



PHILIP MORRIS
INTERNATIONAL

2010
INVESTOR DAY

Investor Day

Lausanne, June 23, 2010

André Calantzopoulos
Chief Operating Officer
Philip Morris International



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Agenda

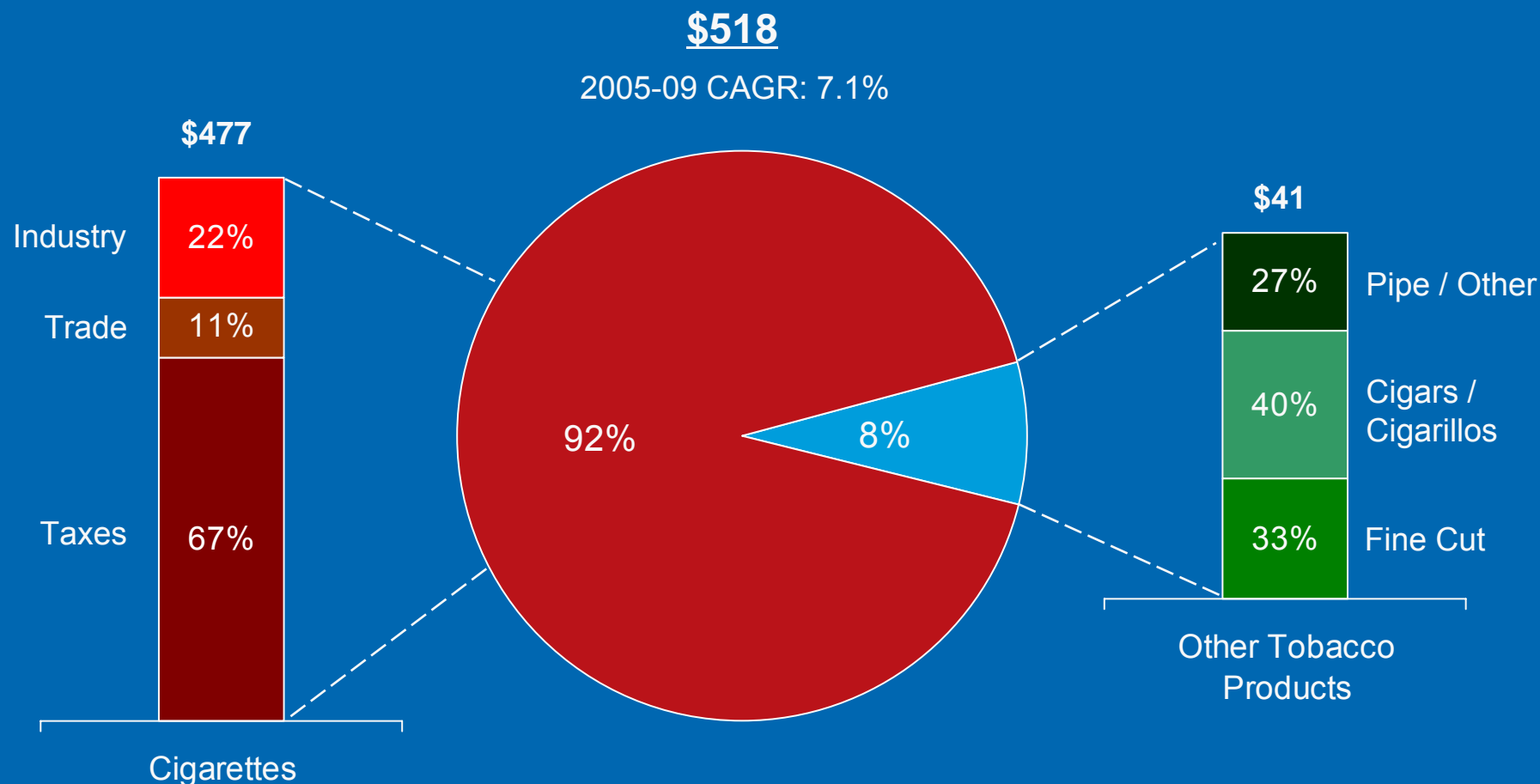
- Industry Overview
- Competitive Environment
- Illicit Trade and Regulatory Environment
- PMI Brand Portfolio Strategy
- Consumer Engagement
- Research and Development
- Questions and Answers



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2009 Tobacco Retail Industry Value Split^(a)

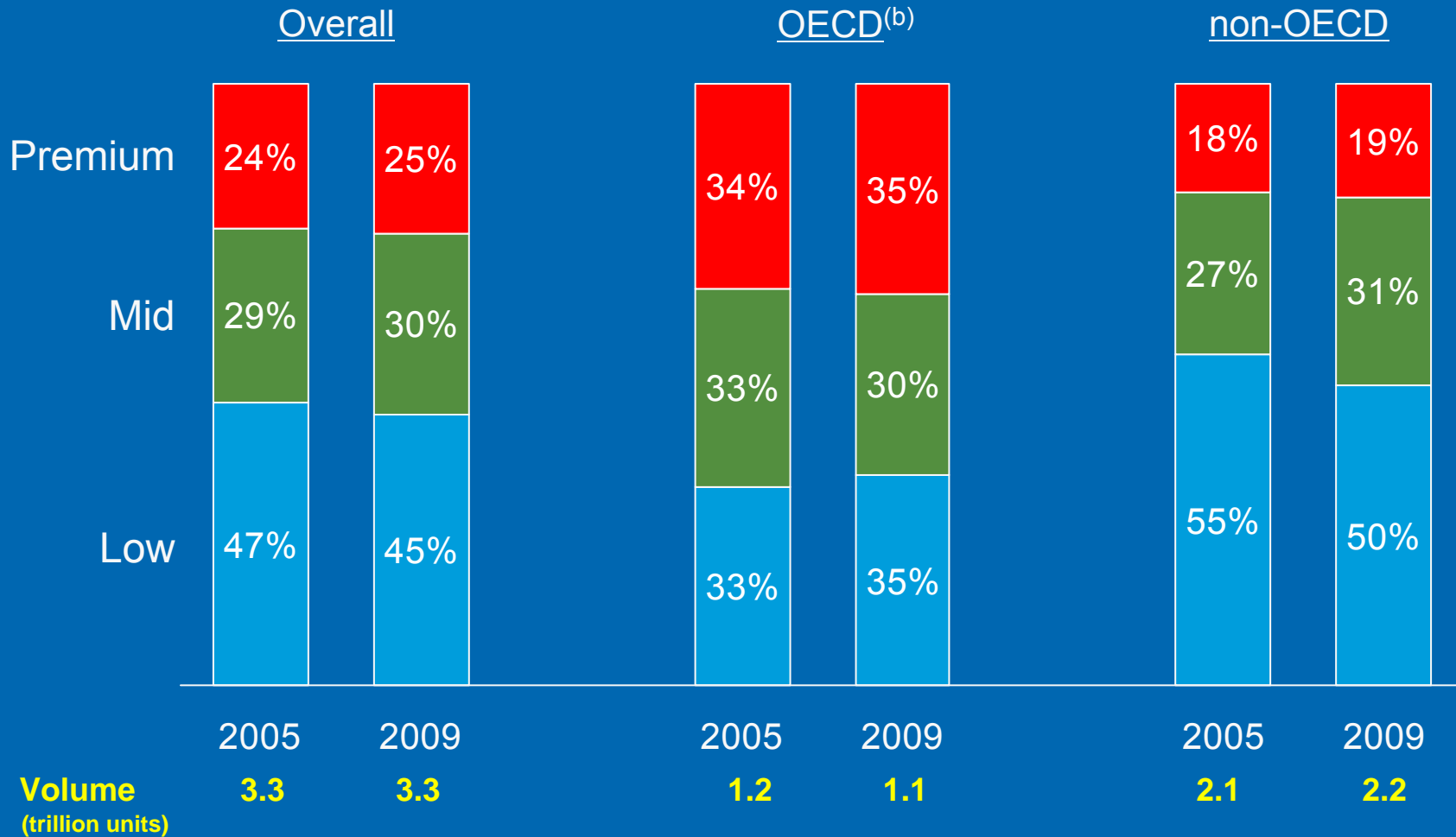
(\$ billions)



(a) Excluding USA
Source: Euromonitor and PMI estimates



Price Segment Dynamics^(a)



(a) Excluding USA, PRC and duty free
(b) OECD: Organization for Economic Co-operation and Development
Source: PMI estimates



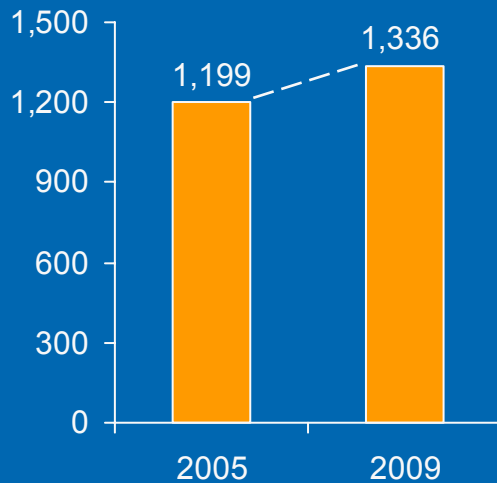
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Key Taste/Format Segment Dynamics^(a)

(billion units)

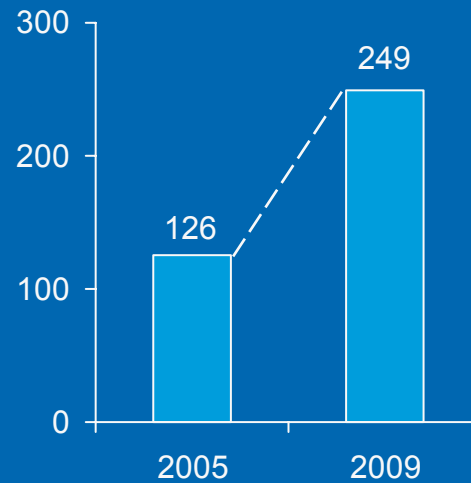
Low Tar^(b)

CAGR: +3%



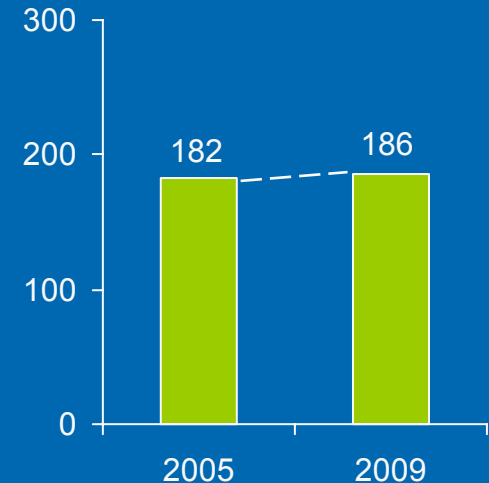
Slims^(c)

