



PHILIP MORRIS INTERNATIONAL

2009 First-Quarter Results

23 April 2009

Introduction

- Unless otherwise stated, we will be talking about results in the first quarter 2009 and comparing them with the same period in 2008
- References to volumes are for PMI shipment data
- Industry volume and market shares are sourced from A.C. Nielsen, other third party sources and internal estimates
- Net revenues exclude excise taxes
- Data tables showing adjustments to revenues and Operating Companies Income (“OCI”) for currency and acquisitions are at the end of this presentation

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, filed with the Securities and Exchange Commission.

2009 First-Quarter Results

- **Strong business momentum continues**

2009 First-Quarter Results

- Strong business momentum continues
- Net revenues up 3.9% excluding acquisitions and currency:
 - driven by pricing

2009 First-Quarter Results

- Strong business momentum continues
- Net revenues up 3.9% excluding acquisitions and currency
- OCI up 6.2% excluding acquisitions and currency:
 - strong performances in EEMA and Asia Regions
 - 2.3% decrease in EU Region, driven by Poland and Germany

2009 First-Quarter Results

- Strong business momentum continues
- Net revenues up 3.9% excluding acquisitions and currency
- OCI up 6.2% excluding acquisitions and currency
- **Reported diluted EPS down 6.3% to 74 cents**
- **Diluted EPS up 10 cents, or 12.7%, excluding currency**

Focus Topics

- **Consumer trends in emerging markets**
- **Pricing**
- **Currency**

Russia

- **Signs of consumer down-trading due to economic situation and price increases**
- **Weak oil and metal prices hurting the economy**
- **PMI volume stable and share up in Q1, 2009**
- **Pricing driving double digit increase in local currency profitability**

Ukraine

- **Significant economic upheaval**
- **PMI volume up 0.7% in the first quarter**
- **PMI share up 1.1pp to 35.8% in Q1, 2009, driven by *Parliament* and *Chesterfield***
- **Significant increase in excise taxes in May could lead to consumer down-trading**
- **PMI has excellent momentum and broad portfolio**

Indonesia

- **No consumer down-trading**
- **PMI volume up 2.8% in Q1, 2009**
- **Improved consumer confidence and stable unemployment**
- **Fastest growing segment is machine-made lighter-tasting kreteks, led by PMI's *A Mild***
- **Pricing boosting profitability**

Argentina

- **Continued consumer uptrading**
- **PMI volume increased by 1.2% in Q1, 2009**
- **PMI share up 2.7pp to 72.2% on a 3 month moving average basis through the end of January (latest available)**
- **Pricing helping to improve profitability**
- **Minimum Excise Tax introduced in February**

Pricing

- Since October 2008, PMI has increased prices notably in:

EU	EEMA	Asia	LA & Canada
Czech Rep.	Romania	Australia	Argentina
Greece	Russia	Indonesia	Canada
Italy	Serbia	Pakistan	Colombia
Spain	Turkey	Philippines	Mexico
UK	Ukraine		

- PMI has announced to the trade plans to increase prices in Germany in June by €0.20 across the board

Pricing

- **Pricing variance in Q1, 2009, was \$358 million**
- **Largest quarterly pricing variance ever**
- **Pricing variance in Q1, 2009, higher than for the full year 2006**

Currency and Guidance

- **First-quarter results adversely impacted by currency:**
 - net revenues \$700 million
 - OCI \$400 million
 - EPS 15 cents
- **Currency environment slightly more favorable at present but remains very volatile**
- **If current exchange rates prevail, we anticipate to be at the upper end of our February guidance**
- **We are confident in achieving our 2009 constant currency EPS targeted growth rate of 10-14%**

2009 First-Quarter Volume: PMI

- **Volume reached 203 billion units:**
 - stable versus Q1, 2008
 - down 1.1% excluding acquisitions
 - stable excluding acquisitions on a per selling day basis

2009 First-Quarter Volume: EU

- **Volume down 3.7% driven primarily by:**
 - a sharp contraction of the Polish market
 - slight share erosion in Italy, compounded by trade inventory distortions
- **PMI market share in EU Region of 38.4%, down 0.3pp**
- **Stable share trend in France, Germany and Spain**

2009 First-Quarter Volume: EEMA

- **Volume was down 0.3% vs. 2008, but up 0.8% on a per selling day basis:**
 - 10.5% decline in duty-free volume reflecting reduced travel
- **Volume and share gains notably in Algeria, Egypt and Turkey**
- **Market share gains also in Bulgaria, Croatia, Romania, Russia and Ukraine**

