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2016
INVESTOR DAY

Investor Day – Reduced-Risk Products Lausanne, September 29, 2016

Manuel Peitsch

Chief Scientific Officer, Reduced-Risk Products

Mirek Zielinski

President, Reduced-Risk Products



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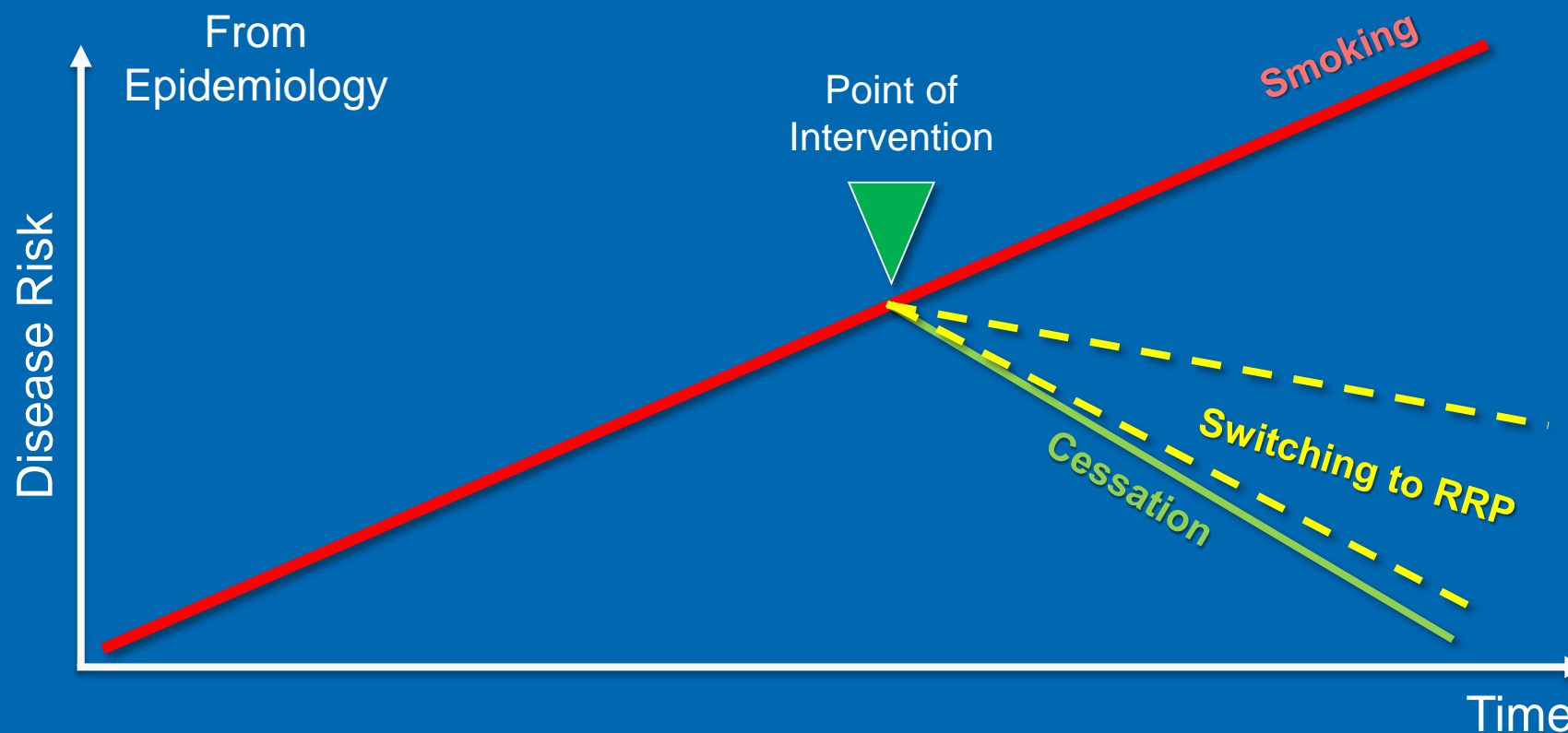


Agenda

- Reduced-Risk Products (RRPs) Scientific Substantiation Progress
- RRP Regulation
- RRP Portfolio and Commercialization Approach

Cessation: The "Gold Standard"

- We apply the U.S. Institute of Medicine's "gold standard" for assessing risk reduction: benchmark against cessation

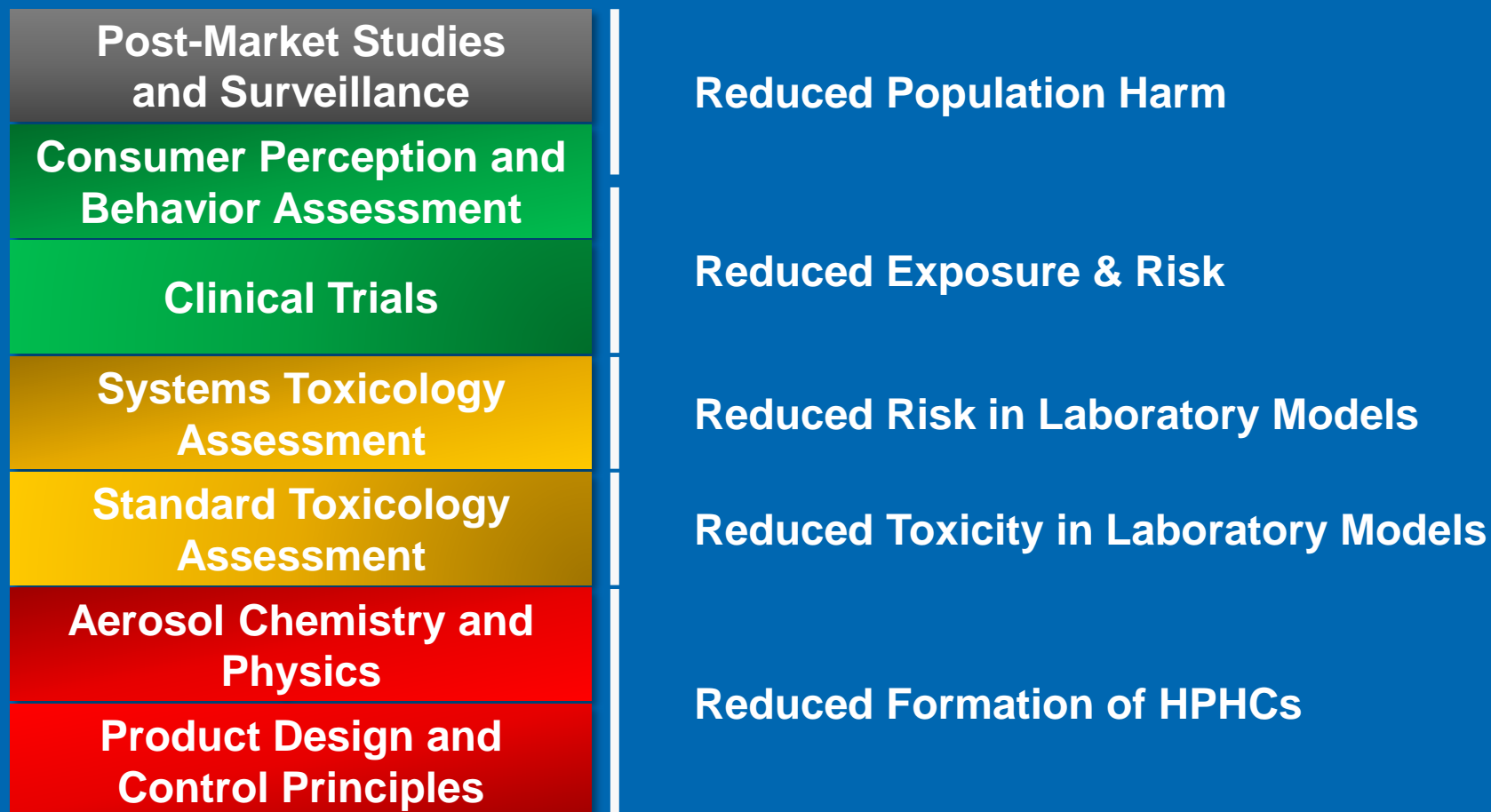


Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. The descriptions in the chart are for illustrative purposes only

Source: IOM (Institute of Medicine), 2012, Scientific Standards for Studies on Modified Risk Tobacco Products. Washington, DC: The National Academies Press



Substantiating Reduced Risk: Totality of Scientific Evidence



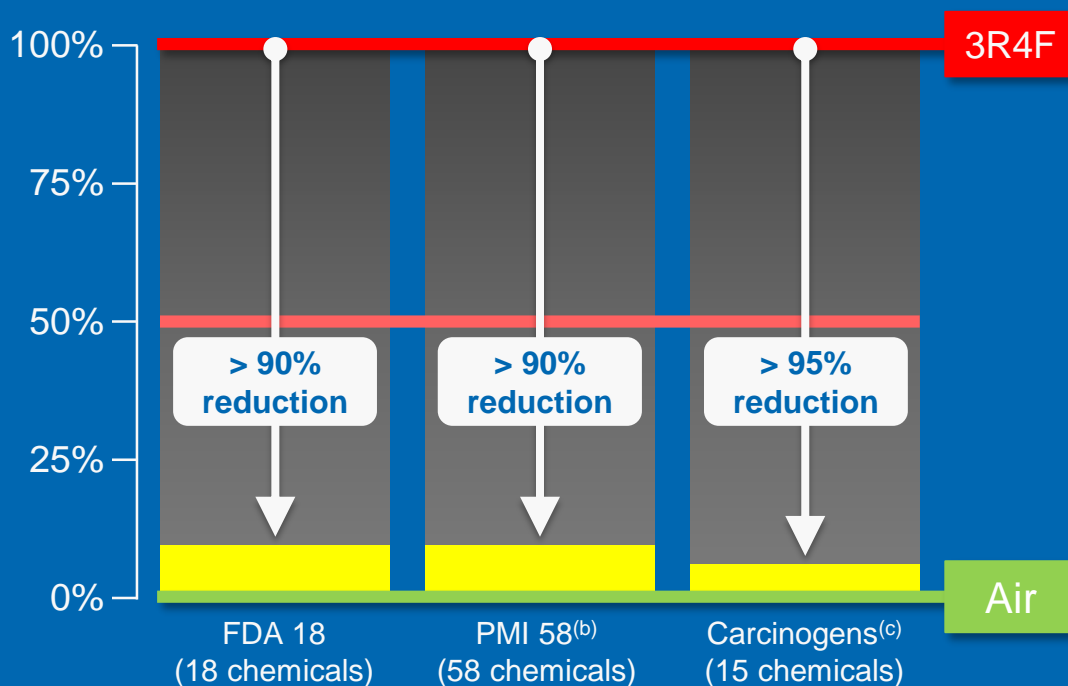
Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. HPHCs stands for Harmful or Potentially Harmful Constituents

Source: Smith, M.R., *et al.*, Evaluation of the Tobacco Heating System 2.2. Part 1: Description of the system and the scientific assessment program. *Regulatory Toxicology and Pharmacology* (2016). <http://dx.doi.org/10.1016/j.yrtph.2016.07.006>

iQOS: Reduced Formation Leads to Reduced Toxicity *in vitro*

Reduced Formation

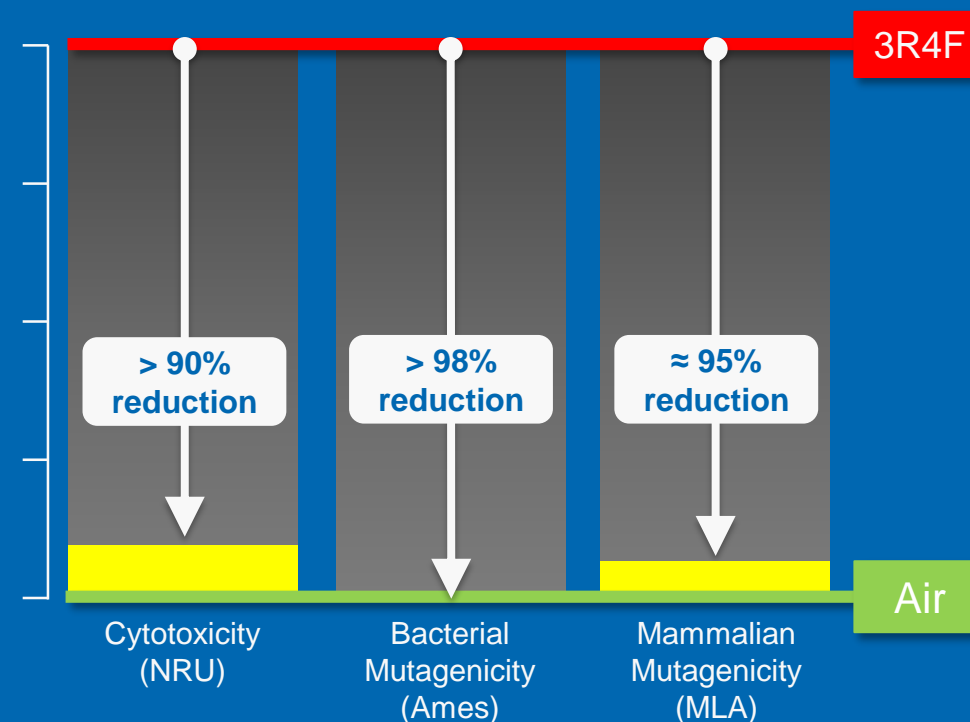
Average reductions in formation of HPHCs for iQOS compared to levels measured in smoke from the 3R4F reference cigarette^(a)



... Leads to ...

