Delivering The Next Growth Phase

• Leading Industry Transformation
• IQOS Performance
• Consumer at the Core
• Commercial Model
• The Next Stage of Growth
• Combustibles Performance
IQOS: Rapid Adoption of New Technologies

Other Technologies

Hybrid & Electric Cars (Europe)
Smart Watches (Global)
Solar Power (Italy)

IQOS HEETS
(3-month moving average)

HEETS Italy
HEETS Russia

Source: PMI Financials or estimates, bloomberg.com, ourworldindata.org (BP Statistical Review of World Energy & Ember), www.statista.com. For illustration only
Undisputed Leader of Industry Transformation

- Biggest positive impact on harm reduction
- Segment leader, strongest brand, first mover advantage
- Highest investments
- Most advanced internal transformation
- Rigor around scientific validation / standards
- Leading responsible and sustainable marketing practices
Almost 13 Million Users Switched to IQOS and Stopped Smoking

Total IQOS Users$^{(a)}$

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Users</th>
<th>Stopped Smoking</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2.1</td>
<td>73%</td>
</tr>
<tr>
<td>2017</td>
<td>6.9</td>
<td>69%</td>
</tr>
<tr>
<td>2018</td>
<td>9.6</td>
<td>69%</td>
</tr>
<tr>
<td>2019</td>
<td>13.5</td>
<td>71%</td>
</tr>
<tr>
<td>2020</td>
<td>17.6</td>
<td>72%</td>
</tr>
</tbody>
</table>

$^{(a)}$ In millions. See Glossary for definition

Source: PMI Financials or estimates, IQOS user panels and PMI Market Research
Clear Leadership of the Biggest Smoke-Free Category

PMI Category Share

International volume share excl. China and the U.S.
Source: PMI Financials or estimates
(a) Meaningful difference index: meaningful refers to the capacity of brands to drive affinity among Legal Age Smokers (LAS) and address their needs; difference refers to the ability of brands to generate perceptions of uniqueness and trendsetting among LAS. Meaningful difference is reported as a combined index score, where 100 represents the category average. (b) Represents index point gap to closest competitor.

**IQOS Brand Equity is Strong**

<table>
<thead>
<tr>
<th>Brand Equity Score&lt;sup&gt;(a)&lt;/sup&gt;</th>
<th>Gap to competition&lt;sup&gt;(b)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan: 130</td>
<td>+40</td>
</tr>
<tr>
<td>Russia: 153</td>
<td>+54</td>
</tr>
<tr>
<td>Germany: 138</td>
<td>+34</td>
</tr>
<tr>
<td>Italy: 146</td>
<td>+64</td>
</tr>
</tbody>
</table>
Third-Largest ‘Brand’ in IQOS Markets

Share in IQOS Markets (Q4, 2020)\(^{(a)}\)

- **Marlboro**: 13.1%
- **Winston**: 6.7% (#3)
- **PMI HTUs**: 3.8%
- **Rothmans**: 3.8%
- **L&M**: 3.8%

\(^{(a)}\) Reflects 63 markets where IQOS is available in key cities or nationwide at December 31, 2020. Excludes the U.S.

Note: All ‘brands’ except ‘PMI HTUs’ include cigarettes only. Reflects sales volume as a percentage of the total industry sales volume for cigarettes and HTUs.

Source: PMI Financials or estimates

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(a) Reflects 63 markets where IQOS is available in key cities or nationwide at December 31, 2020. Excludes the U.S.

Note: All ‘brands’ except ‘PMI HTUs’ include cigarettes only. Reflects sales volume as a percentage of the total industry sales volume for cigarettes and HTUs.

Source: PMI Financials or estimates
Substantial Investment in Best-in-Class Capabilities
(in $ billion)

Cumulative RRP Investments

<table>
<thead>
<tr>
<th>Year</th>
<th>Cumulative RRP Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.5</td>
</tr>
<tr>
<td>2016</td>
<td>0.8</td>
</tr>
<tr>
<td>2017</td>
<td>1.4</td>
</tr>
<tr>
<td>2018</td>
<td>1.6</td>
</tr>
<tr>
<td>2019</td>
<td>1.0</td>
</tr>
<tr>
<td>2020</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Note: Investments reflect research, product and commercial development, production capacity, scientific substantiation, and studies on adult smoker understanding. Does not include commercial deployment costs.
Delivering The Next Growth Phase

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• IQOS Performance

• Consumer at the Core

• Commercial Model

• The Next Stage of Growth

• Combustibles Performance
Strong Market Share Growth in Key Geographies

HTU Share of Market in Russia (%)

- Q4, 2018: 1.7%
- Q4, 2019: 5.0%
- Q4, 2020: 7.2%

HTU Share of Market in Japan (%)\(^{(a)}\)

- Q4, 2018: 15.1%
- Q4, 2019: 16.7%
- Q4, 2020: 20.1%

HTU Share of Market in EU (%)

- Q4, 2018: 1.7%
- Q4, 2019: 3.2%
- Q4, 2020: 5.0%

\(^{(a)}\) Including the cigarillo category
Source: PMI Financials or estimates
Broadening Geographic Sources of IQOS Growth (in billion units)

