



PHILIP MORRIS INTERNATIONAL

# 2010 Third-Quarter Earnings Results

October 21, 2010



# Introduction

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- Unless otherwise stated, we will be talking about results in the third quarter 2010 and comparing them with 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
- Net revenues exclude excise taxes
- Acquisitions, for the purposes of this presentation, also include our business combination with Fortune Tobacco Corporation in the Philippines
- Organic volume refers to volume excluding acquisitions
- Data tables showing adjustments to net revenues and Operating Companies Income, or “OCI”, for currency, acquisitions, asset impairment, exit and other costs, adjustments to EPS, free cash flow calculations, 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

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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 June 30, 2010, filed with the Securities and Exchange Commission.



## Q3, 2010, Highlights

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- As anticipated, third quarter results adversely impacted by various timing issues, in particular relating to Japan
- Payback for the previously disclosed build-up of stocks at our distributor in Japan during the second quarter this year
- Difficult environment in Greece and Turkey, resulting from significant tax increases that occurred earlier this year
- Strong underlying business and market share performance
- Good results for *Marlboro*, driven by the new architecture and innovative line extensions
- *Marlboro* share higher or stable in the quarter across all four of our Regions
- Operating cash flow up more than 30% in the third quarter
- Acceleration of share repurchase program in 2010
- Dividend increased by 10.3% in September



## 2010 EPS Guidance

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- We are raising and narrowing our reported diluted EPS guidance for 2010 to a range of \$3.90 to \$3.95
- This reflects an improved business performance, more favorable exchange rates and a lower tax rate
- This represents a reported diluted EPS growth of approximately 20% to 22%, compared to the \$3.24 achieved last year
- This also represents a reported diluted EPS growth rate, excluding currency, of approximately 16% to 18%, compared to 14% to 17% projected previously



# PMI Volume

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(units billion)	<u>Results</u>	<u>Variance</u>	<u>% Change</u>
<u>Q3, 2010</u>			
Cigarette Volume	229.2	9.9	4.5 %
Organic Cigarette Volume	213.0	(6.3)	(2.9)%
<u>YTD Sept, 2010</u>			
Cigarette Volume	674.9	29.1	4.5 %
Organic Cigarette Volume	635.3	(10.5)	(1.6)%



# PMI Financial Results

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(% Change)	Q3, 2010 <u>Results</u> <sup>(a)</sup>	YTD Sept, 2010 <u>Results</u> <sup>(a)</sup>
Net Revenues	(0.2)%	3.6 %

(a) Excluding currency and acquisitions  
Source: PMI Financials



# PMI Financial Results

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(% Change)	Q3, 2010 <u>Results</u> <sup>(a)</sup>	YTD Sept, 2010 <u>Results</u> <sup>(a)</sup>
Net Revenues	(0.2)%	3.6 %
Adjusted OCI <sup>(b)</sup>	(1.7)%	4.5 %
Adjusted Diluted EPS	5.4 %	12.5 %

(a) Net revenues and adjusted OCI exclude currency and acquisitions. Adjusted diluted EPS excludes currency.

(b) OCI stands for Operating Companies Income, which is defined as operating income before general corporate expenses and the amortization of intangibles. Q3 and YTD Sept, 2010, OCI growth rates are on an adjusted basis which excludes asset impairment, exit and other costs

Source: PMI Financials





# Pricing

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- Recently implemented price increases in Argentina, Indonesia, Italy, Japan, Russia and the UK
- Announced a 30 Euro cent price increase in France, as well as higher prices in Poland
- Filed with the customs authorities for a price increase in Portugal
- Will substantially benefit in the fourth quarter from the stock revaluation at our distributor in Japan
- Expect our price variance to be significantly higher in the fourth quarter this year than in the third quarter



# PMI Business Momentum

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- Good market share momentum across all Regions:
  - PMI and *Marlboro* share up 0.2 points in Q3, 2010, in the EU Region
  - PMI gained share year-on-year or sequentially in a wide range of markets, including Algeria, Argentina, Egypt, Greece, Indonesia, Korea, Mexico, the Netherlands, Poland, Russia, Serbia, Spain and Turkey



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# Marlboro Architecture

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Flavor Line  
“Flavor enjoyment”



Gold Line  
“Smooth taste and style”



Fresh Line  
“Fresh taste sensations”





