



PHILIP MORRIS INTERNATIONAL

2009 Fourth-Quarter and Annual Earnings Results

February 11, 2010



Introduction

- Unless otherwise stated, we will be talking about results in the fourth quarter or the full-year 2009 and comparing them with the same period in 2008
- References to PMI volumes refer to shipment data
- 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
- Data tables showing adjustments to net revenues and Operating Companies Income (OCI) for currency, acquisitions, asset impairment, exit and other costs, adjustments to EPS, and 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 September 30, 2009, filed with the Securities and Exchange Commission.



Mid to Long-Term Annual Growth Targets

	<u>Growth Targets^(d)</u>	<u>2009 Results</u>
Organic Volume ^(a)	1%	- 1.5%
Net Revenues	4 – 6%	+ 5.3%
OCI ^(b)	6 – 8%	+ 8.7%
EPS ^(c)	10 – 12%	+ 15.4%

(a) Organic volume growth, that is excluding acquisitions

(b) OCI stands for Operating Companies Income, which is defined as operating income before general corporate expenses and the amortization of intangibles. 2009 OCI growth rate is on an adjusted basis which excludes asset impairment, exit and other costs

(c) Adjusted diluted earnings per share

(d) All financial growth rates exclude currency. Net revenues and OCI growth rates also exclude acquisitions

Source: PMI Financials. See reconciliations to U.S. GAAP measures at the end of this presentation.



PMI Results

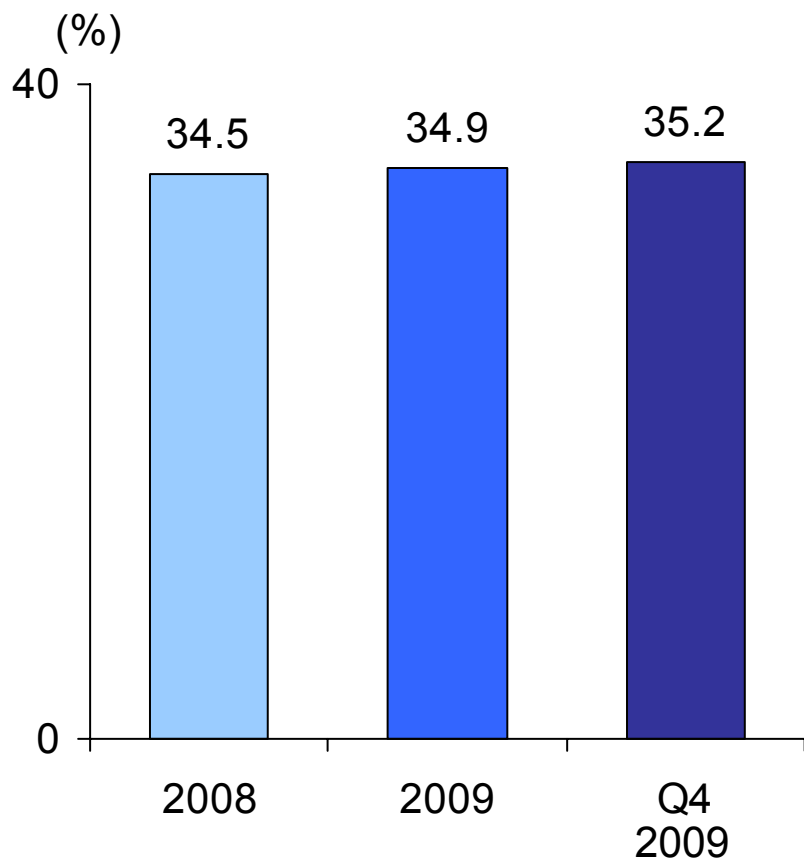
(% Growth vs. same
period in 2008)

	Fourth Quarter 2009		Full Year 2009	
	<u>Actual</u>	Excl. <u>Acquisitions</u>	<u>Actual</u>	Excl. <u>Acquisitions</u>
Cigarette Volume	+ 0.5%	+ 0.4%	- 0.7%	- 1.5%

