



PHILIP MORRIS INTERNATIONAL

**2008 Fourth Quarter and Annual Earnings Call
4 February 2009**

Introduction

- **Unless otherwise stated, we will be talking about results in the fourth quarter or the full year 2008 and comparing them with the same periods in 2007**
- **References to volumes are PMI shipment data**
- **Net revenues exclude excise taxes**
- **Data tables showing adjustments to revenues and OCI for currency and acquisitions are at the end of this presentation**
- **Non-material revisions to quarterly information for 2007 and 2008 to reflect changes in year end closing dates are on Schedules 9-12 of today's release**

Forward-Looking 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 the caption “Cautionary Factors that May Affect Future Results” in PMI’s Registration Statement on the Form 10 that was declared effective by the Securities and Exchange Commission on March 7, 2008, and in PMI’s quarterly reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 2008.

Mid to Long-Term Constant Currency Targets

	<u>Growth Rates</u>	<u>2008 Results</u>
Cigarette Volume	1 – 2%	✓
Net Revenues	4 – 6%	✓
Operating Income	6 – 8%	✓
EPS	10 – 12%	✓

PMI Results

(% Growth vs. same period in 2007)

	Fourth Quarter 2008		Full Year 2008	
	<u>Actual</u>	<u>Excl. Acquisitions</u>	<u>Actual</u>	<u>Excl. Acquisitions</u>
Cigarette Volume	+ 2.0%	+ 0.6%	+ 2.5%	+ 1.0%

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OCI	+ 0.1	+ 7.4	+ 16.7	+ 9.9

2008 OCI Growth Drivers

- **Stronger volume and better mix**
- **\$1.2 billion in pricing**
- **Productivity and cost savings program**
- **Favorable currency of \$481 million**

PMI Results

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Net Revenues	+ 3.6	+ 5.6	+ 12.7	+ 5.6
OCI	+ 0.1	+ 7.4	+ 16.7	+ 9.9
Adjusted EPS (a)	- 1.4	+ 12.5	+ 18.6	+ 13.2

(a) Actual variance is computed as actual 2008 EPS compared with the pro forma adjusted EPS shown on Schedules 13 and 14 of the PMI news release.
Source: PMI Financials

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OCI	+ 0.1	+ 7.4	+ 16.7	+ 9.9
Adjusted EPS	- 1.4	+ 12.5	+ 18.6	+ 13.2
Free Cash Flow (a)			+ 52.7	

(a) Operating cash flow in 2008 of \$7,935 million less capital expenditures of \$1,099 million.
Source: PMI Financials

Strong Liquidity Position

- **Year-end net debt to EBITDA ratio of 0.94 to 1^(a)**
- **\$10.1 billion bonds issued in 2008 in variety of currencies and maturities at interest cost of 5.8%**
- **Continuous access to commercial paper market at particularly favorable rates**

(a) At the end of 2008, net debt was \$10,430 million with total debt of \$11,961 million and cash and cash equivalents of \$1,531 million, while EBITDA was \$11,090 million with pre-tax earnings of \$9,937 million, net interest expense of \$311 million and depreciation and amortization of \$842 million.

Shareholder Returns

- **Dividend increased in August 2008 by 17.4% to an annualized rate of \$2.16 / share**
- **Dividend target payout ratio of 65%**
- **Share repurchases in 2008 totaled \$5.4 billion**

Brand Performance

- ***Marlboro* volume of 310.7 billion in 2008 was up 0.2%:**
 - **EEMA** + 2.8%
 - **Asia** + 6.4%
 - **Latin America & Canada** + 4.1%
 - **EU** - 6.0%

- ***Marlboro* volume increased 2.0% in the fourth quarter**

Marlboro Innovation

- **Marlboro Filter / Flavor Plus**
- **Marlboro Intense / Compact**
- **Marlboro Gold Edge**
- **New Marlboro Gold pack**
- **Marlboro Black Menthol and other new menthol line extensions**



Brand Performance

- *Marlboro* volume of 310.7 billion in 2008 was up 0.2%
- *Marlboro* volume increased 2.0% in the fourth quarter
- ***Parliament* volume increased by 20.0% and *Virginia Slims* volume up 8.2% in 2008**

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- *Marlboro* volume increased 2.0% in the fourth quarter
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- ***Chesterfield* volume increased by 13.7% in 2008 and more than offset *L&M* volume decline**

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- *Chesterfield* volume increased by 13.7% in 2008 and more than offset *L&M* volume decline
- **Volume of key low-price international brands (*Bond Street, Next* and *Red & White*) grew by 3.8% in 2008**
- **Strong local heritage brands**

Business Development

- **Rothmans Inc. acquisition in Canada**
- **Acquisition of *Interval* and *Petterøes* fine cut brands**
- **Exclusive smokeless tobacco products joint venture with Swedish Match**

