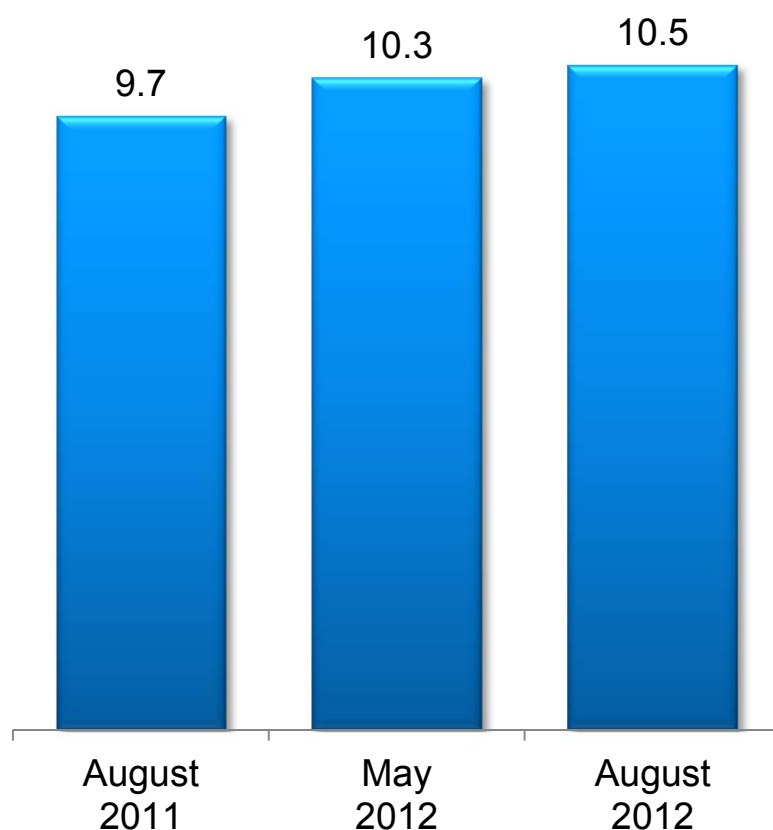
Source: PMI Financials

EU Region: Unemployment Depressing Cigarette Tax-Paid Volumes

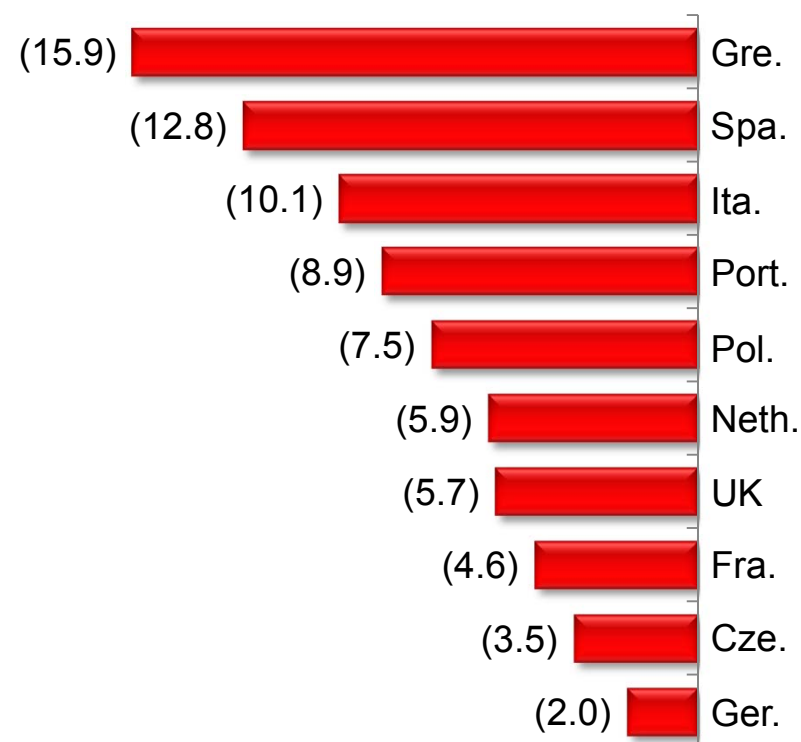


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Average Unemployment Rates in EU (%)



Industry Volume Decline (%)
Q3, 2012 vs. PY



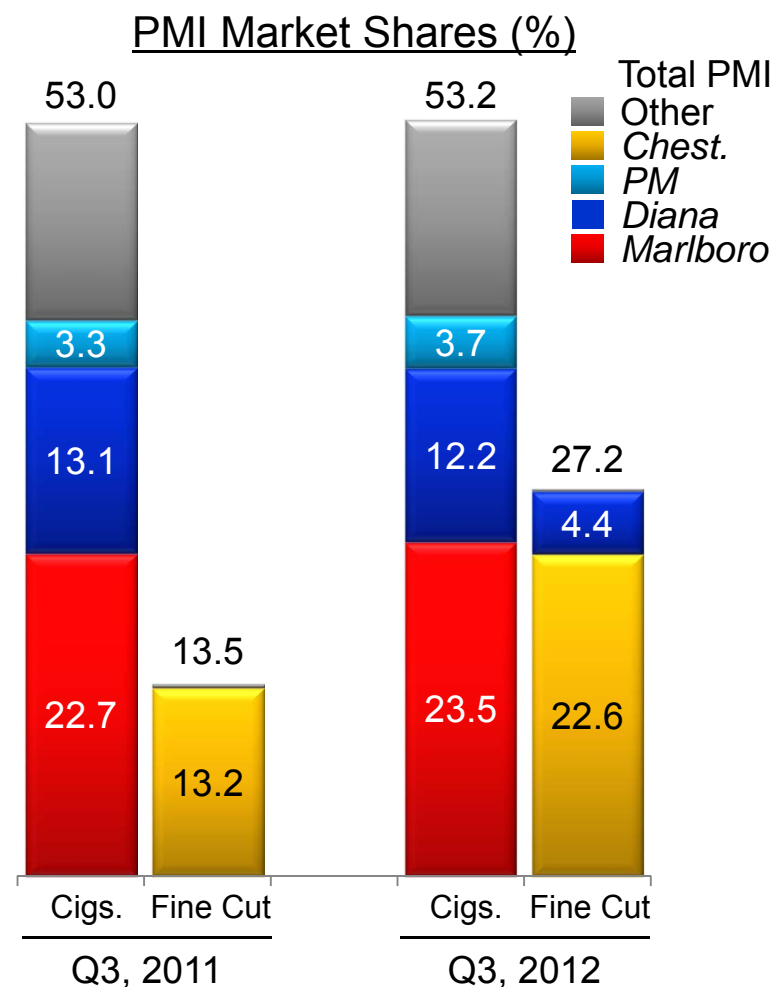
Note: Gre. is Greece, Spa. is Spain, Ita. is Italy, Port. is Portugal, Pol. is Poland, Neth. is Netherlands, UK is United Kingdom, Fra. is France, Cze. is Czech Republic and Ger. is Germany
Source: Eurostat and PMI estimates



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Italy: PMI Share Growth in Cigarettes and Fine Cut

- Adult smokers switching to lower-taxed fine cut, and illicit trade
- Cigarette industry volume declined by 10.1% in Q3 2012, while fine cut increased by 41%
- PMI share growth in cigarettes, driven by *Marlboro*, and fine cut, driven by *Chesterfield*
- Illicit trade incidence in 2012 estimated at around 9%