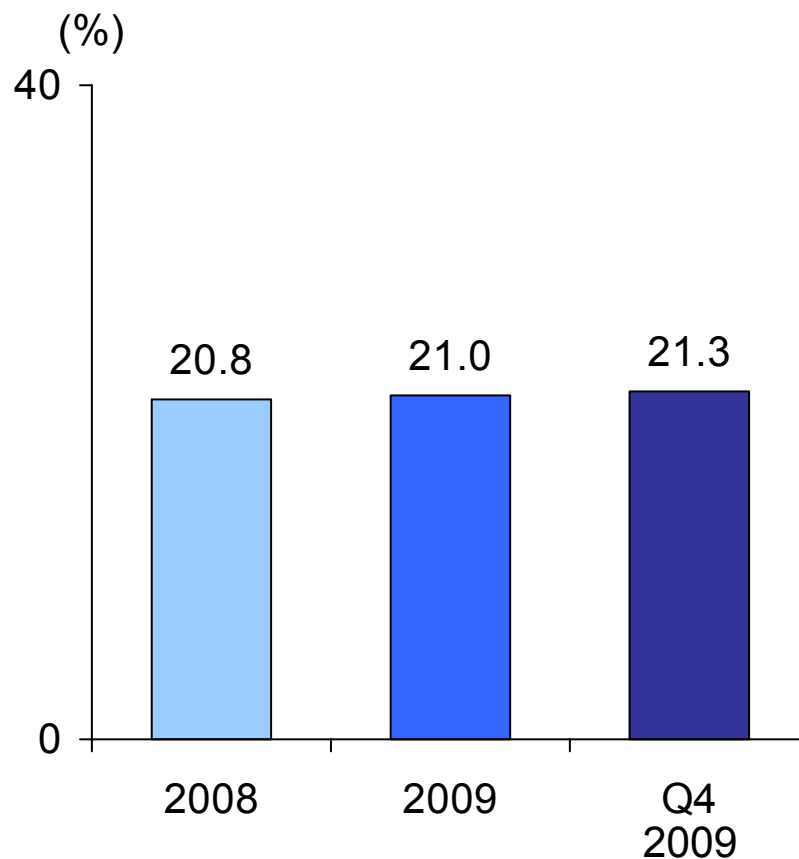


PMI Share Developments

OECD markets^(a)



Non-OECD markets^(b)



(a) Excluding USA and duty-free

(b) Excluding PRC, USA and duty-free

Note: For definition of OECD countries, refer to PMI's Registration Statement on Form 10 (page 68) dated March 5, 2008.

Source: PMI Estimates



Premium Segment Shares

	Premium SoM ^(a)		Variance vs. 2008	
	<u>Q4, 2009</u>	<u>FY 2009</u>	<u>Q4, 2009</u>	<u>FY 2009</u>
Spain	15.8%	16.7%	(2.3) pp	(2.5) pp
Russia	15.9	16.4	(1.0)	(0.1)
Germany	36.7	37.9	(3.5)	(2.2)
Turkey	20.7	20.9	(0.3)	0.9
Ukraine	12.9	12.9	(0.3)	0.5
Argentina	36.8	35.6	0.7	(0.1)
Indonesia	24.4	23.9	0.4	0.6
Korea	82.7	81.2	2.5	2.3
Poland	13.4	13.0	1.1	0.9
Greece	48.7	48.3	0.6	0.7

(a) Including above premium, where applicable

Source: A.C. Nielsen, Korea Research Center and PMI Estimates

- Disciplined roll-out of new brand architecture
- *Marlboro* volume down 2.8% in 2009, reflecting market contractions primarily in the EU and Eastern Europe
- *Marlboro* volume up 4.3% in 2009 in Asia