CAGR: +19%



Menthol

CAGR: +1%



(a) Excluding USA, PRC and duty free

(b) Includes ultra lights and super lights

(c) Includes extra slims and super slims

Source: PMI estimates



Agenda

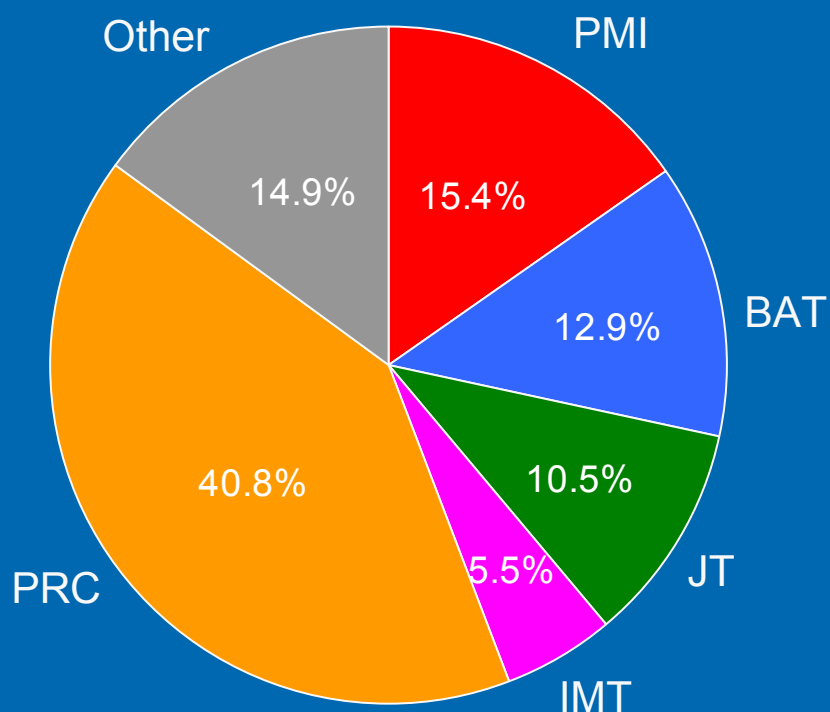
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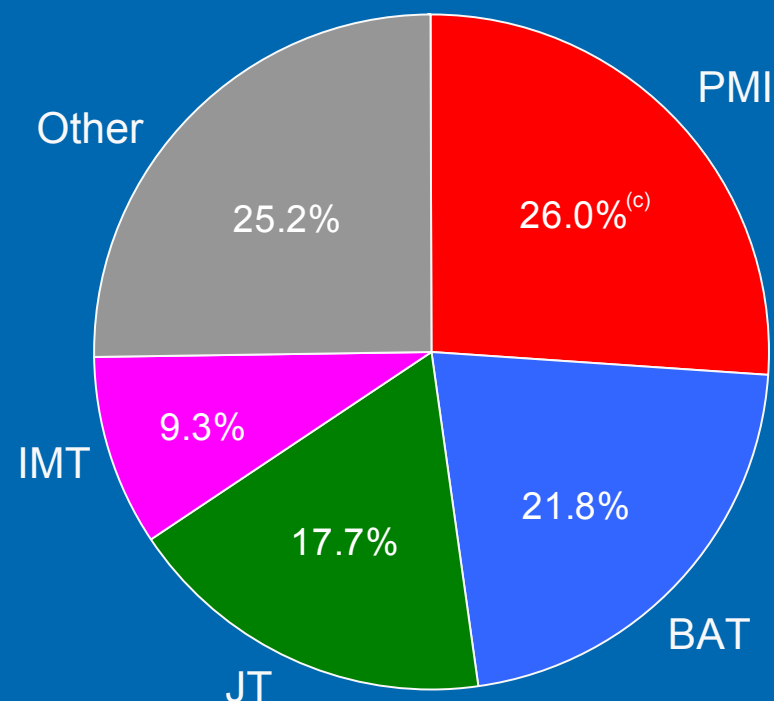
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2009 Key Competitor Shares^(a)

International Market^(b)



International Market excl. PRC^(b)



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

(b) Excluding USA

(c) PMI's pro forma share would increase to 27.6% after adjusting for the business combination with Fortune Tobacco Corp. in the Philippines

Source: Data based on company reports and PMI estimates



2009 Key Competitor Shares by Region^(a)

	<u>EU</u>	<u>EEMA</u>	<u>ASIA</u>	<u>LA&C</u>
PMI	39%	23%	24%^(b)	36%
BAT	19%	22%	15%	50%
JTI	16%	23%	16%	4%
IMT	22%	11%	3%	1%
Others	4%	21%	42%	9%

Approx. 740 billion units

(a) Excluding USA, PRC and duty free

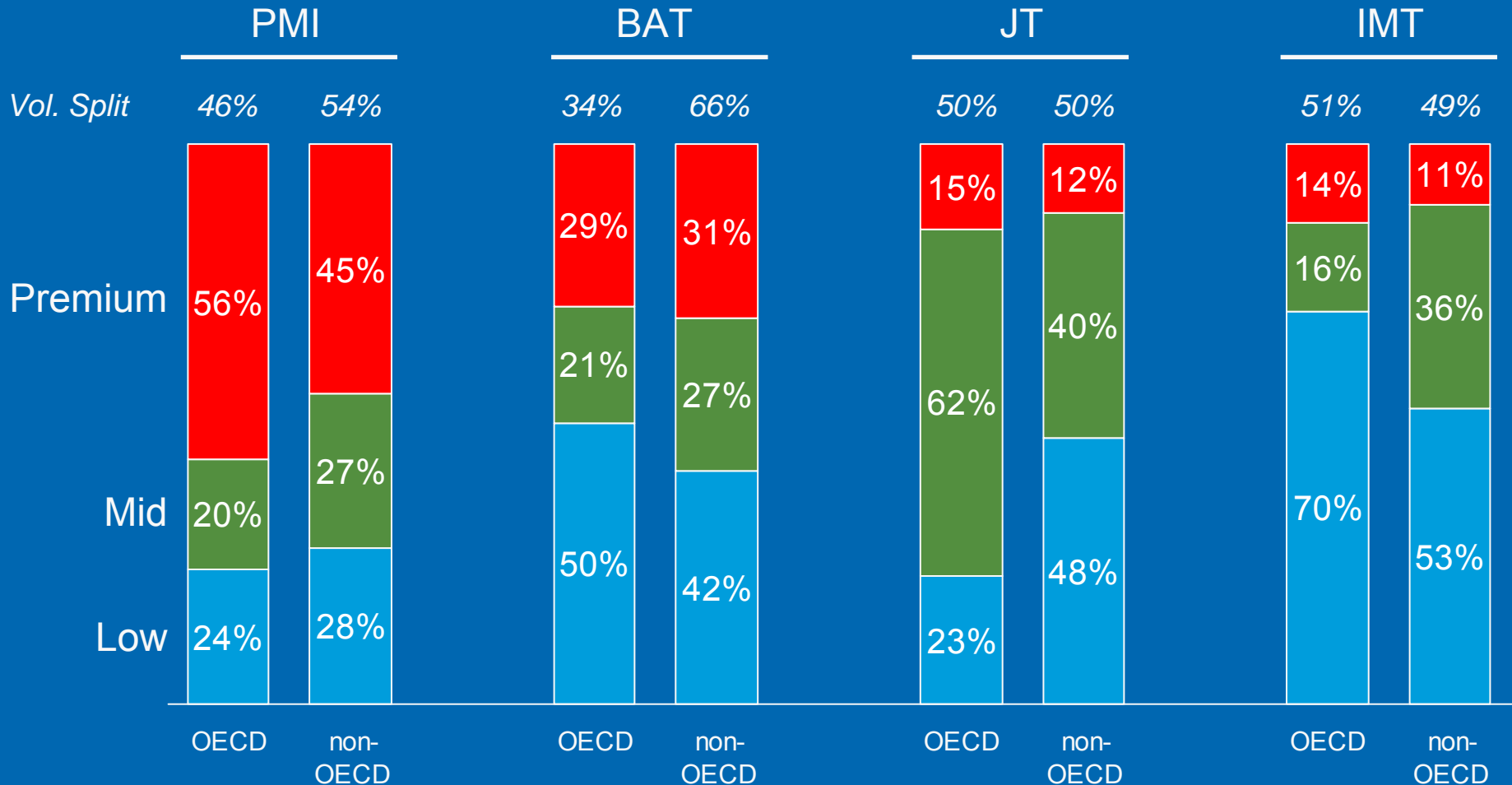
(b) Pro forma share after adjusting for the business combination with Fortune Tobacco Corp. in the Philippines; excluding the business combination in the Philippines, PMI's share in Asia was 19%

Source: PMI estimates

2009 Competitor Price Segment Volume Mix^(a) – OECD vs. non-OECD



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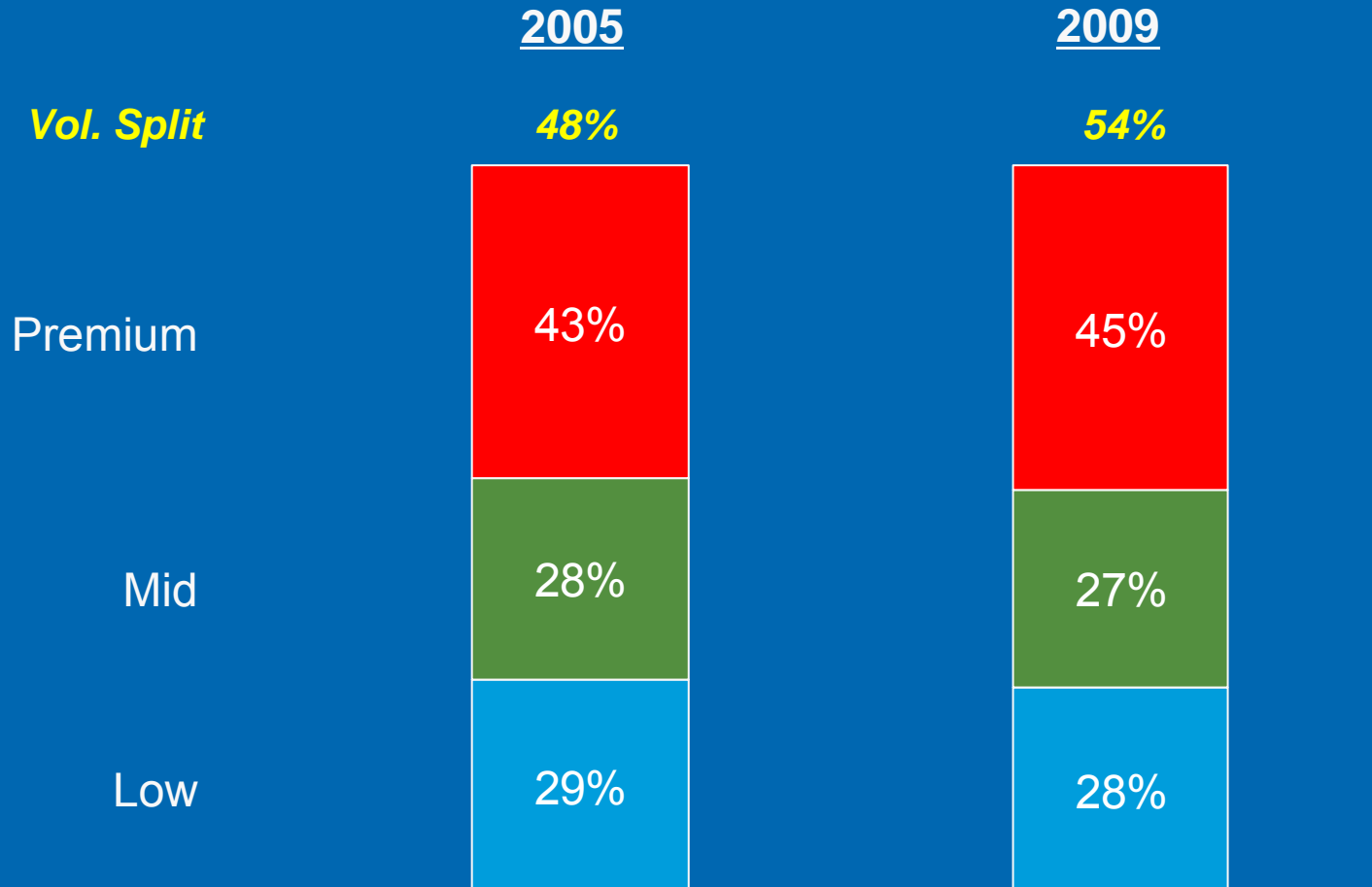


(a) Excluding USA, PRC and duty free
Source: PMI estimates

PMI Price Segment Volume Mix Evolution^(a) – non-OECD



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(a) Excluding USA, PRC and duty free
Source: PMI estimates



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2009 Competitor Market and Segment Share