HTU In-Market Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Russia</th>
<th>EU Region</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>11%</td>
<td>7%</td>
<td>81%</td>
<td>95%</td>
<td>5</td>
</tr>
<tr>
<td>2017</td>
<td>13%</td>
<td>6%</td>
<td>23%</td>
<td>81%</td>
<td>23</td>
</tr>
<tr>
<td>2018</td>
<td>20%</td>
<td>23%</td>
<td>59%</td>
<td>23%</td>
<td>44</td>
</tr>
<tr>
<td>2019</td>
<td>18%</td>
<td>6%</td>
<td>20%</td>
<td>14%</td>
<td>60</td>
</tr>
<tr>
<td>2020</td>
<td>14%</td>
<td>26%</td>
<td>38%</td>
<td>18%</td>
<td>76</td>
</tr>
</tbody>
</table>

Market Launches

- 2016: 13
- 2017: 18
- 2018: 6
- 2019: 8
- 2020: 12

Note: Does not sum up to 100% due to rounding
Source: PMI Financials or estimates
### IQOS Successful Across Market Archetypes

<table>
<thead>
<tr>
<th>Country</th>
<th>Q4, 2020 HTU Share of Market</th>
<th>Full Flavor Share of Market Year Before Launch</th>
<th>Menthol Share of Market Year Before Launch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portugal</td>
<td>10.9%</td>
<td>77%</td>
<td>9%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5.3%</td>
<td>71%</td>
<td>23%</td>
</tr>
<tr>
<td>Russia</td>
<td>7.2%</td>
<td>34%</td>
<td>2%</td>
</tr>
<tr>
<td>Poland</td>
<td>7.4%</td>
<td>26%</td>
<td>24%</td>
</tr>
<tr>
<td>Japan</td>
<td>22.1%</td>
<td>25%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: PMI Financials or estimates
Strong Double-Digit Shares in Many Key Cities
(PMI HTU offtake share)

(a) Japan total market includes the cigarillo category
Source: PMI Financials or estimates
## Accelerating Key City Shares in Western Europe

(PMI HTU offtake share)

<table>
<thead>
<tr>
<th>Location</th>
<th>Q4'19</th>
<th>Q1'20</th>
<th>Q2'20</th>
<th>Q3'20</th>
<th>Q4'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>1.6%</td>
<td>2.2%</td>
<td>2.8%</td>
<td>2.8%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Madrid</td>
<td>1.5%</td>
<td>1.9%</td>
<td>1.9%</td>
<td>1.6%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Milan</td>
<td>8.3%</td>
<td>10.2%</td>
<td>9.5%</td>
<td>8.8%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Torino</td>
<td>5.2%</td>
<td>6.5%</td>
<td>6.8%</td>
<td>6.3%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Zurich</td>
<td>3.3%</td>
<td>4.1%</td>
<td>4.9%</td>
<td>4.7%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Lisbon</td>
<td>8.7%</td>
<td>9.7%</td>
<td>10.3%</td>
<td>10.9%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Munich</td>
<td>4.4%</td>
<td>5.7%</td>
<td>6.6%</td>
<td>5.7%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Stuttgart</td>
<td>5.2%</td>
<td>5.5%</td>
<td>5.7%</td>
<td>5.5%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

Source: PMI Financials or estimates
Growing City Shares in Emerging Markets
(PMI HTU offtake share)

Kuala Lumpur
- Q4'19: 7.9%
- Q1'20: 8.4%
- Q2'20: 8.4%
- Q3'20: 11.5%
- Q4'20: 12.1%

Chisinau, Moldova
- Q4'19: 8.5%
- Q1'20: 10.7%
- Q2'20: 11.4%
- Q3'20: 11.8%
- Q4'20: 13.6%

Almaty, Kazakhstan (a)
- Q4'19: 13.1%
- Q1'20: 15.6%
- Q2'20: 15.3%
- Q3'20: 14.9%
- Q4'20: 17.4%

Guatemala City
- Q4'19: 6.2%
- Q1'20: 6.3%
- Q2'20: 7.9%
- Q3'20: 7.0%
- Q4'20: 7.4%

Skopje, North Macedonia
- Q4'19: 0.6%
- Q1'20: 2.5%
- Q2'20: 4.5%
- Q3'20: 7.6%

Cape Town
- Q4'19: 4.4%
- Q1'20: 4.5%
- Q2'20: 3.3%
- Q3'20: 4.0%

(a) Estimated underlying offtake share
Source: PMI Financials or estimates
Excellent Progress in Recent Launch Cities
(PMI HTU offtake share)

<table>
<thead>
<tr>
<th>City</th>
<th>Q4'19</th>
<th>Q1'20</th>
<th>Q2'20</th>
<th>Q3'20</th>
<th>Q4'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tbilisi, Georgia</td>
<td>6.1%</td>
<td>2.5%</td>
<td>5.3%</td>
<td>7.6%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Metro Manila, Philippines</td>
<td>0.7%</td>
<td>0.2%</td>
<td>0.7%</td>
<td>0.7%</td>
<td>0.7%</td>
</tr>
<tr>
<td>San Jose, Costa Rica</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td>West Amman, Jordan</td>
<td>5.3%</td>
<td>3.2%</td>
<td>5.3%</td>
<td>5.3%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Stockholm, Sweden</td>
<td>2.6%</td>
<td>1.9%</td>
<td>1.7%</td>
<td>1.7%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Beirut, Lebanon</td>
<td>7.6%</td>
<td>6.4%</td>
<td>5.0%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Mexico City</td>
<td>0.9%</td>
<td>0.6%</td>
<td>0.6%</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Vienna</td>
<td>1.8%</td>
<td>0.8%</td>
<td>0.8%</td>
<td>0.8%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Source: PMI Financials or estimates
National Shares in Q4’20 Above Key City Shares in Q4’18

