



PHILIP MORRIS INTERNATIONAL

Goldman Sachs Consumer Products Symposium

New York

May 13, 2010



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 March 31, 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



First-Quarter 2010 Results

		<u>Growth Q1, 2010 vs. Q1, 2009</u>	
	<u>Q1, 2010</u>	<u>Actual</u>	<u>Excl. Acquisitions and Currency</u>
Cigarette Volume (units billion)	204.7	+ 0.7%	- 2.3% ^(c)
Net Revenues (\$ billion) ^(a)	6.5	+ 16.1%	+ 6.1%
Adjusted OCI (\$ billion) ^(b)	2.8	+ 17.0%	+ 8.6%
Adjusted Diluted EPS (\$ / share)	0.90	+ 21.6%	+ 13.5% ^(d)

(a) Net of excise taxes

(b) Excluding asset impairment, exit and other costs

(c) Only excluding acquisitions

(d) Only excluding currency

Source: PMI Financials



Economic Recovery

- Our business is resilient but not immune to economic developments
- Economic recovery in Asia and Latin America
- Signs of an economic recovery in Eastern Europe
- Uneven economic developments across the EU



Excise Taxation

- Most governments pursuing a policy of reasonable increases
- Excise tax structures globally improving
- New EU Excise Tax Directive:
 - Calls for reasonable increases through 2018
 - Allows for increase in weight of specific element
 - Provides more effective Minimum Excise Tax tool
- Disruptive increases this year in Romania, Turkey, Greece and Australia, with Japan to come



Business Update: EU Region

- PMI market share gains in Italy and Poland in Q1, 2010, offset by declines in France and Germany
- Economies of Greece and Spain remain weak
- Price sensitive environment
- *L&M* well established and growing in low-price category (#2 brand in EU Region after *Marlboro*)

<u>PMI Market Shares</u>			
	<u>Q1, 2009</u>	<u>Q1, 2010</u>	<u>Variance</u>
France	41.0%	40.3%	(0.7)pp
Germany	35.8	35.2	(0.6)
Italy	53.6	54.1	0.5
Poland	34.9	37.2	2.3
Spain	31.8	31.6	(0.2)
Total EU	38.6	38.4	(0.2)



Business Update: EEMA Region

- PMI volume up and market share gain of 0.5pp to 25.6% in Russia in Q1, 2010. Consumer downtrading appears to be slowing
- Turkey and Ukraine volume impacted by large excise tax increases
- Strong PMI performance in North Africa in Q1, 2010
- Improvement in duty free sales

PMI Market Shares

	<u>Q1, 2009</u>	<u>Q1, 2010</u>	<u>Variance</u>
Russia	25.1%	25.6%	0.5pp
Ukraine	35.8	36.2	0.4
Turkey	42.4	40.9	(1.5)
North Africa ^(a)	15.0	18.2	3.2



Business Update: Asia Region

- Strong PMI volume growth in Indonesia and Korea
- PMI market share up 0.3 points to 24.2% in Japan, driven by strong share gains by *Marlboro* and the improved performance of *Lark*
- New *Marlboro* Fresh variants performing very well across the Region
- Excise tax increase in Japan in October 2010

PMI Market Shares

	<u>Q1, 2009</u>	<u>Q1, 2010</u>	<u>Variance</u>
Australia	38.0%	39.8%	1.8pp
Hong Kong	49.9	53.3	3.4
Indonesia	29.1	29.0	(0.1)
Japan	23.9	24.2	0.3
Korea	13.8	17.4	3.6
Singapore	46.6	48.1	1.5



Business Update: LA & Canada Region

- Strong PMI share performance in Q1, 2010
- PMI premium volume growing in Argentina and Mexico
- Industry volume grew by 10.4% in Q1 in Canada

<u>PMI Market Shares</u>			
	<u>Q1, 2009</u>	<u>Q1, 2010</u>	<u>Variance</u>
Argentina	73.6%	74.5%	0.9pp
Brazil	12.8	13.4	0.6
Canada	33.9	34.1	0.2
Mexico	69.2	69.6	0.4