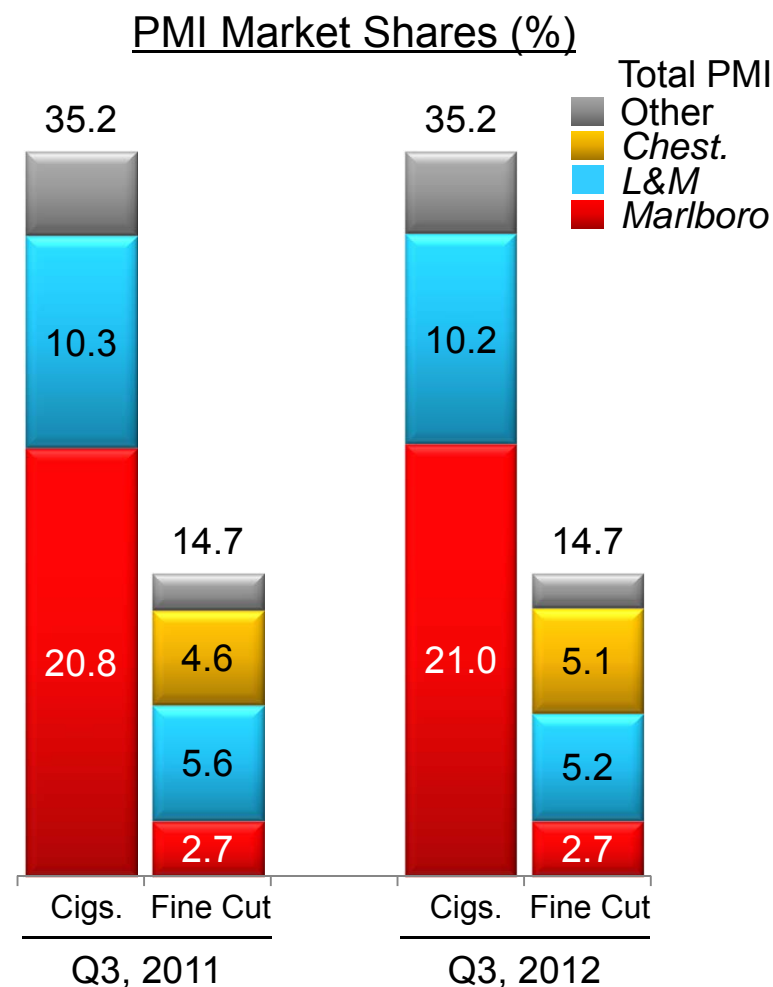
Note: Cigs. is cigarettes, *Chest.* is *Chesterfield* and *PM* is *Philip Morris*
Source: PMI estimates



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Germany: Moderate Decline in Cigarette Market

- Cigarette industry volume decline of just 2.0% in Q3, 2012, and fine cut increased by 2.3%
- *Marlboro* gained share in Q3, 2012 to reach 21.0% of the cigarette category



Note: Cigs. is cigarettes and *Chest.* is *Chesterfield*
Source: PMI estimates

EU Region: Good Underlying Business Performance But Tough Economic Conditions



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- Organic cigarette volume decline of 8.1% in Q3, 2012
- Organic fine cut volume increased 15.2%
- *Marlboro* cigarette market share grew by 0.4 points to 18.4% in Q3, 2012, with gains in Belgium, Germany, Greece, Italy and across Central Europe, notably Poland
- *L&M* cigarette market share down by 0.2 points to 6.5%
- *Chesterfield* cigarette market share up 0.3 points to 3.5%
- PMI overall share stable in cigarettes at 38.1% and up by 0.6 points to 13.4% in fine cut
- Net revenues and adjusted OCI, excluding currency, declined by 1.9% and 2.9%, respectively, in Q3, 2012
- For full-year 2012, we expect to deliver a slight increase in profitability, excluding currency

Asia Region: Indonesia Volume Gains, but Difficult Comparisons in Japan and Korea



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	% Change vs. Prior Year	
	<u>Q3, 2011</u>	<u>Q3, 2012</u>
Volume:		
– Japan	47.1 %	(13.4)%
– Korea	22.4	(8.9)
– Indonesia	22.5	13.0
– Total Asia Region	12.6	0.6
Adjusted OCI ^(a)	75.1 %	1.2 %

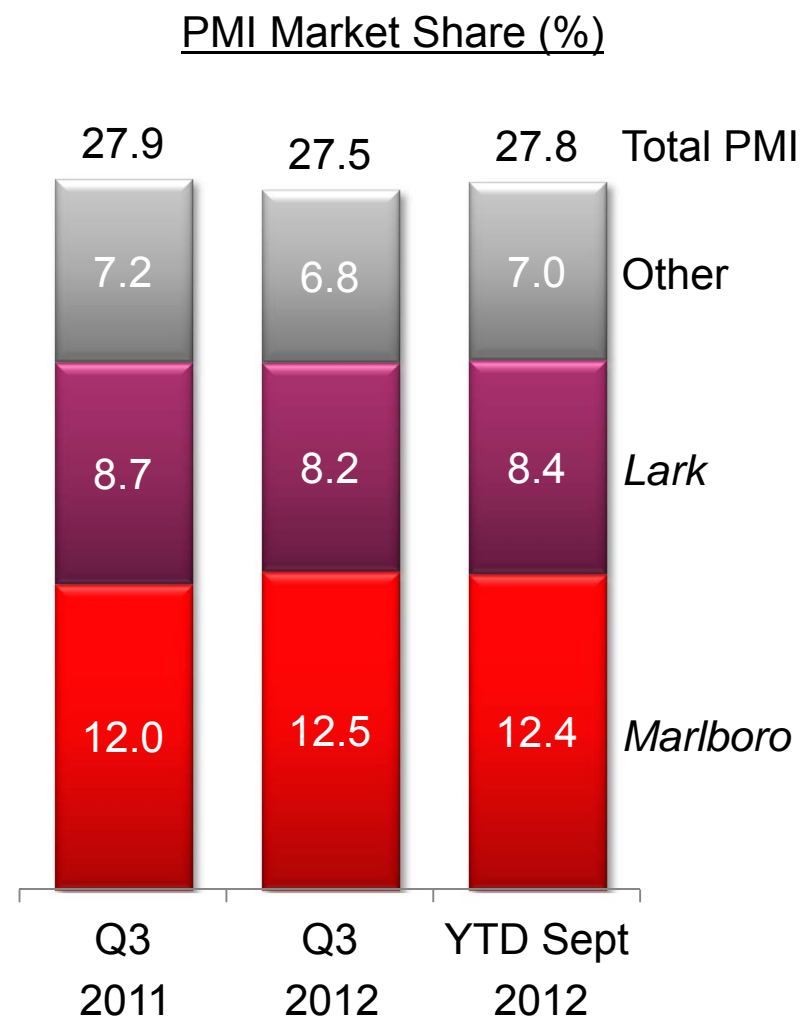
(a) Excluding currency and acquisitions
Source: PMI Financials



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Japan: Very Difficult Comparisons in Q3, 2012

- Industry volume declined 7.7% compared to the distorted Q3, 2011
- Full-year 2012 industry volume expected to be in line with 2011
- PMI share of 27.5% in Q3, 2012 reflects continued positive trend for *Marlboro*
- Full-year 2012 market share expected to be slightly below 2011 exit share of approximately 28%

