Remarks by Miroslaw Zielinski
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Philip Morris International Inc.

Investor Day
Lausanne, June 21, 2012

(SLIDE 1.)

Thank you, Jacek. And good afternoon, ladies and gentlemen.

The EEMA Region holds enormous - and growing - opportunities for our company and it is my very great pleasure to share with you PMI's accelerating progress across this vast territory.

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Let's begin by summarizing what the EEMA Region offers.

- First, regional demographics are favorable and economies - for the most part - are growing fast.
- In turn, EEMA adult smokers are uptrading to the best brands they can afford. Increasingly that means to PMI brands.
- Excise tax rates are rising and will - we expect - continue to rise. But overall the excise and regulatory environment in EEMA remains manageable.
- PMI has the resources and the demonstrated know-how to deliver profitable growth in even the toughest markets.
- And, finally, PMI's performance is accelerating on all key parameters, setting new records as we speak.

For these reasons, we believe the EEMA region can deliver to PMI shareholders robust and sustainable financial gains.

Taking each point in turn …

(SLIDE 3.)

.. During today's presentation, I will begin with an overview of the cigarette category in EEMA - which we believe is extremely favorable for PMI's business going forward.

Next we will take a brief look at PMI's operating results in the Region - in particular, our accelerating performance in the first quarter of this year.

I will share with you our strategic priorities and we will look at specific challenges we are addressing - for example, *Marlboro*'s performance in Russia - and the action plans we have developed to grow PMI's business in this part of the world.

You will see what our strategies mean in practice, as I focus on the way we are developing and enhancing an already great PMI brand portfolio and how we are proactively addressing tax and regulatory issues, particularly as these bear on pricing. You will also see how we are improving our field execution and how we are acting on new business opportunities in order to capture every bit of profitable growth we can.

After a few concluding remarks I will be happy to answer your questions.

Turning now to the outlook for the EEMA Region

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The Region is huge, stretching across 12 time zones and covering 45% of the earth's land mass. With over eight tenths of the world's oil and 60% of the world's natural gas supply, EEMA attracts enormous and growing inflows of hard currency.

Total cigarette consumption is about 1.2 trillion units, spread across 94 markets with a population of 1.7 billion people. Retail spending on cigarettes - we estimate - was about $80 billion last year, roughly equal to the retail spend on cigarettes in the USA, and in EEMA the retail spend is growing at a brisk 9% per year.

We employ about 12,000 very talented and experienced people across the region. A rising proportion of our people are engaged in sales and marketing activities - bringing intensely memorable PMI brand experiences directly to our ever more demanding adult smokers in new and innovative ways.

PMI cigarette volume last year was 290 billion units in EEMA, yielding a Regional share of about 23% and our adjusted OCI was $3.3 billion.

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EEMA's largest cigarette market is Russia with about 375 billion units in 2011, followed by Turkey, Ukraine and Egypt. These four markets represent more than half of total industry volume in the Region. Among the ten largest volume markets, PMI is ranked number one or number two in eight.

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Our Region is home to about a quarter of the world's population and is growing rapidly, gaining relative importance with expansion at more than twice the rate of the OECD and more than three times as fast as in China. Over the last five years, the Region's population rose by an estimated 111 million people due to gains in Turkey, the Middle East and Africa. Across Eastern Europe, the population has been approximately stable, with declines in Russia and Ukraine largely offset by increases in Central Asia. Overall, the EEMA increase is more than one third of the total world population increase and more than the increase in China, India and Brazil combined.

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Real GDP growth in the Region - at an average 2.8% since 2007 - is materially outperforming growth in the OECD. In absolute terms, EEMA markets - which account for about 10% of total world output - have generated 18% of the world's GDP gain since 2007, which is double the GDP increase generated by the OECD.

Adjusting for a rising population, the Region's GDP growth per capita compares even more favorably with the OECD. Although affordability is an issue today in some of our markets, the outlook in EEMA is for a significant and sustained rise in spending power among adult smokers.