Brand Portfolio



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Premium & Above



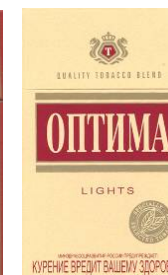
International

Local Heritage

Mid-Price



Low-Price



Marlboro Architecture



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Red Line
“Flavor enjoyment”



Gold Line
“Smooth taste and style”



Fresh Line
“Fresh taste sensations”

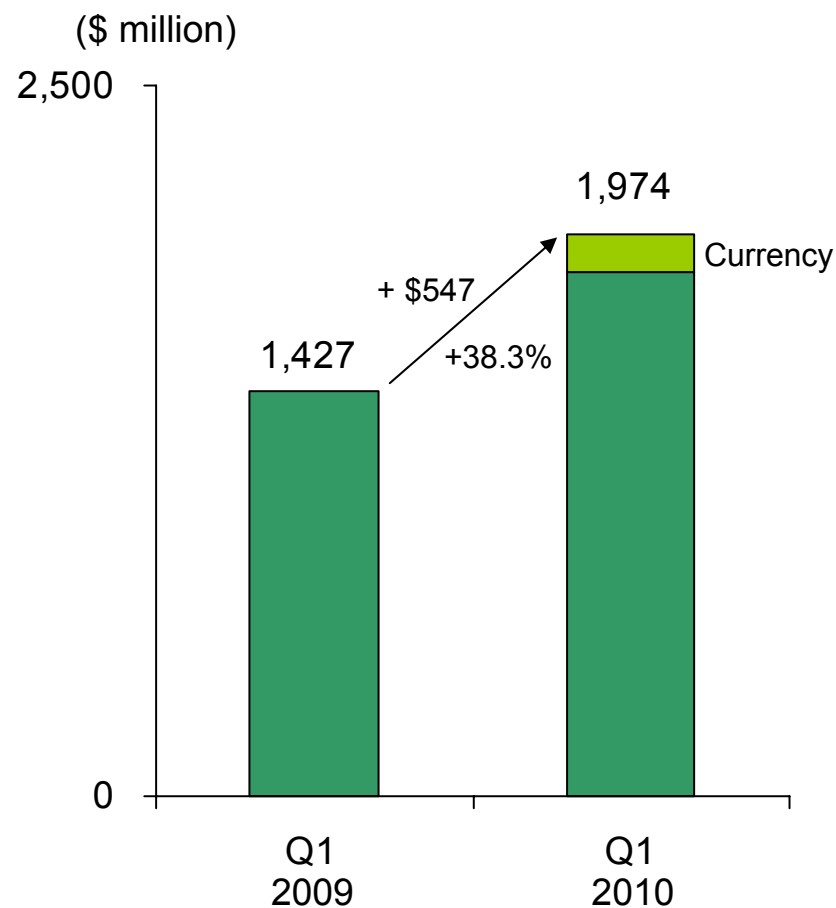


Cash Flow

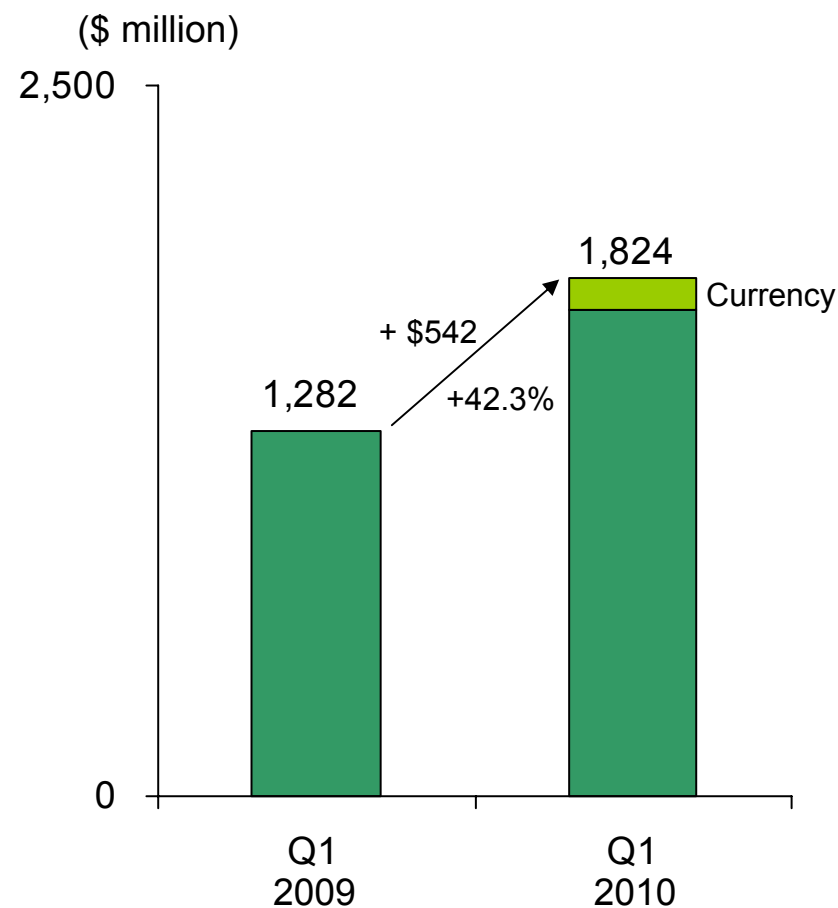


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Operating Cash Flow



Free Cash Flow^(a)





Shareholder Returns

- Dividend raised by 7.4% in September 2009 to an annualized rate of \$2.32 / share
- Dividend yield on May 11, 2010, an attractive 4.8%
- \$13 billion, two-year share repurchase program completed on schedule
- New \$12 billion, three-year share repurchase program initiated this month
- Since March 2008 spin-off, about \$20 billion returned to shareholders, representing over 20% of our current market capitalization



PMI Results vs. Mid to Long-Term Annual Growth Targets

	<u>Mid to Long-Term Annual Growth Targets</u>	<u>Q1, 2010</u>	<u>FY, 2009</u>	<u>FY, 2008</u>
Cigarette Volume ^(a)	1 %	(2.3)%	(1.5)%	1.0%
Net Revenues ^{(b)(c)}	4 – 6	6.1	5.3	5.6
Adjusted OCI ^{(c)(d)}	6 – 8	8.6	8.7	9.8
Adjusted Diluted EPS ^(e)	10 – 12	13.5	15.4	12.9

(a) Excluding acquisitions

(b) Excluding excise taxes

(c) Excluding currency and acquisitions

(d) Excluding asset impairment, exit and other costs

(e) Excluding currency and 2008 results compared to pro forma 2007 results

