



PHILIP MORRIS INTERNATIONAL

2011 First-Quarter Earnings Results

April 21, 2011



Introduction

- Unless otherwise stated, we will be talking about results for the first-quarter 2011 and comparing them with the same period in 2010
- 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
- Acquisitions, for the purposes of this presentation, also include our business combination with Fortune Tobacco Corporation in the Philippines
- 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 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, 2010, filed with the Securities and Exchange Commission



First-Quarter 2011 Results

- Very strong financial performance:

Q1, 2011 Results^(a)

Net Revenues	+2.7%
Adjusted OCI	+8.0%
Adjusted Diluted EPS	+14.4%

- The events in Japan and North Africa only caused temporary disruptions that were not material to our financial results



First-Quarter 2011 Results

- Volume performance:

Q1, 2011 Results

Cigarette Volume	+1.6%
Organic Cigarette Volume	-3.3%

- Lower organic volume driven by Japan, Mexico, Pakistan, Spain and Ukraine, as well as events in North Africa
- All other markets, representing over 80% of our volume base, grew at an organic rate of 1.0%



2011 EPS Guidance

- Reported diluted EPS guidance for 2011 is being raised by 20 cents to \$4.55 to \$4.65
- Compared to an adjusted diluted EPS of \$3.87 in 2010, this corresponds to a growth rate of approximately 17.5% to 20% at prevailing exchange rates, and approximately 12.5% to 15% excluding currency
- Ten cents of the increased guidance are attributable to more favorable prevailing exchange rates
- Ten cents of the increased guidance are attributable to an improved business outlook, partly offset by investments in marketing and sales and slightly more conservative pricing assumptions

