



PHILIP MORRIS INTERNATIONAL

**Barclays Capital
Back-to-School Consumer Conference
Boston, 7 September, 2010**

Hermann Waldemer
Chief Financial Officer
Philip Morris International



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-Q for the quarter ended June 30, 2010, 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 posted on our web site

PMI Results



PHILIP MORRIS
INTERNATIONAL

		<u>Growth H1, 2010 vs. H1, 2009</u>		Mid to Long- Term Annual Currency Neutral Growth Targets
	<u>H1, 2010 Results</u>	<u>Actual</u>	<u>Excluding Currency & Acquisitions</u>	
Net Revenues (\$ billion) ^(a)	13.6	15.6 %	5.7 %	4-6 %
Adjusted OCI (\$ billion) ^(b)	5.7	15.1 %	8.0 %	6-8 %
Adjusted Diluted EPS (\$ / share)	1.90	21.8 %	16.0 % ^(c)	10-12 %

(a) Excluding excise taxes

(b) Excluding asset impairment, exit and other costs

(c) Excluding currency only

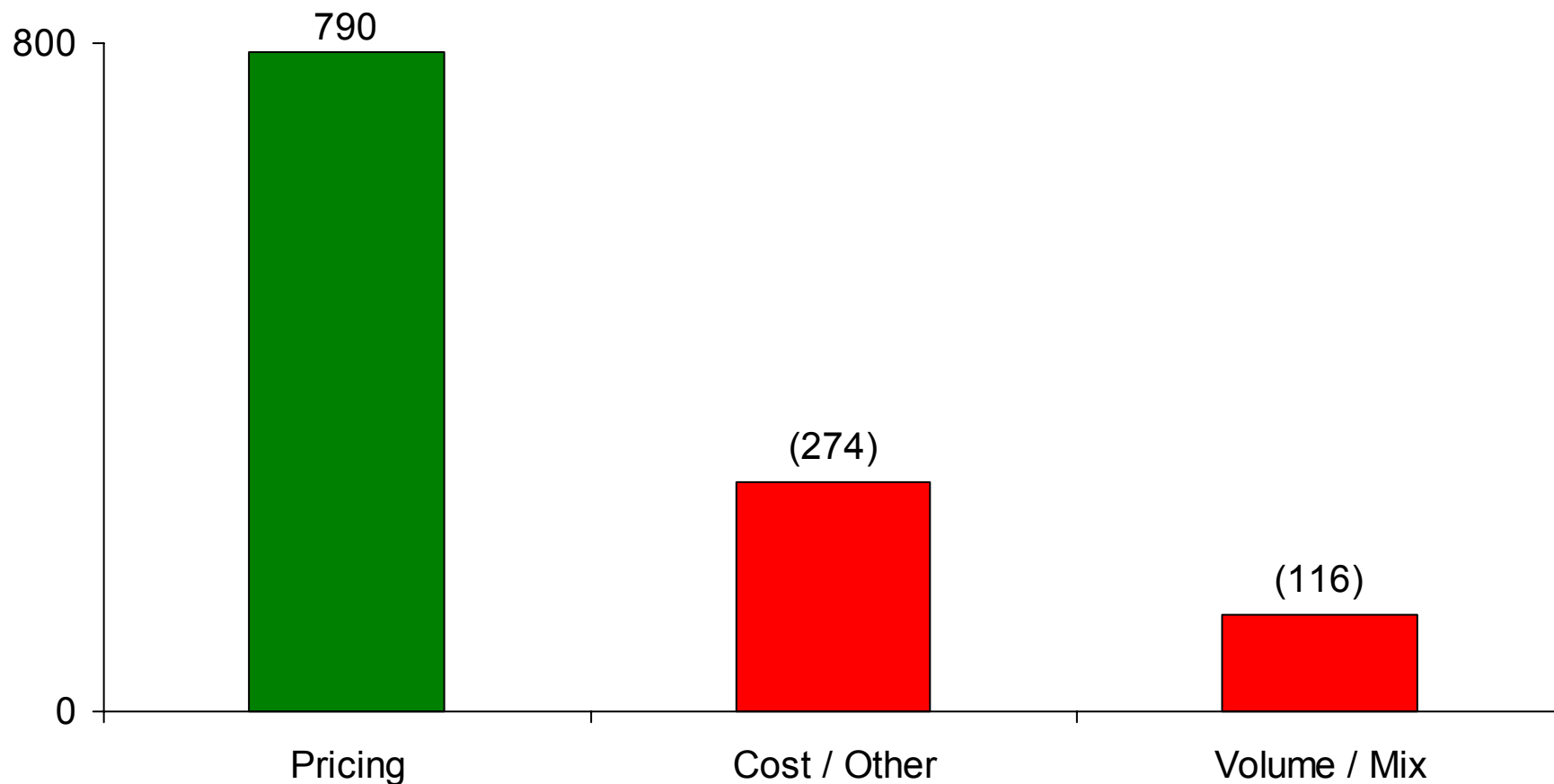
Source: PMI Financials

Adjusted OCI Variance Analysis, Excluding Currency & Acquisitions



PHILIP MORRIS
INTERNATIONAL

H1, 2010 vs. H1, 2009



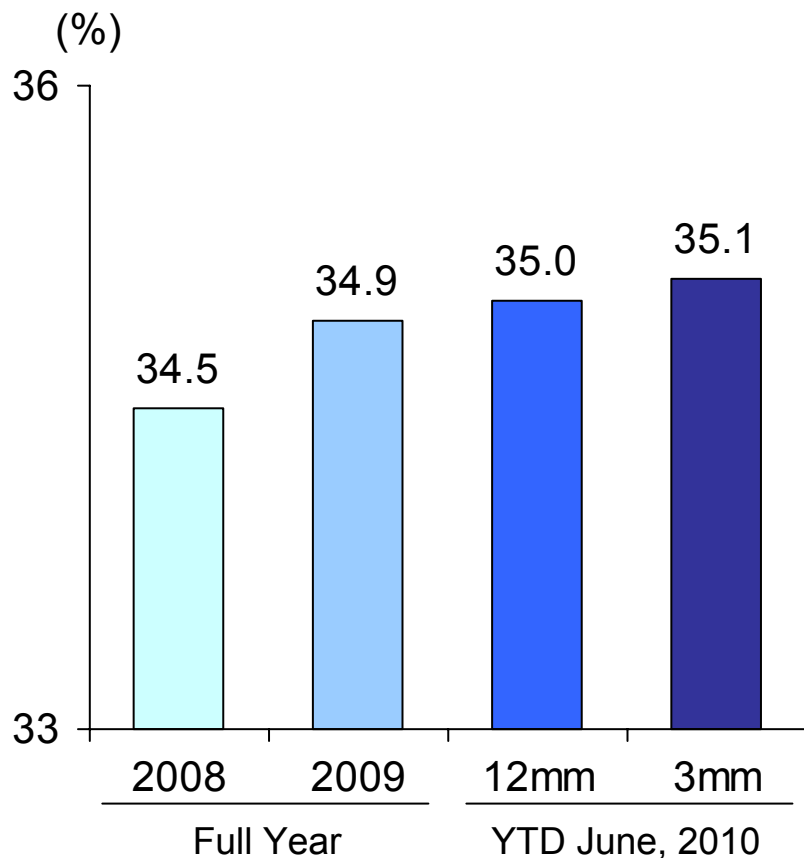
Note: \$400 million total variance as per schedule 7 of PMI's Second-Quarter Press Release, and price and volume/mix variance as per PMI Form 10-Q for the quarter ended June 30, 2010

Source: PMI Financials

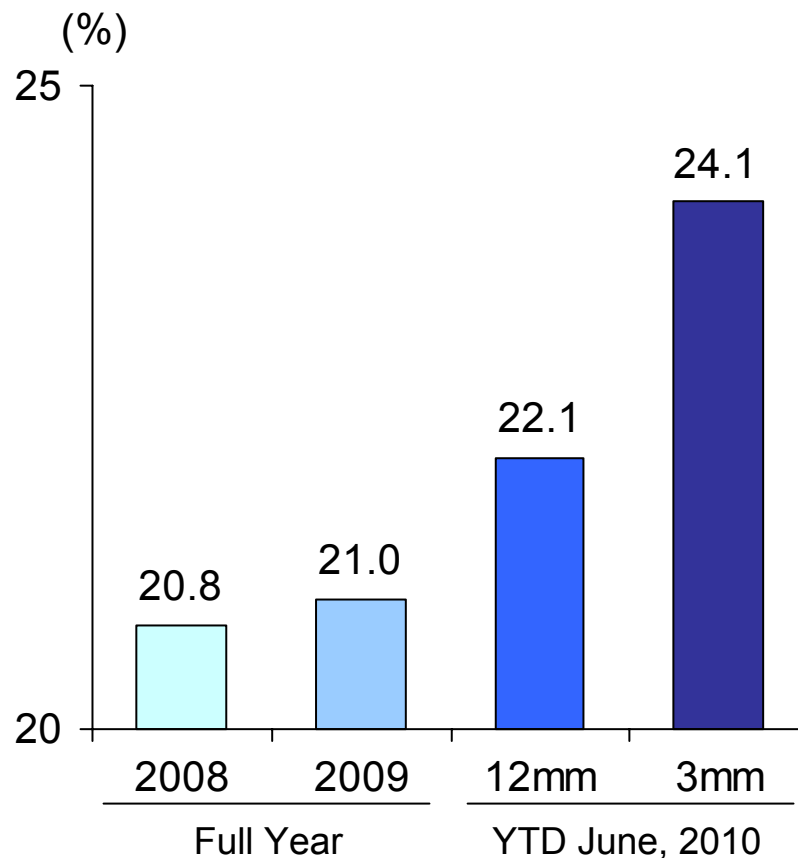


PMI Market Share Trends

OECD markets^(a)



