



# PHILIP MORRIS INTERNATIONAL

**2009 Third-Quarter Results  
22 October 2009**

# Introduction

- Unless otherwise stated, we will be talking about results in the third quarter 2009 and comparing them with the same period in 2008
- References to PMI volumes refer to shipment data
- Industry volume and market shares are sourced from A.C. Nielsen, other third party sources and internal estimates
- Organic volume refers to volume excluding acquisitions
- Net revenues exclude excise taxes
- Data tables showing adjustments to revenues and Operating Companies Income (OCI) for currency and acquisitions, adjustments to EPS, and other reconciliations to U.S. GAAP measures are at the end of today's web cast slides and are posted on our web site

## **Forward-Looking and Cautionary Statements**

This presentation and related discussion contain statements that, to the extent they do not relate strictly to historical or current facts, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current plans, estimates and expectations, and are not guarantees of future performance. They are based on management’s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. PMI undertakes no obligation to publicly update or revise any forward-looking statements, except in the normal course of its public disclosure obligations. The risks and uncertainties relating to the forward-looking statements in this presentation include those described under Item 1A. “Risk Factors” in PMI’s Form 10-K for the year ended December 31, 2008, and Form 10-Q for the quarter ended June 30, 2009, filed with the Securities and Exchange Commission.

# Third-Quarter 2009 Results

|  | <u>Q3, 2009</u> | Growth Q3, 2009 vs. Q3, 2008 |                 |                                    |
|--|-----------------|------------------------------|-----------------|------------------------------------|
|  |                 | <u>Increase / (Decrease)</u> | <u>Currency</u> | <u>Currency &amp; Acquisitions</u> |
| <b>Cigarette Volume (units billion)</b>        | <b>219.3</b>    | <b>(2.9)%</b>                |                 | <b>(4.0)%</b>                      |
| <b>Net Revenues (\$ billion)<sup>(a)</sup></b> | <b>6.6</b>      | <b>(5.3)%</b>                | <b>6.9%</b>     | <b>4.1%</b>                        |
| <b>Adjusted OCI (\$ billion)<sup>(b)</sup></b> | <b>2.9</b>      | <b>(1.5)%</b>                | <b>13.7%</b>    | <b>10.6%</b>                       |
| <b>Adjusted Diluted EPS (\$ / share)</b>       | <b>0.93</b>     | <b>- %</b>                   | <b>18.3%</b>    |                                    |

(a) Excluding excise taxes

(b) Less asset impairment and exit costs

Source: PMI Financials

# 2009 Results

| <b>Mid to Long-Term<br/><u>Growth Targets</u></b> | <b>2009 Growth Rates</b> |                  |                  |                  |        |
|---|--------------------------|------------------|------------------|------------------|--------|
|   | <b><u>YTD Sept</u></b>   | <b><u>Q1</u></b> | <b><u>Q2</u></b> | <b><u>Q3</u></b> |        |
| <b>Cigarette Volume<sup>(a)</sup></b>             | 1 %                      | (2.1)%           | (1.1)%           | (1.1)%           | (4.0)% |

# 2009 Results

|   | <u>Mid to Long-Term<br/>Growth Targets</u> | 2009 Growth Rates |                         |                         |                         |
|---|--|-------------------|-------------------------|-------------------------|-------------------------|
|   |  | <u>YTD Sept</u>   | <u>Q1<sup>(d)</sup></u> | <u>Q2<sup>(d)</sup></u> | <u>Q3<sup>(d)</sup></u> |
| <b>Net Revenues<sup>(a)(b)</sup></b>      | <b>4 – 6 %</b>                             | <b>4.7 %</b>      | <b>3.9 %</b>            | <b>6.1 %</b>            | <b>4.1 %</b>            |
| <b>Adjusted OCI<sup>(b)</sup></b>         | <b>6 – 8 %</b>                             | <b>8.6 %</b>      | <b>5.3 %</b>            | <b>9.5 %</b>            | <b>10.6 %</b>           |
| <b>Adjusted Diluted EPS<sup>(c)</sup></b> | <b>10 – 12 %</b>                           | <b>15.4 %</b>     | <b>11.3 %</b>           | <b>17.2 %</b>           | <b>18.3 %</b>           |

(a) Excluding excise taxes

(b) Excluding currency and acquisitions

(c) Excluding currency

(d) Please see relevant quarterly reconciliation slides, posted on our web site

Source: PMI Financials

## **2009 EPS Guidance**

- **Revised guidance: \$3.20 - \$3.25**
- **Previous guidance: \$3.10 - \$3.20**
- **Revised guidance represents both an increase and a narrowing of the range**
- **Increased guidance reflects both the strength of our underlying business and slightly more favorable exchange rates**

# Pricing

- In 2009, PMI implemented price increases notably in:

| EU      | EEMA         | Asia        | LA & Canada    |
|---------|--------------|-------------|----------------|
| Germany | Romania      | Australia   | Argentina      |
| Italy   | Russia       | Indonesia   | Brazil         |
| Poland  | South Africa | Pakistan    | Canada         |
| Spain   | Turkey       | Philippines | Dominican Rep. |
| UK      | Ukraine      | Thailand    |                |

- Pricing variance was \$590 million in the third quarter of 2009 and \$1.5 billion YTD September 2009

## **Consumer Behavior**

- **Consumer behavior has remained resilient**
- **Consumer downtrading has remained globally manageable though the impact has been substantial in Russia, Spain and Ukraine**
- **Ukraine downturn exacerbated by very significant excise tax increases**
- **Positive trends continue in other emerging markets, such as Argentina, Indonesia and Mexico**
- **Sharp rises in unemployment are key economic indicator**

