



PHILIP MORRIS

I N T E R N A T I O N A L

**Morgan Stanley Global Consumer & Retail Conference
New York, 18 November 2008**

Forward-Looking 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 the caption “Cautionary Factors that May Affect Future Results” in PMI’s Registration Statement on Form 10 that was declared effective by the Securities and Exchange Commission on March 7, 2008 and in PMI’s quarterly reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2008.**
- **Reconciliations of non-GAAP measures included in this presentation to the most comparable GAAP measures are provided on the last slide of this presentation and are available on www.philipmorrisinternational.com.**

Summary

- **Well-positioned to weather the current global crisis**
- **Investor concerns:**
 - Risk of consumer downtrading
 - Emerging market volatility
 - Currency exposure
- **PMI attributes:**
 - Solid business momentum
 - Exciting growth prospects
 - Strong cash flows
- **Enhance long-term shareholder value**

PMI 2008 Results

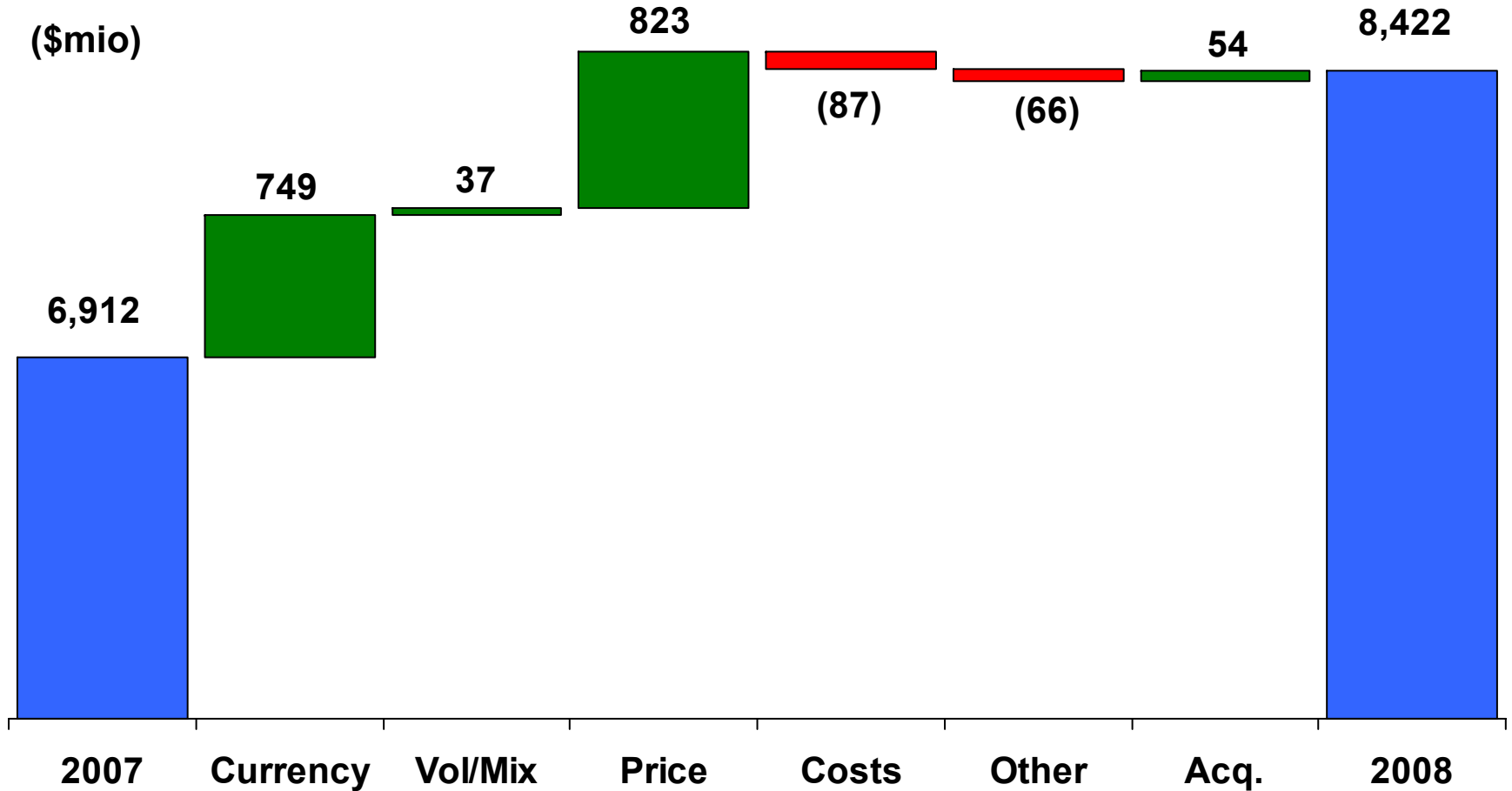
(bio)	YTD Sept <u>2008</u>	YTD Sept <u>2007</u>	Reported Change (%)	Organic^(a) Change (%)
Cigarette Volume	667	651	+2.4%	+1.1 %
Net Revenues^(b)	\$20.0	\$17.3	+15.6%	+5.7%
OCI	\$8.4	\$6.9	+21.8%	+11.3%
Diluted EPS (\$/Share)	2.69	2.21	+21.7%	
Cash Flow^(c)	\$6.4	\$4.6	+39.1%	

(a) For reconciliation of reported results to organic results, see last slide of the presentation

(b) Excluding excise taxes

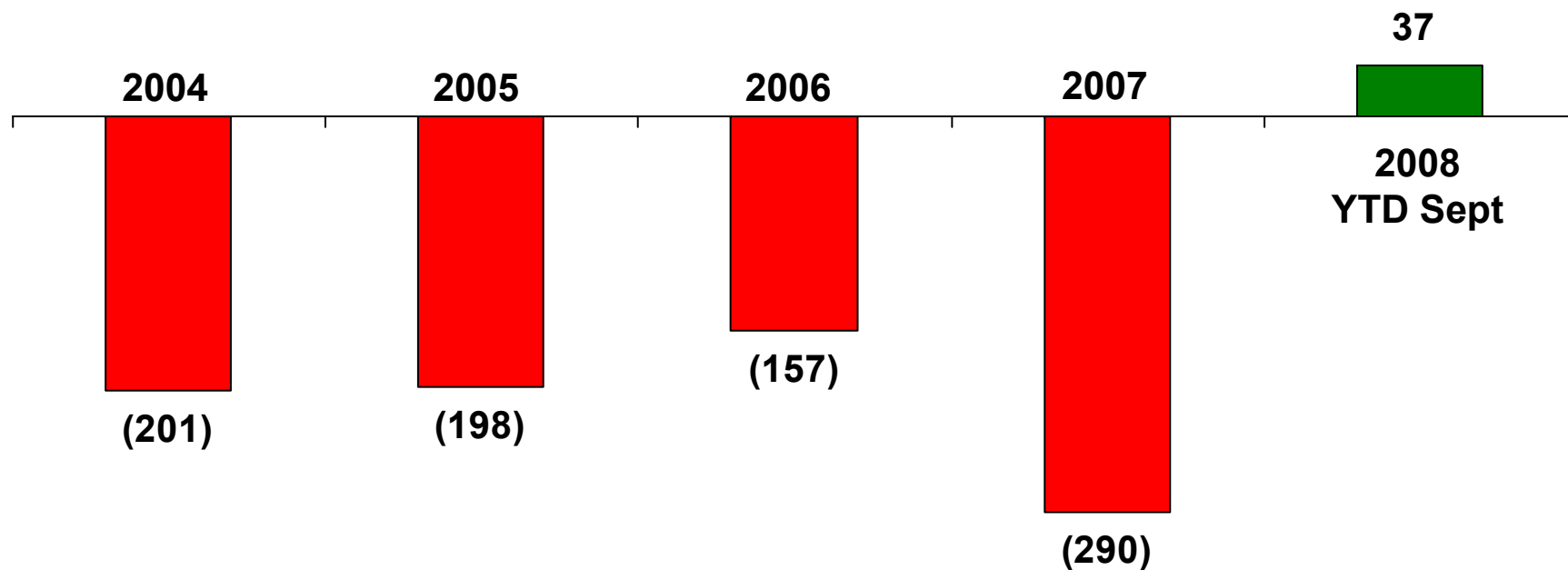
(c) Discretionary cash flow which represents net cash provided by operating activities of \$7,185 million in 2008 and \$5,318 million in 2007 less capital expenditures of \$824 million in 2008 and \$714 million in 2007

PMI 2008 YTD Sept OCI Variance Analysis

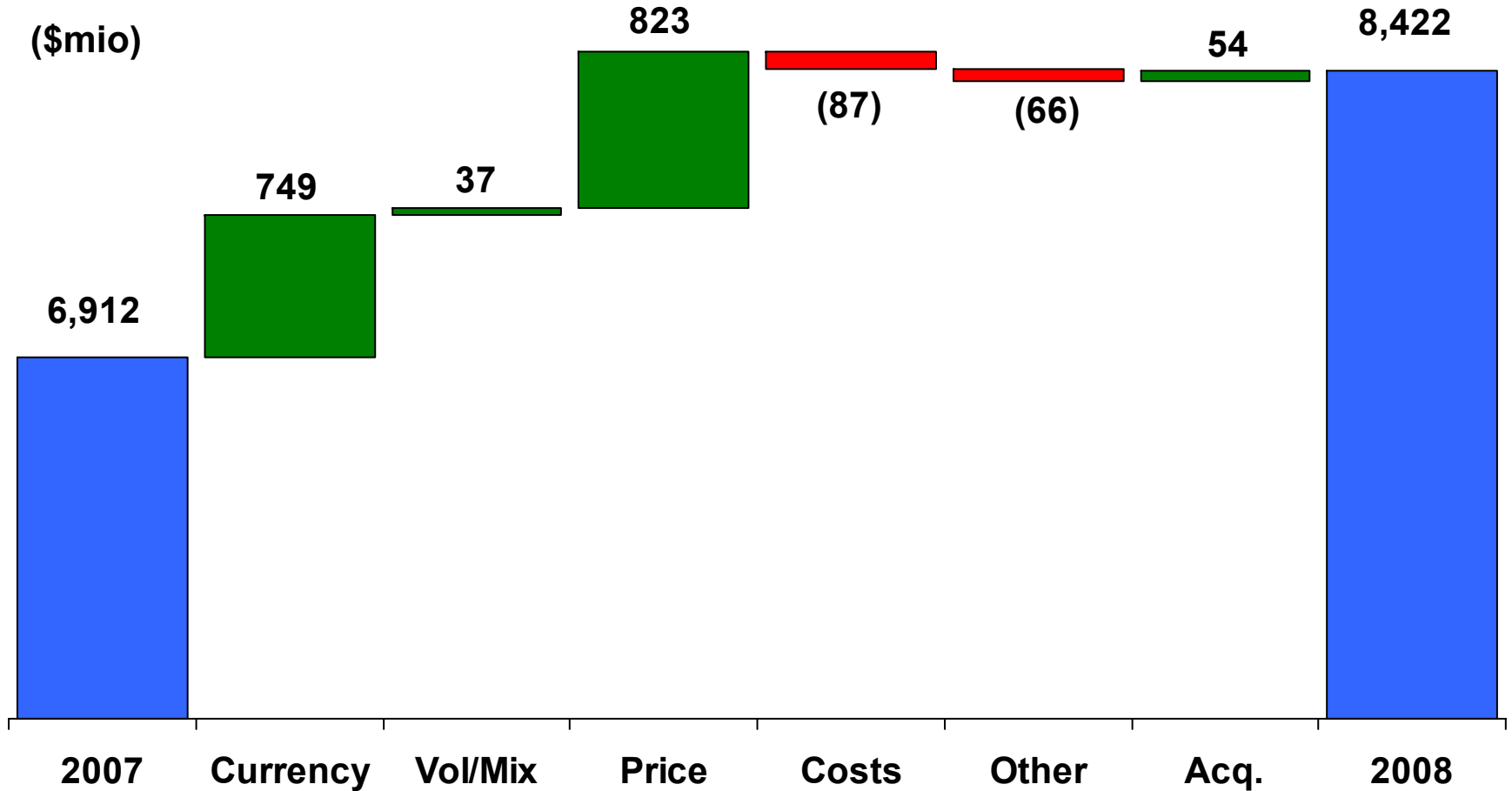


OCI Variance Analysis: Volume/Mix

(\$mio)



PMI 2008 YTD Sept OCI Variance Analysis



Currencies^(a)

	YTD Sept <u>2007</u>	YTD Sept <u>2008</u>	14 Nov <u>2008</u>
Euro	1.34	1.52	1.25
Swiss Franc	1.22	1.06	1.19
Japanese Yen	119.36	105.88	95.67
Indonesian Rupiah	9,110	9,254	11,364
Mexican Peso	10.96	10.53	13.09
Russian Ruble	25.89	24.05	27.56
Turkish Lira	1.35	1.23	1.65