Reduced Toxicity

Average reductions in toxicity compared to levels measured for the 3R4F reference cigarette



(a) Aerosol collection with Intense Health Canada's Smoking Regime: 55 mL puff volume, 2-second puff duration, 30-second interval puff. Comparison on a per-stick basis. Reduction calculations exclude Nicotine, Glycerin and Total Particulate Matter

(b) The PMI 58 list includes the FDA 18 and (c) the 15 carcinogens of the IARC Group 1

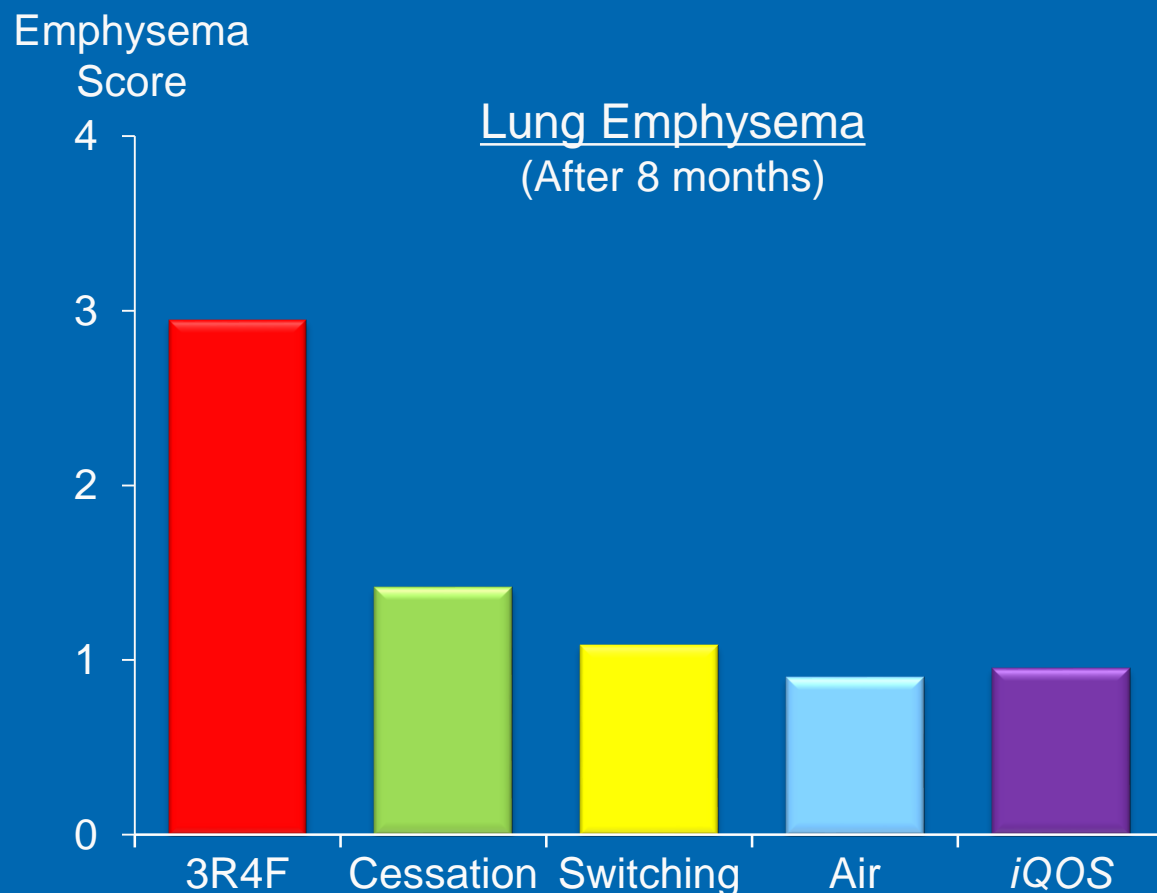
Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. These data alone do not represent a claim of reduced exposure or risk

Source: PMI Research & Development

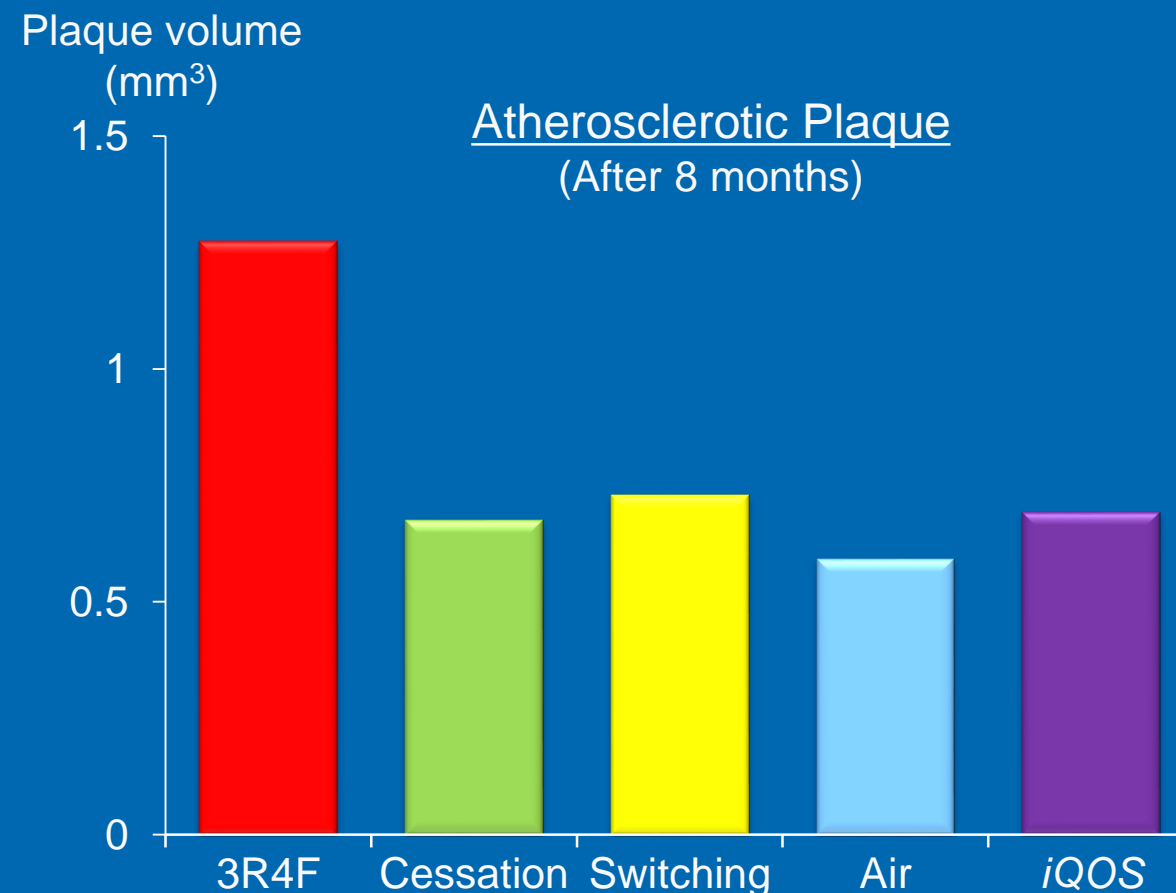


*i*QOS: Impact on Disease Endpoints in Mouse Model of Disease

Disease Endpoint for COPD



Disease Endpoint for CVD



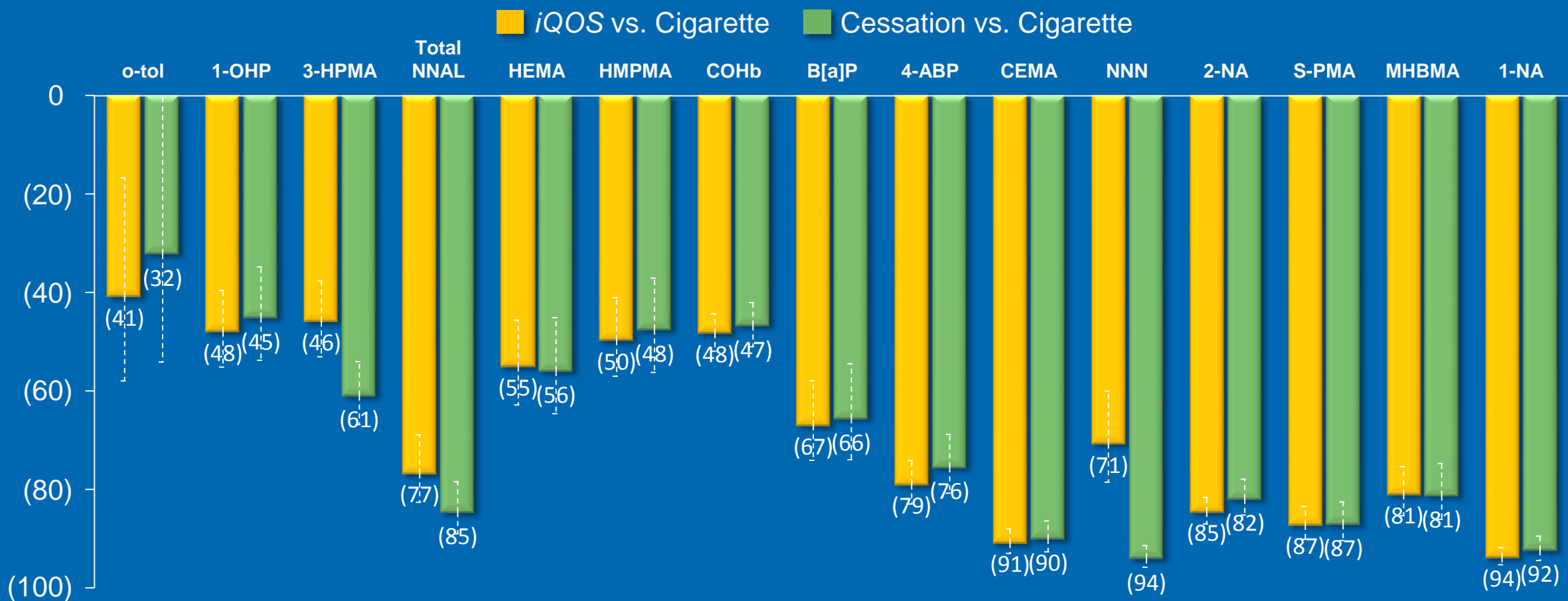
Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. These data alone do not represent a claim of reduced exposure or reduced risk. COPD is chronic obstructive pulmonary disease. CVD is cardiovascular disease. Switching is switching to *i*QOS. Source: PMI Research & Development



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iQOS: Three-Month Reduced Exposure Study (Japan)

% Reduction in Biomarkers of Exposure After Switching for Three Months



Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. These data alone do not represent a claim of reduced exposure or reduced risk

