



PHILIP MORRIS INTERNATIONAL

Annual Meeting of Stockholders New York May 11, 2011

Louis C. Camilleri
Chairman and Chief Executive Officer
Philip Morris International



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Forward-Looking and Cautionary Statements

- This presentation and related discussion contain statements that, to the extent they do not relate strictly to historical or current facts, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current plans, estimates and expectations, and are not guarantees of future performance. They are based on management’s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. PMI undertakes no obligation to publicly update or revise any forward-looking statements, except in the normal course of its public disclosure obligations. The risks and uncertainties relating to the forward-looking statements in this presentation include those described under Item 1A. “Risk Factors” in PMI’s Form 10-Q for the quarter ended March 31, 2011, filed with the Securities and Exchange Commission
- A glossary of terms and reconciliations of non-GAAP measures included in this presentation to the most comparable GAAP measures are provided at the end of this web cast, and are posted on our web site at www.pmi.com



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2010 PMI Highlights

- A challenging year due to:
 - Unprecedented excise tax increases
 - High and rising unemployment
 - Increased illicit trade
- Robust financial results, solid EPS growth and very strong increase in cash flow
- Dividend increased by 10.3% and \$5.0 billion spent to repurchase 97.1 million of our shares

PMI 2010 Results



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	<u>2010 Results</u>	<u>% Change 2010 vs. 2009</u>	
		<u>Actual</u>	<u>Excl. Acquisitions</u>
Cigarette Volume (billion)	899.9	4.1 %	(2.5)%

PMI 2010 Results



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	<u>2010 Results</u>	% Change 2010 vs. 2009		
		<u>Actual</u>	<u>Excluding</u>	
			<u>Currency</u>	<u>Currency & Acquisitions</u>
Net Revenues (\$ billion)	27.2	8.7 %	5.9 %	3.4 %

PMI 2010 Results



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	<u>2010 Results</u>	% Change 2010 vs. 2009		
		<u>Actual</u>	<u>Excluding</u>	
			<u>Currency</u>	<u>Currency & Acquisitions</u>
Net Revenues (\$ billion)	27.2	8.7 %	5.9 %	3.4 %
Adjusted OCI (\$ billion)	11.5	10.3 %	7.0 %	5.8 %

PMI 2010 Results



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	<u>2010 Results</u>	% Change 2010 vs. 2009		
		<u>Actual</u>	<u>Excluding</u>	
			<u>Currency</u>	<u>Currency & Acquisitions</u>
Net Revenues (\$ billion)	27.2	8.7 %	5.9 %	3.4 %
Adjusted OCI (\$ billion)	11.5	10.3 %	7.0 %	5.8 %
Adjusted Diluted EPS (\$ / share)	3.87	17.6 %	14.0 %	

PMI Q1, 2011 Results



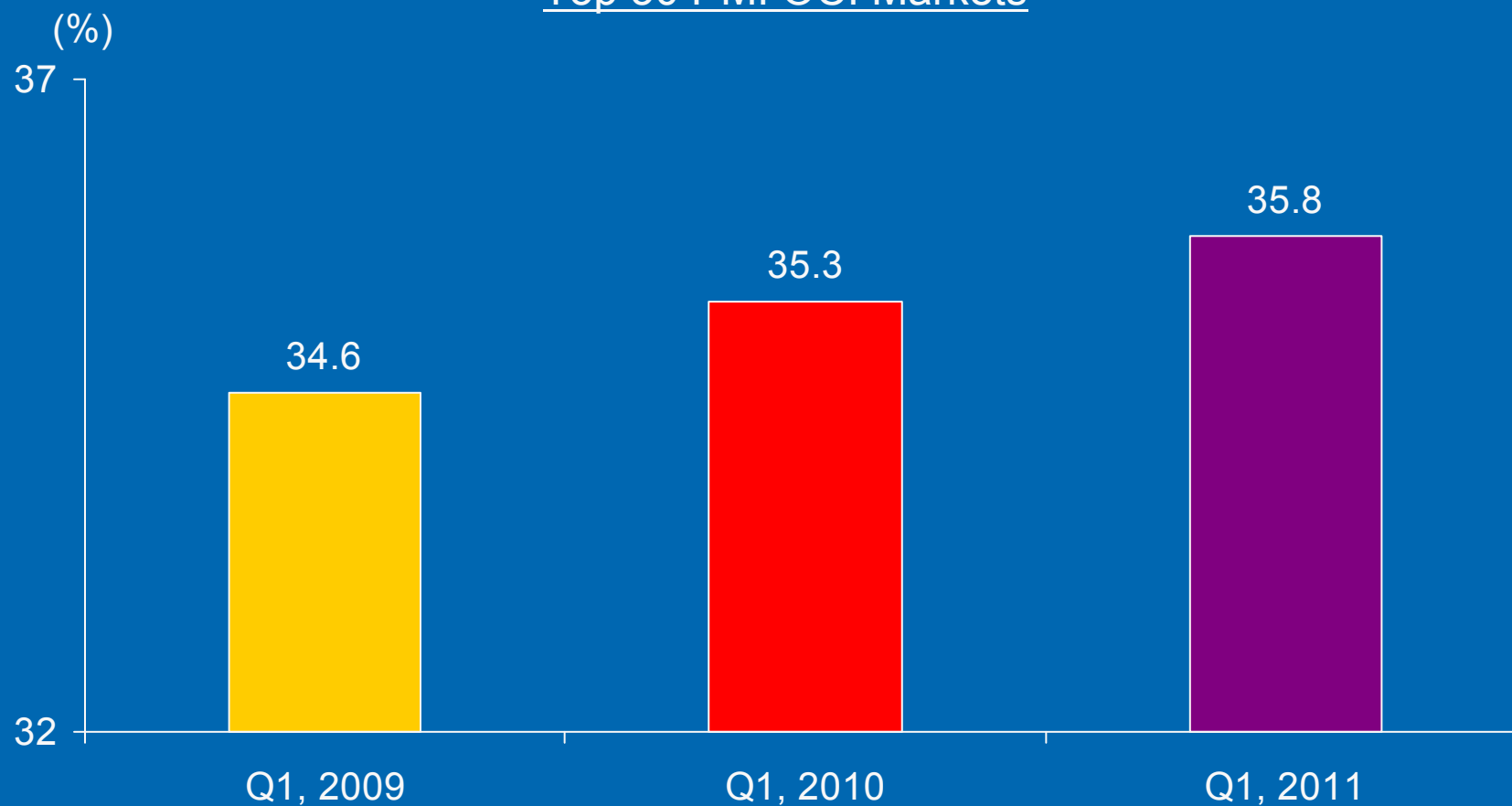
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	Q1, 2011 <u>Results</u>	% Change Q1, 2011 vs. Q1, 2010	
		<u>Actual</u>	<u>Excl. Acquisitions</u>
Cigarette Volume (billion)	207.9	1.6 %	(3.3)%



PMI Market Share Developments

Top 30 PMI OCI Markets



Note: 2009 and 2010 data adjusted for pro-forma inclusion of business combination with Fortune Tobacco in the Philippines
Source: PMI estimates

Marlboro – Market Share



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Marlboro Global Share of Market^(a) – 12 Months Moving Average



(a) Excluding China and USA
Source: PMI estimates

PMI Q1, 2011 Results



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	Q1, 2011 <u>Results</u>	% Change Q1, 2011 vs. Q1, 2010		
		<u>Actual</u>	<u>Excluding</u>	
			<u>Currency</u>	<u>Currency & Acquisitions</u>
Net Revenues (\$ billion)	6.8	4.5 %	4.3 %	2.7 %
Adjusted OCI (\$ billion)	3.1	11.4 %	8.8 %	8.0 %



Adjusted OCI Margins

	First-Quarter		
	<u>2011^(a)</u>	<u>2010</u>	<u>Variance</u>
EU	49.3 %	48.6 %	0.7 pp
EEMA	42.9	44.1	(1.2)
Asia	46.4	38.7	7.7
LA&C	33.2	31.3	1.9
Total	44.9	42.7	2.2