(a) Local currency to the US Dollar except Euro
Source: Interbank rate on www.oanda.com

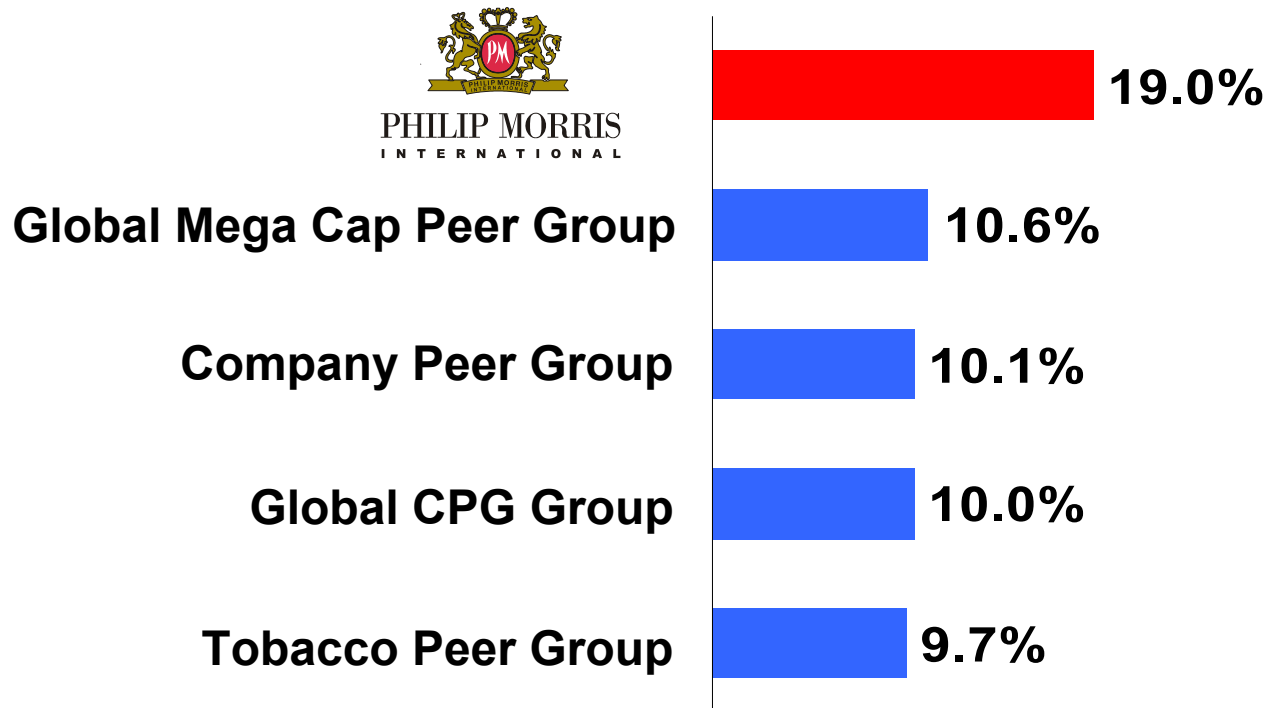
Constant Currency Long-Term Annual Growth Targets

- **Volume:** 1-2%
- **Net revenues^(a):** 4-6%
- **Operating income:** 6-8%
- **EPS:** 10-12%

2008 Guidance

- **Expect to meet the low end of annual earnings guidance range of \$3.32 to \$3.38 per share, reflecting 19%-21% growth rate**
- **Continued currency volatility could have impact of +/- one to two cents per share from the low end of the range**

Estimated EPS Growth Weighted Average 2008



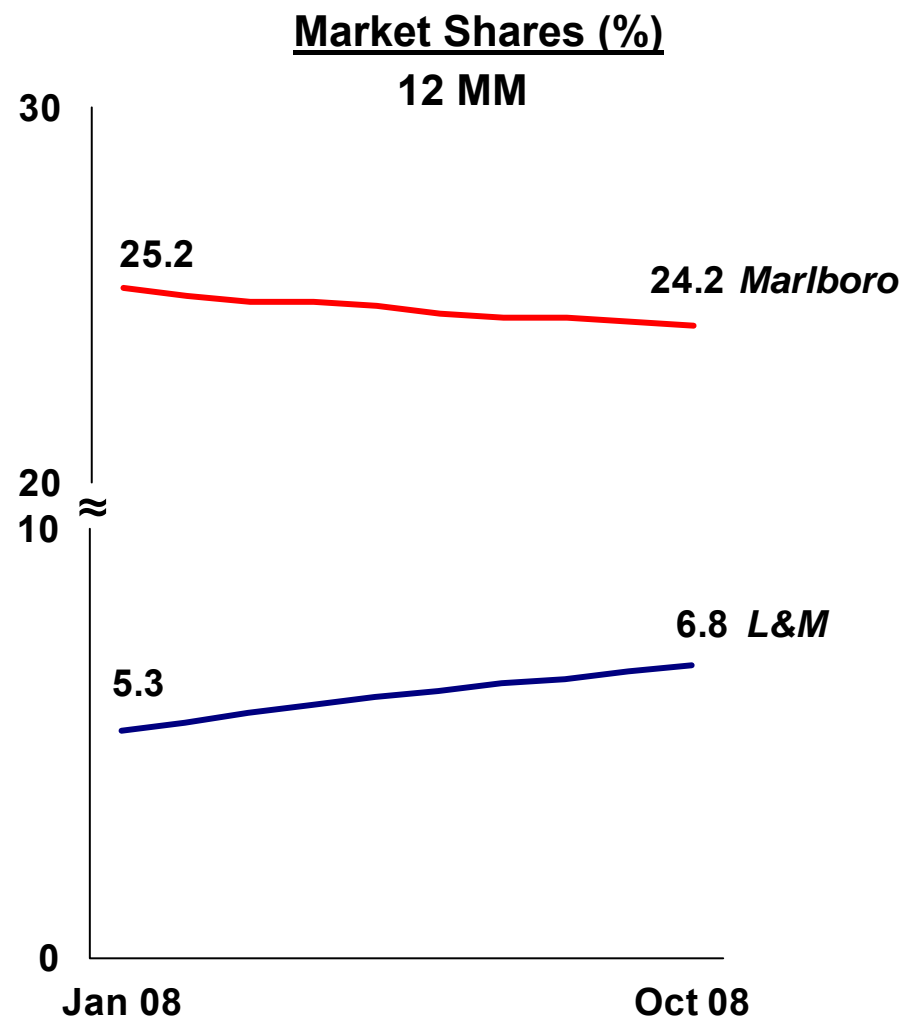
Note: EPS growth reflects calendar year 2008 EPS growth
Source: Thompson One Analytics, FactSet and Wall Street equity research

Business Update

- **Developed markets:**
 - Germany
 - Japan
- **Emerging Markets:**
 - Russia
 - Indonesia

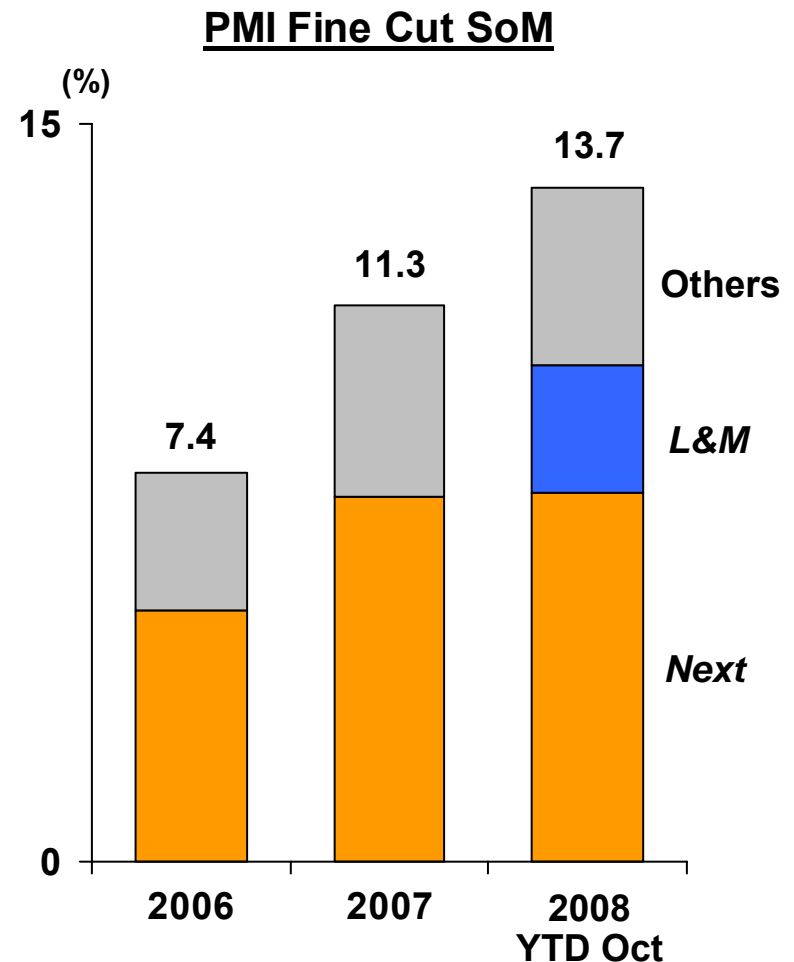
Germany Business Update

- Cigarette industry volume down 3.1% YTD Oct
- PMI share is up 0.3 share points to 36.8% YTD Oct
- *Marlboro* share stabilizing in last few months
- *L&M* fastest growing brand
- Build on momentum of *L&M*, notably *L&M Night* priced at a €0.10/pack premium



Germany Business Update

- Strong PMI share growth in fine cut:
 - Innovative expansion
 - *L&M* expansion
- Improved outlook for PMI across the tobacco market
- Cautiously optimistic regarding higher minimum pack size regulations

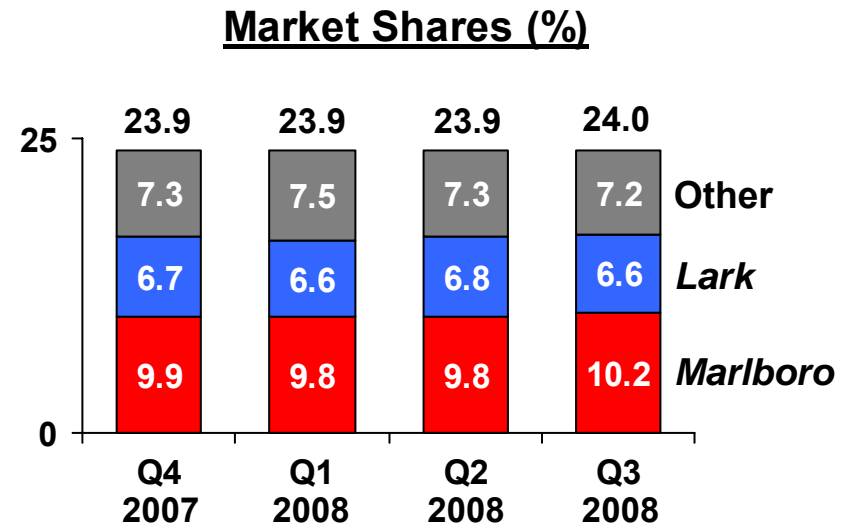


Japan Business Update

- **Total market down 3.7% YTD Sept**
- **TASPO card penetration at 32%**
- **Consumers switching to convenience stores**
- **Debate around excise tax and pricing freedom**

Japan Business Update

- PMI shipments have dropped 6.0% YTD Sept reflecting market decline and distributor inventory adjustments
- PMI share at 24.0% in Q3 has been stable for four consecutive quarters



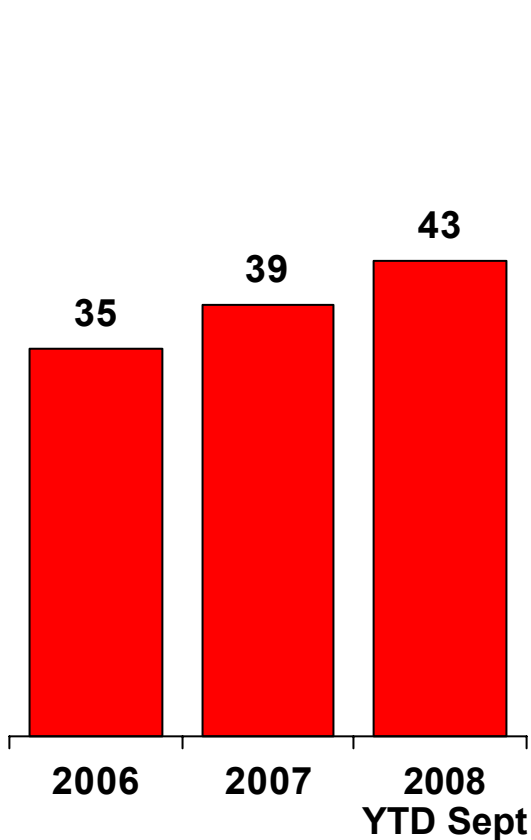
Japan Business Update

- **Strategic focus on innovation, new line extensions and product improvement**
- ***Marlboro Black Menthol* 1.0% share in Sept; best launch ever**
- ***Marlboro Filter Plus* launched in November**