That bodes extremely well for PMI's portfolio of higher priced international brands, including *Marlboro* - as adult smokers at every income level trade up to the best products they can afford.

(SLIDE 8.)

As you can see in this chart, we estimate total tax-paid cigarette volume in EEMA at just under 1.2 trillion units, and slightly contracting. Volume erosion for the industry is coming at the lower end of the price spectrum, driven by tax and retail price increases, notably in Eastern Europe and the Balkans. Importantly for our business, sales of mid and especially premium priced cigarettes are increasing, reflecting gains in adult smoker purchasing power and uptrading on price.

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Comparing PMI's volume mix by price segment versus the rest of the industry excluding PMI, our commanding lead in sales of premium brands - which account for 38% of our EEMA sales by volume - means we are extremely well-positioned to benefit from adult smoker uptrading to higher-priced products. PMI's superior positioning translates into a compelling advantage in revenue-generating power.

We also have extremely compelling, "best-in-class" brands at lower retail price points. Our more affordable product offers - such as *Chesterfield, L&M, Bond Street* and others - enable us to reach deeply into EEMA's less affluent markets and to build critical mass throughout the Region. PMI's broad portfolio also serves as a potential hedge against any eventuality of economic slowdown in a given market - which was well demonstrated in the recession only a few years ago.

(SLIDE 10.)

If we look at the uptrading trend in terms of total industry net revenues - that is, manufacturers' sales net of excise and value added taxes and excluding trade mark-ups - the impacts of uptrading are even clearer.

We estimate that total manufacturer revenues in EEMA rose from $18.1 billion three years ago to $20.3 billion last year for an industry increase of $2.2 billion over two years, or about 6% annually.

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Within the overall $2.2 billion industry gain, premium-priced brands generated an incremental $1.2 billion, growing 10% annually for the industry.

That's extremely good news for PMI, since one out of every two premium-priced cigarettes smoked in EEMA is a PMI product.

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In fact, of the estimated net industry increase of $2.2 billion, PMI - with a volume share in EEMA of just over 23% - captured 50% of the net industry revenue gain.

Now let's look more closely at how PMI is performing in EEMA.

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As Andre mentioned earlier, EEMA is a key contributor to PMI's overall results. In 2011, EEMA generated 32% of PMI's total cigarette shipment volume, 25% of PMI Revenues and 24% of adjusted Operating Companies Income.

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EEMA cigarette shipment volume in 2011 - shown at left in the red bars - was 290.3 billion units, equal to 2007, as volume declines in Eastern Europe and the Balkans - reflecting tax-paid industry volume contractions - were fully compensated by strong PMI gains in the Middle East and North Africa. Over the same five-year period - excluding currency - our net revenues - shown in blue - have grown at an annual rate of 8.6% and adjusted OCI - shown in green - at the rate of 13.9%. Our OCI growth since 2007 was driven by improved product mix and favorable pricing, partly offset by negative currency impacts and marketing and business infrastructure investments, notably in Eastern Europe.

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Entering 2012, our performance in the first quarter of the year accelerated on all key parameters.

Our first quarter cigarette shipment volume, excluding acquisitions, was up by 3.4%, on gains in Algeria, Saudi Arabia, and Turkey as well as Russia, Ukraine and Kazakhstan in Eastern Europe. The combined sales volumes for *Marlboro* and *Parliament* jumped during the quarter by more than two billion units. Net revenues, excluding currency and acquisitions, increased by 12.6% to $1.8 billion, reflecting higher volumes, favorable pricing and a further improvement in product mix. Adjusted OCI increased to $810 million for the quarter, up 18% excluding currency and acquisitions - marking EEMA's best first quarter ever.

