

## Profitable Business Development

We have historically expanded our business through a combination of organic growth and judicious business development initiatives that enhance long-term shareholder value. In 2013 we were very successful on this front as highlighted below.

### Algeria

On September 30, we acquired a 49% equity interest in United Arab Emirates-based Arab Investors-TA (FZC) (AITA) for \$625 million. As a result of this transaction, PMI holds an approximate 25% economic interest in Société des Tabacs Algéro-Emiratie (STAEM), an Algerian joint venture 51% owned by AITA and 49% by the Algerian state-owned Société Nationale des Tabacs et Allumettes SpA. STAEM, with which PMI has had a successful partnership since 2005, manufactures and distributes under license PMI's *Marlboro* and *L&M* brands, which together hold more than 40% of the total market. Over the last five years, Algeria has

been a key driver of the growth of our premium brands in North Africa. With the fourth-largest total GDP in Africa and an estimated cigarette market of approximately 30 billion units, Algeria holds tremendous potential for future growth. This business transaction is 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. In keeping with this strategy we also recently announced plans to restructure our business in Egypt.



### Russia

On December 4, we announced our agreement to acquire a 20% equity interest in Megapolis Distribution BV, the holding company of CJSC TK Megapolis (Megapolis), PMI's distributor in Russia, for \$750 million. Megapolis, one of Russia's leading consumer goods distributors, focuses principally on tobacco and beverages. It employs almost 15,000 employees and commands a direct store delivery system that reaches more than 150,000 points of sale. Megapolis handles approximately 70% of all cigarettes sold in Russia.

In addition to enhanced earnings and cash flow for PMI, this investment lays the foundation for infrastructure expansion and improved operating

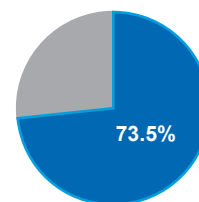
efficiencies in the distribution of PMI's portfolio of leading brands in Russia.

At an estimated industry size of 342.0 billion units in 2013, Russia is the largest cigarette market outside of the People's Republic of China. Our market share in Russia, as measured by Nielsen, was 26.1%, driven by our portfolio of international trademarks, including *Marlboro*, *Parliament*, *L&M*, *Chesterfield* and *Bond Street*, and local trademarks, such as *Optima* and *Apollo-Soyuz*. Most of our cigarettes sold in Russia are produced at our state-of-the-art facilities in Krasnodar and near St. Petersburg, which is the second-largest PMI production facility in the world. Today we employ approximately 4,400 people in Russia.

### Mexico

On May 21, PMI announced that Grupo Carso, S.A.B. de C.V. would sell to PMI its remaining 20% interest in the Mexican tobacco business. The sale was completed on September 30 for \$703 million. As a result, PMI now owns 100% of its Mexican tobacco business.

**Mexico: PMI Market Share 2013\***  
(2013 Industry Volume\* 34.6 billion units)



\*Source: PMI estimates