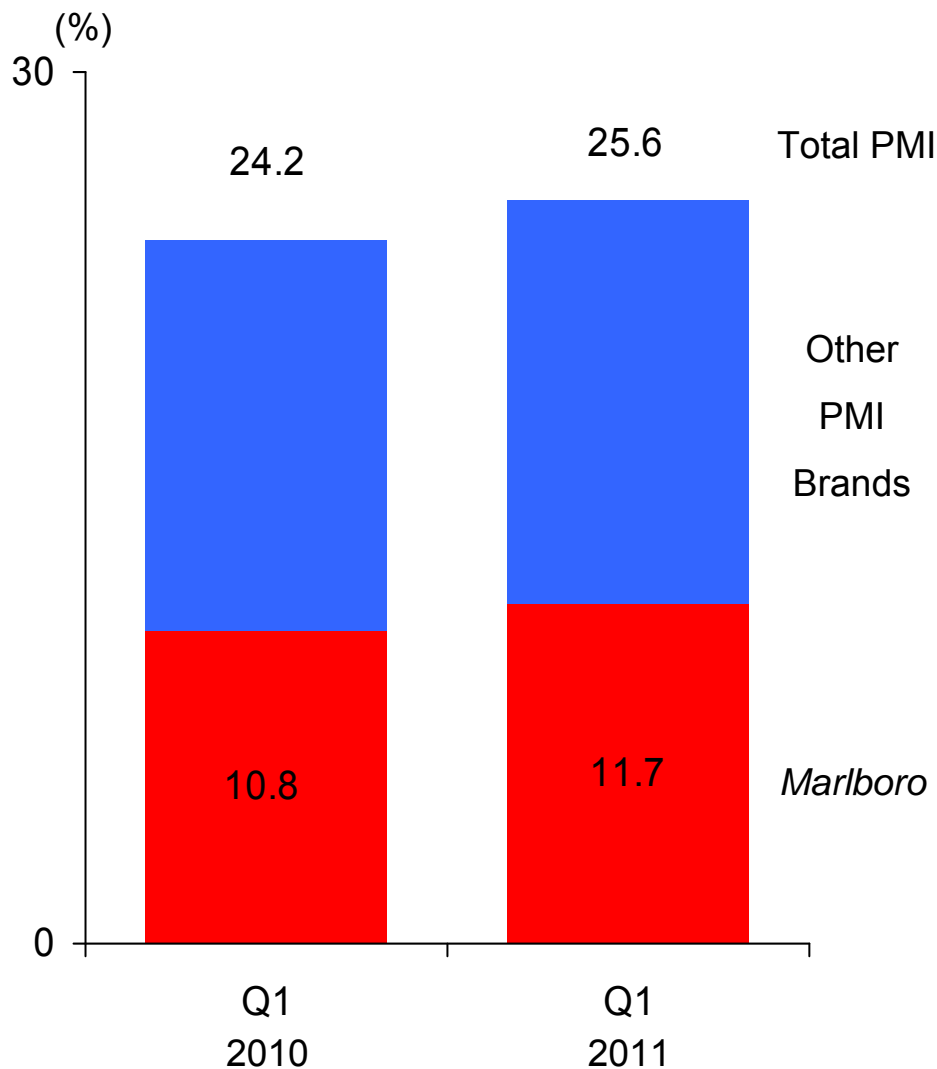


Japan

- Japan Tobacco facing significant supply disruptions in its home market
- PMI has sufficient in-market inventories
- Difficult to determine extent of likely uplift in PMI sales
- Second quarter will allow us to have better read on total consumption levels and extent to which consumers return to prior brand of choice



Japan - PMI Market Shares





Pricing Assumptions

- Continued economic difficulties and consumer affordability issues in certain markets, such as Greece, Spain and Ukraine
- Reaction to competitive price moves, such as selective tax absorption, brand repositioning, discounting and delays in the implementation of tax-driven price increases
- Pricing will nevertheless remain the key driver of PMI profitability growth and our 2011 pricing variance is expected to surpass the level achieved last year



Asia Region

- PMI regional volume increased by 14.0% in Q1, driven by the business combination in the Philippines, though down 1.7% on an organic basis
- *Marlboro* volume in Asia increased by 0.7% overall and by 5.5% excluding Japan
- Strong volume and share performance in Indonesia, Korea and the Philippines
