



PHILIP MORRIS INTERNATIONAL

**Consumer Analyst Group of New York (CAGNY)
Conference
17 February, 2009**

Forward-Looking Statements

This presentation and related discussion contain statements that, to the extent they do not relate strictly to historical or current facts, are not reported financial results or other historical information, are “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.

Summary

- **PMI had an excellent year in 2008**
- **We face currency headwinds if current rates prevail throughout 2009**
- **We have not seen consumer downtrading in emerging markets so far**
- **We remain as committed as ever to generously rewarding our shareholders**
- **Our constant currency outlook for 2009 is very strong**

Mid / Long-Term Currency Neutral Targets

	<u>Growth Rates</u>	<u>2008 Results</u>
Cigarette Volume	1 – 2%	✓
Net Revenues	4 – 6%	✓
Operating Income	6 – 8%	✓
EPS	10 – 12%	✓

PMI Results

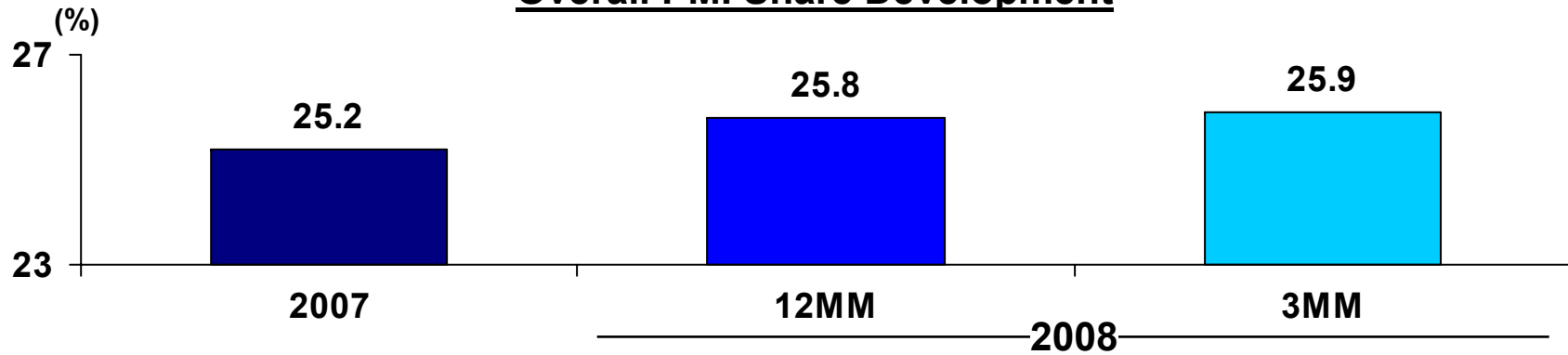
(bio)	<u>Full Year 2008</u>	<u>% Growth 2008 vs. 2007</u>	
		<u>Actual</u>	<u>Excl. Curr. & Acquisitions</u>
Cigarette Volume	869.8	+ 2.5 %	+ 1.0 %
Net Revenues	25.7	+ 12.7	+ 5.6
OCI	10.4	+ 16.7	+ 9.9

PMI Results

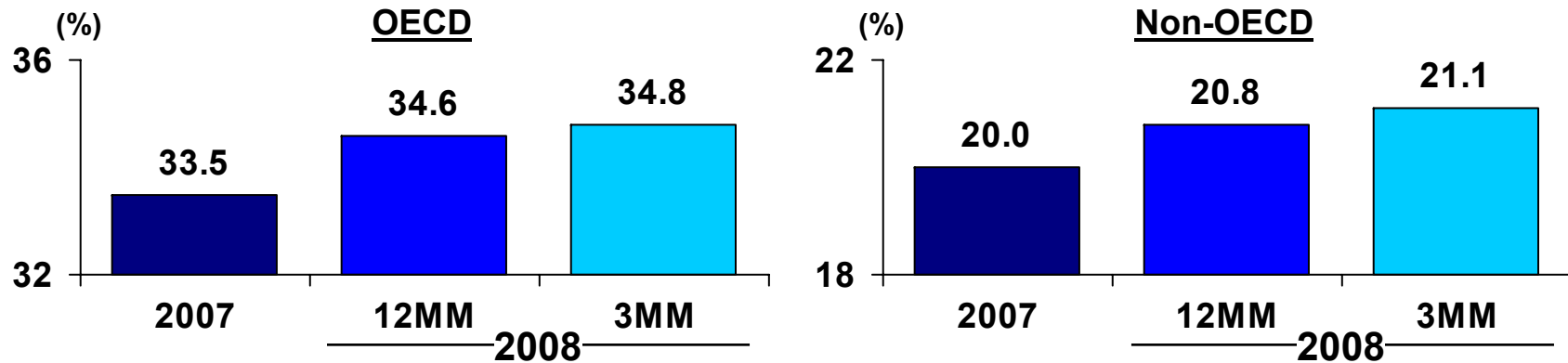
(\$ / share)	<u>Full Year 2008</u>	<u>% Growth 2008 vs. 2007</u>	
		<u>Actual</u>	<u>Excl. Currency</u>
Reported EPS	3.32	+ 16.1 %	+ 10.8 %
Adjusted EPS	3.32	+ 18.6	+ 13.2

Share Trends

Overall PMI Share Development^(a)



OECD/Non-OECD Share Development^{(a)(b)}



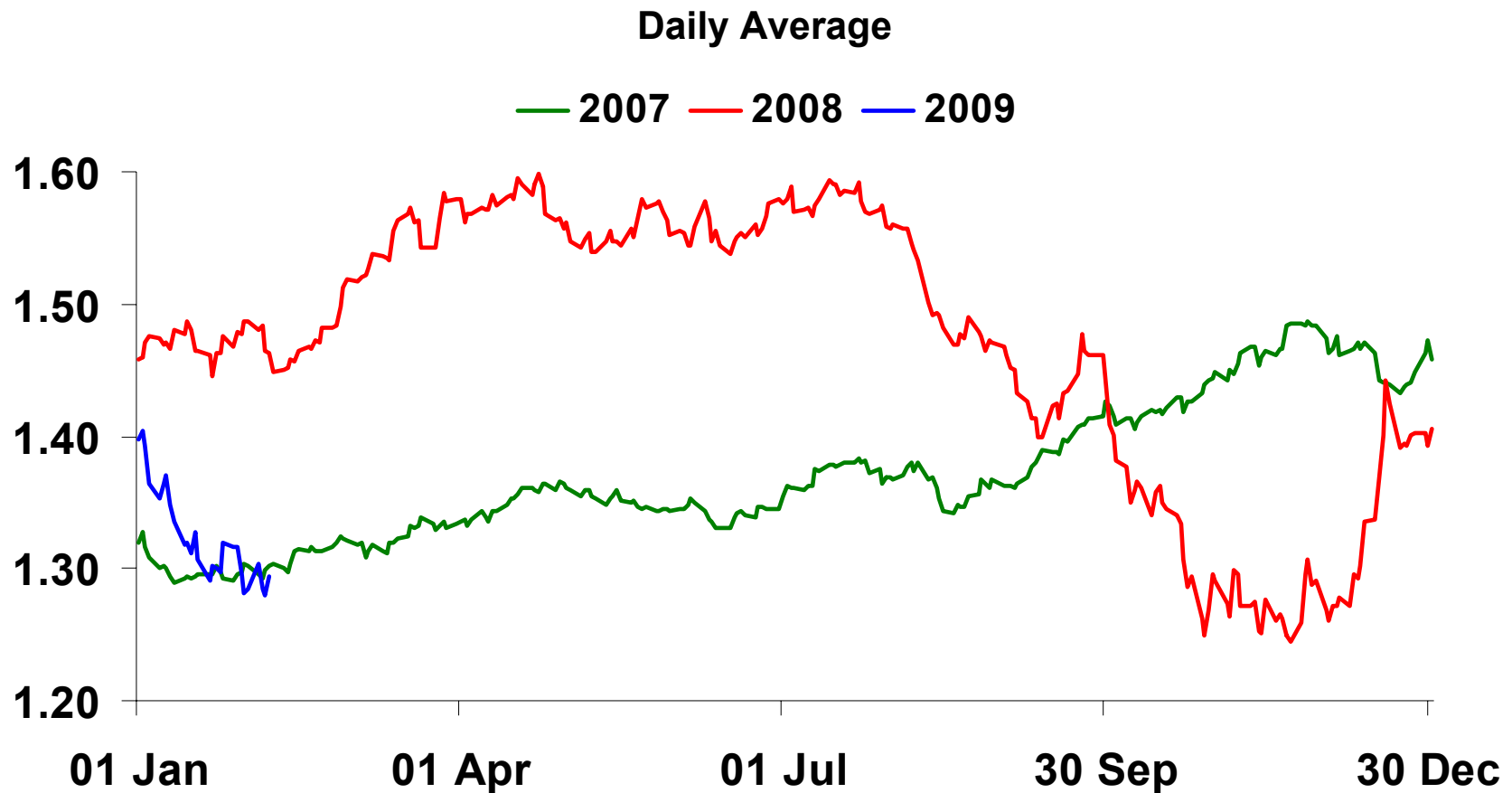
(a) Excluding PRC and USA; (b) Also excluding Duty-Free
Source: PMI Estimates (from GIMS)

Impact of Exchange Rates on 2009 EPS

	<u>\$ / share</u>
2008 EPS	3.32
Business Performance	0.33 – 0.48
Currency	(0.80) (a)
2009 Guidance	2.85 – 3.00

