3rd QUARTER, 2008, EARNINGS CALL

NICK ROLLI

(1) Welcome. Thank you for joining us. Earlier today we issued a news release containing detailed information on our 2008 third quarter results. You may access it on our web site at www.pmintl.com.

(2) As we take you through our results today, we will be talking about results in the third quarter 2008 and comparing them with the same period in 2007 unless specified otherwise. References to market shares are PMI estimates based on a number of sources. Net revenues data exclude excise taxes.

You will find a data table showing how we made adjustments to revenues and OCI for currency and acquisitions on the last slide of today's presentation, which will be posted on our web site.

(3) Today's remarks contain forward-looking statements and projections of future results, and I direct your attention to the Safe Harbor Statement 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 for Philip Morris International. Hermann.

HERMANN WALDEMER

(4) Thank you, Nick. Hello, everyone.

It is a pleasure to report excellent third quarter results in the present environment. We achieved cigarette volume growth of 4.0% and 3.2% excluding acquisitions. Net revenues of $7 billion were up 17.5% on a reported basis and 7.2% excluding currency and acquisitions. Reported OCI of $2.9 billion increased by 16.7% and by 7.2% excluding currency and acquisitions, in spite of the foreseen skew in our marketing investments and expenses to the second half of the year. Finally, reported EPS of $1.01 increased by 23.2% and adjusted diluted EPS of $0.93 was up 19.2% versus the pro-forma adjusted base of $0.78 in 2007. These numbers track favorably to our mid to long-term targets, which we shared with you in March.

(5) Before I delve into more detail on these very strong results, let me first address four key topics. These are currency, our geographic balance, our Canadian acquisition and our capital structure and liquidity.

(6) In looking at currency issues, investors should remember that we are a global company with sales in some 160 markets and revenues in a wide variety of currencies, the most important of which are the Euro, the Japanese Yen, the Russian Ruble, the Indonesian Rupiah, the Mexican Peso and the Turkish Lira. This wide basket of currencies means that there are often offsetting effects. Furthermore, while the Euro is the most important currency in terms of revenues, we have significant offsetting costs in Euros and Swiss Francs.

During the third quarter, the overall effect of exchange rate movements was positive to the tune of $217 million on an OCI basis. The growing strength of our business, as reflected in our quarterly results, enables us to reaffirm our full year 2008 guidance for adjusted diluted EPS of $3.32 to $3.38, representing a growth rate of between 19% and 21%. At current spot rates, our results should come in at the lower end of this range, which is in line with current consensus estimates.

(7) During the third quarter, we generated 28% of our volume and 44% of our OCI in the mature and stable EU Region. Asia, which has a mix of mature markets such as Japan and emerging markets such as Indonesia, contributed 25% of our volume and 19% of our OCI. The EEMA and Latin America and Canada Regions, which consist predominantly of emerging markets, accounted for 47% of volume and 37% of OCI.

We believe this represents the best geographic balance in the tobacco industry. Furthermore, I would like to emphasize that in our key emerging markets, such as Indonesia, Mexico, Russia, Turkey and Ukraine, we have continued to witness consumer uptrading to mid and premium priced products in the third quarter. Although we cannot exclude an eventual impact of the global financial crisis on consumer behavior, we remain very upbeat about the future and the resilience of our business in these markets.

(8) Our geographic coverage is being further enhanced by our successful acquisition of Rothmans Inc. in Canada. This acquisition is both financially and strategically compelling. It provides us with a strong position in one of the five largest international markets in which we had a limited presence. The investment of just over 2 billion Canadian Dollars is expected to provide attractive returns going forward. Rothmans has a growing share of about one third of the very profitable Canadian cigarette market and is the leader in the fine cut market. As previously disclosed, the acquisition will be modestly accretive in 2009.

