



PHILIP MORRIS INTERNATIONAL

**Consumer Analyst Group of New York
(CAGNY) Conference
February 23, 2011**

Hermann Waldemer
Chief Financial Officer
Philip Morris International



Introduction

- Unless otherwise stated, we will be talking about results in 2010 and comparing them to the same period in 2009
- 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
- Acquisitions, for the purposes of this presentation, also include our business combination with Fortune Tobacco Corporation in the Philippines
- 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 ²



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-Q for the quarter ended September 30, 2010, filed with the Securities and Exchange Commission



PHILIP MORRIS
INTERNATIONAL

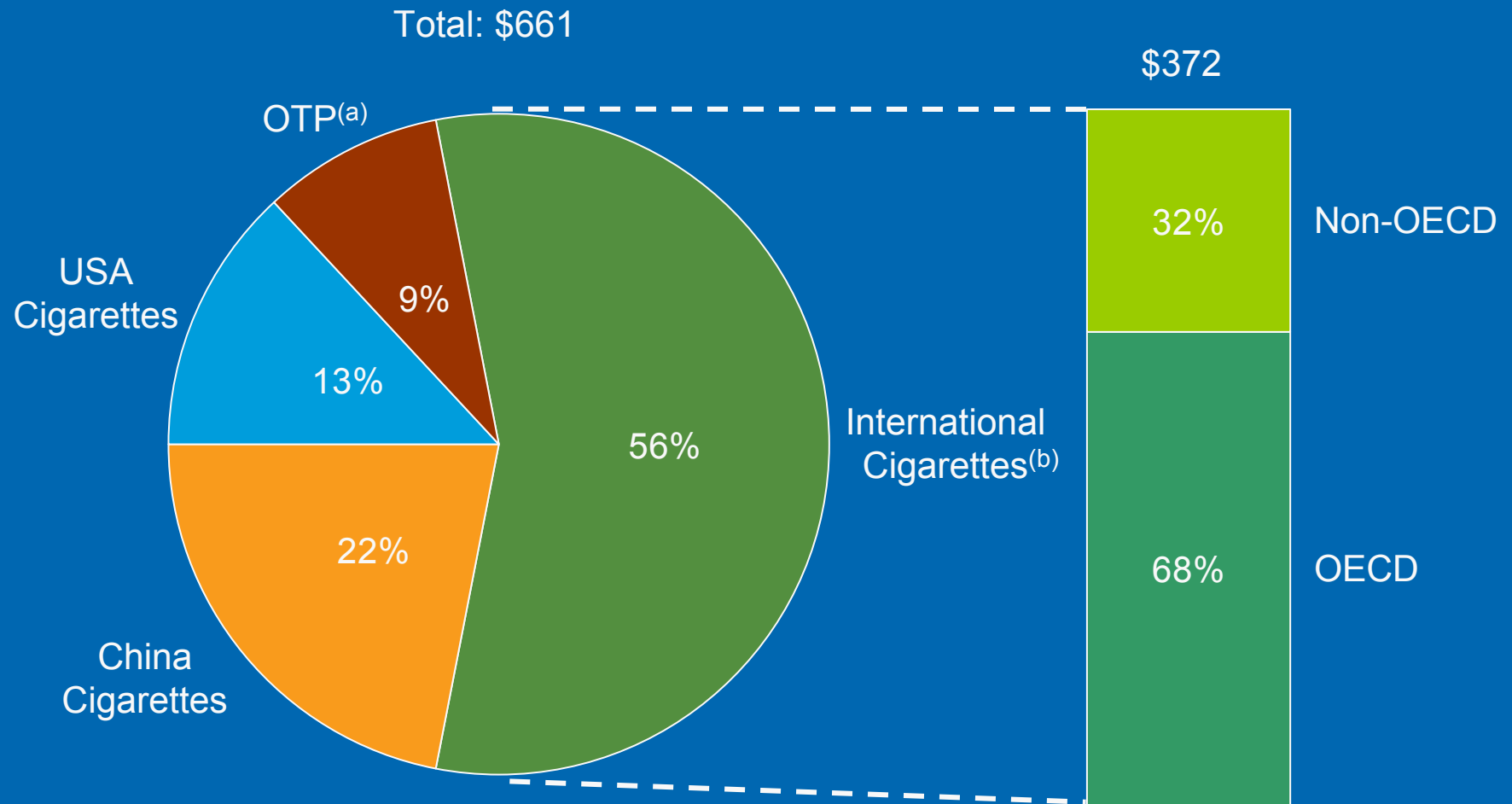
Agenda

- Why we believe international tobacco is an attractive investment
- Why PMI is best positioned in the international tobacco industry
- Our promising outlook for 2011
- The tremendous cash flow and superior shareholder returns that we are generating



2010 Tobacco Industry Retail Sales Value

(\$ billion)



(a) OTP stands for Other Tobacco Products, including cigars, cigarillos, fine cut, pipe tobacco and snus

(b) Excluding duty-free

Note: For a full list of Organisation for Economic Co-Operation and Development ("OECD") member countries, visit www.oecd.org

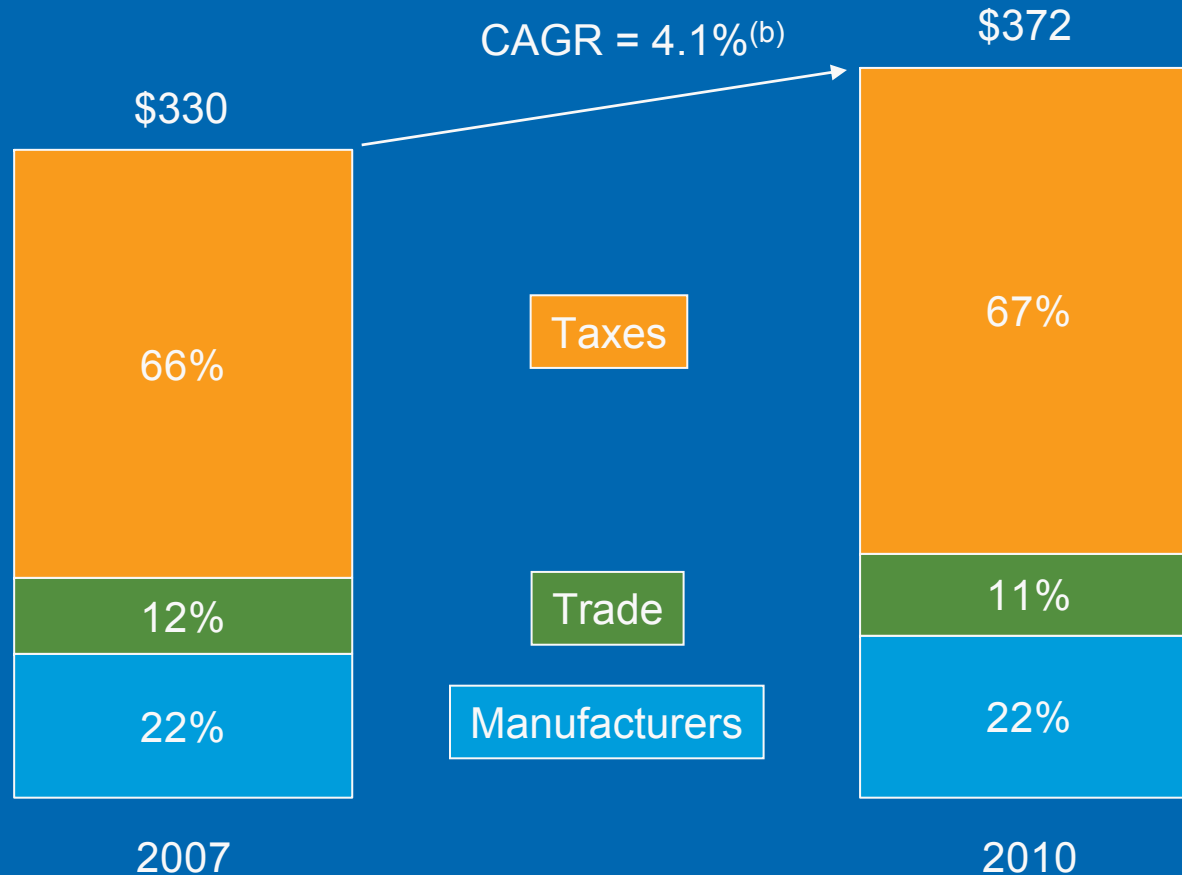
Source: PMI estimates

International Cigarette Industry Retail Sales Value^(a) – By Recipient



PHILIP MORRIS
INTERNATIONAL

(\$ billion)



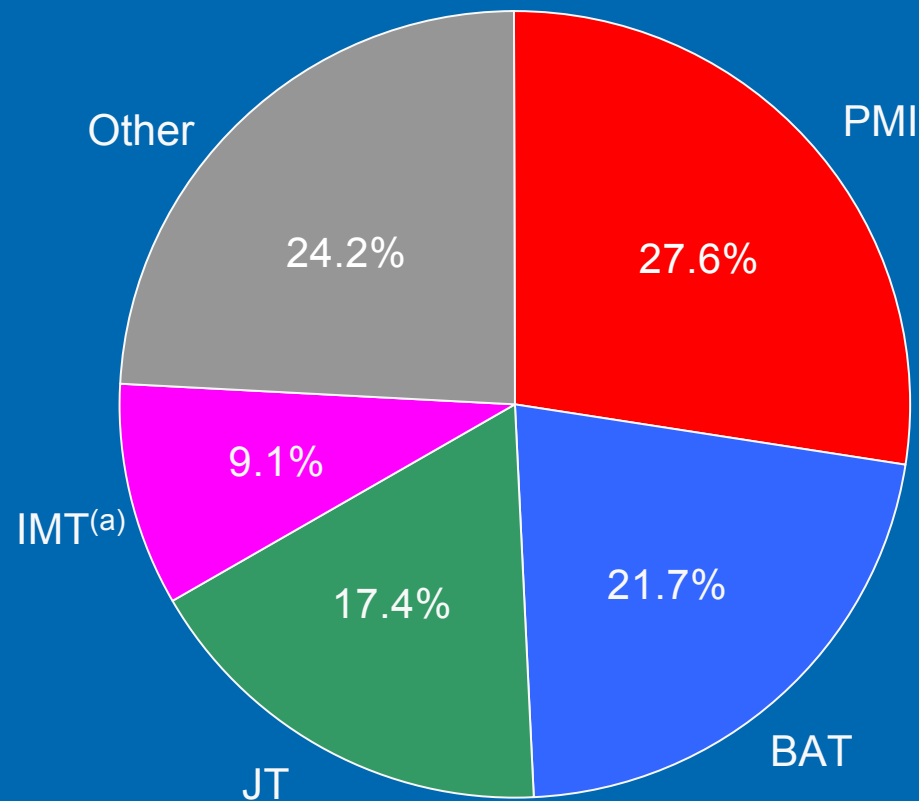
(a) Excluding China, USA and duty-free

(b) 5.2% on a constant currency basis

Source: PMI estimates



International Cigarette Industry Market Shares



2010 : 3.3 trillion cigarettes^(b)

(a) Volumes are on a calendar year basis, except for IMT, which reports on a fiscal year ending September 30th

(b) Excluding China and USA

Source: PMI estimates



PHILIP MORRIS
INTERNATIONAL

Excise Taxation

- Governments play central role in our industry through excise taxation



PHILIP MORRIS
INTERNATIONAL

Excise Taxation

- Governments play central role in our industry through excise taxation
- From time to time, some governments implement unreasonable increases:
 - Australia, Greece, Japan, Romania and Turkey in 2010
 - Mexico in 2011



Excise Taxation

- Governments play central role in our industry through excise taxation
- From time to time, some governments implement unreasonable increases:
 - Australia, Greece, Japan, Romania and Turkey in 2010
 - Mexico in 2011
- Most governments recognize that, over the longer term, sustainable growth in government revenues is fostered by:
 - Reasonable, regular increases
 - Predominantly specific excise tax structures and/or minimum excise tax mechanisms
 - Multi-year legislation or plans



Excise Taxation – EU Excise Tax Directive

| | <u>New Directive</u> | <u>Old Directive</u> | <u>Comments</u> |
|-------------------------------|----------------------------|----------------------|---|
| Minimum Tax Yield | € 90/000 on all cigarettes | € 64/000 on MPPC | Transition until 2018 for most Central Europe countries |
| Minimum Tax Incidence | 60% on WAP | 57% on MPPC | Escape clause if tax on WAP above € 115/000 in 2014. Transition periods in Central Europe |
| Maximum Specific to Total Tax | 76.5% on WAP | 55.0% on MPPC | Allows for very high specific excise tax |
| Minimum Excise Tax | No cap | Cap at 100% of MPPC | Fiscal tool that limits downtrading |

- Reasonable framework through 2018
- Manageable increases in minimum excise tax incidence and yields
- Provides EU governments with greater structural flexibility

Note: MPPC is Most Popular Price Class. WAP is Weighted Average Price
Source: European Union Commission



PHILIP MORRIS
INTERNATIONAL

Excise Taxation – EU

- Structural excise tax improvements in France, Greece, the Netherlands and Sweden
- Visibility in Germany for five-year period



Pricing in Cigarette Industry

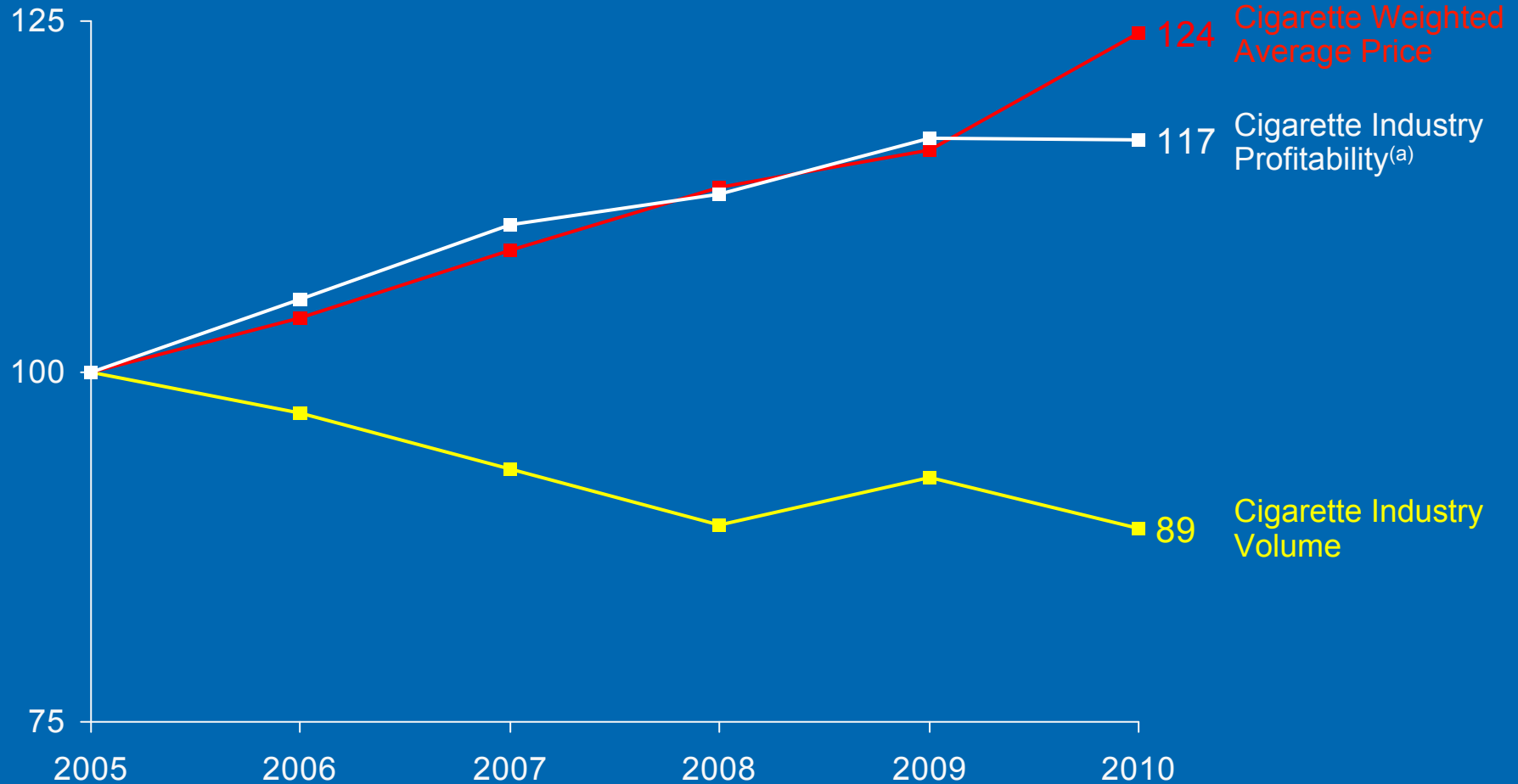
- Retail price increases provide governments with additional revenues through ad-valorem components
- Manufacturer may wish to anticipate government needs through higher prices
- Manufacturer will seek higher unit margins to compensate for lower volume
- Governments use minimum excise taxes and other mechanisms to safeguard their revenues
- Made easier by low demand elasticity, strong brand loyalty and lack of any price ceiling

Volume, Retail Pricing and Profitability in the UK Cigarette Industry



PHILIP MORRIS
INTERNATIONAL

(Index, 2005=100)



(a) At marginal contribution level
Source: PMI estimates



Regulatory Environment – Past and Present

- Public smoking restrictions
- Marketing constraints
- Graphic health warning labels
- Ban on descriptors (e.g., “Lights”)



- Limited impact on total consumption
- PMI has successfully managed to adapt



PHILIP MORRIS
INTERNATIONAL

Regulatory Environment – Present and Future

- Current proposals increasingly devoid of scientific basis
- Display bans: tend to favor existing brands and variants
- Total bans on ingredients: discriminate against certain adult consumers and tobacco growers



Regulatory Environment – Present and Future

- Current proposals increasingly devoid of scientific basis
- Display bans: tend to favor existing brands and variants
- Total bans on ingredients: discriminate against certain adult consumers and tobacco growers
- Plain packaging (and similar proposals):
 - Would not be expected to impact total consumption
 - Would not be expected to reduce youth smoking
 - Represent an attack on our trademarks and will be defended against vigorously
 - Ability to defend impacted by different jurisdictions and constitutional rights