Note: For 2008 vs. 2007 reconciliations, refer to slides 88-90 in November 2009 Morgan Stanley presentation, available on PMI's website

Source: PMI Financials



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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)

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	European Union	\$ 6,050	\$ 4,063	\$ 1,987	9.9 %	1.0 %	0.8 %
3,356	1,610	1,746	52	1,694	26	1,668	EEMA	2,831	1,379	1,452	20.2 %	16.7 %	14.9 %
3,562	1,689	1,873	172	1,701	75	1,626	Asia	2,857	1,267	1,590	17.8 %	7.0 %	2.3 %
1,921	1,228	693	51	642	-	642	Latin America & Canada	1,548	980	568	22.0 %	13.0 %	13.0 %
\$ 15,587	\$ 9,091	\$ 6,496	\$ 453	\$ 6,043	\$ 104	\$ 5,939	PMI Total	\$ 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	Reported excluding Currency	Reported excluding Currency & Acquisitions	
\$ 1,062	\$ 80	\$ 982	\$ 2	\$ 980	European Union		\$ 967	9.8 %	1.6 %	1.3 %	
770	8	762	9	753	EEMA		586	31.4 %	30.0 %	28.5 %	
724	81	643	(5)	648	Asia		661	9.5 %	(2.7)%	(2.0)%	
217	23	194	-	194	Latin America & Canada		155	40.0 %	25.2 %	25.2 %	
\$ 2,773	\$ 192	\$ 2,581	\$ 6	\$ 2,575	PMI Total		\$ 2,369	17.1 %	8.9 %	8.7 %	

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, 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 %

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>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 %

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

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>	<u></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>	<u></u>	
Net cash provided by operating activities, excluding currency	<u>\$ 1,844</u>	<u>\$ 1,427</u>	29.2 %

