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FORM 8-K

Philip Morris International Inc. - PM

Filed: October 22, 2009 (period: October 22, 2009)

Report of unscheduled material events or corporate changes.

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **October 22, 2009**

Philip Morris International Inc.
(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction
of incorporation)

1-33708
(Commission File Number)

13-3435103
(I.R.S. Employer
Identification No.)

120 Park Avenue, New York, New York
(Address of principal executive offices)

10017-5592
(Zip Code)

Registrant's telephone number, including area code: **(917) 663-2000**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On October 22, 2009, Philip Morris International Inc. (the "Company") issued a press release announcing its financial results for the quarter ended September 30, 2009 and held a live audio webcast to discuss such results. In connection with this webcast, the Company is furnishing to the Securities and Exchange Commission the following documents attached as exhibits to this Current Report on Form 8-K and incorporated herein by reference to this Item 2.02: the earnings release attached as Exhibit 99.1 hereto, the conference call transcript attached as Exhibit 99.2 hereto and the webcast slides attached as Exhibit 99.3 hereto.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 2.02 of this Current Report on Form 8-K, including Exhibits 99.1, 99.2 and 99.3, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in Item 2.02 of this Current Report on Form 8-K shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits**

- 99.1 Philip Morris International Inc. Press Release dated October 22, 2009 (furnished pursuant to Item 2.02)
- 99.2 Conference Call Transcript dated October 22, 2009 (furnished pursuant to Item 2.02)
- 99.3 Webcast Slides dated October 22, 2009 (furnished pursuant to Item 2.02)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHILIP MORRIS INTERNATIONAL INC.

By: /s/ G. PENN HOLSENBECK
Name: G. Penn Holsenbeck
Title: Vice President & Corporate Secretary

DATE: October 22, 2009

EXHIBIT INDEX

Exhibit No.	Description
99.1	Philip Morris International Inc. Press Release dated October 22, 2009 (furnished pursuant to Item 2.02)
99.2	Conference Call Transcript dated October 22, 2009 (furnished pursuant to Item 2.02)
99.3	Webcast Slides dated October 22, 2009 (furnished pursuant to Item 2.02)



PHILIP MORRIS INTERNATIONAL INC. (PMI) REPORTS
2009 THIRD-QUARTER RESULTS

- Reported diluted earnings per share of \$0.93 versus \$1.01 in 2008, principally due to a \$0.08 tax benefit recorded in 2008, as detailed on Schedules 4 and 13
 - Excluding currency, reported diluted earnings per share up 8.9%
- Adjusted diluted earnings per share of \$0.93 versus the same amount in 2008, including the items detailed on Schedule 12
 - Excluding currency, adjusted diluted earnings per share up 18.3%
- Increases its forecast for 2009 full-year reported diluted earnings per share to a range of \$3.20 to \$3.25, from \$3.10 to \$3.20. Excluding currency, diluted earnings per share are projected to increase by approximately 12%-14%
- Increased its regular quarterly dividend during the quarter to \$0.58 per common share, up by 7.4% from \$0.54
- Spent a total of \$1.5 billion to repurchase 31.5 million shares of its common stock in the quarter
- Completed the purchase of the South African affiliate of Swedish Match for ZAR 1.98 billion (approximately \$262 million)

NEW YORK, October 22, 2009 – Philip Morris International Inc. (NYSE / Euronext Paris: PM) today announced reported diluted earnings per share of \$0.93 in the third quarter of 2009, down by 7.9% from \$1.01 in the third quarter of 2008, principally due to a \$0.08 tax benefit recorded in 2008 as detailed on the attached Schedules 4 and 13. Excluding currency,

reported diluted earnings per share were up by 8.9%. Adjusted diluted earnings per share in the third quarter of 2009 and 2008 were \$0.93, including the items detailed on the attached Schedule 12. Excluding currency, adjusted diluted earnings per share were up by 18.3%.

“The third quarter underscored our proven ability to deliver excellent results and improve our operating margins, with net revenues, adjusted operating companies income and earnings per share up, on a constant currency basis, by a strong 6.9%, 13.7% and 18.3%, respectively,” said Louis Camilleri, Chairman and Chief Executive Officer.

“While we experienced lower organic volume in the quarter, this was largely anticipated given our pricing actions and the on-going impact of the economic crisis on total consumption levels, notably in Spain and Ukraine. Our year-to-date volume decline of 2.1% better reflects our estimated full-year organic volume performance.”

“Our strong operating cash flow of \$6.4 billion year-to-date enabled us to reward shareholders with a 7.4% increase in the dividend and our robust share repurchase program has remained uninterrupted since its inception.”

Conference Call

A conference call, hosted by Hermann Waldemer, Chief Financial Officer, with members of the investment community and news media will be webcast at 9:00 a.m. Eastern Time on October 22, 2009. Access is available at www.pmintl.com.

2009 Full-Year Forecast

PMI increases its forecast for 2009 full-year reported diluted earnings per share to a range of \$3.20 to \$3.25, from \$3.10 to \$3.20, which includes, at current exchange rates, an unfavorable currency impact of approximately \$0.52 per share. Excluding currency, diluted earnings per share are projected to increase by approximately 12%-14%. This guidance includes a pre-tax charge of \$135 million (\$93 million after-tax), equivalent to \$0.04 per share, relating to the Colombian Investment and Cooperation Agreement announced during the second quarter of 2009, and excludes the impact of any potential future acquisitions, asset impairment and exit cost charges, and any unusual events.

The factors described in the Forward-Looking and Cautionary Statements section of this release represent continuing risks to these projections.

Dividends and Share Repurchase Program

PMI increased its regular quarterly dividend during the quarter to \$0.58, up 7.4% from \$0.54, which represents an annualized rate of \$2.32 per common share.

During the third quarter, PMI spent \$1.5 billion to repurchase 31.5 million shares of its common stock. Since May 2008, when PMI began its previously-announced \$13 billion, two-year share repurchase program, the company has spent a total of \$9.6 billion to repurchase 209.6 million shares.

Acquisitions and Agreements

On September 14, 2009, PMI completed the purchase of Swedish Match South Africa (Proprietary) Limited (SMSA) for ZAR 1.98 billion (approximately \$262 million), including acquired cash and working capital. While this acquisition did not impact third quarter results, it is anticipated to be immediately marginally accretive to PMI's earnings per share.

2009 THIRD-QUARTER CONSOLIDATED RESULTS

Management reviews operating companies income (OCI), which is defined as operating income before corporate expenses and amortization of intangibles, to evaluate segment performance and to allocate resources. In the following discussion, the term "net revenues" refers to net revenues, excluding excise taxes, unless otherwise stated. Management also reviews OCI, operating margins and EPS on an adjusted basis (which may exclude the impact of currency and other items such as acquisitions or asset impairment and exit charges), EBITDA and net debt. Management believes it is appropriate to disclose these measures to help investors analyze business performance and trends. For a reconciliation of operating companies income to operating income, see the Condensed Statements of Earnings contained in this release. Reconciliations of adjusted measures to corresponding GAAP measures are also provided in this release. References to total international cigarette market, total cigarette market, total market and market shares are PMI estimates based on a number of sources. Comparisons are to the same prior-year period unless otherwise stated.

NET REVENUES

PMI Net Revenues* (\$ Millions)

	<u>Third Quarter</u>			
	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>Excl. Currency</u>
European Union	\$ 2,408	\$ 2,671	(9.8)%	1.5%
Eastern Europe, Middle East & Africa	1,830	2,109	(13.2)%	6.9%
Asia	1,651	1,610	2.5%	3.0%
Latin America & Canada	698	563	24.0%	43.5%
Total PMI	\$ 6,587	\$ 6,953	(5.3)%	6.9%

* Net revenues, excluding excise taxes.

Net revenues of \$6.6 billion were down by 5.3% due to unfavorable currency of \$846 million. Excluding currency, net revenues increased by 6.9%, primarily driven by favorable pricing of \$590 million across all business segments, and the favorable impact of the 2008 Rothmans Inc., Canada acquisition, partly offset by unfavorable volume/mix, primarily in the EU and EEMA Regions. Excluding currency and acquisitions, net revenues increased by 4.1%.

OPERATING COMPANIES INCOME

PMI Operating Companies Income (\$ Millions)

	<u>Third Quarter</u>			
	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>Excl. Currency</u>
European Union	\$ 1,267	\$ 1,325	(4.4)%	6.7%
Eastern Europe, Middle East & Africa	761	946	(19.6)%	11.1%
Asia	653	558	17.0%	9.1%
Latin America & Canada	226	110	+100.0%	+100.0%
Total PMI	\$ 2,907	\$ 2,939	(1.1)%	14.2%

Operating income declined 1.4% to \$2.9 billion as shown on Schedule 1. Reported operating companies income declined 1.1% to \$2.9 billion, due to unfavorable currency of \$449 million. Excluding currency and the favorable impact of acquisitions of 3.1 percentage points of growth, operating companies income was up by 11.1%, driven by higher pricing, partly offset by unfavorable volume/mix.

Adjusted operating companies income declined 1.5% as shown in the table below and detailed on Schedule 11.

PMI Operating Companies Income (\$ Millions)

	Third Quarter		
	2009	2008	Change
Reported Operating Companies Income	\$ 2,907	\$ 2,939	(1.1)%
Asset impairment and exit costs	1	13	
Adjusted Operating Companies Income	\$ 2,908	\$ 2,952	(1.5)%
Adjusted OCI Margin*	44.1%	42.5%	1.6 p.p.

* Margins are calculated as adjusted operating companies income, divided by net revenues, excluding excise taxes.

Excluding the unfavorable impact of currency, adjusted operating companies income margin was up by 2.7 percentage points to 45.2% as detailed on Schedule 11.

