



PHILIP MORRIS INTERNATIONAL

2012 First-Quarter Results

April 19, 2012



Introduction

- Unless otherwise stated, we will be talking about results for the first-quarter 2012 and comparing them with the same period in 2011
- 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 webcast slides and are posted on our web site



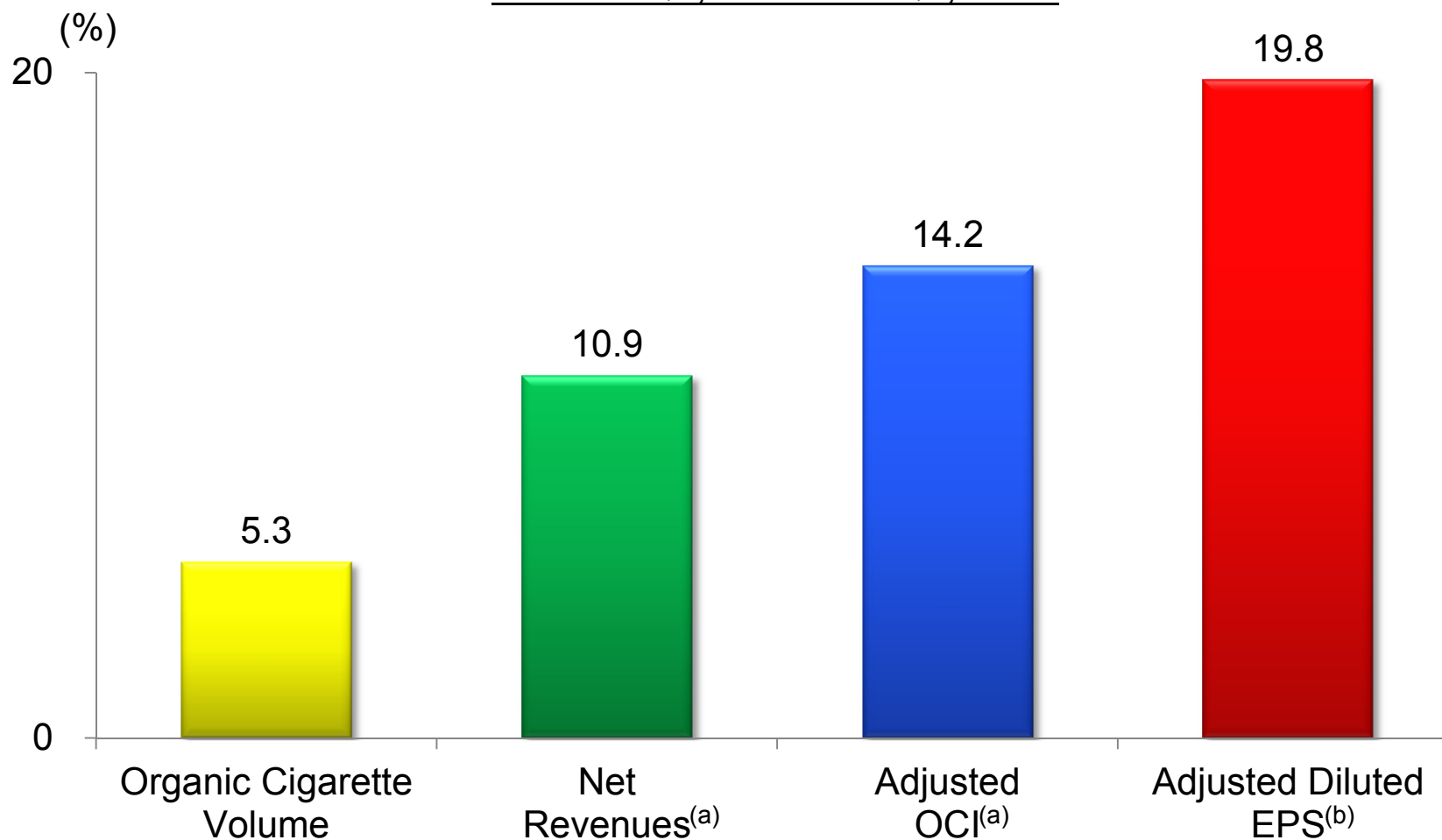
Forward-Looking and Cautionary Statements

- This presentation and related discussion contain forward-looking statements. Achievement of projected results is subject to risks, uncertainties and inaccurate assumptions, and PMI is identifying important factors that, individually or in the aggregate, could cause actual results to differ materially from those contained in any forward-looking statements made by PMI
- PMI's business risks include: significant increases in cigarette-related taxes; the imposition of discriminatory excise tax structures; fluctuations in customer inventory levels due to increases in product taxes and prices; increasing marketing and regulatory restrictions, often with the goal of preventing the use of tobacco products; health concerns relating to the use of tobacco products and exposure to environmental tobacco smoke; litigation related to tobacco use; intense competition; the effects of global and individual country economic, regulatory and political developments; changes in adult smoker behavior; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations; adverse changes in applicable corporate tax laws; adverse changes in the cost and quality of tobacco and other agricultural products and raw materials; and the integrity of its information systems. PMI's future profitability may also be adversely affected should it be unsuccessful in its attempts to produce products with the potential to reduce the risk of smoking-related diseases; if it is unable to successfully introduce new products, promote brand equity, enter new markets or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; or if it is unable to attract and retain the best global talent
- PMI is further subject to other risks detailed from time to time in its publicly filed documents, including the Form 10-K for the year ended December 31, 2011. PMI cautions that the foregoing list of important factors is not a complete discussion of all potential risks and uncertainties. PMI does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations



Excellent First-Quarter 2012 Results

Growth Q1, 2012 vs. Q1, 2011



(a) Excluding currency and acquisitions

(b) Excluding currency

Source: PMI Financials



2012 EPS Guidance

- Q1 results confirm our very strong business momentum
- Difficult comparison in Q2, 2012, due to the exceptional circumstances in Japan in 2011
- Forecast currency headwind of 15 cents at prevailing exchange rates
- Revised reported diluted EPS guidance for 2012 is \$5.20 to \$5.30, compared to \$4.85 in 2011
- On a currency-neutral basis, our revised guidance maintains a forecast growth rate of approximately 10% to 12%, compared to adjusted diluted EPS of \$4.88 in 2011



PHILIP MORRIS
INTERNATIONAL

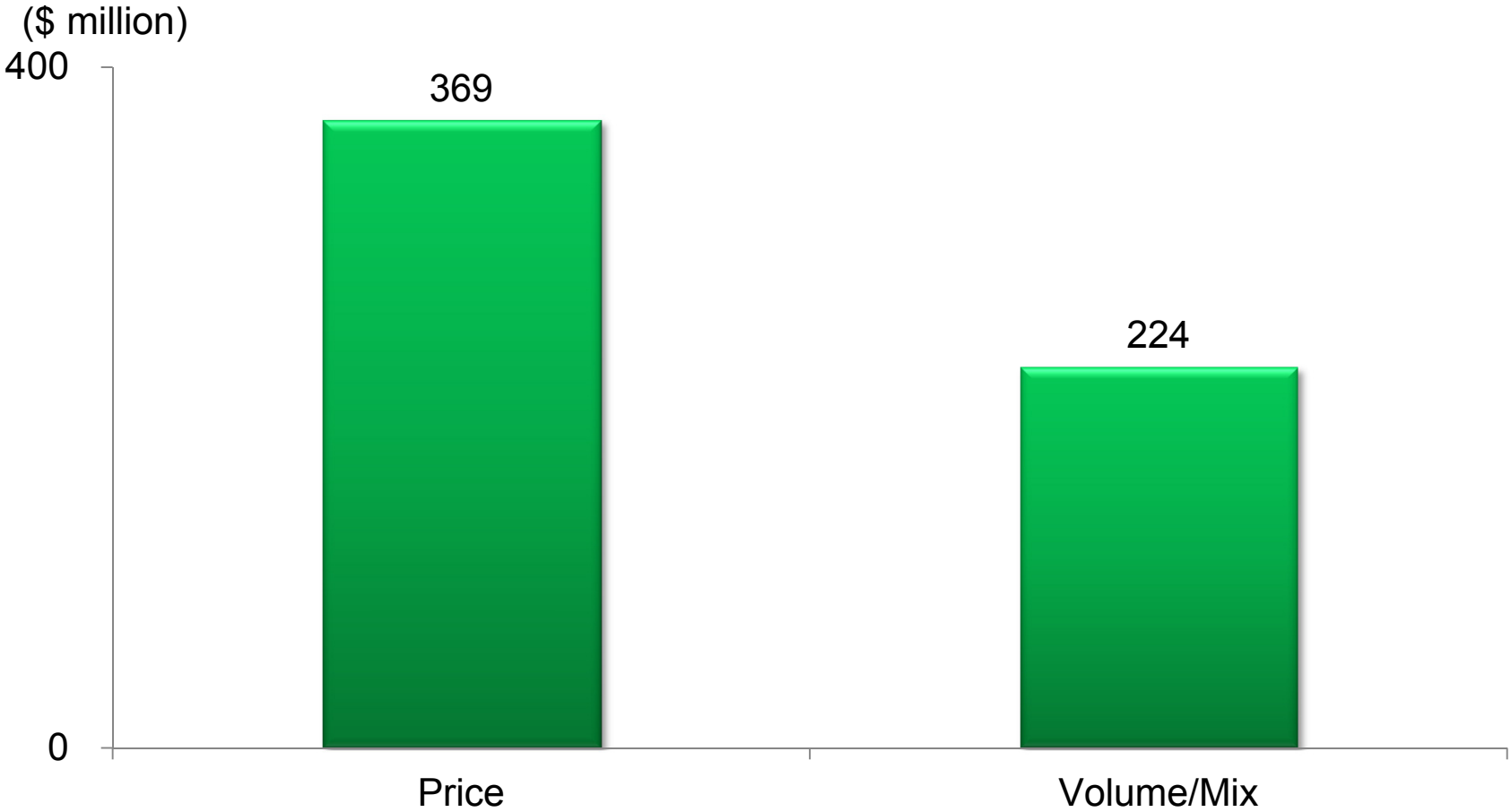
Excise Tax Environment Remains Reasonable

