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Investor Day
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(SLIDE 1.)

Good morning, ladies and gentlemen and welcome again to PMI's 2012 Investor Day.

(SLIDE 2.)

I will begin today's presentation with a brief industry overview. I will then talk about our strong position relative to our competitors before touching on the current fiscal and regulatory environment. Next, I will share some highlights on our four Regions before discussing three key opportunities for PMI – our commercial organization, a reduction in illicit trade and business development. Finally, I would like to share with you our progress on Next Generation Products (NGPs), which represent a potential paradigm shift for our business.

(SLIDE 3.)

Let me start with a snapshot of the global tobacco industry, whose retail sales value was an estimated $748 billion in 2011, including China and the United States. Cigarettes accounted for 92% of the total, highlighting the relatively small size of all other tobacco products, or OTP.

(SLIDE 4.)

Excluding the U.S., where PMI does not compete, as well as OTP and duty free, the retail sales value of the global cigarette industry itself reached an estimated $598 billion in 2011, or approximately $80 billion more than I reported two years ago. This increase was driven by higher retail prices as well as volume growth in non-OECD markets and China.

(SLIDE 5.)

Between 2007 and 2011, total tax-paid volume of the worldwide cigarette industry, excluding the U.S. and duty free, grew at a compound annual rate of 0.7%. This growth was driven by both China and non-OECD markets, partially offset by a decline in OECD markets. Excluding China, total tax-paid industry volume declined from 3.3 trillion units in 2007 to 3.2 trillion units in 2011, or a 1.2% compound annual contraction.

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The growth in retail value has been impressive over the same period, especially on a per pack basis. The retail value growth in OECD markets was essentially driven by pricing, while growth in non-OECD markets was driven by pricing, volume expansion and consumer uptrading. OECD markets still have the highest retail value at $278 billion. One can also clearly see in the chart the tremendous growth in China, where retail value more than doubled during the 2007 to 2011 period.

On a per pack basis, the gap in retail value is still very significant − $5.37 per pack in OECD markets versus $1.29 per pack in non-OECD markets. However, per pack prices in non-OECD markets grew faster and we expect this trend to accelerate, driven by continued income growth and consumer uptrading. Using China as a precursor, this highlights the opportunities for margin improvement in the future.

(SLIDE 7.)

From 2007 to 2011, the premium price segment increased everywhere, while the mid-price segment also expanded in non-OECD markets. These positive developments are especially encouraging given the challenging global economic environment over the past four years.

Let me provide a brief example highlighting the potential opportunity that non-OECD markets offer. If the premium segment in these markets, currently at 19%, were to reach the 37% level seen in OECD markets, it would enhance the industry net revenue pool by an estimated $8 billion assuming current industry volume, pricing and tax levels. PMI would likely receive a very significant portion of this increase given its strong position in the premium segment.

The industry revenue pool figure reflects a $2 billion increase over the amount I shared with you in 2010, principally as a result of higher pricing.

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In terms of taste and format, the key trends are for low tar, slims and menthol products.

The slims segment achieved spectacular growth of 14% over the 2007 to 2011 period, due primarily to strength in key Eastern and Central European markets as well as Indonesia. Growth in the menthol segment was driven by many markets including Indonesia, Korea and Russia. This growth more than offset the impact of a total market decline in Japan, where the menthol segment's share nonetheless increased over the same period.

Importantly, PMI has an industry-leading share in all three categories, with segment shares of 31.9% in low tar, 27.9% in slims and 50.8% in menthol. Later this morning, Fred de Wilde

will share with you some of the plans we have in place to further advance these already strong positions.

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Turning to the competitive landscape, PMI clearly stands out as the market leader across a broad range of metrics.

(SLIDE 10.)

In 2011, PMI had a 16.0% share of the international cigarette market. Excluding China and the U.S., PMI held a 28.1% share. The combined share of the four major tobacco companies accounted for about 75% of the total market. The remaining 25% is either in private hands or with state monopolies. It constitutes a significant source of potential future growth for PMI, both organically as well as through M&A opportunities that we would deem to be attractive.

