



PHILIP MORRIS
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2012
INVESTOR DAY

Investor Day – Asia Region Lausanne, June 21, 2012

Matteo Pellegrini

President, Asia Region

Philip Morris International



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What Asia Offers

- Favorable operating environment
- Strong financial performance
- Innovative brand portfolio
- Long-term growth potential
- Talented organization



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Regional Overview



2011

- 24 markets
- 3.9 billion population
- 1.2 trillion units, industry volume excluding China
- 313 billion units, PMI shipments
- Adjusted OCI \$4,851 million
- Manufacturing facilities
 - 17 PMI-owned
 - 38 third-party hand-rolled
- 40,000+ employees
 - 17,500+ PMI hand-rollers
- 60,000+ third-party hand-rollers

Note: Industry volume excluding China, North Korea and Myanmar
Source: Global Insights, PMI estimates and PMI Financials

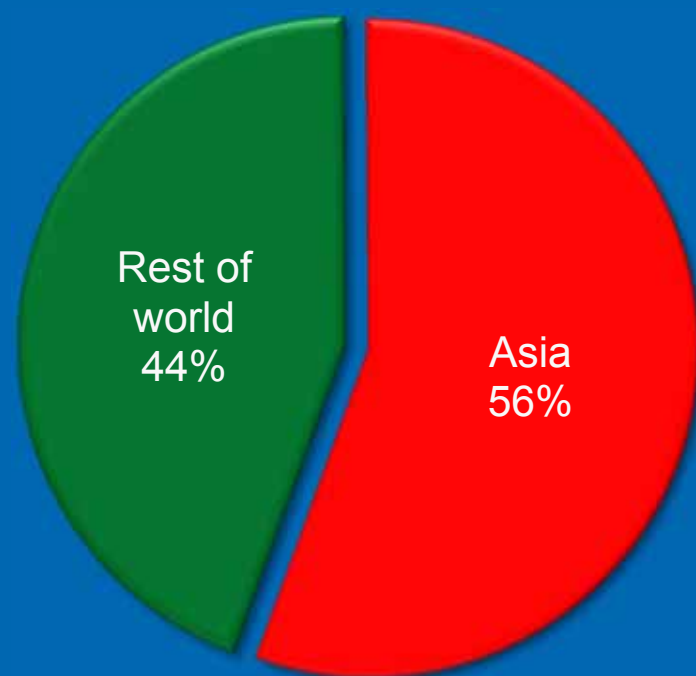


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Large and Growing Population

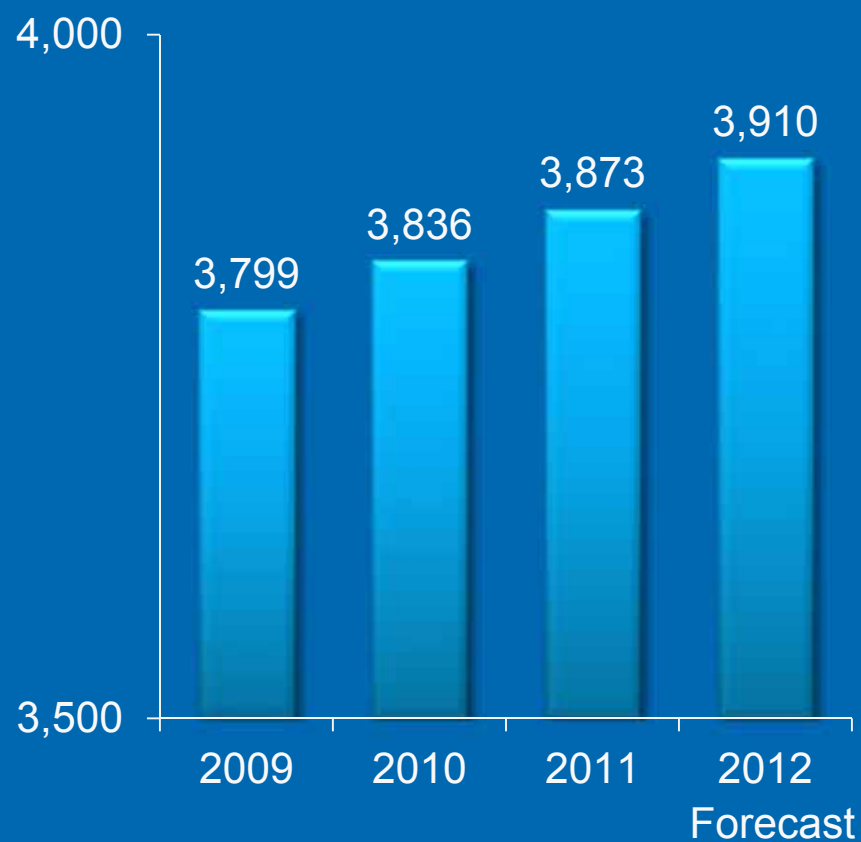
World Population (2011)

7.0 billion



Asia Population (million)

2009-2011 CAGR: 1.0%



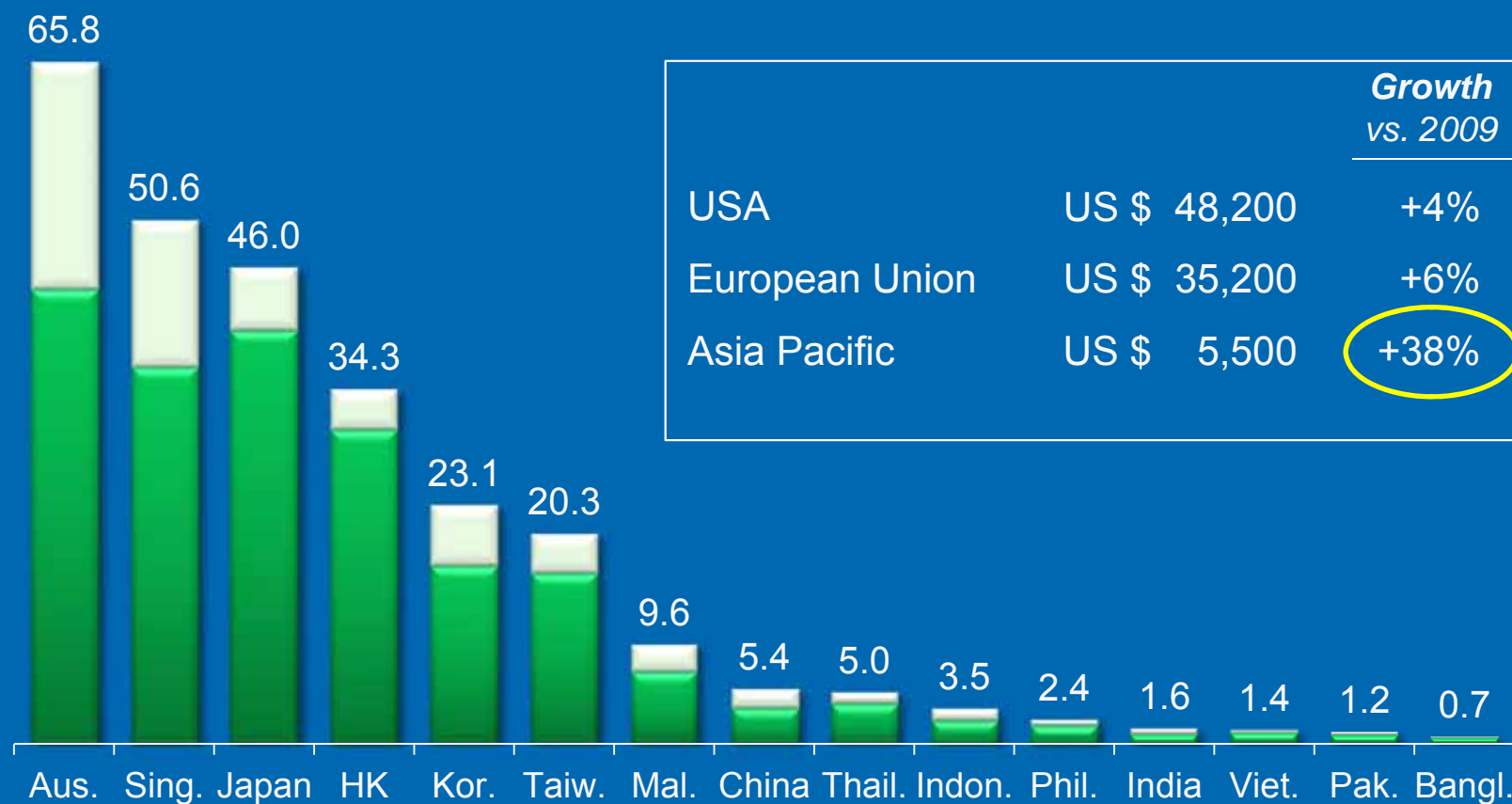


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Increasing GDP Per Capita

(\$ 000)

2011
2009



		Growth vs. 2009
USA	US \$ 48,200	+4%
European Union	US \$ 35,200	+6%
Asia Pacific	US \$ 5,500	+38%

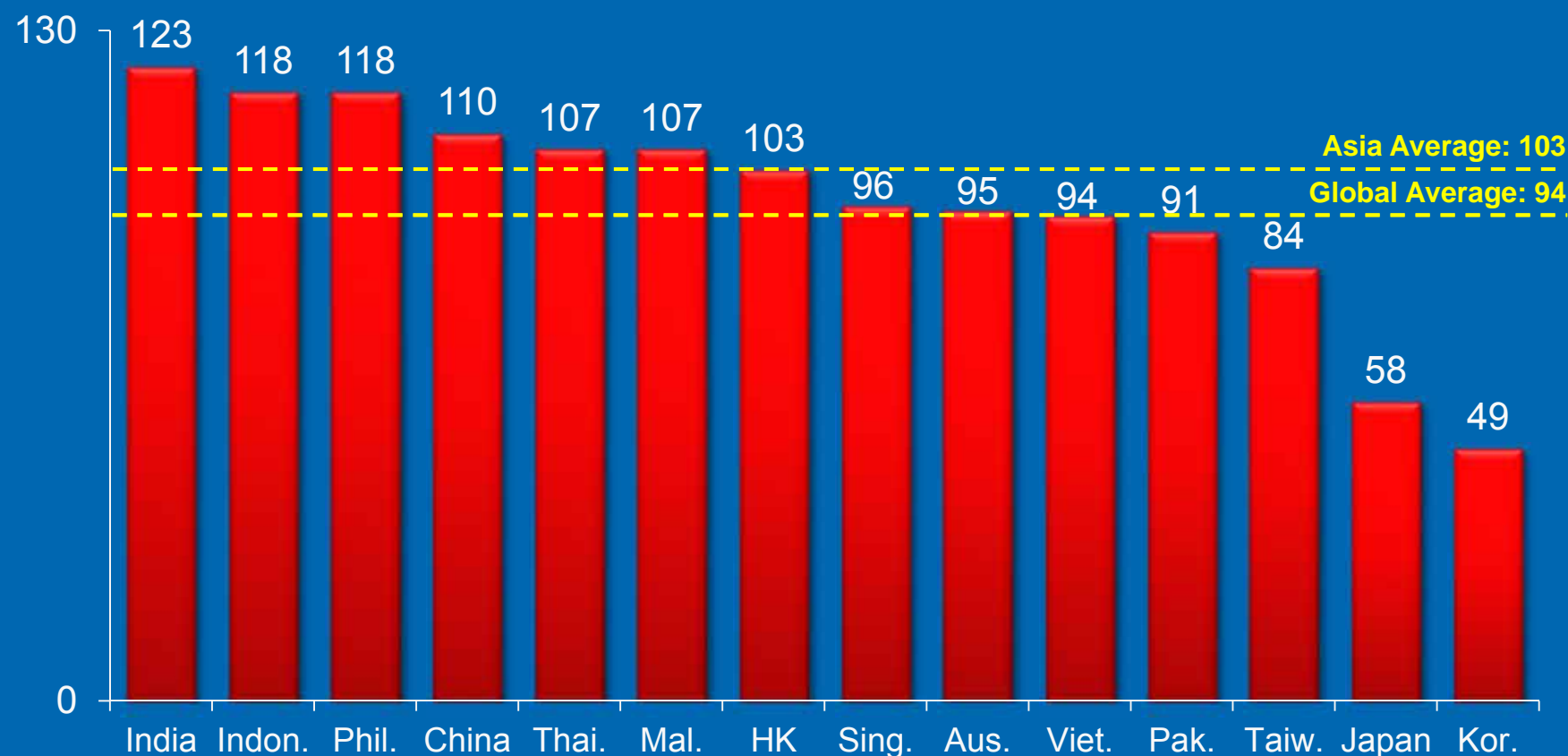
Note: Aus. is Australia, Sing. is Singapore, HK is Hong Kong, Kor. is Korea, Taiw. is Taiwan, Mal. is Malaysia, Thail. is Thailand, Indon. is Indonesia, Phil. is Philippines, Viet. is Vietnam, Pak. is Pakistan and Bangl. is Bangladesh
Source: Global Insights



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Consumer Confidence Above Global Average

Index above/below 100 indicates optimism/pessimism



Note: Indon. is Indonesia, Phil. is Philippines, Thail. is Thailand, Mal. is Malaysia, HK is Hong Kong, Sing. is Singapore, Aus. is Australia, Viet. is Vietnam, Pak. is Pakistan, Taiw. is Taiwan and Kor. is Korea
Source: Nielsen Research Q1, 2012



