

**Remarks by André Calantzopoulos
Chief Operating Officer
Philip Morris International Inc.**

**Investor Day
Lausanne, June 23, 2010**

(SLIDE 1.)

Good morning, ladies and gentlemen and welcome again to PMI's 2010 Investor Day.

(SLIDE 2.)

I will begin today's presentation with a brief industry overview. I will then talk about our strong performance versus our competitors before outlining our view on illicit trade and the regulatory environment. I will explain how PMI is strengthening its superior brand portfolio and sharpening its consumer engagement focus to take advantage of new trends in the market, as well as how we plan to deliver growth over the longer-term through our leading-edge research and development.

(SLIDE 3.)

Let me begin by summarizing the current state of the tobacco industry.

From 2005 to 2009, tobacco retail industry value, excluding the US, grew at a compound annual rate of 7.1% to reach \$518 billion in 2009, primarily driven by retail pricing, uptrading particularly in non-OECD markets and China. In 2009, cigarettes accounted for 92% of the total tobacco retail value, with the industry accounting for 22% or \$105 billion. Other Tobacco Products declined slightly to reach 8% of total retail value in 2009 from 9% in 2005.

(SLIDE 4.)

From 2005 to 2009 the overall industry volume excluding China remained flat at 3.3 trillion units. The growth in non-OECD markets compensated for a 100 billion units decline in the OECD markets driven by Japan. The premium price segment increased in both OECD and non-OECD markets. Imagine for a moment that, over the long-term, the contribution of the premium segment in non-OECD markets were to match the 35% contribution of the OECD markets today. Under such a scenario, the revenue pool would be enhanced by approximately \$5.6 billion, assuming current industry volume and pricing levels.

Furthermore, the mid-price segment also increased in non-OECD markets as a

result of strong consumer uptrading, especially in Eastern Europe. These developments, given the weak economy and the fact that margins in non-OECD markets are still less than half of those in OECD markets, auger especially well for the future.

(SLIDE 5.)

Preferences for low tar, menthol and slims products are key adult consumer trends. Whilst Western Europe, Latin America & Canada and West and South Asia remain predominantly full flavor markets, lighter and smoother tasting cigarettes are rapidly growing in Eastern Europe and Asia. Slimmer diameter cigarettes have shown a spectacular 19% compound annual growth rate driven by Central and Eastern Europe and Asia. Although the menthol segment has slowed down due to certain total market declines, it is extremely vibrant in Asia, Central and Eastern Europe as well as Latin America. I will show you shortly that PMI has a leading position in these segments and explain how we are tailoring our portfolio to take further advantage of their growth.

(SLIDE 6.)

Turning to the competitive environment, PMI clearly stands out as the market leader.

(SLIDE 7.)

In 2009, PMI had a 15.4% share of the international cigarette market. Excluding China, our share grew to 26.0%, opening the gap to our closest competitor. The four major tobacco companies' combined share accounted for approximately 75% of the total market. The balance of 25% is in private hands or with state monopolies, and remains a significant source of growth for PMI, both organically as well as through M&A opportunities. This is evidenced by our business combination with Fortune Tobacco Corporation, or "FTC", in the Philippines, another important step that enhances our global leadership position, bringing our pro forma share to 27.6%.

(SLIDE 8.)

PMI is the uncontested market leader in the EU and Asia Regions and in a close contest with JT in EEMA. PMI has the best geographic balance and our 39% market share in the EU region delivers our highest operating companies income contribution.

Our strength in EEMA and Asia best positions us for expansion as 21% and 42% of the market in these two geographies, respectively, account for approximately 740 billion units that are not controlled by the major tobacco manufacturers.

(SLIDE 9.)

PMI has a well-balanced source of volume with OECD and non-OECD markets accounting for 46% and 54% of the total, respectively. We not only have the most premium portfolio but also the most balanced one across segments, particularly in non-OECD markets. This not only gives us higher margins and significant pricing opportunities, but also a superior ability to capture uptrading consumers, especially in non-OECD markets as economic growth resumes.

(SLIDE 10.)

As you can see on this chart, our overall volume contribution from non-OECD markets increased from 48% to 54% during the 2005 through 2009 period, with a mix improvement towards the premium segment.

(SLIDE 11.)

