Annual Meeting of Shareholders

Philip Morris International Inc.
May 7, 2014
New York, NY

(SLIDE 1.)

Good morning ladies and gentlemen and welcome to Philip Morris International's 2014 Annual Meeting of Shareholders. The meeting is now called to order.

I am Louis Camilleri, Chairman of the Board.

I would like to extend my warmest welcome to Shareholders and employees who have joined us via a live audio webcast, as well as those who are here in person today.

It is my privilege to welcome our Board of Directors, all of whom are in attendance.

On stage with me is André Calantzopoulos, Chief Executive Officer, and Jerry Whitson, our Deputy General Counsel and Corporate Secretary.

In addition, I would like to introduce Barry Misthal of PricewaterhouseCoopers, our auditors. He is in the audience and will be available to answer questions after the meeting.

It is our intention to proceed in accordance with the Agenda and the rules for the meeting that have been placed on your seats.

(SLIDE 2.)

Our remarks today contain certain forward-looking statements and I direct your attention to the Forward-Looking and Cautionary Statements section on this slide. A glossary of terms and reconciliation slides of non-GAAP to U.S. GAAP measures are provided at the end of this presentation and will be posted on our web site.

(SLIDE 3.)

The Secretary will now present certain formal documents. Jerry.

Thank you Mr. Chairman.

I present to the meeting, together with Affidavits of Mailing, a copy of the Notice of Meeting, form of Proxy, Proxy Statement and Annual Report, including financial statements for the fiscal year ended December 31, 2013.

The holders of record of common stock at the close of business on March 14, 2014 are entitled to vote at this meeting. I am informed that more than 86% percent of Philip Morris International Inc.'s common stock is represented here today, and, therefore, a quorum is present for the transaction of business.

Thank you Jerry.

Will you please file the documents with the records of the meeting.

I appoint as Inspectors of Election, Amilja Regan and Kevin Laurita of Computershare, the Transfer Agent for PMI's common stock.

The Inspectors are instructed to execute the oath, and to take custody of all proxies, and of the certified list of holders of common stock as of the close of business on March 14, 2014.

The list contains the names and addresses of all holders of common stock, and the number of shares held by each.

This list is available for inspection throughout the meeting.

The Inspectors will certify the vote on each of the matters to be presented to the meeting. Individual proxies and ballots are kept confidential, with exceptions outlined in the Proxy Statement.

It is now my pleasure to pass the microphone to André who will review our business performance.

Thank you Louis.

(SLIDE 4.)

2013 was a particularly challenging year due to the weak global macro-economic environment, which had a very significant impact on industry volume in a number of major markets. We also faced specific challenges in Japan and the Philippines. Despite these pressures, we achieved adjusted diluted EPS growth in line with our mid to long-term currency-neutral annual growth targets. This underscores the solidity of our business fundamentals, which include our strong pricing power, our industry-leading brand portfolio and our ability as an organization to overcome challenges with discipline and determination.

Our cigarette volume of 880 billion units was 5.1% lower. It was 2.7% lower, excluding the Philippines. Net revenues, adjusted OCI and adjusted diluted EPS reached $31.2 billion, $14.1 billion and $5.40. Net revenues increased by 1.9% while adjusted OCI grew by 3.4% and adjusted diluted EPS was 10.0% higher, all excluding currency.

(SLIDE 5.)

Pricing was the key driver of our performance. The pricing variance was $2.1 billion in 2013, above our historical average due to favorable inventory movements, notably in the Philippines. Our unfavorable volume/mix of $1.2 billion was primarily driven by the decline in industry volume, which reached an estimated 3.0%, excluding China and the USA. Costs and other expenditures were $383 million higher, reflecting mainly increased investments behind key brands and countries, the higher cost of cloves in Indonesia and wage inflation in several emerging markets. Finally, unfavorable currency movements reduced our adjusted OCI by $642 million.

(SLIDE 6.)

Last November, we identified three key challenges to our business performance in 2014. I will elaborate on our progress so far and, in addition, I will talk about developments in the key markets of Indonesia, Russia and Turkey.

(SLIDE 7.)