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Significant Volume Markets

2011 Asia^(a) Industry Volume
1.2 trillion units

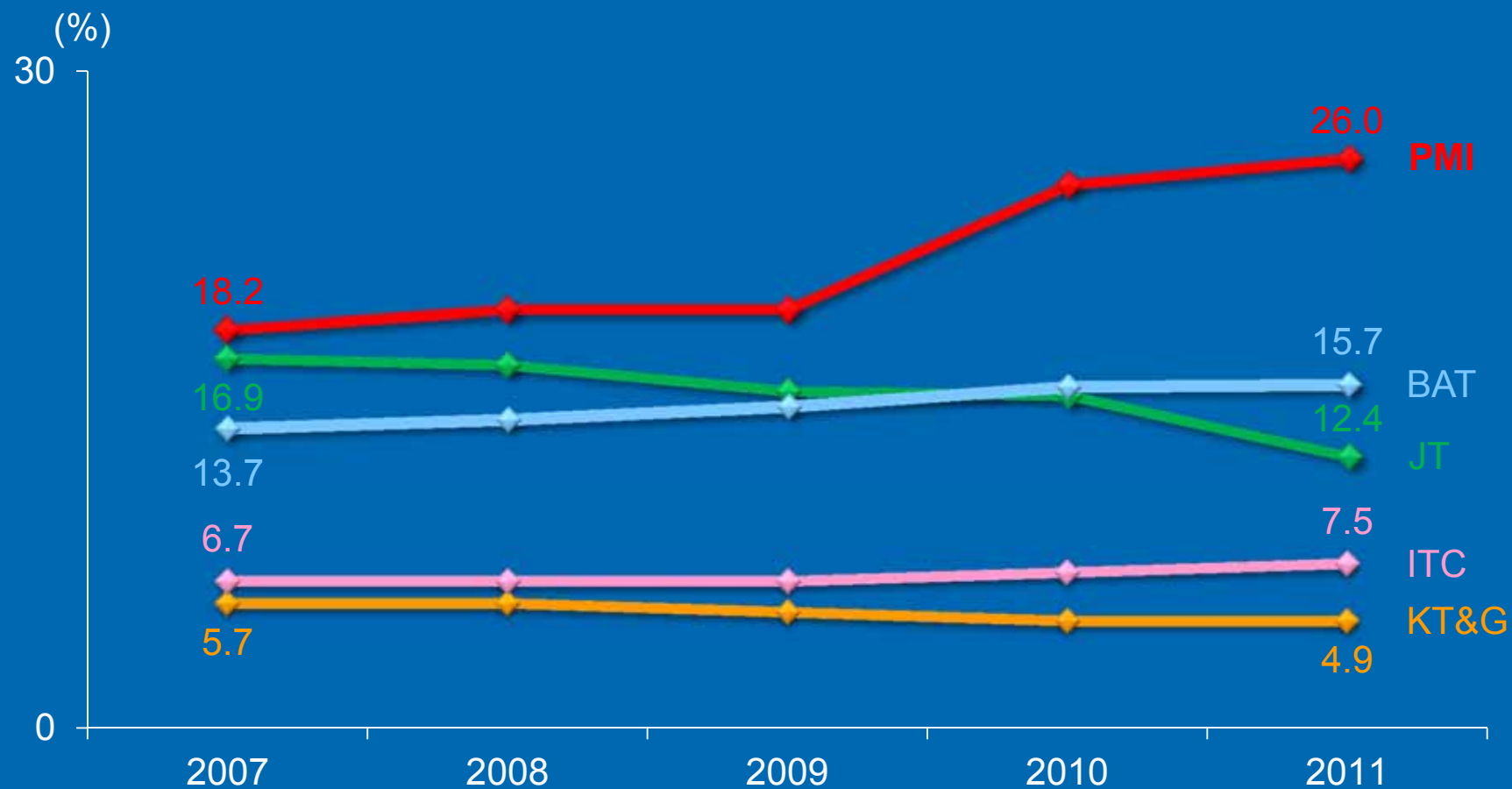
	Global Ranking	(units billion)		
		<u>2007</u>	<u>2011</u>	<u>CAGR %</u>
Indonesia	3	238	294	5.5
Japan	5	261	195	(7.0)
India	6	108	111	0.5
Philippines	7	86	97	3.3
Korea	10	92	90	(0.5)
Bangladesh	14	56	82	10.2
Vietnam	15	79	81	0.7
Other		<u>223</u>	<u>210</u>	
Total		<u>1,143</u>	<u>1,160</u>	0.4

(a) Excluding China, North Korea and Myanmar. Global ranking including China and the USA
Source: PMI estimates



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Positive Share Growth



Note: Asia excludes China
Source: PMI estimates



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Solidified Share Leadership Position

Market Share Variance (pp)
(2011 vs. 2007)

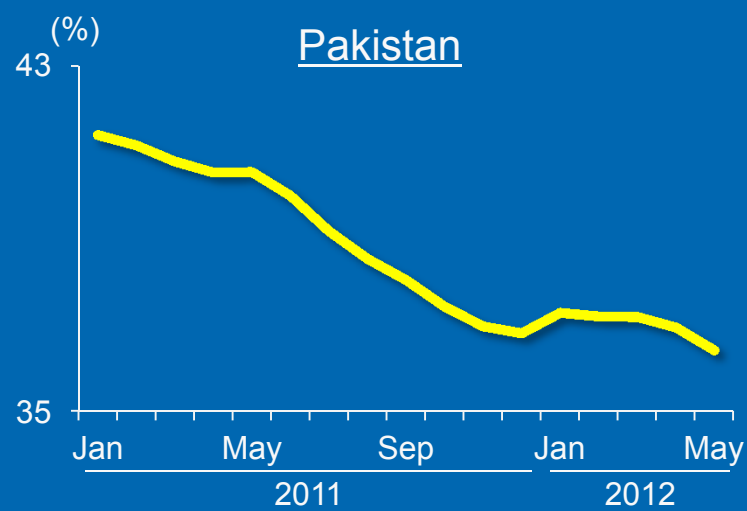
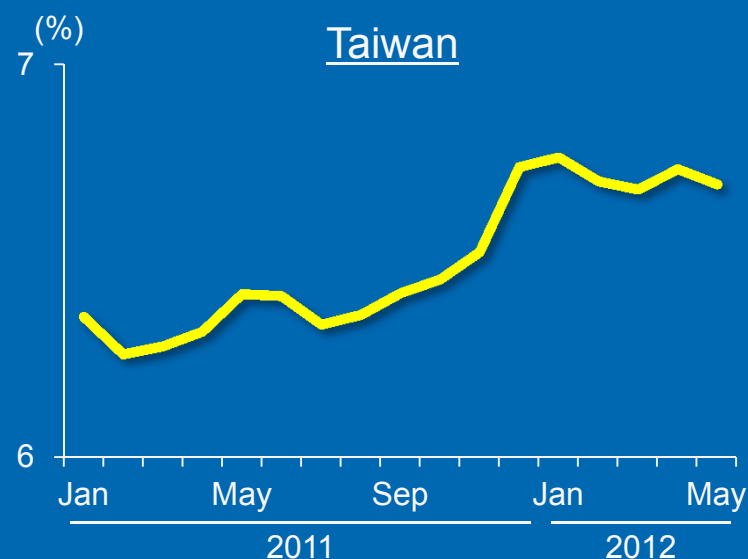
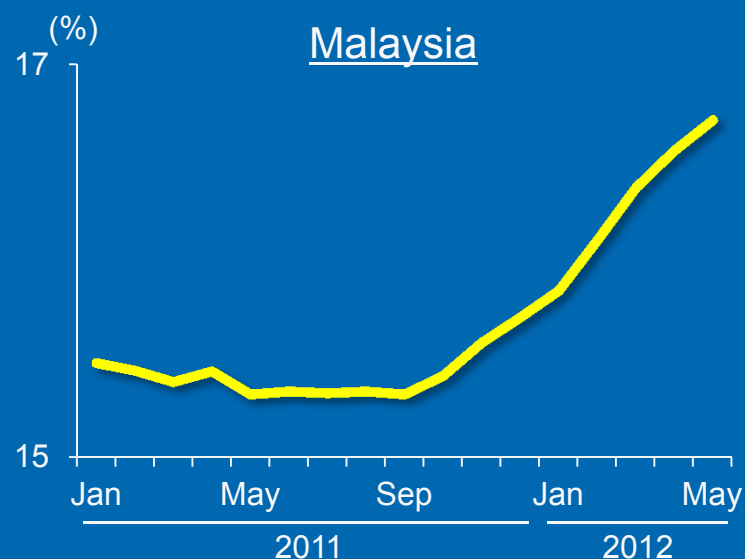


Note: Phil. is Philippines, HK is Hong Kong, Sing. is Singapore, Indon. is Indonesia, Thail. is Thailand, Viet. is Vietnam, Aus. is Australia, Taiw. is Taiwan, Mal. is Malaysia and Pak. is Pakistan. Pakistan 2007 data adjusted for pro forma inclusion of Lakson acquisition
Source: PMI estimates



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Market Share: Malaysia, Taiwan and Pakistan



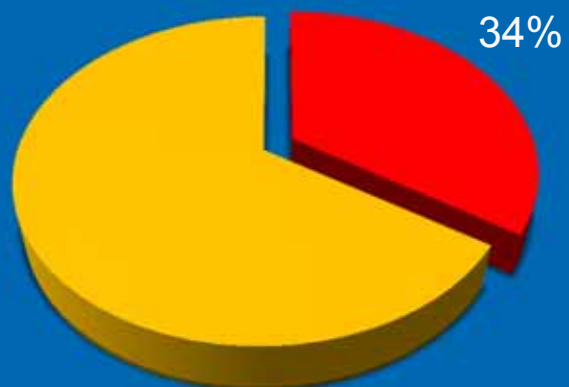
Note: Market share based on 12 month moving average
Source: PMI estimates



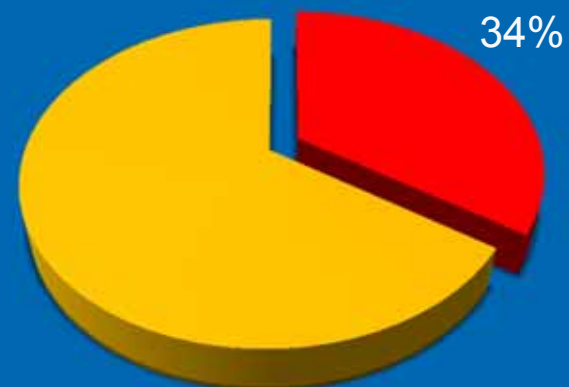
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Asia Contribution to 2011 PMI Results

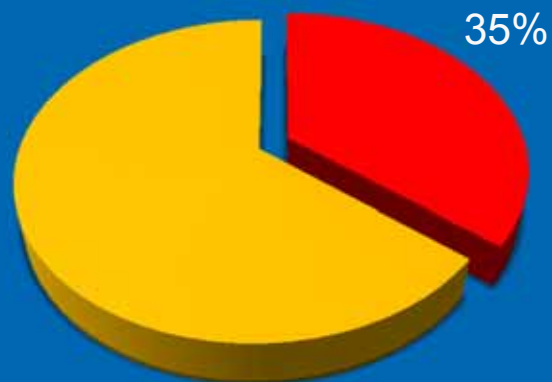
Cigarette Shipment Volume



Net Revenues



Adjusted OCI



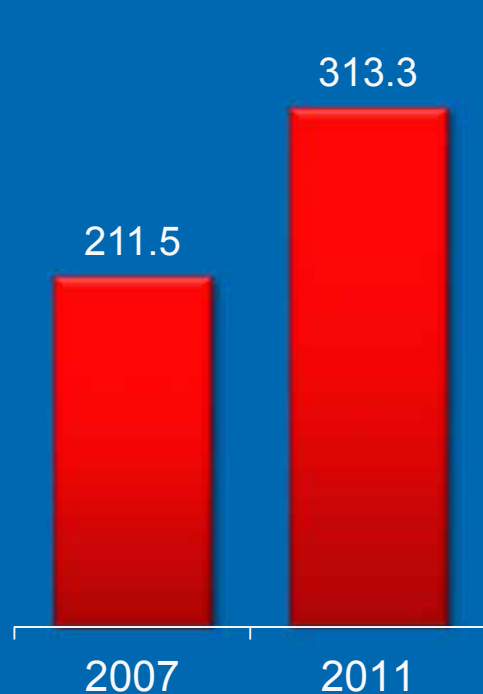


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Robust Results

Shipment Volume (units billion)

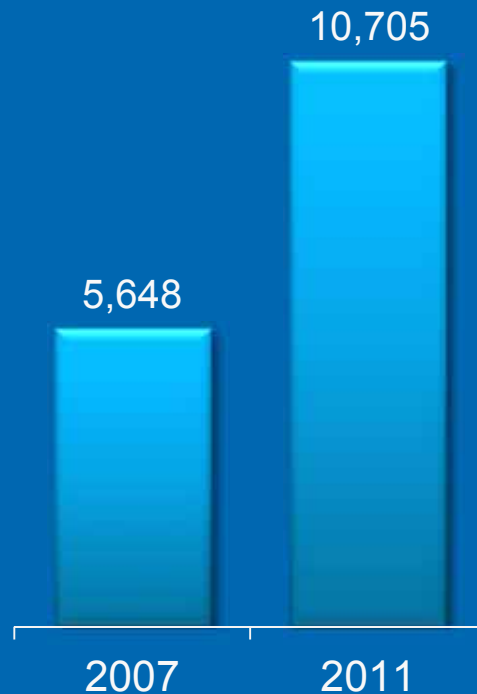
CAGR: 10.3%



Net Revenues (\$ million)

CAGR: 17.3%

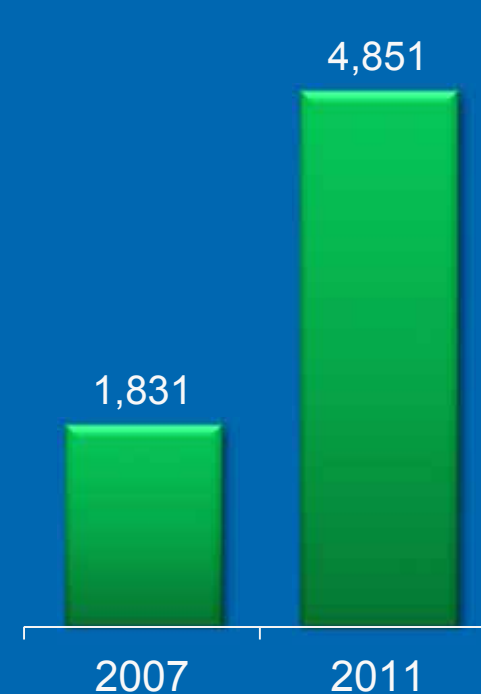
CAGR: 13.3% (excl. currency)



Adjusted OCI (\$ million)

CAGR: 27.6%

CAGR: 21.0% (excl. currency)



