

**CONSUMER ANALYST GROUP OF EUROPE (CAGE)**  
**MARCH 28, 2011**

**OPENING STATEMENT**

It is a great pleasure for me to be here at the CAGE Conference. I extend a warm welcome to those joining us on the web cast.

My remarks contain forward-looking statements and, accordingly, I direct your attention to the Forward-Looking and Cautionary Statements slide, the relevant section of today's news release and our regular SEC filings.

Before I begin the presentation, I would like to address a subject which is undoubtedly on all our minds, namely Japan.

We at Philip Morris, like all of you, I am sure, have been following recent events in Japan with anxiety and sadness. Our hearts go out to the Japanese people whose courage and dignity in the face of devastating tragedy is nothing short of astounding.

I am happy to report that *all* our employees have been accounted for and that they are, thankfully, safe and sound. Following a temporary closure of our local headquarters in Tokyo, during which time our management team worked from our regional office in Osaka, our head office re-opened on March 24<sup>th</sup>.

Turning to our business itself, I can share with you the following update.

- First, in terms of sourcing, as you may know, PMI does not manufacture in Japan. We produce cigarettes for the Japanese market in factories in our EU Region and ship by sea, in roughly equal parts, to the ports of Tokyo and Kobe. While Tokyo port was initially operating at reduced capacity and speed due to damage to some container cranes, normal operations have subsequently resumed. Unloading at Kobe port was, and remains, unaffected.

- Second, in respect of distribution, four of the 28 third-party distribution centers in the country are currently not operating due to unspecified structural damage. We expect two of these four centers to be up and running again later this week and for alternative distribution arrangements to be in place for the remaining two centers as well. Last year, the area serviced by these four centers combined accounted for approximately 12% of our total sales in the country. Distribution to unaffected areas continues normally.
- Finally, with regards to our assets, there are no reports of material damage to our own, including inventories, or to those of our importer. In addition, the bonded warehouses at the Tokyo and Kobe ports are unaffected.

To conclude on Japan, as we mentioned in February, in-market sales were trending slightly above our original expectations. While the impact of the tragic events in Japan continues to unfold, we anticipate that they will not fundamentally change the trends observed in the first two months of this year.

We are monitoring the situation very closely and will provide updates as and when relevant. In this regard, we anticipate providing our next update during our first-quarter earnings call on April 21 when we will also address our 2011 earnings guidance.

Let me now turn to the remainder of today's presentation...