Following the announcement of the tender offer, we received some questions from analysts and investors regarding the litigation environment in Canada. Let me re-emphasize that we considered the issue of litigation very carefully before we made the tender offer. Our traditional defenses remain available and strong including common knowledge of the health risks of smoking, absence of product defect, compliance with government policy, a defense similar to preemption in the U.S. and flawed statistical models, to mention a few. PMI's legal team under

Chuck Wall has a vast amount of experience in this domain and we believe that the Canadian litigation environment is, and will continue to be, manageable.

The Rothmans stock was de-listed on October 20th and we now own 100% of the company. The Canadian business results were incorporated into the Latin America and Canada Region as of September 19, but were immaterial for Q3 results.

(9) As you know, PMI has a prudent approach to its capital structure and our business generates a formidable cash flow, which underpins our healthy liquidity position in these turbulent times.

Earlier this year, we successfully issued bonds for a total of $9 billion denominated in Dollars, Euros and Swiss Francs. Thanks to our strong credit rating, we have had an uninterrupted access to the Tier 1 commercial paper market. We currently have $1.4 billion outstanding at an interest rate of 2.4%, which is well below LIBOR. We have established a committed revolving credit facility of $6.4 billion, which remains undrawn.

The strength of our business fundamentals and our strong cash flows underlie the decision made on 29 August by our Board of Directors to increase the quarterly dividend by 17.4% to $0.54 per share, representing an annualized rate of $2.16, which at the current share price represents an attractive yield of 5.1%.

Since May, we have spent $4.5 billion against our $13 billion, two year share repurchase program. We are well ahead of schedule and therefore are in a comfortable position to appropriately and prudently balance our fourth quarter share repurchases with developments in the financial markets over the next few weeks.

(10) In reviewing our third quarter results, let me first focus on the overall strength of our superior brand portfolio. Our cigarette volume reached 225.9 billion units, an increase of 4.0%. Excluding acquisitions, volume increased by 3.2%, which represents our best organic volume performance in many years, reflecting continued consumer uptrading, new product initiatives, and enhanced communication and consumer engagement activities. More importantly, this volume growth was accompanied by higher pricing in most key markets, resulting in a 7.2% increase in net revenues excluding currency and acquisitions.

The EEMA, Asia and Latin America and Canada Regions achieved strong organic volume growth, while the decline in the EU Region was broadly in line with the overall market decline. The vast majority of our key brands, including *Marlboro*, had positive volume trends.

(11) *Marlboro* shipment volume increased in the quarter by 1.1% to 80.3 billion units. *Marlboro* shipments were up in all geographical regions except the EU.

Strong results were achieved in a wide variety of markets, such as Argentina, Indonesia, Japan and Ukraine.

Our innovative line extensions are helping to strengthen the vitality and overall equity of the brand. *Marlboro Black Menthol,* for example, achieved a 1.0% share of the Japanese market in September. This is the best result in recent years for any new brand in Japan. Despite some cannibalization, this launch enabled *Marlboro* to gain 0.4 share points compared to the previous quarter and PMI to reinforce its leading position in the growing menthol segment in Japan.

Marlboro Filter Plus continues to grow and is being further rolled-out geographically. For example, it achieved a 3.1% share in Bucharest, Romania, a 2.1% share in Kuwait and a 0.9% share in Moscow, with a strong skew towards Young Adult Smokers, which we define as smokers between Legal Age minimum 18 and 24 years old.

Other new initiatives behind *Marlboro* include the further geographic expansion of the shorter *Marlboro Intense*, the introduction in Latin America of new menthol variants and the launch in Poland of *Marlboro Gold Edge*, a super slims variant.

(12) *Parliament* shipments were up 15.8% thanks to tremendous momentum in Korea, Russia, Turkey and Ukraine, while *Virginia Slims* volume was 3.6% higher. We are further reinforcing *Parliament* in Russia and Ukraine with the launch during the fourth quarter of the luxury super slims *Parliament Reserve,* while *Virginia Slims* is benefiting from the growth of its *Uno* variants.