## **Excise Taxes and VAT**

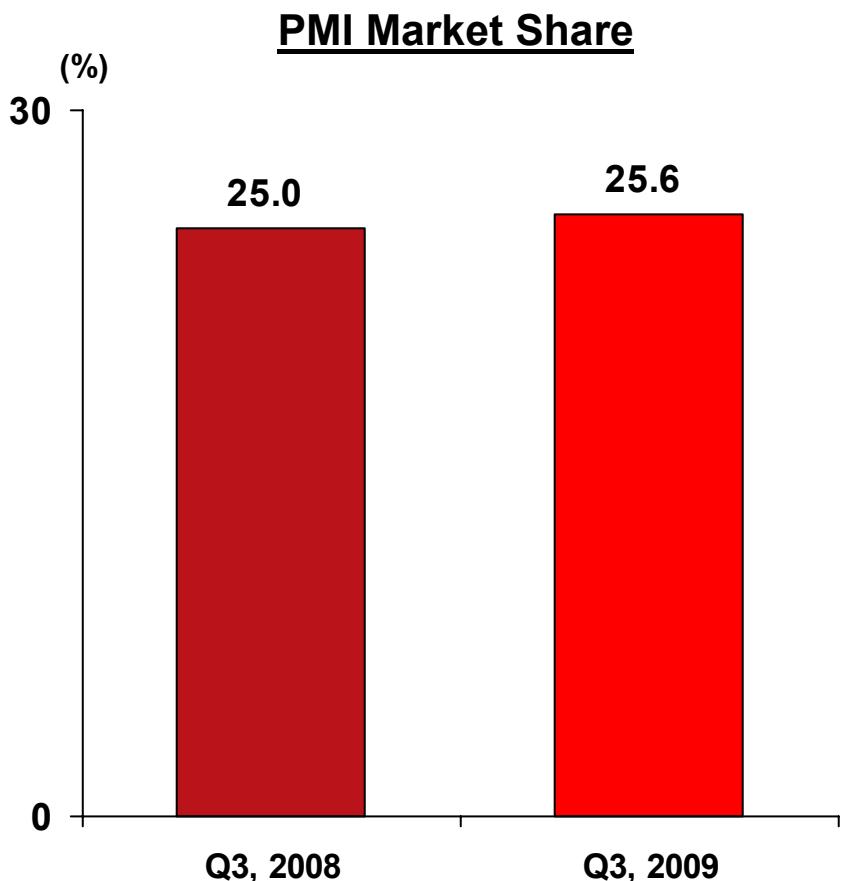
- **Governments treating excise taxes rationally in 2009  
(key exceptions: Brazil and Ukraine)**
- **Rational approach expected to continue in 2010**
- **Although we expect some VAT increases, as well as  
excise tax increases, next year, as governments seek  
to boost revenues, we expect them to remain globally  
manageable**

## Volume Analysis

- **Organic volume decline in Q3, 2009, is not representative of expected full-year performance**
- **Nearly two thirds of Q3, 2009, organic volume decline can be attributed to:**
  - Ukraine: market disruption resulting from massive excise tax driven price increase in May
  - Spain: recession and price increases, exacerbated by weak tourism and the impact of unfavorable distributor inventory movements on PMI shipments
  - Pakistan: trade inventory movements subsequent to the excise tax increase of June 2009

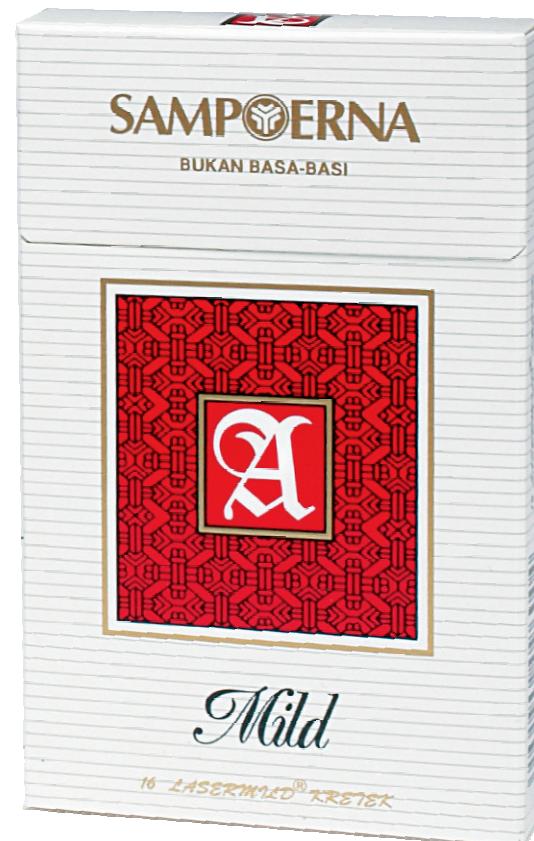
# Russia

- Total market trending down 3-4% in 2009
- PMI shipments in Q3, 2009, decreased by just 0.8%
- PMI market share in Q3, 2009, was up 0.6pp to 25.6%:
  - growth of *Bond Street* in the value and *Optima* in the low price segment
  - resilience of *Parliament*
  - overall strength and range of brand portfolio



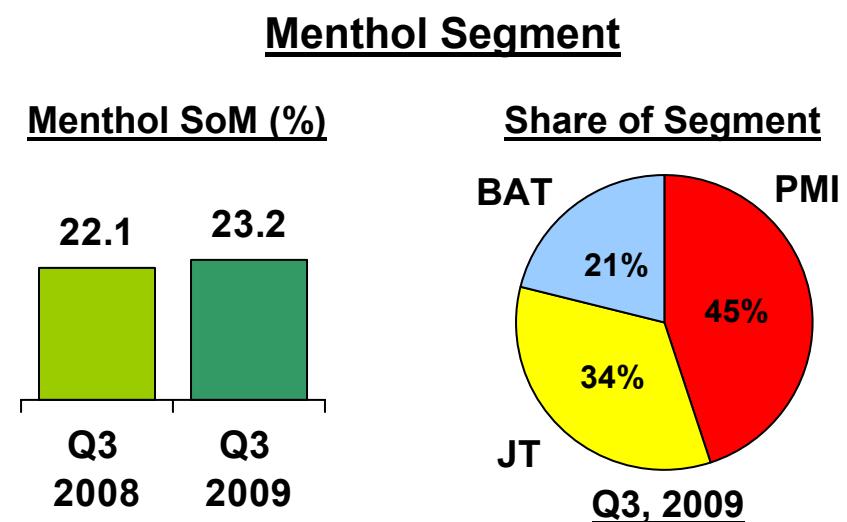
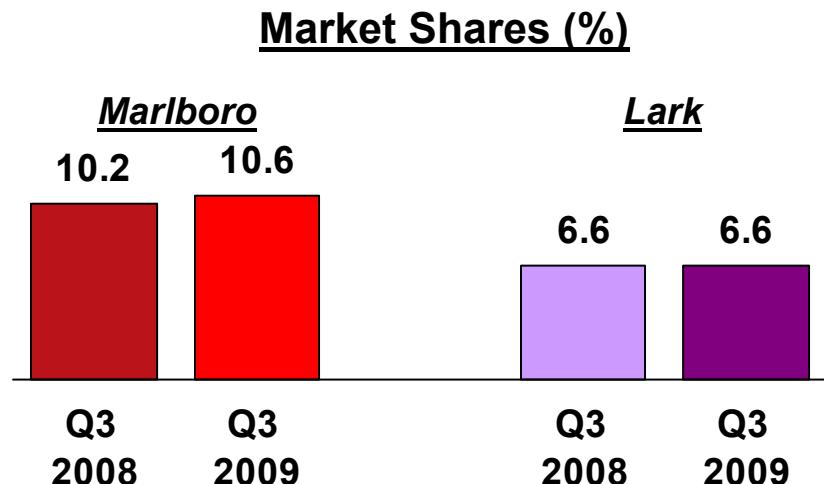
# Indonesia

