



PHILIP MORRIS INTERNATIONAL

2011 Third-Quarter Results

October 20, 2011



Introduction

- Unless otherwise stated, we will be talking about results for the third-quarter 2011 and comparing them with the same period in 2010
- References to PMI volumes refer to PMI shipment data, unless otherwise stated
- Industry volume and market shares are the latest data available from a number of internal and external sources
- Organic volume refers to volume excluding acquisitions
- Net revenues exclude excise taxes
- OCI stands for Operating Companies Income, which is defined as operating income before general corporate expenses and the amortization of intangibles. OCI growth rates are on an adjusted basis, which excludes asset impairment, exit and other costs
- Data tables showing adjustments to net revenues and OCI for currency, acquisitions, asset impairment, exit and other costs, free cash flow calculations, adjustments to EPS, and reconciliations to U.S. GAAP measures are at the end of today's web cast slides and are posted on our web site



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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 June 30, 2011, filed with the Securities and Exchange Commission



2011 Third-Quarter Results

- Outstanding financial performance:

	<u>Q3, 2011 Results^(a)</u>
Net Revenues	+15.7%
Adjusted OCI	+23.7%
Adjusted Diluted EPS	+33.0%

- In the quarter, we comfortably surpassed all our mid to long-term currency neutral annual growth targets even excluding our business in Japan

(a) All financial growth rates exclude currency. Net revenues and OCI growth rates also exclude acquisitions
Source: PMI Financials



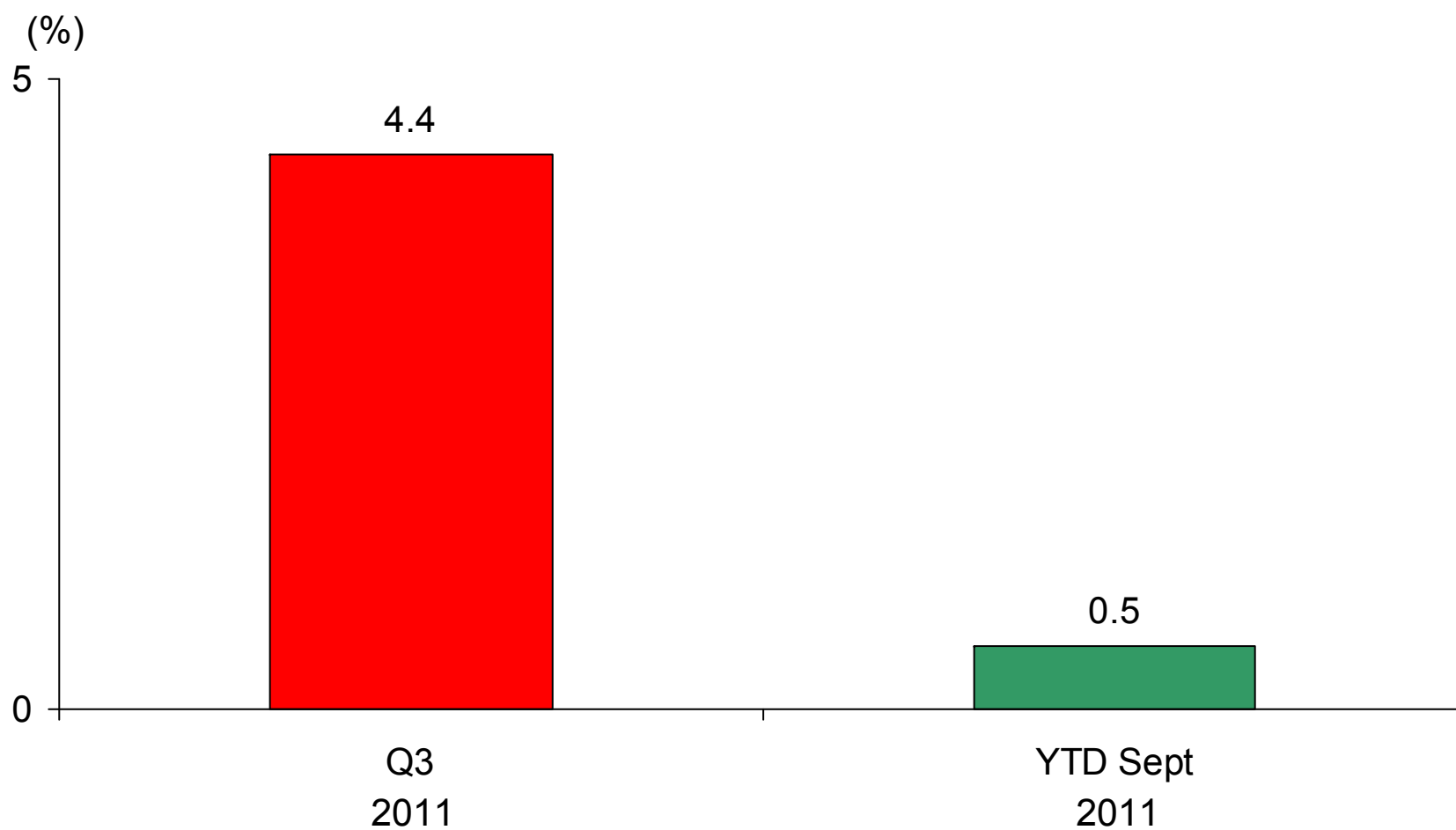
2011 EPS Guidance

- Business outlook further improved, fully compensating recent unfavorable currency movements
- Allows us to narrow our 2011 reported diluted EPS guidance range to \$4.75 to \$4.80 (upper half of previous range)
- Compared to our adjusted diluted EPS of \$3.87 in 2010, this translates into improved growth rates of approximately 17.5% to 19.0% excluding currency, and approximately 22.5% to 24.0% at prevailing exchange rates



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PMI Organic Cigarette Volume Growth