- Early positive signs from new architecture
- Demographic profile responding
- *Marlboro* gained share in 2009, notably in:
 - Italy, Japan, Korea, the Netherlands, Portugal and Greece
 - Argentina, Brazil, Indonesia, the Philippines, Romania, Algeria, Morocco and Poland

- Strong performance, particularly in Q4
- In EU Region, *L&M*'s volume grew by 9% in 2009 and by 17% in Q4
- *L&M*'s volume gains more than offset the decline of *Marlboro* in the EU Region in Q4
- *L&M*'s volume was stable in Q4 in the EEMA Region



PMI Results

(% Growth vs. same
period in 2008)

	Fourth Quarter 2009		Full Year 2009	
	<u>Actual</u>	<u>Excl. Curr. & Acquisitions</u>	<u>Actual</u>	<u>Excl. Curr. & Acquisitions</u>
Net Revenues	+ 9.7%	+ 7.2%	- 2.6%	+ 5.3%



PMI Results

(% Growth vs. same
period in 2008)

	Fourth Quarter 2009		Full Year 2009	
	<u>Actual</u>	<u>Excl. Curr. & Acquisitions</u>	<u>Actual</u>	<u>Excl. Curr. & Acquisitions</u>
Net Revenues	+ 9.7%	+ 7.2%	- 2.6%	+ 5.3%
Adjusted OCI	+ 10.0%	+ 8.9%	- 1.9%	+ 8.7%



Adjusted OCI Margins

	<u>2009</u>	<u>Variance vs. 2008</u>
PMI	42.8%	1.4 pp
EU	50.7	1.1
EEMA	43.5	1.9
Asia	34.9	1.4
LA & Canada	32.1	4.3



Pricing, Volume/Mix

- Key driver of constant currency OCI growth was pricing
- Approximately \$2 billion in 2009 and \$500 million in Q4
- Adverse volume/mix variance of approximately \$570 million in 2009 and \$90 million in Q4
- Pricing offset volume/mix variance by 3.5:1 in 2009 and 5.2:1 in Q4



PMI Results

(% Growth vs. same
period in 2008)

	Fourth Quarter 2009		Full Year 2009	
	<u>Actual</u>	<u>Excl. Currency</u>	<u>Actual</u>	<u>Excl. Currency</u>
Net Revenues	+ 9.7%	+ 7.2%	- 2.6%	+ 5.3%
Adjusted OCI	+ 10.0%	+ 8.9%	- 1.9%	+ 8.7%
Adjusted diluted EPS	+ 14.1%	+ 15.5%	- 0.6%	+ 15.4%