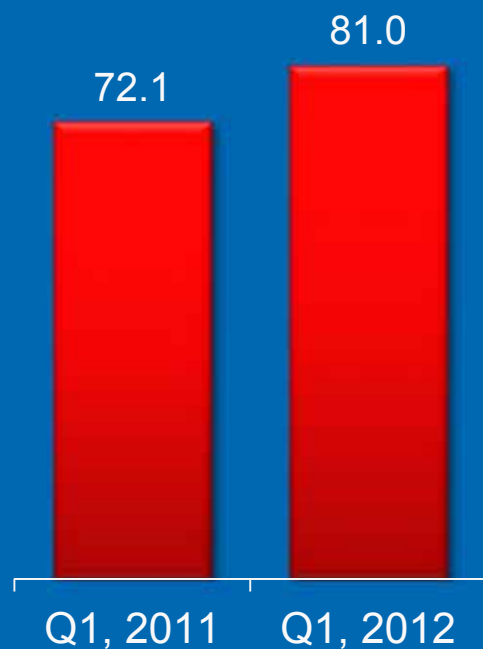


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And Momentum Continues

Shipment Volume (units billion)

+12.4%



Net Revenues (\$ million)

+19.5%

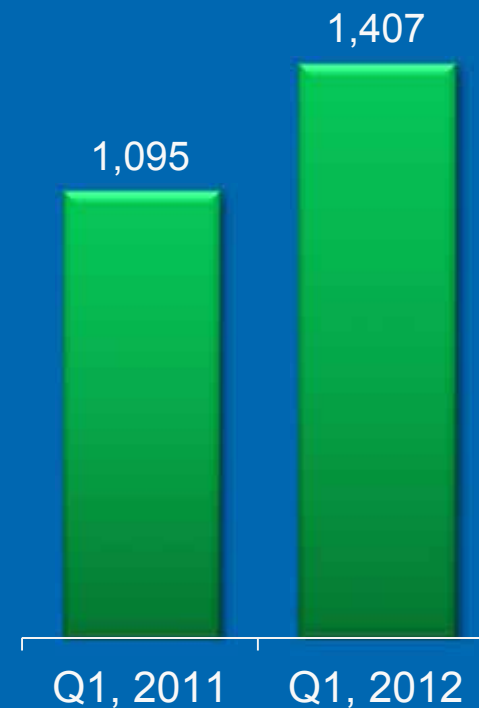
+16.4% (excl. currency)



Adjusted OCI (\$ million)

+28.5%

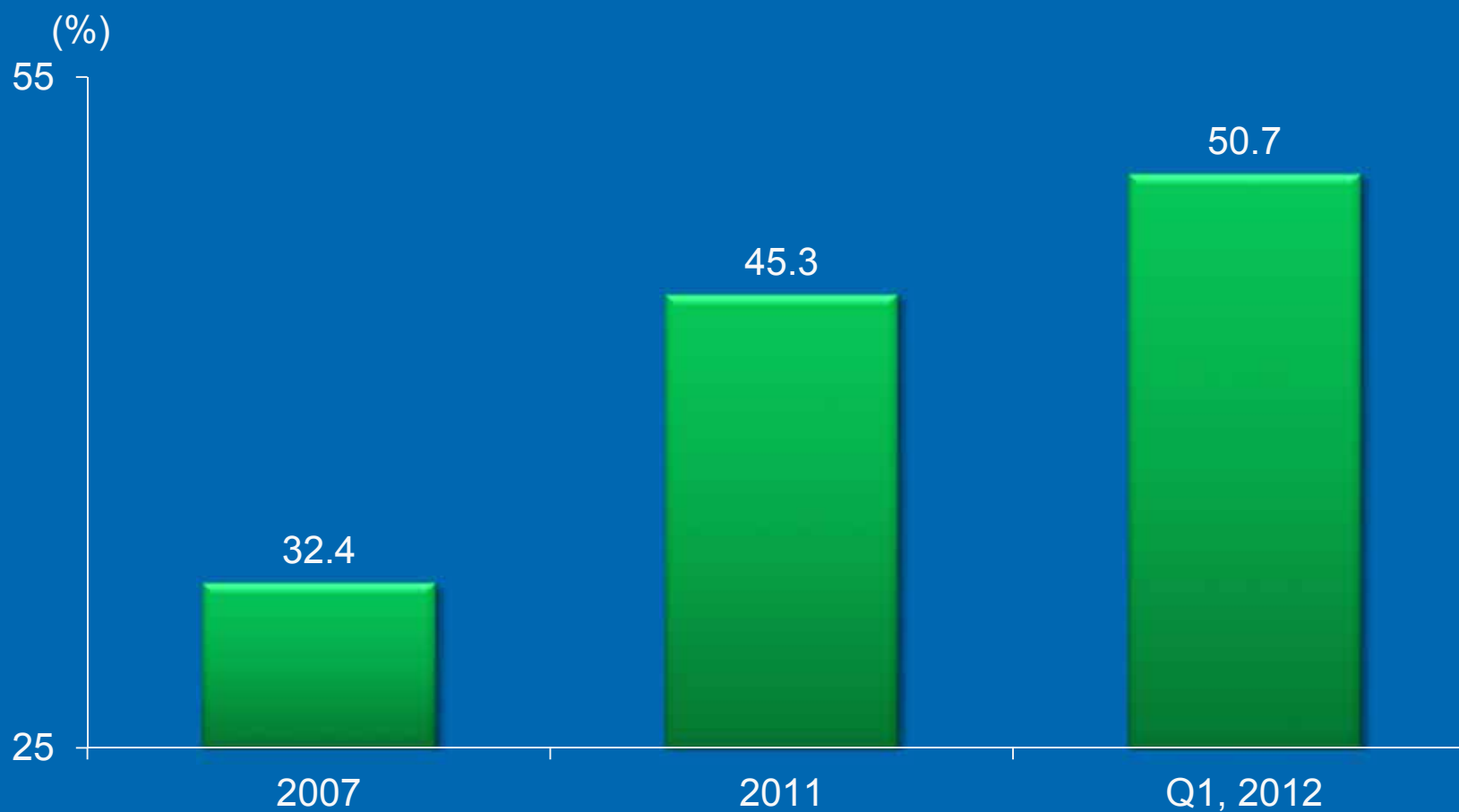
+23.7% (excl. currency)





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Expanding Adjusted OCI Margin



Note: Adjusted OCI margins are calculated as adjusted OCI, divided by net revenues, excluding excise taxes
Source: PMI Financials



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Strategies for Growth

- Grow talent and leaders for the future
- Obtain a fair and reasonable regulatory and fiscal environment
- Drive growth of *Marlboro* and local heritage brands through enhanced consumer understanding and innovation
- Investing for long-term growth



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Manageable Fiscal Environment

Mixed Excise Tax

China

Malaysia

Pakistan

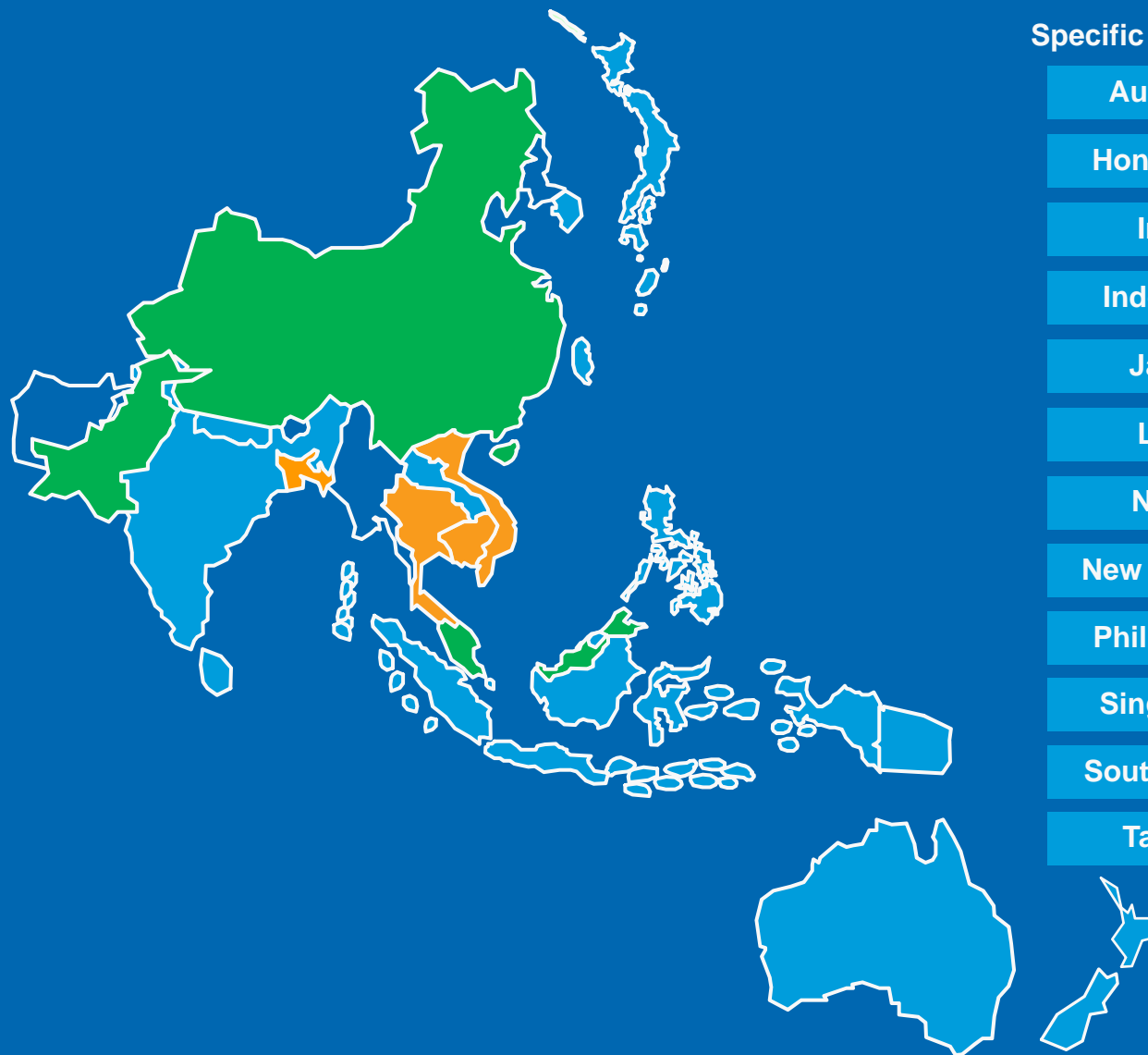
Ad Valorem

Bangladesh

Cambodia

Thailand

Vietnam



Specific Excise Tax

Australia

Hong Kong

India

Indonesia

Japan

Laos

Nepal

New Zealand

Philippines

Singapore

South Korea

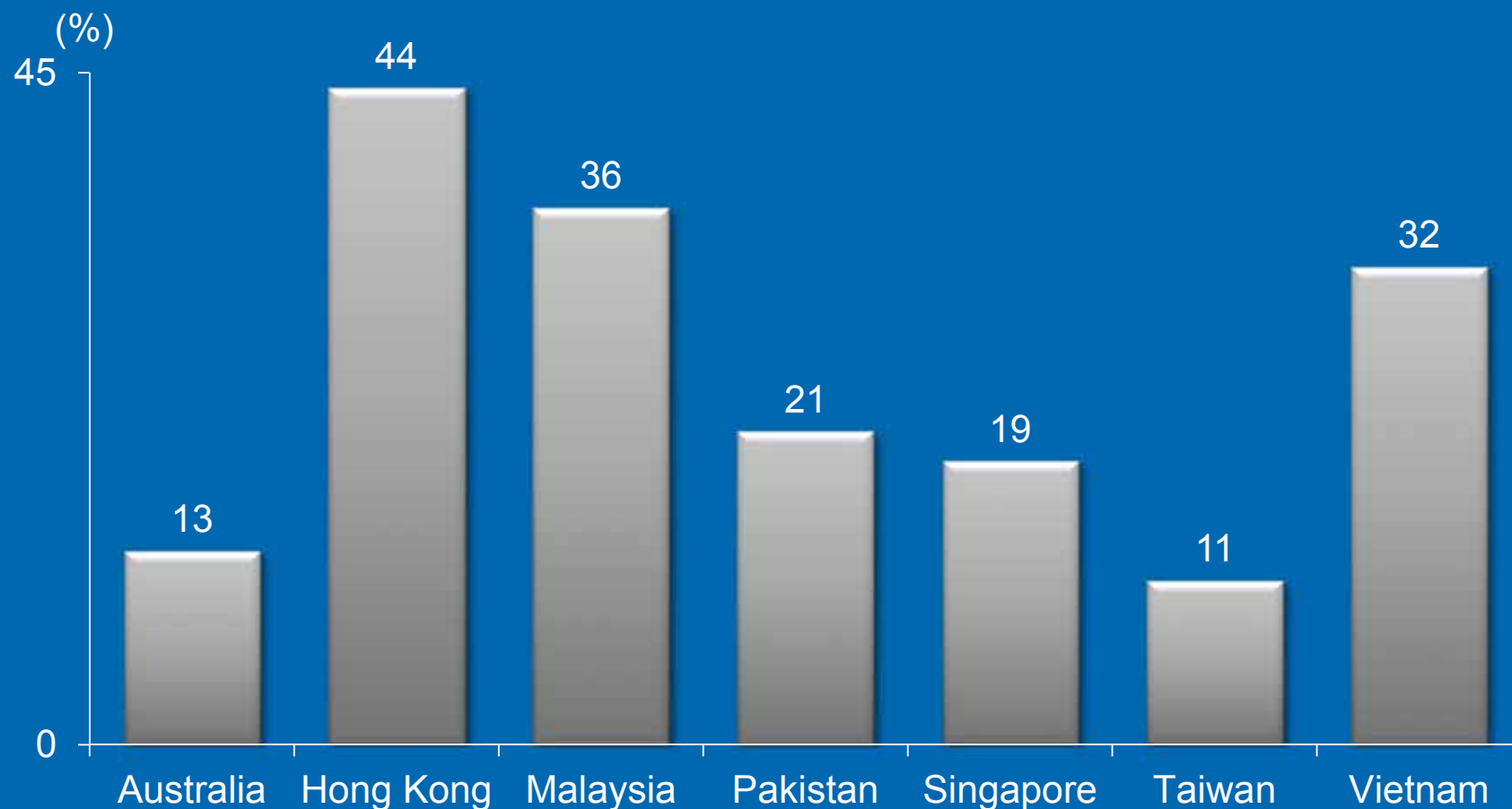
Taiwan



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Illicit Trade a Significant Challenge to the Region

