



PHILIP MORRIS INTERNATIONAL

Hermann Waldemer

*Chief Financial Officer*

J. P. Morgan Global Tobacco Conference

London, 26 June 2009



## Forward-Looking, Cautionary Statements and Use of Non-GAAP Measures

- 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, 2008, and Form 10-Q for the quarter ended March 31, 2009, filed with the Securities and Exchange Commission.
- Reconciliations of non-GAAP measures included in this presentation to the most comparable GAAP measures are provided at the end of this web cast and are being posted on our web site.



# First-Quarter 2009 Results

	<u>Q1 2009</u>	<u>Growth Q1, 2009 vs. Q1, 2008</u>	
		<u>Increase / (Decrease)</u>	<u>Excl. Acquisitions</u>
<b>Cigarette Volume (units billion)</b>	<b>203.4</b>	<b>- %<sup>(a)</sup></b>	<b>(1.1)%<sup>(b)</sup></b>
			<u>Excl. Currency</u>
<b>Net Revenues (\$ billion)<sup>(c)</sup></b>	<b>5.6</b>	<b>(5.5)%</b>	<b>6.3%</b>
<b>OCI (\$ billion)</b>	<b>2.4</b>	<b>(7.0)%</b>	<b>8.8%</b>
<b>Reported Diluted EPS (\$ / share)</b>	<b>0.74</b>	<b>(6.3)%</b>	<b>12.7%</b>
<b>Adjusted Diluted EPS (\$ / share)</b>	<b>0.74</b>	<b>(7.5)%</b>	<b>11.3%</b>

(a) An increase of 1.1% on a per selling day basis.

(b) At 2008 level on a per selling day basis.

(c) Excluding excise taxes.

Source: PMI Financials



## Key Business Drivers

- **Strong revenue growth driven by higher prices**
- **A generally manageable fiscal environment**
- **Softer overall consumption levels**
- **Slightly unfavorable product mix, reflecting some consumer down-trading in specific markets**
- **A solid share performance in our key markets**
- **Growing consumer preference for lighter-tasting, smoother products; technology and innovation; slimmer diameter products; and menthol**
- **Successful roll-out of our innovation pipeline**
- **Positive impact of acquisitions**



## Revenue Growth

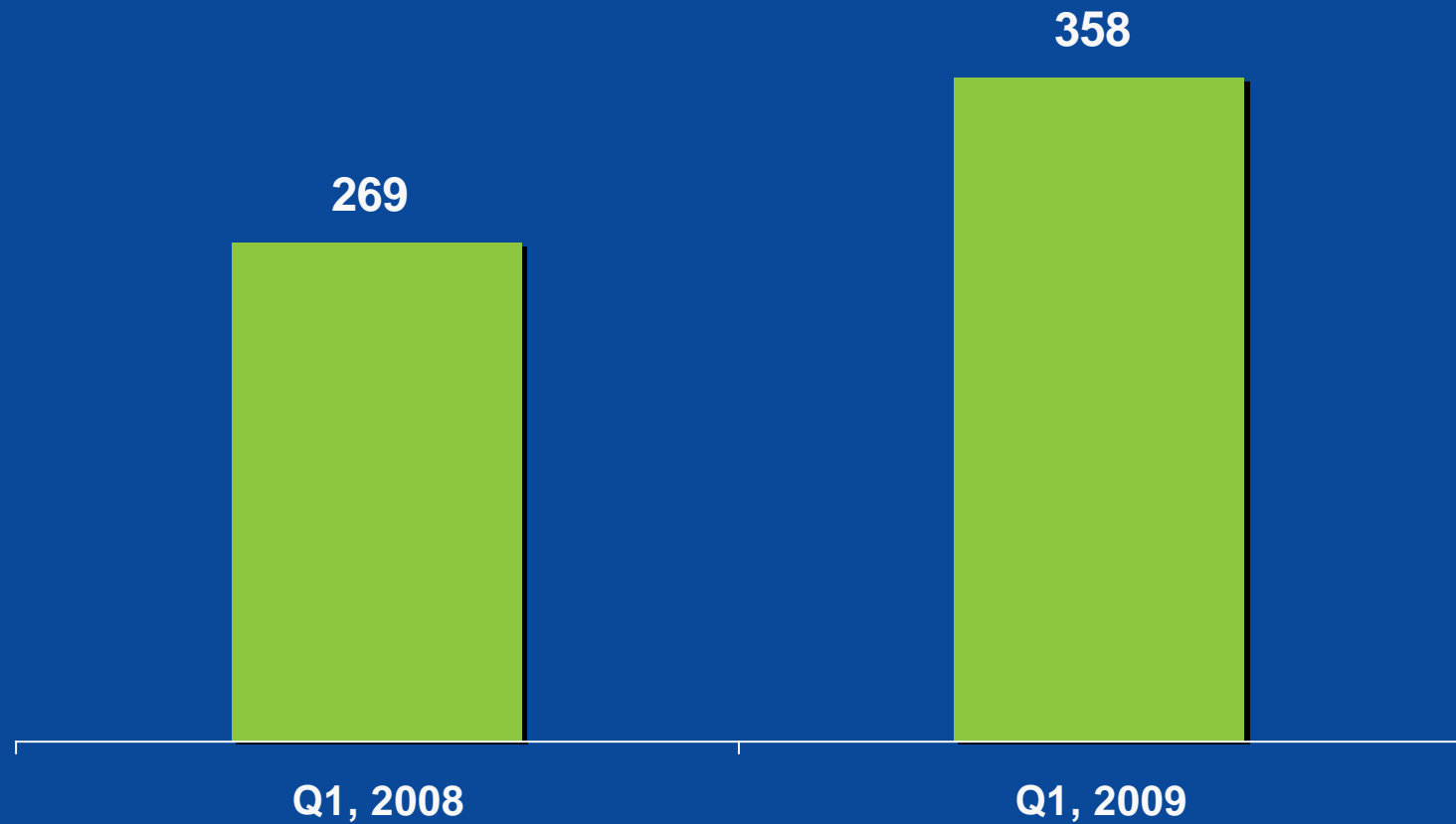
- Since October 2008, PMI has increased prices notably in:

EU	EEMA	Asia	LA & Canada
Czech Rep.	Kazakhstan	Australia	Argentina
Germany	Romania	Hong Kong	Brazil
Greece	Russia	Indonesia	Canada
Italy	Serbia	Pakistan	Colombia
Netherlands	Slovenia	Philippines	Costa Rica
Spain	Turkey	Taiwan	Dom. Rep.
UK	Ukraine	Thailand	Mexico



# Pricing Variance

(\$ million)





# Spain – Pricing

(RSP/pack)	<u>Old</u>	<u>New</u>	<u>Variance</u>	Note: Tax <u>Pass-on</u>
<i>Marlboro KS</i>	3.10	3.45	0.35	0.19
<i>Chesterfield</i>	2.85	3.20	0.35	0.19
<i>Marlboro Pocket Pack</i>	2.65	3.00	0.35	0.19
<i>L&amp;M</i>	2.50	2.85	0.35	0.30
<i>Next</i>	2.45	2.80	0.35	0.34



# Pricing

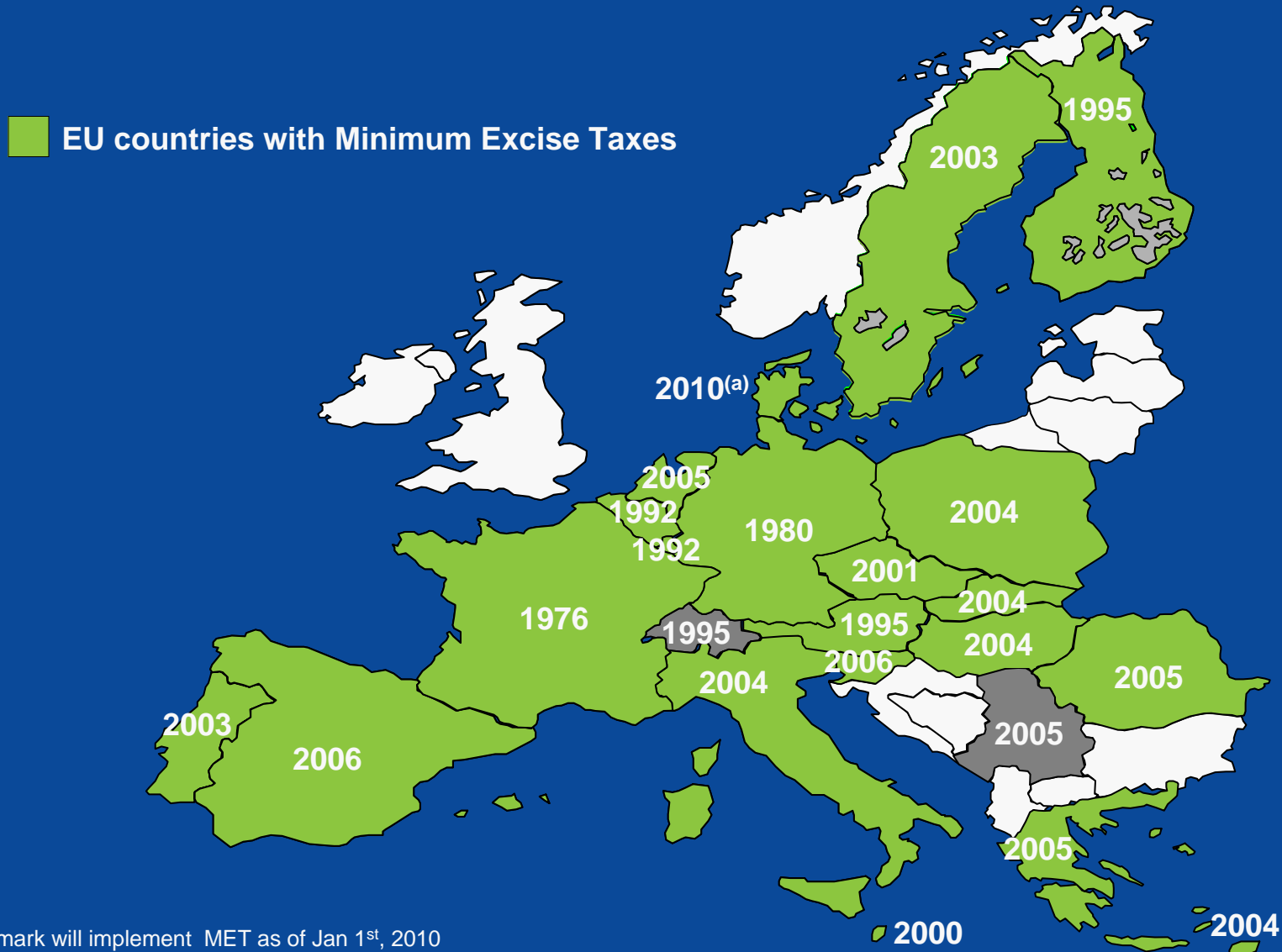
- Pricing is the key to revenue and profitability growth in developed markets where volumes are declining
- Pricing has also helped boost unit margins and profitability in emerging markets
- This year, pricing in emerging markets is also helping to partially offset the unfavorable impact of currency movements and weaker market conditions



## Fiscal Environment

- **Fairer and generally more reasonable excise tax environment**
- **Balanced excise tax structures in place in essentially all our top 25 OCI markets**

# Minimum Excise Taxes in the EU



(a) Denmark will implement MET as of Jan 1<sup>st</sup>, 2010



## Fiscal Environment

- **Fairer and generally more reasonable excise tax environment**
- **Balanced excise tax structures in place in essentially all our top 25 OCI markets**
- **Higher cigarette retail prices are boosting government revenues**
- **Most governments appear to recognize that large excise tax increases tend to be counter-productive**
- **Disruptive increases this year in Brazil and Ukraine**



# Ukraine – Excise Taxation

	2008		2009	
	<u>Jan</u>	<u>Oct</u>	<u>Jan</u>	<u>May</u>
<b><u>Excise Taxes</u></b>				
<b>Specific tax (UAH/'000)</b>	<b>14.00</b>	<b>30.00</b>	<b>37.50</b>	<b>60.00</b>
<b>Ad-valorem tax (%)</b>	<b>12.5%</b>	<b>16.0%</b>	<b>16.0%</b>	<b>20.0%</b>
<b>Min. Excise Tax (UAH/'000)</b>	<b>18.00</b>	<b>40.00</b>	<b>47.00</b>	<b>100.00</b>



# Ukraine - Pricing

	2008				2009			
	<u>Jan</u>	<u>Feb</u>	<u>Jul</u>	<u>Oct</u>	<u>Jan</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
<b><u>Retail Prices</u></b> (UAH/Pack)								
<b><i>Parliament</i></b>	<b>7.00</b>	-	<b>7.50</b>	<b>8.00</b>	<b>8.50</b>	<b>9.00</b>	-	<b>11.00</b>
<b><i>Marlboro</i></b>	<b>4.75</b>	<b>5.00</b>	-	<b>6.00</b>	<b>6.25</b>	<b>6.50</b>	-	<b>8.00</b>
<b><i>Chesterfield</i></b>	<b>3.10</b>	<b>3.25</b>	<b>3.40</b>	<b>4.00</b>	<b>4.50</b>	<b>5.00</b>	-	<b>6.50</b>
<b><i>L&amp;M</i></b>	<b>2.90</b>	-	<b>3.00</b>	<b>3.60</b>	<b>4.00</b>	<b>4.40</b>	-	<b>6.00</b>
<b><i>Vatra</i></b>	<b>1.45</b>	<b>1.55</b>	<b>1.60</b>	<b>2.20</b>	<b>2.50</b>	<b>2.90</b>	<b>3.00</b>	<b>4.50</b>