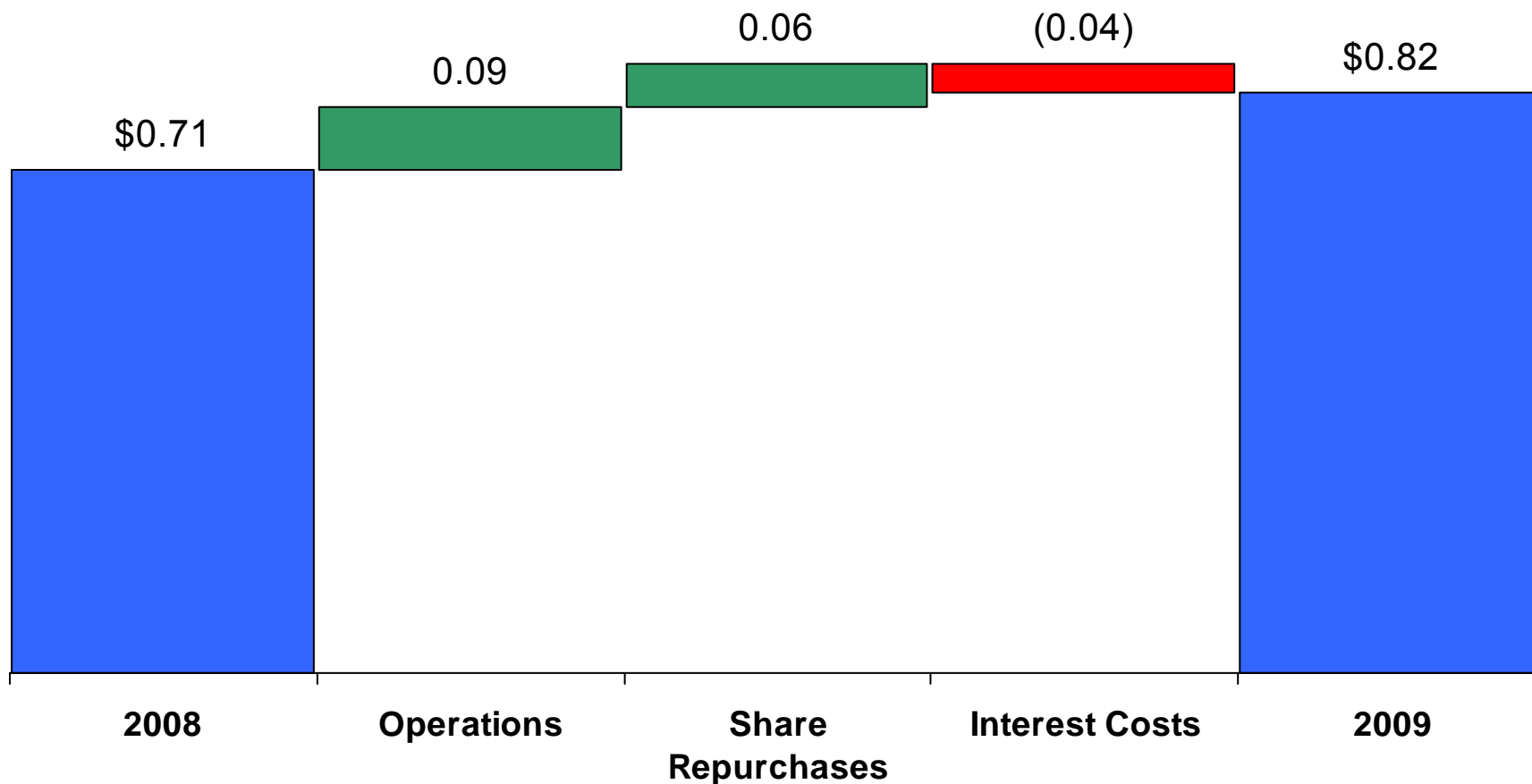
Adjusted Diluted EPS Bridge^(a) – 2009



(a) On a constant currency basis
Source: PMI Financials



Adjusted Diluted EPS Bridge^(a) – Q4, 2009

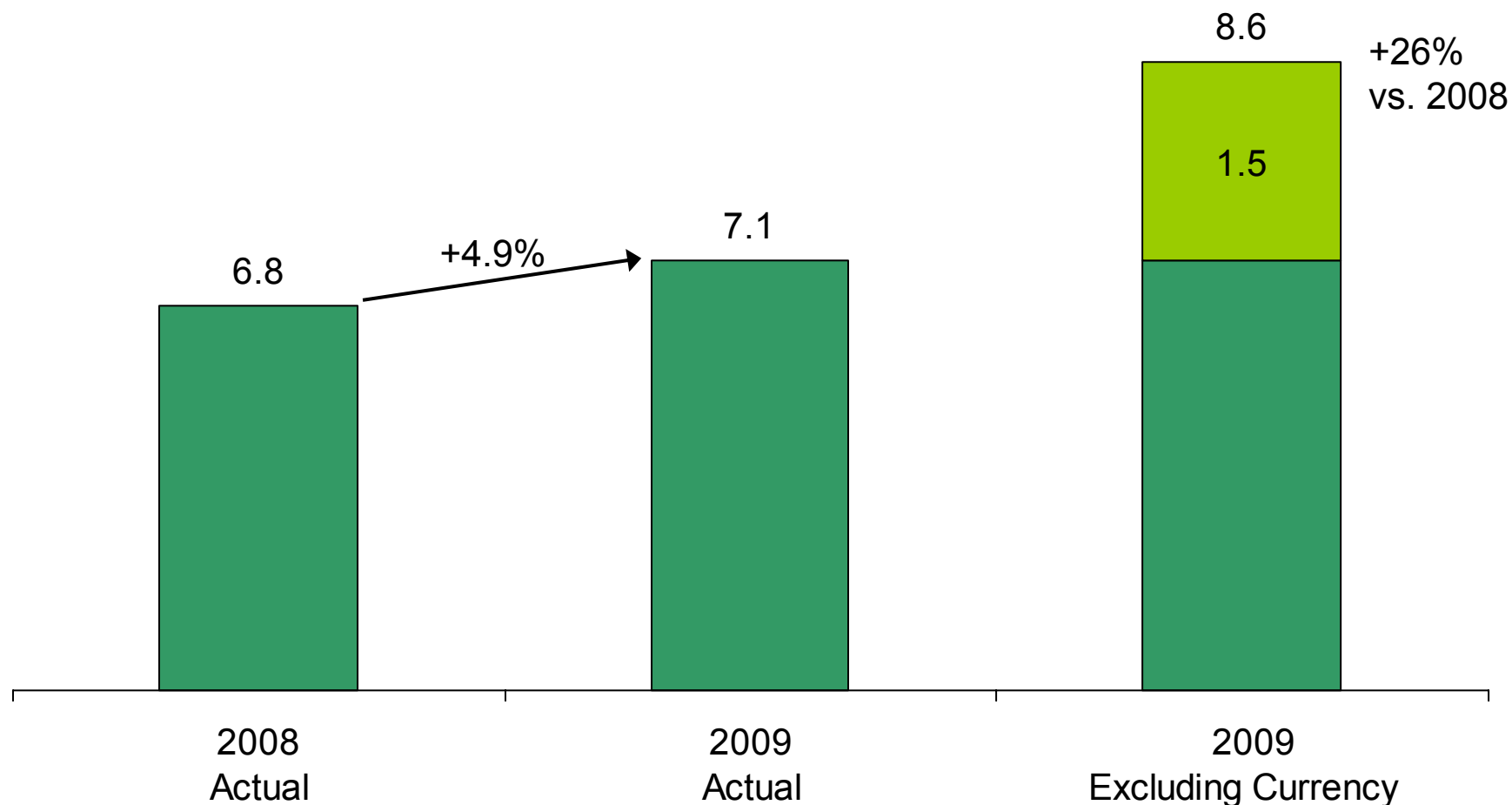


(a) On a constant currency basis
Source: PMI Financials



Discretionary Cash Flow^(a)

(\$ billions)



(a) Discretionary cash flow equals net cash provided by operating activities less capital expenditures. In 2009, net cash provided by operating activities was \$7,884 million and capital expenditures were \$715 million. In 2008, net cash provided by operating activities was \$7,935 million and capital expenditures were \$1,099 million

Source: PMI Financials



Shareholder Returns

- Dividend increased by 7.4% to \$2.32 per share on an annualized basis
- \$5.5 billion spent to purchase 6.5% of shares outstanding on January 1, 2009



Business Outlook

- 2009 was a very solid year
- Employment recovery remains uncertain and currency could be volatile in 2010
- Organic volume performance projected to be similar to that of 2009
- Strong financial results expected



2010 EPS Guidance

- At prevailing exchange rates, reported EPS guidance for 2010 is \$3.75 to \$3.85, versus \$3.24 in 2009
- Reported growth rate of some 16% to 19%, or 12% to 15% excluding currency
- Growth rate of approximately 14% to 17%, or 11% to 14% excluding currency, versus adjusted diluted EPS of \$3.29 in 2009