(SLIDE 11.)

Our market leadership is further highlighted by our position in the top ten OECD and non-OECD markets, with industry leading shares of 35.9% and 25.8%, respectively.

(SLIDE 12.)

A look at the top ten OECD and non-OECD markets by volume, clearly shows the potential presented by the latter given their relative size, superior economic growth and favorable demographic characteristics.

(SLIDE 13.)

Looking at these markets more closely, PMI holds the number one or number two market share position in 16 out of 20 of them. That said, we continue to have opportunities to expand in the few markets where we are currently underrepresented, such as Bangladesh, India and Vietnam, given our marginal presence in these markets today. Matteo will talk in more detail about these opportunities in his presentation.

(SLIDE 14.)

PMI is also the most geographically balanced company in the industry. We have clear market leadership in both the EU and Asia, excluding China, we are in a close contest with JT and BAT for leadership in EEMA, and we have a strong number two position in Latin America & Canada.

Asia and EEMA is where the vast majority of the non-top four manufacturers' volume is sold and represents a sizable 745 billion units. This highlights the size of the opportunity given our already very strong position in these regions. Of course, this excludes China.

(SLIDE 15.)

PMI has by far the largest premium portfolio amongst its international tobacco peers, which helps support our industry-leading margins. We hold 53.5% of the total premium segment if we combine OECD and non-OECD markets. We also have strong and improving positions across the pricing spectrum in all geographies. This enables us to address the preferences of adult smokers and at the same time positions us well in both strong and weak economic environments.

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Next, I would like to touch briefly upon the current fiscal and regulatory environment.

(SLIDE 17.)

Most governments now recognize that, over the longer term, the optimization of their revenues is fostered by a combination of factors. These include reasonable, regular excise tax increases, predominantly specific excise tax structures, and the use of minimum excise taxes and other mechanisms to limit consumption by discouraging lower prices. In addition, multi-year legislation or plans that provide excise tax predictability over a longer period help protect government revenues.

While surprises can still happen, we have not witnessed any disruptively large excise tax increases so far this year.

(SLIDE 18.)

Since 2008 a number of markets have put excise tax regimes in place with increased specific-to-total tax ratios or simplified structures. Notable recent examples include Brazil, France and Spain. Some of these will be discussed in more detail by our Regional Presidents this afternoon. In fact, the vast majority of our top 30 OCI markets currently have excise tax structures in place that we would deem to be reasonable.

The increase in specific-to-total tax ratios has resulted in more predictable government revenues and narrower price gaps. Ultimately, this can benefit PMI's portfolio of premium brands.

(SLIDE 19.)

Importantly, higher specific tax regimes such as the system used in Japan, increase the manufacturer's share of a price increase. For example, taking the two extremes of Japan and

Turkey, a relatively small theoretical price increase of $0.10 per pack would enable a manufacturer to take 85% of the price increase or $4.25 per thousand cigarettes in Japan, versus $0.50 per thousand cigarettes or 10% in Turkey. Gradually moving the high ad-valorem markets to just the average represents a significant opportunity for margin improvement for PMI. And as mentioned previously, many regimes have and are moving in this direction.

(SLIDE 20.)

As you know, many of the markets in which we operate today have passed strict tobacco regulations. These include extensive public smoking restrictions, bans on most forms of advertising, graphic health warnings and limitations on the use of descriptors. Nevertheless, we operate very successfully in such regulatory environments and have generally supported these regulations.

(SLIDE 21.)

We are opposed to regulations that are extreme in nature and are not evidence-based. These include plain packaging, health warnings covering most of the pack, display bans and bans on the use of all ingredients. These measures lack sound evidence that they would reduce consumption, affect initiation rates or meaningfully benefit public health. Instead, they are likely to result in significant adverse consequences that undermine public health objectives and government revenues. Examples include growth in illicit trade and increasing consumption of cheap tobacco products. In fact, evidence from Australia, Canada and Uruguay, which have already implemented an array of extreme measures, shows that such regulations have unintended adverse consequences and bring essentially no tangible benefit.