SHIPMENT VOLUME & MARKET SHARE

PMI Cigarette Shipment Volume by Segment (Million Units)

	Third Quarter		
	2009	2008	Change
European Union	61,047	64,063	(4.7)%
Eastern Europe, Middle East & Africa	77,769	81,405	(4.5)%
Asia	54,484	55,946	(2.6)%
Latin America & Canada	25,978	24,500	6.0%
Total PMI	219,278	225,914	(2.9)%

PMI's cigarette shipment volume of 219.3 billion units was down by 2.9%, reflecting: gains in Latin America & Canada, from the acquisition of Rothmans Inc., offset by declines in the EU and EEMA due to the impact of the economic crisis, primarily in Spain and Ukraine; unfavorable comparisons due to a strong third quarter in 2008, mainly in EEMA; and declines in Asia due to trade inventory movements in Pakistan subsequent to the excise tax increase of June 2009. On an organic basis, which excludes acquisitions, PMI's cigarette shipment volume was down by 4.0%. However, on a year-to-date basis through September 2009, organic volume was down by 2.1%, which is more in line with PMI's expectations for the full year 2009.

Despite strong growth in Asia, total cigarette shipments of *Marlboro* of 76.9 billion units were down by 4.3%, primarily due to market declines in the EU and EEMA, largely due to the

effects of the economic crisis in Spain and a softening of the premium segment in Russia and Ukraine. Total cigarette shipments of *L&M* of 23.4 billion units were down by 2.8%, with double-digit growth in the EU, offset primarily by a decline in Russia. Driven by a decrease in shipments in Russia and Ukraine, total cigarette shipments of *Chesterfield* declined 15.1%. Total cigarette shipments of *Parliament* were down by 4.1%, driven by declines in EEMA, partly offset by double-digit growth in Asia. Total cigarette shipments of *Virginia Slims* declined 5.5%, reflecting a decline in EEMA, partly offset by growth in all other regions. Total cigarette shipments of *Lark* increased by 9.1%, driven by strong growth in Turkey, and *Bond Street* increased by 4.3%, primarily in Russia.

Total shipment volume of other tobacco products (OTP), in cigarette equivalent units, grew by 4.7%, primarily fueled by Canada and the Nordics. Excluding acquisitions, shipment volume of OTP was down by 9.8%, primarily due to lower volume in Poland, reflecting the impact of the excise tax alignment of pipe tobacco to roll-your-own in the first quarter of 2009. Total shipment volume for cigarettes and OTP was down by 2.8%, and down by 4.1% excluding acquisitions.

PMI's market share performance improved in a number of markets, including Algeria, Argentina, Belgium, Brazil, Bulgaria, Canada, the Dominican Republic, Egypt, Hungary, Korea, Mexico, Pakistan, the Philippines, Portugal, Russia, Slovakia, Switzerland, Turkey and Ukraine.

EUROPEAN UNION (EU)

2009 Third-Quarter Results

In the EU, net revenues declined by 9.8% to \$2.4 billion, mainly due to unfavorable currency of \$304 million. Excluding the impact of currency and acquisitions, net revenues increased by 1.1%, primarily reflecting higher pricing of \$173 million across most markets, including a favorable comparison with 2008 in the Czech Republic, which more than offset unfavorable volume/mix of \$144 million, largely due to total market declines and unfavorable distributor inventory movements.

Operating companies income declined by 4.4% to \$1.3 billion, primarily due to unfavorable currency of \$147 million. Excluding the impact of currency and acquisitions, operating companies income grew by 6.0%, primarily reflecting favorable pricing that more than offset unfavorable volume/mix.

Adjusted operating companies income declined by 5.0% as shown in the table below and detailed on Schedule 11.

EU Operating Companies Income (\$ Millions)

	Third Quarter		
	2009	2008	Change
Reported Operating Companies Income	\$ 1,267	\$ 1,325	(4.4)%
Asset impairment and exit costs	1	10	
Adjusted Operating Companies Income	\$ 1,268	\$ 1,335	(5.0)%
Adjusted OCI Margin*	52.7%	50.0%	2.7 p.p.

* Margins are calculated as adjusted operating companies income, divided by net revenues, excluding excise taxes.

Excluding the unfavorable impact of currency, adjusted operating companies income margin was up by 2.2 percentage points to 52.2% as detailed on Schedule 11.

The total cigarette market in the EU declined by 1.6%. Adjusted for the favorable impact of the trade inventory distortion in the Czech Republic in anticipation of the January 2008 excise tax increase, the total cigarette market declined by 2.3%. The decline primarily reflects the impact of worsening economic conditions in Spain that were compounded by tax-driven price increases in June 2009.

PMI's cigarette shipment volume in the EU declined by 4.7%, primarily reflecting a lower total market as described above, and unfavorable distributor inventory movements, mainly in Spain.

PMI's market share in the EU was down by 0.2 share points to 38.9%. Adjusted for the trade inventory movements in the Czech Republic, PMI's market share was flat, as gains, primarily in Austria, Belgium and the Czech Republic, were offset by share declines in France, Poland, Spain and the U.K. *Marlboro's* share in the EU was down by 0.4 share points, reflecting a lower share in France, Germany and Spain, partially offset by a higher share in Italy, Poland and Portugal. The continuing roll-out of brand initiatives included, during the quarter, the *Marlboro Red* pack upgrade in Austria, France and Italy, the nationwide launch of *Marlboro Gold Original* in Belgium and the Netherlands, *Marlboro Gold Advance* in Norway and Portugal and *Marlboro Gold Touch* in Hungary. *L&M* continued to perform well in the EU, with market share up by 0.9 points to 5.7%, primarily driven by gains in Germany, Slovakia and Spain.

In the Czech Republic, the total cigarette market was up 10.3%, reflecting a favorable comparison to 2008, which was adversely affected by trade inventory movements related to the

January 2008 excise tax increase. Adjusted for this distortion, the total market is estimated to have declined by 10.8%, due mainly to tax-driven price increases in the third quarter of 2008 and industry price increases in 2009. PMI's shipments were flat and adjusted market share increased by an estimated 3.6 points to 50.5%.

In France, the total cigarette market was up by 4.7%, primarily due to reduced travel abroad as a result of the economic crisis. PMI's shipments were up by 2.9%. Market share decreased by 0.5 points to 40.1%, driven by a lower share for *Marlboro*, down by 0.9 points to 26.2%, reflecting an overall decline in the premium segment. However, PMI's share of the premium segment was stable due to a higher share for the *Philip Morris* brand, up by 0.5 market share points.

In Germany, the total cigarette market was down by 2.8%, primarily reflecting the impact of the June 2009 price increase. PMI's shipments were down by 3.1%, whilst market share was essentially flat at 35.3%, despite the extended availability of certain competitor products at old retail prices and in the 17 cigarettes per pack format. PMI's share performance reflected a higher share for *L&M*, up 1.4 share points, largely offset by a lower *Marlboro* share, down by 1.2 share points to 21.8%.

In Italy, the total cigarette market was down by 1.9%, mainly reflecting the impact of price increases in February 2009. Although PMI's shipments were down by 3.4%, mainly due to the total market decline and adverse distributor inventory movements, market share was flat at 54.5%, primarily reflecting a 0.5 share point growth by *Marlboro* to 23.1%, fueled by the recent successful launch of *Marlboro Gold Touch*, offset by a share decline for *Diana*.

In Poland, the total cigarette market was up by 8.3%, primarily reflecting the favorable impact of trade inventory movements following the depletion of old tax sticker inventories, during the second quarter of 2009, in compliance with anti-forestalling regulation. Although PMI's shipments were up by 5.5%, market share was down by 0.9 points to 36.1%, primarily reflecting lower share in the super low price segment, partly offset by higher *Marlboro* share, up by 1.7 share points to 9.5%.

In Spain, the total cigarette market was down by 10.2%, due primarily to the adverse economic environment, the price increases of January and June 2009 and a decline in tourism. PMI's shipments were down by 23.5%, reflecting the lower total market and the impact of unfavorable distributor inventory movements. Although PMI's market share was down by 0.2 points to 32.1%, share was up 0.3 points compared to the second quarter 2009. *Marlboro* share,

whilst down by 1.5 points to 15.3%, was essentially flat compared to the second quarter 2009. Market share of L&M was up by 2.3 share points.

EASTERN EUROPE, MIDDLE EAST & AFRICA (EEMA)

2009 Third-Quarter Results

In EEMA, net revenues decreased by 13.2% to \$1.8 billion, due to unfavorable currency of \$425 million. Excluding the impact of currency and acquisitions, net revenues grew by 6.7%, driven by favorable pricing of \$263 million, primarily in Russia, Turkey and Ukraine, which more than offset unfavorable volume/mix of \$121 million.

Operating companies income decreased by 19.6% to \$761 million, due to unfavorable currency of \$290 million. Excluding the impact of currency and acquisitions, operating companies income was up by a robust 10.6%, driven by strong growth in profitability in Russia, Turkey and Ukraine, mainly due to higher pricing.

EEMA Operating Companies Income (\$ Millions)

	<u>Third Quarter</u>		
	<u>2009</u>	<u>2008</u>	<u>Change</u>
Reported Operating Companies Income	\$ 761	\$ 946	(19.6)%
Asset impairment and exit costs	0	0	
Adjusted Operating Companies Income	\$ 761	\$ 946	(19.6)%
Adjusted OCI Margin*	41.6%	44.9%	(3.3) p.p.

* Margins are calculated as adjusted operating companies income, divided by net revenues, excluding excise taxes.

Excluding the impact of unfavorable currency, adjusted operating companies income margin was up by 1.7 percentage points to 46.6% as detailed on Schedule 11.

PMI's cigarette shipment volume decreased by 4.5%, principally due to: Ukraine, which suffered from the unfavorable impact of a series of tax-driven price increases, the largest of which was implemented in May of this year that raised PMI's prices by 22% to 50%, and worsening economic conditions; Romania, reflecting a double-digit total cigarette market decline following tax-driven price increases in 2009; and Turkey, reflecting unfavorable trade inventory movements following price increases in 2009. This decline was partially offset by increased cigarette shipment volume in Algeria, Egypt and several markets in the Middle East.