## Marlboro Market Shares: EU Region

	Market Shares		
	<u>Q3, 2010</u>	<u>Q3, 2009</u>	<u>Variance</u>
Belgium	24.6 %	24.2 %	0.4 pp
France	25.7	26.2	(0.5)
Germany	21.1	21.8	(0.7)
Greece	20.0	22.1	(2.1)
Italy	23.2	23.1	0.1
Netherlands	34.6	33.2	1.4
Poland	11.0	9.5	1.5
Spain	16.3	15.3	1.0
<b>Total EU Region</b>	<b>18.4</b>	<b>18.2</b>	<b>0.2</b>



## L&M Market Shares: EU Region

	Market Shares		
	<u>Q3, 2010</u>	<u>Q3, 2009</u>	<u>Variance</u>
Belgium	14.9 %	14.2 %	0.7 pp
Czech Rep.	7.6	7.3	0.3
Germany	9.2	8.3	0.9
Greece	5.1	0.6	4.5
Netherlands	8.7	7.0	1.7
Poland	16.0	14.6	1.4
Portugal	6.4	5.9	0.5
Slovakia	18.8	13.6	5.2
Spain	6.4	6.6	(0.2)
<b>Total EU Region</b>	<b>6.3</b>	<b>5.7</b>	<b>0.6</b>



# Marlboro Market Shares: EEMA, Asia and LA&C

	Market Shares		
	<u>Q3, 2010</u>	<u>Q3, 2009</u>	<u>Variance</u>
Algeria	20.2 %	11.5 %	8.7 pp
Argentina	23.9	23.5	0.4
Egypt	6.1	4.9	1.2
Japan	11.0	10.6	0.4
Korea	6.9	6.0	0.9
Mexico	49.7	48.4	1.3
Serbia	9.1	8.7	0.4
Turkey	9.5	11.1	(1.6)
Ukraine <sup>(a)</sup>	5.6	5.4	0.2

a) QTD August

Source: PMI estimates, Japan Institute of Tobacco, Hankook Research and A.C. Nielsen



## EU Region

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- Industry volume down by 5.5% in Q3, 2010, driven by declines in Greece, Poland and Spain



## EU Region

- Industry volume down by 5.5% in Q3, 2010, driven by declines in Greece, Poland and Spain
- PMI market share up 0.2 points in the quarter to 39.1%:

	Market Shares		
	<u>Q3, 2010</u>	<u>Q3, 2009</u>	<u>Variance</u>
France	40.0 %	40.1 %	(0.1)pp
Germany	34.9	35.3	(0.4)
Italy	54.1	54.5	(0.4)
Netherlands	45.5	42.4	3.1
Poland	37.6	36.1	1.5
Spain	32.7	32.1	0.6
<b>Total EU Region</b>	<b>39.1</b>	<b>38.9</b>	<b>0.2</b>



- PMI market share sequentially improving:

	Market Shares		
	<u>Q3, 2010</u>	<u>Q2, 2010</u>	<u>Q1, 2010</u>
<i>Marlboro</i>	20.0 %	19.3 %	21.7 %
<i>Assos</i>	6.8	6.8	6.7
<i>L&amp;M</i>	5.1	4.0	0.4
Other	8.2	9.1	9.0
<b>Total PMI</b>	<b>40.1</b>	<b>39.2</b>	<b>37.8</b>

- Expect Greek market to continue to act as a drag on our regional profitability growth into the beginning of next year, while discussions on structural changes to the excise tax system continue

# Russia

- PMI volume grew by 1.4% in Q3, 2010, to a record level of 25.4 billion units
- Strong performance driven by:
  - *Parliament*
  - *Chesterfield*
  - *Bond Street* and *Next*
- PMI implemented retail price increases of two to three Rubles per pack in July
- Market stabilizing and consumer downtrading continues to slow



МИНЗДРАВСОЦРАЗВИТИЯ РОССИИ ПРЕДУПРЕЖДАЕТ:  
КУРЕНИЕ ВРЕДИТ ВАШЕМУ ЗДОРОВЬЮ



# Ukraine

- Industry volume in Q3, 2010, down by around 15%, due to:
  - Trade purchases in June ahead of tax increase
  - Market contraction due to continuous price increases
- Shares gains for premium *Marlboro* and mid-price *Chesterfield*, more than offset by share losses in low-price segment
- Pricing and mix improvement enabled us to grow profitability strongly in Q3, 2010