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PMI's market share in EEMA was an estimated 23.2% last year compared with 22.0% in 2007, reflecting progress in most key markets, especially Russia, Ukraine, Turkey and across North Africa. Our Regional share was adversely impacted in 2010 by a market contraction in Ukraine and an upsurge in illicit trade in Turkey following large excise tax increases in those markets. Market share momentum was restored in 2011 on the strength of gains in Turkey, the Middle East, and North Africa. In 2011, we gained or held share in 11 of our top 15 OCI markets.

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Our premium volume - shown here as a percentage of Regional volume - is also gaining and we have seen an accelerating mix improvement, with the share of premium volume reaching 39.5% in the first quarter.

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Finally, since 2007, EEMA's adjusted OCI margin has expanded from 38.5% to 41.3% last year and to 44.1% in the first quarter of this year. Importantly, continuous operating margin improvement in EEMA is paired with investments in marketing, sales and in developing organizational capabilities - in direct proportion to our growth opportunities.

Let's look next at how EEMA can keep delivering growth.

(SLIDE 19.)

Marlboro is by far the leading premium brand in EEMA and we focus relentlessly on growing our flagship franchise. Last year, *Marlboro*'s shipment volumes increased by 4.2 billion units, or 5.3%. This year, in the first quarter, *Marlboro* volume growth accelerated to 7.6%, again reflecting gains by both the mainline franchise plus the benefit of new product offers and recent market entries.

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The new *Marlboro* architecture continues to generate innovative possibilities and we are acting on that potential. We work continuously to keep the iconic mainline *Marlboro* offer vibrant, modern and relevant wherever it is sold. We are also adding inviting new formats and product enhancements to extend *Marlboro*'s reach, for example among Young Adult and adult female Smokers.

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Marlboro Gold Touch and *Marlboro Fine Touch* offer a new way of smoking with a reduced circumference product at 6 and 4 mg tar levels. These *Marlboro* variants have proven extremely compelling to increasing numbers of opinion-leading Young Adult Smokers in trend-setting cities. Sales volumes last year jumped by 75% reflecting the offer's rising popularity plus a rapid geographic roll-out to 22 EEMA markets today, up from three markets three years ago. Generally these products sell at a premium to the *Marlboro* mainline in EEMA.

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We've seen excellent volume gains in Russia, Iraq, Kazakhstan, Ukraine and Saudi Arabia and initial sales in Serbia are also promising.

(SLIDE 23.)

Marlboro Filter Plus offers excellent taste, a unique filtration system and innovative packaging. *Marlboro Filter Plus* is now selling in 28 EEMA markets - up from only eight markets in 2008.

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Volume has grown at an average 10.5% since 2008 and notable successes include Iraq, where it is already among the leading premium offers on the market.

(SLIDE 25.)

Parliament holds a distinctive luxury appeal with its prestige packaging and unique *recessed filter*. To keep *Parliament* attractive and engaging, last year we renovated packaging, notably in Russia, Turkey, Ukraine, Romania, Serbia and Bulgaria. *Parliament* benefits from continuous product enhancements, combined with exclusive marketing programs and select line extensions.

Positioned in the super-premium segment, we estimate that *Parliament,* with a volume share of about 4%, accounts for nearly 9% of the retail sales value of the Eastern European and Turkish markets where it is mainly sold. Unit margins on *Parliament* in EEMA are on average 50% above those of *Marlboro*.

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Overall, *Parliament* shipment volumes increased by over 3 billion units, or 12.9%, last year - as shown in the bars at left. And growth continued in the first quarter of 2012 with a further rise of 13.3%, reflecting continued gains by the mainline franchise plus gains from new product offers and recent market entries.

(SLIDE 27.)

Looking at first quarter 2012 market share performance, *Parliament* is setting new records in a number of key markets, including Kazakhstan, Russia, Ukraine and the GCC.

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L&M is among the world's best known and trusted brands. Now in a new, more premium pack and very competitively priced, with distinctive new slims offers, *L&M* plays a "front-line" role in a number of highly competitive situations.

(SLIDE 29.)

L&M's reach is truly global and the brand is again showing positive momentum in a number of markets.