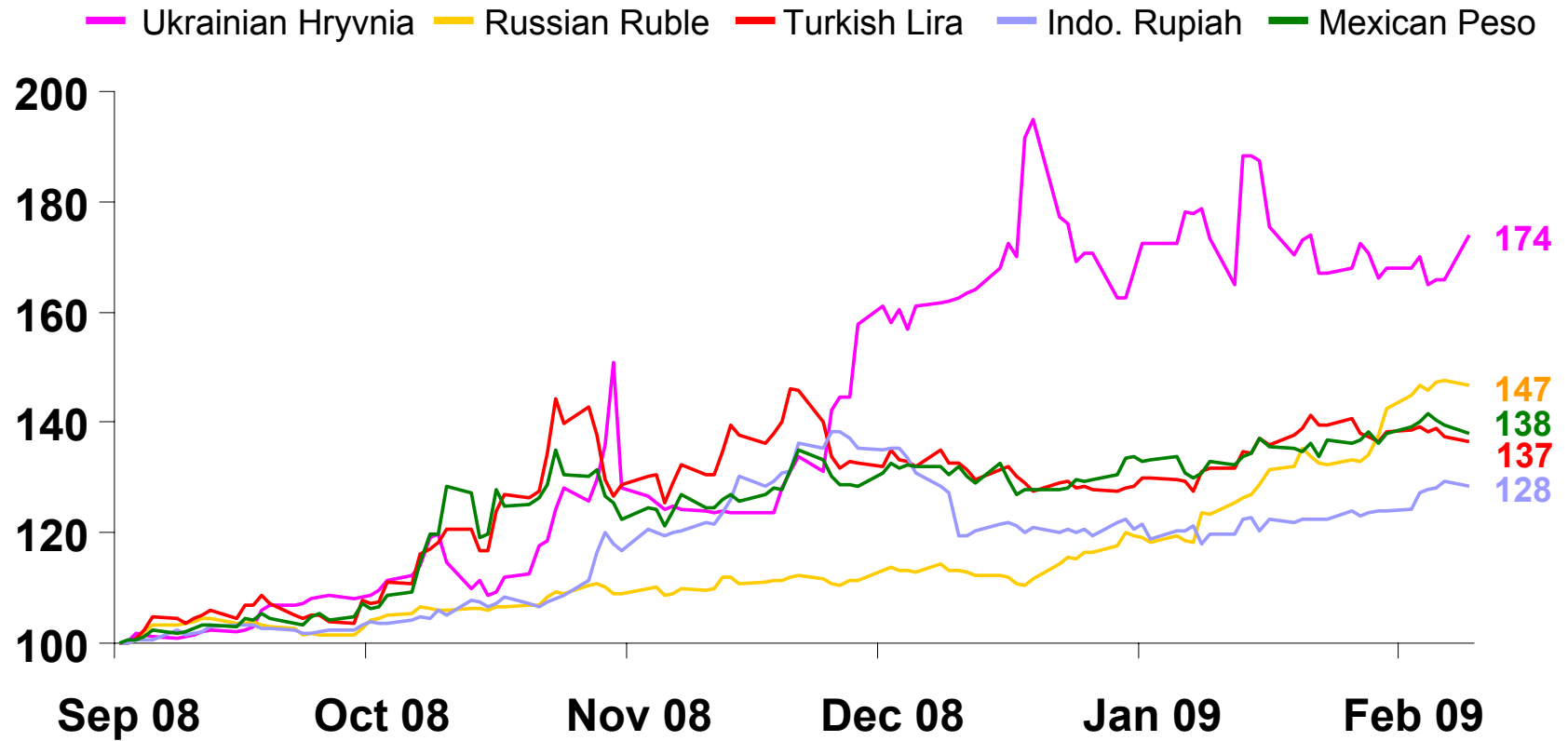
(a) Adverse currency based on exchange rates prevalent on 2 February 2009 and assuming rates remain at the same level throughout 2009.
Source: PMI Financials

Exchange Rate: Euro – USD



Exchange Rates vs. USD

Daily Average Indices



2009 Guidance: Adverse Currency

	<u>EPS Impact (\$ / share)</u>
Key emerging market currencies^(a)	(0.58)
Other emerging market currencies	(0.11)
Euro	(0.13)
Other developed market currencies	(0.16)
Swiss Franc	0.03
Japanese Yen	0.15
Total	(0.80)

(a) Russian Ruble, Turkish Lira, Ukrainian Hryvnia and Mexican Peso
Source: PMI Financials

Impact of Currency

- **Revenues have straight line translation impact**
- **Currency impact on profitability is neither linear, simple nor consistent across our markets**
- **Elements in the cost structure that are not in local currency magnify the impact on OCI**

Impact of Currency

(\$ mio)	<u>Previous</u>	<u>25% Depreciation 100% Local Costs</u>	<u>25% Depreciation 50% Local Costs</u>
Net Revenues	2,000	1,500	1,500
Costs	(800)	(600)	(700)
OCI	1,200	900	800
% OCI Change		(25)%	(33)%
OCI Margin	60%	60%	53%

Hedging

- **PMI policy never to do net income hedges (“translation hedges”) as we do not speculate on currencies**
- **Where appropriate, PMI carries out revenue and purchasing hedges (“transaction hedges”)**
- **Transaction hedges not feasible in most emerging markets**

PMI Cost Structure

	2008 Total <u>(\$ bio)</u>
Tobacco Leaf	3.6
Direct Materials	2.4
Other COGS ^(a)	3.3
Mkting, O/H and Other Costs above OCI	6.9
TOTAL COSTS^(b)	16.2

(a) Other manufacturing related costs and shipping.

(b) Total costs above OCI and sales allowances.

Source: PMI Financials

PMI Costs by Currency

	2008 Total <u>(\$ bio)</u>	Currency (%)			
		<u>USD</u>	<u>EUR</u>	<u>CHF</u>	<u>Other</u>
Tobacco Leaf	3.6	26	48	1	25

Tobacco Leaf

- **Key Sources:**
 - **Virginia: USA, Brazil**
 - **Burley: USA, Malawi, Brazil, Argentina**
 - **Oriental: Turkey, Greece**
- **US Dollar based agricultural crop**
- **PMI converts a large part of its leaf purchases into Euros for inventory and balance sheet valuation purposes**

PMI Costs by Currency

	2008 Total	Currency (%)			
	<u>(\$ bio)</u>	<u>USD</u>	<u>EUR</u>	<u>CHF</u>	<u>Other</u>
Tobacco Leaf	3.6	26	48	1	25
Direct Materials	2.4	26	60	-	14
Other COGS ^(a)	3.3	12	27	6	55
Mkting, O/H and Other Costs above OCI	6.9	10	26	12	52
TOTAL COSTS^(b)	16.2	16	36	7	41

(a) Other manufacturing related costs and shipping.

(b) Total costs above OCI and sales allowances.

Source: PMI Financials

Indonesia / Russia Costs by Currency

	Currency (%)			
	<u>USD</u>	<u>EUR</u>	<u>Other</u>	<u>Local</u>
<u>Indonesia</u>				
Total COGS	11	3	3	83
Mkting, O/H and Other Costs above OCI	-	1	1	98
Total	8	2	2	88
<u>Russia</u>				
Total COGS	20	58	5	17
Mkting, O/H and Other Costs above OCI	4	2	-	94
Total	16	42	3	39

Currencies

- **Japanese Yen is the only major currency that has appreciated in value**
- **Large currency swings tend to be at least partially reversed over time**
- **We are optimistic that these strong currency headwinds will be temporary**

Emerging Markets: Premium

- **Continued uptrading to premium segment in emerging markets**

Emerging Markets: Premium

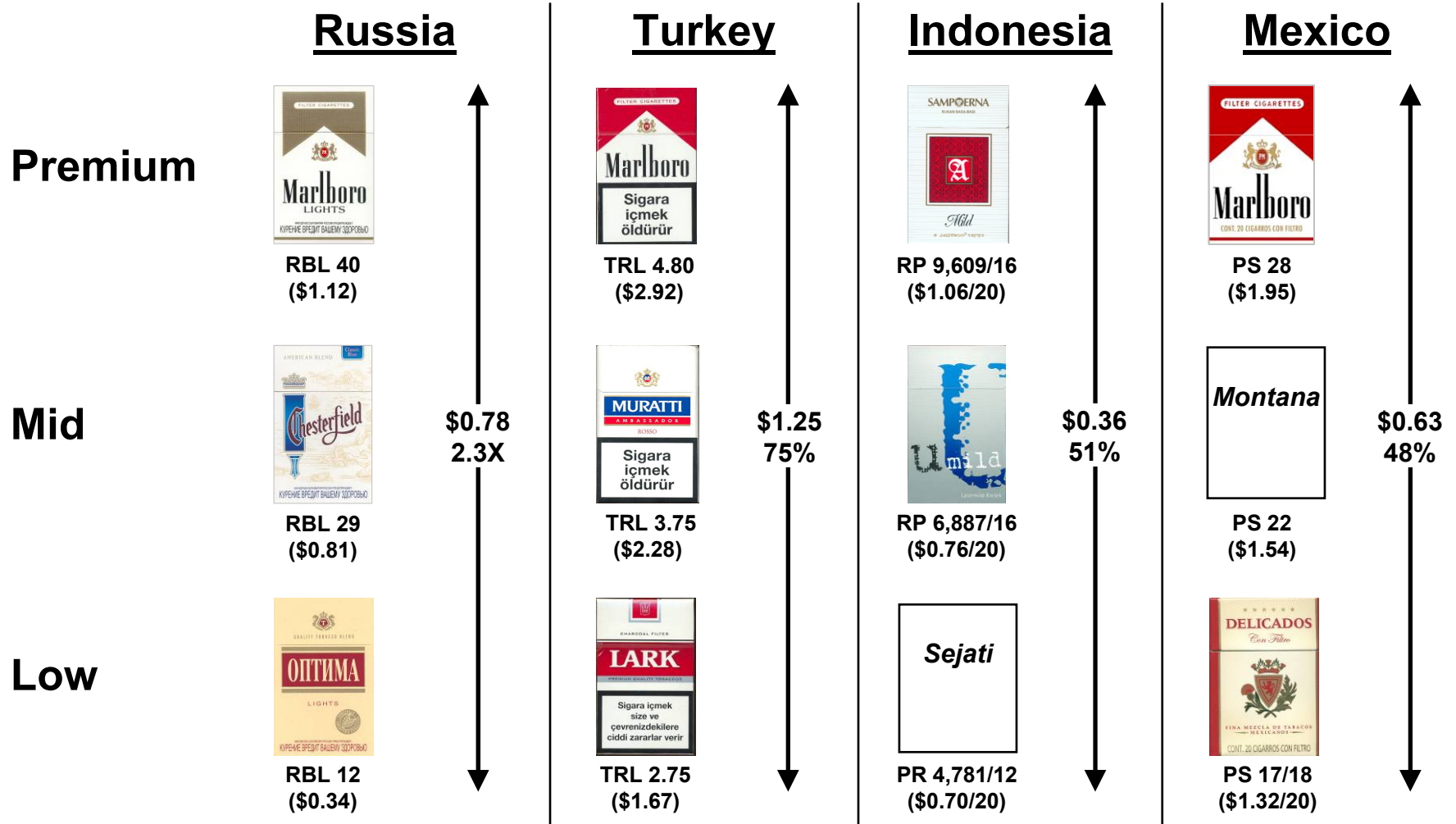
	Premium Share of Market (a)		
	<u>2008</u>	<u>2005</u>	<u>Variance</u>
Russia	17.9 %	11.9 %	6.0 pp
Ukraine	14.8	8.9	5.9
Turkey	19.6	16.7	2.9
Romania	43.5	23.3	20.2
Indonesia	23.1	21.0	2.1
Mexico	65.4	62.8	2.6
Argentina	35.7	31.6 (b)	4.1 (b)