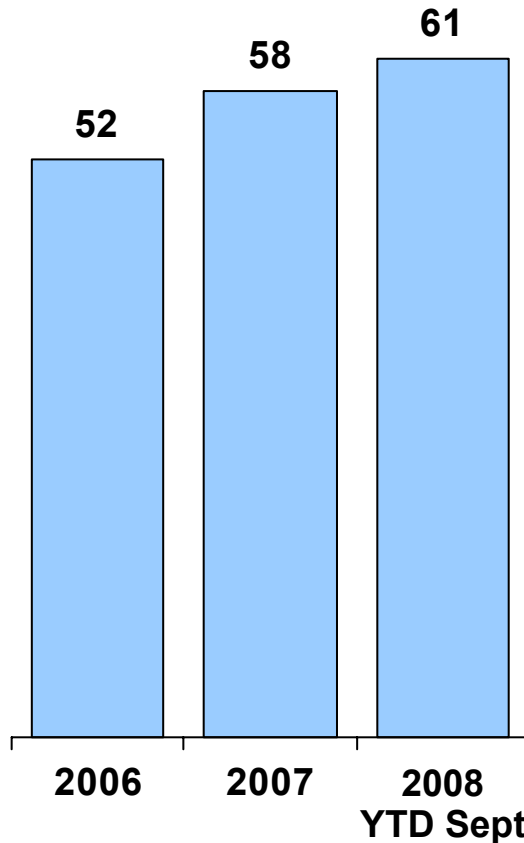
Russia Business Update

Key Consumer Trends (SoM)

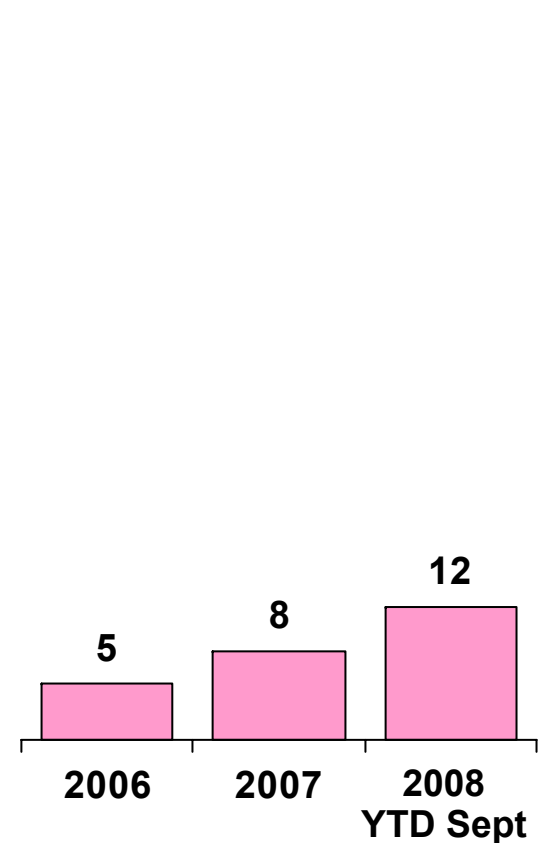
Medium Plus Price



Lighter Taste



Slims Diameter



Russia Business Update

- **PMI shipments have increased 8.0% YTD Sept**

- **PMI market share in Q3 reached 27.0%, up 0.4 pp versus prior year**

- **Consumer uptrading and pricing driving strong profitability gains**

- **PMI has strong brands in all price categories**

**Premium &
Above**

6.7% SoM

Mid

9.4% SoM

**Value/
Low**

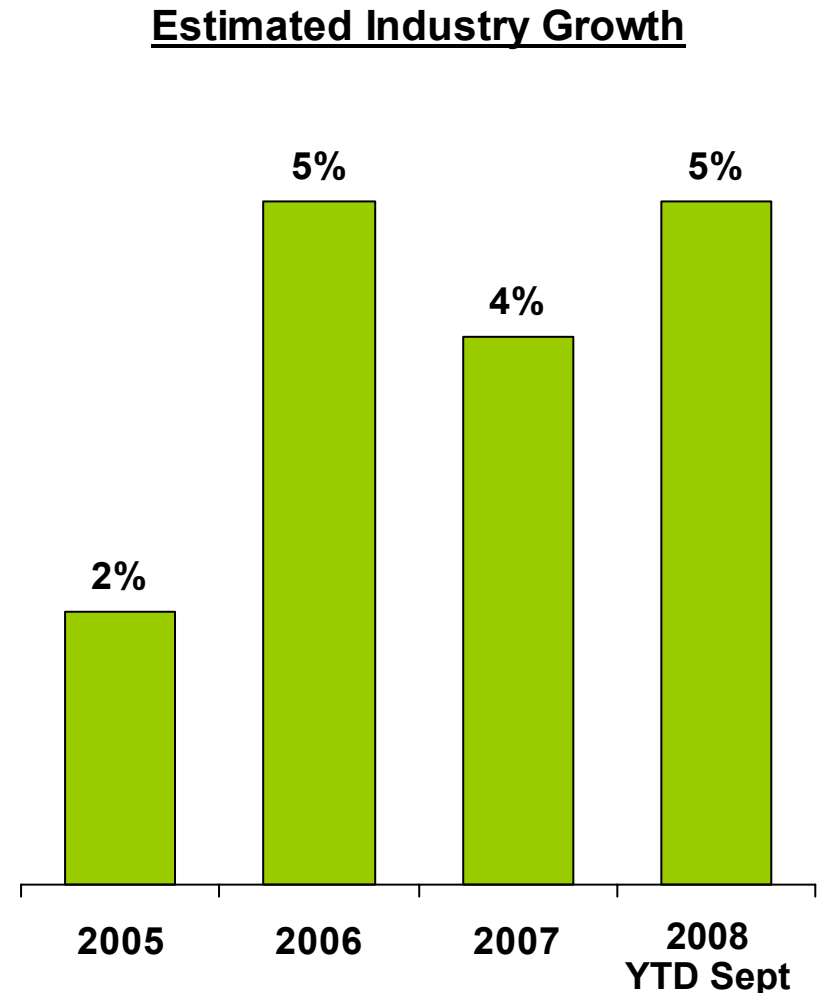
10.9% SoM

Russia Business Update

- **Business momentum continues unabated**
- **Efficient and effective distribution network**
- **Payment terms respected**
- **Stable and predictable excise tax structure**
- **Attractive retail prices**
- **Strong manufacturing presence**
- **Broad portfolio of growing brands**

Indonesia Business Update

- Industry volume up 5% YTD Sept driven by favorable demographics and moderate price increases
- Key growth segment is machine made kreteks that are lighter in taste
- Tax reform tending towards greater role of specific element and reduction in complexity
- Premium cigarette volume increasing



Indonesia Business Update

- PMI shipments up 10% YTD Sept (after adjustment)^(a)
- PMI market share up 0.3 points YTD Sept
- *Marlboro* has benefited from launch of *Marlboro* kretek

<u>Volume Change</u>	<u>YTD Sept 08 vs 07</u>
<i>Marlboro</i>	+ 16 %
<i>A Mild</i>	+ 12 %
<i>Dji Sam Soe</i>	+ 6 %
<i>A Hijau</i>	- 2 %
Others	+ 45 %
Total PMI	+ 10 %^(a)

(a) Adjustment for timing of shipment (800 million) related to Ramadan. Adjustment pro-rated across the brands

Emerging Markets: Analysis of Previous Crisis

- **Analysis of impact of previous economic crises:**
 - **1998/1999 in Indonesia, Mexico, the Philippines, Russia and Ukraine**
 - **2001/2002 in Argentina, Egypt and Turkey**

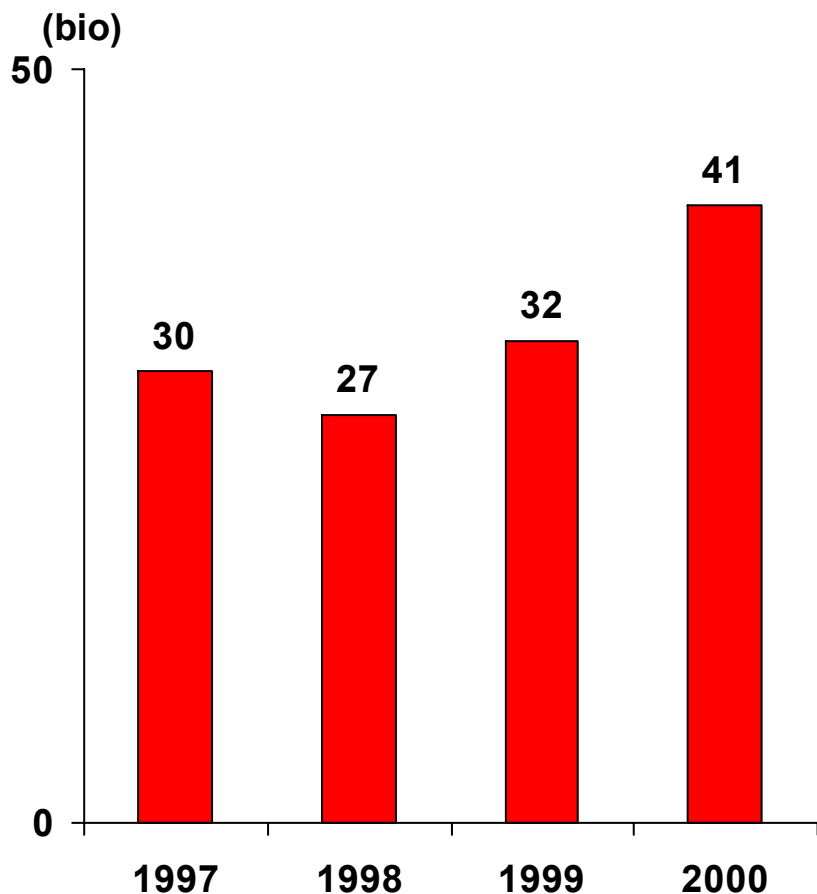
Emerging Markets: Indonesia 1997-2000

Economic Indicators

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Exchange Rate (IDR/USD)	2,909	10,014	7,855	8,422
Inflation (%)	6	58	21	4
GDP Growth (%)	5	(13)	1	5