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Overall, *L&M* volume rose 1.1% in 2011. In the first quarter of 2012 Regional shipments of L&M were flat, largely reflecting a volume contraction in Egypt, where illicit sales have increased from negligible levels a year ago to 20% of consumption now, according to Egyptian government estimates. Excluding the decline in Egypt, L&M volume was up 3.4%.

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First quarter *L&M* volume continued to grow in Turkey, Russia, Saudi Arabia as well as the Balkans. Within the Balkans, about one third of the gain was due to the successful morphing of a local brand into the *L&M* franchise in Serbia, while two-thirds of the sales rise reflects organic growth in Bulgaria, Romania and Albania.

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Chesterfield offers a classic, quality smoke in a distinctive, modern pack, retailing at the top of the mid-price segment. Packaging for the mainline was refreshed last year and we added the distinctive "slider" pack shown here, to appeal to Young Adult Smokers. *Chesterfield* continues to perform well in the extremely competitive mid-price segment, especially in Ukraine, where market share increased to 7.5% in the first quarter of 2012.

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Chesterfield is also benefitting from entry into new markets, for example in the Gulf as you can see here.

(SLIDE 34.)

Finally, *Bond Street* - a reliable, affordably-priced international brand - is our leading value proposition. With its modern packaging and improved tobacco taste, *Bond Street* appeals to both downtraders from the mid- price segment and uptraders from cheaper products. *Bond Street* is also gaining through innovative line extensions …

(SLIDE 35.)

… for example reduced diameter products - as shown here.

(SLIDE 36.)

Volume growth has accelerated from 3.8% last year to 6.3% in the first quarter of 2012 on gains in Ukraine, Kazakhstan and Serbia.

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Bond Street has grown phenomenally - starting with the recent recession. And continuing into the first quarter of 2012, *Bond Street* is still posting new share records in its key markets.

With a retail sales value well above a billion Dollars in EEMA markets - and still growing - *Bond Street* delivers more than just volume to PMI. Over the past five years, strong volume gains paired with higher manufacturer selling prices have doubled EEMA's net sales revenues from *Bond Street*.

Let's turn now to excise taxation and regulation, which are critical factors driving industry profitability and its evolution.

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In EEMA, total tax incidence on *Marlboro* - that is excise plus VAT - ranges from just over 80% of retail selling price in Turkey to about 25% in Kazakhstan. Most governments follow a policy of regular, reasonable increases. Changes in incidence since 2010 - shown here in red - have for the most part proven manageable. Egypt - where tax policy under the new authorities has been uncertain - is a notable exception.

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In Turkey, where cigarette taxes are entirely ad valorem, the government is undertaking much-needed excise tax reform.

Last fall, the government initially increased the excise tax rate by six percentage points to a level of 69% in mid-October. Two weeks later, the 69% rate was eased to a more moderate 65% rate, where it remains today.

The Ministry of Finance has for some time contemplated making changes to the excise regime. And, last week, the President signed new enabling legislation to do just that. Importantly the legislation allows the government to introduce a specific component into the tax structure. Details of the government plan are not yet announced but we regard the reform initiative as positive.

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In Ukraine, both the pace and the magnitude of excise tax increases have moderated, with relatively restrained increases on the specific component as you can see. The ad valorem component of the tax has been stable at 25% since 2010. This has meant only moderate increases in the retail price of our brands - for example on *Marlboro*, as shown here - while still allowing us to improve unit margins across the portfolio.

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In Russia, multi-year tax legislation provides a useful degree of predictability in a key market. The tax structure is predominantly specific with regular and reasonable increases in the ad valorem rate. Looking ahead government is again proposing prolonging the legislation beyond 2014.

Effective this month, and slightly ahead of the pending 1 July tax rise, we have increased the retail selling prices of most of our brands in Russia by 3 Rubles per pack.