Non-OECD markets^{(b)(c)}



(a) Excluding USA and duty-free

(b) Excluding China and duty-free

(c) Excluding the business combinations with FTC in the Philippines, 12mm and 3mm shares for non-OECD markets were 21.1% and 21.0%, respectively

Note: For definition of OECD countries, refer to PMI's Registration Statement on Form 10, Information Statement (page 68) dated March 7, 2008

Source: PMI estimates



Global Market Trends

- Economic recovery in emerging markets
- Increased employment levels key to global resumption in consumer uptrading
- Most governments pursuing a policy of reasonable excise tax increases and structures globally improving
- Disruptive tax increases this year in Australia, Greece, Romania and Turkey, with Japan to come next month
- Forecast for 2010 global industry volume, excluding China and United States, is a decline of around 2%, in line with 2009
- PMI organic volume performance in 2010 is expected to be similar to 2009. Actual PMI cigarette volume is expected to be up some 3-4%, driven by our business combination in the Philippines



Business Update: EU Region

- PMI market share gains in Netherlands and Poland in H1, 2010, offset by declines notably in Germany and Greece
- PMI share in Germany, however, stable since January
- Unfavorable excise tax structure in Greece forced PMI to partially absorb recent tax increases
- Price sensitive environment
- *L&M* growing strongly in the profitable low-price category (share up 0.5pp to 5.9% in H1, 2010)

PMI Market Shares

	<u>H1, 2009</u>	<u>H1, 2010</u>	<u>Variance</u>
France	41.0%	40.6%	(0.4)pp
Germany	37.4	35.6	(1.8)
Greece	40.5	38.5	(2.0)
Italy	54.0	54.1	0.1
Netherlands	42.9	44.9	2.0
Poland	35.8	37.7	1.9
Spain	31.8	31.4	(0.4)
Total EU	39.0	38.6	(0.4)



Business Update: EEMA Region

- PMI volume up by 4.9% in Russia in Q2, 2010, as market started to stabilize and PMI continued to gain share
- Turkey and Ukraine volume impacted by large excise tax increases. PMI share currently stable in both markets
- Strong PMI performance in North Africa in 2010

PMI Market Shares

	<u>H1, 2009</u>	<u>H1, 2010</u>	<u>Variance</u>
Russia	25.2%	25.6%	0.4pp
Turkey	42.6	40.9	(1.7)
Ukraine	35.8	35.9	0.1
North Africa ^(a)	14.4	17.5	3.1

(a) Algeria, Egypt, Morocco and Tunisia
Source: A.C. Nielsen and PMI estimates



Business Update: Asia Region

- PMI gaining share in Japan
- Build-up of stocks at PMI importer in Japan in Q2, 2010, is projected to unfavorably impact PMI shipment volume in H2, 2010
- New October retail prices for PMI brands in Japan approved by Ministry of Finance
- Strong volume and share gains in Korea
- Volume growth in Indonesia behind leading premium brands
- Excellent performance of *Marlboro* across the Region

PMI Market Shares

	<u>H1, 2009</u>	<u>H1, 2010</u>	<u>Variance</u>
Australia	37.8%	38.9%	1.1pp
Hong Kong	50.5	53.7	3.2
Indonesia	28.9	28.6	(0.3)
Japan	23.9	24.3	0.4
Korea	13.7	17.0	3.3
Singapore	47.7	48.5	0.8



