Thank you David and good afternoon everyone. It is a pleasure to be back here at the Morgan Stanley Global Consumer and Retail Conference.

Today’s presentation and related discussion contain forward-looking statements and, accordingly, I direct your attention to the Forward-Looking and Cautionary Statements slide for a review of various factors that could cause actual results to differ materially from forward-looking statements. A glossary of terms and reconciliations of non-GAAP measures included in this presentation to the most comparable GAAP measures are provided either at the end of this presentation or are already available on our web site.

Today, I will focus on five topics. I will discuss our expectations for the full year 2010 and the industry outlook for 2011 to 2013, talk about our market leadership in non-OECD and in OECD markets, explain the success of the deployment of the new Marlboro architecture and innovative line extensions, provide an update on the fiscal and regulatory environment, and conclude with a review of our strong cash flow and the superior returns to shareholders that it generates.

Our business is performing well in a difficult operating environment and I am delighted to reaffirm our full year 2010 reported diluted EPS guidance range of $3.90 to $3.95 that we announced on October 21st. This represents a growth rate versus 2009 of approximately 20-22%, and approximately 16-18% excluding currency.
PMI volume was up 4.5% through the end of September this year, driven by our business combination with Fortune Tobacco in the Philippines. On an organic basis, volume was down 1.6%, and for the full year is expected to be down 2-2.5%. This is driven by economic weakness in such markets as Spain, and disruptive tax increases in Greece, Japan, Turkey and Ukraine.

PMI’s market share momentum is solid. We expect to end the year with a market share of 35.2% in OECD and 23.7% in non-OECD markets, excluding China, the USA and duty-free, with a higher share in both in the fourth quarter compared to our average for the year. We have grown both organically and through our business combination with Fortune Tobacco in the Philippines. We believe that our share momentum reflects our steadfast focus on building equity across our broad portfolio of leading brands.

We have recently implemented or announced price increases in Argentina, France, Indonesia, Italy, Japan, Poland, Portugal, Russia and the UK. In addition, we will benefit in the fourth quarter from the revaluation of inventories in Japan. Therefore, we expect to generate a substantial price variance for the year, with a strong skew to the fourth quarter. These increases will obviously carry forward into 2011.

Going forward, we expect to maintain our strong pricing power, which is based on our brand leadership and broad portfolio. However, competitive skirmishes do of course take place from time to time. A current example is Germany, where large pack size discounts have now become the norm.

Over the next three years, we forecast an average decline in cigarette industry volume of about 1.5%, with a 2.5% decrease next year followed by a more moderate decline thereafter. The more pronounced decline in 2011 reflects the impact of the large tax-driven price increase in Japan in October this year, continued depressed economic activity in such markets as Greece and Spain, and the impact of disruptive excise tax increases, such as the one announced in Mexico a few weeks ago.
Our brand portfolio is performing well and we have solid market share growth momentum and an exciting pipeline of innovation. We therefore expect to outperform industry volume over the next three years, as we did this year.

The favorable impact of pricing will exceed the unfavorable impact of soft volume during this period, and, as a result, we expect solid net revenue growth. As the equilibrium between supply and demand for tobacco is now largely restored, we anticipate less pressure on leaf costs in 2012 and 2013. We will also continue our sharp focus on cost controls and productivity gains.

Whilst the operating environment is expected to remain challenging, we are confident in our ability to deliver growth through 2013 that is consistent with our annual currency neutral financial growth targets. Furthermore, in 2011 at least, we expect to have a currency tailwind, principally generated by more favorable exchange rates in non-OECD markets.

In the period 2011 through 2013, we will continue to further reinforce our position in non-OECD markets. We have made significant progress since 2004, when the majority of our volume was generated in OECD markets. In 2010, through the end of September, non-OECD markets accounted for well over half our volume.

We have established ourselves as the market leader in Indonesia, Ukraine and the Philippines, and as number two in Russia, Brazil, Egypt and Pakistan.

We recently established a PMI-controlled entity in India and agreed to the local contract manufacturing and distribution of Marlboro by Godfrey Philips India. These arrangements provide a stronger base from which to gradually expand our presence in this important market.