Pricing

- Pricing will continue to be key driver of PMI's earnings growth
- Secured two-thirds of pricing that is embedded in EPS guidance to-date



Excise Taxation

- Disruptive excise tax increases remain a risk
- Significant tax increases in Greece, Turkey and Romania
- Tax structures continue to be rational



Japan

- A 70 Yen per pack, or 40%, increase in excise taxes proposed for October 2010
- Parliamentary approval expected by end March 2010
- Revenue-neutral pass-on per unit implies price increase of 82 Yen per pack
- Impact on industry volumes will be severe
- Pricing freedom necessary



Business Outlook

- Premium segment in select markets will continue to be under pressure if unemployment does not improve
- Widespread market share growth anticipated



Business Outlook

- Productivity savings of \$500 million in 2010
- Improvements in working capital
- Discretionary cash flow expected to grow at a faster pace than earnings



Share Repurchases

- New share repurchase program of \$12 billion
- May 2010 through April 2013
- Total 2010 spending expected to be \$4 billion
- Strikes optimal balance between rewarding shareholders and retaining financial flexibility



Conclusion

- Delivered solid results in 2009
- Met or exceeded principal financial targets
- Enter 2010 with significant momentum



PHILIP MORRIS INTERNATIONAL

2009 Fourth-Quarter and Annual Earnings Results

Questions & Answers

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Adjustments for Impact of Currency and Acquisitions For the Quarters Ended December 31, (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	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 excluding Currency	Reported excluding Currency & Acquisitions
\$ 7,562	\$ 5,196	\$ 2,366	\$ 152	\$ 2,214	\$ 11	\$ 2,203	\$ 6,838	\$ 4,711	\$ 2,127	11.2 %	4.1 %	3.6 %
3,912	2,039	1,873	(175)	2,048	34	2,014	3,569	1,769	1,800	4.1 %	13.8 %	11.9 %
3,439	1,725	1,714	154	1,560	-	1,560	2,888	1,420	1,468	16.8 %	6.3 %	6.3 %
2,095	1,331	764	(20)	784	-	784	1,923	1,196	727	5.1 %	7.8 %	7.8 %
\$ 17,008	\$ 10,291	\$ 6,717	\$ 111	\$ 6,606	\$ 45	\$ 6,561	\$ 15,218	\$ 9,096	\$ 6,122	9.7 %	7.9 %	7.2 %
PMI Total												

2009							2008		% 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	
\$ 1,109	\$ 91	\$ 1,018	\$ 4	\$ 1,014	European Union		\$ 959	15.6 %	6.2 %	5.7 %	
681	(135)	816	11	805	EEMA		680	0.1 %	20.0 %	18.4 %	
503	79	424	-	424	Asia		426	18.1 %	(0.5)%	(0.5)%	
214	(24)	238	-	238	Latin America & Canada		238	(10.1)%	- %	- %	
\$ 2,507	\$ 11	\$ 2,496	\$ 15	\$ 2,481	PMI Total		\$ 2,303	8.9 %	8.4 %	7.7 %	

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

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
For the Quarters Ended December 31,
(in millions)
(Unaudited)

2009							2008			% 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
\$ 1,109	\$ (26)	\$ 1,135	\$ 91	\$ 1,044	\$ 4	\$ 1,040	\$ 959	\$ -	\$ 959	18.4 %	8.9 %	8.4 %
681	-	681	(135)	816	11	805	680	-	680	0.1 %	20.0 %	18.4 %
503	-	503	79	424	-	424	426	-	426	18.1 %	(0.5)%	(0.5)%
214	-	214	(24)	238	-	238	238	-	238	(10.1)%	- %	- %
\$ 2,507	\$ (26)	\$ 2,533	\$ 11	\$ 2,522	\$ 15	\$ 2,507	\$ 2,303	\$ -	\$ 2,303	10.0 %	9.5 %	8.9 %