- Total market estimated to be down about 6% in Q3, 2010
- PMI market share improving:

	Market Shares		
	<u>Q3, 2010</u>	<u>Q2, 2010</u>	<u>Q1, 2010</u>
<i>Marlboro / Parliament</i>	16.7 %	16.0 %	17.1 %
<i>Muratti</i>	5.8	5.7	5.2
<i>Lark</i>	13.5	13.3	12.2
Other	<u>5.8</u>	<u>5.9</u>	<u>6.6</u>
<b>Total PMI</b>	<b>41.8</b>	<b>40.9</b>	<b>41.1</b>



# Japan

- PMI shipments down 3.5 billion units in Q3, 2010, while sales by our distributor to the trade rose by 4.0 billion units
- We estimate there was a build-up of stock of some ten days at retail trade and three weeks with consumers
- Consumer reaction to price increases uncertain:

<i>(Marlboro, Yen/pack)</i>	<u>New</u>	<u>Old</u>	<u>Variance</u>	<u>% Change</u>
Retail Selling Price	440	320	120	37.5
Retail Margin	44	32	12	37.5
Consumption Tax	21	15	6	37.5
Excise Taxes	<u>245</u>	<u>175</u>	<u>70</u>	40.0
Price to Trade	130	98	32	33.0

- Despite unprecedented price increases, cigarettes remain relatively affordable and, therefore, we are optimistic that our profitability will be enhanced going forward

- Industry volume estimated to be up 3.9% in Q3, 2010
- PMI shipment volume increased by 3.1% in Q3, 2010

## Market Shares

	<u>Q3, 2010</u>	<u>Q3, 2009</u>	<u>Variance</u>
<i>A Mild</i>	11.1 %	11.8 %	(0.7)pp
<i>Dji Sam Soe</i>	7.8	7.8	-
<i>Marlboro</i>	4.4	4.5	(0.1)
Other	<u>5.7</u>	<u>5.1</u>	<u>0.6</u>
<b>Total PMI</b>	<b>29.0</b>	<b>29.2</b>	<b>(0.2)</b>

- *A Mild* temporarily under share pressure after passing the IDR 10,000 / pack price point
- PMI profitability grew at a double-digit rate in Q3, 2010

- PMI shipment volume increased by 9.7% in Q3, 2010

## Market Shares

	<u>Q3, 2010</u>	<u>Q3, 2009</u>	<u>Variance</u>
<i>Marlboro</i>	6.9 %	6.0 %	0.9 pp
<i>Parliament</i>	5.7	4.5	1.2
<i>Virginia Slims</i>	3.3	3.0	0.3
<i>Lark</i>	1.1	1.1	-
<b>Total PMI</b>	<b>17.0</b>	<b>14.6</b>	<b>2.4</b>

- As elsewhere in the world, PMI continues to advocate for adoption of system of regular, moderate excise tax increases



## Latin America & Canada Region

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- Overall industry volume in key markets stable
- Volume decline in Q3, 2010, of 1.7%
- PMI and *Marlboro* market share increased in both Argentina and Mexico:

	Market Shares		
	<u>Q3, 2010</u>	<u>Q3, 2009</u>	<u>Variance</u>
Argentina – PMI	75.1 %	73.3 %	1.8 pp
Argentina – <i>Marlboro</i>	23.9	23.5	0.4
Mexico – PMI	70.6	69.4	1.2
Mexico – <i>Marlboro</i>	49.7	48.4	1.3