## Ukraine – Consumer Prices (May 2009)

	<u>Price (UAH)</u>	<u>Price (USD)</u>
Cinema Ticket	50.00	6.36
<i>Budweiser</i> beer (imported)	21.90	2.79
<i>Colgate</i> toothpaste	18.00	2.29
<i>Big Mac</i>	14.00	1.78
<i>Marlboro</i>	8.00	1.02
Milk (1 liter)	5.66	0.72
Bread (500g)	5.00	0.64
<i>Coca-Cola</i> (0.5 liters)	4.10	0.52
<i>Obolon</i> beer (local)	3.50	0.45
Mineral water (0.5 liters)	2.55	0.32



## Industry Volume

- **Economic crisis and unemployment, as well as higher retail prices, driving weaker industry volumes across emerging markets**



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- **EU markets generally declining at or near underlying longer-term tendency of 2.5% to 3.0%**



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- **Spain suffered a 10.0% industry volume decline in Q1, 2009, notably due to a trade decision to reduce working capital**



## Industry Volume

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- **EU markets generally declining at or near underlying longer-term tendency of 2.5% to 3.0%**
- **Spain suffered a 10.0% industry volume decline in Q1, 2009, notably due to a trade decision to reduce working capital**
- **Industry volume in Japan has recently been declining slightly faster than usual, driven by one time events and the timing of shipments**

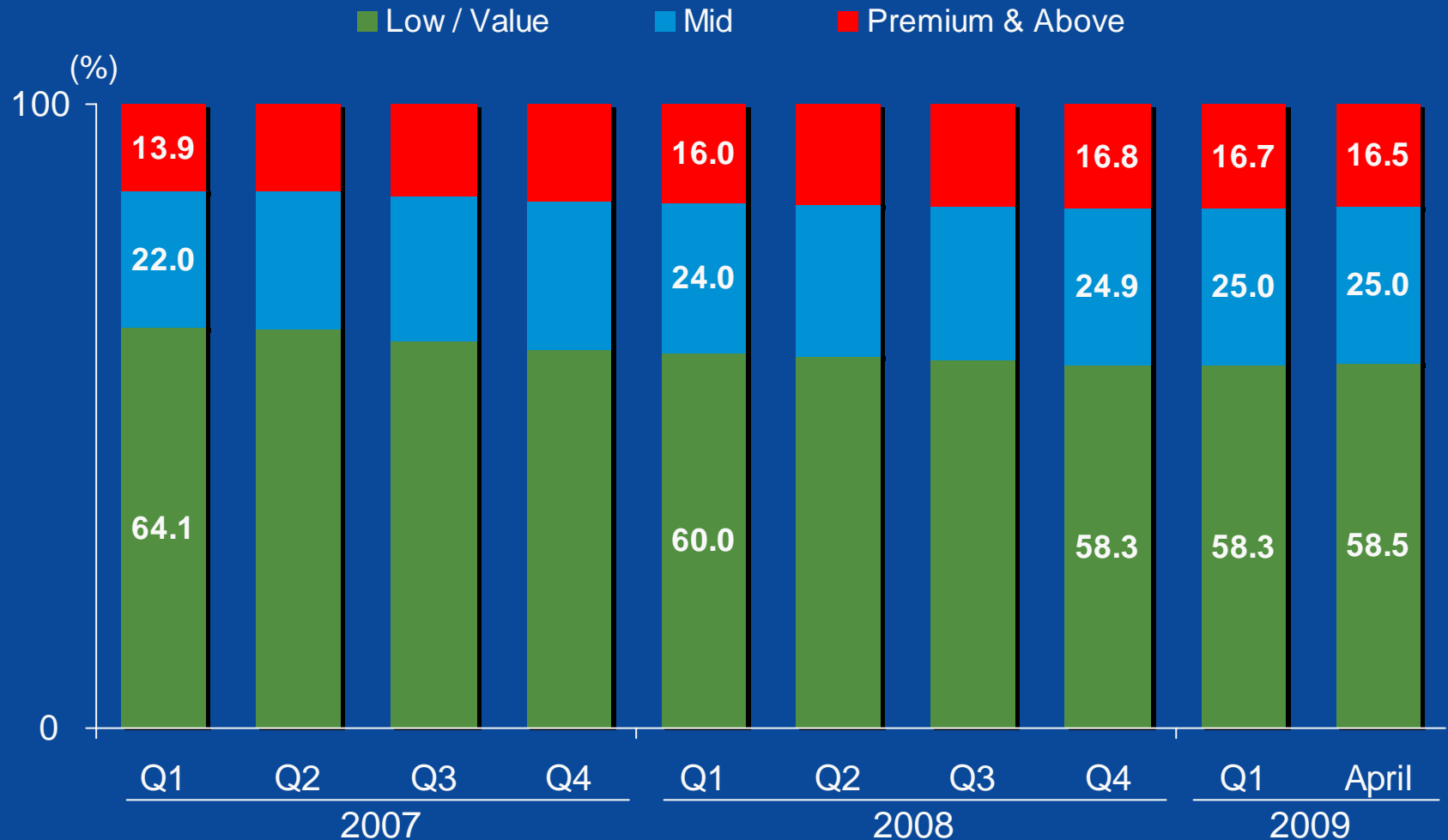


## Consumer Behavior

- **No broad-based trend towards consumer down-trading on a global basis**
- **Our product mix is expected to be slightly unfavorable this year**
- **Trends vary by markets:**
  - Gradual overall consumer down-trading (e.g. Russia, Spain)
  - Strong but slightly declining premium segments (e.g. Mexico)
  - Market polarization with mid-price being squeezed (e.g. Turkey)
  - Growing premium segments (e.g. Poland)