(%)

	<u>PMI</u>	<u>BAT</u>	<u>JT</u>	<u>IMT</u>
Market Share ^(a)	26.0	21.8	17.7	9.3
<u>Segment Share^(b)</u>				
Low Tar	31.1	22.7	23.6	7.0
Menthol	29.2	20.0	15.3	4.1
Slims	25.6	15.8	15.5	4.4
Premium	52.9	23.9	9.5	3.9
Mid	20.6	15.8	28.6	6.4
Low	15.1	19.1	13.2	10.6

(a) Excluding USA and PRC

(b) Excluding USA, PRC and duty free

Source: PMI estimates



PMI Market and Segment Share Evolution

(%)

	<u>2005</u>	<u>2009</u>	<u>Var. (pp)</u>
<u>Segment Share^(a)</u>			
Low Tar	30.7	31.1	0.4
Menthol	30.1	29.2	(0.9)
Slims	25.1	25.6	0.5
Premium	51.4	52.9	1.5
Mid	20.0	20.6	0.6
Low	12.9	15.1	2.2

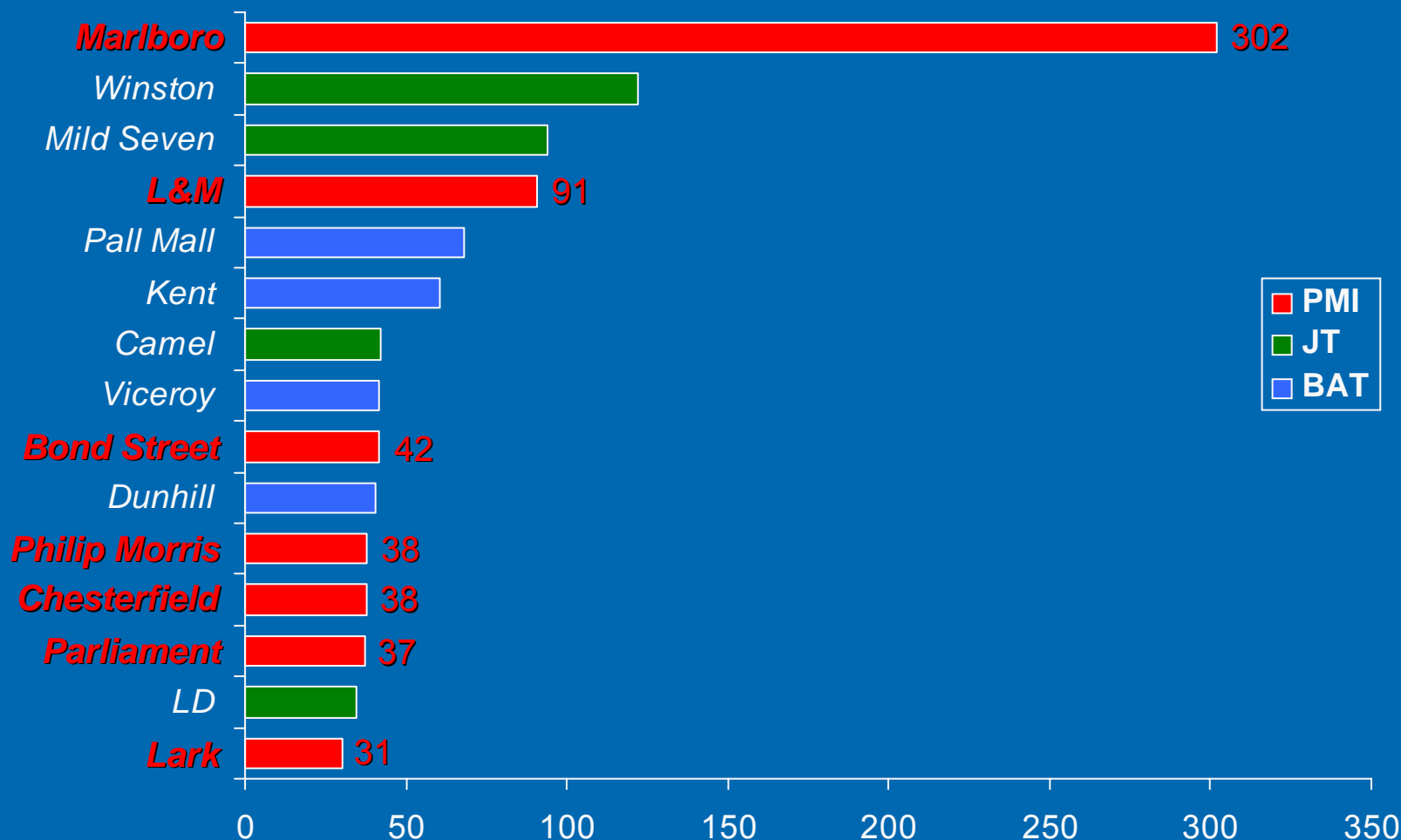
(a) Excluding USA, PRC and duty free
Source: PMI estimates



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Top 15 International Brands (2009)

(billion units)





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Illicit Trade

- Hurts industry, governments, public health and consumers
- Often the result of misguided policies
- Enormous opportunity, if successfully combated



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- Illicit trade's estimated share of consumption:

Brazil	24%	Canada	30%
Ireland	23%	Malaysia	37%
Romania	36%	Vietnam	35%
- Close cooperation with all legitimate stakeholders
 - Address regulatory and fiscal causes
 - Combat on the ground



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- Opportunity for PMI – hundreds of millions of dollars



Regulatory Environment

- PMI seeks comprehensive regulation based on:
 - The broader goal of harm reduction
 - Rigorous scientific evidence
- Emerging regulatory challenges:
 - Product display bans
 - Plain packaging
 - Bans on the use of all ingredients



Regulatory Environment

- PMI strictly opposes such regulation
- No sound evidence that this would reduce consumption, smoking incidence, youth smoking or provide any other public health benefit
- Measures ignore severe adverse consequences



Regulatory Environment

- PMI has a proven track record in a highly regulated environment
- PMI will use all resources to challenge unreasonable regulatory proposals:
 - Extensive stakeholder engagement based on facts and consequences
 - Use of litigation when necessary



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Key Product Trends

- Lighter / smoother tasting products
- Slimmer diameters
- Refreshing / less lingering taste
- Low odor / less visible smoke
- Lower ecological impact



Key PMI Portfolio Priorities

- Maintain strong product and consumer communication innovation pipeline
- Improve success rate and efficiency of new product launches
- Reduce out-switching of existing adult smokers
- Year-round support
- Optimize resource allocation

Brand Portfolio



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International

Premium & Above



Mid-Price



Low-Price



Local Heritage



Marlboro Architecture



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Flavor



“Superior tobacco satisfaction and personal confidence”

Gold



“Progressiveness in smoothness and social confidence”

Fresh



“Refreshing taste sensations and confidence to discover”

- Very optimistic about growth prospects
- Resilient to weak economic environment
- New architecture is working
- Share gains in a number of markets in Q1, 2010
- Improved Young Adult Smoker^(a) profile

(a) Legal Age (min. 18) – 24

Source: PMI estimates and General Consumer Tracking Survey (GCTS)

Marlboro Flavor Line



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Note: Pack designs for illustrative purposes only

Marlboro Flavor Line Innovation

- New *Marlboro Red* pack upgrade:
 - Introduced in 23 markets at the end of Q1, 2010
 - 44% of *Marlboro Red* volume
- *Marlboro Filter Plus / Flavor Plus*:
 - Unique filter with one chamber containing tobacco for added flavor
 - Introduced in 40 markets at the end of Q1, 2010
- *Marlboro Core Flavor*:
 - Full flavor slims product
 - Recently launched in Italy

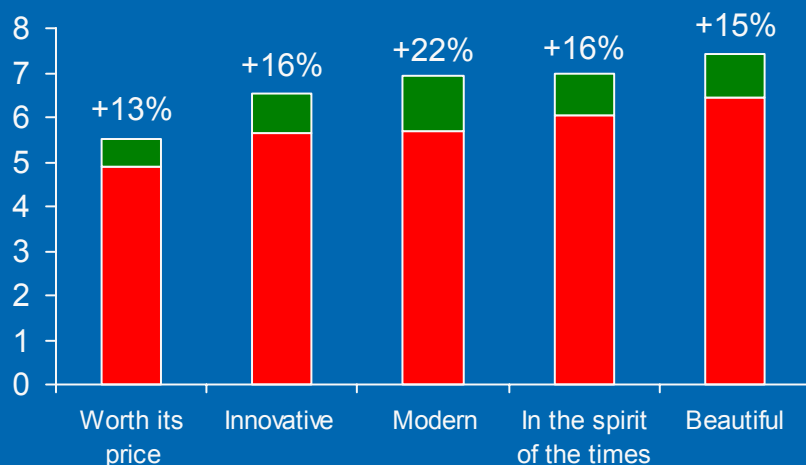


Strengthening *Marlboro* Red



France

(1-10 Scale - % increase after launch of New Red Pack)

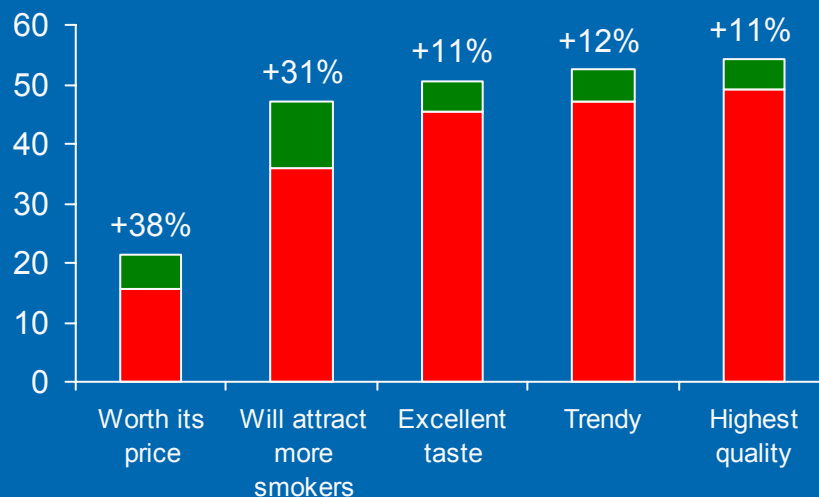


Source: PMI Market Research



Austria

(% increase after launch of New Red Pack)





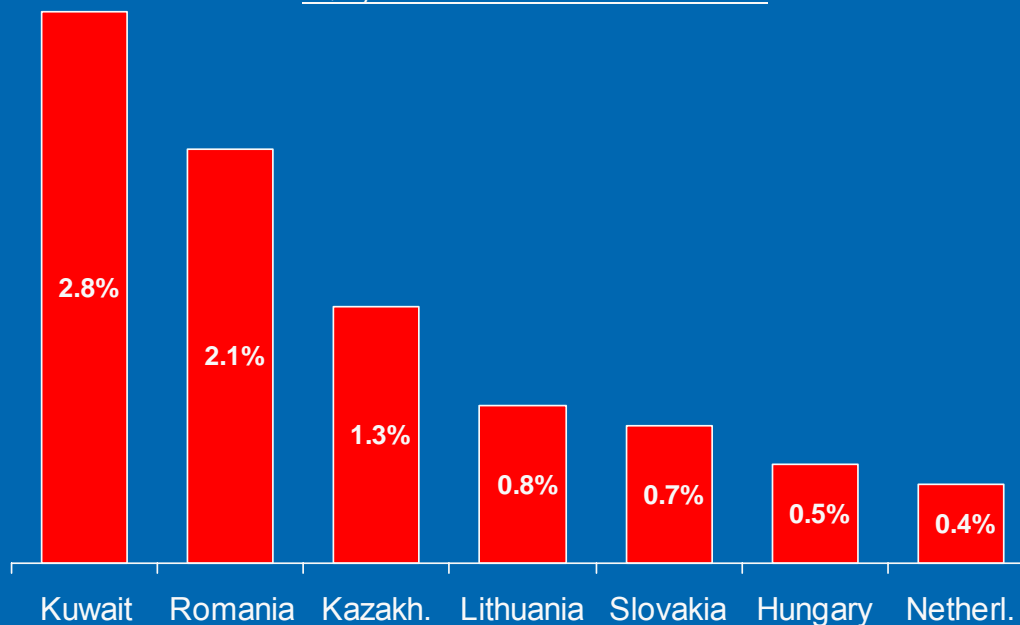
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Marlboro Filter / Flavor Plus