- Excellent regional financial results with net revenues up by 11.6% and adjusted OCI 34.0% higher, both excluding currency and acquisitions



Australia - Plain Packaging

- The Australian Government has released an exposure draft of the bill, which would mandate plain packaging in 2012
- There is a public consultation through June 6
- PMI is firmly opposed to such a measure because:
 - there is no credible evidence that it will reduce smoking rates
 - it may undermine public health objectives by lowering prices and increasing illicit trade
 - it will violate intellectual property protections and breach international trade obligations
- PMI will consider all appropriate options, including legal action, to oppose the plain packaging proposal and protect its valuable brands

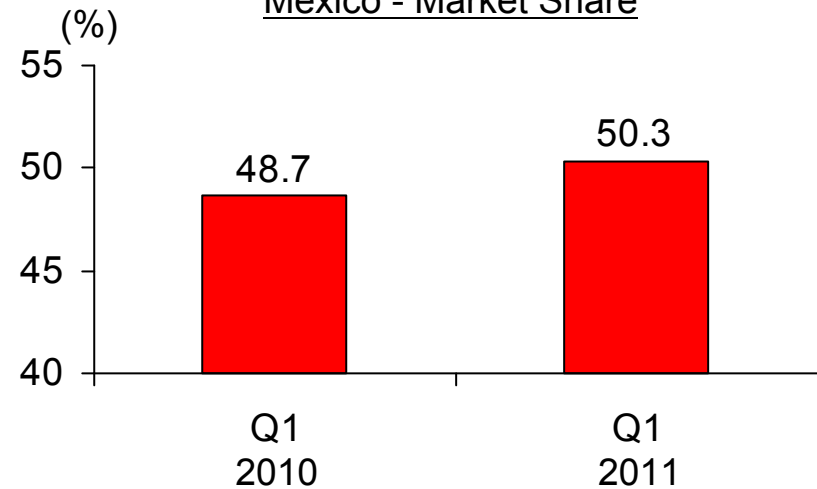


Latin America & Canada Region

- Impact of disruptively large tax/price increase in Mexico (+8 Pesos/pack of 20):
 - Underlying industry volume decline estimated at 14%
 - Resilience of *Marlboro* and *Benson & Hedges*
- *Marlboro* market share up in all key markets in the Region
- Adjusted regional OCI up 15.7% and adjusted OCI margin 1.9 points higher in the first quarter, both excluding currency