2011 Illicit and Non Domestic Incidence



Source: PMI estimates, Australia Deloitte Reports; Hong Kong Q4, 2011 Market Survey (empty pack); Malaysia TNS & Nielsen (empty pack); Pakistan Nielsen Retail Audit; Singapore TNS (empty pack); Taiwan Tobacco Institute (empty pack) and Vietnam Q4, 2011 market survey (empty pack)

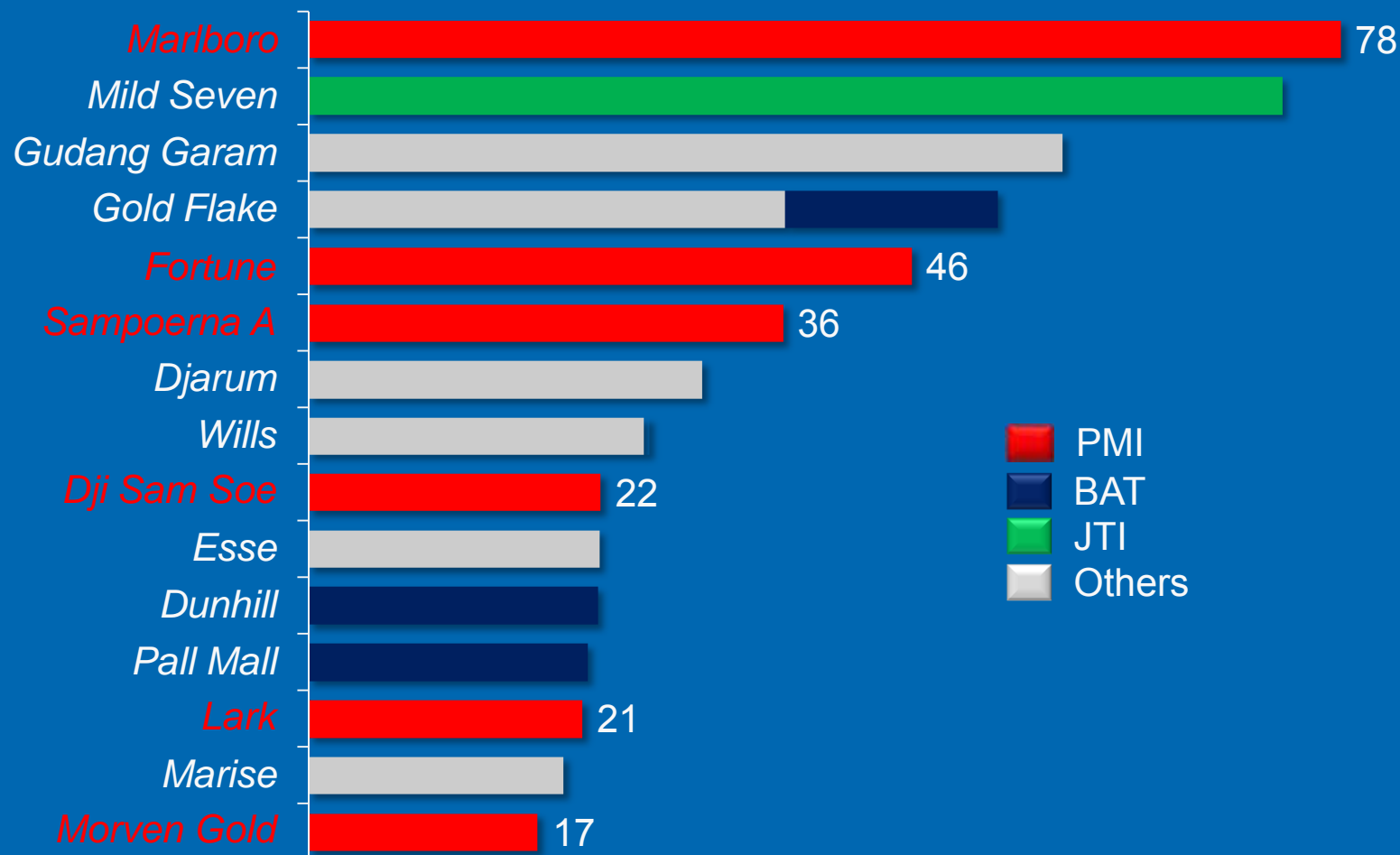


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Superior Brand Portfolio

(units billion)

2011 Top 15 Brands Volume



Note: Excludes brands from China National Tobacco Corporation

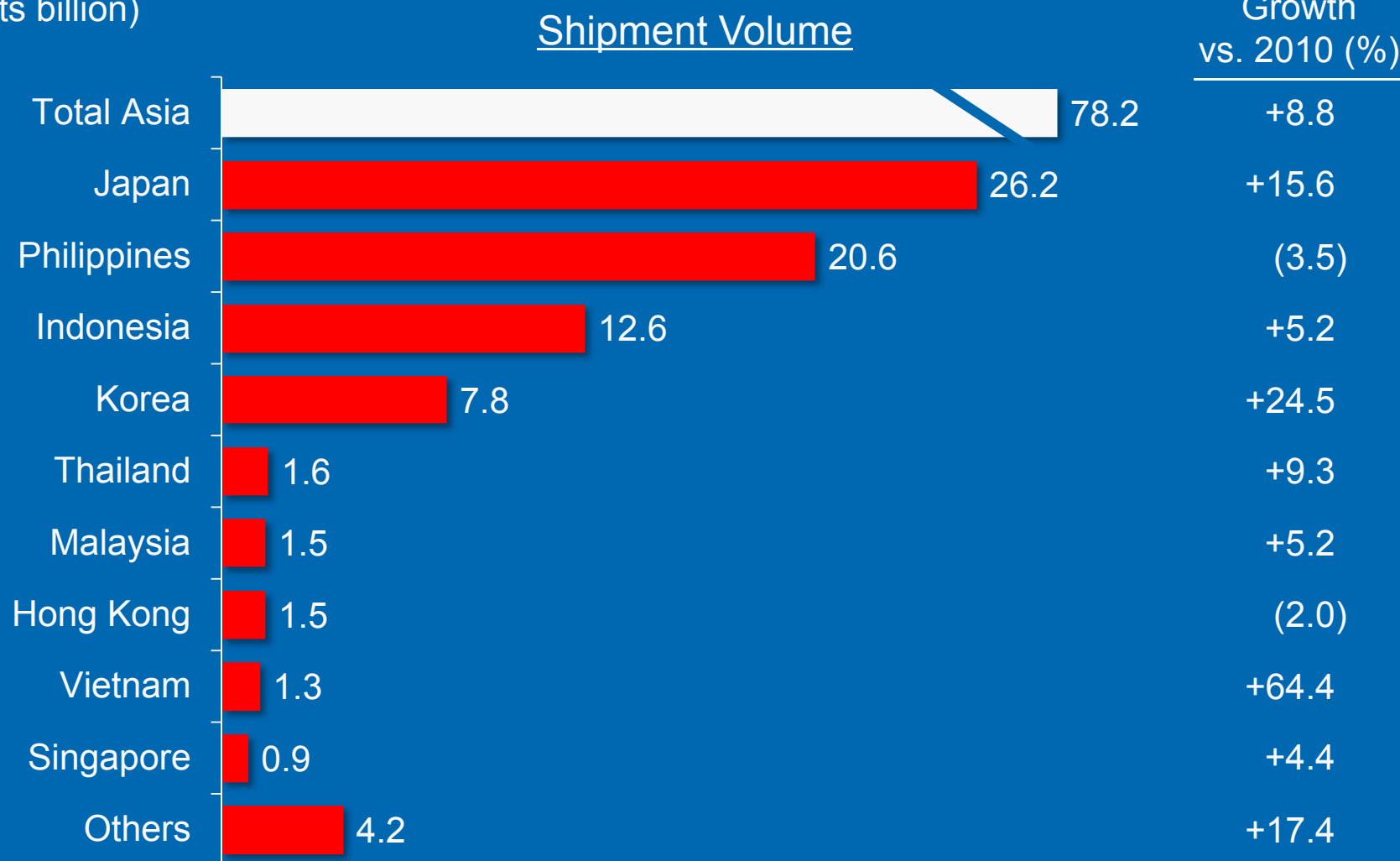
Source: PMI data from PMI Financials. Competitive data derived from company reports and PMI estimates



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Robust *Marlboro* Performance in 2011

(units billion)



And the *Marlboro* Momentum Continues in Q1, 2012

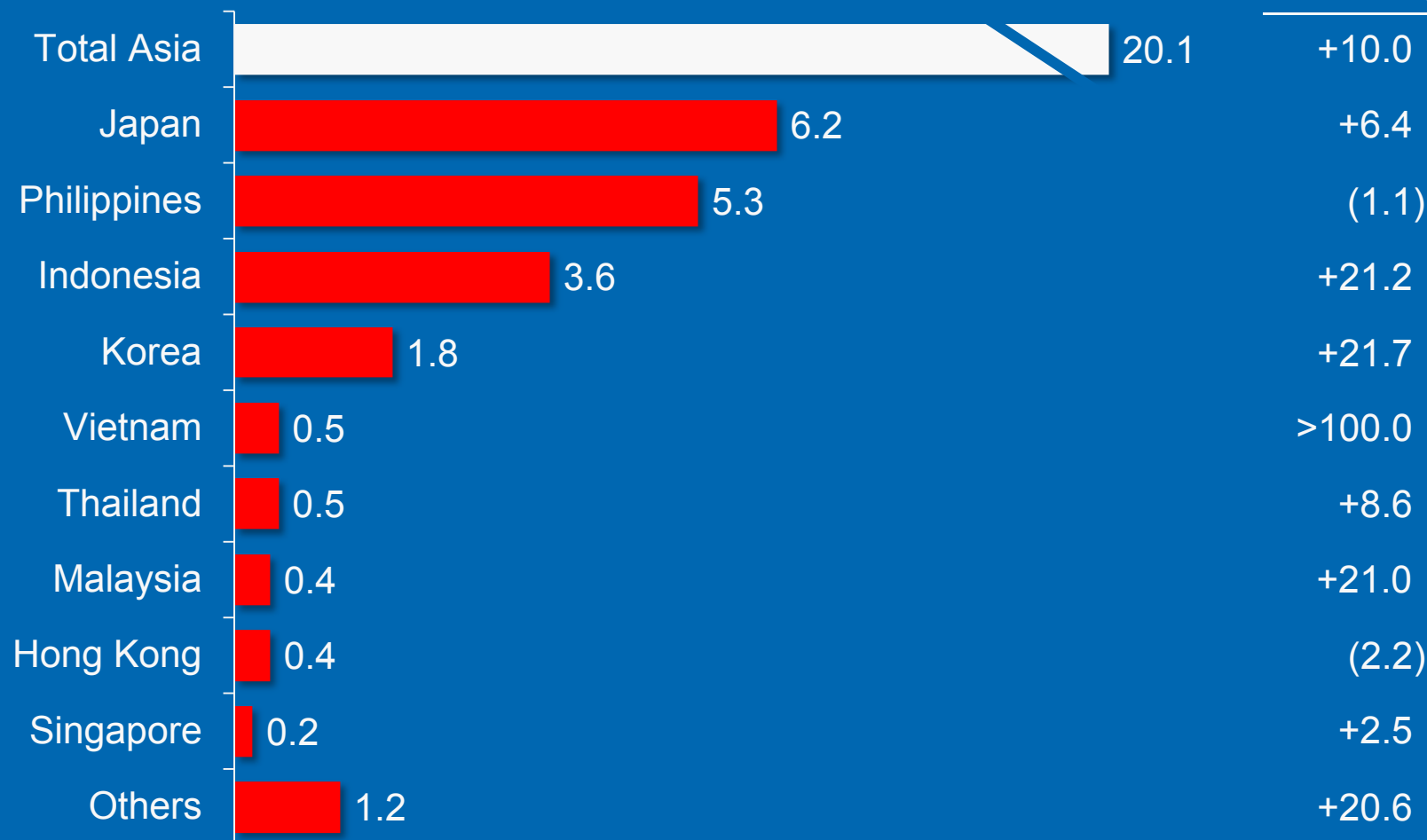


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(units billion)

Shipment Volume

Growth
vs. 2011 (%)





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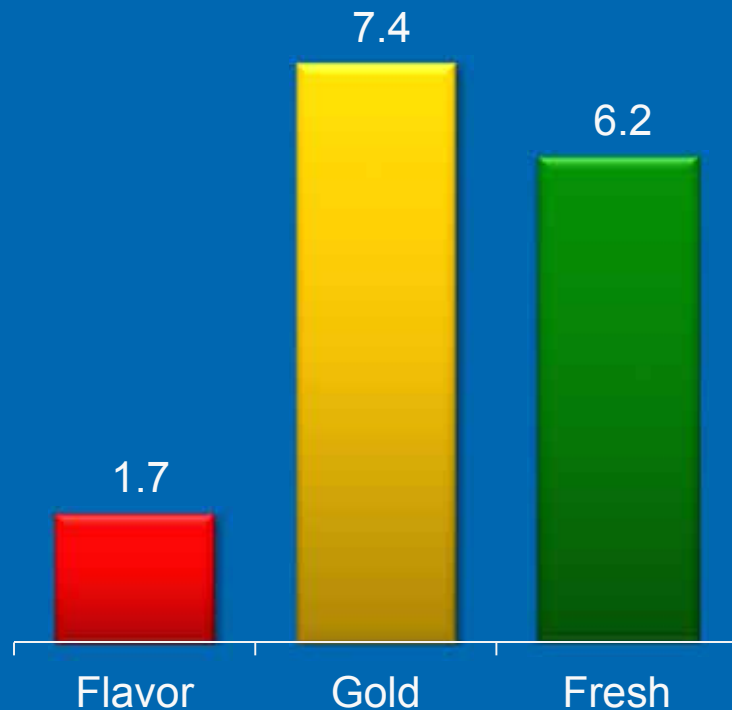
Innovation Driving *Marlboro* Growth

(units billion)

Marlboro Volume Growth

(2011 vs. 2007)

