



PHILIP MORRIS INTERNATIONAL

2010 First-Quarter Earnings Results

April 22, 2010



Introduction

- Unless otherwise stated, we will be talking about results in the first quarter 2010 and comparing them with the same period in 2009
- References to PMI volumes refer to shipment data
- 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
- Data tables showing adjustments to net revenues and Operating Companies Income (OCI) for currency, acquisitions, asset impairment and exit costs, 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



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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, 2009, filed with the Securities and Exchange Commission.



PMI Results

- Strong financial performance in Q1, 2010
- In line with or above all our constant currency mid to long-term annual growth targets:

	<u>Growth Targets^(c)</u>	<u>Q1, 2010 Results^(c)</u>
Net Revenues	4 – 6%	+ 6.1%
Adjusted OCI ^(a)	6 – 8%	+ 8.6%
Adjusted Diluted EPS ^(b)	10 – 12%	+13.5%

(a) OCI stands for Operating Companies Income, which is defined as operating income before general corporate expenses and the amortization of intangibles. Q1, 2010, OCI growth rate is on an adjusted basis which excludes asset impairment and exit costs

(b) Adjusted diluted earnings per share

(c) All financial growth rates exclude currency. Net revenues and OCI growth rates also exclude acquisitions

Source: PMI Financials. See reconciliations to U.S. GAAP measures at the end of this presentation

PMI Results



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	Q1, 2010 Results (units billions)	% Growth Q1, 2010 vs. Q1, 2009	
		<u>Actual</u>	<u>Excl. Acquisitions</u>
Cigarette Volume	204.7	0.7%	(2.3)%



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Business Outlook

- Economic environment
- Adult consumer behavior
- Excise taxation
- Competitiveness



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Economic Environment

- Emerging markets in Asia continue to grow
- Improved outlook in Latin America
- Some signs of stabilization in Eastern Europe
- Economic conditions in EU remain difficult



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Adult Consumer Behavior

- Growing premium volume in several emerging markets, such as Algeria, Argentina, Indonesia and Mexico
- Consumer downtrading moderating in Russia
- Price sensitivity remains high in EU markets
- Improvement in employment levels key to global resumption in consumer uptrading
- Illicit trade attracting price sensitive consumers



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Excise Taxation

- Most governments are continuing to pursue a policy of reasonable increases
- Excise tax structures are globally improving



New EU Excise Tax Directive

- Premised on gradual tax increases
- Three important structural improvements:
 - Increase in maximum specific-to-total ratio from 55% to 76.5%
 - Gradual reduction in gap between tax rates on fine cut and cigarettes
 - Elimination of previous 100% of MPPC cap on Minimum Excise Tax
- Visibility through 2018



Excise Taxation

- Most governments are continuing to pursue a policy of reasonable increases
- Excise tax structures are globally improving
- Large disruptive excise tax increases in January 2010 in Romania and Turkey:
 - Double-digit industry volume declines
 - Significant increase in illicit trade in both markets



Excise Taxation

- Most governments are continuing to pursue a policy of reasonable increases
- Excise tax structures are globally improving
- Large disruptive excise tax increases in January 2010 in Romania and Turkey
- Greek Government decreased the Minimum Excise Tax, at the same time as it increased the ad-valorem excise tax rate:
 - Consumer downtrading expected as price gaps widen
 - Main impact starting in the second quarter
- Consequently, government revenue targets may not be met and we hope a more appropriate approach will be taken going forward



Excise Taxation

- Most governments are continuing to pursue a policy of reasonable increases
- Excise tax structures are globally improving
- Large disruptive excise tax increases in January 2010 in Romania and Turkey
- Greek Government decreased the Minimum Excise Tax, at the same time as they increased the ad-valorem excise tax rate
- 70 Yen / pack excise tax increase in Japan to take place in October 2010:
 - Impact on industry volume very difficult to predict
 - PMI obtained approval to increase prices by 20 Yen / pack this June but has decided not to implement this price move