- Promising Young Adult Smoker profile
- Potential for above premium pricing
- Innovative sliding-lid pack
- Helping to build PMI share in ultra light taste and 1mg segments
- Positive “halo” effect on parent brand



Q1, 2010 Market Shares



Marlboro Flavor – Staging



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Marlboro Gold Line



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Note: Pack designs for illustrative purposes only

Marlboro Gold Line Innovation

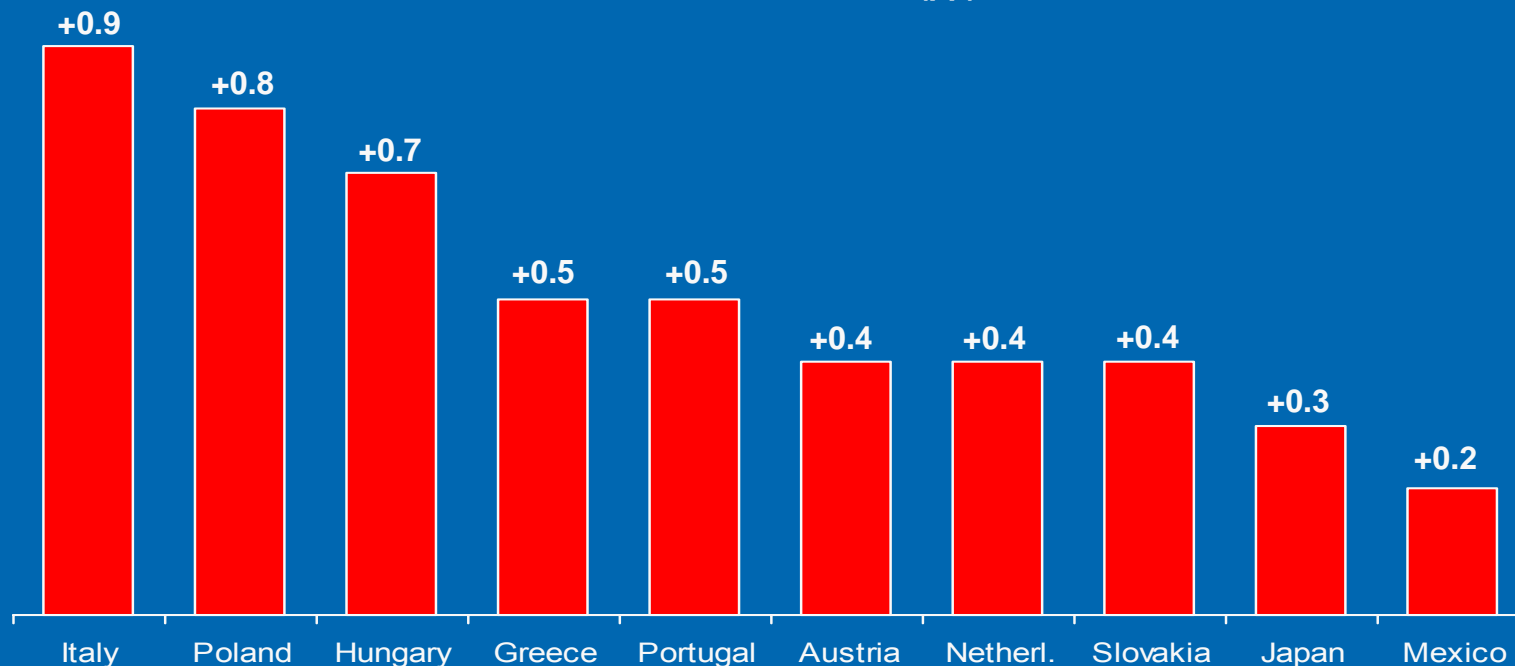
- On a stand alone basis, *Marlboro Gold* is the second largest brand after *Marlboro Red*
- Continue to roll out core packaging
- Cover entire taste range from full flavor to 1 mg



- Market share improvement in 20 markets out of 29 launched^(a)
- In the nine remaining markets, share of premium segment improved/stabilized
- Young Adult Smoker share improvement in 20 markets

Top 10 Markets by SoM Increase

Q1, 2010 vs. Q1, 2009 (pp)



(a) Volume greater than 20 million units per month
Source: PMI estimates

Marlboro Gold



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Rauchen fügt Ihnen und den Menschen in Ihrer Umgebung erheblichen Schaden zu.
Fumer nuit gravement à votre santé et à celle de votre entourage. Il fumo danneggia gravemente te e chi ti sta intorno.



МИНЗДРАВСОЦРАЗВИТИЯ РОССИИ ПРЕДУПРЕЖДАЕТ: КУРЕНИЕ ВРЕДИТ ВАШЕМУ ЗДОРОВЬЮ



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Marlboro Gold Original – Switzerland

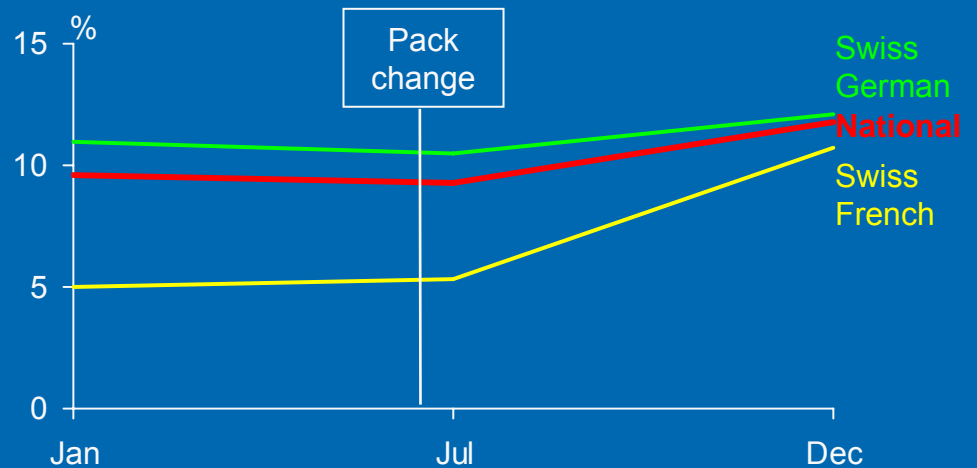


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Gold Brand Image Perception Post vs. Pre-conversion



2009 Smoker Share LA (min. 18) - 24





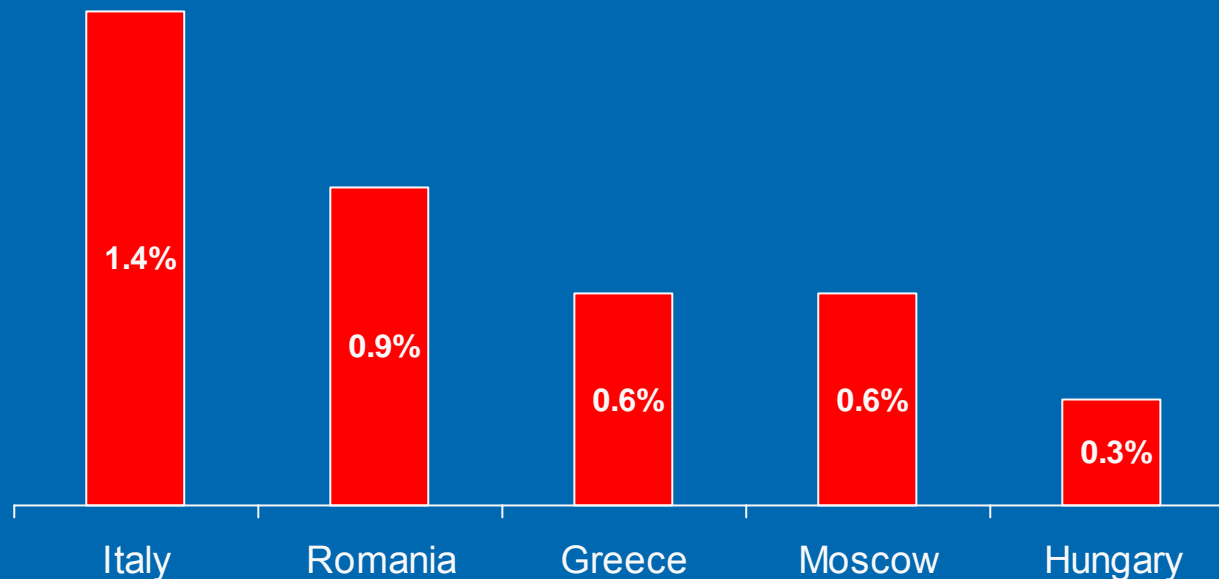
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Marlboro Gold Touch

- Achieved 1.5 billion units in 2009 across nine markets
- Promising Young Adult Smoker profile



Q1, 2010 Market Shares





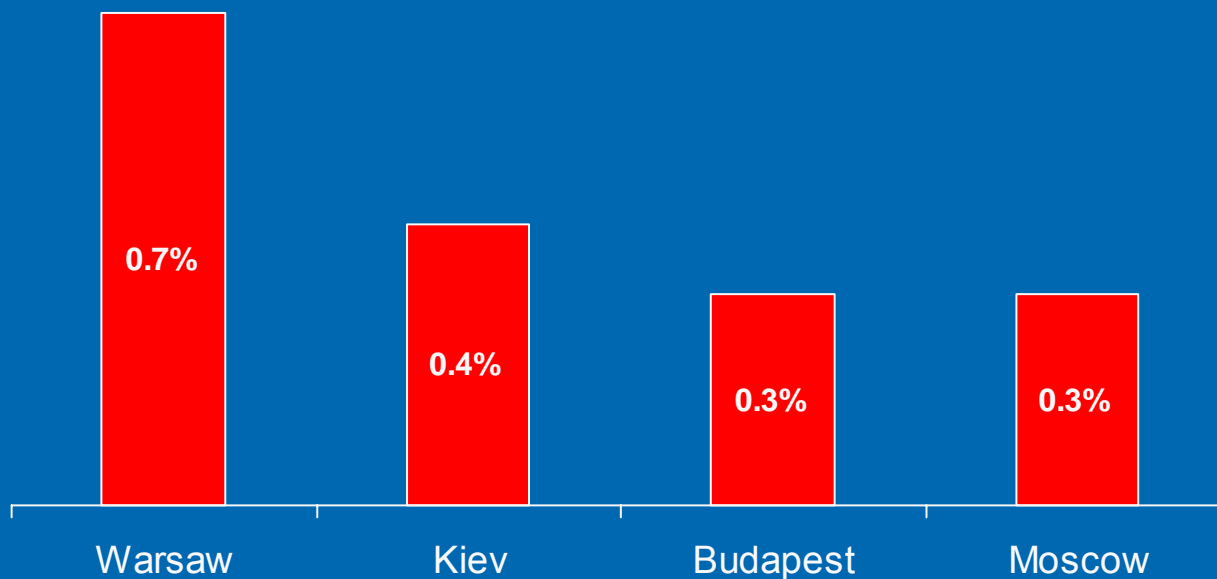
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Marlboro Gold Edge

- Achieved 936 million units in 2009 across nine markets
- Continue building awareness