Source: PMI Financials



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PMI Brand Performance

	% Volume Growth vs. Prior Year	
	<u>Q3, 2011</u>	<u>YTD Sept, 2011</u>
<i>Marlboro</i>	3.9%	0.5%
<i>L&M</i>	3.9	2.9
<i>Bond Street</i>	6.8	2.2
<i>Fortune</i>	10.1	9.0 ^(a)
<i>Philip Morris</i>	1.8	1.0
<i>Parliament</i>	16.2	9.9
<i>Chesterfield</i>	7.0	0.4
<i>Sampoerna A</i>	22.8	11.7
<i>Lark</i>	44.1	15.3
<i>Dji Sam Soe</i>	12.1	10.3

(a) March through September
Source: PMI Financials



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Marlboro Market Shares

	Market Shares		
	<u>YTD Sept, 2010</u>	<u>YTD Sept, 2011</u>	<u>Variance</u>
Asia ^(a)	6.2%	6.5%	0.3pp
EEMA ^(b)	5.6	6.1	0.5
EU	18.1	17.9	(0.2)
LA&C	13.8	13.5	(0.3)
Total^{(a)(b)(c)}	8.8	9.0	0.2

(a) Excluding PRC

(b) Excluding duty-free

(c) Also excluding the USA

Source: PMI estimates



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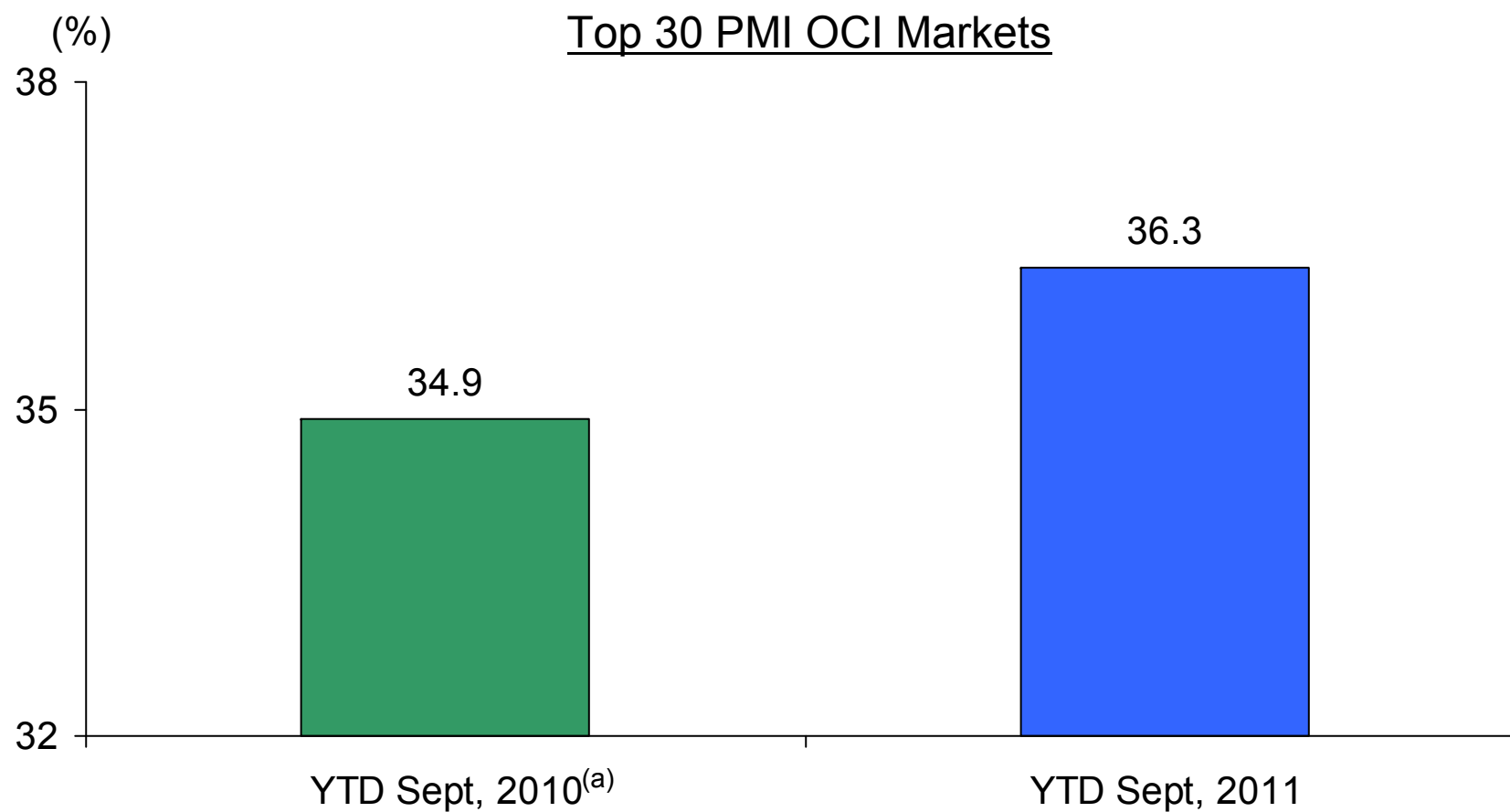
Marlboro Market Shares – LA&C Region

	Market Shares		
	<u>YTD Sept, 2010</u>	<u>YTD Sept, 2011</u>	<u>Variance</u>
Argentina	23.2%	24.0%	0.8pp
Brazil	6.7	7.0	0.3
Colombia	3.7	4.7	1.0
Mexico	48.9	51.8	2.9

Source: PMI estimates



PMI Market Share Developments



(a) Adjusted for Philippines pro forma Jan-Feb 2010
Source: PMI Financials and estimates



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2011 Third-Quarter Results – by Region

	Q3, 2011 Results			
	<u>Asia</u>	<u>EEMA</u>	<u>LA&C</u>	<u>EU</u>
Net Revenues ^(a)	+39.1%	+11.2%	+8.3%	+2.2%
Adjusted OCI ^(a)	+75.1	+13.8	+9.0	+3.1