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PMI Competitiveness

- PMI continues to grow share across wide range of developed and emerging markets
- Markets where PMI's smoker share among Legal Age (min. 18) – 24 year olds is at least 5 share points higher than among Legal Age (min. 18) – 64 year olds include:
 - OECD: Austria, Belgium, France, Hungary, Japan, Korea, Netherlands, Poland, Portugal, Slovakia, Spain
 - Non-OECD: Argentina, Brazil, Egypt, Lebanon, Qatar, Slovenia, Ukraine



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Marlboro Volume

- Strong performance in Q1, 2010, with total volume down just 0.6% and up 1.4% excluding Romania and Turkey
- Asia: volume up 7.4%
- Latin America & Canada: volume up 1.5%



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Marlboro Volume

- Strong performance in Q1, 2010, with total volume down just 0.6% and up 1.4% excluding Romania and Turkey
- Asia: volume up 7.4%
- Latin America & Canada: volume up 1.5%
- EEMA: volume down 1.2%, in spite of strong performance in North Africa and improved duty-free sales
- EU: volume down 6.2%, due to consumer downtrading in Germany and Spain and overall industry volume decline
- Non-EU markets account for over 60% of global *Marlboro* volume



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Marlboro Innovation

- Roll-out of new architecture
- Innovative line extensions:
 - *Marlboro Filter Plus*
(2.8% share in Kuwait)
 - *Marlboro Gold Touch*
(1.4% share in Italy)
 - *Marlboro Black Menthol*
(1.3% share in Japan)
- Incremental volume and reinforcement of equity of the overall *Marlboro* franchise



Note: All market share data refers to first quarter to date, 2010
Source: A.C. Nielsen, PMI estimates and Tobacco Institute of Japan