Emerging Markets: Indonesia 1997-2000

Sampoerna / PMI Volume



Sampoerna Financial Results

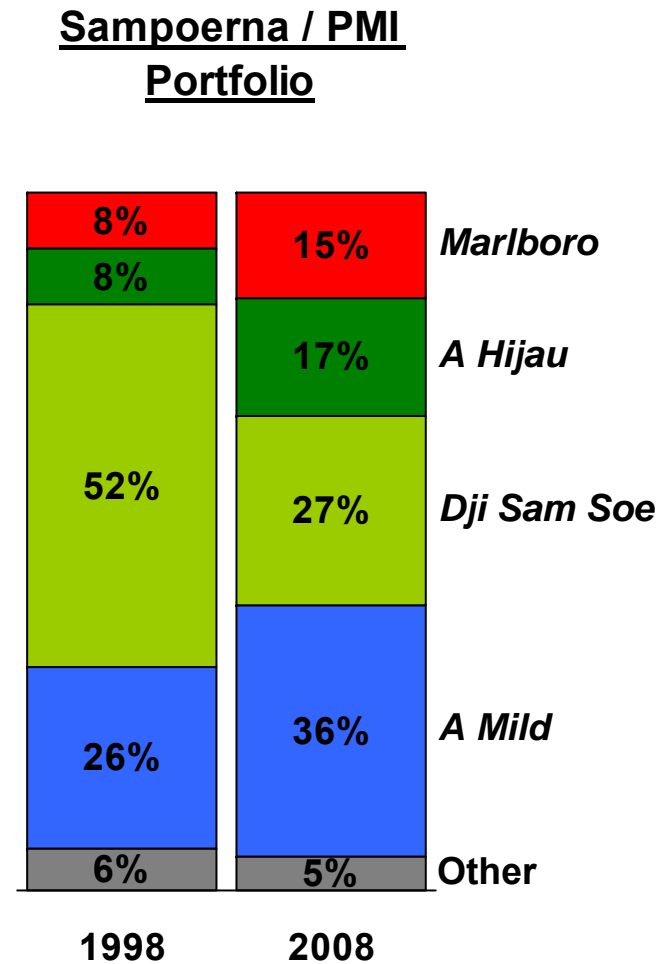
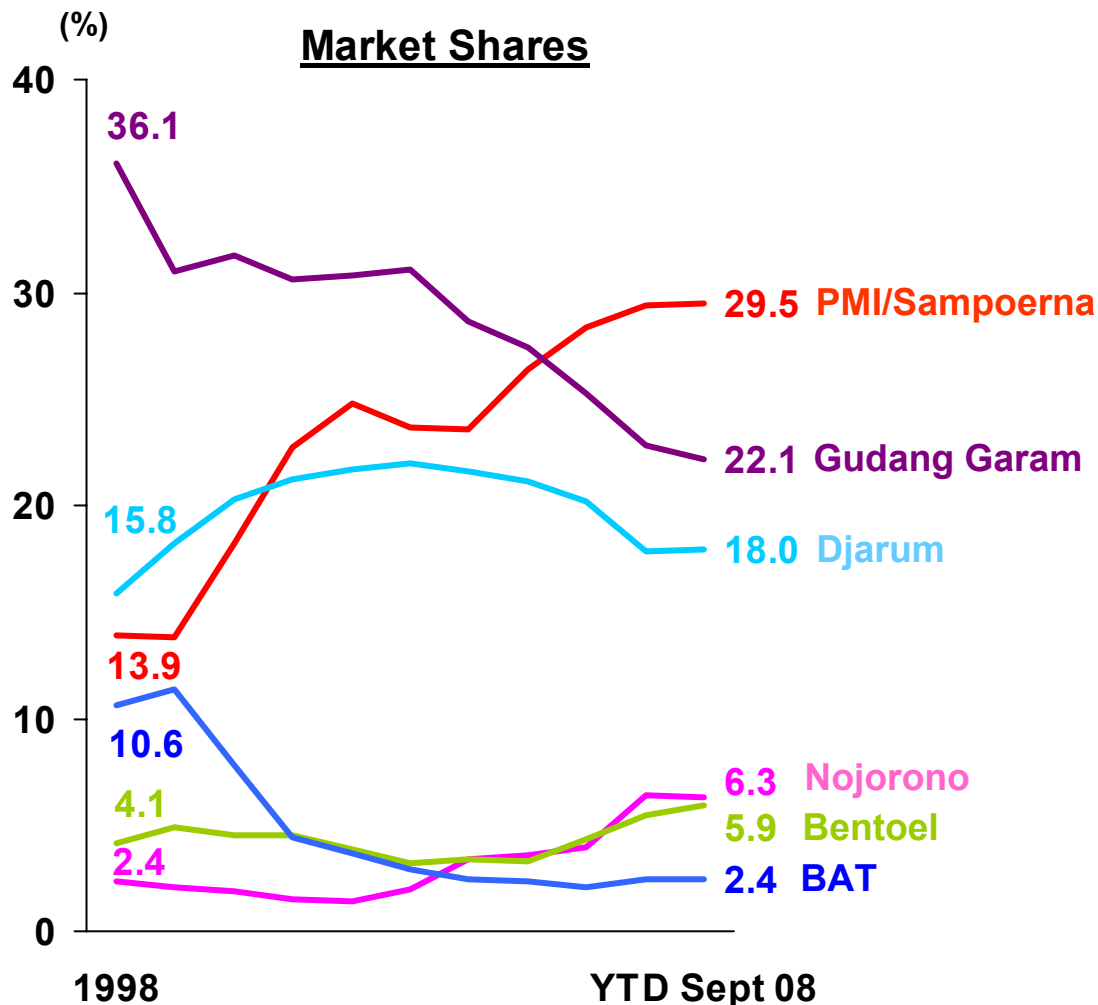
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues (IDR bio)	3,111	4,649	7,412	10,029
Revenues (\$mio)	1,069	464	944	1,191
OCI (IDR bio)	615	1,075	1,985	2,052
OCI (\$mio)	211	107	253	244

Emerging Markets: Indonesia 2008

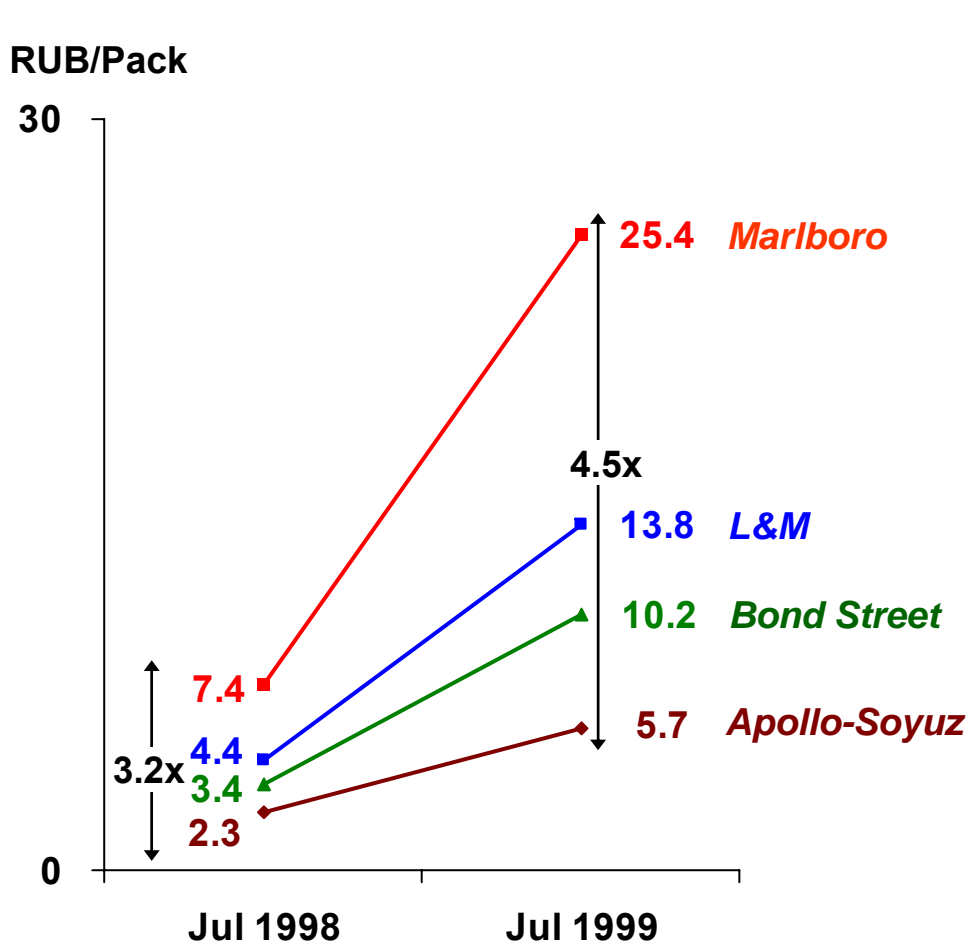
- **Indonesian economy much stronger today than in 1998**

	<u>1998</u>	<u>2008</u>
GDP (\$bio)	95	479
Export Contribution to GDP (%)	53	29
Reserves (\$bio)	23	60
Inflation (%)	58	11
Exchange Rate (IDR/USD)	up to -500%	-28%

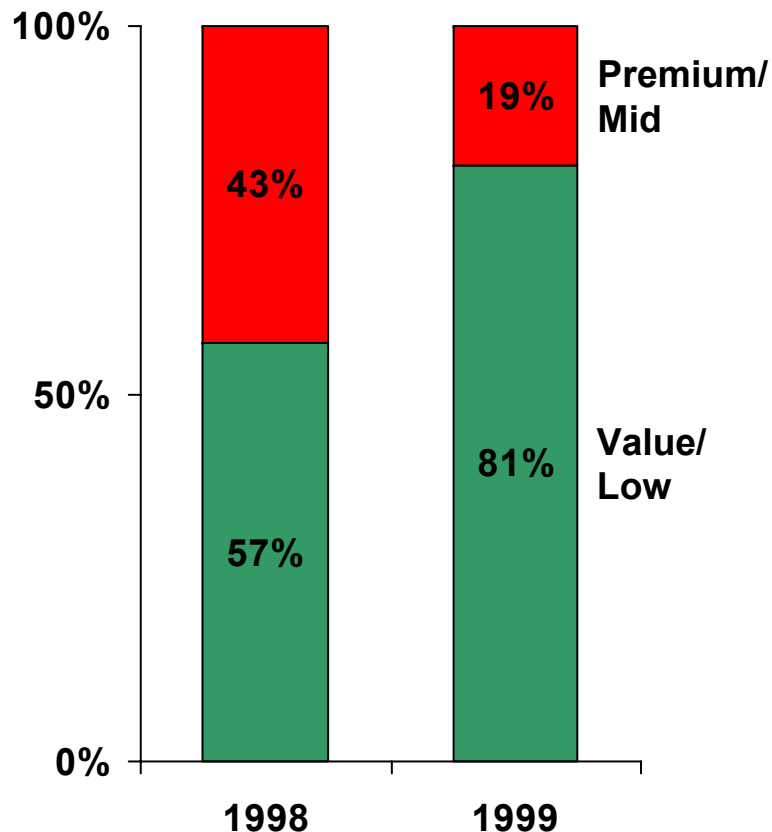
Emerging Markets: Indonesia 2008



Emerging Markets: Russia 1998-99



Industry Price Segmentation



Emerging Markets: Russia 1998-2001

- **Switch to local manufacturing**
- **Strengthened low price portfolio**
- **Volume recovered by 2001**
- **Profitability grew at a rapid pace starting in 2000**

Emerging Markets: Russia 2008

- Russia is now a significant economy which has accumulated strong foreign currency reserves



Emerging Markets: Economic

Previous Crises

- Driven primarily by overheating of local economies
- Massive devaluation of local currencies and strong inflationary pressures

Current Situation

- Global financial crisis originating in developed countries
- Inflation tending to moderate as fuel and food prices drop
- Economies much stronger today and foreign reserves much larger

Emerging Markets: Economic

Previous Crises

- Currency devaluation and imports driving higher retail prices
- Ad valorem excise taxes exacerbated price gaps
- Markets resilient, but consumer downtrading
- PMI portfolio heavily dependent on *Marlboro* and *L&M*

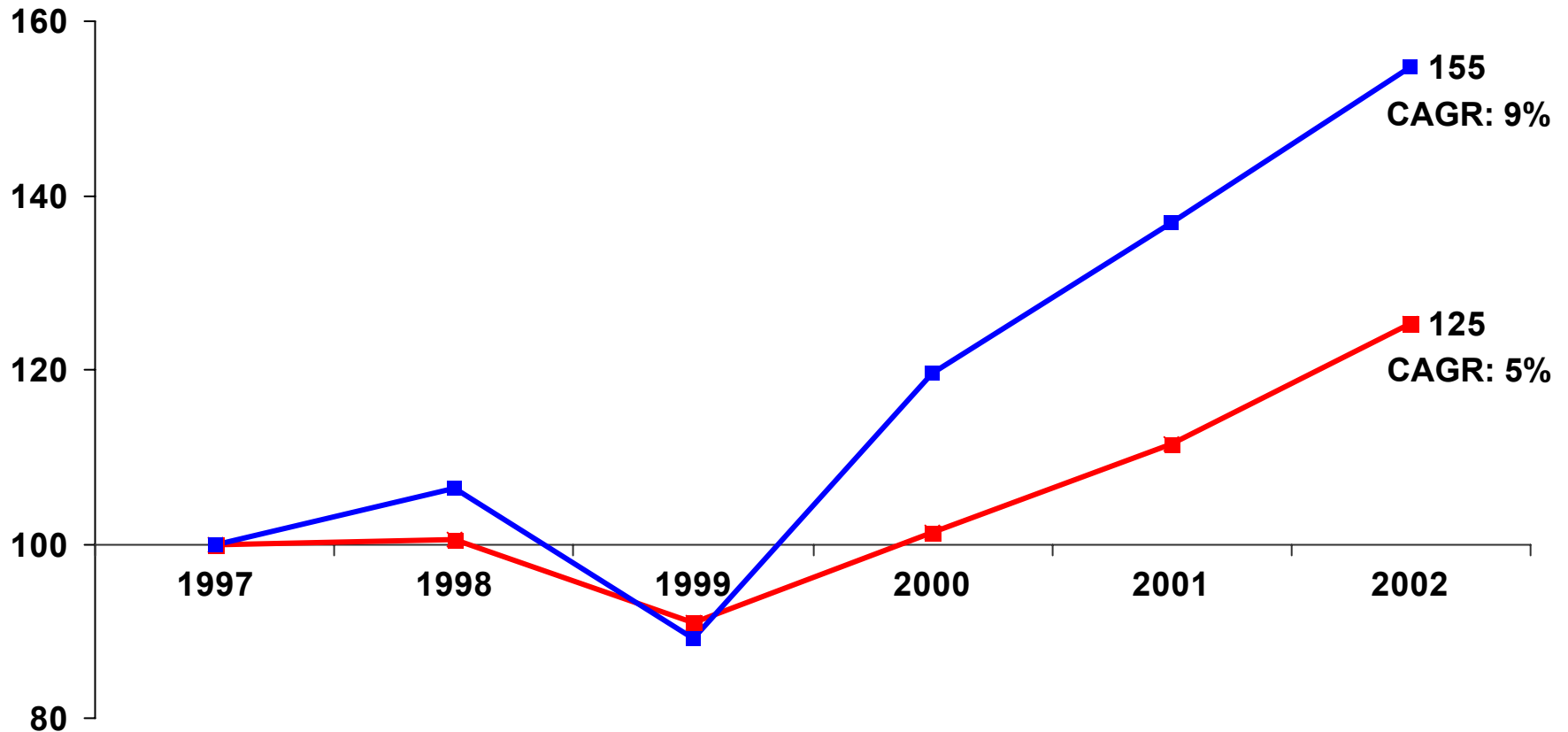
Current Situation

- Disposable consumer income at record levels
- Excise tax systems are more oriented to specific amounts
- PMI volume locally manufactured
- PMI acquisitions in Indonesia and Mexico
- International portfolio extended into low price segments