- No disruptively large excise tax increases in any key markets
- Structural improvements continue with increase in the relative importance of the specific element

Favorable Pricing and Volume/Mix Variances in Q1, 2012



PHILIP MORRIS
INTERNATIONAL

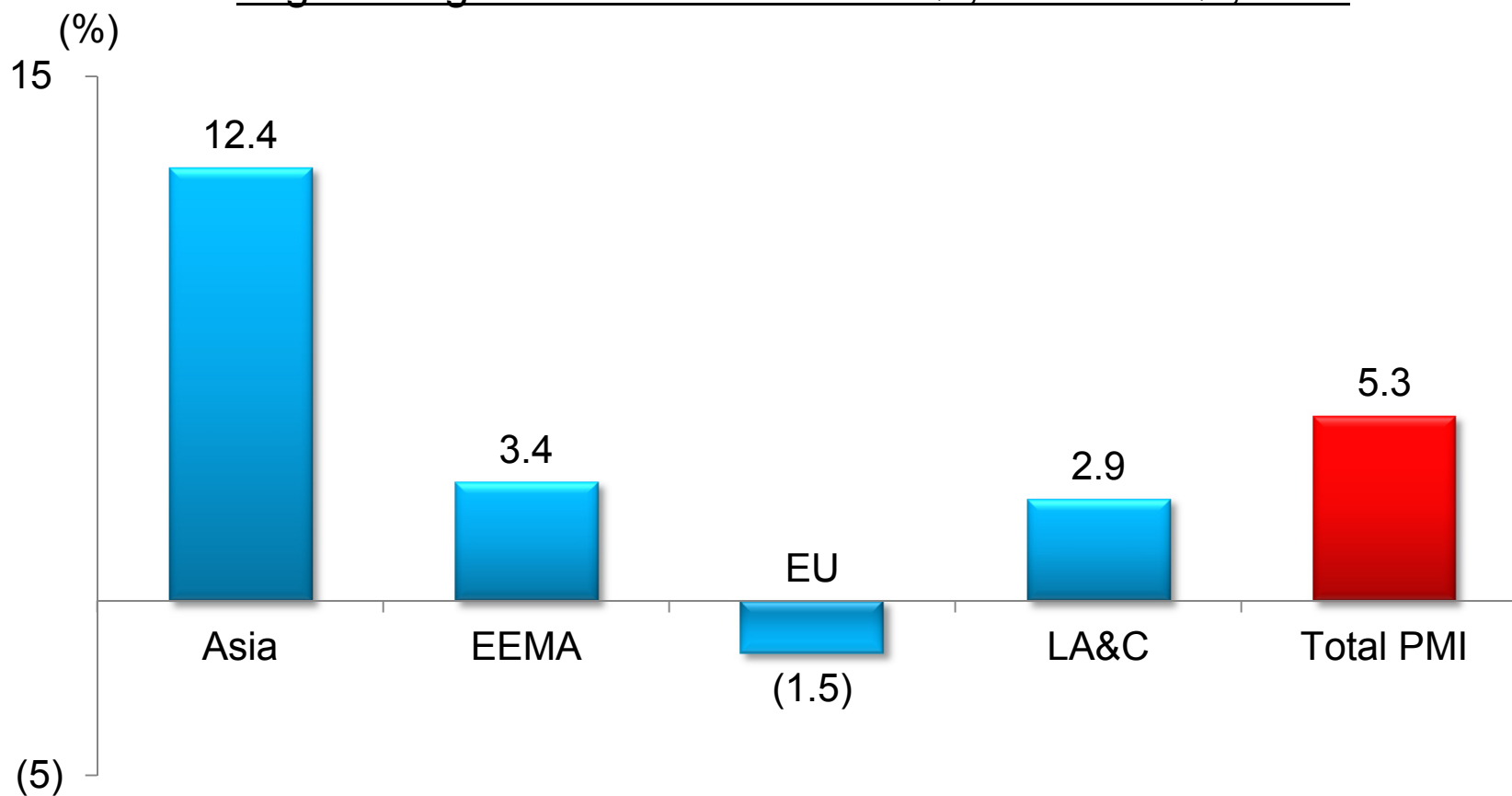


Note: Variances at OCI level
Source: PMI Financials



Strong First-Quarter 2012 Organic Volume

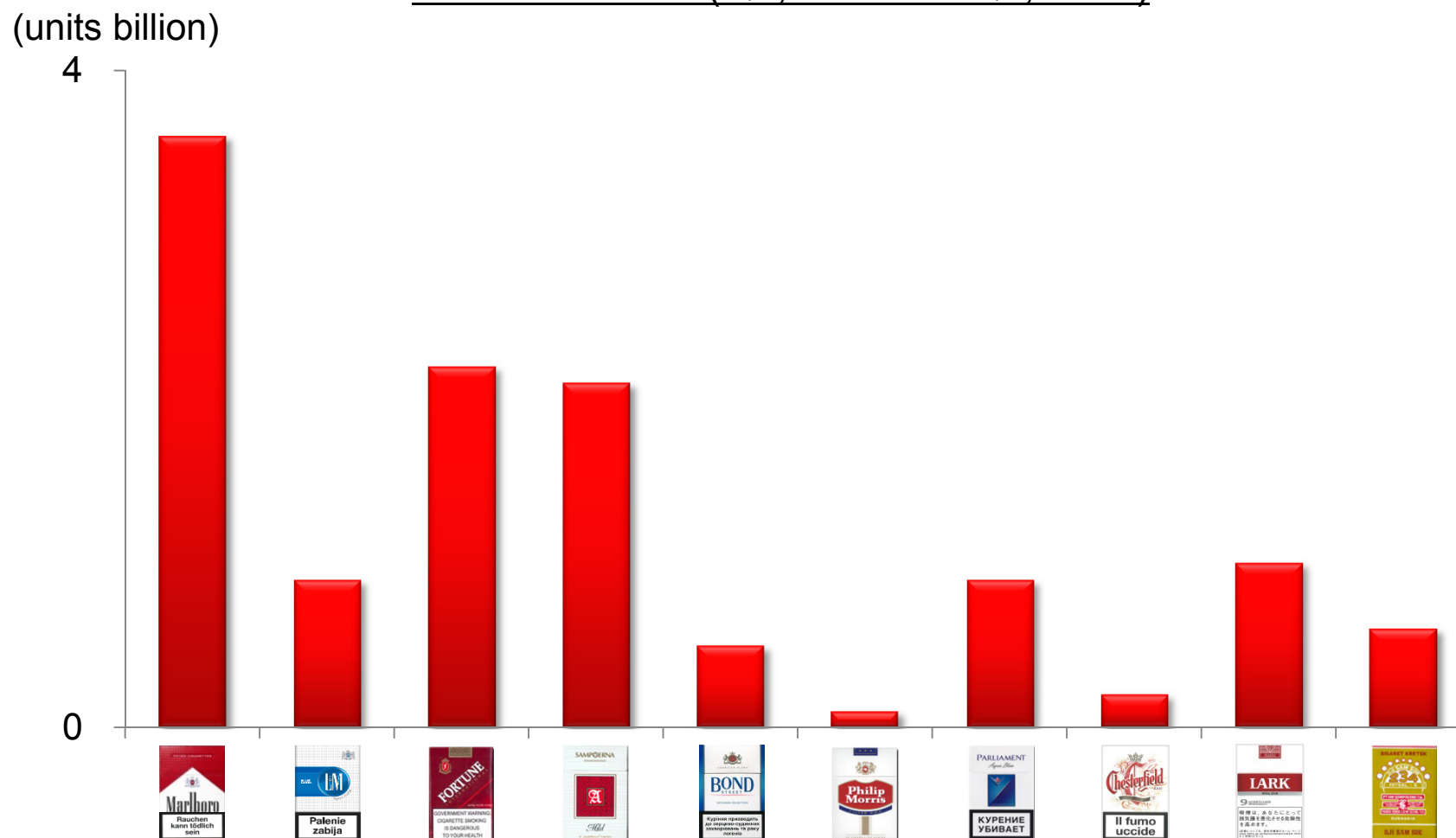
Organic Cigarette Volume Growth Q1, 2012 vs. Q1, 2011