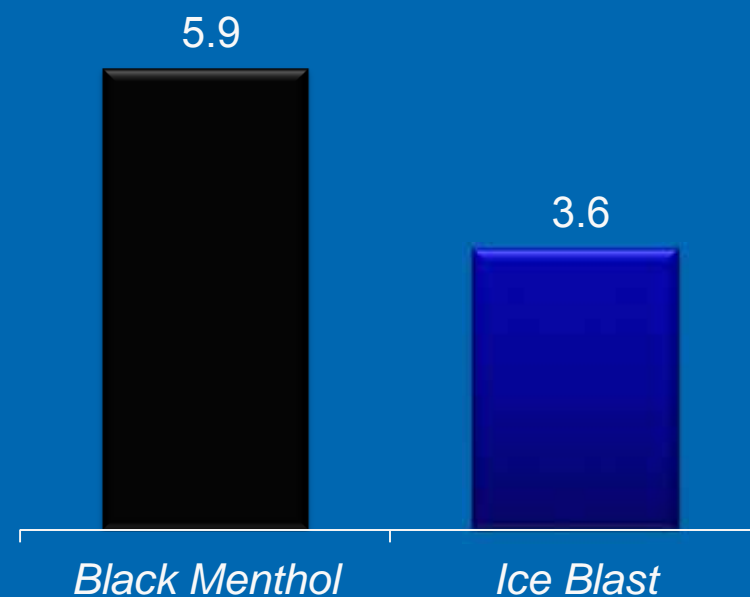
+15.3 billion units



Marlboro Fresh Line Extension

Volume Growth

(2011 vs. 2007)

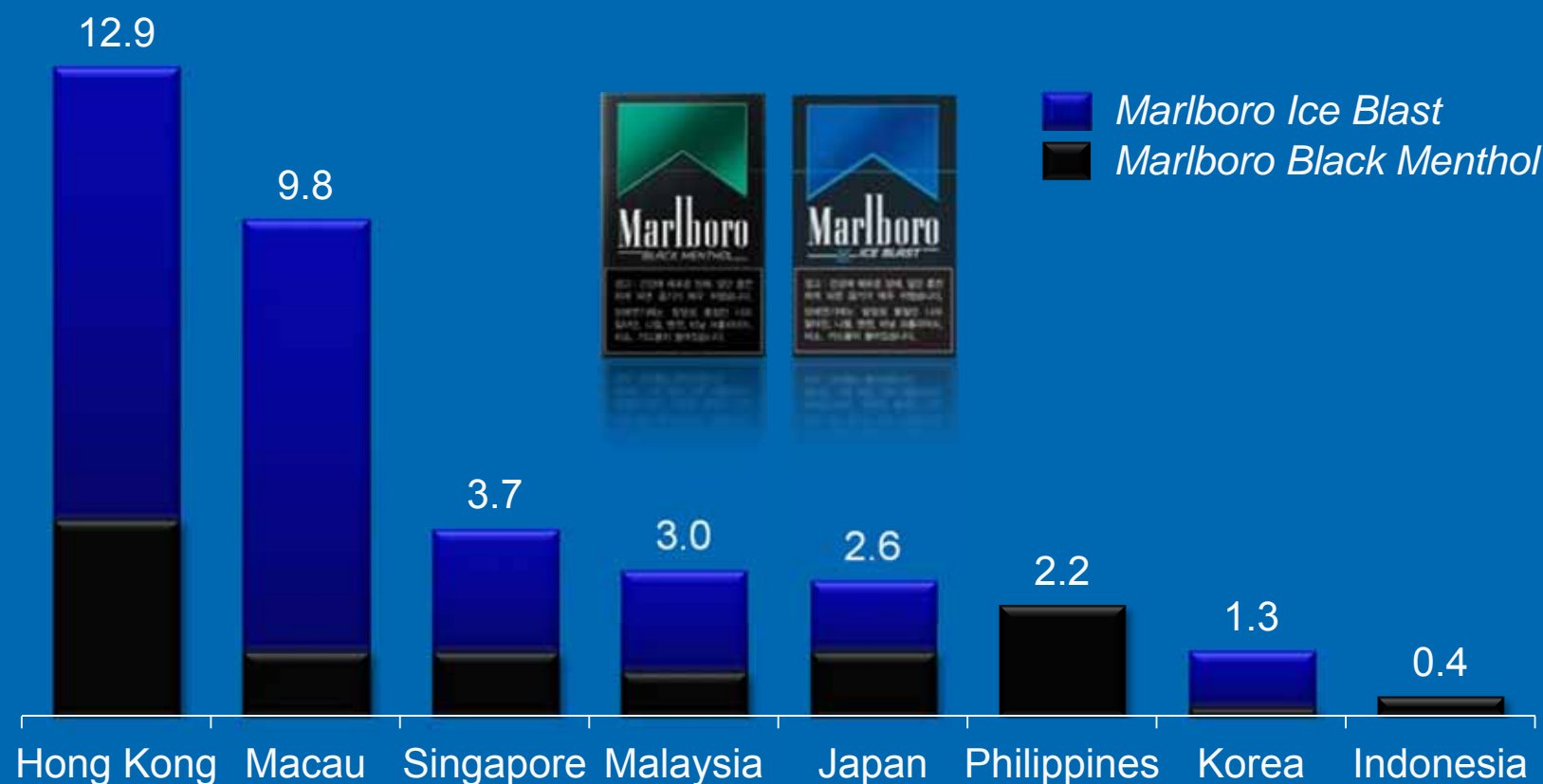




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Success of *Marlboro Black Menthol* and *Ice Blast*

Q1, 2012 Market Shares (%)



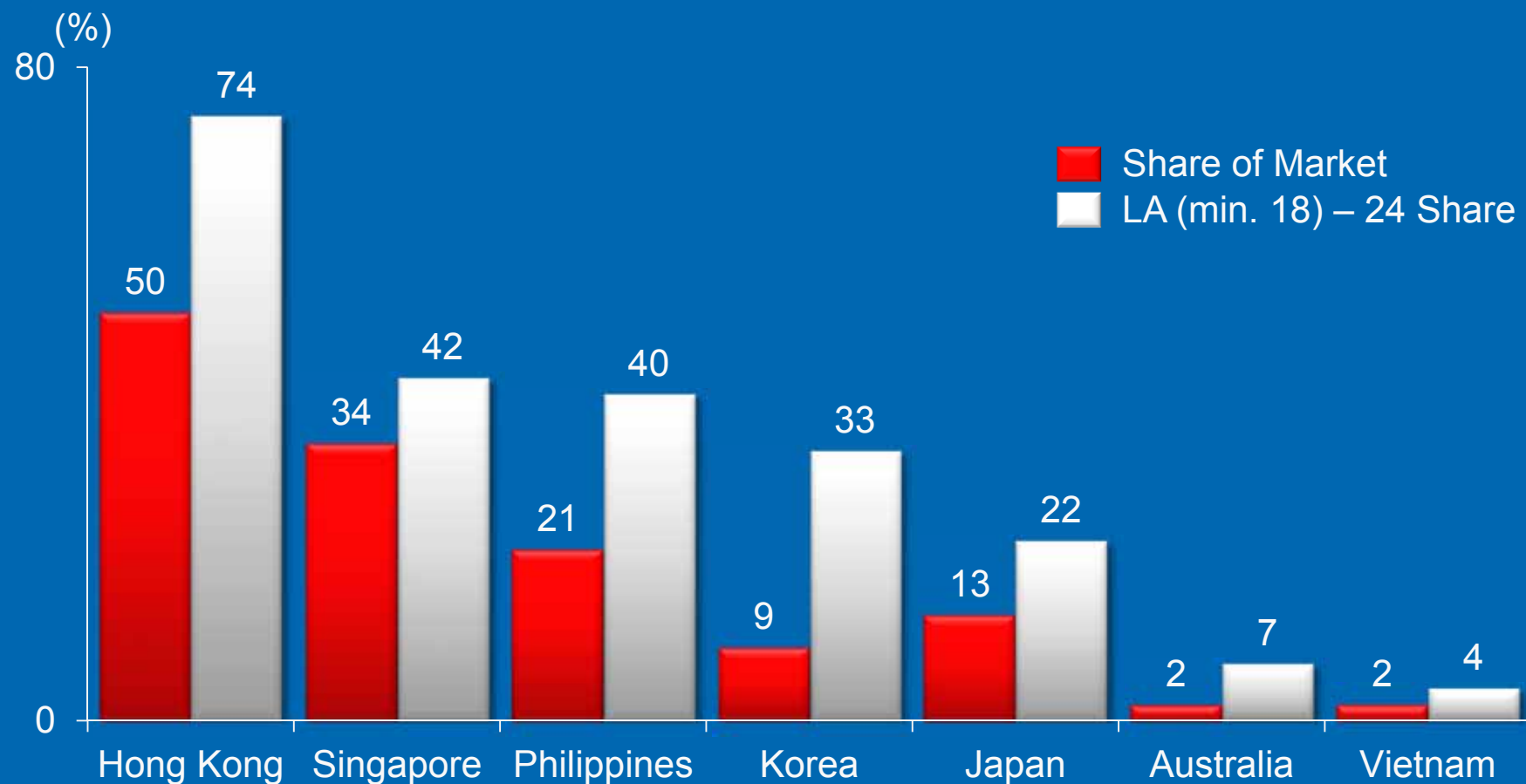
Source: PMI estimates, Tobacco Institute of Japan and Hankook Research



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Favorable *Marlboro* Demographics

2011 *Marlboro* Share



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



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Japan: Building Off a Higher Base

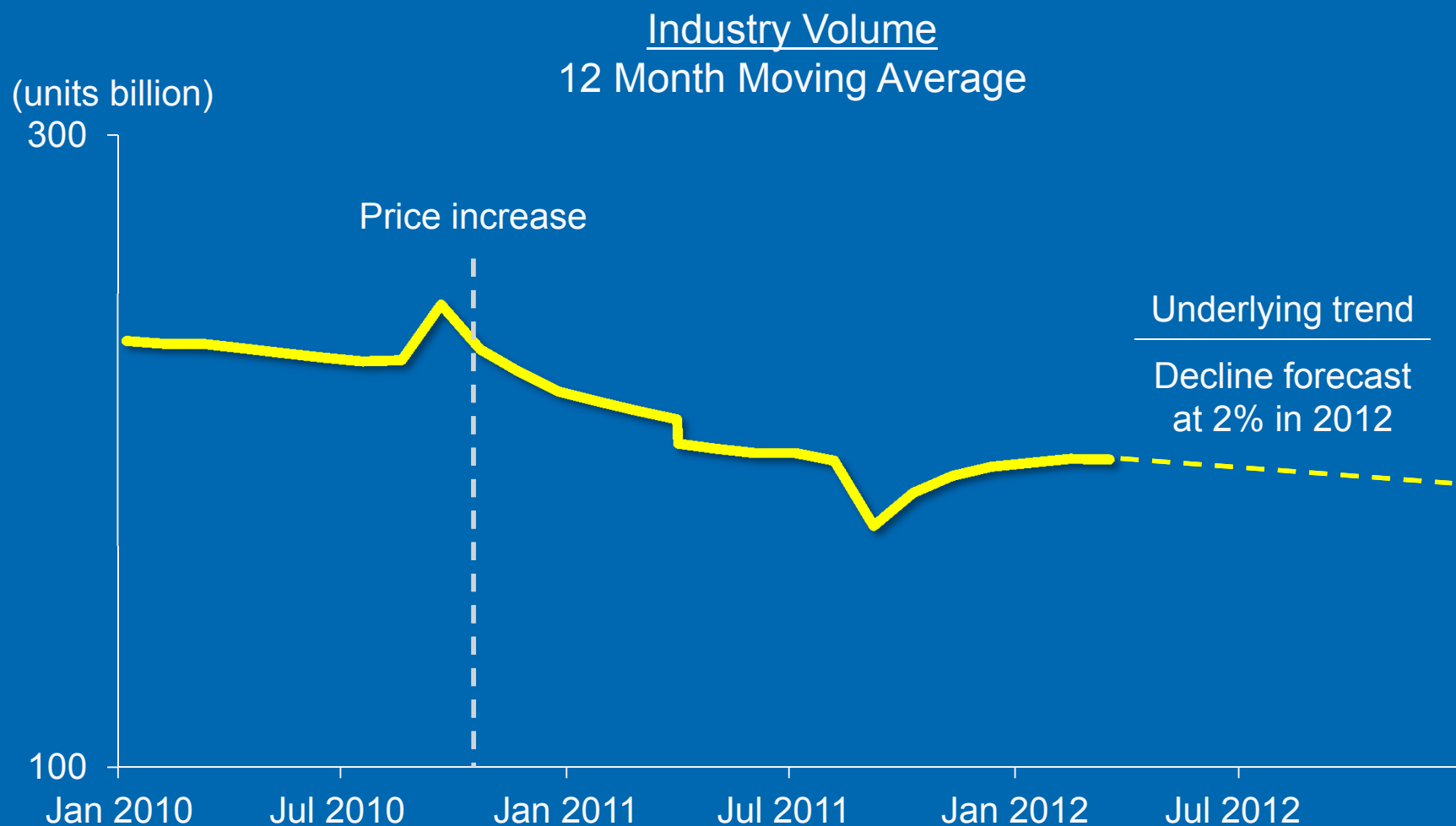
- Industry decline stabilizing
- Record high market share in 2011 at 30.7% with 2011 exit share of 28.2%
- Achieved YTD May, 2012 share of 28.0%
- Capitalize on innovation pipeline and product launches
- Pricing freedom key to increasing profitability
- VAT increase legislation approved by Cabinet





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Japan: Industry Decline Stabilizing



Source: Tobacco Institute of Japan and PMI estimates



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Japan: Accelerated Share Growth in 2011

--- Exit share (Q4, 2011)