- Total industry growing by 3-4% in 2009
- Timing of Ramadan resulted in PMI volume decline of 1.1% in Q3, 2009
- A *Mild* continued to gain share, up 0.5 pp to 10.7% in July/Aug 2009
- OCI increased at double-digit rate, excluding currency, in Q3, 2009

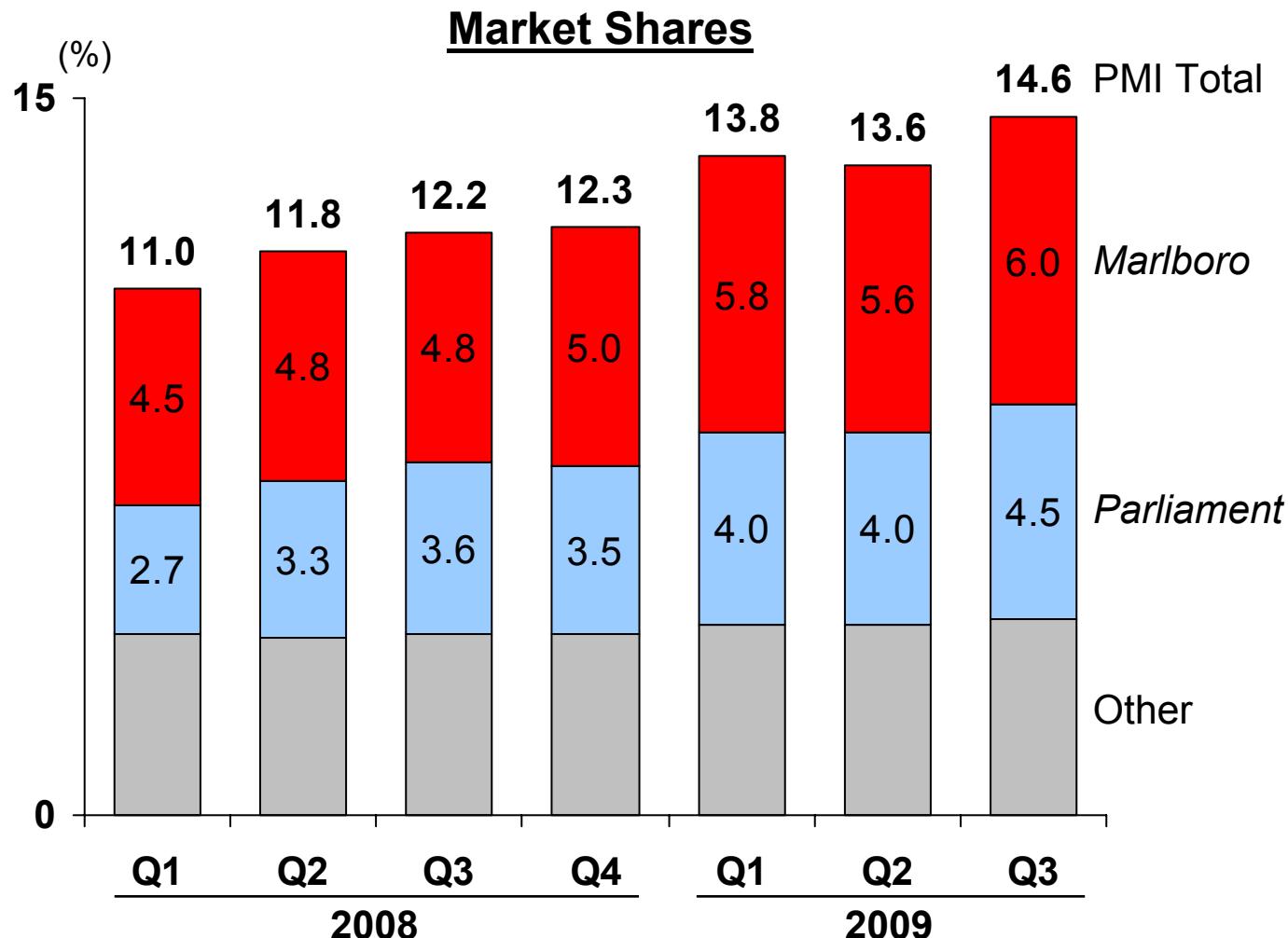


# Japan

- ***Marlboro* growth driven by success of *Marlboro Black Menthol* and *Marlboro Filter Plus***
- **National roll-out of *Lark Mint Splash*, as well as *Lark Classic Milds*, helping to stabilize the brand**
- **Total market down 3.0% in Q3, 2009**
- **No decisions yet on tobacco issues by new Japanese government**