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Superior Brand Portfolio

International

Premium &
Above



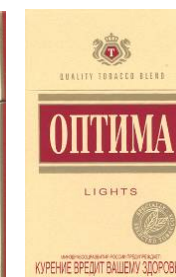
Mid-Price



Local Heritage



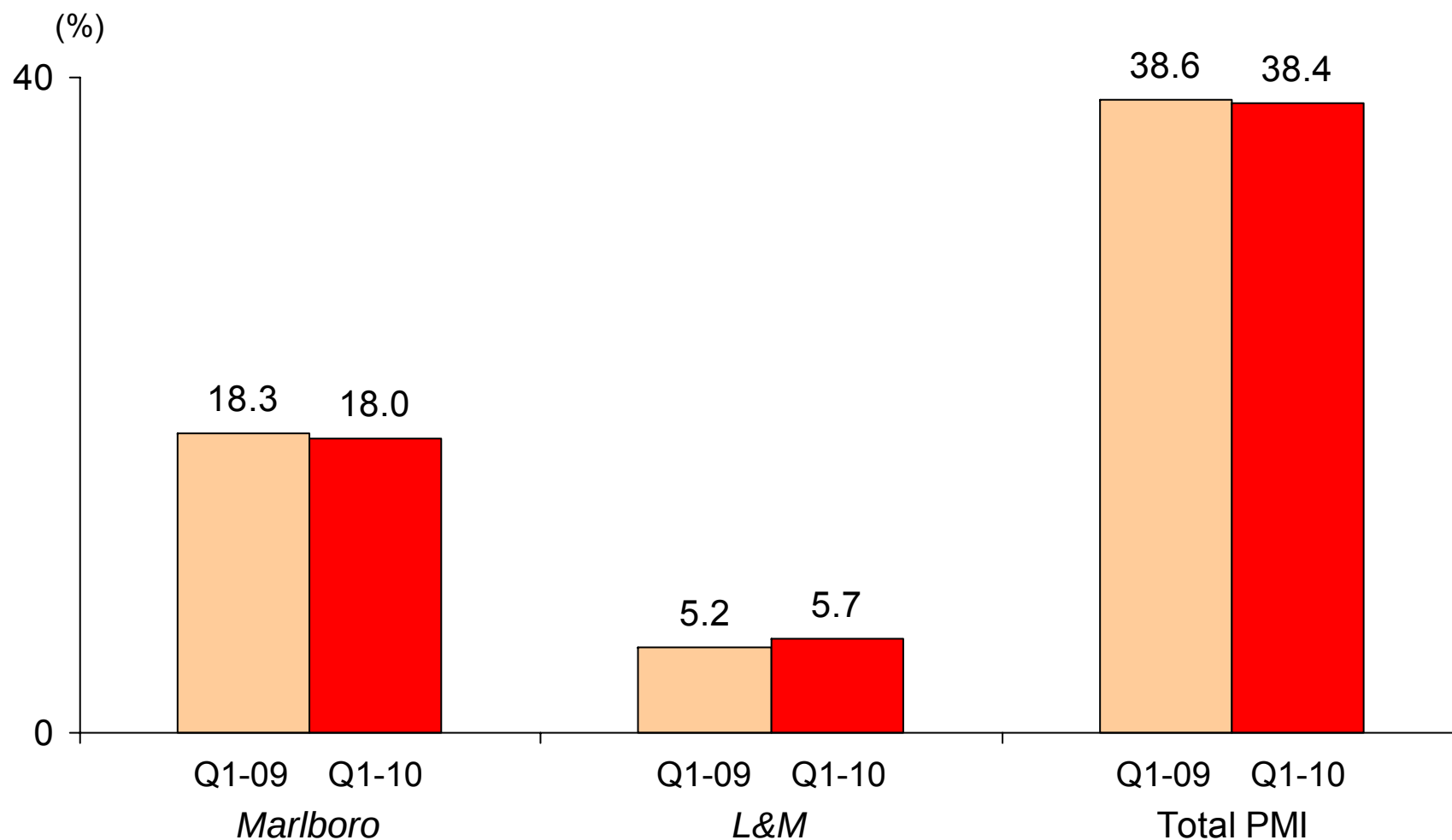
Low-Price





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PMI Market Share Developments: EU Region