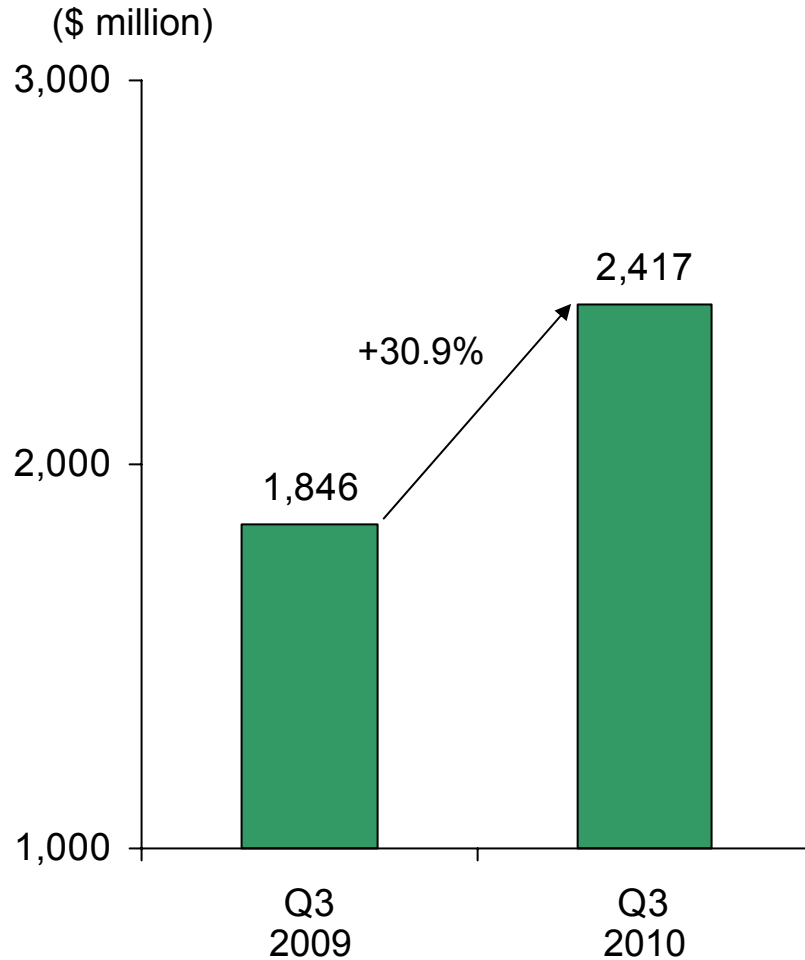
- Excluding currency and acquisitions, OCI increased 2.2% in Q3, 2010, driven by higher prices, partly offset by the lower volumes and an unfavorable mix in Canada