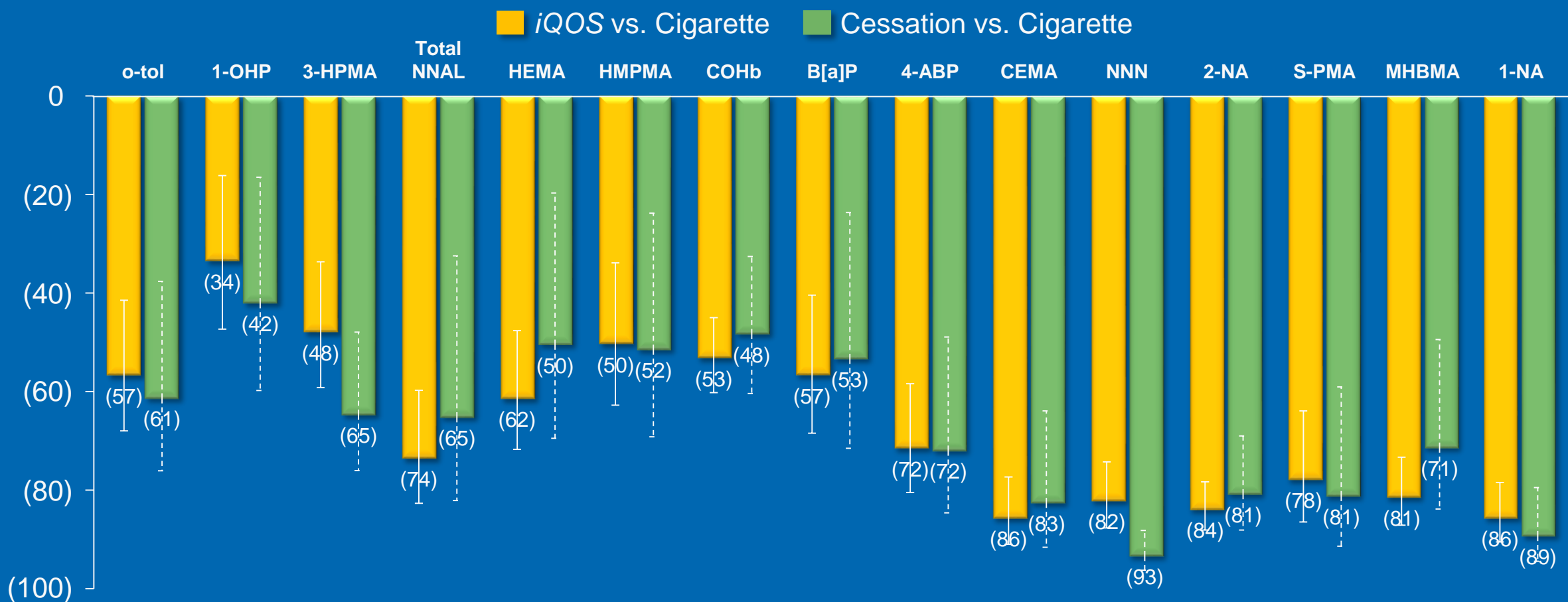
Source: PMI Research & Development



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iQOS: Three-Month Reduced Exposure Study (U.S.)

% Reduction in Biomarkers of Exposure After Switching for Three Months



Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. These data alone do not represent a claim of reduced exposure or reduced risk

Source: PMI Research & Development



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Clinical Evidence for Reduced Risk (Japan and U.S.)

Latest Results on Clinical Risk Markers

Disease Mechanisms	Marker	Expected Direction of Change	Japan THS versus CC	U.S. THS versus CC	Direction of Change
Lipid Metabolism	HDL-C	↑	4.53 mg/dL ↑	1.40 mg/dL ↑	✓ ✓
Inflammation	WBC	↓	-0.57 GI/L ↓	0.17 GI/L →	✓
Airway Impairment	FEV ₁	↑	1.9 % pred ↑	0.5 % pred ↑	✓ ✓
Endothelial Dysfunction	sICAM-1	↓	8.7% ↓	10.6% ↓	✓ ✓
Oxidative Stress	8-epi-PGF _{2α}	↓	12.7% ↓	13.5% ↓	✓ ✓
Clotting	11-DTX-B ₂	↓	5.4% ↓	3.6% ↓	✓ ✓

Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. These data alone do not represent a claim of reduced exposure or reduced risk
Source: PMI Research & Development



***i*QOS: Adult Consumer Perception and Behavior Assessment**

- Measuring risk perception, comprehension, intention to use and actual use of *i*QOS in a pre-market setting
- Summary of U.S. study results:
 - Less than 5% of adult former smokers and less than 1% of adult never smokers expressed an intention to use *i*QOS
 - Adult consumers correctly understood the modified risk communications, including that *i*QOS is not without risk
 - A sizable proportion of adult smokers predominantly or exclusively used *i*QOS
- Post-market cross-sectional studies conducted in Japan and Italy, confirmed that relapse and initiation were below 2% and 1%, respectively



iQOS: U.S. FDA PMTA & MRTPA Filing Status

- PMI to file applications with the U.S. FDA under FD&C Act sections 910 and 911:
 - 910 (PMTA) authorization required for products not on the market as of February 2007
 - 911 (MRTPA) authorization to market products with modified risk claims
- The totality of the evidence assembled supports the potential reduced risk and population health benefit of the product
- Preparations for filing are well underway and we are on-track to file the MRTPA by the end 2016 and the PMTA in early 2017



*i*QOS: Long-Term Clinical Studies

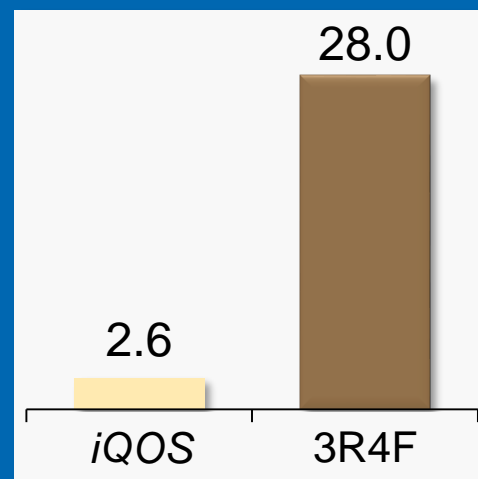
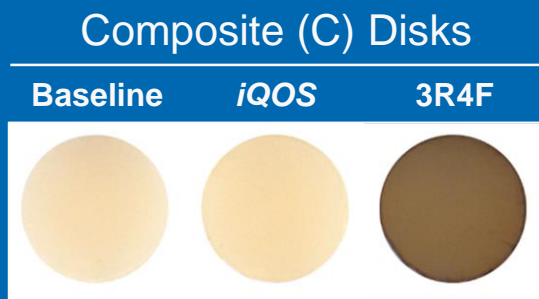
- Smoking Cessation Response Study (12 months):
 - Measures changes in clinical risk markers in smokers who quit for 12 months
 - Study conducted in the U.S., the U.K., Poland, Germany and Japan with over 1,100 participants
 - Top-line results for first 6 months expected by Q3, 2017, full 12 months by Q1, 2018
- Exposure Response Study (6 months + 6 months):
 - Measures changes in clinical risk markers in adult smokers who switch to *i*QOS
 - Study conducted in the U.S. and involves close to 1,000 participants
 - Top-line results for first 6 months expected by Q2, 2017, additional 6 months by Q1, 2018

*i*QOS: Reduced Impact on Oral Hygiene

Exposure results after 3 weeks

Spectrophotometric Score

1



- Exposure to *i*QOS aerosol did not induce clinically significant^(a) discoloration of the most widely used dental composite in this experimental setup

(a) A Spectrophotometric Score > 3.3 is clinically significant

Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes

Source: PMI Research & Development

iQOS: Reduced Impact on Oral Hygiene

Exposure results after 3 weeks

Spectrophotometric Score

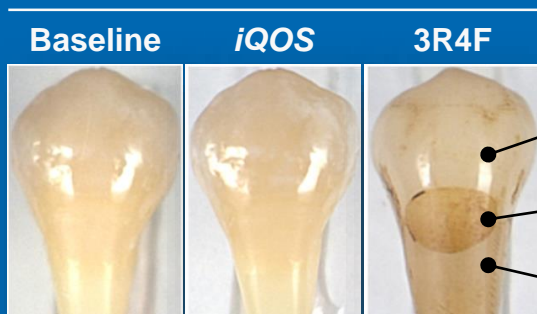
1

Composite (C) Disks



2

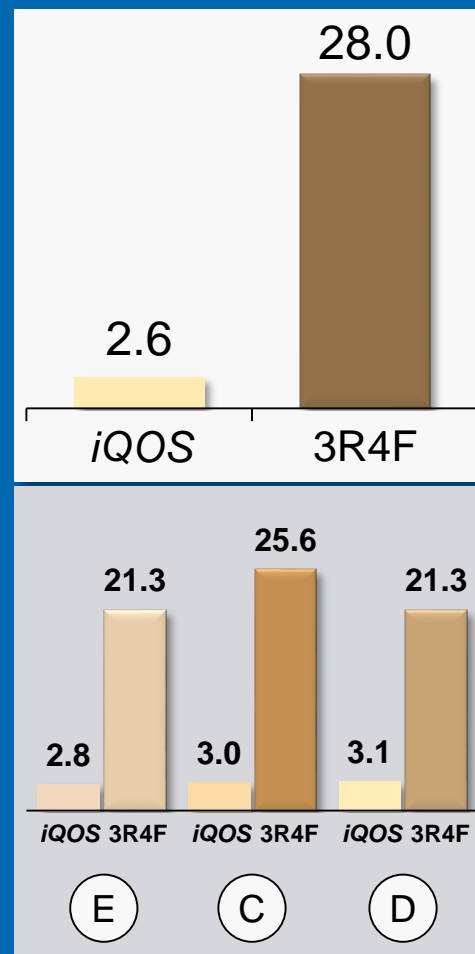
Premolar Teeth



E Enamel

C Composite

D Dentin



- Exposure to iQOS aerosol did not induce clinically significant^(a) discoloration of the most widely used dental composite (C) and dental hard tissue (Enamel and Dentin) in this experimental setup

(a) A Spectrophotometric Score > 3.3 is clinically significant

Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes

Source: PMI Research & Development



iQOS: Scientific Substantiation Progress

Totally-of-Scientific Evidence Supporting Reduced Risk Potential

- No combustion
- Reduced HPHC formation
- Reduced toxicity
- Reduced exposure
- Reversal of clinical risk markers
- Pre-market PBA

Reduced Impact on Users and Those Around Them

- Less smell
- No ash
- No risk of burning
- No negative impact on indoor air quality

Improved Oral Hygiene

- Better breath
- Less unpleasant after taste
- Reduced tooth discoloration



*i*QOS: PMI's Post-Market Assessment

- Assess the impact of *i*QOS on population harm reduction
- Surveys and surveillance to:
 - Understand who uses *i*QOS and how it is being used
 - Measure the prevalence of *i*QOS use
 - Monitor spontaneous health events (safety surveillance)
- Cohort study initiated in Japan to:
 - Monitor how adult consumers use *i*QOS over time
 - Evaluate the effect of prolonged *i*QOS use on exposure to HPHCs and clinical risk markers



Population Health Impact

The Harm Reduction Equation



Population Health Impact Modelling

The Harm Reduction Equation



The Population Health Impact Model^(a):



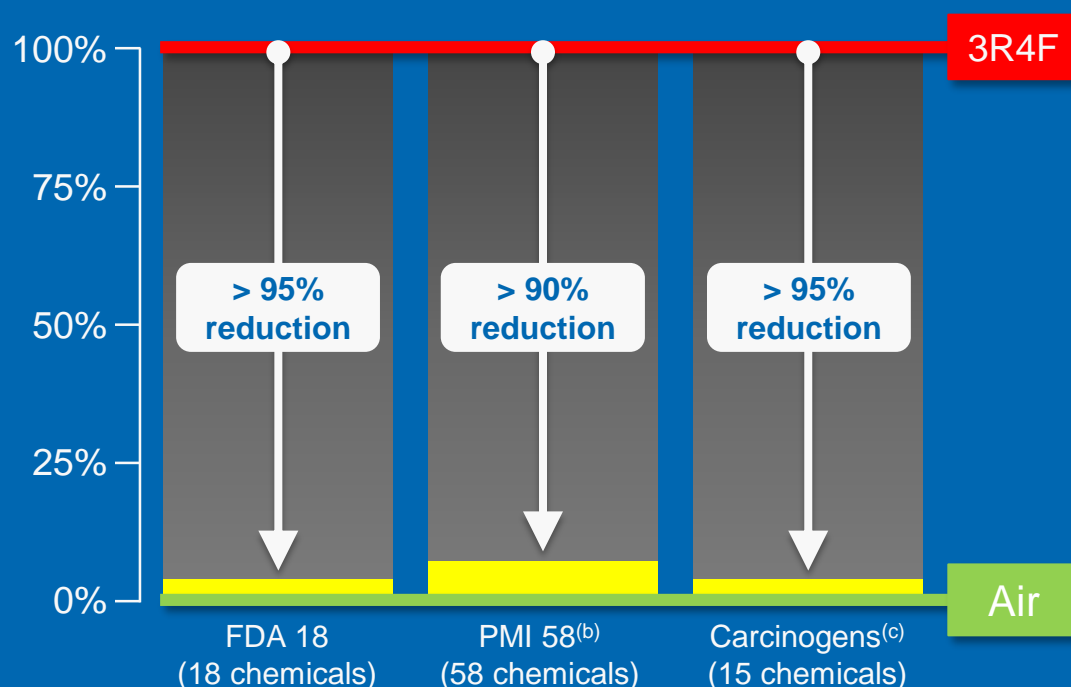
(a) Weitkunat R et al., A novel approach to assess the population health impact of introducing a Modified Risk Tobacco Product. *Regulatory Toxicology and Pharmacology* (2016).
<http://dx.doi.org/10.1016/j.yrtph.2015.03.011>

Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes

Platform 2: Reduced Formation Leads to Reduced Toxicity *in vitro*

Reduced Formation

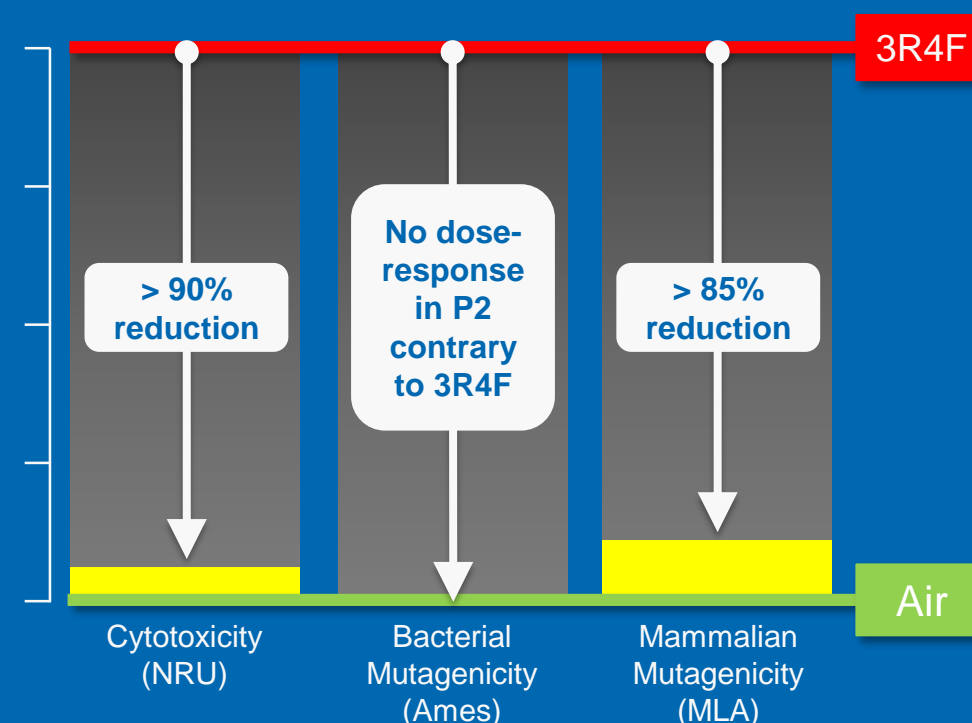
Average reductions in formation of HPHCs for Platform 2 compared to levels measured in smoke from the 3R4F reference cigarette^(a)



... Leads to ...

Reduced Toxicity

Average reductions in toxicity compared to levels measured for the 3R4F reference cigarette on a per stick basis



(a) Aerosol collection with Intense Health Canada's Smoking Regime: 55 mL puff volume, 2-second puff duration, 30-second interval puff. Comparison on a per-stick basis. Reduction calculations exclude Nicotine, Glycerin and Total Particulate Matter

(b) The PMI 58 list consists of 54 HPHCs and includes the FDA 18 and (c) the 15 carcinogens of the IARC Groups 1, 2A and 2B. Reductions are calculated on 54 HPHCs

Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. These data alone do not represent a claim of reduced exposure or reduced risk

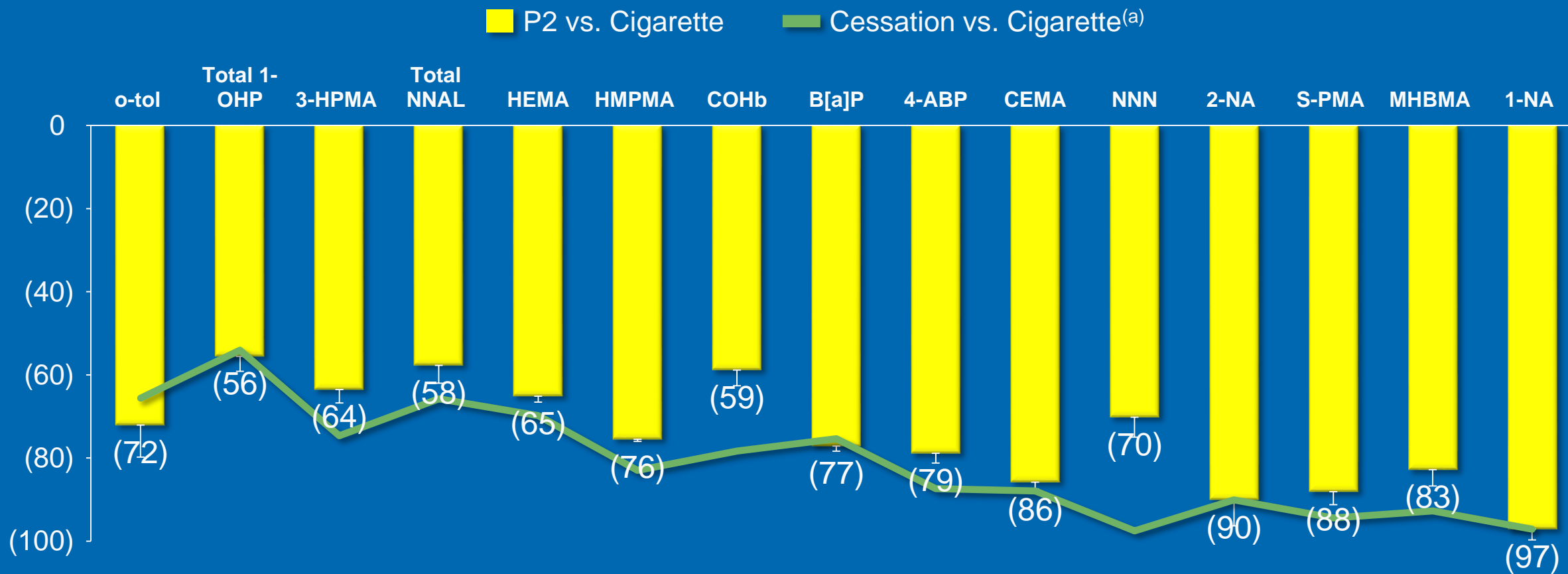
Source: PMI Research & Development



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Platform 2: Reduced Exposure Study (Poland)

% Reduction in Biomarkers of Exposure After Switching to Platform 2 for Five Days
vs. % Reduction in Biomarkers of Exposure After Cessation



(a) Cessation data referenced is from the five-day Reduced Exposure Study carried out for iQOS in Poland

Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. These data alone do not represent a claim of reduced exposure or reduced risk

Source: PMI Research & Development

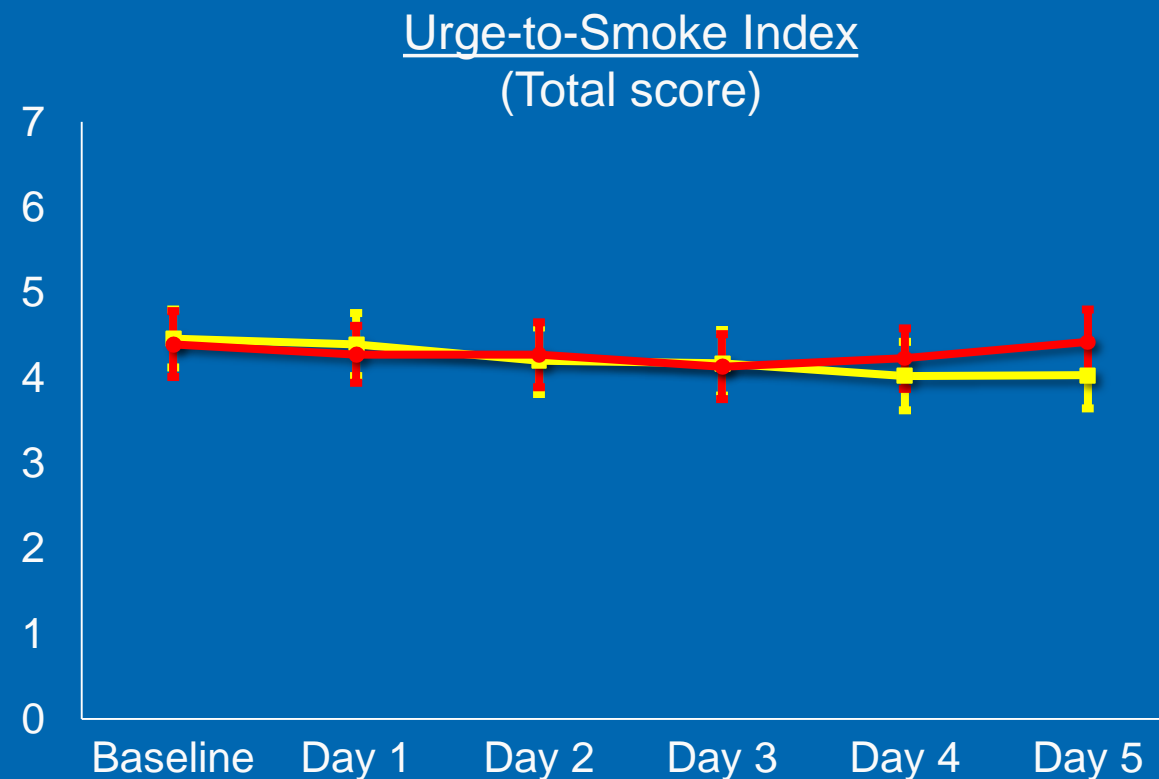
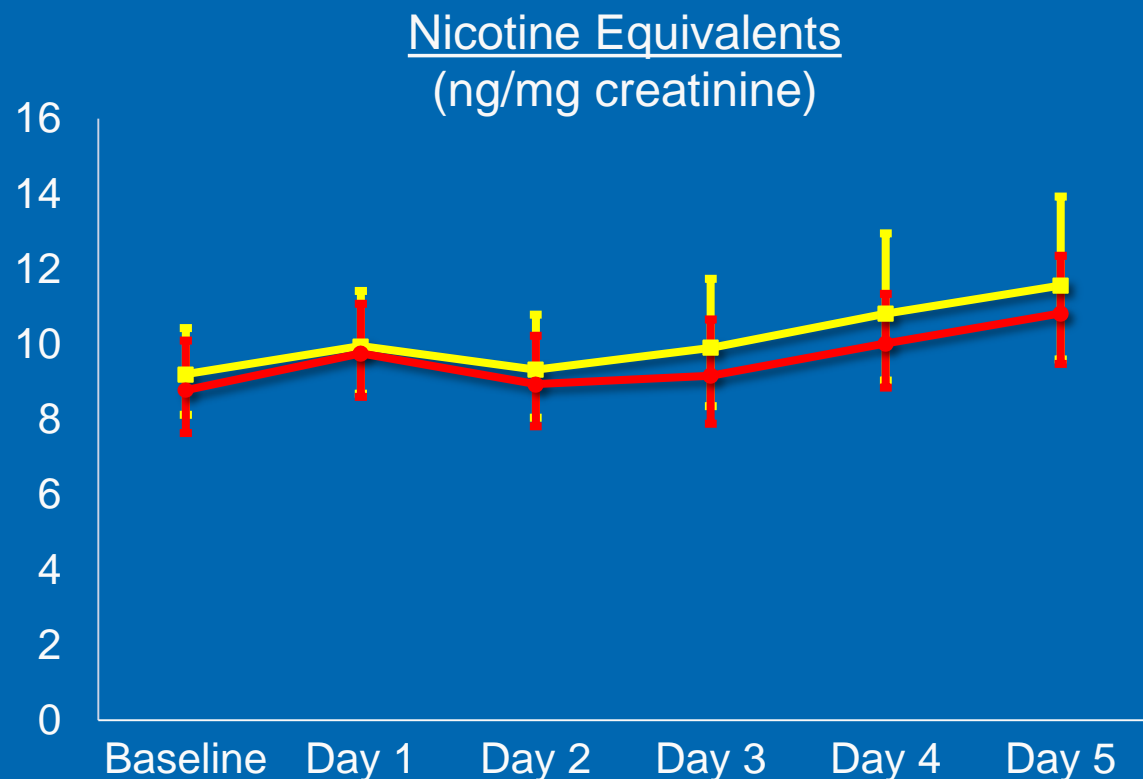