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This chart illustrates the narrowing of retail price gaps between *Marlboro* and the leading low-price brand in Russia, Ukraine and Turkey. Between December 2008 and March of this year, you can see that price gaps have dropped by about half, partly reflecting the impact of tax-driven price increases. Reduced price gaps tend to facilitate adult smoker uptrading to higher priced and especially to PMI products. And PMI is always alert to pricing opportunities - consistent with prudent price gap strategy.

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The reduction of illicit trade also represents a significant upside potential in EEMA markets.

In Romania, rapid, substantial excise tax increases brought about a material increase in illicit trade, which, by 2010, approximately doubled to 22% of consumption. Since then, illicit trade has moderated due to better enforcement measures by the authorities, working in cooperation with the industry.

In Turkey, an abrupt rise in taxation boosted sales of illegal product to a peak national average of 20% of consumption and - in some Southeastern provinces - to over 50% last year. In October 2011, the government undertook a comprehensive, three-year program to reduce illicit trade in cigarettes, including enabling legislation, official measurement of illicit trade impacts and tough enforcement capabilities coordinated by the Revenue Administration. From a peak of 20%, illicit product has already moderated to about 17%.

Illicit trade is also a source of concern in Egypt - as I mentioned - and in both Bulgaria and South Africa. Reasonable fiscal policy together with pragmatic, proven enforcement measures - we believe - can yield useful results, better assuring state revenues and protecting legal business interests.

Let's look now at how we are progressing in some of our key markets, beginning with Turkey.

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In Turkey, industry volumes fell from 108 billion units in 2009 to 91 billion in 2011, largely due to increased illicit trade. By contrast, first quarter 2012 industry volumes were up 3.1%, reflecting a partial moderation of illicit sales.

In the context of abrupt tax-driven swings in the market, PMI brands continue to perform extremely well. Last year, we posted a record market share of 44.8% driven by gains across all price segments. Our momentum continues this year, with a record share of 45.0% through May.

In addition to the driving power of our brands, part of the reason for our success in the volatile Turkish market is the remarkable execution abilities of our truly world-class Turkish commercial organization.

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Our retail force of 2,000 people covers 145 thousand points of sale, visiting outlets on average two and a half times a week, giving us a superb ability to implement national or localized marketing programs.

Last fall - when the government abruptly revised the tax on cigarettes - our people assured the implementation of new retail pricing nationwide in less than six hours, starting at one a. m. and ending in time for the start of business the same morning. Likewise a newly launched PMI product can be available in 90% of Turkey's outlets in only four days following introduction. PMI's retail execution in Turkey gives us a real edge on competition.

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PMI is the clear market leader in Turkey - and gaining. In the above-premium segment, *Parliament* is performing very well, with a strong first quarter share increase to 8.3%. *Marlboro* share was adversely impacted by the recession but has stabilized at 9.3%, benefiting in the light-tasting segment with the successful revamp of 8 mg *Marlboro Touch* and from the introduction of *Marlboro Red One*. Our combined share of the premium-price segment is a commanding 93%.

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… and we are well positioned in the mid-price segment with *Muratti* with a rising share of 6.3% …

(SLIDE 48.)

… and with *Lark* at 11.9% share and *L&M* at 8.6% in the intensely competitive low-price segment.

(SLIDE 49.)

Through the first quarter, all of our key brand franchises are gaining with total shipments up nearly 10%.

(SLIDE 50.)

In Ukraine, PMI brands lead the market with an overall share of 32.2%. Our international brand franchises have weathered the tax and recession shocks of the past few years extremely well and premium brand volume was up a robust 6.1% in the first quarter of 2012.

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We work hard to keep our brands fresh and relevant in all profitable price segments. Our ability to grow income despite shifts in market conditions is partly due to maintaining good brand coverage across the premium, mid and low-price segments. Overall we have 5 of the top ten international brands on the market.

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In Saudi Arabia, adult smoker preferences are shifting and *Marlboro's* long-established leadership in the market has been challenged. In particular, Young Adult Smokers began out-switching to innovative, lighter-tasting competing offers. In this context, the new, open and engaging *Marlboro* architecture - which we introduced last year - has been very well received and *Marlboro* is re-asserting its lead including among Young Adult Smokers as you can see here.