PMI Q1, 2011 Results



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	<u>Q1, 2011 Results</u>	% Change Q1, 2011 vs. Q1, 2010		
		<u>Actual</u>	<u>Excluding</u>	
			<u>Currency</u>	<u>Currency & Acquisitions</u>
Net Revenues (\$ billion)	6.8	4.5 %	4.3 %	2.7 %
Adjusted OCI (\$ billion)	3.1	11.4 %	8.8 %	8.0 %
Adjusted Diluted EPS (\$ / share)	1.06	17.8 %	14.4 %	



2011 EPS Guidance

- On April 21st, we increased our reported diluted EPS guidance for 2011 by 20 cents to a range of \$4.55 to \$4.65
- This increased guidance was driven by our improved business outlook and more favorable exchange rates
- Compared to an adjusted diluted EPS of \$3.87 in 2010, this corresponds to a growth rate of approximately 17.5% to 20% at prevailing exchange rates, and approximately 12.5% to 15% excluding currency

PMI Results vs. Mid to Long-Term Annual Growth Targets



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	<u>Mid to Long-Term Annual Growth Targets</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>Q1 2011</u>
Organic Volume	1 %	1.0 %	(1.5)%	(2.5)%	(3.3)%
Net Revenues ^(a)	4 – 6 %	5.6 %	5.3 %	3.4 %	2.7 %
Adjusted OCI ^(a)	6 – 8 %	9.8 %	8.7 %	5.8 %	8.0 %
Adjusted Diluted EPS ^(b)	10 – 12 %	12.9 %	15.4 %	14.0 %	14.4 %

(a) Excluding currency and acquisitions

(b) Excluding currency; 2008 results compared to pro forma 2007 results

Note: For 2008 vs. 2007 and 2009 vs. 2008 reconciliations, please refer to slides 88-90 in the November 2009 Morgan Stanley presentation and slides 34-36 in the 2009 Fourth-Quarter and Annual Earnings Results presentation, respectively, both available on PMI's web site

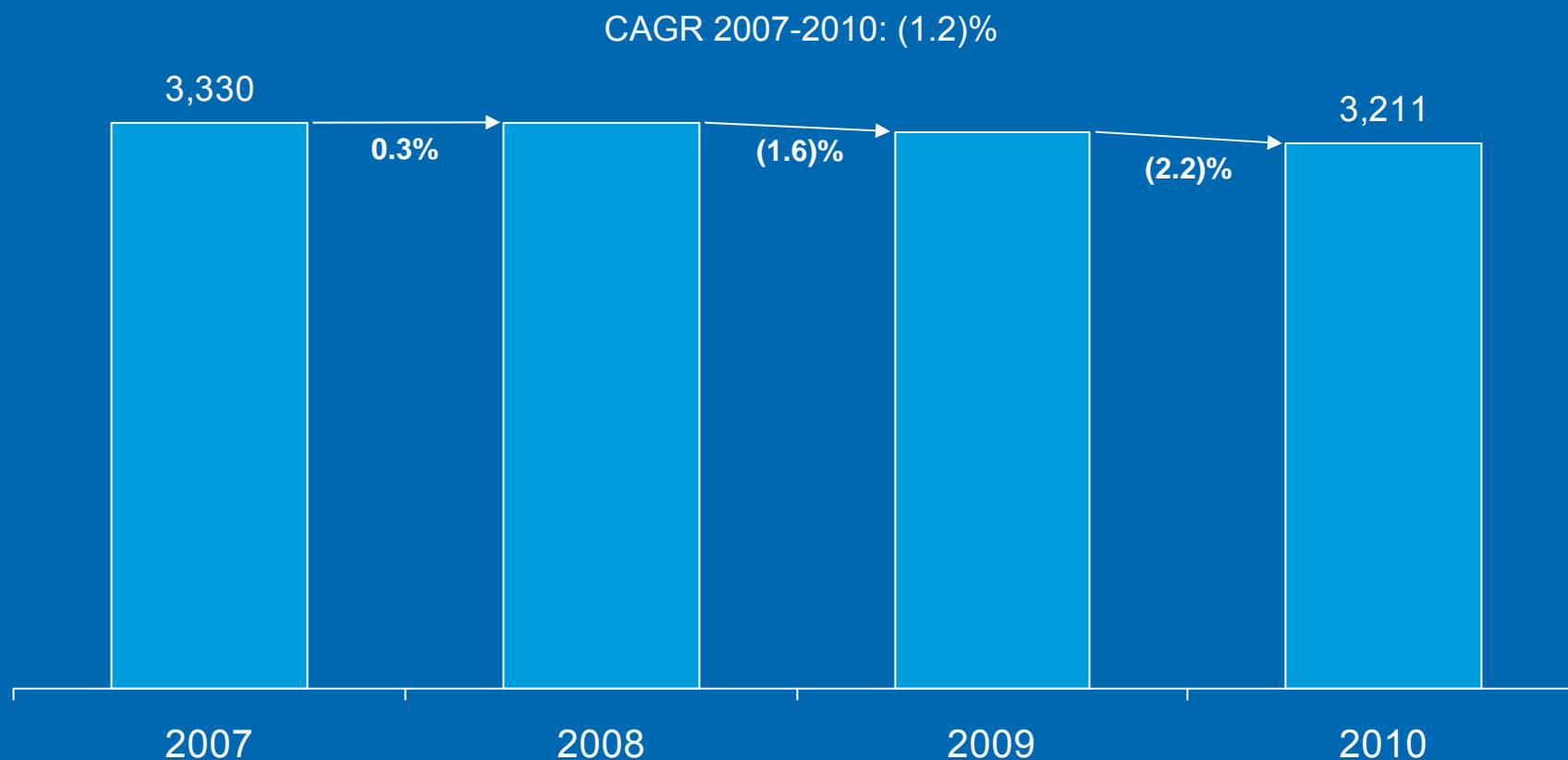
Source: PMI Financials



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Cigarette Industry Volume Trends 2007-2010^(a)

(units billion)



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



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Key Business Drivers

- Superior brand portfolio
- Global infrastructure
- Business development
- Pricing
- Tobacco leaf and direct material costs
- Productivity and cost savings