Marlboro

Mexico - Market Share





EU Region

- Weak economies in Southern Europe driving industry volume decline and consumer downtrading
- Situation exacerbated in Spain by the introduction of a total indoor smoking ban, higher prices, a reduction in trade inventories and an increase in contraband. Full-year decline forecast at around 15%
- Greece continued to be a drag on PMI results in Q1, though comparables will be easier as of Q2
- Industry volume in EU Region was down by 2.5%, excluding Spain



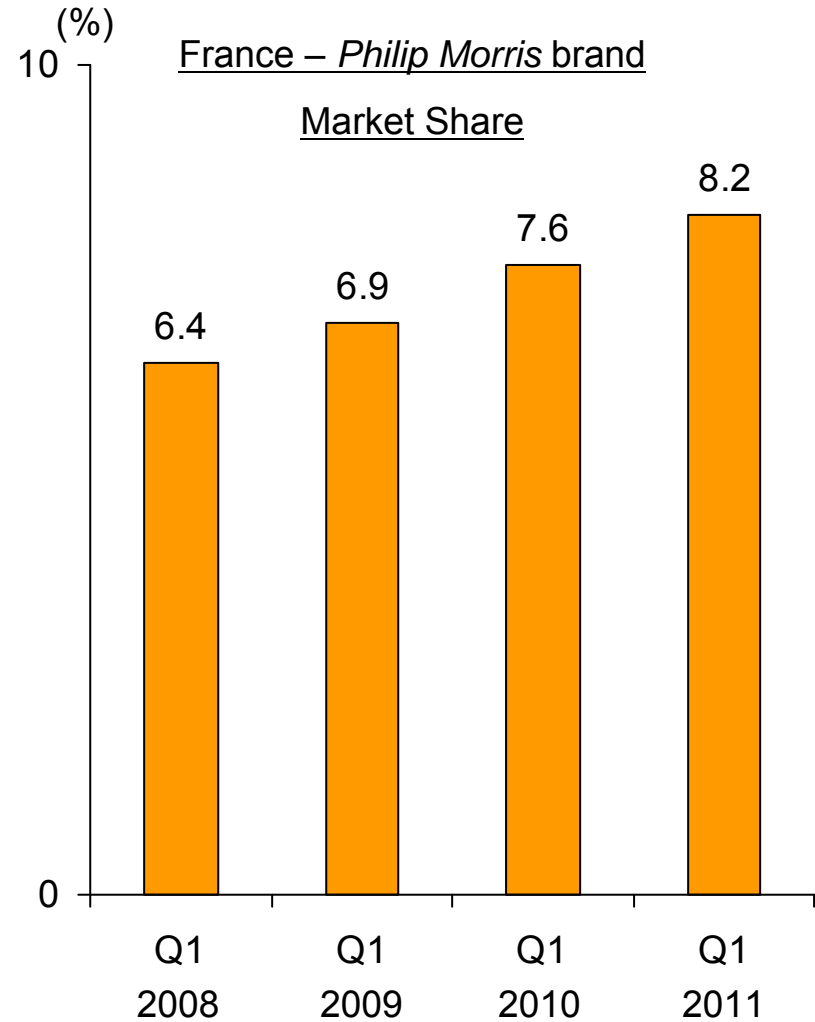
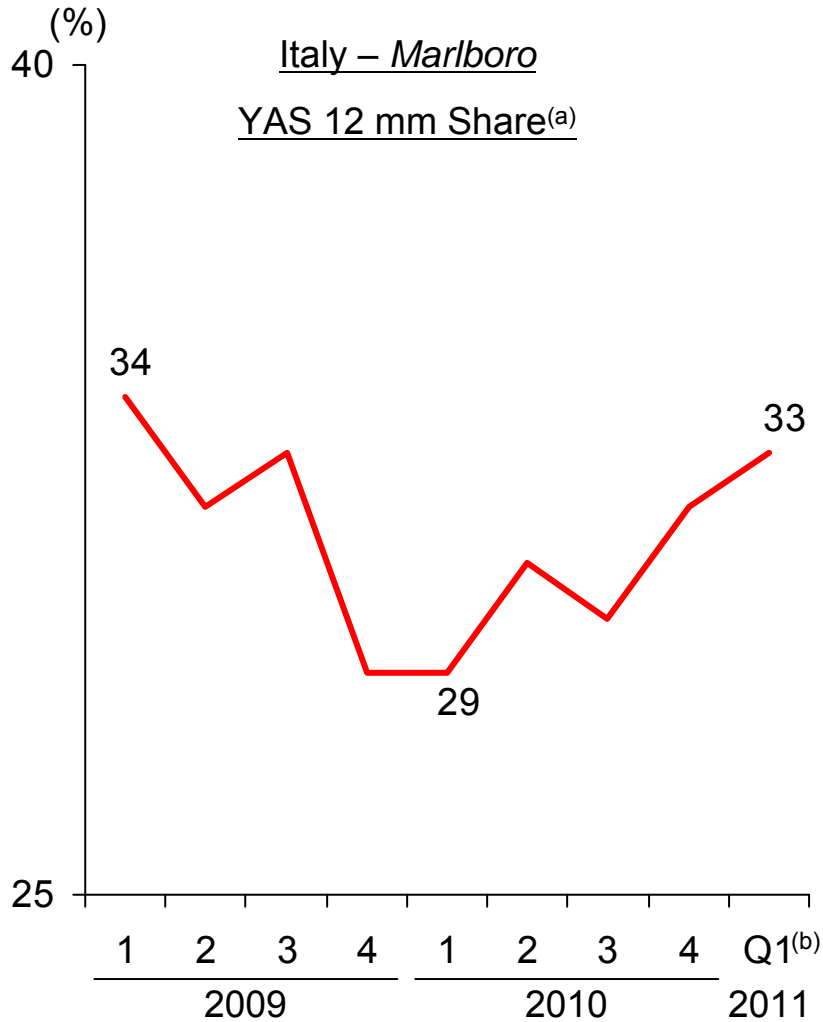
EU Region