# Korea

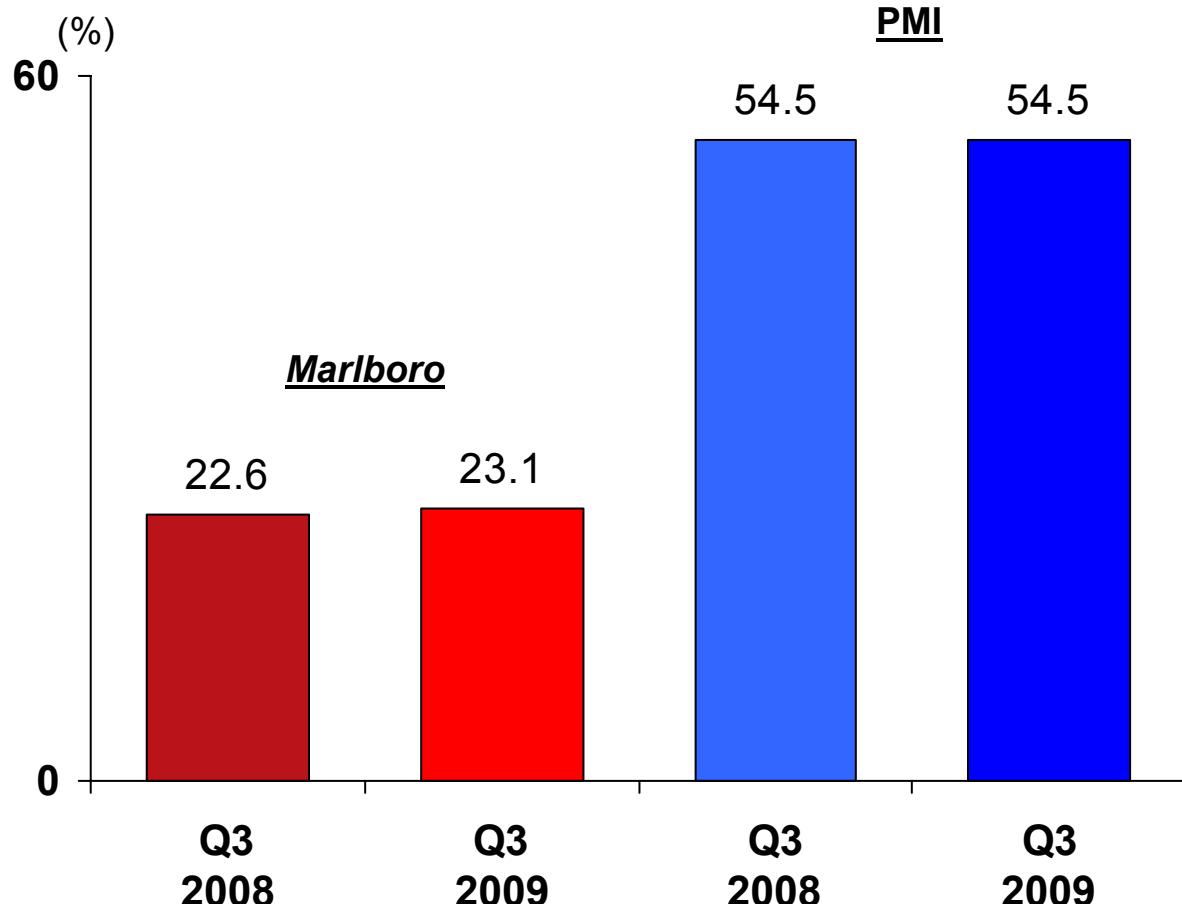


## **European Union Region**

- Improved financial performance with adjusted OCI excluding currency and acquisitions up 5.3% in Q3, 2009
- Key driver is pricing, notably in Germany and Spain
- Adjusted OCI margin excluding currency reached 52.2% in Q3, 2009, up 2.2 pp
- Market share down slightly by 0.2 pp to 38.9%:
  - *Marlboro* share decline in France, Germany and Spain
  - *L&M* share gains in Germany, Poland and Spain
- Roll-out across EU Region of innovations behind *Marlboro* expected to help improve the brand going forward

# Italy

## Market Shares

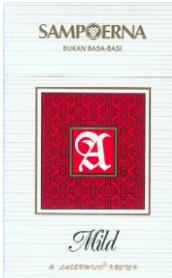
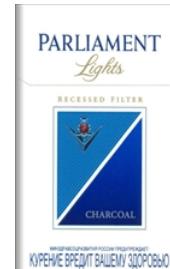


**1.4% market share  
in Q3, 2009**

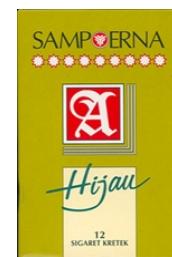
# Brand Portfolio

Premium &  
Above

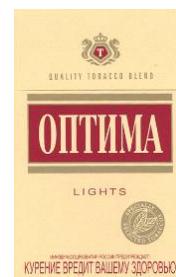
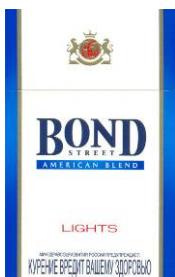
## International



Mid Price



Low Price



# **Marlboro Architecture**

**Red**



**Gold**



**Fresh**



**“Flavor  
enjoyment”**

**Line extensions  
in 34 markets**

**“Smooth taste  
and style”**

**Line extensions  
In 17 markets**

**“Fresh taste  
sensations”**

**Line extensions  
in 33 markets**

## **Red Line: Marlboro Filter / Flavor Plus**

- Tobacco included in filter to enhance flavor
- Innovative sliding pack
- Market shares (July/Aug):
  - Romania 2.4%
  - Kuwait 2.3%
  - Paraguay 1.8%
  - Kazakhstan 1.3%



# *Marlboro Gold*



## **Fresh Line: Marlboro Black Menthol**

- Available at different tar levels
- Refreshing high menthol content
- Attractive pack
- Market shares in Q3, 2009:
  - Hong Kong 3.3%
  - Japan 1.4%
- Launched this year also in Indonesia, Malaysia and Philippines



# *Marlboro Superpremium*



## Cash Flow

- **Free cash flow in the third quarter totaled \$1.7 billion and reached \$5.9 billion year-to-date<sup>(a)</sup>**
- **Excluding the impact of currency on net earnings, free cash flow was 17.0% higher in the quarter and 12.4% higher in 2009 through the end of September**

(a) Free cash flow equals net cash provided by operating activities less capital expenditures. In Q3, 2009, net cash flow provided by operating activities was \$1,846 million and capital expenditures \$160 million. YTD September 2009, net cash flow provided by operating activities was \$6,419 million and capital expenditures \$483 million

## Shareholder Returns

- **Quarterly dividend increased in September by 7.4% to \$0.58 per share**
- **A further \$1.5 billion in share repurchases in Q3, 2009**
- **This year so far, \$7.4 billion returned to shareholders through dividends and share repurchases**
- **Since March 2008 spin-off, \$15.0 billion returned to shareholders, representing more than 15% of our current market capitalization**

## **Conclusions**

- **Financial strength is a key component of our success**
- **Excellent business momentum**
- **Consistently delivering against our constant currency financial targets**
- **Higher pricing, good business performance in most key markets and cost savings driving our profitability growth**
- **Increased 2009 EPS guidance of \$3.20 - \$3.25, representing a currency neutral growth rate of 12% - 14%**



# PHILIP MORRIS INTERNATIONAL

## Questions & Answers

# Philip Morris International

## PHILIP MORRIS INTERNATIONAL INC.

and Subsidiaries

### Reconciliation of Non-GAAP Measures

#### Adjustments for the Impact of Currency and Acquisitions For the Quarters Ended September 30,

(in millions)

(Unaudited)