The estimated PMI and competitive shares of the trendiest segments are shown at the middle of this chart and of the key price segments at the bottom. We are by far the leader in all growth segments, namely low tar, menthol and slims. We also have the lion's share of the premium segment. However, our share of the mid and low price segments is well below our global share of 26% and we have plans to expand in these segments, where profitable. This is particularly important in the EU Region and Jacek will describe to you shortly how we plan to leverage our brands, *L&M* and *Chesterfield*, to achieve this objective.

(SLIDE 12.)

This chart shows our progress in the same segments from 2005 to 2009. We have grown segment share in all but menthol, due to Japan and the Philippines. Our portfolio plans call for acceleration of this growth with the new *Marlboro* architecture playing a leading role, as it will allow the brand to expand in the ultra light, menthol and slims segments. The addition of Fortune Tobacco's strong menthol portfolio will further enhance our leadership in this segment.

(SLIDE 13.)

Our strong position both geographically and in all key market segments is underpinned by the strength and breadth of our brand portfolio, which includes seven of the top 15 international brands, as Hermann showed you. *Marlboro* and *Parliament* are our leading premium brands competing with *Kent* and *Dunhill* in certain markets. *L&M* and *Chesterfield* compete with brands such as *Winston*, *Camel* or *Pall Mall* in the mid or low-price segments.

(SLIDE 14.)

Before explaining on how we will position and support our portfolio for further growth, I would like to address the issues related to illicit trade and the regulatory environment that exert an important influence on our business.

(SLIDE 15.)

Illicit trade is an important issue that hurts everyone: the legitimate industry, governments, public health and consumers in both developed and emerging markets alike. It is often the result of misguided fiscal and regulatory policies and is facilitated by weak law enforcement. However, successfully combating illicit trade presents an enormous opportunity as consumers coming back to the legitimate market will both foster industry and government revenues.

(SLIDE 16.)

The true size of global illicit trade – including both contraband and counterfeit – is difficult to quantify. Estimates place it in excess of 350 billion units per year. For example, illicit trade is approximated to account for 24% of cigarette consumption in Brazil, 30% in Canada and 36% in Romania. We devote significant resources and work closely with governments and law enforcement agencies, to address the regulatory and fiscal causes, as well as to fight on the ground against illicit trade. Our EU Cooperation Agreement is a great example of success resulting in the closure of more than 30 counterfeiting factories since we signed the agreement in 2004.

(SLIDE 17.)

As Jacek will show later in his presentation, illicit trade in the EU constitutes approximately 61 billion units or 9% of industry volume. Assuming this volume returns to the legitimate tobacco industry and we capture even a part of our fair share, this could translate into an increase in profitability in the hundreds of millions of dollars.

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One of our important long-term strategies is the pursuit of comprehensive regulation and fiscal policies that are based on the broader goal of harm reduction. As such, regulation should be based on rigorous scientific evidence of public health benefits, not speculation and should take into account the views of all stakeholders.

We do not support regulation that prevents adult smokers from buying and using tobacco products or that imposes unnecessary impediments to the operation of the legitimate tobacco market.

Currently there are three emerging regulatory challenges that we strictly oppose:

product display bans, plain packaging and bans on the use of all ingredients in tobacco products.

(SLIDE 19.)

There are multiple reasons why we oppose such measures.

There is no sound evidentiary basis to conclude that any of these contemplated legislations would lead to a reduction in smoking prevalence, consumption, youth smoking or to any other public health benefit.

Such measures are, however, misguided as they tend to ignore severe adverse consequences, impede competition, stifle innovation, encourage adult smokers to make choices based on price rather than product characteristics and foster illicit trade and counterfeit activities to the detriment of the entire supply chain of the legitimate industry and government revenues.

In the particular case of plain packaging, we believe this constitutes a confiscation of the branded product business and violations of the terms of international treaties governing trade-related and protection aspects of intellectual property rights.

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Whilst PMI has a proven track record of successfully operating in a highly regulated environment, we will continue to use all necessary resources such as litigation and extensive stakeholder engagement, to actively challenge unreasonable regulatory proposals and ensure that the public as well as decision makers understand the relevant facts and consequences.

(SLIDE 21.)

Let me now share with you how innovation is driving our brand portfolio strategy.

(SLIDE 22.)