In the first quarter this year, there was a 5.6% decline in cigarette industry volume in the EU Region, in line with the decrease that occurred during the second half of last year. This confirms a moderation in the unfavorable trend, despite persistently high unemployment levels. We attribute this welcome moderation to an apparent overall stabilization in illicit trade in the course of 2013, a significant slow-down in the growth of e-vapor products in many markets and reduced down-trading to fine cut products.

During the same period, our shipment volume decreased by a more modest 2.9% as our market share increased by 0.9 points to 38.9%. Our outperformance was driven by the strength of our key brands, *Marlboro*, *L&M* and *Chesterfield*, all of which gained share.

(SLIDE 8.)

In Japan, cigarette industry volume increased by 9.6% in the first quarter, driven by retail trade and consumer purchases ahead of the April tax-driven price increases. Our volume during this period was 9.1% lower, principally due to the adverse timing of PMI shipments and a lower market share compared to the first quarter of 2013.

Our reported market share declined by 2.0 points to 25.5% during the first quarter of this year. However, this partly reflected the greater degree of trade inventory build-up by competition, which distorted market shares. Our estimated share of 25.9% on an adjusted basis was in line with our 2013 fourth-quarter share.

We believe that *Marlboro*'s new campaign, the deployment of architecture 2.0, as well as our forthcoming new product initiatives, including the morphing of *Philip Morris* into *Lark*, should enable us to stabilize our share and to eventually generate sequential gains.

(SLIDE 9.)

Let me now move to the Philippines, where there are strong indications that Mighty Corporation continues to declare about half of its production volume for tax purposes. The company is under increasing scrutiny from the Bureau of Internal Revenue and from Customs. Nevertheless, while the price of the *Mighty* brand has gone up at retail from 1 Peso to 1 Peso 50 per stick, *Marvels* still retails at 1 Peso 25 per stick and currently wholesales at a price that does not cover the full taxes due.

In line with our objective to establish the right price gaps between our brand portfolio and competitive products, we responded with *Jackpot* at the same stick price as *Marvels* and *Champion* matching *Mighty*, while maintaining the price of *Fortune* slightly below 2 Pesos and *Marlboro* at 3 Pesos per stick. As a result, our overall market share of 83.7% in the first quarter was higher than both our 2013 full-year and fourth-quarter shares, although still lower than our share in the first quarter of 2013. Importantly, the total share of the super-low price segment, where Mighty's brands are positioned, has been declining recently. Going forward, the price increases that have occurred at the bottom of the market and our pricing and marketing efforts behind *Marlboro* and *Fortune* should enable us to further improve our market share and product mix trends and, over time, increase our margins as the excise tax tiers converge.

(SLIDE 10.)

In Indonesia, during the first quarter of the year, cigarette industry volume declined by 1.0%, though we expect growth of up to 1.0% for the full-year, reflecting the continued growth of the adult population and a sequential improvement in the economy. The first quarter decline follows an acceleration of two key industry trends that were prevalent last year: there was a 12.7% decline in the low-price segment and a 16.1% decline in the hand-rolled, or "SKT", kretek segment.

The decline in the low-price segment is attributable to significantly higher prices for a wide range of brands at the low end of the market due to the impact of Decree 131, the legislation that eliminated the preferential excise tax for so-called low-volume "sister companies" of large manufacturers. In addition, the reduction in fuel subsidies last year and food inflation continued to impact low-income adult smokers at the beginning of 2014.

The trend away from SKT products towards both full-flavor and lighter-tasting machine-made, or "SKM", kretek cigarettes has been amplified recently by the fact that the leading premium brand in the segment, our *Dji Sam Soe*, has moved above the important 1,000 Rupiah per stick price point, encouraging adult smokers to trade down to cheaper full-flavor SKM products.

As a result of the challenges we face with our SKT portfolio, our market share in Indonesia declined by 1.6 points to 34.6% during the first quarter, despite our strong performance in all the other segments. We will be investing more this year to further boost the equity of brands such as machine-made *Sampoerna A* and *Dji Sam Soe Magnum*. We therefore expect an improved market share performance during the second half of the year.

(SLIDE 11.)

I will now turn to Russia, where profit growth remains strong despite the impact of large excise tax-driven price increases. Our profits in the quarter grew at a double-digit rate, excluding currency. This is before the contribution of our 20% shareholding in Megapolis, an investment that is bringing about gradual improvements in our market penetration whilst providing an attractive financial return.