All Top Ten PMI Brands Grew Volume in Q1, 2012

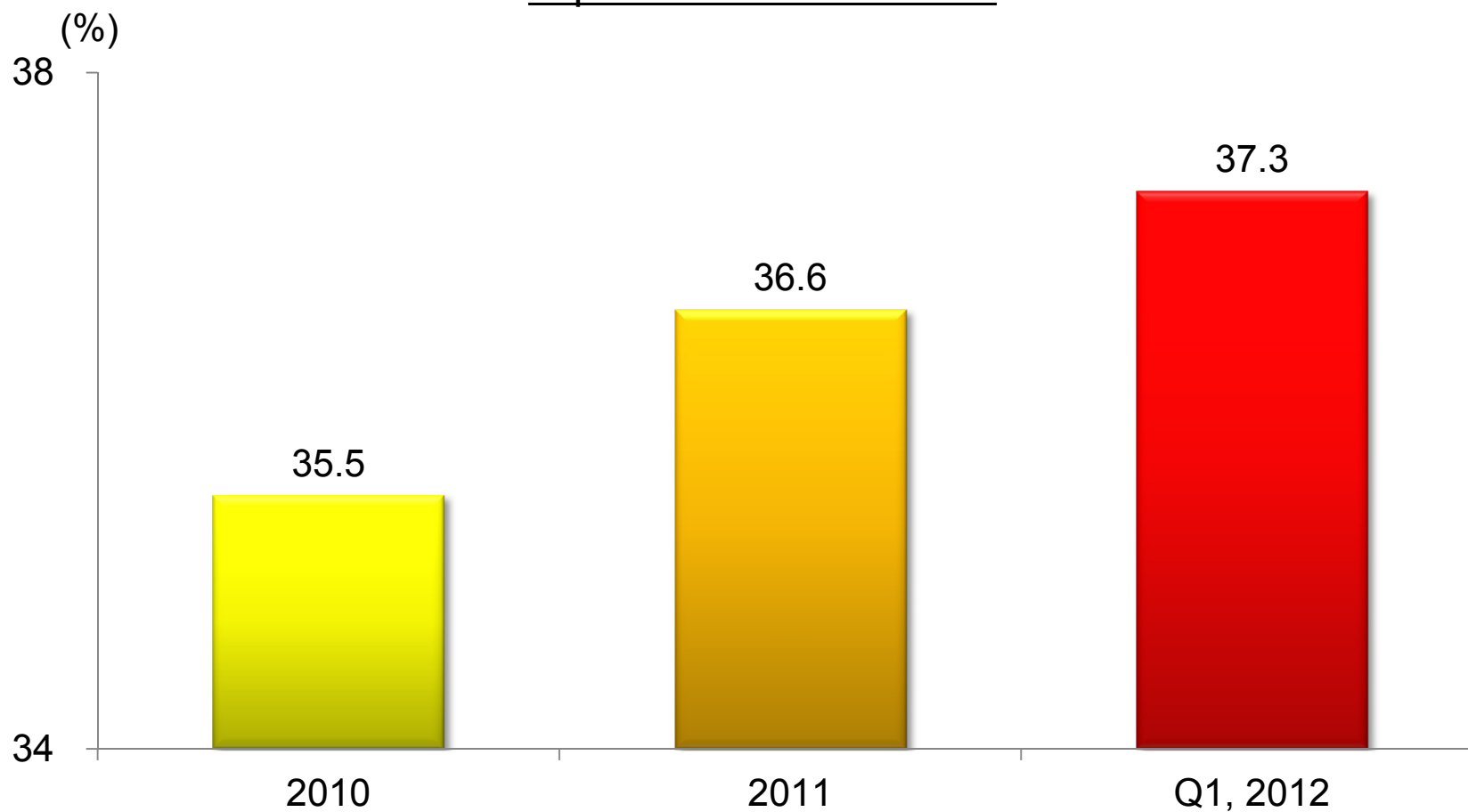
Volume Growth (Q1, 2012 vs. Q1, 2011)





Growing Market Share in Key Markets

Top 30 PMI OCI Markets

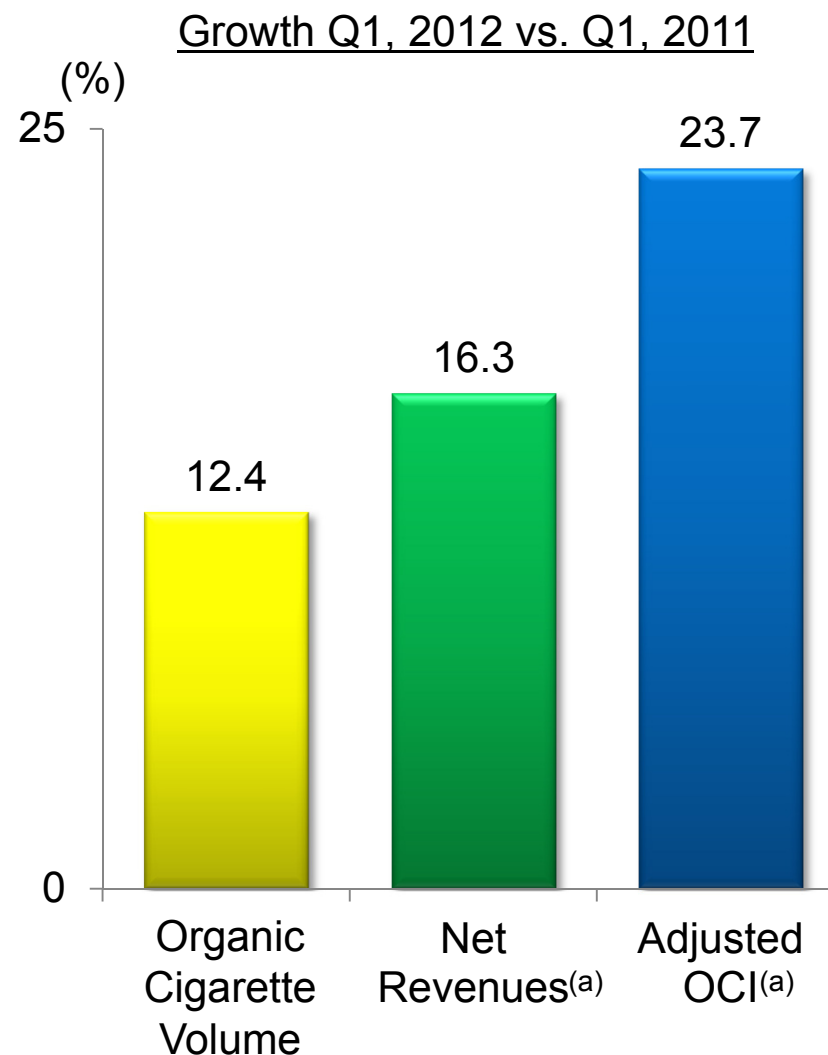


Note: Historical data adjusted for pro forma inclusion of business combination with Fortune Tobacco Corporation in the Philippines
Source: PMI Financials and PMI estimates



Asia: Our Principal Growth Engine

- Solid economic environment
- Growing adult population
- Increasing consumer purchasing power