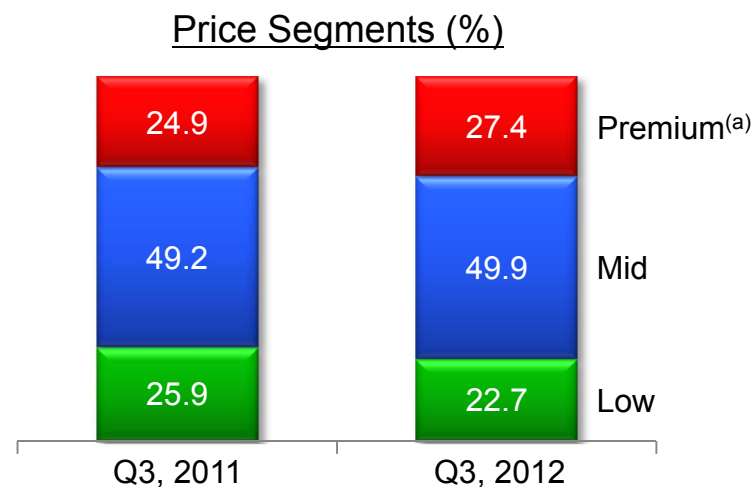
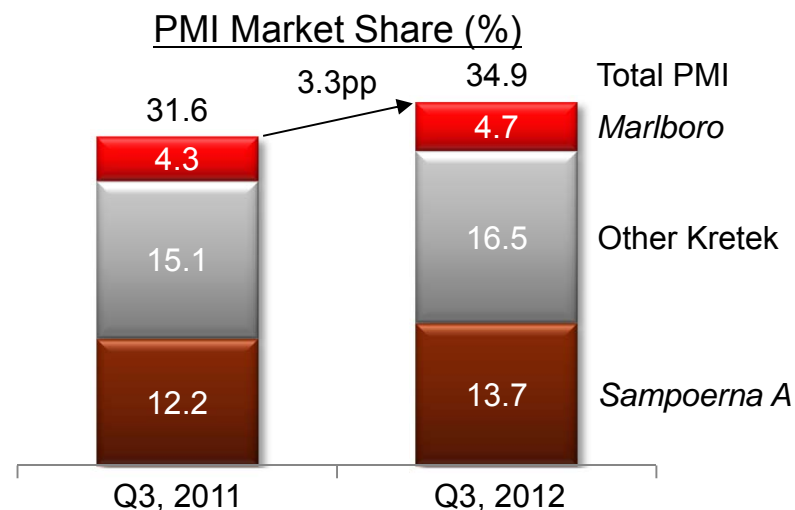




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Indonesia: Unique Growth Opportunity for PMI

- Industry volume expected to grow 6-7% for full year
- PMI volume up a further 13.0% and share grew 3.3 points in Q3, 2012
- Decree 191 expected to be enforced by end of November



(a) Includes above premium

Source: PMI estimates and PMI Financials



Plain Packaging: Australia

- The High Court issued its reasoning on plain packaging law
- Despite the Court's decision, 6 of the 7 judges recognized that plain packaging deprives tobacco companies of valuable intellectual property
- The recognition that plain packaging results in a deprivation of property raises serious questions about the legality of plain packaging legislation in other jurisdictions
- Ruling turned on the specific nature of the Australian Constitution
- The High Court did not rule on whether plain packaging will reduce smoking prevalence or whether plain packaging breaches Australia's international trade and treaty obligations
- The High Court ruling also confirms that other ongoing international legal cases are strong



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Plain Packaging: Other International Challenges

- Three countries have already initiated proceedings against Australia before the World Trade Organization
- PM Asia is suing the Australian government for multiple breaches of its Bilateral Investment Treaty with Hong Kong
- Decisions in these cases are expected within two to three years
- The international legal cases are strong, and there is still a long way before all the legal questions about plain packaging are fully explored and resolved

Latin America & Canada: Solid Share Momentum Despite Volume Decline



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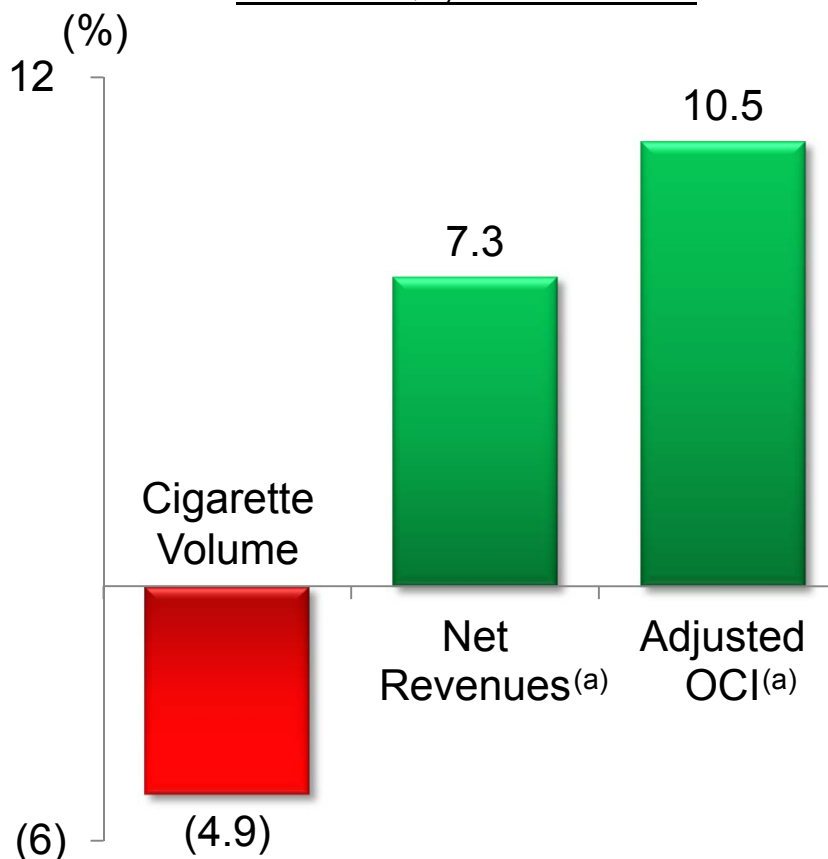
PMI Market Shares

	<u>Q3, 2011</u>	<u>Q3, 2012</u>	<u>Variance</u>
Argentina	73.9%	75.0%	1.1pp
Brazil	13.3	14.8	1.5
Colombia	48.4	51.0	2.6
Mexico	73.2	73.6	0.4

- Strong *Marlboro* market share performance in Q3, 2012:

- Brazil +1.3pp to 8.2%
- Colombia +1.1pp to 6.0%
- Mexico +0.8pp to 53.6%

Growth Q3, 2012 vs. PY



(a) Excluding currency

Source: PMI estimates and PMI Financials



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EEMA Region: Excellent Results Driven by Russia