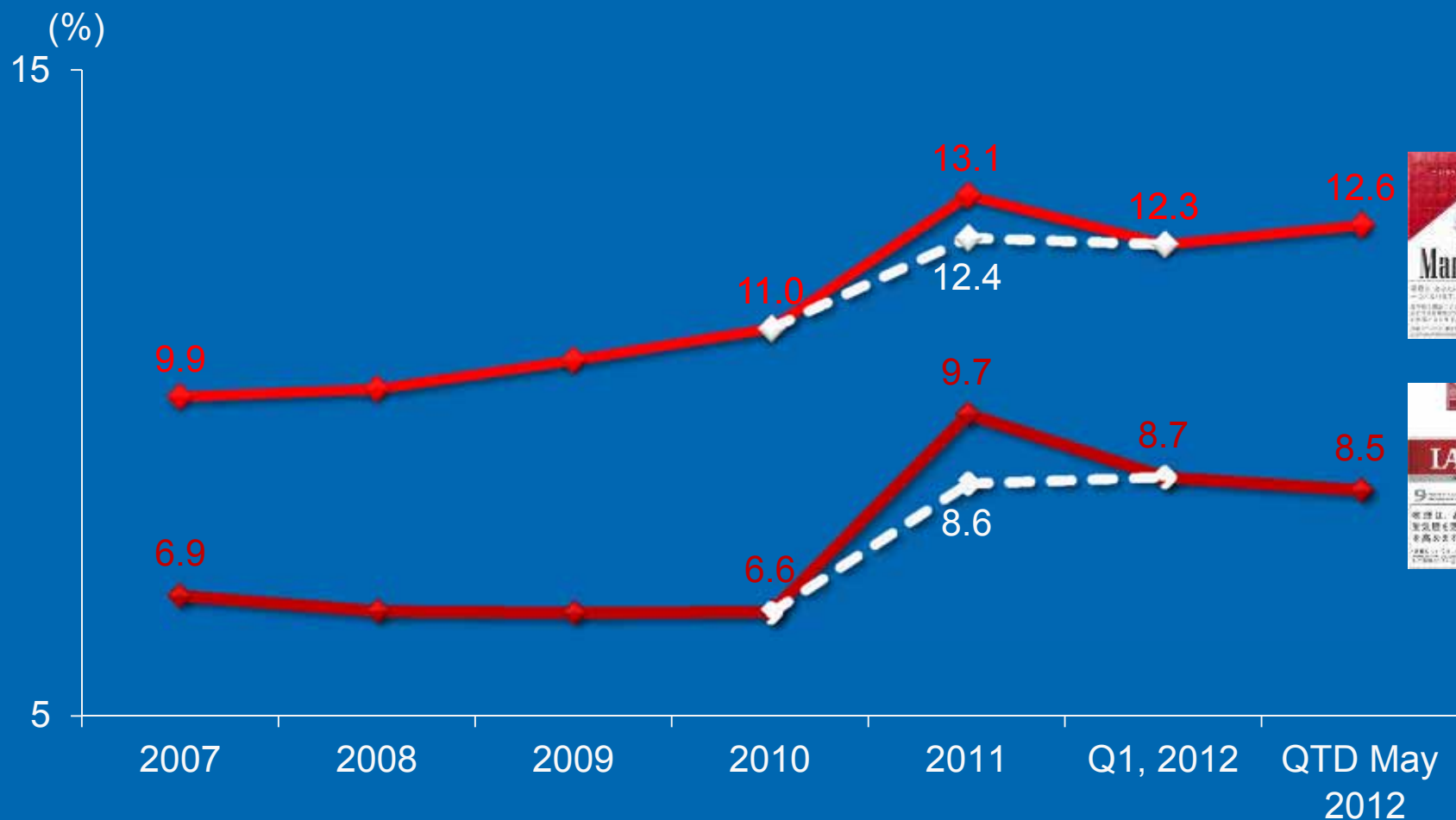
Source: Tobacco Institute of Japan



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Japan: *Marlboro* and *Lark* Driving Share Growth

--- Exit share (Q4, 2011)

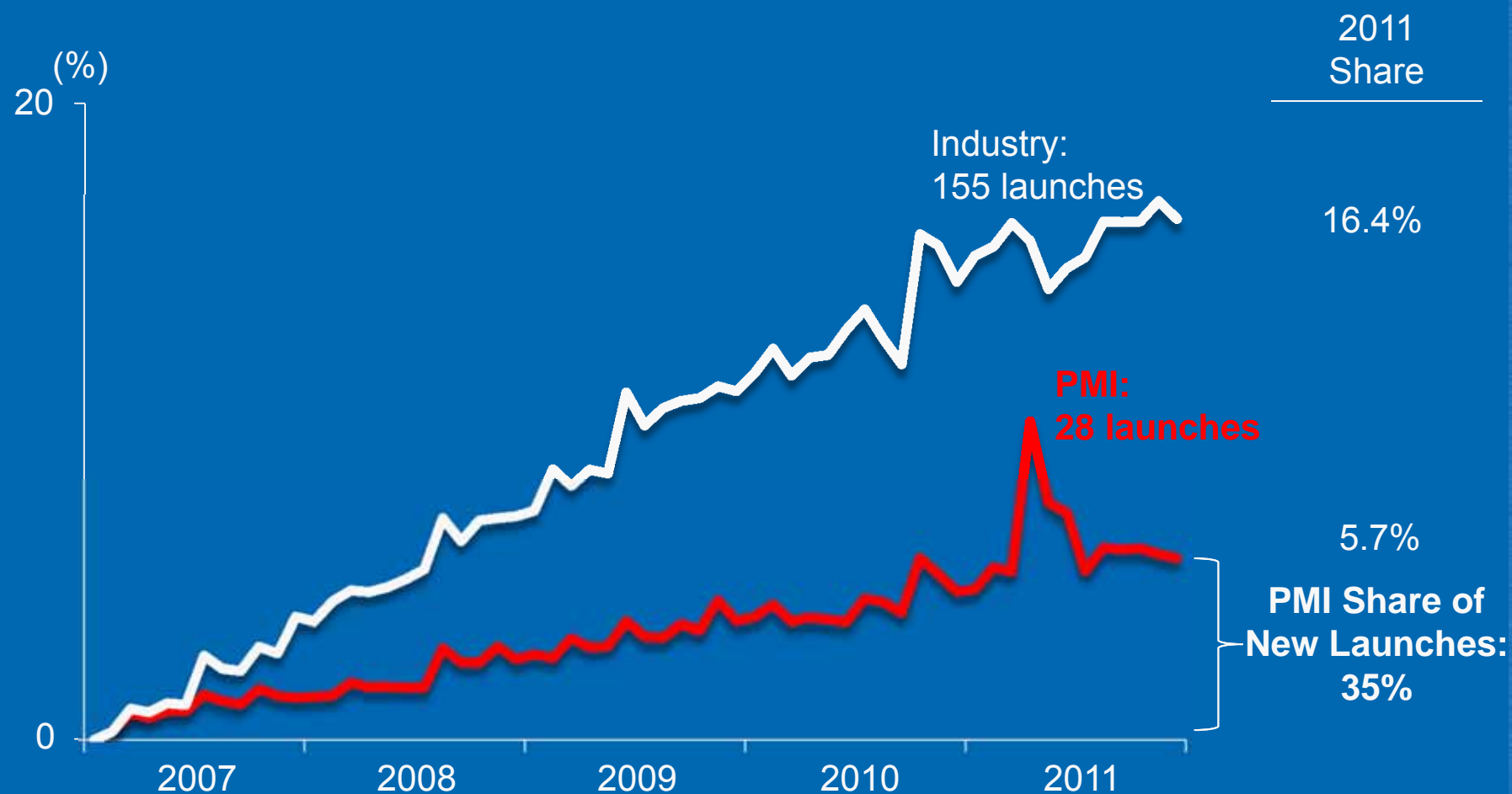


Source: Tobacco Institute of Japan



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Japan: PMI Successful Innovations





100's
¥410



LARK
HYBRID
ハイブリッド

あなたが吸い込むタールとニコチンの量は、たばこの吸い方によって異なります。

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。
未成年者の喫煙は、健康に対する悪影響やたばこへの依存をより強めます。周りの人から勧められても決して吸ってはいけません。
人により程度は異なりますが、ニコチンにより喫煙への依存が生じます。

Note: English: "Regular as is, crush to menthol"



NEW

8mg **1mg**

Marlboro
BLACK MENTHOL 8

Marlboro
BLACK MENTHOL 1

BLACK MENTHOL
EDGE
最強スリム。

あなたが吸い込むタールとニコチンの量は、たばこの吸い方によって異なります。

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。
未成年者の喫煙は、健康に対する悪影響やたばこへの依存をより強めます。周りの人から勧められても決して吸ってはいけません。
妊娠中の喫煙は、胎児の発育障害や早産の原因の一つとなります。



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Indonesia: Growth Potential

- Record high share of 33.4% in Q1 2012
- Third-largest cigarette market in the world after China and Russia
- Positive economic outlook
- Strong portfolio with a premium skew



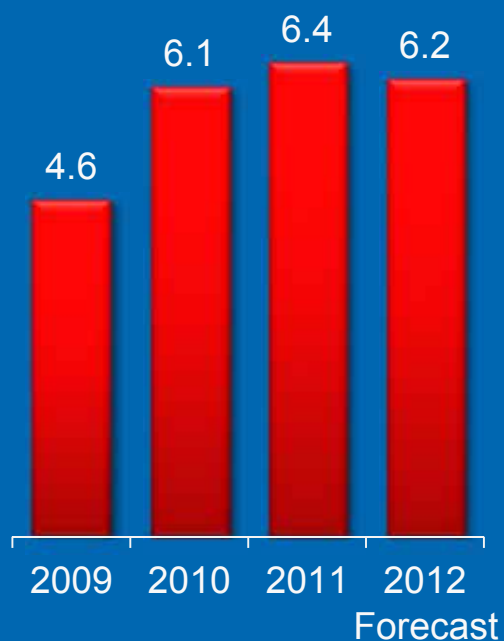
Source: PMI estimates



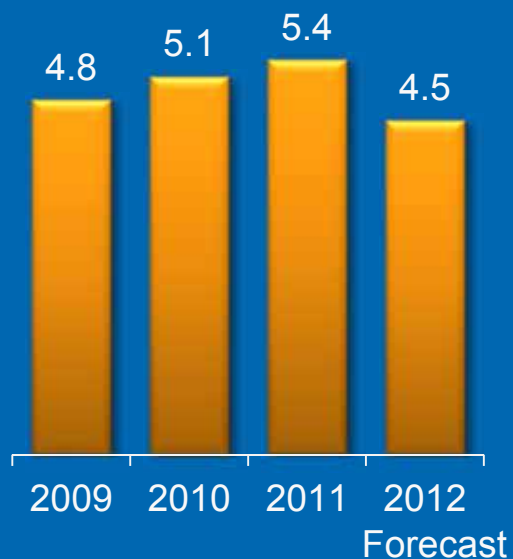
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Indonesia: Positive Economic Environment

GDP Growth
(%)



Inflation
(%)



Unemployment
(%)





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Indonesia: Excise Tax Structure

- Moved from a multi-tier ad-valorem to a multi-tier specific excise tax system
- Ongoing gradual reduction of the number of excise tiers
- Improved measures scheduled to be effective November this year
- Further simplification along the government's roadmap expected



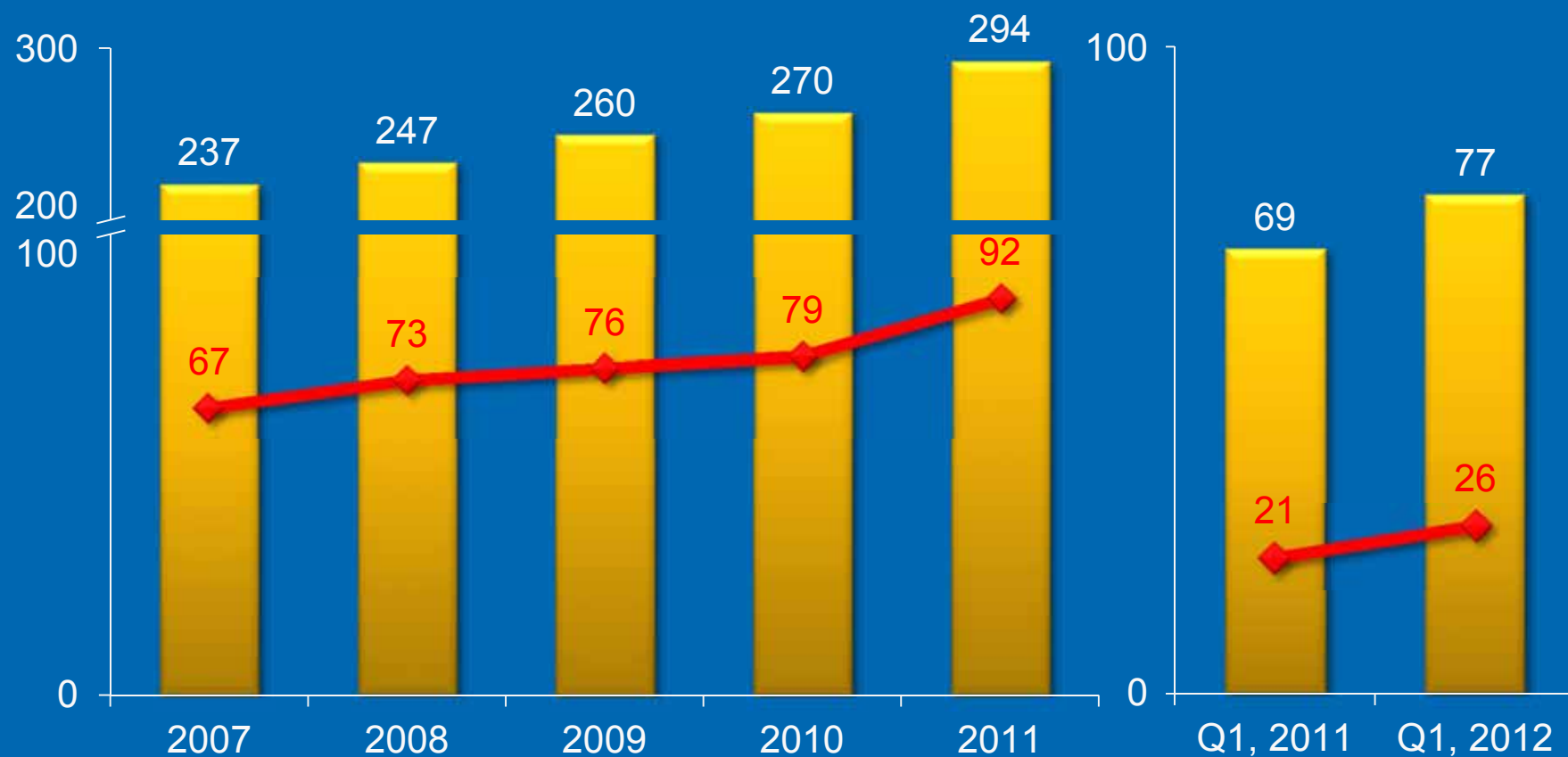
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Indonesia: Industry Volume Growth