2009				2008			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency ⁽¹⁾	Adjusted Operating Companies Income Margin excluding Currency		Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes ⁽¹⁾	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	
\$ 1,044	\$ 2,214	47.2 %	European Union	\$ 959	\$ 2,127	45.1 %	2.1 pp	
816	2,048	39.8 %	EEMA	680	1,800	37.8 %	2.0 pp	
424	1,560	27.2 %	Asia	426	1,468	29.0 %	(1.8) pp	
238	784	30.4 %	Latin America & Canada	238	727	32.7 %	(2.3) pp	
\$ 2,522	\$ 6,606	38.2 %	PMI Total	\$ 2,303	\$ 6,122	37.6 %	0.6 pp	

(1) For the calculation of net revenues excluding excise taxes and currency, refer to previous slide (30).

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, Excluding Currency
For the Quarters Ended December 31,
(Unaudited)

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Reported Diluted EPS	\$ 0.80	\$ 0.71	12.7%
Less:			
Asset impairment and exit costs	<u>(0.01)</u>	<u>-</u>	
Adjusted Diluted EPS	\$ 0.81	\$ 0.71	14.1%
Less:			
Currency Impact	<u>(0.01)</u>	<u></u>	
Adjusted Diluted EPS, Excluding Currency	<u>\$ 0.82</u>	<u>\$ 0.71</u>	15.5%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Reconciliation of Reported Diluted EPS to Reported Diluted EPS, Excluding Currency
For the Quarters Ended December 31,
(Unaudited)

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Reported Diluted EPS	\$ 0.80	\$ 0.71	12.7%
Less:			
Currency Impact	<u>(0.01)</u>	<u></u>	
Reported Diluted EPS, Excluding Currency	<u>\$ 0.81</u>	<u>\$ 0.71</u>	14.1%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Adjustments for Impact of Currency and Acquisitions For the Years Ended December 31, (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	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 excluding Currency	Reported excluding Currency & Acquisitions
\$ 28,550	\$ 19,509	\$ 9,041	\$ (856)	\$ 9,897	\$ 61	\$ 9,836	European Union	\$ 30,265	\$ 20,577	\$ 9,688	(6.7)%	2.2%	1.5%
13,865	7,070	6,795	(1,373)	8,168	41	8,127	EEMA	14,817	7,313	7,504	(9.4)%	8.8%	8.3%
12,413	5,885	6,528	(41)	6,569	-	6,569	Asia	12,222	6,037	6,185	5.5%	6.2%	6.2%
7,252	4,581	2,671	(328)	2,999	462	2,537	Latin America & Canada	6,336	4,008	2,328	14.7%	28.8%	9.0%
\$ 62,080	\$ 37,045	\$ 25,035	\$ (2,598)	\$ 27,633	\$ 564	\$ 27,069	PMI Total	\$ 63,640	\$ 37,935	\$ 25,705	(2.6)%	7.5%	5.3%

2009							2008		% 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	
\$	4,506	\$ (481)	\$ 4,987	\$ 40	\$ 4,947	European Union	\$ 4,738	(4.9)%	5.3%	4.4%	
	2,663	(893)	3,556	18	3,538	EEMA	3,119	(14.6)%	14.0%	13.4%	
	2,436	146	2,290	-	2,290	Asia	2,057	18.4%	11.3%	11.3%	
	666	(162)	828	202	626	Latin America & Canada	520	28.1%	59.2%	20.4%	
\$	10,271	\$ (1,390)	\$ 11,661	\$ 260	\$ 11,401	PMI Total	\$ 10,434	(1.6)%	11.8%	9.3%	

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

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 For the Years Ended December 31, (in millions) (Unaudited)