- PMI regional net revenues down 3.5% and adjusted OCI 2.3% lower in Q1, excluding currency, due to lower industry volume and a Regional share decline
- Structural excise tax improvements in 2011 in France, Greece, the Netherlands, Sweden and the UK
- Multi-year excise tax programs in Germany and the Czech Republic
- PMI has announced a 20 Euro cents per pack of 19 cigarettes price increase in Germany across its portfolio
- PMI cigarette market share in Germany up 0.5 points in Q1 and fine cut market share up 0.9 points

EU Region



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(a) Young Adult Smokers: Legal Age (minimum 18)-24 years old; 12 mm: 12 months moving average

(b) Through end February

Source: PMI estimates and PMI Market Research



EEMA Region

- PMI volume decreased by 0.8% driven by Ukraine and North Africa, partly offset by favorable comparisons in Romania and Turkey
- Strong premium portfolio performance with higher *Marlboro* and *Parliament* volumes
- Russian market impacted by rampant food price inflation and cigarette price increases. Moderate industry volume decline now expected in 2011 and only modest consumer uptrading
- PMI's slight volume and share decline in Russia in Q1, 2011, attributable to the timing of price increases and increased price gaps at the bottom of the market



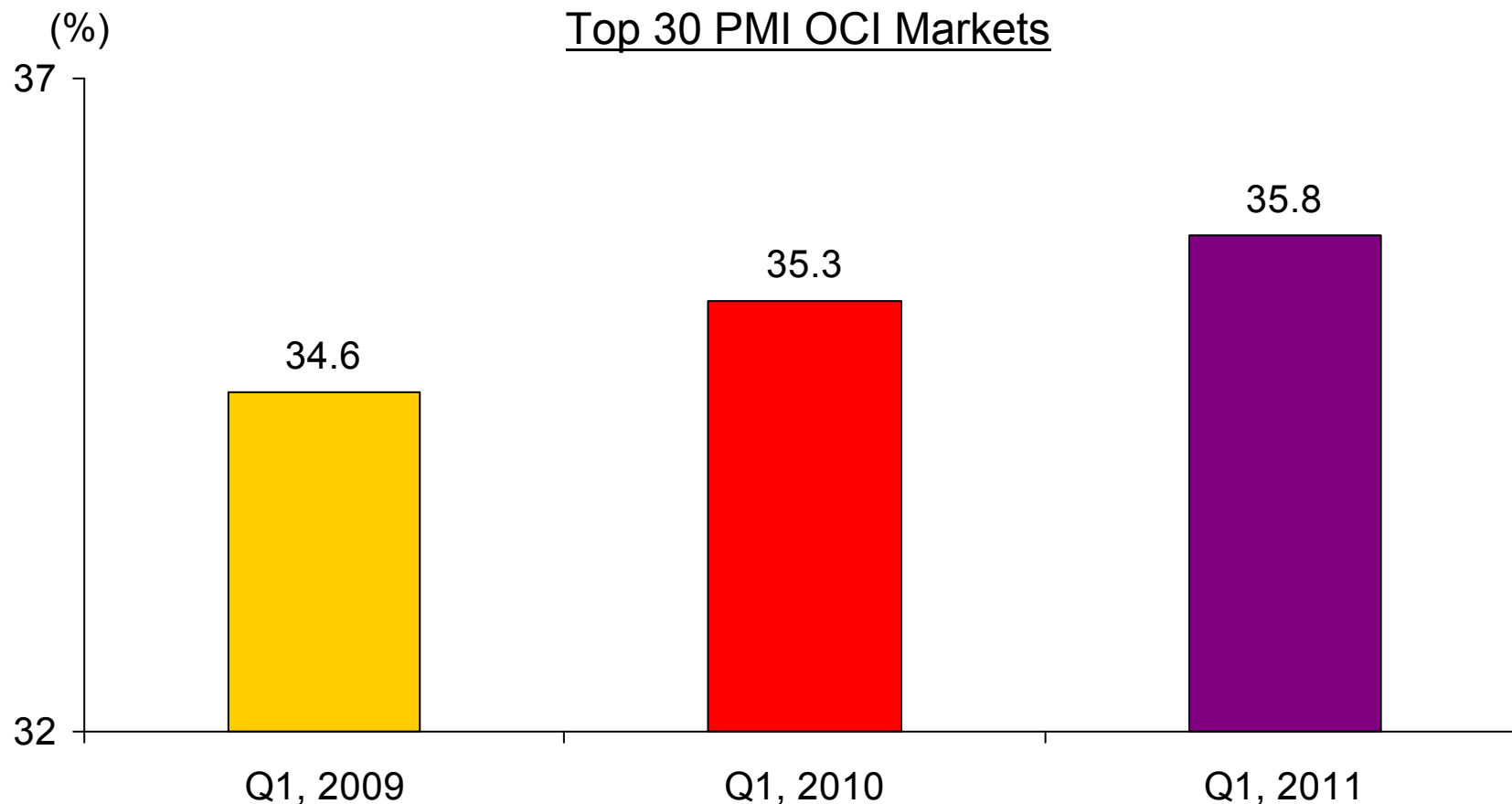
EEMA Region

- Market contraction and polarization in Ukraine with premium and super-low segments growing
- PMI share loss of 3.6 points in Ukraine through end February, driven by under-representation at the bottom end of the market
- PMI volume increased by 10.4% in Turkey during the first quarter, driven by *Parliament*, *Muratti* and *L&M*
- Regional net revenues and adjusted OCI, both excluding currency, were down 1.7% and 4.4% respectively, in the quarter
- Excluding impact of tax/price windfalls in Q1, 2010, Regional adjusted OCI would have been up at double digit rate