Our industry leadership and wide geographic presence provides us with a comprehensive understanding of both global and individual adult consumer trends. I already spoke about smooth, refreshing and slimmer product trends. There are also additional emerging trends shown here, which although currently smaller in volume, represent potential growth areas of the future.

(SLIDE 23.)

Underlying these trends is the fact that today's consumers demand, at an increasing pace, variety and novelty both in terms of functional and emotional product benefits.

We are capitalizing on these consumer needs by maintaining a strong innovation pipeline of both products and communication platforms, improving the success rate of our new product launches and reducing out-switching of our existing adult smoker base. We have enhanced our ability to provide continuous support of our core brands and variants and have introduced novel tools to optimize resource allocation in an increasingly fragmented consumer and brand environment. We have achieved excellent progress on all scores to date.

(SLIDE 24.)

We have a terrific stable of brands that enables us to compete effectively across all segments.

Thanks to our global scale our innovative products and marketing programs can be rapidly deployed across geographies not only for *Marlboro* and *Parliament* in the premium segment and *L&M* and *Chesterfield* in the below premium segment, but also for our leading local heritage brands. Examples include *A Mild*, the leading premium brand in Indonesia with 30 billion units, *Delicados* in Mexico, and the recent addition of *Fortune* in the Philippines with 37 billion units. Our portfolio is complemented by our international propositions in the low-price segment with brands such as *Bond Street* and *Red & White*.

(SLIDE 25.)

Marlboro is the only truly global cigarette brand. Since the spin-off in March 2008, we have significantly strengthened the brand and expanded its reach through the development and roll-out of the new brand architecture by establishing three distinctive pillars: Flavor, Gold and Fresh. As I mentioned previously, the new architecture unleashes *Marlboro's* ability to compete in all growth segments, including slims, and addresses *Marlboro's* past perceived weakness in terms of modernity and novelty.

(SLIDE 26.)

We are very optimistic about *Marlboro's* growth prospects post economic crisis. Firstly, the brand has demonstrated remarkable resilience throughout the economic downturn. Secondly, the new architecture is working. The brand has responded as intended and it has gained share in the first quarter of 2010 in both developed markets, such as Italy, Japan, Korea, the Netherlands, Poland and Portugal, as well as in emerging markets such as Algeria, Argentina, Indonesia and Romania.

The fundamentals are strong, as *Marlboro's* Legal Age to 24 smoker share is well ahead of its market share in the vast majority of markets.

(SLIDE 27.)

I will now provide you with an overview of *Marlboro*, while the Regional Presidents will present more detailed insights. Let's begin with the new *Marlboro* Flavor line which now comprises offerings across the entire taste spectrum as well as a slim variant.

(SLIDE 28.)

To enhance the *Marlboro* Flavor line appeal to Young Adult Smokers and to increase differentiation versus competitive offerings, a pack upgrade is underway.

The new *Marlboro* Red pack has been introduced in 23 markets, representing 44% of the brand's volume at the end of the first quarter 2010.

Marlboro Filter Plus or *Flavor Plus*, the low tar variants of the *Marlboro* Red line are now available in 40 markets.

Marlboro Core Flavor, the first full flavor slims proposition of *Marlboro* Red, was launched last week in Italy and was enthusiastically received by the trade.

(SLIDE 29.)

Consumer research in France and Austria confirms that adult smokers are reacting very positively to the *Marlboro* Red pack upgrade, highlighting that it is worth its price, is trendy and more premium, all in-line with our objective.

(SLIDE 30.)

Marlboro Filter Plus or *Flavor Plus* variants are exhibiting a promising young adult smoker profile, which significantly exceeds that of the parent, and have gained share in many markets including Romania, Kuwait and Kazakhstan. We are further encouraged by their potential to be priced at a premium compared to the core variant.

The flavor-enhancing tobacco plug in the filter, coupled with the sliding-lid pack, deliver credible innovation. These variants are helping us to expand our share in the ultra-light taste and 1mg tar segments, and their introduction has had a positive "halo" effect on the parent brand, especially in Romania and the Netherlands.

(SLIDE 31.)

Marlboro equity building at every consumer touch point, starting with way we stage the brand at the Point of Sale, is one of PMI's renowned strengths. It remains at the core of our competitive strategy. Tomorrow you will have an opportunity to see this first-hand when you visit the *Marlboro* Communications Showroom.