2009							(Unaudited)	2008			% Change in Adjusted Operating Companies Income		
Reported Operating Companies Income	Less Asset Impairment/ Exit Costs and Other	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 and Other	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 4,506	\$ (29)	\$ 4,535	\$ (481)	\$ 5,016	\$ 40	\$ 4,976	European Union	\$ 4,738	\$ (66)	\$ 4,804	(5.6)%	4.4%	3.6%
2,663	-	2,663	(893)	3,556	18	3,538	EEMA	3,119	(1)	3,120	(14.6)%	14.0%	13.4%
2,436	-	2,436	146	2,290	-	2,290	Asia	2,057	(14)	2,071	17.6%	10.6%	10.6%
666	(135) ⁽¹⁾	801	(162)	963	202	761	Latin America & Canada	520	(127) ⁽²⁾	647	23.8%	48.8%	17.6%
\$ 10,271	\$ (164)	\$ 10,435	\$ (1,390)	\$ 11,825	\$ 260	\$ 11,565	PMI Total	\$ 10,434	\$ (208)	\$ 10,642	(1.9)%	11.1%	8.7%

2009						2008						% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency ⁽³⁾	Adjusted Operating Companies Income Margin excluding Currency				Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes ⁽³⁾	Adjusted Operating Companies Income Margin				Adjusted Operating Companies Income Margin excluding Currency	
\$ 5,016	\$ 9,897	50.7%	European Union	\$ 4,804	\$ 9,688	49.6%	1.1 pp						
3,556	8,168	43.5%	EEMA	3,120	7,504	41.6%	1.9 pp						
2,290	6,569	34.9%	Asia	2,071	6,185	33.5%	1.4 pp						
963	2,999	32.1%	Latin America & Canada	647	2,328	27.8%	4.3 pp						
\$ 11,825	\$ 27,633	42.8%	PMI Total	\$ 10,642	\$ 25,705	41.4%	1.4 pp						

(1) Represents 2009 Colombian investment and cooperation agreement charge.

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

(3) For the calculation of net revenues excluding excise taxes and currency, refer to previous slide (34).

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, Excluding Currency
For the Years Ended December 31,
(Unaudited)

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Reported Diluted EPS	\$ 3.24	\$ 3.31	(2.1)%
Less:			
Colombian investment and cooperation agreement charge	(0.04)	-	
Asset impairment and exit costs	(0.01)	(0.02)	
Equity loss from RBH legal settlement	-	(0.06)	
Tax items	-	0.08	
Adjusted Diluted EPS	\$ 3.29	\$ 3.31	(0.6)%
Less:			
Currency Impact	(0.53)		
Adjusted Diluted EPS, Excluding Currency	\$ 3.82	\$ 3.31	15.4 %

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Reconciliation of Reported Diluted EPS to Reported Diluted EPS, Excluding Currency
For the Years Ended December 31,
(Unaudited)

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Reported Diluted EPS	\$ 3.24	\$ 3.31	(2.1)%
Less:			
Currency Impact	<u>(0.53)</u>	<u></u>	
Reported Diluted EPS, Excluding Currency	<u>\$ 3.77</u>	<u>\$ 3.31</u>	13.9 %

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Calculation of Total Debt to EBITDA and Net Debt to EBITDA Ratios
(in millions, except ratios)
(Unaudited)

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Earnings before income taxes	\$ 9,243	\$ 9,937
Interest expense, net	797	311
Depreciation and amortization	853	842
EBITDA	\$ 10,893	\$ 11,090
	At December 31, 2009	At December 31, 2008
Short-term borrowings	\$ 1,662	\$ 375
Current portion of long-term debt	82	209
Long-term debt	13,672	11,377
Total debt	\$ 15,416	\$ 11,961
Less: Cash and cash equivalents	1,540	1,531
Net Debt	\$ 13,876	\$ 10,430
<u>Ratios</u>		
Total Debt to EBITDA	1.42	1.08
Net Debt to EBITDA	1.27	0.94



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