Cigarette industry volume declined by an estimated 6.7% in the first quarter, as announced price increases of six to nine Rubles per pack only started to impact adult smokers as of February 2014. For the full-year, we are forecasting an industry volume decline of between 9% and 11%, mainly reflecting the full impact of the higher prices, a weakening economy and a foreseen increase in illicit trade.

Our brand performance was strong. Our market share of 26.7% in the first quarter was up by 0.5 points versus a year earlier and up by 0.4 points compared to the fourth quarter of 2013. Our segment share grew by 1.7 points and 3.0 points, respectively, in the premium and low-price segments, thanks to the success of *Parliament* and *Bond Street*. Mid-price *L&M* achieved a market share gain of 0.5 points to 3.1%.

(SLIDE 12.)

In Turkey, cigarette industry volume increased by 1.3% in the first quarter, reflecting the timing of trade inventory purchases and a stabilization of illicit trade. Our expectations for the full year are that industry volume will be stable to slightly up.

Our market share was down moderately to 44.4% in the quarter, as a result of competitive pricing moves following the January excise tax increase, but was stable in March. Our performance was marked by the continued growth of *Parliament* in the premium segment and the success of *Chesterfield* in the super low-price segment. Our mix continues to improve with premium brands now accounting for 43% of our volume, compared to 41% in the first quarter of last year.

(SLIDE 13.)

Overall, during the first quarter, our cigarette volume declined by 4.4%, driven primarily by total industry volume contraction and unfavorable inventory movements, most notably in Japan, Mexico and Russia. We estimate that, absent these inventory distortions, our underlying volume was down by around 2.0%.

Net revenues and adjusted OCI, both excluding currency, declined by 1.6% and 3.1%, respectively. The lower net revenues and adjusted OCI were attributable to Japan and the Philippines, both of which were partially impacted by timing distortions. Net revenues and adjusted OCI, excluding these unfavorable distortions, as well as the impact of the change to PMI's new business structure in Egypt, were essentially stable. Adjusted diluted EPS increased by 4.7%, excluding currency.

(SLIDE 14.)

One of the highlights of our solid performance in the first quarter was *Marlboro*. The brand grew to reach an international market share of 9.2%. *Marlboro* gained share in three out of our four Regions, with a particularly strong performance in the EU Region.

Marlboro's share decline in the Latin America and Canada Region was due to distorted shipment patterns and some consumer down-trading in Mexico. The brand performed well elsewhere in the Region.

(SLIDE 15.)

In order to further reinforce the brand, we will start the roll-out this year of what we call *Marlboro* Architecture 2.0, including a new packaging line-up for the *Marlboro* Flavor Line, shown on this slide. The new line-up has tested very well in a wide range of markets.

(SLIDE 16.)

In addition to measures to reinforce top-line growth, we are rigorously addressing our cost base. There are four main areas that we focus on: the efficiency of our trade and marketing spending, productivity initiatives across our entire supply chain, our factory footprint, and opportunities to simplify organizational structure and processes.

We have a total cost base of $17 billion, excluding Reduced-Risk Products, which is the term we use to refer to products that have the potential to reduce individual risk and population harm. Without productivity initiatives, this cost base could grow 3% to 5% per year as a result of raw material price variations, 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 two to three years. We are on track to achieve our 2014 annual cost savings and productivity target of $300 million.

As part of our efforts to continuously optimize our global footprint, we announced in April the closure at the end of this year of our manufacturing facility in Melbourne, Australia. Production will be consolidated in our factory in South Korea. We have also entered into consultations with employee representatives in the Netherlands on a proposal to discontinue cigarette production at our Bergen op Zoom facility. Subject to the final outcome of the consultations and the fulfillment of certain other conditions, we would anticipate to implement the contemplated decision by October 2014. Both the announcement in Australia and our contemplated decision in the Netherlands reflect extremely difficult decisions. We are committed to a collaborative and constructive process that fully recognizes the impact they may have on our employees and their families.

(SLIDE 17.)

