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(SLIDE 1.)

Good afternoon ladies and gentlemen, and welcome to our afternoon session. It is my pleasure to share with you today an overview of PMI's highly profitable tobacco business in the EU Region.

(SLIDE 2.)

Today, I will start with an overview of our business in the European Union Region and a brief review of our results for 2009 and the first quarter of 2010. I will then discuss our expectations for 2010 and beyond, and share with you key developments in our five most important EU Region markets. After my concluding remarks, I will be happy to take your questions.

(SLIDE 3.)

PMI's EU Region comprises the European Union countries excluding Bulgaria, Romania and Slovenia, but with the addition of Iceland, Norway and Switzerland.

The EU Region has a relatively prosperous population of 479 million people, with a Legal Age smoking incidence of 22.6%. In 2009, the size of the cigarette industry in the region was 607 billion units, and PMI held a market share of 38.8%, making us by far the leading cigarette company. The Other Tobacco Products, or "OTP", category, which is mainly comprised of fine cut products, has grown to a size of 124 billion cigarette equivalent units, accounting for 17% of the tobacco industry volume, making it an important tobacco product category in its own right. In the EU Region, PMI has a market share of 11.5% in OTP, and we are focused on expanding our presence in this growing business segment.

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As we all know, the European Union has suffered from the global financial crisis. Real GDP change moved from a growth of 2.9% in 2007, to a decline of 4.2% in 2009. The unemployment rate is expected to continue to rise from 8.9% in 2009 to a projected 9.8% this year, with a negative impact on consumer spending. Government debt as a percentage of GDP is expected to rise from 73.6% in 2009 to almost 80% this year.

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The recent fiscal crisis in Greece and pressures on the Euro underscore the problem of government budget deficits and generally high levels of debt. Major markets like Spain and the UK, but also Greece, Ireland and Portugal are forecast to have structural deficits above 7% of GDP in 2010. In addition, several countries have projected gross government debt above 80% of their GDP for the current year. This is expected to remain a concern, aggravated by the fiscal measures required to stimulate economic recovery.

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Between 2005 and 2009, the total EU Region cigarette market declined at a compound annual rate of 2.3%. The decline has been slightly faster in Central Europe, compared to Western Europe, reflecting the significant tax-driven price increases related to the EU accession of Central European countries. The decline in 2009 was slightly above trend, reflecting the impact of the recession and higher unemployment.

As public smoking restrictions have now been implemented in nearly all markets and there is no longer an excise tax catch-up issue in Central Europe, we expect similar overall market decline rates in the mid to long-term.

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In 2009, the largest EU Region markets by volume were Italy with 89.2 billion units, Germany with 85.5 billion and Spain with 81.7 billion. The top 10 markets collectively account for more than 80% of cigarette volume in the Region.

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The OTP market grew at a compound annual growth rate of 4.2% between 2005 to 2009, reaching a total market size of 124 billion cigarette equivalent units. Smoking tobacco, which comprises fine cut and pipe tobacco, grew at a compound rate of 9.4%. This was driven largely by downtrading from cigarettes by more price-sensitive consumers, as the economic recession and tax-driven price increases boosted demand for OTP products, due to the substantial tax advantage they enjoy over cigarettes.

We are increasing our focus on this growing segment, a strategy which includes the establishment of dedicated OTP organizational units in targeted profitable and sizeable OTP markets.

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In 2009, the EU Region remained PMI’s largest Region by revenue and profitability, contributing 27% of PMI’s volume, 36% of PMI’s net revenues and more importantly 44% of Operating Companies Income, or “OCI”. This reflects the higher prices and margins in the EU Region due to higher consumer purchasing power and the strength of our key brands.

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Between 2007 and 2009, PMI's market share declined from 39.3% to 38.8%. This mainly reflects the decline of the premium price segment, and, conversely, the share gains of brands positioned in the lower priced segments, where historically we were under-represented. This trend was driven by consumer downtrading in an economically difficult environment.

