Remarks by André Calantzopoulos
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(SLIDE 1.)

It is a great pleasure for me to have the opportunity to attend the CAGNY Conference here in Florida. Let me extend a warm welcome to those joining us on the web cast.

(SLIDE 2.)

My remarks contain forward-looking statements and, accordingly, I direct your attention to the Forward-Looking and Cautionary Statements section of today's press release, presentation and our SEC filings. Reconciliations of non-GAAP measures included in this presentation to the most comparable GAAP measures, along with a glossary of terms, are available on our website.

(SLIDE 3.)

Our business fundamentals remain strong. We enjoy widespread market share momentum, driven by our superior brand portfolio, which in turn supports our strong pricing power. The overall excise tax environment remains reasonable with positive structural improvements. We have further opportunities to enhance margins through our disciplined cost savings and productivity initiatives. We admittedly face harsh currency headwinds this year, particularly from emerging markets, but these markets are fundamentally attractive and will remain key drivers of our mid to long-term profit growth. Our Reduced-Risk Products represent a tremendous growth opportunity. Recently completed business development initiatives are accretive to our EPS and are enhancing our global business footprint. Finally, we are focused on generously rewarding our shareholders through dividends and share repurchases, while being determined to maintain our "single A" credit rating.

(SLIDE 4.)

Our 2013 performance was solid in a challenging environment. Our cigarette volume declined by 5.1%, or by 2.7% excluding unique dynamics we had to contend with in the

Philippines. Net revenues, adjusted OCI and adjusted diluted EPS, all excluding currency, were up by 1.9%, 3.4% and 10.0%, respectively.

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As expected, we ended the year with a strong fourth quarter. Cigarette volume declined by a more moderate 1.9%, excluding the Philippines. Net revenues, adjusted OCI and adjusted diluted EPS, all excluding currency, increased by 2.5%, 12.7% and 19.4%, respectively.

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On a global basis, cigarette industry volume, excluding China and the USA, decreased by an estimated 97 billion units, or 3.0%, last year. The main contributors to the decline were: the EU Region, with its high unemployment and falling consumer purchasing power; Russia, where there were substantial price increases; and the Philippines, which suffered from an excessive tax increase and a surge in non-tax paid volumes.

In 2014, we forecast a slight moderation in the rate of industry volume decline to between 2% and 3%.

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From a market share perspective, we gained 0.5 points in our top 30 OCI markets, excluding the Philippines. Our share momentum is underscored by the fact that our share of 35.2% in the fourth quarter was above our full-year 2013 share of 34.9%.

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In 2013, our market share increased in the EU, EEMA and Latin America & Canada Regions by 0.5, 0.2 and 1.1 percentage points, respectively. It declined by 0.4 percentage points in the Asia Region, excluding China and the Philippines, driven by share pressure in Japan and Pakistan.

Let me now discuss our four Regions and some key markets, starting with the EU.

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The decline in the EU Region's cigarette industry volume accelerated in 2012 and 2013 to 6.1% and 7.5%, respectively. During this period, average unemployment in the EU rose to 10.9%. The recent upturn in European economies is encouraging, although it has yet to translate into meaningful hiring and purchasing power improvements.

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The rate of decline in cigarette industry volume moderated in the second half of 2013, a period when the unemployment rate remained flat. We also attribute this improvement to a stabilization in illicit trade, the compression in the tax and price differential between cigarettes and fine cut products, and a deceleration in the rate of growth of e-cigarettes in several markets.

At this stage, we expect cigarette industry volume to decline by between 6% and 7% in 2014. This is still well above the underlying rate of decline of 2% to 3% due to societal trends. The rate of decline should therefore gradually moderate over time and we remain confident that the EU Region should eventually regain its position as a solid contributor to PMI's OCI growth.

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Our leading international brands that cover all key price points performed very well in the EU Region in 2013. Premium *Marlboro*, below-premium *L&M* and *Chesterfield*, as well as *Philip Morris*, all gained share during the year.

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Since 2010, *Marlboro* has reinforced its leading position in the premium segment in the EU Region, growing by 0.9 points to 55.9% last year.