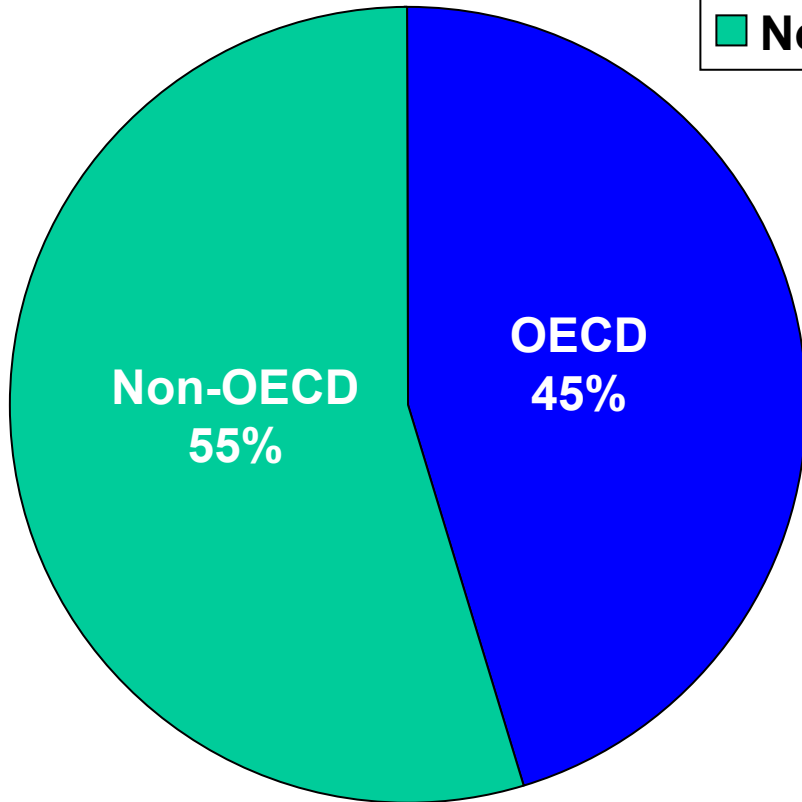
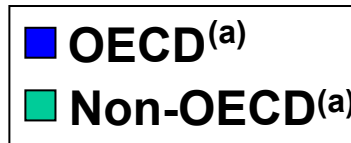
PMI Volume and OCI in Eight Emerging Markets

Combined Market Results Indexed

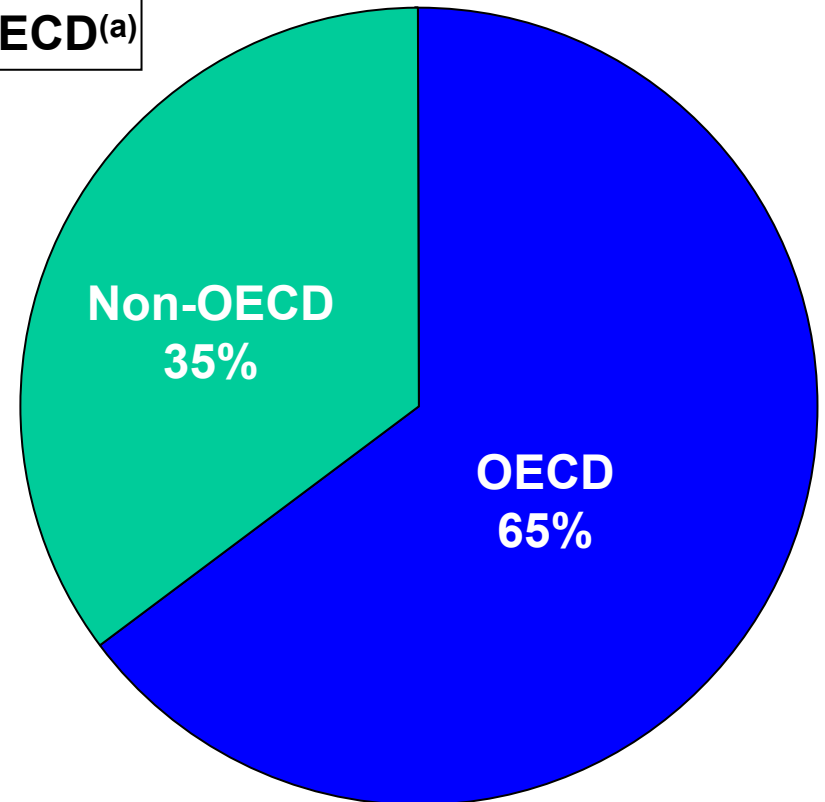
—■ Volume —■ OCI



Geographic Balance



2008 YTD Sept Volume



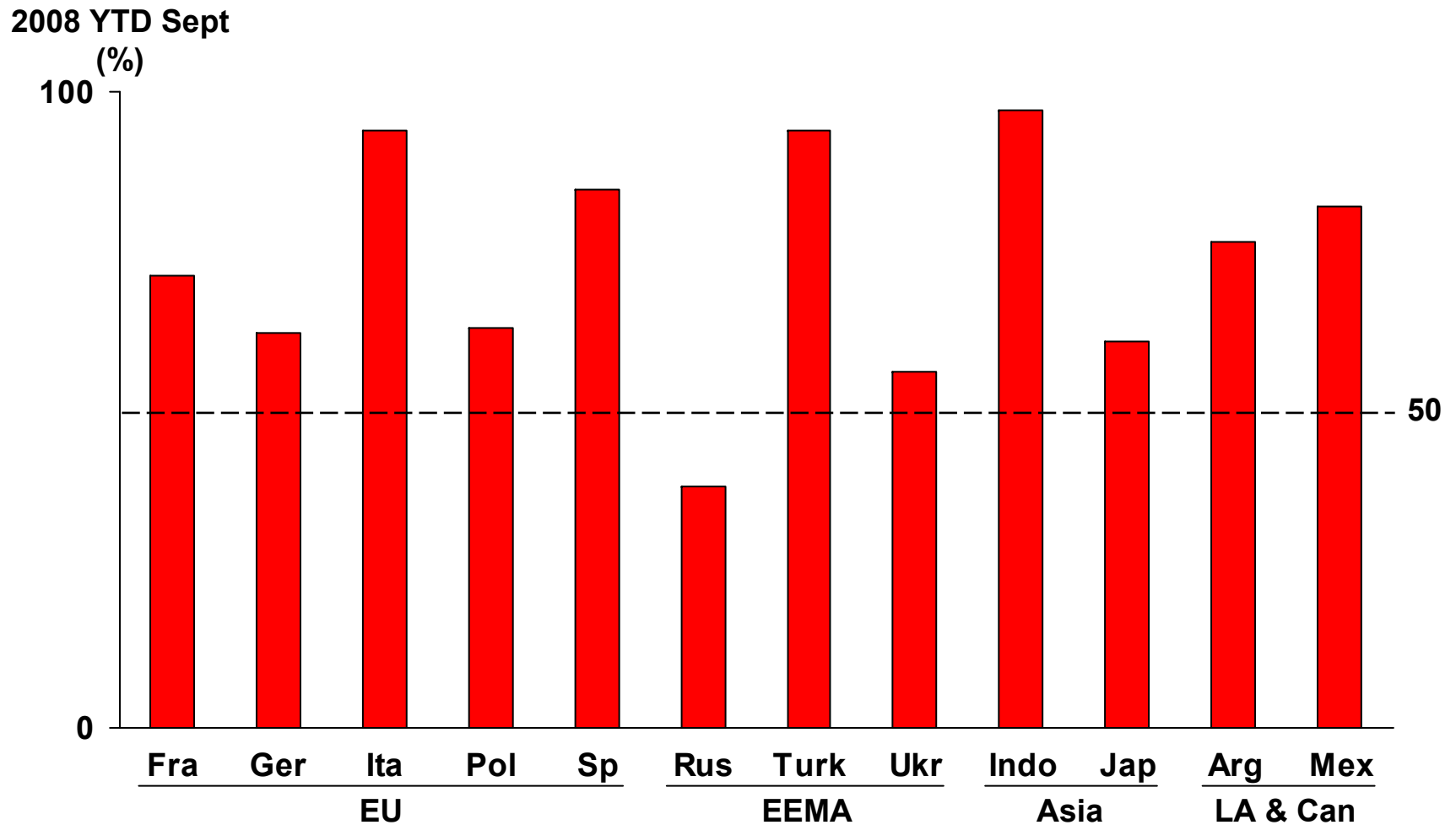
2008 YTD Sept OCI

(a) Excluding PRC and duty-free
Source: PMI Financials

Brand Portfolio Strategy

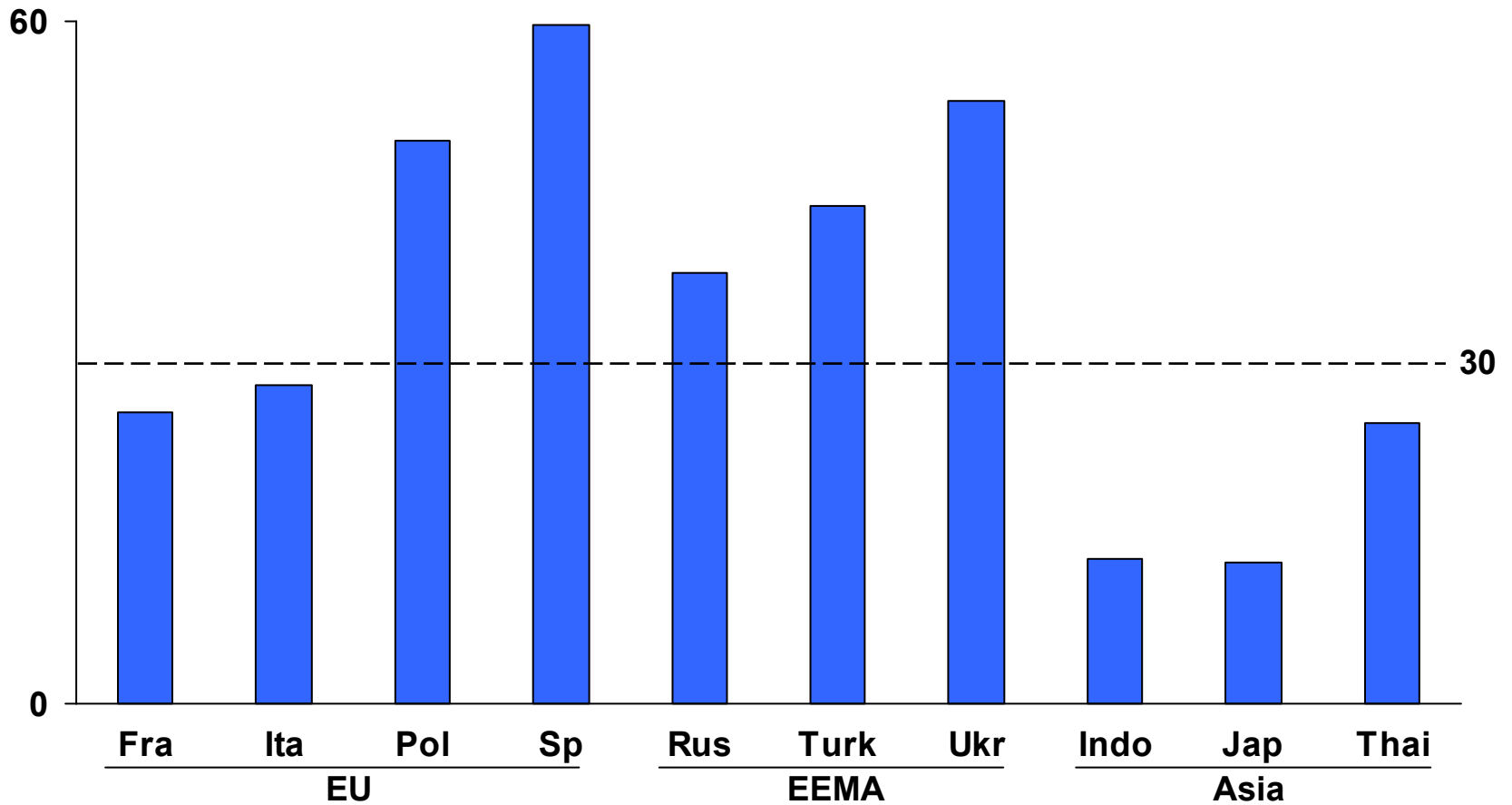
- **Continue to enhance our consumer understanding constantly refill our innovation pipeline**
- **Reinforce premium leadership and expand attraction of this price segment:**
 - *Marlboro* new architecture and innovation
 - *Parliament* luxury and prestige
 - *Virginia Slims* unique slims proposition
- **Grow share in mid price building on *Chesterfield* momentum, stabilizing *L&M* and developing *Muratti***
- **Strengthen position in low price with *Bond Street*, *Next*, *Red & White* and certain local heritage brands**

