



PHILIP MORRIS INTERNATIONAL

2009 Second-Quarter Results
23 July 2009

Introduction

- **Unless otherwise stated, we will be talking about results in the second quarter 2009 and comparing them with the same period in 2008**
- **References to PMI volumes refer to 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, 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**

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, and Form 10-Q for the quarter ended March 31, 2009, filed with the Securities and Exchange Commission.

PMI Financials

	2009 Results		% Variance vs. 2008 excl. Currency & Acquisitions	
	<u>Q2</u>	<u>H1</u>	<u>Q2</u>	<u>H1</u>
(\$ billion)				
Net Revenues ^(a)	6.1	11.7	6.1 %	5.1 %
Adjusted OCI ^(b)	2.6	5.0	9.5	7.5

(a) Excluding excise taxes

(b) Less asset impairment and exit costs

Source: PMI Financials

PMI Financials

(\$ / share)	2009 Results		% Variance vs. 2008 excl. Currency	
	<u>Q2</u>	<u>H1</u>	<u>Q2</u>	<u>H1</u>
Adjusted Diluted EPS	0.83	1.56	17.2	14.4

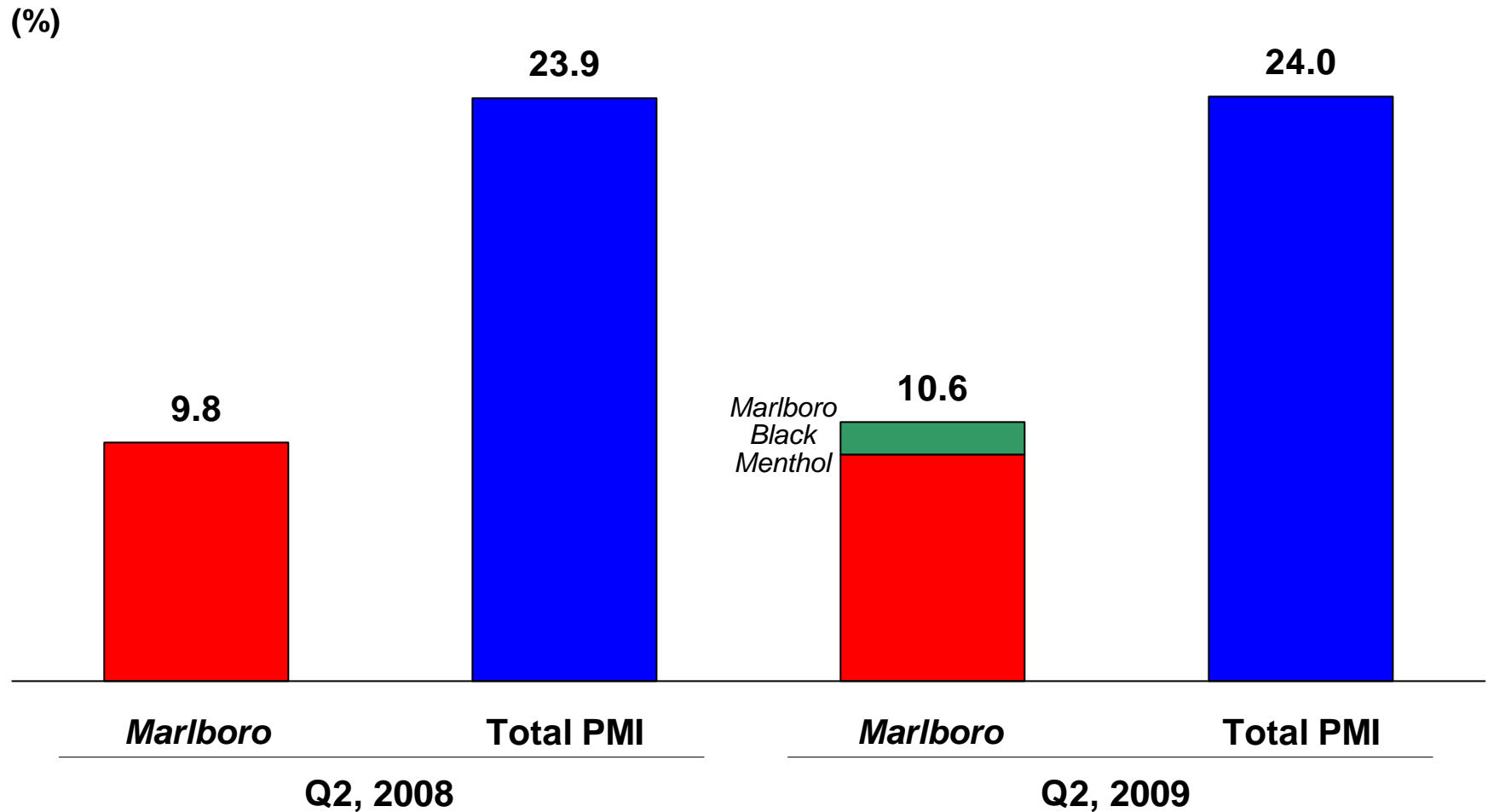
PMI Volume

(units billion)	<u>2009 Results</u>		<u>% Variance vs. 2008</u>			
	<u>Q2</u>	<u>H1</u>	<u>Q2</u>		<u>H1</u>	
			<u>Reported</u>	<u>Organic^(a)</u>	<u>Reported</u>	<u>Organic^(a)</u>
Cigarette Volume	223.2	426.5	- %	(1.1) %	- %	(1.1) %