Encouragingly, since 2011, when it declined to 31.6%, the premium price segment has increased in importance and accounted for 32.1% of the total EU Region market in 2013.

(SLIDE 13.)

In 2013, we gained share in all six of the largest cigarette markets in the EU: France, Germany, Italy, Poland, Spain and the UK.

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In the EEMA Region as a whole, cigarette industry volume has been rather stable since 2010 with the exception of Russia, which suffered an estimated 7.6% decline last year. Growth has continued in a number of markets, notably in the Middle East and North Africa, driven by an increase in the adult population.

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We continue to witness adult consumer up-trading to higher-priced cigarettes in the EEMA Region. The premium segment increased from 18.1% of the market in 2010 to 20.5% last year, while the larger mid-price segment also grew.

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Over this period, PMI has reinforced its leadership in the premium segment thanks to the success of *Parliament* and the resilience of *Marlboro*. Since 2010, we have gained 1.8 points to reach a 50.4% share of the premium segment last year.

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Parliament's performance has been very strong. The brand has gained market share in its traditional strongholds in Eastern Europe and Turkey, as well as in markets in the Middle East where the brand was launched more recently.

(SLIDE 18.)

Let me now focus briefly on EEMA's most important market, Russia, which accounted for 30% of the Region's cigarette industry volume last year.

One of the key industry drivers in Russia has been the implementation of a multi-year excise tax plan. Although the excise tax structure is sensible and the plan provides predictability, it also entails very significant price increases over the period, particularly at the low end of the market, which have driven subsequent total market declines. The largest tax increase occurred this year, which, combined with a weaker economy, is projected to result in a market decline of 9% to 11%. The rate of decline should lessen in 2015 due to smaller tax increases. In addition, the Russian government has publicly stated that it may further moderate the 2015 and 2016 rates to combat illicit trade.

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In anticipation of the latest tax rates, we raised most of our maximum retail selling prices by 9 Rubles per pack last December, though new prices only started to appear at retail this month. Our strong pricing performance enabled us to expand our profitability at a high single-digit rate, excluding currency, during 2013 and we anticipate a similar increase in 2014, excluding the contribution from our investment in Megapolis.

In Russia, we have a broad brand portfolio covering the main price points. We are over-represented in the premium and above-premium price segments where *Parliament* continues to gain market and segment share. Our market share increased from 25.5% in 2010 to 26.1% in 2013, though it declined by 0.3 percentage points versus 2012 due to the slower implementation of new prices by certain competitors.

We continue our strong support behind our portfolio, which, in combination with a number of innovative activities, should enable us to regain share growth momentum this year.

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Let me now turn to the Asia Region, which has shown a more sustained positive trend in cigarette industry volume, despite the impact of the disruptive excise tax increase last year in the Philippines. Industry volume grew at a compound annual rate of 0.7% a year, excluding China.

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At 308 billion units, the Indonesian cigarette industry is larger in volume than that of the United States. Since 2008, industry volume has grown at a compound annual rate of 4.5% a year. However, the growth has been far from steady, with two exceptional years in 2011 and 2012. In 2013, a weaker economy and higher inflation resulted in a slowdown to 1.9%, and we are currently forecasting growth of approximately 1.0% for 2014.

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There are two important trends in the Indonesian market, supported by the increased urbanization of the population. The first is related to taste: there has been a shift among adult smokers from hand-made kreteks, or “SKT”, to machine-made kreteks, or “SKM”, particularly the lighter-tasting variants. The SKT decline was exacerbated in 2013 by key brands, such as *Dji Sam Soe*, crossing important price points ahead of competitive machine-made brands.

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The second trend is the growth of the premium segment at the expense of the low-price segment. The decline of the low-price segment was exacerbated in 2013 by the removal of fuel subsidies and by food price increases.

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We were successful in expanding our market share again in 2013. In six years, we have gained a total of 8.1 share points to reach the current level of 36.1%.