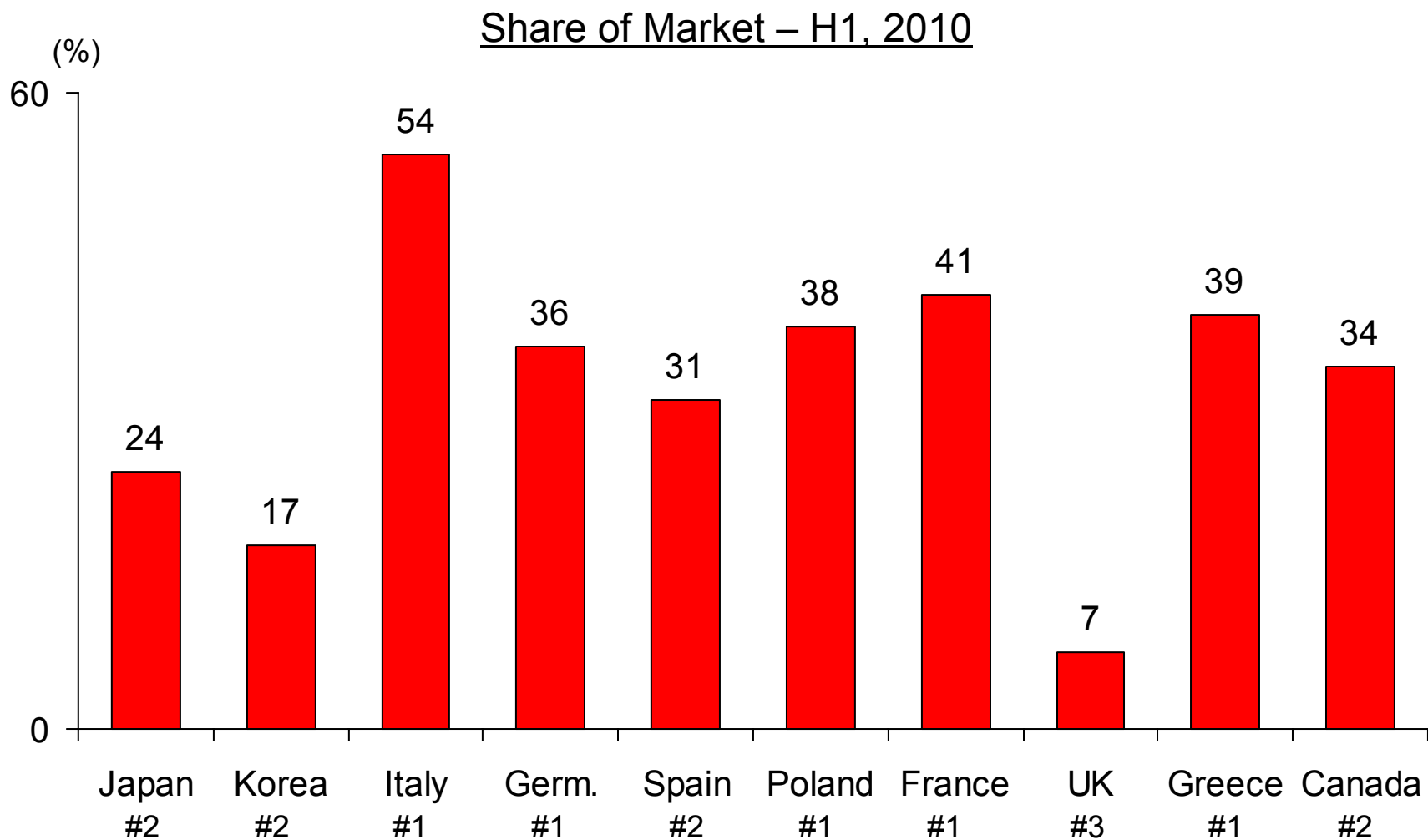
Business Update: LA & Canada Region

- Strong PMI share performance continues in 2010
- PMI premium volume growing in Argentina and Mexico
- Industry volume grew by 15.7% in H1, 2010, in Canada, as authorities reinforced anti-contraband measures

<u>PMI Market Shares</u>			
	<u>H1, 2009</u>	<u>H1, 2010</u>	<u>Variance</u>
Argentina	73.3%	74.7%	1.4pp
Brazil	13.9	14.5	0.6
Canada	33.6	33.5	(0.1)
Mexico	69.1	69.7	0.6



PMI Market Shares in Top 10 Developed Markets^(a)



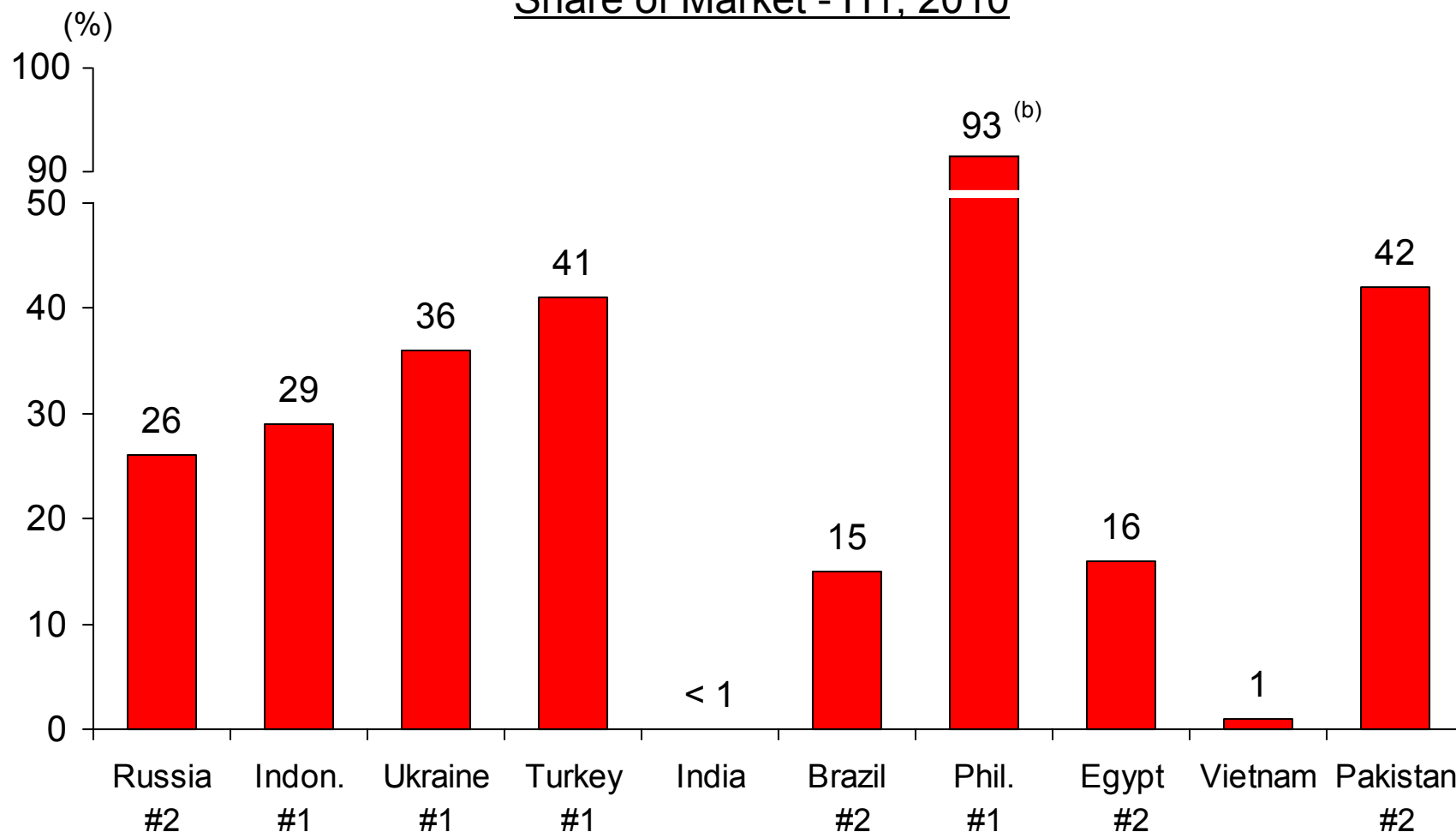
(a) Ranked by 2009 industry volume, excluding the United States