PMI Market Share Developments

Top 30 PMI OCI Markets



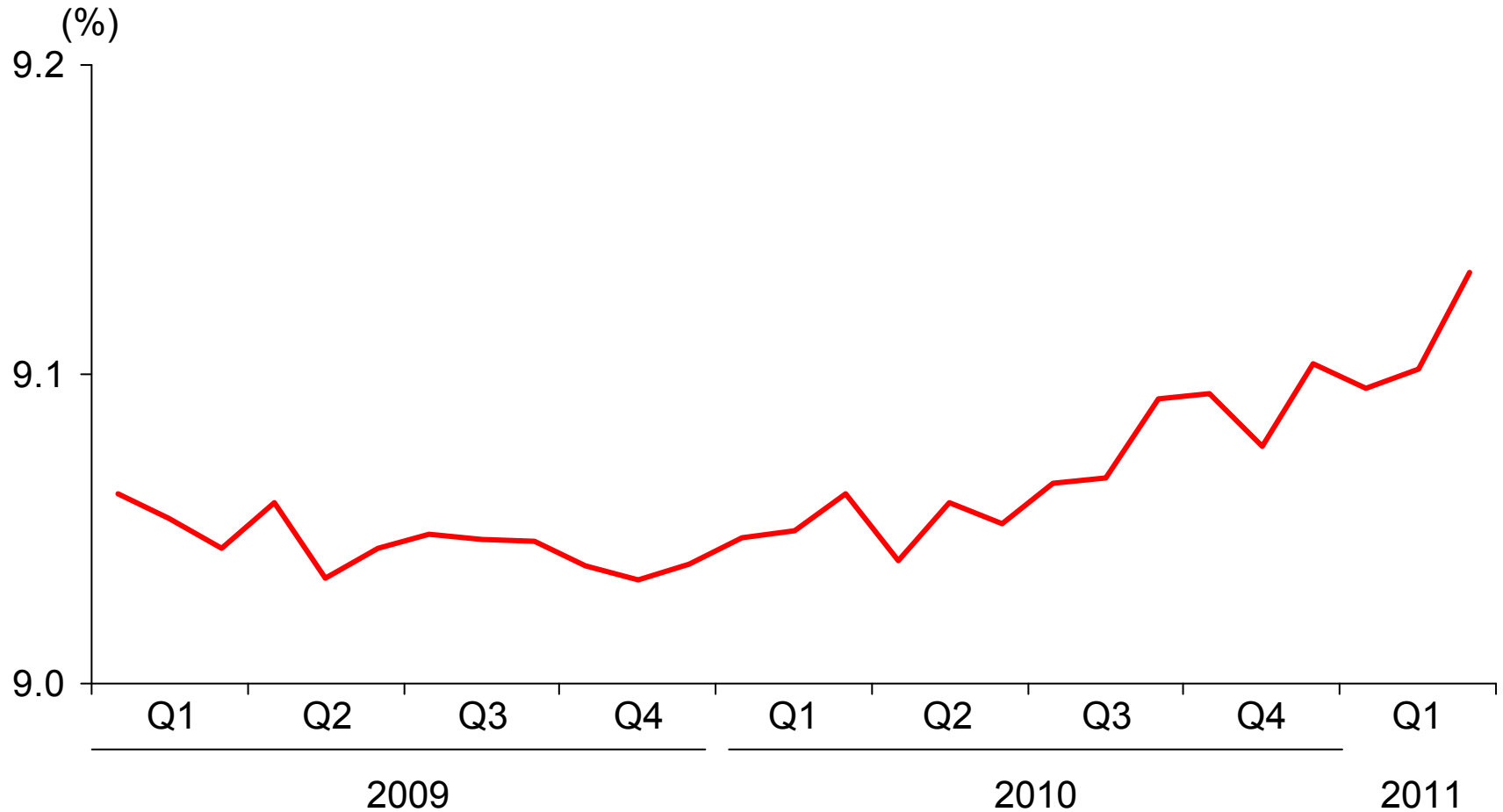
Note: Historical data adjusted for pro-forma inclusion of business combination with Fortune Tobacco in the Philippines
Source: PMI estimates

Marlboro – Market Share



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Marlboro Global Share of Market^(a) – 12 Months Moving Average



(a) Excluding China and USA
Source: PMI estimates



Tobacco Leaf and Direct Materials

- Stable tobacco leaf prices expected in 2011, mainly due to a larger crop in Brazil
- Direct material costs stable
- Manufacturing costs expected to increase in line with inflation this year, partly offset by our \$250 million annual productivity and cost reduction target, which we are fully on track to achieve