Asia Region

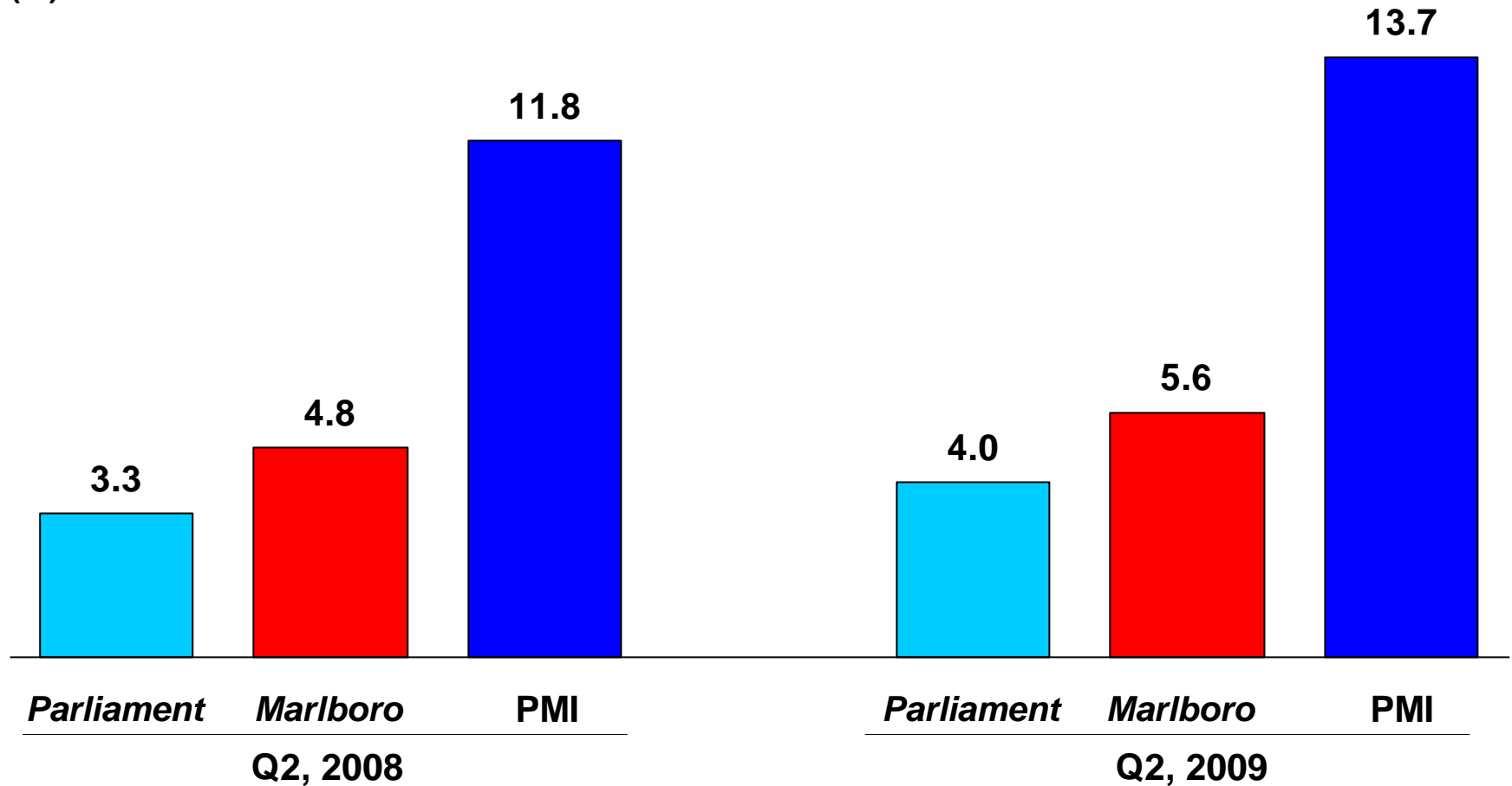
- **Volume increased in Indonesia, Korea and Pakistan**
- **Increased profitability net of currency in almost all our main markets in Asia**
- ***Marlboro* turnaround in Japan**