PMI is today, by a substantial margin, the overall leader in the top ten largest non-OECD markets, excluding China and duty-free, with a share estimated at 26.6%, well ahead of BAT, despite their clear leadership in Brazil, and also well ahead of Japan Tobacco.
It is worth highlighting that more than one in three cigarettes in these top ten non-OECD markets is produced and sold by local companies, providing PMI with further potential opportunities for organic growth and business development activities.

(SLIDE 16.)

How have we established our market leadership in the largest non-OECD markets?

In most instances, we started with the introduction of Marlboro, the most recognized and aspirational cigarette brand worldwide. Marlboro was the first brand we introduced in such markets as Egypt and Russia, and is our current entry point in such markets as Bangladesh, India and Vietnam.

(SLIDE 17.)

We built scale and infrastructure by working, where appropriate, with local partners in local manufacturing, distribution and sales. Algeria and Egypt are two good examples of this approach, where our business is performing very strongly.

(SLIDE 18.)

We sought financially attractive acquisitions and other business development opportunities to expand our presence. Excellent examples of this approach are Indonesia, Pakistan and the Philippines.

(SLIDE 19.)

We expanded our international brand portfolio in order to ensure that we were well positioned in all profitable price segments. This was our approach in Russia and Ukraine, where we moved from importing a few mostly mid-price and premium brands in the early 1990s to the local manufacture and distribution of a strong and broad portfolio.

(SLIDE 20.)

Today, just over half our volume in these top ten largest non-OECD markets are local heritage brands, such as Optima in Russia, A Mild in Indonesia, Fortune in the Philippines and Morven Gold in Pakistan, that we have either developed ourselves or acquired.

While well-established in many markets, Marlboro clearly has opportunities for further expansion as purchasing power increases and consumers trade up to premium offers. Parliament, Chesterfield, L&M and Bond Street are all well positioned in Eastern Europe, and L&M is well-established in Algeria, Brazil,
Egypt and Thailand, though there is still significant untapped potential across our international brand portfolio.

(SLIDE 21.)

In common with all other global consumer products companies, we will continue to focus on non-OECD markets going forward as they generally offer favorable demographic trends, economic growth, and increasing consumer purchasing power.

(SLIDE 22.)

This chart plots industry volume growth over the period 2005 to 2010 against population growth over the period 2006 to 2009 for the top ten largest cigarette markets, excluding China, the USA and duty-free. As you can see, the markets that increased in size are all non-OECD markets that had a growing adult population, namely India, Indonesia and the Philippines. Coincidentally, these are also the countries that had the highest economic growth rates.

Brazil and Turkey also had expanding adult populations and growing economies. However, industry volume declined over this period in both these markets, due to disruptively large excise tax increases in 2009 and 2010, respectively, and the consequent increased prevalence of illicit trade.

(SLIDE 23.)

Here we have plotted the relative size of the premium and above segment on a year-to-date September 2010 basis against GDP per capita in 2009. This confirms the clear link between the size of the premium segment and economic prosperity. Therefore, as consumer purchasing power in non-OECD markets increases, the premium and above segment in these markets should grow.

(SLIDE 24.)

Since 2004, these trends have translated into an increase in the share of OCI that we have generated in non-OECD markets. This reached 36.1% this year through September.

(SLIDE 25.)

Complementing our leadership in these ten largest non-OECD markets is our leadership in the ten largest OECD markets, excluding the USA and duty-free. PMI is the market leader in six and number two in three.
Overall, PMI is the clear leader with an estimated 33.2% share of these top ten OECD markets. Almost two thirds of Japan Tobacco's estimated 29.6% share is generated in Japan alone, while BAT has about half the share of PMI, and Imperial is the fourth largest company.

Nevertheless, with two out of three cigarettes sold in these markets belonging to competitors, we clearly have plenty of opportunity for further expansion in OECD markets by growing our market share.

*Marlboro* has a very strong position, accounting this year through September for 46.2% of our volume in these markets. All our other international brands account for a combined 44.2%, with strong positions for *Lark* in Japan and Turkey, *L&M* in Germany and Poland, *Parliament* in Turkey and Korea, the *Philip Morris* brand notably in France, and *Chesterfield* in Italy and Spain. The local heritage brands *Diana* and *Delicados* play an important role in our portfolio in Italy and Mexico, respectively.

A key element in our continued success in both non-OECD and OECD markets is our brand portfolio strategy. We are continuing the deployment of the new *Marlboro* architecture, focusing on consumer-relevant innovation, strengthening our other key international brands across all price segments, and judiciously developing our local heritage brands.

