



PHILIP MORRIS

I N T E R N A T I O N A L

Third Quarter Earnings Call
22 October 2008

Introduction

- **Unless otherwise stated, we will be talking about results in the third quarter 2008 and comparing them with the same period in 2007**
- **References to market shares are PMI estimates based on a number of sources**
- **Net revenues exclude excise taxes**
- **Data table showing adjustments to revenues and OCI for currency and acquisitions at end of this presentation**

Forward-Looking Statements

This presentation and related discussion contain statements that are not reported financial results or other historical information are “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 the caption “Cautionary Factors that May Affect Future Results” in PMI’s Registration Statement on Form 10 that was declared effective by the Securities and Exchange Commission on March 7, 2008 and in PMI’s quarterly reports on Form 10-Q for the quarters ended March 31 and June 30, 2008.

Third Quarter Results

(% Growth 3Q08 vs. 3Q07)	<u>Actual</u>	<u>Excluding Currency and Acquisitions</u>
Cigarette Volume	+ 4.0%	+ 3.2%
Net Revenues	+ 17.5	+ 7.2
OCI	+ 16.7	+ 7.2
Reported EPS	+ 23.2	
Adjusted diluted EPS	+ 19.2	

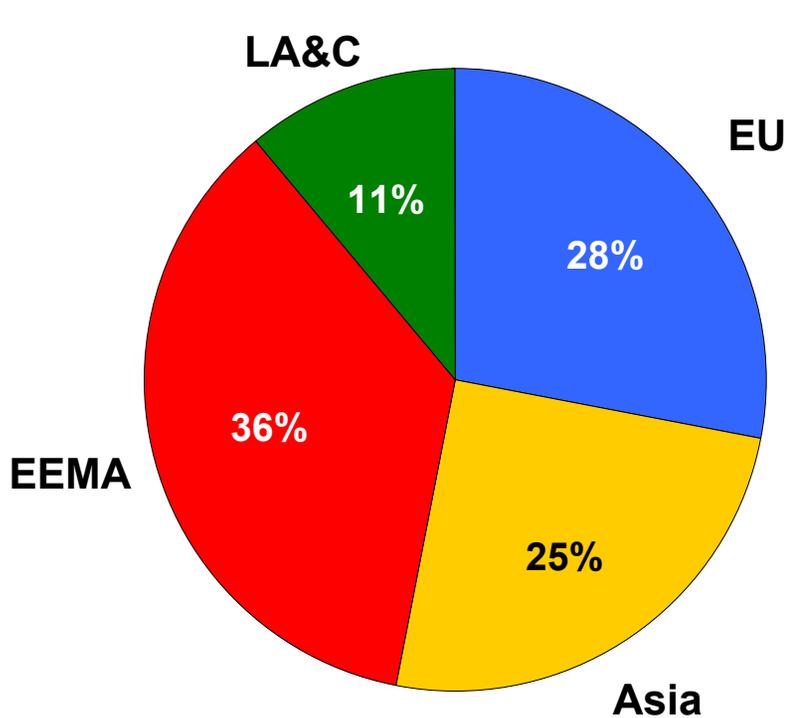
Agenda

- **Currency and 2008 guidance**
- **Geographic balance**
- **Rothmans Inc. acquisition**
- **Capital structure and liquidity**
- **Discussion of Q3 results**

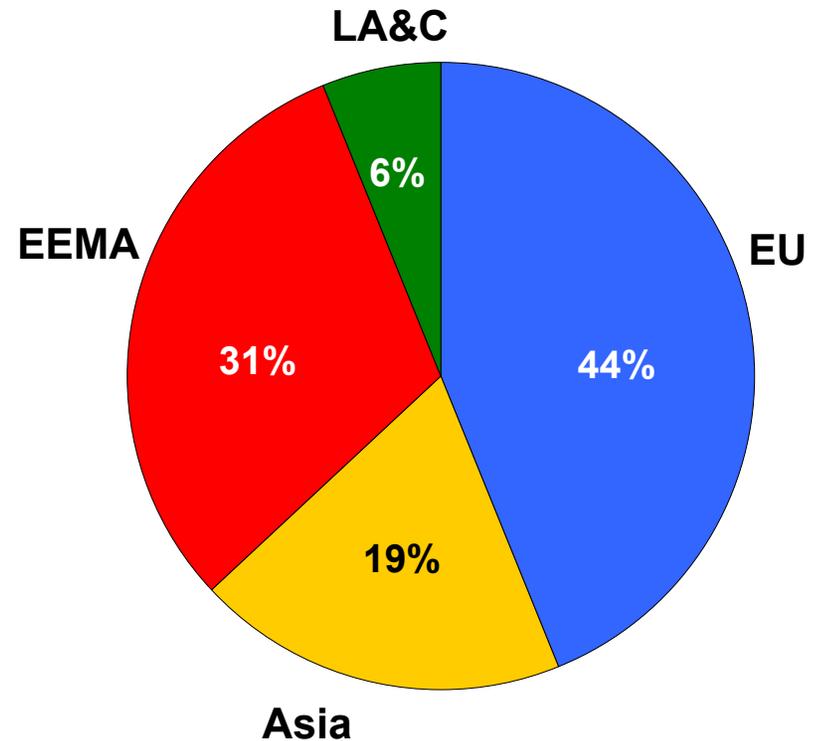
Currency and 2008 Guidance

- **PMI has sales in some 160 countries**
- **Euro, Japanese Yen, Russian Ruble, Indonesian Rupiah, Mexican Peso and Turkish Lira are the most important currencies**
- **Euro revenues significantly offset by Euro and Swiss Franc costs**
- **Positive OCI currency impact in Q3 of \$217 million**
- **2008 guidance re-affirmed**