We remain very confident in our ability to achieve a 6% to 8% growth in currency-neutral adjusted diluted EPS in 2014 as we expect our underlying business performance to deliver stronger second and third quarter adjusted diluted EPS growth rates, ex-currency, compared to the first quarter. Although we anticipate continued improvement into the fourth quarter, we will, however, face a more difficult year-on-year comparison after achieving an ex-currency adjusted diluted EPS growth rate of 19.4% in the final quarter last year.

(SLIDE 18.)

Let me now talk about the regulatory environment focusing on the flawed policy of plain packaging. I will briefly summarize the Australian experience to date and provide you with the latest information on the World Trade Organization, or "WTO", and Bilateral Investment Treaty, or "BIT", challenges. I will also say a few words on the Tobacco Products Directive recently adopted by the EU.

(SLIDE 19.)

Plain packaging is an unprecedented destruction of brands, which help consumers understand the quality of a product. We oppose it because it expropriates our valuable intellectual property by taking away our brands and trademarks and moves the industry closer to a commodity business where there is no distinction between brands and, therefore, the ability to compete for adult smoker market share is reduced.

Early data from Australia appears to confirm what we have always said, namely that, with plain packaging, adult smokers do not quit more or smoke less. They do, however, appear to down-trade much more readily to lower price, lower margin brands and illicit products. According to recent industry-commissioned studies, illicit trade in Australia has increased since the implementation of plain packaging, with a significant shift towards branded illicit products, while the data shows no impact on smoking prevalence.

(SLIDE 20.)

One of the main challenges to the Australian plain packaging legislation comes from five members of the WTO, namely Cuba, the Dominican Republic, Honduras, Indonesia and Ukraine. The parties have agreed that the issue will be reviewed by a single panel of experts, who were appointed earlier this week. This panel will decide whether the Australian legislation contravenes the relevant WTO treaties, and in particular the agreement on Trade-Related Aspects of Intellectual Property Rights, or "TRIPS". We expect that the panel will reach a decision in 2015. The appellate process will likely take until 2016 for the WTO to issue a final resolution.

(SLIDE 21.)

The second challenge to the Australian law is our legal case under the Australia – Hong Kong BIT. This is an arbitration case under which PM Asia is asking for substantial compensation for the taking of our brands and trademarks. Let me remind you here that, in the original constitutional case in Australia, six out of the seven High Court justices stated that the Australian government did take our valuable intellectual property rights.

Recently, the arbitration tribunal assigned to hear the BIT challenge decided to divide the proceedings in the case into two phases – one to decide certain questions related to jurisdiction and a second to hear the arguments at the core of the case. We remain confident that our case is very strong, but this legal challenge may take one to three years to complete.

(SLIDE 22.)

Let me now turn to the EU Tobacco Products Directive, or "TPD", recently adopted by the European Union. Its key measures include a 65% health warning and a ban on menthol cigarettes after a six-year transition period. It permits but does not mandate Member States to introduce plain packaging, a measure currently being considered in the UK and Ireland. The Directive also addresses the regulation of e-vapor and novel tobacco products, although in a rather weak manner, shifting the burden of detailed regulation to the Member States, an approach that is unlikely to result in internal market harmonization.

We regret that the TPD includes oversized health warnings, without any apparent concern for property rights that the EU Charter protects, and restrictions on pack formats; bans an entire segment of the legal market, without any evidence that this will improve public health and in spite of the inevitable increase in illicit trade that this will fuel; fails to grasp the unique opportunity to provide the Member States with a harmonized and comprehensive framework for Reduced-Risk Products; and proposes an anti-illicit trade solution that adds complexity to the legitimate supply chain without addressing the core concern.

There will now be a period of 18 to 24 months for the Directive to be transposed into national legislation, so that it is expected to become effective across the EU by the end of 2015. While we regret several of the measures being introduced by the TPD, we believe that the regulatory environment in the EU will remain manageable post implementation.

From our employees to our shareholders, and our suppliers to our customers, PMI is committed to operating with integrity and is focused on responsibly delivering long-term, sustainable growth. We apply high standards everywhere we operate and have set clear and measurable targets that help us improve the impact we have on the world around us. I would like to highlight three key areas where we have made substantial progress in this respect.

(SLIDE 23.)