Brand ambassadors and direct consumer contact at the right channel are becoming a predominant component of our consumer engagement activities.

Consumer promotions, which leverage *Marlboro's* relationship with motorsports, will continue to create excitement around the brand.

(SLIDE 32.)

The *Marlboro* Gold Line is composed of products of varying diameters and taste profiles, each, with a progressive refined taste, featuring a stylish and elegant presentation.

(SLIDE 33.)

It is worth noting that as a stand alone brand, *Marlboro* Gold would be the world's second-largest international cigarette brand, after *Marlboro* Red.

We will continue to roll out the core packaging upgrade and expand the Gold Line coverage to the entire taste range, from full flavor with *Gold Advance* to 1mg with *Gold Smooth*, as well as to a variety of slimmer offerings.

(SLIDE 34.)

To date, we have witnessed market share improvements in 20 out of the 29 markets where the new *Marlboro* Gold has been launched. There are examples of such markets at the bottom of the slide. Furthermore, in the remaining nine markets, our premium segment share increased or stabilized. Additionally, we are especially encouraged by *Marlboro* Gold's share increase among Young Adult Smokers in 20 markets.

(SLIDE 35.)

Here are some examples of the communication platform that conveys *Marlboro* Gold's promise as the most progressive and socially confident brand.

Let me now provide more detail with a few examples of the success of the different variants from the *Marlboro* Gold Line in various parts of the world.

(SLIDE 36.)

In Switzerland, our market research demonstrated very positive consumer acceptance of the new *Marlboro* Gold pack, acknowledging significant improvement in key attributes such as, innovative, trendy and worth its price. The increase in the brand's Young Adult Smoker share is remarkable.

(SLIDE 37.)

Marlboro Gold Touch, our slims offering in two taste variants, sold 1.5 billion units in 2009, and continued to build awareness in the key markets. In Italy and Romania, *Marlboro Gold Touch* continues to be a highly successful brand, capturing a market share of 1.4% and 0.9%, respectively, in Q1, 2010.

In Moscow, which is the trend-setter for Russian consumers, *Marlboro Gold Touch* achieved a 0.6% market share in nine months, with nearly half of its consumers in the Young Adult Smoker segment.

(SLIDE 38.)

Marlboro Gold Edge, our super slims variant, achieved sales of nearly one billion units in 2009. As an example, the brand registered 0.7% and 0.4% market share in Warsaw and Kiev, respectively and 0.3% in both Budapest and Moscow.

We will continue to build *Marlboro Gold Edge's* awareness through innovative consumer engagement activities.

(SLIDE 39.)

Marlboro Gold Smooth 1mg, was introduced in seven markets by the end of Q1, 2010 and quickly gained share in key markets in the Middle East, ranging from 0.4% in Qatar to 1.1% in Kuwait.

Looking at the age profile in Saudi Arabia at the bottom of the slide, it is clear that *Marlboro Gold Smooth 1mg* is gaining particular traction among the Young Adult Smokers, and the majority of its volume growth is sourced from competitive brands.

(SLIDE 40.)

This is the new *Marlboro Fresh* line.

(SLIDE 41.)

It uses innovative technologies, from menthol filter threads to menthol capsules, to offer a full refreshing taste spectrum. The Fresh line represents a significant growth opportunity, both in traditional menthol strongholds as well as in markets where refreshing aftertaste is an emerging consumer preference.

(SLIDE 42.)

In Japan, *Marlboro Black Menthol* is the most successful PMI launch ever, with a

1.3% market share in Q1, 2010, enabling the *Marlboro* brand to resume its share growth. *Marlboro Black Menthol's* success in Japan is further evidenced by the improved Young Adult Smoker profile.

As Matteo will cover in his presentation, we have expanded geographic coverage of the brand to seven additional Asian markets.

(SLIDE 43.)

Marlboro Ice Xpress or *Ice Blast* has a special mentholated capsule in the filter that allows the consumer to add a mentholated boost by crushing the capsule on demand. It has attracted strong adult smoker interest and helped increase *Marlboro's* share of the menthol segment. In Hong Kong and Singapore, the brand gained an outstanding market share of 4.3% and 2.9%, respectively. It achieved 0.6% share in Colombia at the end of April.

(SLIDE 44.)