We are confident that our renewed efforts in supporting *Marlboro* through the new architecture, and in reinforcing our brand portfolio in the lower priced segments, will result in a better share performance in the future.

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PMI is the very clear leader in the EU Region. We are number one in 21 of the 33 EU Region markets, including four of the five largest markets, namely Italy, Germany, Poland and France.

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Marlboro is by far the best-selling brand in the EU Region. In 2009, *Marlboro* was the leading brand in 17 out of 33 markets, including four of the five largest EU Region markets, namely Italy, Germany, Spain and France. In the first quarter of 2010, *Marlboro* achieved a Regional market share of 18.0%, equivalent to the combined share of the five largest competitive brands. It is worth mentioning that all the brands shown on this chart sell at a price discount to *Marlboro*. Our *Chesterfield* and our local heritage brand *Diana* are also in the top ten best selling brands in the region.

The strength of our brand portfolio is further evidenced by the clear number two position of *L&M* overall in the EU Region. It is worth mentioning that *L&M* is also the leading brand in Poland, one of the top five in the EU Region by volume.

The respective leading positions of *Marlboro* and *L&M* in the premium and below premium price segments are of key strategic importance, notably for our pricing strategy, as well as our future share growth prospects.

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PMI's cigarette shipments declined an average 4.4% over the last two years, with year-on-year results distorted notably by the timing of shipments in the Czech Republic. In the first quarter of 2010, shipments declined by 4.8% versus the same quarter of the prior year. This was driven by unfavorable economic conditions, and particularly by their impact on the Baltic States and Spain, where PMI's cigarette shipment volume declined by 52.8% and 13.7% respectively.

PMI's net revenues, excluding currency and acquisitions, grew by 1.5% in 2009 compared to 2008, and grew again by 0.8% in the first quarter of 2010, compared with the same quarter of the prior year. This growth was driven by higher pricing across most markets, which more than offset unfavorable volume/mix due to total market declines and adverse product mix.

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Despite the difficult economic and operating environment across the Region, OCI grew by 4.4% in 2009, excluding currency and acquisitions. During the first quarter of 2010, OCI was up by 1.3% on the same basis versus the same quarter of the prior year. It reflects favorable pricing, which offset unfavorable volume/mix driven by the aforementioned economic conditions and their impact on the Baltic States and Spain, as well as the new tax situation in Greece.

We remain confident in our ability to leverage our strong product portfolio to deliver OCI growth in the future despite declining volumes.

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I will now cover PMI's business outlook in the EU Region for 2010 and beyond.

(SLIDE 16.)

I will first start with an outline of our key strategies.

The first of our four key strategies is to increase our share of market in the EU Region. We aim to achieve this by leveraging on the new *Marlboro* architecture, in order to defend and secure its leading position, and by accelerating our growth in the profitable low price cigarette segment as well as the OTP category. Our second key strategy remains to deliver OCI growth through balanced pricing and price gap management. Our third key strategy is to advocate for moderate excise tax increases and continue efforts to fight illicit trade. Our last key strategy is to maintain a reasonable regulatory environment in order to protect our ability to differentiate and display our products.

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As just mentioned, we will defend and secure *Marlboro*'s leading position both in the premium price segment and in the total cigarette market. To this end, the new *Marlboro* architecture provides us with a unique opportunity to significantly expand the reach of *Marlboro* by addressing different consumer preferences in terms of product and taste, as well as image diversification.

The *Marlboro* Red or Flavor line represents the original *Marlboro* brand values like authenticity, freedom and adventure, but it is no longer constrained to full flavor variants.

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To date, the new significantly upgraded *Marlboro* Red pack has been rolled out successfully in 17 markets, representing about 90% of its volume in the EU Region. Adult smoker reaction has been very positive and in line with our expectations, particularly in terms of perceived modernity and innovation.

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The new *Marlboro* Gold family is composed of a line-up of products of varying diameters and taste profiles featuring a contemporary, stylish and elegant presentation.

The new pack and the line extensions have improved the image perception of the brand among adult smokers, in particular in relation to attributes of modernity and innovation. Very significant improvements have also been recorded in attributes such as ‘trendy brand’ and ‘unconventional brand’.