In Russia, PMI's shipment volume decreased by 0.8%. Shipment volume of PMI's premium portfolio was down by 15.2%, primarily due to declines in *Marlboro* and *Parliament* of 20.8% and 8.0%, respectively, reflecting down-trading from the premium segment. In the mid-price segment, shipment volume of *Chesterfield* was down by 10.7%, partially offset by *Muratti*, up by 1.5%. In the low-price segment, shipment volume of *Bond Street* and *Optima* was up by 32.4% and 22.7%, respectively. According to a new retail audit panel implemented with AC Nielsen this year, which more accurately reflects the coverage of the market, PMI's market share of 25.6% was up by 0.6 points. *Parliament*, in the super-premium segment, was up by 0.1 share point and *Marlboro*, in the premium segment, was down 0.2 share points, but stable compared to the second quarter 2009.

In Turkey, PMI's shipment volume was down by 4.1%, driven by trade inventory movements following the price increase in early July 2009. Total PMI's market share of 43.2% grew by 1.6 points, driven by *Parliament*, up by 0.6 share points, and *Lark Recess Blue*, launched in the fourth-quarter of 2008, with a share of 4.2%.

In Ukraine, PMI's shipment volume declined 23.0%, broadly in line with the total market contraction, reflecting a worsening economy and the impact of significant tax-driven price increases. Total PMI's market share was up by 0.1 share point to 35.6%, with share gains for both premium *Parliament* and mid-price *Chesterfield* offset by lower *Marlboro* share.

ASIA

2009 Third-Quarter Results

In Asia, net revenues increased by 2.5% to \$1.7 billion. Excluding the impact of unfavorable currency of \$7 million, net revenues grew by 3.0%, driven by favorable pricing of \$72 million, which more than offset unfavorable volume/mix of \$24 million.

Operating companies income grew by 17.0% to reach \$653 million, primarily fueled by higher pricing and favorable currency. Excluding the impact of currency, driven by the Japanese Yen, operating companies income grew by 9.1%.

Asia Operating Companies Income (\$ Millions)

	Third Quarter		
	2009	2008	Change
Reported Operating Companies Income	\$ 653	\$ 558	17.0%
Asset impairment and exit costs	0	0	
Adjusted Operating Companies Income	\$ 653	\$ 558	17.0%
Adjusted OCI Margin*	39.6%	34.7%	4.9 p.p.

* Margins are calculated as adjusted operating companies income, divided by net revenues, excluding excise taxes.

Excluding the impact of favorable currency, adjusted operating companies income margin was up by 2.0 percentage points to 36.7% as detailed on Schedule 11.

PMI's cigarette shipment volume decreased by 2.6%, mainly due to declines in Indonesia, reflecting the timing of the Ramadan holiday, Japan, reflecting a lower total market, and Pakistan, resulting from a trade inventory correction subsequent to the June 2009 excise tax increase, partially offset by growth in Korea. Shipment volume of *Marlboro* grew by 5.9%, reflecting a strong performance across the region, particularly in Indonesia, Japan, Korea and the Philippines.

In Indonesia, PMI's shipment volume declined by 1.1%, reflecting the timing of the Ramadan holiday, partly offset by growth from *Marlboro*, up by 2.9%, benefiting from the launch of *Marlboro Black Menthol* in March, and *A Mild*, which has established itself as Indonesia's leading cigarette brand franchise in terms of market share with shipment volume up by 9.4%.

In Japan, the total cigarette market declined by 3.0%. Adjusting for various factors, including the impact of the nationwide implementation of vending machine age verification in July 2008 and trade inventory movements, the total market is estimated to have declined by approximately 3.9%. PMI's shipments were down by 3.2%, broadly in line with the total market decline. PMI's market share of 24.0% was flat and share of *Marlboro* increased by 0.4 points to 10.6%, driven by the August 2008 launch of *Marlboro Black Menthol*, the November 2008 launch of *Marlboro Filter Plus One* and the June 2009 launch of *Marlboro Black Menthol One*. Market share of *Lark* was flat at 6.6%, but up versus the second quarter 2009, benefiting from the March 2009 national roll-out of *Lark Classic Milds*, and the introduction of *Lark Mint Splash* which was launched nationally in September 2009.

In Korea, the total cigarette market was up by 1.9%. PMI's shipment volume surged 21.4%, driven by market share increases. PMI's market share reached 14.6%, up by 2.4 points, driven by strong performances from *Marlboro*, *Parliament* and *Virginia Slims*, up by 1.2, 0.9 and 0.3 share points, respectively.

LATIN AMERICA & CANADA

2009 Third-Quarter Results

In Latin America & Canada, despite unfavorable currency of \$110 million, net revenues increased by 24.0% to reach \$698 million, primarily driven by the 2008 Rothmans Inc., Canada acquisition and higher pricing of \$82 million, which more than offset unfavorable volume/mix of \$17 million. Excluding the impact of currency and the Canadian acquisition, net revenues increased by 11.5%.

Operating companies income increased by more than 100.0% to \$226 million, driven by the favorable impact of the Canadian acquisition of \$77 million, and a favorable comparison to 2008 attributable to the one-time, pre-tax charge of \$61 million, related to a previous distribution agreement in Canada, partially offset by unfavorable currency of \$56 million.

Adjusted operating companies income increased by 100.0% as shown in the table below and detailed on Schedule 11.

Latin America & Canada Operating Companies Income (\$ Millions)

	Third Quarter		
	2009	2008	Change
Reported Operating Companies Income	\$ 226	\$ 110	+100.0%
Asset impairment and exit costs	0	3	
Adjusted Operating Companies Income	\$ 226	\$ 113	100.0%
Adjusted OCI Margin*	32.4%	20.1%	12.3 p.p.

* Margins are calculated as adjusted operating companies income, divided by net revenues, excluding excise taxes.

Excluding the impact of unfavorable currency, adjusted operating companies income margin was up by 14.8 percentage points to 34.9% as detailed on Schedule 11.

Cigarette shipment volume of 26.0 billion units increased by 6.0%, reflecting the Canadian acquisition. Excluding acquisition volume, shipments decreased by 3.8%.

In Argentina, PMI's cigarette shipment volume increased by 0.7% and July/August market share increased by 2.6 points to 73.4%, fueled by the *Philip Morris* brand, up by 2.5 share points. *Marlboro*'s share was up by 0.1 share point.

In Canada, the total tax-paid cigarette market was up by 6.1%, primarily reflecting stronger government enforcement measures to reduce contraband sales. On a pro forma basis, PMI's cigarette shipment volume increased by 7.1% and market share grew by 0.3 points to 33.9%, led by premium price *Belmont*, up by 0.3 points, and value brands *Next* and *Quebec Classique*, up by 1.2 and 1.7 share points, respectively, partially offset by mid-price *Number 7* and *Canadian Classics*, down by 1.3 and 0.9 share points, respectively.

In Mexico, the total cigarette market was down by 0.8%, primarily reflecting the impact of tax-driven price increases in January and December 2008. PMI's cigarette shipment volume increased by 0.5% and market share increased by 0.9 points to 69.4%, fueled by *Delicados*, up by 1.3 points, partially offset by *Marlboro*, down by 0.3 points.

Philip Morris International Inc. Profile

Philip Morris International Inc. (PMI) is the leading international tobacco company, with seven of the world's top 15 brands, including *Marlboro*, the number one cigarette brand worldwide. PMI has more than 75,000 employees and its products are sold in approximately 160 countries. In 2008, the company held an estimated 15.6% share of the total international cigarette market outside of the U.S. For more information, see www.pmintl.com.

Trademarks and service marks mentioned in this release are the property of, or licensed by, the subsidiaries of Philip Morris International Inc.

Forward-Looking and Cautionary Statements

This press release contains projections of future results and other forward-looking statements that involve a number of risks and uncertainties and are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. The following important factors could cause actual results and outcomes to differ materially from those contained in such forward-looking statements.

Philip Morris International Inc. and its tobacco subsidiaries (PMI) are subject to intense price competition; changes in consumer preferences and demand for their products; fluctuations in levels of customer inventories; increases in raw material costs; the effects of foreign

economies and local economic and market conditions; unfavorable currency movements and changes to income tax laws. Their results are dependent upon their continued ability to promote brand equity successfully; to anticipate and respond to new consumer trends; to develop new products and markets and to broaden brand portfolios in order to compete effectively; and to improve productivity.

PMI is also subject to legislation and governmental regulation, including actual and potential excise tax increases; discriminatory excise tax structures; increasing marketing and regulatory restrictions; the effects of price increases related to excise tax increases on consumption rates and consumer preferences within price segments; health concerns relating to the use of tobacco products and exposure to environmental tobacco smoke; privately imposed smoking restrictions; and governmental investigations.

PMI is subject to litigation, including risks associated with adverse jury and judicial determinations, and courts reaching conclusions at variance with the company's understanding of applicable law.

PMI is further subject to other risks detailed from time to time in its publicly filed documents, including the Form 10-K for the year ended December 31, 2008 and the Form 10-Q for the quarter ended June 30, 2009. PMI cautions that the foregoing list of important factors is not complete and does not undertake to update any forward-looking statements that it may make, except in the normal course of its public disclosure obligations.

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PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Condensed Statements of Earnings
For the Quarters Ended September 30,
(in millions, except per share data)
(Unaudited)

	2009	2008	% Change
Net revenues	\$ 16,573	\$ 17,365	(4.6)%
Cost of sales	2,320	2,481	(6.5)%
Excise taxes on products ⁽¹⁾	9,986	10,412	(4.1)%
Gross profit	4,267	4,472	(4.6)%
Marketing, administration and research costs	1,359	1,520	
Asset impairment and exit costs	1	13	
Operating companies income	2,907	2,939	(1.1)%
Amortization of intangibles	18	13	
General corporate expenses	39	36	
Operating income	2,850	2,890	(1.4)%
Interest expense, net	221	69	
Earnings before income taxes	2,629	2,821	(6.8)%
Provision for income taxes	775	667	16.2%
Net earnings	1,854	2,154	(13.9)%
Net earnings attributable to noncontrolling interests	56	74	
Net earnings attributable to PMI	\$ 1,798	\$ 2,080	(13.6)%
Per share data: ⁽²⁾			
Basic earnings per share	\$ 0.93	\$ 1.01	(7.9)%
Diluted earnings per share	\$ 0.93	\$ 1.01	(7.9)%

(1) The segment detail of excise taxes on products sold for the quarters ended September 30, 2009 and 2008 is shown on Schedule 2.