Q1, 2010 Market Shares



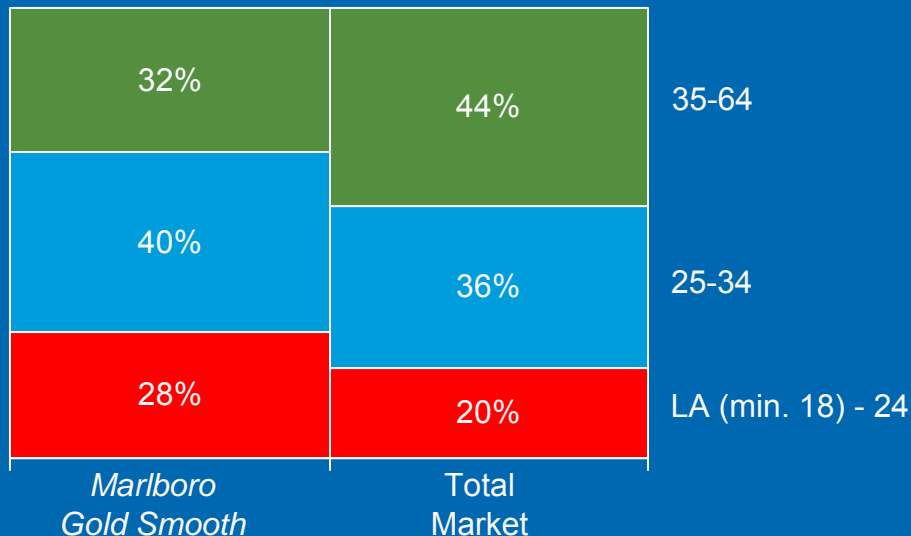
Marlboro Gold Smooth 1mg

- Introduced into seven markets at the end of Q1, 2010
- SoM performance ranges from 0.4% (Qatar) to 1.1% (Kuwait)
- Improved Young Adult Smoker profile

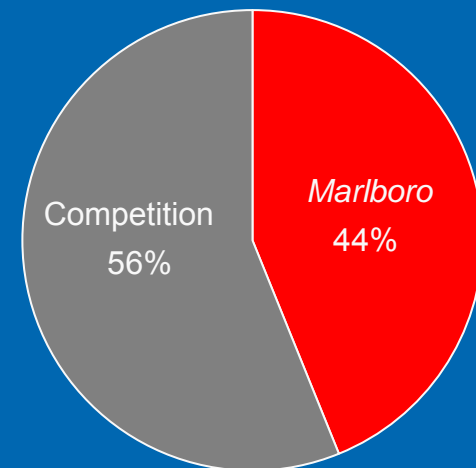


Saudi Arabia

Age Profile



Source of Volume



Marlboro Fresh Line



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Marlboro Fresh Portfolio

Fresh



- Menthol thread in filter
- Refreshing taste sensations



Black Freeze



- Menthol thread in filter
- High cooling sensation



Ice Express



- Menthol capsule in filter
- On demand extra cooling



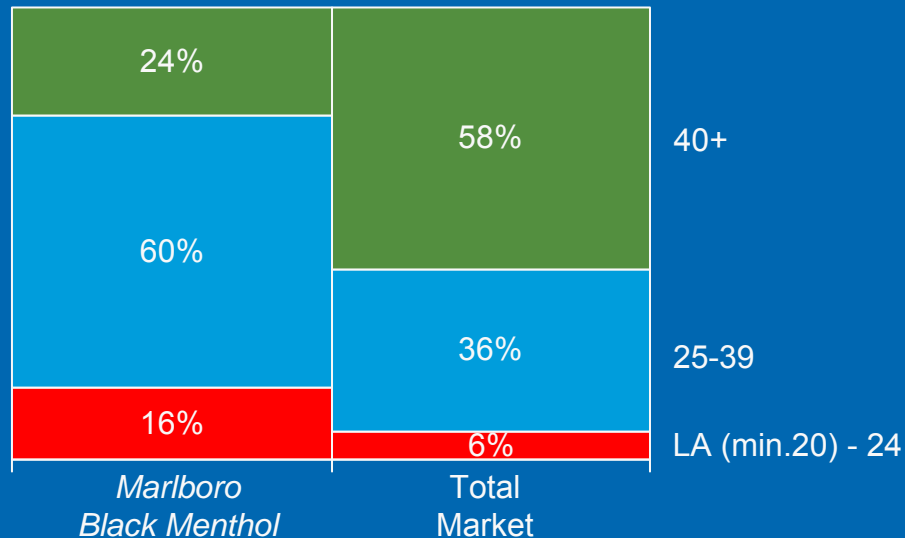
Marlboro Black Menthol

- Achieved 3.9 billion units in 2009 across eight markets
- Most successful launch in Japan ever
- SoM of 1.3% in Japan in Q1, 2010
- Improved Young Adult Smoker profile

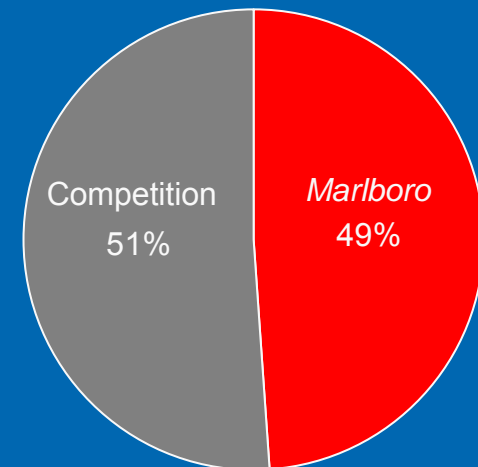


Japan

Age Profile



Source of Volume





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Marlboro Ice Blast / Ice Xpress

- Promising results in Hong Kong, Singapore and Colombia

Marlboro Ice Blast / Ice Xpress Share of Market



Source: PMI estimates





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Marlboro Black Menthol One – Japan



喫煙は、あなたにとって肺がんの原因の一つとなり、心臓疾患・脳卒中の危険性や胎児を悪化させる危険性を高めます。
未成年者の喫煙は、健康に対する悪影響やたばこへの依存をより強めます。
周りの人から勧められても決して吸ってはいけません。
妊娠中の喫煙は、胎児の発育障害や早産の原因の一つとなります。



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7月22日、あなたは奇跡を目撃する。

Marlboro Fresh



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**Palenie poważnie szkodzi Tobie
i osobom w Twoim otoczeniu**





Пушење убија. Дувански дим штети људима у Вашој околини.



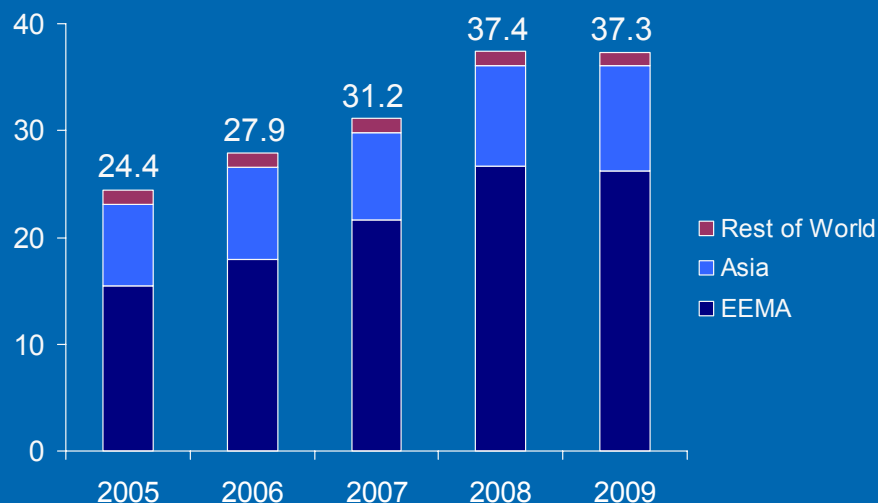
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PARLIAMENT

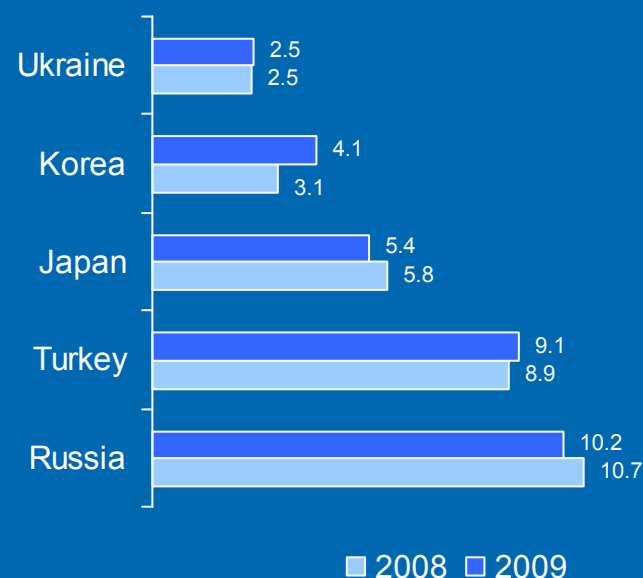


Parliament – Brand Status

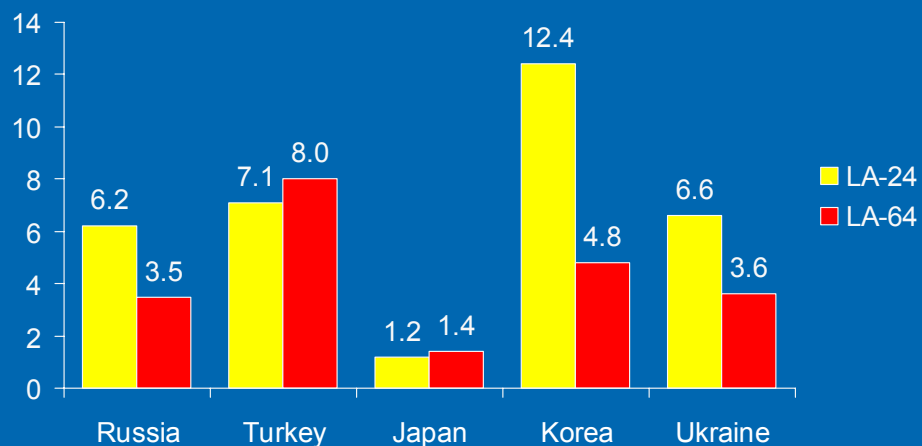
Volume Development (billion units)



Key Markets (billion units)



Smoker Shares 2009 (%)



- Excellent demographic profile in key markets

Mainline



Parliament – Russia



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Reserve
Super Slims

A sophisticated advertisement for Parliament Reserve cigarettes. It features a man in a dark suit and white shirt, holding a martini glass with olives. The background is dark with a crescent moon and the word "PARLIAMENT" faintly visible. A pack of Parliament Reserve cigarettes is prominently displayed in the foreground. The text "Роскошь. Важна каждая деталь." (Luxury. Every detail matters.) is written above the pack. Below the pack, it says "Parliament Reserve King Size Super Slims". At the bottom of the ad, the brand name "PARLIAMENT RESERVE" is followed by the tagline "RECOGNIZED • REFINED • RESERVED". At the very bottom, a large white banner contains the Russian health warning: "МИНЗДРАВСОЦРАЗВИТИЯ РОССИИ ПРЕДУПРЕЖДАЕТ: КУРЕНИЕ ВРЕДИТ ВАШЕМУ ЗДОРОВЬЮ".

Роскошь. Важна каждая деталь.

Parliament Reserve King Size Super Slims

PARLIAMENT RESERVE
RECOGNIZED • REFINED • RESERVED

МИНЗДРАВСОЦРАЗВИТИЯ РОССИИ ПРЕДУПРЕЖДАЕТ:
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Parliament



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МИНЗДРАВСОЦРАЗВИТИЯ РОССИИ ПРЕДУПРЕЖДАЕТ: КУРЕНИЕ ВРЕДИТ ВАШЕМУ ЗДОРОВЬЮ

Parliament



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МИНЗДРАВСОЦРАЗВИТИЯ РОССИИ ПРЕДУПРЕЖДАЕТ: КУРЕНИЕ ВРЕДИТ ВАШЕМУ ЗДОРОВЬЮ



경고 : 건강에 해로운 담배, 일단 흡연하게 되면 끊기가 매우 어렵습니다. 담배연기에는 발암성 물질인 나프틸아민, 니켈, 벤젠, 비닐 크로라이드, 비소, 카드뮴이 들어있습니다.