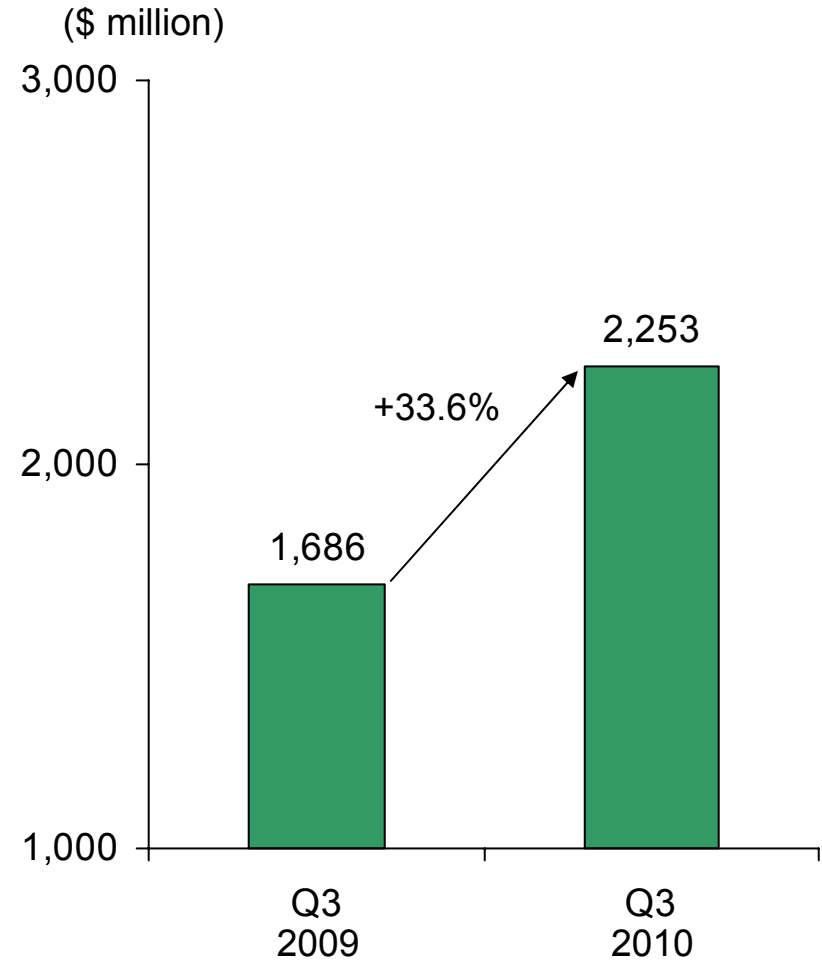


# Cash Flow

### Operating Cash Flow



### Free Cash Flow<sup>(a)</sup>

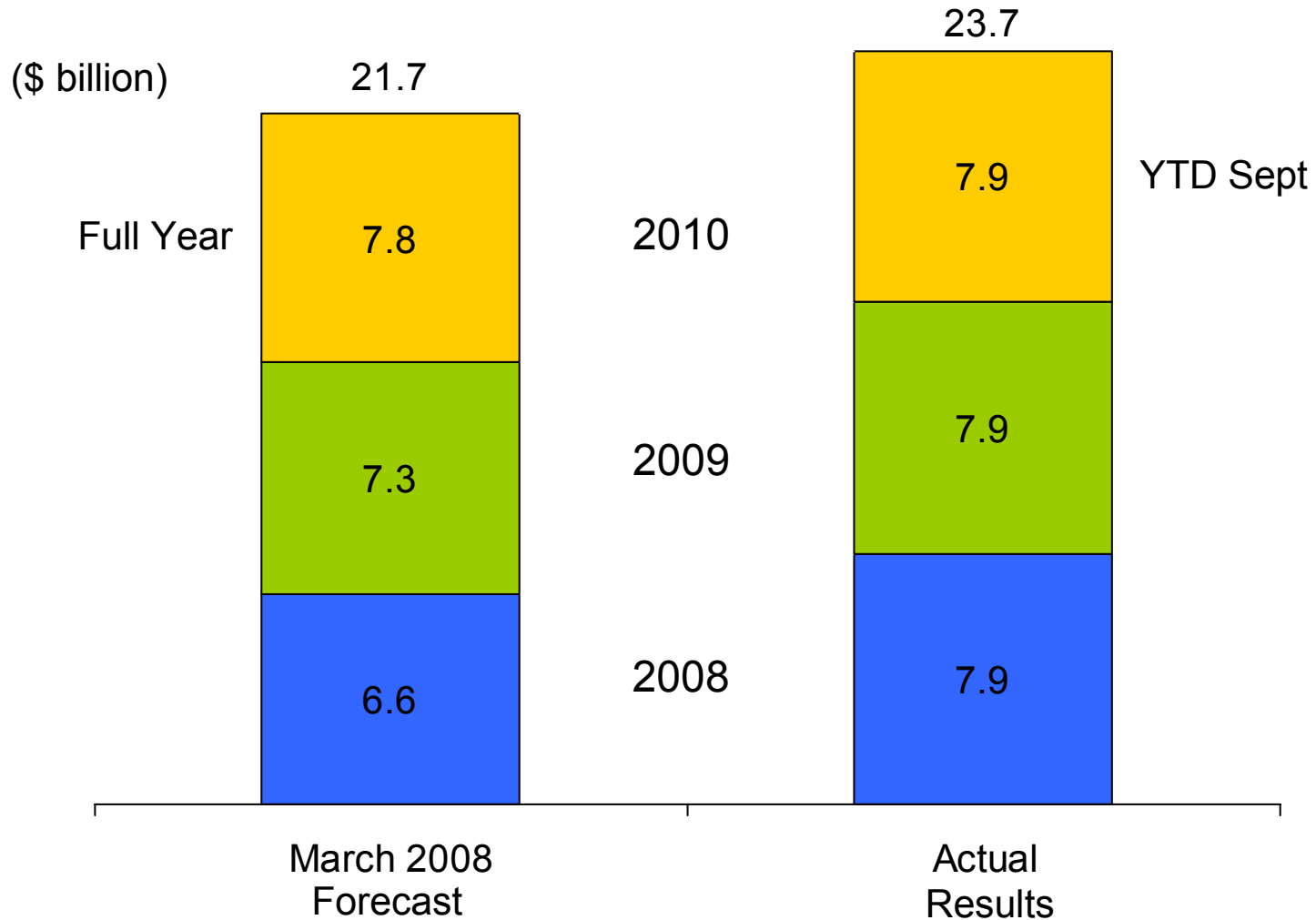


(a) Free cash flow equals net cash provided by operating activities less capital expenditures