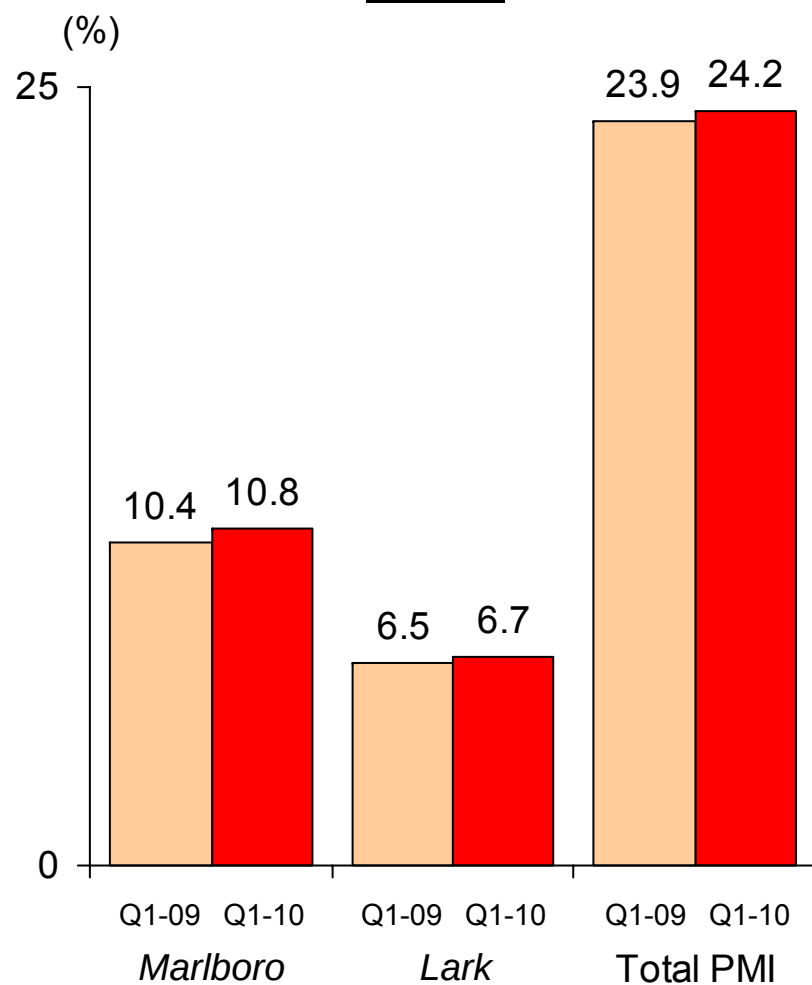
Source: PMI Estimates



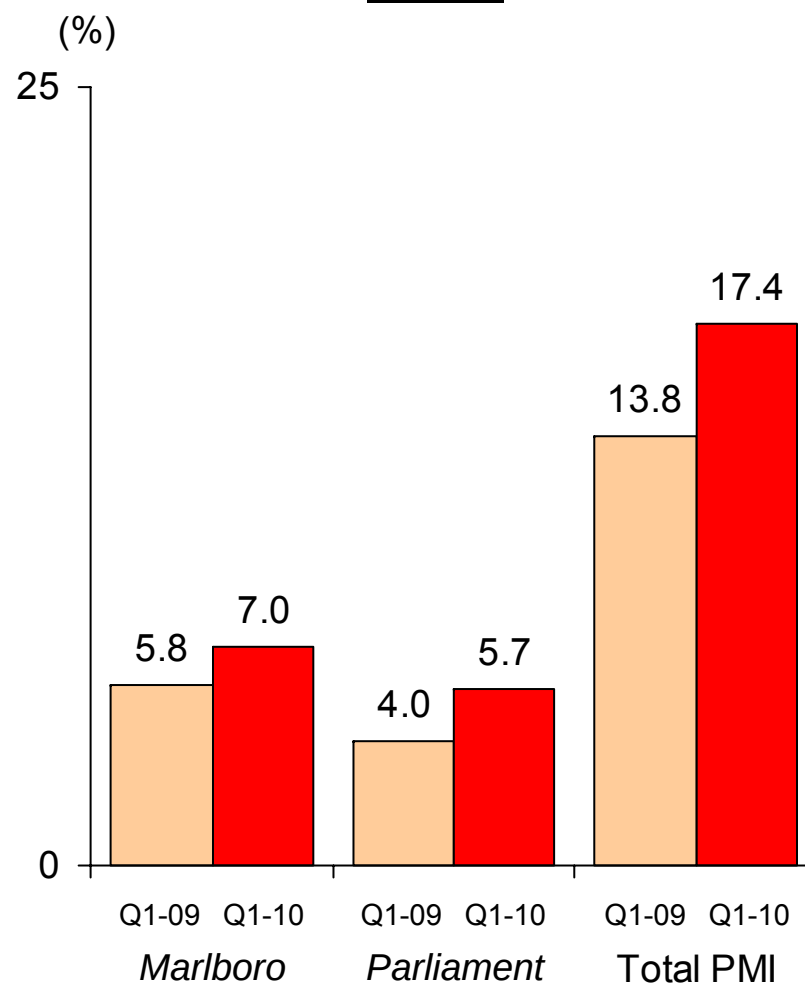
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PMI Market Share Developments: Asia Region

Japan



Korea



Source: Tobacco Institute of Japan and Hankook Research



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PMI Market Share Developments: Russia

- PMI share up 0.5pp to 25.6% in Q1, 2010
- *Bond Street* key driver of PMI share gains and fastest-growing brand on the market
- *Parliament* in above premium segment is stable
- *Chesterfield* in mid-price segment is gaining share





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PMI Share Developments: Emerging Markets

	<u>Q1, 2010 Market Shares</u>	<u>Variance Q1, 2010 vs. Q1, 2009</u>
Ukraine	36.2	0.4pp
Turkey	40.9	(1.5)
Indonesia ^(a)	29.0	(0.1)
Philippines	c.90 (March)	N.A.
Argentina	74.5	0.9
Mexico	69.6	0.4

a) Latest available data for the quarter through end February
Source: A.C. Nielsen and PMI estimates



Pricing

- In last six months, PMI has implemented price increases notably in:

EU	EEMA	Asia	LA & Canada
France	Romania	Australia	Argentina
Greece	Russia	Indonesia	Canada
Italy	Saudi Arabia	Malaysia	Dominican Rep.
Poland	Turkey	Pakistan	Mexico
Spain			
UK			

- Pricing variance was \$449 million in Q1, 2010

PMI Results



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	Q1, 2010 Results (\$ billions)	% Growth Q1, 2010 vs. Q1, 2009	
		<u>Actual</u>	<u>Excl. Currency and Acquisitions</u>
Net Revenues	6.5	16.1%	6.1%