2009

2008

% Change in Reported Net Revenues  
excluding Excise Taxes

| Reported Net Revenues | Less Excise Taxes | Reported Net Revenues excluding Excise Taxes |                 | Reported Net Revenues excluding Excise Taxes & Currency |               | Less Acquisitions | 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 |
|-----------------------|-------------------|--|-----------------|---|---------------|-------------------|---|-----------------------|-------------------|--|---------------|-------------|-----------------------------|--|
|                       |                   | 2009   | 2008            | 2009  | 2008          |                   |   |                       |                   | 2009   | 2008          |             |                             |  |
| \$ 7,783              | \$ 5,375          | \$ 2,408                                     | \$ (304)        | \$ 2,712  | \$ 12         | \$ 2,700          | European Union  | \$ 8,451              | \$ 5,780          | \$ 2,671                                     | (9.8)%        | 1.5%        | 1.1%                        |  |
| 3,722                 | 1,892             | 1,830  | (425)           | 2,255   | 4             | 2,251             | EEMA  | 4,163                 | 2,054             | 2,109  | (13.2)%       | 6.9%        | 6.7%                        |  |
| 3,170                 | 1,519             | 1,651  | (7)             | 1,658   | -             | 1,658             | Asia  | 3,188                 | 1,578             | 1,610  | 2.5 %         | 3.0%        | 3.0%                        |  |
| 1,898                 | 1,200             | 698  | (110)           | 808   | 180           | 628               | Latin America & Canada  | 1,563                 | 1,000             | 563  | 24.0 %        | 43.5%       | 11.5%                       |  |
| <b>\$ 16,573</b>      | <b>\$ 9,986</b>   | <b>\$ 6,587</b>                              | <b>\$ (846)</b> | <b>\$ 7,433</b>   | <b>\$ 196</b> | <b>\$ 7,237</b>   | <b>PMI Total</b>  | <b>\$ 17,365</b>      | <b>\$ 10,412</b>  | <b>\$ 6,953</b>                              | <b>(5.3)%</b> | <b>6.9%</b> | <b>4.1%</b>                 |  |

2009

2008

% Change in Reported Operating Companies Income

| Reported Operating Companies Income | Reported Operating Companies |                 |              |                 | Reported Operating Companies Income | Reported        | Reported      | Reported     |              |
|-------------------------------------|------------------------------|-----------------|--------------|-----------------|-------------------------------------|-----------------|---------------|--------------|--------------|
|                                     | Less                         | Operating       | Companies    | Income          |                                     |                 |               |              |              |
|                                     | Currency                     | Income          | excluding    | Acquisi-        | Companies                           | Companies       | excluding     | excluding    | excluding    |
| \$ 1,267                            | \$ (147)                     | \$ 1,414        | \$ 9         | \$ 1,405        | European Union                      | \$ 1,325        | (4.4)%        | 6.7%         | 6.0%         |
| 761                                 | (290)                        | 1,051           | 5            | 1,046           | EEMA                                | 946             | (19.6)%       | 11.1%        | 10.6%        |
| 653                                 | 44                           | 609             | -            | 609             | Asia                                | 558             | 17.0 %        | 9.1%         | 9.1%         |
| 226                                 | (56)                         | 282             | 77           | 205             | Latin America & Canada              | 110             | 100+%         | 100+%        | 86.4%        |
| <b>\$ 2,907</b>                     | <b>\$ (449)</b>              | <b>\$ 3,356</b> | <b>\$ 91</b> | <b>\$ 3,265</b> | <b>PMI Total</b>                    | <b>\$ 2,939</b> | <b>(1.1)%</b> | <b>14.2%</b> | <b>11.1%</b> |

# Philip Morris International

## PHILIP MORRIS INTERNATIONAL INC.

### and Subsidiaries

### Reconciliation of Non-GAAP Measures

### Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income & Reconciliation of Adjusted Operating Companies Income Margin Excluding Currency For the Quarters Ended September 30,

(in millions)

(Unaudited)

| 2009                                |                                    |                                     |                 |  |                   |   | 2008                                |                                    |                                     |                 |                             |  |              |
|-------------------------------------|------------------------------------|-------------------------------------|-----------------|--|-------------------|---|-------------------------------------|------------------------------------|-------------------------------------|-----------------|-----------------------------|--|--------------|
| 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 |              |
| \$ 1,267                            | \$ (1)                             | \$ 1,268                            | \$ (147)        | \$ 1,415   | \$ 9              | \$ 1,406  | European Union                      | \$ 1,325                           | \$ (10)                             | \$ 1,335        | (5.0)%                      | 6.0%                                       | 5.3%         |
| 761                                 | -                                  | 761                                 | (290)           | 1,051  | 5                 | 1,046   | EEMA                                | 946                                | -                                   | 946             | (19.6)%                     | 11.1%                                      | 10.6%        |
| 653                                 | -                                  | 653                                 | 44              | 609  | -                 | 609   | Asia                                | 558                                | -                                   | 558             | 17.0 %                      | 9.1%                                       | 9.1%         |
| 226                                 | -                                  | 226                                 | (56)            | 282  | 77                | 205   | Latin America & Canada              | 110                                | (3)                                 | 113             | 100.0 %                     | 100+%                                      | 81.4%        |
| <b>\$ 2,907</b>                     | <b>\$ (1)</b>                      | <b>\$ 2,908</b>                     | <b>\$ (449)</b> | <b>\$ 3,357</b>  | <b>\$ 91</b>      | <b>\$ 3,266</b>   | <b>PMI Total</b>                    | <b>\$ 2,939</b>                    | <b>\$ (13)</b>                      | <b>\$ 2,952</b> | <b>(1.5)%</b>               | <b>13.7%</b>                               | <b>10.6%</b> |

| 2009   |   |   |                                     |  | 2008                                       |   |                                     |  |  | % Points Change   |               |  |
|--|---|---|-------------------------------------|--|--|---|-------------------------------------|--|--|---|---------------|--|
| Adjusted Operating Companies Income excluding Currency | Net Revenues excluding Excise Taxes & Currency <sup>(1)</sup> | Adjusted Operating Companies Income Margin excluding Currency | Adjusted Operating Companies Income | Net Revenues excluding Excise Taxes <sup>(1)</sup> | Adjusted Operating Companies Income Margin | Adjusted Operating Companies Income Margin excluding Currency | Adjusted Operating Companies Income | Net Revenues excluding Excise Taxes <sup>(1)</sup> | Adjusted Operating Companies Income Margin | Adjusted Operating Companies Income Margin excluding Currency |               |  |
| \$ 1,415   | \$ 2,712  | 52.2%   | European Union                      | \$ 1,335   | \$ 2,671                                   | 50.0%   |                                     |  |  |   | 2.2 pp        |  |
| 1,051  | 2,255   | 46.6%   | EEMA                                | 946  | 2,109                                      | 44.9%   |                                     |  |  |   | 1.7 pp        |  |
| 609  | 1,658   | 36.7%   | Asia                                | 558  | 1,610                                      | 34.7%   |                                     |  |  |   | 2.0 pp        |  |
| 282  | 808   | 34.9%   | Latin America & Canada              | 113  | 563  | 20.1%   |                                     |  |  |   | 14.8 pp       |  |
| <b>\$ 3,357</b>  | <b>\$ 7,433</b>   | <b>45.2%</b>  | <b>PMI Total</b>                    | <b>\$ 2,952</b>                                    | <b>\$ 6,953</b>                            | <b>42.5%</b>  |                                     |  |  |   | <b>2.7</b> pp |  |