Source: PMI Financials



# Cumulative Operating Cash Flow (2008-2010)





# Shareholder Returns: Share Repurchases

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- \$5 billion allocated for share repurchases for full year 2010, \$1 billion above level originally foreseen
- \$1.1 billion spent in Q3, 2010, to purchase 20.7 million shares
- \$3.9 billion spent September YTD to purchase 78.5 million shares



## Shareholder Returns: Dividends

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- Quarterly dividend increased in September by 10.3% to \$0.64 (\$2.56 annualized)
- Since March 2008 spin, dividend has been raised in total by 39%
- Dividend yield currently at 4.5%



# Summary

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- Strong business momentum going into Q4, 2010
- 2010 EPS guidance raised and narrowed to a reported diluted range of \$3.90 to \$3.95, representing a growth rate of approximately 20% to 22% compared to 2009
- Market leadership and growing volume and share in emerging markets<sup>(a)</sup>
- *Marlboro* performing well, with share up in the EU Region in the third quarter, and up or stable in the other three Regions
- Pricing power remains strong due to our brand leadership and broad portfolio
- Cost outlook improving
- Share repurchases increased to \$5 billion for full year 2010
- Dividend raised by 10.3% in September

(a) Excluding China

Source: PMI Financials and PMI estimates



PHILIP MORRIS INTERNATIONAL

# 2010 Third-Quarter Earnings Results

Questions & Answers

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



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

2010							2009			% 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	
\$ 7,045	\$ 4,906	\$ 2,139	\$ (226)	\$ 2,365	\$ -	\$ 2,365	European Union	\$ 7,783	\$ 5,375	\$ 2,408	(11.2)%	(1.8)%	(1.8)%
4,184	2,288	1,896	(37)	1,933	29	1,904	EEMA	3,722	1,892	1,830	3.6%	5.6%	4.0%
3,629	1,796	1,833	99	1,734	146 <sup>(1)</sup>	1,588	Asia	3,170	1,519	1,651	11.0%	5.0%	(3.8)%
2,078	1,332	746	26	720	-	720	Latin America & Canada	1,898	1,200	698	6.9%	3.2%	3.2%
<b>\$ 16,936</b>	<b>\$ 10,322</b>	<b>\$ 6,614</b>	<b>\$ (138)</b>	<b>\$ 6,752</b>	<b>\$ 175</b>	<b>\$ 6,577</b>	<b>PMI Total</b>	<b>\$ 16,573</b>	<b>\$ 9,986</b>	<b>\$ 6,587</b>	<b>0.4%</b>	<b>2.5%</b>	<b>(0.2)%</b>

2010							2009			% 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 Operating Companies Income	Reported Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions		
\$ 1,113	\$ (106)	\$ 1,219	\$ -	\$ 1,219	European Union	\$ 1,267	(12.2)%	(3.8)%	(3.8)%			
856	32	824	9	815	EEMA	761	12.5%	8.3%	7.1%			
690	79	611	36 <sup>(1)</sup>	575	Asia	653	5.7%	(6.4)%	(11.9)%			
244	15	229	(2)	231	Latin America & Canada	226	8.0%	1.3%	2.2%			
<b>\$ 2,903</b>	<b>\$ 20</b>	<b>\$ 2,883</b>	<b>\$ 43</b>	<b>\$ 2,840</b>	<b>PMI Total</b>	<b>\$ 2,907</b>	<b>(0.1)%</b>	<b>(0.8)%</b>	<b>(2.3)%</b>			

(1) Represents the business combination in the Philippines

# 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 and Acquisitions  
**For the Quarters Ended September 30,**  
(\$ in millions)  
(Unaudited)

2010							2009			% 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	
\$ 1,113	\$ (20)	\$ 1,133	\$ (106)	\$ 1,239	\$ -	\$ 1,239	European Union	\$ 1,267	\$ (1)	\$ 1,268	(10.6)%	(2.3)%	(2.3)%
856	-	856	32	824	9	815	EEMA	761	-	761	12.5%	8.3%	7.1%
690	-	690	79	611	36 <sup>(1)</sup>	575	Asia	653	-	653	5.7%	(6.4)%	(11.9)%
244	-	244	15	229	(2)	231	Latin America & Canada	226	-	226	8.0%	1.3%	2.2%
<b>\$ 2,903</b>	<b>\$ (20)</b>	<b>\$ 2,923</b>	<b>\$ 20</b>	<b>\$ 2,903</b>	<b>\$ 43</b>	<b>\$ 2,860</b>	<b>PMI Total</b>	<b>\$ 2,907</b>	<b>\$ (1)</b>	<b>\$ 2,908</b>	<b>0.5%</b>	<b>(0.2)%</b>	<b>(1.7)%</b>