(a) Including above premium

(b) 2006 data

Source: Business Analytica, A.C. Nielsen and PMI estimates

Emerging Markets: Price Gaps



Source: Retail prices available in market on February 1, 2009. Exchange rates from Bloomberg, London Close 18:00 PM, February 2, 2009

Consumer Prices: Russia

	<u>Price (RBL)</u>	<u>Price (USD)</u>
Cinema Ticket	250	6.99
<i>Budweiser</i> beer (imported)	120	3.36
<i>Colgate</i> toothpaste	70	1.96
<i>Big Mac</i>	63	1.76
Milk (1 liter)	50	1.40
<i>Coca-Cola</i> (0.5 liters)	41	1.15
<i>Marlboro</i>	40	1.12
<i>Baltica</i> Beer (local)	33	0.92
Mineral Water (0.5 liters)	20	0.56
Bread (500g)	18	0.50

Emerging Markets: Premium

Premium Share Growth 2008 vs. 2007 ^(a)

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Russia	+ 2.1 pp	+ 2.2 pp	+ 2.1 pp	+ 1.3 pp
Ukraine	2.1	2.7	3.1	3.2
Turkey	0.8	1.4	2.1	2.1
Romania	6.8	6.3	5.1	4.6
Indonesia	(0.3)	(0.2)	0.9	0.8
Mexico	2.8	0.7	(0.1)	(0.5)
Argentina	2.5	2.7	2.5	0.9

(a) Including above premium

Source: Business Analytica, A.C. Nielsen and PMI estimates

PMI Pricing

- Pricing contributed \$1.2 billion to OCI in 2008
- Higher prices already announced for 2009, notably in:

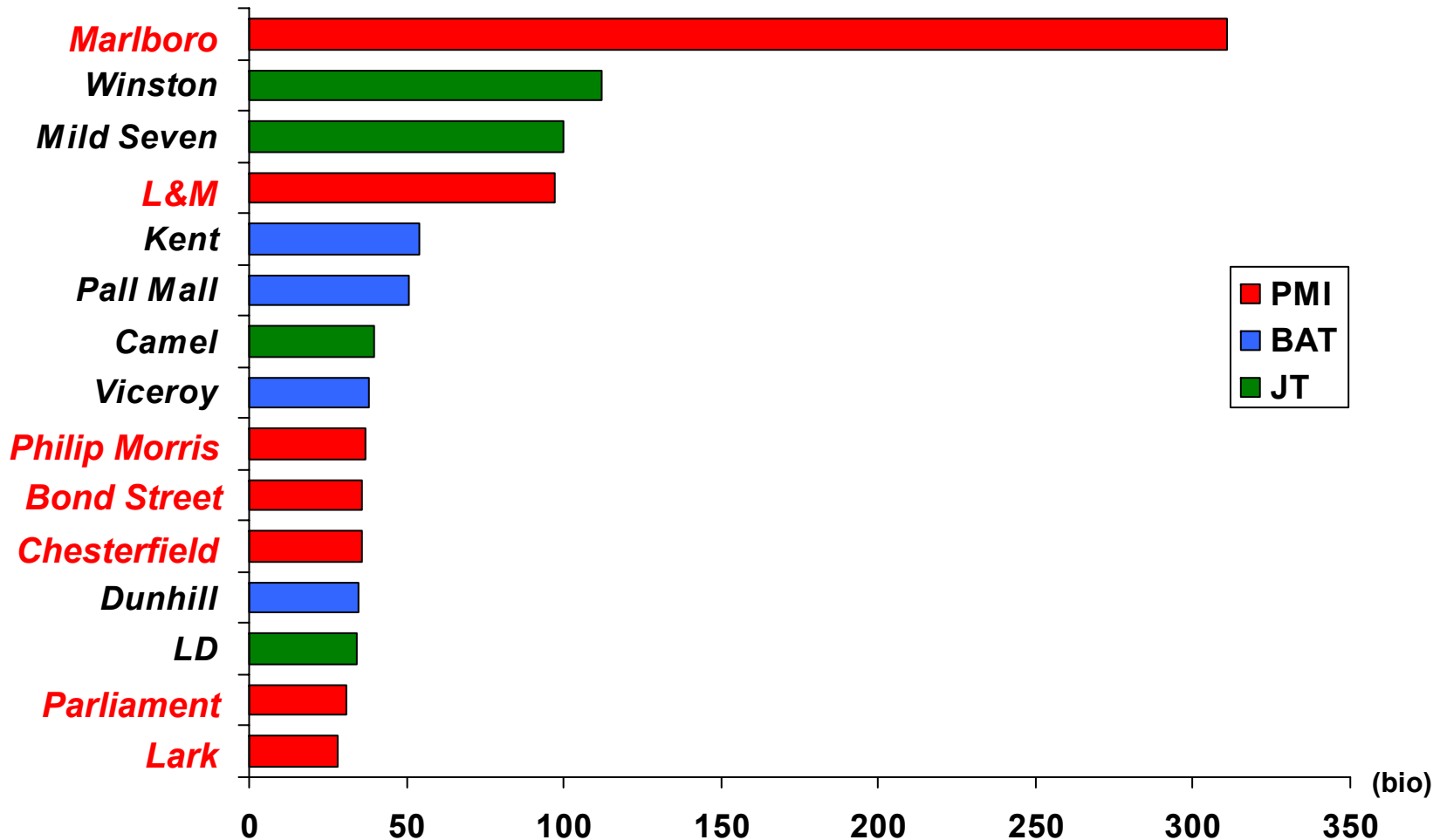
EU	EEMA	Asia	Latin America
Belgium	Egypt	Australia	Argentina
Czech	Romania	Indonesia	Colombia
Italy	Russia	Philippines	Mexico
Netherlands	Serbia		
Spain	Ukraine		

- PMI expects to retain its pricing power during the economic crisis

Excise Tax Environment

- **Reasonable approach being taken by governments in key markets**
- **Greater emphasis on:**
 - **Specific vs. ad-valorem**
 - **Minimum excise taxes and minimum reference price mechanisms**
 - **Reduction in loopholes**

Top 15 International Brands (2007)



Note: PMI brands in red color

Source: Competitive data for BAT and JT International Brands derived from 2007 company reports and PMI estimates. PMI data from Financials.