(units billion)

Industry
PMI

2007-2011 CAGR:
Industry 5.5%, PMI 8.3%



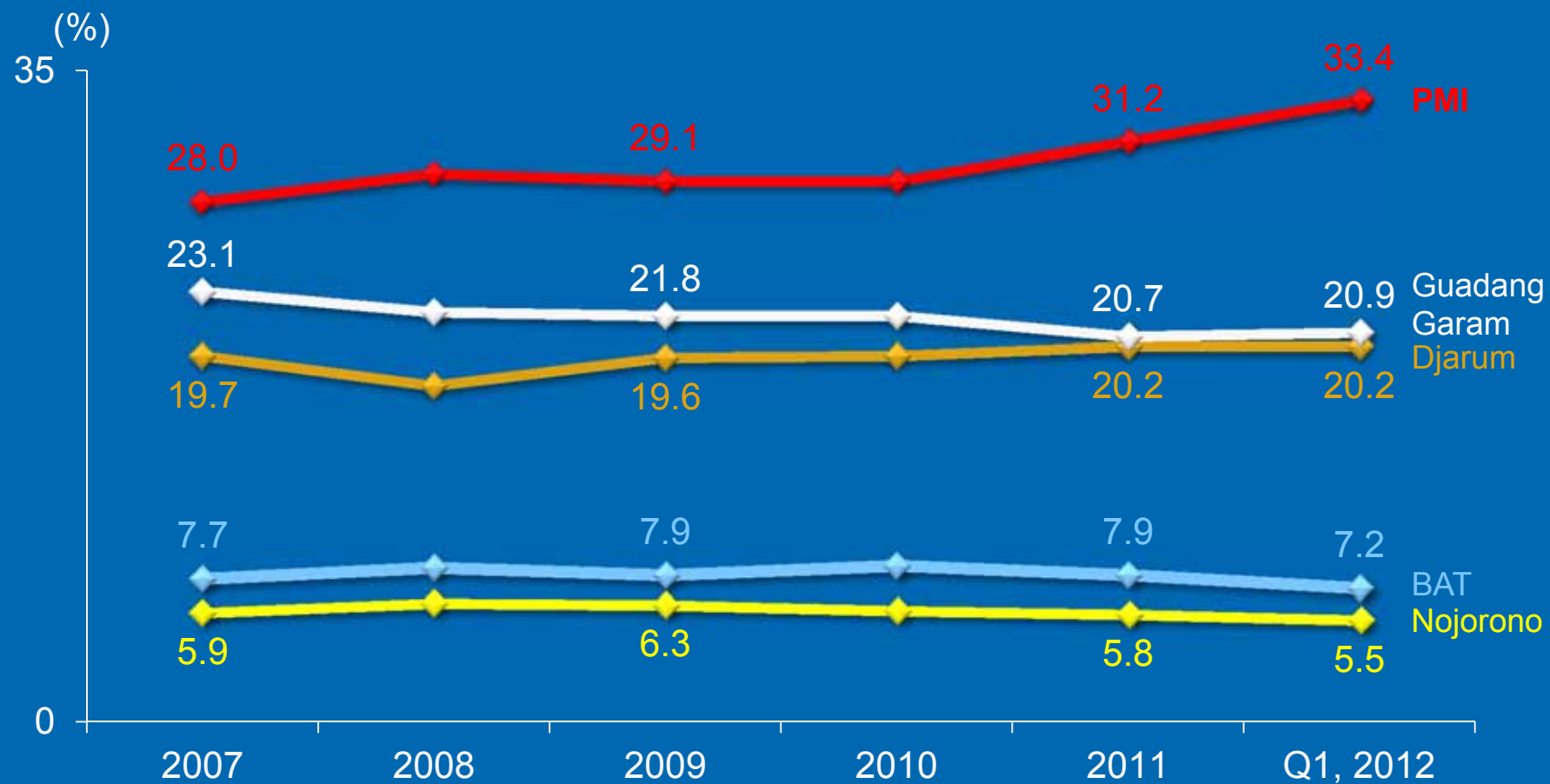
Source: PMI estimates



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Indonesia: Outstanding Share Performance

Market Shares



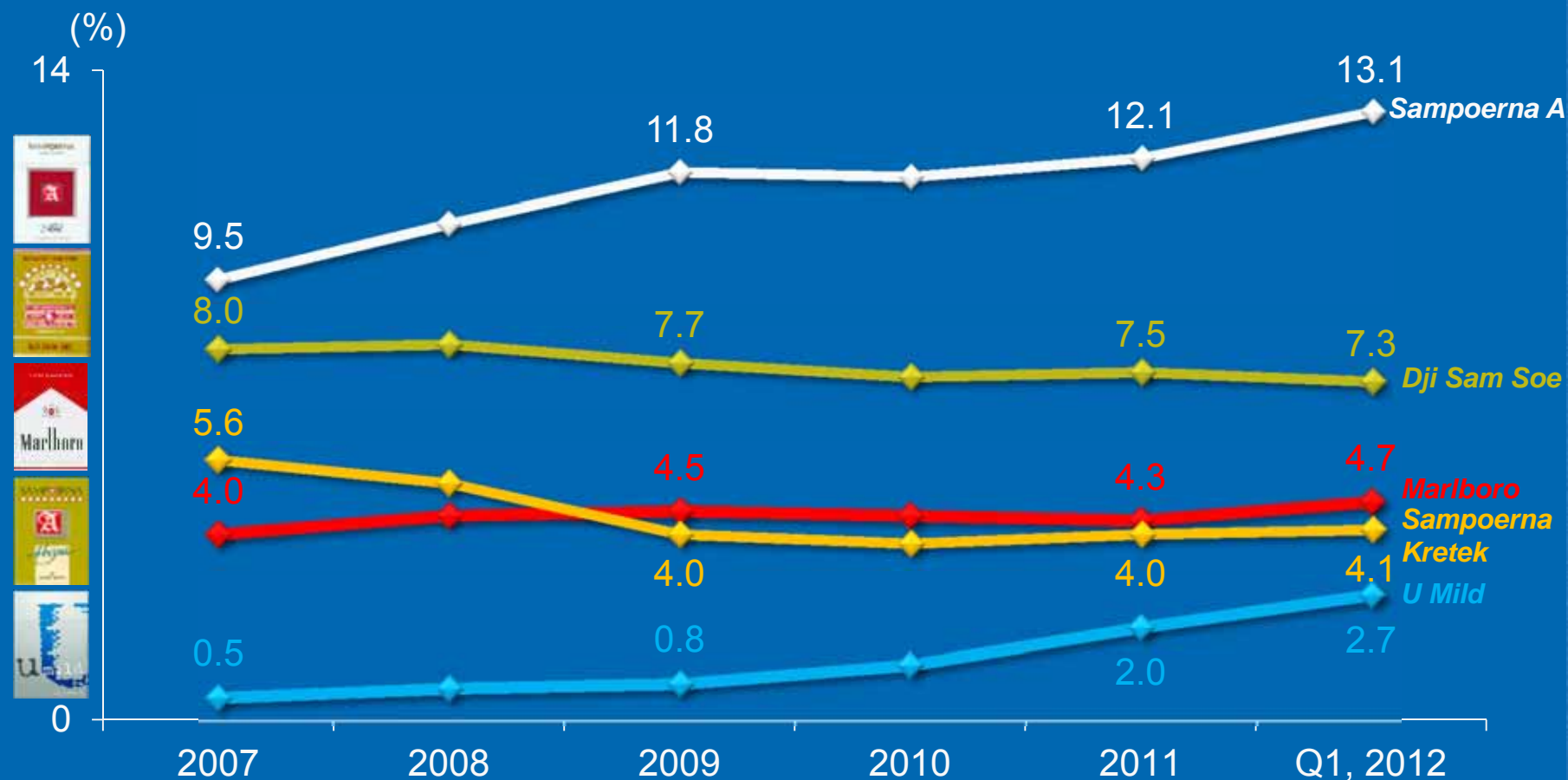
Source: PMI estimates



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Indonesia: Strong Portfolio

Market Shares



Source: PMI estimates



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Indonesia: Brand Leadership



MEROKOK DAPAT MENYEBABKAN KANKER, SERANGAN JANTUNG, IMPOTENSI DAN GANGGUAN KEHAMILAN DAN JANIN



MEROKOK DAPAT MENYEBABKAN KANKER, SERANGAN JANTUNG, IMPOTENSI DAN GANGGUAN KEHAMILAN DAN JANIN



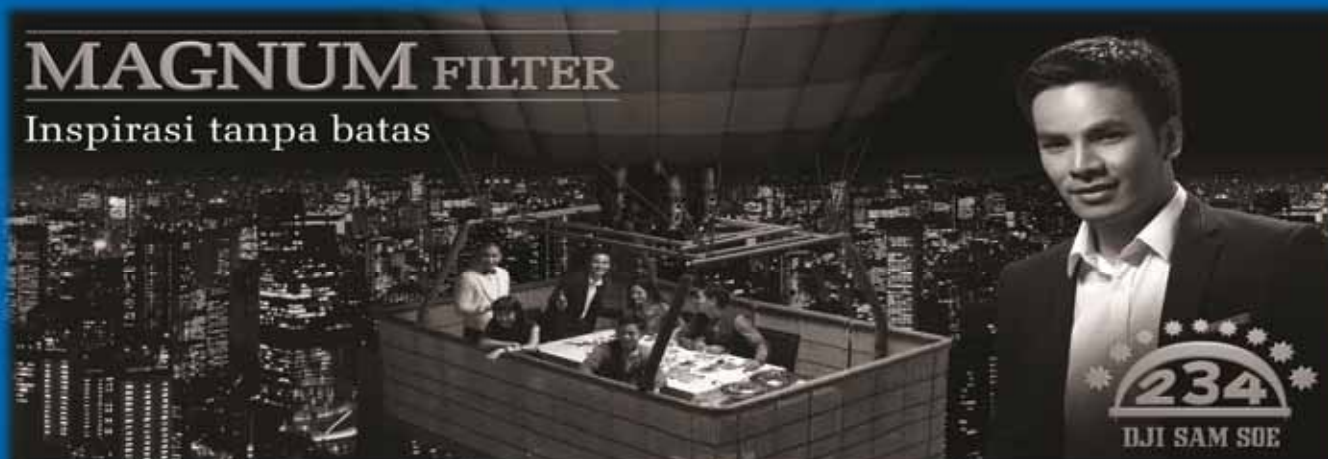
MEROKOK DAPAT MENYEBABKAN KANKER, SERANGAN JANTUNG, IMPOTENSI DAN GANGGUAN KEHAMILAN DAN JANIN

Note: "GAPAI MIMPI GO AHEAD" English: "Reach Your Dream, Go Ahead"; "LAWAN ARUS GO AHEAD" English: "Against The Current, Go Ahead"; "SETIA KAWAN GO AHEAD" English: "Be Loyal To Your Friend, Go Ahead"



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Indonesia: Brand Leadership



MEROKOK DAPAT MENYEBABKAN KANKER, SERANGAN JANTUNG, IMPOTENSI DAN GANGGUAN KEHAMILAN DAN JANIN



MEROKOK DAPAT MENYEBABKAN KANKER, SERANGAN JANTUNG, IMPOTENSI DAN GANGGUAN KEHAMILAN DAN JANIN

Note: "Inspirasi tanpa batas" English: "Inspiration without Borders"; "KEBANGGAAN ATAS KARYA SEMPURNA" English: "The Pride of Great Craftsmanship"



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Philippines: Excellent Potential

- Population of 95 million growing steadily at 1.7% annually
- Sizeable and growing industry
- Market share at 94% in 2011
- PMI-Fortune Tobacco business combination in 2010 with cumulative synergies of \$75 million



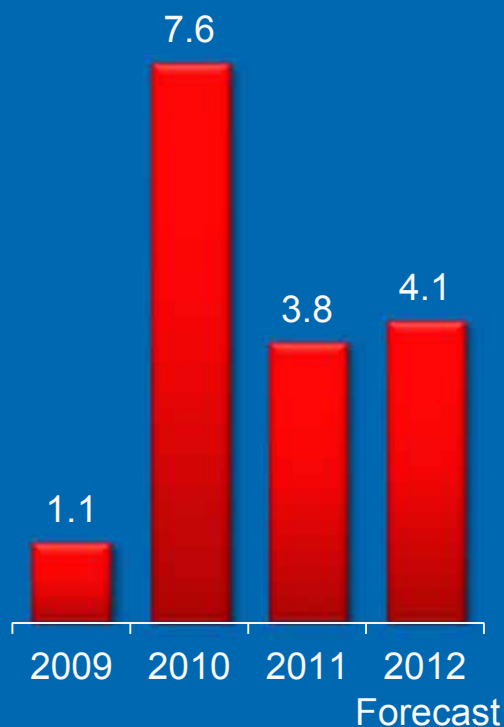
Note: Filipino: “Ang yosi ng bayan!” English: “The cigarette of the Country!”. Image is for illustrative purposes only



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Philippines: Favorable Socio-Economic Trends

GDP Growth
(%)



Overseas Workers
Remittances
(\$ billion)



Population
(million)