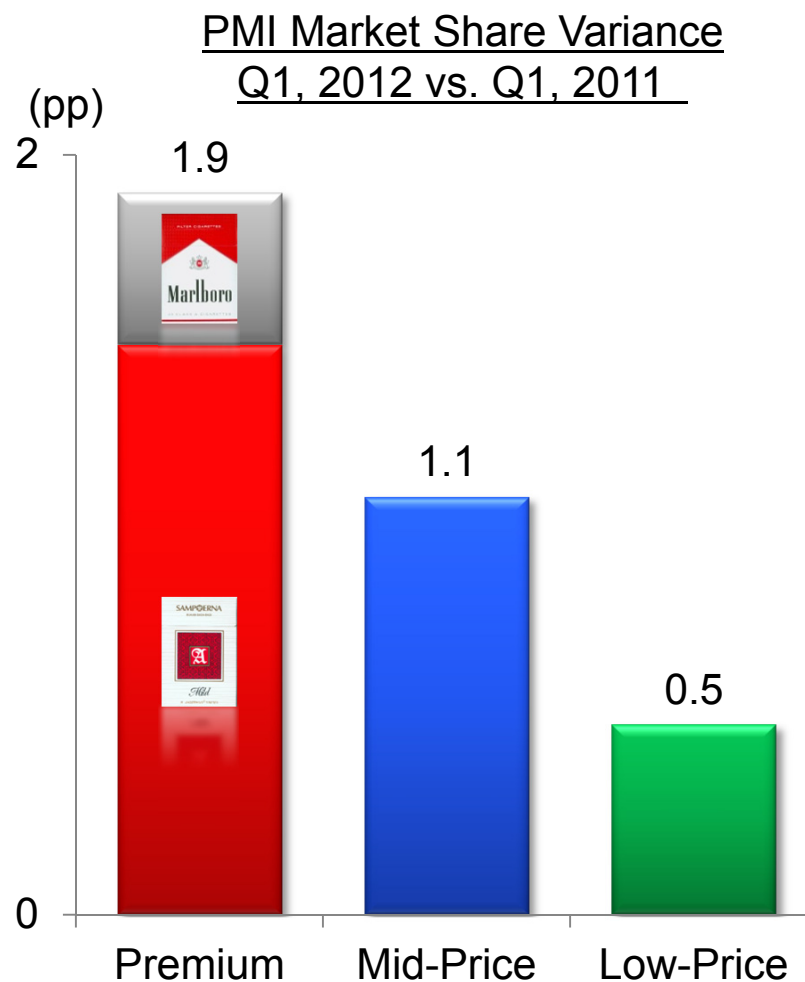


(a) Excluding currency and acquisitions
Source: PMI Financials



Indonesia: Premium Brands Lead the Way

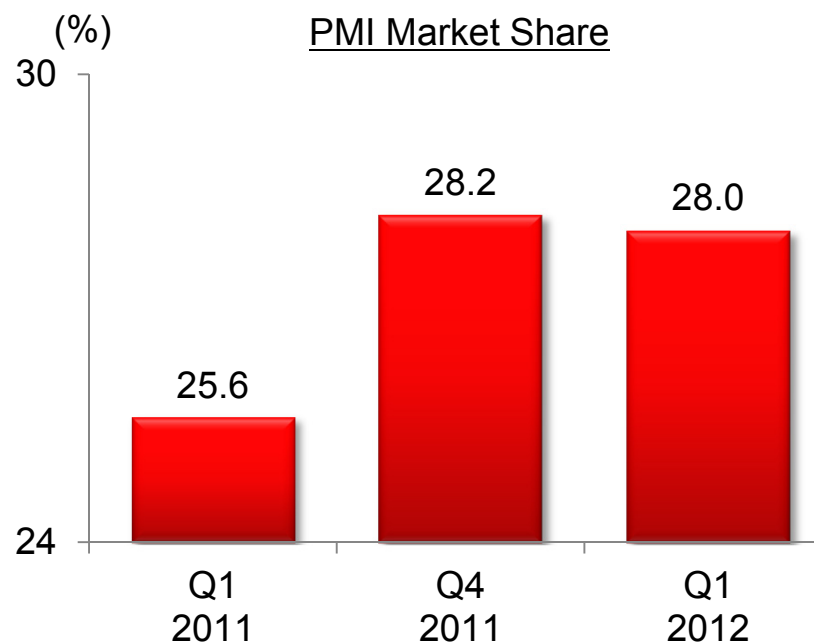
- Total industry volume up at double-digit rate in Q1, 2012
- Full-year industry volume growth forecast in 6% to 8% range
- PMI volume increased 24.9% in Q1, 2012
- Tremendous market share momentum, with 3.5 share points gained in Q1, 2012, to reach 33.4%





Japan: Building off a Higher Base

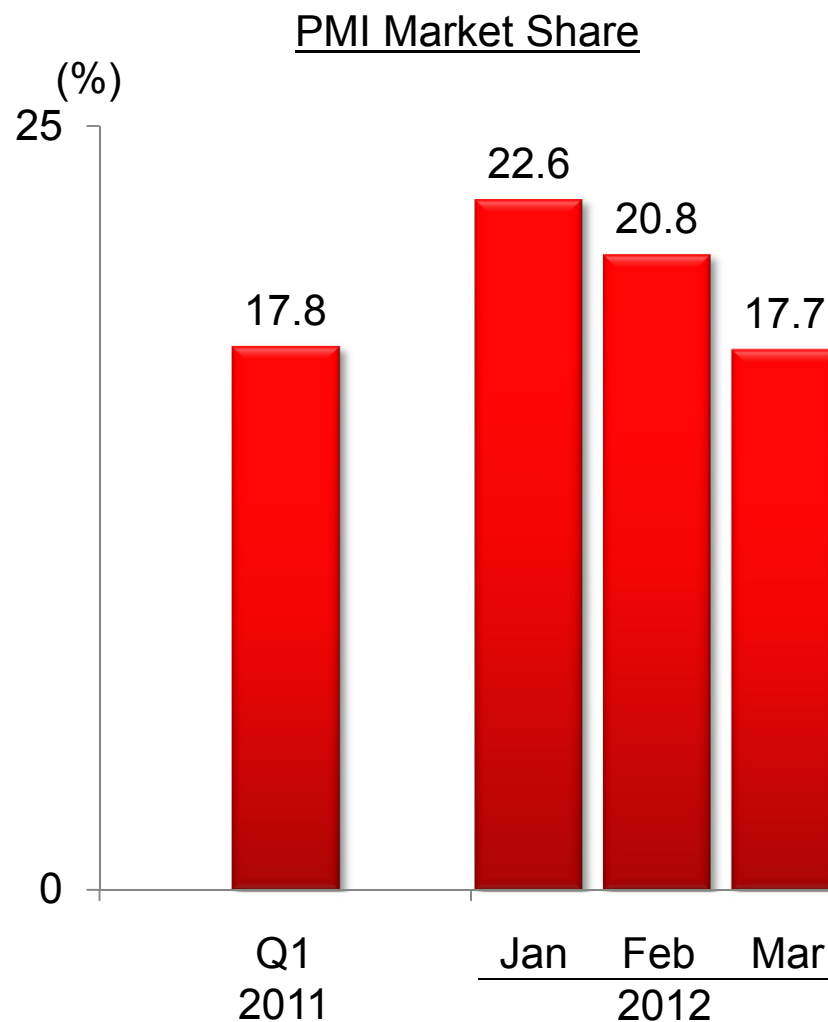
- Industry volume underlying trend: more moderate decline of approximately 2% forecast in 2012
- PMI Q1, 2012 market share of 28.0% impacted by significant trade purchases of new JT products in March
- *Lark Hybrid One* 100's reached 0.4% market share in March
- *Marlboro* and *Lark* remain strong, and we have a full pipeline of innovative new launches planned





Korea: Pricing to Boost Profitability

- Price increase on *Marlboro*, *Parliament* and *Lark* from 2,500 Won to 2,700 Won per pack in February
- Preliminary indications that we have given back, as expected, a large part of our share gain from previous temporary price advantage

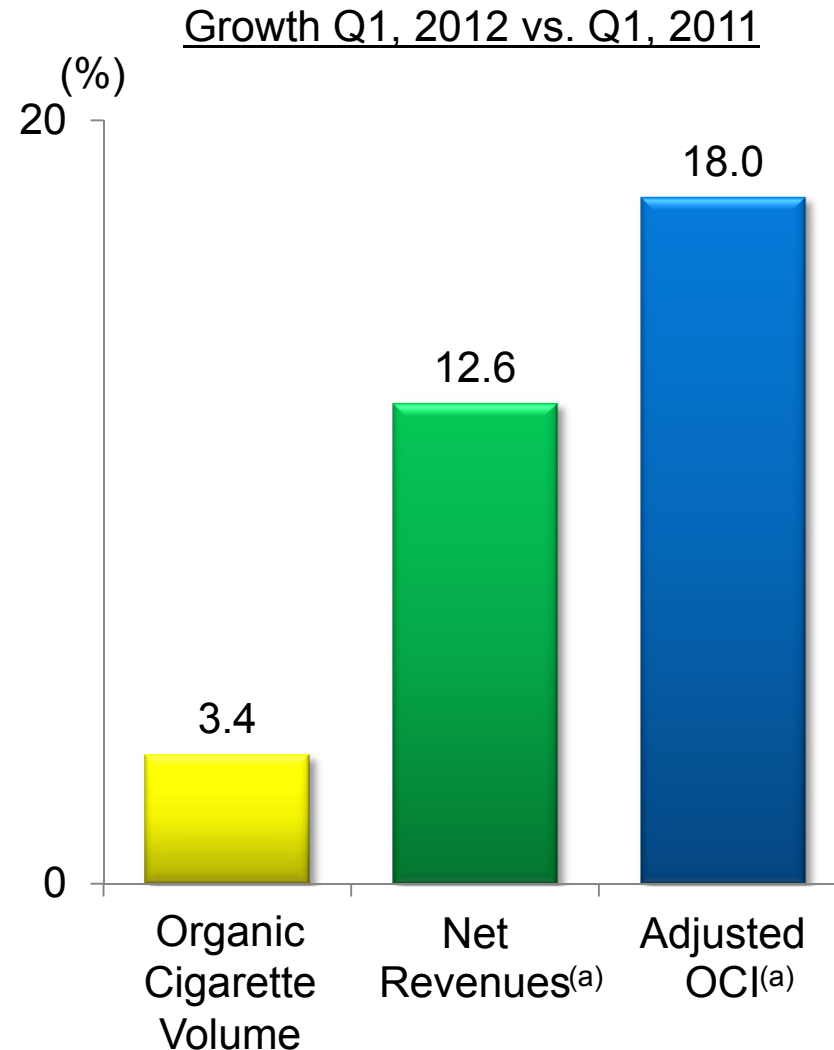


EEMA: Strong Contribution from Volume, Mix and Pricing



PHILIP MORRIS
INTERNATIONAL

- Strong volume growth led by Algeria, Saudi Arabia and Turkey, partly offset by Egypt
- Favorable mix as consumers trade up to premium and mid-price brands
- Price increases a key driver of higher profitability
- Continued investments behind *Marlboro* and other key brands, notably in Russia