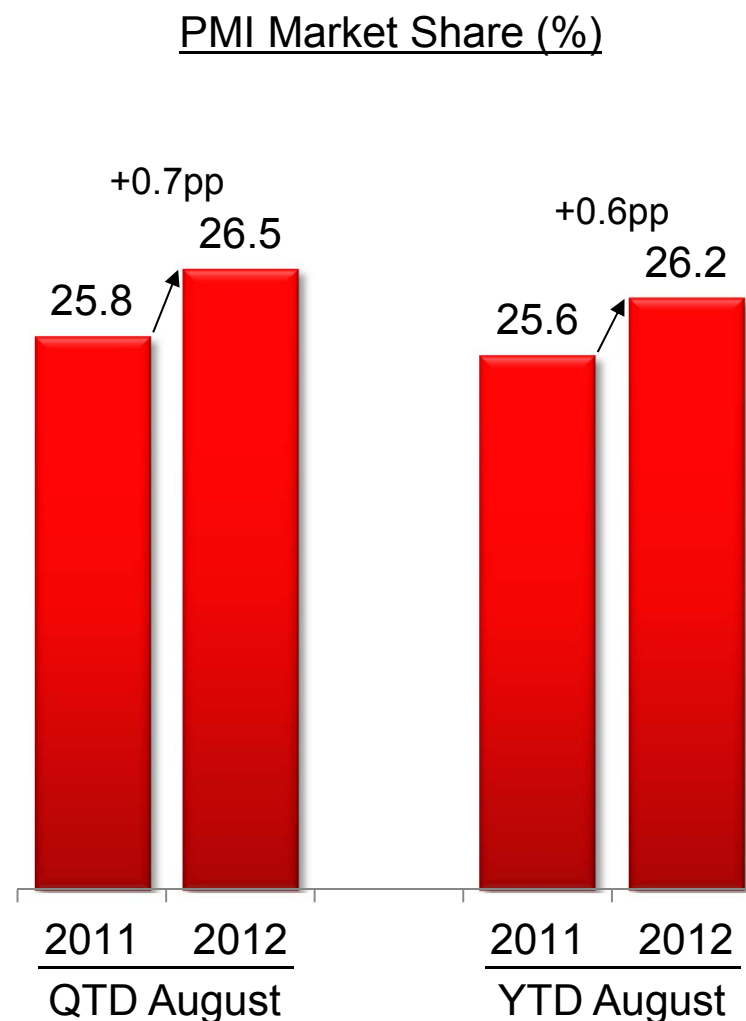
	% Change vs. Prior Year	
	<u>Q3, 2011</u>	<u>Q3, 2012</u>
Volume:		
– Russia	(3.5)%	4.5 %
– Turkey	21.6	1.8
– Egypt	(19.9)	54.4
– Total EEMA Region	5.1	3.0
Adjusted OCI ^(a)	13.8 %	17.3 %

(a) Excluding currency and acquisitions
Source: PMI Financials



Russia: PMI Market Share Momentum

- RUB 3/pack July tax-driven price increase
- Industry volume expected to be down slightly in full-year 2012
- PMI volume increased by 4.5% in Q3, 2012
- PMI share momentum continued, as we leverage investments in brands and infrastructure
- *Parliament, L&M, Bond Street and Next* key drivers of market share expansion



Russia: Excise Tax Structure Proposal (2013-2015)

- Government approved amendments to Tax Code in September
- 2013-2014 excise tax rates for cigarettes remain as per current Tax Code
- Duma to review by mid-November and vote by year-end

	2012	2013	2014	2015
Ad Valorem Excise Tax (% of RSP)	7.5%	8.0%	8.5%	9.0%
Change vs. Prior Year	0.5pp	0.5pp	0.5pp	0.5pp
Specific Excise Tax (RUB/000)	390	550	800	960
Growth -%	39.3%	41.0%	45.5%	20.0%
Minimum Excise Tax (RUB/000)	510	730	1,040	1,250
Growth -%	41.7%	43.1%	42.5%	20.2%
VAT	18%	18%	18%	18%
Pass-On (RUB/pack) ^(a)	4	6	9	6

Note: VAT is nominal

(a) 2012 pass-on represents full year



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Solid *Marlboro* Market Share Performance

	Market Shares			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>YTD Sept 2012</u>
Asia ^(a)	5.8%	6.1%	6.4%	6.5%
EEMA	6.4	6.5	6.8	7.0
EU	18.4	18.2	18.0	18.2
LA&C	13.8	14.1	13.8	14.3
Total^{(a)(b)}	9.0	9.1	9.2	9.3

(a) Excluding China

(b) Also excluding the USA

Source: PMI estimates



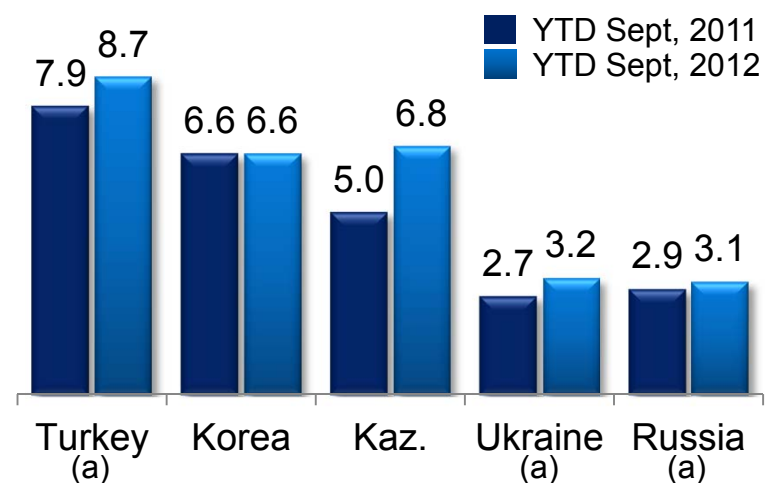
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Parliament: Double-Digit Volume Increase

- Priced at a premium to *Marlboro* in most markets: superior margins
- *Parliament* volume increased by 10.7% in Q3, 2012, and by 9.4% YTD September, 2012
- *Parliament* gained share in four of its most important markets this year



PMI Market Shares
YTD Sept, 2012 vs. PY (%)