Source: Tobacco Institute of Japan, Hankook Research and PMI estimates



PMI Market Shares in Top 10 Emerging Markets^(a)

Share of Market - H1, 2010



(a) Ranked by 2009 industry volume, excluding the PRC

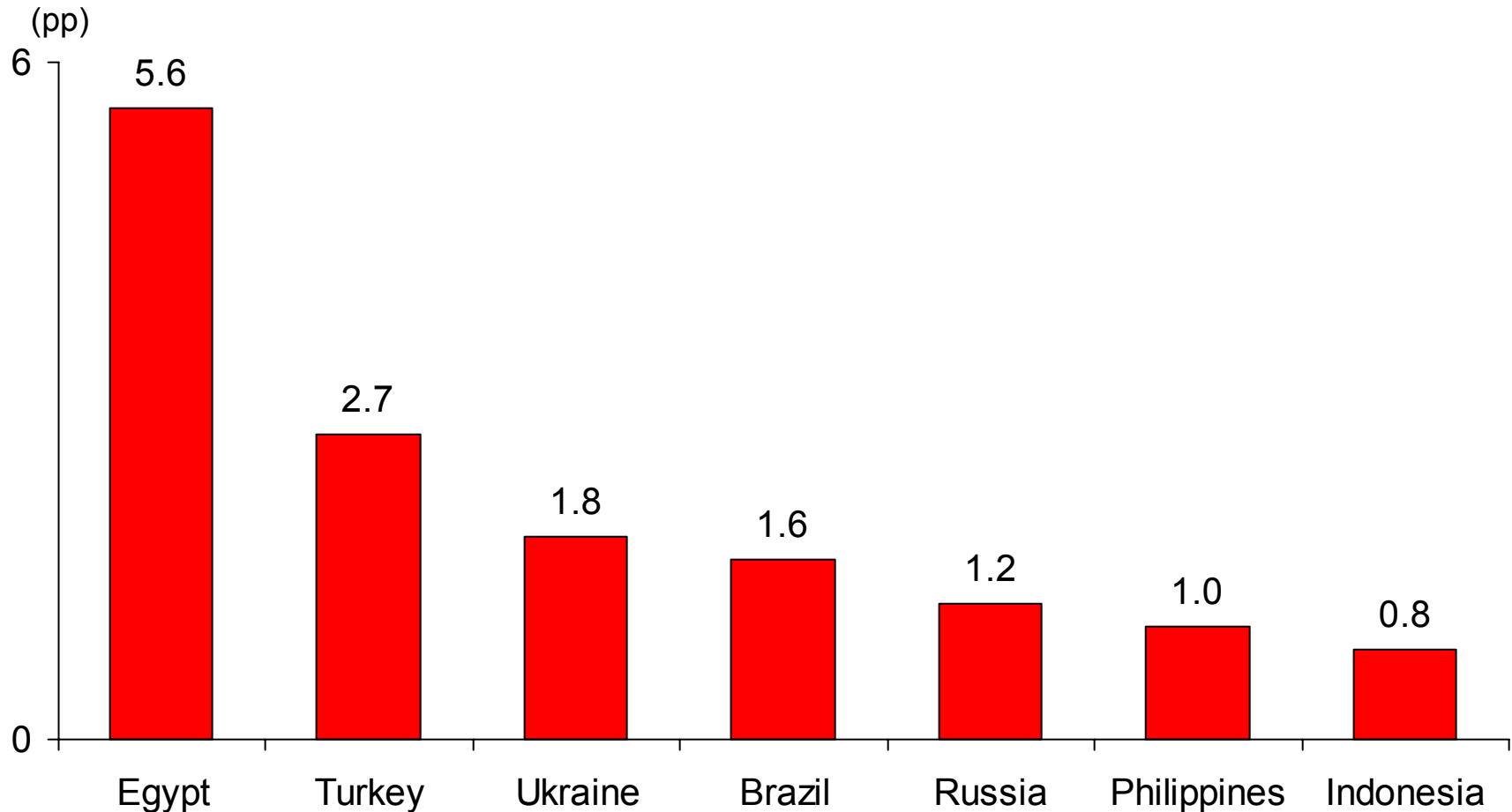
(b) Pro forma to reflect PMI's recently announced transaction with Fortune Tobacco Corporation