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Up to now, we have rolled out the new *Marlboro Gold Original* pack to 27 markets in the EU Region, representing over 99% of its regional volume. The success and speed of the roll-out, achieved in less than 18 months, shows the strength of our organization and emphasizes our ability to execute.

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In Western Europe, *Marlboro* Legal Age (minimum 18) to 24 year old, or “YAS”, smoker shares remain higher than the total *Marlboro* smoker share in the great majority of the markets. This reinforces our very positive expectations about the long-term potential of the brand. In Germany, while the gap remains negative, *Marlboro* achieved a significant share improvement in its YAS share after the introduction of the new architecture. The negative gap in Spain is due to the historical affordability issue for Young Adult Smokers, aggravated by significant unemployment rates among this age category.

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In Central Europe, *Marlboro* YAS shares are significantly higher than total *Marlboro* smoker shares in every market, giving us confidence in the future growth potential of *Marlboro* in these markets.

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As part of our first key strategy, we aim to expand further our presence in the growing low-price cigarette segment. We are dedicating more resources to optimize our portfolio, by positioning some of our international brands, either through new introductions or morphing, in this profitable cigarette segment.

Focusing on the top 10 markets in the EU Region, the rate of downtrading has remained fairly stable since 2007. In fact, in 2009, despite the economic crisis, we have not observed any acceleration in the growth of the low price segment.

During this period, the low price segment increased its share of market predominantly at the expense of the premium price segment. As you can see, our segment share in premium grew slightly in this period, although slower than in the previous year, underpinning the importance of defending *Marlboro* using the new architecture. In contrast, our segment shares in the low-price segment grew faster, confirming that our initiatives in these segments, primarily focused on *L&M* and *Chesterfield*, are showing positive results.

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In order to put things into the context of our profitability, it is worth mentioning that our marginal contribution in the Western European markets' low-price segments is approximately equal to the marginal contribution we earn in our Central European markets premium price segment. The former is therefore a segment that will bring solid profit growth during difficult economic times.

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L&M has been very successfully developed and expanded in the EU Region, reaching a 5.5% share of market in 2009, up 0.5pp versus prior year. *L&M* has been established as the leading and fastest-growing brand in the below premium price segments.

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L&M's 2009 momentum continued in the first quarter of 2010, with significant share gains across many markets. *L&M* grew notably over one and a half share points in both Germany and Spain. *L&M*'s share gain in Slovakia was partly driven by its morphing from local heritage brand *Clea* and the recent launch of *L&M Link*, a super-slims line extension. On the other hand *L&M*'s loss in Poland was mainly due to a price increase timing disadvantage versus *Camel* and *West*.

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As with the low-price cigarette segment, the OTP category provides substantial opportunities for PMI in the EU Region. In the last two years, our shipment volume grew by 38%, thanks to organic growth in several key markets and the acquisition of the *Interval* brand in 2008 and *Petterøes* in 2009.

Thanks to these acquisitions, our portfolio is now considerably broader and we are confident in our ability to generate additional organic growth going forward.

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To this end, on a market by market basis, we are setting up dedicated OTP organizations to increase speed to market and thus accelerate our growth. This will allow year long support for our OTP brands without compromising our support for manufactured cigarettes. The selected markets, namely Germany, France, Benelux and Spain, are those we expect to deliver the highest returns on investment from volume growth and enhanced profitability.

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As mentioned earlier, one of our key strategies remains to deliver OCI growth through balanced pricing and price gap management. During 2009 and the first quarter of 2010, PMI implemented price increases in all the key EU Region markets, namely France, Germany, Italy, Poland, Spain and the UK.

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Next to our pricing strategy, let me talk briefly about the latest update of the European Union's excise tax framework. The approach taken is reasonable and includes several structural improvements. The foreseen increases of minimum tax yields are manageable as transition periods until 2018 have been granted to Central European countries, and the excise tax incidence increases are not expected to impact any major Western European countries. Therefore, we have significant visibility about likely tax rates over most of this decade.