2009 Guidance

- **Excellent 2008 results provide solid foundation for future success**
- **Since end of the third quarter:**
 - **US Dollar appreciated against the Euro**
 - **Steep depreciation in the value of many emerging market currencies**
 - **Huge volatility in exchange rates**
- **Current 2009 guidance for reported EPS is \$2.85 to \$3.00, including adverse currency impact of 80 cents at current exchange rates**
- **At spot rates in mid-December, guidance would have been 40 cents higher**

Mid to Long-Term Constant Currency Targets

	<u>Growth Rates</u>	<u>2009 Expectations</u>
Cigarette Volume	1 – 2%	✓
Net Revenues	4 – 6%	✓
Operating Income	6 – 8%	✓
EPS	10 – 12%	✓

Strong Business Fundamentals

- **Seven of top fifteen international cigarette brands, led by *Marlboro***
- **Greatest global reach and best geographic balance**
- **Enhanced speed to market and flexibility**
- **Productivity and cost saving programs**
- **Manageable excise tax and regulatory environment**
- **Substantial cash flow generation**
- **Very solid balance sheet and excellent liquidity**
- **Attractive dividends and share repurchase program**
- **Focus on longer-term growth and business momentum**



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Questions and Answers
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Adjustments for the Impact of Currency and Acquisitions

(\$ Millions)

	Fourth Quarter 2008						Fourth Quarter 2007			
	<u>Reported</u>	<u>Less Excise Taxes</u>	<u>Revenues Excluding Excise Taxes</u>	<u>Less</u>		<u>Organic</u>	<u>Reported</u>	<u>Less Excise Taxes</u>	<u>Organic</u>	<u>% Change</u>
Operating Revenues				<u>Currency</u>	<u>Acquisitions</u>					
EU	\$ 6,838	\$ 4,711	\$ 2,127	\$ (83)	\$ 13	\$ 2,197	\$ 7,190	\$ 4,928	\$ 2,262	- 2.9 %
EEMA	3,569	1,769	1,800	(109)		1,909	3,273	1,609	1,664	14.7 %
Asia	2,888	1,420	1,468	(63)		1,531	2,894	1,489	1,405	9.0 %
LA & Canada	1,923	1,196	727	(33)	157	603	1,536	960	576	4.7 %
Total	\$ 15,218	\$ 9,096	\$ 6,122	\$ (288)	\$ 170	\$ 6,240	\$14,893	\$ 8,986	\$ 5,907	5.6 %
Operating Companies Income										
EU	\$ 959			\$ (91)	\$ 10	\$ 1,040	\$ 1,059		\$ 1,059	- 1.8 %
EEMA	680			(104)		784	628		628	24.8 %
Asia	426			(23)		449	424		424	5.9 %
LA & Canada	238			(19)	58	199	190		190	4.7 %
Total	\$ 2,303			\$ (237)	\$ 68	\$ 2,472	\$ 2,301		\$ 2,301	7.4 %

Adjustments for the Impact of Currency and Acquisitions

(\$ Millions)

	Full Year 2008						Full Year 2007			
	<u>Reported</u>	<u>Less Excise Taxes</u>	<u>Revenues Excluding Excise Taxes</u>	<u>Less</u>		<u>Organic</u>	<u>Reported</u>	<u>Less Excise Taxes</u>	<u>Organic</u>	<u>% Change</u>
Operating Revenues				<u>Currency</u>	<u>Acquisitions</u>					
EU	\$ 30,265	\$ 20,557	\$ 9,688	\$ 899	\$ 27	\$ 8,762	\$ 26,829	\$ 17,994	\$ 8,835	- 0.8 %
EEMA	14,817	7,313	7,504	296		7,208	12,166	5,820	6,346	13.6 %
Asia	12,222	6,037	6,185	140	46	5,999	11,097	5,449	5,648	6.2 %
LA & Canada	6,336	4,008	2,328	47	157	2,124	5,151	3,170	1,981	7.2 %
Total	\$ 63,640	\$ 37,935	\$ 25,705	\$ 1,382	\$ 230	\$ 24,093	\$ 55,243	\$ 32,433	\$ 22,810	5.6 %
Operating Companies Income										
EU	\$ 4,738			\$ 432	\$ 20	\$ 4,286	\$ 4,195		\$ 4,195	2.2 %
EEMA	3,119			21		3,098	2,431		2,431	27.4 %
Asia	2,057			32	5	2,020	1,803		1,803	12.0 %
LA & Canada	520			(4)	100	424	514		514	-17.5 %
Total	\$ 10,434			\$ 481	\$ 125	\$ 9,828	\$ 8,943		\$ 8,943	9.9 %



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