(2) Net earnings and weighted-average shares used in the basic and diluted earnings per share computations for the quarters ended September 30, 2009 and 2008 are shown on Schedule 4, Footnote 1.

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Selected Financial Data by Business Segment
For the Quarters Ended September 30,
(in millions)
(Unaudited)

Net Revenues Excluding Excise Taxes

		European Union	EEMA	Asia	Latin America & Canada	Total
2009	Net Revenues ⁽¹⁾	\$ 7,783	\$ 3,722	\$ 3,170	\$ 1,898	\$ 16,573
	Excise Taxes on Products	(5,375)	(1,892)	(1,519)	(1,200)	(9,986)
	Net Revenues excluding Excise Taxes	2,408	1,830	1,651	698	6,587
2008	Net Revenues	\$ 8,451	\$ 4,163	\$ 3,188	\$ 1,563	\$ 17,365
	Excise Taxes on Products	(5,780)	(2,054)	(1,578)	(1,000)	(10,412)
	Net Revenues excluding Excise Taxes	2,671	2,109	1,610	563	6,953
Variance	Currency	(304)	(425)	(7)	(110)	(846)
	Acquisitions	12	4	-	180	196
	Operations	29	142	48	65	284
	Variance Total	(263)	(279)	41	135	(366)
	Variance Total (%)	(9.8)%	(13.2)%	2.5%	24.0%	(5.3)%
	Variance excluding Currency	41	146	48	245	480
	Variance excluding Currency (%)	1.5%	6.9%	3.0%	43.5%	6.9%
	Variance excluding Currency & Acquisitions	29	142	48	65	284
	Variance excluding Currency & Acquisitions (%)	1.1%	6.7%	3.0%	11.5%	4.1%

(1) 2009 Currency decreased net revenues as follows:

European Union	\$ (1,100)
EEMA	(948)
Asia	(189)
Latin America & Canada	(329)
	<u>\$ (2,566)</u>

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Selected Financial Data by Business Segment
For the Quarters Ended September 30,
(in millions)
(Unaudited)

	Operating Companies Income				
	European Union	EEMA	Asia	Latin America & Canada	Total
2009	\$ 1,267	\$ 761	\$ 653	\$ 226	\$ 2,907
2008	1,325	946	558	110	2,939
% Change	(4.4)%	(19.6)%	17.0%	100+%	(1.1)%
Reconciliation:					
For the quarter ended September 30, 2008	\$ 1,325	\$ 946	\$ 558	\$ 110	\$ 2,939
Asset impairment and exit costs – 2009	(1)	-	-	-	(1)
Asset impairment and exit costs – 2008	10	-	-	3	13
Acquired businesses	9	5	-	77	91
Currency	(147)	(290)	44	(56)	(449)
Operations	71	100	51	92	314
For the quarter ended September 30, 2009	\$ 1,267	\$ 761	\$ 653	\$ 226	\$ 2,907

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Net Earnings Attributable to PMI and Diluted Earnings Per Share
For the Quarters Ended September 30,
(in millions, except per share data)
(Unaudited)

	Net Earnings Attributable to PMI	Diluted E.P.S.
2009 Net Earnings Attributable to PMI	\$ 1,798	\$ 0.93 ⁽¹⁾
2008 Net Earnings Attributable to PMI	\$ 2,080	\$ 1.01 ⁽¹⁾
% Change	(13.6)%	(7.9)%
Reconciliation:		
2008 Net Earnings Attributable to PMI	\$ 2,080	\$ 1.01⁽¹⁾
Special Items:		
2009 Asset impairment and exit costs	(1)	-
2008 Asset impairment and exit costs	8	-
2008 Tax items	(169)	(0.08)
Currency	(351)	(0.17)
Interest	(110)	(0.05)
Change in tax rate	6	-
Impact of lower shares outstanding and share-based payments		0.06
Operations	335	0.16
2009 Net Earnings Attributable to PMI	\$ 1,798	\$ 0.93⁽¹⁾

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

Basic and diluted EPS were calculated using the following (in millions):

	Q3 2009	Q3 2008
Net earnings attributable to PMI	\$ 1,798	\$ 2,080
Less distributed and undistributed earnings attributable to share-based payment awards	6	5
Net earnings for basic and diluted EPS	\$ 1,792	\$ 2,075
Weighted average shares for basic EPS	1,927	2,051
Plus incremental shares from assumed conversions:		
Stock Options	7	10
Weighted average shares for diluted EPS	1,934	2,061

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Condensed Statements of Earnings
For the Nine Months Ended September 30,
(in millions, except per share data)
(Unaudited)

	2009	2008 (1)	% Change
Net revenues	\$ 45,072	\$ 48,422	(6.9)%
Cost of sales	6,476	7,124	(9.1)%
Excise taxes on products (2)	26,754	28,839	(7.2)%
Gross profit	11,842	12,459	(5.0)%
Marketing, administration and research costs	4,075	4,244	
Asset impairment and exit costs	3	84	
Operating companies income	7,764	8,131	(4.5)%
Amortization of intangibles	54	29	
General corporate expenses	111	80	
Operating income	7,599	8,022	(5.3)%
Interest expense, net	572	205	
Earnings before income taxes	7,027	7,817	(10.1)%
Provision for income taxes	2,059	2,182	(5.6)%
Net earnings	4,968	5,635	(11.8)%
Net earnings attributable to noncontrolling interests	148	190	
Net earnings attributable to PMI	\$ 4,820	\$ 5,445	(11.5)%
Per share data: (3)			
Basic earnings per share	\$ 2.45	\$ 2.61	(6.1)%
Diluted earnings per share	\$ 2.44	\$ 2.60	(6.2)%

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

(2) The segment detail of excise taxes on products sold for the nine months ended September 30, 2009 and 2008 is shown on Schedule 6.

(3) Net earnings and weighted-average shares used in the basic and diluted earnings per share computations for the nine months ended September 30, 2009 and 2008 are shown on Schedule 8, Footnote 2.

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Selected Financial Data by Business Segment
For the Nine Months Ended September 30,
(in millions)
(Unaudited)

		Net Revenues Excluding Excise Taxes				
		European Union	EEMA	Asia	Latin America & Canada	Total
2009	Net Revenues ⁽²⁾	\$ 20,988	\$ 9,953	\$ 8,974	\$ 5,157	\$ 45,072
	Excise Taxes on Products	(14,313)	(5,031)	(4,160)	(3,250)	(26,754)
	Net Revenues excluding Excise Taxes	6,675	4,922	4,814	1,907	18,318
2008 ⁽¹⁾	Net Revenues	\$ 23,427	\$ 11,248	\$ 9,334	\$ 4,413	\$ 48,422
	Excise Taxes on Products	(15,866)	(5,544)	(4,617)	(2,812)	(28,839)
	Net Revenues excluding Excise Taxes	7,561	5,704	4,717	1,601	19,583
Variance	Currency	(1,008)	(1,198)	(195)	(308)	(2,709)
	Acquisitions	50	7	-	462	519
	Operations	72	409	292	152	925
	Variance Total	(886)	(782)	97	306	(1,265)
	Variance Total (%)	(11.7)%	(13.7)%	2.1%	19.1%	(6.5)%
	Variance excluding Currency	122	416	292	614	1,444
	Variance excluding Currency (%)	1.6%	7.3%	6.2%	38.4%	7.4%
	Variance excluding Currency & Acquisitions	72	409	292	152	925
	Variance excluding Currency & Acquisitions (%)	1.0%	7.2%	6.2%	9.5%	4.7%

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

(2) 2009 Currency decreased net revenues as follows:

European Union	\$ (3,403)
EEMA	(2,664)
Asia	(1,031)
Latin America & Canada	(885)
	<u>\$ (7,983)</u>

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Selected Financial Data by Business Segment
For the Nine Months Ended September 30,
(in millions)
(Unaudited)

	Operating Companies Income				
	European Union	EEMA	Asia	Latin America & Canada	Total
2009	\$ 3,397	\$ 1,982	\$ 1,933	\$ 452	\$ 7,764
2008 ⁽¹⁾	3,779	2,439	1,631	282	8,131
% Change	(10.1)%	(18.7)%	18.5%	60.3%	(4.5)%
Reconciliation:					
For the nine months ended September 30, 2008⁽¹⁾	\$ 3,779	\$ 2,439	\$ 1,631	\$ 282	\$ 8,131
Colombian investment and cooperation agreement charge - 2009	-	-	-	(135)	(135)
Asset impairment and exit costs - 2009	(3)	-	-	-	(3)
Asset impairment and exit costs - 2008	66	1	14	3	84
Equity loss from RBH legal settlement - 2008	-	-	-	124	124
Acquired businesses	36	7	-	202	245
Currency	(572)	(758)	67	(138)	(1,401)
Operations	91	293	221	114	719
For the nine months ended September 30, 2009	\$ 3,397	\$ 1,982	\$ 1,933	\$ 452	\$ 7,764

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

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Net Earnings Attributable to PMI and Diluted Earnings Per Share
For the Nine Months Ended September 30,
(in millions, except per share data)
(Unaudited)

	Net Earnings Attributable to PMI	Diluted E.P.S.
2009 Net Earnings Attributable to PMI	\$ 4,820	\$ 2.44 ⁽²⁾
2008 Net Earnings Attributable to PMI	\$ 5,445 ⁽¹⁾	\$ 2.60 ⁽²⁾
% Change	(11.5)%	(6.2)%
Reconciliation:		
2008 Net Earnings Attributable to PMI	\$ 5,445 ⁽¹⁾	\$ 2.60 ⁽²⁾
Special Items:		
2009 Colombian investment and cooperation agreement charge	(93)	(0.04)
2009 Asset impairment and exit costs	(2)	-
2008 Asset impairment and exit costs	54	0.02
2008 Equity loss from RBH legal settlement	124	0.06
2008 Tax Items	(169)	(0.08)
Currency	(1,081)	(0.52)
Interest	(267)	(0.13)
Change in tax rate	28	0.01
Impact of lower shares outstanding and share-based payments		0.15
Operations	781	0.37
2009 Net Earnings Attributable to PMI	\$ 4,820	\$ 2.44 ⁽²⁾

- (1) As discussed in Note 1. Background and Basis of Presentation of our 2008 consolidated financial statements which appears in our Annual Report on Form 10-K, prior to 2008, certain of our subsidiaries reported their results up to ten days before the end of December, rather than on December 31. During 2008, these subsidiaries moved to a December 31 closing date. As a result, certain amounts in the first quarter of 2008 were revised to reflect this change.
- (2) Effective January 1, 2009, PMI adopted the provisions of amended FASB authoritative guidance which requires that unvested share-based payment awards that contain nonforfeitable rights to dividends are participating securities and therefore shall be included in the earnings per share calculation pursuant to the two-class method.