From both a taste and price perspective, our brand portfolio is skewed towards the leading growth segments: machine-made, lighter-tasting kreteks account for a growing 54% of our volume, while premium brands, including *Marlboro*, which has a commanding share of the “white” segment, make up 70% of our volume. The machine-made full-flavor and the mid-price segments represent opportunities for us as they account for 3% and 27% of our volume, respectively.

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The key brands that should ensure our continued market share growth are *Sampoerna A*, which is at the core of our success and which increased its market and segment share last year, and machine-made *Dji Sam Soe Magnum* and *U Mild*, which provide us with an opportunity for expansion in segments where we are currently under-represented. As we announced last November, we will be increasing our support behind our brands this year.

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The second market in Asia that has strong potential for profitable growth is the Philippines. Like Indonesia, it benefits from a growing adult population and has witnessed continued economic improvements, backed by an expanding steady stream of remittances from overseas Filipino workers.

While the initial phase of the excise tax reform was unnecessarily disruptive, we are encouraged that the law envisages the gradual closing of the gap between price tiers to a single one in 2017. This should compress price gaps, which would position us favorably given the more premium skew of our portfolio, led by *Marlboro*, and our national distribution network.

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Our ability to take advantage of this potential hinges on the resolution of the biggest issue facing us today, namely the under-declaration for excise tax purposes of the volume of our main local competitor, Mighty Corporation. Based on official tax statistics and Nielsen baseline data, we estimate that the company declared to the Bureau of Internal Revenue less than half the volume of cigarettes that it sold in 2013, resulting in a significant loss of government revenues and providing Mighty with the ability to maintain artificially low prices for its brands. This has prevented us from being able to operate on a level playing field, hurting both our market share and profitability.

We are relentlessly encouraging the authorities to act decisively. The planned implementation, now foreseen in June this year, of a system of fiscal tax stamps should help to address this issue.

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The encouraging development in the Philippines in 2013 has been the resilience of adult smoker demand. While tax-paid industry volume declined by 15.6% to an estimated 86.3 billion units, Nielsen baseline data indicates that actual consumption was essentially stable at around 102 billion units. This occurred despite a 27% increase in weighted average retail prices.

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Finally, let me turn to Japan.

Our market share declined in 2013 by 1.0 share point to 26.7%. Our market share of 25.9% in the fourth quarter was somewhat adversely distorted by the pipelining of new competitive launches. In January this year, our market share was 26.2%.

We have two strategic priorities in Japan. The first is to drive innovation through diversified mentholated product offerings that are particularly relevant to progressive adult consumers. The second is to address growing consumer demand for smoother products with less odor and aftertaste in the more traditional, but sizeable non-menthol segment. This entails a series of product and brand image-related activities across our portfolio, underpinned by judicious investments.

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The menthol segment in Japan has been a key area of innovation, driven principally by *Marlboro*. The segment has grown from 22.0% in 2008 to 26.3% last year, behind the success of innovative highly refreshing non-capsule and capsule products. These new products accounted for more than half the menthol segment by 2013.

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During this period, we successfully launched *Marlboro Black Menthol* and capsule *Marlboro Ice Blast* followed by *Marlboro* W-Burst, the first double capsule in the market. These line extensions enabled us to increase *Marlboro*'s segment share from 26.2% in 2008 to 31.0% in 2012. *Lark* successfully participated in the segment with *Lark Mint Splash*, *Hybrid* and *Ice Mint*. In 2013, Japan Tobacco entered the capsule segment in a meaningful way for the first time and launched a series of other highly-mentholated products under its flagship *Mevius* brand. This enabled Japan Tobacco to increase *Mevius*' share of the menthol segment, in which it was under-represented, from 7.5% in 2012 to 13.5% last year.

As such, the competitive situation in the menthol segment in 2013 can be seen as somewhat unusual especially in combination with the significant promotional support deployed during the year behind the name change from *Mild Seven* to *Mevius*. We have a number of initiatives in the pipeline, driven by *Marlboro,* which over time will allow us to reinforce our leadership position in this very important segment.