(a) Excluding currency and acquisitions
Source: PMI Financials



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Japan

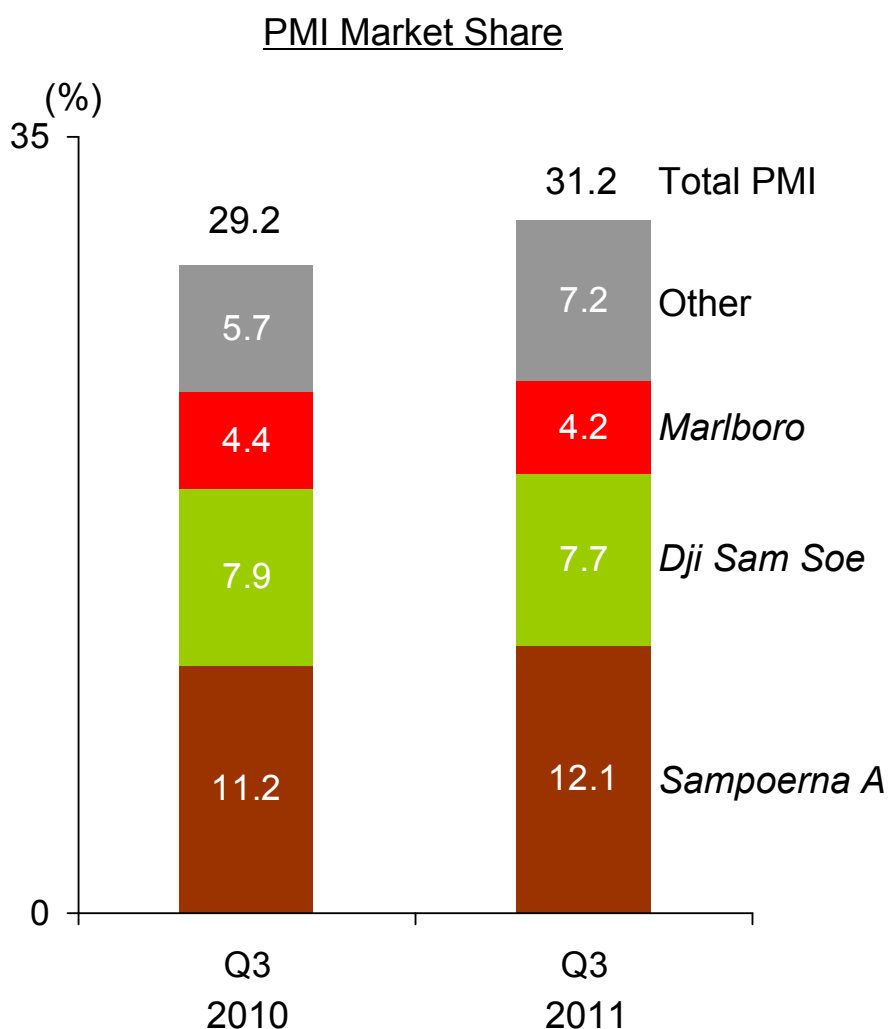
- PMI shipments up 47.1%:
 - Higher 2011 market share
 - Payback in Q3, 2010, for Q2, 2010, distributor inventory build-up
- September C-store consumer off-take share slightly above 30%, compared to around 26% pre-crisis
- Retention share only measurable in Q4, 2011, or Q1, 2012
- Industry volume decline not expected to exceed 15% this year





Indonesia

- PMI volume up 22.5% in Q3, 2011
- Record market share of 31.2% in Q3, 2011
- Indonesian economy remains strong and consumer purchasing power is increasing
- Government expected to continue to implement plans to simplify excise tax structure

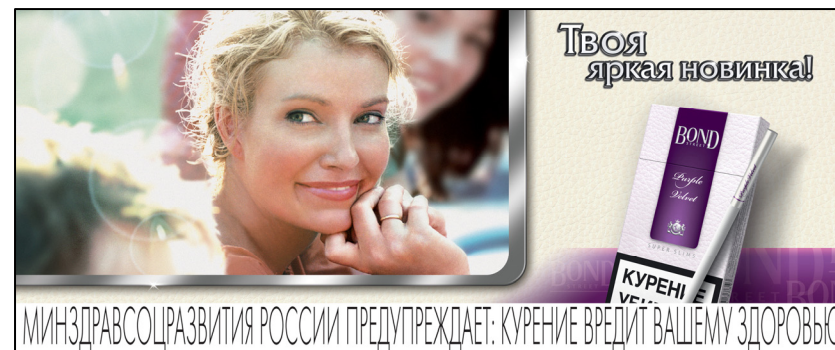




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Russia

- Market share up slightly to 25.8% QTD Aug, 2011, behind:
 - *Parliament* in premium
 - *Chesterfield* in mid-price, and
 - *Bond Street* in low-price segment
- PMI volume down 3.5% in Q3, 2011, due to:
 - Distributor inventory adjustments
 - Lower total market
- During Q4, 2011, Russian Parliament expected to approve new manageable road map for excise taxes