Brand Portfolio



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International

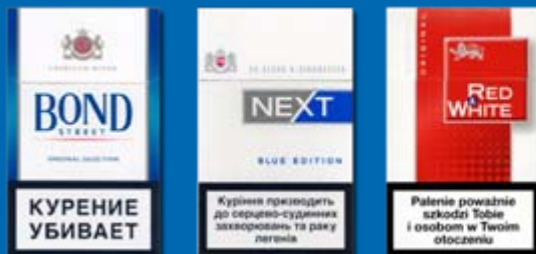
Premium & Above



Mid-Price



Low-Price



Local Heritage

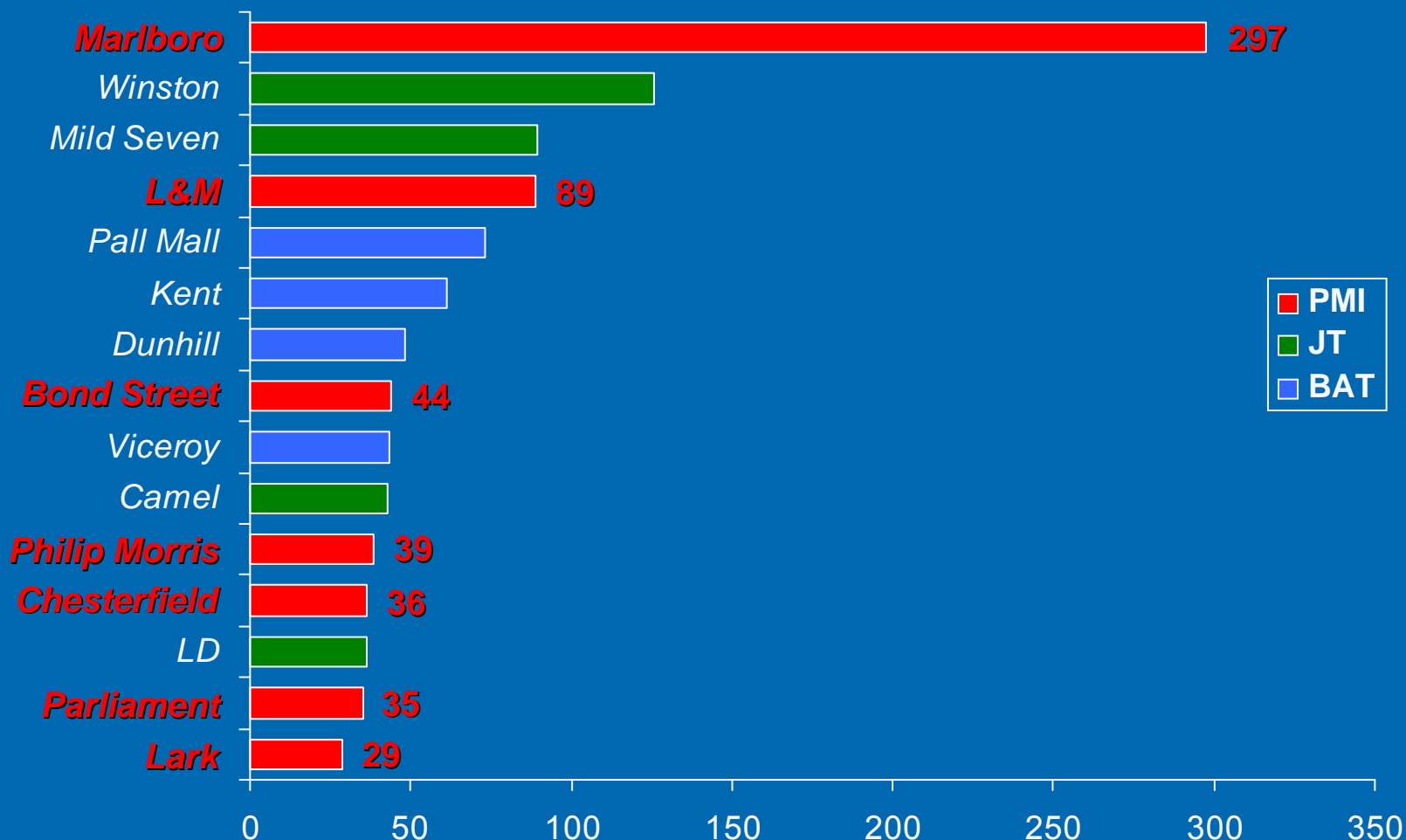




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Top 15 International Cigarette Brands (2010)

(units billion)



Marlboro Architecture



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Flavor Line
“Flavor enjoyment”



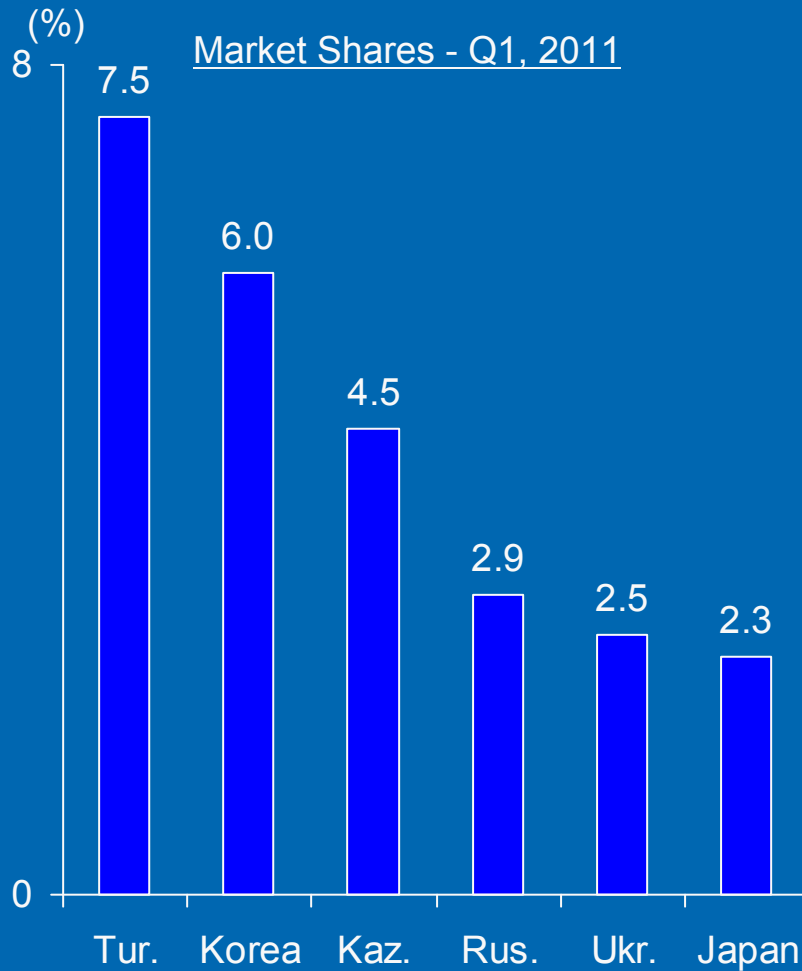
Gold Line
“Smooth taste and style”



Fresh Line
“Fresh taste sensations”



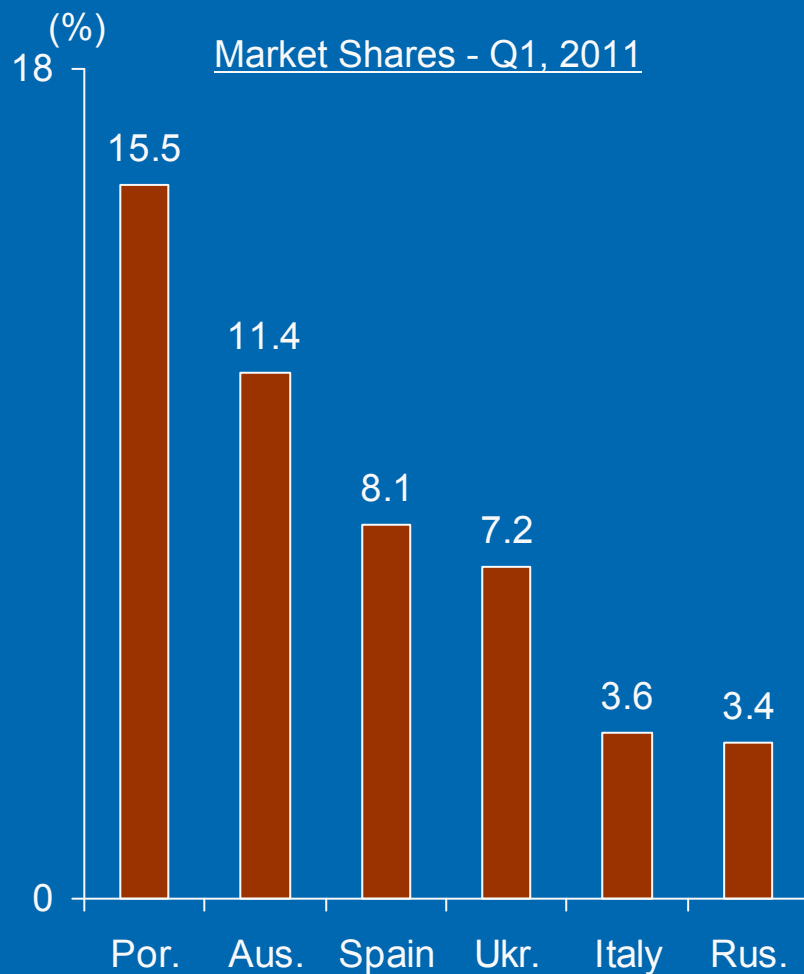
Note: Pack designs for illustrative purposes only