Source: PMI Financials. See reconciliations to U.S. GAAP measures at the end of this presentation

PMI Results



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	Q1, 2010 Results (\$ billions)	% Growth Q1, 2010 vs. Q1, 2009	
		<u>Actual</u>	<u>Excl. Currency and Acquisitions</u>
Net Revenues	6.5	16.1%	6.1%
Adjusted OCI ^(a)	2.8	17.0%	8.6 %

(a) Excludes asset impairment and exit costs

Source: PMI Financials. See reconciliations to U.S. GAAP measures at the end of this presentation



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Adjusted OCI Margins^(a)

	<u>Q1 2009</u>	<u>Q1 2010</u>	<u>Variance</u>
EU	48.7%	49.0%	0.3pp
EEMA	40.4	45.0	4.6
Asia	41.6	37.8	(3.8)
LA & Canada	27.3	30.2	2.9
Total PMI	42.3	42.7	0.4

(a) Excluding currency impact

Note: Margins are calculated as adjusted OCI, divided by net revenues, excluding excise taxes

Source: PMI Financials. See reconciliation to U.S. GAAP measures at the end of this presentation



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Productivity and Costs

- \$200 million tobacco leaf cost increase forecast for 2010
- Will be largely offset by productivity savings in manufacturing
- On track to realize \$500 million of productivity and cost savings in 2010 and \$1.5 billion on a cumulative basis for the period 2008-2010

PMI Results



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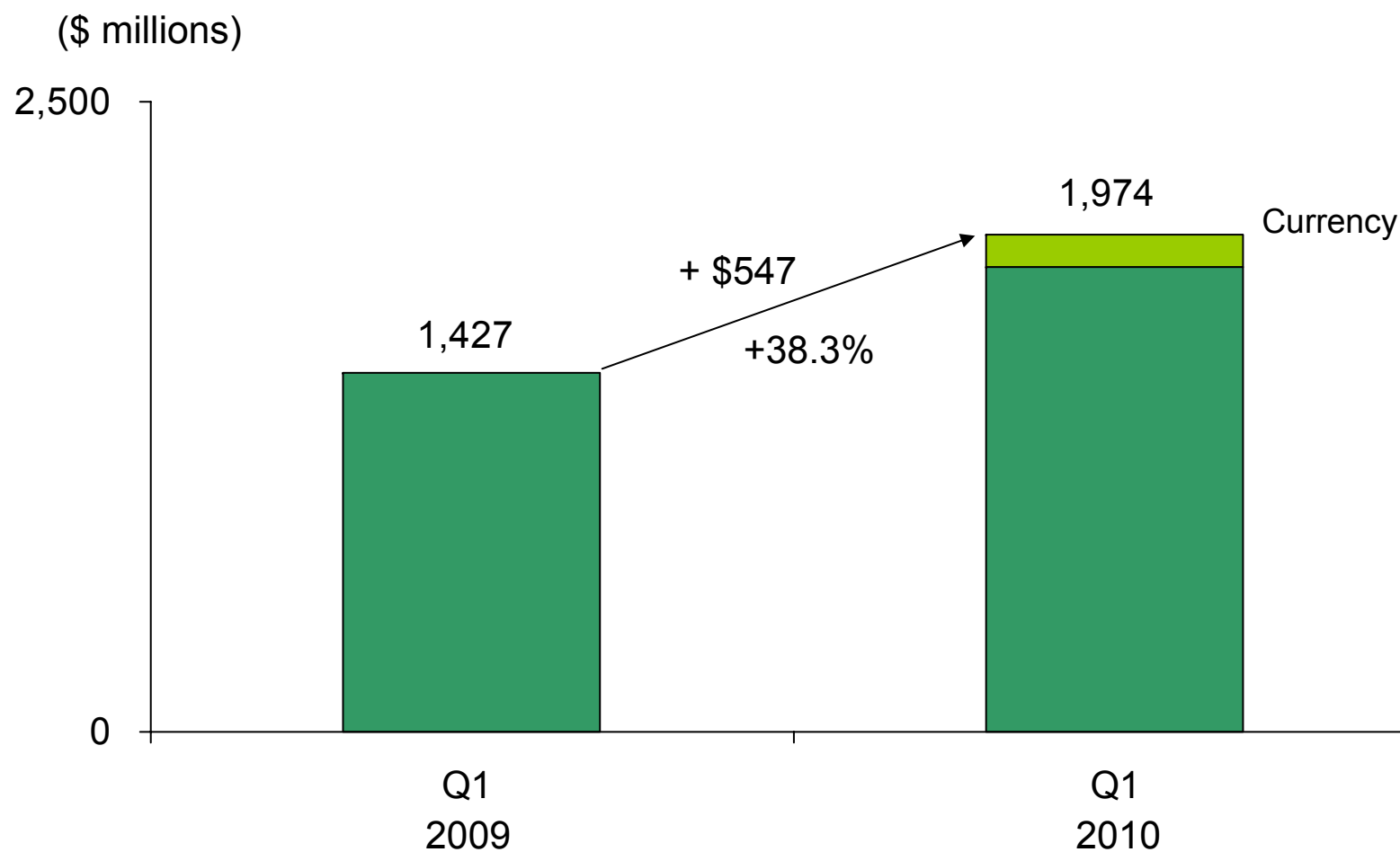
	<u>Q1, 2010 Results (\$)</u>	<u>% Growth Q1, 2010 vs. Q1, 2009</u>	
		<u>Actual</u>	<u>Excl. Currency</u>
Adjusted Diluted EPS ^(a)	0.90	21.6%	13.5%