Parliament Nouveau – Japan



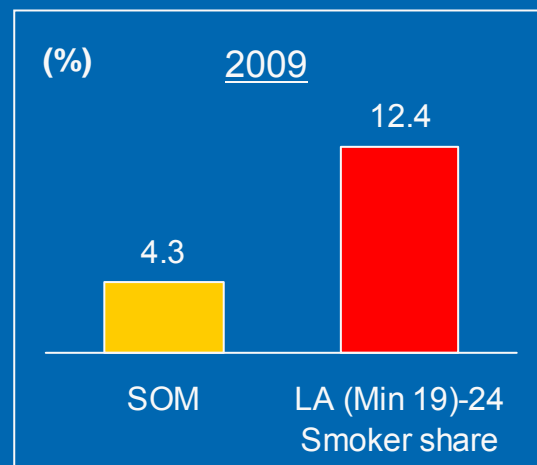
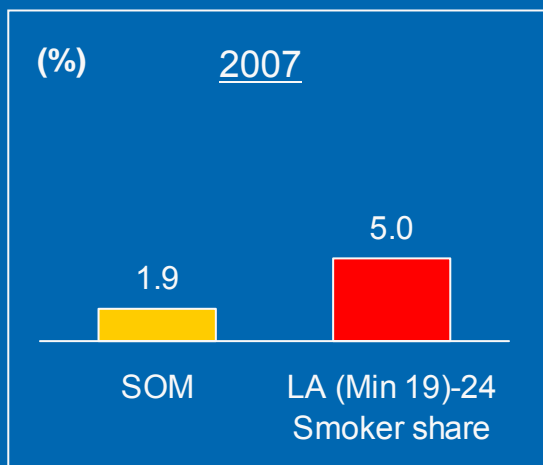
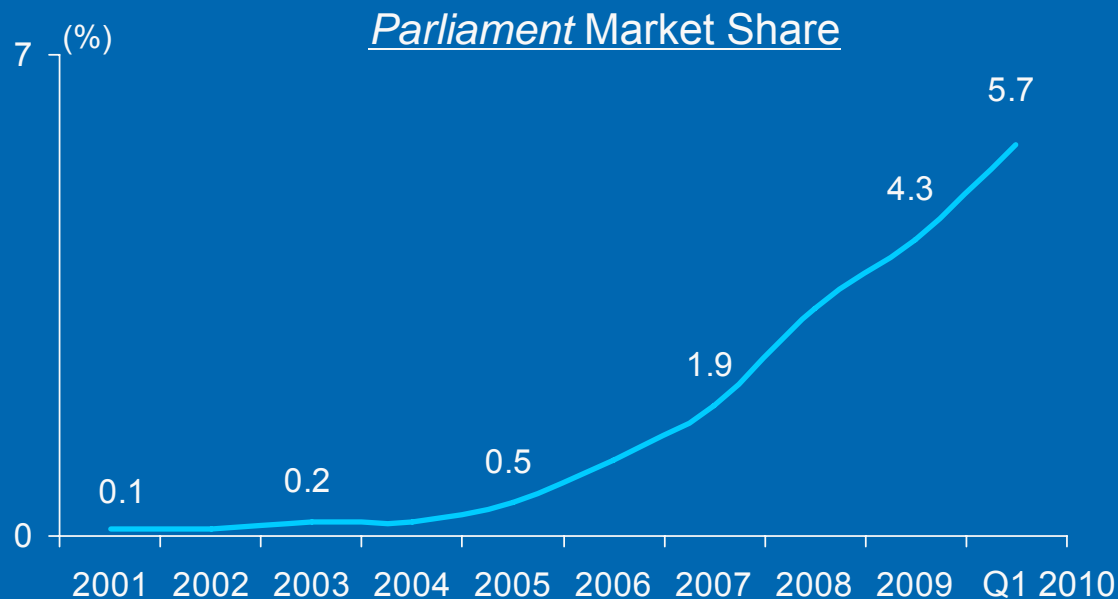
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An exclusive blend made
from the first leaves of this
year's new crop





Parliament – Korea





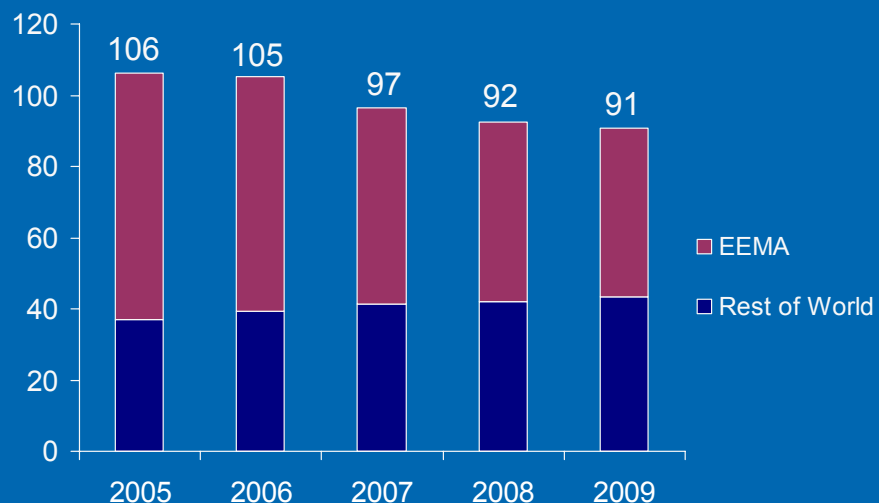
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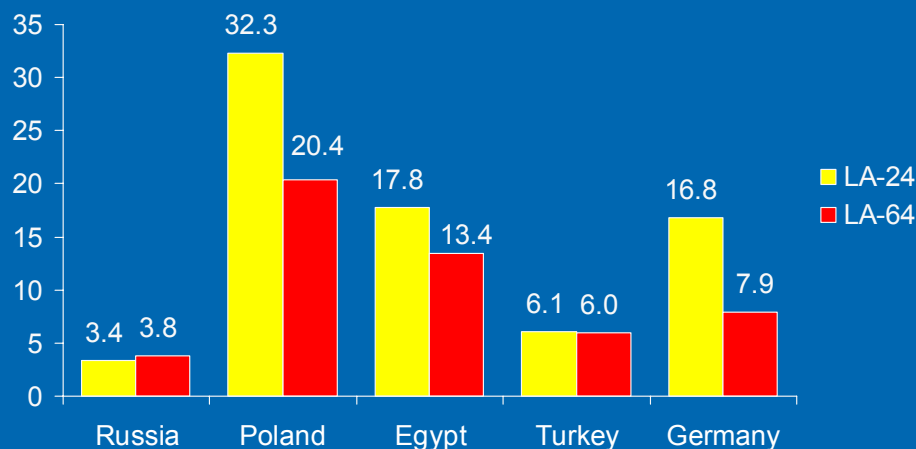
L&M – Brand Status

Volume Development (billion units)



- Strong performance in the EU Region and North Africa
- Volume decline in Russia

Smoker Shares 2009 (%)

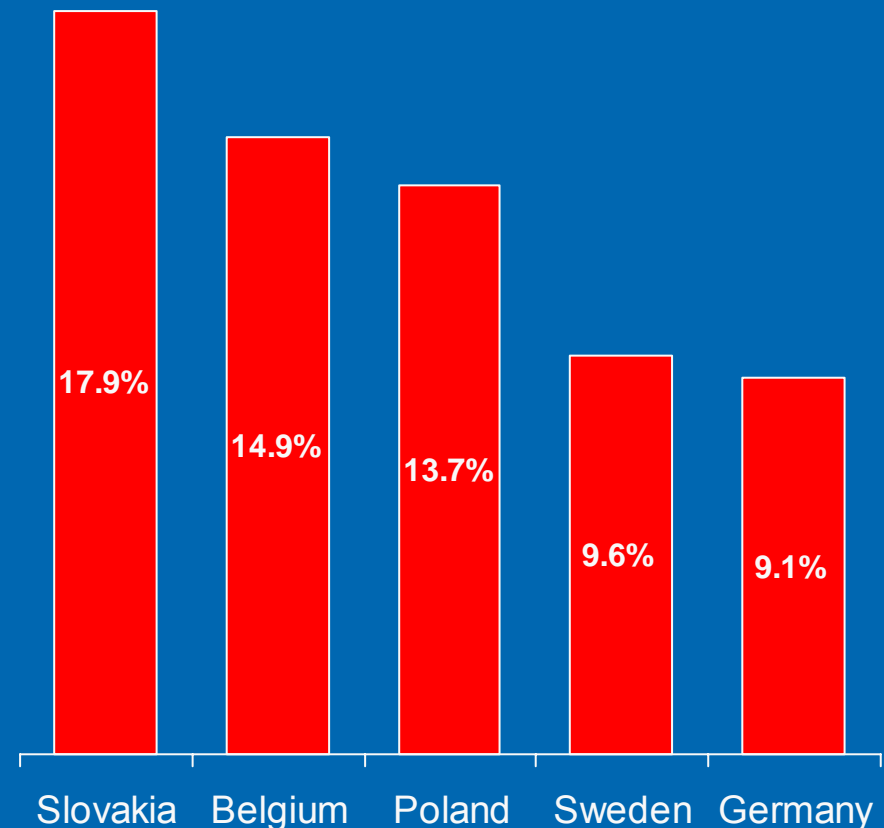


L&M – EU Region

- Strong second leg at lower end of the market in Western Europe established
- Volume grew by close to 9% in the EU Region in 2009 and by a further 6.6% in Q1, 2010



Share of Market Q1, 2010





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L&M Innovations – Slims Portfolio



More masculine

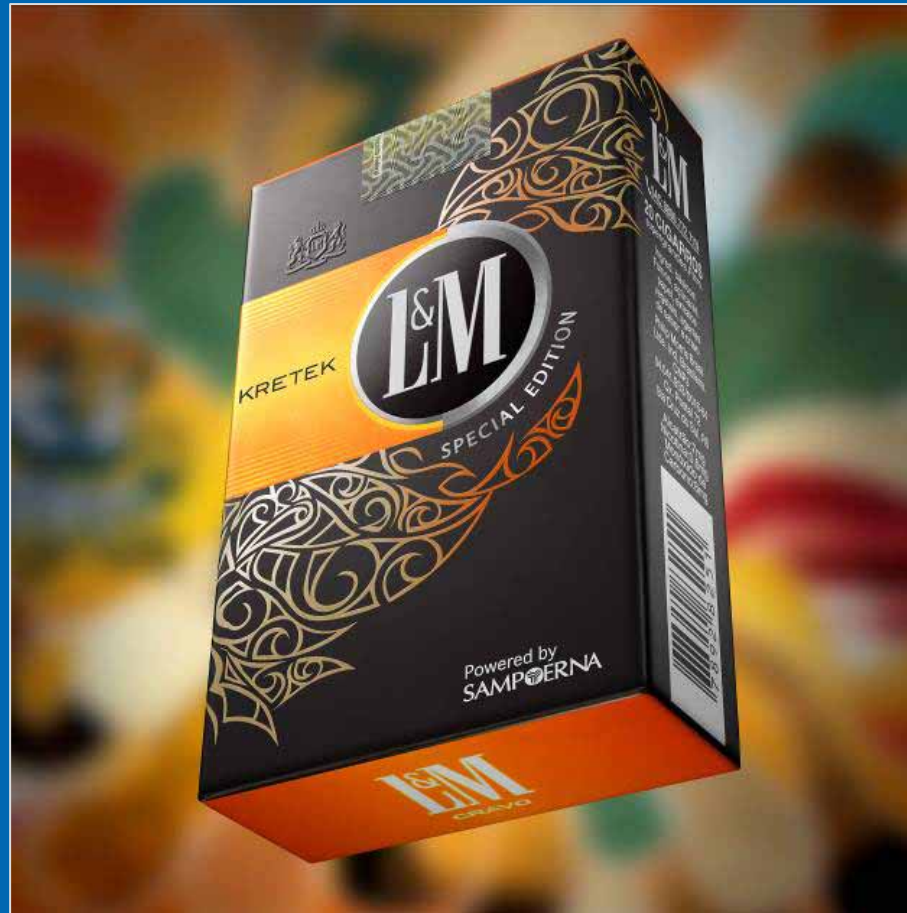
More feminine

***L&M Kretek* – Brazil**



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First Kretek offer of an international brand in Brazil