(a) Including cigarillos industry

Note: Key Cities selected are respectively: Kiev, Prague, Tokyo, Warsaw, Munich, Moscow, Rome and Athens

Source: PMI Financials or estimates
Growth Path to 2023 HTU Target
(in billion units)

2020 PMI HTU Volume: 76
PMI Equivalent HTU Volume With National Shares at Q4'20 Key City Levels: ~135
2023 Target: 140-160

Source: PMI Financials or estimates
Successful IQOS Expansion in Russia

- Total of 75 cities in 2020
- Total of 3.6 million LAUs in 2020\(^{(a)}\)
- Approximately 50% direct coverage
- Ongoing expansion to indirect channels

<table>
<thead>
<tr>
<th></th>
<th>Wave 1</th>
<th>Wave 2</th>
<th>Wave 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Cities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017 IQOS Users (in millions)</td>
<td>0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018 IQOS Users (in millions)</td>
<td>0.6</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>2019 IQOS Users (in millions)</td>
<td>1.3</td>
<td>0.6</td>
<td>0.3</td>
</tr>
<tr>
<td>2020 IQOS Users (in millions)</td>
<td>1.7</td>
<td>0.9</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total Legal Age Smokers (in millions)</strong></td>
<td>7.4</td>
<td>5.8</td>
<td>4.2</td>
</tr>
</tbody>
</table>

\(^{(a)}\) Including 0.5 million outside expansion area
\(^{(b)}\) Estimated total LAS in Russia is 37m
Note: Wave 2 includes Kaliningrad not shown on map
Source: PMI Financials or estimates
Delivering The Next Growth Phase

- Leading Industry Transformation
- IQOS Performance
- **Consumer at the Core**
- Commercial Model
- The Next Stage of Growth
- Combustibles Performance
Consumer at the Core: *IQOS* Consumer Journey Drives Development and Commercialization

- **2.1 million** NPS(a) surveys from over **1.6 million** unique consumers
- **180,000** call backs
- **Over 600** improvement initiatives

(a) Net Promoter Score (NPS) = Promoters less Detractors

Source: PMI estimates, 2020
Innovation Pipeline Responding to Consumer Feedback

- IQOS 2.4+
  - Faster charging
  - Bluetooth connectivity

- IQOS 3
  - Faster charging, Sequential heating
  - More intuitive

- IQOS 3 Multi
  - Faster charging
  - Two consecutive uses without recharging the holder

Conversion rate

- +6pp vs. IQOS 2.4+
- +5pp vs. IQOS 3/3 Multi

Source: PMI Financials or estimates, IQOS Owners Panel. Average of Japan, Korea, Germany, Poland, Russia, UK, Italy, and Mexico
Major Growth Opportunity Remains in Key Markets

Note: Percentage of Legal Age Smokers in PMI Research panel not aware of IQOS
Source: Consumer Journey Tracker Oct’20
Misperceptions on Main Causes of Smoking Harm

<table>
<thead>
<tr>
<th></th>
<th>Legal-Age Smokers (spontaneous number of mentions)</th>
<th>Legal-Age Smokers (selection from list)(^{(a)})</th>
<th>IQOS Users (selection from list)(^{(a)})</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nicotine</strong></td>
<td>67%</td>
<td>Tar 30%</td>
<td>Tar 38%</td>
</tr>
<tr>
<td><strong>Tar</strong></td>
<td>52%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Burning</strong></td>
<td>1%</td>
<td>Burning 4%</td>
<td>Burning 10%</td>
</tr>
</tbody>
</table>

\(^{(a)}\) 9 options provided: tar, nicotine, quantity of smoking, carbon monoxide, additives, burning, tobacco, smoke and flavors

Note: PMI Market Research, average results for Japan, Germany and the U.K.
Misperceptions of Relative Risk Profile
Categories Ranked Along Spectrum of Harm: EU Average

Note: Harmfulness score indexed to perceived harm of manufactured cigarettes at 100
Source: PMI Market Research, EU Region
Misperceptions of Relative Risk Profile
Categories Ranked Along Spectrum of Harm: EU Average

(a) Exclude markets with insufficient sample sizes
Note: Harmfulness score indexed to perceived harm of manufactured cigarettes at 100
Source: PMI Market Research, EU Region
Better not burnt.

Same goes for tobacco.

IQOS heats tobacco instead of burning it, so it doesn't produce fire, ash or smoke.

This makes IQOS a better choice compared to continued smoking.

This product is not risk-free. It contains nicotine, which is addictive. Only for use by adults who would otherwise continue to smoke or use nicotine products.
Flying pigs. Impossible.

Cigarette-like satisfaction without smoke. Possible.

IQOS heats tobacco instead of burning it, so it doesn't produce fire, ash or smoke.

Studies* show that the satisfaction of those who switch completely to IQOS is comparable to those who continue to smoke cigarettes.