Illicit Trade

- Encouraged by misguided fiscal and regulatory policies
- May account for as much as 10% of global cigarette consumption
- Illicit trade:
 - Reduces the effectiveness of excise tax revenue generation
 - Hurts industry, governments, public health and consumers
 - Enormous opportunity, if successfully combated
- PMI is closely cooperating with local, national and regional authorities



PHILIP MORRIS
INTERNATIONAL

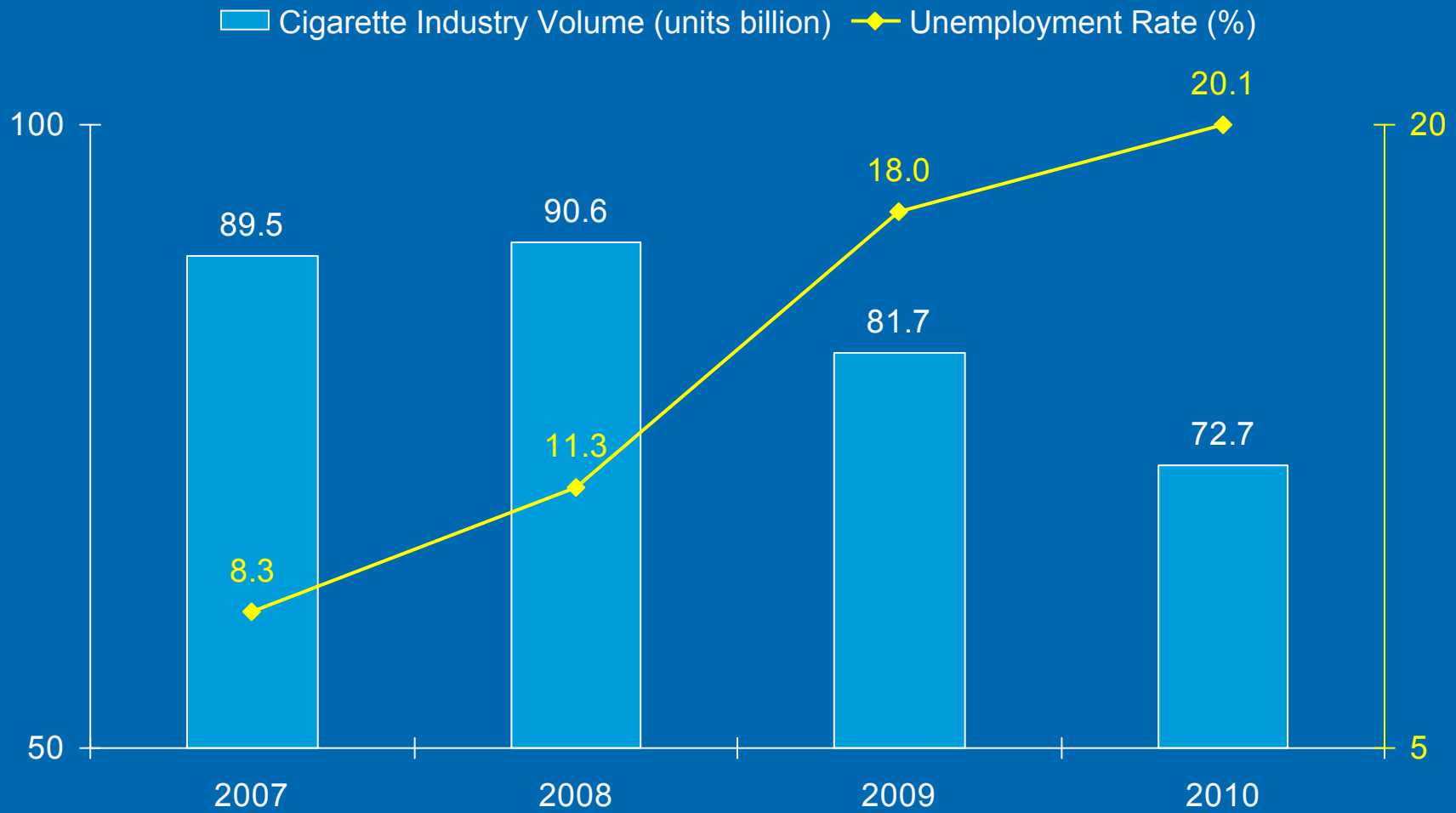
Expected Key Drivers of Industry Volume

- Excise taxation and pricing
- Unemployment and consumer purchasing power
- Favorable demographics in many non-OECD markets
- Decline in tobacco consumption in most OECD markets

Cigarette Industry Volume and Unemployment – Spain



PHILIP MORRIS
INTERNATIONAL



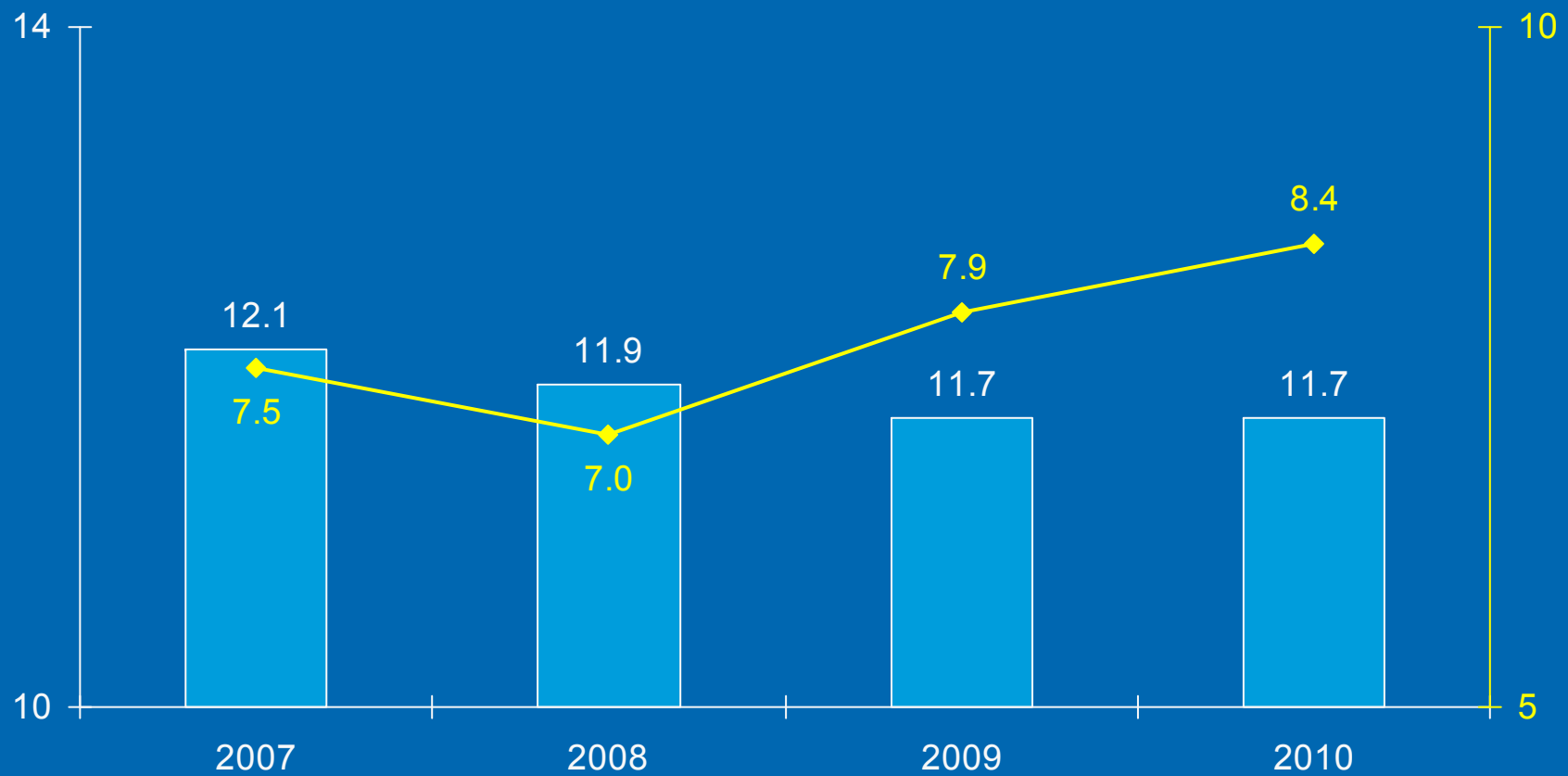
Source: Eurostat and PMI estimates

Cigarette Industry Volume and Unemployment – Belgium



PHILIP MORRIS
INTERNATIONAL

■ Cigarette Industry Volume (units billion) ◆ Unemployment Rate (%)



Source: Eurostat and PMI estimates



Demographic Trends

- Population growth rates and adult age profiles are the most important factors for our industry
- Markets with favorable demographic trends include:

| EEMA | Asia | LA&C |
|---------|-------------|-----------|
| Algeria | Bangladesh | Argentina |
| Egypt | India | Brazil |
| Turkey | Indonesia | Mexico |
| | Pakistan | |
| | Philippines | |



Consumer Uptrading – Non-OECD Markets

Premium Share of Market^(a)

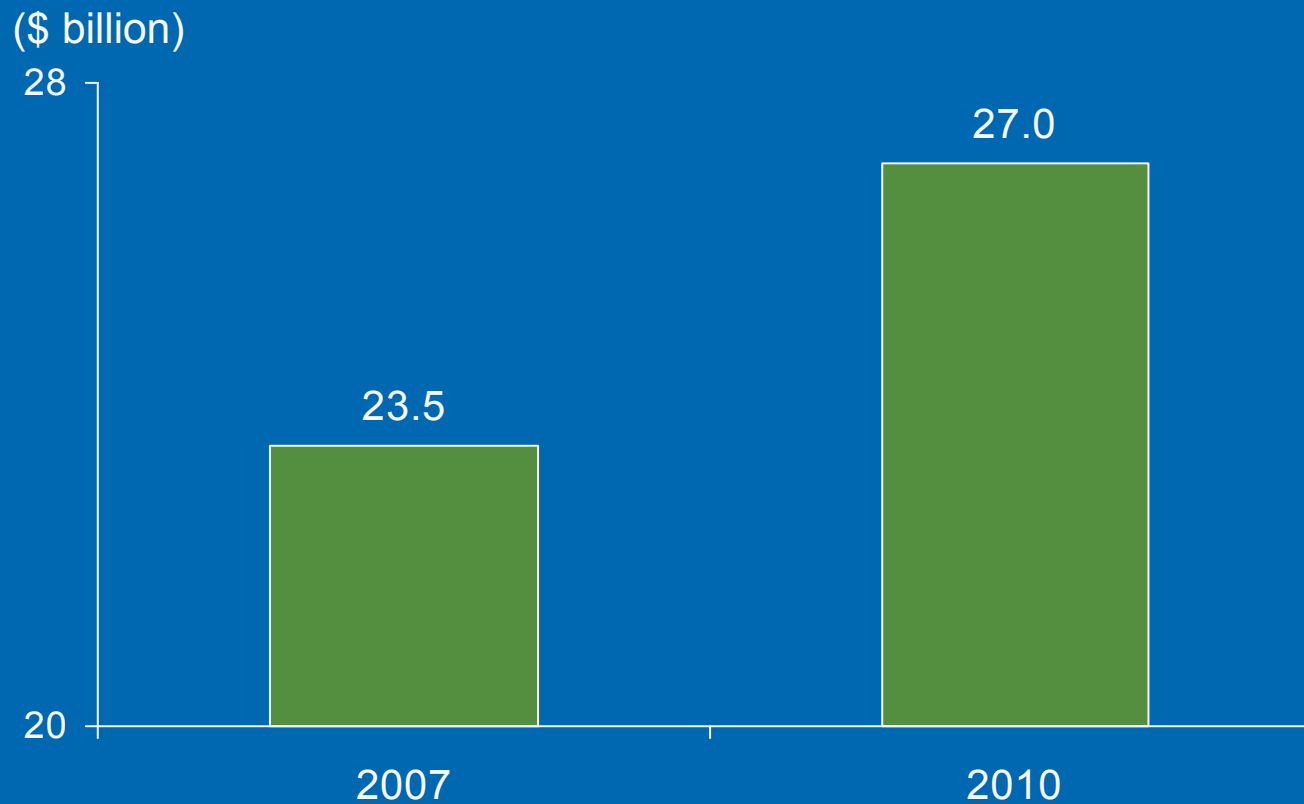
| | <u>2007</u> | <u>2010</u> | <u>Variance</u> |
|-------------|-------------|-------------|-----------------|
| Algeria | 7.6 % | 18.5 % | 10.9 pp |
| Egypt | 5.9 | 7.4 | 1.5 |
| Turkey | 18.5 | 17.9 | (0.6) |
| Bangladesh | 4.4 | 5.8 | 1.4 |
| India | 6.4 | 9.2 | 2.8 |
| Indonesia | 22.9 | 23.7 | 0.8 |
| Pakistan | 9.8 | 11.4 | 1.6 |
| Philippines | 26.1 | 34.3 | 8.2 |
| Argentina | 32.1 | 34.3 | 2.2 |
| Brazil | 20.2 | 23.1 | 2.9 |
| Mexico | 59.3 | 61.3 | 2.0 |

(a) Includes above premium
Source: PMI estimates and A.C. Nielsen



International Tobacco^(a) Profitability – Top Four

Adjusted Operating Income
CAGR: 4.8%



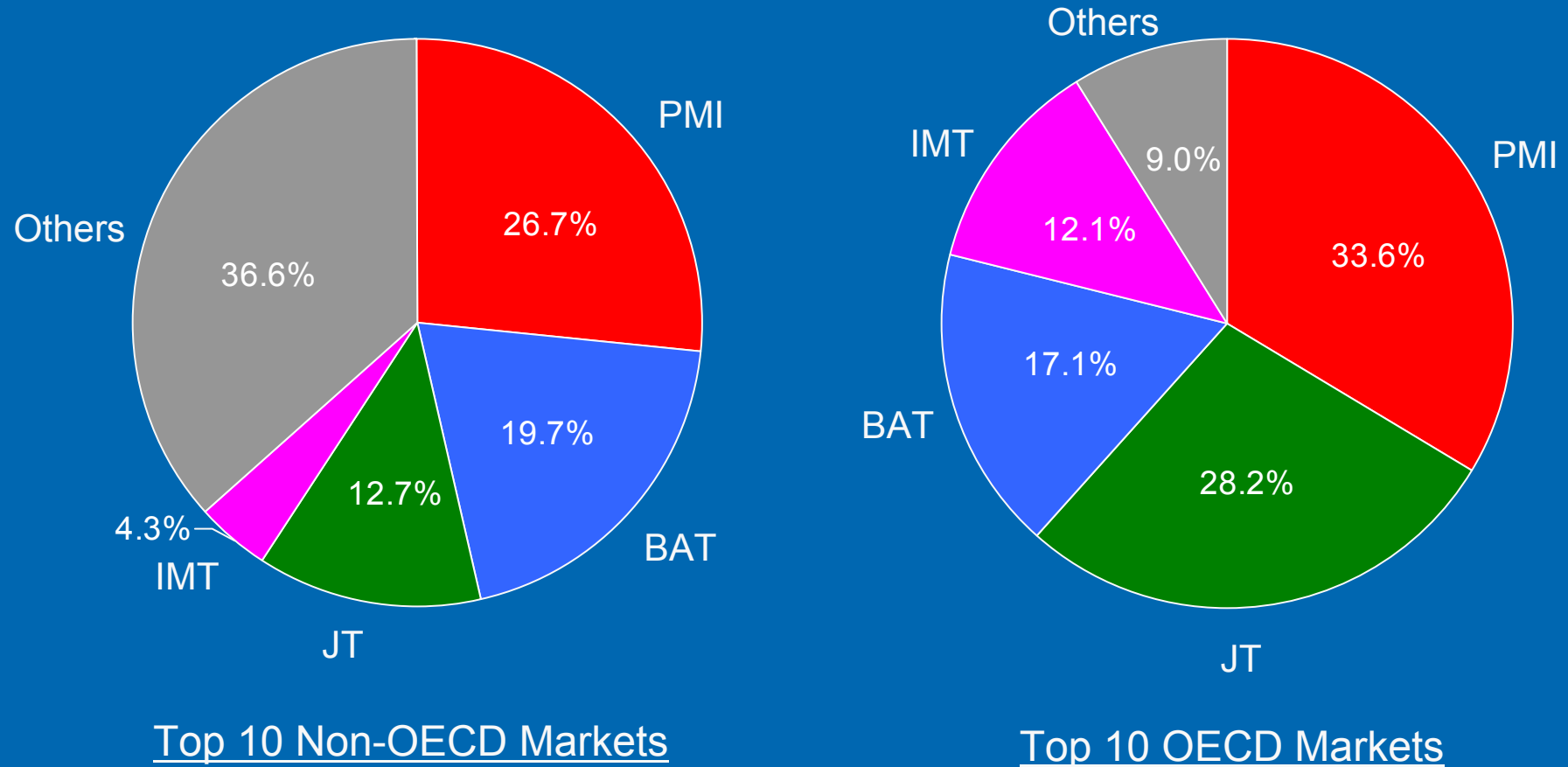
(a) PMI, BAT, Japan Tobacco and Imperial Tobacco (including acquisitions of Gallaher and Altadis). Operating income for the top four tobacco companies have been adjusted for items such as asset impairment and exit costs, acquisition related transaction costs, integration and implementation costs, restructuring, legal settlements and gains and losses on disposals

Source: Centerview, based on company reports



PMI Leadership in Non-OECD and OECD^(a)

Market Shares (2010)