2010							2009			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency <sup>(2)</sup>	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions <sup>(2)</sup>	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	Adjusted Operating Companies Income	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes <sup>(2)</sup>	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions
\$ 1,239	\$ 2,365	52.4%	\$ 1,239	\$ 2,365	52.4%	European Union	\$ 1,268	\$ 2,408	52.7%	(0.3)	(0.3)
824	1,933	42.6%	815	1,904	42.8%	EEMA	761	1,830	41.6%	1.0	1.2
611	1,734	35.2%	575	1,588	36.2%	Asia	653	1,651	39.6%	(4.4)	(3.4)
229	720	31.8%	231	720	32.1%	Latin America & Canada	226	698	32.4%	(0.6)	(0.3)
<b>\$ 2,903</b>	<b>\$ 6,752</b>	<b>43.0%</b>	<b>\$ 2,860</b>	<b>\$ 6,577</b>	<b>43.5%</b>	<b>PMI Total</b>	<b>\$ 2,908</b>	<b>\$ 6,587</b>	<b>44.1%</b>	<b>(1.1)</b>	<b>(0.6)</b>

(1) Represents the business combination in the Philippines

(2) For the calculation of net revenues excluding excise taxes, currency and acquisitions refer to previous slide



# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



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

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
<b>Reported Diluted EPS</b>	\$ 0.99	\$ 0.93	6.5%
Adjustments:			
Asset impairment and exit costs	<u>0.01</u>	<u>-</u>	
<b>Adjusted Diluted EPS</b>	\$ 1.00	\$ 0.93	7.5%
Less:			
Currency Impact	<u>0.02</u>	<u></u>	
<b>Adjusted Diluted EPS, excluding Currency</b>	<u>\$ 0.98</u>	<u>\$ 0.93</u>	5.4%

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



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

2010							2009			% 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	
\$ 21,053	\$ 14,435	\$ 6,618	\$ (6)	\$ 6,624	\$ 3	\$ 6,621	European Union	\$ 20,988	\$ 14,313	\$ 6,675	(0.9)%	(0.8)%	(0.8)%
11,665	6,134	5,531	105	5,426	80	5,346	EEMA	9,953	5,031	4,922	12.4%	10.2%	8.6%
11,094	5,265	5,829	484	5,345	377 <sup>(1)</sup>	4,968	Asia	8,974	4,160	4,814	21.1%	11.0%	3.2%
6,094	3,901	2,193	151	2,042	-	2,042	Latin America & Canada	5,157	3,250	1,907	15.0%	7.1%	7.1%
<b>\$ 49,906</b>	<b>\$ 29,735</b>	<b>\$ 20,171</b>	<b>\$ 734</b>	<b>\$ 19,437</b>	<b>\$ 460</b>	<b>\$ 18,977</b>	<b>PMI Total</b>	<b>\$ 45,072</b>	<b>\$ 26,754</b>	<b>\$ 18,318</b>	<b>10.1%</b>	<b>6.1%</b>	<b>3.6%</b>

2010							2009			% 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 Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions			
\$ 3,280	\$ (81)	\$ 3,361	\$ 2	\$ 3,359	European Union	\$ 3,397	(3.4)%	(1.1)%	(1.1)%			
2,412	74	2,338	28	2,310	EEMA	1,982	21.7%	18.0%	16.5%			
2,259	263	1,996	63 <sup>(1)</sup>	1,933	Asia	1,933	16.9%	3.3%	-			
699	69	630	(2)	632	Latin America & Canada	452	54.6%	39.4%	39.8%			
<b>\$ 8,650</b>	<b>\$ 325</b>	<b>\$ 8,325</b>	<b>\$ 91</b>	<b>\$ 8,234</b>	<b>PMI Total</b>	<b>\$ 7,764</b>	<b>11.4%</b>	<b>7.2%</b>	<b>6.1%</b>			