(a) Operating Cash Flow

PHILIP MORRIS INTERNATIONAL INC. and Subsidiaries

Reconciliation of Non-GAAP Measures



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

2009							2008			% 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
\$ 28,550	\$ 19,509	\$ 9,041	\$ (856)	\$ 9,897	\$ 61	\$ 9,836	\$ 30,265	\$ 20,577	\$ 9,688	(6.7)%	2.2 %	1.5 %
13,865	7,070	6,795	(1,373)	8,168	41	8,127	14,817	7,313	7,504	(9.4)%	8.8 %	8.3 %
12,413	5,885	6,528	(41)	6,569	-	6,569	12,222	6,037	6,185	5.5 %	6.2 %	6.2 %
7,252	4,581	2,671	(328)	2,999	462	2,537	6,336	4,008	2,328	14.7 %	28.8 %	9.0 %
\$ 62,080	\$ 37,045	\$ 25,035	\$ (2,598)	\$ 27,633	\$ 564	\$ 27,069	\$ 63,640	\$ 37,935	\$ 25,705	(2.6)%	7.5 %	5.3 %

2009							2008			% 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	Less Currency	Reported Operating Companies Income excluding Currency	Reported	Reported excluding Currency	Reported excluding Currency & Acquisitions
\$ 4,506	\$ (481)	\$ 4,987	\$ 40	\$ 4,947	\$ 4,738	\$ 4,738	\$ 4,738	(4.9)%	5.3 %	4.4 %		
2,663	(893)	3,556	18	3,538	3,119	3,119	3,119	(14.6)%	14.0 %	13.4 %		
2,436	146	2,290	-	2,290	2,057	2,057	2,057	18.4 %	11.3 %	11.3 %		
666	(162)	828	202	626	520	520	520	28.1 %	59.2 %	20.4 %		
\$ 10,271	\$ (1,390)	\$ 11,661	\$ 260	\$ 11,401	\$ 10,434	\$ 10,434	\$ 10,434	(1.6)%	11.8 %	9.3 %		

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, excluding Currency and Acquisitions
For the Years Ended December 31,
(\$ in millions)
(Unaudited)

2009							2008			% Change in Adjusted Operating Companies Income		
Reported Operating Companies Income	Less Asset Impairment/ Exit Costs and 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 and Other	Adjusted Operating Companies Income	Adjusted	Adjusted excluding Currency	Adjusted excluding Currency & Acquisitions
\$ 4,506	\$ (29)	\$ 4,535	\$ (481)	\$ 5,016	\$ 40	\$ 4,976	\$ 4,738	\$ (66)	\$ 4,804	(5.6)%	4.4 %	3.6 %
2,663	-	2,663	(893)	3,556	18	3,538	3,119	(1)	3,120	(14.6)%	14.0 %	13.4 %
2,436	-	2,436	146	2,290	-	2,290	2,057	(14)	2,071	17.6 %	10.6 %	10.6 %
666	(135) ⁽¹⁾	801	(162)	963	202	761	520	(127) ⁽²⁾	647	23.8 %	48.8 %	17.6 %
\$ 10,271	\$ (164)	\$ 10,435	\$ (1,390)	\$ 11,825	\$ 260	\$ 11,565	\$ 10,434	\$ (208)	\$ 10,642	(1.9)%	11.1 %	8.7 %

(1) Represents 2009 Colombian investment and cooperation agreement charge.

(2) Represents 2008 equity loss from RBH legal settlement (\$124 million) and asset impairment and exit costs (\$3 million).

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 Years Ended December 31,
(Unaudited)

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Reported Diluted EPS	\$ 3.24	\$ 3.31	(2.1)%
Less:			
Colombian investment and cooperation agreement charge	(0.04)	-	
Asset impairment and exit costs	(0.01)	(0.02)	
Equity loss from RBH legal settlement	-	(0.06)	
Tax items	-	0.08	
Adjusted Diluted EPS	\$ 3.29	\$ 3.31	(0.6)%
Less:			
Currency Impact	(0.53)		
Adjusted Diluted EPS, excluding Currency	\$ 3.82	\$ 3.31	15.4 %