First, our Agricultural Labor Practices, or "ALP," aim to progressively eliminate child labor and other labor abuses found on farms where we source tobacco. Our program provides the tools to support the implementation of the ALP Code focusing on seven basic principles, as you see on the slide. Our Code is based on international conventions such as the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

In 2012, the first full year of our ALP program, we established a strong foundation by adapting our internal systems and processes, enforcing the ALP Code, and training all employees concerned worldwide. By the end of 2013, all of our more than 3,700 field technicians had received additional training, and 98% of approximately 500,000 farmers had already been enrolled in the program in more than 30 countries. Although we are at the beginning, and more needs to be done to address these issues throughout our supply chain, third parties already recognize our tangible actions and progress. To cite an example, we were very encouraged that, in November 2013, the U.S. Department of Labor decided to remove Kazakhstan origin tobacco from the "List of Goods Produced by Child Labor or Forced Labor." The related report acknowledges PMI's progress over the last three years in dealing with these serious issues in the Kazakh tobacco-growing areas.

(SLIDE 24.)

Experiences such as these demonstrate the absolute necessity of collaborating with governments, local communities and specialists to provide support to field technicians when they are dealing with complex child labor issues.

This is one of the reasons why PMI partners with Verité to design, implement, monitor, and evaluate the effectiveness of our ALP program. Verité is a U.S.-based international not-for-profit organization, whose mission is to ensure people worldwide work under safe, fair and legal conditions.

While we at PMI are pleased with our progress so far, we are fully aware that this is a long journey, that much more remains to be done and that we cannot relax our efforts for a moment.

(SLIDE 25.)

The second area I would like to highlight relates to our commitment to ensuring the efficiency and low environmental impact of our operations, while providing safe, secure and sustainable livelihoods for our supplier farmers and their communities. In 2013, the Carbon Disclosure Project awarded us a score of 97%, up by six points versus 2012, and recognized PMI as one of only five Global 500 Consumer Staples companies to be a carbon disclosure leader. We aim to continue our leading performance and have set clear targets to further improve our environmental sustainability.

If you would like to know more about the work PMI is doing in these areas, I would encourage you to visit the "Sustainability" section of our website where you will also find our Agricultural Labor Practices Progress Report for 2013.

(SLIDE 26.)

Last but not least, in tandem with our support of sustainable tobacco production programs and labor initiatives, we are committed to vigorously addressing the variety of issues faced by the communities where we operate and source tobacco. In 2013, our charitable contributions amounted to approximately $39 million provided to some 245 organizations in over 60 markets.

(SLIDE 27.)

As we have said previously, 2014 is going to be a pivotal year for Reduced-Risk Products, or "RRPs". We will complete our eight clinical studies this year. We will finalize our packaging and labeling of the products. Then in the fourth quarter of the year, we will carry out city tests ahead of our first national launch of Platform 1 in 2015. We will make additional investments of some $100 million this year behind RRPs. We are also moving forward with the construction of a 30-billion unit *HeatStick* tobacco sticks factory, which will be completed by 2016. The capital expenditures required for this project are forecast at up to 500 million Euros.

(SLIDE 28.)

Platform 1 is just one of a portfolio of RRPs that we are currently developing. It is a heat-not-burn tobacco product that features an electronic holder. During the second half of the year, we will also launch our first e-vapor product, or Platform 4 as indicated on the slide, and we continue to develop our Platform 3 product. We recognize that the current generation of e-vapor products do not fully satisfy many adult consumers and we are working to develop a next generation e-vapor product. In addition, we are in the process of finalizing the development and testing of Platform 2, a second heat-not-burn tobacco product that is closer in ritual to a cigarette than Platform 1.

(SLIDE 29.)

Our enthusiasm about the potential for our RRPs was reinforced by the very positive consumer tests that we carried out last year in Japan and Italy. These were four-week usage studies with large representative samples of adult smokers. We found that our product has broad appeal across different adult smoker profiles, be it in terms of their taste or price segment. After an initial one-stick trial, 54% and 68% of respondents, respectively, declared a positive purchase intention, which is far higher than that normally recorded in these markets with new cigarettes. By the end of the test, 30% of those who took part in the home usage trial in Japan had adopted the product. While the adoption rate in Italy was lower at 12%, it increased sharply towards the end of the test. The results surpassed our most optimistic expectations and provided us with valuable insights.