PMI Share of Premium & Above



PMI Share of Mid Price

2008 YTD Sept
(%)

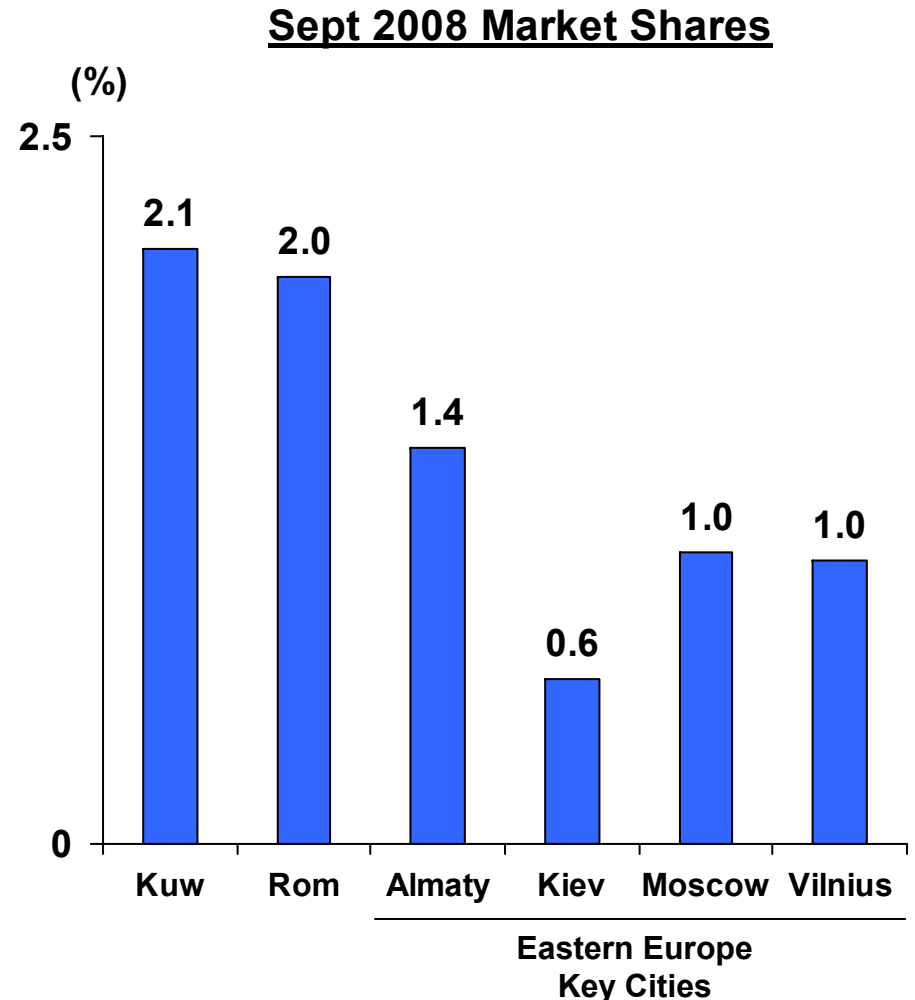


Marlboro Strategy

- **New brand architecture with differentiated identities**

Marlboro Filter Plus

- Unique, multi-chamber filter, including tobacco plug
- Flavorful alternative that extends *Marlboro* heritage to 6mg, 3mg and 1mg
- Generally sold at a premium



Marlboro Intense / Compact

- ***Marlboro Intense*** is a rich, flavorful, generally shorter cigarette
- Launched in Turkey and several EU markets
- Lighter version, ***Marlboro Compact***, in Italy has achieved a 0.6% share

Marlboro Gold

- **New more modern pack in test market in Austria, France and Italy**
- **Positive reaction from trade and adult smokers**
- **New pack perceived as “modern, dynamic and elegant”**

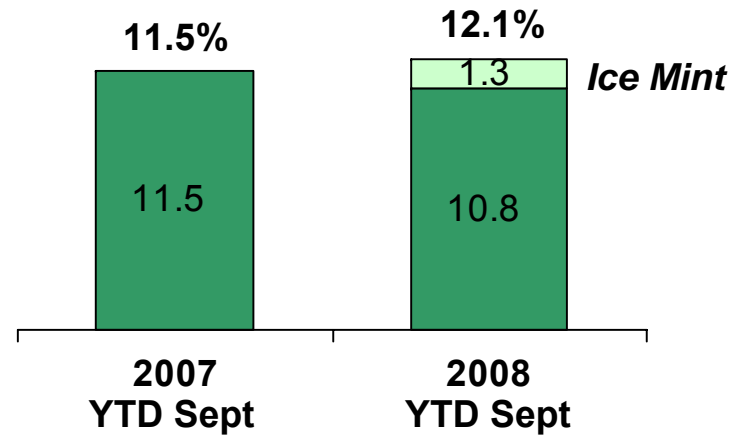
Marlboro Gold Edge

- ***Marlboro Gold Edge*** is the first entry into super slims for *Marlboro*
- Launch in Poland and Russia, where slims are growing driven by both male and female adult smokers

Marlboro Refreshing Taste Sensations

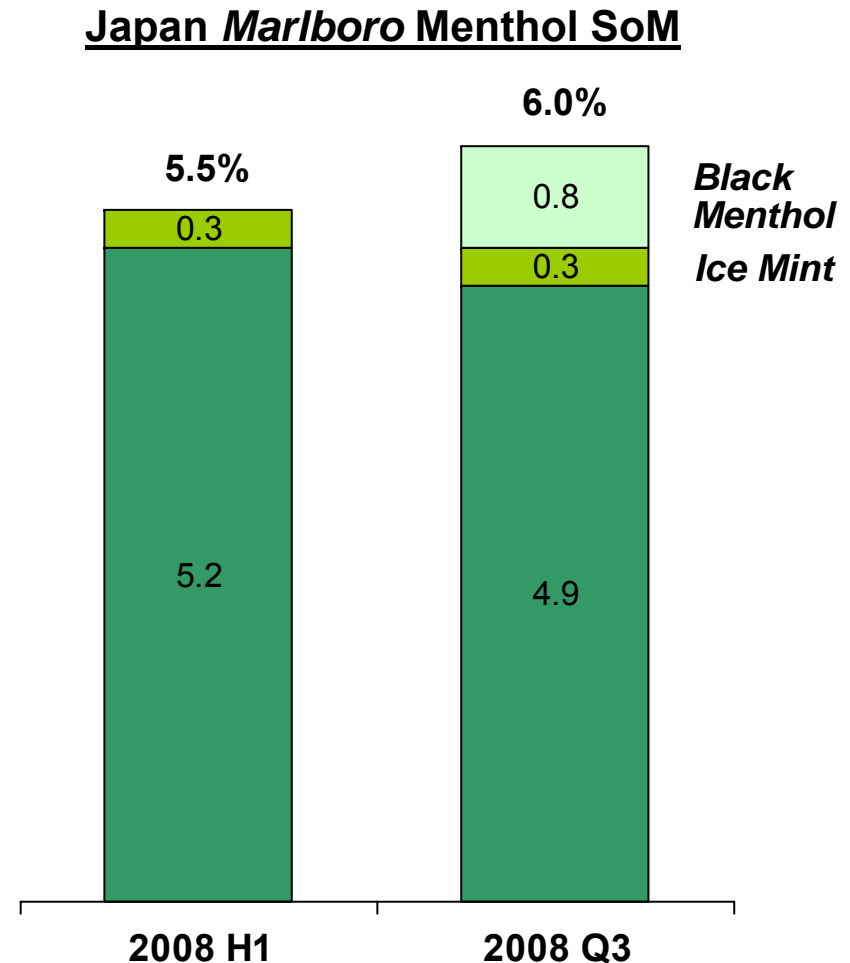
- Innovative *Marlboro Crisp Mint*, *Marlboro Fresh Mint* and *Marlboro Ice Mint* launched in selected Asian countries in 2007
- Expanded to selected Latin American markets

Singapore Marlboro Menthol SoM



Marlboro Refreshing Taste Sensations

- **Marlboro Black Menthol** launched in Japan in Q3, 2008
- **Most successful new PMI** launch in this market



Marlboro Market Leadership

- **#1 in market (selected)**

Austria	Belgium	France	Germany	Greece
Hong Kong	Italy	Kuwait	Lebanon	Mexico
Netherlands	Saudi Arabia	Spain	Switzerland	

- **#1 in premium (selected)**

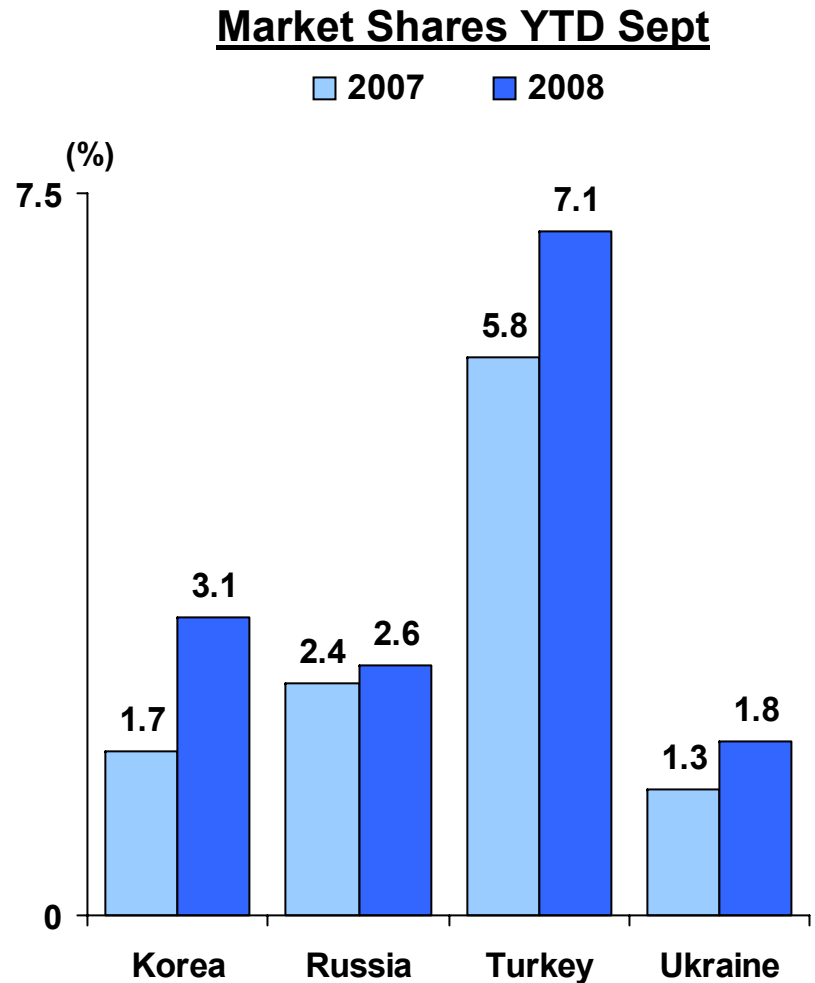
Algeria	Argentina	Costa Rica	Czech Rep	Egypt
Finland	Japan	Kazakhstan	Poland	Philippines
Serbia	Turkey	Ukraine	UK	

Parliament

- **Prestige brand with recessed filter**
- **Generally above premium price with superior margins**
- ***Parliament* volume grew by 20.6% YTD Sept**