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Regarding the non-menthol segment that represented 73.7% of the market in 2013, *Lark* was the prime beneficiary of adult consumer in-switching during the period when Japan Tobacco was unable to fully supply the Japanese market. Since then, some more traditional consumers returned to their original brands, culminating in 2013 with the name change to *Mevius*. *Lark* was the most impacted brand in our portfolio. Our objective is to restore our portfolio's appeal to this consumer segment through innovations that address the key trends.

Regarding *Marlboro*, the rollout of the "Don't Be a Maybe, Be *Marlboro*" marketing campaign this year and subsequent deployment of *Marlboro* Architecture 2.0, which I will cover later today, will reinforce the franchise as a whole, and should further support *Marlboro Clear*, launched last September. We are taking a similar approach for *Lark* and increasing our support behind our portfolio.

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I will complete my Regional review by highlighting our strong performance in the Latin America & Canada Region. Our Regional share grew by 1.1 points last year to 38.0%, while our share increased in Argentina, Brazil, Canada and Colombia and remained stable in Mexico.

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The key driver of our share momentum is *Marlboro*. The brand increased its Regional share by 0.4 percentage points to 15.0% and increased its share of the expanding premium segment by 0.8 percentage points to 45.1%.

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Underpinning our strong global fundamentals is the strength of our superior brand portfolio and, in particular, a reinvigorated *Marlboro*. In 2013, excluding China and the Philippines, *Marlboro* gained share in all four Regions.

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The three key drivers of *Marlboro*'s renewed market share momentum since the spin-off in March 2008 have been the development of a new architecture, consumer-relevant innovation and the new "Don't Be a Maybe, be *Marlboro*" marketing campaign.

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In 2008, we expanded the reach of *Marlboro* thanks to an architecture that unlocked the potential of the brand and allowed the three pillars to expand in all relevant consumer segments.

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We have successfully introduced consumer-relevant innovations across the three lines. In total, our new introductions generated a volume of 35.9 billion units in 2013 and accounted for more than 12% of *Marlboro*'s total volume. To put this volume in perspective, it was greater than the total brand volume of *Chesterfield* or *Lucky Strike* and close to that of *Camel*.

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An important parallel step was the modernization of the *Marlboro* communication campaign and promotional platforms, including modern media. We developed the “Be *Marlboro*” campaign that skillfully expresses the timeless *Marlboro* values of freedom, authenticity, confidence and leadership in a way that is fully relevant to today’s adult smokers and their evolving preferences, preoccupations and communication style.

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With the new campaign that has been rolled out in more than 50 markets worldwide, *Marlboro* inspires adult smokers to be decisive, trust themselves and follow their inspiration. There are three ways to react when faced with a decision: Yes, No, or Maybe. *Marlboro* does not believe in Maybes.

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Encouraged by the positive consumer reaction to such significant changes, we decided to move to the next level of the brand’s evolution, which we call *Marlboro* Architecture 2.0.

The objective is to further expand the brand’s appeal, and in particular that of *Marlboro* Red, to relatively untapped consumer segments, anticipate trends towards smoother taste sensations even amongst full-flavor smokers, enhance premiumness in a more minimalistic and unisex style, and incorporate other tangible benefits in a way that squarely confirms *Marlboro*’s category leadership.

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Consequently, *Marlboro* 2.0 entails new pack designs and incorporates smooth tactile characteristics, blend adaptations and new filter designs.

(SLIDE 43.)

The deployment will be led by our flagship *Marlboro* Red and will be gradually extended to the three pillars.

Here you see the new *Marlboro* Fresh line-up.

(SLIDE 44.)

Clearly *Marlboro* Red will undergo the most impressive improvements. Extensive consumer research labs with over 20,000 participants in a variety of geographies have confirmed that the new *Marlboro* Red offer meets or exceeds its current smokers’ expectations and significantly increases the brand’s appeal to competitive smokers. We are currently conducting pilot city tests in Europe with initial excellent results. The global rollout should begin this year, led by the European Union.

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The rollout will be supported by a specific communications campaign and newly developed consumer engagement tools.

We are confident that these important innovative developments at the core of our franchise will significantly reinforce *Marlboro* Red's position as the undisputed brand of reference for young adult smokers, and provide further growth momentum to the *Marlboro* Gold and Fresh pillars in the years to come.