Japan – Market Shares

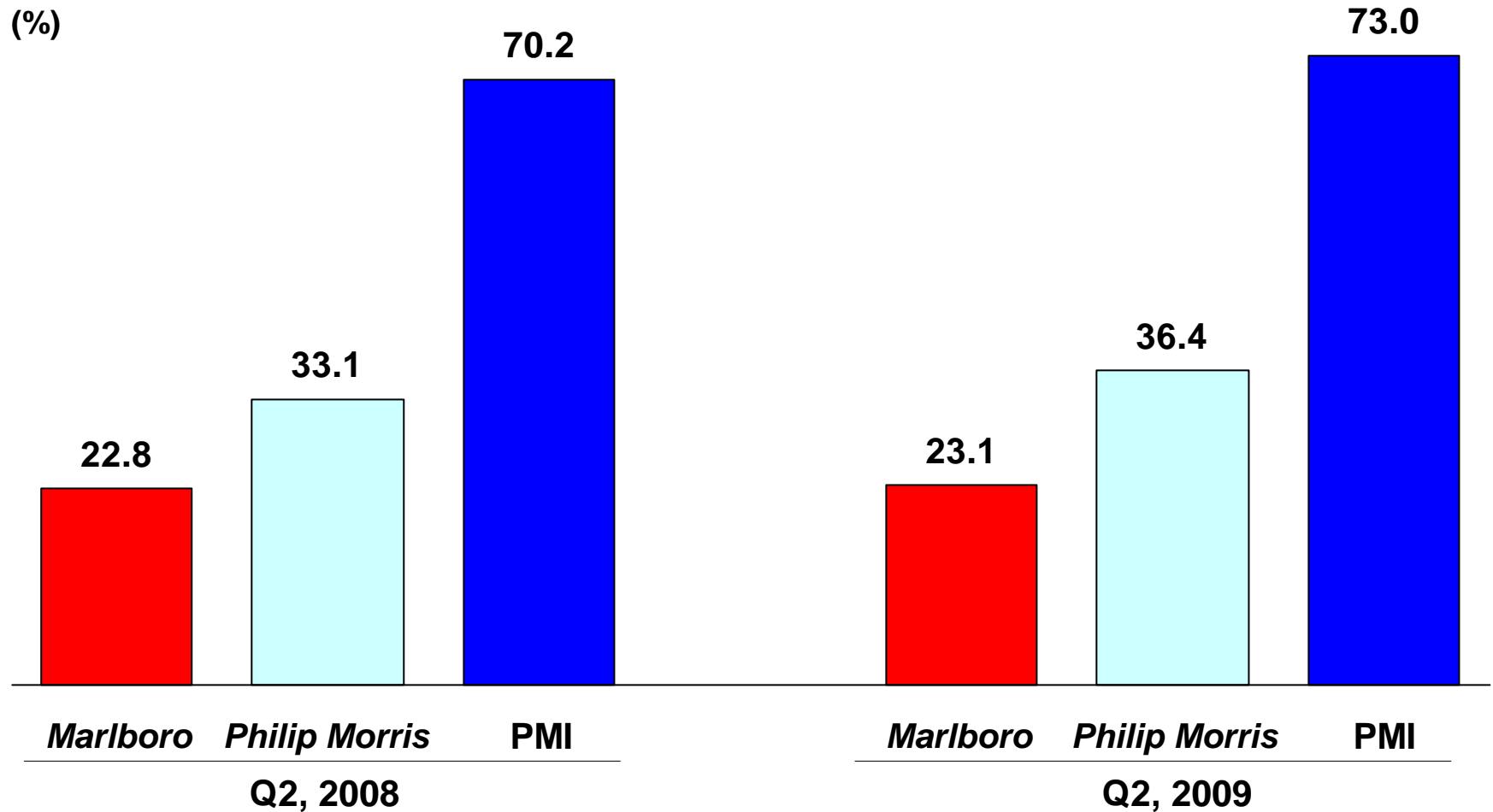


Korea – Market Shares

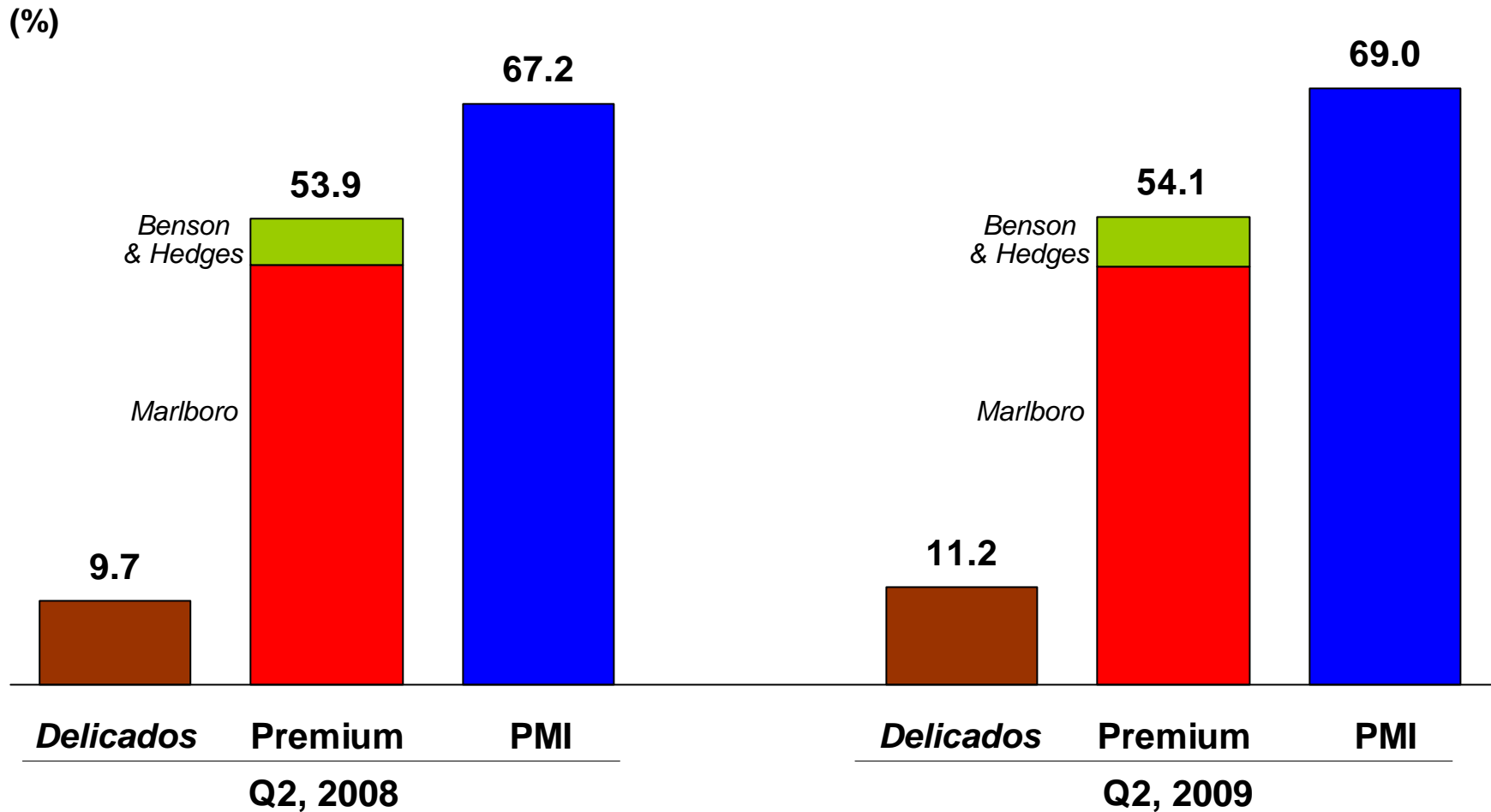
(%)