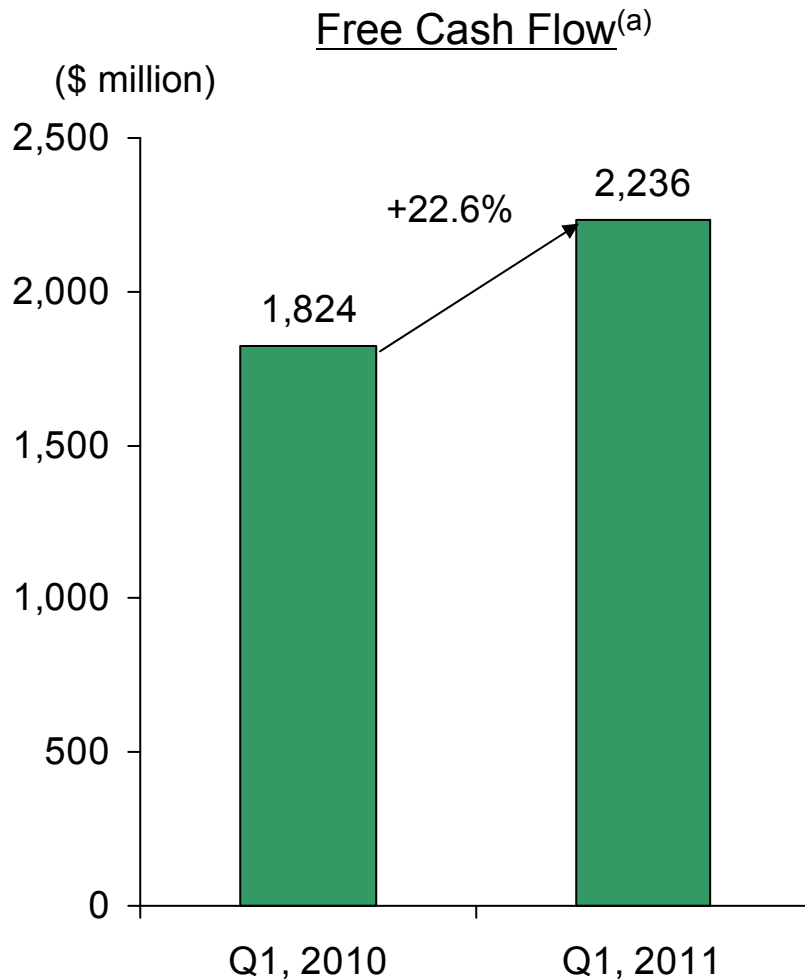
Adjusted OCI Margins

	First-Quarter		
	<u>2011</u> ^(a)	<u>2010</u>	<u>Variance</u>
EU	49.3 %	48.6 %	0.7 pp
EEMA	42.9	44.1	(1.2)
Asia	46.4	38.7	7.7
LA&C	33.2	31.3	1.9
Total	44.9	42.7	2.2

(a) Excluding currency and acquisitions
Source: PMI Financials



Free Cash Flow



- Increase driven by higher net earnings, lower pension contributions and lower cash exit costs
- We continue to focus on reducing inventory levels
- Year-end working capital requirements remain subject to tax/price increases and forestalling regulations

(a) Free cash flow equals net cash provided by operating activities less capital expenditures

Source: PMI Financials



Share Repurchase Program

- During the first quarter, PMI spent some \$1.36 billion to purchase 22.2 million shares at an average of \$61.21
- Full-year 2011 share repurchases expected to total around \$5 billion



Conclusions

- Strong first-quarter results
- Business outlook is favorable
- Positive impact of Japan difficult to measure
- Increased investment behind our portfolio of leading brands
- Slightly more conservative pricing assumptions
- 2011 reported diluted EPS guidance raised by 20 cents to \$4.55 to \$4.65:
 - Ten cents to reflect our positive business momentum
 - Ten cents to reflect more favorable exchange rates
- We will continue to use our strong cash flow to generously reward our shareholders



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2011 First-Quarter Results

Questions & Answers

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

2011							2010			% 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	
\$ 6,415	\$ 4,414	\$ 2,001	\$ (106)	\$ 2,107	\$ -	\$ 2,107	European Union	\$ 6,748	\$ 4,564	\$ 2,184	(8.4)%	(3.5)%	(3.5)%
3,671	1,984	1,687	(29)	1,716	-	1,716	EEMA	3,356	1,610	1,746	(3.4)%	(1.7)%	(1.7)%
4,288	1,965	2,323	128	2,195	105 ⁽¹⁾	2,090	Asia	3,562	1,689	1,873	24.0%	17.2%	11.6%
2,156	1,376	780	24	756	-	756	Latin America & Canada	1,921	1,228	693	12.6%	9.1%	9.1%
\$ 16,530	\$ 9,739	\$ 6,791	\$ 17	\$ 6,774	\$ 105	\$ 6,669	PMI Total	\$ 15,587	\$ 9,091	\$ 6,496	4.5%	4.3%	2.7%