(a) YTD August

Note: Kaz. is Kazakhstan

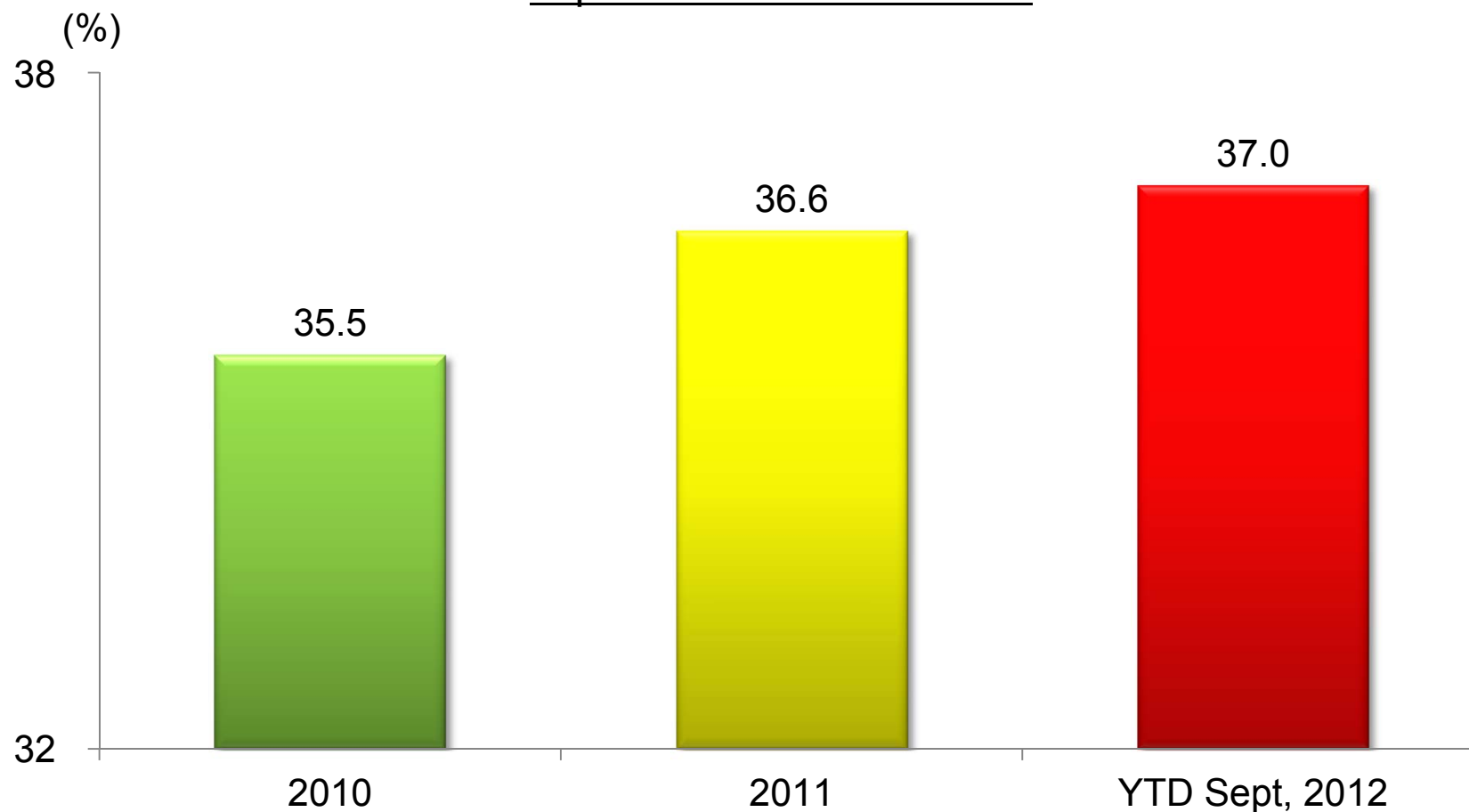
Source: PMI Financials, Nielsen, Hankook Research and PMI estimates



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PMI Expanding its Market Share

Top 30 PMI OCI Markets^(a)



(a) Excluding duty free

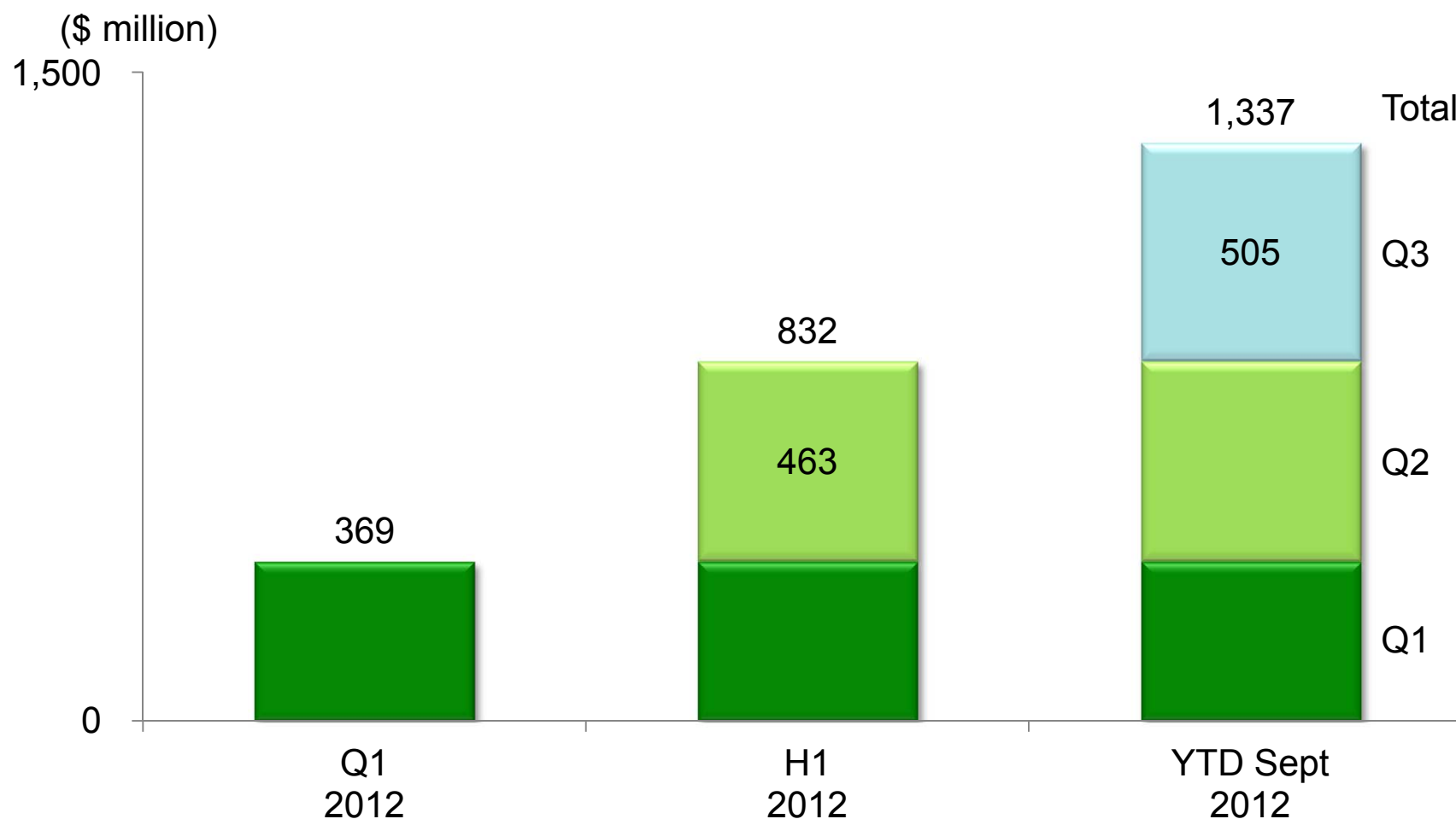
Note: Historical data adjusted for pro forma inclusion of business combination with Fortune Tobacco Corporation in the Philippines and Jordan acquisition

Source: PMI Financials and PMI estimates



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Favorable Pricing Continued in Q3, 2012



Note: Variances at OCI level
Source: PMI Financials



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Margin Expansion

Adjusted OCI Margins

	<u>YTD Sept 2011</u>	<u>YTD Sept 2012^(a)</u>	<u>Variance^(a)</u>
Asia	47.2 %	47.9 %	0.7 pp
EEMA	42.3	45.4	3.1
EU	51.0	50.2	(0.8)
LA&C	32.0	32.1	0.1
Total	45.5	46.2	0.7