<sup>(1)</sup> For the calculation of net revenues excluding excise taxes and currency, refer to slide 28

# **Philip Morris International**

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## **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)

|   | <b>2009</b>    | <b>2008</b>    | <b>% Change</b> |
|---|----------------|----------------|-----------------|
| <b>Reported Diluted EPS</b>                     | \$ 0.93        | \$ 1.01        | (7.9)%          |
| Less:   |                |                |                 |
| Asset impairment and exit costs                 | -              | -              |                 |
| Tax items                                       | <u>-</u>       | <u>0.08</u>    |                 |
| <b>Adjusted Diluted EPS</b>                     | \$ 0.93        | \$ 0.93        | -               |
| Less:   |                |                |                 |
| Currency Impact                                 | <u>(0.17)</u>  | <u></u>        |                 |
| <b>Adjusted Diluted EPS, Excluding Currency</b> | <u>\$ 1.10</u> | <u>\$ 0.93</u> | 18.3 %          |

# ***Philip Morris International***

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**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)**

|   | <b>2009</b>    | <b>2008</b>       | <b>% Change</b>   |
|---|----------------|-------------------|-------------------|
| <b>Reported Diluted EPS</b>                     | \$ 0.93        | \$ 1.01           | (7.9)%            |
| Less:   |                |                   |                   |
| Currency Impact                                 | <u>(0.17)</u>  | <u>          </u> | <u>          </u> |
| <b>Reported Diluted EPS, Excluding Currency</b> | <u>\$ 1.10</u> | <u>\$ 1.01</u>    | 8.9 %             |

# Philip Morris International

**PHILIP MORRIS INTERNATIONAL INC.**  
**and Subsidiaries**  
**Reconciliation of Non-GAAP Measures**  
**Adjustments for the Impact of Currency and Acquisitions**  
**For the Nine Months Ended September 30,**

(in millions)

(Unaudited)

2008<sup>(1)</sup>

% Change in Reported Net Revenues  
excluding Excise Taxes

2009

| Reported Net Revenues | Less Excise Taxes | Reported Net Revenues excluding Excise Taxes |                   | Less Currency    | Reported Net Revenues excluding Excise Taxes & Currency |                  | Less Acquisitions | Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions |                   | Reported Net Revenues  | Less Excise Taxes | Reported Net Revenues excluding Excise Taxes | Reported         | Reported Net Revenues excluding Excise Taxes | % Change in Reported Net Revenues excluding Excise Taxes |             |
|-----------------------|-------------------|--|-------------------|------------------|---|------------------|-------------------|---|-------------------|------------------------|-------------------|--|------------------|--|--|-------------|
|                       |                   | Reported Net Revenues                        | Less Excise Taxes |                  | Reported Net Revenues                                   | Less Currency    |                   | Reported Net Revenues   | Less Excise Taxes |                        |                   |  |                  |  |  |             |
| \$ 20,988             | \$ 14,313         | \$ 6,675                                     | \$ (1,008)        | \$ 7,683         | \$ 50   | \$ 7,633         |                   |   |                   | European Union         | \$ 23,427         | \$ 15,866                                    | \$ 7,561         | (11.7)%                                      | 1.6%   | 1.0%        |
| 9,953                 | 5,031             | 4,922  | (1,198)           | 6,120            | 7   | 6,113            |                   |   |                   | EEMA                   | 11,248            | 5,544  | 5,704            | (13.7)%                                      | 7.3%   | 7.2%        |
| 8,974                 | 4,160             | 4,814  | (195)             | 5,009            | -   | 5,009            |                   |   |                   | Asia                   | 9,334             | 4,617  | 4,717            | 2.1 %  | 6.2%   | 6.2%        |
| 5,157                 | 3,250             | 1,907  | (308)             | 2,215            | 462   | 1,753            |                   |   |                   | Latin America & Canada | 4,413             | 2,812  | 1,601            | 19.1 %                                       | 38.4%  | 9.5%        |
| <b>\$ 45,072</b>      | <b>\$ 26,754</b>  | <b>\$ 18,318</b>                             | <b>\$ (2,709)</b> | <b>\$ 21,027</b> | <b>\$ 519</b>   | <b>\$ 20,508</b> |                   |   |                   | <b>PMI Total</b>       | <b>\$ 48,422</b>  | <b>\$ 28,839</b>                             | <b>\$ 19,583</b> | <b>(6.5)%</b>                                | <b>7.4%</b>  | <b>4.7%</b> |

2009

| Reported Operating Companies Income | Less Currency     | Reported Operating Companies Income |               | Less Acquisitions | Reported Operating Companies Income |                   | Reported Operating Companies Income | Reported | Reported Operating Companies Income | Reported | Reported Operating Companies Income | Reported | Reported                            | Reported     | Reported                            |  |
|-------------------------------------|-------------------|-------------------------------------|---------------|-------------------|-------------------------------------|-------------------|-------------------------------------|----------|-------------------------------------|----------|-------------------------------------|----------|-------------------------------------|--------------|-------------------------------------|--|
|                                     |                   | Reported Operating Companies Income | Less Currency |                   | Reported Operating Companies Income | Less Acquisitions | Reported Operating Companies Income |              | Reported Operating Companies Income |  |
| \$ 3,397                            | \$ (572)          | \$ 3,969                            | \$ 36         | \$ 3,933          |                                     |                   | European Union                      |          |                                     |          | \$ 3,779                            |          | (10.1)%                             | 5.0%         | 4.1%                                |  |
| 1,982                               | (758)             | 2,740                               | 7             | 2,733             |                                     |                   | EEMA                                |          |                                     |          | 2,439                               |          | (18.7)%                             | 12.3%        | 12.1%                               |  |
| 1,933                               | 67                | 1,866                               | -             | 1,866             |                                     |                   | Asia                                |          |                                     |          | 1,631                               |          | 18.5 %                              | 14.4%        | 14.4%                               |  |
| 452                                 | (138)             | 590                                 | 202           | 388               |                                     |                   | Latin America & Canada              |          |                                     |          | 282                                 |          | 60.3 %                              | 100+%        | 37.6%                               |  |
| <b>\$ 7,764</b>                     | <b>\$ (1,401)</b> | <b>\$ 9,165</b>                     | <b>\$ 245</b> | <b>\$ 8,920</b>   |                                     |                   | <b>PMI Total</b>                    |          |                                     |          | <b>\$ 8,131</b>                     |          | <b>(4.5)%</b>                       | <b>12.7%</b> | <b>9.7%</b>                         |  |