Marlboro Architecture

Red



Gold

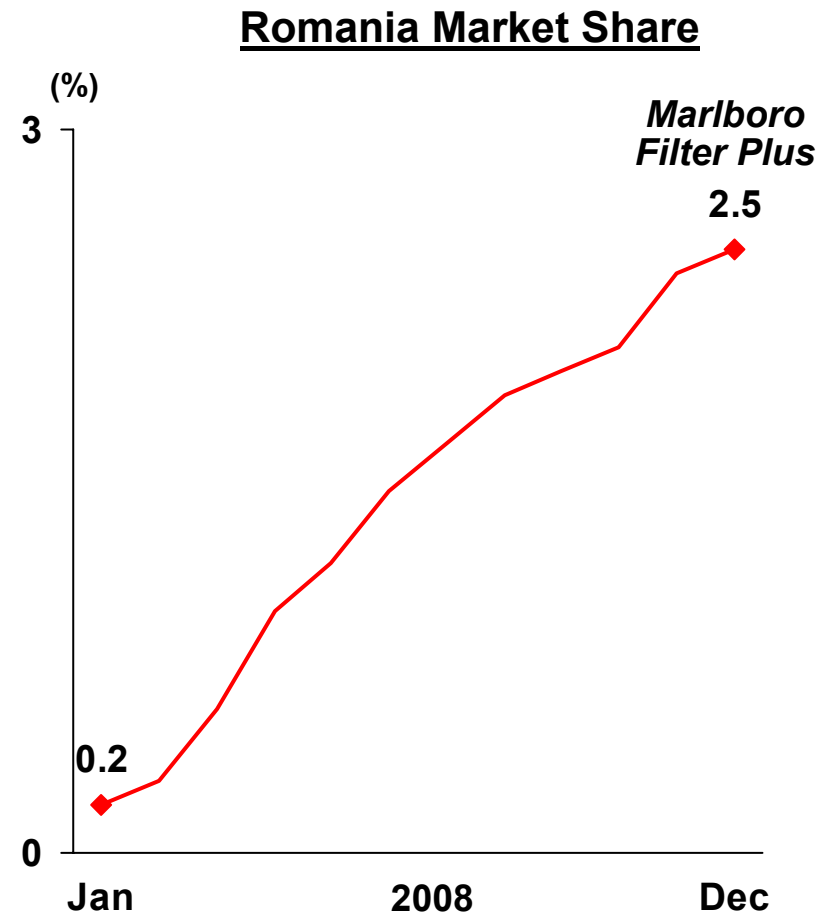


Fresh



Marlboro Filter / Flavor Plus

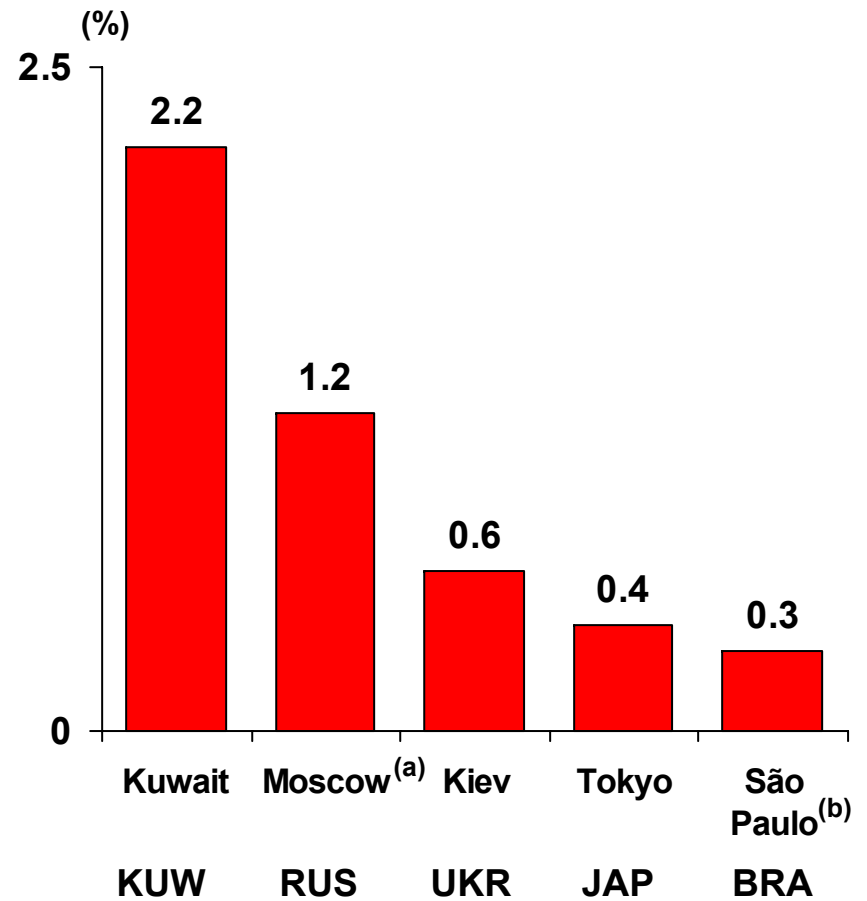
- Enhanced taste due to tobacco plug in filter
- Attractive sliding pack
- 6 / 3 / 1 mg tar



Marlboro Filter / Flavor Plus

- Now available in 20 markets
- Initial focus on key cities

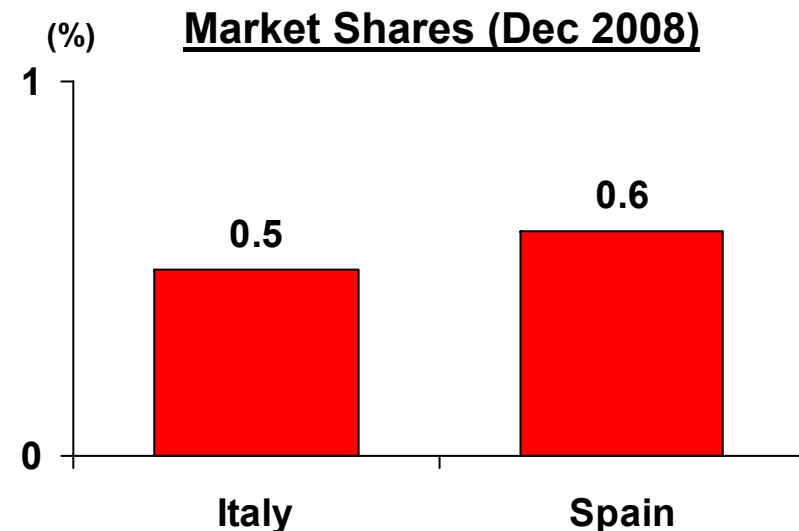
Key City Market Shares (Dec 2008)



(a) November 2008 data; (b) January 2009 data
Source: Business Analytica, A.C. Nielsen and PMI estimates

Marlboro Intense / Compact / Pocket Pack

- **Marlboro Intense** is a shorter, flavorful variant in a red pack
- **Marlboro Intense** launched in Belgium, Germany, the Netherlands and Turkey
- **Marlboro Compact** is a lighter flavored version in Italy in a silver pack
- **Marlboro Pocket Pack** is a shorter version of **Marlboro Red**



Marlboro Gold

- ***Marlboro Gold Edge*** (super slims) launched in Hungary, Poland and Eastern Europe
- ***Marlboro Gold Advance*** (full flavor) in test market
- ***New Marlboro Gold*** pack in Austria and Poland

Menthol Segment

Menthol Share of Market

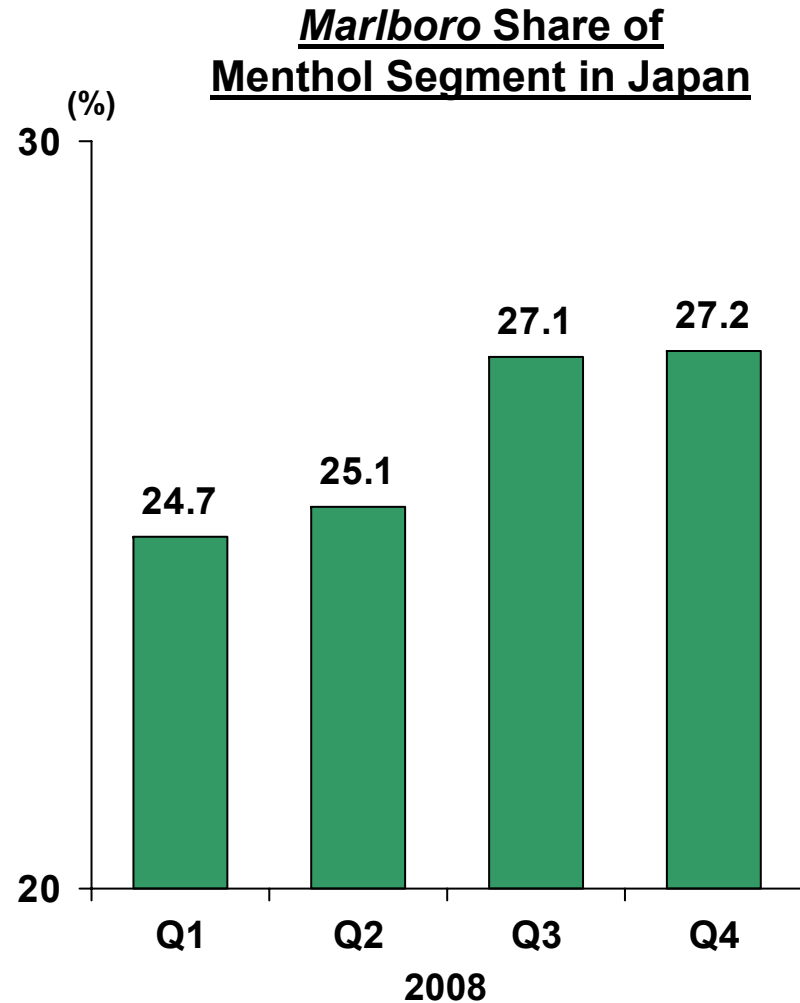
	<u>2008</u>	<u>2005</u>	<u>Variance</u>
Japan	22.0 %	18.4 %	3.6 pp
Hong Kong	37.5	37.2 (a)	0.3
Singapore	47.2	45.6	1.6
Colombia	19.5	18.5 (a)	1.0
Mexico	5.0	4.3	0.7
Finland	23.1	21.2	1.9
Poland	16.0	12.0	4.0

(a) 2006 data

Source: A.C. Nielsen, Tobacco Institute of Japan and PMI estimates

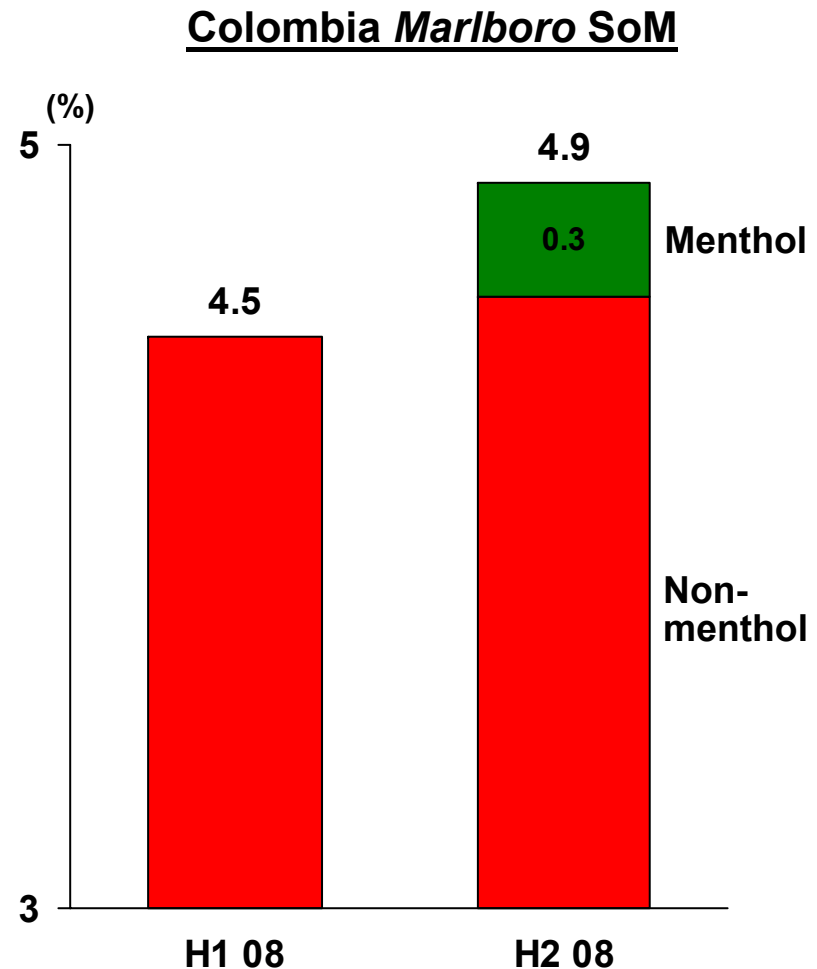
Marlboro Fresh Initiatives

- **Marlboro Crisp, Fresh and Ice Mint variants launched in 2007 in various Asian markets**
- **Marlboro Black Menthol in Japan since July 2008**



