



# PHILIP MORRIS INTERNATIONAL

**Second Quarter Earnings Call**

**23 July, 2008**

## **Introduction**

- **When we refer today to certain results as being “after adjustments”, it will imply data that has been adjusted for the impact of currency, acquisitions, and the transfer of our US duty-free business to PM USA in August last year**
- **Unless otherwise stated, we will be talking about results in the second quarter 2008 and comparing them with results in the same period in 2007**
- **References to international tobacco market shares are PMI estimates based on a number of sources**

## **Forward-Looking Statements**

**This presentation and related discussion contain statements that 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 report on Form 10-Q for the quarter ended March 31, 2008.**

## **Earnings Guidance**

- **Pro forma 2007 adjusted EPS:                   \$2.79**
  
- **Previous 2008 EPS guidance:                   \$3.18 – \$3.24**  
**(+14 – 16%)**
  
- **Revised 2008 EPS guidance:                   \$3.32 – \$3.38**  
**(+19 – 21%)**

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- Net revenues excluding excise taxes increased by 15.0% from \$5.8 billion to \$6.7 billion
- Net revenues growth after adjustments of 4.4%
- **OCI increased by 23.7% from \$2.2 billion to \$2.8 billion**
- **OCI growth after adjustments of 9.8%**

## **Second Quarter Shipment Volume**

- **PMI shipment volume increased by 1.0% to 223.2 billion units**
- **Organic volume growth of 0.6%**



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- ***Parliament* shipment volume grew by 28.1%**
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- *Parliament* shipment volume grew by 28.1%
- *Virginia Slims* shipment volume up 12.2%
- ***L&M* shipment volume 3.4% higher outside EEMA**
- ***Chesterfield* shipment volume up 18.0%**

# Innovation

- *Marlboro Filter Plus*
- *Marlboro Intense*
- **Menthol *Marlboro* line extensions**
- *Virginia Slims Uno* and *L&M Link*

## EU Region

- Industry volume down 3.7%
- PMI cigarette volume declined 4.4%
- PMI market share down slightly to 39.4%
- Revenues stable and OCI up in first half of year
- Germany: share gains in cigarettes and fine cut
- Italy / Spain: *Chesterfield* growing and *Marlboro* resilient
- France: share stable since Q4, 2007
- Outlook for EU region is improving
- EU Commission excise tax proposal

## **EEMA Region**

- **Very strong results in Q2 with:**
  - **Volume**                      **+ 3.2%**
  - **Net Revenues**              **+ 10.2%**
  - **OCI**                              **+ 22.9%**
- **Volume growth, improved mix and significant OCI gains in the three key markets of Russia, Turkey and Ukraine**

## Asia Region

- **Very strong results in Q2 with:**
  - **Volume**                      **+ 1.9%**
  - **Net Revenues**              **+ 4.9%**
  - **OCI**                              **+ 15.2%**
- ***Marlboro, Parliament and Virginia Slims* volume expansion**
- **Excellent results in Indonesia**

# Japan

- **Industry volume declined 1.6%**
- **PMI shipments dropped by 7.0%**
- **PMI share down by 0.3pp to 23.9%**
- **PMI share stable since Q4, 2007**
- ***Marlboro, Lark and Virginia Slims* starting to respond to new product initiatives**
- ***Marlboro Black Menthol* launch in August**
- **Additional marketing investments**
- **Government needs to allow pricing freedom**



## Latin America Region

- **Very strong results in Q2 with:**
  - **Volume**                      **+ 1.3%**
  - **Net Revenues**              **+ 8.0%**
  - **OCI**                              **+ 15.0%**
- **Argentina and Mexico key drivers**
- ***Marlboro* performing very well**

## **Shareholder Value**

- **\$13 billion share repurchase program started in May**
- **Second quarter dividend: \$0.46 per share**
- **\$6 billion raised in 5-, 10- and 30-year bonds**

# Summary

- **Strong business performance in EEMA, Asia and Latin America**
- **Outlook for EU is improving**
- **Japan remains a challenge due to price controls in a declining market**
- **Enhanced innovation is driving better organic volume**
- **Productivity programs on track**
- **Significant cash being returned to our shareholders**



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Questions and Answers  
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