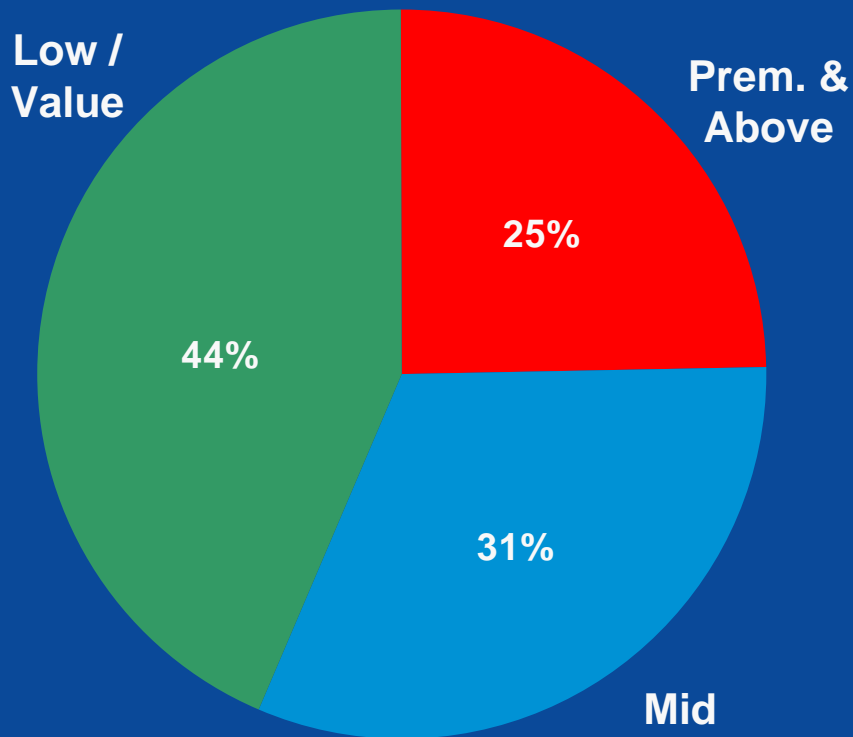


# Russia – Price Segment Shares

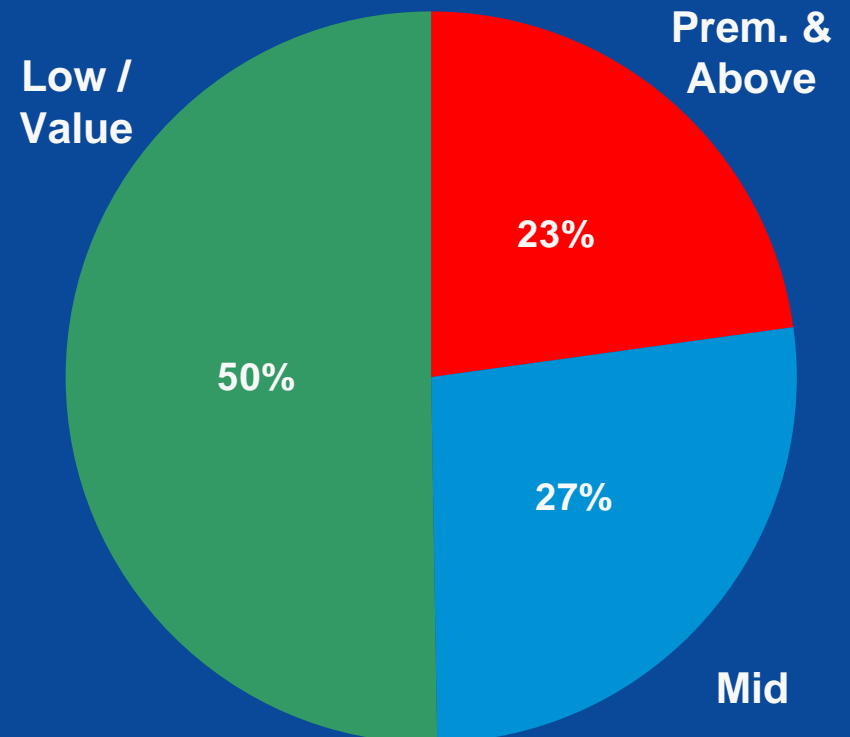




# Russia – PMI Volume by Price Segment



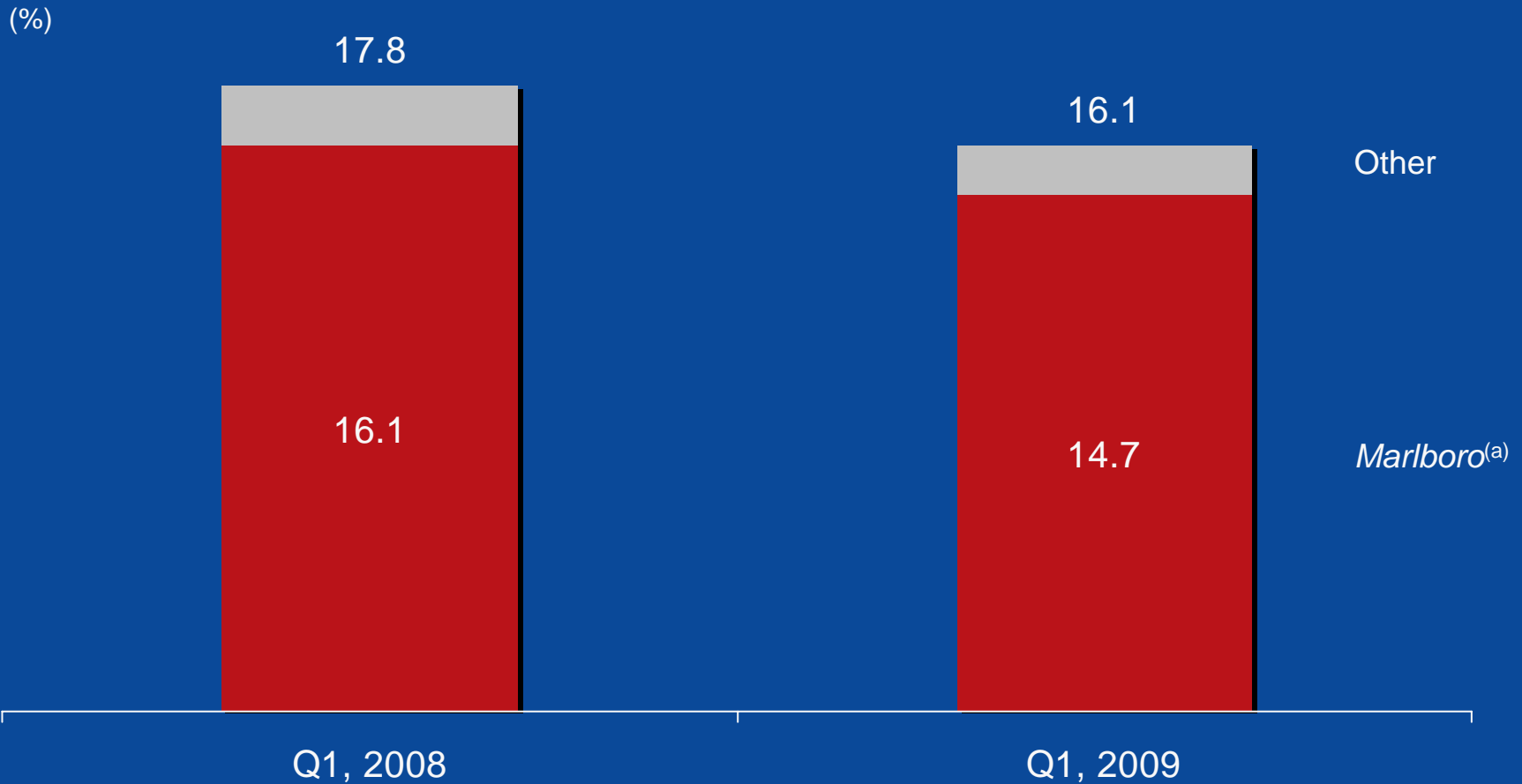
Q1, 2008



YTD May, 2009



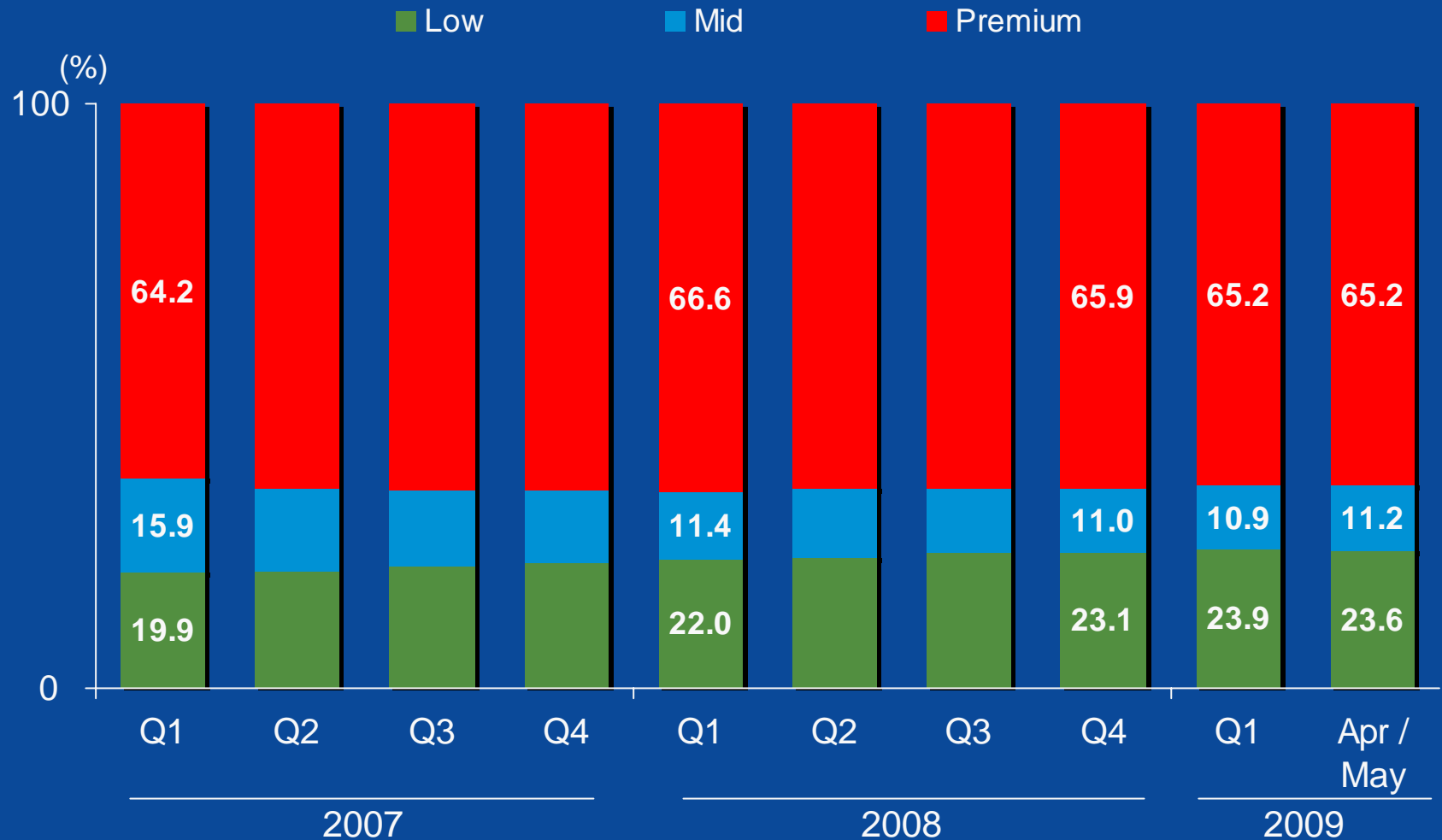
# Spain – Premium Segment



(a) Excludes the pocket pack. Total *Marlboro* market share in Spain was 15.6% in Q1, 2009.  
Source: PMI GIMS estimates