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Of course innovative line extensions will continue to underpin the brand's growth. One example under the Gold pillar is *Marlboro Advance* in Asia. This line extension has a recessed filter for an ultimate smooth taste with less odor and aftertaste. The new product has generated high awareness and trial in its three launch markets of Malaysia, Singapore and Taiwan.

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The strength of our brands is the foundation of our strong pricing power, which remains the key driver behind our margin and OCI improvement. As we explained last November, we believe that our historical annual average pricing variance of around $1.8 billion has not placed an undue strain on volume trends, as it entailed an average annual price increase of about 3.5% per pack. Although pricing is a complex market specific algorithm, we remain confident in the long-term sustainability of our pricing strategy.

In 2013, we achieved a pricing variance of $2.1 billion. This was above our historical average, reflecting the timing of tax-driven price increases and unusually large gains due to inventory movements, most notably in the Philippines. In 2014, we expect these inventory-related gains to be lower. Consequently this year's first quarter's EPS growth rate, excluding currency, is expected to be below our average for the year.

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However, pricing has not been the only driver of our margin improvement. In 2013, our cost base was approximately $17 billion. Without productivity initiatives and cost savings, this cost base could grow 3% to 5% per year as a result of raw material price fluctuations, inflation (especially in emerging markets) and commercial investments. Our productivity gains aim to limit this growth to 1% to 3% on average over the next 2 to 3 years, excluding costs related to Reduced-Risk Products. We have just successfully completed a $300 million annual productivity savings program and target a similar level of savings in 2014.

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While our business fundamentals are solid, we are not immune to exchange rate movements. The current strong currency headwind undeniably raises investor concerns. Nevertheless, it is not the first time that this has occurred and time and again we have witnessed reversals.

In 2013, we faced an unfavorable currency impact of $0.34 at the EPS level. This was attributable almost equally to emerging market currencies and the Japanese Yen.

Our 2014 EPS guidance, issued earlier this month, included an unfavorable currency impact, at the then prevailing exchange rates, of $0.71. About 60% of this was attributable to emerging markets.

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Emerging markets are very important to PMI and a key driver of our future growth in profitability. Many of them have favorable demographics with a growing adult population. Consumer purchasing power is increasing at a faster pace than in most developed countries, fueling adult smokers up-trading to what is still a relatively small premium segment in many markets. The excise tax regimes tend to be predominantly specific, which typically favors our more premium-skewed brand portfolio. In addition, emerging markets are generally less consolidated and we face a wide range of local competitors from which we can either gain share organically or with whom we can enter into business development initiatives.

All these elements encourage a faster expansion of margins in emerging markets, which today, on a per unit basis, are about half the level of those in developed markets. Our leadership position and our superior portfolio of international brands place us in a strong position to benefit from this trend.

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In fact, non-OECD markets, used here as a proxy for emerging markets, have significantly outpaced OECD markets in US Dollar terms from both a net revenue and an adjusted OCI perspective.

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In terms of volume, non-OECD markets have been growing in importance both for the industry and for PMI, and by 2013 they accounted for 69% of cigarette industry volume and 61% of PMI's volume. The growth in financial terms has been even more impressive, with non-OECD markets now accounting for 47% of our net revenues and 41% of our adjusted OCI. I firmly believe that a strong long-term presence in these markets is a must given the immense growth opportunity they represent.

(SLIDE 53.)

Our greatest growth opportunity lies in the area of Reduced-Risk Products, the term we use to refer to products that have the potential to reduce individual risk and population harm. 2014 is going to be a pivotal year so let me take you through some of the key milestones that will bring us to our first national launch in 2015.

In 2012, we carried out exploratory clinical trials that gave us the confidence that we were on the right track. Last year, we initiated a further eight clinical trials. We will start receiving top line results from these trials during the second quarter, while the final reports will be available towards the end of the year. This year we will also initiate the remaining two longer-term clinical trials. The data from these studies will be an important part of our evidence package aiming to demonstrate that switching to our Platform 1 product reduces the risk of developing smoking-related diseases and approaches the risk profile of smoking cessation.