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Platform 2: Reduced Exposure Clinical Study (Poland)

Nicotine Equivalents and Urge-to-Smoke Index After Switching to Platform 2 for Five days vs. a Cigarette

■ Platform 2 ● Cigarette



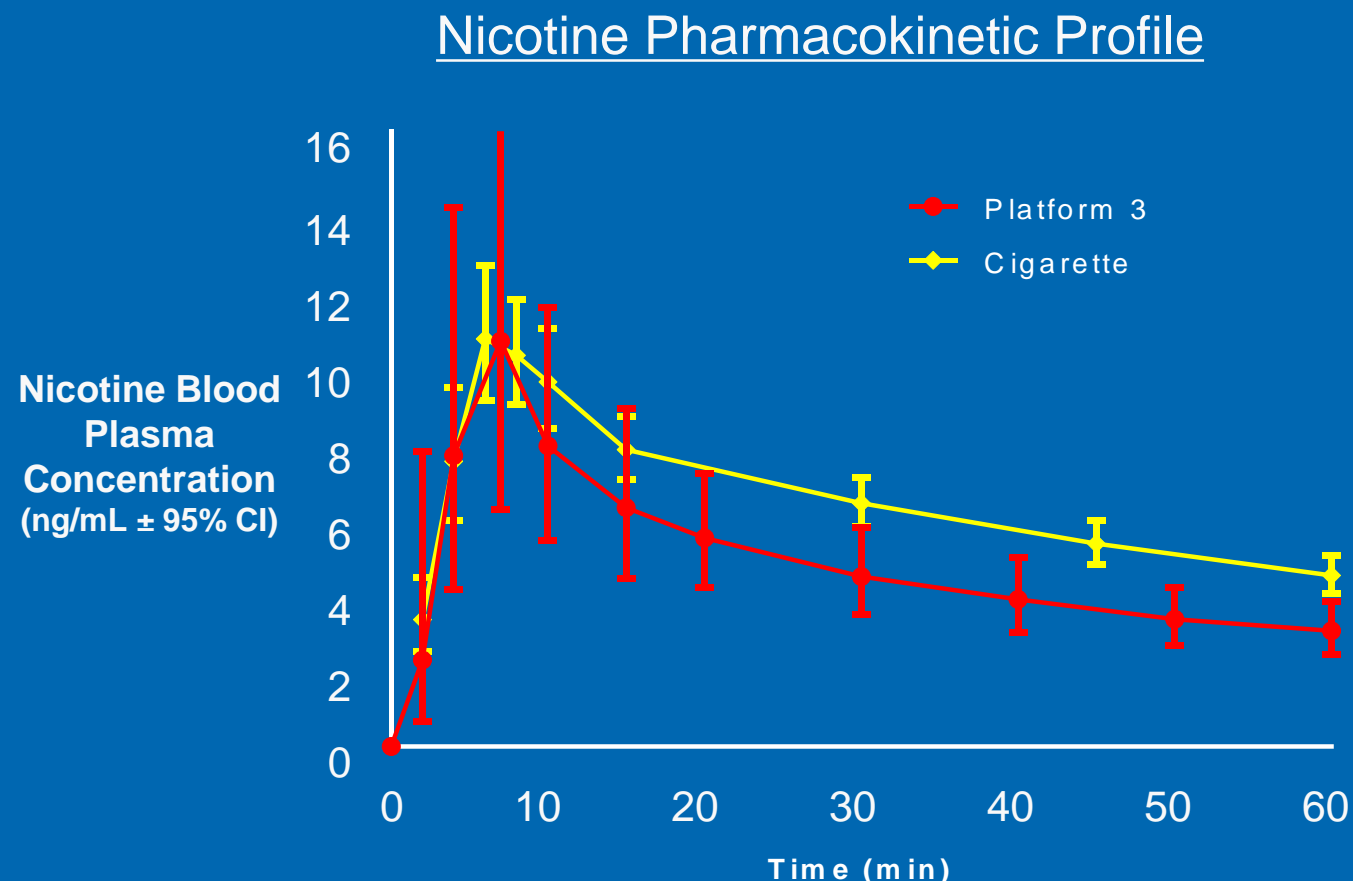
Note: Urge-to-Smoke index is on a seven-point scale. Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. These data alone do not represent a claim of reduced exposure or reduced risk

Source: PMI Research & Development



Platform 3: Clinical Assessment

- Pharmacokinetic study completed in New Zealand at the end of Q2, 2016
- Pharmacodynamics study ongoing in the U.S., results by end 2016
- Six month safety and efficacy study conducted in 2017



Note: Platform 3 pharmacokinetic study ClinicalTrials.gov identifier NCT02532374. A representative example of the pharmacokinetic profile after single-use of a conventional cigarettes is shown (taken from a study conducted in the UK [ClinicalTrials.gov identifier NCT01967732]). Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. These data alone do not represent a claim of reduced exposure or reduced risk

Source: PMI Research & Development



Platform 4: Assessment Program and Progress

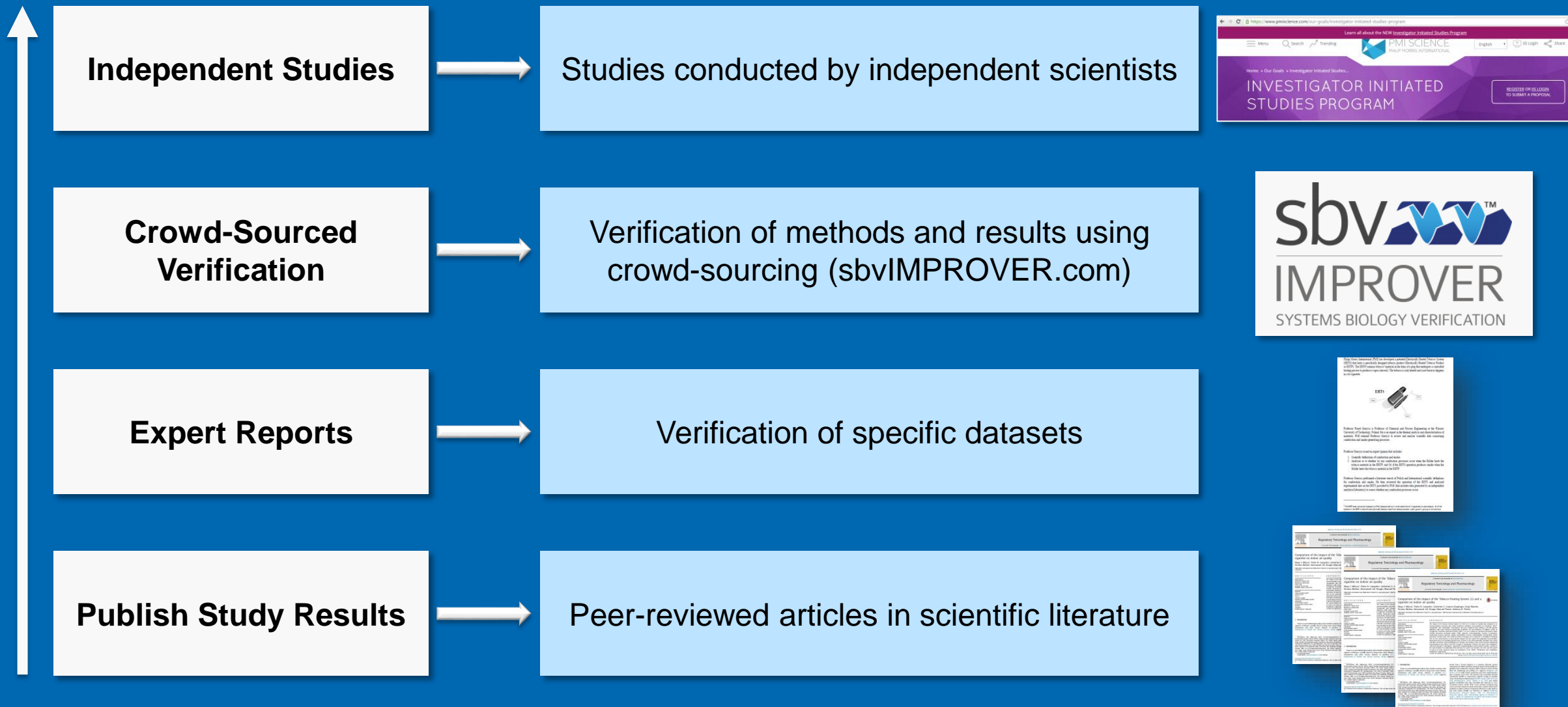
Current E-vapor Product Portfolio

- Pre-clinical assessments completed:
 - Aerosol chemistry
 - Aerosol toxicity *in vitro* and *in vivo*
- Indoor air quality assessment completed

Next Generation E-vapor Products

- Clinical Assessments planned:
 - Pharmacokinetic study in 2016
 - Reduced exposure study in 2017

RRPs: Independent Verification of PMI's Results (Strategy)





RRPs: Scientific Substantiation Summary

- Totality-of-the-Scientific-Evidence on *iQOS* demonstrates the risk reduction potential to individual adult smokers and the potential to reduce population harm compared to cigarette smoking
- On track to file MRTPA with the U.S. FDA for *iQOS* by the end of 2016. PMTA in Q1, 2017
- Making significant progress on other RRP platforms
- Further information about our science can be found on PMIScience.com



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Mirek Zielinski
President, Reduced-Risk Products



Agenda

- Reduced-Risk Products (RRPs) Scientific Substantiation Progress
- RRP Regulation
- RRP Portfolio and Commercialization Approach



RRPs Regulation: Positive Developments

- Growing understanding of harm reduction and potential of RRP's driven by science and adult smoker switching
- Positive developments include:
 - Consultation on regulation of e-cigarettes in New Zealand
 - Reversal of pharma-only approach to e-cigarettes in several EU Member States
 - Adoption of regulatory frameworks for novel tobacco products in the EU
 - Recognition that non-combustible products differ from cigarettes
 - Calls for education of public, especially adult smokers, about combustion and nicotine:
 - U.K. Royal Society for Public Health; France Public Health Agency
 - Increasing number of public health advocates, medical doctors, researchers
 - Many with anti-tobacco credentials



RRPs Regulation: Landscape is Evolving

- Step by step: evolution as markets move towards harm reduction
- Concerns/opposition continues: Skepticism, stakeholder vested interests, and legitimate public health questions
- PMI and others are taking steps to address concerns:
 - Pre- and post-market research
 - Third parties are actively (and appropriately) studying these issues and publishing the data:
 - Studies show that rather than acting as a gateway to smoking or nicotine use, e-cigarettes are a gateway out of smoking
 - Statement by Public Health England (July 2016)



RRPs Regulation: Objectives

PMI advocates for:

- Product standards for market access:
 - Initial positive standards already in place through EU TPD notification requirements
- Differential marketing, labelling, product and public use regulation:
 - Public Health England recommendations around public use of e-cigarettes
- Standards for risk-related claims:
 - Including clinical and behavioral data
- Requirements for manufacturers to provide pre- and post-market information regarding the impact of products on population harm



RRPs Regulation: Taxation

- PMI advocates for a sensible approach to novel products with groundbreaking potential
- Unique product characteristics of heat-not-burn (non-cigarette):
 - Design characteristics (construction and content)
 - Scientific studies (PMI and third party experts): absence of combustion; aerosol fundamentally different from cigarette smoke
- Tax and customs classifications in launch markets:
 - In launch markets, *HeatSticks* are either taxed under a dedicated new excise category or as other tobacco products ("OTP") depending on national legislation
- Product differentiation is a foundation for tax-based on risk reduction
 - Rationale supported by harm reduction advocates: *Differential Taxes for Differential Risks — Toward Reduced Harm from Nicotine-Yielding Products*, New England Journal of Medicine (August 2015)
 - Contingent upon clear scientific substantiation of risk reduction



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RRPs Portfolio: Our Approach



 Heated Tobacco Products  Nicotine-Containing Products

Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes

iQOS: Commercialization Approach Optimization

- Optimize route-to-adult consumer strategies:
 - Focus on full conversion
 - Understanding of the offer and commitment to convert
 - Conversion support
 - Product and category benefits communication
 - Retail experience
 - Digital marketing and communication of category and offer
- Optimize and enhance product offer
- Campaign focus to increase understanding of the difference between combusting and heating tobacco

