Introduction

- When we refer today to certain results as being “after adjustments”, it will imply data that has been adjusted for the impact of currency, acquisitions, and the transfer of our US duty-free business to PM USA in August last year.
- Unless otherwise stated, we will be talking about results in the second quarter 2008 and comparing them with results in the same period in 2007.
- References to international tobacco market shares are PMI estimates based on a number of sources.
Forward-Looking Statements

This presentation and related discussion contain statements that are not reported financial results or other historical information are “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 Form 10 that was declared effective by the Securities and Exchange Commission on March 7, 2008 and in PMI’s quarterly report on Form 10-Q for the quarter ended March 31, 2008.
Earnings Guidance

- Pro forma 2007 adjusted EPS: $2.79

- Previous 2008 EPS guidance: $3.18 – $3.24 (+14 – 16%)

- Revised 2008 EPS guidance: $3.32 – $3.38 (+19 – 21%)
Second Quarter Financials

- Diluted EPS up 22.9% from $0.70 to $0.86

Source: PMI financials
Second Quarter Financials

- Diluted EPS up 22.9% from $0.70 to $0.86
- Net revenues excluding excise taxes increased by 15.0% from $5.8 billion to $6.7 billion
- Net revenues growth after adjustments of 4.4%
Second Quarter Financials

- Diluted EPS up 22.9% from $0.70 to $0.86
- Net revenues excluding excise taxes increased by 15.0% from $5.8 billion to $6.7 billion
- Net revenues growth after adjustments of 4.4%
- OCI increased by 23.7% from $2.2 billion to $2.8 billion
- OCI growth after adjustments of 9.8%

Source: PMI financials
Second Quarter Shipment Volume

- PMI shipment volume increased by 1.0% to 223.2 billion units
- Organic volume growth of 0.6%

Source: PMI financials
PMI shipment volume increased by 1.0% to 223.2 billion units

Organic volume growth of 0.6%

*Marlboro* shipment volume declined by 2.4%

*Marlboro* shipments up in three out of four regions after adjustments

Source: PMI financials
Second Quarter Shipment Volume

- PMI shipment volume increased by 1.0% to 223.2 billion units
- Organic volume growth of 0.6%
- *Marlboro* shipment volume declined by 2.4%
- *Marlboro* shipments up in three out of four regions after adjustments
- *Parliament* shipment volume grew by 28.1%
- *Virginia Slims* shipment volume up 12.2%

Source: PMI financials
Second Quarter Shipment Volume

- PMI shipment volume increased by 1.0% to 223.2 billion units
- Organic volume growth of 0.6%
- Marlboro shipment volume declined by 2.4%
- Marlboro shipments up in three out of four regions after adjustments
- Parliament shipment volume grew by 28.1%
- Virginia Slims shipment volume up 12.2%
- L&M shipment volume 3.4% higher outside EEMA
- Chesterfield shipment volume up 18.0%

Source: PMI financials
Innovation

- Marlboro Filter Plus
- Marlboro Intense
- Menthol Marlboro line extensions
- Virginia Slims Uno and L&M Link
EU Region

- Industry volume down 3.7%
- PMI cigarette volume declined 4.4%
- PMI market share down slightly to 39.4%
- Revenues stable and OCI up in first half of year
- Germany: share gains in cigarettes and fine cut
- Italy / Spain: Chesterfield growing and Marlboro resilient
- France: share stable since Q4, 2007
- Outlook for EU region is improving
- EU Commission excise tax proposal

Note: revenues are net and exclude excise taxes. Growth in revenues and OCI excluding currency
Source: PMI financials and GIMS estimates
Very strong results in Q2 with:

- Volume + 3.2%
- Net Revenues + 10.2%
- OCI + 22.9%

Volume growth, improved mix and significant OCI gains in the three key markets of Russia, Turkey and Ukraine

Note: net revenues exclude excise taxes. Growth in revenues and OCI excluding currency
Source: PMI financials
Asia Region

- **Very strong results in Q2 with:**
  - Volume          + 1.9%
  - Net Revenues    + 4.9%
  - OCI            + 15.2%

- *Marlboro, Parliament and Virginia Slims volume expansion*

- **Excellent results in Indonesia**

Note: net revenues exclude excise taxes. Growth in revenues and OCI excluding currency
Source: PMI financials
Japan

- Industry volume declined 1.6%
- PMI shipments dropped by 7.0%
- PMI share down by 0.3pp to 23.9%
- PMI share stable since Q4, 2007
- *Marlboro, Lark* and *Virginia Slims* starting to respond to new product initiatives
- *Marlboro Black Menthol* launch in August
- Additional marketing investments
- Government needs to allow pricing freedom

Source: PMI financials and Tobacco Institute of Japan
Latin America Region

- Very strong results in Q2 with:
  - Volume + 1.3%
  - Net Revenues + 8.0%
  - OCI + 15.0%
- Argentina and Mexico key drivers
- *Marlboro* performing very well

Note: revenues exclude excise taxes. Growth in volume, revenues and OCI excluding currency and acquisitions
Source: PMI financials
Shareholder Value

- $13 billion share repurchase program started in May
- Second quarter dividend: $0.46 per share
- $6 billion raised in 5-, 10- and 30-year bonds
Summary

- Strong business performance in EEMA, Asia and Latin America
- Outlook for EU is improving
- Japan remains a challenge due to price controls in a declining market
- Enhanced innovation is driving better organic volume
- Productivity programs on track
- Significant cash being returned to our shareholders
Second Quarter Earnings Call
Questions and Answers
23 July, 2008