In 2009, the volume of *Marlboro* exceeded the total volume of the four largest Japan Tobacco brands and the total volume of BAT’s four largest international brands. In addition, at 209 billion units, the combined volume of PMI’s next four largest brands, *L&M, Bond Street, Philip Morris* and *Chesterfield*, was similar to those of the largest BAT brands and similar to the largest JT brands excluding their volume in Japan. Furthermore, PMI has two additional brands among the top fifteen international brands, namely *Parliament* and *Lark*.

*Marlboro* is the only truly global cigarette brand. The development and deployment of the new architecture, with its Flavor line, its smoother-tasting Gold line, and its Fresh line, have reinforced brand loyalty, expanded the reach of the brand to a wider group of adult smokers, and helped us to develop and launch unique line extensions for each.
One of the most innovative new products that we have launched since the spin is Marlboro Filter Plus, or Flavor Plus, with a tobacco plug in the filter for added flavor. It is now available in over 40 markets and achieved a market share in the third quarter this year of at least 1% in 12 markets, and at least 0.5% in a total of 26 markets.

*Marlboro Gold Touch* is a slightly slimmer, smooth-tasting cigarette in a compact box. It is now available in nearly 30 markets and achieved a market share in the third quarter of at least 1% in seven markets, and at least 0.5% in a total of 18 markets.

Innovations around the *Marlboro* Fresh line have included different levels of mentholation, and mentholated threads and capsules in the filter. One of our most successful products is *Marlboro Black Menthol*, originally developed in Japan, and now successfully expanded into several other Asian markets. Its market share in the third quarter this year was strong across the Region, particularly in Hong Kong and Japan, where it achieved a share of 3.2% and 1.2%, respectively.

*Marlboro* is performing strongly on a global basis, and is stable or growing in all four Regions. Globally, its share is stable at an estimated 9.1% year-to-date through September, and up slightly to an estimated 9.3% in the third quarter.

There are signs of improvement in the EU Region, where *Marlboro*’s regional share has increased sequentially since the first quarter of this year, despite the unfavorable impact of increased tax-driven price gaps in Greece and very high consumer price sensitivity in Germany.

I would like to highlight some of the markets where *Marlboro* is performing particularly well.

In Italy, *Marlboro*’s year-to-date September market share was up 0.3 points to 22.9%, behind the success of *Marlboro Gold Touch*, a slightly slimmer, lighter-
tasting cigarette, and the recent launch of Marlboro Core Flavor, a full-flavor variant in the same slimmer format.

(SLIDE 37.)

In Central Europe's largest market, Poland, Marlboro has continued to expand its market share, from 8.4% in 2008 to 10.2% this year through the end of September.

(SLIDE 38.)

Across North Africa, Marlboro is having an exceptional year. Volume and share increases in Algeria, Egypt, Morocco and Tunisia have translated into a market share in North Africa of 8.4% year-to-date September, a gain of 1.9 share points.

(SLIDE 39.)

Since 2008, we have been very active in Japan in developing and launching consumer-relevant innovations, with a particular focus on the menthol category and Marlboro as our top priority. Our latest successful launch was Marlboro Ice Blast, a menthol capsule product, which reached a 0.9% market share in the third quarter, helping to drive the market share of Marlboro up 0.4 share points to 10.9% year-to-date. At the same time, Marlboro increased its share of the growing menthol segment by 0.6 points to 27.9%.

(SLIDE 40.)

Marlboro is growing even faster in Korea, where excellent execution of more traditional themes, along with some innovative line extensions, drove more than five consecutive years of Marlboro share growth and added another share point year-to-date September 2010 to reach 6.9%. During this period, Marlboro's share of Legal Age (minimum 19) – 24 year old smokers grew from 8.5% in 2004 to 28.1% this year.

(SLIDE 41.)

While we introduced further line extensions for Marlboro this year in Mexico, the key focus recently has been on the roll-out of the new architecture, and in particular the new packaging for Marlboro Red and Marlboro Gold. Both have been very well accepted by adult consumers, propelling Marlboro to a record market share of 48.9% year-to-date through the end of September.

(SLIDE 42.)