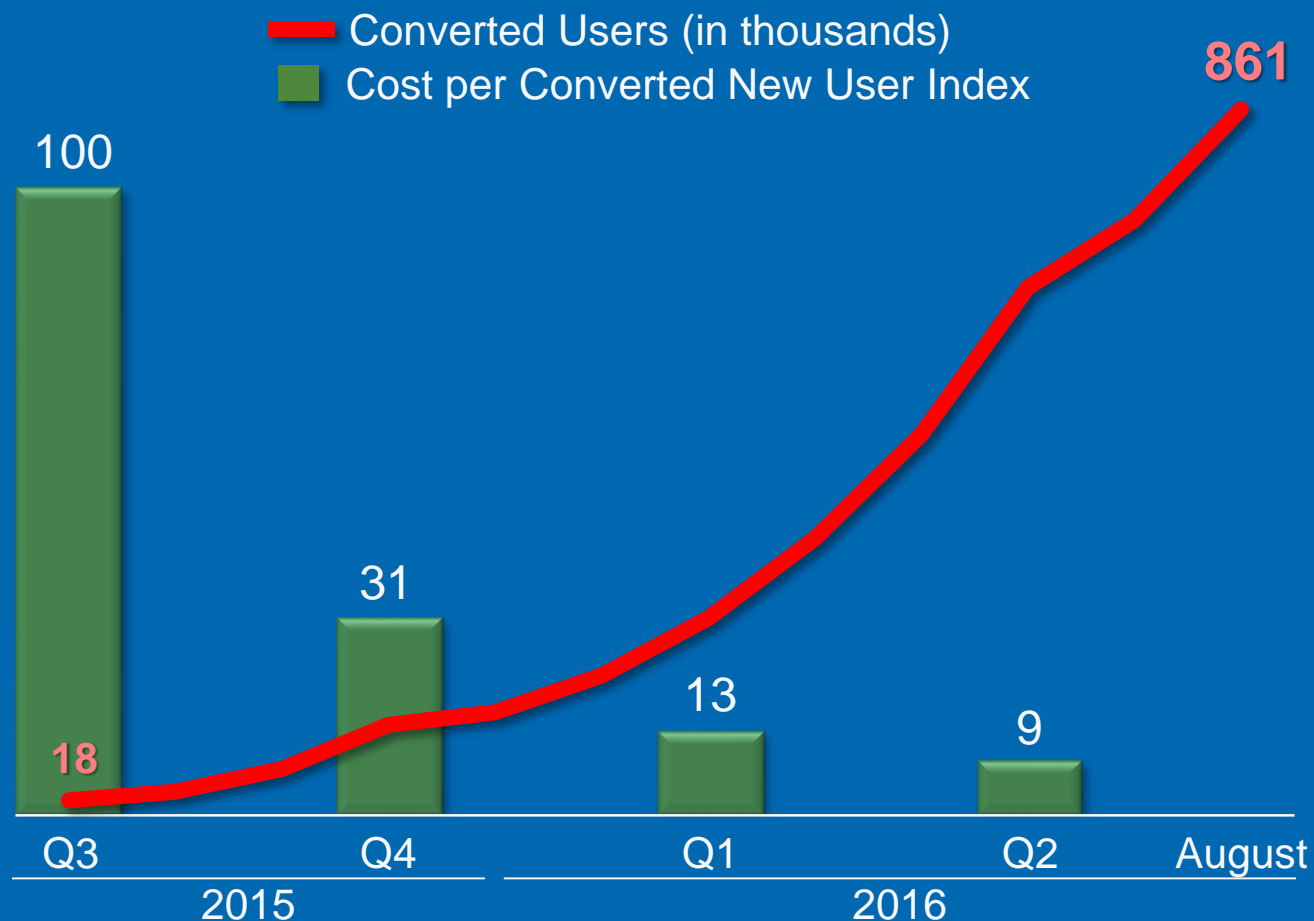




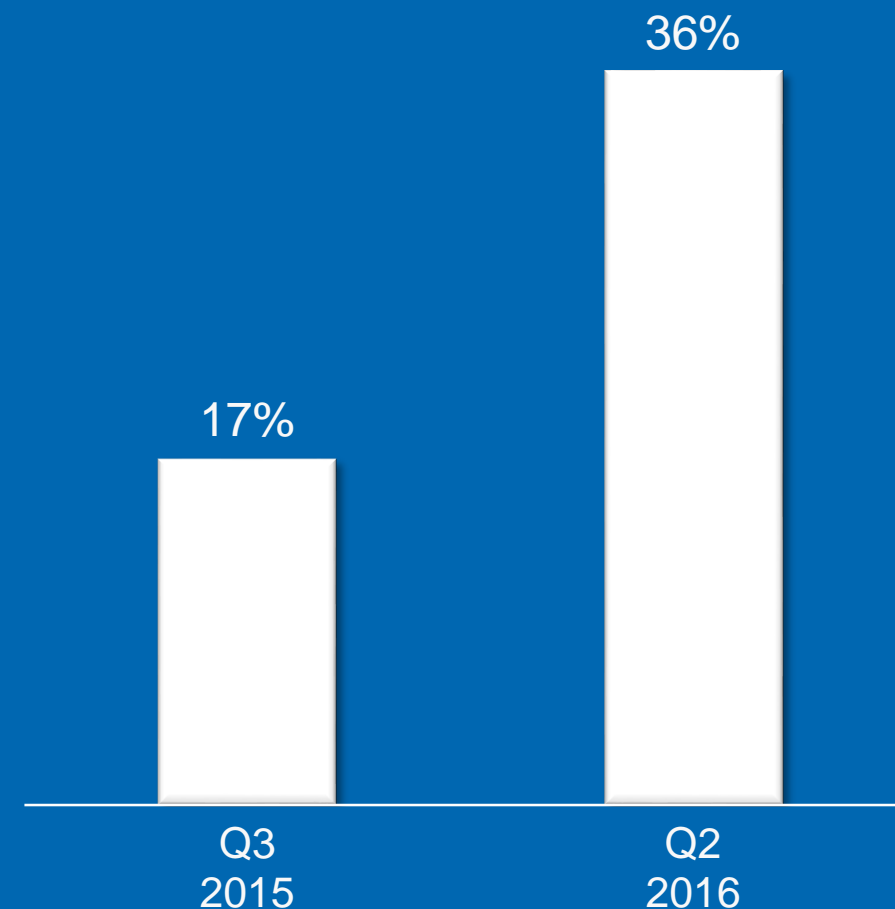
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iQOS: Conversion in Japan

Converted Users and Cost per New Converted User Index



First Tried iQOS With a Friend



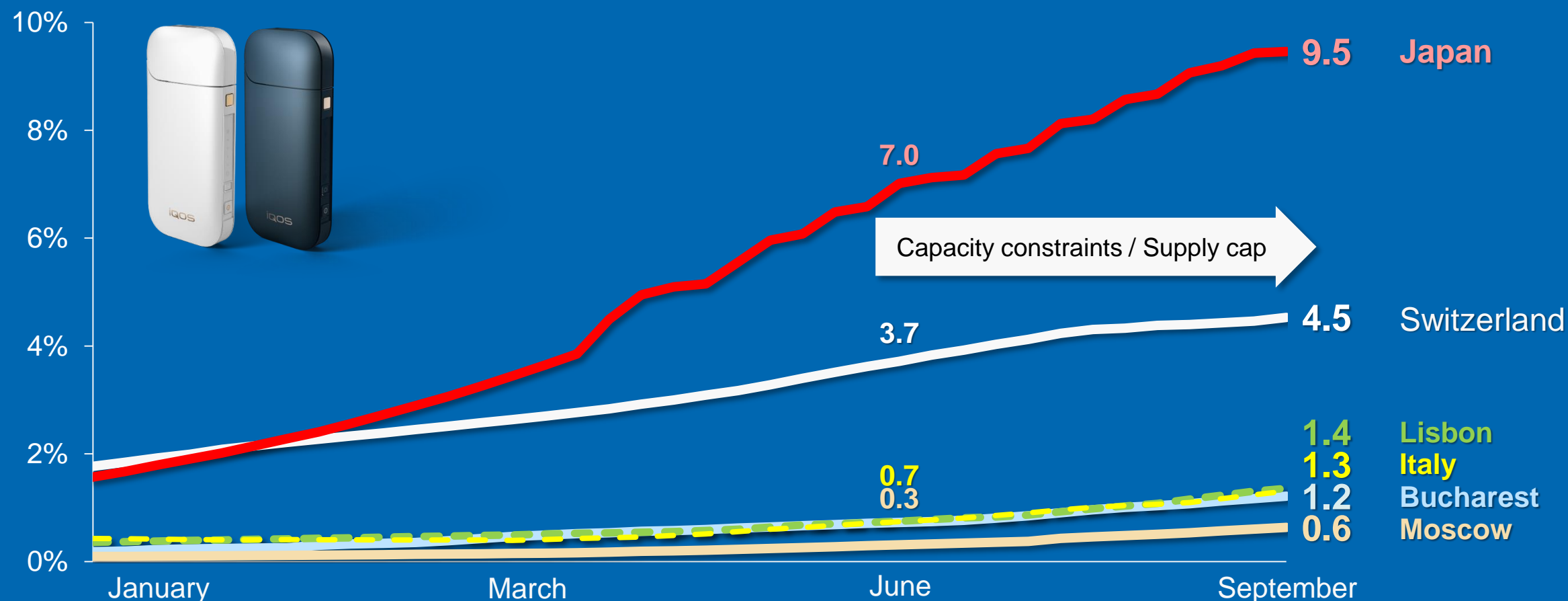
Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes
Source: PMI Financials or estimates, PM Japan iQOS User Panel



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iQOS: Device Penetration Ratio Performance

Device Cumulative Weekly Offtake Penetration Ratio (2016)



Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. Italy refers to the Expansion Area (Bologna, Milan, Modena, Rome and Turin). Switzerland refers to the Launch Area (Basel, Bern, Geneva, Lausanne, Neuchâtel and Zurich). Visuals are for illustrative purposes only

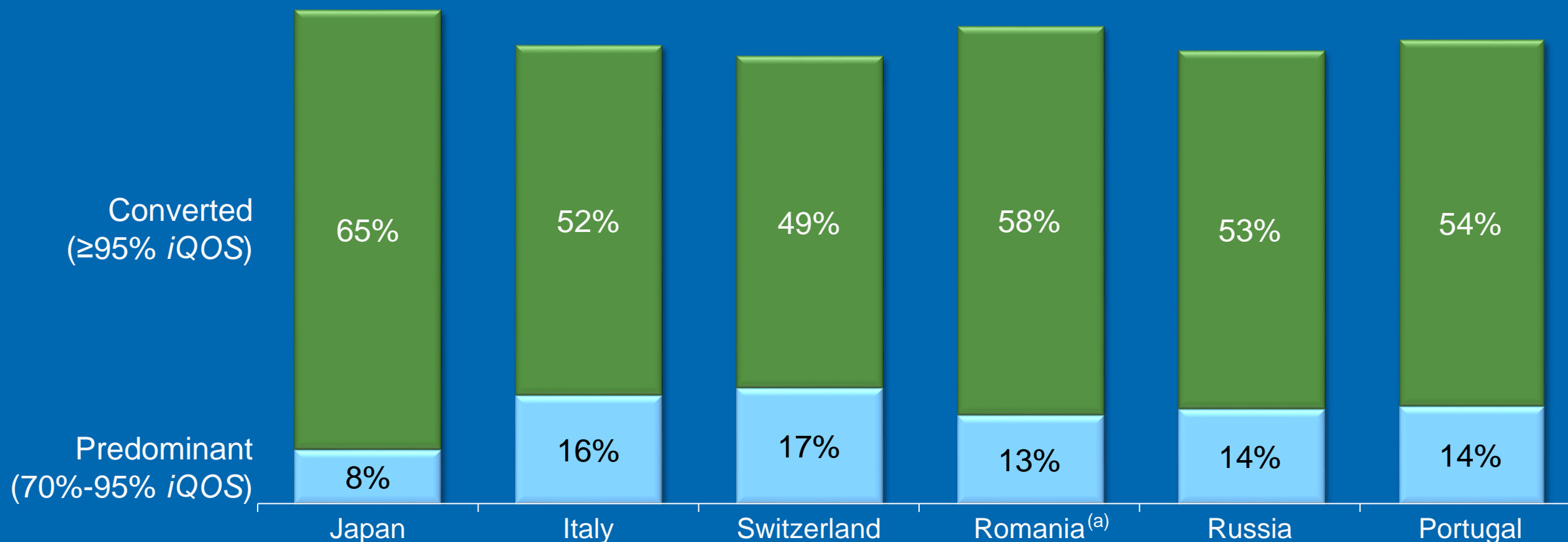
Source: PMI Financials or estimates



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iQOS: Conversion Performance

Converted and Predominant User Share (July 2016)