Here are some examples of our consumer engagement activities behind the Fresh line.

(SLIDE 45.)

Visual Images

(SLIDE 46.)

Overall, we are very pleased and encouraged by the overwhelmingly positive reaction of consumers to the deployment of the first elements of the *Marlboro* architecture. We are just at the beginning of a journey, but every indicator makes us believe that the destination will be very rewarding.

(SLIDE 47.)

Our other key premium international offering is *Parliament*, a prestigious above premium brand that provides a refined smoking experience with its elegant packaging and unique recessed filter.

(SLIDE 48.)

The brand has grown 11.2% per annum from 2005 to 2009. It has proven to be extremely resilient to the economic downturn and, as you can see, has an excellent demographic profile in its key markets except Turkey, which is an issue of affordability.

(SLIDE 49.)

We are updating the core line design in Eastern Europe.

Here is the new *Parliament* line-up in Russia, where the brand competes in the super premium category, at a 25% premium to *Marlboro* and outsells *Marlboro* by approximately 30%.

(SLIDE 50.)

Parliament Reserve, a super slims offering, which sells at a premium to the core brand, was launched in 2009 and further reinforces the brand's luxury image.

(SLIDE 51.)

Consumer research indicates the campaign reflects a relevant and aspirational world to both *Parliament's* and competitive brands' adult smokers.

(SLIDE 52.)

Visual Images

(SLIDE 53.)

Visual Images

(SLIDE 54.)

We recently introduced *Parliament Nouveau* in Japan. The concept is similar to wine: we used a blend of tobacco leaf exclusively harvested this year. This has successfully re-enforced *Parliament's* leadership in terms of "true smoking pleasure."

(SLIDE 55.)

In Korea, *Parliament* is the fastest growing brand in the market with a share of 5.7% in Q1, 2010. Over the past few years, there has been a noticeable increase in our Legal Age to 24 share.

(SLIDE 56.)

L&M is our second largest brand, and enjoys wide geographic coverage.

(SLIDE 57.)

L&M is positioned in the mid-price segment in emerging markets and mostly in the

low-price segment in developed markets. The cornerstone of the brand's success is based on its value proposition and progressive, optimistic image. *L&M* is performing well or is stable in the vast majority of its markets and is gaining strong momentum in the EU Region and North Africa as its demographic profile shows.

The issue for *L&M* is Russia, which has impacted its overall volume performance. In Russia, *L&M* has a deficit in image dimensions such as prestige and maturity, especially amongst 25-35 year old consumers, which has been particularly detrimental in an uptrading environment. We have developed a new communication platform that addresses these weaknesses and focuses on this group of smokers. We will supplement these activities with innovative line extensions. Our objective is for all of these new elements to be in place when consumer uptrading from the low price segment will resume in Russia.

(SLIDE 58.)

In the EU Region, *L&M* was the fastest growing brand and the second best selling cigarette brand after *Marlboro* in 2009, showcasing its potential. After close to 9% volume growth in 2009, we achieved a further 6.6% increase in Q1, 2010. For example, this was driven by strong performance in Belgium, Germany and Poland. Jacek will highlight further evidence of *L&M*'s success.

(SLIDE 59.)

The *L&M* slims variants are catering successfully to the growing preference for slimmer diameter cigarettes. For example, in Poland, *L&M Link* achieved a 3.6% market share in Q1, 2010.

(SLIDE 60.)

We will continue to provide innovative new products to our consumers to keep the brand evolving. The *L&M Kretek* offering in Brazil is an example of this strategy and it is the first Kretek offer of an international brand in the country.

(SLIDE 61.)

In summary, *L&M* has strong fundamentals and shows excellent growth in a large number of markets. We have the tools to address the Russian problem. We are very optimistic about the future of the brand.

(SLIDE 62.)

Chesterfield is our fifth largest brand, mainly positioned in the mid-price segment.

(SLIDE 63.)

It has a strong position in Ukraine, Italy, Russia and Spain, where it is priced at the top of the mid-price segment. Its volume decline in 2009 is due to overall market contractions in Spain and Ukraine. It is growing in many European markets including Austria, Portugal and Switzerland.

Chesterfield's established strengths are heritage, prestige, uniqueness and discovery, which strongly appeal to the creative side of consumers, and has a very good demographic profile in its key markets.

