Our Focus on Driving Shareholder Value Begins Here…

DRIVING SHAREHOLDER VALUE

APPROXIMATELY

440

MILLION KILOGRAMS OF TOBACCO PURCHASED IN 2011

in the fields from which we source our tobacco leaf. In 2011 we purchased approximately 440 million kilograms of packed tobacco leaf. Our largest sources of supply are: Brazil and the United States for Virginia and Burley tobaccos; Indonesia, mostly for use in our local kretek brands; Argentina and Malawi for Burley; and Turkey and Greece for Oriental tobacco.

While we do not grow tobacco ourselves, we do directly contract farmers for 32% - 36% of our worldwide tobacco needs depending on the pattern of our leaf purchases. This vertical integration represents the foundation of the quality and efficiency of our agricultural processes, as well as the sustainability of our Good Agricultural Practices (GAP). Implementation of our GAP guidelines is compulsory for all our tobacco suppliers and includes labor policies preventing child labor or forced labor. In addition, we are funding programs around the globe, in cooperation with governments, non-governmental organizations, and other stakeholders, to eradicate child labor in tobacco-growing communities. Our programs focus on eliminating the root causes of child labor by improving the quality and accessibility of education for children of tobacco farmers, as well as living conditions in tobacco-growing communities. To this end, in 2011 we initiated the rollout of our Agricultural Labor Practices code to improve conditions for workers on farms where tobacco is purchased for PMI products. The code was developed in association with Verité, a non-profit organization that promotes fair labor practices. We have begun to implement the code's principal provisions in several selected countries on a project-by-project basis and, together with our leaf suppliers, plan to reach an estimated 500,000 farmers in 2012.

…Supported by World-Class Manufacturing in a Safe and Sustainable Environment

EFFICIENT MANUFACTURING

We operate 56 production centers in 35 countries, ranging from highly automated facilities, as in Bergen-op-Zoom in the Netherlands and Berlin in Germany, to our hand-rolled cigarette facilities in Indonesia. Our ongoing focus is on performance and continuous improvement, with an emphasis on the quality of production to meet both regulatory requirements and adult smoker preferences. In 2011 we exceeded our one-year gross productivity and cost savings target of $250 million, predominantly driven by improvements made in our factories. These included product blend and specification rationalization and streamlining of our manufacturing processes.

ENVIRONMENTAL SUSTAINABILITY AND SAFETY

As the leading international cigarette company, we also aim to be an industry leader in environmental sustainability and safety. Reducing our impact on the environment in a sustainable manner and protecting our workforce are not only the right things to do, but may also contribute positively to our future business performance. For example, we recognize that climate change is a key concern. In 2010 we set ourselves the goal of reducing CO_2 emissions, energy consumption, waste and water in our manufacturing facilities by 20% by 2015. Similarly, we are committed to reducing our overall company carbon footprint by 30% by 2020.

DRIVING SHAREHOLDER VALUE

$300

MILLION TARGET FOR GROSS PRODUCTIVITY AND COST SAVINGS IN 2012

…Leading-Edge Research & Development and Innovative Product Development

One of the top priorities of our research efforts is the development of a portfolio of innovative Next Generation Products (NGPs) that have the potential to reduce the risk of smoking-related diseases in comparison to conventional cigarettes. For developing and assessing these products, we are capitalizing on our team of world-class scientists from a broad spectrum of scientific disciplines in our state-of-the-art R&D facilities. In 2011 we further enhanced our product development capabilities by acquiring the global patent rights to a new technology employing a unique method of delivering a nicotine-containing aerosol. Prior to commercialization, we are employing rigorous scientific methodologies to evaluate and substantiate the ability of these products to reduce the individual risk of smoking-related diseases, compared to conventional tobacco products, as well as their impact on the population as a whole.

DRIVING SHAREHOLDER VALUE

8.2

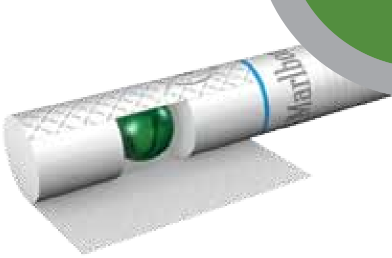
BILLION UNITS OF CAPSULE PRODUCT SHIPPED IN 2011

DRIVING SHAREHOLDER VALUE

MORE THAN

220

NEW OR REDESIGNED *MARLBORO* BRAND VARIANTS IN 2011



Our product development is about understanding — and responding to — adult smoker preferences. The process begins with focused market research that results in a rigorous assessment of the challenges faced by our brands and the most consumer-relevant solutions. This insight then drives the development of innovative product concepts. One such concept addresses a growing adult smoker preference to personally adapt, adjust or change the product when desired. In turn, this has translated into the commercialization of a new hybrid product: a regular cigarette that converts into a menthol product when the capsule within its filter is crushed by the smoker. Probably the most innovative addition to our portfolio in recent years, the hybrid concept was successfully introduced for the first time in 2011 with the launch of *Marlboro Beyond*, highlighted later in this Report, in selected markets in our European Union Region, and *L&M Forward* in Finland and Poland. These brand variants now complement our existing menthol-to-menthol capsule brands, such as *Marlboro Ice Blast*, which are enjoying considerable success in Asia and Latin America.