In line with this, in-market sales volumes in Saudi Arabia were up 7% for the quarter on gains by *Marlboro, Parliament* and *L&M*. Partly reflecting an expanding total market and favorable trade inventory movements, our first quarter shipments in Saudi Arabia were up 17%.

On the fiscal front, as you know, an increase of the import duty has long been on the agenda. However, to date, no GCC state has decided on an increase.

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In Russia, the economy is improving and adult smokers are again switching to higher priced brands.

PMI posted a record 26.2% market share in the first quarter of this year and in-market sales rose by 4.1%. Due to unfavorable distributor inventory movements during the quarter, shipments were up 0.5% while first quarter OCI, excluding currency, was up 10%. Our income gain in Russia is paired with significant investments in our commercial organization and in our brands.

Overall, we are very happy with our performance in Russia. But, as you know, we are not satisfied with recent trends for *Marlboro* in this market and I will share with you our plans to unleash *Marlboro's* very considerable potential.

First however let's look briefly at the factors driving our overall success in Russia, starting with our broad portfolio of brands.

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Parliament volume for the first quarter was up 10.5% in Russia, reflecting a number of enhancements including upgraded packaging. *Parliament* is now the fastest growing premium brand in Russia with a national share of 3.1% and 8.0% in the intensely competitive Moscow city market.

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L&M's performance in Russia has turned around, owing to a comprehensive program of product, price and other initiatives. Sales are now gaining stongly, with an 18% volume increase in the first quarter of this year.

(SLIDE 56.)

Bond Street grew phenomenally in Russia during the recession and first quarter market share was another record at 6.3%. Marketing initiatives include intensive adult consumer and trade activities.

(SLIDE 57.)

Next is a modern but affordably-priced brand and is gaining strongly on slims versions, which now account for nearly half the brand's 2.9% share of market.

(SLIDE 58.)

Russia is a giant market, with important differences among its regions. We leverage the benefits of scale in implementing national programs but we also tailor execution to the local territory. Breaking Russia down into five strong regions - Moscow, North, Center, South and East - with investments in local capabilities and more local accountability last year, means better, closer working relations with the trade, focused and controlled implementation of special programs and better and more meaningful interaction with adult smokers.

Our new area structure is already bringing benefits and we are growing fast in four of our five Russian regions while holding share in the extremely competitive Moscow area.

Parliament in particular is benefiting with gains across all five Russian regions. *L&M*, with traditional strength in the East now has excellent momentum in the other four regions. Localized initiatives in Russia's regions are also boosting sales for *Chesterfield*, *Bond Street*, and *Next*.

Notably absent, however, among our current growth brands in Russia is *Marlboro.*

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Over the last three years, the *Marlboro* franchise has declined from a national share of 2.6% in January 2009 to 1.9% as of March this year. While full-flavor variants have proven relatively resilient, of particular concern are the share losses by "lower tar" propositions. That's because lighter-tasting products are highly relevant to legal-aged to 34 year-old smokers.

Our action plan to turn *Marlboro* around in Russia is based on a number of initiatives, beginning with development work conducted last year in Yekaterinburg.

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Over the course of 2011, we conducted an extensive and in-depth test program in the central Russian city of Yekaterinburg. In addition to finding and validating new and better ways to use our commercial organization, the test generated a number of actionable insights into emerging adult smoker preferences and behavior. In particular we gained important insights into *Marlboro*'s upside potential.

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We confirmed that appropriate communications and impactful work among adult smokers in well-focused venues materially boosted awareness and favorable interest in *Marlboro* among Young Adult Smokers.

Increased awareness translated to improved trial rates for *Marlboro* and, in turn, the YAS share for *Marlboro* nearly quadrupled from 2.1% to 7.7% over the course of the test - an encouraging result.