Argentina – Market Shares



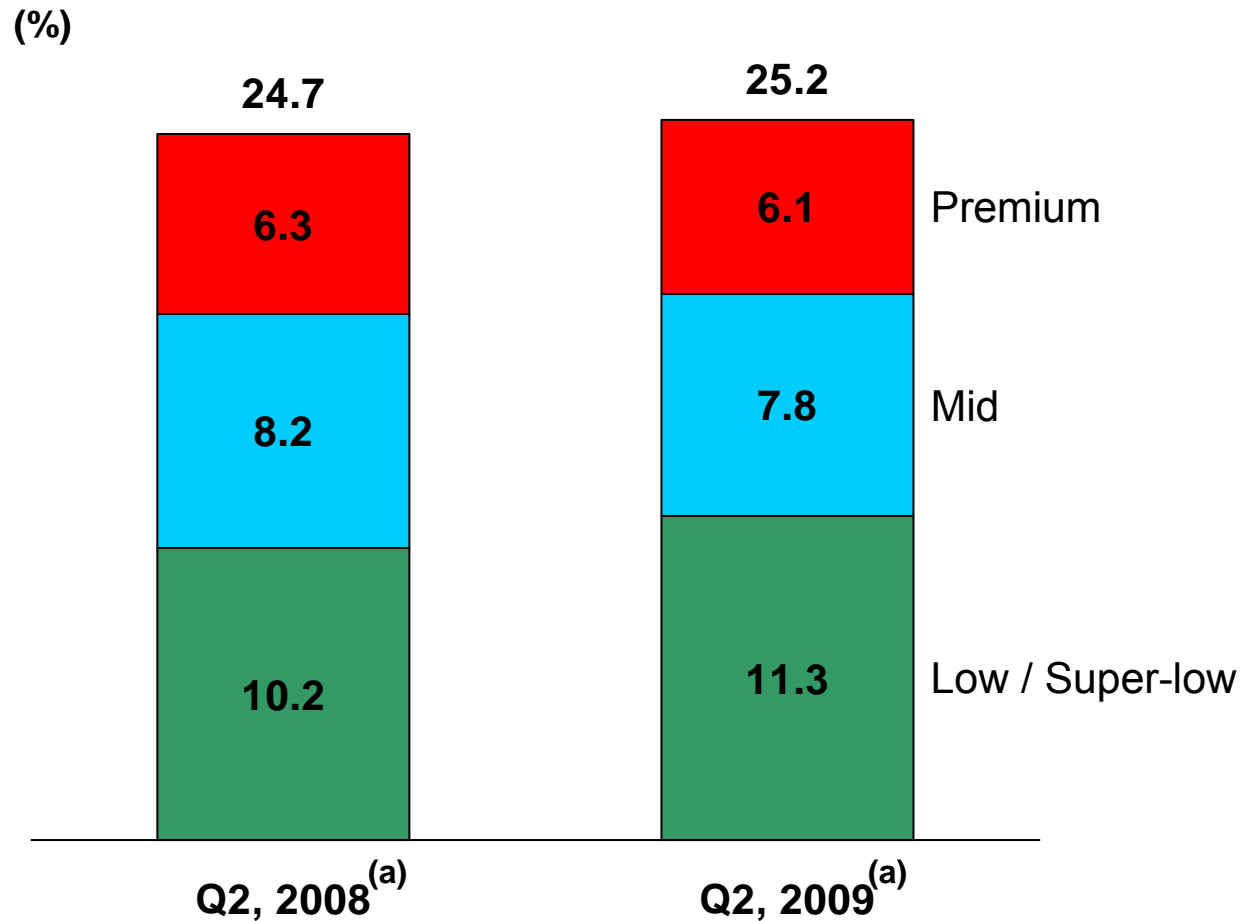
Mexico – Market Shares



Russia

- **Consumer downtrading**
- **Product mix has deteriorated**
- **Shipments declined by 1.3% in Q2, 2009**
- **Oil prices and banking sector stability key to business outlook**

Russia – Market Shares



Ukraine

- **Difficult economic and political environment**
- **Tax-driven retail price increases of 22% – 50% this May**
- **Product mix remains relatively stable so far**
- **PMI shipments down 14.1% in Q2, 2009**
- **Our market share in the April/May period was up 1.0 pp at 36.2%**
- **Market evolution in the second half is difficult to predict**

EEMA Region

- **Net revenues increased by 8.5% excluding currency and acquisitions in Q2, 2009**
- **OCI up 10.7% excluding currency and acquisitions in Q2, 2009**
- **PMI gained market share in Q2, 2009, across the Region:**
 - **notably in Algeria, Bulgaria, Egypt, Romania, Russia, Turkey and Ukraine**
- **Successful implementation of higher prices**