Marlboro Fresh Initiatives

- Menthol important segment in Colombia
- Growing off low base in several other Latin American markets
- New *Marlboro* menthol initiatives in second half 2008 (Brazil, Colombia, Mexico)

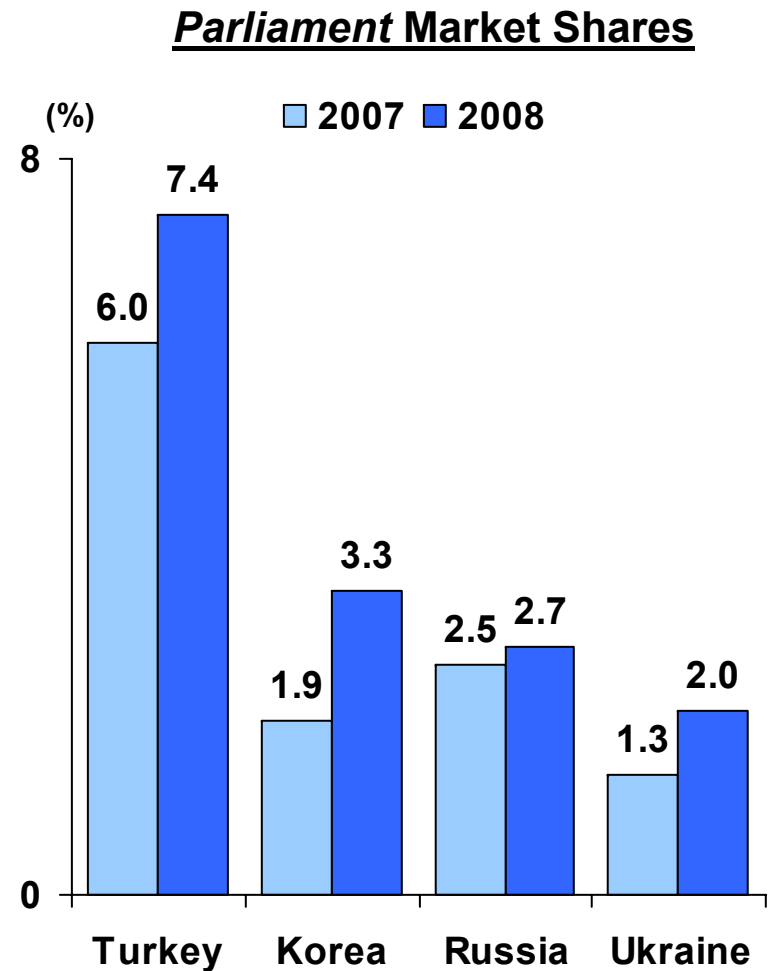


Marlboro

- **Geographic expansion of innovative line extensions using our superior global infrastructure**
- **Pipeline of new products and concepts**
- **Increased vibrancy and “halo effect”**
- ***Marlboro* volume grew by 0.2% in 2008 following a decline the previous year**
- **Increased volume in EEMA, Asia and Latin America & Canada Regions**
- ***Marlboro* clear leader in EU Region with an 18.7% market share**

Parliament

- **Recessed filter, sophisticated image and above premium pricing**
- **Volume +20.0% in 2008**
- **Growth driven by Korea, Russia, Turkey and Ukraine**
- **Upscale image being reinforced with *Parliament Reserve***



Slimmer Diameter

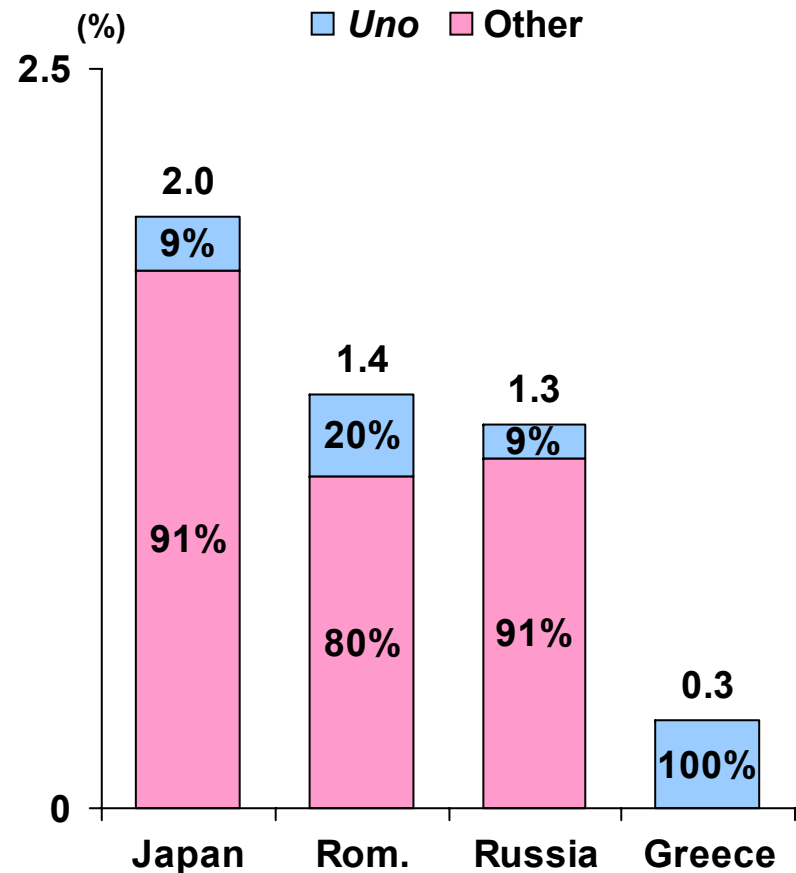
Slims Share of Market

	<u>2008</u>	<u>2005</u>	<u>Variance</u>
Russia	12.1 %	3.8 %	8.3 pp
Ukraine	9.0	3.0	6.0
Poland	13.8	6.5	7.3
Japan	6.3	6.0	0.3
Korea	37.4	35.5	1.9

Virginia Slims

- Volume +8.2% in 2008
- *Uno* concept and geographic expansion driving *Virginia Slims* growth

Virginia Slims Market Shares (2008)



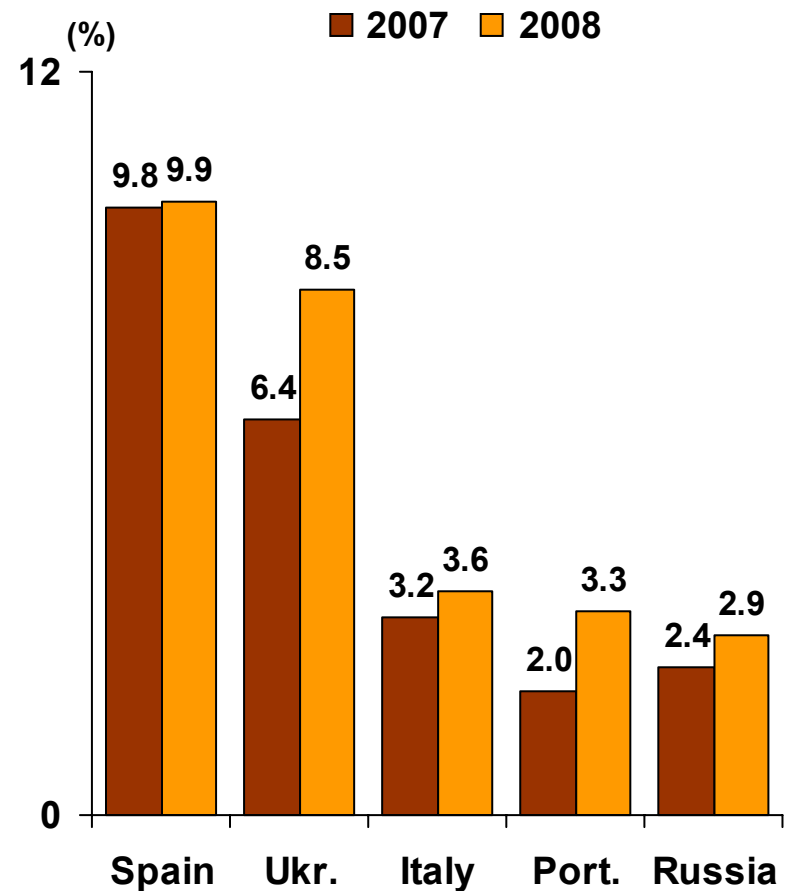
PMI Slims Initiatives

- ***Marlboro Gold Edge*** in Poland and Eastern Europe
- ***Muratti Gold Slims*** and ***Silver Slims*** in Eastern Europe
- **Slimmer line extensions of *L&M*** in Poland and Eastern Europe