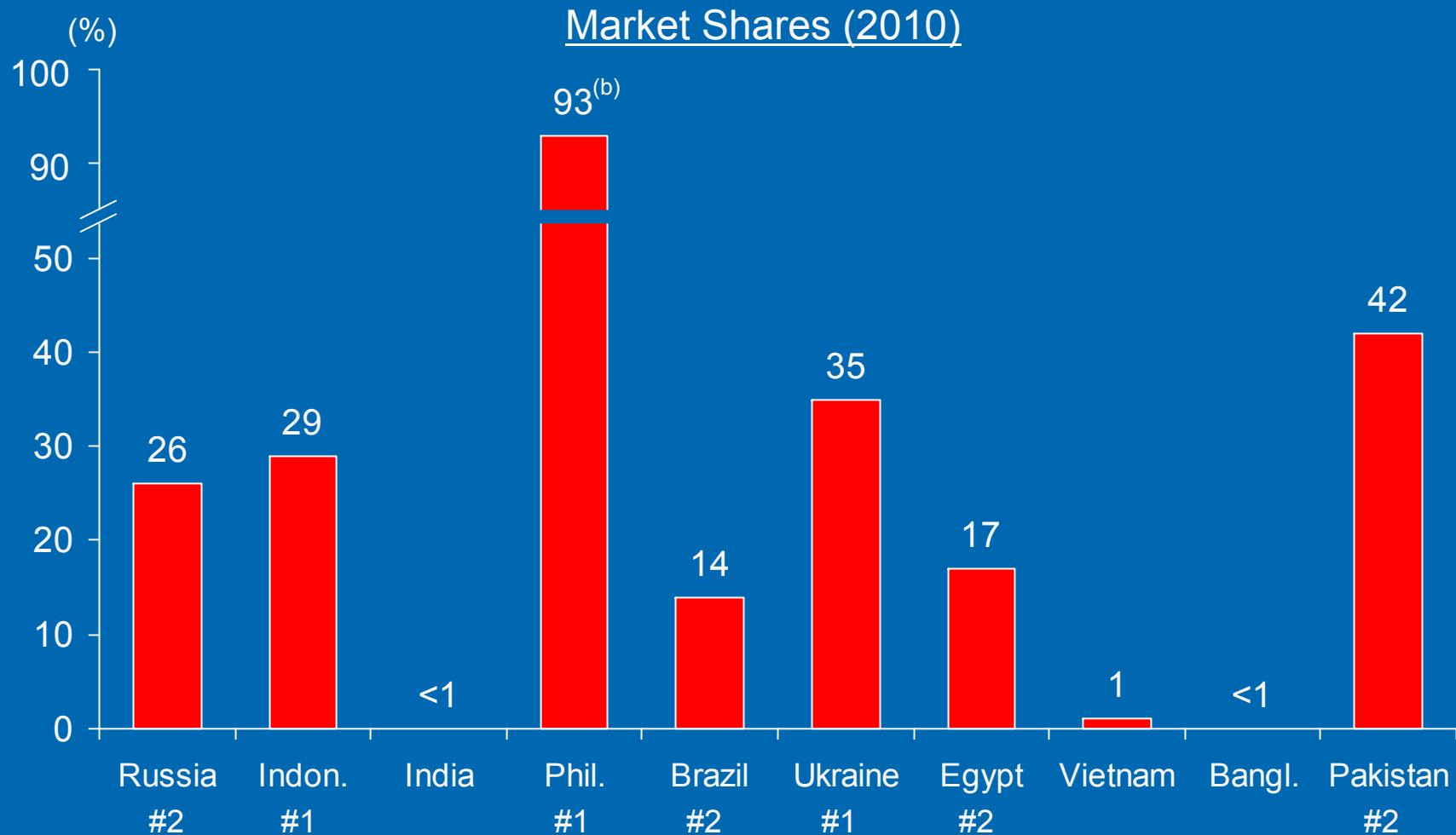


(a) Top 10 Non-OECD and OECD markets ranked by 2010 industry volume, excluding China, USA and duty-free
Source: PMI estimates and A.C. Nielsen

PMI Market Share Leadership in non-OECD Markets^(a)



PHILIP MORRIS
INTERNATIONAL



(a) Top 10 ranked by 2010 industry volume, excluding China and duty-free

(b) Pro forma to reflect PMI's business combination with Fortune Tobacco Corporation

Note: Indon. is Indonesia, Phil. is Philippines and Bangl. is Bangladesh

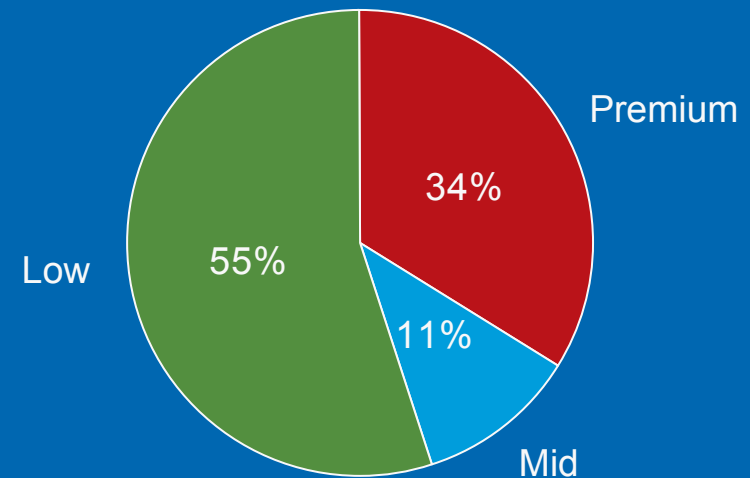
Source: PMI estimates and A.C. Nielsen



Business Development – Philippines

- Business combination with FTC in Philippines in February 2010:
 - Favorable demographic profile and increasing purchasing power
 - Synergies
 - Long-term income growth potential

Price Segments (2010)



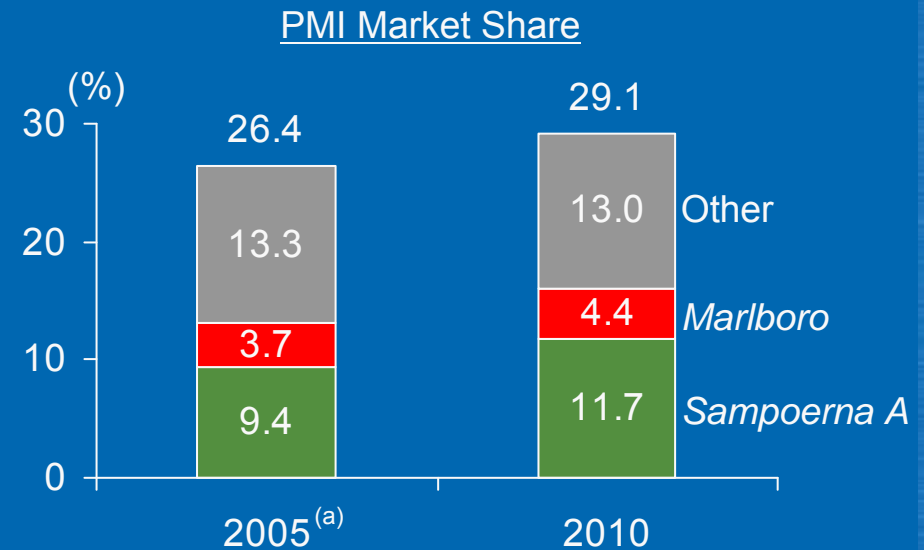


Business Development – Indonesia

- Acquisition of Sampoerna in Indonesia in 2005
- Favorable developments over last five years:
 - Industry volume grew at CAGR of 4.5%
 - PMI market share increased from 26.4% to 29.1% and PMI became market leader
 - Premium *Sampoerna A* is now the best-selling brand and achieved a 11.7% market share in 2010
 - *Marlboro* gained 0.7 share points



MEROKOK DAPAT MENYEBABKAN KANKER, SERANGAN JANTUNG, IMPOTENSI DAN GANGGUAN KEHAMILAN DAN JANIN



(a) Pro-forma to reflect PMI's acquisition of Sampoerna
Source: PMI estimates



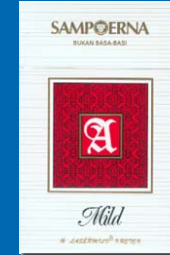
PHILIP MORRIS INTERNATIONAL

Brand Portfolio

International

Local Heritage

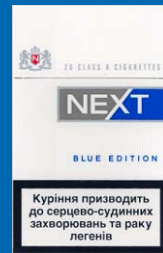
Premium & Above



Mid-Price



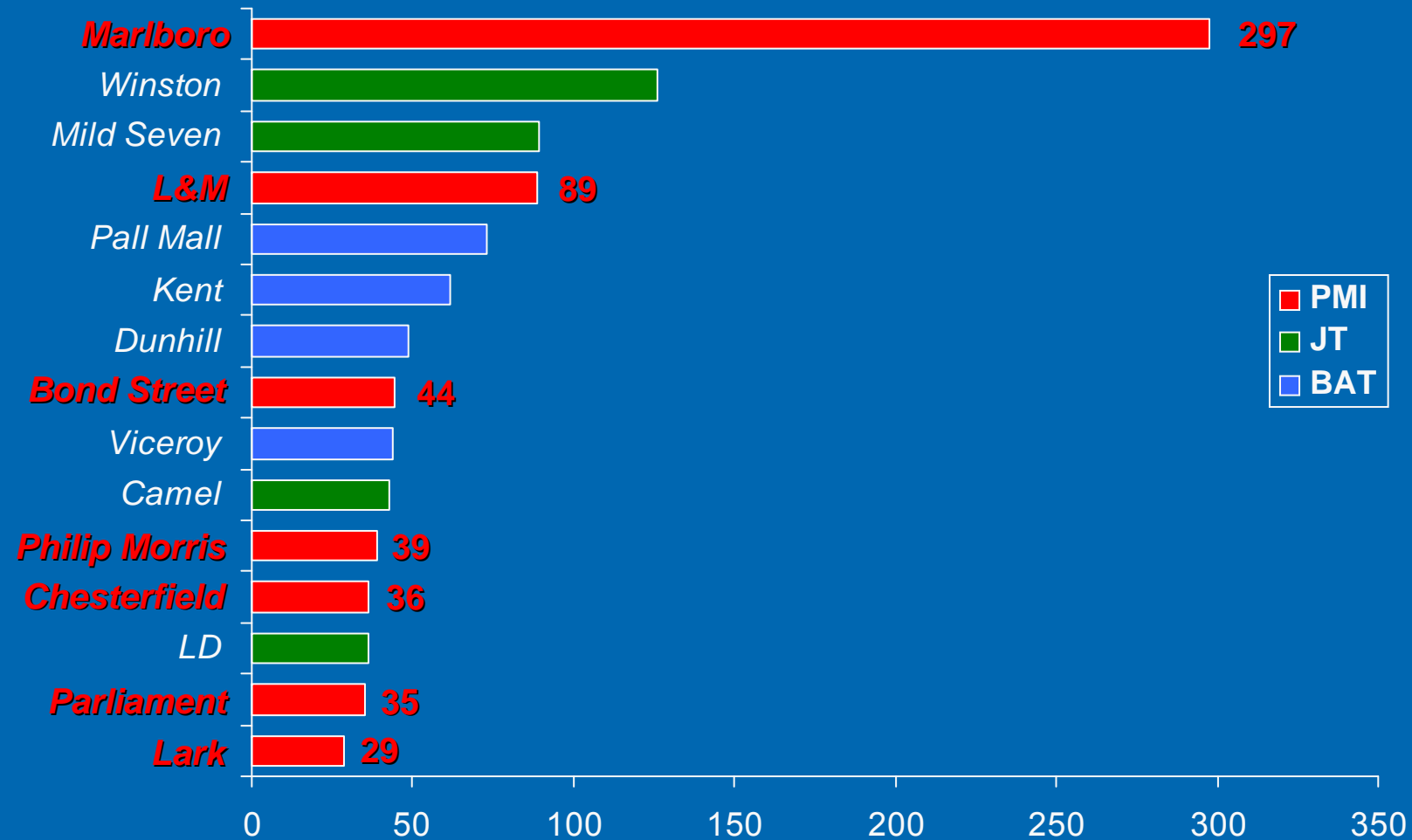
Low-Price





Top 15 International Cigarette Brands (2010)

(units billion)



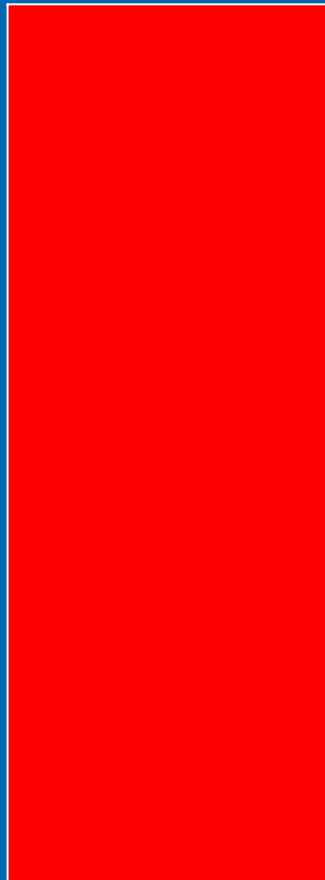
PMI Brand Leadership in Premium International Brands (2010)



PHILIP MORRIS
INTERNATIONAL

(units billion)

297



Marlboro

270



Competition^{(a)(b)}

(a) Brands from BAT, JT and Imperial with sales over one billion units

(b) Includes 83 billion units of *Mild Seven* and *Kent* sold in Japan in the mid-price segment

Source: PMI data from PMI Financials. Competitive data for international premium brands derived from company reports and PMI estimates



PHILIP MORRIS
INTERNATIONAL

Marlboro Architecture and Innovation

Flavor Line
“Flavor enjoyment”



Gold Line
“Smooth taste and style”



Fresh Line
“Fresh taste sensations”



Note: Pack designs for illustrative purposes only



Marlboro – Regional Market Shares



(a) Excluding China
Source: PMI estimates



PHILIP MORRIS
INTERNATIONAL

Marlboro – Packaging Upgrades in EU Region

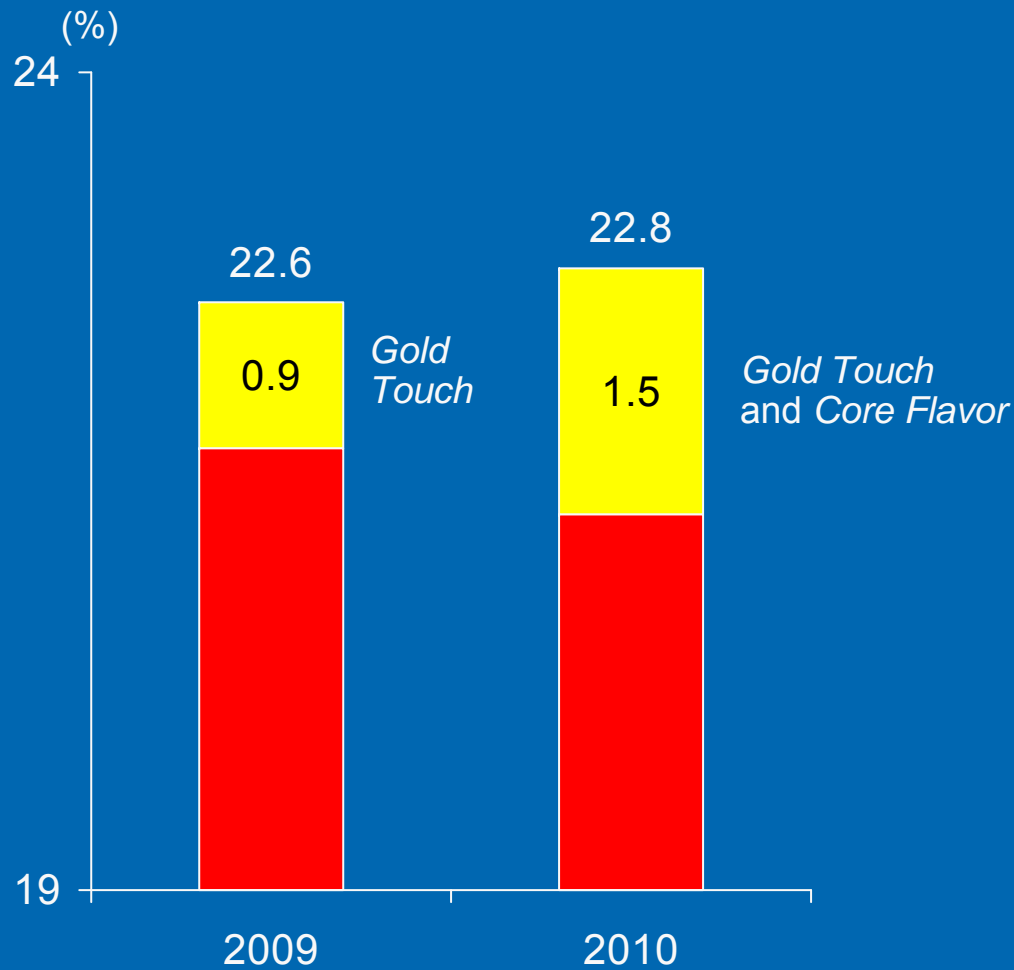




PHILIP MORRIS
INTERNATIONAL

Marlboro – Italy

Market Share



Source: PMI estimates

MARLBORO GOLD TOUCH

Il più grande successo degli ultimi anni.
Oltre 6 milioni di pacchetti venduti in soli 40 giorni.
C'È GRANDE RICHIESTA, NON RIMANERE BENZA.

cod. 2214

Il fumo danneggia gravemente te e chi ti sta intorno

NUOVA MARLBORO CORE FLAVOR.

Il fumo uccide € 4,20

COD. 2373
ORDINALA SUBITO
E SCOPRI IL GUSTO DEL SUCCESSO NELL'INNOVATIVO FORMATO 7.1 MM.