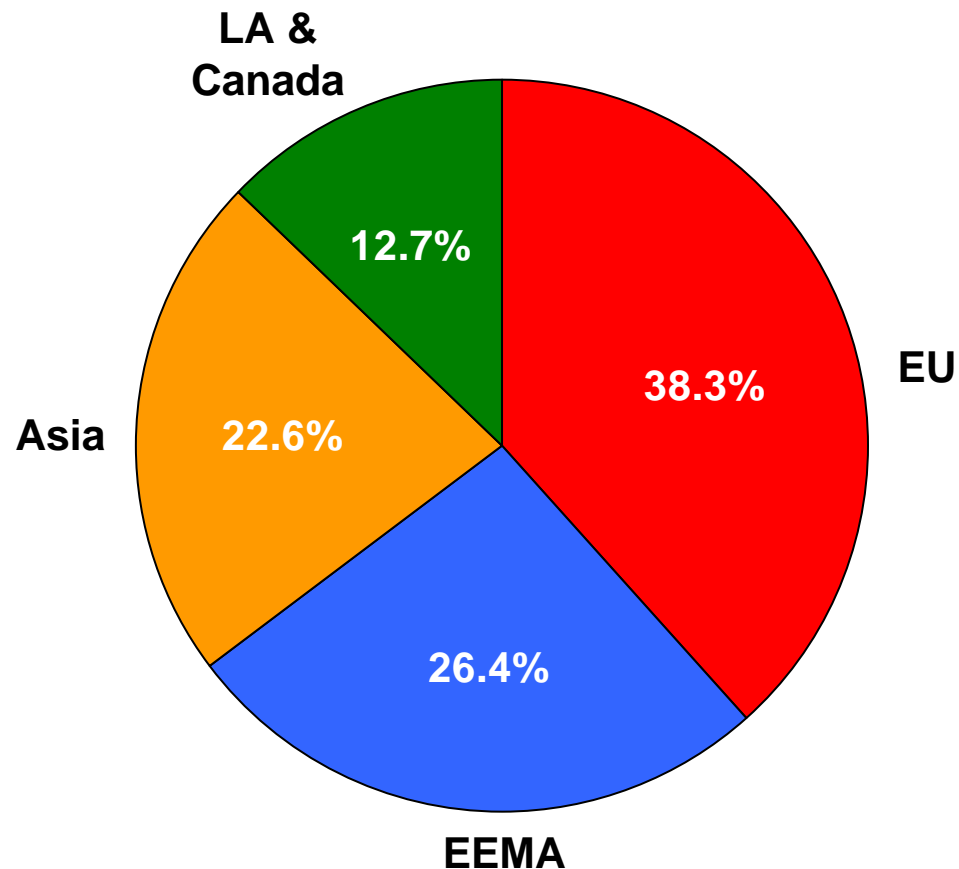
EU Region

- **The situation in the EU Region is clearly improving**
- **PMI gained market share in 15 out of the top 20 EU Region markets in Q2, 2009:**
 - notably in France, Germany and Spain
- ***Marlboro* share in EU Region remained stable at 18.9% in Q2, 2009**
- **PMI volume declined by 3.0% in Q2, 2009**

Spain

- **Economic recession and rising unemployment**
- **Industry volume declined by 6.2% in Q2, 2009**
- **Minimum Excise Tax increased in June**
- **PMI implemented a €0.35 / pack price increase across its cigarette portfolio, thus generating higher unit margins**

Marlboro Shipment Volume by Region



Q2, 2009 Volume: 78.3 billion
(Down 1.1% vs. Q2, 2008)