2009 First-Quarter Volume: Asia

- **Volume up 2.2%, driven by:**
 - record market share of 13.8% in Korea
 - continued volume growth in Indonesia
 - a favorable distributor inventory movement in Japan due to the resourcing of production from the USA to Europe
- **PMI share of 23.9% in Japan thanks to strong performance of *Marlboro***

2009 First-Quarter Volume: LA & Canada

- **Volume up 4.4%, boosted by acquisition of Rothmans Inc. in Canada**
- **Excluding acquisitions, volume down 4.7% due to:**
 - targeted inventory reductions and reduced consumer demand in Colombia
 - impact of price increases on industry volume in Mexico
- **PMI share in Mexico reached 69.2%, up 2.3pp**

PMI Brand Performance

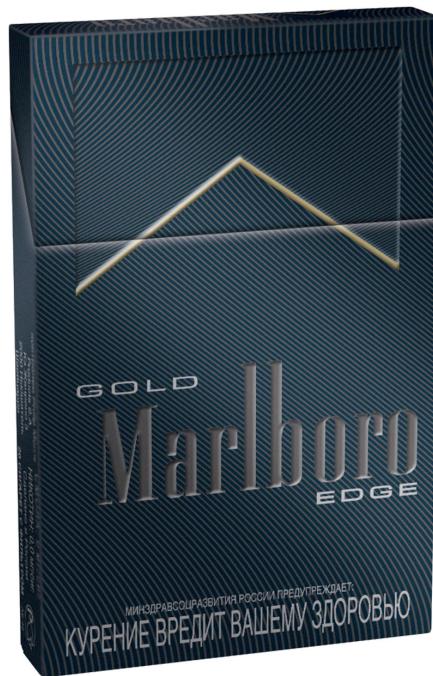
- ***Parliament* volume up 5.9%:**
 - strong growth in Korea, Russia, Turkey and Ukraine

PMI Brand Performance

- *Parliament volume up 5.9%*
- **Marlboro volume down 2.4%:**
 - lower industry volume in EU Region
 - 0.4 share point decline in EU Region
 - reduced duty-free sales
 - softening of premium segment in Russia

Philip Morris International

Marlboro Gold



Marlboro Black Menthol

- In Q1, *Marlboro* achieved a 10.4% market share in Japan, up 0.5pp
- *Marlboro Black Menthol* achieved a 1.0% market share in Japan in Q1
- PMI has stabilized its share of the growing menthol segment in Japan at 44.9% in Q1
- Now launched in Hong Kong and Indonesia



PMI Brand Performance

- *Parliament* volume up 5.9%
- *Marlboro* volume down 2.4%
- ***Chesterfield* volume up 0.4%:**
 - strong performance in EU Region