Chesterfield

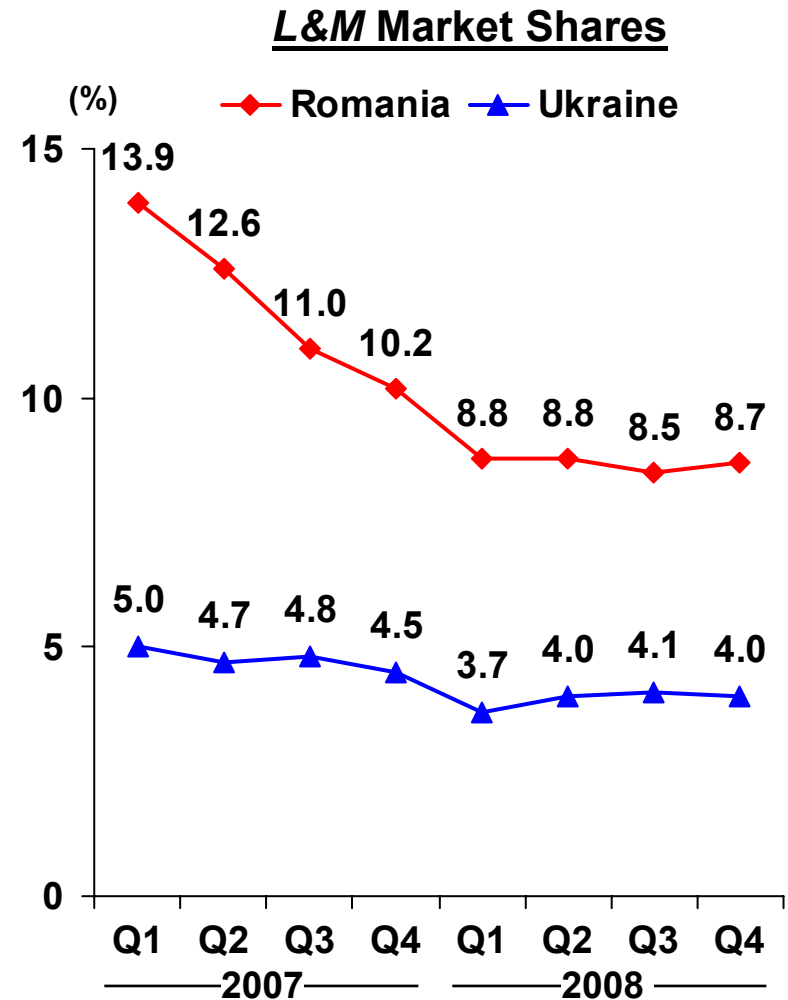
- Volume +13.7% in 2008
- Strong gains in Italy, Portugal, Russia and Ukraine
- Growth more than offsetting decline in *L&M* volume

Chesterfield Market Shares



L&M

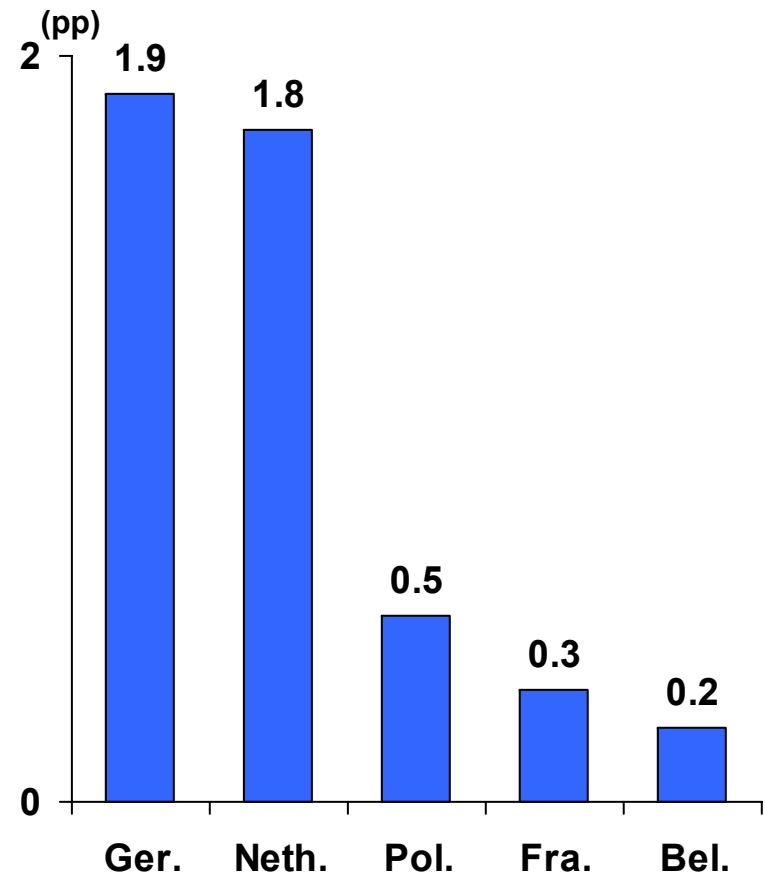
- Comprehensive repositioning in key EEMA markets
- Still under pressure in Russia in spite of success of slimmer line extensions
- Early signs of stabilization in Romania and Ukraine



L&M

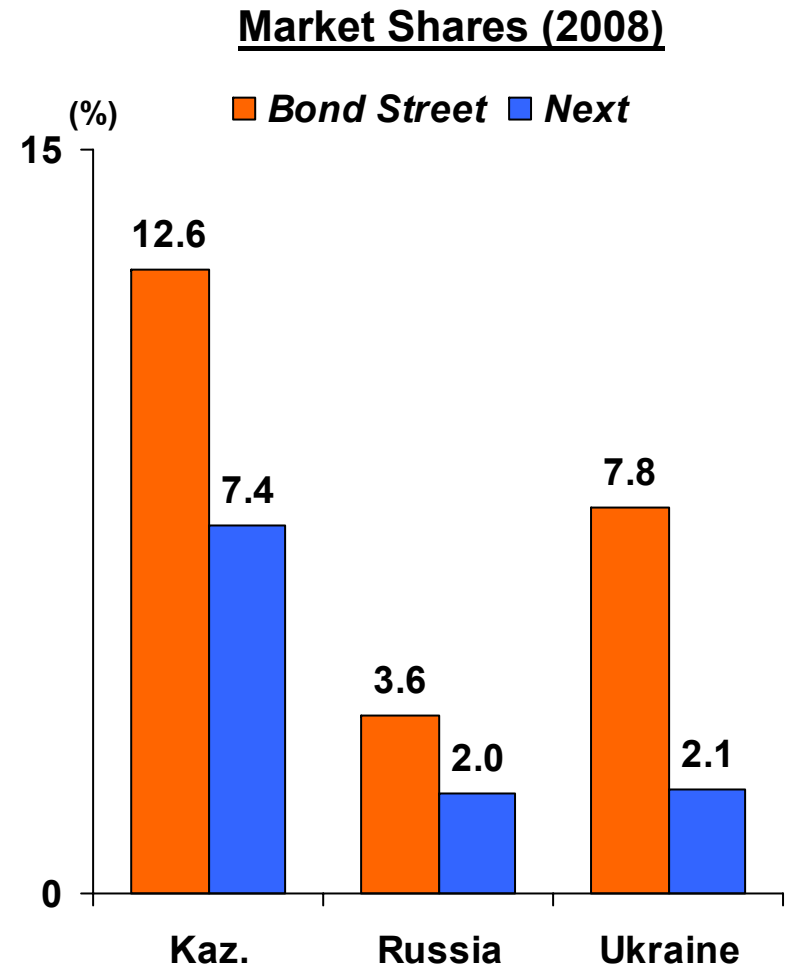
- Overall volume decline of 4.6% in 2008
- EU shipment volume increased by 2.0% in the same period

L&M Market Share Gains (2008)

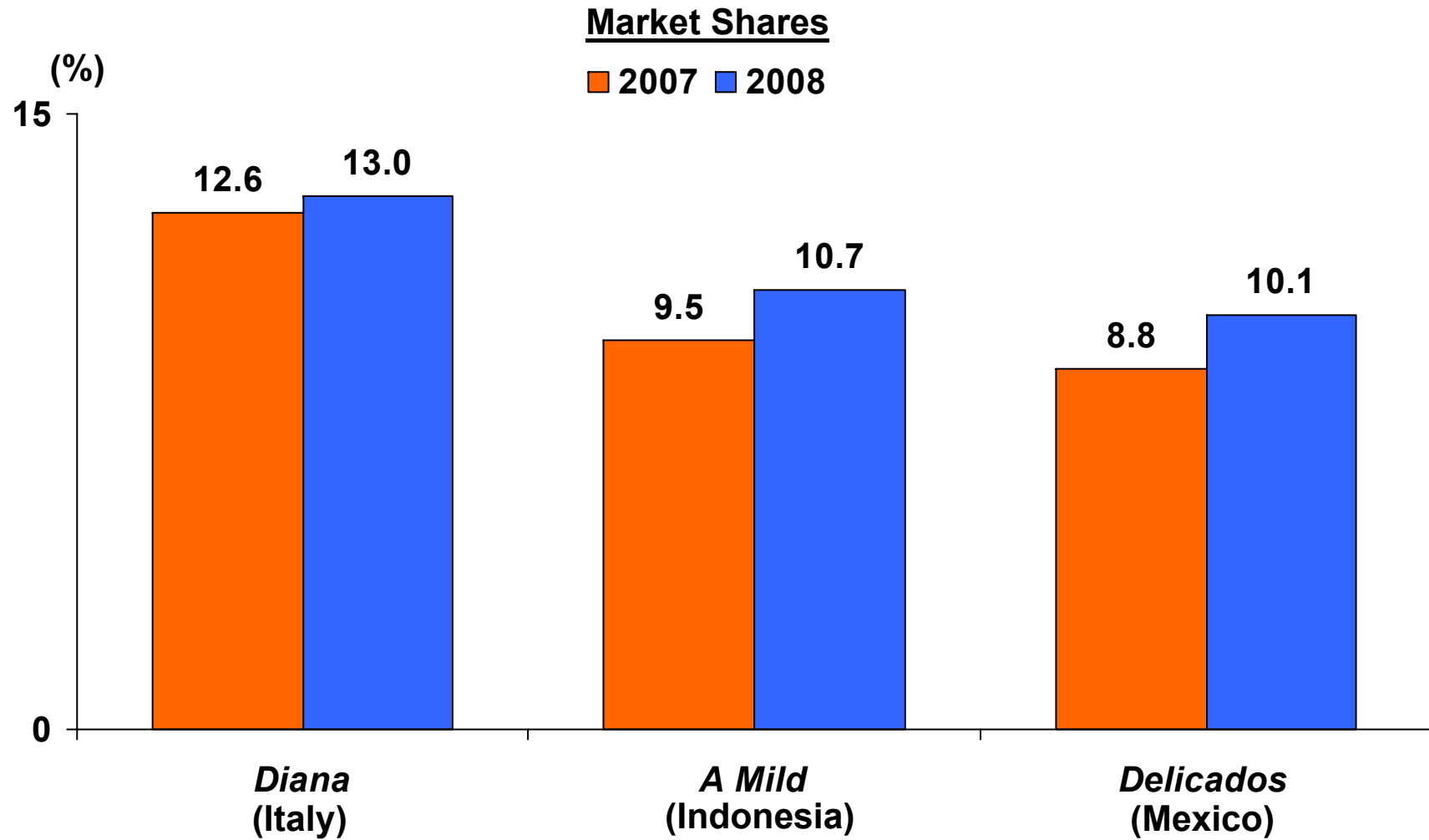


Low-Price International Brands

- ***Bond Street, Next and Red & White*** collectively gained 3.8% in volume in 2008
- ***Bond Street and Next*** achieved double digit growth in EEMA