(a) Excludes asset impairment and exit costs

Source: PMI Financials. See reconciliations to U.S. GAAP measures at the end of this presentation



Operating Cash Flow



Source: PMI Financials. See reconciliations to U.S. GAAP measures at the end of this presentation



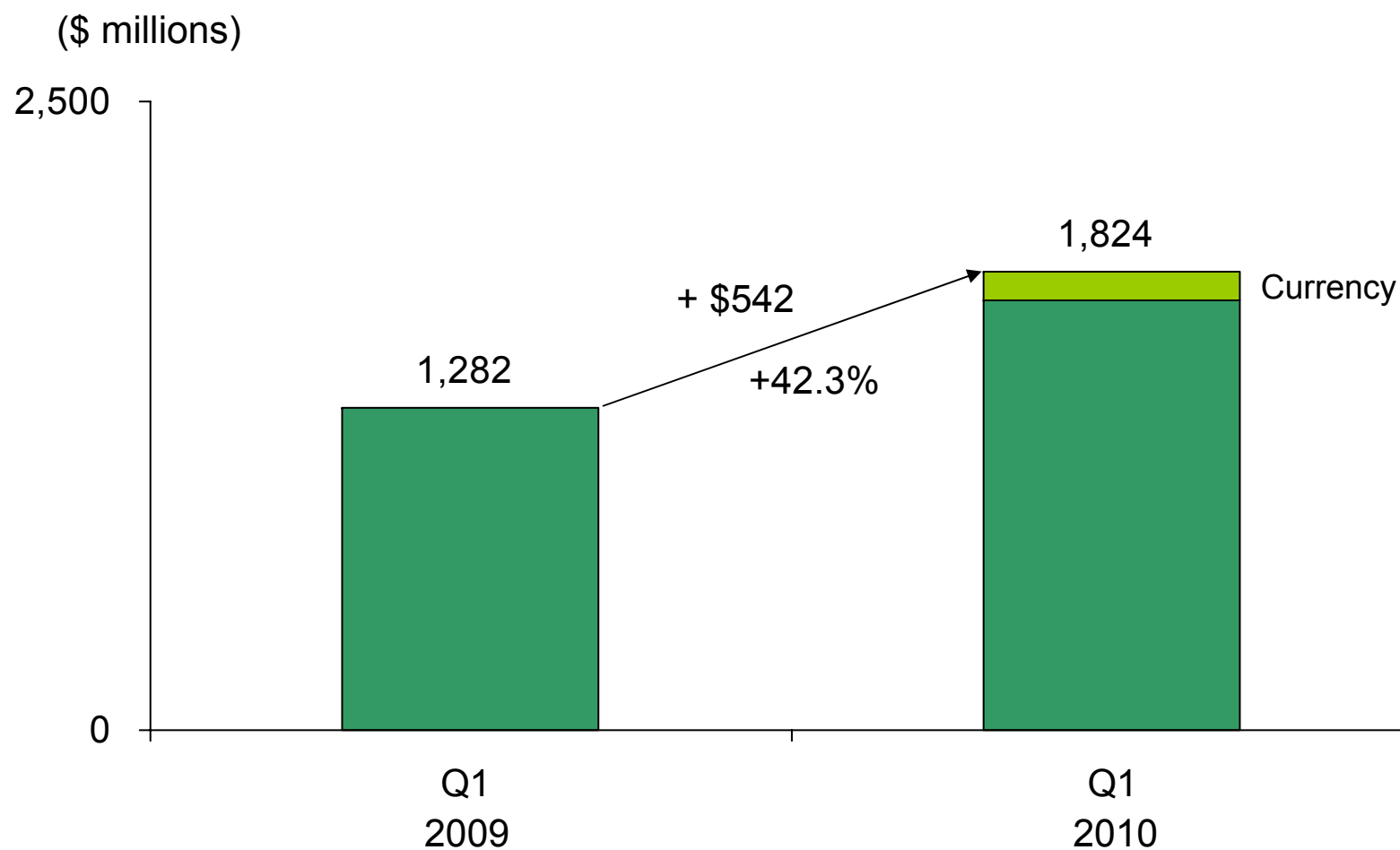
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Operating Cash Flow