As we mentioned last November, we believe that the commercialization of Platform 1 alone could generate additional margins of $720 million to $1.2 billion assuming full scale-up and modest share assumptions over time.

(SLIDE 30.)

While increasing our resources behind RRPs, we continue to focus and invest in our core combustible products as these will in the near-term generate the vast majority of our profits and the cash available to return to our shareholders.

Our superior brand portfolio, led by an invigorated *Marlboro*, is expected to play a key role in our ability to meet our annual currency-neutral net revenue and adjusted OCI growth targets of 4% to 6% and 6% to 8%, respectively, as of 2015. The strength of our brands underpins our strong pricing power. While pricing should continue to be the key driver of higher profits, we also expect our volume/mix to gradually improve.

We anticipate a moderation in cigarette industry volume declines as of 2015, helped by gradual macro-economic improvements. This should be supported by further structural enhancements in excise tax systems, notably in the EU Region with Italy being the top priority for excise tax reform. We expect sequential improvements in our performance in challenging markets in 2015 and beyond. The Philippines is moving in the right direction in addressing the Mighty Corporation tax under-declaration issue and the excise tax structure is gradually moving to become a single tier specific system by 2017, which should lead to a compression in price gaps and provide opportunities for margin enhancement. We envisage an improvement going forward in our market share trends in Japan and in Indonesia. The Russian excise tax law called for a particularly steep increase in January 2014 with more reasonable increases foreseen thereafter. The government has recognized that too rapid an increase would fuel a further expansion in illicit trade. Finally, we expect to profit from the four exciting business development projects recently completed in Algeria, Egypt, Mexico and Russia.

In addition, we have an increased focus on cost controls and productivity gains and next year we should benefit from steps we are taking to further optimize our manufacturing footprint.

(SLIDE 31.)

We remain committed to generously rewarding our shareholders through a combination of dividends and share repurchases. In September last year, we increased our dividend by a further 10.6%, bringing the cumulative increase since 2008 to 104.3%. Our target dividend pay-out ratio remains an attractive 65% and our dividend yield at the end of April was 4.4%. With regards to future dividends, this is clearly a Board decision, which takes into consideration a number of factors. If you look at our history, we have a proven track record of rewarding our shareholders generously even in turbulent times.

(SLIDE 32.)

Maintaining a single A credit rating is high on our list of priorities. Therefore, we have adapted our share repurchase program to take into account the parameters that this credit rating imposes on our ability to further increase our debt level. Currency also clearly plays an important role here. Based on the prevailing exchange rates in our guidance, the unfavorable currency impact on EBITDA is expected to be around $1.2 billion this year and a similar impact is expected on free cash flow. In terms of the influence over our capacity to repurchase shares, the cumulative effect could be approximately $3.6 billion. Hence, while we spent $6.0 billion in 2013 to repurchase 67.2 million shares, we have reduced our share repurchase target for 2014 to $4.0 billion. This decision also takes into account the $2.3 billion spent on business development projects last year and to date in 2014.

Let me reiterate here that we are clearly committed to share buybacks and that the corridor in which we operate is on one side the upper limit of our credit rating and on the other side 100% cash outflow to our shareholders through dividends and share repurchases. This corridor will of course be impacted by currency movements, interest rates and, longer-term, corporate tax reform in the USA.

(SLIDE 33.)

Our generous dividend and our substantial share repurchase program has led us to return over $60 billion to our shareholders since the spin in March 2008. Furthermore, from a shareholder return perspective, we have outperformed our industry, our wider peer group and the S&P 500 over this period.

(SLIDE 34.)

PMI remains a very attractive investment. We have achieved leadership in both the more developed and higher margin OECD markets and the faster-growing, higher potential non-OECD markets through a judicious mix of organic growth and acquisitions and other profit-enhancing business development projects. We have the best global footprint and infrastructure in the industry. We have a superior brand portfolio, anchored around *Marlboro*, the only truly global tobacco brand whose untapped potential remains substantial. With seven of the fifteen top-selling international brands, we have strong, sustainable pricing power. Our input cost increases are limited and are not subject to significant fluctuations. Furthermore, these are largely covered by cost savings and productivity gains.