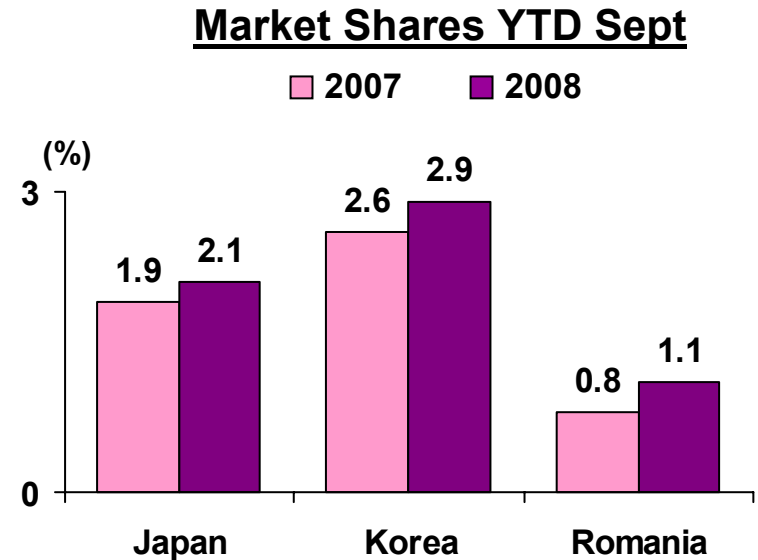
Parliament

- Growth driven by Korea, Russia, Turkey and Ukraine
- *Parliament Reserve* launched in Russia, Turkey and Ukraine to reinforce prestigious image



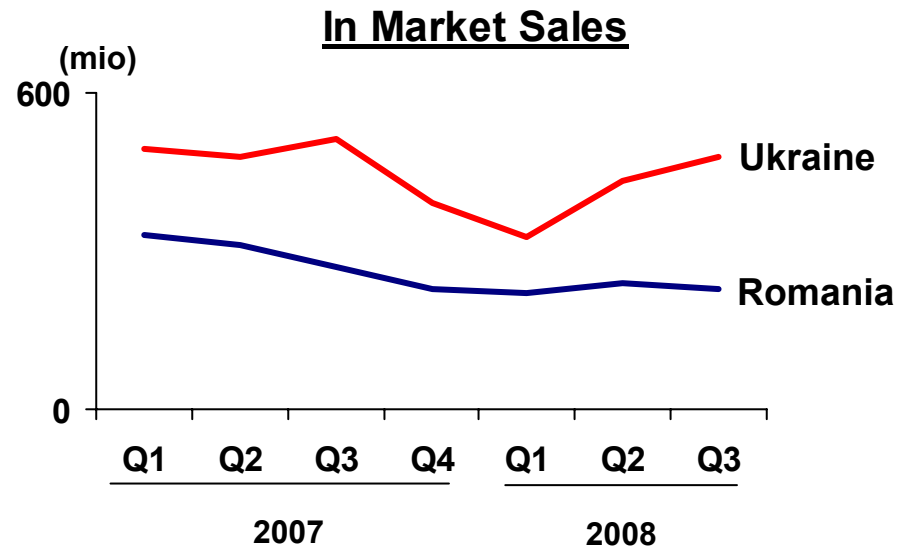
Virginia Slims

- Stand-alone slims and super slims product
- *Virginia Slims* volume grew by 9.6% YTD Sept
- *Virginia Slims Uno* pack format
- Geographic expansion



L&M

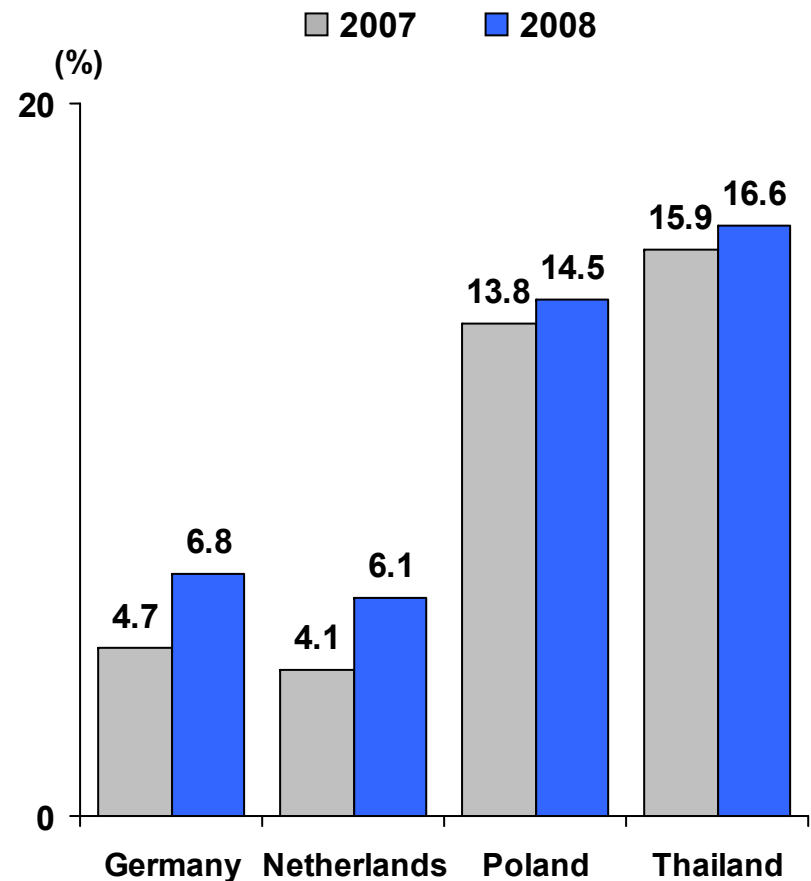
- **L&M repositioned in 2007 in key EEMA markets**
- **L&M volume down 5.0% YTD Sept**
- **Rate of volume decline moderating in Romania and Ukraine**



L&M

- Second largest brand in EU region after *Marlboro*
- L&M volume in EU up 4.2% YTD Sept
- Fastest growing brand in Germany and Netherlands
- Growing market leader in Poland, helped by slims
- Largest international brand in Thailand

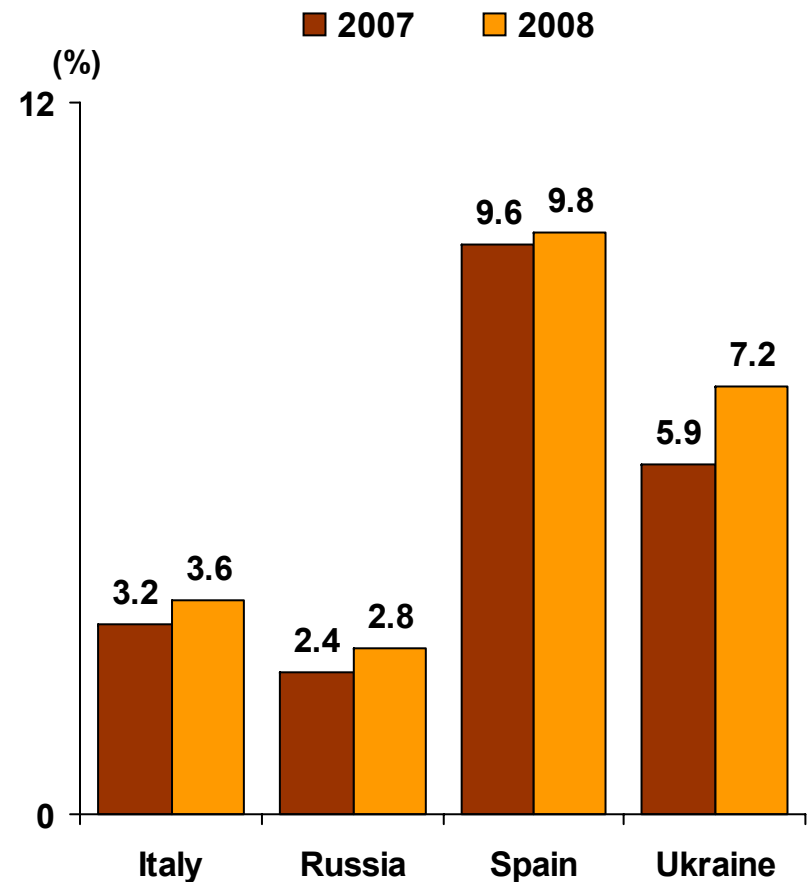
Market Shares YTD Sept



Chesterfield

- **Chesterfield volume grew 16.9% YTD Sept**
- **Key markets are Italy, Russia, Spain and Ukraine**

Market Shares YTD Sept



Low Price

- **Combined volume of *Bond Street*, *Next* and *Red & White* over 50 billion YTD Sept**
- **Complementary roles in Central and Eastern Europe**

Brand Portfolio

International

Local Heritage

Premium &
Above

Marlboro *Parliament* *Virginia Slims*

Sampoerna
Dji Sam Soe

Mid Price

L&M *Chesterfield* *Muratti*
Lark *Philip Morris*

Hijau
Petra

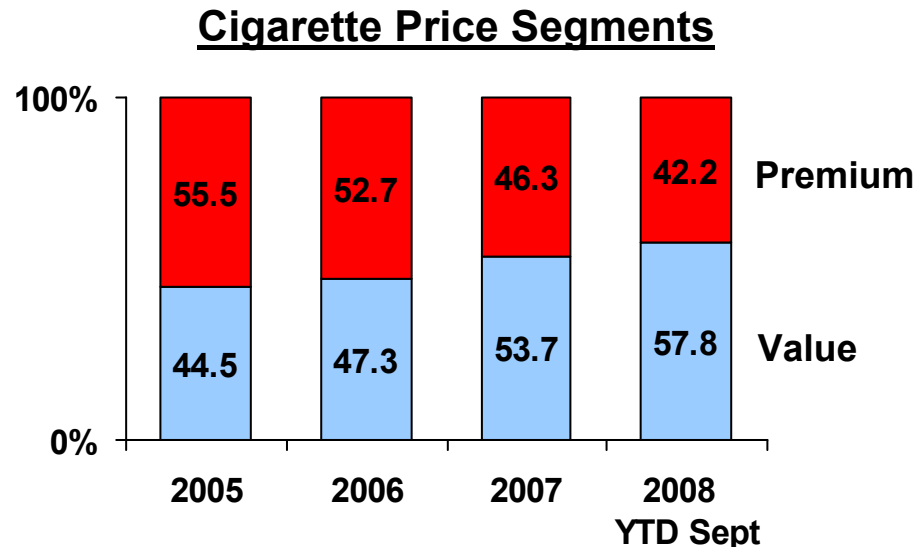
Low Price

Bond Street *Red & White* *Next*

Diana
Optima

Rothmans Inc. Acquisition

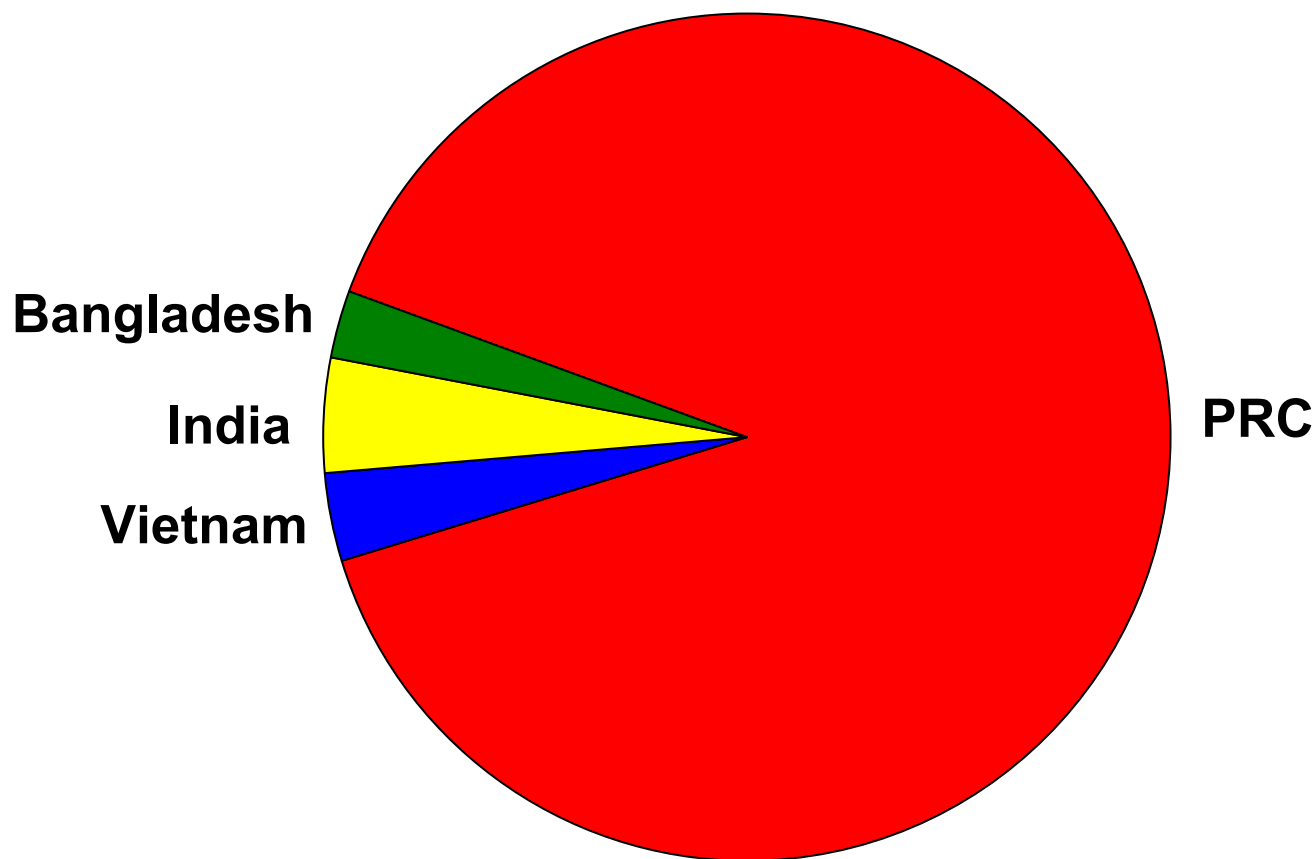
- Provides meaningful presence in one of the most profitable markets
- Has a growing 33% share of the Canadian cigarette market
- Is the leader in value segment and fine cut market