Local Brands



PMI Brand Portfolio

Mature Markets

Emerging Markets

Premium



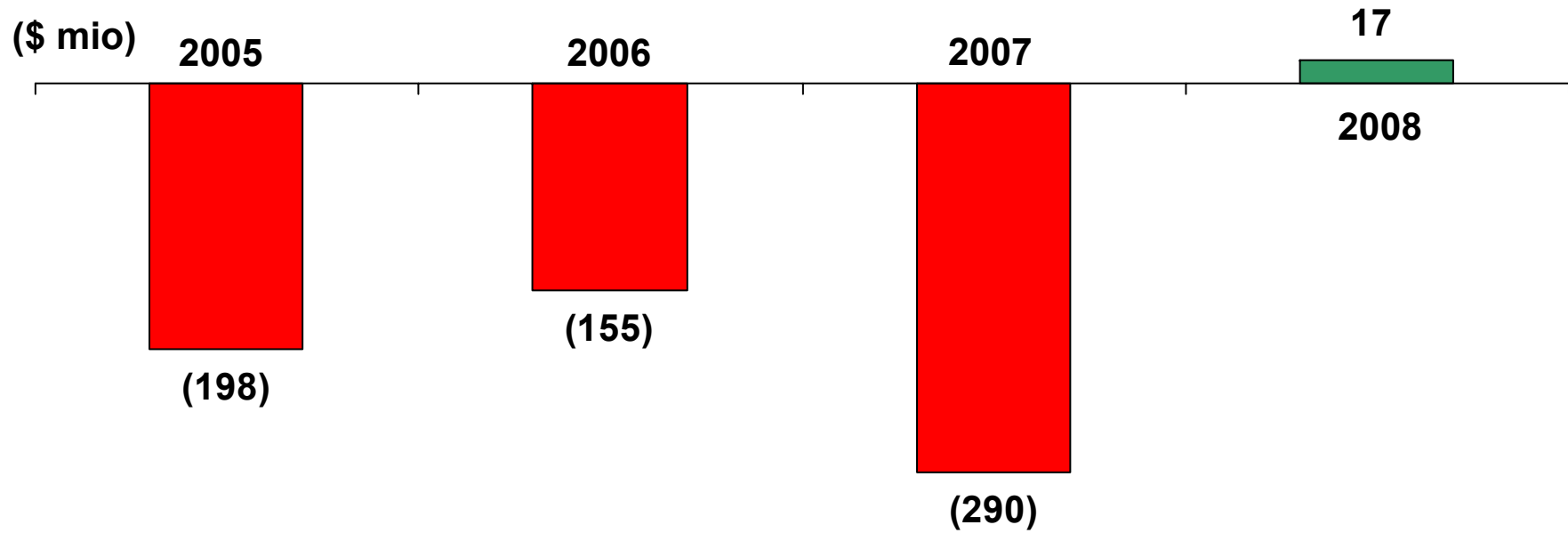
Mid



Low



Volume / Mix Impact on OCI

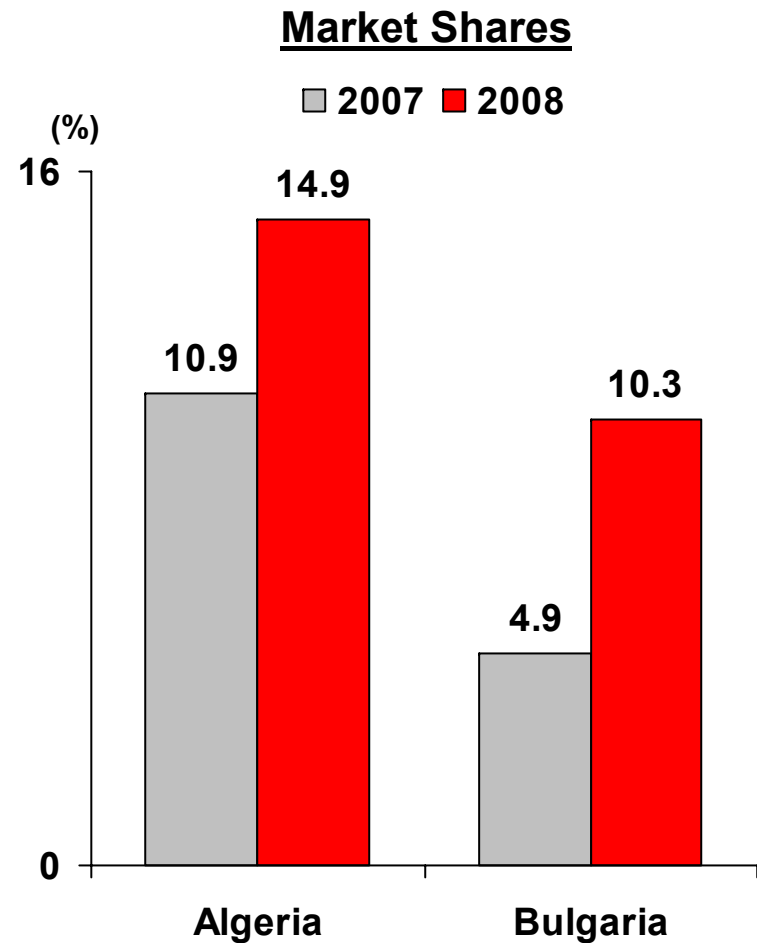


Business Development

- **PMI continuing to reinforce its leading position through new market entries, joint ventures and acquisitions that are strategically and financially attractive**

Geographic Expansion

- Recent entry into Algerian and Bulgarian markets
- *Marlboro* and *L&M* are key brands



China

- Market size of 2.2 trillion in 2008, up 3.1%
- PMI agreements with CNTC. Aim to be preferred partner
- Production of *Marlboro* under license in two factories started in August
- International joint venture has successfully launched three Chinese heritage brands in six international markets



Marlboro in China



Joint-Venture Brands

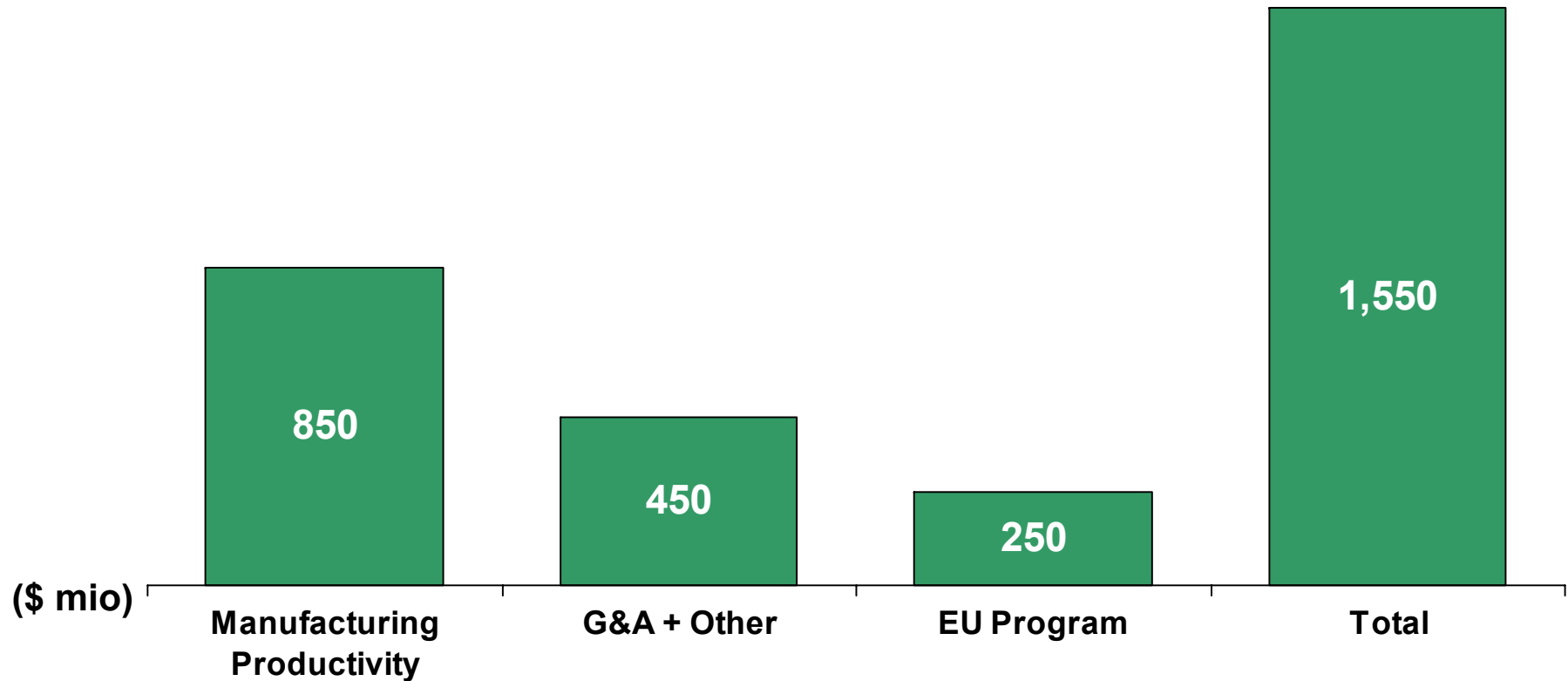


Other Tobacco Products

- **PMI achieved an 18% organic volume growth in OTP in 2008**
- **Recent acquisitions have included leading fine cut brands in France and Norway**
- **Smokeless tobacco joint venture with Swedish Match**