A balanced pricing strategy, brand and market leadership, consumer-relevant innovation, cost controls and productivity programs, and judicious investments
behind the business are all necessary ingredients for success. However, there are two important additional areas that need to be carefully anticipated and managed in order to grow profitability consistently. These are the fiscal and the regulatory regimes applicable to tobacco products in every market in which we operate.

(SLIDE 43.)

As you know, when it comes to excise taxes, it is the rate of increase and the structure that are of paramount importance.

(SLIDE 44.)

The optimal approach, we believe, is regular, reasonable increases in excise taxes. This enhances government revenues and makes them much more predictable.

Today, most governments implement reasonable specific rate increases on a regular basis or participate in price increases through ad-valorem tax elements.

(SLIDE 45.)

For example, in the Euro-zone, excise taxes on tobacco products have been increasing at a fairly steady and reasonable pace, averaging 1.4%, from a little over 50 billion Euros in 2005 to 53 billion Euros in 2009, despite an average decline of 2.1% in industry volume in these markets over the same period.

(SLIDE 46.)

The EU-wide rules regarding the taxation of tobacco products have recently been updated through 2018. The new rules are an improvement in that they provide the option for governments to implement an almost fully specific excise tax structure, call for gradual increases in the minimum tax yields with transition periods for certain countries in Central Europe, provide a Minimum Excise Tax mechanism that can be an effective fiscal tool to limit downtrading, and propose a gradual reduction in the tax advantage of fine cut products.

(SLIDE 47.)

The evidence in favor of a reasonable approach to cigarette excise taxation notwithstanding, countries do, from time to time, implement unreasonably large disruptive increases. Brazil and Ukraine in 2009; Australia, Greece, Japan, Romania and Turkey in 2010: all have implemented large excise tax increases. When passed on to the consumer, these have usually resulted in significant industry volume declines and a surge in the incidence of illicit trade.
In the current environment, where many governments are seeking remedies to reduce large budget deficits, it is not surprising that there is additional pressure on excise taxes. We are, obviously, still at the early stage of most countries' budgetary processes, so the overall final outcome for 2011 remains to be determined.

However, what we do know to date is relatively balanced. In January, Indonesia will raise its excise taxes by an average of 7%, broadly in line with inflation. Initial indications are that the Japanese government will not increase taxes in 2011. The Polish government has approved a 4% increase in the specific excise tax as of January 2011. The Russian Parliament’s Budget and Tax Committee has recommended tax increases for 2011 through 2013 that, we believe, are manageable. The one known disruptive excise tax increase will be in Mexico, where a 7 Pesos per pack increase has been legislated for 2011 and awaits the President’s signature. This proposal means that the average tax burden on cigarettes in Mexico will increase by 50% in one fell swoop.

One of the positive developments in 2009 and 2010 has been the increased law enforcement measures against contraband in the Canadian provinces of Ontario and Quebec. Year-to-date September 2010 industry volume in Canada has consequently increased by 11%.

Reinforced measures against illicit trade also present us with a potential opportunity in the EU, where all the four major international cigarette manufacturers are working with OLAF, the EU-wide anti-fraud office, to combat this phenomenon. In 2009, illicit sales represented an estimated 61 billion cigarettes, or about 9% of total consumption in the EU. Illicit trade estimates in the EU range from 1% to 25% of consumption at a country level.

Very regretfully, there are a number of fiscal and regulatory measures, enacted or being considered in several markets, which, in our opinion, have encouraged, or will encourage, illicit trade. Based on empty pack surveys, we estimate, for example, that the illicit trade of cigarettes surged in Turkey, Romania and Brazil, following very substantial tax increases, to over 10%, over 20% and over 30% of consumption, respectively. Estimates of illicit trade are also very high in two markets where we are contesting the introduction of display bans, namely Ireland and Norway.
On the regulatory front, there are currently three emerging challenges that we are strongly opposing: product display bans, plain packaging and bans on the use of all ingredients in tobacco products. The one that has had the most focus from investors is plain packaging and, in particular, the proposal of the Government in Australia.

As you know, the results of the last general election in Australia were indecisive and returned a minority Labor Government. The previous Prime Minister announced his intention to introduce legislation that would mandate some form of plain packaging in 2012. The new Government has indicated that it expects to proceed with such a proposal, even though IP Australia, the Government’s own agency responsible for advising on intellectual property policy matters, has stated that it believes that plain packaging “may not be consistent with Australia’s intellectual property treaty obligations,” and “would make it easier for counterfeit products to be produced and would make it difficult to readily identify these counterfeit goods.”