*Source: 9-month clinical studies conducted in US and Japan with 160 adult smokers, each under real conditions (smoke-inhalation).

This product is not risk-free. It contains nicotine, which is addictive. Only for use by adults who would otherwise continue to smoke or use nicotine products.
Flying elephants. Impossible.

Cigarette-like satisfaction without smoke. Possible.

IQOS heats tobacco instead of burning it, so it doesn't produce fire, ash or smoke.

Studies* show that the satisfaction of those who switch completely to IQOS is comparable to those who continue to smoke cigarettes.

*Source: 3-month clinical studies conducted in US and Japan with 150 adult smokers, each under real conditions (cumulative).

This product is not risk-free. It contains nicotine, which is addictive. Only for use by adults who would otherwise continue to smoke or use nicotine products.
Growing Recognition of Tobacco Harm Reduction

**Pulse**
WKF: Tobacco companies must use science to reduce harms of smoking

**LARAZÓN**
El 97% de los españoles recomendaría dejar de fumar

**Bloomberg**
Philip Morris Wants Governments To Help Convert Smokers (Radio)

**philstar Global**
US ruling a boost to smoke-free alternatives

**LE TEMPS**
Philip Morris gagne une bataille aux États-Unis

**The Korea Herald**
Following FDA’s decision, PMI repeats need for differentiated policies
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Consumer Journey: Unique Combination of Episodes & Channels

- **Learn**
  - Discover Awareness
  - Research
  - Social Opinion

- **Consider**
  - Evaluate
  - Evaluate Options
  - Find Trial Option

- **Find**
  - Try at Home

- **Try**
  - Buy HEETS
  - Online Coach

- **Buy / Live**
  - Buy IQOS
  - Trade In
  - Social Media
  - Referral

- **Advocate**

---

Learn: Discover Awareness, Research, Social Opinion

Consider: Evaluate, Evaluate Options, Find Trial Option

Find: Try at Home

Try: Buy HEETS, Online Coach

Buy / Live: Buy IQOS, Trade In, Social Media, Referral

Advocate:
Consumer Journey: Unique Combination of Episodes & Channels

Not Aware

Aware ON Journey

Learn

Discover
Consider
Evaluate
Find

Try

Buy
Use
Convert
Bond
Advocate

Buy/ Live

Offline - Owned

IQOS Boutiques or Kiosks
IQOS Coaches
Customer Service Centers

Offline – Not Owned

Indirect Retail (Key Accounts / tobacconists)
Indirect Retail (General Trade)
Social Engagement
Paid / Earned Media (where permitted)

Online

iqos.com website
Virtual Coach
Paid / Earned Media (where permitted)
Social Interactions (where permitted)
Digital Transformation Win-Win: Driving Growth & Efficiency

• Multi-channel to omnichannel

• One consolidated IQOS digital platform across markets:
  – Consistent brand experience & communication

• IQOS.com as our number one flagship store

• ‘Digital-first’ consumer journey
Unmatched Digital and Physical Infrastructure

- **259** IQOS Stores\(^{(a)}\)
  - \(+30\% \text{ vs. PY}\)

- **2.2 thousand** Exclusive IQOS Retail Touchpoints
  - \((-20\%) \text{ vs. PY}\)

- **3.8 thousand** Indirect Retail Brand Experience Touchpoints
  - \(+5% \text{ vs. PY}\)

- **10.5 thousand** Commercial Salespeople (Sales experts and IQOS coaches)
  - \((-10\%) \text{ vs. PY}\)

- **24** Call Centers
  - \(+5\% \text{ vs. PY}\)

- **2.1 million** Adult Consumer Feedback in 2020
  - \(+50\% \text{ vs. PY}\)

- **69 million** Unique Visits to IQOS Digital Assets in 2020
  - \(+40\% \text{ vs. PY}\)

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\(\text{(a) Includes: Flagship stores, small, large and temporary boutiques}\)

\(\text{Note: Status at December 31, 2020}\)

\(\text{Source: PMI Financials or estimates}\)
Shift to ‘Organic’ User Acquisition as Momentum Grows (in %)

Note: Organic sales are defined as those coming from demand-driven purchase decisions; unprompted by our commercial programs
Source: PMI Financials or estimates
### Digitalization and Scale Increasing Commercial Efficiency

#### Acquisition
Cost per user (indexed to Acquisition 2018)

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>64</td>
<td>28</td>
</tr>
<tr>
<td>100</td>
<td>75</td>
<td>47</td>
</tr>
<tr>
<td>100</td>
<td>57</td>
<td>48</td>
</tr>
<tr>
<td>100</td>
<td>72</td>
<td>50</td>
</tr>
</tbody>
</table>

#### Retention
Cost per user (indexed to Acquisition 2018)

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>57</td>
<td>46</td>
<td>35</td>
</tr>
<tr>
<td>62</td>
<td>44</td>
<td>38</td>
</tr>
<tr>
<td>59</td>
<td>45</td>
<td>29</td>
</tr>
</tbody>
</table>

Source: PMI Financials or estimates. Acquisition and retention costs include allocated infrastructure costs.
Execution Learnings Drive Faster Results

PMI HTU SoM Performance Since Initial Commercial Launch
(3-month moving average)

(a) Reflects date of initial geographic expansion beyond pilot launch city
Source: PMI Financials or estimates
Execution Learnings Drive Faster Results