THE NEW AUTHENTIC EXPERIENCE

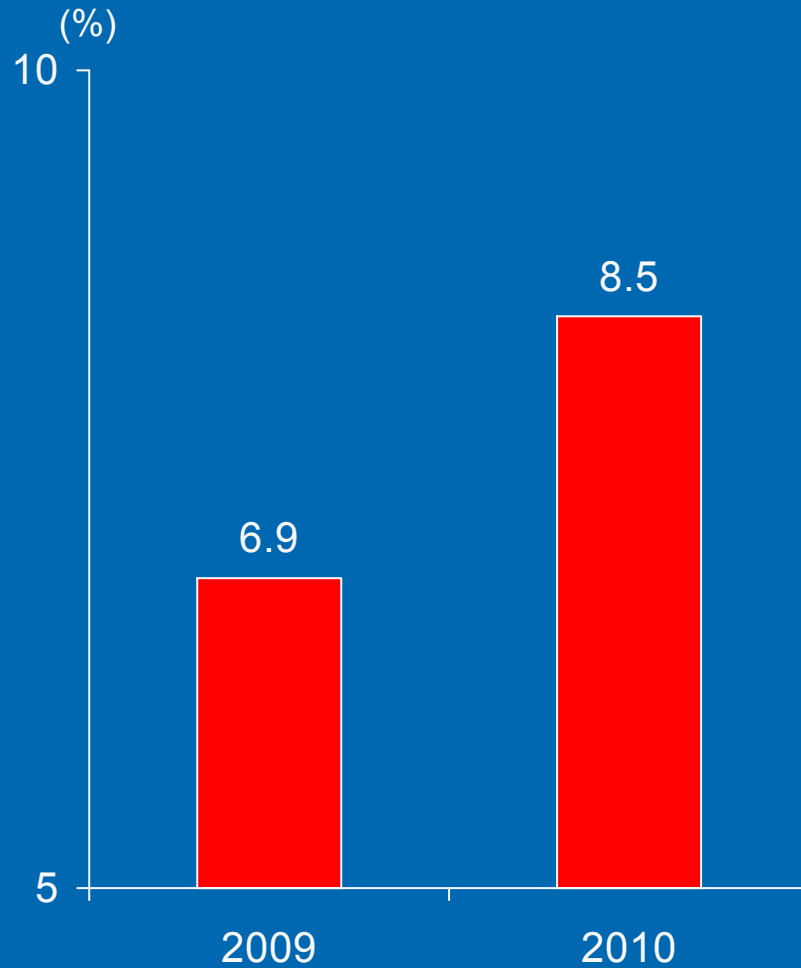
Il fumo danneggia gravemente te e chi ti sta intorno



PHILIP MORRIS
INTERNATIONAL

Marlboro – North Africa^(a)

Market Share



Avis important : fumer nuit à la santé تنبيه هام : التدخين مضر بالصحة



Avis important : fumer nuit à la santé تنبيه هام : التدخين مضر بالصحة

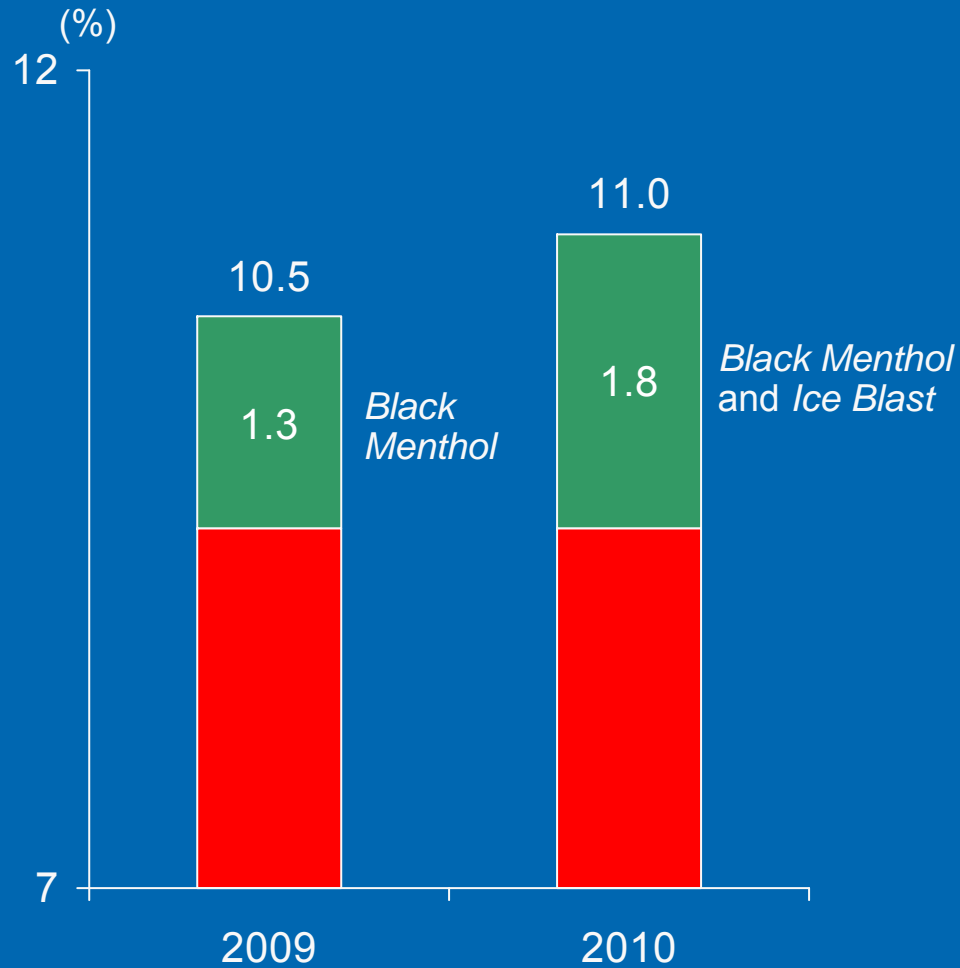
(a) Algeria, Egypt, Morocco and Tunisia
Source: PMI estimates



PHILIP MORRIS
INTERNATIONAL

Marlboro – Japan

Market Share

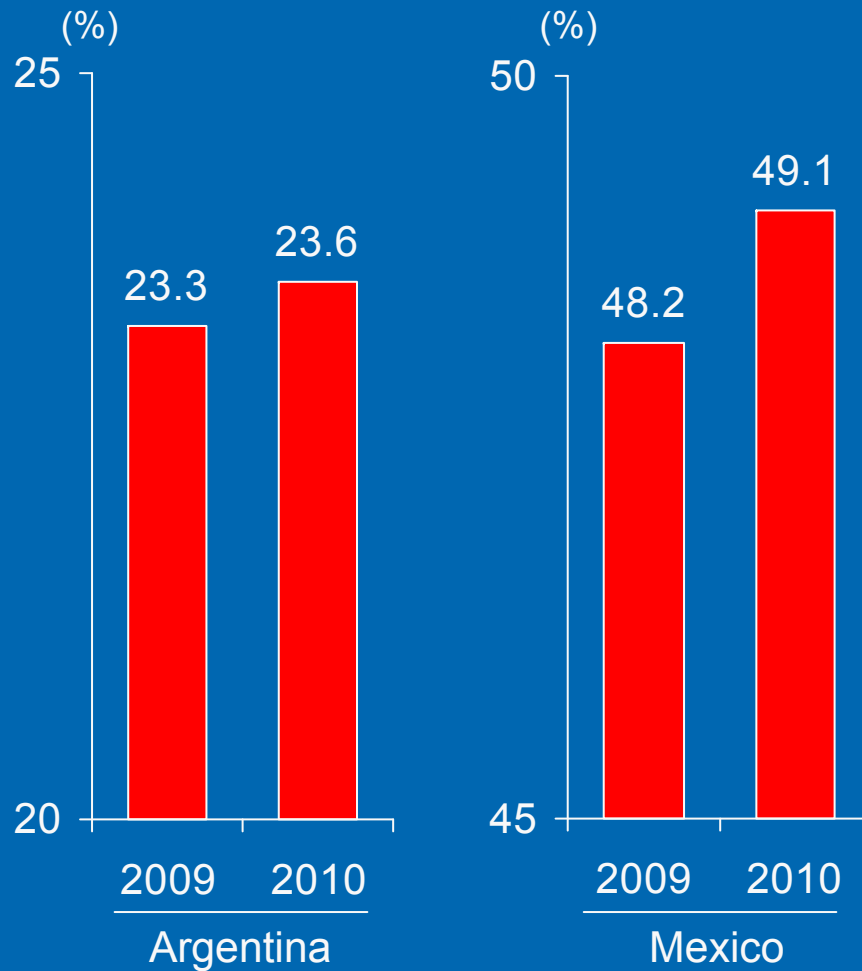




PHILIP MORRIS
INTERNATIONAL

Marlboro – Argentina / Mexico

Market Shares

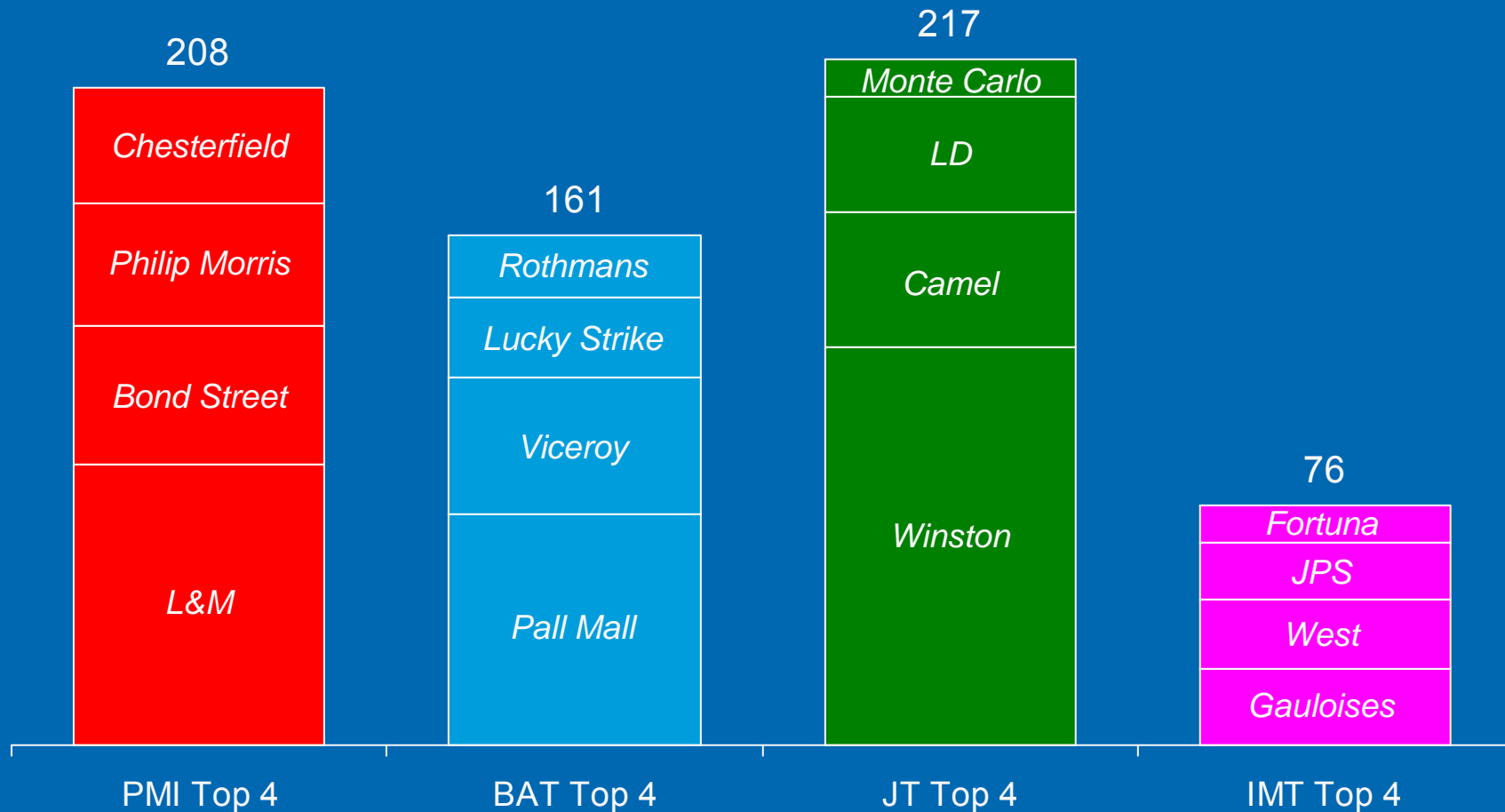


PMI Strength in Non-Premium International Brands (2010)



PHILIP MORRIS
INTERNATIONAL

(units billion)



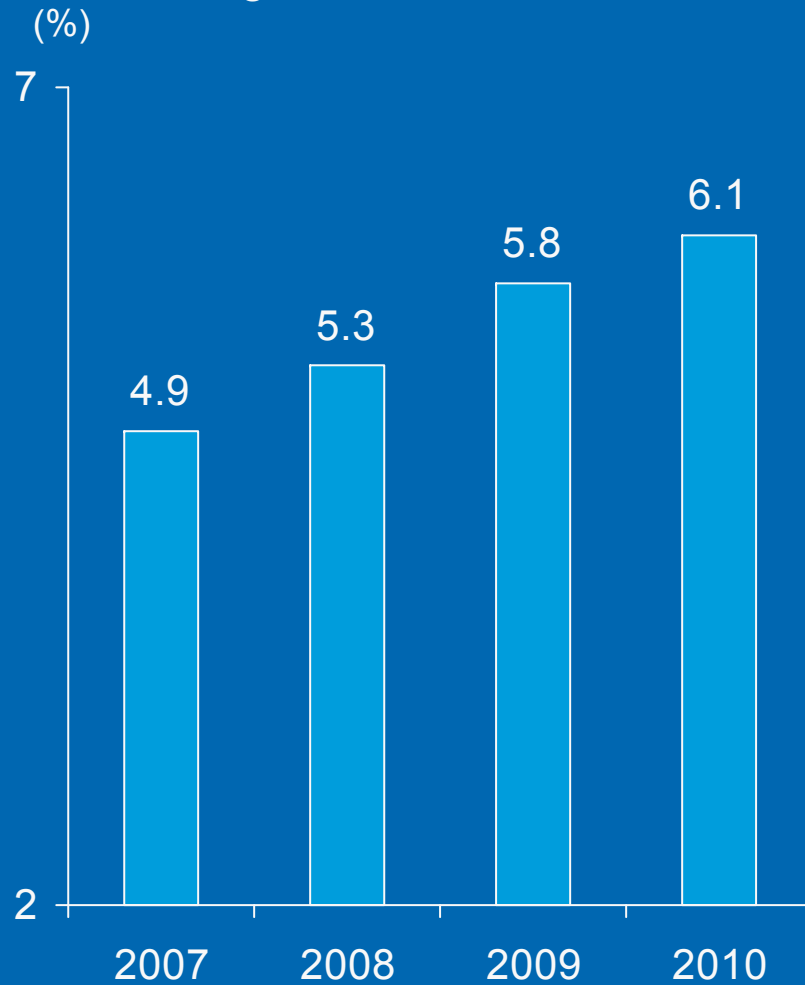
Source: Top 4 based on 2010 volume. PMI 2010 data from PMI Financials. Competitive data derived from company reports and PMI estimates



PHILIP MORRIS
INTERNATIONAL

L&M – EU Region

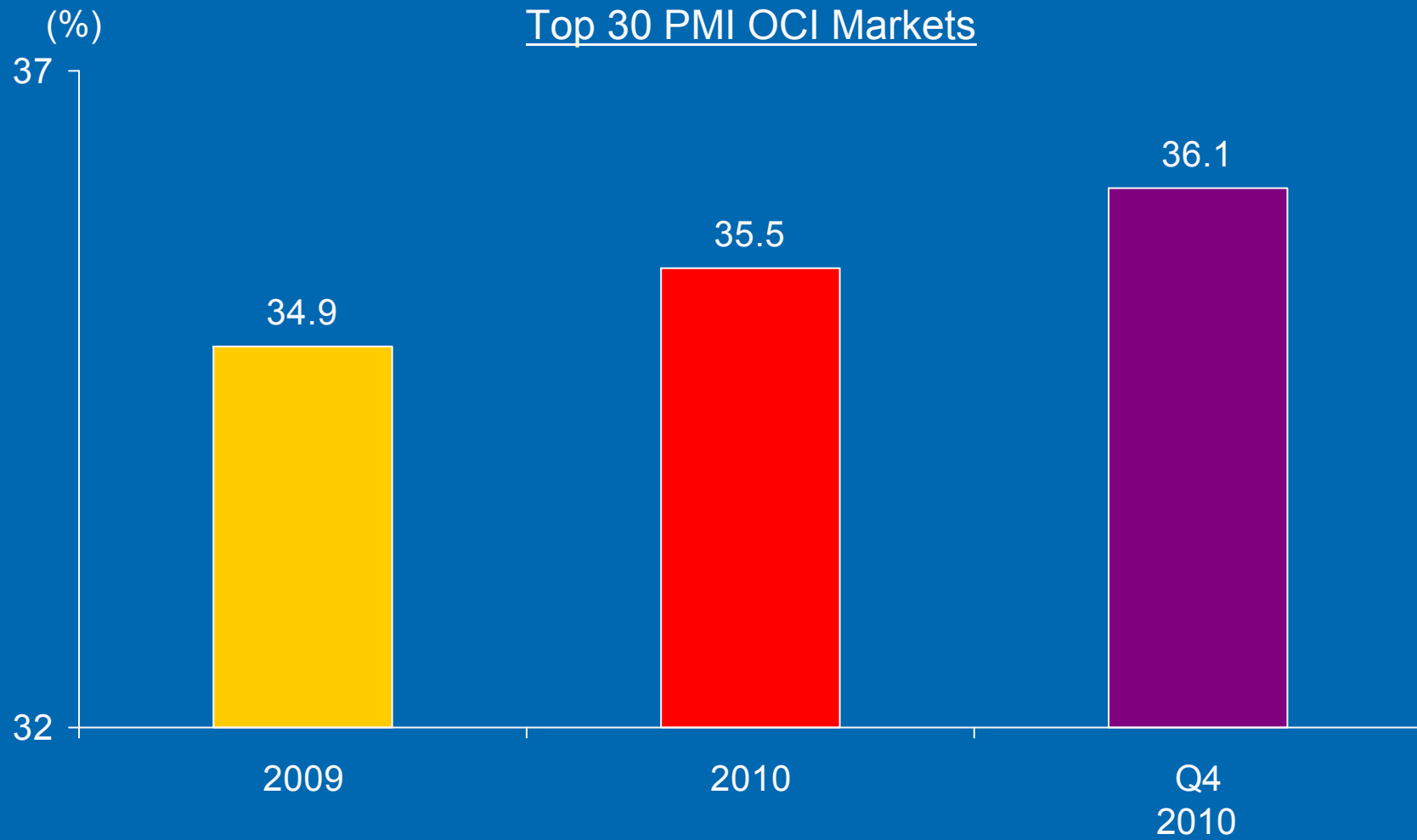
Regional Market Share



Source: PMI estimates



PMI Market Share Developments^(a)