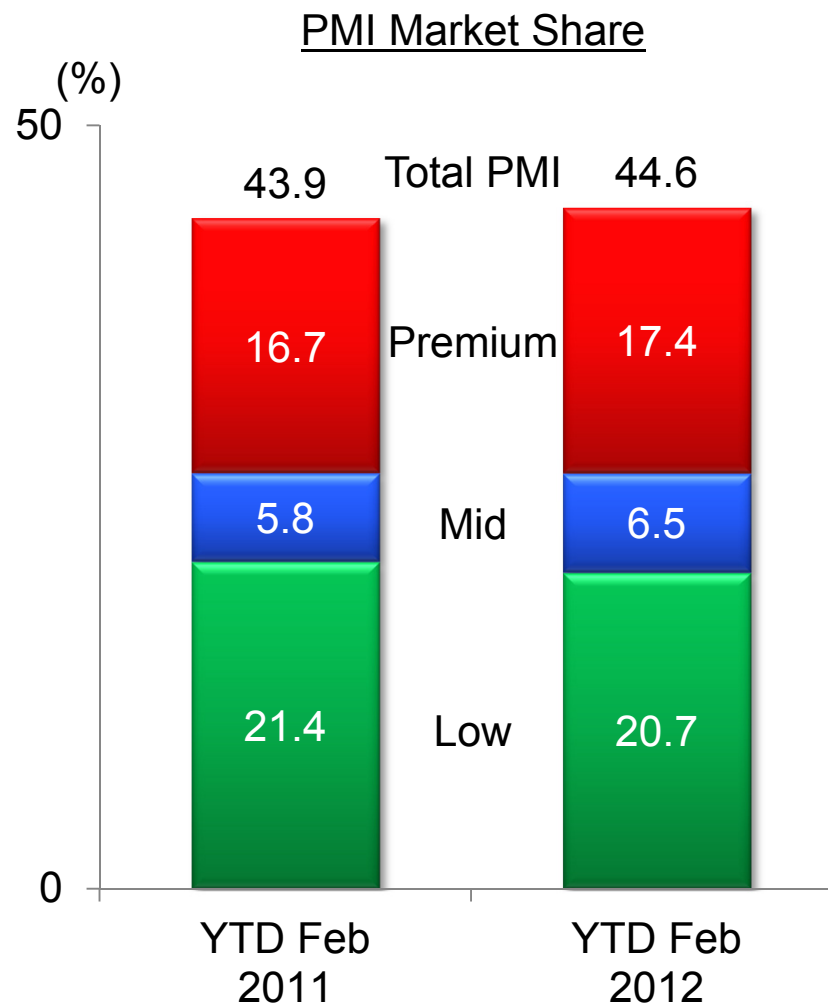


(a) Excluding currency and acquisitions
Source: PMI Financials



Turkey: PMI Momentum Continues

- Strong economy has enabled market to absorb Q4, 2011, tax-driven price increases
- Our volume increased nearly 10% in Q1, 2012
- We continued our strong share performance and mix has improved behind *Parliament* and *Muratti*





Russia: Share Gains, Investment Continues

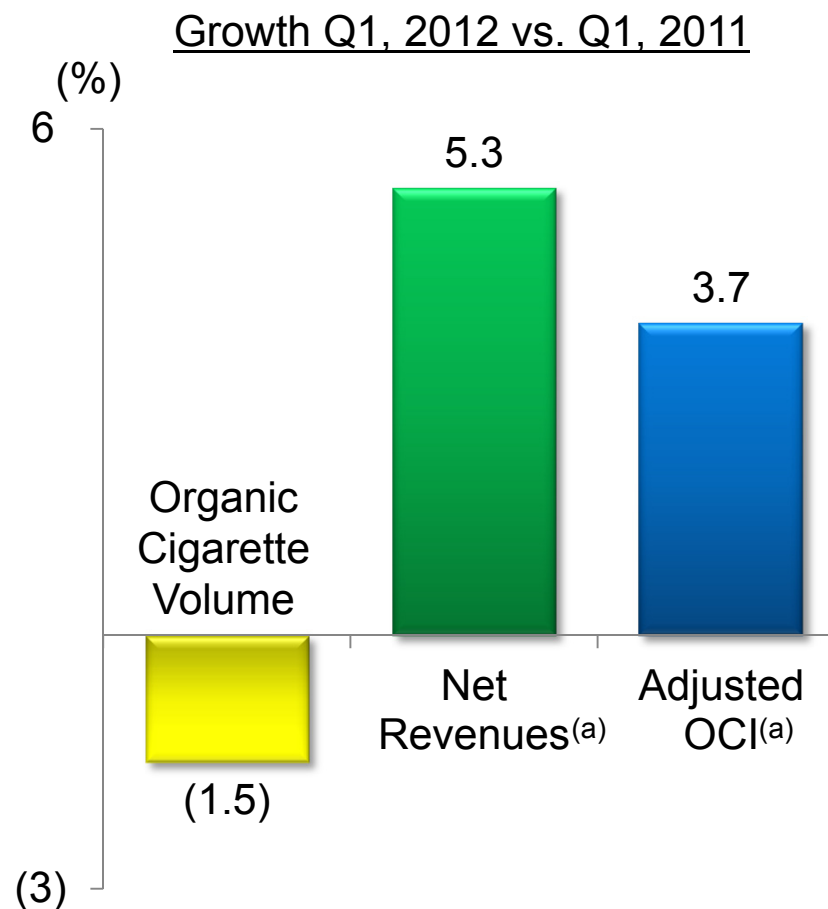
- Consumer up-trading continuing despite price increases
- PMI gaining share thanks to strength of:
 - *Parliament*
 - *Bond Street*
 - *Next*
- Continued investment in *Marlboro* and other key brands





EU: An Improved Overall Performance

- Total industry volume declined by a modest 1.3% despite weak economic conditions notably in Greece and Spain
- Continued *L&M* and *Chesterfield* share growth
- Organic cigarette volume decline of 1.5% is best PMI quarterly performance in many years
- Price increases driving growth in net revenues and adjusted OCI

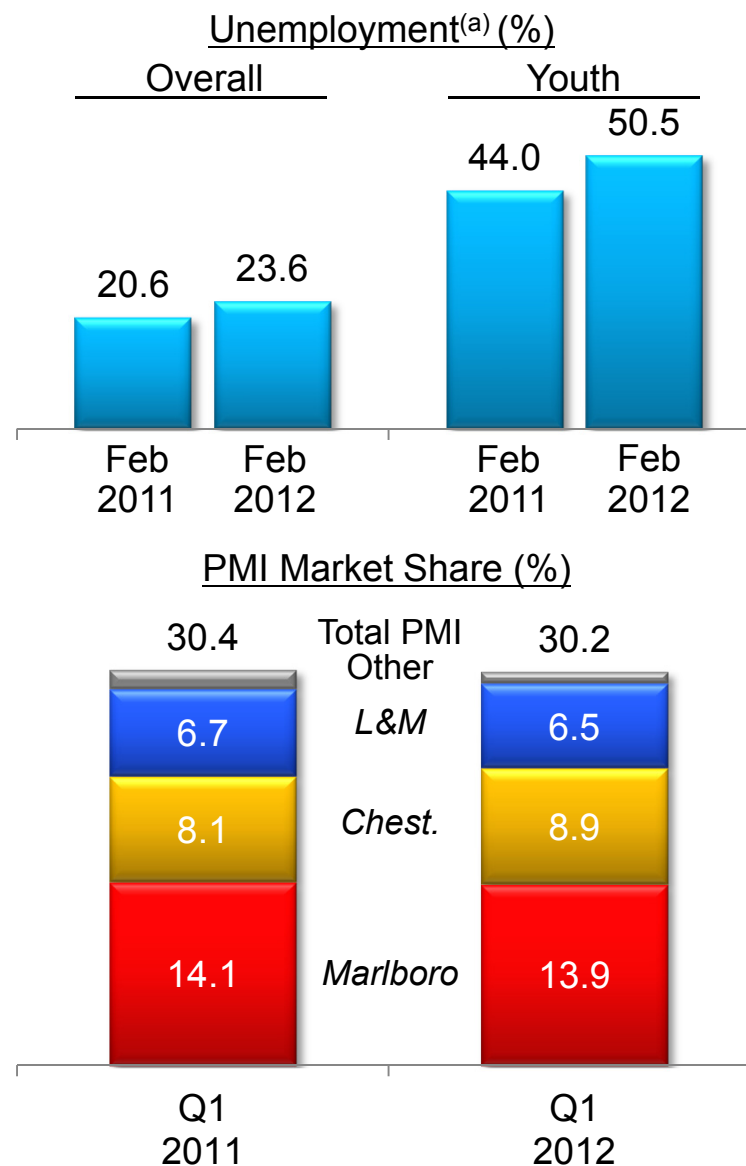


(a) Excluding currency
Source: PMI estimates and PMI Financials



Spain: Difficult Economic Conditions

- Unemployment continues to increase, putting pressure on total cigarette market volume
- PMI market share was down 0.2 points in Q1, 2012, to 30.2%, in spite of an improvement in *Chesterfield*
- Following recent excise tax increases, PMI raised prices by €0.25/pack