The new directive also introduces three structural improvements. First, the maximum specific ratio to total tax moves from 55% now to 76.5%, which will make an almost exclusively specific excise tax system possible. Second, the limitations on the level of the minimum excise tax are removed. This is particularly important in the context of the adverse European Court of Justice ruling on the Minimum Reference Price concept, as it provides governments with an alternative tool to limit downtrading. Third, excise taxes on fine cut should gradually increase over time.

Of course, this essentially reasonable EU excise tax framework does not prevent individual member states from implementing, from time to time, irrational tax increases, as occurred recently in Greece.

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PMI continues to deploy its pricing strategy on a market by market basis, taking into consideration consumer affordability, the competitive environment and expected ratio of price variance versus volume/mix. Despite the underlying market decline in the Region, PMI continues to post a substantial favorable price variance to offset the negative volume/mix variance, as shown on this chart.

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Price gap management is a key element of our pricing strategy. The price gap between *Marlboro* and the key brands in the low price segment has remained largely stable in the top 10 EU Region markets between 2008 and 2009. The exception is Germany, where the gap increased due to key private label brands not raising their prices in June 2009.

I am confident that price gap management, combined with continued product innovations and support, puts *Marlboro* in a good position to benefit from the future improvement of the economic conditions throughout Europe.

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Our third key strategy is to advocate for moderate excise tax increases and continue the effort to fight illicit trade, which remains a sizeable issue in the EU Region.

In 2004, PMI entered into a 12-year landmark cooperation agreement with the EU Commission to fight illicit trade in cigarettes. One element of this agreement is the measurement of illicit trade that includes counterfeit and contraband.

2009 results indicated that within the European Union around 9% of total cigarette consumption is estimated to be counterfeit and contraband, slightly growing versus 2008. It represented in 2009 around 61.1 billion sticks, about the size of the domestic Polish market. In order to protect the legal market and regain lost volumes, we continue to advocate moderate tax increases. We are also dedicating significant resources to work closely with the European Anti-Fraud Office, and government officials at EU and market level.

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Lastly, in terms of regulatory environment, while we support effective tobacco regulation and we have proven our ability to compete successfully as regulations have increased, we do not support measures that prevent adult smokers from buying and using tobacco products. We are also against regulations that impose unnecessary burdens on the operations of the legitimate tobacco market. Regulatory policy should be evidence-based and should consider the potential to trigger adverse consequences such as an increase in the demand for illicit cigarettes.

Some countries in the EU Region, including Iceland, Ireland and Norway, have banned the display of tobacco products at the point of sale. This measure has also been proposed but not yet implemented in other countries, notably the UK. On the other hand, we have just recently learned that the Danish Parliament has rejected a display ban proposal.

We believe this is a regulatory measure that is misguided. There is no evidence from any of these countries that the display bans have reduced smoking rates or that they have been effective in tackling youth smoking. However, display bans have clearly restricted competition, impaired commercial speech and are linked to high levels of illicit trade. We therefore filed a lawsuit in Ireland in October 2009 with the aim of reversing the display ban that entered into effect in July of the same year. More recently, we initiated legal proceedings challenging the display ban in Norway and the UK.

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I will now cover our five most important EU Region markets, namely France, Spain, Germany, Italy and Poland, looking at industry developments, our performance and the business outlook for 2010 and beyond. Together, these five markets accounted for approximately 64% of our total 2009 volumes in the EU Region.

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I will now turn to France. In 2009, the total tobacco market reached around 67 billion units, of which 55 billion are cigarettes. From 2007 to 2009, the tobacco market has been essentially stable, with the split between cigarettes and OTP remaining largely unchanged.

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There was significant growth in the low-price cigarette category during the period, from 36.1% in 2007 to 40.7% in 2009. This growth was mainly at the expense of the premium price category, which fell from 51.0% to 46.9%, impacted by its earlier crossing of the five Euro per pack price threshold in August 2007. More recently, this trend has reversed with the premium price segment growing again to 47.2% in the first quarter of 2010.