(a) Excluding USA and China

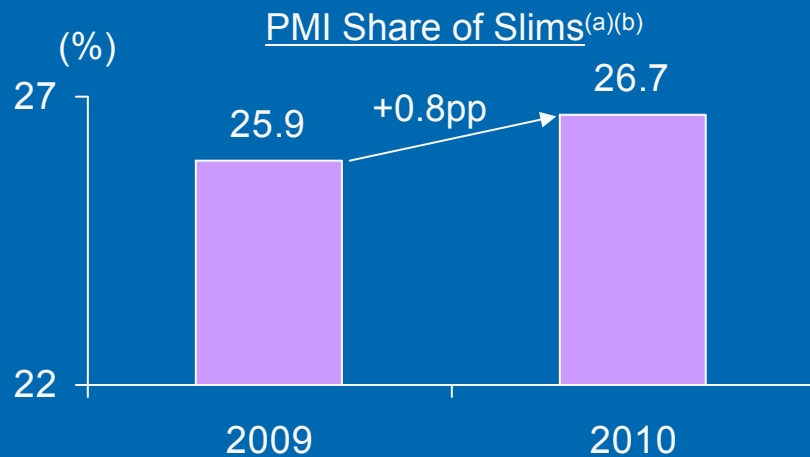
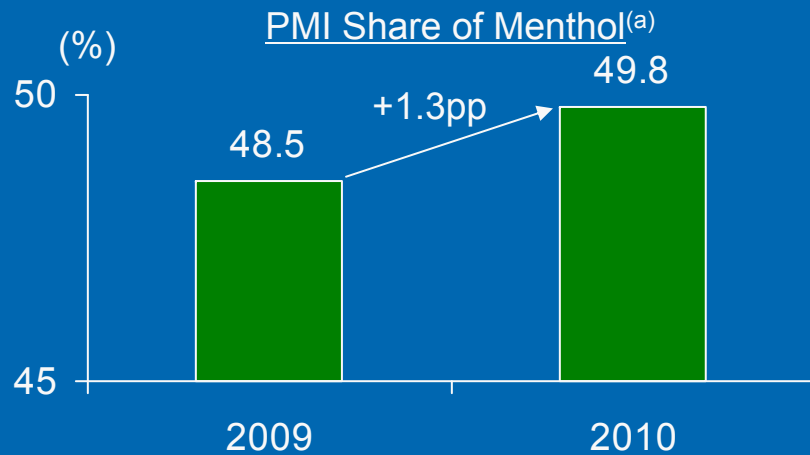
Note: Historical data adjusted for pro-forma inclusion of business combination with Fortune Tobacco in the Philippines

Source: PMI estimates



PHILIP MORRIS INTERNATIONAL

Segment Opportunities



(a) Excluding China, USA and duty-free
 (b) Including slims, extra slims and super-slims
 Source: PMI estimates

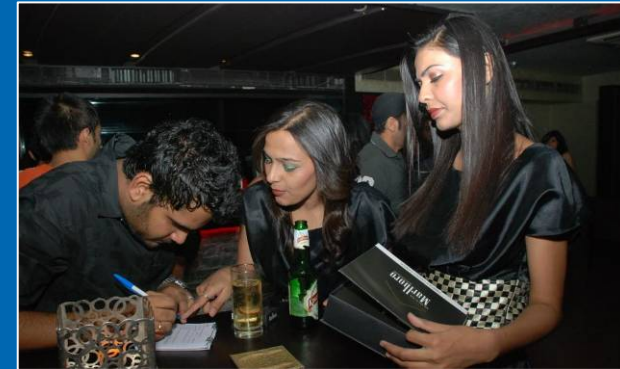




PHILIP MORRIS
INTERNATIONAL

Geographic Opportunities

- Collectively, Bangladesh, India and Vietnam account for an estimated 7.8% of world market, excluding China and the USA
- PMI presence today negligible
- Structures now in place to grow the business organically, with a particular focus on *Marlboro*



India

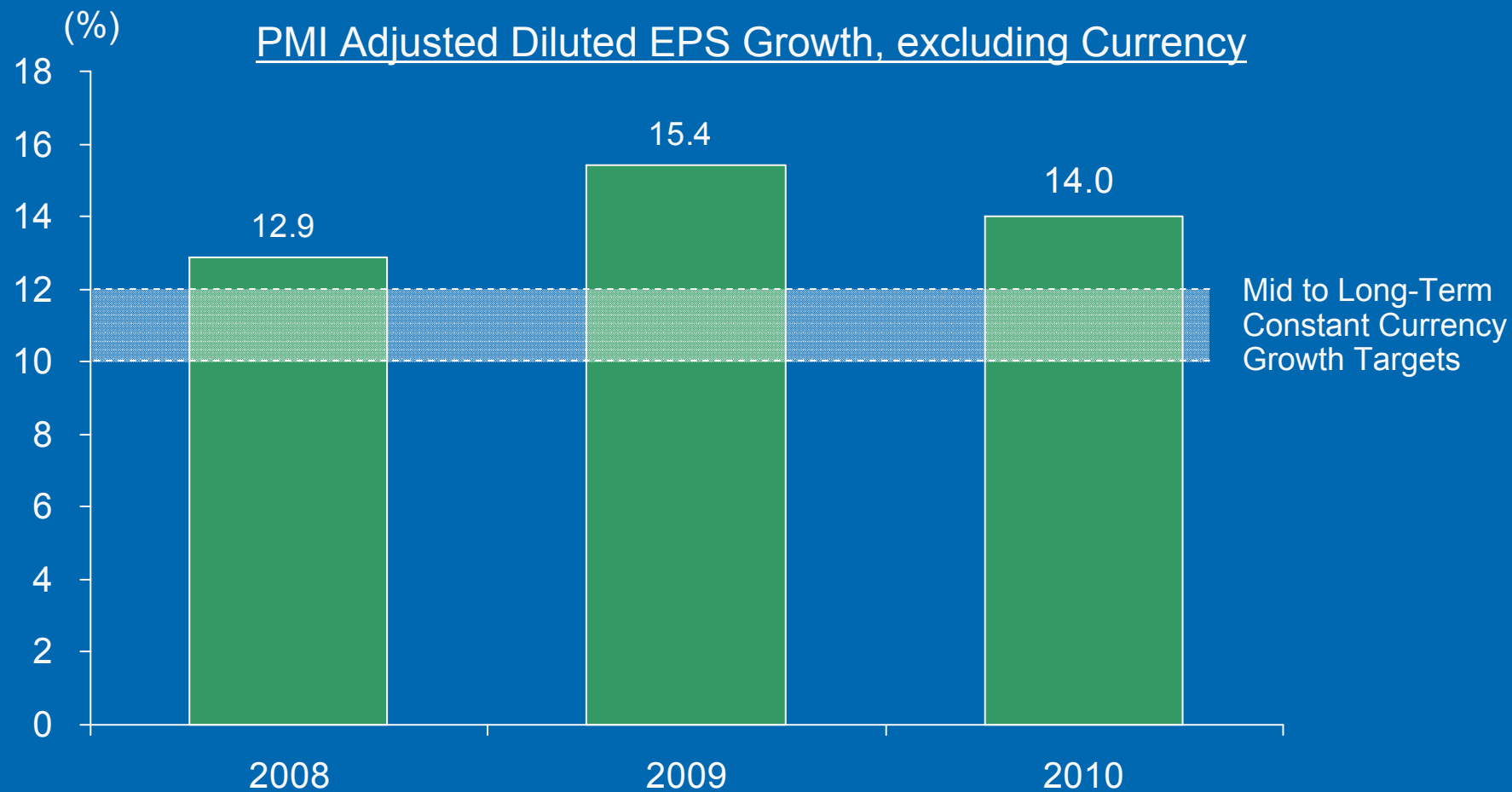


Vietnam

(a) Also excluding USA
Source: PMI estimates



We Consistently Deliver Targeted EPS Growth



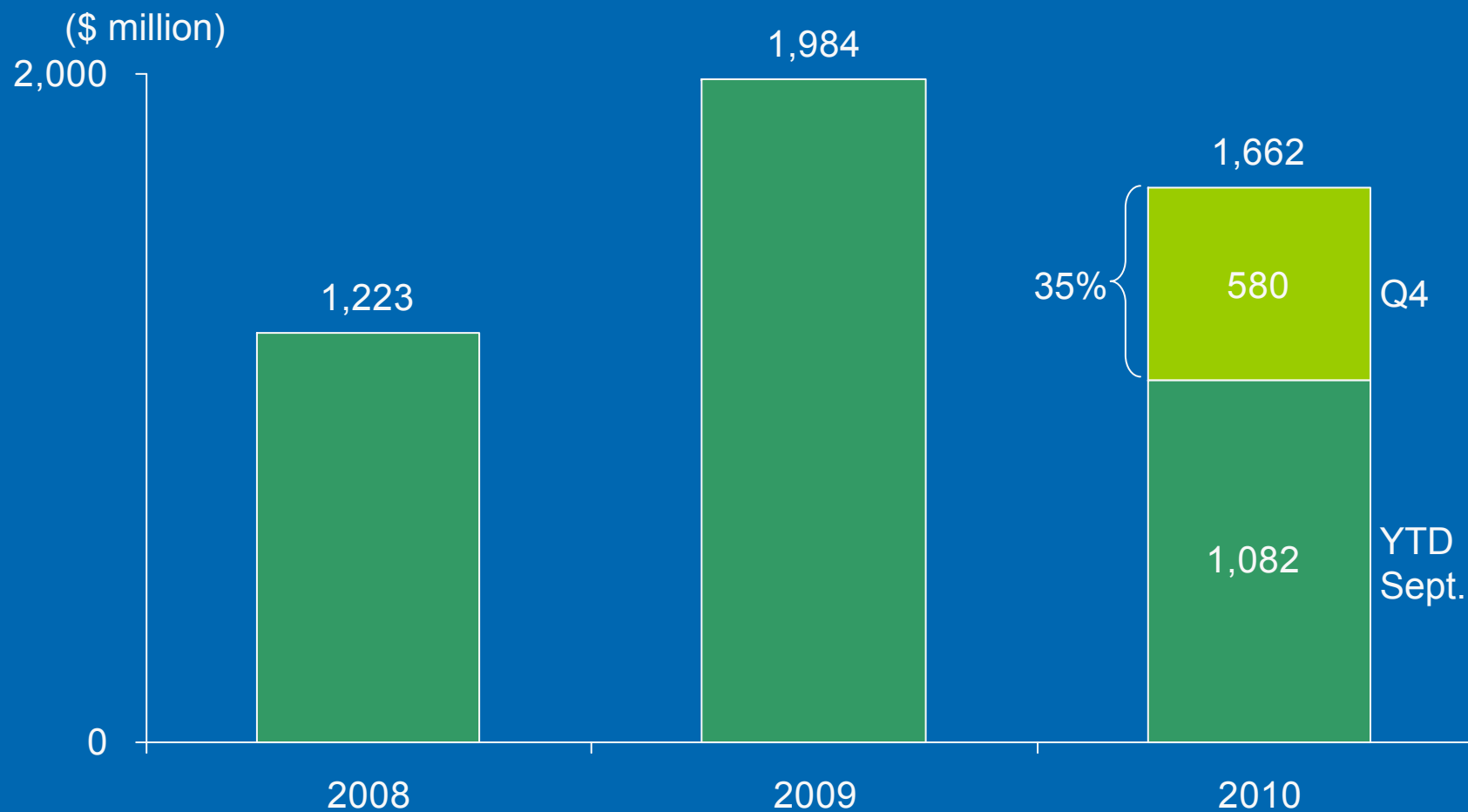


2011 EPS Guidance

- 2011 reported diluted EPS guidance provided on February 10, 2011
- Reported diluted EPS guidance for 2011 is \$4.35 to \$4.45, versus \$3.92 in 2010
- Compared to an adjusted diluted EPS of \$3.87 in 2010, this corresponds to a growth rate of approximately 12.5% to 15% at prevailing exchange rates, or approximately 10% to 12.5% on a currency neutral basis
- 2011 guidance assumes an effective underlying tax rate that is expected to be some 70 basis points higher than that incurred in 2010



Pricing Variance





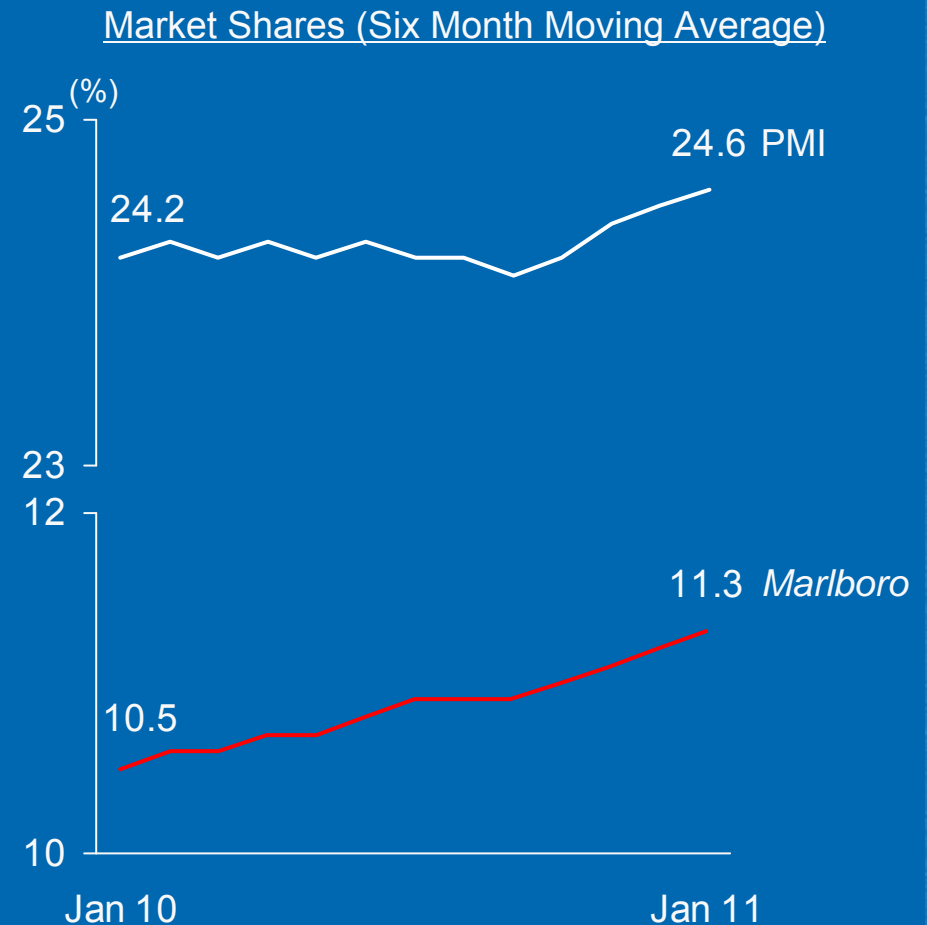
International Cigarette Industry Volume Trends

- In 2011, industry volume, excluding China and the USA, currently forecast to decline at around 2.5%, broadly in line with 2010
- Key uncertainty in this projection is Japan
- After 2011, the decline in industry volume, excluding China and the USA, is expected to moderate to a rate of 1.0%-1.5%



Japan

- Current forecast is for an annualized 20% decline in industry volume in 2011
- We may be able to do better thanks to our momentum. In January 2011, six month moving average market shares were:
 - up 0.4 points for PMI
 - up 0.8 points for *Marlboro*

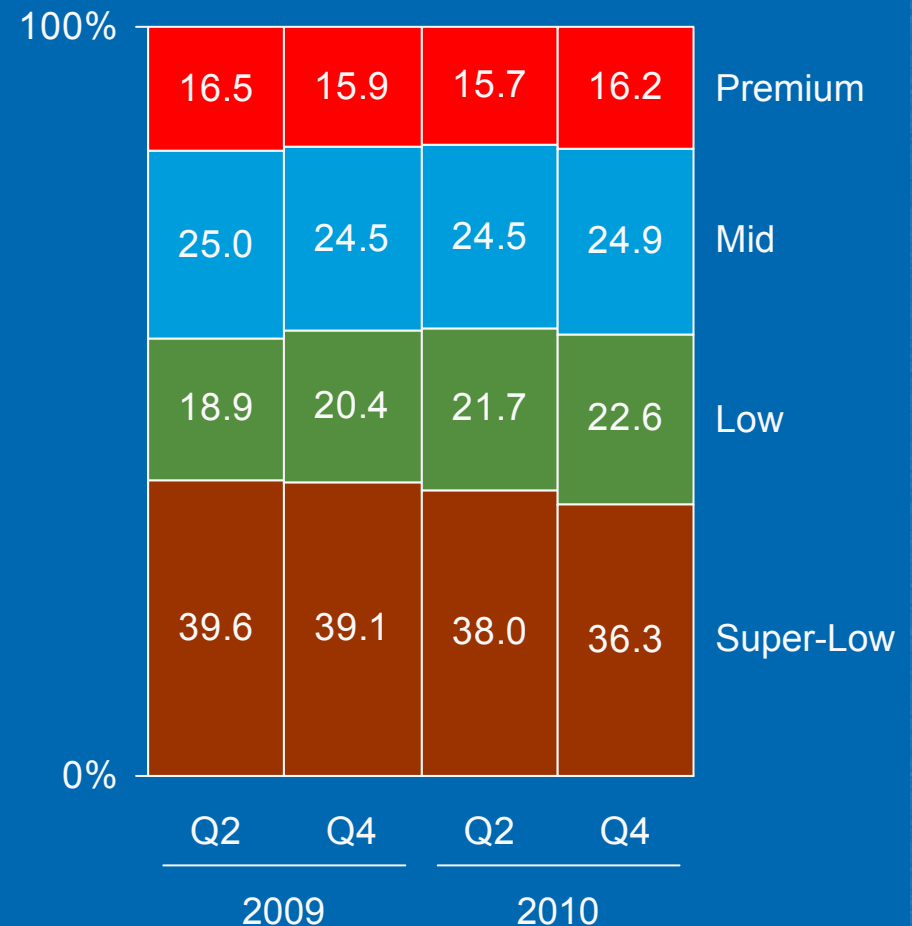




Russia

- Market starting to stabilize in Q4, 2010:
 - We estimate that total industry volume was at the same level in the quarter as in 2009
 - Premium, mid and low-price segments growing at expense of super-low
- Large price increases in 2011, which more than offset excise tax increases, may delay consumer up-trading