Source: A.C. Nielsen and PMI estimates



PMI Organic Growth in Emerging Markets^(a)

2009 vs. 2006 Share of Market Variance



(a) Excluding acquisitions
Source: PMI estimates and A.C. Nielsen



PHILIP MORRIS
INTERNATIONAL

Brand Portfolio

International

Premium
& Above



Mid-Price



Low-Price



Local Heritage



Marlboro Innovation

Marlboro Flavor / Filter Plus

- Innovative filter with tobacco plug and sliding pack
- Launched in 40 markets
- Q2, 2010 market shares:
 - 2.8% in Kuwait
 - 1.9% in Romania
 - 1.4% in Kazakhstan



Marlboro Gold Original

- New pack design
- Critical in establishing separate pillar
- Introduced in 71 markets
- Market share improvement in 20 out of 29 key markets^(a)



(a) With volume greater than 20 million units per month

Marlboro Gold Touch

- Slightly slimmer diameter
- Launched in 28 markets
- Q2, 2010 market shares:
 - 1.3% in Italy
 - 1.0% in Romania
 - 0.6% in Moscow



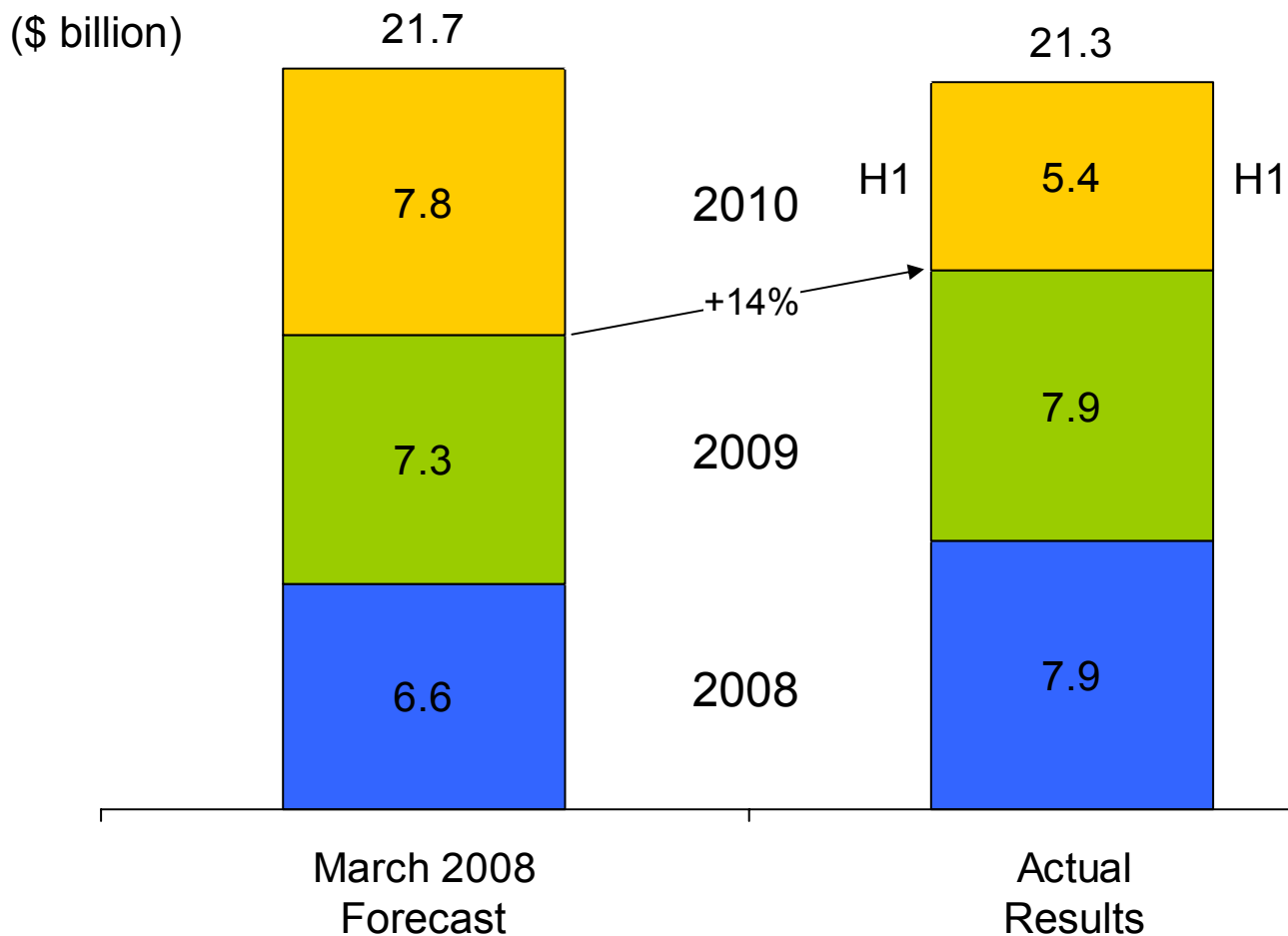
Marlboro Ice Blast

- Mint capsule product
- 4.4% market share in Hong Kong in Q2, 2010
- Just launched in Japan: initial share of 0.9%
- Complements very successful *Marlboro Black Menthol*





Cumulative Operating Cash Flow (2008-2010)



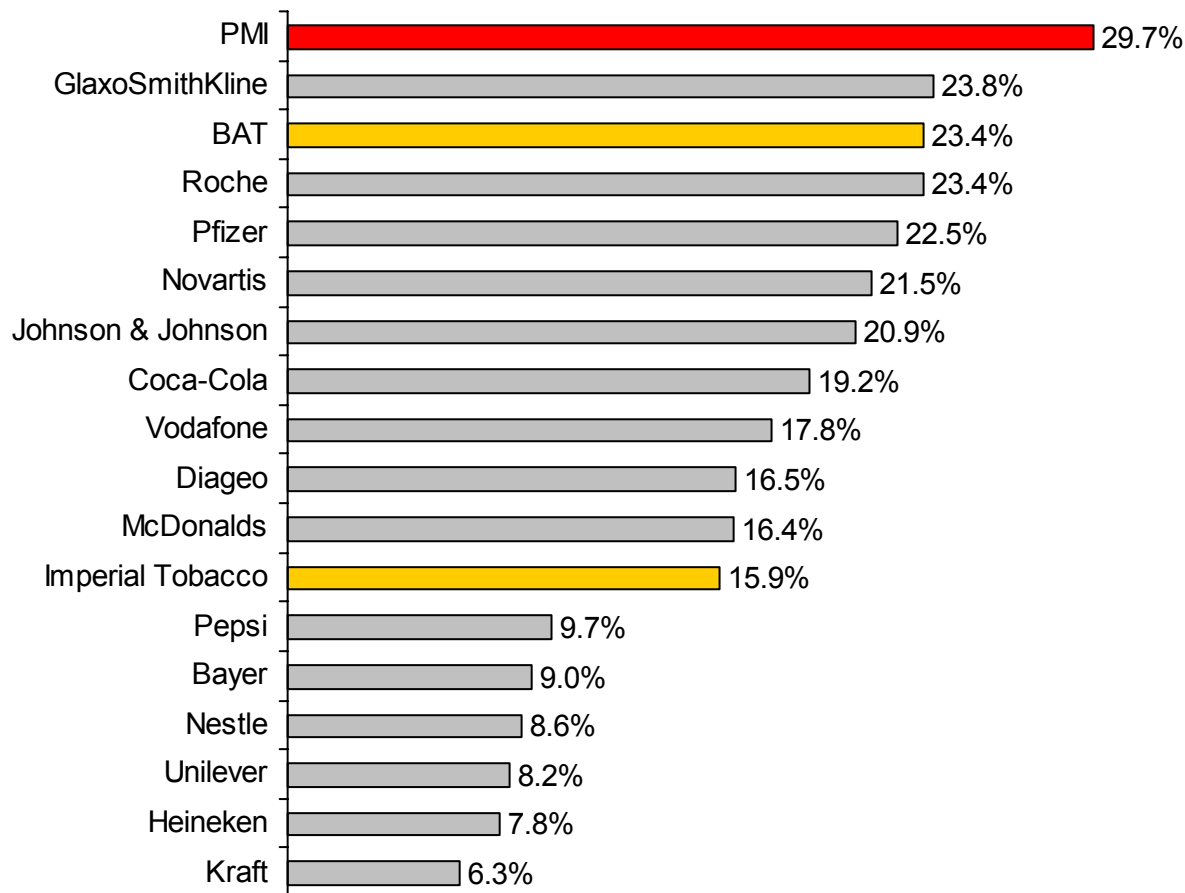
Note: totals may not add due to rounding