PMI HTU SoM Performance Since Initial Commercial Launch
(3-month moving average)

(a) Reflects date of initial geographic expansion beyond pilot launch city
Source: PMI Financials or estimates
Execution Learnings Drive Faster Results

PMI HTU SoM Performance Since Initial Commercial Launch
(3-month moving average)

(a) Reflects date of initial geographic expansion beyond pilot launch city
Source: PMI Financials or estimates
IQOS Break-Even Faster in Recent Launch Markets

Months After Launch to Break-Even

<table>
<thead>
<tr>
<th>Cluster A (2015-16)(^{(a)})</th>
<th>Cluster B (2017-19)(^{(b)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>11</td>
</tr>
</tbody>
</table>

HTU IMS SoM (%) at Break-Even

<table>
<thead>
<tr>
<th>Cluster A (2015-16)(^{(a)})</th>
<th>Cluster B (2017-19)(^{(b)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.4</td>
<td>2.0</td>
</tr>
</tbody>
</table>

(a) Japan, Italy, Greece, Ukraine, Russia and Kazakhstan
(b) Poland, the Czech Republic, Hungary, the Slovak Republic, Korea and South Eastern Europe
Source: PMI Financials or estimates. Break-even at Product contribution level, where product contribution represents gross profit less related commercial expenditure.
Delivering The Next Growth Phase

• Leading Industry Transformation
• IQOS Performance
• Consumer at the Core
• Commercial Model
• The Next Stage of Growth
• Combustibles Performance
IQOS: One Brand Across Smoke-Free Products

• IQOS is the leading smoke-free brand

• Taking IQOS to the next level:
  – From functional benefits to category understanding, brand appeal, points of difference, emotional connection

• No brand fragmentation, strong brand identity, hard to build
IQOS Brand Video
**IQOS Portfolio Expansion**

- Untapped consumer occasions, adult smoker segments and geographies:
  - Driving awareness among legal-age smokers as a key enabler
- Broadening and enriching the category
- User acquisition and volume growth
- Premiumization, pricing and segmentation
Poly-Use: Multi-Category Opportunity for IQOS

2019 nicotine product use (a)

CC: 66%
E-vape: 7%
HnB: 8%

“Transforming rapidly to a multi-category company”

PMI Investor Day, September 2016

Significant dual and poly-usage of nicotine products

(a) PMI Market Research in the U.K., Germany, Japan and Russia, Q3 2019
Source: PMI Financials or estimates
• Technological prowess begets winning products:
  – Early and sustained investment
  – Strong R&D capabilities
• Technology expansion: blade internal heating, pin and induction technologies, e-vapor and pouches:
  – Further pipeline of future innovations
• Consumable technologies and innovation:
  – Different experiences, tastes (P1 and P4)
• Innovation drives higher conversion and enables faster expansion at lower incremental cost
Multi-Category Portfolio Addressing Range of Consumer Preferences

- Rooted Ritual: Familiarity, Authenticity
- Evolving Ritual: Convenience, No-frills, Novelty, Design, Customization
- New Rituals & Moments: Taste Exploration, Beyond Tobacco, Versatility, Discretion

Prestige | Premium | Affordable

IQOS
Expanded Reach Via Differentiated Portfolio of Consumables

Rooted Ritual
- Familiarity, Authenticity

Convenience, No-frills
- Novelty, Design, Customization

Taste Exploration, Beyond Tobacco
- Versatility, Discretion

New Rituals & Moments

ENHANCED, INDULGENT TASTES

RICH TOBACCO TASTES
- Prestige
- Premium
- Affordable

HYBRID TASTES

NEW TASTE DIMENSIONS

ESTABLISHED TASTES

VAPING TASTES

New to the World, Beyond Tobacco Offers
Platform 1: Introducing IQOS ILUMA

• Major new launch in second half of 2021
• Next generation of IQOS
• IQOS ILUMA: Pleasure simplified
• New internal heating technology
  – Based on Smartcore™ induction
• Same great taste
**IQOS ILUMA: Intuitive Product for Acquisition and Retention**

- Addresses consumer feedback on IQOS blade heating product
- Robust and reliable, superior satisfaction
- Simple and Intuitive:
  - No maintenance and simple use
  - Self-activation
- Less explanation needed, positive for:
  - Time and cost of acquisition
  - After-care and retention
- Supports easier switching, higher conversion for legal-age smokers
IQOS ILUMA: Premium & Ground-Breaking

- Premium design and customization for enhanced lifestyle appeal, advanced features
- 3 device designs covering 3 price points
- New broad range of consumables
Heat-not-Burn: *LIL* and *LIL HYBRID*

- Broadening our portfolio to accelerate user acquisition and grow the category, expand target audience of adult smokers:
  - High conversion, driving new users in-switching from cigarettes
- *IQOS* introduction drives awareness and credibility
- PMI commercial engine drives take-up and retention
- *LIL SOLID*: simple, intuitive, cost-effective, reliable
- *LIL HYBRID*: addresses need for vapor-type experience
- HTU unit margins more than 2x combustible products at the same price
E-Vapor: The Right Time For The Right Product

• Category is growing and consolidating...
  – Expected annual growth in users 7-10% over next 5y, albeit concentrated in specific geographies
  – Different consumer experience and occasions to Heat-not-Burn
• ...but returns remain low for existing business models:
  – Low conversion to the category
  – Low loyalty within category
  – High number of devices per user driving up acquisition and retention cost