Marlboro Architecture

Red



**“Flavor
enjoyment”**

Gold



**“Smooth taste
and style”**

Fresh

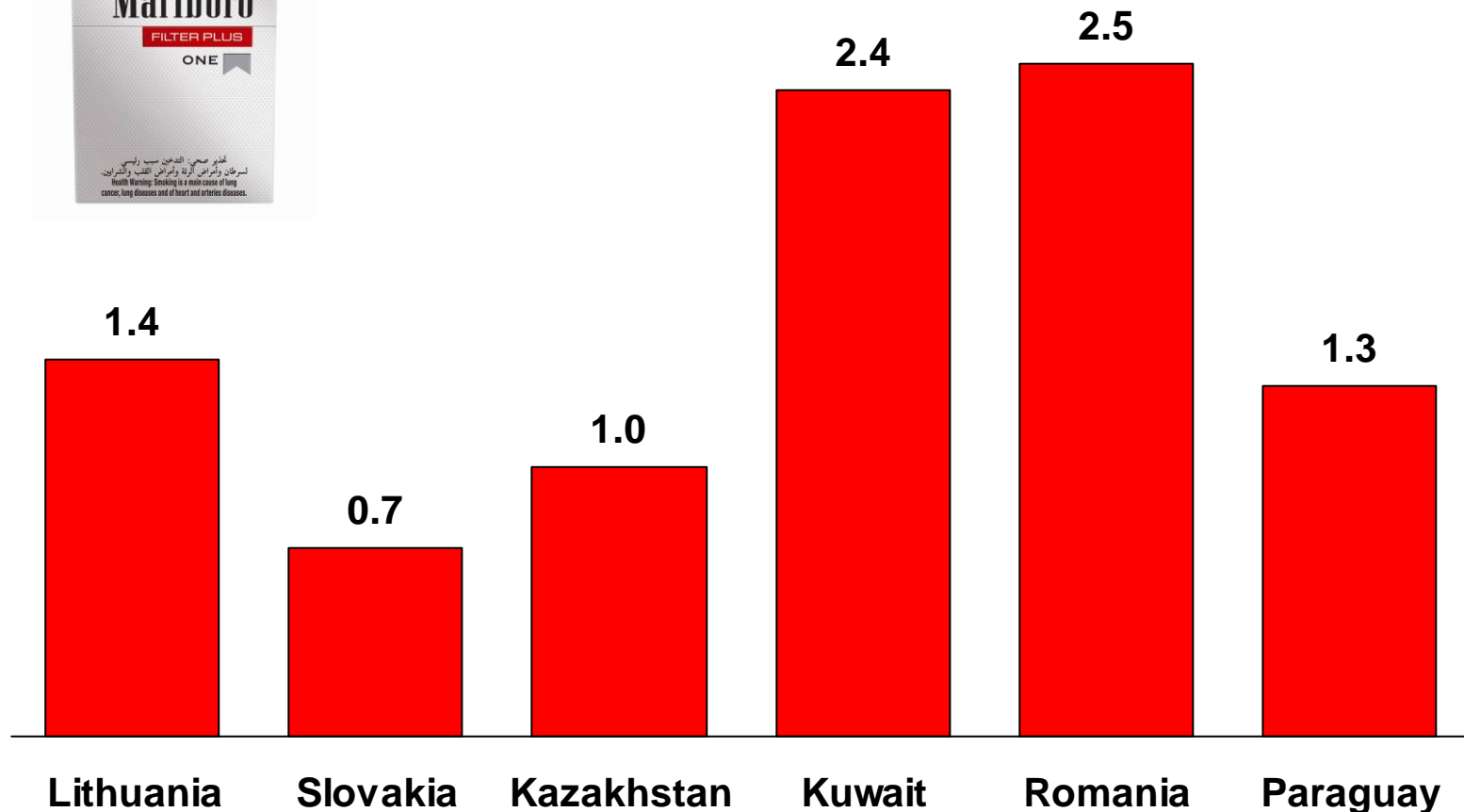


**“Fresh taste
sensations”**

Red Line : *Marlboro Filter Plus / Flavor Plus*



Market Shares Q2, 2009^(a)



(a) Kazakhstan, Kuwait and Paraguay are April / May
Source: PMI GIMS Estimates, Business Analytica and A.C. Nielsen

Gold Line : *Marlboro Gold Touch / Gold Edge*



Marlboro Gold Touch



Marlboro Gold Edge

Fresh Line : *Marlboro Black Menthol*



- 1.3% market share in Japan in Q2, 2009, including recent line extension into 1 mg flavor segment
- 3.1% market share in Hong Kong in June, three months after launch
- Introduced in Indonesia
- Such innovative new products are boosting the performance of *Marlboro*

Pricing

- Revenue growth significantly more than offsetting volume softness and slightly unfavorable product mix
- Pricing variance was \$549 million in Q2, 2009
- In last twelve months, PMI has increased prices notably in:

EU	EEMA	Asia	LA & Canada
Germany	Romania	Australia	Argentina
Italy	Russia	Indonesia	Brazil
Poland	South Africa	Pakistan	Canada
Spain	Turkey	Philippines	Dominican Rep.
UK	Ukraine	Thailand	Mexico

Germany / Spain – Pricing

<u>Germany</u>	<u>Old Prices (per 17)</u>	<u>Current Prices (per 17)</u>	<u>New Prices^(a) (per 19)</u>
<i>Marlboro</i>	€4.00	€4.20	€4.70
<i>F6</i>	3.70	3.90	4.35
<i>L&M</i>	3.60	3.80	4.25

<u>Spain</u>	<u>Old Prices (per 20)</u>	<u>New Prices (per 20)</u>
<i>Marlboro</i>	€3.10	€3.45
<i>Chesterfield</i>	2.85	3.20
<i>L&M</i>	2.50	2.85

Fiscal Environment

- **Higher retail prices resulting in higher government revenues**
- **Fiscal environment remains reasonable:**
 - **key exceptions are Brazil and Ukraine**

Productivity and Brand Building

- **On track to deliver \$500 million in productivity improvements and cost savings in 2009**
- **None of the savings are coming from reduced marketing expenditures**
- **We continue to invest appropriately behind our brands**

Share Repurchases

- **Two-year \$13 billion share repurchase program**
- **In Q2, 2009, \$1.4 billion spent to buy 34.7 million shares at average price of \$40.33 per share**

Acquisitions

- **Strategically and financially attractive deals**
- **South Africa: acquisition of pipe tobacco and nasal snuff business for some \$222 million**
- **Colombia: acquisition of Protabaco for \$452 million**
- **Transactions expected to close in Q4, 2009, subject to regulatory approval**

Cash Flow

- **Free cash flow reached \$4.25 billion during the first half of 2009 in spite of:**
 - **\$730 million negative currency impact on net earnings**
 - **\$241 million increase in pension fund contributions**
- **PMI has returned \$12.4 billion in cash to its shareholders since becoming an independent company**

Note: Free cash flow equals operating cash flow less capital expenditures. In the first half of 2009, operating cash flow was \$4,573 million and capital expenditures \$323 million

Source: PMI Financials

2009 EPS Guidance

- **Previous 2009 EPS guidance, established in February, of \$2.85 – \$3.00 per share included 80 cents in unfavorable currency**
- **Unfavorable currency in the first half of the year was 35 cents**
- **During the second half, we expect a further 20 cents in unfavorable currency based on current exchange rates**
- **New 2009 EPS guidance is \$3.10 - \$3.20 per share**
- **This reflects strong business fundamentals, the improved currency outlook and the 4 cent charge for Colombia**
- **Revised EPS guidance translates into currency neutral growth of approximately 10-13%**



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Questions & Answers

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PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries Reconciliation of Non-GAAP Measures Adjustments for the Impact of Currency and Acquisitions For the Quarters Ended June 30, (in millions) (Unaudited)