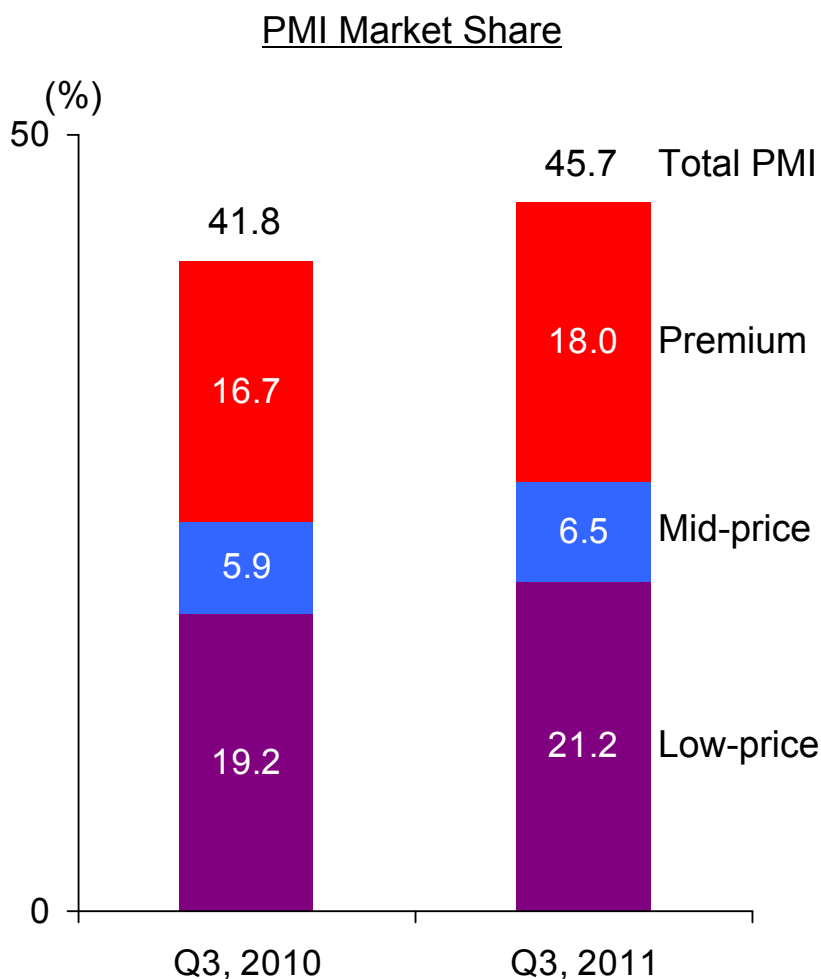


Source: A.C. Nielsen, PMI Finance and Russian Ministry of Finance



Turkey

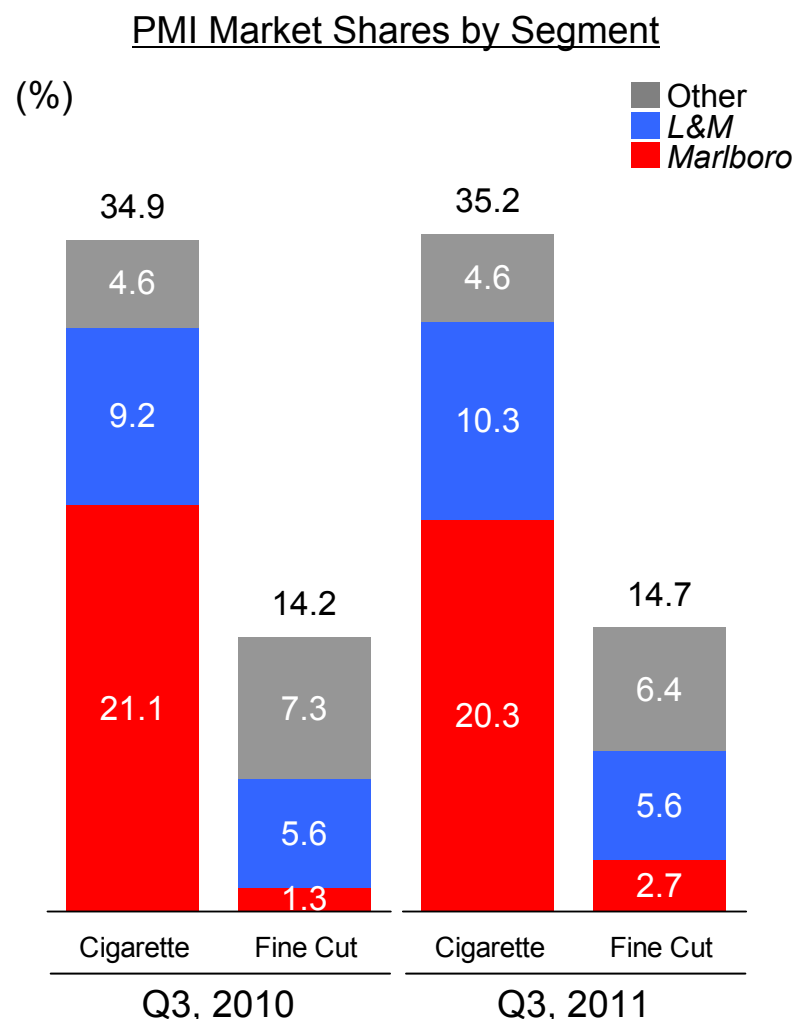
- PMI volume up 21.6% in Q3, 2011
- Strong share gains driven by:
 - *Parliament* in premium
 - *Muratti* in mid-price, and
 - *L&M* in low-price
- Total market had stabilized, but recently announced, very large ad-valorem excise tax increase expected to be disruptive
- A more balanced excise tax structure is needed