(a) Top 6 EU Markets includes: France, the U.K., Germany, Italy, Spain and Poland
Source: PMI Financials or estimates

International E-Vapor Category (2020)
Full Conversion and Investment Drives Returns
EU illustration, where IQOS HEETS are at current accessible price points

European Union Estimated Yearly Gross Margin per User Consumables Only
(Index = LAS)

- LAS: 100
- Closed System Dual\(^{(a)}\): 123
- Closed System Exclusive: 164
- IQOS HnB Exclusive: 274

(a) “Dual” reflects dual usage of closed system dual e-vapor and cigarettes
Note: Reflects index of dollar gross margin. Average numbers for 5 key markets: Germany, Poland, Italy, France, UK
Source: PMI Financials or estimates
IQOS VEEV: Vaping Made Right

• Power of IQOS brand
• Premium product with superior experience to existing offers
• Leveraging IQOS infrastructure with bespoke route-to-market approach
• Potential accelerator of conversion to IQOS franchise for RRP poly-users, dual users with cigarettes
• Plan to launch in 20+ markets this year
• Youth access prevention key to sustainable category
Portfolio Expansion: Nicotine Pouches

- Small & concentrated, but growing category with potential to advance harm reduction:
  - Still very early in category development
  - Convenience, discretion, flexibility and satisfaction
  - Attractive economics
  - Evolving regulatory landscape
- Plan to enter category later this year

International Nicotine Pouch Category (2020)

Estimated category size <5 billion stick equivalents

(a) Scandinavia includes: Sweden, Norway and Denmark
Source: PMI Financials or estimates
Portfolio Expansion: P2/P3

P2: Heated Tobacco Product
- Closest to cigarette ritual and experience
- New consumer test in 2021

P3: Electronic-free Nicotine Product
- Hygiene, simplicity, convenience from a novel and complex technology
- Aim to commercialize within 3 years
IQOS Geographic Expansion

Markets Worldwide

Of which

33 Non-OECD

(a) Status at December 31, 2020
Note: Reflects markets where IQOS is available in key cities or nationwide. Reflects date of initial geographic expansion beyond pilot launch city. The number of markets includes International Duty Free. While IQOS is currently available for sale in Mexico, the country recently banned the importation of e-cigarettes and devices that heat tobacco
Source: PMI Q4 2020 Results, February 4, 2021
IQOS Geographic Expansion

Expect to be in 100 markets in 5 years

Markets Worldwide (a)
- 64
- Of which
  - 33 Non-OECD

Market Launches
- 2015 (7)
- 2016 (13)
- 2017 (18)
- 2018 (6)
- 2019 (8)
- 2020 (12)

(a) Status at December 31, 2020
Note: Reflects markets where IQOS is available in key cities or nationwide. Reflects date of initial geographic expansion beyond pilot launch city. The number of markets includes International Duty Free. While IQOS is currently available for sale in Mexico, the country recently banned the importation of e-cigarettes and devices that heat tobacco.
Source: PMI Q4 2020 Results, February 4, 2021
IQOS in the U.S.: Large Opportunity

• U.S. adult smokers display a high interest in smoke-free alternatives

• Taste and satisfaction preferences addressed by IQOS:
  – Full-flavor market with large menthol segment

• Rational and robust regulatory environment for building awareness:
  – Clear and rigorous science-based evaluation
  – Ability to communicate with adult smokers for RRPs significantly more helpful than the vast majority of international markets
IQOS in the U.S.: Key Developments

- April 2019: PMTA granted on 2.4 device
- Q3 2020: MRTP authorization/utilization in the U.S.
- Dec 2020: FDA submissions (sPMTA Bronze & Sienna), authorization (IQOS 3 sPMTA)
- Early 2021: IQOS 3 Initial Commercialization(a)
- 2021 Est.: Initial commercialization of Bronze and Sienna, subject to FDA authorization

(a) Altria Q4 2020 Earnings results
Delivering The Next Growth Phase

• Leading Industry Transformation
• IQOS Performance
• Consumer at the Core
• Commercial Model
• The Next Stage of Growth

• Combustibles Performance
Combustible Market Declines Reflect Growth of RRPs

<table>
<thead>
<tr>
<th>Cigarette Industry&lt;sup&gt;(a)&lt;/sup&gt; % Change</th>
<th>Cigarette Industry&lt;sup&gt;(a)&lt;/sup&gt; % Change in IQOS&lt;sup&gt;(b)&lt;/sup&gt; Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vs. Previous Year</td>
<td>Vs. Previous Year</td>
</tr>
<tr>
<td>2016</td>
<td>2016</td>
</tr>
<tr>
<td>(2.4)%</td>
<td>(2.0)%</td>
</tr>
<tr>
<td>2017</td>
<td>2017</td>
</tr>
<tr>
<td>(3.6)%</td>
<td>(5.7)%</td>
</tr>
<tr>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>(2.8)%</td>
<td>(6.5)%</td>
</tr>
<tr>
<td>2019</td>
<td>2019</td>
</tr>
<tr>
<td>(2.6)%</td>
<td>(4.8)%</td>
</tr>
<tr>
<td>2020</td>
<td>2020</td>
</tr>
<tr>
<td>(6.7)%</td>
<td>(9.1)%</td>
</tr>
<tr>
<td>2019-23</td>
<td></td>
</tr>
<tr>
<td>(3-4)%</td>
<td></td>
</tr>
</tbody>
</table>