- Increase in operating cash flow in Q1, 2010, driven mainly by:
 - Higher net earnings
 - Stricter forestalling regulations
 - Working capital improvement program



Free Cash Flow^(a)



(a) Free cash flow equals net cash provided by operating activities less capital expenditures.
Source: PMI Financials. See reconciliations to U.S. GAAP measures at the end of this presentation



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Corporate Financing

- \$1.0 billion 10 year bond with 4.5% coupon issued in March 2010
- \$2.5 billion three-year bank revolver established to replace two facilities maturing this year
- Over \$14 billion in well-laddered bonds in three currencies issued since spin with attractive average cost of 5.5%
- Total available and undrawn bank revolver credit is now \$5.2 billion
- Continued strong A2 / A / A long-term credit ratings
- Access to tier 1 commercial paper market



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Shareholder Returns

- \$1.8 billion spent in Q1, 2010, to purchase 36.1 million shares
- \$257 million remained on current share repurchase plan, which will be completed by end April
- New share repurchase program of \$12 billion May 2010 through April 2013
- Dividend yield on 19 April 2010 was an attractive 4.5%



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Summary

- Strong financial results
- Pricing power remains intact
- Superior brand portfolio
- Innovation success
- Market share gains
- Tremendous cash flow
- Some road bumps from excise taxation
- Improved economic outlook
- Good business momentum
- Impact of Japan excise tax increase uncertain



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2010 EPS Guidance

- PMI is reaffirming its 2010 reported diluted EPS guidance of \$3.75 - \$3.85
- Guidance represents a reported diluted EPS growth rate of 16% to 19%
- Exchange rates more favorable today than in February
- More cautious stance being taken on Japan in light of recent developments
- On a constant currency basis, reported diluted EPS guidance growth rate is 10% to 13%



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2010 First-Quarter Earnings Results

Questions & Answers

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Reconciliation of Non-GAAP Measures



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

2010							2009			% 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 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
\$ 6,748	\$ 4,564	\$ 2,184	\$ 178	\$ 2,006	\$ 3	\$ 2,003	\$ 6,050	\$ 4,063	\$ 1,987	9.9 %	1.0 %	0.8 %
3,356	1,610	1,746	52	1,694	26	1,668	2,831	1,379	1,452	20.2 %	16.7 %	14.9 %
3,562	1,689	1,873	172	1,701	75	1,626	2,857	1,267	1,590	17.8 %	7.0 %	2.3 %
1,921	1,228	693	51	642	-	642	1,548	980	568	22.0 %	13.0 %	13.0 %
\$ 15,587	\$ 9,091	\$ 6,496	\$ 453	\$ 6,043	\$ 104	\$ 5,939	\$ 13,286	\$ 7,689	\$ 5,597	16.1 %	8.0 %	6.1 %