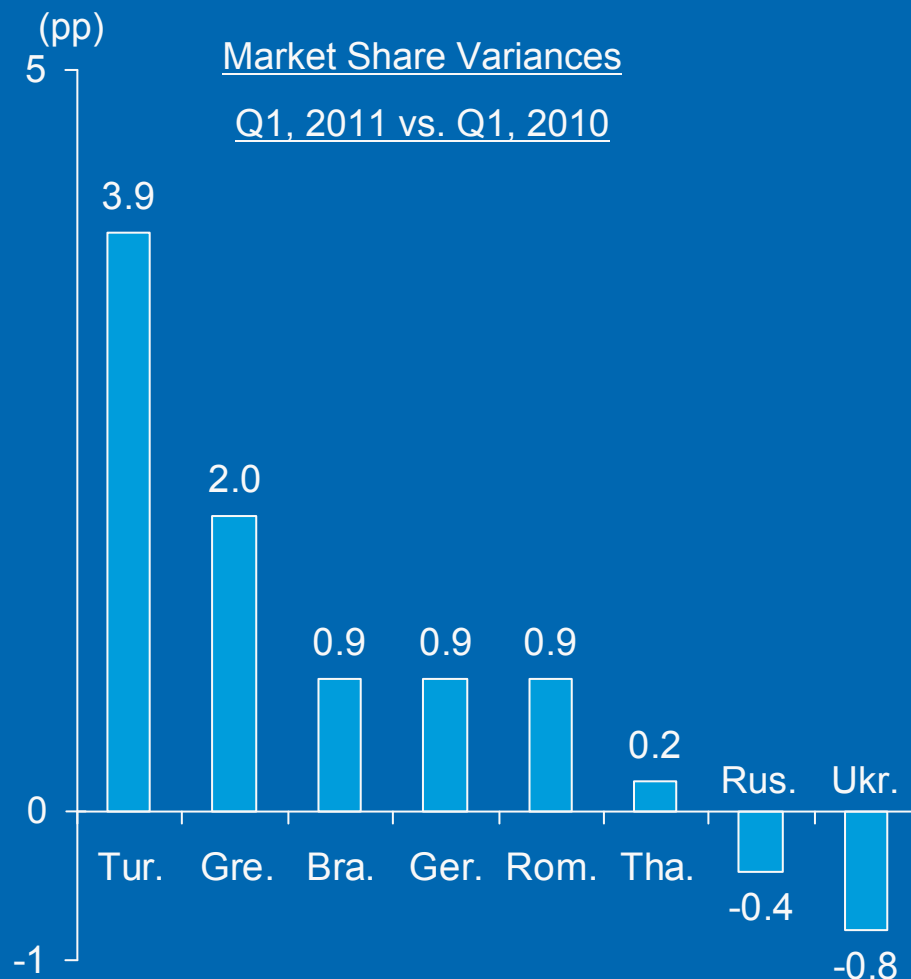


Note: Tur. is Turkey, Kaz. is Kazakhstan, Rus. is Russia, Ukr. is Ukraine

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





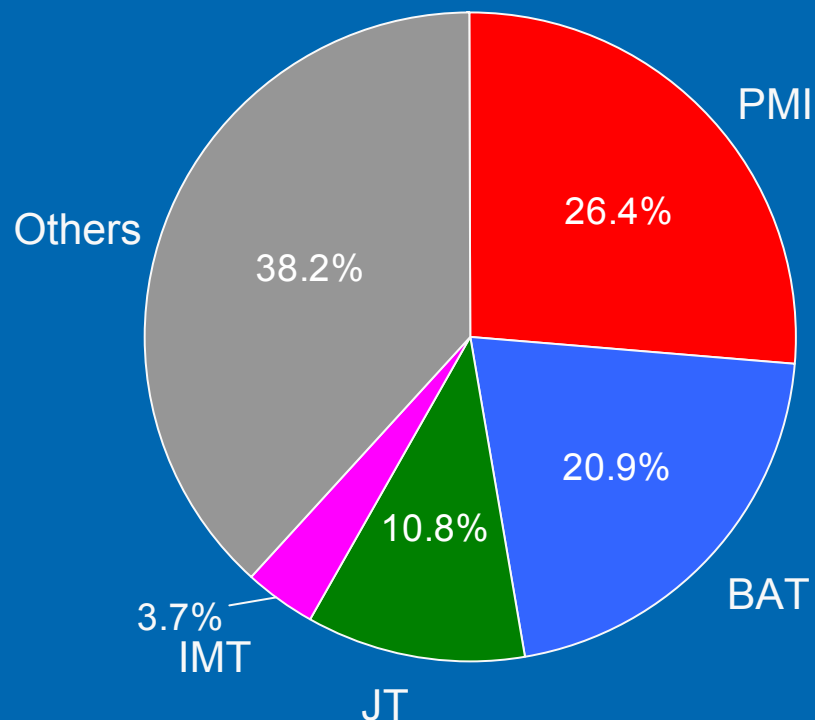




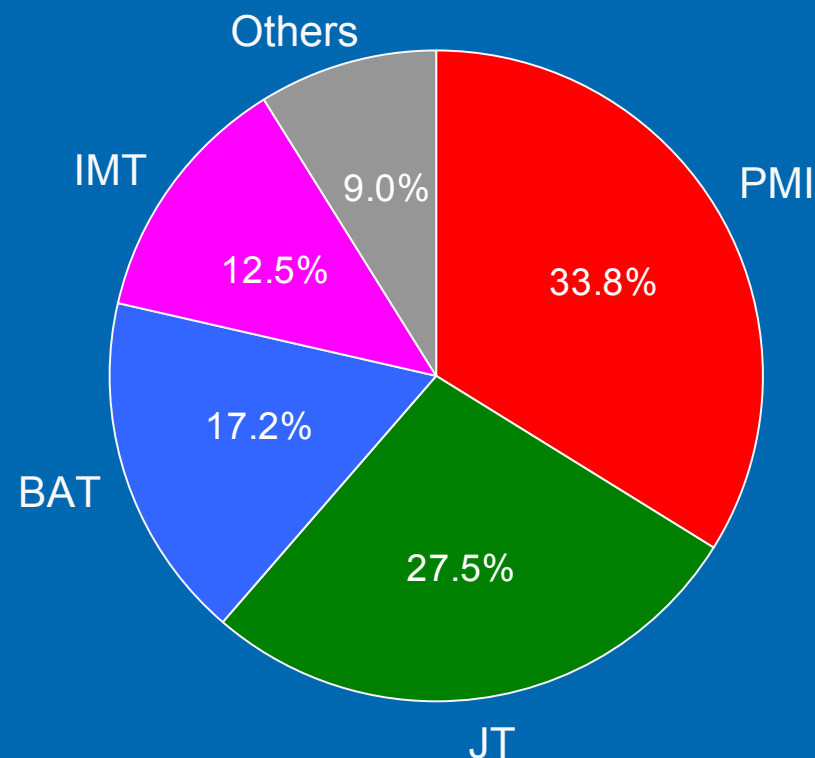
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PMI Leadership in Non-OECD and OECD^(a)