(a) Data relates to August User Panel

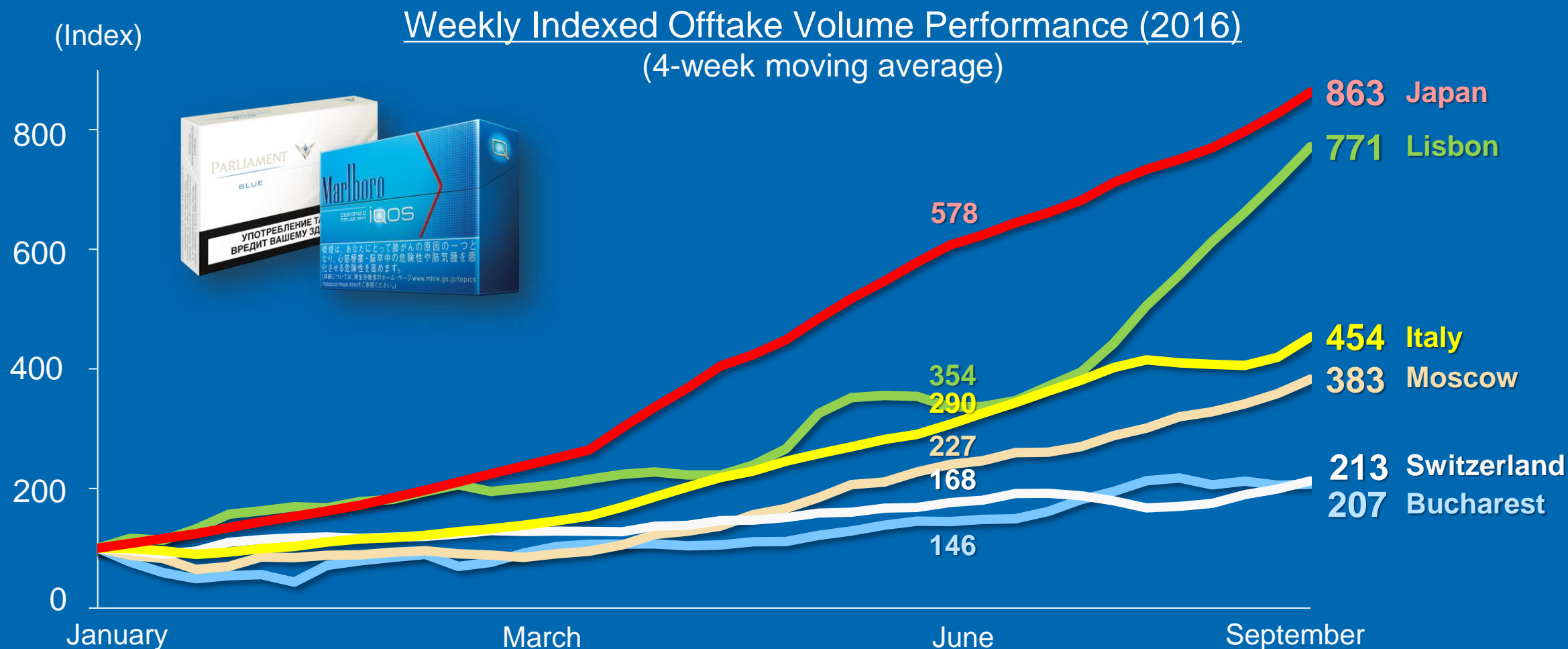
Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes

Source: PMI Japan / Italy / Switzerland / Romania / Russia / Portugal iQOS User Panels



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iQOS: HeatSticks Offtake Volume Performance



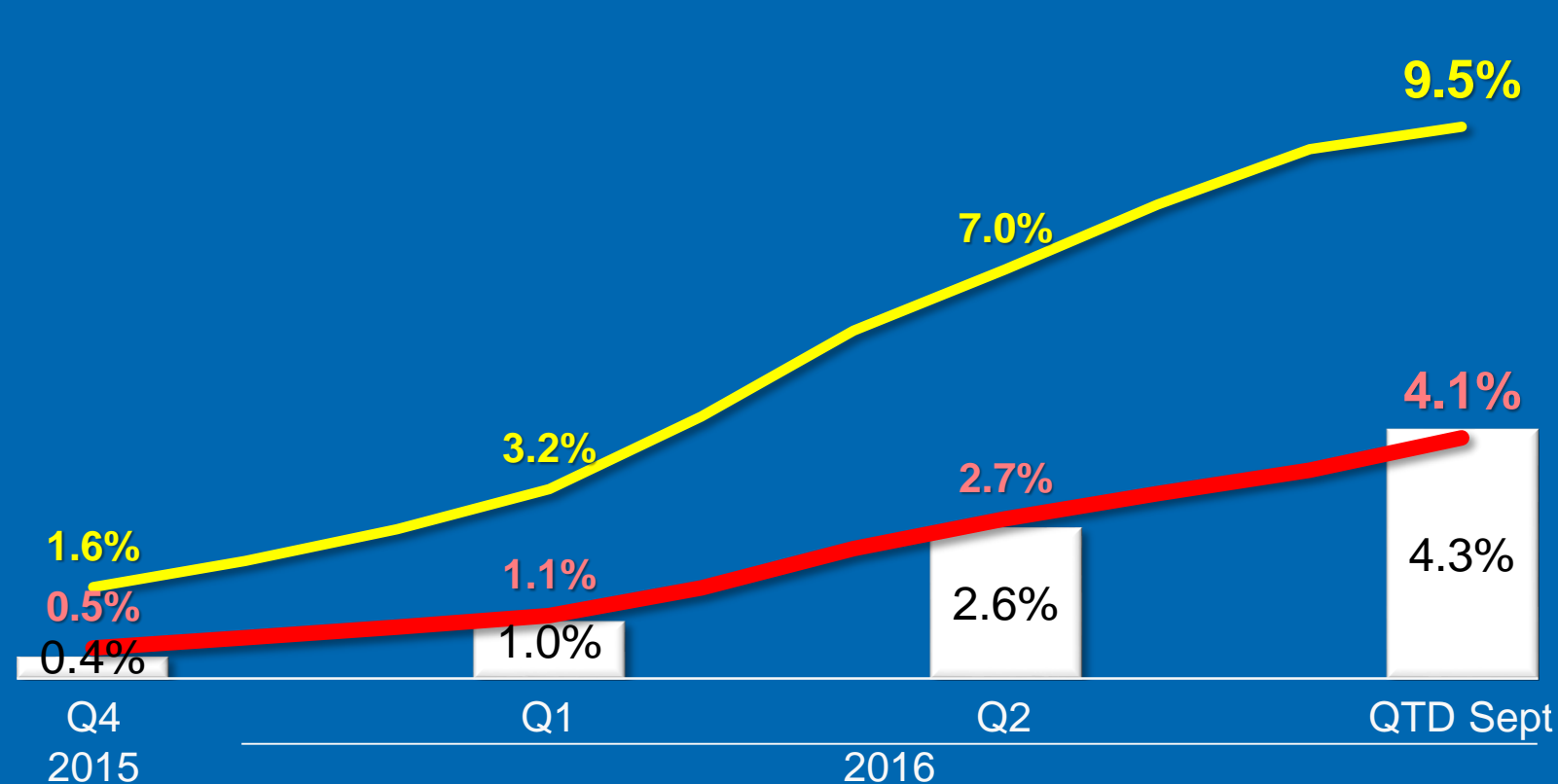
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Source: PMI Financials or estimates

iQOS: Performance in Japan

HeatSticks Offtake and IMS Shares and iQOS Offtake Penetration Ratio

■ Offtake SoM (National) ■ IMS Weekly SoM (National) ■ Penetration Ratio (National)



Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. National market share represents the total sales volume for *HeatSticks* as a percentage of the total estimated sales volume for cigarettes and *HeatSticks*. Offtake share represents C-stores sales volume for *HeatSticks* as a percentage of the total actual retail sales volume for cigarettes and *HeatSticks*. Pack designs and visuals are for illustrative purposes only

Source: PMI Financials or estimates, and Tobacco Institute of Japan



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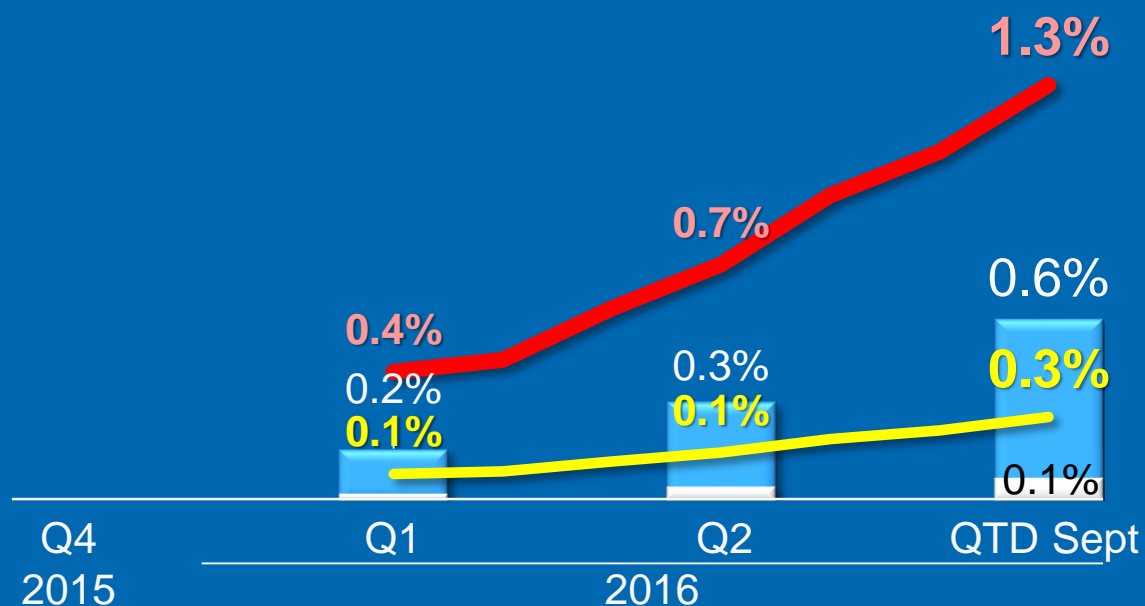
iQOS: Performance in Italy and Switzerland

HeatSticks Offtake Share and iQOS Offtake Penetration Ratio

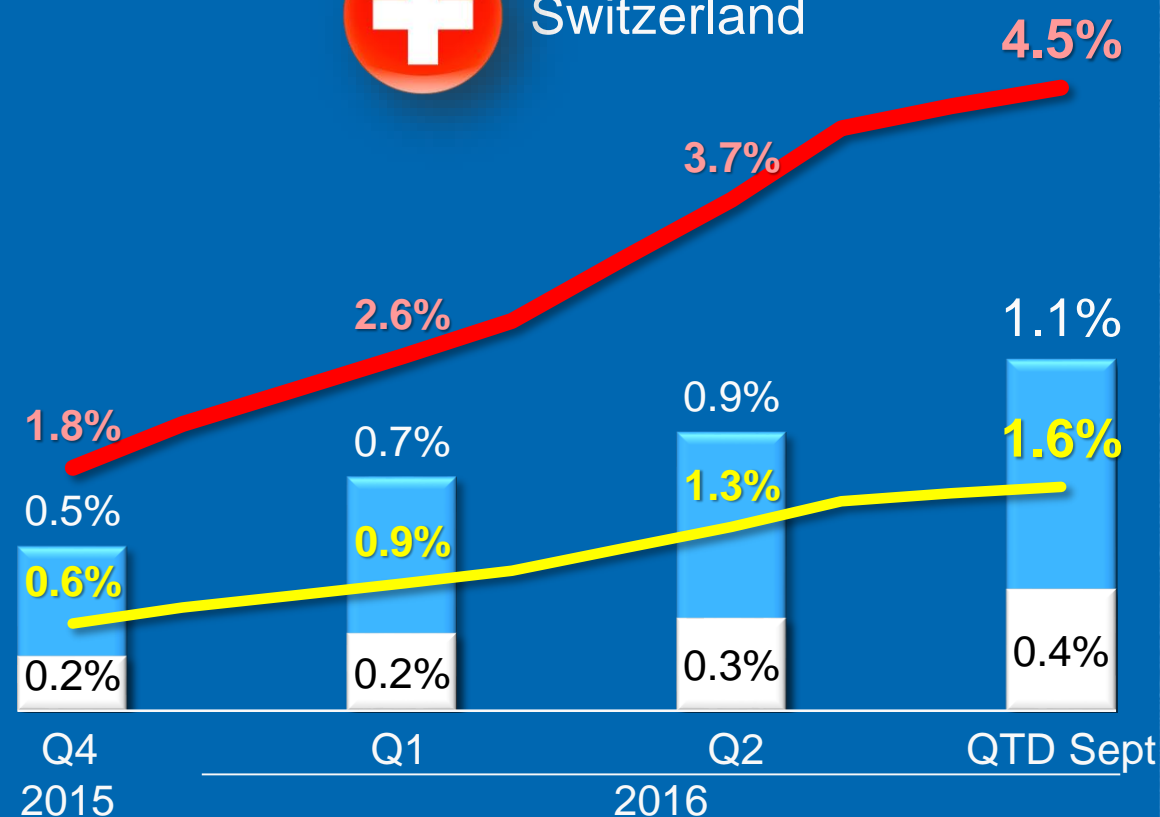
■ Offtake SoM (Launch Area) ■ Offtake SoM (National) — Penetration Ratio (Launch Area) — Penetration Ratio (National)