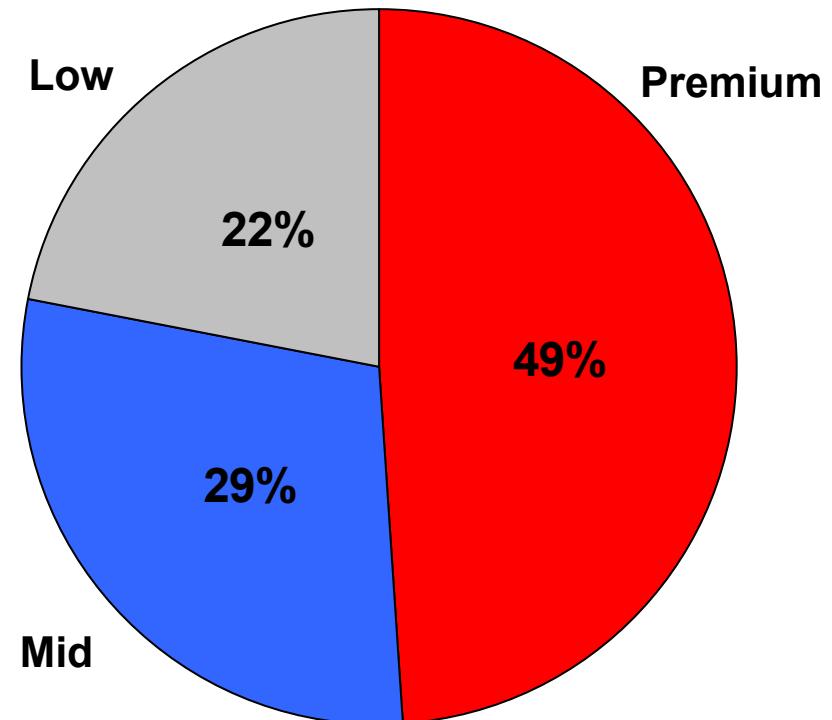
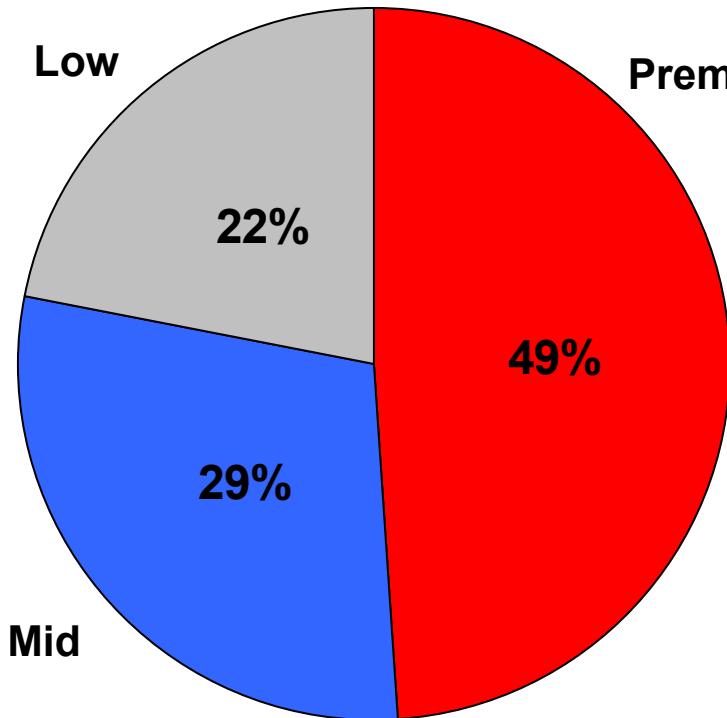
PMI Brand Performance

- *Parliament* volume up 5.9%
- *Marlboro* volume down 2.4%
- *Chesterfield* volume up 0.4%
- **L&M volume down 0.5%:**
 - improved performance outside Russia
 - fastest growing brand in Germany
 - # 2 brand in the EU Region behind *Marlboro*

PMI Brand Performance

- *Parliament* volume up 5.9%
- *Marlboro* volume down 2.4%
- *Chesterfield* volume up 0.4%
- *L&M* volume down 0.5%
- **Combined volume of *Bond Street*, *Next*, and *Red & White* up 1.5%**

PMI Volume by Price Segment



Note: Price segmentation by brand on a global basis; excludes Rothmans Inc. brands.
Source: PMI Financials

Cash Flow and Balance Sheet

- **Free cash flow in Q1, 2009, was \$1.3 billion, in line with Q1, 2008:**
 - lower capital expenditures
 - working capital requirements under control
 - unfavorable currency impact on net earnings
- **Balance sheet and liquidity position remain very strong**
- **Additional Euro 2.0 billion and CHF 0.5 billion in bonds issued during the first quarter**
- **Weighted average cost of long-term debt of 5.6%**

Shareholder Returns

- Willing to surpass target dividend pay-out ratio of 65%
- Share repurchases totaled \$1.3 billion in Q1, 2009

Conclusions

- **Tobacco sector resilient**
- **PMI has best brand portfolio and geographic balance**
- **Innovation and new *Marlboro* architecture**
- **Prices increased across broad range of markets**
- **Manageable excise tax and regulatory environment**
- **Cost savings programs on track**
- **Currency headwinds in the short-term**
- **Substantial cash flows and excellent liquidity**
- **Dividends and share repurchases**
- **On track to achieve currency neutral targets in 2009**



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Questions & Answers

Reconciliation of Non-GAAP Measures

Adjustments for the Impact of Currency and Acquisitions

For the Quarters Ended March 31,

(in millions)

(Unaudited)