(a) Excluding China and the U.S.
(b) Markets where IQOS was present in Q1 2018
Source: PMI Financials or estimates
Cigarette Consumption Driven by Reduction of Social Smoking Moments During Height of COVID Restrictions

Social Moments Consumption loss\(^{(a)}\)
Total Consumption Loss\(^{(a)}\)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>(8)%</td>
<td>(3)%</td>
<td>12%</td>
<td>5%</td>
<td>38%</td>
<td>37%</td>
<td>50%</td>
<td>55%</td>
</tr>
<tr>
<td>Argentina</td>
<td>(20)%</td>
<td>(13)%</td>
<td>12%</td>
<td>2%</td>
<td>20%</td>
<td>10%</td>
<td>68%</td>
<td>75%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>(14)%</td>
<td>(12)%</td>
<td>13%</td>
<td>6%</td>
<td>37%</td>
<td>30%</td>
<td>50%</td>
<td>52%</td>
</tr>
<tr>
<td>Italy</td>
<td>(21)%</td>
<td>(5)%</td>
<td>11%</td>
<td>2%</td>
<td>31%</td>
<td>19%</td>
<td>58%</td>
<td>74%</td>
</tr>
<tr>
<td>Philippines</td>
<td>(11)%</td>
<td>(18)%</td>
<td>12%</td>
<td>6%</td>
<td>31%</td>
<td>26%</td>
<td>57%</td>
<td>50%</td>
</tr>
</tbody>
</table>

(a) Consumption Loss is the volume loss due to the drop in the average daily consumption (ADC) of LAS
Note: Pre-COVID represents estimated daily consumption in Q1, 2020 for Italy, Indonesia, Turkey and the Philippines, 2019 in Argentina
Source: Smoking Moments Quantitative Research April-May 2020, Kantar
Majority of Downtrading From Mid to Low & Super-Low

Cigarette Industry Price Tiers (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium</th>
<th>Mid</th>
<th>Low &amp; Super Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>27%</td>
<td>28%</td>
<td>46%</td>
</tr>
<tr>
<td>2017</td>
<td>26%</td>
<td>27%</td>
<td>47%</td>
</tr>
<tr>
<td>2018</td>
<td>26%</td>
<td>26%</td>
<td>48%</td>
</tr>
<tr>
<td>2019</td>
<td>26%</td>
<td>25%</td>
<td>49%</td>
</tr>
<tr>
<td>Q1</td>
<td>26%</td>
<td>24%</td>
<td>50%</td>
</tr>
<tr>
<td>Q2</td>
<td>25%</td>
<td>23%</td>
<td>51%</td>
</tr>
<tr>
<td>Q3</td>
<td>26%</td>
<td>24%</td>
<td>51%</td>
</tr>
<tr>
<td>Q4</td>
<td>26%</td>
<td>23%</td>
<td>51%</td>
</tr>
<tr>
<td>2020</td>
<td>27.7%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>2008</td>
<td>25%</td>
<td>31%</td>
<td>44%</td>
</tr>
<tr>
<td>2009</td>
<td>25%</td>
<td>30%</td>
<td>45%</td>
</tr>
<tr>
<td>2010</td>
<td>26%</td>
<td>30%</td>
<td>44%</td>
</tr>
<tr>
<td>2011</td>
<td>26%</td>
<td>29%</td>
<td>44%</td>
</tr>
</tbody>
</table>

PMI CC SoM: 27.7% 27.2% 27.2% 26.9% 25.7% 27.2% 27.5% 27.9% 28.2%

Note: Excluding China and the U.S. Reflects sales volume of PMI cigarettes as a percentage of cigarette industry sales volume. Sum of the total does not sum to 100% due to rounding.
Source: PMI Financials or estimates
Total PMI Market Share

- # of Top 30 RRP Markets Where Total PMI Share is Growing or Stable
- # of Top 30 CC Markets Where Share of CC over CC is Growing or Stable

2018:
- Blue: 20
- Purple: 14

2019:
- Blue: 22
- Purple: 16

2020:
- Blue: 21
- Purple: 14

Source: PMI Financials or estimates. Excluding China and the U.S.
Combustible Share Performance

- Modest underlying decline despite IQOS cannibalization and market mix impacts
- Impacted by pandemic effects in 2020, notable challenges in Indonesia
- Target stable/growing share of combustibles over next 3 years

Note: Excluding China and the U.S. Reflects sales volume of PMI cigarettes as a percentage of cigarette industry sales volume
Source: PMI Financials or estimates
Strong *Marlboro* Brand Equity Endures
Temporary Headwind From Reduced Social Consumption Occasions in 2020, Evidence of Recovery as Restrictions Ease

### 2020 Marlboro Share of Market

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marlboro</td>
<td>9.7%</td>
<td>10.0%</td>
<td>9.5%</td>
<td>9.4%</td>
<td>9.7%</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

### Marlboro brand power 3x market average

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marlboro</td>
<td>280</td>
<td>293</td>
<td>302</td>
</tr>
<tr>
<td>Closest major competitor</td>
<td>118</td>
<td>123</td>
<td>130</td>
</tr>
<tr>
<td>Average</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Excluding China and the U.S. Reflects sales volume of PMI cigarettes as a percentage of cigarette industry sales volume.