2011							2010			% 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	Reported excluding Currency	Reported excluding Currency & Acquisitions			
\$ 1,006	\$ (21)	\$ 1,027	\$ -	\$ 1,027	European Union	\$ 1,062	(5.3)%	(3.3)%	(3.3)%			
722	(12)	734	-	734	EEMA	770	(6.2)%	(4.7)%	(4.7)%			
1,093	102	991	23 ⁽¹⁾	968	Asia	724	51.0%	36.9%	33.7%			
251	1	250	-	250	Latin America & Canada	217	15.7%	15.2%	15.2%			
\$ 3,072	\$ 70	\$ 3,002	\$ 23	\$ 2,979	PMI Total	\$ 2,773	10.8%	8.3%	7.4%			

(1) Represents the business combination in the Philippines

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

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)

2011							2010			% 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	
\$ 1,006	\$ (11)	\$ 1,017	\$ (21)	\$ 1,038	\$ -	\$ 1,038	European Union	\$ 1,062	\$ -	\$ 1,062	(4.2)%	(2.3)%	(2.3)%
722	(2)	724	(12)	736	-	736	EEMA	770	-	770	(6.0)%	(4.4)%	(4.4)%
1,093	(2)	1,095	102	993	23 ⁽¹⁾	970	Asia	724	-	724	51.2%	37.2%	34.0%
251	(1)	252	1	251	-	251	Latin America & Canada	217	-	217	16.1%	15.7%	15.7%
\$ 3,072	\$ (16)	\$ 3,088	\$ 70	\$ 3,018	\$ 23	\$ 2,995	PMI Total	\$ 2,773	\$ -	\$ 2,773	11.4%	8.8%	8.0%

2011							2010			% Points Change	
Adjusted Operating Companies Income excluding Currency	Net Revenues excluding Excise Taxes & Currency ⁽²⁾	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income excluding Currency & Acquisitions	Net Revenues excluding Excise Taxes, Currency & Acquisitions ⁽²⁾	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	Adjusted Operating Companies Income	Net Revenues excluding Excise Taxes ⁽²⁾	Adjusted Operating Companies Income Margin	Adjusted Operating Companies Income Margin excluding Currency	Adjusted Operating Companies Income Margin excluding Currency & Acquisitions	
\$ 1,038	\$ 2,107	49.3%	\$ 1,038	\$ 2,107	49.3%	European Union	\$ 1,062	\$ 2,184	48.6%	0.7	0.7
736	1,716	42.9%	736	1,716	42.9%	EEMA	770	1,746	44.1%	(1.2)	(1.2)
993	2,195	45.2%	970	2,090	46.4%	Asia	724	1,873	38.7%	6.5	7.7
251	756	33.2%	251	756	33.2%	Latin America & Canada	217	693	31.3%	1.9	1.9
\$ 3,018	\$ 6,774	44.6%	\$ 2,995	\$ 6,669	44.9%	PMI Total	\$ 2,773	\$ 6,496	42.7%	1.9	2.2

(1) Represents the business combination in the Philippines

(2) 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



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

	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Reported Diluted EPS	\$ 1.06	\$ 0.90	17.8%
Adjustments:			
Tax items	(0.01)	-	
Asset impairment and exit costs	0.01	-	
Adjusted Diluted EPS	\$ 1.06	\$ 0.90	17.8%
Less:			
Currency impact	0.03		
Adjusted Diluted EPS, excluding Currency	\$ 1.03	\$ 0.90	14.4%

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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
For the Quarters Ended March 31,
(\$ in millions)
(Unaudited)

	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Net cash provided by operating activities^(a)	\$ 2,395	\$ 1,974	21.3%
Less:			
Capital expenditures	<u>159</u>	<u>150</u>	
Free cash flow	\$ 2,236	\$ 1,824	22.6%
Less:			
Currency impact	<u>28</u>		
Free cash flow, excluding currency	<u>\$ 2,208</u>	<u>\$ 1,824</u>	21.1%

(a) Operating Cash Flow



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2011 First-Quarter Results

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