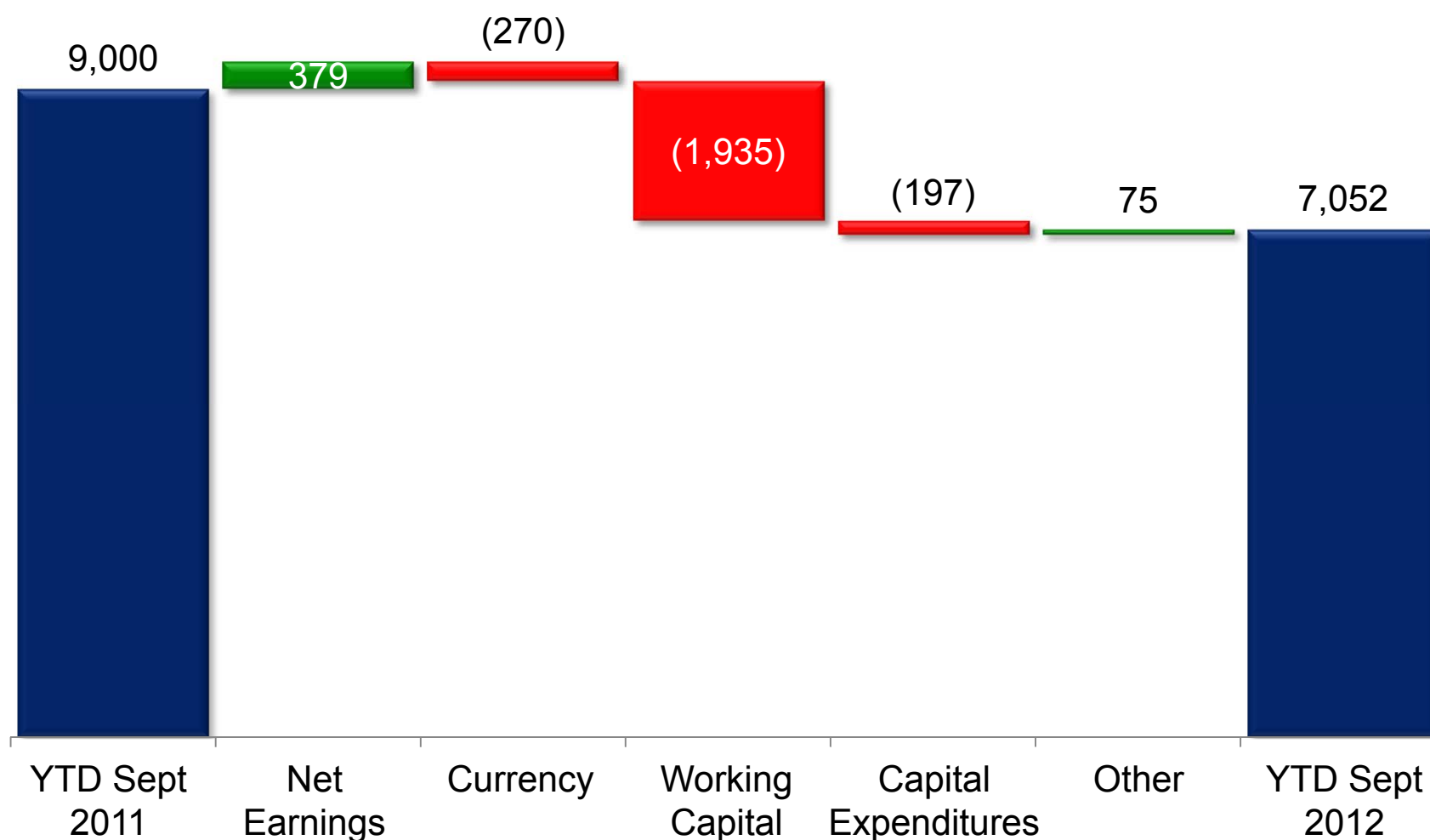
(a) Excluding currency and acquisitions
Source: PMI Financials

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



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(\$ million)

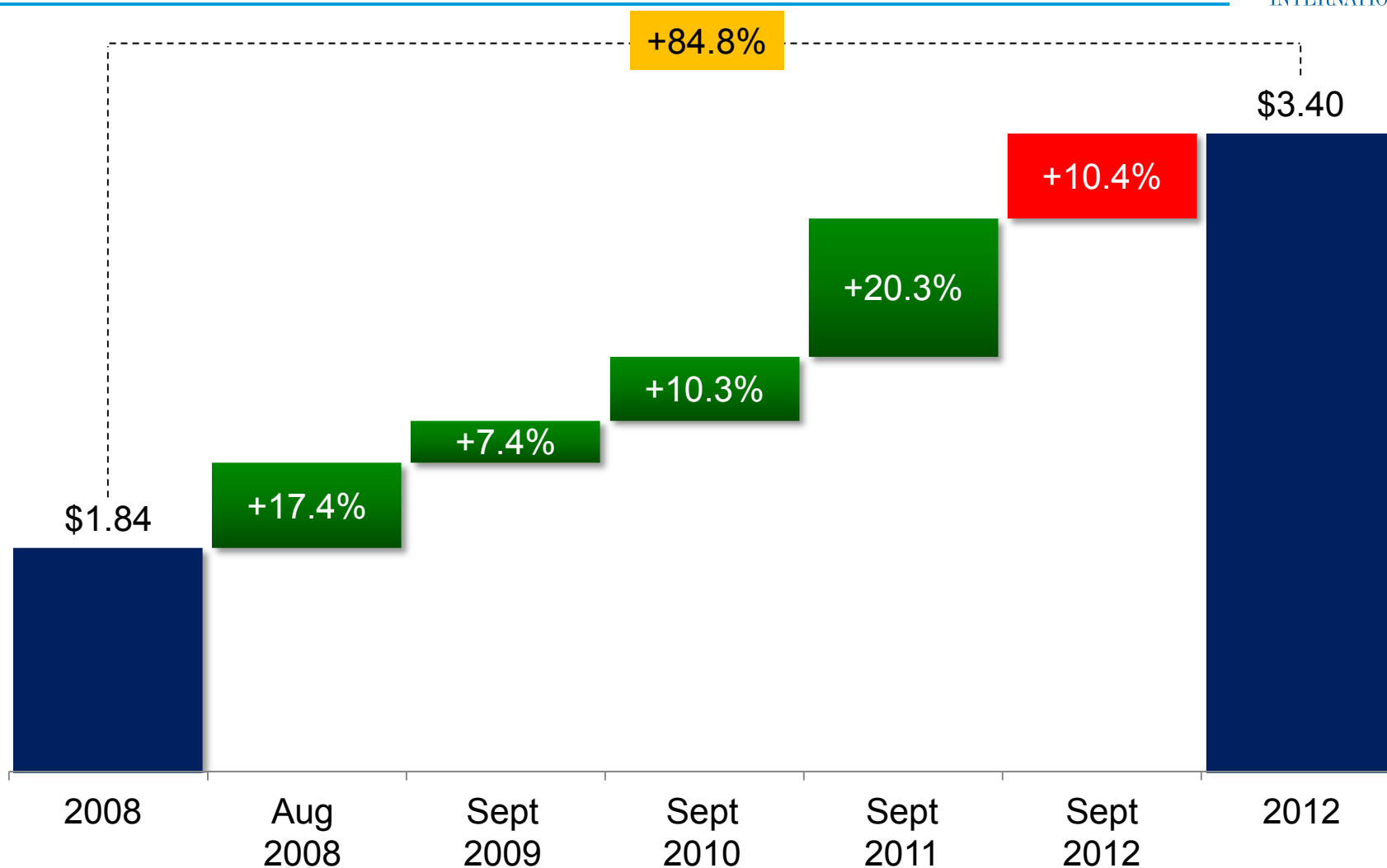


(a) Free cash flow equals net cash provided by operating activities less capital expenditures
Source: PMI Financials