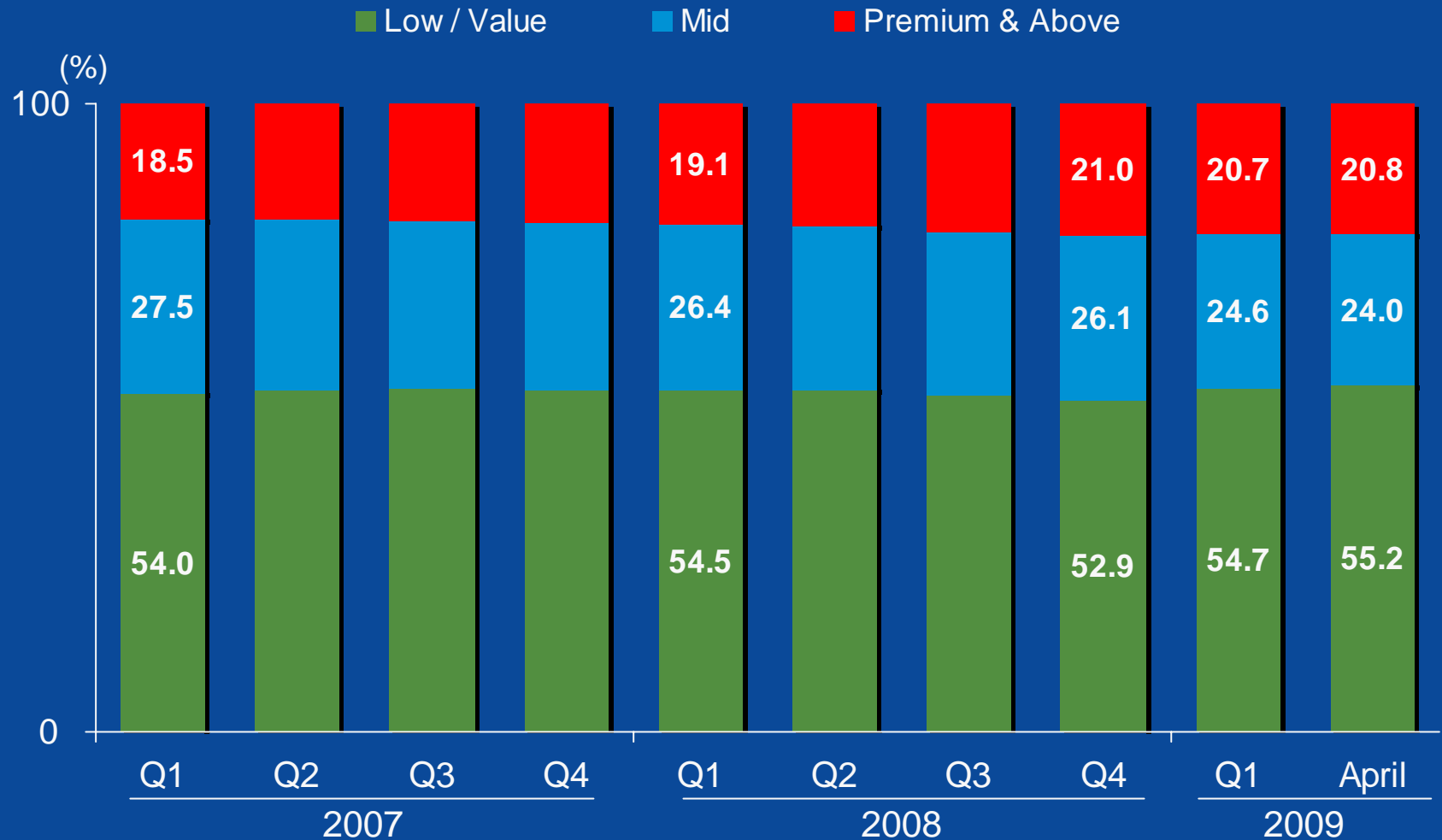


# Mexico – Price Segment Shares



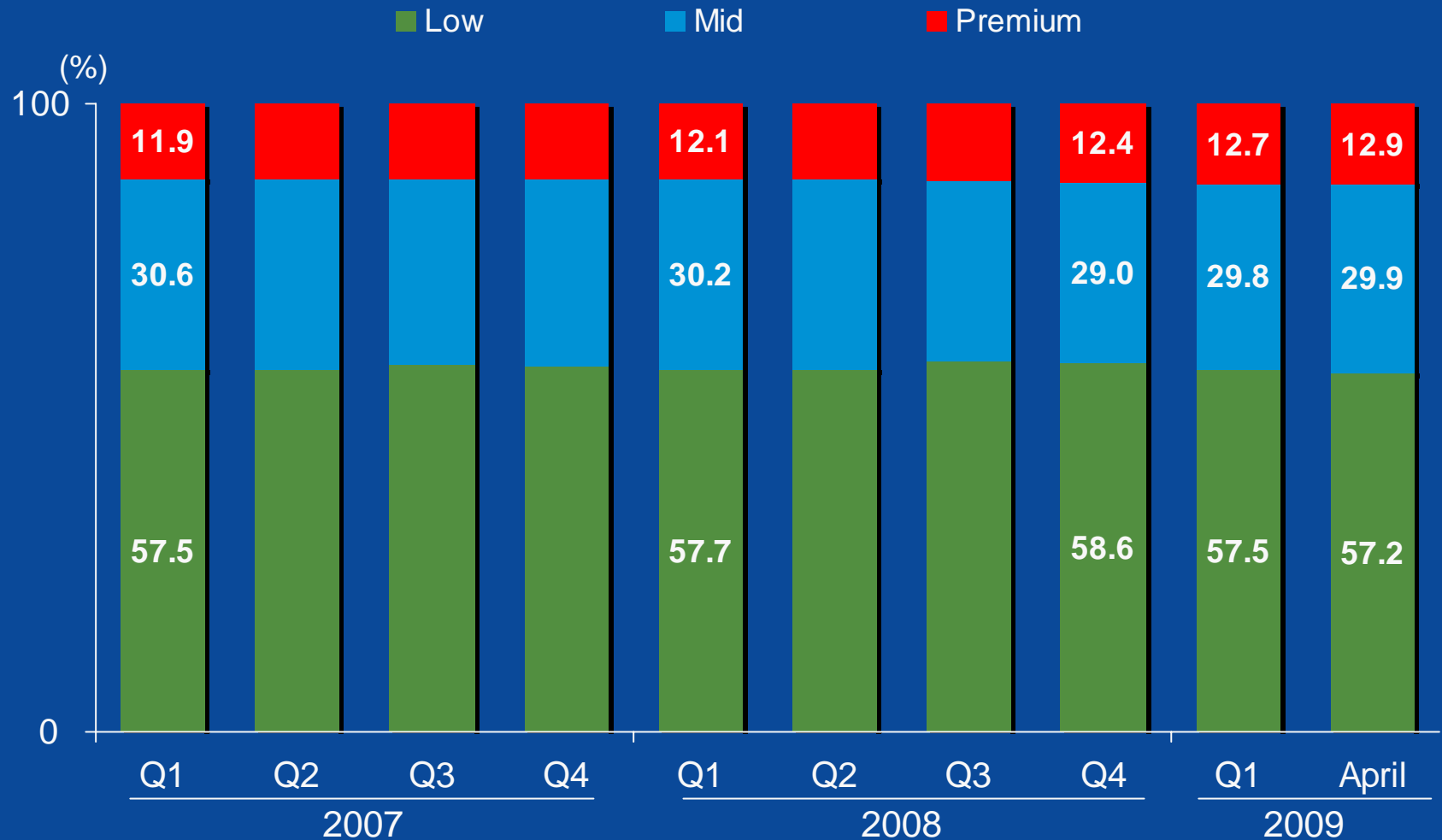


# Turkey – Price Segment Shares



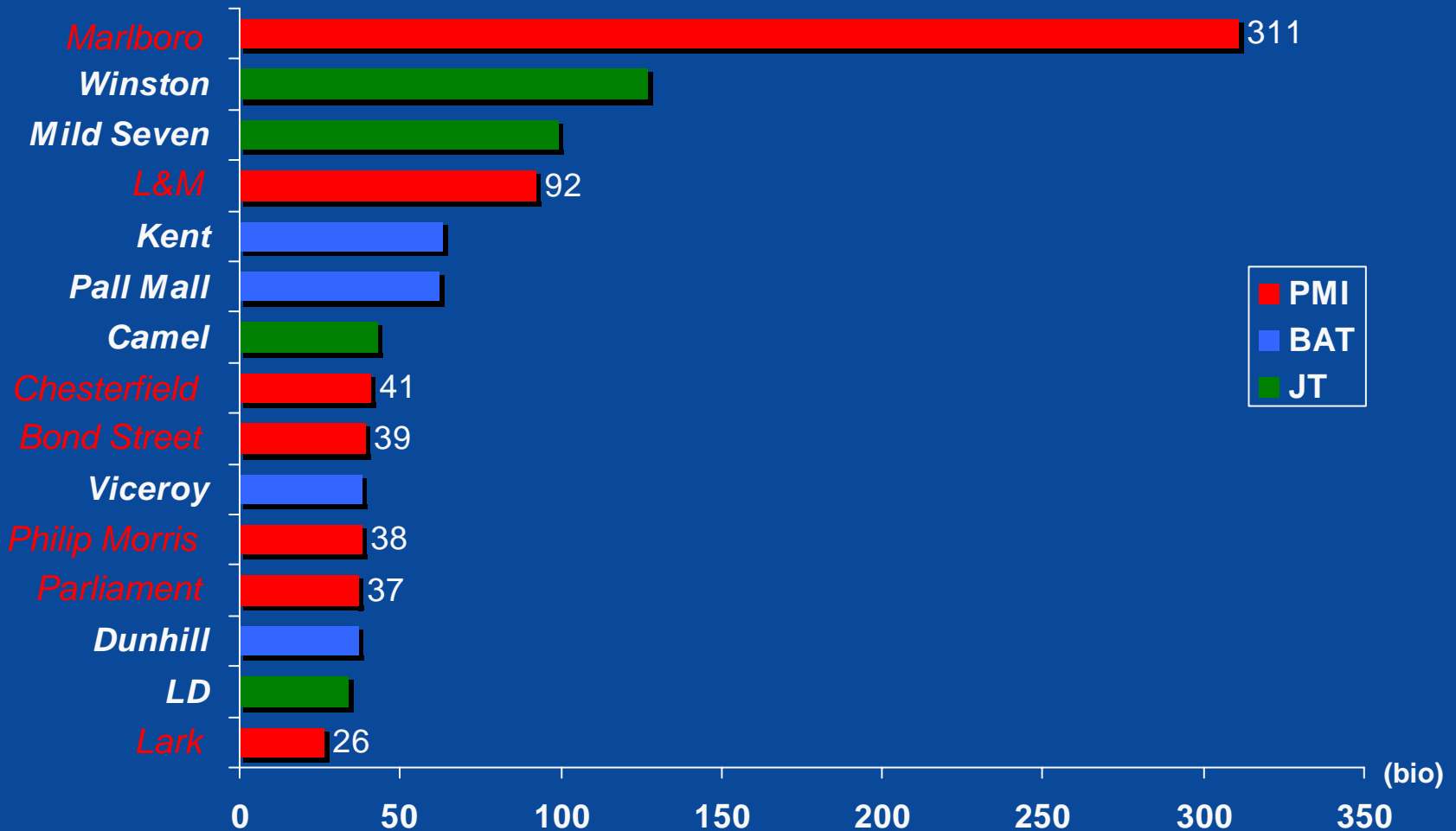


# Poland – Price Segment Shares





# Top 15 International Brands (2008)





# PMI Brand Portfolio

## International

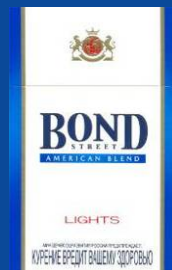
### Premium & Above



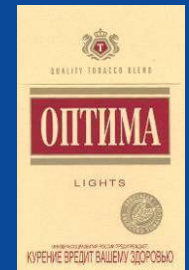
### Mid-Price



### Low-Price

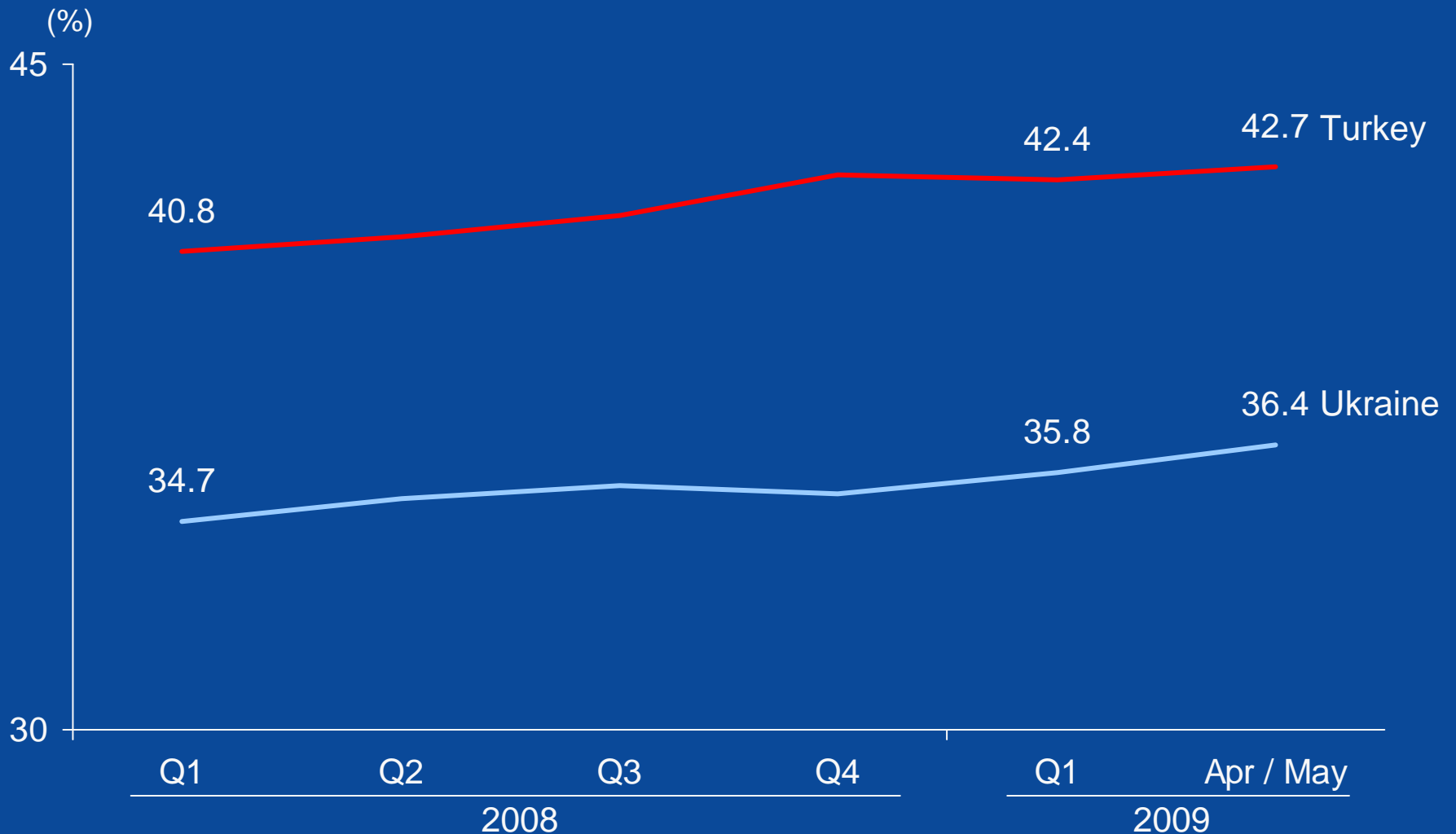


## Local Heritage

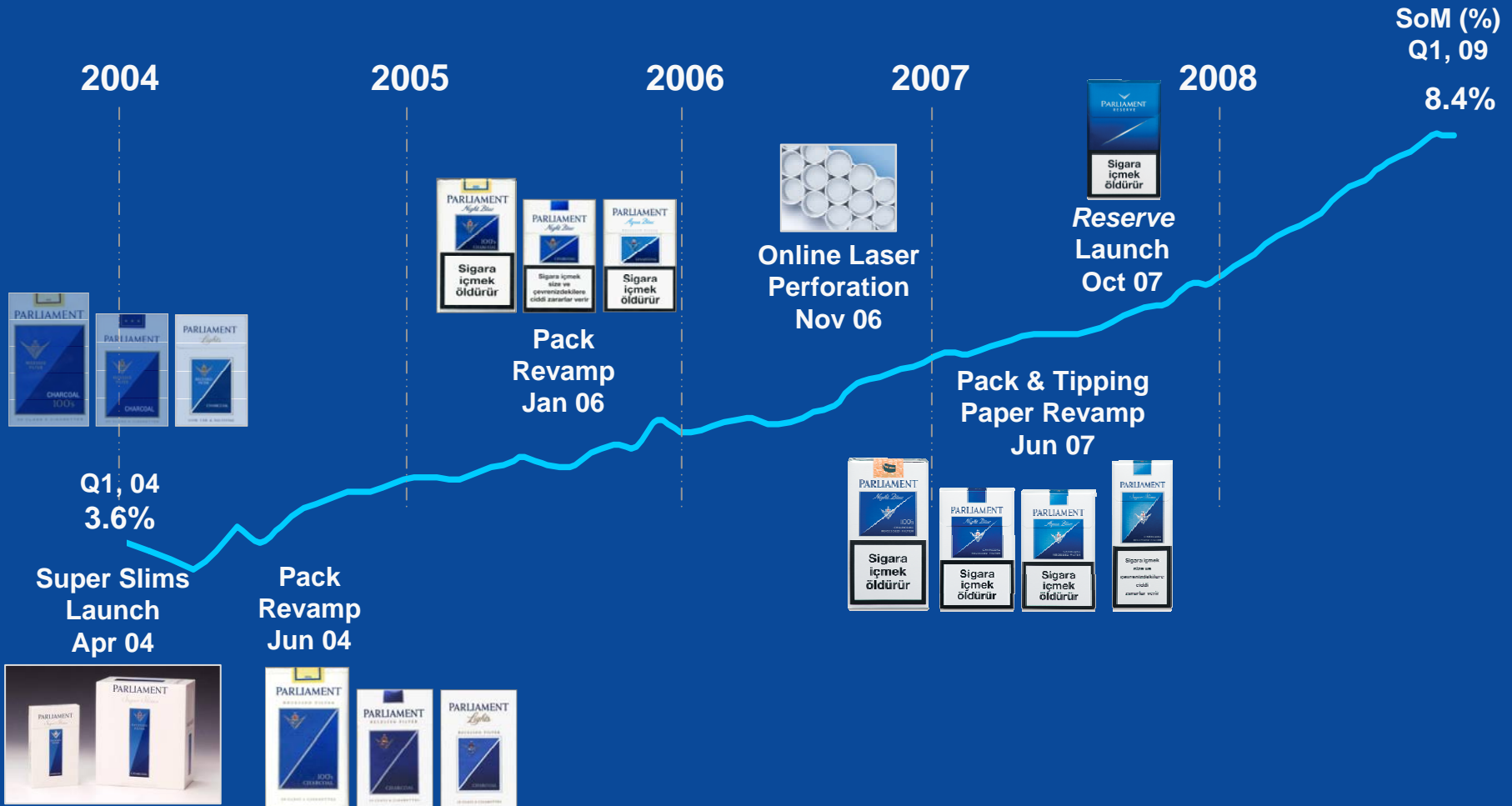




# EEMA Market Shares

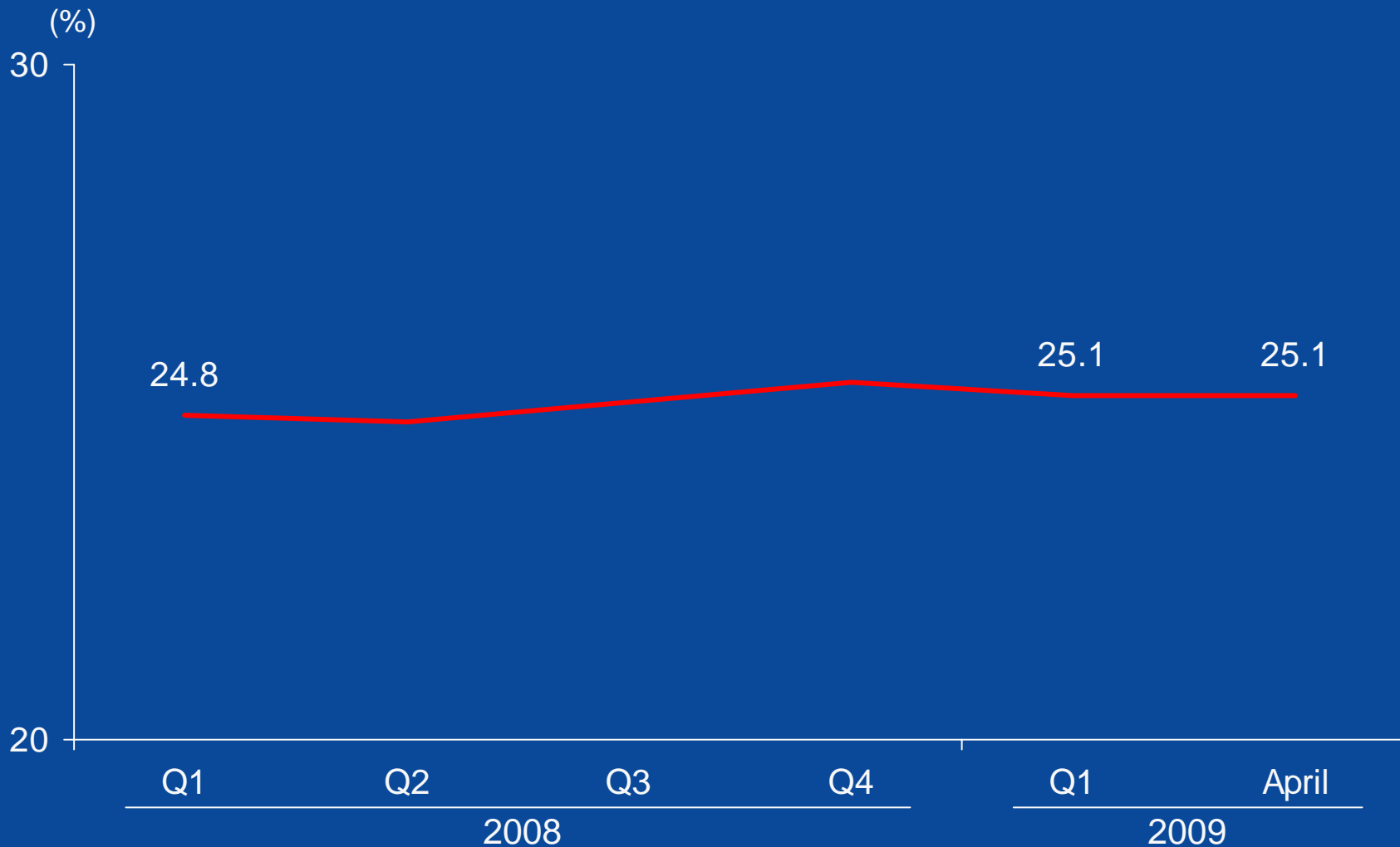


# Turkey – Parliament





## Russia – PMI Market Share





## Russia – *Bond Street*

- Success in keeping Russian smokers within our franchise reflects breadth of our portfolio
- Shipments of low-price *Bond Street* up 27.7% in Q1, 2009