Basic and diluted EPS were calculated using the following (in millions):

	2009	2008
Net earnings attributable to PMI	\$ 4,820	\$ 5,445
Less distributed and undistributed earnings attributable to share-based payment awards	17	11
Net earnings for basic and diluted EPS	\$ 4,803	\$ 5,434
Weighted average shares for basic EPS	1,958	2,084
Plus incremental shares from assumed conversions:		
Stock Options	7	8
Weighted average shares for diluted EPS	1,965	2,092

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Condensed Balance Sheets
(in millions, except ratios)
(Unaudited)

	September 30, 2009	December 31, 2008
Assets		
Cash and cash equivalents	\$ 1,602	\$ 1,531
All other current assets	12,675	13,408
Property, plant and equipment, net	6,358	6,348
Goodwill	8,992	8,015
Other intangible assets, net	3,494	3,084
Other assets	584	586
Total assets	\$ 33,705	\$ 32,972
Liabilities and Stockholders' Equity		
Short-term borrowings	\$ 313	\$ 375
Current portion of long-term debt	197	209
All other current liabilities	9,328	9,560
Long-term debt	13,741	11,377
Deferred income taxes	1,513	1,401
Other long-term liabilities	1,899	2,146
Total liabilities	26,991	25,068
Total PMI stockholders' equity	6,340	7,500
Noncontrolling interests	374	404
Total stockholders' equity	6,714	7,904
Total liabilities and stockholders' equity	\$ 33,705	\$ 32,972
Total debt	\$ 14,251	\$ 11,961
Total debt to EBITDA	1.34 ⁽¹⁾	1.08 ⁽¹⁾
Net debt to EBITDA	1.19 ⁽¹⁾	0.94 ⁽¹⁾

⁽¹⁾ For the calculation of Total Debt to EBITDA and Net Debt to EBITDA ratios, refer to Schedule 18.

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Reconciliation of Non-GAAP Measures
Adjustments for the Impact of Currency and Acquisitions
For the Quarters Ended September 30,
(in millions)
(Unaudited)

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

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 Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions		
\$ 1,267	\$ (147)	\$ 1,414	\$ 9	\$ 1,405	\$ 1,325	\$ 1,325	(4.4)%	6.7%	6.0%		
761	(290)	1,051	5	1,046	946	946	(19.6)%	11.1%	10.6%		
653	44	609	-	609	558	558	17.0%	9.1%	9.1%		
226	(56)	282	77	205	110	110	100+%	100+%	86.4%		
\$ 2,907	\$ (449)	\$ 3,356	\$ 91	\$ 3,265	\$ 2,939	\$ 2,939	(1.1)%	14.2%	11.1%		

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Reconciliation of Non-GAAP Measures
Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &
Reconciliation of Adjusted Operating Companies Income Margin, Excluding Currency
For the Quarters Ended September 30,
(in millions)
(Unaudited)

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

2009							2008			% Points Change		
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency (1)	Adjusted Operating Companies Income excluding Currency	Adjusted Operating Companies Income excluding Currency	Adjusted Operating Companies Income excluding Currency	Adjusted Operating Companies Income excluding Currency	Adjusted Operating Companies Income excluding Currency	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes (1)	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency
\$ 1,415	\$ 2,712	\$ 1,406	\$ 1,406	\$ 1,406	\$ 1,406	\$ 1,406	European Union	\$ 1,335	50.0%	50.0%	2.2 pp	2.2 pp
1,051	2,255	1,046	1,046	1,046	1,046	1,046	EEMA	946	44.9%	44.9%	1.7 pp	1.7 pp
609	1,658	609	609	609	609	609	Asia	558	34.7%	34.7%	2.0 pp	2.0 pp
282	808	205	205	205	205	205	Latin America & Canada	113	20.1%	20.1%	14.8 pp	14.8 pp
\$ 3,357	\$ 7,433	\$ 3,266	\$ 3,266	\$ 3,266	\$ 3,266	\$ 3,266	PMI Total	\$ 2,952	42.5%	42.5%	2.7 pp	2.7 pp

(1) For the calculation of net revenues excluding excise taxes and currency, refer to Schedule 10.

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Reconciliation of Non-GAAP Measures
Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, Excluding Currency
For the Quarters Ended September 30,
(Unaudited)

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

PHILIP MORRIS INTERNATIONAL INC.
 and Subsidiaries
 Reconciliation of Non-GAAP Measures
 Reconciliation of Reported Diluted EPS to Reported Diluted EPS, Excluding Currency
For the Quarters Ended September 30,
 (Unaudited)

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

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

2009							2008 (1)			% 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
\$ 20,988	\$ 14,313	\$ 6,675	\$ (1,008)	\$ 7,683	\$ 50	\$ 7,633	\$ 23,427	\$ 15,866	\$ 7,561	(11.7)%	1.6%	1.0%
9,953	5,031	4,922	(1,198)	6,120	7	6,113	11,248	5,544	5,704	(13.7)%	7.3%	7.2%
8,974	4,160	4,814	(195)	5,009	-	5,009	9,334	4,617	4,717	2.1%	6.2%	6.2%
5,157	3,250	1,907	(308)	2,215	462	1,753	4,413	2,812	1,601	19.1%	38.4%	9.5%
\$ 45,072	\$ 26,754	\$ 18,318	\$ (2,709)	\$ 21,027	\$ 519	\$ 20,508	\$ 48,422	\$ 28,839	\$ 19,583	(6.5)%	7.4%	4.7%

2009							2008 (1)			% 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 Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions		
\$ 3,397	\$ (572)	\$ 3,969	\$ 36	\$ 3,933	\$ 3,779	(10.1)%	\$ 3,779	(10.1)%	5.0%	4.1%		
1,982	(758)	2,740	7	2,733	2,439	(18.7)%	2,439	(18.7)%	12.3%	12.1%		
1,933	67	1,866	-	1,866	1,631	18.5%	1,631	18.5%	14.4%	14.4%		
452	(138)	590	202	388	282	60.3%	282	60.3%	100+%	37.6%		
\$ 7,764	\$ (1,401)	\$ 9,165	\$ 245	\$ 8,920	\$ 8,131	(4.5)%	\$ 8,131	(4.5)%	12.7%	9.7%		

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

PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Reconciliation of Non-GAAP Measures
Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &
Reconciliation of Adjusted Operating Companies Income Margin Excluding Currency
For the Nine Months Ended September 30,
(in millions)
(Unaudited)

2009							2008 (1)			% 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	
\$ 3,397	\$ (3)	\$ 3,400	\$ (572)	\$ 3,972	\$ 36	\$ 3,936	European Union	\$ 3,779	\$ (66)	\$ 3,845	(11.6)%	3.3%	2.4%
1,982	-	1,982	(758)	2,740	7	2,733	EEMA	2,439	(1)	2,440	(18.8)%	12.3%	12.0%
1,933	-	1,933	67	1,866	-	1,866	Asia	1,631	(14)	1,645	17.5%	13.4%	13.4%
452	(135) (2)	587	(138)	725	202	523	Latin America & Canada	282	(127) (3)	409	43.5%	77.3%	27.9%
\$ 7,764	\$ (138)	\$ 7,902	\$ (1,401)	\$ 9,303	\$ 245	\$ 9,058	PMI Total	\$ 8,131	\$ (208)	\$ 8,339	(5.2)%	11.6%	8.6%

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

- (1) As discussed in Note 1. Background and Basis of Presentation of our 2008 consolidated financial statements which appears in our Annual Report on Form 10-K, prior to 2008, certain of our subsidiaries reported their results up to ten days before the end of December, rather than on December 31. During 2008, these subsidiaries moved to a December 31 closing date. As a result, certain amounts in the first quarter of 2008 were revised to reflect this change.
- (2) Represents 2009 Colombian investment and cooperation agreement charge.
- (3) Represents 2008 equity loss from RBH legal settlement (\$124 million) and asset impairment and exit costs (\$3 million).
- (4) For the calculation of net revenues excluding excise taxes and currency, refer to Schedule 14.

PHILIP MORRIS INTERNATIONAL INC.
 and Subsidiaries
 Reconciliation of Non-GAAP Measures
 Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, Excluding Currency
For the Nine Months Ended September 30,
 (Unaudited)

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

PHILIP MORRIS INTERNATIONAL INC.
 and Subsidiaries
 Reconciliation of Non-GAAP Measures
 Reconciliation of Reported Diluted EPS to Reported Diluted EPS, Excluding Currency
For the Nine Months Ended September 30,
 (Unaudited)

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

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

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

Philip Morris International Inc.
2009 Third-Quarter Earnings Conference Call
October 22, 2009

NICK ROLLI

(SLIDE 1.)

Welcome. Thank you for joining us. Earlier today, we issued a news release containing detailed information on our 2009 third-quarter results. You may access the release on our web site at www.pmintl.com.

(SLIDE 2.)

As we take you through our call today, we will be talking about results in the third quarter of 2009 and comparing them with the same period in 2008 unless specified otherwise. References to volumes are for PMI shipments. Industry volume and share data is sourced from A.C. Nielsen, other third party sources and internal estimates. Organic volume refers to volume excluding acquisitions. Net revenue data excludes excise taxes.