Quarterly Price Segment Shares



Note: Totals may not add due to rounding
Source: A.C. Nielsen



Germany

- Competition started discounting “big” (23-25 cigarettes) and “maxi” (26-30 cigarettes) in May 2010
- PMI followed later with *L&M*
- *Marlboro* under pressure from increased price gap: *Marlboro* 29s launched in October 2010 at 3.8% per stick discount
- Initial results from Q4, 2010 are encouraging



Cigarette Market Shares

| (%) | <u>Q4 2010</u> | <u>Variance</u> | |
|-----------------|----------------|-----------------|---------------|
| | | <u>vs. PQ</u> | <u>vs. PY</u> |
| <i>Marlboro</i> | 21.6 | 0.5 | (0.7) |
| <i>L&M</i> | 9.6 | 0.4 | 0.8 |
| Other | 4.6 | - | (0.4) |
| Total PMI | 35.8 | 0.9 | (0.4) |

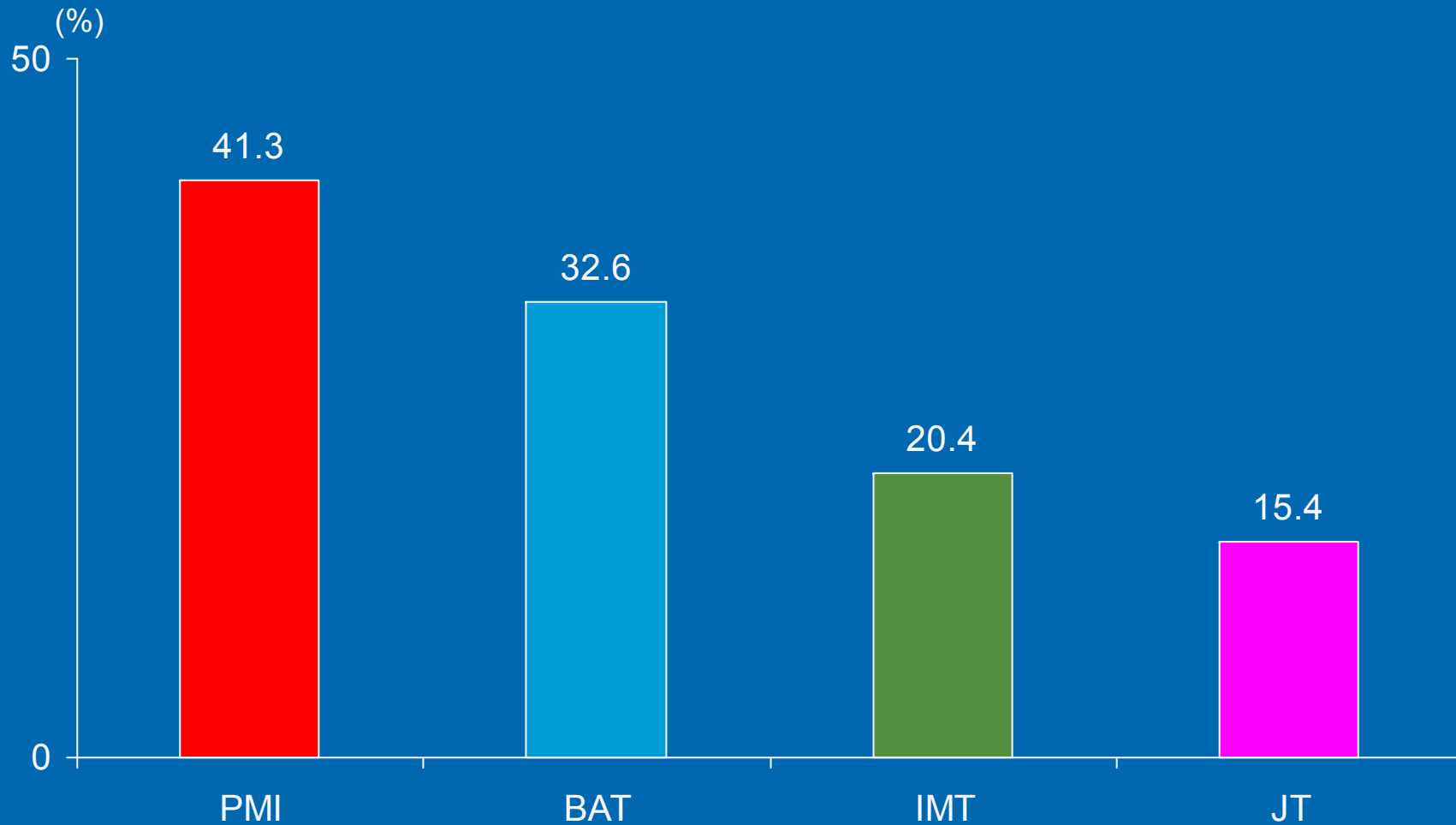


Costs and Productivity Savings

- The demand and supply for tobacco leaf is now broadly balanced and increases in leaf prices this year are expected to be in line with inflation
- Impact at the P&L level from previous crops should be no higher than in 2010
- Target of \$250 million in pretax savings from productivity programs in 2011
- Some increases in direct material costs and salaries



Adjusted Operating Income Margins (2010)



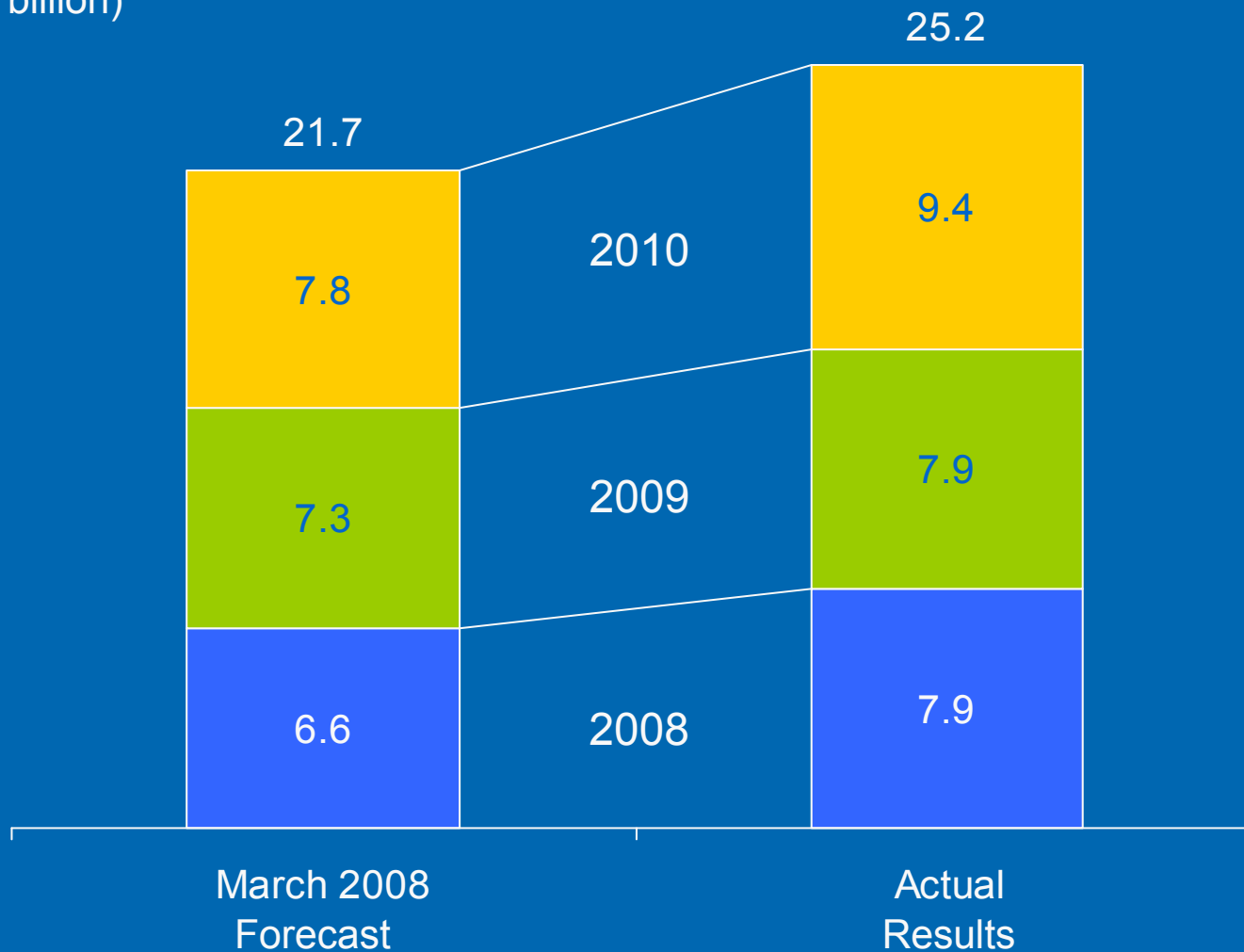
Note: Adjusted operating income margins are defined as adjusted operating income divided by net revenues. Peer comparisons excludes certain one-time items and restructuring costs

Source: Centerview based on company reports



Cumulative Operating Cash Flow (2008-2010)

(\$ billion)

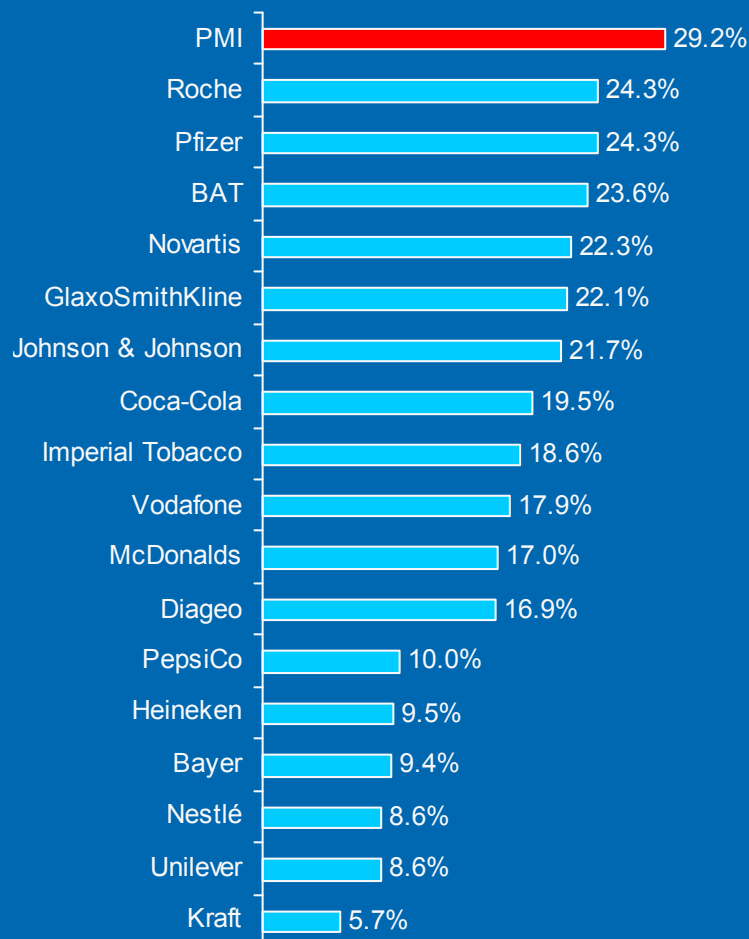


Free Cash Flow as a % of Net Revenues – 2008-2010

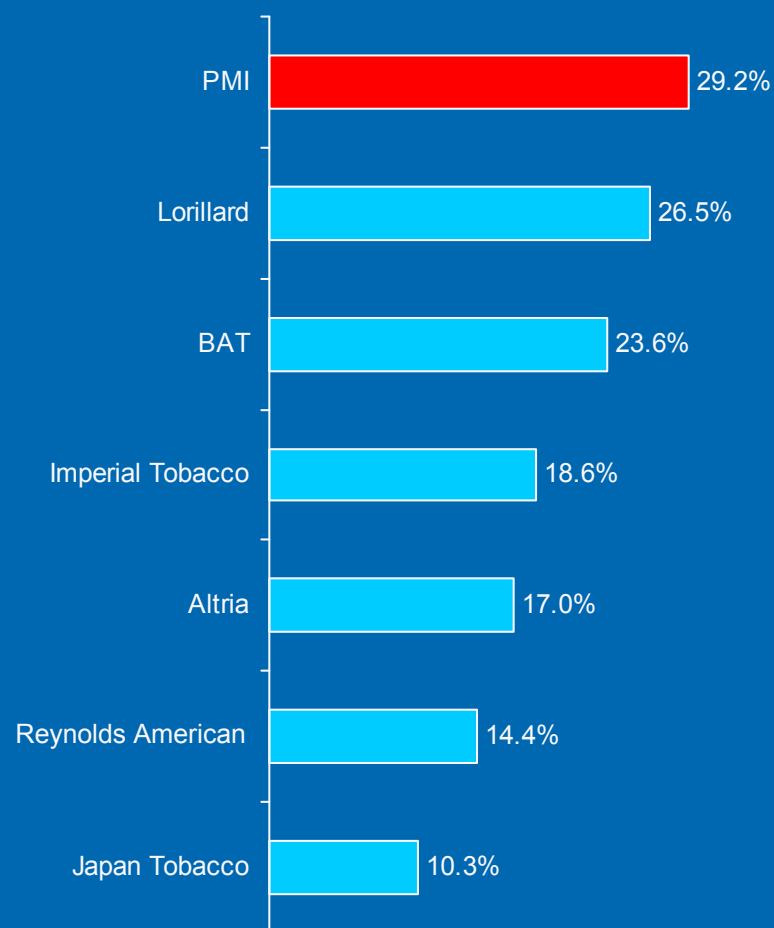


PHILIP MORRIS
INTERNATIONAL

Peer Group



Tobacco Sector

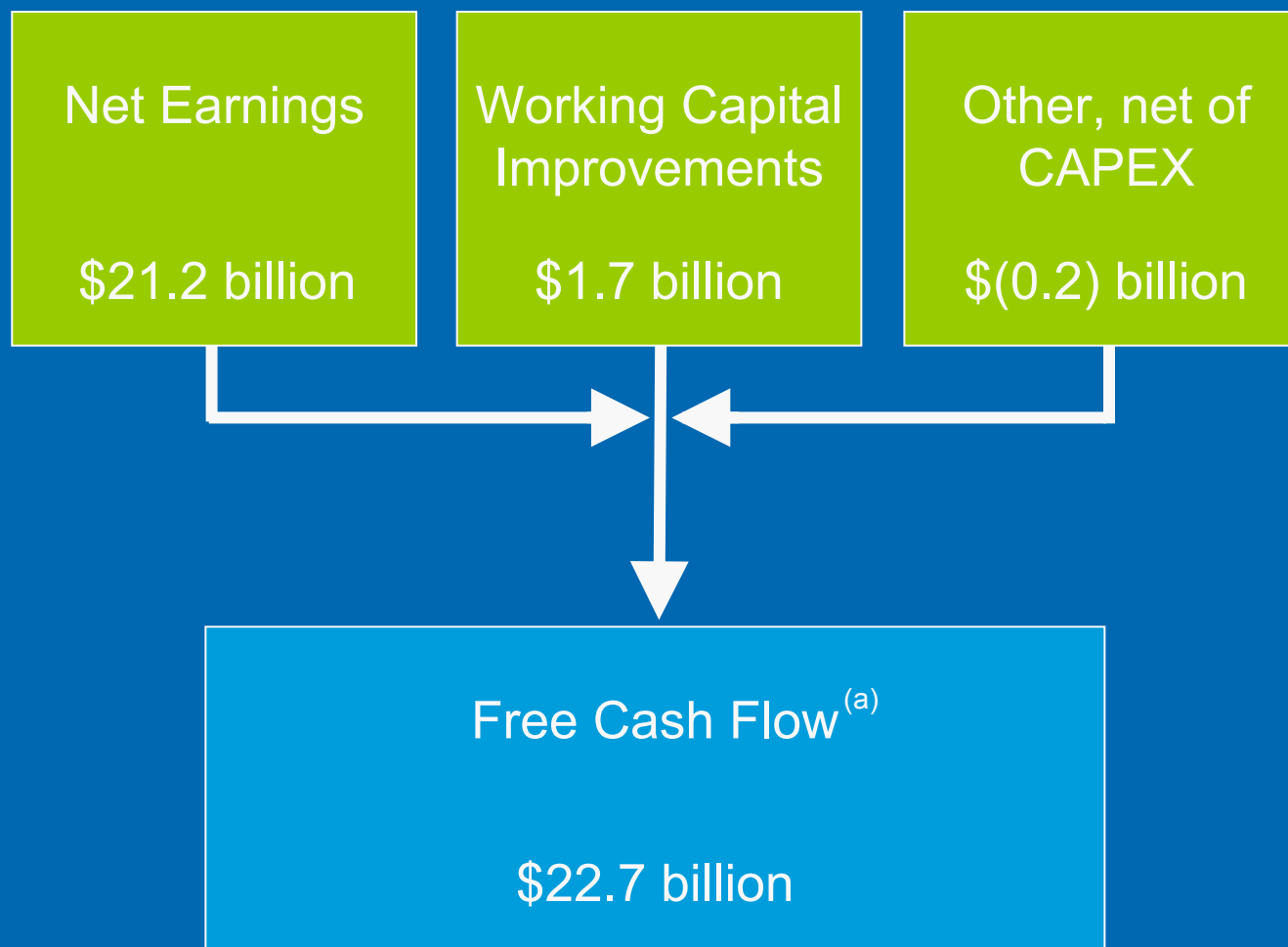


Note: Free cash flow as a percentage of net revenues is defined as total 2008-2010 period free cash flow over total 2008-2010 period net revenues. Free cash flow is defined as net cash provided by operations less capital expenditures. Nearest comparable period is used where the 2008-2010 comparison is unavailable. PMI's free cash flow and net revenues for the period were \$22,729 million and \$77,948 million, respectively