# Indonesia – Market Shares



*A Mild*

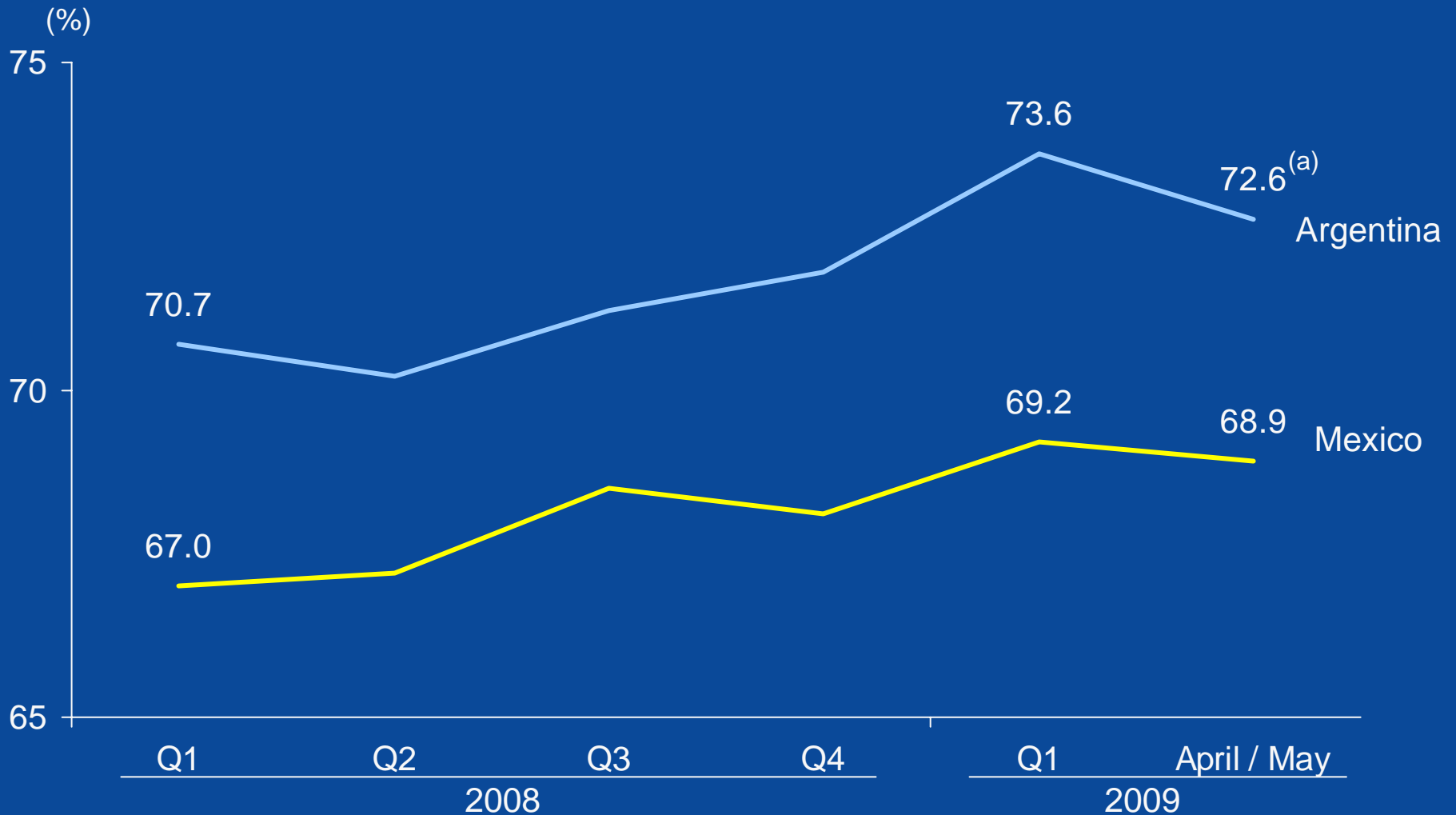
## Indonesia – *A Volution*

- *A Mild*'s success bolstered by the launch of *A Volution*
- First slimmer kretek, available in regular and menthol variants
- *A Volution* market share of 0.2% in April 2009





# Latin America Market Shares



(a) April 2009 data for Argentina  
Source: PMI GIMS estimates



## Mexico – *Marlboro Fresh*

- *Marlboro* market share in Mexico was 48.3% in Q1, 2009
- Innovative *Marlboro Fresh*, with a menthol thread in the filter, reached 0.5% market share in Q1, 2009





# Western Europe Market Shares





## Western Europe – *Marlboro* Innovation

- *Marlboro* resilient in Europe, supported by new initiatives
- Shorter *Marlboro Compact*, had 0.6% market share in Italy in Q1, 2009
- *Marlboro Pocket Pack* reached 0.9% market share in Spain in Q1, 2009





## *Marlboro Gold* – New Pack

- After successful test markets, new *Marlboro Gold* pack being rolled-out
- Very positive response from German adult consumers



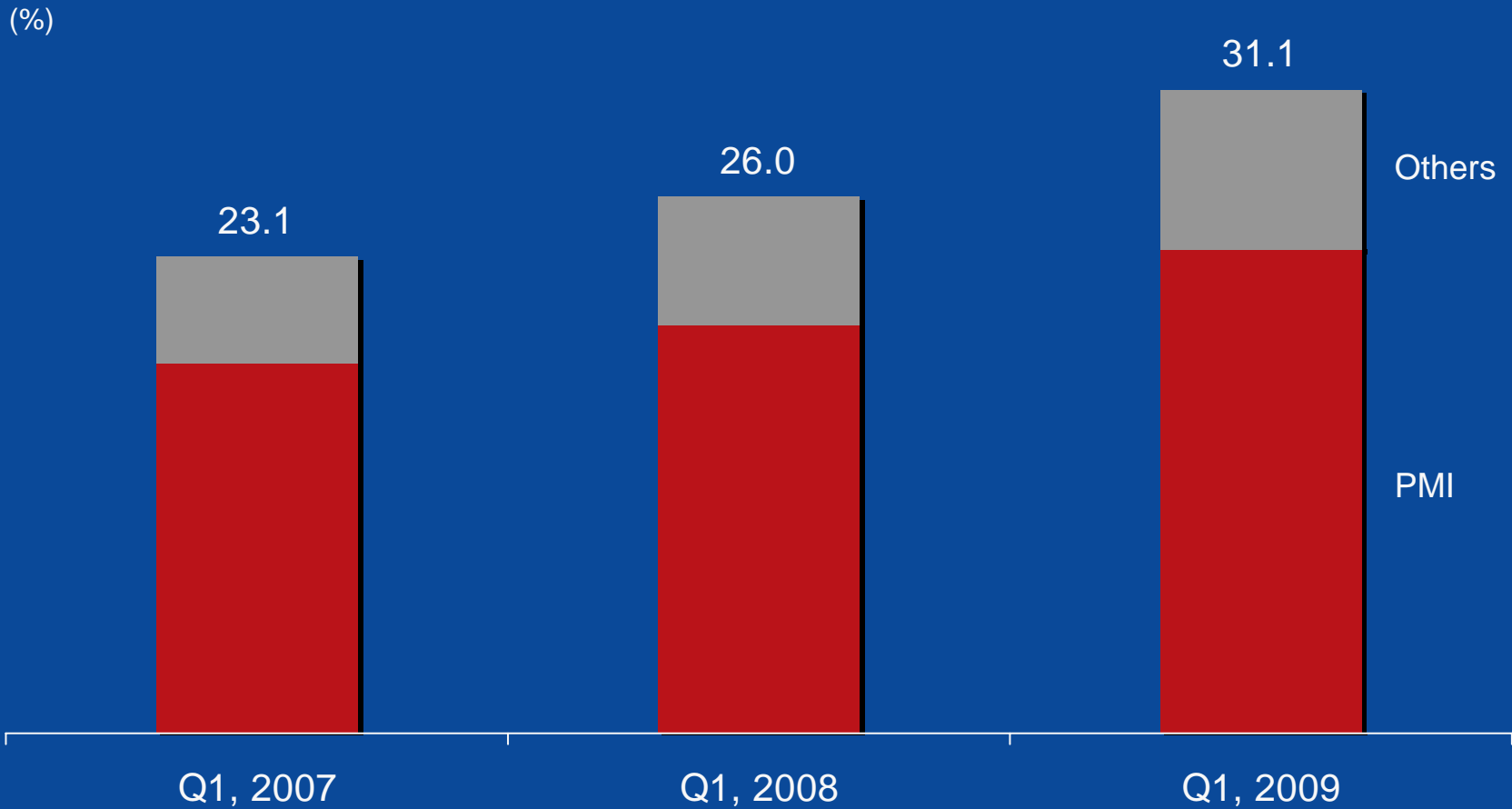


# Key Consumer Preferences

- **Lighter-tasting, smoother products**
- **Technology / innovation**
- **Slimmer diameter products**
- **Menthol**



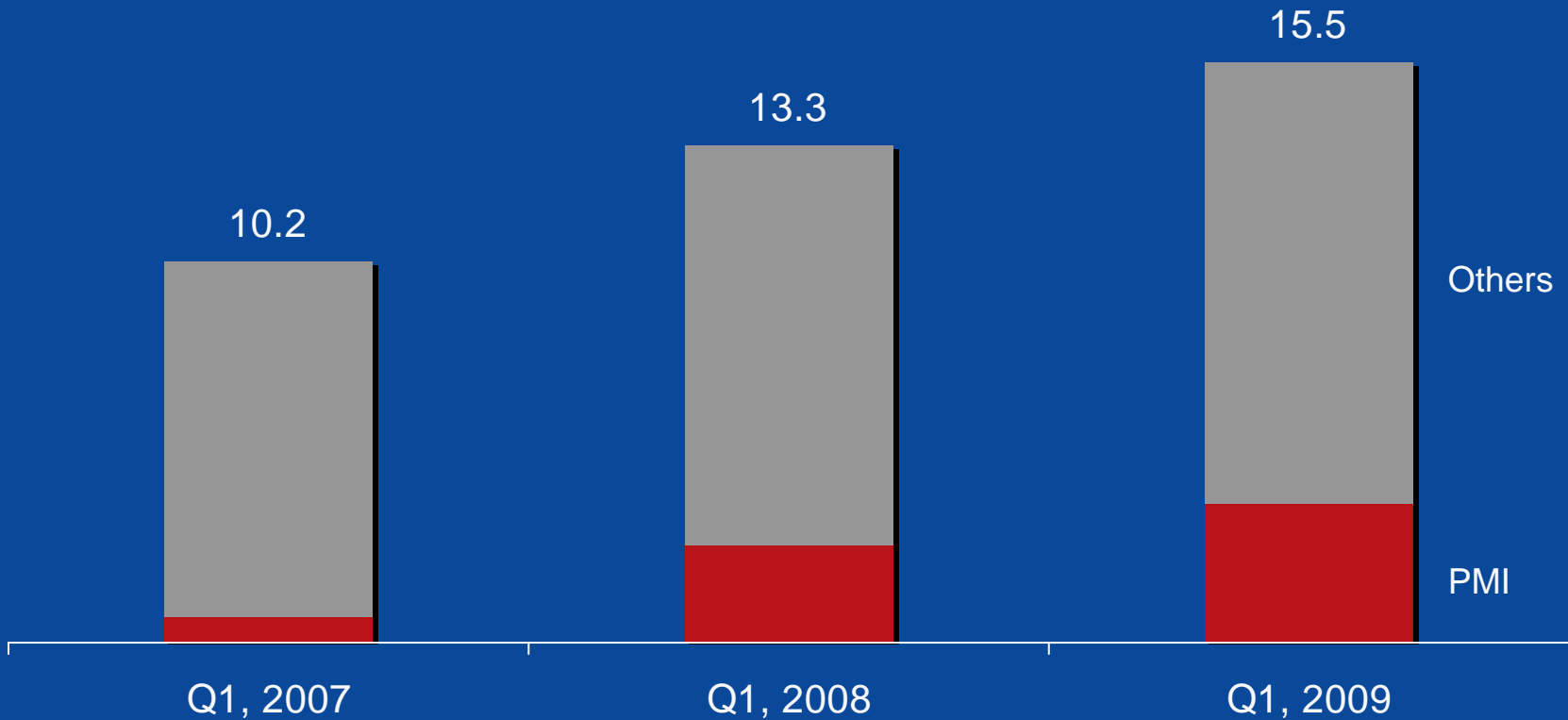
# Turkey – Charcoal Segment





# Poland – Slimmer Diameter Segment

(%)