Germany

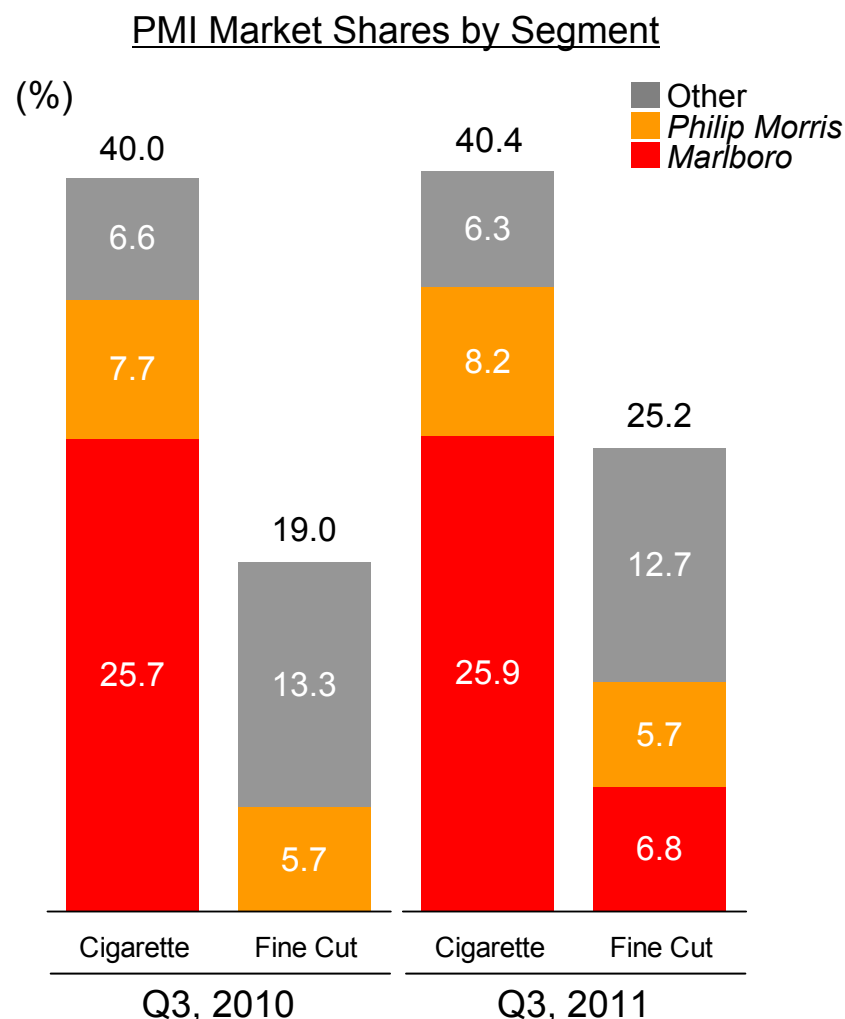
- Germany had benefited from more robust market volume trends this year
- Q3, 2011, total German market volume:
 - Cigarettes +0.3%
 - Fine cut +3.8%
- PMI share gains in both cigarette and fine cut segments
- Price increase in Q2, 2011. Next tax step in Jan 2012





France

- Great momentum in a stable market
- Cigarette share gain of 0.4pp to 40.4%, driven by premium *Marlboro* and *Philip Morris*
- Strong growth in fine cut segment since launch of *Marlboro* in Feb 2011
- Cigarette price increase of €0.30/pack this month





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Spain

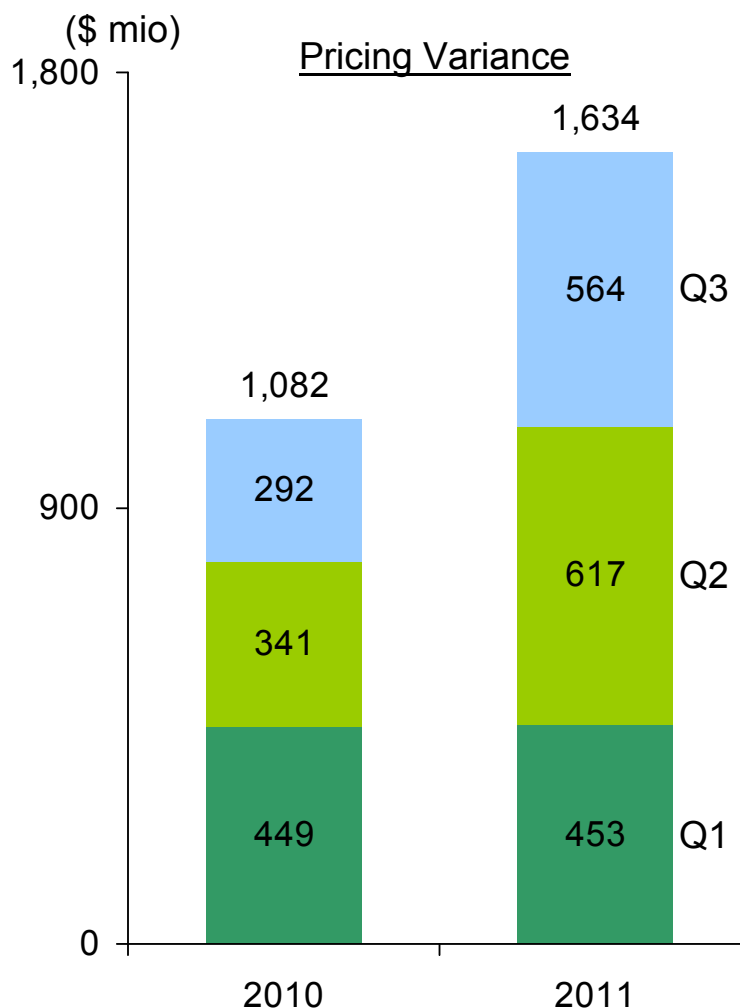
- Very high unemployment driving decline in cigarette industry volume of at least 15% in 2011
- Pricing situation was resolved in September:
 - *Marlboro* back to previous level of €4.25/pack
 - *L&M* raised to €3.75/pack





Pricing

- The pricing environment continues to be very favorable
- In 2011, PMI has implemented or announced price increases in:
 - Asia: Australia, Indonesia, Philippines
 - EEMA: Algeria, Russia, Saudi Arabia, Ukraine
 - EU: France, Germany, Italy, Poland, Spain
 - LA&C: Argentina, Brazil, Canada





Costs and Margins

- Stable tobacco leaf prices
- Moderate cost increases offset by productivity savings that will surpass \$250 million in 2011

	<u>Adjusted OCI Margins</u> Third-Quarter		
	<u>2010</u>	<u>2011^(a)</u>	<u>Variance^(a)</u>
Asia	37.6%	47.4%	9.8pp
EEMA	45.1	46.2	1.1
EU	53.0	53.5	0.5
LA&C	32.7	32.9	0.2
Total	44.2	47.3	3.1