Market Shares - Q1, 2011



Top 10 Non-OECD Markets



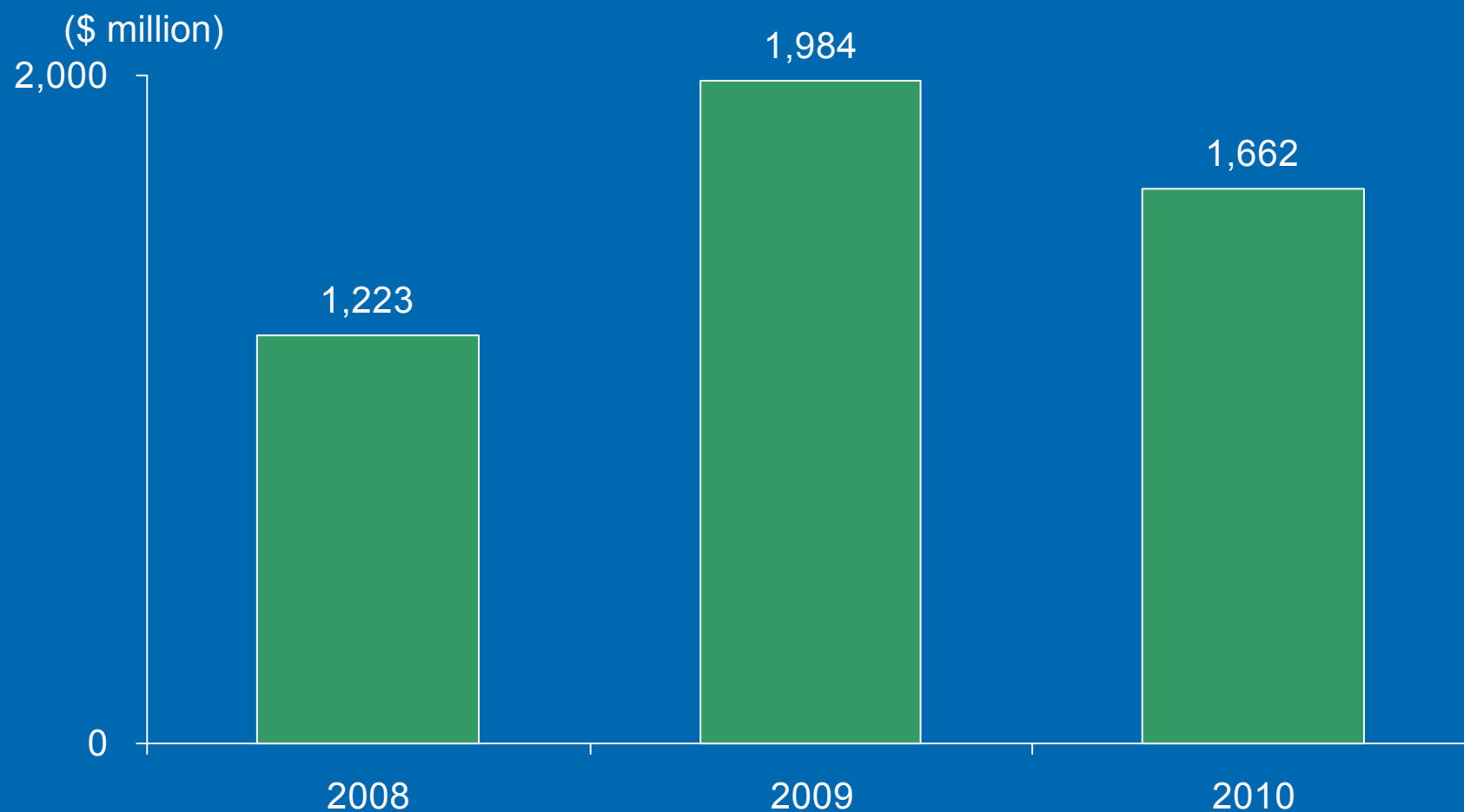
Top 10 OECD Markets

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



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Pricing Variance



Note: Pricing variance is at OCI level
Source: PMI Financials



Tobacco Leaf and Direct Materials

- Significant increase in tobacco leaf prices in 2008 due to global under-supply
- Immediate impact on cash flow and gradual flow through the P&L, mainly in 2009 and 2010
- PMI is seeking to ensure that the sustainability of the price/quality equation is enhanced through an increase in direct contracts with farmers
- Stable tobacco leaf prices expected in 2011, driven by a larger crop in Brazil



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Agricultural Labor Practices

- Sustainable tobacco growing is also about protecting the environment and ensuring labor practices that promote the safety, well-being and social and economic security of tobacco farmers and workers
- We are implementing a strong, comprehensive Agricultural Labor Practices Code to address labor practices in our tobacco growing supply chain

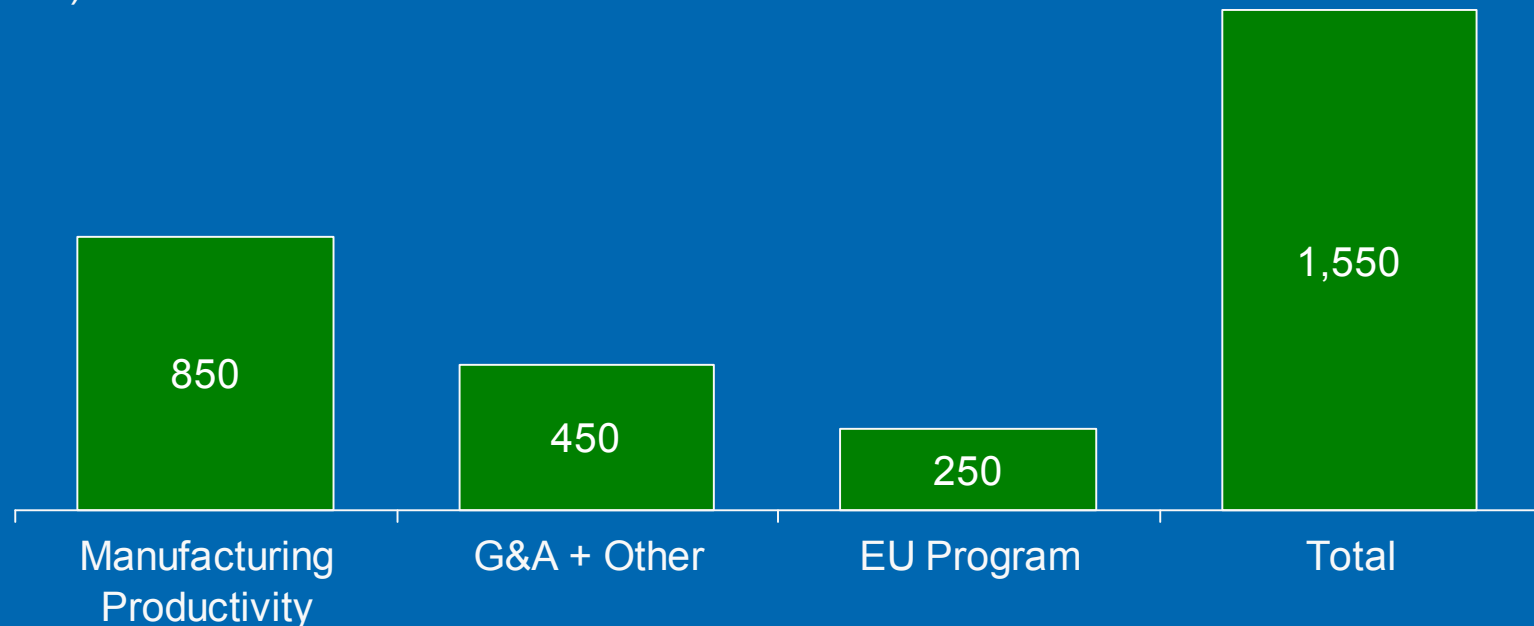


Productivity and Cost Savings Program

- PMI completed its three-year \$1.55 billion productivity and cost savings program by the end of 2010

Cumulative Gross Cost Savings Program (2008-10)

(\$ million)





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Key Challenges

- Excise taxation
- Regulatory environment



Excise Taxation

- Most governments have implemented reasonable increases
- Mexico only major market with a disruptively large excise tax increase in 2011
- Structural excise tax improvements this year in France, Greece, the Netherlands, Sweden and the UK
- New multi-year excise tax programs in the Czech Republic and Germany



Regulatory Environment

- PMI seeks comprehensive regulation based on the broader goal of harm reduction
- PMI has successfully managed regulatory challenges in the past:
 - Public smoking restrictions
 - Marketing constraints
 - Graphic health warning labels
 - Ban on descriptors (e.g. “Lights”)



Regulatory Environment

- We do not support regulation that prevents adults from buying and using tobacco products or that imposes unnecessary impediments to the operation of the legitimate tobacco market
- Emerging regulatory challenges:
 - Product display bans
 - Bans on the use of ingredients
 - Plain packaging
- No sound evidence such measures would reduce consumption, smoking incidence, youth smoking or provide any other public health benefit
- Adverse consequences include impeding competition, extra costs for retailers, encouraging adult smokers to make choices purely on price, and fostering illicit trade