There are multiple reasons why we oppose regulations like plain packaging, point of sale display bans and ingredients bans.

A plain packaging measure would not only constitute an expropriation of our valuable trademarks, but would effectively represent the confiscation of our branded business. Plain packaging would also harm competition and encourage illicit trade to the detriment of public health objectives and at the expense of government revenues. We also believe that a plain packaging measure would violate various constitutional protections and international trade agreements that safeguard intellectual property rights.

At the heart of our opposition to all such regulations is the fact that there is no credible evidence that any of them would reduce consumption, smoking incidence or initiation.

Whilst PMI has a proven track record of successfully operating in highly regulated environments, we will continue to use all necessary resources and extensive stakeholder engagement, and where necessary litigation, to actively challenge unreasonable regulatory proposals. We will also seek to ensure that the public, as well as decision makers, understand the relevant facts and consequences of the measures being proposed.
Our focus on the key success factors listed on this slide should enable us to generate sustained profit growth going forward, which, in turn, will feed a strong and increasing cash flow, that we will further enhance through the proactive management of our working capital.

You may recall that, this time last year, I announced a three-year program to generate an additional $750 million to $1 billion in working capital savings. I am pleased to report that we have already achieved the majority of this working capital reduction target. This has been accomplished by further optimizing our supply chain, and our tobacco leaf and finished goods inventories, and continued progress in the adoption by governments, particularly in Central Europe, of more rigorous forestalling regulations that limit stock build-ups at the time of tax increases.

Our free cash flow through the end of September this year reached 36.6% of net revenues. As you can see on this chart, we clearly outperformed all our company peers and all our tobacco sector competitors in this key measure.

Between the March 2008 spin and the end of September this year, we generated $23.7 billion in operating cash flow, despite an unfavorable currency impact in 2009. With one quarter to go, we have already surpassed our three-year target by $2.0 billion.

This growing cash flow is the foundation that permits us to reward our shareholders in a generous manner. Since the spin, we have increased our dividend by a cumulative 39%, from an annualized rate of $1.84 to $2.56 per share.

Our dividend yield on November 12th was 4.3%, which places us in the top tier of our peer group and in line with our international tobacco competitors.
In the period March 2008 through the end of September 2010, we spent $14.9 billion to purchase a total of 315 million shares, representing 14.9% of our shares outstanding at the time of the spin.

PMI is one of only a handful of consumer goods companies to have maintained its share repurchase program throughout the economic recession. Amongst our industry peer group, our spending on share repurchases since the spin is surpassed only by Nestle, and we are clearly well ahead of our tobacco peers.

When looking at share repurchases in terms of the percentage of shares outstanding in 2008, we are ahead of Nestle with our program and lead the tobacco sector as well.

By the end of this year, we expect to have returned nearly $27 billion to our shareholders since March 2008 in the form of dividends and share repurchases. This represents over a quarter of our current market capitalization.

Our total shareholder return in US Dollars during the period March 2008 through November 12th, 2010, has been 32.7% a significantly superior performance to both our company and tobacco peers, and well ahead of the S&P 500’s return during the same period.

This year alone, our total shareholder return in US Dollars has been 28.2% through November 12th, again a much better performance than our peers.

We believe that investors increasingly recognize PMI's strong underlying value. As shown on this chart, we generate a much higher return on capital invested than our main competitors, driven by our superior brand portfolio, excellent geographic balance, efficient manufacturing footprint, and our judicious spending on quality acquisitions and capital improvements.
In summary, we believe that we remain a compelling investment. While the operating environment is likely to remain challenging with the most obvious impact being on volumes, particularly in 2011, our pricing power remains strong behind our brand leadership and broad portfolio. We are the clear leaders in the major non-OECD and OECD markets, excluding China and the USA. We have good share momentum. We believe that, while we face some significant challenges and there will be occasional set-backs, the fiscal and regulatory environment should remain globally manageable. We have a strong focus on cost controls and working capital management. Finally, our sustained growth in profits and cash flow should continue to generate superior returns to our shareholders.

Thank you. I will now be happy to take your questions.