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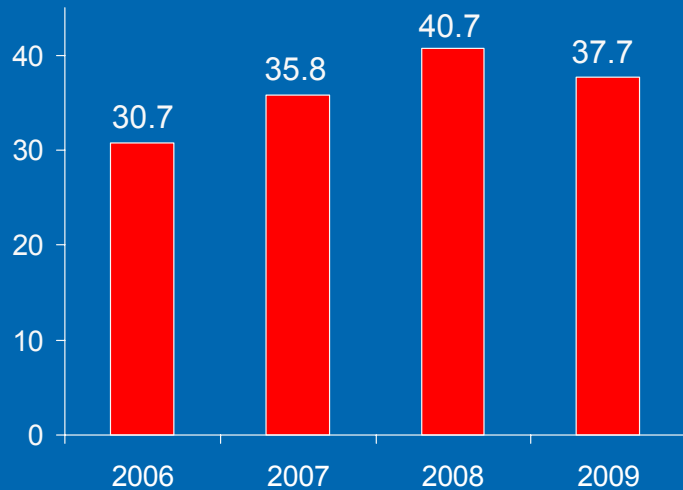
Chesterfield



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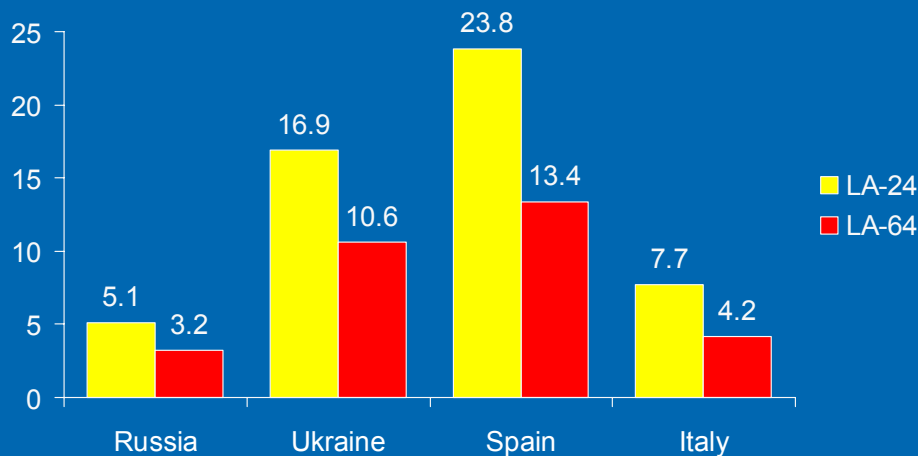
Chesterfield – Brand Status

Volume Development (billion units)



- Expansion in the EU Region
- Growing relevance to LA-24 smokers in key markets

Smoker Shares 2009 (%)



Chesterfield



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- Modernizing the pack
- Promising consumer feedback
- Significant improvement versus old pack



Old Packs



New Packs

Chesterfield – Germany



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Chesterfield RED
ESTABLISHED 1853

NEU ARTIG
4,25€
19 Zigaretten

Rauchen kann tödlich sein

Die Menge an Teer, Nikotin und Kohlenmonoxid, die Sie inhalieren, variiert, je nachdem, wie Sie Ihre Zigarette rauchen.

Rauchen kann tödlich sein. Der Rauch einer Zigarette dieser Marke enthält 10 mg Teer, 0,8 mg Nikotin und 10 mg Kohlenmonoxid. (Durchschnittswerte nach ISO)



CHESTERFIELD SUPERSLIMS

ХАРАКТЕР НЕ ПРИХОВАЄШ

КУРІННЯ МОЖЕ ВИКЛИКАТИ ЗАХВОРЮВАННЯ НА РАК

Chesterfield Classic Blue: Сигар: 6 мг/сиг., Нікотин: 0,5 мг/сиг. Chesterfield Classic Bronze: Сигар: 4 мг/сиг., Нікотин: 0,4 мг/сиг. Кількість сигарет та нікотину, що ви вдихаєте, залежить від того, як ви курите сигарету.





Agenda

- Industry Overview
- Competitive Environment
- Illicit Trade and Regulatory Environment
- PMI Brand Portfolio Strategy
- Consumer Engagement
- Research and Development
- Questions and Answers



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Consumer Engagement Trends

- Portfolio complexity and consumer fragmentation
- Restricted access to mass media
- Direct consumer contact
- Tailor-made content that changes frequently
- Point of sale remains vital



Consumer Engagement Trends

- Portfolio complexity and consumer fragmentation
- Restricted access to mass media
- Direct consumer contact
- Tailor-made content that changes frequently
- Point of sale remains vital
- Longer support periods for new products and existing brands
- Building a competitive advantage



Agenda

- Industry Overview
- Competitive Environment
- Illicit Trade and Regulatory Environment
- PMI Brand Portfolio Strategy
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- **Research and Development**
- Questions and Answers



R&D Strategies

- Significantly reduce the risk to smokers
- Develop and commercialize products that:
 - Do not burn tobacco
 - Provide acceptable taste and smoking ritual



R&D Strategies

- Significantly reduce the risk to smokers
- Develop and commercialize products that:
 - Do not burn tobacco
 - Provide acceptable taste and smoking ritual
- Provide robust substantiation of risk reduction combining:
 - Classical risk assessment techniques from the pharmaceutical industry
 - State of the art systems biology approaches



R&D Strategies

- Significantly reduce the risk to smokers
- Develop and commercialize products that:
 - Do not burn tobacco
 - Provide acceptable taste and smoking ritual
- Provide robust substantiation of risk reduction combining:
 - Classical risk assessment techniques from the pharmaceutical industry
 - State of the art systems biology approaches
- Exploit the ability of the tobacco plant to generate therapeutic molecules



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R&D Resources and Current Status

- Experienced team of over 500 scientists and engineers
- An array of external collaborations and strategic alliances
- Impressive Scientific Advisory Board
- Current status:
 - Very good progress on a complex and challenging undertaking
 - Commercialization in four to five years



Summary

- Leading international tobacco company
- Superior brand portfolio with excellent prospects to grow through innovation and geographic expansion
- New *Marlboro* architecture is working
- Increasingly focused consumer engagement activities
- Regulation, although challenging, is manageable
- Leading-edge research and development
- Outstanding capability to drive superior growth and shareholder returns



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2010
INVESTOR DAY

Investor Day

Lausanne, June 23, 2010

Questions & Answers



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 March 31, 2010, filed with the Securities and Exchange Commission.



Glossary of Terms

- References to PMI volumes refer to shipment volume, unless otherwise stated
- Industry volume and market shares are from a number of internal and external sources
- Organic volume refers to volume excluding acquisitions
- Net revenues exclude excise taxes
- Operating Companies Income (“OCI”) is defined as operating income before corporate expenses and amortization of intangibles.
- Reconciliations to U.S. GAAP measures are at the end of today’s web cast slides and are posted on our web site

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 March 31,
(\$ 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
\$ 6,748	\$ 4,564	\$ 2,184	\$ 178	\$ 2,006	\$ 3	\$ 2,003	European Union	\$ 6,050	\$ 4,063	\$ 1,987	9.9 %	1.0 %	0.8 %
3,356	1,610	1,746	52	1,694	26	1,668	EEMA	2,831	1,379	1,452	20.2 %	16.7 %	14.9 %
3,562	1,689	1,873	172	1,701	75	1,626	Asia	2,857	1,267	1,590	17.8 %	7.0 %	2.3 %
1,921	1,228	693	51	642	-	642	Latin America & Canada	1,548	980	568	22.0 %	13.0 %	13.0 %
\$ 15,587	\$ 9,091	\$ 6,496	\$ 453	\$ 6,043	\$ 104	\$ 5,939	PMI Total	\$ 13,286	\$ 7,689	\$ 5,597	16.1 %	8.0 %	6.1 %

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	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 1,062		\$ 80	\$ 982	\$ 2	\$ 980	European Union		\$ 967		9.8 %	1.6 %	1.3 %
770		8	762	9	753	EEMA		586		31.4 %	30.0 %	28.5 %
724		81	643	(5)	648	Asia		661		9.5 %	(2.7)%	(2.0)%
217		23	194	-	194	Latin America & Canada		155		40.0 %	25.2 %	25.2 %
\$ 2,773		\$ 192	\$ 2,581	\$ 6	\$ 2,575	PMI Total		\$ 2,369		17.1 %	8.9 %	8.7 %

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
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Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income, excluding Currency and Acquisitions
For the Quarters Ended March 31,
(\$ 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
\$ 1,062	\$ -	\$ 1,062	\$ 80	\$ 982	\$ 2	\$ 980	\$ 967	\$ (1)	\$ 968	9.7 %	1.4 %	1.2 %
770	-	770	8	762	9	753	586	-	586	31.4 %	30.0 %	28.5 %
724	-	724	81	643	(5)	648	661	-	661	9.5 %	(2.7)%	(2.0)%
217	-	217	23	194	-	194	155	-	155	40.0 %	25.2 %	25.2 %
\$ 2,773	\$ -	\$ 2,773	\$ 192	\$ 2,581	\$ 6	\$ 2,575	\$ 2,369	\$ (1)	\$ 2,370	17.0 %	8.9 %	8.6 %

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 March 31,
(Unaudited)

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Reported Diluted EPS	\$ 0.90	\$ 0.74	21.6%
Less:			
Asset impairment and exit costs	<u>-</u>	<u>-</u>	
Adjusted Diluted EPS	\$ 0.90	\$ 0.74	21.6%
Less:			
Currency Impact	<u>0.06</u>	<u></u>	
Adjusted Diluted EPS, excluding Currency	<u>\$ 0.84</u>	<u>\$ 0.74</u>	13.5%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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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 March 31,
(\$ in millions)
(Unaudited)

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Net cash provided by operating activities⁽¹⁾	\$ 1,974	\$ 1,427	38.3%
Less:			
Capital expenditures	<u>150</u>	<u>145</u>	
Free cash flow	\$ 1,824	\$ 1,282	42.3%
Less:			
Currency impact	<u>116</u>	<u></u>	
Free cash flow, excluding currency	<u>\$ 1,708</u>	<u>\$ 1,282</u>	33.2%

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Net cash provided by operating activities⁽¹⁾	\$ 1,974	\$ 1,427	38.3%
Less:			
Currency impact	<u>130</u>	<u></u>	
Net cash provided by operating activities, excluding currency	<u>\$ 1,844</u>	<u>\$ 1,427</u>	29.2%

(1) Operating cash flow

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, excluding Currency and Acquisitions
For the Years Ended December 31,
(\$ in millions)
(Unaudited)

2009								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 %	

(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)

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)

							(Unaudited)				% Change in Reported Net Revenues excluding Excise Taxes		
2009							2008						
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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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	\$ 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