(SLIDE 22.)

Now let me briefly turn to our four Regions, which will be covered in much greater detail by our Regional Presidents.

(SLIDE 23.)

Through organic growth as well as judicious acquisitions and business combinations, we have significantly expanded our geographic diversity since 2007. In volume terms, Asia has become our largest Region, representing 34% of total PMI volume in 2011, up from 25% in 2007.

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From 2007 to 2011, we grew net revenues and adjusted OCI in all regions on a constant currency basis. The growth in the EU Region came despite the challenging economic environment and overall industry volume decline during this period.

PMI's spectacular progress in Asia, which has overtaken the EU Region as our largest OCI contributor, is worth highlighting. It positions PMI well for the future given Asia's favorable demographics and economic characteristics. The region accounts for approximately 50% of the world's population and benefits from an above average population growth rate.

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In addition to our tremendous brand portfolio, which will be covered by Fred, I will now discuss three other key areas of opportunity for PMI: our commercial organization, a reduction in illicit trade and business development.

(SLIDE 26.)

To better frame the opportunity for PMI's commercial organization, let me first touch briefly on the evolving commercial landscape. The proliferation of brands, intensifying competition and increasing innovation are adding to portfolio complexity. Adult smokers are becoming more demanding and require more effective communication. One-way brand messages and traditional mass media advertising are giving way to broader consumer engagement that leverages new technologies. At the same time, increasing regulations are limiting consumer communication opportunities, while increasing the time and effort required to build products.

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As the marketing environment evolves, so do we. We have begun a process of combining our marketing and sales resources into entrepreneurial commercial teams.

With this new structure, we aim to increase the retention of our current adult smokers, improve the success rate of new product introductions and provide longer and simultaneous support to our key brands. This new approach will enable us to better access and leverage innovative consumer touch points to improve the way we communicate with the trade and consumers, and increase the deployment of common platforms based on modern technologies and proprietary systems.

Combining the current expertise of our strong marketing and sales teams and giving increased autonomy to our field forces will provide us with a significant competitive advantage going forward.

I would also like to mention that this new commercial approach entails a very significant implementation effort that spans over 20,000 PMI sales and marketing personnel as well as hundreds of thousands of members of the trade.

Fred will also give you some examples during his presentation.

(SLIDE 28.)

Another area of opportunity for PMI is a reduction of illicit trade.

(SLIDE 29.)

I think it's important to start by highlighting what we specifically mean by illicit trade.

Illicit trade refers to domestic non-tax-paid products and falls into three main categories: counterfeit, which is the largest category and consists of fakes of well-known brands; contraband, which refers to genuine products that are illegally diverted from their market of intended distribution; and a relatively newer phenomenon, the so-called "illicit whites". These are typically low quality cigarettes that are produced in one country, often legally, but are not intended for any material distribution in that country. Instead, they are specifically designed to be smuggled and sold in high excise tax countries.

An example of illicit whites is the *Jin Ling* brand, which is produced in Kaliningrad, Russia, has no domestic market, and is sold illegally in European markets such as Germany and Poland. In total, *Jin Ling* represents about 3% of total illicit cigarette consumption in the EU or approximately 2 billion cigarettes.

(SLIDE 30.)

Illicit trade is a significant problem, estimated at 600 billion units or about 10% of global cigarette consumption. High levels of illicit trade occur most frequently in conjunction with excessive excise tax levels or flawed regulations, particularly in markets where border controls and other forms of enforcement are relatively weak. PMI is disproportionately affected given the nature of its brand portfolio. You can see on this slide a list of a number of countries where the incidence of illicit trade is above 15%. Some notable examples based on 2011 data are Canada at a 23% incidence level, Turkey at 20%, Norway at 35% and Malaysia at 37%.