(a) "Youth" refers to Spain's working population under 25 years old

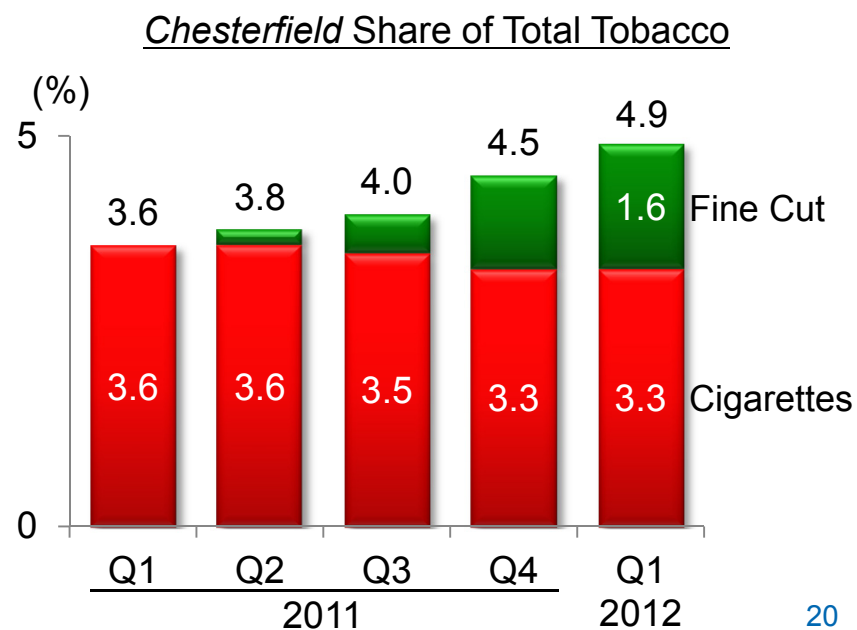
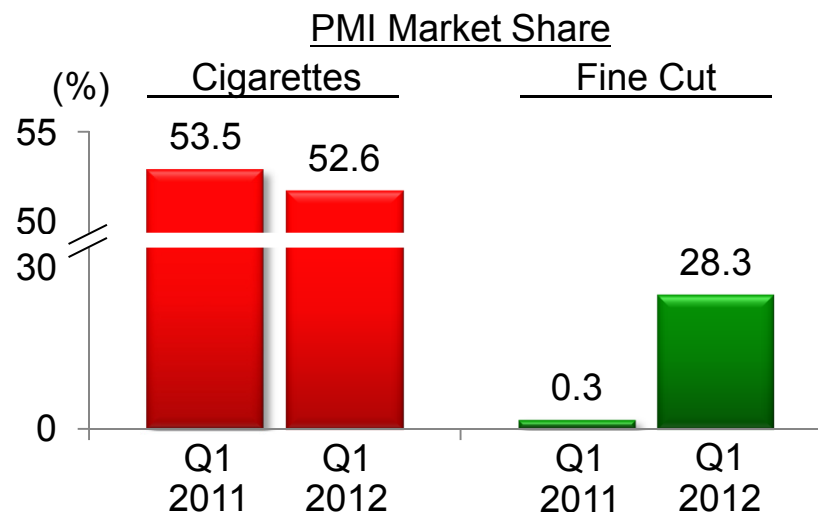
Note: *Chest.* is *Chesterfield*

Source: Eurostat and PMI estimates



Italy: Profitability Remains Strong

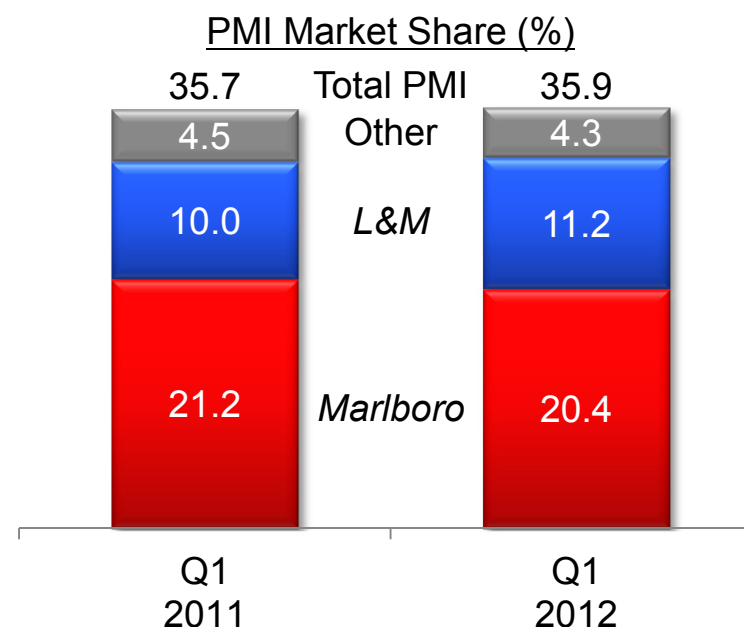
- Higher prices and a weaker economy led to a 6.1% decline in cigarette industry volume in Q1, 2012, partly offset by the growth of fine cut
- Some consumer down-trading to low-price cigarettes and fine cut
- Launch of *Chesterfield* in fine cut in Q2, 2011, has provided PMI with leadership in fine cut
- PMI portfolio in international low-price segment strengthened through launch in Q1, 2012, of *Philip Morris Selection*





Germany: PMI Share Growth Continues

- Total industry volume up 3.1% in Q1, 2012, helped by a decline in illicit trade
- *Marlboro* first in market with new retail prices
- New *Marlboro* marketing campaign showing promising results: YAS^(a) share up 5 points to 20%
- *L&M* growth continues unabated: market share up a further 1.2 points in Q1, 2012
- PMI share of fine cut market grew 0.9 points to 15.8%



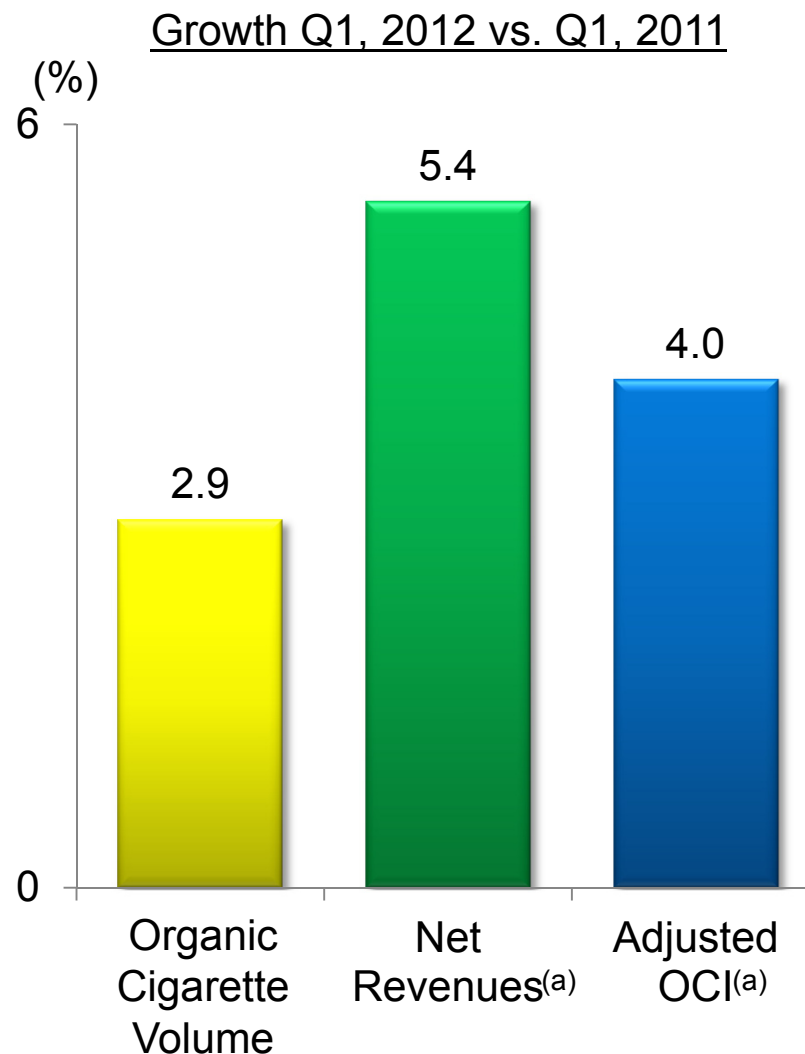
(a) Young Adult Smokers: Legal Age (minimum 18) – 24 years old
Source: PMI estimates and PMI Market Research