Geographic Balance



**Q3, 2008 volume:
225.9 billion units**



**Q3, 2008 OCI:^(a)
\$2,939 million**

(a) Share of OCI by Region based on data excluding the \$61 million distribution charge in Canada

Source: PMI financials

Rothmans Inc. Acquisition

- **Canada is a key market where PMI had a limited presence**
- **Acquisition expected to provide attractive return on investment and modest EPS accretion in 2009**
- **Strong defenses available in legal cases and risk deemed manageable**
- **Stock de-listed. 100% ownership**
- **Business results incorporated into the Latin America & Canada segment as of September 19th, but immaterial for Q3 results**

Capital Structure and Liquidity

- **Prudent approach and strong cash flow**
- **Bonds totaling \$9 billion issued in Dollars, Euros and Swiss Francs**
- **Access to Tier 1 commercial paper market**
- **Undrawn committed revolving credit facility of \$6.4 billion**
- **Dividend increased by 17.4% in August**
- **\$4.5 billion share repurchases to date**

Volume Performance

- **Q3 shipments of 225.9 billion units**
- **Organic volume growth of 3.2%**
- **Strong growth in EEMA, Asia and Latin America and Canada Regions**
- **Nearly all key brands, including *Marlboro*, grew volume**

Marlboro

- **Shipment volume increased 1.1% to 80.3 billion units**
- ***Marlboro* growth in EEMA, Asia and Latin America & Canada**
- ***Marlboro* share gain in Japan behind *Marlboro Black Menthol***
- ***Marlboro Filter Plus* performing well**
- **Strong pipeline of new products**

Other Premium

- ***Parliament* volume increased by 15.8%**
- ***Virginia Slims* volume up 3.6%**

Mid Price

- ***L&M*** decline slowed in EEMA region
- ***L&M*** shipments up 3.7% elsewhere
- ***Chesterfield*** shipments up 14.6%
- ***Chesterfield*** growth more than compensating for ***L&M*** decline

Low Price / Local Heritage

- **Combined shipment volume of *Bond Street*, *Next* and *Red & White* grew by 12.3%**
- **Strong local heritage portfolio in markets such as Indonesia, Italy and Mexico**

EU Region

- **Industry cigarette volume down 1.2%**
- **Q3 results:**
 - **Cigarette volume** **- 2.1%**
 - **Revenues ex currency/acquisitions** **+ 1.0%**
 - **OCI ex currency/acquisitions** **+ 1.0%**
- **Share gains in cigarettes and fine cut in Germany**

EEMA Region

- **Very strong results in Q3 with:**
 - **Cigarette volume** + **5.0%**
 - **Revenues excluding currency** + **14.9%**
 - **OCI excluding currency** + **25.5%**
- **Volume growth, improved mix and significant OCI gains in the three key markets of Russia, Turkey and Ukraine**

Asia Region

- **Very strong results in Q3 with:**
 - **Cigarette volume** **+ 5.6%**
 - **Revenues excluding currency** **+ 7.8%**
 - **OCI excluding currency** **+ 8.6%**
- ***Marlboro Black Menthol* helping to drive sequential share expansion in Japan**
- **Strong volume, share and profitability growth in Indonesia and Korea**

Latin America & Canada Region

- **Strong results in Q3 with:**
 - **Volume excluding acquisitions** + **6.5%**
 - **Revenues ex currency/acquisitions** + **7.8%**
 - **OCI ex currency/acquisitions** + **4.2%^(a)**
- **Strong performance in all key markets**
- ***Marlboro* shipments increased**

(a) Excluding a \$61 million distribution charge in Canada

Note: Volume is for cigarettes only

Note: Revenues are net and exclude excise taxes

Source: PMI Financials

Summary

- **Strong business performance in EEMA, Asia and Latin America & Canada**
 - **Outlook for EU expected to improve**
 - **Enhanced innovation is driving improved organic volume**
 - **Productivity programs on track**
 - **Dividend increased in August**
 - **Strong balance sheet and healthy liquidity**
- Delivering against the targets we established in March**

Adjustments for the Impact of Currency and Acquisitions

	Third Quarter 2008						Third Quarter 2007			Adjusted % Change
	Reported	Less Excise Taxes	Revenues Excluding Excise Taxes	Less Currency	Less Acquisitions	Adjusted	Reported	Less Excise Taxes	Adjusted	
Operating Revenues										
EU	\$ 8,451	\$ 5,780	\$ 2,671	\$ 352	\$ 19	\$ 2,300	\$ 6,832	\$ 4,554	\$ 2,278	1.0%
EEMA	4,163	2,054	2,109	148		1,961	3,312	1,606	1,706	14.9%
Asia	3,188	1,578	1,610	55		1,555	2,814	1,372	1,442	7.8%
LA & Canada	1,563	1,000	563	35		528	1,274	784	490	7.8%
Total	<u>\$ 17,365</u>	<u>\$ 10,412</u>	<u>\$ 6,953</u>	<u>\$ 590</u>	<u>\$ 19</u>	<u>\$ 6,344</u>	<u>\$ 14,232</u>	<u>\$ 8,316</u>	<u>\$ 5,916</u>	7.2%
Operating Companies Income										
EU	\$ 1,325			\$ 154	\$ 9	\$ 1,162	\$ 1,151		\$ 1,151	1.0%
EEMA	946			55		891	710		710	25.5%
Asia	558					558	514		514	8.6%
LA & Canada	110			8	14	88	143		143	-38.5%
Total	<u>\$ 2,939</u>			<u>\$ 217</u>	<u>\$ 23</u>	<u>\$ 2,699</u>	<u>\$ 2,518</u>		<u>\$ 2,518</u>	7.2%



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Questions and Answers
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