Productivity and Cost Saving Programs

Forecast Cumulative Gross Cost Savings (2008-10)



Manufacturing Productivity

- Rationalization of production within customs areas and trade zones
- Investments in key factories
- Western European factories absorbed 57 billion units in 2008, previously manufactured by PM USA
- Rationalization of blends and product specifications
- Supply chain optimization and clustering

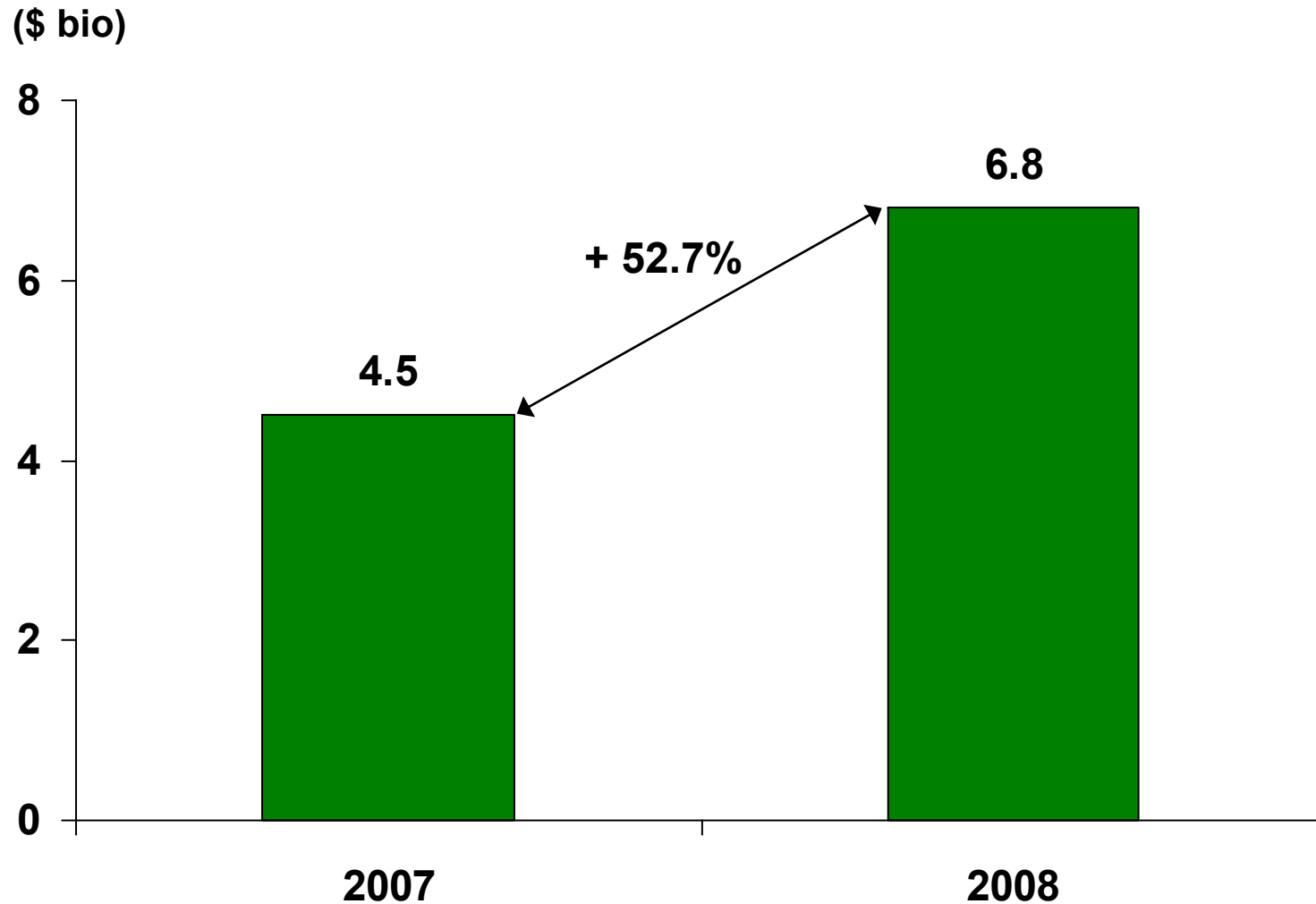


Izhora, Russia



Jakarta, Indonesia

Free Cash Flow (a)



(a) Operating cash flow less capital expenditures. In 2008, operating cash flow was \$7,935 million and capital expenditures \$1,099 million. In 2007, operating cash flow was \$5,550 million and capital expenditures \$1,072 million

Source: PMI Financials

Liquidity and Capital Structure

- **Major new factory projects completed and continued focus on working capital management**
- **Very strong balance sheet: net debt to EBITDA of 0.94 to 1 at year end 2008**
- **Very favorable debt profile: \$10.1 billion bonds issued with attractive interest rates and well-laddered maturities**
- **Unused bank credit facilities of over \$6 billion**
- **Continuous access to commercial paper market at very attractive interest rates**
- **Credit ratings: A2 / A / A+**

(a) At the end of 2008, net debt was \$10,430 million with total debt of \$11,961 million and cash and cash equivalents of \$1,531 million, while EBITDA was \$11,090 million with pre-tax earnings of \$9,937 million, net interest expense of \$311 million and depreciation and amortization of \$842 million.

Source: PMI Financials

Shareholder Returns

- **Dividend raised by 17.4% in August to an annualized rate of \$2.16 / share**
- **Dividend to be maintained in 2009 even if 65% payout target is exceeded**
- **\$13 billion two year share repurchase program initiated in May**
- **\$5.4 billion of share repurchases in 2008 ahead of schedule and similar amount anticipated for 2009**
- **In total, we forecast to return more than \$9 billion in cash to our shareholders in 2009**

Mid / Long-Term Currency Neutral Targets

	<u>Targets</u>	<u>2009 Forecast</u>
Cigarette Volume	1 – 2%	✓
Net Revenues	4 – 6%	✓
Operating Income	6 – 8%	✓
EPS	10 – 12%	✓

Conclusion

- **Superior brand portfolio**
- **Strong pricing power**
- **Ambitious productivity programs in place**
- **Excellent liquidity and balance sheet**
- **Dividends and share buy-back program are enhancing shareholder value**
- **10-14% EPS growth forecast for 2009 on a currency neutral basis**

Adjustments for the Impact of Currency and Acquisitions

(\$ Millions)

	Full Year 2008						Full Year 2007			
	<u>Reported</u>	<u>Less Excise Taxes</u>	<u>Revenues Excluding Excise Taxes</u>	<u>Less</u>		<u>Organic</u>	<u>Reported</u>	<u>Less Excise Taxes</u>	<u>Organic</u>	<u>% Change</u>
Operating Revenues				<u>Currency</u>	<u>Acquisitions</u>					
EU	\$ 30,265	\$ 20,557	\$ 9,688	\$ 899	\$ 27	\$ 8,762	\$ 26,829	\$ 17,994	\$ 8,835	- 0.8 %
EEMA	14,817	7,313	7,504	296		7,208	12,166	5,820	6,346	13.6 %
Asia	12,222	6,037	6,185	140	46	5,999	11,097	5,449	5,648	6.2 %
LA & Canada	6,336	4,008	2,328	47	157	2,124	5,151	3,170	1,981	7.2 %
Total	\$ 63,640	\$ 37,935	\$ 25,705	\$ 1,382	\$ 230	\$ 24,093	\$ 55,243	\$ 32,433	\$ 22,810	5.6 %
Operating Companies Income										
EU	\$ 4,738			\$ 432	\$ 20	\$ 4,286	\$ 4,195		\$ 4,195	2.2 %
EEMA	3,119			21		3,098	2,431		2,431	27.4 %
Asia	2,057			32	5	2,020	1,803		1,803	12.0 %
LA & Canada	520			(4)	100	424	514		514	-17.5 %
Total	\$ 10,434			\$ 481	\$ 125	\$ 9,828	\$ 8,943		\$ 8,943	9.9 %

Reconciliation of Operating Companies Income to Operating Income

	<u>2008</u>	<u>2007</u>
EU	\$ 4,738	\$ 4,195
EEMA	3,119	2,431
Asia	2,057	1,803
Latin America	520	514
Operating Companies Income	\$ 10,434	\$ 8,943
Amortization of intangibles	(44)	(28)
General corporate expenses	(142)	(73)
Gain on sale of leasing business		52
Operating Income	\$ 10,248	\$ 8,894

Reconciliation of Reported EPS to Adjusted EPS and Adjusted EPS Ex-Currency

	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Reported EPS	\$ 3.32	\$ 2.86	16.1%
Adjustments:			
Asset Impairment and Exit Costs	0.02	0.07	
Tax Items	(0.08)	(0.03)	
Equity Loss from RBH Legal Settlement	0.06		
Gain on Sale of Business		(0.01)	
Incremental costs related to services previously provided by Altria		(0.03)	
Interest expense on borrowings to fund special dividends to Altria prior to spin-off		(0.06)	
Adjusted EPS	\$ 3.32	\$ 2.80	18.6%
Less:			
Currency Impact	(0.15)		
Adjusted EPS Ex Currency	\$ 3.17	\$ 2.80	13.2%



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Questions and Answers**