Acquisition Opportunities

- **Pipeline of other opportunities; timing uncertain**
- **Strict strategic and financial criteria**
- **Excellent integration track record**

Market Opportunities

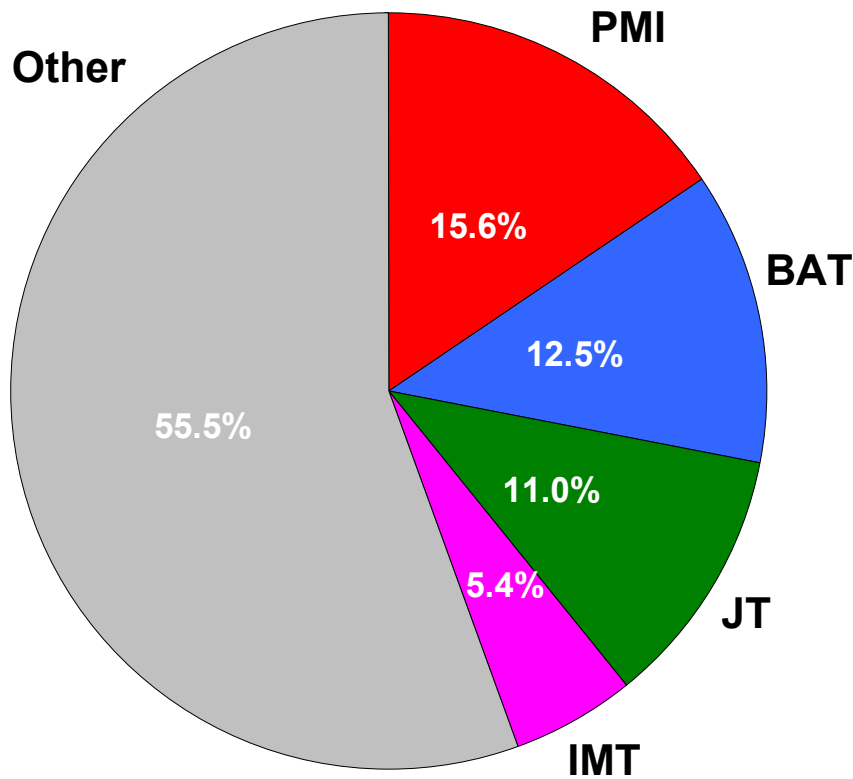


2007 Volume: 2.3 trillion units

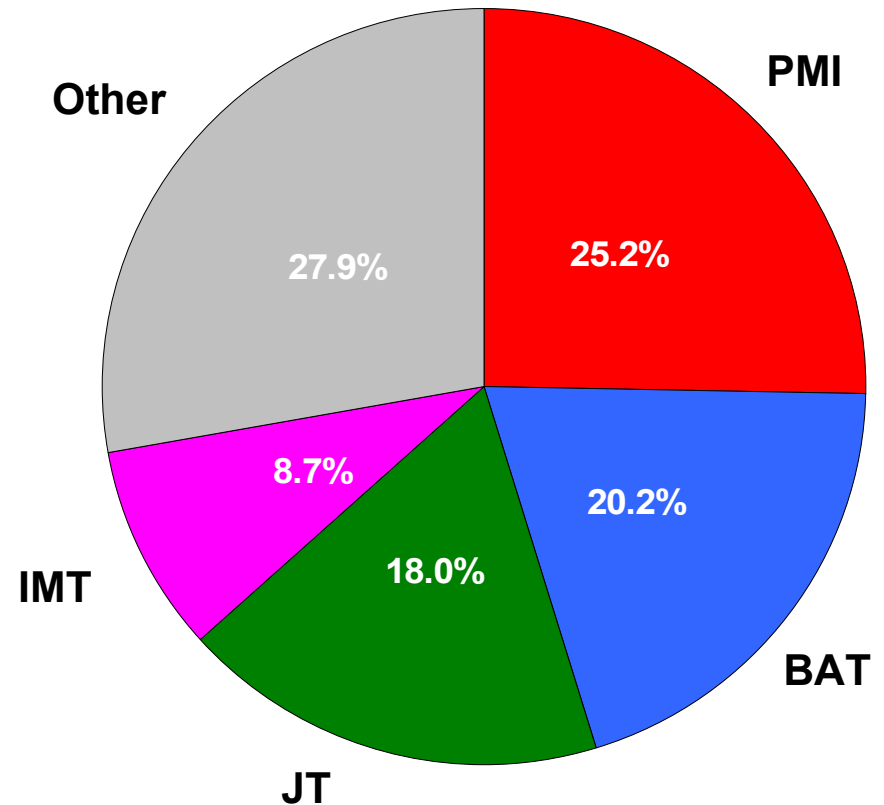
China

- **Building relationship with CNTC**
- ***Marlboro* manufactured and sold under license**
- **International joint-venture showing signs of promise**
- **Objective is to be CNTC's key strategic partner**

Global Leadership and Scale



International Market^(a)



International Market excl. PRC^(a)

(a) Assumes JT's acquisition of Gallaher and Imperial's acquisition of Altadis were effective as of January 1, 2007. Source: 2007 competitive data derived by PMI from 2007 company reports. PMI data and total market from GIMS.

Key Opportunities in Other Tobacco Products

- **Cigarettes remain by far the most profitable tobacco category but opportunities for incremental profitability exist in other tobacco segments**
- **PMI has built a sizeable fine cut business through organic growth supplemented by acquisitions**
- **PMI has launched a snus product in Sweden**

***Interval* Acquisition**

- Acquisition of *Interval* and other fine cut brands in June 2008 for €254 million
- Acquisition adds about two market share points in the EU
- *Interval* is the leading fine cut brand in France with potential for geographic expansion

Capital Structure

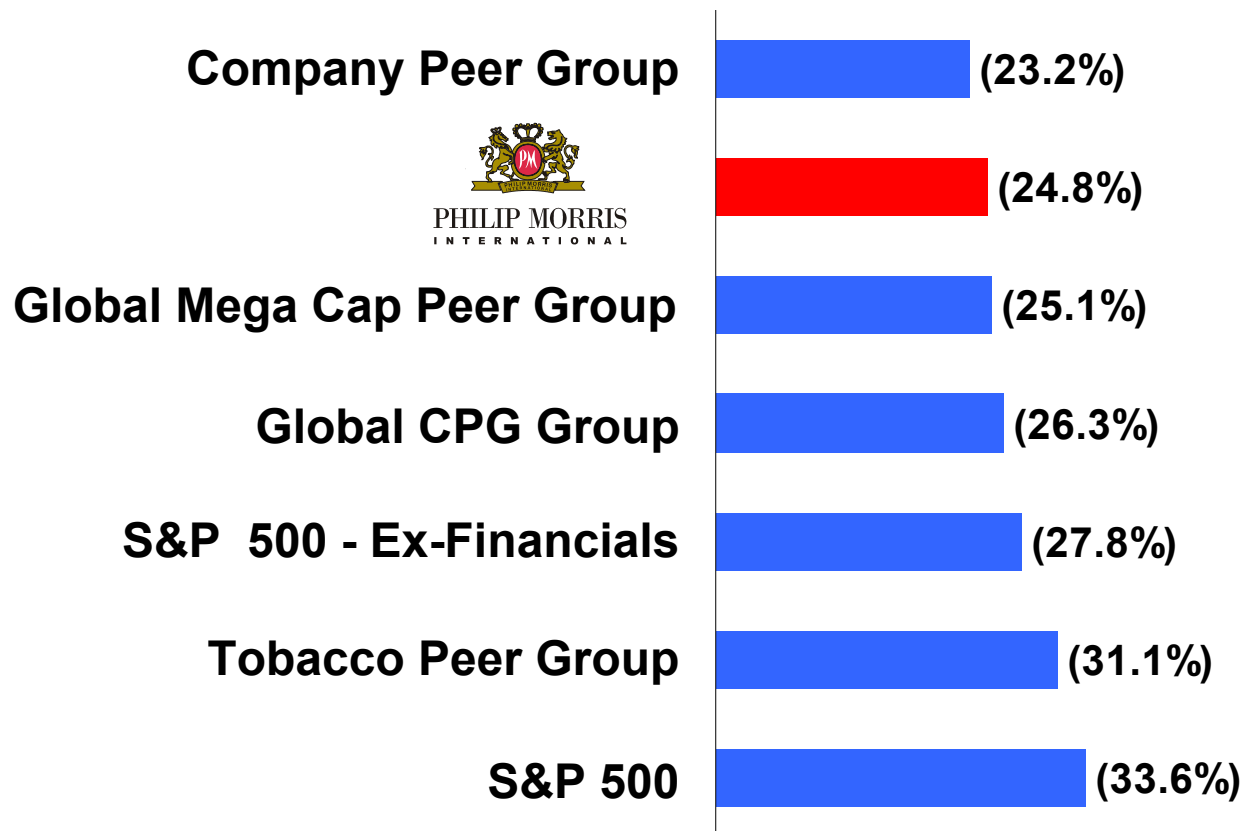
- **Strong balance sheet**
- **Long-term credit ratings A2 / A / A+**
- **Short-term credit ratings P-1 / A-1 / F1**
- **Continuous access to Tier 1 commercial paper market**
- **Over \$10 billion bond offerings in US Dollars, Euros and Swiss Francs**
- **\$6.4 billion of committed revolving credit facilities**

Shareholder Returns

- **Dividend raised by 17.4% in August to annualized level of \$2.16 a share**
- **Target dividend payout ratio of 65%**
- **Two year \$13 billion share repurchase program initiated in May**
- **Share repurchase program ahead of schedule: \$4.7 billion spent**
- **Q4 2008 share repurchases expected to be low**

Stock Price Performance \$US Weighted Average

March 28, 2008 – November 14, 2008



Note: Peer groups represent the market weighted average performance of the group. Market weighting is based on current U.S. dollar denominated market capitalization. Exchange rates are as of 3/28/08 and 11/14/08. Share price performance is for the period beginning 3/28/08 and ending 11/14/08.

Source: FactSet. Centerview Partners.

Conclusions

- **Strong business fundamentals and results**
- **Currency important but temporary phenomenon**
- **Expect to deliver against long term targets**
- **Emerging markets much better placed today**
- **Superior infrastructure, brand portfolio and geographic balance**
- **Pricing ability remains powerful**
- **Tremendous cash flows and strong balance sheet**
- **Continue to reward shareholders over the long term**



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I N T E R N A T I O N A L

Questions & Answers

Reconciliation of Reported Results to Organic Results

(For the Nine Months Ended September 30, 2008 and 2007 in Billions)

	2008					2007						
	Reported Results	Less: Excise Taxes	Less: Currency	Less: Acquisitions	Add Unusual Items*	Organic Results	Reported Results	Less: Excise Taxes	Less: Divestiture	Add Unusual Items*	Organic Results	Organic % Change
Volume	667.00			9.60		657.40	651.50		1.20		650.30	1.1%
Net Revenues	\$ 49.67	\$ 29.67	\$ 1.71	\$ 0.06	\$ 18.23	\$ 41.45	\$ 24.15	\$ 0.05		\$ 17.25	5.7%	
OCI (a)	\$ 8.42		\$ 0.75	\$ 0.05	\$ 0.21	\$ 7.83	\$ 6.91	\$ 0.03	\$ 0.15	\$ 7.03	11.3%	

*Unusual items include asset impairment and exit costs in both years and the equity loss from RBH legal settlement in 2008

(a) Defined as operating income before general corporate expenses (\$80 million in 2008 and \$51 million in 2007) and amortization of intangibles (\$29 million in 2008 and \$18 million in 2007)