Source: Company filings, compiled by Centerview



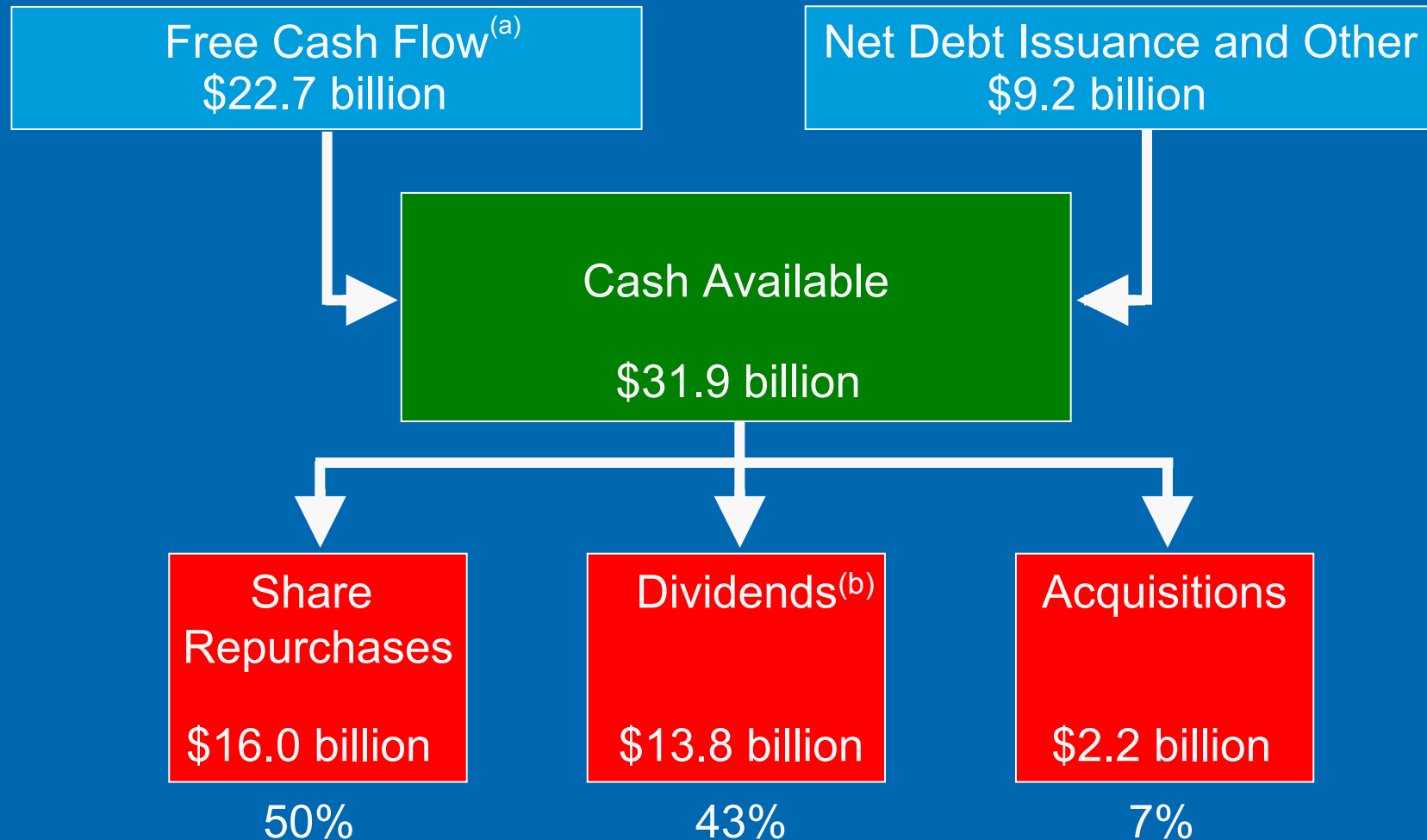
Free Cash Flow 2008-2010



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



Use of Cash Flow 2008-2010



(a) Free cash flow is defined as net cash provided by operating activities less capital expenditures

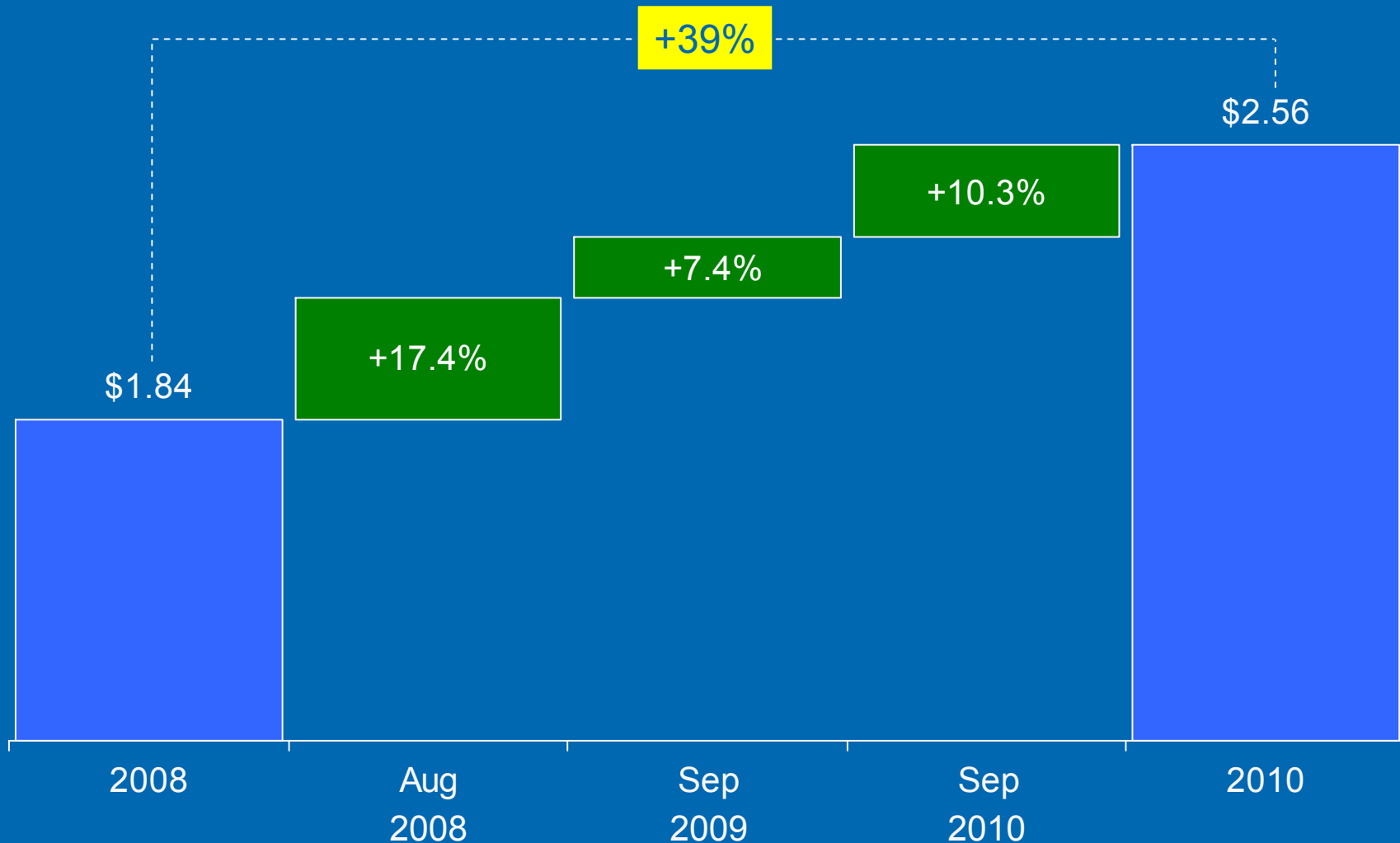
(b) Including dividend paid in April 2008 to Altria Group, Inc.

Note: Totals may not add due to rounding

Source: PMI Financials



Dividend Increases Since Spin^(a)

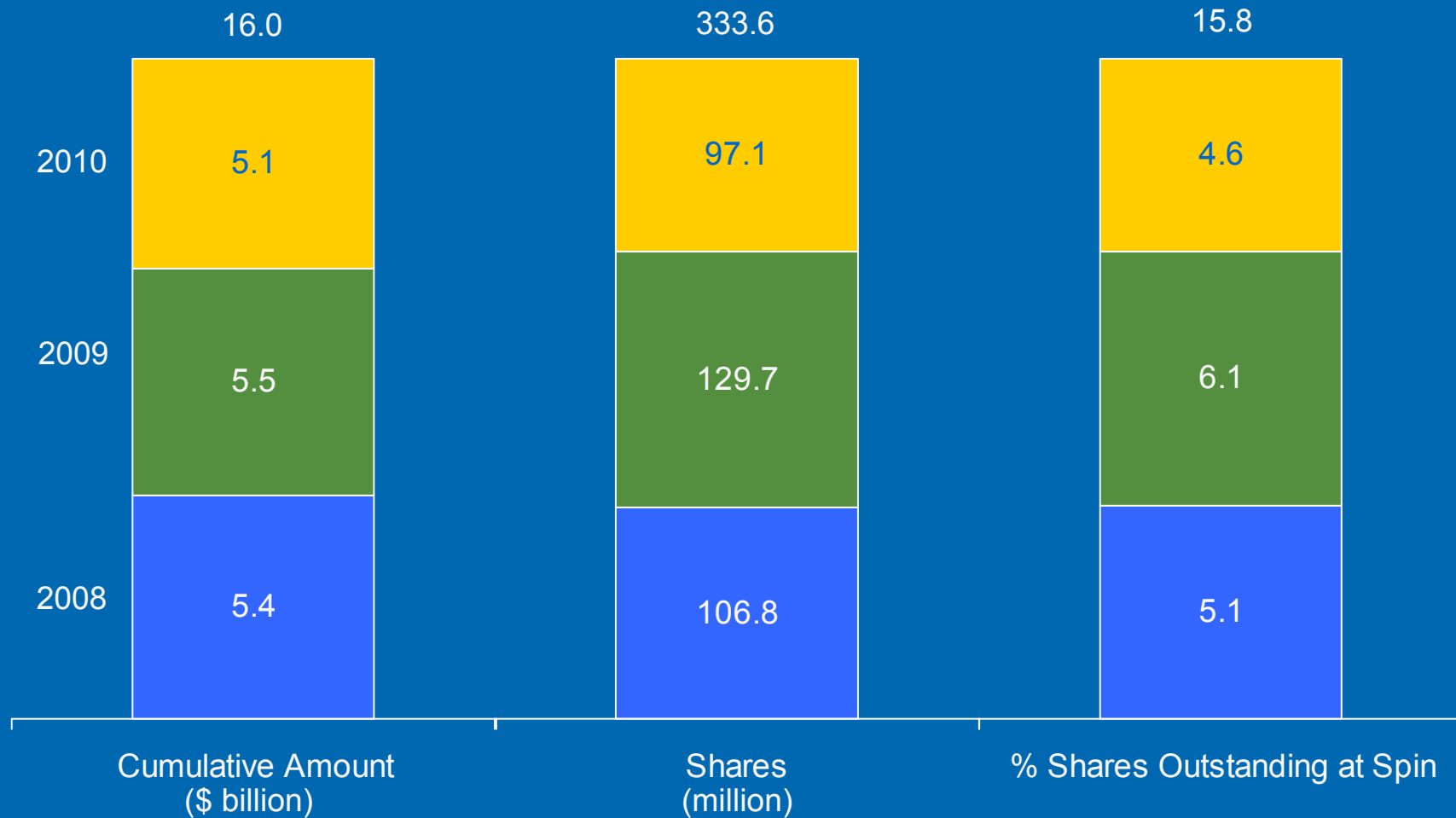


(a) Dividends for 2008 and 2010 are annualized rates. 2008 annualized rate is based on a quarterly dividend of \$0.46 per common share, declared June, 18, 2008. 2010 annualized rate is based on a quarterly dividend of \$0.64 per common share, declared September 10, 2010

Source: PMI company reports



Share Repurchase Program

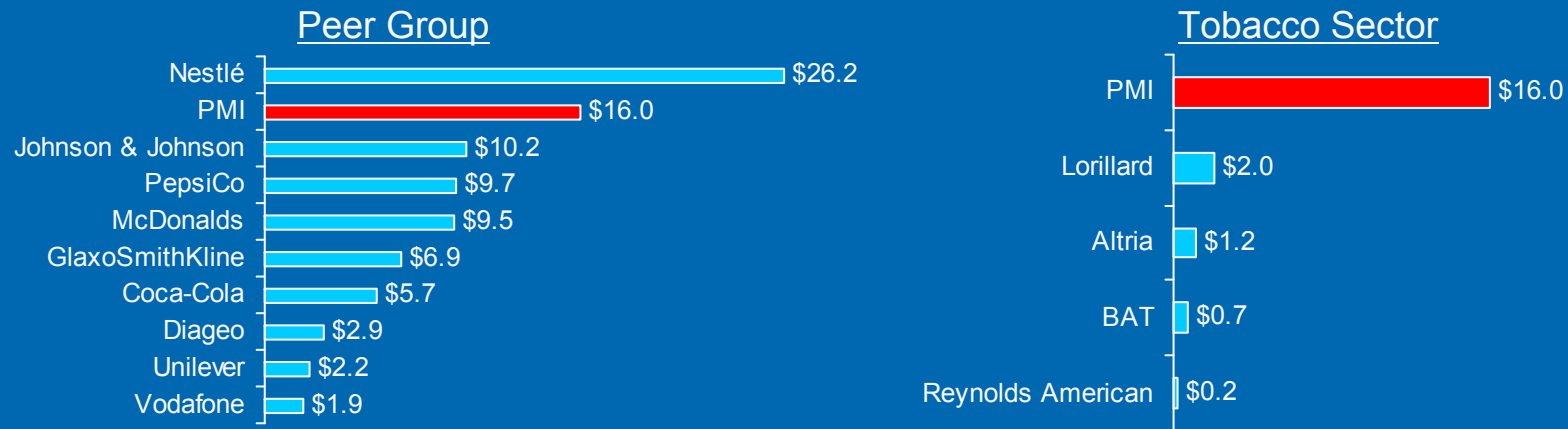


Note: The outstanding PMI shares at the time of the spin were 2,109 million
Source: PMI Financials

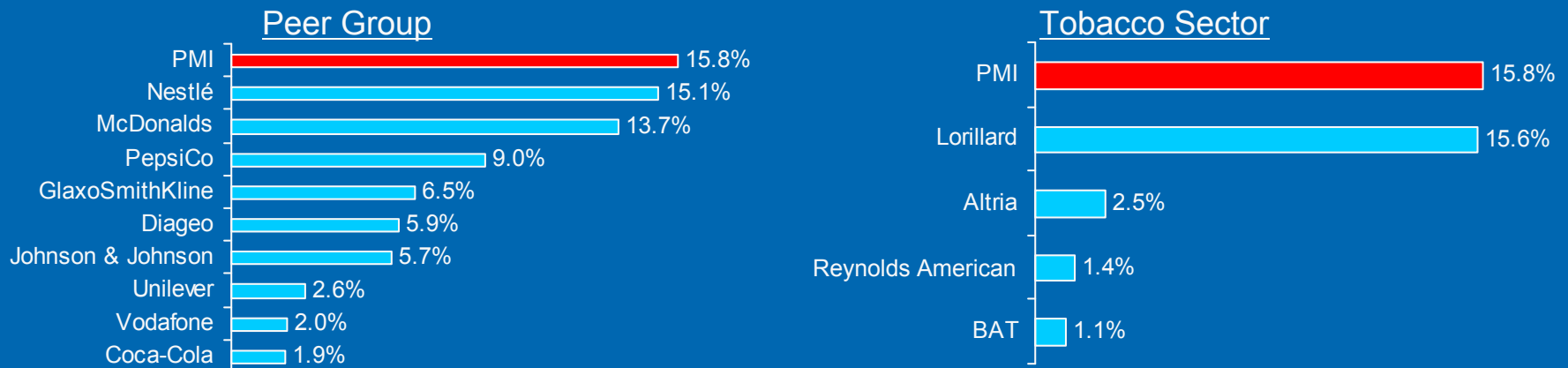


Share Repurchases Since 2008

In \$ Billions



% of Shares Outstanding

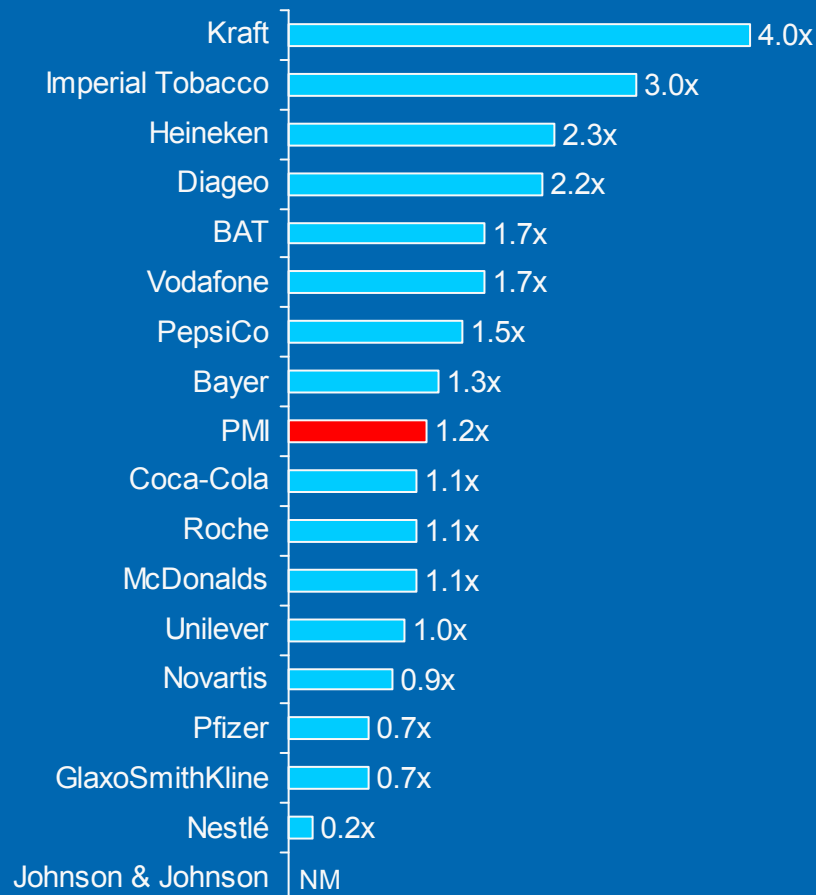


Note: Reflects Dollar amount of shares repurchased during the 2008-2010 period and number of shares repurchased during the 2008-2010 period over the number of outstanding shares at the beginning of the period. Nearest comparable period is used where the 2008-2010 comparison is unavailable
Source: Company filings, compiled by Centerview