Latin America & Canada: Solid Contribution to PMI Growth



PHILIP MORRIS
INTERNATIONAL

- Volume growth, driven by:
 - Share and market growth in Argentina
 - Favorable timing and trade movements in Mexico
- *Marlboro* share:
 - Argentina +1.0pp to 24.8%
 - Brazil - 0.5pp to 6.8%
 - Colombia +1.5pp to 5.8%
 - Mexico +4.0pp to 54.3%



(a) Excluding currency
Source: PMI Financials and PMI estimates



PHILIP MORRIS
INTERNATIONAL

PMI Intensifying Efforts to Combat Illicit Trade^(a)

- Estimated globally at 600 billion cigarettes
- Significant volume and profitability opportunities for PMI from potential reduction
- PMI cooperating with authorities worldwide
- Canada, Germany and Romania are recent examples of successful reductions in illicit trade

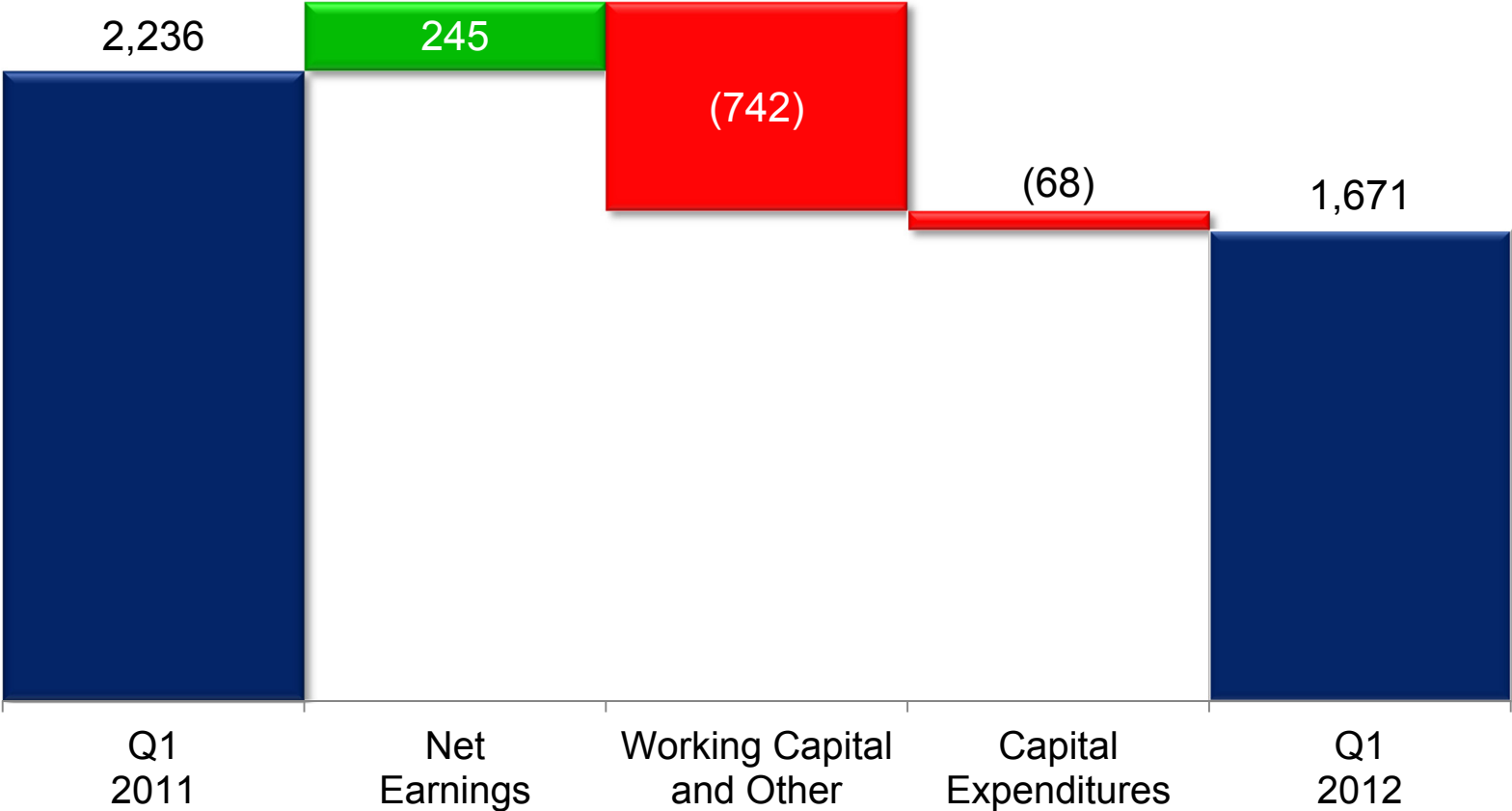
(a) Illicit trade refers to domestic non-duty paid products
Source: PMI estimates

Free Cash Flow^(a) Impacted by Working Capital Requirements



PHILIP MORRIS
INTERNATIONAL

(\$ million)



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



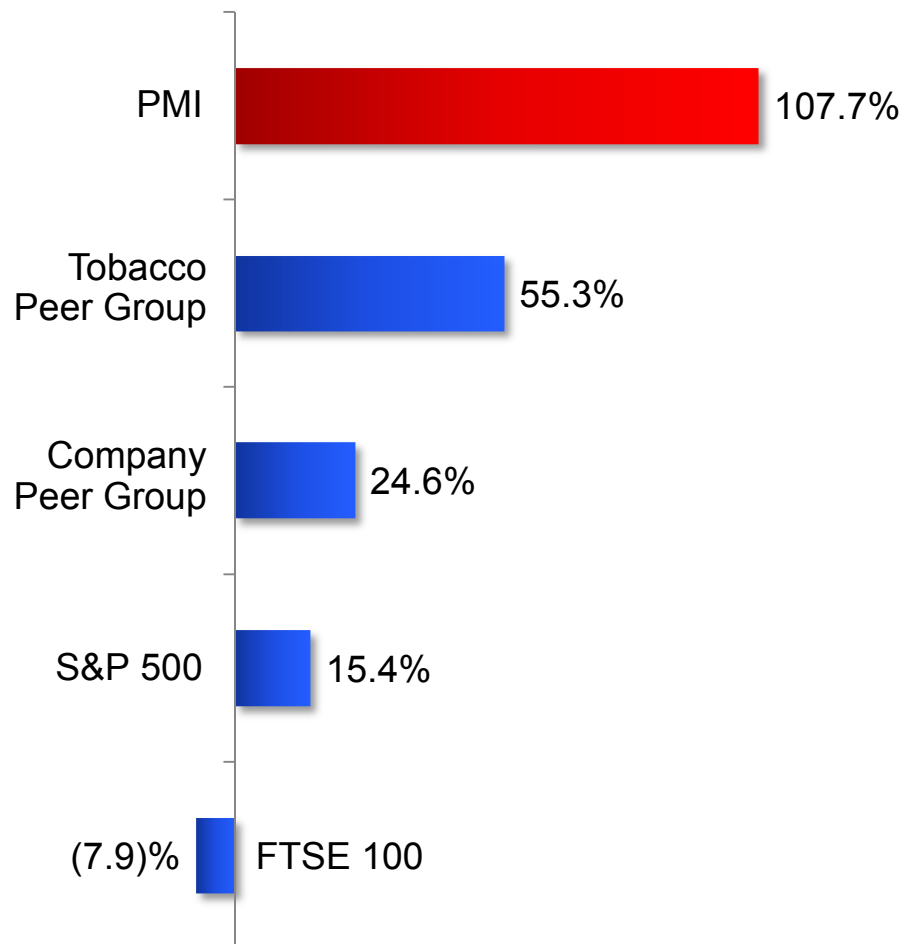
Generous Returns to Shareholders

- In the first quarter of 2012, PMI spent \$1.5 billion to repurchase 18.1 million shares. Target for 2012 is \$6 billion
- Since 2008 spin, 432.1 million shares repurchased at an average price of \$52.88
- Our annualized dividend of \$3.08 per share generated a yield of 3.5% on April 13, 2012
- Since the spin, dividend rate increased by 67.4%