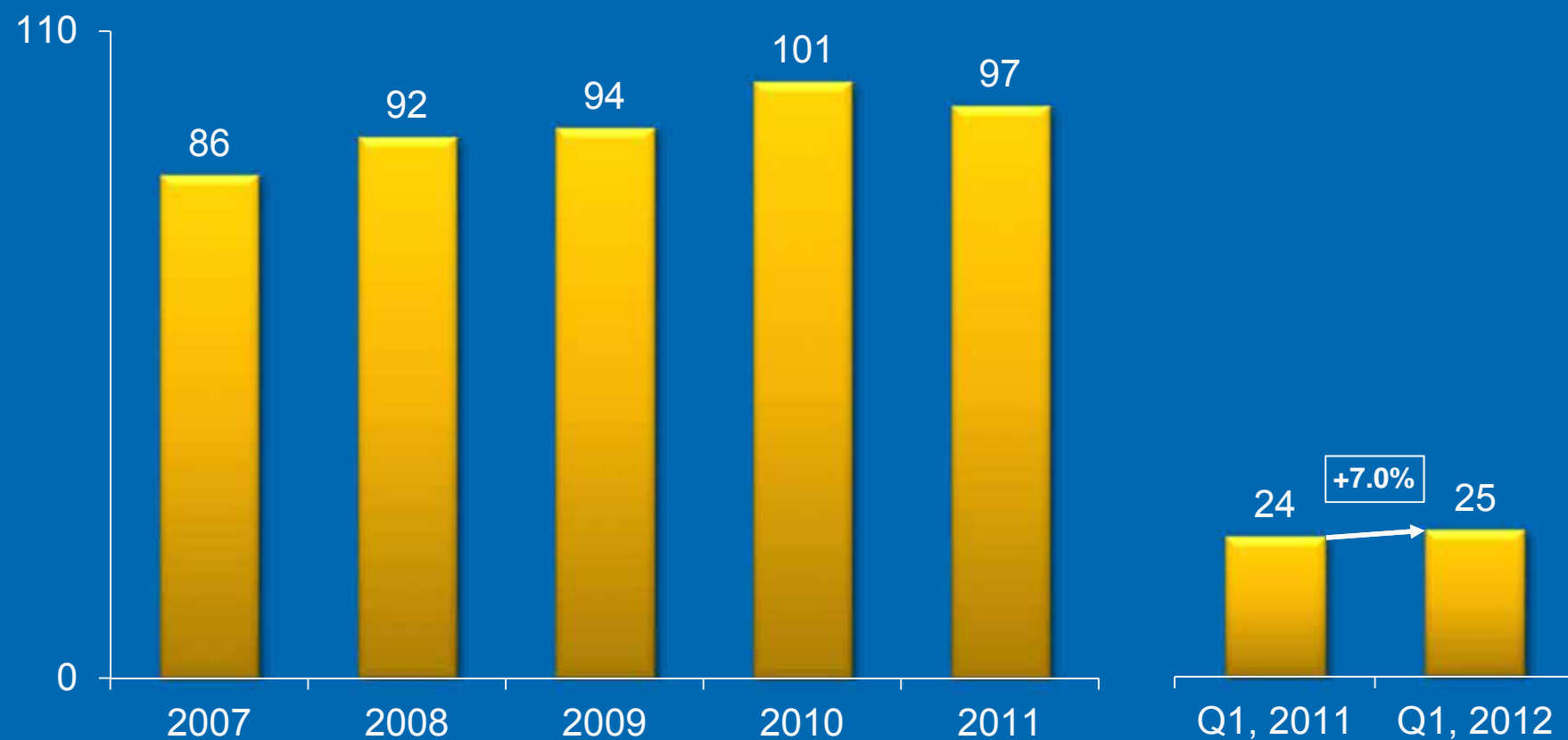


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Philippines: Sizeable Industry

(units billion)

2007-2011 CAGR:
3.3%



Source: PMI estimates



Philippines: Excise Tax Proposal

- Legislation to restructure excise tax on cigarettes approved by the Lower House in June 2012

Current Structure			Proposed Structure ^(a)			
Tax Tier	Share of Market	Excise Tax PHP / pack	Tax Tier	Share of Market	Excise Tax PHP/pack Year 1	Year 2
1	0%	28.30	1	38%	28.30	30.00
2	28%	12.00	2	62%	12.00	22.00
3	10%	7.56				
4	62%	2.72				

- Opportunity for amendment in the Senate due to the unintended consequences that the resulting steep price increases would create for illicit trade and tobacco farmers

(a) Amended House Bill 5727: Proposed rates for years 1 and 2
Source: PMI estimates



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Korea: Share Gains and Profitability

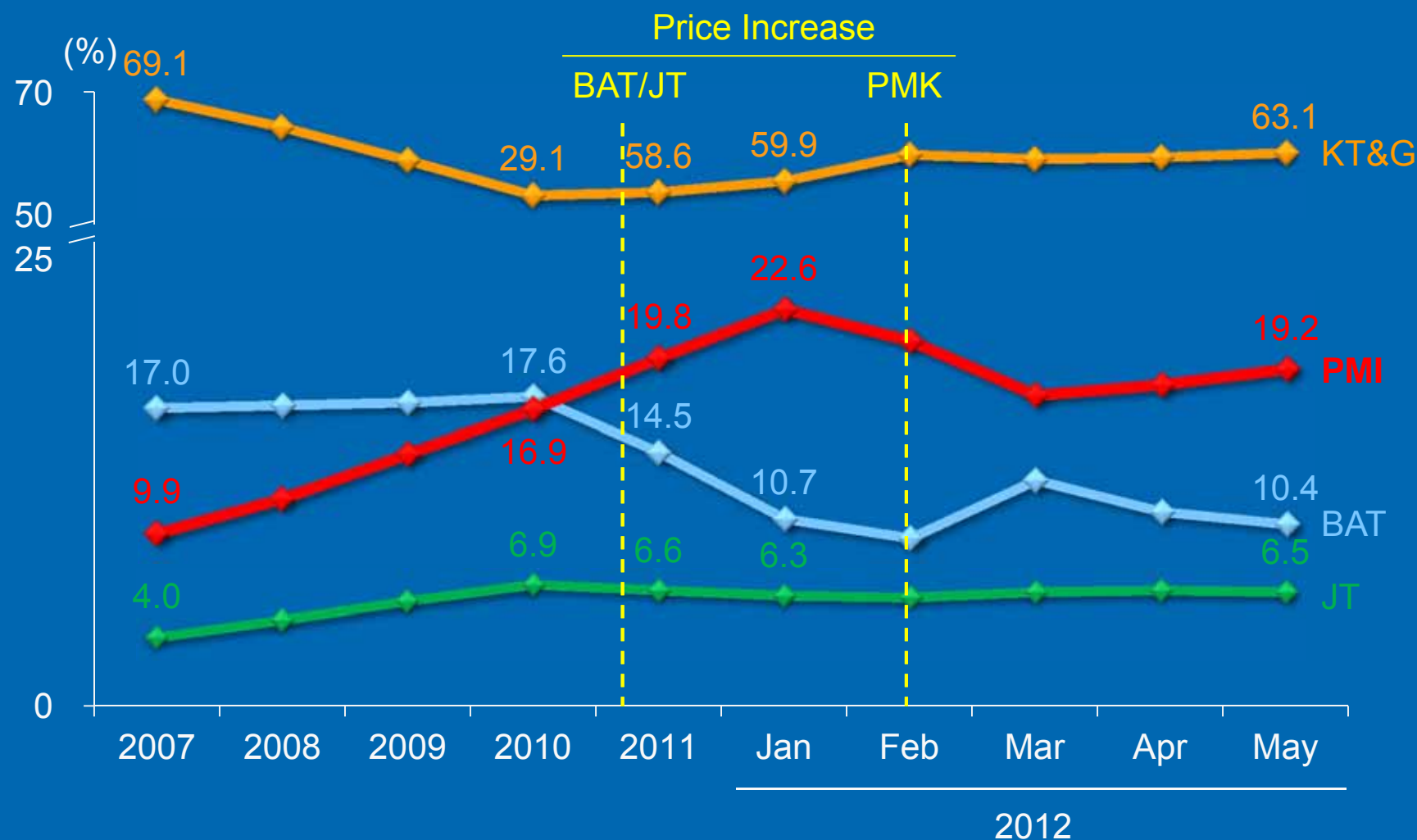
- Record market share in 2011
- PMK increased price in February 2012
- KT&G has not increased its prices





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Korea: Long-Term Market Share Growth



Source: Hankook Research



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Korea: Investment in New Greenfield Factory

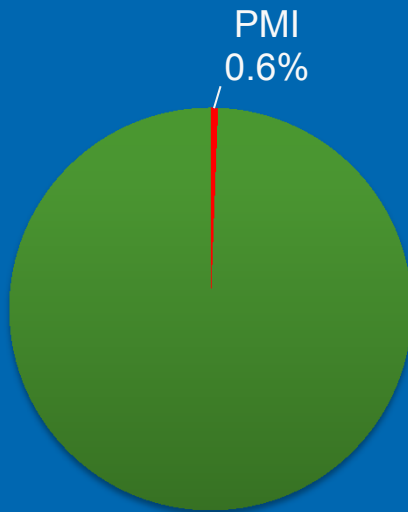


Huge Opportunities: India, Vietnam and Bangladesh

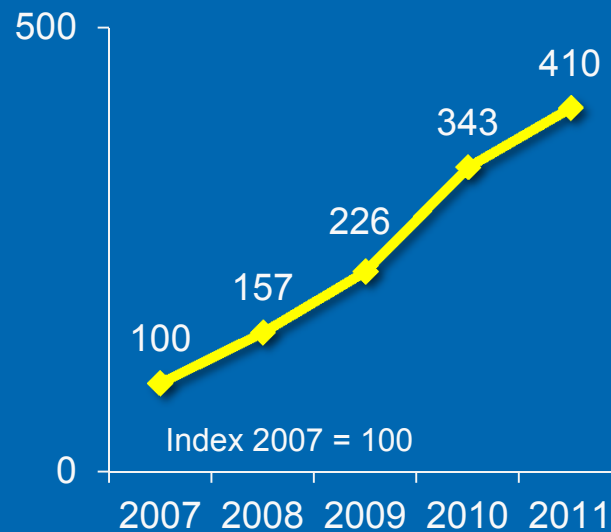


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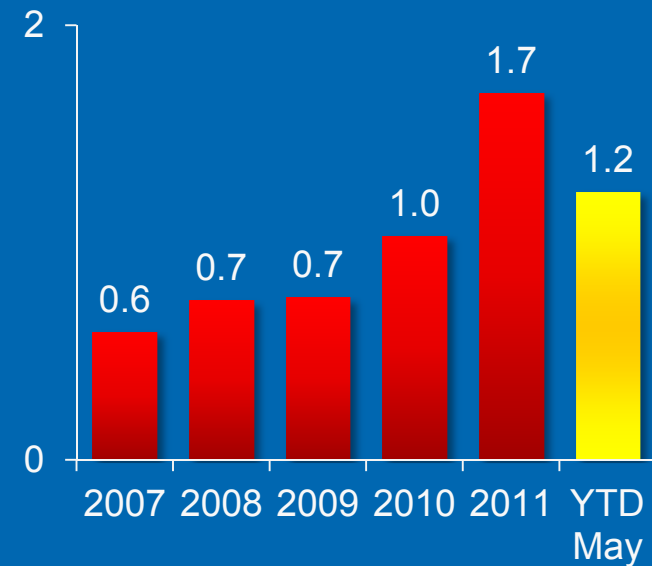
2011 Industry Volume
274 billion units



Investment
(Index)



PMI Volume
(units billion)
CAGR: 30.1%



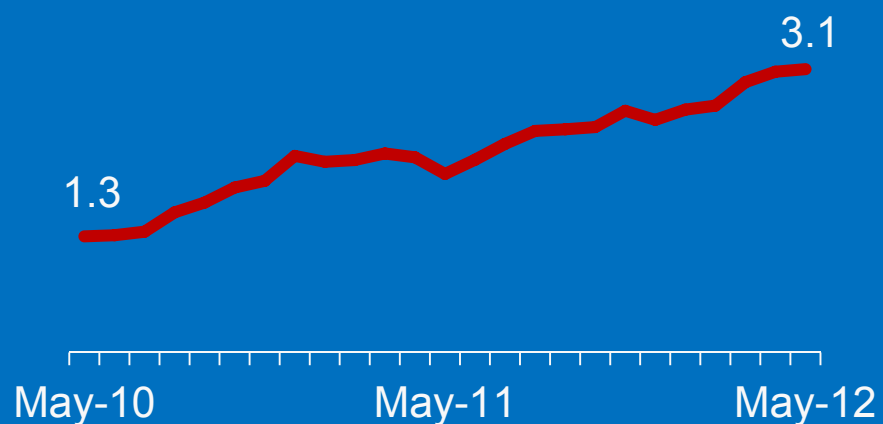
- Investment in distribution, visibility, consumer engagement and organization has quadrupled



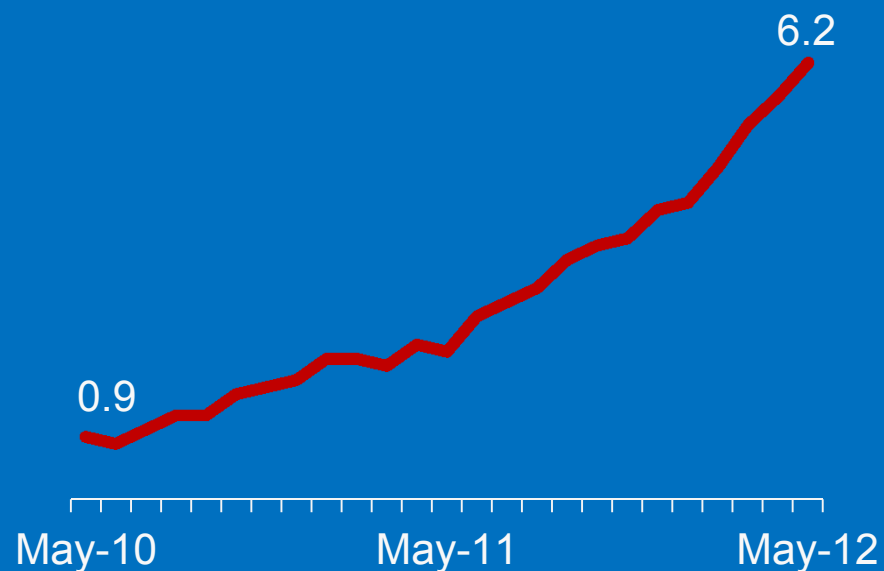
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India & Vietnam: Huge Opportunities Ahead

India Market Share
in 3 Focus Cities (%)



Vietnam Market Share
in 6 Key Cities (%)



Source: PMI estimates



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Asia: Continues to Be the Growth Engine

- Economic and demographic outlook is positive
- Regulatory and fiscal regimes evolving rapidly and remain a challenge, but overall manageable
- Unmatched brand portfolio led by *Marlboro* and local heritage brands
- Significant upside in untapped markets
- Business and organization well-positioned across the region in order to continue growth momentum



Sustained volume and profit growth



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2012
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Investor Day – Asia Region Lausanne, June 21, 2012

Questions & Answers



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Reconciliations of non-GAAP measures included in this presentation to the most comparable GAAP measures are provided on our website at: www.pmi.com/2012InvestorDay/RecSlides