## Poland – *L&M Link*

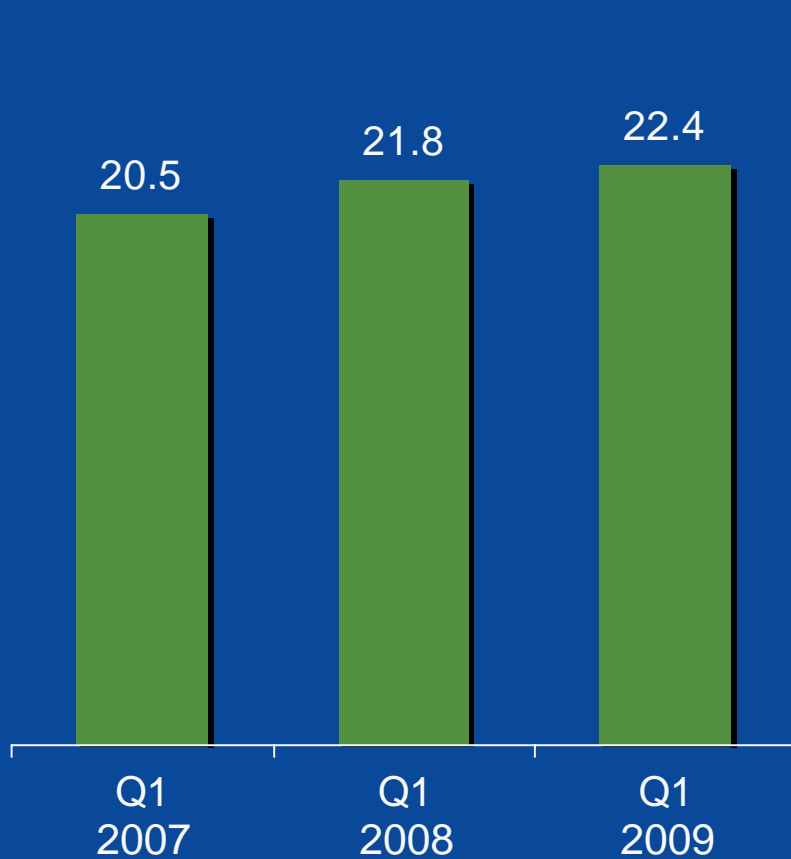
- *L&M Link* key driver behind our success in slims segment in Poland
- *L&M Link* achieved 3.1% total market share Q1, 2009



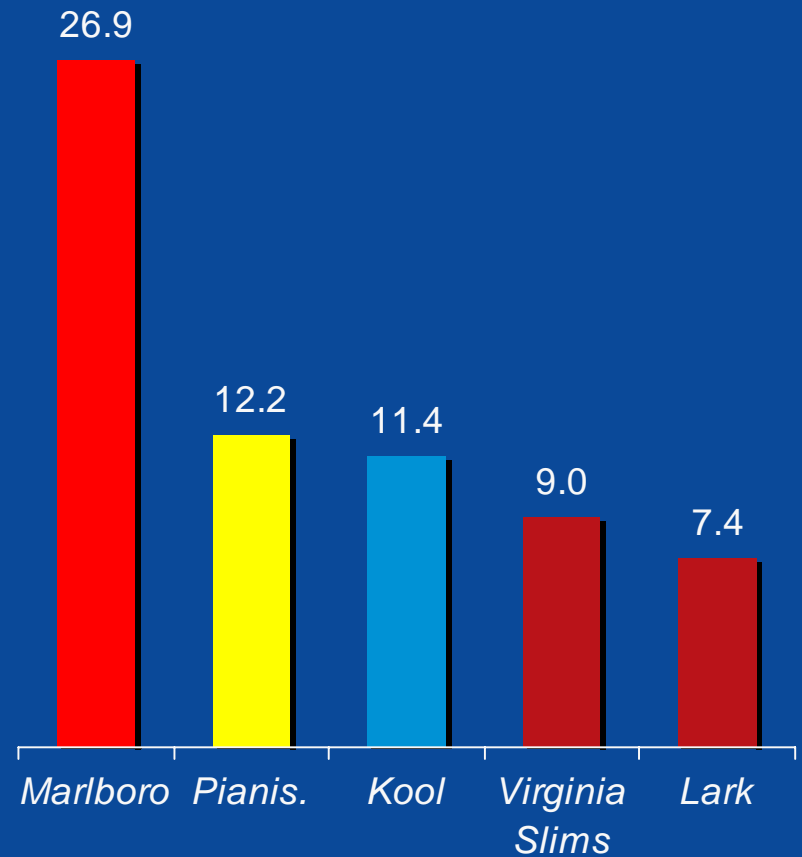


# Japan – Menthol Segment

Menthol Share of Market



Menthol Segment Share  
(Q1, 2009)



## Japan – *Marlboro Black Menthol*

- Launch of *Marlboro Black Menthol* in Japan was PMI's most successful ever
- *Marlboro Black Menthol* achieved a 1.0% market share in Japan in Q1, 2009
- *Marlboro* family market share rose from 9.8% in Q1, 2008 to 10.4% in Q1, 2009
- PMI overall share in Japan at 23.9%





## Business Perspectives

- Fundamentals of our business are in very good shape
- Our growth strategy going forward remains intact
- *Marlboro* is a key element of this strategy
- Successful innovations in framework of new *Marlboro* architecture

# Marlboro Architecture

## Red



## Gold



## Fresh



“Flavor enjoyment”

“Smooth taste and style”

“Fresh taste sensations”



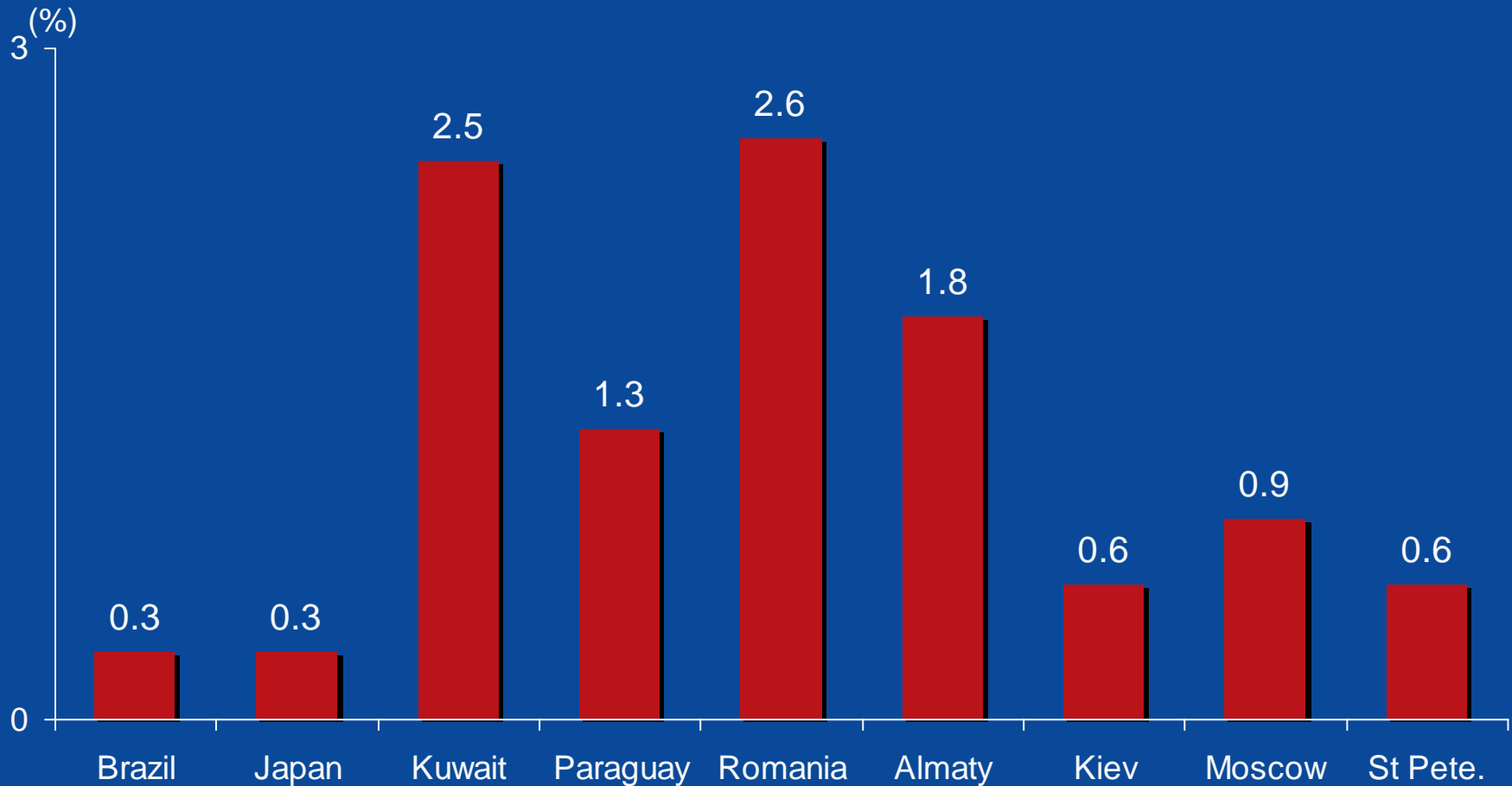
# Marlboro Filter Plus





# Marlboro Filter Plus

April 2009 Market Shares





# Marlboro Red Family



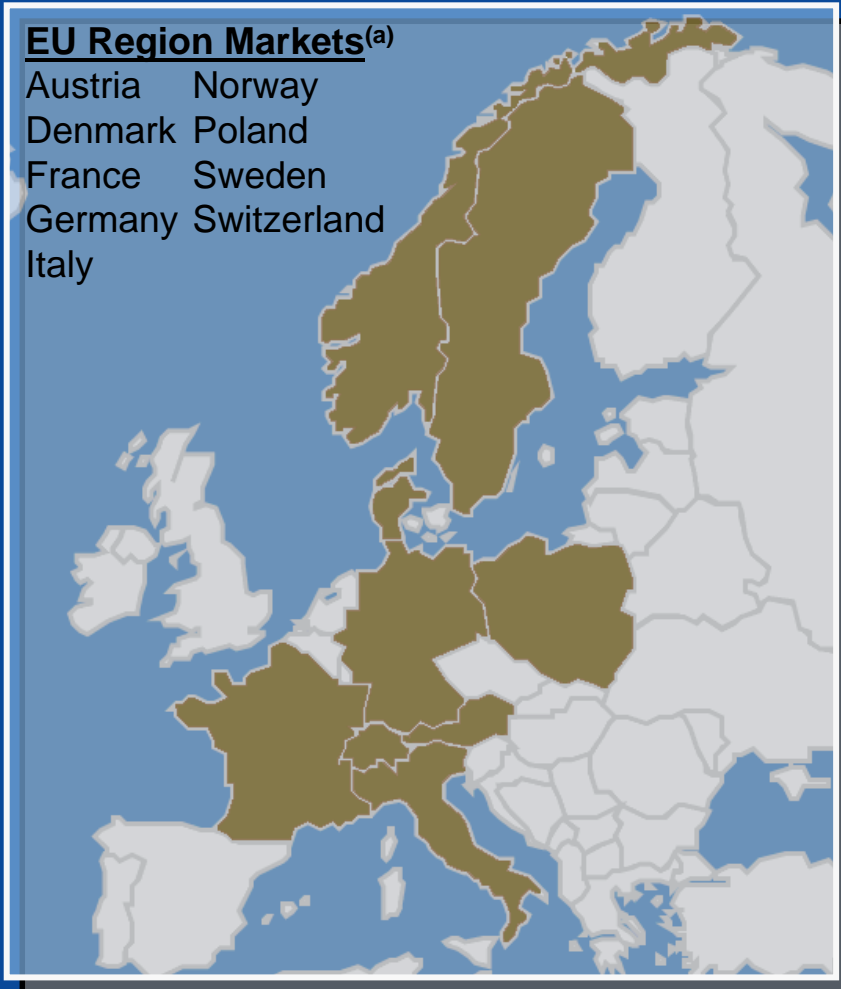


# *Marlboro Red* – New Pack





# Marlboro Gold





# Marlboro Gold Family





## *Marlboro Gold Advance*

- *Marlboro Gold Advance* is a smoother, full-flavor product
- Launched nationally in France after successful test market





## *Marlboro Gold Touch*

- *Marlboro Gold Touch* is a new innovative offering in an unprecedented cigarette format
- Launched in Austria, Greece and Italy





## *Marlboro Gold Edge*

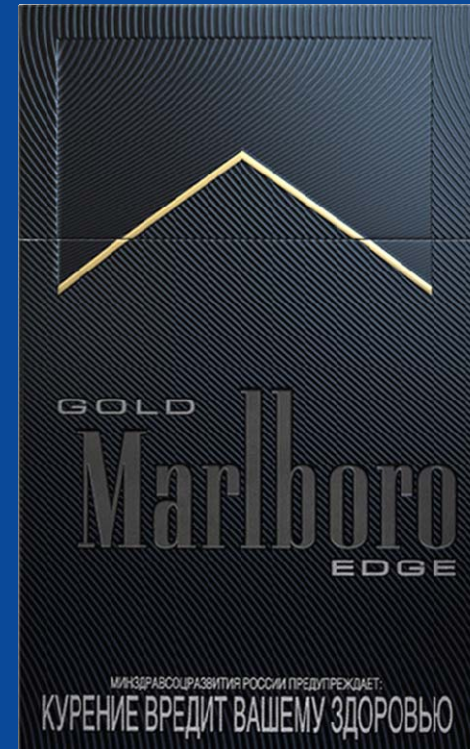
- *Marlboro Gold Edge* is a super-slims product, which has been launched in Hungary, Poland, Russia and Ukraine