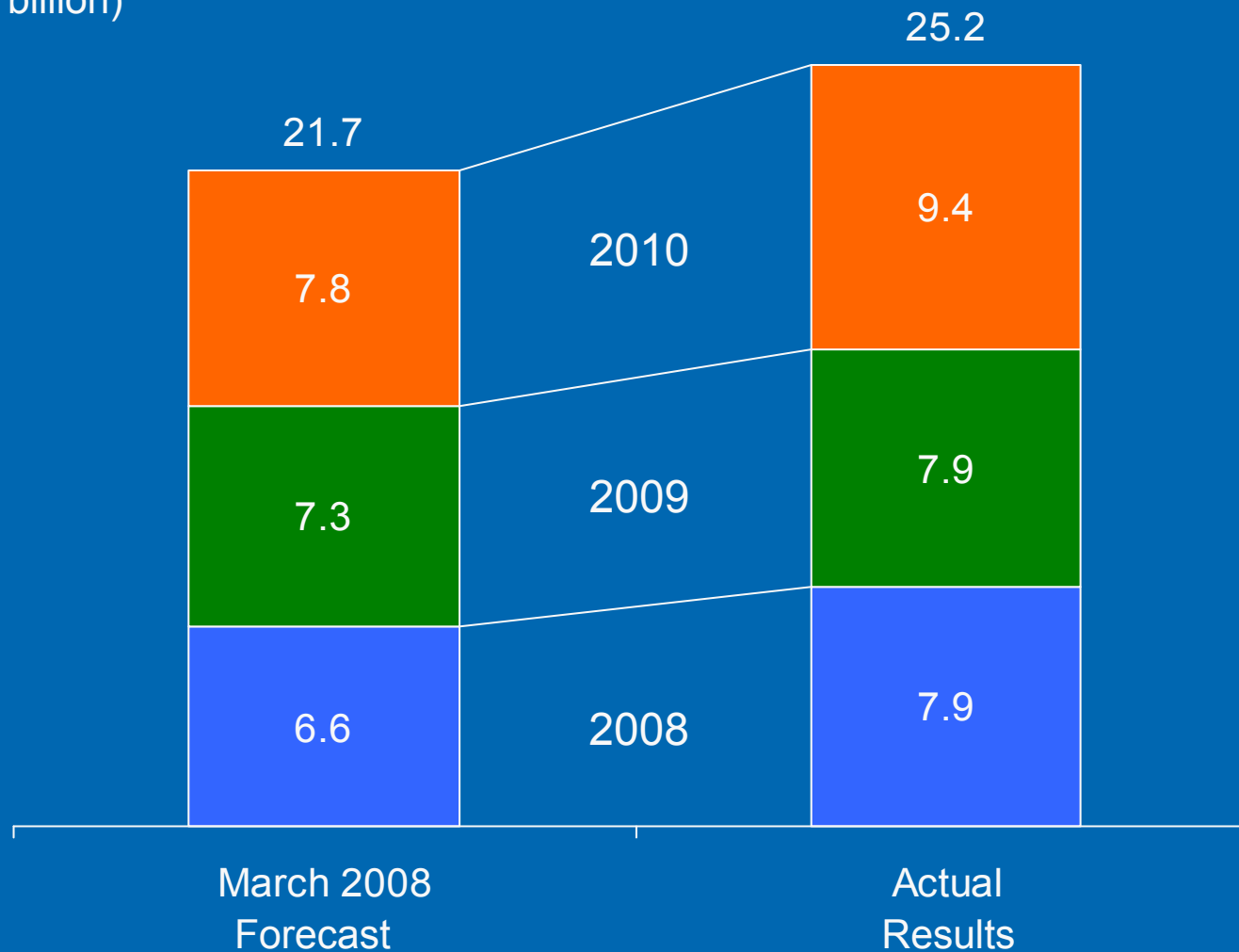
Australia – Plain Packaging

- The Australian Government has released an exposure draft of a bill that would mandate plain packaging in 2012
- There is a public consultation through June 6
- PMI is firmly opposed to such a measure because:
 - There is no credible evidence that it will reduce smoking rates
 - It may undermine public health objectives by lowering prices and increasing illicit trade
 - It will violate intellectual property protections and breach international trade obligations
- PMI will consider all appropriate options, including legal action, to oppose the plain packaging proposal and protect its valuable brands



Cumulative Operating Cash Flow (2008-2010)

(\$ billion)





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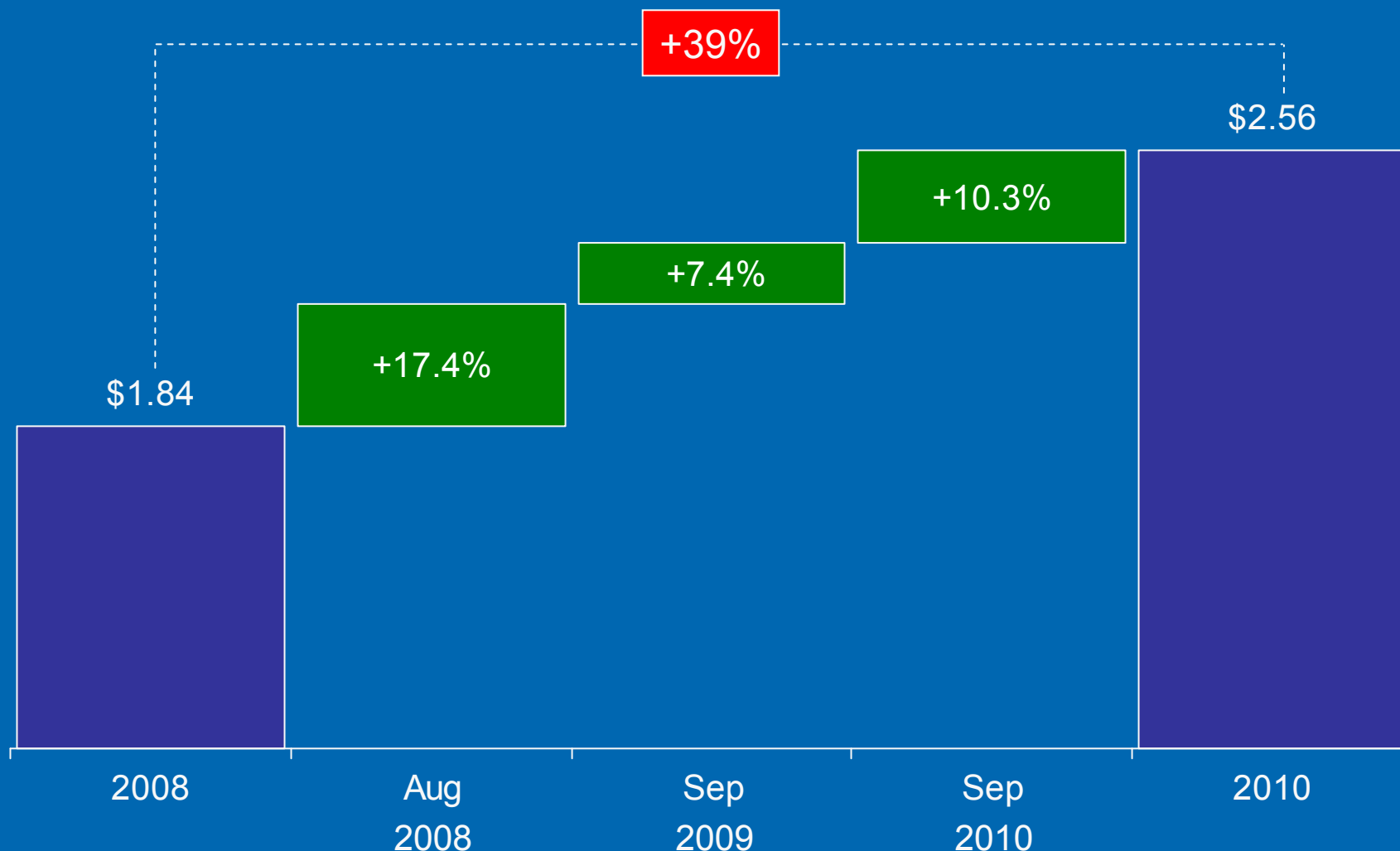
Working Capital Reduction Program