You will find data tables showing how we made adjustments to revenues and Operating Companies Income, or "OCI", for currency and acquisitions, adjustments to EPS as well as other reconciliations to U.S. GAAP measures at the end of today's web cast slides, which are posted on our web site.

(SLIDE 3.)

Today's remarks contain forward-looking statements and projections of future results, and I direct your attention to the Forward-Looking and Cautionary Statements disclosure in today's presentation and news release for a review of the various factors that could cause actual results to differ materially from projections.

It's now my pleasure to introduce Hermann Waldemer, Chief Financial Officer.

Hermann,

HERMANN WALDEMER

(SLIDE 4.)

Welcome to our third-quarter earnings call. In spite of the impact of the global economic recession, I am pleased to announce that PMI has achieved very strong third-quarter results that confirm our company's ability to grow profitability even in these difficult times.

We have achieved excellent financial results in the quarter, thanks to our strong pricing initiatives, with net revenues excluding currency up 6.9% and excluding currency and acquisitions up 4.1%, adjusted operating companies income, or

OCI, excluding currency up 13.7% and excluding currency and acquisitions up 10.6%, and adjusted diluted EPS excluding currency up 18.3%.

(SLIDE 5.)

While we expect volume in 2009 to fall below last year's levels, the 4.0% organic decline in the quarter was amplified by specific circumstances in a few markets. Therefore, our year-to-date organic volume decline of 2.1% better reflects our anticipated full year volume performance.

(SLIDE 6.)

On a year-to-date basis through the end of September, we have achieved a 4.7% increase in net revenues excluding currency and acquisitions, an 8.6% increase in adjusted OCI excluding currency and acquisitions, and a 15.4% increase in adjusted diluted EPS excluding currency.

This chart shows that in 2009 we have delivered consistently against our mid to long-term currency neutral financial targets in spite of recession-driven weaker volumes, thus demonstrating our ability to generate strong results even in the most turbulent of economic times.

(SLIDE 7.)

We are today revising our EPS guidance for the full year 2009 to a level of \$3.20 to \$3.25. Compared to our previous guidance of \$3.10 to \$3.20, this represents both an increase in our guidance and a narrowing of the range.

The improved and narrowed guidance reflects the continued strength of our underlying business and a more favorable currency environment. We expect the currency impact to be neutral in the fourth quarter of this year and, at current exchange rates, it would be a tailwind in 2010. However, we will continue to focus on our constant currency growth rates as PMI will continue to manage its business in the long term interests of its shareholders.

(SLIDE 8.)

The key driver of our improved profitability in 2009 has been our ability to successfully increase prices across nearly all our major markets while safeguarding our competitive position. I would like to emphasize again that our pricing decisions are established on a market by market basis, taking into account the competitive environment, consumer affordability and the fiscal and economic situation. We are confident that our price increases are sustainable and we will continue to balance revenue growth with volume growth going forward as, at the end of the day, shareholders are interested in Earnings Per Share rather than cigarettes per share.

Boosted by recent price increases in Germany and Spain, our pricing variance was \$590 million in the third quarter for a total year-to-date variance of \$1.5 billion.

(SLIDE 9.)

Even though we increased prices this year at a somewhat faster rate than previously, consumer behavior has remained resilient during this recession. Consumer downtrading, which was a major concern of investors in the first half of the year, has remained a globally manageable phenomenon. It has had a substantial impact in three of our key markets that have been particularly affected by the economic crisis, namely Russia, Spain and Ukraine. The situation in the latter has been severely exacerbated by very large excise tax increases. Positive trends have, however, continued in other emerging markets, such as Argentina, Indonesia and Mexico.

In most markets the key economic component that tends to impact consumer behavior is unemployment, and in particular any sharp increases thereof. In this context, the consumer downtrading in Spain was therefore no surprise as unemployment has climbed to above 18% nationally and to 25% in the south of the country.

(SLIDE 10.)

With the exception of Brazil and Ukraine, nearly all governments across the world have treated excise taxes so far in 2009 in a rational manner and they have benefitted from the positive impact on excise tax yields of higher retail prices.

We remain optimistic that such a rational approach will generally prevail as governments prepare their budget plans for 2010. Although we do expect some VAT increases, in addition to excise tax increases, as governments seek to boost their revenues, we believe that these should be globally manageable.

(SLIDE 11.)

Let me now highlight our performance in some of our key markets. As I mentioned earlier, the magnitude of the organic volume decline in the quarter can be attributed to exceptional factors, with nearly two thirds of the decline coming from three markets: Ukraine, Spain and Pakistan.

In Ukraine, the massive excise tax increase in May this year, which led to retail prices increases that month alone of 22% to 50% on PMI brands, resulted in a severe market disruption and our shipments were down by 23.0% in the quarter, broadly in line with the total market contraction. While our share declined slightly in June due to the greater availability of old price competitive products in the market, it has since recovered to reach 35.6% in the third quarter, 0.1 share points above last year's level.

In Spain, the total cigarette market was down an estimated 10.2% in the quarter, due to the recession and higher retail prices, exacerbated by weak tourism. Our shipments declined by 23.5% due to unfavorable distributor inventory movements, as well as the overall market decline. Our market share in the

quarter was off just 0.2 points at 32.1%, with gains for *L&M* nearly completely offsetting the decline of *Marlboro* and *Chesterfield*.

The 16.1% shipment volume decline in Pakistan is attributable to trade inventory movements subsequent to the excise tax increase of June 2009.

(SLIDE 12.)

In Russia, the total market, which grew at an estimated rate of some 4% in 2008, is declining at an estimated 3 to 4% this year, reflecting the economic downturn and the departure of an estimated two million migrant workers. In the third quarter, PMI shipments were down just 0.8%. Our market share was, however, up 0.6 points in the third quarter to reach 25.6%. This strong performance is attributable to the growth of *Bond Street* in the value and *Optima* in the low price segments, the resilience of *Parliament*, and the overall strength and range of our brand portfolio.

(SLIDE 13.)

In Indonesia, market growth is trending at 3 to 4% this year, compared to an estimated 10% last year, even though the Indonesian economy has suffered less than others from the global economic downturn. Due to the timing of Ramadan this year, PMI shipments were down 1.1% in the quarter. PMI's key brand, *A Mild*, continued to grow share and was up 0.5 share points in July/August to 10.7%, while *Marlboro*'s share was also higher. Excluding currency, our OCI increased in Indonesia at a double-digit rate in the quarter.

(SLIDE 14.)

Marlboro continued to perform strongly in Japan in the third quarter, gaining 0.4 share points to 10.6% behind the success of *Marlboro Black Menthol* and *Marlboro Filter Plus*. During the quarter, we rolled-out *Lark Mint Splash* nationally. Along with the previously launched *Lark Classic Milds*, this new launch has helped to stabilize the market share of the *Lark* family at 6.6% in the third quarter. These innovative new products from *Marlboro* and *Lark* have helped consolidate our leadership in the growing menthol segment, which was up 1.1 share points to 23.2% in a total market that was down 3.0% in the quarter.

With respect to the intentions of the new Government in Japan as to the future of the tobacco sector, there is, at this stage, much speculation but nothing concrete. We expect clarification of their plans early next year. We continue to advocate regular, moderate excise tax increases combined with manufacturers' pricing freedom.

(SLIDE 15.)

The highlight of our strong quarter in Asia was Korea. Our shipments increased by 21.4% and we gained 2.4 share points to a record quarterly level of 14.6%, due mainly to the continued strong performance of *Marlboro* and *Parliament*.

(SLIDE 16.)

I will now turn to our improved results in the European Union Region. Adjusted OCI excluding currency and acquisitions increased by 5.3% in the third quarter, helped by price increases in Germany and Spain that more than offset negative volume and mix. On a constant currency basis, our adjusted OCI margin grew by 2.2 points to 52.2%. Our market share was down slightly by 0.2 points at 38.9%, due to a weaker performance of *Marlboro* in France, Germany and Spain. However, we are continuing to strengthen our second pillar in the EU Region: *L&M*, already the Region's second best selling brand, gained 0.9 share points to reach a 5.7% regional share behind strong performances notably in Germany, Poland and Spain. We are optimistic that the roll-out in the EU Region of our innovation pipeline behind *Marlboro* will start to bear fruit next year.

(SLIDE 17.)

We are very pleased by the strong performance of *Marlboro* in Italy. We succeeded in growing the market share of *Marlboro* during the third quarter from 22.6% last year to 23.1% this year and thus stabilized our overall market share at 54.5%. This achievement was made possible by the successful launch of *Marlboro Gold Touch*, a new innovative offering in an unprecedented cigarette format, designed with a slightly slimmer diameter to provide a smooth taste and comfort in the hand. *Marlboro Gold Touch* achieved a 1.4% market share in Italy in the third quarter and continues to grow.

(SLIDE 18.)

On a global basis, we have continued to benefit from the strength of our overall portfolio. Where downtrading has occurred, we have generally been successful in keeping our consumer base thanks to our range of strong value international and local heritage brands.

Our best performing international brands in this recessionary environment have been *Bond Street*, particularly in Russia, and *Lark*, particularly in Turkey, which are in the lower price categories.

In the premium segment, the rate of decline in the shipments of *Parliament* and *Marlboro* during the third quarter was in line with our overall organic volume trend. Both brands achieved volume growth in the quarter in Asia, primarily driven by their strong performance in Korea, and they have been gaining share in the premium segment in most key markets.

(SLIDE 19.)

We have continued to invest strongly behind our key brands, increasing the level of our spending this year in the EU Region behind *Marlboro*. The new architecture for *Marlboro* is being successfully deployed in two steps. We are strengthening the core *Red* and *Gold* variants through an upgrade of the *Red* pack, so far available in Austria, France and Italy, and the modernization of the

Gold pack, now available in 26 countries. Consumer perception of the new *Gold* packaging is very positive.

(SLIDE 20.)