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Within the much increased group of Legal Age to 34 year old adult smokers trying *Marlboro*, however, the test also highlighted an adverse perception of product harshness. This perception prevents adult smokers from permanently adopting the brand - despite the high trial rate.

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As Fred mentioned this morning, to address the issue of perceived product harshness, this month, in time for the peak summer selling season, we are launching a wholly new *Marlboro* line, *Marlboro Clear Taste*.

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Marlboro Clear Taste offers a wide choice of pack formats in distinctive colors, featuring a milder tasting, smoother blend, a more pleasant odor and an innovative four-chambered filter with an easy draw …

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… plus a provocative dynamic campaign.

We expect *Marlboro ClearTaste* to boost *Marlboro's* relevance among Young Adult Smokers while also enhancing the popularity of the overall brand family.

Moreover, leveraging our global “*Be Marlboro*” campaign, mainline *Marlboro* variants will benefit from a comprehensive program of product improvements, intensified marketing and our much strenghtend consumer engagement organization.

The turn-around of *Marlboro* in Russia, we believe, will come from much enhanced appeal, activation of the brand’s demonstrated upside potential and an uptrading environment.

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Let’s turn now to business development opportunities elsewhere in EEMA. Key opportunities include markets where we are not present today such as Iran - indicated in white - or where we are present but our share is below 20%, such as Egypt and South Africa - shown in red. Combined cigarette consumption in these markets amounts to over 400 billion units, giving us plenty of room to grow. Let’s look now at a few examples.

(SLIDE 67.)

Our 2009 acquisition of Swedish Match South Africa has given us a strong operating base with a share of the combined cigarette and OTP markets of 28% and the potential to grow our cigarette business in this large and highly profitable market.

In March last year, we were extremely encouraged by the results of our launch of *Marlboro Blue Ice*, which added profitable volume and boosted adult consumer awareness for the *Marlboro* franchise. Total *Marlboro* volume was up 24% in 2011 and grew another 13% in the first quarter of 2012.

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This May we followed up with the launch of *Marlboro Beyond*, positioned to compete in the key Virginia segment which constitutes about 80% of the cigarette market. For maximum impact we now focus our adult smoker and trade marketing efforts in the opinion-driving Johannesburg area. Initial results are extremely encouraging and we will follow with expansion nationally.

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We entered Iraq in 2007, partnering with a well-established third party distributor. *Marlboro* has gained immediate and increasing acceptance. We have rapidly gained volume to a level of 2.6 billion units last year and with plenty of opportunities still to add volume and share, for example in the South and Center of the market.

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In North Africa, we have had excellent success developing sales of *Marlboro* and *L&M* and volume has nearly doubled since 2007 and we are still gaining. We access these markets by means of third-party manufacturing arrangements in Algeria, Egypt and Morocco and through exports elsewhere. With local producers still accounting for nearly 60% of cigarettes consumed, PMI has plenty of room for share and volume gains in the future.

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To conclude, we know what our challenges are and, as you have seen, we are acting on them.

- Macro-economics in EEMA are favorable, spending power is growing and adult smokers are moving up to the best brands they can afford, which increasingly means switching to PMI brands.

- In turn, our operating performance is accelerating on all key parameters.

- Excise taxation rates remain manageable and specific excise structures are facilitating price gap management. That helps us to realize upside pricing opportunities.

- Our stellar brand portfolio, our innovation pipeline and our ever-improving understanding of the adult smoker drive our portfolio and business building activities.

- We see enormous opportunities for growth – including geographic expansion - and we are tapping that potential.

- And our talented, agile, and highly motivated organization is making the most of every growth opportunity, even in the most demanding markets.

For our shareholders, EEMA means: renewed volume growth in established markets, rapid deployment in new markets and an accelerating mix improvement combined with strong and rising margins, generating robust and sustainable profit growth going forward.

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That concludes my prepared remarks and I would be happy now to answer any questions on our business in the EEMA Region that you may have at this time.

Thank you.