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Very Significant Dividend Increases



Note: Dividends for 2008 and 2012 are annualized rates. 2008 annualized rate is based on a quarterly dividend of \$0.46 per common share, declared June 18, 2008. The annualized rate for 2012 is based on a quarterly dividend of \$0.85 per common share, declared September 12, 2012

Source: PMI Financials



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Share Repurchase Program

- In Q3, 2012, PMI spent \$1.5 billion to repurchase 16.7 million shares
- Since March 2008 spin through end of September 2012, \$25.9 billion spent to repurchase 466.6 million shares, representing 22.1% of shares outstanding at that time, at an average price of \$55.49 per share
- Target for 2012 remains \$6 billion



Conclusion

- Q3, 2012, as expected, a difficult quarter due to tough comparisons
- Confident to achieve 1% organic volume annual growth target for 2012 driven by strong performances in EEMA and Asia Regions
- Narrowed 2012 reported diluted EPS guidance range to \$5.12 to \$5.18, compared to \$4.85 in 2011
- Excluding the impact of currency, tax charge and asset impairment and exit costs, new guidance represents a growth rate of approximately 11% to 12% compared to adjusted diluted EPS of \$4.88 in 2011
- Remain steadfast in our commitment to deliver superior returns to our shareholders



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2012 Third-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 September 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
\$ 6,904	\$ 4,779	\$ 2,125	\$ (334)	\$ 2,459	\$ -	\$ 2,459	European Union	\$ 8,155	\$ 5,649	\$ 2,506	(15.2)%	(1.9)%	(1.9)%
5,125	2,918	2,207	(211)	2,418	7	2,411	EEMA	4,921	2,711	2,210	(0.1)%	9.4%	9.1%
5,174	2,413	2,761	(104)	2,865	-	2,865	Asia	5,143	2,344	2,799	(1.4)%	2.4%	2.4%
2,389	1,562	827	(82)	909	-	909	Latin America & Canada	2,487	1,640	847	(2.4)%	7.3%	7.3%
\$ 19,592	\$ 11,672	\$ 7,920	\$ (731)	\$ 8,651	\$ 7	\$ 8,644	PMI Total	\$ 20,706	\$ 12,344	\$ 8,362	(5.3)%	3.5%	3.4%

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			
\$ 1,085	\$ (151)	\$ 1,236	\$ -	\$ 1,236	European Union	\$ 1,262	(14.0)%	(2.1)%	(2.1)%			
1,047	(59)	1,106	2	1,104	EEMA	925	13.2%	19.6%	19.4%			
1,297	(9)	1,306	-	1,306	Asia	1,309	(0.9)%	(0.2)%	(0.2)%			
267	(17)	284	-	284	Latin America & Canada	255	4.7%	11.4%	11.4%			
\$ 3,696	\$ (236)	\$ 3,932	\$ 2	\$ 3,930	PMI Total	\$ 3,751	(1.5)%	4.8%	4.8%			

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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 September 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 Acquisi-tions	Adjusted Operating Companies Income excluding Currency & Acquisitions		Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions			
\$ 1,085	\$ -	\$ 1,085	\$ (151)	\$ 1,236	\$ -	\$ 1,236	European Union	\$ 1,262	\$ (11)	\$ 1,273	(14.8)%	(2.9)%	(2.9)%			
1,047	-	1,047	(59)	1,106	2	1,104	EEMA	925	(16)	941	11.3%	17.5%	17.3%			
1,297	(24)	1,321	(9)	1,330	-	1,330	Asia	1,309	(5)	1,314	0.5%	1.2%	1.2%			
267	(10)	277	(17)	294	-	294	Latin America & Canada	255	(11)	266	4.1%	10.5%	10.5%			
\$ 3,696	\$ (34)	\$ 3,730	\$ (236)	\$ 3,966	\$ 2	\$ 3,964	PMI Total	\$ 3,751	\$ (43)	\$ 3,794	(1.7)%	4.5%	4.5%			

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 excluding Currency	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	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions
\$ 1,236	\$ 2,459	50.3%	\$ 1,236	\$ 2,459	50.3%	\$ 1,273	\$ 2,506	50.8%	(0.5)	(0.5)					
1,106	2,418	45.7%	1,104	2,411	45.8%	941	2,210	42.6%	3.1	3.2					
1,330	2,865	46.4%	1,330	2,865	46.4%	1,314	2,799	46.9%	(0.5)	(0.5)					
294	909	32.3%	294	909	32.3%	266	847	31.4%	0.9	0.9					
\$ 3,966	\$ 8,651	45.8%	\$ 3,964	\$ 8,644	45.9%	\$ 3,794	\$ 8,362	45.4%	0.4	0.5					

(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 September 30,
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Reported Diluted EPS	\$ 1.32	\$ 1.35	(2.2)%
Adjustments:			
Asset impairment and exit costs	0.01	0.02	
Tax items	<u>0.05</u>	<u>-</u>	
Adjusted Diluted EPS	\$ 1.38	\$ 1.37	0.7%
Less:			
Currency impact	<u>(0.07)</u>	<u>-</u>	
Adjusted Diluted EPS, excluding Currency	<u>\$ 1.45</u>	<u>\$ 1.37</u>	5.8%

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 September 30,
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Reported Diluted EPS	\$ 1.32	\$ 1.35	(2.2)%
Less:			
Currency impact	<u>(0.07)</u>		
Reported Diluted EPS, excluding Currency	<u>\$ 1.39</u>	<u>\$ 1.35</u>	3.0%

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 Nine Months Ended September 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			
\$ 20,654	\$ 14,191	\$ 6,463	\$ (583)	\$ 7,046	\$ -	\$ 7,046	European Union	\$ 22,650	\$ 15,646	\$ 7,004	(7.7)%	0.6%	0.6%			
14,256	8,063	6,193	(411)	6,604	27	6,577	EEMA	13,195	7,286	5,909	4.8%	11.8%	11.3%			
15,668	7,275	8,393	(59)	8,452	1	8,451	Asia	14,577	6,519	8,058	4.2%	4.9%	4.9%			
7,073	4,634	2,439	(172)	2,611	-	2,611	Latin America & Canada	7,048	4,593	2,455	(0.7)%	6.4%	6.4%			
\$ 57,651	\$ 34,163	\$ 23,488	\$ (1,225)	\$ 24,713	\$ 28	\$ 24,685	PMI Total	\$ 57,470	\$ 34,044	\$ 23,426	0.3%	5.5%	5.4%			

2012							2011							% Change in Reported Operating Companies Income		
Reported Operating Companies Income			Less Currency	Reported Operating Companies Income excluding Currency	Less Acquisi- tions	Reported Operating Companies Income excluding Currency & Acquisitions		Reported Operating Companies Income		Reported Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions			
\$ 3,232			\$ (306)	\$ 3,538	\$ -	\$ 3,538	European Union	\$ 3,548			(8.9)%	(0.3)%	(0.3)%			
2,805			(183)	2,988	4	2,984	EEMA	2,482			13.0%	20.4%	20.2%			
4,068			47	4,021	-	4,021	Asia	3,800			7.1%	5.8%	5.8%			
753			(59)	812	-	812	Latin America & Canada	774			(2.7)%	4.9%	4.9%			
\$ 10,858			\$ (501)	\$ 11,359	\$ 4	\$ 11,355	PMI Total	\$ 10,604			2.4%	7.1%	7.1%			