2009								(Unaudited)				% Change on Reported Net Revenues excluding Excise Taxes		
								2008						
Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Less Currency	Reported Net Revenues excluding Excise Taxes & Currency	Less Acquisitions	Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions		Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions	
\$ 7,155	\$ (4,875)	\$ 2,280	\$ (453)	\$ 2,733	\$ 22	\$ 2,711	European Union	\$ 8,279	\$ (5,635)	\$ 2,644	(13.8)%	3.4%	2.5%	
3,400	(1,760)	1,640	(461)	2,101	3	2,098	EEMA	3,802	(1,869)	1,933	(15.2)%	8.7%	8.5%	
2,947	(1,374)	1,573	(139)	1,712	-	1,712	Asia	3,170	(1,566)	1,604	(1.9)%	6.7%	6.7%	
1,711	(1,070)	641	(113)	754	158	596	Latin America & Canada	1,452	(924)	528	21.4 %	42.8%	12.9%	
\$ 15,213	\$ (9,079)	\$ 6,134	\$ (1,166)	\$ 7,300	\$ 183	\$ 7,117	PMI Total	\$ 16,703	\$ (9,994)	\$ 6,709	(8.6)%	8.8%	6.1%	

2009							2008		% Change on Reported Operating Companies Income		
Reported Operating Companies Income	Less Currency	Reported Operating Companies Income excluding Currency	Less Acquisitions	Reported Operating Companies Income excluding Currency & Acquisitions			Reported Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions	
\$ 1,163	\$ (241)	\$ 1,404	\$ 16	\$ 1,388	European Union		\$ 1,287	(9.6)%	9.1%	7.8%	
635	(267)	902	2	900	EEMA		813	(21.9)%	10.9%	10.7%	
619	4	615	-	615	Asia		523	18.4 %	17.6%	17.6%	
71	(47)	118	70	48	Latin America & Canada		23	100+ %	100+ %	100+ %	
\$ 2,488	\$ (551)	\$ 3,039	\$ 88	\$ 2,951	PMI Total		\$ 2,646	(6.0)%	14.9%	11.5%	

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and Subsidiaries

Reconciliation of Non-GAAP Measures

Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &

Reconciliation of Adjusted Operating Companies Income Margin Excluding Currency

For the Quarters Ended June 30,

(in millions)

(Unaudited)

2009							2008			% Change on Adjusted Operating Companies Income		
Reported Operating Companies Income	Less Asset Impairment/ Exit Costs and Other	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 and Other	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 1,163	\$ (1)	\$ 1,164	\$ (241)	\$ 1,405	\$ 16	\$ 1,389	\$ 1,287	\$ (48)	\$ 1,335	(12.8)%	5.2%	4.0%
635	-	635	(267)	902	2	900	813	-	813	(21.9)%	10.9%	10.7%
619	-	619	4	615	-	615	523	-	523	18.4 %	17.6%	17.6%
71	(135) ⁽¹⁾	206	(47)	253	70	183	23	(124) ⁽²⁾	147	40.1 %	72.1%	24.5%
\$ 2,488	\$ (136)	\$ 2,624	\$ (551)	\$ 3,175	\$ 88	\$ 3,087	\$ 2,646	\$ (172)	\$ 2,818	(6.9)%	12.7%	9.5%
PMI Total							\$ 2,646	\$ (172)	\$ 2,818	(6.9)%	12.7%	9.5%

2009			2008			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency ⁽³⁾	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes ⁽³⁾	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	
\$ 1,405	\$ 2,733	51.4%	\$ 1,335	\$ 2,644	50.5%	0.9 pp	
902	2,101	42.9%	813	1,933	42.1%	0.8 pp	
615	1,712	35.9%	523	1,604	32.6%	3.3 pp	
253	754	33.6%	147	528	27.8%	5.8 pp	
\$ 3,175	\$ 7,300	43.5%	\$ 2,818	\$ 6,709	42.0%	1.5 pp	
PMI Total			\$ 2,818	\$ 6,709	42.0%		

⁽¹⁾ Represents 2009 Colombian investment and cooperation agreement charge

⁽²⁾ Represents 2008 equity loss from RBH legal settlement

⁽³⁾ For the calculation of net revenues excluding excise taxes and currency, refer to Slide 32

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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 June 30,

(Unaudited)

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Reported Diluted EPS	\$ 0.79	\$ 0.80	(1.3)%
Adjustments:			
Colombian investment and cooperation agreement charge	0.04	-	
Asset impairment and exit costs	-	0.01	
Equity loss from RBH legal settlement	-	0.06	
Adjusted Diluted EPS	\$ 0.83	\$ 0.87	(4.6)%
Add:			
Currency Impact	0.19		
Adjusted Diluted EPS, Excluding Currency	\$ 1.02	\$ 0.87	17.2 %

**PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Reconciliation of Non-GAAP Measures
Reconciliation of Reported Diluted EPS to Reported Diluted EPS, Excluding Currency
For the Quarters Ended June 30,
(Unaudited)**

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Reported Diluted EPS	\$ 0.79	\$ 0.80	(1.3)%
Add:			
Currency Impact	<u>0.19</u>	<u> </u>	
Reported Diluted EPS, Excluding Currency	<u>\$ 0.98</u>	<u>\$ 0.80</u>	22.5 %

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PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries Reconciliation of Non-GAAP Measures Adjustments for the Impact of Currency and Acquisitions For the Six Months Ended June 30, (in millions) (Unaudited)

2009							(Unaudited)				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 Acquisitions	Reported Net Revenues excluding Excise Taxes, Currency & Acquisitions		Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions			
\$ 13,205	\$ (8,938)	\$ 4,267	\$ (704)	\$ 4,971	\$ 38	\$ 4,933	European Union	\$ 14,976	\$ (10,086)	\$ 4,890	(12.7)%	1.7%	0.9%			
6,231	(3,139)	3,092	(773)	3,865	3	3,862	EEMA	7,085	(3,490)	3,595	(14.0)%	7.5%	7.4%			
5,804	(2,641)	3,163	(188)	3,351	-	3,351	Asia	6,146	(3,039)	3,107	1.8 %	7.9%	7.9%			
3,259	(2,050)	1,209	(198)	1,407	282	1,125	Latin America & Canada	2,850	(1,812)	1,038	16.5 %	35.5%	8.4%			
\$ 28,499	\$ (16,768)	\$ 11,731	\$ (1,863)	\$ 13,594	\$ 323	\$ 13,271	PMI Total	\$ 31,057	\$ (18,427)	\$ 12,630	(7.1)%	7.6%	5.1%			