Source: PMI Financials or estimates. Kantar, PMI Market Research, 17 markets. Brand Power measures the proportion of Legal Age Smokers who are predisposed to a given brand vs. other brands.
### Strong Global Brands in Downtrading Environment

**PMI Share of Market**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Philip Morris</th>
<th>Chesterfield</th>
<th>L&amp;M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>6.5%</td>
<td>1.2%</td>
<td>1.9%</td>
<td>3.4%</td>
</tr>
<tr>
<td>2017</td>
<td>7.2%</td>
<td>1.7%</td>
<td>2.2%</td>
<td>3.3%</td>
</tr>
<tr>
<td>2018</td>
<td>7.4%</td>
<td>1.8%</td>
<td>2.3%</td>
<td>3.3%</td>
</tr>
<tr>
<td>2019</td>
<td>7.6%</td>
<td>1.9%</td>
<td>2.2%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2020</td>
<td>7.7%</td>
<td>1.9%</td>
<td>2.2%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

**Global Brands\(^{(a)}\) as a % of Total IMS Volume**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>SKUs</td>
<td>3'097</td>
<td>3'032</td>
<td>2'935</td>
<td>2'820</td>
<td>2'789</td>
</tr>
</tbody>
</table>

**Total IMS Volume**

- 63.7% (2016)
- 67.8% (2017)
- 69.0% (2018)
- 71.1% (2019)
- 72.7% (2020)

---

\(^{(a)}\) Global Brands include Marlboro, Parliament, L&M, Chesterfield and Philip Morris (includes Philip Morris/Dubliss)

Note: Excluding China and the U.S. Reflects sales volume of PMI cigarettes as a percentage of cigarette industry sales volume

Source: PMI Financials or estimates
New Product Launches and Brand Equity Building

Number of New Product Launches

<table>
<thead>
<tr>
<th>Strike Rate</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>31%</td>
<td>163</td>
<td>99</td>
<td>67</td>
<td>62</td>
<td>68</td>
</tr>
<tr>
<td>46%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>57%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: PMI estimates. Strike rate is 0.7% share of market within 12 months of launch.
Leadership in Key Segments

### New Taste Dimension (in %)
- **PMI Share of Segment**: 16.6%
- **2016**: 1.0%
- **2017**: 1.9%
- **2018**: 2.7%
- **2019**: 3.4%
- **2020**: 3.9%
- **#1 Rank**: 31.2%

### Full Flavor (in %)
- **PMI Share of Segment**: 23.7%
- **2016**: 56.5%
- **2017**: 56.3%
- **2018**: 57.2%
- **2019**: 57.4%
- **2020**: 58.1%
- **#1 Rank**: 21.6%

### Low Tar (in %)
- **PMI Share of Segment**: 32.9%
- **2016**: 43.5%
- **2017**: 43.7%
- **2018**: 42.8%
- **2019**: 42.6%
- **2020**: 41.9%
- **#1 Rank**: 32.0%

### Slims (in %)
- **PMI Share of Segment**: 37.3%
- **2016**: 5.8%
- **2017**: 7.4%
- **2018**: 8.6%
- **2019**: 9.8%
- **2020**: 10.4%
- **#1 Rank**: 37.3%

### Super Slims (in %)
- **PMI Share of Segment**: 16.8%
- **2016**: 5.8%
- **2017**: 5.8%
- **2018**: 6.0%
- **2019**: 6.1%
- **2020**: 6.3%
- **#4 Rank**: 14.8%

---

Slims is excluding Indonesia  
Source: PMI Financials or estimates
Leveraging Leadership in Combustibles to Continue Supporting Smoke-Free Expansion and Sustainability Efforts

• Anti-littering initiatives:
  – Our world is not an ashtray

• Excellence in digital execution with trade:
  – Productivity and effectiveness of operation
  – Trade advocacy to convert smokers to IQOS

• Leveraging the reach of our brands:
  – Scanpack deployed in 30 markets for support & bridging to IQOS
  – Engaged ~850k LAS in 2020

Source: Internal new product launch tracking, internal SKU data, PMI Financials or estimates
Remaining Competitive and Maintaining Leadership in Combustibles: Key Pillar of Smoke-Free Strategy

- Leading combustible portfolio
- Infrastructure and expertise (manufacturing, regulatory, commercial)
- Responsible stewardship: market leader driving the obsolescence of the category
- Target at least stable combustible share net of cannibalization
- Selectively investing to continue leadership
- Driving returns from pricing, digital efficiency and productivity
The Next Growth Phase

• We continue as the undisputed leader of the industry transformation
• IQOS is a compelling proposition across markets
• We have an exciting innovation pipeline across smoke-free categories
• Our business is built on the consumer at the core
• Unparalleled capability in profitably deploying RRPs platform at scale
• Combustibles continues to play an important role in fueling and enabling our smoke-free strategy
• We will work relentlessly to achieve our vision
INVESTOR DAY

The Next Growth Phase

Break

10:55 – 11:05 ET

Have you downloaded the new PMI Investor Relations App yet?

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Android Download