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In 2013, we conducted consumer trials in Japan and Italy with very positive results.

These were four-week usage studies with a large representative sample of close to 1,000 adults. In Japan, after an initial one-stick trial, 54% of the respondents declared a positive purchase intention, which is far higher than that normally recorded in this market with new cigarettes. By the end of the test, 30% of those who took part in the home usage trial had adopted the product. In Italy, 68% of the respondents declared a positive purchase intention and 12% adopted the product following the four week usage test. The product has broad appeal across different adult smoker profiles, be it in terms of taste or price. In both tests, the results largely surpassed our expectations and provided us with valuable insights.

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During the first half of this year, we will continue with our perception and behavioral studies regarding the packaging and labeling of Platform 1.

City tests will be carried out during the fourth quarter. The objective is not only to test consumer reaction in a real life environment, but also to validate our supply chain and after-sales service approach. We will then proceed with any necessary fine tuning in readiness for our first national launch of Platform 1 in 2015.

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We will produce the tobacco *HeatSticks* in our factories and outsource the Platform 1 electronics.

Last month, we announced that we are building a new manufacturing facility near Bologna, Italy, that, along with a pilot plant in the same area, will provide an annual capacity of up to 30 billion units. The associated capital expenditures are up to €500 million. We expect the plant to reach full capacity in 2016.

We will start with greenfield facilities for the production of Platform 1 *HeatSticks* and Platform 2. As the technology and processes mature, we will be transferring know-how to our existing manufacturing facilities for capacity expansion and the production of Platform 1 *HeatSticks* and Platform 2 will be integrated into existing PMI manufacturing facilities.

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Overall regarding Reduced-Risk Products, we have been pursuing a comprehensive portfolio approach to address different adult consumer preferences and exploit a variety of technological approaches. Among the heat-not-burn tobacco-containing products, Platform 1 is the more advanced. However, Platform 2, which is also a heat-not-burn tobacco product, is much closer in look and feel to a cigarette as it uses an end-lit pressed carbon heat source rather than electronics, and it has similar potential risk reduction benefits. Its test launch is about one year behind that of Platform 1.

We believe that e-cigarettes, in the meaning of a nicotine-containing aerosol created through the vaporization of a liquid, have the potential to become a viable category in the future. However, the current generation has a much slower nicotine delivery profile than cigarettes and our own Platforms. This, combined with a weaker taste, explains limited adult user satisfaction and reduced adoption rates. We believe that we should be able to overcome these limitations over time and have focused R&D resources on the development of such next generation e-cigarettes.

We are also continuing to develop the acquired Platform 3 technology. It uses a unique chemical process to create a nicotine-containing aerosol. Furthermore, we are exploring additional platforms in anticipation of evolving consumer preferences and the changing technology landscape.

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As previously disclosed, we will increase our Reduced-Risk Product-related expenditures in R&D, operations and commercial activities by more than $100 million this year in order to meet our ambitious schedule.

Let me remind you of the magnitude of the opportunity. We estimate the potential adult smoker volume base to be approximately one trillion units in the initial stage. If we assume a conservative 3% to 5% initial full adoption rate, Platform 1 has the potential to generate incremental sales equivalent to some 30-50 billion units, net of cannibalization. After the start-up phase, we expect to be able to generate unit margins on Platform 1 equivalent to those of cigarettes. Thus, Platform 1 could generate additional margins of

$720 million to $1.2 billion over time, assuming the same excise tax rates as for cigarettes.

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While the positive influence of the commercialization of Reduced-Risk Products may take a few years to impact the bottom line, the four business development initiatives that we completed recently will already be accretive in 2014. The net positive impact this year at an EPS level is expected to be approximately 10 cents, taking into consideration the opportunity cost of reduced share repurchases. Going forward, we expect their contribution to our profitability growth to increase.

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Acquiring a 20% stake in Megapolis cements our relationship with the largest tobacco products distributor in Russia and provides opportunities for further infrastructure expansion and operating efficiencies that should strengthen the availability of our products outside the larger urban areas.