Despite the current currency headwinds, we continue to generate substantial cash flows and to maintain a strong balance sheet. We have been able to reduce our average cost of debt while increasing the average time to maturity. We retain the flexibility to take advantage of strategically and financially attractive business development opportunities and have demonstrated our creativity in structuring new arrangements. We are committed to return surplus cash to our shareholders through a dividend program that has seen the annualized rate more than double over five years and through share repurchases, whilst maintaining our credit rating. We have superior Research and Development capabilities and have developed a clear competitive edge when it comes to Reduced-Risk Products. This may allow us to enter markets in a meaningful manner that are essentially closed to us today. Finally, we believe that these products may provide us with a unique opportunity for accelerated profitability growth over the longer term.

(SLIDE 35.)

Thank you for your interest in our great company. I will now turn the podium back to Louis.

(SLIDE 36.)

Thank you very much André.

I will now open the meeting for questions and comments. This period will be followed by the resolution of items for voting.

I would ask that we all remember that this meeting represents an opportunity for shareholders, or their representatives, to express their views, whether favorable or otherwise. Whilst I value highly the chance to listen to your opinions and address your questions, I do expect the process to be based on mutual respect for the differing views represented in the audience.

As noted in the Agenda, each speaker is kindly asked to limit his or her comments to two minutes to allow everyone an opportunity to be heard. Shareholders should confine their remarks to matters that relate directly to the business of the meeting.

Also, please note that those who wish to speak a second time may do so only after all others who wish to speak have had their turn.

I have asked Jerry to serve as our timekeeper, so that everyone will have an equal amount of time.

We have allowed up to one hour for questions. There is a microphone in each of the two aisles.

If there is not enough time for all of your questions during this morning's meeting, please feel free to ask an usher for a card, fill it out and return it to an usher at the end of the meeting. We will respond to you as soon as possible.

Please address all your questions or comments directly to me, and be kind enough to identify yourself.

Are there any questions or comments?

That concludes our question and comment period. We will now move on to the next stage of the meeting.

(SLIDE 37.)

The matters set forth in the notice of meeting will be put before the meeting at this time. Comments on each matter can be made after each one has been formally presented.

Now, I would like to ask the ushers to distribute Proxy Cards to any Shareholders who may not have returned their proxies for voting on the matters to come before the meeting.

Shareholders who have already returned proxies need not submit a new Proxy Card. If anyone requires a Proxy Card, please raise your hand now.

The ushers will collect these cards, and deliver them to the Inspectors of Election, after the final item of business has been presented.

(SLIDE 38.)

Last year ended on a profoundly sad note of Graham Mackay's passing. Graham had served as a member of our Board since our transition to a public company in 2008. As the Executive Chairman of one of the largest brewers in the world, he brought invaluable business, strategic, marketing and regulatory insights to PMI's Board. He will be long remembered and sorely missed by all of us.

(SLIDE 39.)

Two members of the Board are not standing for re-election today. I would like to express my personal gratitude to Mathis Cabiallavetta and Dudley Fishburn for their exemplary service as directors of PMI since the spin and for many years on the Board of our former parent. We wish them well, and on behalf of the Board, all employees and shareholders thank Mathis and Dudley for their extraordinary contributions to PMI.

The first order of business is the election of ten directors.

The following individuals have been nominated for election as director, each to hold office until the next Annual Meeting of Shareholders and until his or her successor shall have been duly chosen.

(SLIDE 40.)

Harold Brown

(SLIDE 41.)

André Calantzopoulos

(SLIDE 42.)

Myself

(SLIDE 43.)

Jennifer Li

(SLIDE 44.)

Sergio Marchionne

(SLIDE 45.)

Kalpana Morparia

(SLIDE 46.)

Lucio A. Noto

(SLIDE 47.)

Robert B. Polet

(SLIDE 48.)

Carlos Slim Helú

(SLIDE 49.)

And Stephen M. Wolf

(SLIDE 50.)

In accordance with the Company's by-laws, no other nominations may be made at this time. If you would like to comment on the nominations, please proceed to a microphone. Again, each speaker is asked to limit his or her comments to two minutes. Please identify yourself before you begin.

The meeting is now open for comments on the nominations.

Are there any comments?

Thank you.

We will now turn to the second item on the agenda, the ratification of the selection of PricewaterhouseCoopers as independent auditors of the Company for the fiscal year ending December 31, 2014.

Are there any comments on this matter?