(SLIDE 31.)

Nonetheless, we believe that a reduction in illicit trade presents an opportunity over the mid to long-term. A 50% decline would increase the legitimate industry's volume by an estimated 300 billion units. To put this in perspective, this equates to roughly three times the total volume decline experienced across the world, over the 2007 to 2011 period, excluding the U.S. and China.

To further illustrate the opportunity, a 50% reduction in illicit volumes could translate into incremental OCI of approximately $1.7 billion for PMI, assuming we were to capture our fair share. Such a reduction would also bring significant additional revenue to governments, many of which today are in difficult fiscal situations.

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Governments are becoming increasingly aware of the serious nature and consequences of illicit trade. In response, they are implementing legislative and enforcement frameworks to fight the problem. Encouragingly, more governments are building the adverse impact of illicit trade into their regulatory and fiscal assessments.

Given the gravity of this issue, we have established a sizable internal organization dedicated solely to combating illicit trade. This group works closely with law enforcement agencies and also within the framework of our existing agreements with various governments, such as the EU agreement. Their objective is to address not only the downstream problem, but the entire supply chain, logistics and financing of illicit trade.

As a case in point, PMI has just signed a three-year cooperation agreement with Interpol that addresses five key areas that are outlined on this slide. To support these initiatives, PMI will provide financial support to Interpol.

The addition of Interpol's firepower marks a strategic milestone in the combat against illicit trade.

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Although, the thrust of our growth is and will remain organic, several opportunities through business development activities still remain.

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As noted previously, approximately one quarter of the total international cigarette market, excluding China, is currently held by local companies. In many of the markets where these companies are prominent, such as Egypt and Thailand, we are gaining market share. In other untapped territories, such as India, Bangladesh and Vietnam, our presence is currently very small but we have structures in place that will help us to expand organically from our low base. In a number of other markets we are also restructuring existing relationships and partnerships. Finally, we remain open to pursuing acquisition opportunities provided that they are financially and strategically sound.

(SLIDE 35.)

And of course there is China, which accounted last year for approximately 43% of the world's cigarette volume, excluding the U.S. This 2.4 trillion unit market is run by a state monopoly, the Chinese National Tobacco Corporation, or CNTC – the most profitable company in China in 2011 with estimated pre-tax profits of approximately $34 billion. Clearly, given PMI's negligible share position, China remains a significant opportunity in the long term.

As many of you already know, we are continuing to build our relationship with the CNTC and have a license agreement in place for the domestic production of *Marlboro*. While we are pleased with *Marlboro'*s progress to date, its volume of 1.8 billion units in 2011 remains a drop in the ocean. We are also cooperating with the CNTC through a joint-venture in international markets. It is progressing solidly, with brands currently available in 12 markets.

Our aspiration is to become the CNTC's key strategic partner over time. We do think that China will one day be a game changer for our industry. In particular, NGPs have the potential to provide a much more meaningful entry point into this vast market. But we have to remain mindful that all these developments will take time to materialize, especially given the current context of leadership change in China.

(SLIDE 36.)

A PMI strategic priority is to develop, assess and commercialize products that can reduce the health risks of smoking on an individual and population basis. These are NGPs. Some of you might know them as Modified Risk Tobacco Products or MRTPs. These products have the potential to be the greatest innovation in the industry. To this end, we expect our own NGPs to play a pivotal role.

(SLIDE 37.)

Our NGP efforts are guided by the following key objectives.

Our first objective has been to develop a series of products that provide adult smokers the taste, sensory experience and smoking ritual characteristics that are as close as possible to those currently provided by conventional cigarettes.

Our second objective is to substantiate a significant reduction of risk both for the individual adult smoker as well as the population as a whole, based on robust scientific evidence. Such evidence is derived from well-established assessment processes used by the pharmaceutical industry, supplemented with innovative analyses derived from systems biology.