…Integrated, Agile Supply Chain Management

PMI's supply chain management serves as a cornerstone of our overall success. The challenge of organizing the enormous quantity of materials and supplies required for our business is significant. For example, in 2011 we shipped approximately 120,000 containers around the world which, if stacked length-wise one on top of the other, would stand higher than the equivalent of 900 Eiffel Towers. We also transported close to 2.5 million standard shipping pallets in 2011. Lined up end-to-end, they would represent a distance equal to the length of Greenland. Perhaps the most notable demonstration of our agile supply chain infrastructure was in support of our production ramp-up for Japan. This involved the accelerated supply of significant quantities of raw materials, the activation of 11 factories, six of which had never manufactured product for Japan, and the air freight of more than 16 billion cigarettes involving 222 charter flights and 848 commercial flights. The entire operation was a key factor to our exiting 2011 with a fourth-quarter share of 28.2%, up nearly four share points compared to a full-year market share of 24.4% in 2010.

DRIVING SHAREHOLDER VALUE

APPROXIMATELY

16.4

BILLION CIGARETTES AIR-FREIGHTED TO JAPAN IN 2011

…The Redesign of the *Marlboro* Architecture

PMI has the industry's strongest and most diverse brand portfolio, led by *Marlboro*, the world's number-one international cigarette brand. In 2008 the brand family underwent an architectural redesign. Today, *Marlboro* Flavor is the authority in tobacco flavor for the whole brand family, representing superior smoking satisfaction. *Marlboro* Gold offers a range of superior, smooth-tasting smoking dimensions, and *Marlboro* Fresh defines the reference category of refreshing taste sensations.

DRIVING SHAREHOLDER VALUE

TOTAL *MARLBORO* SHIPMENT VOLUME OF

300.1

BILLION UNITS IN 2011, UP BY 0.9%

…The Innovation of *Marlboro* Flavor

Launched first in France in July of 2011, *Marlboro Beyond* is the first ever non-menthol-to-menthol product in the *Marlboro* Flavor brand family using capsule-in-filter technology. Also available in a Gold variant blend, *Marlboro Beyond* in the Flavor line was successfully launched in seven markets in 2011.

…The Smooth Taste of *Marlboro* Gold

Before it's Gold, it's *Marlboro*, defined by an established tradition of quality. The Gold family of *Marlboro* is progressive, delivering a smooth taste and refined smoking experience. In 2011 the *Marlboro* Gold family enjoyed an estimated global market share, excluding the U.S. and the People's Republic of China, of 3.4%, driven by its main variant *Marlboro Gold Original*. By the end of the year, Gold Original had been rolled out in its new contemporary pack in 150 markets, representing over 95% of its global in-market sales volume. Shipment volume of the entire Gold family was up by 1.4% in 2011. This solid performance was largely driven by the innovative, slimmer diameter variants *Marlboro Gold Touch* and *Fine Touch*. Sold in over 45 markets by the end of 2011, sales of these two variants alone surged by over 50%.

DRIVING SHAREHOLDER VALUE

NEW *MARLBORO GOLD ORIGINAL* AVAILABLE IN

150

MARKETS IN 2011

…The Refreshing Taste of *Marlboro* Fresh

One of the growth opportunities that we have successfully seized is menthol. The *Marlboro* Fresh family is the fastest growing of the three *Marlboro* pillars. Menthol is a segment that has been expanding from a high base in several Asian markets. The menthol segment is also increasingly popular in Latin America. We have responded to this opportunity by launching several new *Marlboro* Fresh products over the last few years, such as *Marlboro Ice Fresh* in Argentina, *Marlboro Blue Ice* in Brazil, *Marlboro Ice Xpress* in Colombia and *Marlboro Fresh* in Mexico. These brands cater to a growing adult smoker preference for fresh taste sensations in a variety of innovative product offerings.

We have commanding shares of the menthol segment in many of these Latin American markets. In Argentina, for example, our share of the segment has grown by more than 15 points to over 67% in the last five years.