The second aspect of the roll-out of the *Marlboro* architecture is the development and launch of innovative line extensions appropriate for each family and in line with adult consumer preferences. These new products have not been deployed globally, but rather we have focused on one or two of them per market, establishing priorities on a country by country basis in line with our enhanced consumer understanding and engagement. In total, we have launched *Red* line extensions in 34 markets, *Gold* line extensions in 17 markets and *Fresh* line extensions in 33 markets.

(SLIDE 21.)

Let me give you some examples of our successful innovative *Marlboro* line extensions. *Marlboro Filter* and *Flavor Plus* have an innovative four chamber filter that includes a tobacco plug intended to enhance the flavor experience in a low tar cigarette, and is sold in an innovative sliding pack. *Marlboro Filter* and *Flavor Plus* is available in 6, 3 and 1 mg variants. In July/August this year, *Marlboro Filter Plus* notably achieved a 2.4% share in Romania, 2.3% in Kuwait, 1.8% in Paraguay and 1.3% in Kazakhstan.

(SLIDE 22.)

Under the *Marlboro Gold* umbrella, we have launched a range of different line extensions.

Marlboro Gold Advance is a smoother tasting full-flavor product in a very elegant anthracite pack. This variant is now available in four markets and achieved a promising 0.3% national share in France and Portugal in September following its launch this June and July respectively.

Marlboro Gold Touch is available in eight markets in addition to Italy. In Greece, based on in-market sales data, *Marlboro Gold Touch* already had a 0.5% market share in September and initial consumer research learning in July showed that over 40% of early adopters were Legal Age (minimum 18) – 24 year old smokers.

Marlboro Gold Edge is a super-slims variant that is sold mainly in Central and Eastern Europe. During the third quarter, it achieved a 3.4% share of the fast growing super-slims segment in Poland and a 4.8% segment share in Hungary, and is performing well in duty-free outlets.

Marlboro Gold Smooth 1mg has been launched in the Middle East. In August, it achieved market shares of 0.7% in Kuwait, 0.5% in the UAE and 0.3% in Saudi Arabia.

(SLIDE 23.)

In the *Marlboro Fresh* family, our most successful innovation has been *Marlboro Black Menthol* with its refreshing high menthol content and attractive pack. In the third quarter this year, *Marlboro Black Menthol* obtained a 1.4% market share in Japan and a 3.3% market share in Hong Kong. *Marlboro Black Menthol* has also been launched this year in Indonesia, Malaysia and the Philippines.

(SLIDE 24.)

Our latest innovative line extension is *Marlboro Superpremium*. The cigarette is made using top grade flue-cured and burley tobaccos. The distinctive pack, with its red metallic interior, was designed by Pininfarina, the world famous Italian designer of cars, notably Ferrari models. *Marlboro Superpremium* was launched in the exclusive setting of the Singapore Formula One Grand Prix last month.

(SLIDE 25.)

Our strength in the premium segment underpins our profitability and positions us very well to further grow profitably as the world economy gradually moves out of a recession, during which our cash flow has remained formidable. In the third quarter, our free cash flow totaled \$1.7 billion and year-to-date it has reached \$5.9 billion. Excluding the impact of currency on net earnings, free cash flow was 17.0% higher in the quarter and 12.4% higher in 2009 through the end of September.

(SLIDE 26.)

Our commitment to enhance shareholder returns remains as strong as ever. Reflecting the strength of our underlying business, we increased our quarterly dividend in September by 7.4% to a level of \$0.58 per share. At our current stock price of \$50.82 per share, this represents an attractive yield of 4.6%.

We have continued to steadily implement our share repurchase program, spending a further \$1.5 billion in the third quarter to buy back an additional 31.5 million shares. We now have \$3.4 billion remaining in our \$13 billion program, which runs through the end of April next year.

In 2009, we have so far returned a total of \$7.4 billion to our shareholders through dividends and share repurchases. Since we were spun off in March 2008, the number rises to \$15.0 billion, representing more than 15% of our current market cap.

(SLIDE 27.)

Our financial strength is a key component of our success in the current difficult economic environment. It is reinforced by our excellent business momentum. The third quarter has illustrated again our ability to deliver against all our currency neutral financial targets. While volumes remain weaker than last year, we have more than offset this by higher prices, strong performances in most key markets, the continued benefits of our productivity and cost saving programs and we have intensified our efforts to optimize working capital levels.

Today, we have raised our 2009 EPS guidance for 2009 to \$3.20 to \$3.25, representing an increase of 12% to 14% compared to 2008 on a currency neutral basis.

(SLIDE 28.)

Thank you for your interest in our company. I will now be happy to take your questions.

8



PHILIP MORRIS INTERNATIONAL

2009 Third-Quarter Results
22 October 2009

Introduction

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

Forward-Looking and Cautionary Statements

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

Third-Quarter 2009 Results

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

(a) Excluding excise taxes

(b) Less asset impairment and exit costs

Source: PMI Financials

2009 Results

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

(a) Excluding acquisitions
Source: PMI Financials

2009 Results

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

(a) Excluding excise taxes

(b) Excluding currency and acquisitions

(c) Excluding currency

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

Source: PMI Financials

2009 EPS Guidance

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

Pricing

- In 2009, PMI implemented price increases notably in:

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

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

Consumer Behavior

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

Excise Taxes and VAT

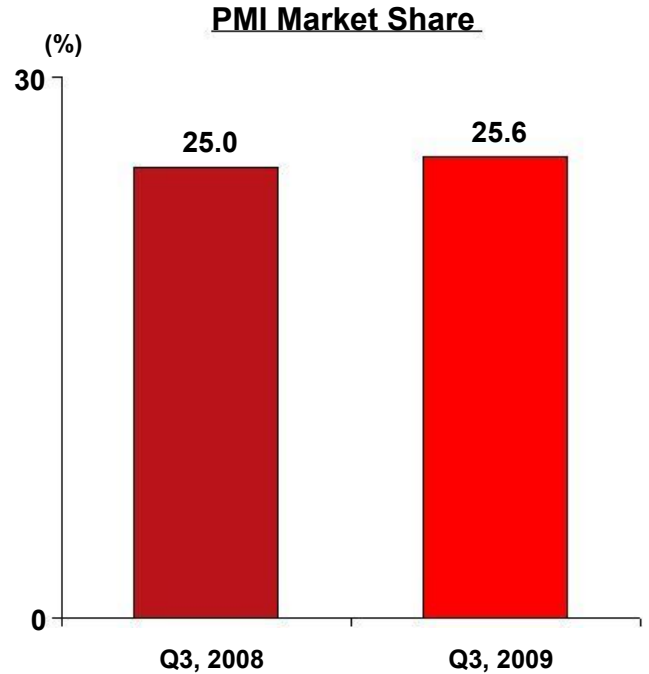
- **Governments treating excise taxes rationally in 2009 (key exceptions: Brazil and Ukraine)**
- **Rational approach expected to continue in 2010**
- **Although we expect some VAT increases, as well as excise tax increases, next year, as governments seek to boost revenues, we expect them to remain globally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

Volume Analysis

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

Russia

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



Source: A.C. Nielsen, PMI estimates and PMI Financials

Indonesia

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

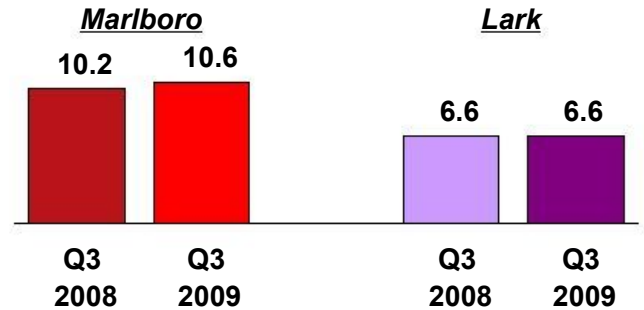


Source: AC Nielsen, PMI estimates and PMI Financials

Japan

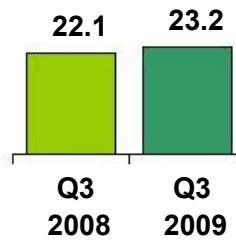
- **Marlboro growth driven by success of *Marlboro Black Menthol* and *Marlboro Filter Plus***
- **National roll-out of *Lark Mint Splash*, as well as *Lark Classic Milds*, helping to stabilize the brand**
- **Total market down 3.0% in Q3, 2009**
- **No decisions yet on tobacco issues by new Japanese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

Market Shares (%)

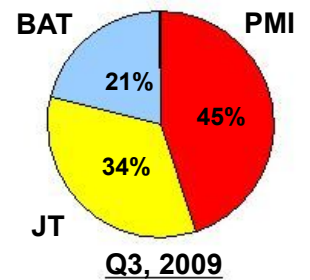


Menthol Segment

Menthol SoM (%)