Our third objective is to advocate for the development of regulatory frameworks for the approval and commercialization of NGPs including the communication of substantiated benefits to consumers. Today only the U.S. has enacted a legislative framework for MRTPs under the jurisdiction of the Food and Drug Administration, or FDA. Forthcoming FDA guidance and regulations are likely to influence the regulatory approach of other interested governments worldwide.

(SLIDE 38.)

We believe that risk reduction in combustible, conventional cigarettes through the selective elimination of harmful constituents using filtration, genetic modification or other techniques

would only produce marginal improvements that are unlikely to provide material health benefits.

Therefore, we believe the elimination of combustion via tobacco heating and other innovative systems for aerosol generation is the most promising path to secure risk reduction.

(SLIDE 39.)

Before I talk specifically about our NGP product platforms, let's look at a few of the main existing alternative products to conventional cigarettes that are on the market today.

First, is the smokeless category. Swedish snus is a product with epidemiology that could qualify it as a reduced risk product compared to conventional cigarettes. As you know, we have established a joint venture with Swedish Match outside the United States and Scandinavia for the development and commercialization of snus. The joint venture has launched *General*, *Marlboro* and *Parliament* snus products in selected markets including Canada and Russia, with plans for further geographic expansion. As expected, initial consumer adoption is slow because of the significant differences in ritual, sensory experience and nicotine delivery profiles, but we are satisfied with the progress to date.

It is also worth highlighting that PMI owns technology relating to dissolvable and chewable tobacco strips, rods and pellets.

(SLIDE 40.)

Another alternative to conventional cigarettes is e-cigarettes. These products generate a nicotine-containing aerosol by vaporizing a substrate that often is a mix of water, nicotine, flavors and other aerosol-forming agents. The major issue with these products is a poor sensory experience and a weak nicotine delivery profile. Some of them may also present certain safety issues.

E-cigarettes have been commercialized but lack supportive risk assessment data and appropriate regulatory approvals, while their excise tax status is mostly undefined. They are under increasing government scrutiny and in fact are prohibited in certain markets. Importantly, however, e-cigarettes have increased the general consumer awareness of potential alternatives to conventional cigarettes and hastened the need for a robust regulatory discussion. Overall, while resting on extensive research and testing, this augurs well for our NGPs, which we believe will offer superior sensory experiences.

(SLIDE 41.)

This slide shows the nicotine absorption profiles of conventional cigarettes compared to e-cigarettes. E-cigarettes have a much slower delivery profile which, together with weak taste, explains limited consumer satisfaction.

(SLIDE 42.)

I will now discuss PMI's three NGP product platforms, which are currently under development.

Platform 1 uses a precisely controlled heating mechanism into which a specially designed cigarette is inserted to generate a smoking aerosol at operating temperatures that are significantly below the level of combustion. We expect taste to be essentially at parity with conventional products for menthol variants and close to regular super-low tar cigarettes based on adult smoker panel evaluations.

(SLIDE 43.)

Platform 2 has the format of a conventional cigarette that is lit using a normal lighter. The smoking ritual essentially mirrors that of a conventional cigarette. Sensory evaluation is the same as platform 1 for menthol variants whilst offering higher satisfaction for the non-menthol variants.

(SLIDE 44.)

Platform 3 is based on technology PMI acquired from Professor Jed Rose of Duke University and other co-inventors in May 2011. It uses a chemical reaction to generate a nicotine-containing aerosol. It replicates the feel and ritual of smoking, has an excellent nicotine absorption profile and a toned down taste characteristic by design.

In terms of timing, Platform 1 is ready for clinical trials and industrial scale-up, Platform 2 is in its final development phase and Platform 3 requires another year or so for product development.

I should also mention that over the past few years, we have evaluated the acquisition of e-cigarette platforms. Given the problems I mentioned previously, our decision was to proceed with internally developed products using insights from and synergies with our other platforms, to which we have given priority for obvious reasons.

(SLIDE 45.)