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Between 2007 and 2008, PMI suffered an erosion of its market share, driven mostly by the decline in the premium price segment, where it is over-represented. However, we have since been able to stabilize our position, with our share of market largely stable since the third quarter of 2009 until now.

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Marlboro's market share dropped from 30.2% in 2007 to 27.3% in 2008, and further declined at a less rapid pace to 26.5% in 2009. Since 2008, the decline in *Marlboro* has been partially offset by the continued gains of the *Philip Morris* brand, also positioned in the premium price segment.

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Moreover, despite the November 2009 price increase, *Marlboro* share of market has recently stabilized as illustrated on this chart. This strong resilience indicates that our innovation behind the new *Marlboro* brand architecture is beginning to show a positive impact.

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In France, our strategic vision is anchored on three major initiatives in order to grow our share of market and OCI. First, we are advocating for a predictable fiscal and regulatory environment. Secondly, we are further developing our brand portfolio by continuing the roll-out of the *Marlboro* architecture, leveraging the growth momentum of our premium priced *Philip Morris* franchise, and reinforcing our position in the low-price segment with *L&M*, *Chesterfield* and *Basic*. Thirdly, we intend to leverage our new dedicated OTP organization to grow our share of the fine cut segment beyond the 19.5% achieved last year.

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Spain, with 81.7 billion units, is the third largest cigarette market in the EU Region. Cigarette industry volume declined by almost 10% in 2009, driven by the economic situation and lower tourism. During the same period, the OTP segment grew almost 29%, reaching 8.5 billion units. In 2009, cigarettes nevertheless still represented over 90% of total tobacco consumption.

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In 2009, there was a significant acceleration of consumer down-trading from premium and mid-price cigarettes to low-price brands.

(SLIDE 44.)

PMI is the second largest cigarette company in Spain, with a stable 31.9% share of market in 2009. Imperial is the market leader but suffered a decline in its market share during the period 2007 to 2009, from 37.3% to 35.6%, mostly to the benefit of BAT's *Pall Mall* in the low-price segment.

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Marlboro's market share dropped from 16.5% in 2007 to 15.3% in 2009, and 14.5% in the first quarter of this year, due to downtrading as consumer purchasing power declined. On the other hand, *L&M* has achieved strong growth during the same period, reaching a 5.9% share in 2009, and again growing rapidly in the first quarter of 2010 to a 6.6% share of market.

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Next year we expect smoking restrictions to be further tightened, which, in the short-term, will further depress the overall market size. With no indication of an economic recovery, affordability remains the main issue for adult consumers. PMI recently increased prices by 25 Euro Cents per pack, essentially reflecting the tax pass-on, ahead of the July VAT increase from 16% to 18%. PMI's strategy is to offer more affordable line extensions for *Marlboro* and *Chesterfield*, and to further invest behind *L&M* and *Philip Morris* in order to expand our position in the lower price segments. We have also entered the fine cut segment with *Chesterfield*, as this segment remains attractive despite a significant reduction in the tax differential last year.

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Germany is the second largest cigarette market in the EU Region. The size of the tobacco industry is around 125 billion units. This is split roughly 70:30 between cigarettes and OTP. In 2009, the decline in cigarette sales has been moderating. Volume was down just 1.7% in 2009 to 85.5 billion units. The OTP segment grew strongly last year by 7.1% to 39.7 billion cigarettes equivalent.

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In the period 2007 to 2009, the estimated share of industry cigarettes, that is excluding private labels, decreased from 61.6% to 60.4% to the benefit of the OTP category. The growing relative importance of the OTP segment can be explained by the substantial tax advantage that such products enjoy. Within the industry cigarette category, there was a shift from higher priced to lower priced brands.

(SLIDE 49.)

During the period 2007 to 2009, competitive shares in the German cigarette market remained very stable. PMI is the clear market leader with a market share of 36.5% in 2009.