(a) Excluding currency and acquisitions
Source: PMI Financials



Excise Taxation

- Excise tax structures have improved and several countries have adopted multi-year tax plans
- Most governments appear to have understood that large excise tax increases are disruptive and do not improve revenue generation over mid to long-term
- We expect some VAT increases in 2012, but these should be manageable
- Every year, some governments introduce disruptive excise tax increases. This happened last week in Turkey and additional surprises remain possible

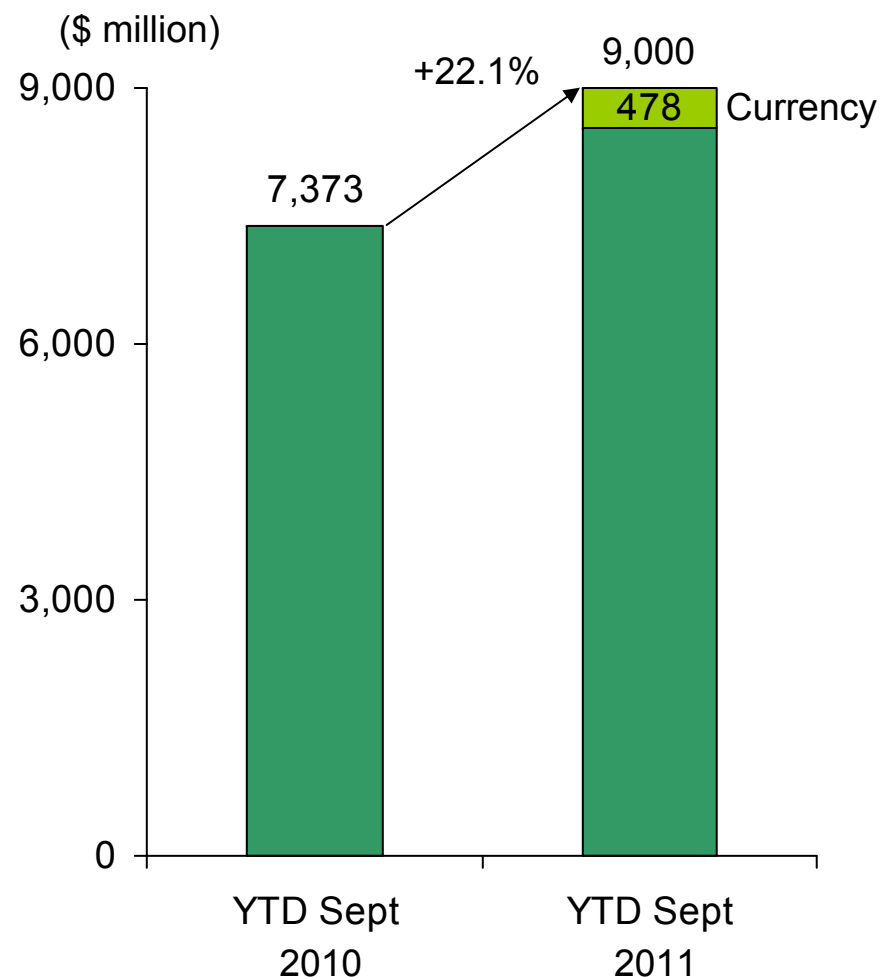
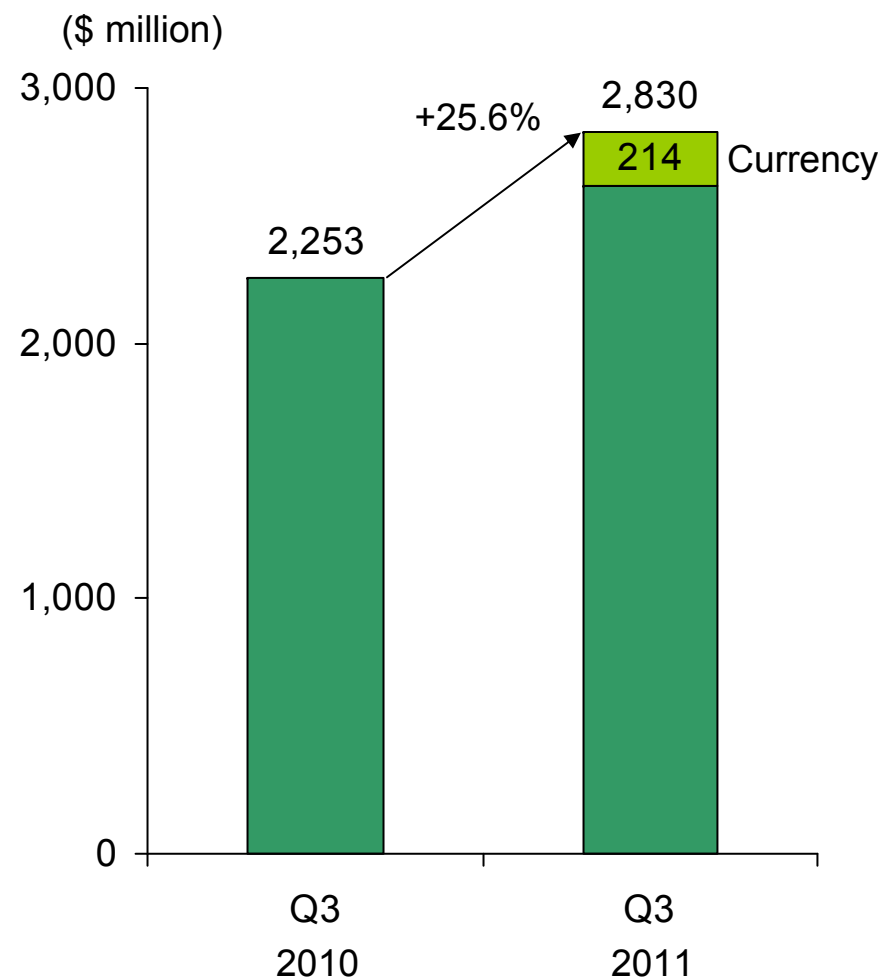