- Three-year working capital reduction target of \$750 million to \$1 billion established in November 2009
- Key areas of focus: tobacco and finished goods inventories
- \$15 million investment in systems
- Working capital reduced by approximately \$1 billion by the end of December 2010



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Dividend Increases Since Spin^(a)

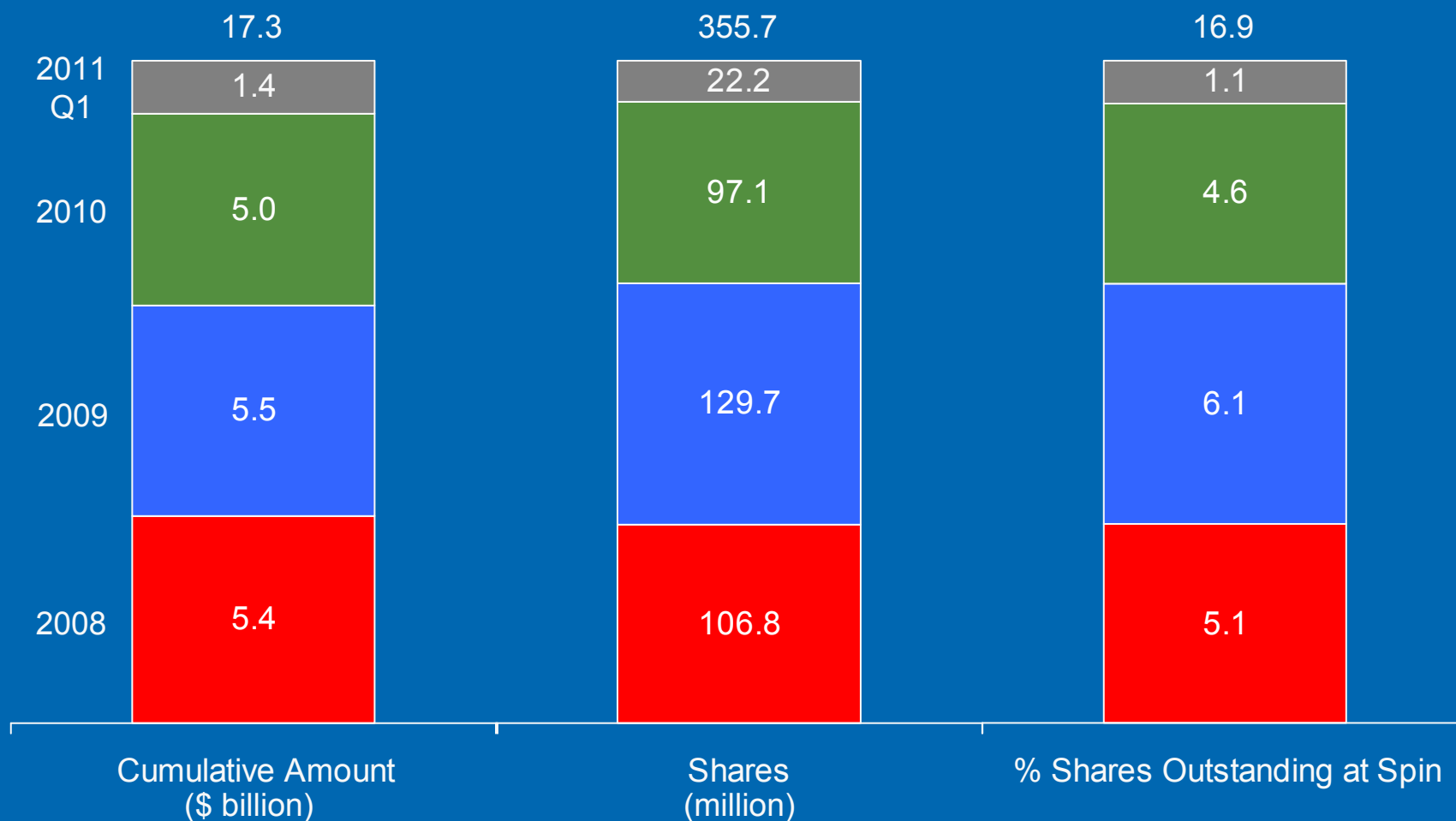


(a) Dividends for 2008 and 2010 are annualized rates. 2008 annualized rate is based on a quarterly dividend of \$0.46 per common share, declared June 18, 2008. 2010 annualized rate is based on a quarterly dividend of \$0.64 per common share, declared September 10, 2010

Source: PMI Financials



Share Repurchase Programs



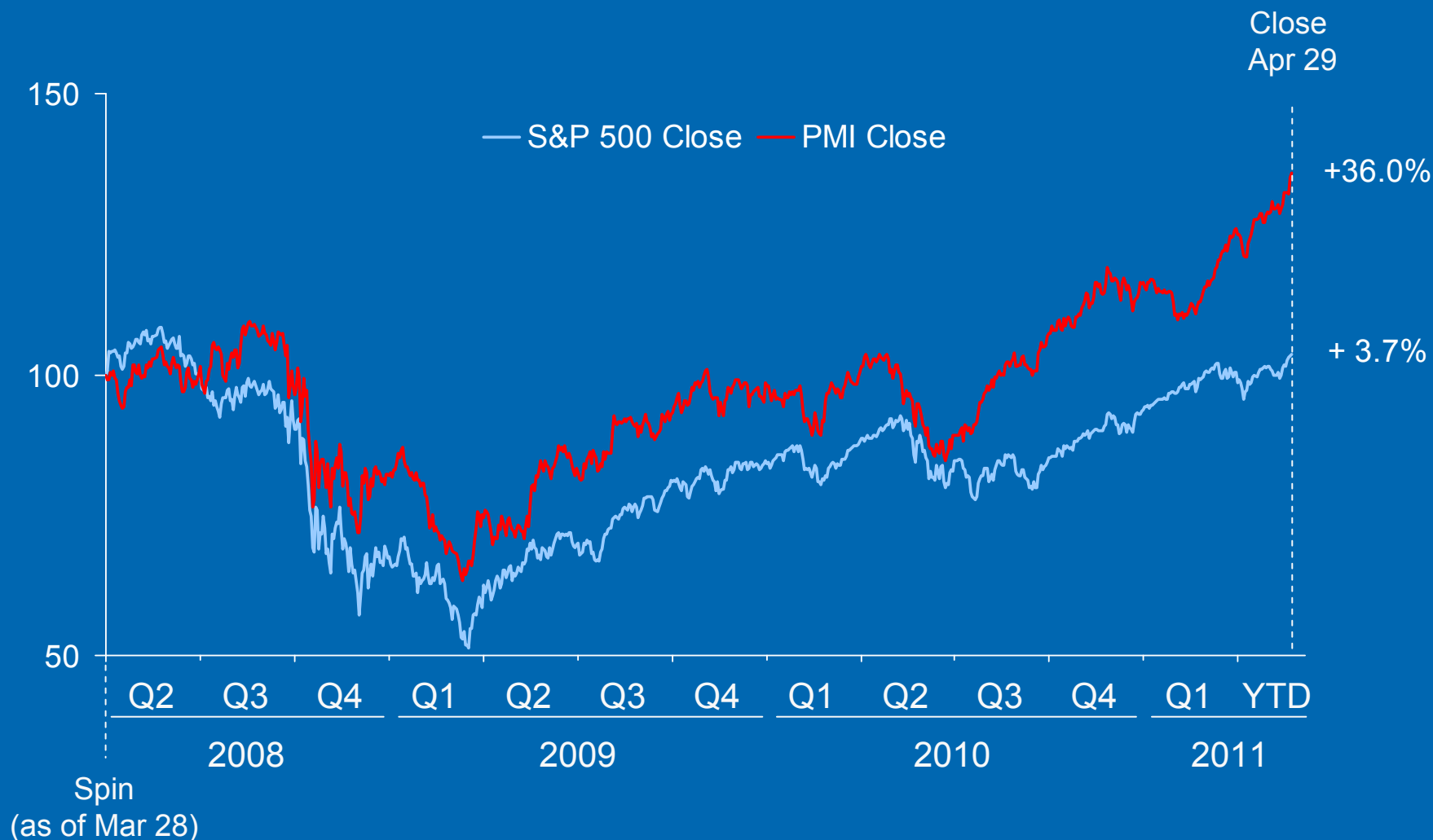
Note: The outstanding PMI shares at the time of the spin were 2,109 million. Totals may not add due to rounding