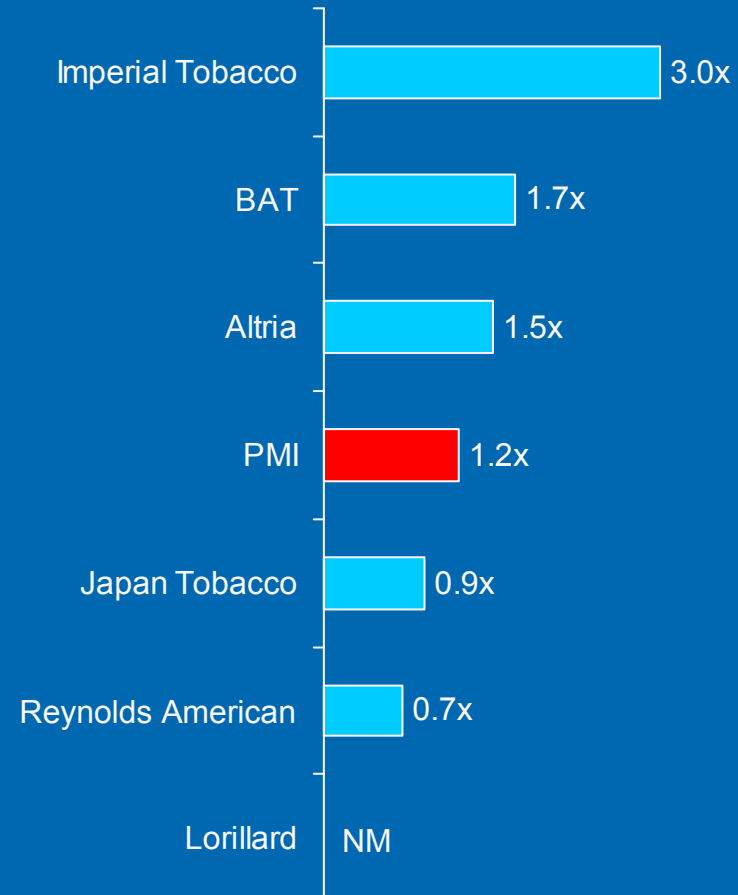


Net Debt to EBITDA

Peer Group



Tobacco Sector



Note: PMI's Net Debt and EBITDA were \$14,799 million and \$12,132 million, respectively, for the 12 months ending December 31, 2010. Please see relevant reconciliations to most comparable GAAP measures posted on our website or at the end of this presentation. Peer comparisons exclude certain one-time items and restructuring costs

Source: Company filings, Capital IQ and FactSet. Figures are for the 12 month period ending December 31, 2010 or nearest comparable period



PHILIP MORRIS
INTERNATIONAL

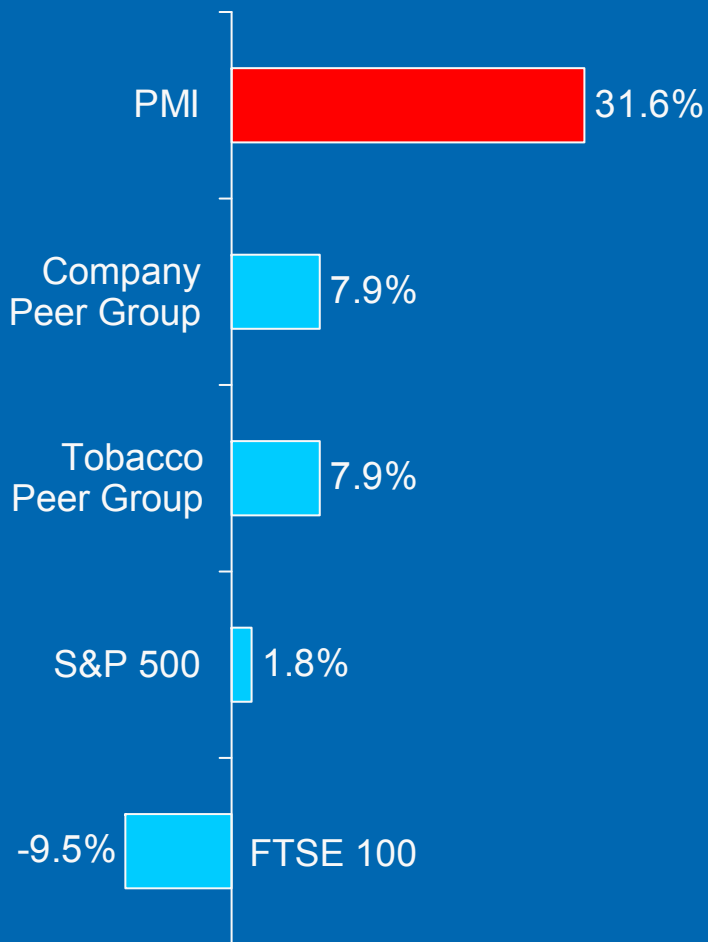
Why We Are an Attractive Investment

- Strong business fundamentals built on:
 - Superior brand portfolio, led by a re-invigorated *Marlboro*
 - Share leadership in both OECD and non-OECD markets
 - Strong pricing power, due to brand leadership and broad portfolio
 - Productivity initiatives and cost controls
 - Excellent people at all levels of the organization
- Tremendous and growing cash flow
- Disciplined and creative approach to business development
- Focus on shareholder returns through a balanced program of dividends and share repurchases

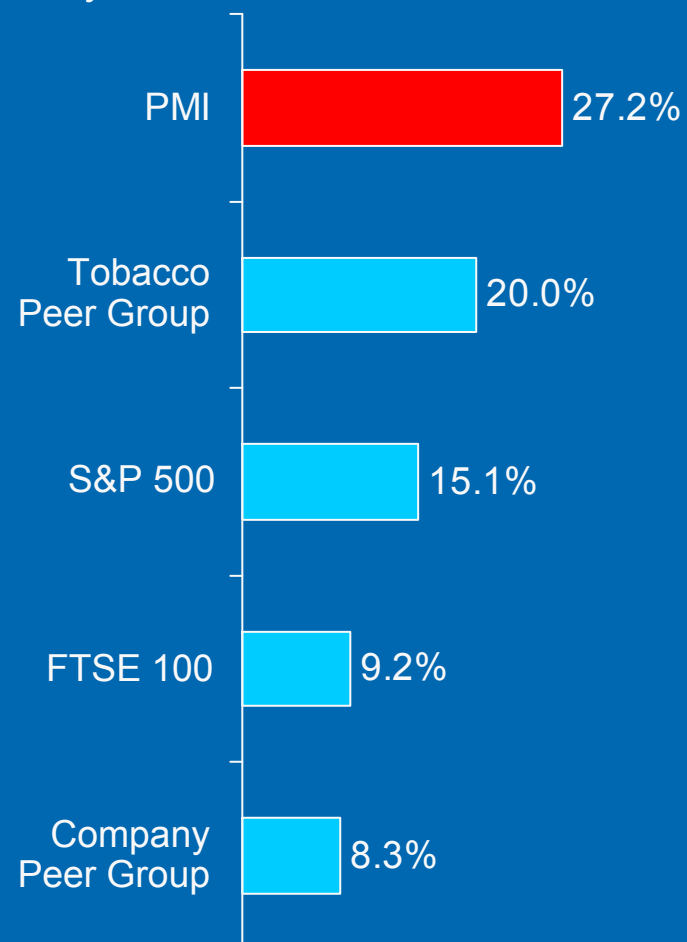


Total Shareholder Return (\$) – Weighted Average

March 28, 2008 – December 31, 2010



January 1, 2010 – December 31, 2010

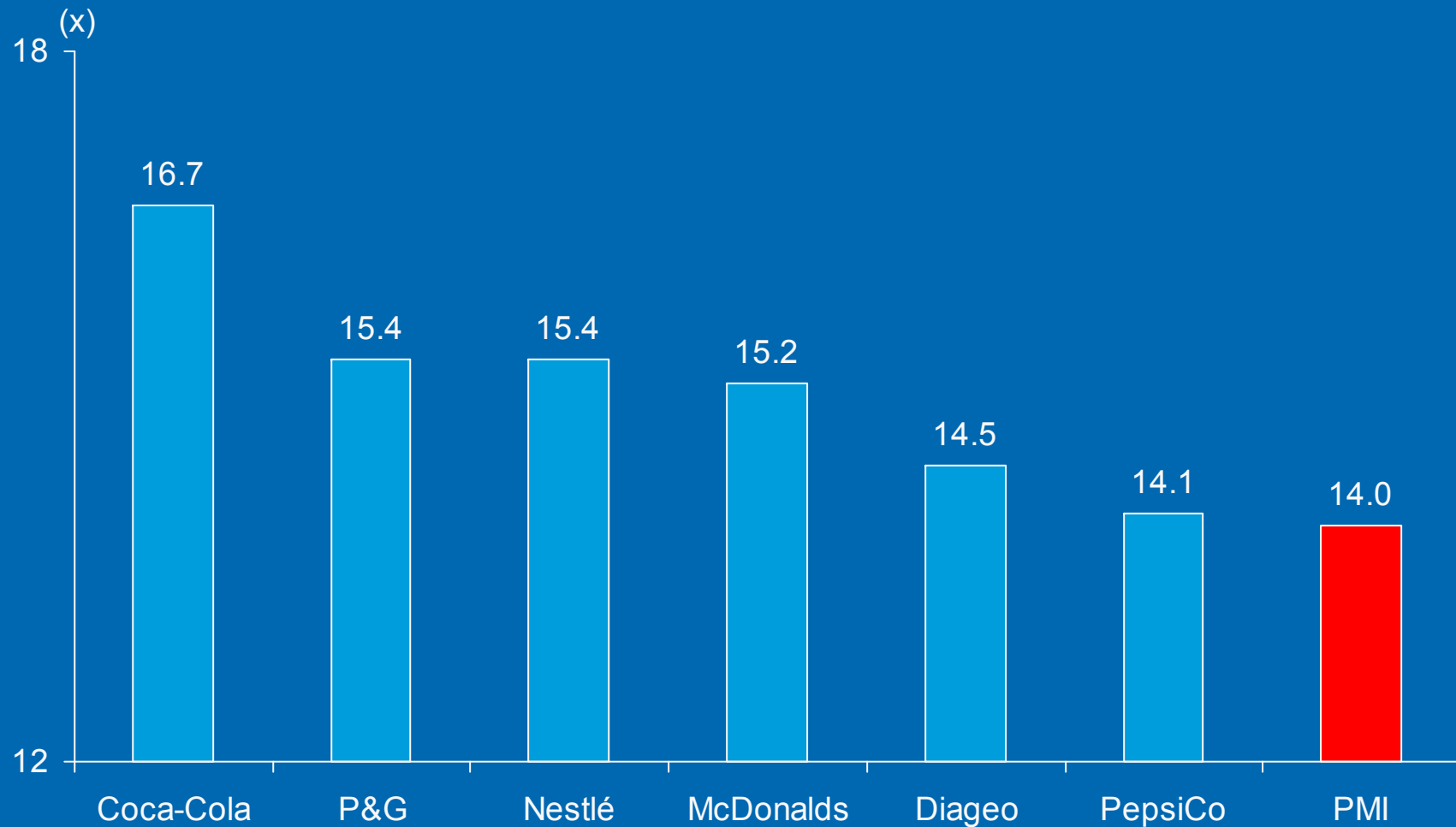


Note: Peer groups represent the weighted average return of the group. PMI pro-forma for additional \$0.46 per share dividend paid in April 2008, for period of March 28, 2008 to December 31, 2010

Source: FactSet, compiled by Centerview



2011E P/E Ratios



Note: PMI P/E ratio based on share price of \$61.43 and 2011 EPS estimate of \$4.40, reflecting the mid-point of PMI's guidance of February 10, 2010
Source: Company filings, FactSet and Wall Street equity research, compiled by Centerview



PHILIP MORRIS INTERNATIONAL

**Consumer Analyst Group of New York
(CAGNY) Conference
February 23, 2011**

Hermann Waldemer

Chief Financial Officer

Philip Morris International

QUESTIONS & ANSWERS

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

Reconciliation of Reported Operating Income to Adjusted Operating Income For the Years Ended December 31, (\$ in millions) (Unaudited)

| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|------------------|------------------|------------------|-----------------|
| Reported Operating Income | \$ 11,200 | \$ 10,040 | \$ 10,248 | \$ 8,894 |
| Adjustments: | | | | |
| Asset impairment and exit costs | 47 | 29 | 84 | 208 |
| Colombian investment and cooperation agreement charge | | 135 | | |
| Equity loss from RBH legal settlement | | | 124 | |
| Gain on sale of leasing business | | | | (52) |
| Pro forma adjustments ⁽¹⁾ | | | | (92) |
| Adjusted Operating Income | <u>\$ 11,247</u> | <u>\$ 10,204</u> | <u>\$ 10,456</u> | <u>\$ 8,958</u> |

⁽¹⁾ For details on pro forma adjustments in 2007, please refer to the Schedule 14 in the 2008 Full Year Earnings Release (dated February 4, 2009) which is posted on our website.

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

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

| | <u>2010</u> | <u>2009</u> | <u>% Change</u> |
|---|-----------------------|-----------------------|-----------------|
| Reported Diluted EPS | \$ 3.92 | \$ 3.24 | 21.0% |
| Adjustments: | | | |
| Colombian investment and cooperation agreement charge | - | 0.04 | |
| Tax items | (0.07) | - | |
| Asset impairment and exit costs | 0.02 | 0.01 | |
| Adjusted Diluted EPS | <u>\$ 3.87</u> | <u>\$ 3.29</u> | 17.6% |
| Less: | | | |
| Currency Impact | <u>0.12</u> | | |
| Adjusted Diluted EPS, excluding Currency | <u><u>\$ 3.75</u></u> | <u><u>\$ 3.29</u></u> | 14.0% |

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

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 | <u>\$ 3.29</u> | <u>\$ 3.31</u> | (0.6)% |
| Less: | | | |
| Currency Impact | <u>(0.53)</u> | | |
| Adjusted Diluted EPS, Excluding Currency | <u><u>\$ 3.82</u></u> | <u><u>\$ 3.31</u></u> | 15.4% |

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS & Adjustments for the Impact of Currency and 2007 Pro-Forma For the Years Ended December 31, (\$ in millions) (Unaudited)

| 2008 | | | | | 2007 | | | | | % Change on Diluted Earnings Per Share | |
|----------------------------|---|----------|---------------|-----------------------------|----------------------------|---|----------|--------------------------------------|--------------------|--|-----------------------------|
| Reported ⁽¹⁾⁽³⁾ | Less Asset Impairment & Exit Costs / Others | Adjusted | Less Currency | Adjusted excluding Currency | Reported ⁽¹⁾⁽³⁾ | Less Asset Impairment & Exit Costs / Others | Adjusted | Pro-Forma ⁽²⁾ Adjustments | Adjusted Pro-Forma | Adjusted | Adjusted excluding Currency |
| \$ 3.31 | - | \$ 3.31 | 0.15 | \$ 3.16 | \$ 2.86 | (0.03) | \$ 2.89 | (0.09) | \$ 2.80 | 18.2% | 12.9% |
| Diluted Earnings Per Share | | | | | | | | | | | |

(1) Refer to schedule 11 and 12 in the 2008 Full Year Earnings Release

(2) For details on the pro-forma adjustments, please refer to the schedule 14 in the 2008 Full Year Earnings Release

(3) Effective January 1, 2009, PMI adopted the provisions of amended FASB authoritative guidance which requires that unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and therefore shall be included in the earnings per share calculation pursuant to the two-class method

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

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

| | For the Year Ended December 31, 2010 | |
|-----------------------------------|---|-----------------------------|
| | <u> </u> | <u> </u> |
| Earnings before income taxes | \$ | 10,324 |
| Interest expense, net | | 876 |
| Depreciation and amortization | | 932 |
| EBITDA | \$ | 12,132 |
| | | |
| | December 31, 2010 | |
| | <u> </u> | <u> </u> |
| Short-term borrowings | \$ | 1,747 |
| Current portion of long-term debt | | 1,385 |
| Long-term debt | | 13,370 |
| Total Debt | \$ | 16,502 |
| Less: Cash and cash equivalents | | 1,703 |
| Net Debt | \$ | 14,799 |
| | | |
| <u>Ratios</u> | | |
| Total Debt to EBITDA | | 1.36 |
| Net Debt to EBITDA | | 1.22 |

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 as a Percent of Net Revenues Excluding Excise Taxes (\$ in millions) (Unaudited)

| | For the Years Ended December 31, | | | Cumulative Total 2008-2010 |
|--|----------------------------------|-----------|-----------|-------------------------------|
| | 2010 | 2009 | 2008 | |
| Net cash provided by operating activities ^(a) | \$ 9,437 | \$ 7,884 | \$ 7,935 | \$ 25,256 |
| Less: | | | | |
| Capital expenditures | 713 | 715 | 1,099 | 2,527 |
| Free cash flow | \$ 8,724 | \$ 7,169 | \$ 6,836 | \$ 22,729 |
| <hr/> | | | | |
| | For the Years Ended December 31, | | | Cumulative Total 2008-2010 |
| | 2010 | 2009 | 2008 | |
| Net revenues | \$ 67,713 | \$ 62,080 | \$ 63,640 | \$ 193,433 |
| Less: | | | | |
| Excise taxes | 40,505 | 37,045 | 37,935 | 115,485 |
| Net revenues excluding excise taxes | \$ 27,208 | \$ 25,035 | \$ 25,705 | \$ 77,948 |
| Free cash flow as a percent of net revenues excluding excise taxes (2008-2010) | | | | 29.2% |

(a) Operating cash flow

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

Reconciliation of Reported Operating Income to Adjusted Operating Income & Adjusted Operating Income Margin (\$ in millions) (Unaudited)

| | <u>2010</u> |
|--|-------------------------|
| Reported Operating Income | \$ 11,200 |
| Add back: | |
| Asset impairment and exit costs | 47 |
| Adjusted Operating Income | <u>\$ 11,247</u> |
| | |
| Net Revenues | \$ 67,713 |
| Less: Excise Taxes | 40,505 |
| Net Revenues excluding Excise Taxes | <u>\$ 27,208</u> |
| | |
| Adjusted Operating Income Margin ⁽¹⁾ | 41.3 % |

(1) Adjusted operating income margin is calculated as adjusted operating income, divided by net revenues, excluding excise taxes



PHILIP MORRIS INTERNATIONAL

**Consumer Analyst Group of New York
(CAGNY) Conference
February 23, 2011**