PHILIP MORRIS
INTERNATIONAL

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

2008										2007			% 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
\$ 4,738	(66)	\$ 4,804	\$ 432	\$ 4,372	\$ 20	\$ 4,352	European Union			\$ 4,195	\$ (137)	\$ 4,332	10.9%	0.9%	0.5%
3,119	(1)	3,120	21	3,099	-	3,099	EEMA			2,431	(12)	2,443	27.7%	26.9%	26.9%
2,057	(14)	2,071	32	2,039	5	2,034	Asia			1,803	(28)	1,831	13.1%	11.4%	11.1%
520	(127) ⁽¹⁾	647	(4)	651	100	551	Latin America & Canada			514	(18)	532	21.6%	22.4%	3.6%
\$ 10,434	\$ (208)	\$ 10,642	\$ 481	\$ 10,161	\$ 125	\$ 10,036	PMI Total			\$ 8,943	\$ (195)	\$ 9,138	16.5%	11.2%	9.8%

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

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

Adjustments for Impact of Currency and Acquisitions
For the Years Ended December 31,
(\$ in millions)
(Unaudited)

2008								2007			% Change in Reported Net Revenues excluding Excise Taxes		
Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Less Currency	Reported Net Revenues excluding Excise Taxes & Currency	Less Acquisi- tions	Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions		Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 30,265	\$ 20,577	\$ 9,688	\$ 899	\$ 8,789	\$ 26	\$ 8,763	European Union	\$ 26,829	\$ 17,994	\$ 8,835	9.7%	(0.5)%	(0.8)%
14,817	7,313	7,504	296	7,208	-	7,208	EEMA	12,166	5,820	6,346	18.2%	13.6%	13.6%
12,222	6,037	6,185	140	6,045	46	5,999	Asia	11,097	5,449	5,648	9.5%	7.0%	6.2%
6,336	4,008	2,328	47	2,281	157	2,124	Latin America & Canada	5,151	3,170	1,981	17.5%	15.1%	7.2%
\$ 63,640	\$ 37,935	\$ 25,705	\$ 1,382	\$ 24,323	\$ 229	\$ 24,094	PMI Total	\$ 55,243	\$ 32,433	\$ 22,810	12.7%	6.6%	5.6%

2008								2007			% Change in Reported Operating Companies Income		
Reported Operating Companies Income			Less Currency	Reported Operating Companies Income excluding Currency	Less Acquisi- tions	Reported Operating Companies Income excluding Currency & Acquisitions		Reported Operating Companies Income			Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 4,738			\$ 432	\$ 4,306	\$ 20	\$ 4,286	European Union	\$ 4,195			12.9%	2.6%	2.2%
3,119			21	3,098	-	3,098	EEMA	2,431			28.3%	27.4%	27.4%
2,057			32	2,025	5	2,020	Asia	1,803			14.1%	12.3%	12.0%
520			(4)	524	100	424	Latin America & Canada	514			1.2%	1.9%	(17.5)%
\$ 10,434			\$ 481	\$ 9,953	\$ 125	\$ 9,828	PMI Total	\$ 8,943			16.7%	11.3%	9.9%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
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Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income, excluding Currency and Acquisitions
For the Years Ended December 31,
(\$ in millions)
(Unaudited)

2007									2006			% 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	
\$ 4,195	\$ (137)	\$ 4,332	\$ 424	\$ 3,908	\$ (1)	\$ 3,909	European Union	\$ 3,500	\$ (165)	\$ 3,665	18.2%	6.6%	6.7%	
2,431	(12)	2,443	98	2,345	-	2,345	EEMA	2,080	(2)	2,082	17.3%	12.6%	12.6%	
1,803	(28)	1,831	(36)	1,867	11	1,856	Asia	1,847	(19)	1,866	(1.9)%	0.1%	(0.5)%	
514	(18)	532	-	532	(66)	598	Latin America & Canada	1,013	538	475	12.0%	12.0%	25.9%	
\$ 8,943	\$ (195)	\$ 9,138	\$ 486	\$ 8,652	\$ (56)	\$ 8,708	PMI Total	\$ 8,440	\$ 352	\$ 8,088	13.0%	7.0%	7.7%	

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

Adjustments for Impact of Currency and Acquisitions
For the Years Ended December 31,
(\$ in millions)
(Unaudited)

2007								(Unaudited)	2006			% Change in Reported Net Revenues excluding Excise Taxes		
Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Less Currency	Reported Net Revenues excluding Excise Taxes & Currency	Less Acquisi- tions	Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions	Reported Net Revenues		Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions	
\$ 26,829	\$ 17,994	\$ 8,835	\$ 757	\$ 8,078	\$ -	\$ 8,078	European Union	\$ 23,745	\$ 15,869	\$ 7,876	12.2%	2.6%	2.6%	
12,166	5,820	6,346	330	6,016	-	6,016	EEMA	10,012	4,387	5,625	12.8%	7.0%	7.0%	
11,097	5,449	5,648	76	5,572	118	5,454	Asia	10,139	4,634	5,505	2.6%	1.2%	(0.9)%	
5,151	3,170	1,981	34	1,947	37	1,910	Latin America & Canada	4,406	2,643	1,763	12.4%	10.4%	8.3%	
\$ 55,243	\$ 32,433	\$ 22,810	\$ 1,197	\$ 21,613	\$ 155	\$ 21,458	PMI Total	\$ 48,302	\$ 27,533	\$ 20,769	9.8%	4.1%	3.3%	

2007						2006		% 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	
\$ 4,195	\$ 424	\$ 3,771	\$ (1)	\$ 3,772	European Union	\$ 3,500	19.9%	7.7%	7.8%	
2,431	98	2,333	-	2,333	EEMA	2,080	16.9%	12.2%	12.2%	
1,803	(36)	1,839	11	1,828	Asia	1,847	(2.4)%	(0.4)%	(1.0)%	
514	-	514	(66)	580	Latin America & Canada	1,013	(49.3)%	(49.3)%	(42.7)%	
\$ 8,943	\$ 486	\$ 8,457	\$ (56)	\$ 8,513	PMI Total	\$ 8,440	6.0%	0.2%	0.9%	

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)

2006								2005			% Change in Reported Net Revenues excluding Excise Taxes		
Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Less Currency	Reported Net Revenues excluding Excise Taxes & Currency	Less Acquisi- tions	Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions		Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 23,745	\$ 15,869	\$ 7,876	\$ (152)	\$ 8,028	\$ -	\$ 8,028	European Union	\$ 23,813	\$ 15,364	\$ 8,449	(6.8)%	(5.0)%	(5.0)%
10,012	4,387	5,625	(23)	5,648	-	5,648	EEMA	8,951	3,867	5,084	10.6%	11.1%	11.1%
10,139	4,634	5,505	(179)	5,684	587	5,097	Asia	8,609	3,668	4,941	11.4%	15.0%	3.2%
4,406	2,643	1,763	14	1,749	50	1,699	Latin America & Canada	3,943	2,400	1,543	14.3%	13.4%	10.1%
\$ 48,302	\$ 27,533	\$ 20,769	\$ (340)	\$ 21,109	\$ 637	\$ 20,472	PMI Total	\$ 45,316	\$ 25,299	\$ 20,017	3.8%	5.5%	2.3%

2006						2005			% 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		
\$ 3,500	\$ 2	\$ 3,498	\$ -	\$ 3,498	European Union	\$ 3,890	(10.0)%	(10.1)%	(10.1)%		
2,080	10	2,070	-	2,070	EEMA	1,664	25.0%	24.4%	24.4%		
1,847	(189)	2,036	219	1,817	Asia	1,801	2.6%	13.0%	0.9%		
1,013	(5)	1,018	13	1,005	Latin America & Canada	465	100+%	100+%	100+%		
\$ 8,440	\$ (182)	\$ 8,622	\$ 232	\$ 8,390	PMI Total	\$ 7,820	7.9%	10.3%	7.3%		

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

Adjustments for Impact of Currency and Acquisitions
For the Years Ended December 31,
(\$ in millions)
(Unaudited)

								(Unaudited)				% Change in Reported Net Revenues excluding Excise Taxes		
2005								2004						
Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Less Currency	Reported Net Revenues excluding Excise Taxes & Currency	Less Acquisi- tions	Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions		Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions	
\$ 23,813	\$ 15,364	\$ 8,449	\$ 355	\$ 8,094	\$ 10	\$ 8,084	European Union	\$ 22,265	\$ 14,236	\$ 8,029	5.2%	0.8%	0.7%	
8,951	3,867	5,084	81	5,003	-	5,003	EEMA	7,510	2,953	4,557	11.6%	9.8%	9.8%	
8,609	3,668	4,941	90	4,851	666	4,185	Asia	6,586	2,860	3,726	32.6%	30.2%	12.3%	
3,943	2,400	1,543	45	1,498	73	1,425	Latin America & Canada	3,276	1,983	1,293	19.3%	15.9%	10.2%	
\$ 45,316	\$ 25,299	\$ 20,017	\$ 571	\$ 19,446	\$ 749	\$ 18,697	PMI Total	\$ 39,637	\$ 22,032	\$ 17,605	13.7%	10.5%	6.2%	

2005						2004			% 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		
\$ 3,890	\$ 194	\$ 3,696	\$ 1	\$ 3,695	European Union	\$ 3,350	16.1%	10.3%	10.3%		
1,664	30	1,634	-	1,634	EEMA	1,554	7.1%	5.1%	5.1%		
1,801	54	1,747	323	1,424	Asia	1,298	38.8%	34.6%	9.7%		
465	24	441	9	432	Latin America & Canada	391	18.9%	12.8%	10.5%		
\$ 7,820	\$ 302	\$ 7,518	\$ 333	\$ 7,185	PMI Total	\$ 6,593	18.6%	14.0%	9.0%		

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)

	March 31, 2010			For the Year Ended December 31, 2009
	April ~ December 2009	January ~ March 2010	12 months rolling	
Earnings before income taxes	\$ 7,081	\$ 2,492	\$ 9,573	\$ 9,243
Interest expense, net	639	223	862	797
Depreciation and amortization	660	223	883	853
EBITDA	\$ 8,380	\$ 2,938	\$ 11,318	\$ 10,893
			March 31, 2010	December 31, 2009
Short-term borrowings			\$ 1,050	\$ 1,662
Current portion of long-term debt			151	82
Long-term debt			14,809	13,672
Total Debt			\$ 16,010	\$ 15,416
Less: Cash and cash equivalents			850	1,540
Net Debt			\$ 15,160	\$ 13,876
<u>Ratios</u>				
Total Debt to EBITDA			1.41	1.42
Net Debt to EBITDA			1.34	1.27

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)

	March 31, 2008		
	April ~ December 2007	January ~ March 2008	12 months rolling
Earnings before income taxes	\$ 7,033	\$ 2,449	\$ 9,482
Interest expense, net	-	75	75
Depreciation and amortization	585	201	786
EBITDA	\$ 7,618	\$ 2,725	\$ 10,343
			March 31, 2008
Short-term borrowings			\$ 793
Current portion of long-term debt			104
Long-term debt			6,643
Total Debt			\$ 7,540
Less: Cash and cash equivalents			1,231
Net Debt			\$ 6,309
<u>Ratios</u>			
Total Debt to EBITDA			0.73
Net Debt to EBITDA			0.61

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

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

	<u>2003</u>	<u>2007</u>	<u>2009</u>
Reported Operating Income	\$ 6,195	\$ 8,894	\$ 10,040
Add back:			
Amortization of Intangibles & Corporate Expenses	<u>91</u>	<u>49</u>	<u>231</u>
Reported Operating Companies Income	\$ 6,286	\$ 8,943	\$ 10,271
Add back:			
Asset Impairment & Exit Costs and Other	<u>(45)</u>	<u>195</u>	<u>164</u>
Adjusted Operating Companies Income	<u>\$ 6,241</u>	<u>\$ 9,138</u>	<u>\$ 10,435</u>
Cigarette Shipment Volume	735.8	848.6	864.0



PHILIP MORRIS
INTERNATIONAL

2010
INVESTOR DAY

Investor Day
Lausanne, June 23, 2010