(1) Represents the business combination in the Philippines

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

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

2010

2009

% 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 Acqui- sitions	Adjusted Operating Companies Income excluding Currency & Acquisitions		Reported Operating Companies Income	Less Asset Impairment, Exit Costs & Other	Adjusted Operating Companies Income	% Change in Adjusted Operating Companies Income		
											Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 3,280	\$ (20)	\$ 3,300	\$ (81)	\$ 3,381	\$ 2	\$ 3,379	European Union	\$ 3,397	\$ (3)	\$ 3,400	(2.9)%	(0.6)%	(0.6)%
2,412	-	2,412	74	2,338	28	2,310	EEMA	1,982	-	1,982	21.7%	18.0%	16.5%
2,259	-	2,259	263	1,996	63 <sup>(1)</sup>	1,933	Asia	1,933	-	1,933	16.9%	3.3%	-
699	-	699	69	630	(2)	632	Latin America & Canada	452	(135) <sup>(2)</sup>	587	19.1%	7.3%	7.7%
<b>\$ 8,650</b>	<b>\$ (20)</b>	<b>\$ 8,670</b>	<b>\$ 325</b>	<b>\$ 8,345</b>	<b>\$ 91</b>	<b>\$ 8,254</b>	<b>PMI Total</b>	<b>\$ 7,764</b>	<b>\$ (138)</b>	<b>\$ 7,902</b>	<b>9.7%</b>	<b>5.6%</b>	<b>4.5%</b>

2010

2009

% Points Change

Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency <sup>(3)</sup>	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions <sup>(3)</sup>	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions		Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes <sup>(3)</sup>	Adjusted Operating Companies Income Margin	% Points Change		
										Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	
\$ 3,381	\$ 6,624	51.0%	\$ 3,379	\$ 6,621	51.0%	European Union	\$ 3,400	\$ 6,675	50.9%		0.1	0.1
2,338	5,426	43.1%	2,310	5,346	43.2%	EEMA	1,982	4,922	40.3%		2.8	2.9
1,996	5,345	37.3%	1,933	4,968	38.9%	Asia	1,933	4,814	40.2%		(2.9)	(1.3)
630	2,042	30.9%	632	2,042	31.0%	Latin America & Canada	587	1,907	30.8%		0.1	0.2
<b>\$ 8,345</b>	<b>\$ 19,437</b>	<b>42.9%</b>	<b>\$ 8,254</b>	<b>\$ 18,977</b>	<b>43.5%</b>	<b>PMI Total</b>	<b>\$ 7,902</b>	<b>\$ 18,318</b>	<b>43.1%</b>		<b>(0.2)</b>	<b>0.4</b>

(1) Represents the business combination in the Philippines

(2) Represents 2009 Colombian investment and cooperation agreement charge

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

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

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

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
<b>Reported Diluted EPS</b>	\$ 2.96	\$ 2.44	21.3%
Adjustments:			
Colombian investment and cooperation agreement charge	-	0.04	
Tax items	(0.07)	-	
Asset impairment and exit costs	0.01	-	
<b>Adjusted Diluted EPS</b>	\$ 2.90	\$ 2.48	16.9%
Less:			
Currency Impact	0.11		
<b>Adjusted Diluted EPS, excluding Currency</b>	<u>\$ 2.79</u>	<u>\$ 2.48</u>	12.5%

# PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

## Reconciliation of Non-GAAP Measures



PHILIP MORRIS  
INTERNATIONAL

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

	For the Quarters Ended September 30,		% Change
	2010	2009	
<b>Net cash provided by operating activities<sup>(a)</sup></b>	<b>\$ 2,417</b>	<b>\$ 1,846</b>	<b>30.9%</b>
Less:			
Capital expenditures	164	160	
<b>Free cash flow</b>	<b>\$ 2,253</b>	<b>\$ 1,686</b>	<b>33.6%</b>
Less:			
Currency impact	(232)		
<b>Free cash flow, excluding Currency</b>	<b>\$ 2,485</b>	<b>\$ 1,686</b>	<b>47.4%</b>

	For the Quarters Ended September 30,		% Change
	2010	2009	
<b>Net cash provided by operating activities<sup>(a)</sup></b>	<b>\$ 2,417</b>	<b>\$ 1,846</b>	<b>30.9%</b>
Less:			
Currency impact	(234)		
<b>Net cash provided by operating activities, excluding Currency</b>	<b>\$ 2,651</b>	<b>\$ 1,846</b>	<b>43.6%</b>



PHILIP MORRIS INTERNATIONAL

# 2010 Third-Quarter Earnings Results

October 21, 2010