(13) Our two key brands in the mid price segment are *L&M* and *Chesterfield*. While *L&M* continues to be an issue in Russia, the brand appears to have stabilized in Romania and Ukraine. Outside of the EEMA Region, the volume of *L&M* grew by 3.7%, driven in particular by Germany, where *L&M* is the fastest growing brand in the market.

The growth of *Chesterfield*, which is generally sold at a higher price, is more than offsetting the decline of *L&M*. Shipments of *Chesterfield* increased by 14.6% in the quarter, driven by strong results particularly in Italy, Russia and Ukraine.

(14) While we focus our efforts on the more profitable premium and mid-price segments, PMI also has three strong international brands in the low price segment. During the third quarter, the combined shipment volume of *Bond Street*, *Next* and *Red & White* increased by 12.3%.

In addition, our local heritage brands in such markets as Indonesia, Italy and Mexico are performing well.

(15) Let me now briefly take you through the results and key developments in our four regions.

Industry cigarette volume in the EU Region is estimated to have declined by 1.2%. Our cigarette shipment volume decreased by 2.1% reflecting the total market decline, unfavorable distributor inventory movements in Italy and the timing of shipments in Spain.

Constant currency net revenues and OCI were both up 1.0% with increases across all major markets except the Czech Republic and Poland, which were impacted by the need to temporarily absorb excise taxes, as well as the overall market decline in these two countries. We are particularly pleased by progress in the very important German market where we gained share in both the cigarette and fine cut categories.

(16) During the third quarter, we continued to achieve very strong results in the EEMA Region with volume up 5.0%, net revenues excluding currency 14.9% higher, and OCI excluding currency growing by 25.5%. These strong results were driven by continued volume expansion and an improved mix due to our strong position in the premium segment in Russia, Turkey and Ukraine. Higher prices further boosted our profitability in these key markets to record levels.

(17) Cigarette shipment volume in Asia grew by 5.6% to 55.9 billion units, with growth in Indonesia and Korea more than offsetting the impact of the market decline in Japan. Net revenues excluding currency were up by 7.8% and OCI excluding currency was 8.6% higher thanks to favorable volume, mix and pricing.

We are very pleased with our progress in Japan with sequential total market share growth and a strengthening of our leadership in the growing menthol segment behind *Marlboro Black Menthol*, *Lark Menthol X* and *Virginia Slims Noire*.

Our shipments in Indonesia increased 2.2 billion units, or 13.0%, driven by the strong performances of *Marlboro* and *A Mild*, as well as the timing of Ramadan, which resulted in an estimated 800 million units being brought forward from the fourth to the third quarter. The other key highlight in Asia was Korea where our shipment volume grew by 28.1% and share was up 2.3 points.

(18) Latin America and Canada also had a strong quarter. Our cigarette shipment volume was up 6.5% excluding acquisitions. Net revenues excluding currency and acquisitions increased by 7.8% and OCI excluding currency and acquisitions was up 4.2% excluding the $61 million distribution related charge in Canada. These strong results were driven by all our key markets and by *Marlboro*, the shipments of which were up 3.3%.

(19) To sum up:

- Our businesses in EEMA, Asia and Latin America and Canada are performing very well with strong volume growth, an improved mix and higher prices and margins;
- The outlook for the EU Region is expected to improve with pricing power remaining strong, an enhanced competitive position notably in Germany and an end to the distortions in the Czech market;
- Enhanced innovation is driving improved organic volume;
- We are on track with our productivity and saving programs;
- We have increased our dividend and continue to enjoy a strong balance sheet and healthy cash flows.

As you can see, we are delivering against the targets that we shared with you in March. We firmly believe that we are well placed to weather any potential future consequences from the current global financial crisis and to continue to deliver a superior performance for our shareholders.

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(21) I will now be happy to take your questions.

NICK ROLLI

Thanks everyone. The Investor Relations team is available in Lausanne should you have any follow-up questions.