2010							2009			% Change in 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 Operating Companies Income	Reported Operating Companies Income	Reported Operating Companies Income	Reported Operating Companies Income	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 1,062	\$ 80	\$ 982	\$ 2	\$ 980	\$ 967	\$ 967	\$ 967	\$ 967	\$ 967	9.8 %	1.6 %	1.3 %
770	8	762	9	753	586	586	586	586	586	31.4 %	30.0 %	28.5 %
724	81	643	(5)	648	661	661	661	661	661	9.5 %	(2.7)%	(2.0)%
217	23	194	-	194	155	155	155	155	155	40.0 %	25.2 %	25.2 %
\$ 2,773	\$ 192	\$ 2,581	\$ 6	\$ 2,575	\$ 2,369	\$ 2,369	\$ 2,369	\$ 2,369	\$ 2,369	17.1 %	8.9 %	8.7 %

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Reconciliation of Non-GAAP Measures



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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)

2010								2009			% 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	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 1,062	\$ -	\$ 1,062	\$ 80	\$ 982	\$ 2	\$ 980	European Union	\$ 967	\$ (1)	\$ 968	9.7 %	1.4 %	1.2 %
770	-	770	8	762	9	753	EEMA	586	-	586	31.4 %	30.0 %	28.5 %
724	-	724	81	643	(5)	648	Asia	661	-	661	9.5 %	(2.7)%	(2.0)%
217	-	217	23	194	-	194	Latin America & Canada	155	-	155	40.0 %	25.2 %	25.2 %
\$ 2,773	\$ -	\$ 2,773	\$ 192	\$ 2,581	\$ 6	\$ 2,575	PMI Total	\$ 2,369	\$ (1)	\$ 2,370	17.0 %	8.9 %	8.6 %

2010							2009					% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency ⁽¹⁾	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions ⁽¹⁾	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions		Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes ⁽¹⁾	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions		
\$ 982	\$ 2,006	49.0 %	\$ 980	\$ 2,003	48.9 %	European Union	\$ 968	\$ 1,987	48.7 %	0.3	0.2		
762	1,694	45.0 %	753	1,668	45.1 %	EEMA	586	1,452	40.4 %	4.6	4.7		
643	1,701	37.8 %	648	1,626	39.9 %	Asia	661	1,590	41.6 %	(3.8)	(1.7)		
194	642	30.2 %	194	642	30.2 %	Latin America & Canada	155	568	27.3 %	2.9	2.9		
\$ 2,581	\$ 6,043	42.7 %	\$ 2,575	\$ 5,939	43.4 %	PMI Total	\$ 2,370	\$ 5,597	42.3 %	0.4	1.1		

(1) For the calculation of net revenues excluding excise taxes and currency, refer to previous slide.

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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)

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Reported Diluted EPS	\$ 0.90	\$ 0.74	21.6%
Less:			
Asset impairment and exit costs	<u>-</u>	<u>-</u>	
Adjusted Diluted EPS	\$ 0.90	\$ 0.74	21.6%
Less:			
Currency Impact	<u>0.06</u>	<u></u>	
Adjusted Diluted EPS, Excluding Currency	<u>\$ 0.84</u>	<u>\$ 0.74</u>	13.5%

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Reconciliation of Non-GAAP Measures



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

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Net cash provided by operating activities^(a)	\$ 1,974	\$ 1,427	38.3 %
Less:			
Capital expenditures	<u>150</u>	<u>145</u>	
Free cash flow	\$ 1,824	\$ 1,282	42.3 %
Less:			
Currency impact	<u>116</u>		
Free cash flow, excluding currency	<u>\$ 1,708</u>	<u>\$ 1,282</u>	33.2 %

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Net cash provided by operating activities^(a)	\$ 1,974	\$ 1,427	38.3 %
Less:			
Currency impact	<u>130</u>		
Net cash provided by operating activities, excluding currency	<u>\$ 1,844</u>	<u>\$ 1,427</u>	29.2 %

(a) Operating Cash Flow



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April 22, 2010