## *Marlboro Gold Edge*

- Achieved segment shares of 2.4% in Poland and 0.7% in Russia in April



## Marlboro Gold Smooth

- *Marlboro Gold Smooth* is a 1mg tar product
- Just launched in Kuwait and Saudi Arabia, where the 1mg tar segment is growing





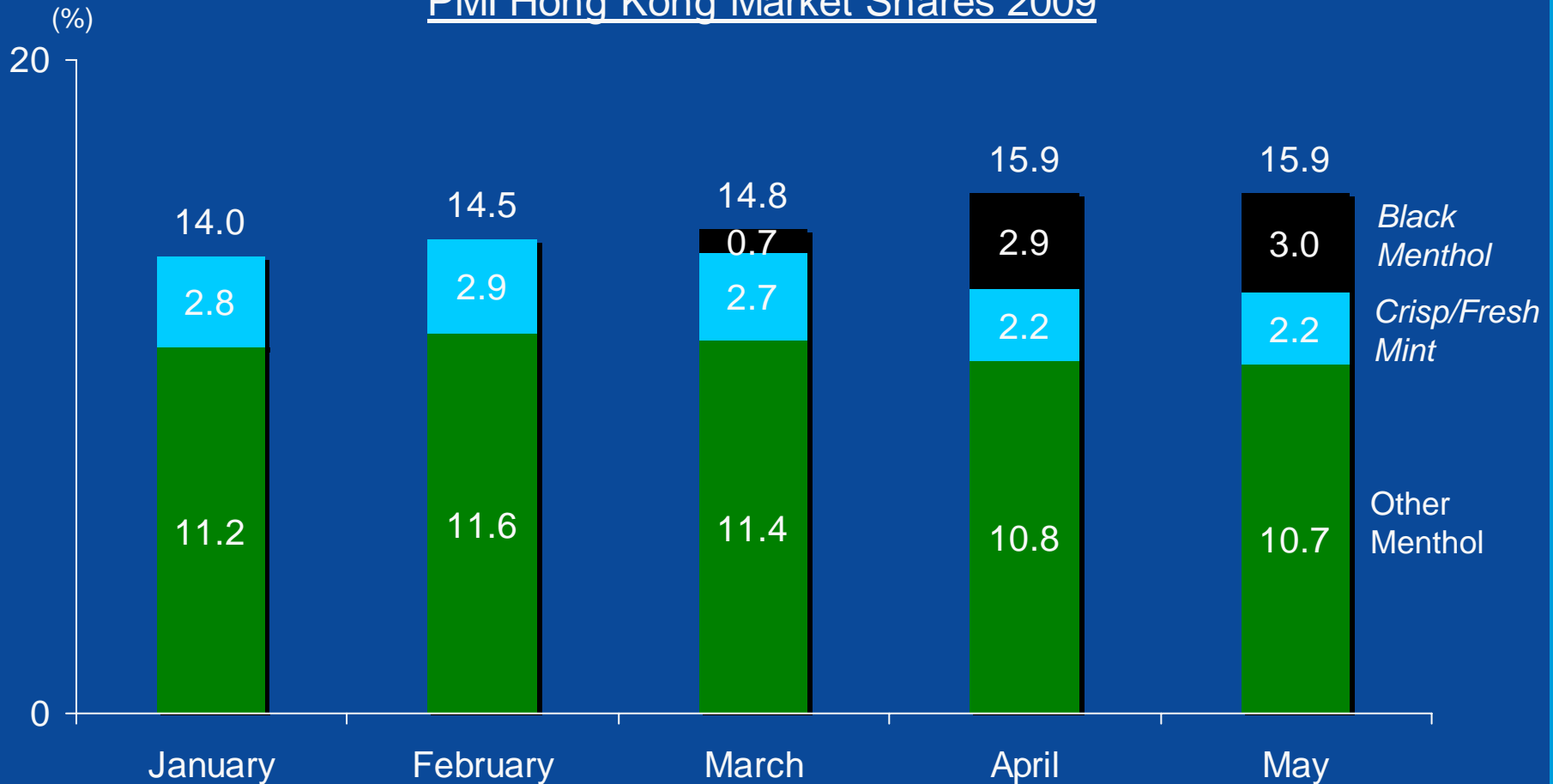
# Marlboro Fresh





# Marlboro Fresh

PMI Hong Kong Market Shares 2009



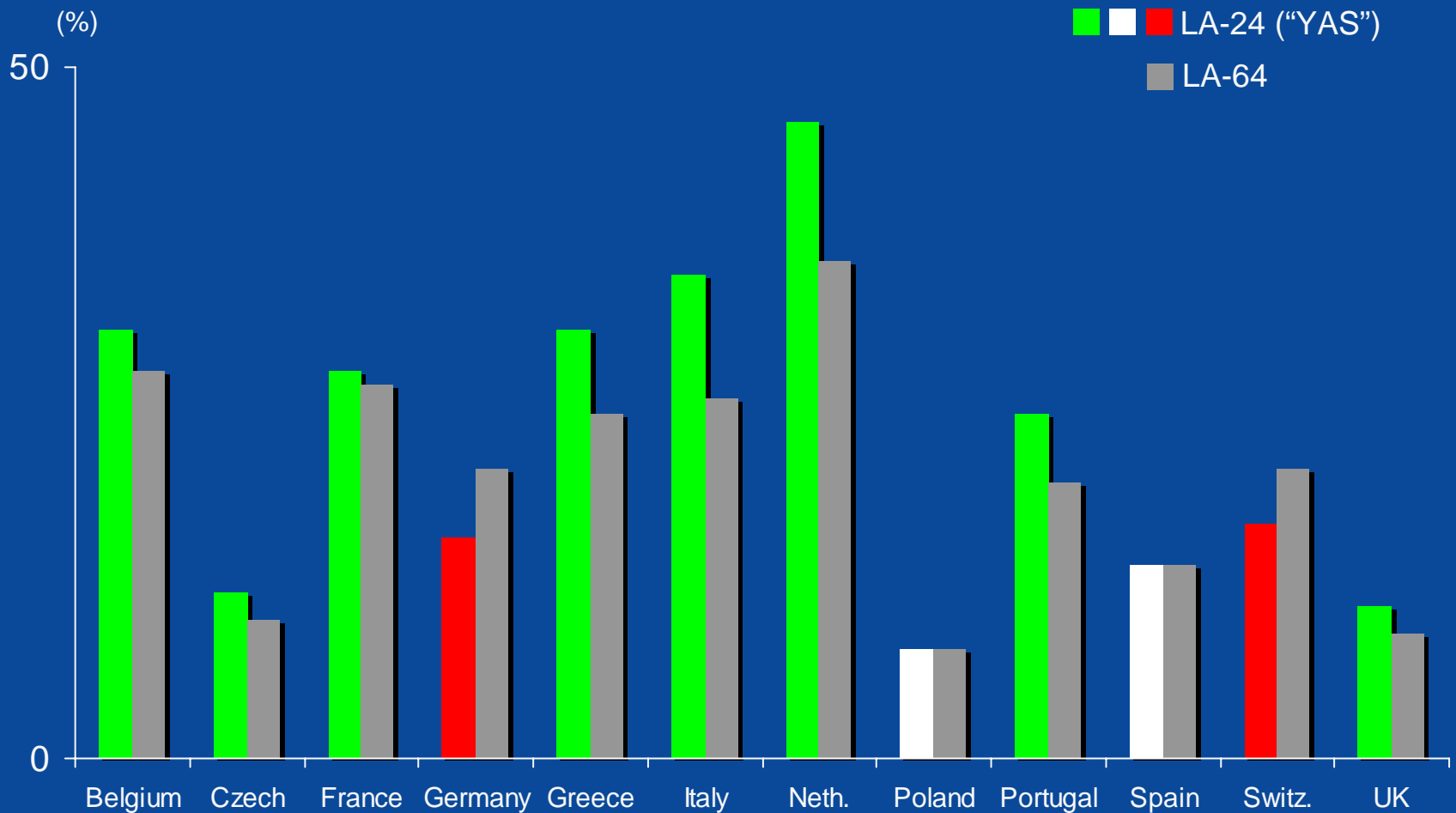


# Marlboro Fresh



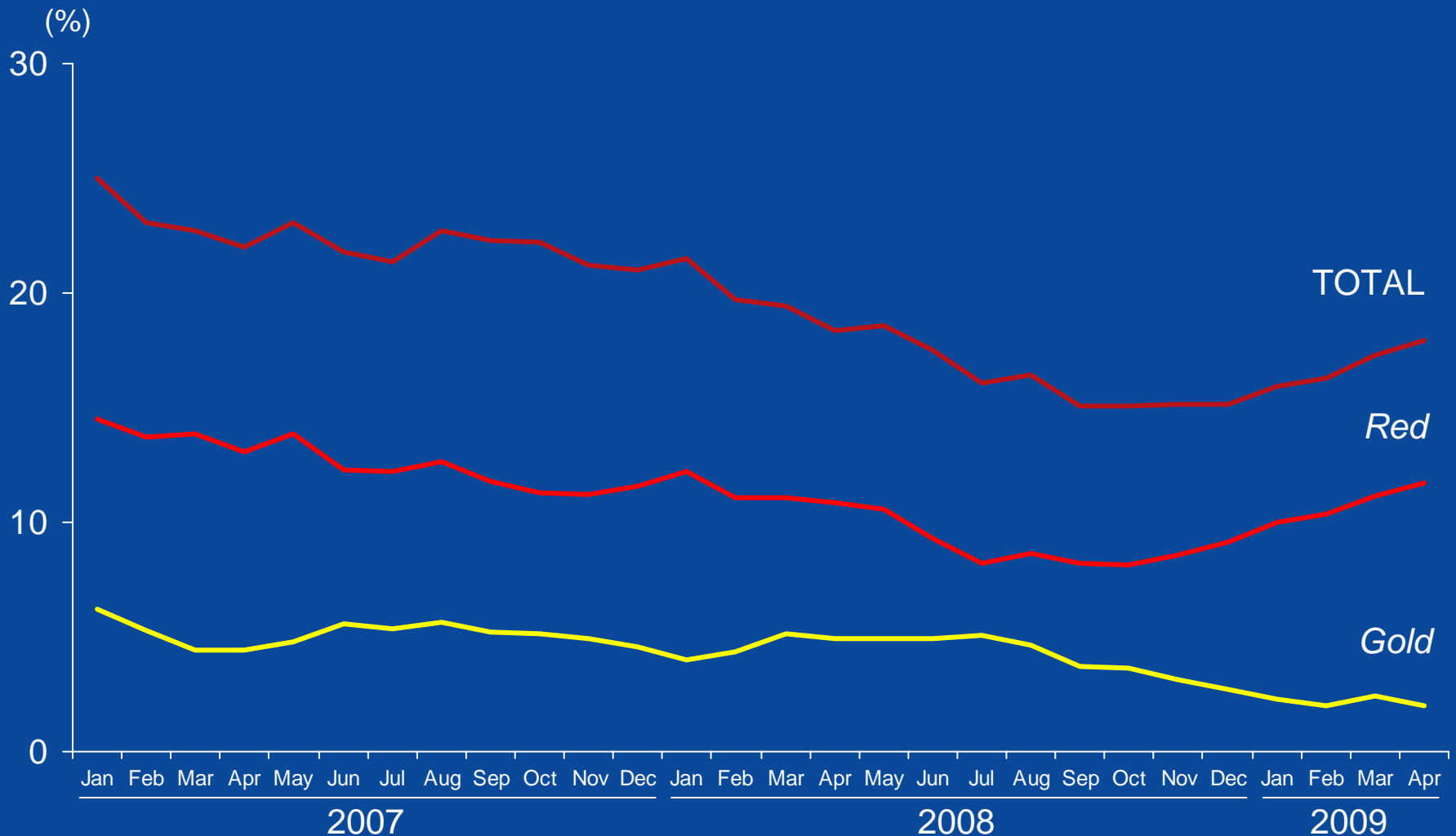


# Marlboro Smoker Shares – EU Region (2008)



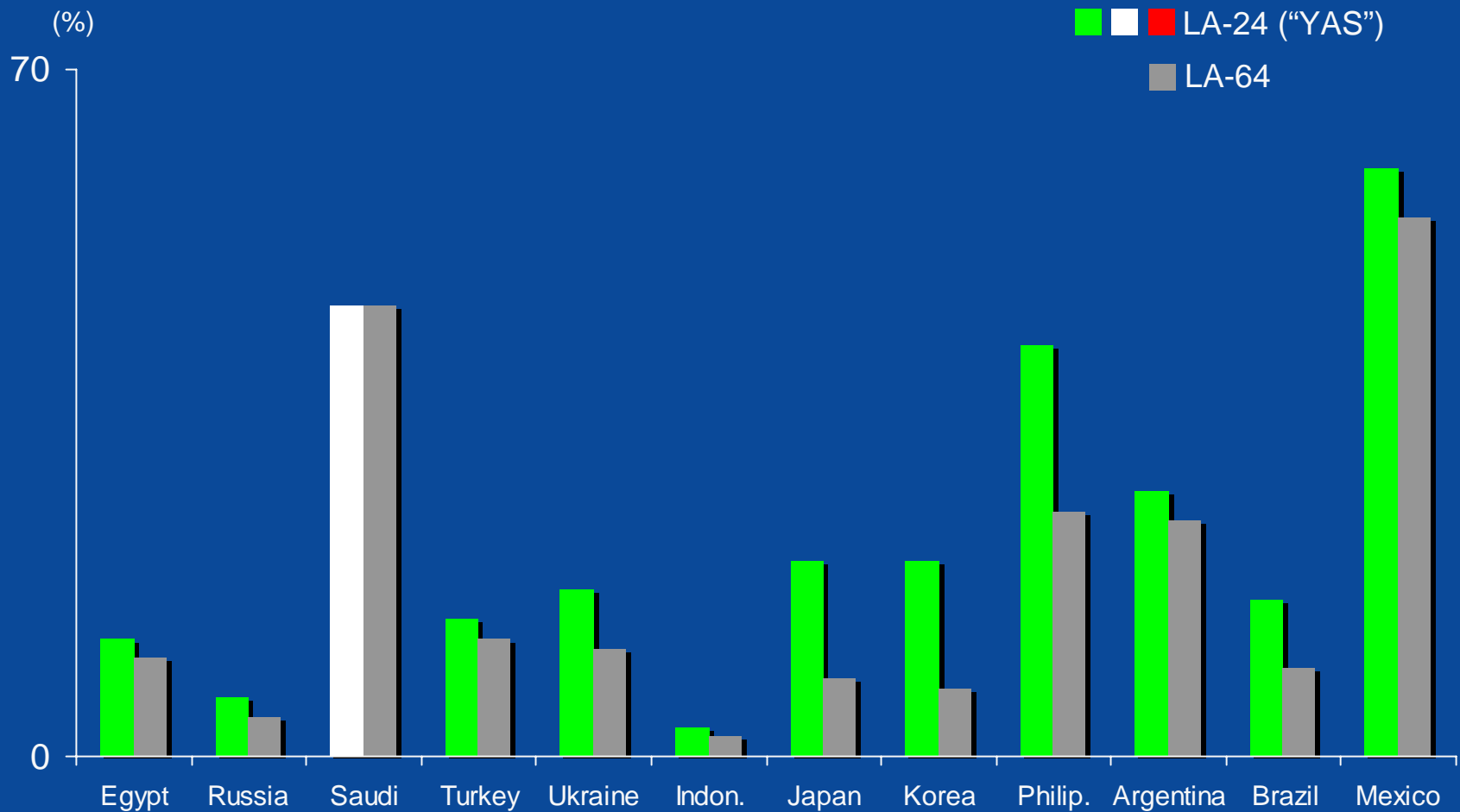


# Marlboro YAS Smoker Shares - Germany





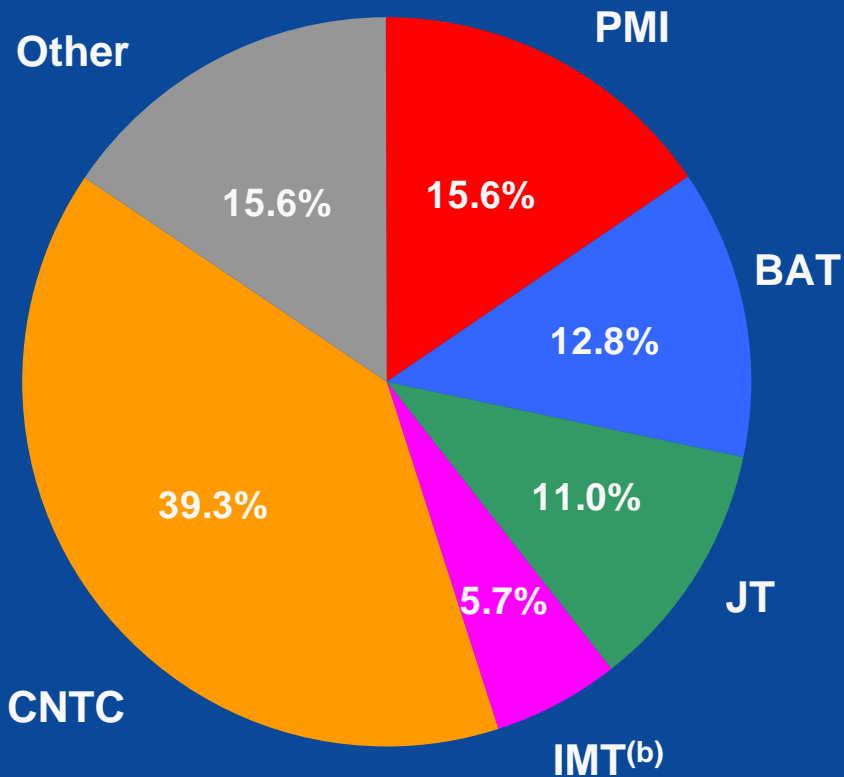
# Marlboro Smoker Shares – non-EU (2008)



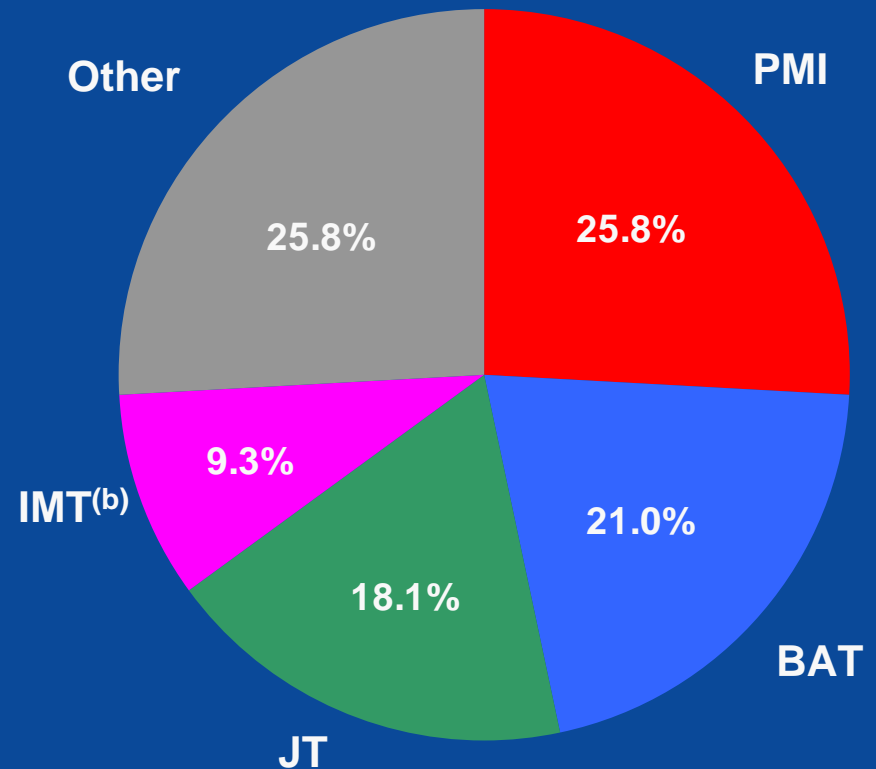


# Competitive Landscape (2008)<sup>(a)</sup>

Market Shares excl USA



Market Shares excl. PRC & USA



(a) Volumes are on a calendar basis, except for IMT, who reports on a fiscal year ending September.

(b) Impact of 3.8 months of Altadis volume has been added and U.S. volume has been excluded to determine full year share.

Source: PMI GIMS and company reports



## Acquisitions

- **Complements organic growth**
- **Provides often unique opportunities to enter new markets or significantly step up our presence:**
  - Sampoerna in Indonesia
  - Rothmans Inc. in Canada
- **Acquisitions in other tobacco categories:**
  - *Interval* in France and other EU markets
  - *Petterøes* in Norway
- **Snus joint-venture with Swedish Match**



## Capital Structure

- Free cash flow of \$6.8 billion in 2008<sup>(a)</sup>
- PMI committed to maintain strong credit ratings
- Bond issues for equivalent of \$10.1 billion in 2008 and \$3.0 billion in 2009
- Well-laddered maturities and reasonable all-in long-term average interest rate of 5.6%
- Over \$6 billion of committed revolving credit facilities
- Access to Tier 1 commercial paper market



## Shareholder Returns

- Dividend raised by 17.4% in August 2008 to an annualized rate of \$2.16 / share
- Willingness in 2009 to exceed our 65% dividend payout target
- \$13 billion two-year share repurchase program initiated in May 2008
- \$5.4 billion of share repurchases in 2008 and similar amount anticipated for 2009
- \$1.3 billion of share repurchases in Q1, 2009
- In total, some \$9 billion expected to be returned in cash to shareholders during 2009



## Summary

- **Tobacco sector resilient but not immune**
- **Weaker industry volume and some consumer downtrading**
- **Prices increased to enhance profitability**
- **Manageable excise tax and regulatory environment**
- **Cost saving programs on track**
- **Substantial cash flows and excellent liquidity**
- **Dividends and share repurchases**
- **Currency headwinds in the short-term**
- **PMI well positioned to prosper as the economic outlook improves**



# Constant Currency Mid to Long-Term Annual Financial Growth Targets

	<u>Targets</u>
<b>Net Revenues</b>	<b>4 – 6%</b>
<b>Operating Income</b>	<b>6 – 8%</b>
<b>EPS</b>	<b>10 – 12%</b>



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Questions & Answers



# Reconciliation of Non-GAAP Measures

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

2009					2008 <sup>(1)</sup>			% Change on 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	Reported Net Revenues	Less Excise Taxes	Reported Net Revenues excluding Excise Taxes	Reported	Reported excluding Currency
\$ 6,050	\$ (4,063)	\$ 1,987	\$ (251)	\$ 2,238	\$ 6,697	\$ (4,451)	\$ 2,246	(11.5)%	(0.4)%
2,831	(1,379)	1,452	(312)	1,764	3,283	(1,621)	1,662	(12.6)%	6.1%
2,857	(1,267)	1,590	(49)	1,639	2,976	(1,473)	1,503	5.8%	9.0%