2009					2008 ⁽¹⁾		% Change on Reported Operating Companies Income		
Reported Operating Companies Income	Less Currency	Reported Operating Companies Income excluding Currency	Less Acquisitions	Reported Operating Companies Income excluding Currency & Acquisitions		Reported Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 2,130	\$ (425)	\$ 2,555	\$ 27	\$ 2,528	European Union	\$ 2,454	(13.2)%	4.1%	3.0%
1,221	(468)	1,689	2	1,687	EEMA	1,493	(18.2)%	13.1%	13.0%
1,280	23	1,257	-	1,257	Asia	1,073	19.3 %	17.1%	17.1%
226	(82)	308	125	183	Latin America & Canada	172	31.4 %	79.1%	6.4%
\$ 4,857	\$ (952)	\$ 5,809	\$ 154	\$ 5,655	PMI Total	\$ 5,192	(6.5)%	11.9%	8.9%

⁽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

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and Subsidiaries

Reconciliation of Non-GAAP Measures

Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income &

Reconciliation of Adjusted Operating Companies Income Margin Excluding Currency

For the Six Months Ended June 30,

(in millions)

(Unaudited)

2009							2008 ⁽¹⁾			% Change on Adjusted Operating Companies Income		
Reported Operating Companies Income	Less Asset Impairment /Exit Costs and Other	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 and Other	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 2,130	\$ (2)	\$ 2,132	\$ (425)	\$ 2,557	\$ 27	\$ 2,530	\$ 2,454	\$ (56)	\$ 2,510	(15.1)%	1.9%	0.8%
1,221	-	1,221	(468)	1,689	2	1,687	1,493	(1)	1,494	(18.3)%	13.1%	12.9%
1,280	-	1,280	23	1,257	-	1,257	1,073	(14)	1,087	17.8 %	15.6%	15.6%
226	(135) ⁽²⁾	361	(82)	443	125	318	172	(124) ⁽³⁾	296	22.0 %	49.7%	7.4%
\$ 4,857	\$ (137)	\$ 4,994	\$ (952)	\$ 5,946	\$ 154	\$ 5,792	\$ 5,192	\$ (195)	\$ 5,387	(7.3)%	10.4%	7.5%

2009			2008			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency ⁽⁴⁾	Adjusted Operating Companies Income excluding Currency	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes ⁽⁴⁾	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	
\$ 2,557	\$ 4,971	51.4%	\$ 2,510	\$ 4,890	51.3%	0.1	pp
1,689	3,865	43.7%	1,494	3,595	41.6%	2.1	pp
1,257	3,351	37.5%	1,087	3,107	35.0%	2.5	pp
443	1,407	31.5%	296	1,038	28.5%	3.0	pp
\$ 5,946	\$ 13,594	43.7%	\$ 5,387	\$ 12,630	42.7%	1.0	pp

⁽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

⁽²⁾ Represents 2009 Colombian investment and cooperation agreement charge

⁽³⁾ Represents 2008 equity loss from RBH legal settlement

⁽⁴⁾ For the calculation of net revenues excluding excise taxes and currency, refer to Slide 36

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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 Six Months Ended June 30,

(Unaudited)

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Reported Diluted EPS	\$ 1.52	\$ 1.59	(4.4)%
Adjustments:			
Colombian investment and cooperation agreement charge	0.04	-	
Asset impairment and exit costs	-	0.02	
Equity loss from RBH legal settlement	-	0.06	
Adjusted Diluted EPS	\$ 1.56	\$ 1.67	(6.6)%
Add:			
Currency Impact	0.35		
Adjusted Diluted EPS, Excluding Currency	\$ 1.91	\$ 1.67	14.4 %

**PHILIP MORRIS INTERNATIONAL INC.
and Subsidiaries
Reconciliation of Non-GAAP Measures
Reconciliation of Reported Diluted EPS to Reported Diluted EPS, Excluding Currency
For the Six Months Ended June 30,
(Unaudited)**

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Reported Diluted EPS	\$ 1.52	\$ 1.59	(4.4)%
Add:			
Currency Impact	<u>0.35</u>	<u></u>	
Reported Diluted EPS, Excluding Currency	<u>\$ 1.87</u>	<u>\$ 1.59</u>	17.6 %

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and Subsidiaries
Reconciliation of Non-GAAP Measures
Calculation of Total Debt to EBITDA and Net Debt to EBITDA Ratios
(in millions, except ratios)
(Unaudited)

	June 30, 2009			For the Year Ended December 31, 2008
	July~December 2008	January~June 2009	12 months rolling	
Earnings before income taxes	\$ 4,941	\$ 4,398	\$ 9,339	\$ 9,937
Interest expense, net	175	351	526	311
Depreciation and amortization	438	395	833	842
EBITDA	\$ 5,554	\$ 5,144	\$ 10,698	\$ 11,090
			June 30, 2009	December 31, 2008
Short-term borrowings			\$ 399	\$ 375
Current portion of long-term debt			195	209
Long-term debt			13,480	11,377
Total debt			\$ 14,074	\$ 11,961
Less: Cash and cash equivalents			2,602	1,531
Net Debt			\$ 11,472	\$ 10,430
<u>Ratios</u>				
Total Debt to EBITDA			1.32	1.08
Net Debt to EBITDA			1.07	0.94



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2009 Second-Quarter Results
23 July 2009