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In June last year, we increased the prices of our cigarettes in Germany by 20 Euro Cents per pack of 17s across our portfolio, the first increase since October 2006. This was followed a month later by a new law, which raised the minimum cigarette pack size from 17 to 19, and which translated into a higher price per pack. As some of our competitors did not fully implement increased pack size in the market until towards the end of the year, our market share accordingly came under pressure during this period.

However, our year-on-year share decline moderated significantly in the first quarter compared to the fourth quarter of 2009, and more recently, our share has shown strong resilience. I am therefore optimistic that we should be able to restore our market share to previous levels, thanks to the strength of our brands.

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While *Marlboro's* market share declined from 25.3% in 2007 to 23.0% last year, and to 21.3% in the first quarter of 2010, driven by downtrading of price-sensitive consumers that resulted in the growth of the low-price and OTP categories, *Marlboro* remains by far the leading brand and, despite the overall market share decline, we are seeing some positive signs, most notably an increase in 2009 of *Marlboro*'s share among YAS. This is the result of our comprehensive work on *Marlboro*, with the new brand architecture and innovative product introductions.

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L&M is our second-largest selling brand after *Marlboro*. Its market share has increased from 5.1% in 2007 to 8.3% in 2009. *L&M* has been growing even faster amongst YAS. Between 2007 and 2009, *L&M*'s share in this segment increased from 8% to 17% and the growing positive difference with its overall market share makes us very confident for the future of the brand.

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The growing fine cut category accounted for almost 90% of the OTP segment in 2009.

In 2005, our presence in fine cut was limited to some traditional *Marlboro* and *Next* products. We expanded our fine cut portfolio to our two other key cigarette brands, *f6* in 2006 and *L&M* in 2007. These brands and new product introductions were the key driver of the expansion of our market share from 3.7% in 2005 to 13.8% in the first quarter of this year, a gain of over 10 share points. About 60% of our current fine cut volume is being generated by new products. We recently launched *Chesterfield* and we believe that we have a promising pipeline to enable us to further grow our share.

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Our key goal in this complex and evolving market is to generate steady profit growth. We plan to achieve this through three main strategies.

First, we are advocating for a reasonable and sustainable fiscal and regulatory environment and are particularly focused on our ability to continue to communicate with adult smokers. Secondly, we are further developing our cigarette portfolio to secure future market share growth by becoming the leader in the growing low-price segment while defending *Marlboro*'s position in the premium price segment. Finally, we are reinforcing and expanding our presence in the OTP segment.

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I will now move to Italy, the largest of our five key EU Region markets in terms of total cigarette market size, with 89.2 billion units. Total cigarette industry volume has decreased by 3.6 billion units between 2007 and 2009, with a decline of 3.1% in 2009, mainly as a consequence of the economic crisis.

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Since 2007, there has been a continuous shift within the cigarette category from premium and low-price to mid-price brands. The mid-price segment has gained 4.2 share points in two years, benefiting from a favorable price point of Euro 4.00 per pack or less, the presence of key competitive brands like *Camel* and *Lucky Strike*, and the very successful launch of *Marlboro Gold Touch* in May 2009.

These mid-price brands, regarded as affordable high image alternatives to premium brands, generated uptrading options for low-price adult smokers.

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PMI is the clear market leader with a share of 54.1% in 2009. BAT holds second place, with 23.9% share in 2009, but is declining, while JT gained 2.7 share points over the last two years.

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Marlboro is the leading brand in Italy, with a 22.6% market share in the first quarter of this year, which represents a growth of 0.7 share points compared to the same quarter in 2009. This demonstrates the solidity of our key brand in the current Italian market context, which is impacted by increased consumer price sensitivity deriving from the economic crisis.

While the shorter *Marlboro Compact* is bringing us half a share point, *Marlboro Gold Touch*, also positioned in the mid-price segment, has been the most successful launch in Italy in the last ten years, reaching a 1.4% market share in Q1, 2010. It is worth mentioning that, in May 2010, *Marlboro Gold Touch* smoker share among YAS reached 3.4%, more than twice its total share of market.