Plain Packaging

- We oppose such measures because:
 - No sound evidence it would reduce consumption, smoking incidence or youth smoking, or provide any other public health benefit
 - Undermines public health objectives by lowering prices and increasing illicit trade
 - Violates intellectual property protections and breaches international trade obligations
- We therefore do not believe that plain packaging regulations should be widely adopted
- We are vigorously pursuing several legal avenues to challenge the Australian Government's plain packaging proposal



Free Cash Flow^(a)

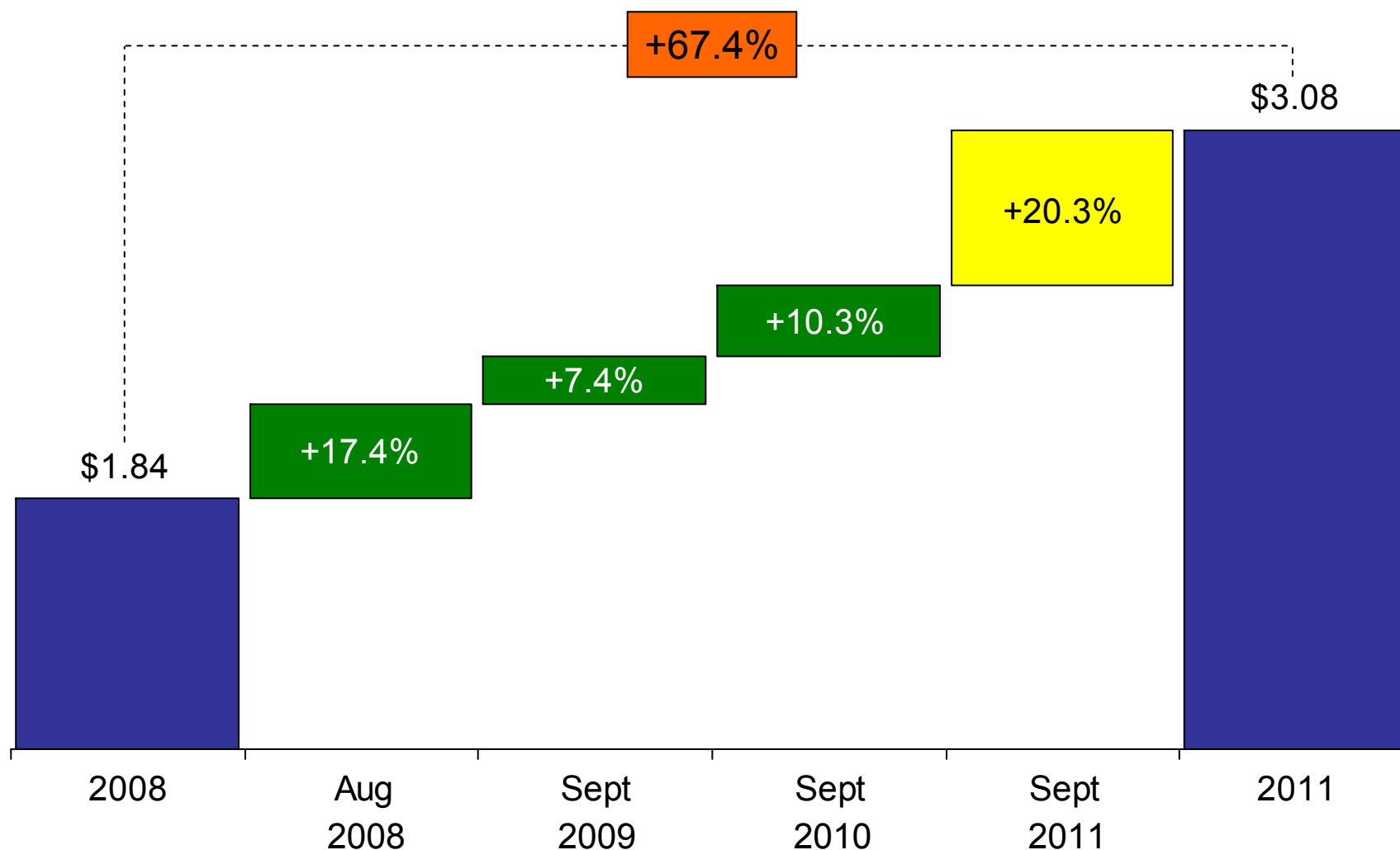


(a) Free cash flow equals net cash provided by operating activities less capital expenditures
Source: PMI Financials



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Dividend Increases Since Spin-Off^(a)



(a) Dividends for 2008 and 2011 are annualized rates. 2008 annualized rate is based on a quarterly dividend of \$0.46 per common share, declared June 18, 2008. The annualized rate for 2011 is based on a quarterly dividend of \$0.77 per common share, declared September 14, 2011

Source: PMI Financials



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Share Repurchases and Dividends

- During the third quarter, PMI spent \$1.4 billion to repurchase a further 21.2 million shares
- Since the March 2008 spin:
 - Over \$20 billion spent to repurchase nearly 400 million shares at an average price of \$50.81 per share
 - Over \$14 billion paid out in dividends
 - Nearly \$35 billion returned to our shareholders



Summary

- Outstanding third quarter:
 - Organic volume growth of 4.4%
 - Strong market share momentum and favorable pricing environment
 - Adjusted diluted EPS, excluding currency, increased by 33.0%
 - 2011 reported diluted EPS guidance range narrowed to \$4.75-\$4.80, with improved business outlook offsetting recent unfavorable currency movements
 - Compared to an adjusted diluted EPS of \$3.87 in 2010, this corresponds to an increase of approximately 22.5% to 24.0% at prevailing exchange rates, and approximately 17.5% to 19.0%, excluding currency
- 20.3% dividend increase in September demonstrates our focus on shareholder returns and our belief in a bright future