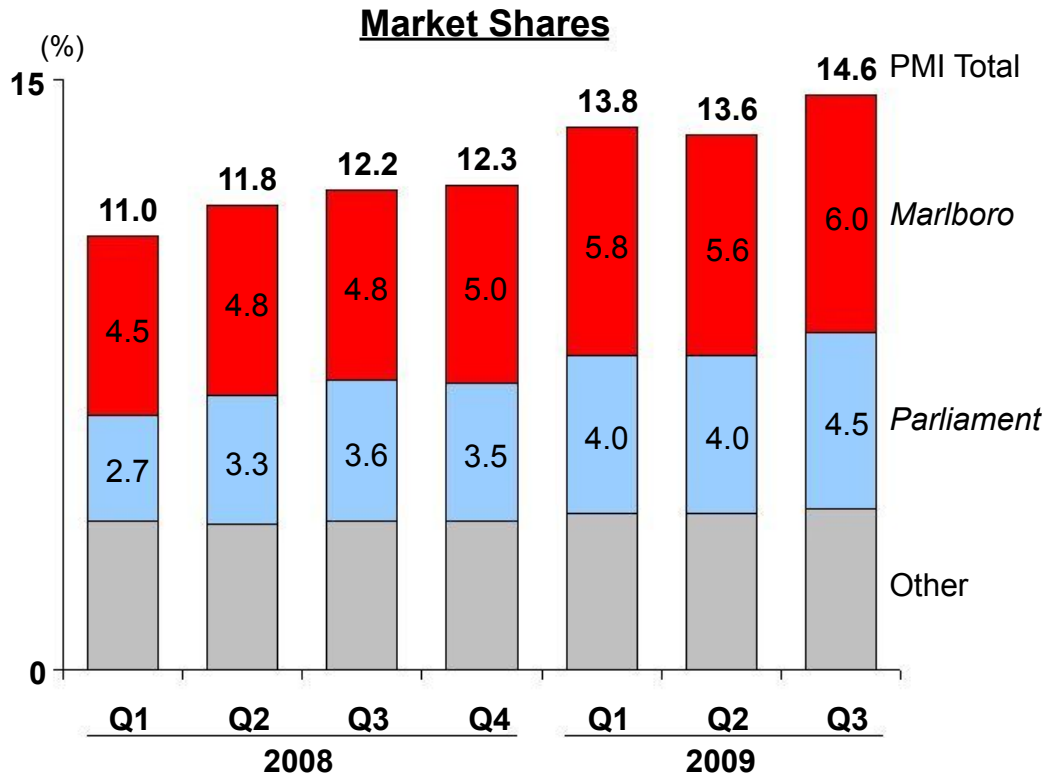


Share of Segment



Source: Tobacco Institute of Japan and PMI estimates

Korea



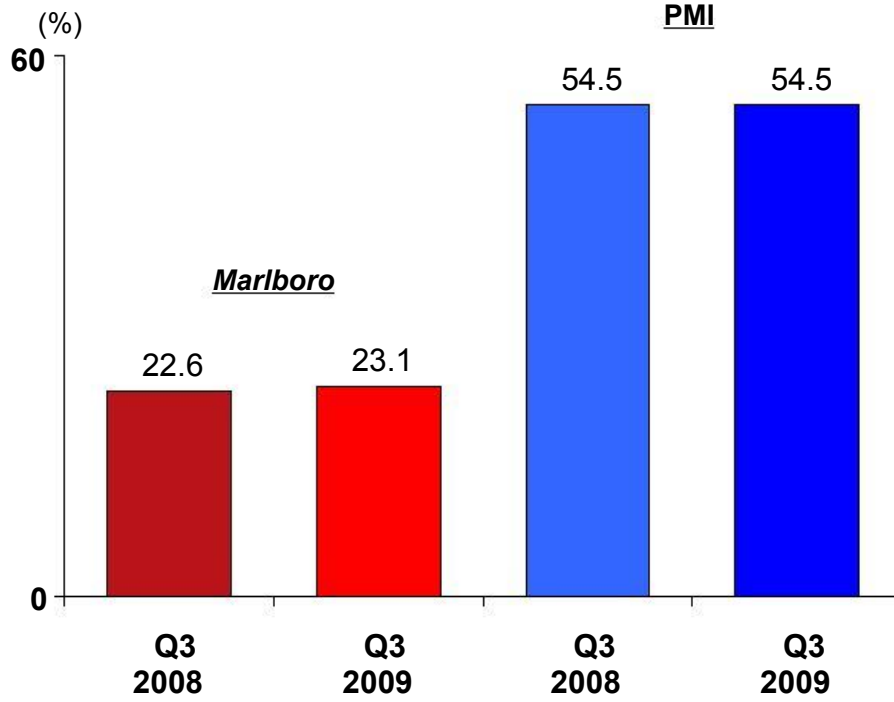
Source: PMI estimates

European Union Region

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

Italy

Market Shares



1.4% market share in Q3, 2009

Source: PMI estimates

Brand Portfolio

International

Local Heritage

Premium & Above



Mid Price



Low Price



Marlboro Architecture

Red



“Flavor enjoyment”

Gold



“Smooth taste and style”

Fresh



“Fresh taste sensations”

Marlboro Architecture

Red



“Flavor enjoyment”

Line extensions in 34 markets

Gold



“Smooth taste and style”

Line extensions in 17 markets

Fresh



“Fresh taste sensations”

Line extensions in 33 markets

Red Line: *Marlboro Filter / Flavor Plus*

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



Marlboro Gold



Fresh Line: *Marlboro Black Menthol*

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



Source: A.C. Nielsen and Tobacco Institute of Japan

Marlboro Superpremium



Cash Flow

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

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

Source: PMI Financials

Shareholder Returns

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

Conclusions

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



PHILIP MORRIS INTERNATIONAL

Questions & Answers

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PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries Reconciliation of Non-GAAP Measures Adjustments for the Impact of Currency and Acquisitions For the Quarters Ended September 30, (in millions) (Unaudited)

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

2009							2008			% 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	Less Currency	Reported Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions		
\$ 1,267	\$ (147)	\$ 1,414	\$ 9	\$ 1,405	\$ 1,325	\$ (4.4)%	\$ 946	(19.6)%	11.1%	6.0%		
761	(290)	1,051	5	1,046	946	(19.6)%	558	17.0%	9.1%	10.6%		
653	44	609	-	609	558	17.0%	110	100+%	100+%	9.1%		
226	(56)	282	77	205	110	100+%	-	-	-	86.4%		
\$ 2,907	\$ (449)	\$ 3,356	\$ 91	\$ 3,265	\$ 2,939	(1.1)%	\$ 2,939	(1.1)%	14.2%	11.1%		

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**PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries**
Reconciliation of Non-GAAP Measures
**Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &
Reconciliation of Adjusted Operating Companies Income Margin, Excluding Currency**
For the Quarters Ended September 30,
(in millions)
(Unaudited)

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

2009			2008			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency ⁽¹⁾	Adjusted Operating Companies Income excluding Currency	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes ⁽¹⁾	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	
\$ 1,415	\$ 2,712	52.2%	\$ 1,335	\$ 2,671	50.0%		2.2 pp
1,051	2,255	46.6%	946	2,109	44.9%		1.7 pp
609	1,658	36.7%	558	1,610	34.7%		2.0 pp
282	808	34.9%	113	563	20.1%		14.8 pp
\$ 3,357	\$ 7,433	45.2%	\$ 2,952	\$ 6,953	42.5%		2.7 pp

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

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**PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries**
Reconciliation of Non-GAAP Measures
Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, Excluding Currency
For the Quarters Ended September 30,
(Unaudited)

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

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**PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Reconciliation of Non-GAAP Measures
Reconciliation of Reported Diluted EPS to Reported Diluted EPS, Excluding Currency
For the Quarters Ended September 30,
(Unaudited)**

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

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

2009								2008 ⁽¹⁾			% 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
\$ 20,988	\$ 14,313	\$ 6,675	\$ (1,008)	\$ 7,683	\$ 50	\$ 7,633	European Union	\$ 23,427	\$ 15,866	\$ 7,561	(11.7)%	1.6%	1.0%
9,953	5,031	4,922	(1,198)	6,120	7	6,113	EEMA	11,248	5,544	5,704	(13.7)%	7.3%	7.2%
8,974	4,160	4,814	(195)	5,009	-	5,009	Asia	9,334	4,617	4,717	2.1%	6.2%	6.2%
5,157	3,250	1,907	(308)	2,215	462	1,753	Latin America & Canada	4,413	2,812	1,601	19.1%	38.4%	9.5%
\$ 45,072	\$ 26,754	\$ 18,318	\$ (2,709)	\$ 21,027	\$ 519	\$ 20,508	PMI Total	\$ 48,422	\$ 28,839	\$ 19,583	(6.5)%	7.4%	4.7%

2009								2008 ⁽¹⁾			% 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		
\$ 3,397	\$ (572)	\$ 3,969	\$ 36	\$ 3,933	European Union	\$ 3,779	(10.1)%	5.0%	4.1%				
1,982	(758)	2,740	7	2,733	EEMA	2,439	(18.7)%	12.3%	12.1%				
1,933	67	1,866	-	1,866	Asia	1,631	18.5%	14.4%	14.4%				
452	(138)	590	202	388	Latin America & Canada	282	60.3%	100+%	37.6%				
\$ 7,764	\$ (1,401)	\$ 9,165	\$ 245	\$ 8,920	PMI Total	\$ 8,131	(4.5)%	12.7%	9.7%				

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

**PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Reconciliation of Non-GAAP Measures
Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &
Reconciliation of Adjusted Operating Companies Income Margin, Excluding Currency
For the Nine Months Ended September 30,**

(in millions)
(Unaudited)

2009							2008 ⁽¹⁾			% 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	
\$ 3,397	\$ (3)	\$ 3,400	\$ (572)	\$ 3,972	\$ 36	\$ 3,936	European Union	\$ 3,779	\$ (66)	\$ 3,845	(11.6)%	3.3%	2.4%
1,982	-	1,982	(758)	2,740	7	2,733	EEMA	2,439	(1)	2,440	(18.8)%	12.3%	12.0%
1,933	-	1,933	67	1,866	-	1,866	Asia	1,631	(14)	1,645	17.5 %	13.4%	13.4%
452	(135) ⁽²⁾	587	(138)	725	202	523	Latin America & Canada	282	(127) ⁽³⁾	409	43.5 %	77.3%	27.9%
\$ 7,764	\$ (138)	\$ 7,902	\$ (1,401)	\$ 9,303	\$ 245	\$ 9,058	PMI Total	\$ 8,131	\$ (208)	\$ 8,339	(5.2)%	11.6%	8.6%

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

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

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

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

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

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**PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries**
Reconciliation of Non-GAAP Measures
Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, Excluding Currency
For the Nine Months Ended September 30,
(Unaudited)

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

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**PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Reconciliation of Non-GAAP Measures
Reconciliation of Reported Diluted EPS to Reported Diluted EPS, Excluding Currency
For the Nine Months Ended September 30,
(Unaudited)**

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

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**PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries**
Reconciliation of Non-GAAP Measures
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow & Free Cash Flow, excluding Currency
For the Quarters and Nine Months Ended September 30,
(in millions)
(Unaudited)

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

(a) Operating cash flow

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

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



PHILIP MORRIS INTERNATIONAL

2009 Third-Quarter Results
22 October 2009

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