Let me now move to the very important and complex field of risk assessment of the NGPs. The assessment is two-pronged. First, to determine whether the products reduce the risk of smoking-related diseases for the individual adult smoker compared to conventional cigarettes, using a very rigorous system of pre-clinical and clinical studies.

Second, to model the impact on the population as a whole by evaluating the level of adoption of the NGPs by existing adult smokers, changes in the patterns of initiation and of cessation, the potential risk of relapse of adult smokers who have quit and finally the potential for conversion to conventional cigarettes of adult smokers that start with NGPs.

(SLIDE 46.)

The population risk assessment is based on a system of mostly behavioral but also clinical and econometric studies. This starts with communicating the fundamental point that regardless of the reduced risk associated with using NGPs, they are not a substitute for quitting nor are they zero risk. Despite the complexity and inherent limitations of such studies in a pre-commercialization environment, we believe that they can be a useful part of the evidence used to assess the population risk of NGPs. Further, post-market surveillance can validate population risk estimates.

(SLIDE 47.)

Our approach to individual risk assessment is to use cessation as the benchmark.

Decades of data establish that continuing smoking increases the risk of a number of diseases. That's reflected by the red line on the chart shown in this slide.

The short-term and long-term effects of smoking cessation are also well known. That's illustrated by the green line.

The closer the clinical data derived from adult smokers who switch to an NGP resembles the data from those who quit, the more confident one can be that the product reduces the risk of disease. Our objective is to fall somewhere between the conceptual yellow lines shown here and ideally approach the green line. Although this is a tough standard, we believe it is likely to be the most acceptable to regulators and one that we can ultimately meet.

In fact, the U.S. Institute of Medicine is quoted at the bottom of this slide. "[T]he closer risks and exposures from the Modified Risk Tobacco Products are to cessation products, the more confident a regulator can be in the chances for a net public health benefit."

(SLIDE 48.)

I will now discuss the system we are implementing for the design, assessment, manufacturing, commercialization and post-market surveillance of our NGPs. It exemplifies best practices derived from the pharmaceutical industry as well as PMI's tobacco products and consumer behavior expertise.

First, our approach is built on a well-controlled, documented and audited quality system from experimental design to large-scale manufacturing that ensures product consistency, a key prerequisite for regulatory approval. Supporting documentation and data will be available to regulators.

(SLIDE 49.)

Second, our pre-clinical assessment includes product characterization. It uses both standard analytics and assays coupled with state-of-the-art systems biology. The objective is to demonstrate reductions in harmful constituents, without the introduction of new hazards and, consequently, the potential for reduced exposure in humans. This constitutes the foundation for clinical trials. We are well advanced in this area and have encouraging results to date.

(SLIDE 50.)

As an example of the type of research we are doing, this slide shows the chemical composition of smoke from a conventional cigarette versus aerosol from Platform 2, and was generated using Gas Chromatography. The number of peaks in the NGP aerosol seen in the right graph is significantly lower. Overall, our analytical results show a significant reduction in both the number and levels of harmful or potentially harmful smoke constituents in our NGP prototypes.

(SLIDE 51.)

And on this slide you see the results of a study displaying the rate of aortic plaque growth in mice. A group of mice were exposed to conventional cigarette smoke for six months, indicated here in red, compared to a group that "quit" after three months, indicated in green, as well as a group that "switched" to NGPs after three months, indicated in yellow. While recognizing that this is an animal-based study, it still provides encouraging results.

(SLIDE 52.)

The core of our assessment, however, is short-term and long-term clinical studies in adult smokers. The studies compare data from a group of adult smokers that continues to use conventional products, a group that switches to one of our NGP products and a group that quits smoking. An exploratory short-term study was initiated last month.

Short-term clinical studies require a number of months to complete, starting from the first adult smoker entering the study to the final report of the results. These studies will precede the long-term studies, which take approximately 24 to 28 months to complete. The full set of clinical studies is estimated to take around three years to complete. This is part of the critical path to commercialization.