Thank you.

We will now turn to the third item on the agenda, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2014 Annual Meeting of Shareholders.

Are there any comments on this matter?

Thank you.

As you know, the Proxy Statement contains two shareholder proposals.

For the reasons set forth in the Proxy Statement, we think shareholders should vote against both these proposals. In the interest of time and for the sake of clarity, I do not intend to elaborate on the proposals or our views on them.

We ask that the proponent of each of the shareholder proposals keep his or her statement limited to four minutes. We also ask that other speakers restrict their comments to the shareholder proposal and limit their comments to two minutes. In advance, I thank you for your cooperation and understanding.

Is the proponent of the first shareholder proposal present?

Are there any further comments on this proposal?

Thank you.

We will now move on to the second shareholder proposal. Is the proponent of the second shareholder proposal present?

Thank you. Are there any further comments on this proposal?

Thank you.

The matters to be voted on have now been formally presented to the meeting. If you have not already done so, please complete your Proxy Card. After you have done so, raise your hand, and the ushers will collect all the Proxy Cards and deliver them to the Inspectors of Election.

Since all Shareholders have now had time to vote, I declare the polls closed.

The ushers should now have collected all the proxies, and they are directed to deliver the proxies to the Inspectors of Election for counting.

(SLIDE 51.)

Earlier this morning, André shared with you: our solid results in 2013, despite an extremely challenging operating environment; our outlook for 2014; and our prospects for the years to come, notably as they relate to the commercialization of our portfolio of Reduced-Risk Products.

Our ability to produce results that consistently drive robust shareholder returns, and to confront the challenges and seize the opportunities that will shape our future, is due, in very large measure, to the exceptional diversity and caliber of the over 91,000 employees in our company from some 140 countries.

In our biennial employee survey last year, the third we have conducted since the spin, results clearly showed that we continue to witness spectacular progress in overall employee engagement and managerial effectiveness, well above global norms. Our excellent working environment and the development opportunities we offer to our employees was most recently recognized earlier this year when, for the second year in a row, our company was certified “Top Employer Europe” by the Top Employer Institute.

The survey also allowed us to identify certain areas for further improvement which we are addressing. Last year, we continued to strengthen the depth and breadth of our already impressive talent pool, and to improve our organizational effectiveness and long-term focus. Importantly, diversity and, in particular, gender balance improvement at all levels, continue to be a key focus area for us.

In my inaugural letter to shareholders back in March 2009, I concluded that my optimism in the future of our company was rooted in the confidence I had in the dedication and enthusiasm of our leadership talent and employees, all of whom clearly showed me that change is healthy, success is contagious and nothing is impossible. Today, five years later, nothing has shaken that view. Indeed, in my opinion, we are supremely capable of not only meeting the challenges that we have identified in 2014 but, thanks to our body of employee talent that is second-to-none, the breadth and depth of our existing portfolio of leading brands, and the tremendously exciting potential of our new Reduced-Risk Products, we are ideally poised to reinvigorate our growth prospects for 2015 and beyond.

(SLIDE 52.)

Thank-you.

I will now ask one of the Inspectors of Election to deliver their report to the Secretary.

Will the Secretary please read the report.

Mr. Chairman, the Inspectors of Election have completed the preliminary count of the vote, which I have now received. The preliminary voting results are as follows:

Each of the nominees for director has been elected with more than 79% of shares voting, voting for their election.

The selection of PricewaterhouseCoopers as independent auditors has been ratified with more than 98% of shares voting, voting in favor.

The advisory vote to approve executive compensation has been approved with more than 96% of shares voting, voting in favor.

Shareholder Proposal 1 has been defeated: 66.6% of shares voting on the proposal voted against it; 33.4% voted in favor.

Shareholder Proposal 2 has been defeated: 98.16% of shares voting on the proposal voted against it; 1.84% percent voted in favor.

Mr. Chairman, that concludes the report.

Thank you, Jerry.

I would now ask you to file with the records of the meeting, the Inspector's Report, the oath of the Inspectors of Election, their certificate and the proxies. Final voting results will be included in a Form 8-K that we will file with the SEC in the next couple of days.

And now, there being no further business to come before the meeting, I hereby declare the meeting adjourned. Thank you all very much for coming.

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