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2011 Third-Quarter Results

Questions & Answers

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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Adjustments for the Impact of Currency and Acquisitions
For the Quarters Ended September 30,
(\$ in millions)
(Unaudited)

2011							2010			% 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	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 8,155	\$ 5,649	\$ 2,506	\$ 321	\$ 2,185	\$ -	\$ 2,185	\$ 7,045	\$ 4,906	\$ 2,139	17.2%	2.2%	2.2%
4,921	2,711	2,210	89	2,121	13	2,108	4,184	2,288	1,896	16.6%	11.9%	11.2%
5,143	2,344	2,799	248	2,551	2	2,549	3,629	1,796	1,833	52.7%	39.2%	39.1%
2,487	1,640	847	39	808	-	808	2,078	1,332	746	13.5%	8.3%	8.3%
\$ 20,706	\$ 12,344	\$ 8,362	\$ 697	\$ 7,665	\$ 15	\$ 7,650	\$ 16,936	\$ 10,322	\$ 6,614	26.4%	15.9%	15.7%

2011							2010			% Change in Reported Operating Companies Income		
Reported Operating Companies Income	Less Currency	Reported Operating Companies Income excluding Currency	Less Acquisi- tions	Reported Operating Companies Income excluding Currency & Acquisitions	Reported Operating Companies Income	Reported Operating Companies Income excluding Currency & Acquisitions	Reported Operating Companies Income	Reported Operating Companies Income	Reported Operating Companies Income	Reported Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 1,262	\$ 105	\$ 1,157	\$ -	\$ 1,157	\$ 1,113	\$ 1,113	\$ 1,113	\$ 1,113	\$ 1,113	13.4%	4.0%	4.0%
925	(32)	957	(13)	970	856	856	856	856	856	8.1%	11.8%	13.3%
1,309	104	1,205	2	1,203	690	690	690	690	690	89.7%	74.6%	74.3%
255	-	255	-	255	244	244	244	244	244	4.5%	4.5%	4.5%
\$ 3,751	\$ 177	\$ 3,574	\$ (11)	\$ 3,585	\$ 2,903	\$ 2,903	\$ 2,903	\$ 2,903	\$ 2,903	29.2%	23.1%	23.5%

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Reconciliation of Non-GAAP Measures



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Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &
Reconciliation of Adjusted Operating Companies Income Margin, excluding Currency and Acquisitions
For the Quarters Ended September 30,

(\$ in millions)
(Unaudited)

2011							2010			% 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
\$ 1,262	\$ (11)	\$ 1,273	\$ 105	\$ 1,168	\$ -	\$ 1,168	\$ 1,113	\$ (20)	\$ 1,133	12.4%	3.1%	3.1%
925	(16)	941	(32)	973	(1)	974	856	-	856	9.9%	13.7%	13.8%
1,309	(5)	1,314	104	1,210	2	1,208	690	-	690	90.4%	75.4%	75.1%
255	(11)	266	-	266	-	266	244	-	244	9.0%	9.0%	9.0%
\$ 3,751	\$ (43)	\$ 3,794	\$ 177	\$ 3,617	\$ 1	\$ 3,616	\$ 2,903	\$ (20)	\$ 2,923	29.8%	23.7%	23.7%
							European Union					
							EEMA					
							Asia					
							Latin America & Canada					
							PMI Total					

2011							2010			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency ^(a)	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions ^(a)	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	Adjusted Operating Companies Income	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes ^(a)	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions
\$ 1,168	\$ 2,185	53.5%	\$ 1,168	\$ 2,185	53.5%	\$ 1,133	\$ 1,133	2,139	53.0%	0.5	0.5
973	2,121	45.9%	974	2,108	46.2%	856	856	1,896	45.1%	0.8	1.1
1,210	2,551	47.4%	1,208	2,549	47.4%	690	690	1,833	37.6%	9.8	9.8
266	808	32.9%	266	808	32.9%	244	244	746	32.7%	0.2	0.2
\$ 3,617	\$ 7,665	47.2%	\$ 3,616	\$ 7,650	47.3%	\$ 2,923	\$ 2,923	\$ 6,614	44.2%	3.0	3.1
							European Union				
							EEMA				
							Asia				
							Latin America & Canada				
							PMI Total				

(a) For the calculation of net revenues excluding excise taxes, currency and acquisitions, refer to previous slide

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>2011</u>	<u>2010</u>	<u>% Change</u>
Reported Diluted EPS	\$ 1.35	\$ 0.99	36.4%
Adjustments:			
Asset impairment and exit costs	0.02	0.01	
Tax items	-	-	
Adjusted Diluted EPS	\$ 1.37	\$ 1.00	37.0%
Less:			
Currency impact	0.04		
Adjusted Diluted EPS, excluding Currency	\$ 1.33	\$ 1.00	33.0%

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Reconciliation of Non-GAAP Measures



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Reconciliation of Operating Cash Flow to Free Cash Flow and 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,		
	2011	2010	% Change	2011	2010	% Change
Net cash provided by operating activities^(a)	\$ 3,053	\$ 2,417	26.3%	\$ 9,568	\$ 7,856	21.8%
Less:						
Capital expenditures	223	164		568	483	
Free cash flow	\$ 2,830	\$ 2,253	25.6%	\$ 9,000	\$ 7,373	22.1%
Less:						
Currency impact	214			478		
Free cash flow, excluding currency	\$ 2,616	\$ 2,253	16.1%	\$ 8,522	\$ 7,373	15.6%

(a) Operating Cash Flow

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Reconciliation of Non-GAAP Measures



Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS
For the Year Ended December 31,
(Unaudited)

	<u>2010</u>
Reported Diluted EPS	\$ 3.92
Adjustments:	
Tax items	(0.07)
Asset impairment and exit costs	0.02
Adjusted Diluted EPS	<u>\$ 3.87</u>



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October 20, 2011