Source: PMI Financials



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PMI Stock Performance vs. S&P 500

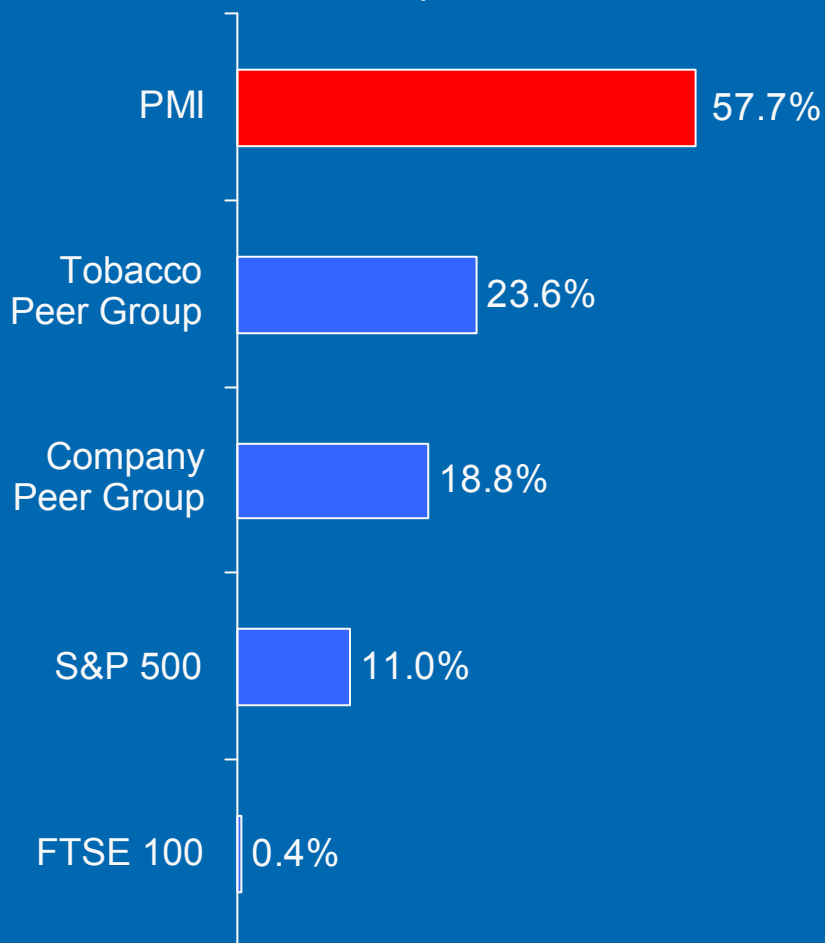




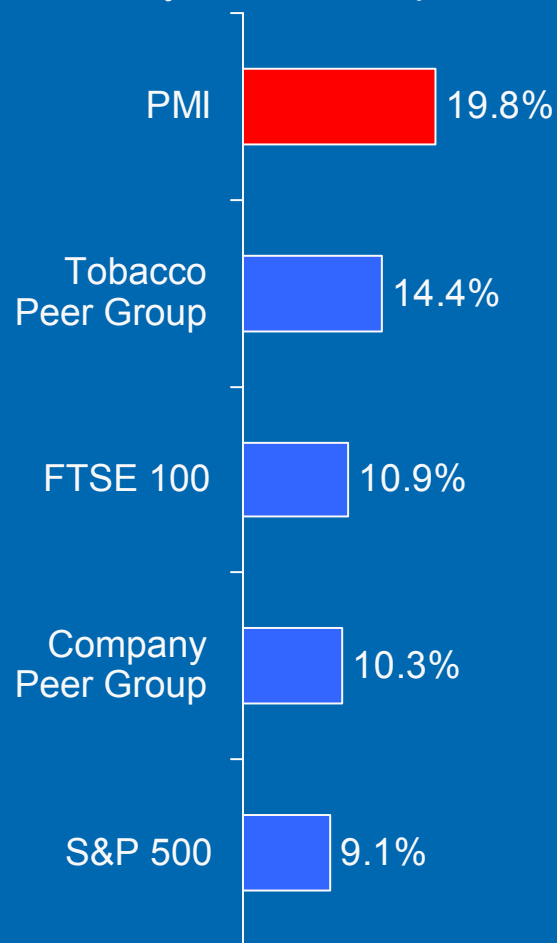
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Total Shareholder Return (\$) – Weighted Average

March 28, 2008 – April 30, 2011



January 1, 2011 – April 30, 2011



Note: Peer groups represent the weighted average return of the group. PMI pro forma for additional \$0.46 per share dividend paid in April 2008 impacts the period March 28, 2008 to April 30, 2011

Source: FactSet, compiled by Centerview



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Question and Comment Session



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Harold Brown



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Mathis Cabiallavetta



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Louis C. Camilleri



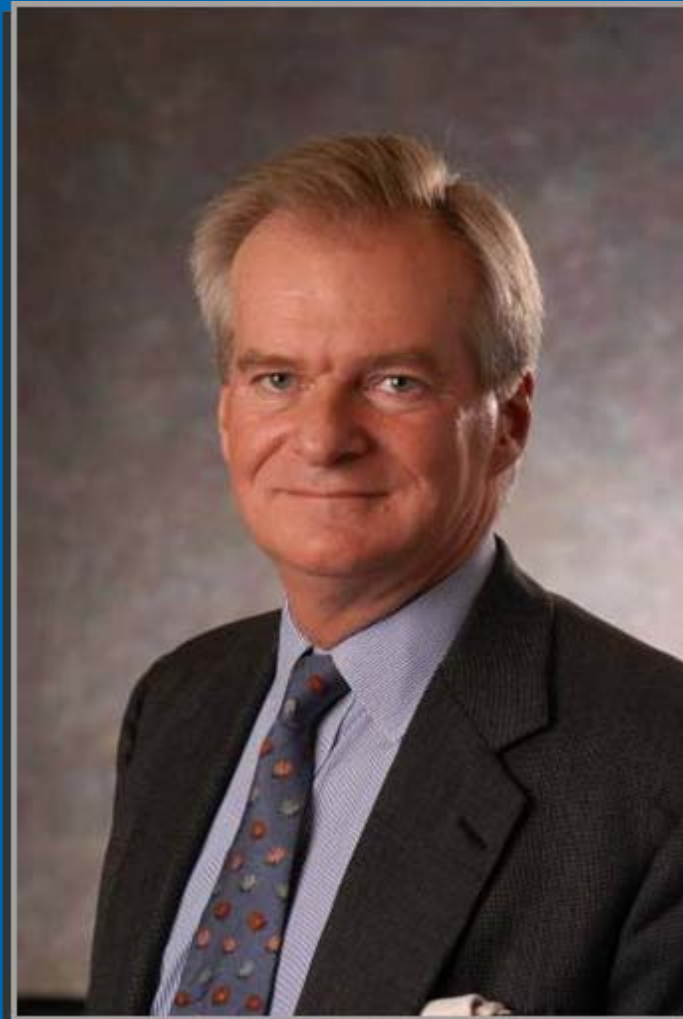
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J. Dudley Fishburn



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Jennifer Li



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Graham Mackay



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Sergio Marchionne



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Lucio A. Noto



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Carlos Slim Helú



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Stephen M. Wolf



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Contributions Programs Russia

“A Day of Kindness”

(Approximately 4 min video – please stand by)



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