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One of our key objectives is to maintain a reasonable fiscal and regulatory environment through our engagement with key stakeholders. We are advocating the replacement of the Minimum Reference Price with an alternative fiscal structure.

We will sustain *Marlboro*, our number one brand, using the new architecture and consumer-relevant innovation, for example with the recently launched *Marlboro Core*

Flavor, a 9 mg tar version of the already very successful *Marlboro Gold Touch*. We will expand further our position in the below premium segments with *Chesterfield* and *Diana*.

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Poland is the fourth largest EU Region markets, with a cigarette volume with 61.1 billion units. Total cigarette industry volume has declined 3.2% in 2009 versus prior year, a lower rate of decline than in 2008. This was due to more contained price increases, driven by the timing of the EU tax harmonization, and the reversal of downtrading to OTP, driven by the closing of a tax loophole for pipe tobacco. We are also observing an increase of the total cigarette market in the first quarter of 2010, up 4.2% versus the same quarter of the prior year.

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In 2009 the cigarette market recorded a return to uptrading, with the premium price segment gaining 1.2 share points versus 2008, driven by a reduced price gap versus the low price segment and a significantly lower impact of the economic crisis in Poland compared to other EU countries.

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While PMI remains the clear market leader, our share declined to 36.1% in 2009. However, this decrease was mainly driven by low-price brands with low margins. Therefore, despite the overall volume decline, we managed to post strong financial results in 2009 and we estimate that our share of total cigarettes marginal contribution reached 64%. In the first quarter of 2010, we have resumed share growth and achieved a share of market of 37.2%, up 2.3 share points versus the same quarter of the prior year.

(SLIDE 63.)

L&M, in the mid-price segment, is the leading brand in Poland, with a 13.7% share of market in Q1 this year. Its share has declined 1.4 points compared to the same quarter in 2009, mostly due to the timing of price increases.

On the other hand *Marlboro*, achieved a 1.0 share point gain in 2009 versus the prior year. In the first quarter of 2010, *Marlboro* achieved a 9.2% market share, up 1.2 share points versus the same quarter of 2009.

Red & White, in the low-price segment, also posted a significant gain in the first quarter of 2010, up 1.4 share points versus the first quarter of 2009, driven by the launch of the slims variant *Red & White* Vibe in September 2009. *Red & White* is now the leading brand in a slightly more profitable low-price segment in 2010.

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A key objective is to leverage the EU tax harmonization to advocate for a predictable fiscal environment including moderate excise tax increases. We will also encourage the enforcement of the stricter anti-forestalling regulations introduced this year.

We will reinforce our cigarette portfolio with the aim to increase our market leadership in all price segments. We will leverage on the new *Marlboro* architecture in the premium price segment, grow *L&M* share among YAS in the mid-price segment and support *Red & White* and *Chesterfield* in the low-price segment.

Finally we will further leverage on emerging adult consumer trends with new targeted product offers.

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I will now sum up with some brief concluding remarks.

(SLIDE 66.)

PMI has a superior brand portfolio in the EU Region, headed by the leading brand, *Marlboro*, and the fastest-growing brand, *L&M*, positioned in the low or mid-price segments, and also including *Chesterfield* and the *Philip Morris* brand. Along with leading local heritage brands, such as *Diana* in Italy, we have attractive propositions for adult smokers in all markets.

Despite the underlying market decline and an unfavorable mix due to consumer price sensitivity in a difficult economic environment, we have proven our ability to obtain more than 50% greater incremental profitability through pricing than the amount lost through unfavorable volume/mix.

We have in place in the EU a sound and predictable fiscal framework for the next decade.

PMI's excellence in execution remains unmatched as demonstrated by the rapid successful deployment of the new *Marlboro* architecture across the Region.

Therefore, despite the tough economic climate that is expected to continue through 2011 and the significant challenges this poses us, I remain optimistic about the future as we strongly believe that the strength of our brands and our people will enable us to obtain further sustainable profitability growth.

(SLIDE 67.)

Thank you for your interest. I will now be happy to take your questions.