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 Nine Months Ended September 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	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions			
\$ 3,232	\$ -	\$ 3,232	\$ (306)	\$ 3,538	\$ -	\$ 3,538	European Union	\$ 3,548	\$ (23)	\$ 3,571	(9.5)%	(0.9)%	(0.9)%			
2,805	-	2,805	(183)	2,988	4	2,984	EEMA	2,482	(18)	2,500	12.2%	19.5%	19.4%			
4,068	(24)	4,092	47	4,045	-	4,045	Asia	3,800	(7)	3,807	7.5%	6.3%	6.3%			
753	(26)	779	(59)	838	-	838	Latin America & Canada	774	(12)	786	(0.9)%	6.6%	6.6%			
\$ 10,858	\$ (50)	\$ 10,908	\$ (501)	\$ 11,409	\$ 4	\$ 11,405	PMI Total	\$ 10,604	\$ (60)	\$ 10,664	2.3%	7.0%	6.9%			

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 excluding Currency	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	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions
\$ 3,538	\$ 7,046	50.2%	\$ 3,538	\$ 7,046	50.2%	\$ 3,571	\$ 7,004	51.0%		(0.8)	(0.8)				
2,988	6,604	45.2%	2,984	6,577	45.4%	2,500	5,909	42.3%		2.9	3.1				
4,045	8,452	47.9%	4,045	8,451	47.9%	3,807	8,058	47.2%		0.7	0.7				
838	2,611	32.1%	838	2,611	32.1%	786	2,455	32.0%		0.1	0.1				
\$ 11,409	\$ 24,713	46.2%	\$ 11,405	\$ 24,685	46.2%	\$ 10,664	\$ 23,426	45.5%		0.7	0.7				

(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 Nine Months Ended September 30,
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Reported Diluted EPS	\$ 3.92	\$ 3.76	4.3%
Adjustments:			
Asset impairment and exit costs	0.02	0.03	
Tax items	<u>0.05</u>	<u>(0.02)</u>	
Adjusted Diluted EPS	\$ 3.99	\$ 3.77	5.8%
Less:			
Currency impact	<u>(0.19)</u>		
Adjusted Diluted EPS, excluding Currency	<u>\$ 4.18</u>	<u>\$ 3.77</u>	10.9%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Reported Diluted EPS	\$ 3.92	\$ 3.76	4.3%
Less:			
Currency impact	<u>(0.19)</u>	<u></u>	
Reported Diluted EPS, excluding Currency	<u>\$ 4.11</u>	<u>\$ 3.76</u>	9.3%

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)

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

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 Nine Months Ended September 30,
(\$ in millions)
(Unaudited)

	For the Quarters Ended September 30,			For the Nine Months Ended September 30,		
	2012	2011	% Change	2012	2011	% Change
Net cash provided by operating activities^(a)	\$ 2,393	\$ 3,053	(21.6)%	\$ 7,771	\$ 9,568	(18.8)%
Less:						
Capital expenditures	243	223		719	568	
Free cash flow	\$ 2,150	\$ 2,830	(24.0)%	\$ 7,052	\$ 9,000	(21.6)%
Less:						
Currency impact	169			(270)		
Free cash flow, excluding currency	\$ 1,981	\$ 2,830	(30.0)%	\$ 7,322	\$ 9,000	(18.6)%

(a) Operating Cash Flow

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)

2011								2010				% 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	
\$ 8,155	\$ 5,649	\$ 2,506	\$ 321	\$ 2,185	\$ -	\$ 2,185	European Union	\$ 7,045	\$ 4,906	\$ 2,139	17.2%	2.2%	2.2%	
4,921	2,711	2,210	89	2,121	13	2,108	EEMA	4,184	2,288	1,896	16.6%	11.9%	11.2%	
5,143	2,344	2,799	248	2,551	2	2,549	Asia	3,629	1,796	1,833	52.7%	39.2%	39.1%	
2,487	1,640	847	39	808	-	808	Latin America & Canada	2,078	1,332	746	13.5%	8.3%	8.3%	
\$ 20,706	\$ 12,344	\$ 8,362	\$ 697	\$ 7,665	\$ 15	\$ 7,650	PMI Total	\$ 16,936	\$ 10,322	\$ 6,614	26.4%	15.9%	15.7%	

2011					2010					% 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			
\$ 1,262	\$ 105	\$ 1,157	\$ -	\$ 1,157	European Union	\$ 1,113	13.4%	4.0%	4.0%			
925	(32)	957	(13)	970	EEMA	856	8.1%	11.8%	13.3%			
1,309	104	1,205	2	1,203	Asia	690	89.7%	74.6%	74.3%			
255	-	255	-	255	Latin America & Canada	244	4.5%	4.5%	4.5%			
\$ 3,751	\$ 177	\$ 3,574	\$ (11)	\$ 3,585	PMI Total	\$ 2,903	29.2%	23.1%	23.5%			

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 Quarters Ended September 30,
(\$ in millions)
(Unaudited)

2011							2010							% 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	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions		
\$ 1,262	\$ (11)	\$ 1,273	\$ 105	\$ 1,168	\$ -	\$ 1,168	European Union	\$ 1,113	\$ (20)	\$ 1,133		12.4%	3.1%	3.1%		
925	(16)	941	(32)	973	(1)	974	EEMA	856	-	856		9.9%	13.7%	13.8%		
1,309	(5)	1,314	104	1,210	2	1,208	Asia	690	-	690		90.4%	75.4%	75.1%		
255	(11)	266	-	266	-	266	Latin America & Canada	244	-	244		9.0%	9.0%	9.0%		
\$ 3,751	\$ (43)	\$ 3,794	\$ 177	\$ 3,617	\$ 1	\$ 3,616	PMI Total	\$ 2,903	\$ (20)	\$ 2,923		29.8%	23.7%	23.7%		

2011							2010							% 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				
\$ 1,168	\$ 2,185	53.5%	\$ 1,168	\$ 2,185	53.5%	European Union	\$ 1,133	\$ 2,139	53.0%		0.5	0.5				
973	2,121	45.9%	974	2,108	46.2%	EEMA	856	1,896	45.1%		0.8	1.1				
1,210	2,551	47.4%	1,208	2,549	47.4%	Asia	690	1,833	37.6%		9.8	9.8				
266	808	32.9%	266	808	32.9%	Latin America & Canada	244	746	32.7%		0.2	0.2				
\$ 3,617	\$ 7,665	47.2%	\$ 3,616	\$ 7,650	47.3%	PMI Total	\$ 2,923	\$ 6,614	44.2%		3.0	3.1				

(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 September 30,
(Unaudited)

	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Reported Diluted EPS	\$ 1.35	\$ 0.99	36.4%
Adjustments:			
Asset impairment and exit costs	0.02	0.01	
Tax items	-	-	
Adjusted Diluted EPS	\$ 1.37	\$ 1.00	37.0%
Less:			
Currency impact	0.04		
Adjusted Diluted EPS, excluding Currency	\$ 1.33	\$ 1.00	33.0%



PHILIP MORRIS INTERNATIONAL

2012 Third-Quarter Results

October 18, 2012