2009										2008 ⁽¹⁾				% Change on 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	European Union	Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions			
										PMI Total	\$ 14,354	\$ (8,433)	\$ 5,921	(5.5)%	6.3%	3.9%
\$ 6,050	\$ (4,063)	\$ 1,987	\$ (251)	\$ 2,238	\$ 16	\$ 2,222	European Union	\$ 6,697	\$ (4,451)	\$ 2,246	(11.5)%	(0.4)%	(1.1)%			
2,831	(1,379)	1,452	(312)	1,764	-	1,764	EEMA	3,283	(1,621)	1,662	(12.6)%	6.1%	6.1%			
2,857	(1,267)	1,590	(49)	1,639	-	1,639	Asia	2,976	(1,473)	1,503	5.8%	9.0%	9.0%			
1,548	(980)	568	(85)	653	124	529	Latin America & Canada	1,398	(888)	510	11.4%	28.0%	3.7%			
\$ 13,286	\$ (7,689)	\$ 5,597	\$ (697)	\$ 6,294	\$ 140	\$ 6,154	PMI Total	\$ 14,354	\$ (8,433)	\$ 5,921	(5.5)%	6.3%	3.9%			
2009										2008 ⁽¹⁾				% Change on 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	European Union	Reported Operating Companies Income	Reported Operating Companies Income	Reported Operating Companies Income	Reported Operating Companies Income	Reported excluding Currency	Reported excluding Currency & Acquisitions					
												(17.1)%	(1.4)%	(2.3)%		
\$ 967	\$ (184)	\$ 1,151	\$ 11	\$ 1,140	European Union	\$ 1,167										
586	(201)	787	-	787	EEMA	680										
661	19	642	-	642	Asia	550										
155	(35)	190	55	135	Latin America & Canada	149										
\$ 2,369	\$ (401)	\$ 2,770	\$ 66	\$ 2,704	PMI Total	\$ 2,546										

(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.

Reconciliation of Non-GAAP Measures

Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income

For the Quarters Ended March 31,

(in millions)
(Unaudited)

2009								2008 ⁽¹⁾			% Change on Adjusted Operating Companies Income			
Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Less Currency	Adjusted Operating Companies		Less Acquisitions	Currency & Acquisitions	Reported Operating Companies Income	Less Asset Impairment & Exit Costs	Adjusted Operating Companies Income	Adjusted excluding Currency & Acquisitions	Adjusted excluding Currency & Acquisitions		
				Income excluding Currency	Less Acquisitions									
\$ 967	\$ (1)	\$ 968	\$ (184)	\$ 1,152	\$ 11	\$ 1,141		European Union	\$ 1,167	\$ (8)	\$ 1,175	(17.6)%	(2.0)%	(2.9)%
586	-	586	(201)	787	-	787		EEMA	680	(1)	681	(14.0)%	15.6%	15.6%
661	-	661	19	642	-	642		Asia	550	(14)	564	17.2%	13.8%	13.8%
155	-	155	(35)	190	55	135		Latin America & Canada	149	-	149	4.0%	27.5%	(9.4)%
\$ 2,369	\$ (1)	\$ 2,370	\$ (401)	\$ 2,771	\$ 66	\$ 2,705		PMI Total	\$ 2,546	\$ (23)	\$ 2,569	(7.7)%	7.9%	5.3%

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Reconciliation of Non-GAAP Measures

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, Excluding Currency

For the Quarters Ended March 31,

(Unaudited)

	2009	2008	% Change
Reported Diluted EPS⁽¹⁾	\$ 0.74	\$ 0.79	(6.3)%
Adjustments:			
Asset impairment and exit costs	-	0.01	
Adjusted Diluted EPS	\$ 0.74	\$ 0.80	(7.5)%
Add:			
Currency Impact	0.15	—	
Adjusted Diluted EPS, Excluding Currency	\$ 0.89	\$ 0.80	11.3%

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Reconciliation of Non-GAAP Measures

Reconciliation of Reported Diluted EPS to Reported Diluted EPS, Excluding Currency

For the Quarters Ended March 31,
(Unaudited)

	2009	2008	% Change
Reported Diluted EPS⁽¹⁾	\$ 0.74	\$ 0.79	(6.3)%
Add:			
Currency Impact	<u>0.15</u>	<u></u>	
Reported Diluted EPS, Excluding Currency	<u>\$ 0.89</u>	<u>\$ 0.79</u>	12.7%

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Reconciliation of Non-GAAP Measures

Reconciliation of Operating Companies Income to Operating Income
For the Quarters Ended March 31

	<u>First Quarter 2009</u>	<u>First Quarter 2008</u>
EU	\$ 967	\$ 1,167
EEMA	586	680
Asia	661	550
Latin America & Canada	155	149
Operating Companies Income	\$ 2,369	\$ 2,546
Amortization of intangibles	(15)	(9)
General corporate expenses	(34)	(13)
Operating Income	\$ 2,320	\$ 2,524



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