<sup>(1)</sup> As discussed in Note 1. Background and Basis of Presentation of our 2008 consolidated financial statements which appears in our Annual Report on Form 10-K, prior to 2008, certain of our subsidiaries reported their results up to ten days before the end of December, rather than on December 31. During 2008, these subsidiaries moved to a December 31 closing date. As a result, certain amounts in the first quarter of 2008 were revised to reflect this change.

# ***Philip Morris International***

**PHILIP MORRIS INTERNATIONAL INC.  
and Subsidiaries  
Reconciliation of Non-GAAP Measures**

**Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &  
Reconciliation of Adjusted Operating Companies Income Margin Excluding Currency  
For the Nine Months Ended September 30,**

## **For the Nine Months Ended September 30,**

(in millions)

(Unaudited)

| 2009                                |   |                                     |                   |                   |                              |                                     |                              |                   |                              | (Unaudited)                         |   |                                     |                              | 2008 <sup>(1)</sup> |                              |  |  | % Change in Adjusted Operating Companies Income |  |  |
|-------------------------------------|---|-------------------------------------|-------------------|-------------------|------------------------------|-------------------------------------|------------------------------|-------------------|------------------------------|-------------------------------------|---|-------------------------------------|------------------------------|---------------------|------------------------------|--|--|---|--|--|
| Reported Operating Companies Income | Less Asset Impairment/ Exit Costs and Other | Adjusted Operating Companies Income |                   |                   |                              | Adjusted Operating Companies Income |                              |                   |                              | Reported Operating Companies Income | Less Asset Impairment/ Exit Costs and Other | Adjusted Operating Companies Income |                              |                     |                              | Adjusted excluding Currency & Acquisitions | Adjusted excluding Currency & Acquisitions |   |  |  |
|                                     |   | Less Currency                       | Less Currency     | Less Acquisitions | Less Currency & Acquisitions | Less Acquisitions                   | Less Currency & Acquisitions | Less Acquisitions | Less Currency & Acquisitions |                                     |   | Less Acquisitions                   | Less Currency & Acquisitions | Less Acquisitions   | Less Currency & Acquisitions |  |  |   |  |  |
| \$ 3,397                            | \$ (3)                                      | \$ 3,400                            | \$ (572)          | \$ 3,972          | \$ 36                        | \$ 3,936                            |                              |                   |                              | European Union                      | \$ 3,779                                    | \$ (66)                             | \$ 3,845                     | (11.6)%             | 3.3%                         | 2.4%                                       |  |   |  |  |
| 1,982                               | -   | 1,982                               | (758)             | 2,740             | 7                            | 2,733                               |                              |                   |                              | EEMA                                | 2,439                                       | (1)                                 | 2,440                        | (18.8)%             | 12.3%                        | 12.0%                                      |  |   |  |  |
| 1,933                               | -   | 1,933                               | 67                | 1,866             | -                            | 1,866                               |                              |                   |                              | Asia                                | 1,631                                       | (14)                                | 1,645                        | 17.5 %              | 13.4%                        | 13.4%                                      |  |   |  |  |
| 452                                 | (135) <sup>(2)</sup>                        | 587                                 | (138)             | 725               | 202                          | 523                                 | Latin America & Canada       |                   |                              |                                     | 282   | (127) <sup>(3)</sup>                | 409                          | 43.5 %              | 77.3%                        | 27.9%                                      |  |   |  |  |
| <b>\$ 7,764</b>                     | <b>\$ (138)</b>                             | <b>\$ 7,902</b>                     | <b>\$ (1,401)</b> | <b>\$ 9,303</b>   | <b>\$ 245</b>                | <b>\$ 9,058</b>                     | <b>PMI Total</b>             |                   |                              |                                     | <b>\$ 8,131</b>                             | <b>\$ (208)</b>                     | <b>\$ 8,339</b>              | <b>(5.2)%</b>       | <b>11.6%</b>                 | <b>8.6%</b>                                |  |   |  |  |

| 2009   |   |                                     |                        |        |                    |                                     |  |                                     |                        | 2008  |  |  |  | % Points Change   |  |  |
|--|---|-------------------------------------|------------------------|--------|--------------------|-------------------------------------|--|-------------------------------------|------------------------|---|--|--|--|---|--|--|
| Adjusted Operating Companies Income excluding Currency | Net Revenues excluding Excise Taxes & Currency <sup>(4)</sup> | Adjusted Operating Companies Income |                        |        |                    | Adjusted Operating Companies Income | Net Revenues excluding Excise Taxes <sup>(4)</sup> | Adjusted Operating Companies Income |                        | Adjusted Operating Companies Income Margin excluding Currency |  |  |  | Adjusted Operating Companies Income Margin excluding Currency |  |  |
|  |   | excluding Currency                  | excluding Excise Taxes | Margin | excluding Currency |                                     |  | excluding Currency                  | excluding Excise Taxes |   |  |  |  |   |  |  |
| \$ 3,972   | \$ 7,683  | 51.7%                               |                        |        |                    | European Union                      | \$ 3,845   | \$ 7,561                            | 50.9%                  |   |  |  |  | 0.8 pp  |  |  |
| 2,740  | 6,120   | 44.8%                               |                        |        |                    | EEMA                                | 2,440  | 5,704                               | 42.8%                  |   |  |  |  | 2.0 pp  |  |  |
| 1,866  | 5,009   | 37.3%                               |                        |        |                    | Asia                                | 1,645  | 4,717                               | 34.9%                  |   |  |  |  | 2.4 pp  |  |  |
| 725  | 2,215   | 32.7%                               | Latin America & Canada |        |                    |                                     | 409  | 1,601                               | 25.5%                  |   |  |  |  | 7.2 pp  |  |  |
| <b>\$ 9,303</b>  | <b>\$ 21,027</b>  | <b>44.2%</b>                        |                        |        |                    | <b>PMI Total</b>                    | <b>\$ 8,339</b>                                    | <b>\$ 19,583</b>                    | <b>42.6%</b>           |   |  |  |  | <b>1.6 pp</b>   |  |  |

(1) As discussed in Note 1. Background and Basis of Presentation of our 2008 consolidated financial statements which appears in our Annual Report on Form 10-K, prior to 2008, certain of our subsidiaries reported their results up to ten days before the end of December, rather than on December 31. During 2008, these subsidiaries moved to a December 31 closing date. As a result, certain amounts in the first quarter of 2008 were revised to reflect this change.