1,548	(980)	568	(85)	653	1,398	(888)	510	11.4%	28.0%
<b>\$ 13,286</b>	<b>\$ (7,689)</b>	<b>\$ 5,597</b>	<b>\$ (697)</b>	<b>\$ 6,294</b>	<b>\$ 14,354</b>	<b>\$ (8,433)</b>	<b>\$ 5,921</b>	<b>(5.5)%</b>	<b>6.3%</b>

2009					2008 <sup>(1)</sup>			% Change on Reported Operating Companies Income	
Reported Operating Companies Income		Less Currency	Reported Operating Companies Income excluding Currency		Reported Operating Companies Income		Reported Operating Companies Income	Reported	Reported excluding Currency
\$ 967		\$ (184)	\$ 1,151		\$ 1,167		\$ 1,167	(17.1)%	(1.4)%
586		(201)	787		680		680	(13.8)%	15.7%
661		19	642		550		550	20.2%	16.7%
155		(35)	190		149		149	4.0%	27.5%
<b>\$ 2,369</b>		<b>\$ (401)</b>	<b>\$ 2,770</b>		<b>\$ 2,546</b>		<b>\$ 2,546</b>	<b>(7.0)%</b>	<b>8.8%</b>

(1) As discussed in Note 1. Background and Basis of Presentation of our 2008 consolidated financial statements which appears in our Annual Report on Form 10-K, prior to 2008, certain of our subsidiaries reported their results up to ten days before the end of December, rather than on December 31. During 2008, these subsidiaries moved to a December 31 closing date. As a result, certain amounts in the first quarter of 2008 were revised to reflect this change.



# Reconciliation of Non-GAAP Measures

Reconciliation of Reported Diluted EPS to Reported Diluted EPS, Excluding Currency  
For Quarters Ended March 31,  
(Unaudited)

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
<b>Reported Diluted EPS<sup>(1)</sup></b>	\$ 0.74	\$ 0.79	(6.3)%
Add:			
Currency Impact	<u>0.15</u>	<u>          </u>	
<b>Reported Diluted EPS, Excluding Currency</b>	<u><u>\$ 0.89</u></u>	<u><u>\$ 0.79</u></u>	12.7%

(1) As discussed in Note 1. Background and Basis of Presentation of our 2008 consolidated financial statements which appears in our Annual Report on Form 10-K, prior to 2008, certain of our subsidiaries reported their results up to ten days before the end of December, rather than on December 31. During 2008, these subsidiaries moved to a December 31 closing date. As a result, certain amounts in the first quarter of 2008 were revised to reflect this change.

Source: PMI Financials



# Reconciliation of Non-GAAP Measures

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

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
<b>Reported Diluted EPS<sup>(1)</sup></b>	\$ 0.74	\$ 0.79	(6.3)%
Adjustments:			
Asset impairment and exit costs	-	0.01	
<b>Adjusted Diluted EPS</b>	\$ 0.74	\$ 0.80	(7.5)%
Add:			
Currency Impact	0.15		
<b>Adjusted Diluted EPS, Excluding Currency</b>	<u>\$ 0.89</u>	<u>\$ 0.80</u>	11.3%

(1) As discussed in Note 1. Background and Basis of Presentation of our 2008 consolidated financial statements which appears in our Annual Report on Form 10-K, prior to 2008, certain of our subsidiaries reported their results up to ten days before the end of December, rather than on December 31. During 2008, these subsidiaries moved to a December 31 closing date. As a result, certain amounts in the first quarter of 2008 were revised to reflect this change.

Source: PMI Financials



# Reconciliation of Non-GAAP Measures

Reconciliation of Operating Companies Income to Operating Income  
For Quarters Ended March 31,  
(in millions)  
(Unaudited)

	<u>First Quarter 2009</u>	<u>First Quarter 2008</u>
EU	\$ 967	\$ 1,167
EEMA	586	680
Asia	661	550
Latin America & Canada	155	149
<b>Operating Companies Income</b>	<b>\$ 2,369</b>	<b>\$ 2,546</b>
Amortization of intangibles	(15)	(9)
General corporate expenses	(34)	(13)
<b>Operating Income</b>	<b>\$ 2,320</b>	<b>\$ 2,524</b>