(SLIDE 53.)

Lastly, post-market surveillance studies can further substantiate the risk reduction models from the non-clinical and clinical research and validate population risk estimates.

(SLIDE 54.)

Specific regulatory frameworks would facilitate the development, assessment, consumer communication and commercialization of reduced risk tobacco products.

The U.S. Family Smoking Prevention and Tobacco Control Act establishes a specific pathway for assessing and approving MRTPs. It would allow approved, scientifically substantiated communications with adult smokers regarding risks. The legislation requires the FDA to develop guidance or regulations on the types and levels of scientific evidence that would be required to substantiate a product as "modified risk", including health risks, user understanding and effects on the population as a whole.

We see this as an important precedent, although clearly different countries will follow approaches that suit their individual legal systems and experiences.

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The FDA released its first Draft Guidance in March 2012. It is non-binding and is likely to remain a work-in-progress for some time.

The Draft Guidance recognizes that MRTPs "may be valuable tools in promoting public health".

The Draft Guidance recommends studies that are generally in line with PMI's assessment approach, although it does not specify precise studies or levels of evidence that will be required. We look forward to continued dialogue with the FDA regarding more detailed guidance in certain of these areas, which are indeed complex and novel.

(SLIDE 56.)

In fact, PMI has shared views on the Draft Guidance with the FDA. We have also made a detailed submission on our approach for product development and assessment. Importantly, PMI also discussed its approach and various open questions regarding scientific assessment with the FDA in May of this year. We were very encouraged by this meeting and although several details still need to be discussed, we remain comfortable with our current risk assessment approach.

In parallel, we are beginning engagement with regulators in the EU, both at the Commission and Member State level, as well as in a number of Asian markets. This is a complex iterative process in which the U.S. FDA regulatory framework is an important benchmark.

(SLIDE 57.)

In parallel with our risk assessment and regulatory engagement work, we are proceeding with all other aspects that lead to commercialization. Our current manufacturing capabilities are sufficient for our clinical, behavioral and commercialization research work but not for large-scale production.

We are opting for one or two greenfield facilities in Europe. This will allow us to optimize equipment and processes without disruption, before converting existing factories over time.

We have been successful in incorporating or combining to a very large degree conventional cigarette equipment into the manufacturing process of our NGPs. The footprint and speed of such equipment will invariably be optimized by our suppliers with scale. Understandably, however, the footprint and capital expenditure of the first NGP facility will be close to double the level of a conventional cigarette factory of equivalent output. We expect that the first facility will be fully operational sometime in 2015 or 2016.

We are also making very good progress on our commercial plans. At this stage, we envisage marketing our NGPs under our existing major trademarks such as *Marlboro*. We have defined our priority launch markets and are refining the business models for the electronic components of Platform 1.

Finally, we are preparing our people for this very important undertaking and our supply chain, especially regarding the electronic components for Platform 1.

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In conclusion, we are making significant progress on NGPs. None of these work streams are yet complete and each has its uncertainties and interdependencies. We are anticipating all possible controllable elements in terms of manufacturing and commercialization so that the risk assessment and regulatory approval processes define the critical path.

If everything goes according to plan, we expect the first factory to be ready in 2015 or 2016, final data from clinical studies during the beginning of 2016 and a launch in the first markets between 2016 and 2017. We have to remain, however, alert to the fact that there may be bumps in the road given the many complexities of this undertaking.

(SLIDE 59.)

Let me now finish by highlighting for you the key takeaways of my presentation this morning.

(SLIDE 60.)

In summary, PMI clearly has the ability to continue its growth, underpinned by its innovative brand portfolio and consumer communication as well as sustainable pricing. The evolution of excise tax structures over time coupled with an overall reduction in illicit trade, will provide additional opportunities.

Finally and importantly, we are making solid progress across all areas of NGPs.

(SLIDE 61.)

That concludes my remarks. I am now happy to take any questions that you may have.