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Our business deals in Algeria and in Egypt are part of our strategy to significantly reinforce our competitive position and enhance our participation in the local profit pool in North Africa and the Middle East, which we consider to be significant growth areas for our business going forward.

Cigarette industry volume in North Africa is estimated at 139 billion units. After a temporary decline in 2012 due to the disruptions related to the Arab Spring, industry volume has resumed its growth trend, reflecting mainly the expansion in the adult population. Egypt and Algeria accounted for a combined 80% of this volume.

Even before our investments, we have very successfully grown our business in North Africa. Our market share increased from 13.5% in 2008 to 26.5% last year. The key drivers of our 13 share point expansion have been *Marlboro*, which gained 8.7 share points, and *L&M*, which is up 4.0 share points.

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We spent $2.3 billion on these four business development initiatives. Last year, we spent $6.0 billion on share repurchases and our outlay on dividends was $5.7 billion. As a result, our cash outflow was $14.0 billion.

Our free cash flow in 2013 increased by $990 million to $8.9 billion, excluding an unfavorable currency impact of $420 million. This translated into net financing requirements of $5.1 billion. Taking advantage of favorable conditions in the bond market, we increased our total debt last year by $4.8 billion to $27.7 billion, while simultaneously reducing our weighted-average interest rate to 3.8%.

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We are intent on maintaining our “single A” credit rating and recognize that we are approaching the high end of ratios supporting it. In fact, at the exchange rates prevailing at the time that we announced our 2014 EPS guidance earlier this year, the impact of currency on our forecast EBITDA and free cash flow is projected to be approximately $1.4 billion and $1.1 billion, respectively. This, combined with our recent business development investments, has led us to scale back our share repurchase target to $4.0 billion in 2014.

We are committed to share buybacks and our operating corridor is defined, on one side, by the upper limits of our credit rating and, on the other side, by providing 100% of our free cash flow to our shareholders through dividends and share buybacks. We intend to operate within this corridor in the future.

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Since our spin in 2008, we have repurchased 26.4% of the shares outstanding at that time. This is a significantly higher percentage than any of the other companies in our compensation survey group.

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Over the same period, we increased our dividend rate by 104.3%. This is a faster increase than all the companies in our compensation survey group, with the exception of McDonald’s.

We are maintaining our dividend target payout ratio at 65%. As I said earlier this month, the decision on the actual payout ratio in any given year is a Board decision that takes into consideration multiple factors. If you look at our history, we have a track record of rewarding our shareholders with generous dividends even during volatile times.

At the end of January, our dividend yield stood at 4.8%.

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In summary, 2014 is an investment year during which we will address some of the key market-specific challenges that I described today.

In the Philippines, we are pleased with recent developments and expect to significantly grow our profitability over time. We are encouraged by the moderation of industry volume declines in Europe. We have solid share momentum and plan to introduce a number of initiatives, including the rollout of *Marlboro* Architecture 2.0. And in Japan, we are addressing our market share pressure which should moderate already this year.

These factors give me the confidence that, as of 2015 and beyond, we will be able to meet our annual currency-neutral net revenues and adjusted OCI mid to long-term growth targets of 4% to 6% and 6% to 8%, respectively. Our ability to leverage strong adjusted OCI growth to a currency-neutral 10% to 12% at the adjusted diluted EPS level will depend on the size of our share repurchases.

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Our confidence is further supported by:

- The strength of our business fundamentals;
- Our global market share leadership;
- Our superior brand portfolio;
- Our strong pricing power;
- The moderation in the growth of our cost base;
- Reasonable excise tax increases and improvements in structure;
- Our strong track record in completing business development projects that provide us access to additional profit pools; and
- Strong cash flow generation.

Finally, while not expected to make an immediate significant financial contribution, Reduced-Risk Products provide us with a unique opportunity for accelerated profitability growth over the longer term and allow us to enter markets in a meaningful manner that are essentially closed to us today.

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Thank you for your interest in our company. Jacek and I will be happy to take your questions.