(SLIDE 64.)

We are modernizing the packaging, as you can see here, and have started the roll out in the beginning of this year. Initial consumer feedback is very promising.

Furthermore, we have prepared a new communication platform that expands the brand's appeal to more mainstream smokers, which will be rolled out later this year.

(SLIDE 65.)

This is the introductory visual from the *Chesterfield* launch in Germany.

(SLIDE 66.)

And we have recently introduced super slims line extensions in Ukraine with very positive initial results.

(SLIDE 67.)

We are very pleased with *Chesterfield's* performance. Helped by its unique positioning, the brand is poised to grow both organically and through geographic expansion.

(SLIDE 68.)

I would now like to address our consumer engagement approach, which governs our channel and consumer touch point activities.

(SLIDE 69.)

The increasing complexity of our portfolio as a result of consumer fragmentation, require significant changes in the way we build brand equity and manage our portfolio.

Our new approach is on the forefront of a general trend in consumer products,

where we see a clear shift from mass media communication to word-of-mouth, peer group influence, informed choice and co-creation.

Equity building and changing consumer attitude towards established brands requires more intense direct consumer contact at the right channel, through promotional forces and brand ambassadors. This forms the foundation of our consumer engagement activities with tailor-made content that changes frequently. However, Point of Sale remains vital for creating awareness, especially for new products.

(SLIDE 70.)

Brand building through direct consumer engagement, although more effective, also requires longer support periods for both new products and existing brands in order to reach sustainable market share objectives.

Overall, we are building a competitive advantage, a large part of which is due to the superior know-how our organizations are acquiring.

(SLIDE 71.)

Having covered our growth strategies for our conventional product portfolio, I would now like to explain our leading edge Research and Development efforts to create a new generation of products that have the potential to reduce the harm associated with tobacco use.

(SLIDE 72.)

Our efforts to reduce the risk associated with smoking are comprised of two major components: the development of product platforms and methods to substantiate risk reduction.

Our next generation products do not burn tobacco, but use different methods to generate smoke. This eliminates or substantially reduces harmful smoke constituents. Our challenge is to obtain a taste and flavor close to conventional cigarettes despite a much less complex smoke composition. Also for some of the products, the smoking ritual will be different and our objective is to make the transition for consumers as easy as possible.

(SLIDE 73.)

Today, there is no regulatory model for risk assessment specific to smoking. In the absence of an accepted model, we are developing methods for substantiation of risk reduction that combines well-accepted techniques from the pharmaceutical industry, ranging from chemical analysis to human clinical studies, with state of the art science from the field of systems biology relating to the understanding of disease

mechanisms.

(SLIDE 74.)

In parallel, as an adjacent strategy, we are developing the capability to produce therapeutic molecules, as for example vaccines, using the tobacco plant. A clear advantage is that such molecules can be produced faster and cheaper than the classical methods used today.

(SLIDE 75.)

Our ambitious R&D projects are supported by a team of over 500 experienced scientists and engineers in a wide range of scientific disciplines with impressive CVs.

We have built an extensive network of external alliances including, scientists, institutions and companies, most notably IBM Life Sciences and IBM Research. We have also established an impressive Scientific Advisory Board with internationally renowned members, who critique and guide our scientists.

We are very pleased with the progress we are making in this strategically important area. However, the issues are challenging and complex, and will still require four to five years before commercialization.

(SLIDE 76.)

To sum up, PMI is the global leader in the international cigarette industry with a pro forma share of 27.6%, including FTC. PMI is also the leader in all key growth consumer segments.

We have a superior brand portfolio, including the only truly global brand, *Marlboro*. We have ample room to grow through innovation and geographic expansion.

The new *Marlboro* architecture is working. Our consumer engagement initiatives ensure that our product portfolio is responsive to evolving consumer preferences. Although the industry faces increasing regulation, PMI has a proven track record of managing through these challenges.

Through our leading-edge R&D, we are committed to developing a new generation of products that reduce the harm associated with tobacco use.

Further to our outstanding brands, we have the people, financial power, ambition and drive to achieve superior growth and shareholder returns.

(SLIDE 77.)

Thank you. I will now gladly answer your questions.

(SLIDE 78.)

Forward-looking statement.

(SLIDE 79.)

Glossary of Terms