Source: PMI Financials



Free Cash Flow as a % of Net Revenues – Peer Group

January 1, 2008 – June 30, 2010



Note: Free Cash Flow as a % of Net Revenues, excluding excise taxes, is defined as total Free Cash Flow during January 1, 2008 – June 30, 2010 (\$19,125 million) over the total revenues, excluding excise taxes, during the same period (\$64,297 million). Free Cash Flow is defined as Operating Cash Flow (\$21,258 million) less Capital Expenditures (\$2,133 million). Nearest comparable period is used where the 2008 – June 30, 2010 YTD comparison is unavailable

Source: Company filings, FactSet and Capital IQ



Shareholder Returns

- Dividend increased by 7.4% in September 2009 to an annualized rate of \$2.32 per share
- Dividend yield an attractive 4.5% on 31 August, 2010
- \$13 billion two year share repurchase program completed on 30 April 2010
- New share repurchase program of \$12 billion May 2010 through April 2013 strikes optimal balance between rewarding shareholders and retaining financial flexibility
- Since March 2008 spin-off, about \$20 billion returned to shareholders, representing 21% of our current market capitalization



What PMI Offers

- Superior brands led by *Marlboro*, its new architecture and innovation
- Market leadership and growth potential in emerging markets (non-OECD markets accounted for 42% of total PMI revenues, excluding excise taxes, in H1, 2010)
- Strong pricing power, due to brand leadership and broad portfolio
- Consistency in delivering results that meet or exceed all financial targets
- Tremendous cash generation
- Attractive dividend and share repurchase program



PHILIP MORRIS INTERNATIONAL

Barclays Capital Back-to-School Consumer Conference

Boston

7 September, 2010

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

Reported Net Revenues Adjustments for the Impact of Currency and Acquisitions
For the Six Months Ended June 30,
(\$ 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 Acquisi- tions	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
\$ 14,008	\$ 9,529	\$ 4,479	\$ 220	\$ 4,259	\$ 3	\$ 4,256	European Union	\$ 13,205	\$ 8,938	\$ 4,267	5.0%	(0.2)%	(0.3)%
7,481	3,846	3,635	142	3,493	51	3,442	EEMA	6,231	3,139	3,092	17.6%	13.0%	11.3%
7,465	3,469	3,996	385	3,611	231	3,380	Asia	5,804	2,641	3,163	26.3%	14.2%	6.9%
4,016	2,569	1,447	125	1,322	-	1,322	Latin America & Canada	3,259	2,050	1,209	19.7%	9.3%	9.3%
\$ 32,970	\$ 19,413	\$ 13,557	\$ 872	\$ 12,685	\$ 285	\$ 12,400	PMI Total	\$ 28,499	\$ 16,768	\$ 11,731	15.6%	8.1%	5.7%

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

Reconciliation of Reported Operating Companies Income to Adjusted Operating Companies Income, excluding Currency and Acquisitions
For the Six Months Ended June 30,
(\$ in millions)
(Unaudited)

2010								2009			% Change in Adjusted Operating Companies Income		
Reported Operating Companies Income	Less Asset Impairment / Exit Costs & Other	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 & Other	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 2,167	\$ -	\$ 2,167	\$ 25	\$ 2,142	\$ 2	\$ 2,140	European Union	\$ 2,130	\$ (2)	\$ 2,132	1.6%	0.5%	0.4%
1,556	-	1,556	42	1,514	19	1,495	EEMA	1,221	-	1,221	27.4%	24.0%	22.4%
1,569	-	1,569	184	1,385	27 ⁽¹⁾	1,358	Asia	1,280	-	1,280	22.6%	8.2%	6.1%
455	-	455	54	401	-	401	Latin America & Canada	226	(135) ⁽²⁾	361	26.0%	11.1%	11.1%
\$ 5,747	\$ -	\$ 5,747	\$ 305	\$ 5,442	\$ 48	\$ 5,394	PMI Total	\$ 4,857	\$ (137)	\$ 4,994	15.1%	9.0%	8.0%

(1) Represents the business combination in the Philippines

(2) Represents 2009 Colombian investment and cooperation agreement charge

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



PHILIP MORRIS
INTERNATIONAL

Reconciliation of Reported Diluted EPS to Adjusted Diluted EPS and Adjusted Diluted EPS, excluding Currency
For the Six Months Ended June 30,
(Unaudited)

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Reported Diluted EPS	\$ 1.97	\$ 1.52	29.6%
Adjustments:			
Colombian investment and cooperation agreement charge	-	0.04	
Tax items	(0.07)	-	
Adjusted Diluted EPS	\$ 1.90	\$ 1.56	21.8%
Less:			
Currency Impact	0.09		
Adjusted Diluted EPS, excluding Currency	\$ 1.81	\$ 1.56	16.0%