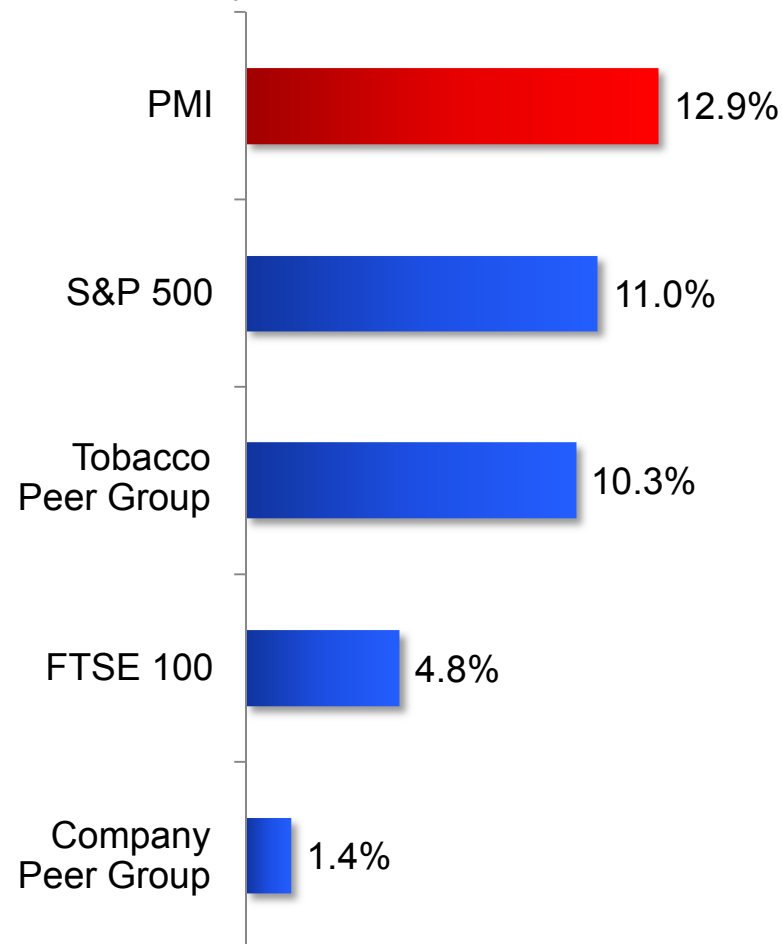


Superior Shareholder Returns

March 28, 2008 – April 13, 2012



January 1, 2012 – April 13, 2012



Note: Peer groups represent the market weighted average return of the group. PMI pro forma for additional \$0.46 per share dividend paid in April 2008 impacts the period March 28, 2008 – April 13, 2012. Exchange rates are as of March 28, 2008, January 1, 2012 and April 13, 2012. A list of the Tobacco and Company Peer Groups is available in the reconciliation section

Source: FactSet, compiled by Centerview



Conclusion

- Excellent results in the first quarter of 2012
- Very strong organic volume and consumer up-trading in non-OECD markets
- Key brands performing very well, led by *Marlboro* and *Parliament*
- Expect to deliver against our currency-neutral long-term target of 10% to 12% growth in adjusted diluted EPS in 2012
- Confident about our outlook for remainder of year, notwithstanding the difficult comparison in the second quarter due to Japan



PHILIP MORRIS INTERNATIONAL

2012 First-Quarter Results

Questions & Answers

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

Adjustments for the Impact of Currency and Acquisitions For the Quarters Ended March 31, (\$ in millions) (Unaudited)

2012							2011			% 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 excluding Currency	Reported excluding Currency & Acquisitions	
\$ 6,470	\$ 4,417	\$ 2,053	\$ (54)	\$ 2,107	\$ -	\$ 2,107	European Union	\$ 6,415	\$ 4,414	\$ 2,001	2.6%	5.3%	5.3%
4,069	2,234	1,835	(73)	1,908	9	1,899	EEMA	3,671	1,984	1,687	8.8%	13.1%	12.6%
5,177	2,400	2,777	74	2,703	1	2,702	Asia	4,288	1,965	2,323	19.5%	16.4%	16.3%
2,306	1,523	783	(39)	822	-	822	Latin America & Canada	2,156	1,376	780	0.4%	5.4%	5.4%
\$ 18,022	\$ 10,574	\$ 7,448	\$ (92)	\$ 7,540	\$ 10	\$ 7,530	PMI Total	\$ 16,530	\$ 9,739	\$ 6,791	9.7%	11.0%	10.9%

2012							2011			% 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	Less Currency	Reported Operating Companies Income excluding Currency & Acquisitions	Reported Operating Companies Income	Reported Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions	
\$ 1,030	\$ (25)	\$ 1,055	\$ -	\$ 1,055	\$ -	\$ 1,055	European Union	\$ 1,006	2.4%	4.9%	4.9%	
810	(44)	854	-	854	-	854	EEMA	722	12.2%	18.3%	18.3%	
1,407	53	1,354	-	1,354	-	1,354	Asia	1,093	28.7%	23.9%	23.9%	
237	(17)	254	-	254	-	254	Latin America & Canada	251	(5.6)%	1.2%	1.2%	
\$ 3,484	\$ (33)	\$ 3,517	\$ -	\$ 3,517	\$ -	\$ 3,517	PMI Total	\$ 3,072	13.4%	14.5%	14.5%	

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

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 March 31,
(\$ in millions)
(Unaudited)

2012							2011			% 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 excluding Currency	Adjusted excluding Currency & Acquisitions	
\$ 1,030	\$ -	\$ 1,030	\$ (25)	\$ 1,055	\$ -	\$ 1,055	\$ 1,006	\$ (11)	\$ 1,017	1.3%	3.7%	
810	-	810	(44)	854	-	854	722	(2)	724	11.9%	18.0%	
1,407	-	1,407	53	1,354	-	1,354	1,093	(2)	1,095	28.5%	23.7%	
237	(8)	245	(17)	262	-	262	251	(1)	252	(2.8)%	4.0%	
\$ 3,484	\$ (8)	\$ 3,492	\$ (33)	\$ 3,525	\$ -	\$ 3,525	\$ 3,072	\$ (16)	\$ 3,088	13.1%	14.2%	
							European Union					
							EEMA					
							Asia					
							Latin America & Canada					
							PMI Total					

2012							2011			% 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	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	
\$ 1,055	\$ 2,107	50.1%	\$ 1,055	\$ 2,107	50.1%	\$ 1,017	\$ 2,001	50.8%	(0.7)	(0.7)	
854	1,908	44.8%	854	1,899	45.0%	724	1,687	42.9%	1.9	2.1	
1,354	2,703	50.1%	1,354	2,702	50.1%	1,095	2,323	47.1%	3.0	3.0	
262	822	31.9%	262	822	31.9%	252	780	32.3%	(0.4)	(0.4)	
\$ 3,525	\$ 7,540	46.8%	\$ 3,525	\$ 7,530	46.8%	\$ 3,088	\$ 6,791	45.5%	1.3	1.3	
							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



PHILIP MORRIS
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency
For the Quarters Ended March 31,
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Reported Diluted EPS	\$ 1.25	\$ 1.06	17.9%
Adjustments:			
Asset impairment and exit costs	-	0.01	
Tax items	-	(0.01)	
Adjusted Diluted EPS	\$ 1.25	\$ 1.06	17.9%
Less:			
Currency impact	(0.02)		
Adjusted Diluted EPS, excluding Currency	\$ 1.27	\$ 1.06	19.8%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

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

	<u>2011</u>	
Reported Diluted EPS	\$	4.85
Adjustments:		
Asset impairment and exit costs		0.05
Tax items		(0.02)
Adjusted Diluted EPS	\$	4.88

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

Reconciliation of Operating Cash Flow to Free Cash Flow and Free Cash Flow, excluding Currency
For the Quarters Ended March 31,
(\$ in millions)
(Unaudited)

	For the Quarters Ended		% Change
	March 31,		
	2012	2011	
Net cash provided by operating activities^(a)	\$ 1,898	\$ 2,395	(20.8)%
Less:			
Capital expenditures	227	159	
Free cash flow	\$ 1,671	\$ 2,236	(25.3)%
Less:			
Currency impact	(50)		
Free cash flow, excluding currency	\$ 1,721	\$ 2,236	(23.0)%

(a) Operating Cash Flow



PMI Peer Groups

Company Peer Group

- Bayer
- BAT
- Coca-Cola
- Diageo
- GlaxoSmithKline
- Heineken
- Imperial Tobacco
- Johnson & Johnson
- Kraft
- McDonald's
- Nestlé
- Novartis
- PepsiCo
- Pfizer
- Roche
- Unilever
- Vodafone

Tobacco Peer Group

- Altria
- BAT
- Imperial Tobacco
- Japan Tobacco
- Lorillard
- Reynolds American



PHILIP MORRIS INTERNATIONAL

2012 First-Quarter Results

April 19, 2012