<sup>(2)</sup> Represents 2009 Colombian investment and cooperation agreement charge.

(3) Represents 2008 equity loss from RBH legal settlement (\$124 million) and asset impairment and exit costs (\$3 million).

(4) For the calculation of net revenues excluding excise taxes and currency, refer to slide 32

# **Philip Morris International**

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## **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)**

|   | <b>2009</b>           | <b>2008</b>           | <b>% Change</b> |
|---|-----------------------|-----------------------|-----------------|
| <b>Reported Diluted EPS</b>                           | \$ 2.44               | \$ 2.60               | (6.2)%          |
| Less:   |                       |                       |                 |
| Colombian investment and cooperation agreement charge | (0.04)                | -                     |                 |
| Asset impairment and exit costs                       | -                     | (0.02)                |                 |
| Equity loss from RBH legal settlement                 | -                     | (0.06)                |                 |
| Tax items   | <u>-</u>              | <u>0.08</u>           |                 |
| <b>Adjusted Diluted EPS</b>                           | <b>\$ 2.48</b>        | <b>\$ 2.60</b>        | <b>(4.6)%</b>   |
| Less:   |                       |                       |                 |
| Currency Impact                                       | <u>(0.52)</u>         | <u></u>               |                 |
| <b>Adjusted Diluted EPS, Excluding Currency</b>       | <b><u>\$ 3.00</u></b> | <b><u>\$ 2.60</u></b> | <b>15.4 %</b>   |

# ***Philip Morris International***

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**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>2009</u>    | <u>2008</u>    | <u>% Change</u> |
|---|----------------|----------------|-----------------|
| <b>Reported Diluted EPS</b>                     | \$ 2.44        | \$ 2.60        | (6.2)%          |
| Less:   |                |                |                 |
| Currency Impact                                 | <u>(0.52)</u>  | <u></u>        | <u></u>         |
| <b>Reported Diluted EPS, Excluding Currency</b> | <b>\$ 2.96</b> | <b>\$ 2.60</b> | <b>13.8 %</b>   |

# Philip Morris International

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**PHILIP MORRIS INTERNATIONAL INC.**  
**and Subsidiaries**  
**Reconciliation of Non-GAAP Measures**

**Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow & Free Cash Flow, excluding Currency**

**For the Quarters and Nine Months Ended September 30,**

(in millions)

(Unaudited)

|  | For the Quarters Ended<br>September 30, |                 |  | % Change | For the Nine Months Ended<br>September 30, |                 |  | % Change |
|--|---|-----------------|--|----------|--|-----------------|--|----------|
|  | 2009                                    | 2008            |  |          | 2009                                       | 2008            |  |          |
| <b>Net cash provided by operating activities (a)</b>                 | \$ 1,846                                | \$ 2,003        |  | (7.8)%   | \$ 6,419                                   | \$ 7,102        |  | (9.6)%   |
| Less:  |   |                 |  |          |  |                 |  |          |
| Capital expenditures   | 160                                     | 250             |  |          | 483  | 824             |  |          |
| <b>Free cash flow</b>  | <b>\$ 1,686</b>                         | <b>\$ 1,753</b> |  | (3.8)%   | <b>\$ 5,936</b>                            | <b>\$ 6,278</b> |  | (5.4)%   |
| Less:  |   |                 |  |          |  |                 |  |          |
| Currency impact on net earnings                                      | (365)                                   | -               |  |          | (1,118)                                    | -               |  |          |
| <b>Free cash flow, excluding currency<br/>impact on net earnings</b> | <b>\$ 2,051</b>                         | <b>\$ 1,753</b> |  | 17.0 %   | <b>\$ 7,054</b>                            | <b>\$ 6,278</b> |  | 12.4 %   |

# **Philip Morris International**

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**PHILIP MORRIS INTERNATIONAL INC.**  
**and Subsidiaries**  
**Reconciliation of Non-GAAP Measures**  
**Calculation of Total Debt to EBITDA and Net Debt to EBITDA Ratios**  
 (in millions, except ratios)  
 (Unaudited)

|                                   | September 30,<br>2009    |                 |                           | For the Year Ended<br>December 31,<br>2008 |     |
|-----------------------------------|--------------------------|-----------------|---------------------------|--|-----|
|                                   | October~December<br>2008 |                 | January~September<br>2009 | 12 months<br>rolling                       |     |
|                                   | \$                       | \$              | \$                        | \$   | \$  |
| Earnings before income taxes      | \$ 2,120                 | \$ 7,027        | \$ 9,147                  | \$ 9,937                                   |     |
| Interest expense, net             | 106                      | 572             | 678                       |  | 311 |
| Depreciation and amortization     | 217                      | 607             | 824                       |  | 842 |
| <b>EBITDA</b>                     | <b>\$ 2,443</b>          | <b>\$ 8,206</b> | <b>\$ 10,649</b>          | <b>\$ 11,090</b>                           |     |
|                                   |                          |                 |                           |  |     |
| September 30,<br>2009             |                          |                 |                           |  |     |
| Short-term borrowings             |                          | \$ 313          |                           | \$ 375                                     |     |
| Current portion of long-term debt |                          | 197             |                           | 209  |     |
| Long-term debt                    |                          | 13,741          |                           | 11,377                                     |     |
| <b>Total debt</b>                 | <b>\$ 14,251</b>         |                 | <b>\$ 11,961</b>          |  |     |
| Less: Cash and cash equivalents   |                          | 1,602           |                           | 1,531                                      |     |
| <b>Net Debt</b>                   | <b>\$ 12,649</b>         |                 | <b>\$ 10,430</b>          |  |     |
| <b>Ratios</b>                     |                          |                 |                           |  |     |
| <b>Total Debt to EBITDA</b>       |                          | <b>1.34</b>     |                           | <b>1.08</b>                                |     |
| <b>Net Debt to EBITDA</b>         |                          | <b>1.19</b>     |                           | <b>0.94</b>                                |     |



# PHILIP MORRIS INTERNATIONAL

**2009 Third-Quarter Results  
22 October 2009**