DRIVING SHAREHOLDER VALUE

MARLBORO **FRESH VARIANTS AVAILABLE IN OVER**

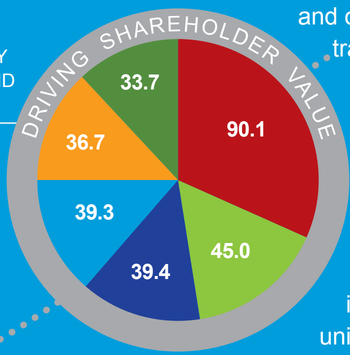
90

MARKETS IN 2011

…Our Unrivaled Portfolio of Other Brands

2011 CIGARETTE SHIPMENT VOLUME BY INTERNATIONAL BRAND (BILLION UNITS)

- L&M
- BOND STREET
- PARLIAMENT
- PHILIP MORRIS
- CHESTERFIELD
- LARK

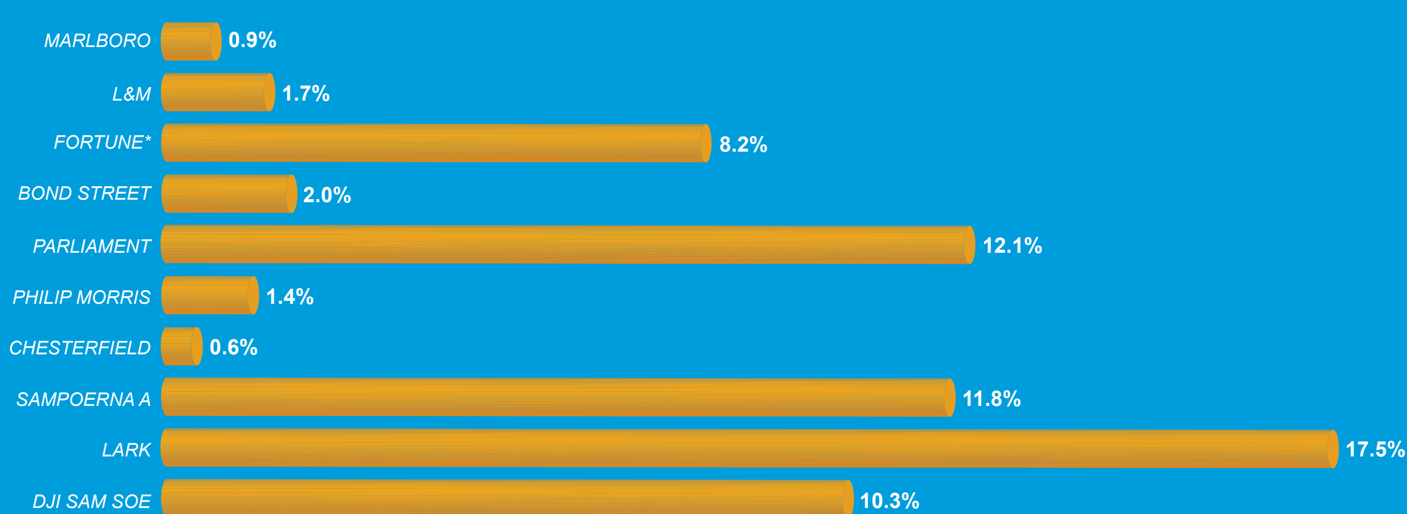


While *Marlboro* is PMI's flagship brand and one of the most recognized trademarks in the world, our position as the leading international tobacco company is also driven by a range of other powerful brands. In 2011, for example, global cigarette shipments of *L&M* – the second-largest brand in our portfolio – of 90.1 billion units exceeded the total market size of Italy. The strength of our other brands lies also in their diversity.

Our second-largest premium brand, *Parliament*, has been growing at an annual compound rate of 6.3% since 2001. Mid-price brand *Chesterfield* is particularly successful in our European Union Region, where shipments grew by 8.5% in 2011. Our low-price brand, *Bond Street*, with its stronghold in Eastern Europe, has almost doubled its global shipment volume since 2001. Shipments of *Lark*, the ninth-largest brand in our portfolio, grew by an impressive 17.5% in 2011, driven by Japan.

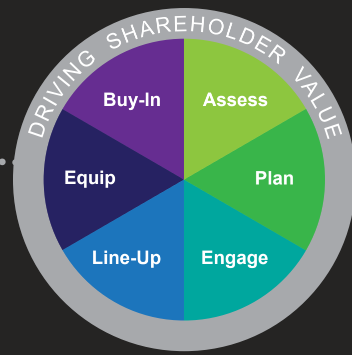
The success of our international brands is matched by that of our local heritage brands, particularly in Asia, notably *Fortune* in the Philippines and *Sampoerna A* and *Dji Sam Soe* in Indonesia, our third-, eighth- and tenth-largest brands, respectively. Indeed, 2011 was a banner year for our entire portfolio, with every single one of our top ten brands recording shipment volume growth versus the previous year.

2011 PMI TOP TEN CIGARETTE BRAND SHIPMENT VOLUME GROWTH VERSUS 2010



*Based on March through December shipment volume for both periods, reflecting the February 2010 business combination with Fortune Tobacco Corporation in the Philippines.

…Consumer-Focused Marketing and Sales



The marketing environment is continuously evolving – and so are we. We have begun a process of combining our marketing and sales resources into entrepreneurial commercial teams and have developed and launched a new strategic framework, PMI's Commercial Approach.

This new approach begins with a rigorous process of assessment of our current market position and future vision. There then follows a period of comprehensive planning of activities within a disciplined project management framework. We then engage with our trade partners to equip them to communicate with adult smokers about our brands and with adult smokers themselves to build brand awareness and loyalty. In the next stage, our field forces are structurally realigned to enable the deployment of this new strategy, and our marketing and sales teams are provided with the knowledge and tools needed to effectively execute their responsibilities. Overall buy-in to this new strategic approach empowers the organization and is the catalyst behind its success.