Italy



Switzerland



Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. Launch Area refers to the Expansion Area in Italy (Bologna, Milan, Modena, Rome and Turin) and the Launch Area in Switzerland (Basel, Bern, Geneva, Lausanne, Neuchâtel and Zurich)

Source: PMI Financials or estimates



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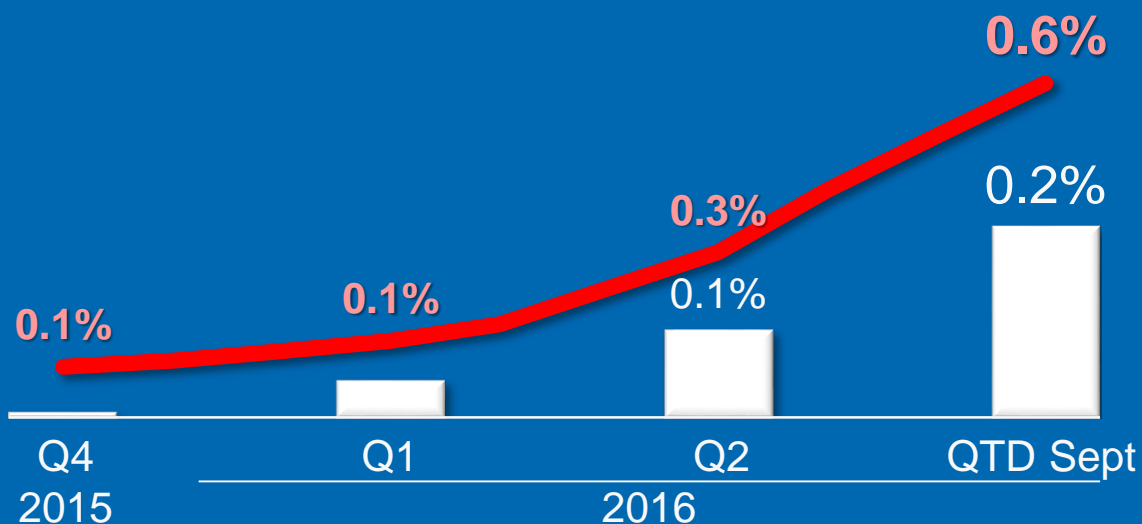
iQOS: Performance in Moscow and Bucharest

HeatSticks Offtake Share and iQOS Offtake Penetration Ratio

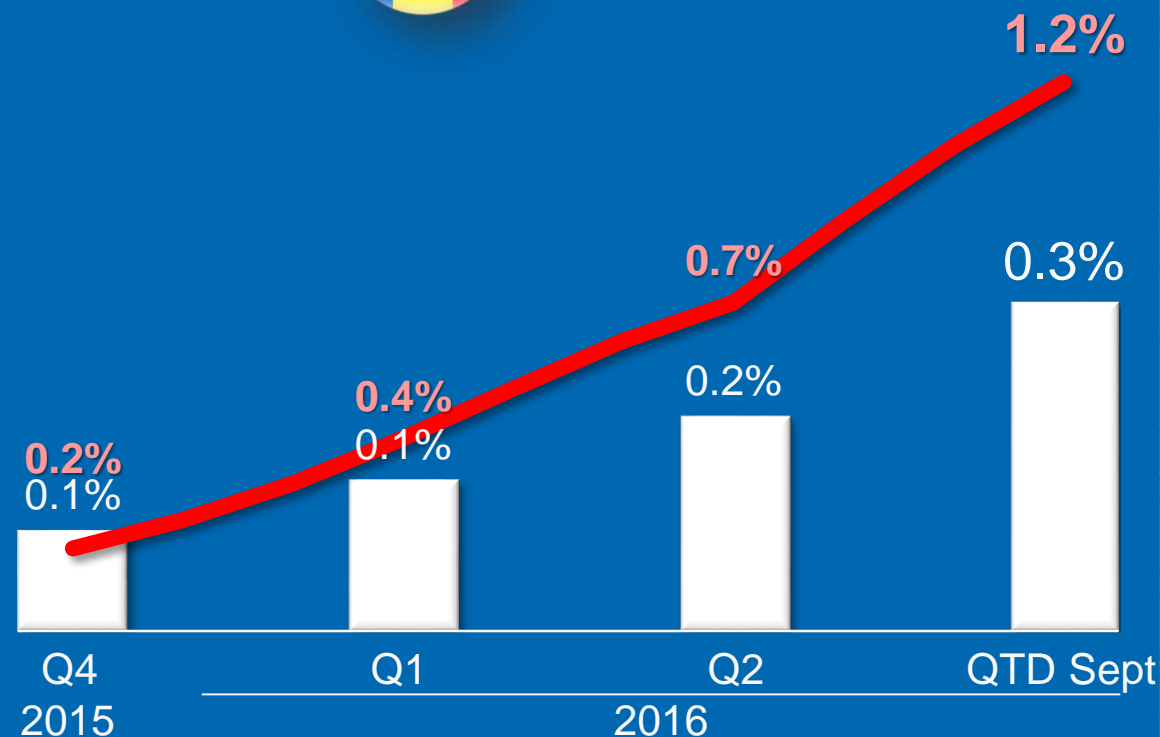
■ HeatSticks Offtake SoM — iQOS Offtake Penetration Ratio



Moscow



Bucharest



Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes
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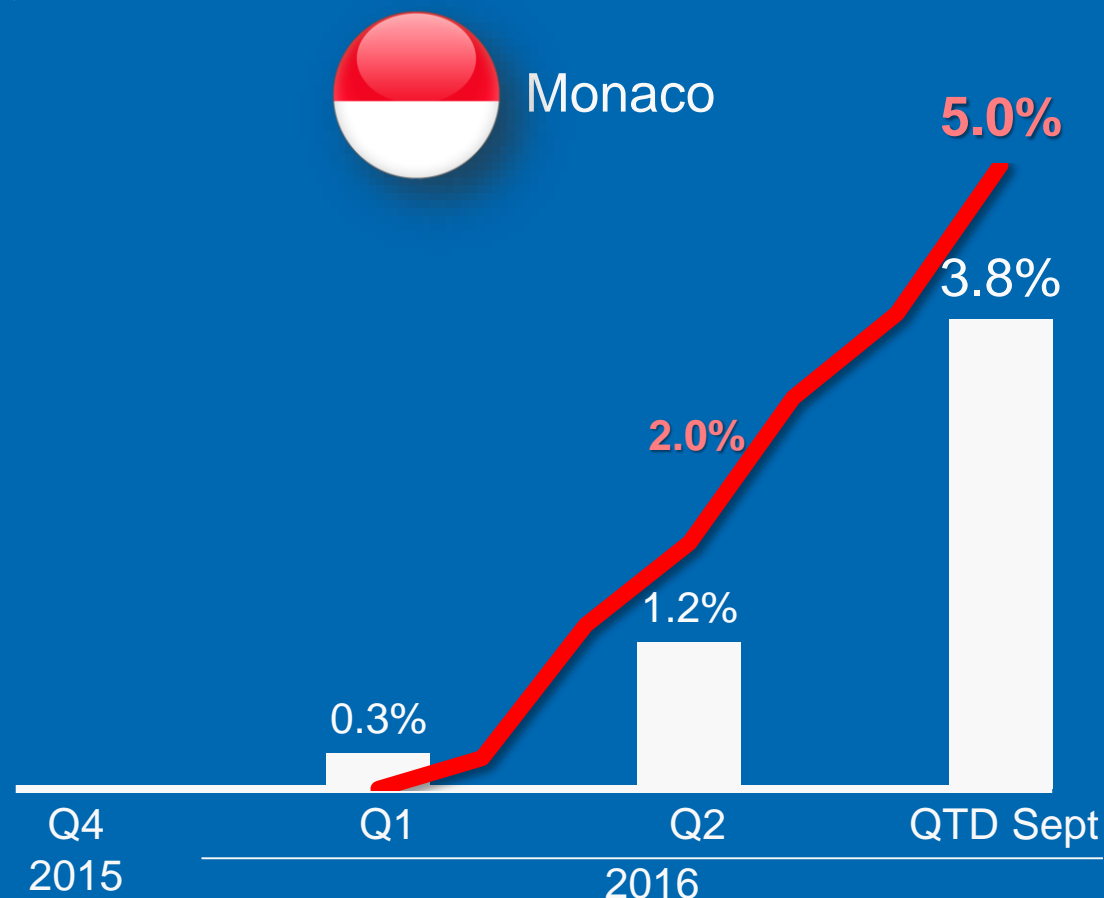
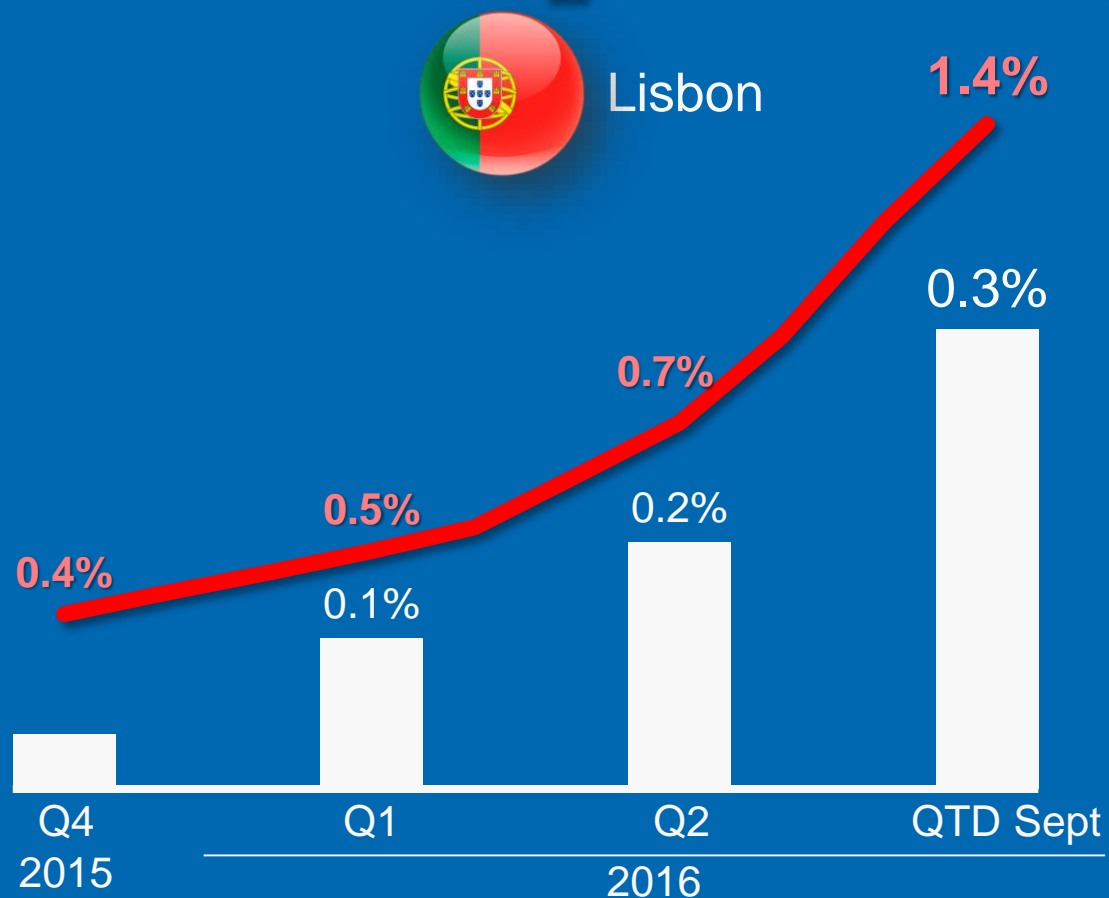


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iQOS: Performance in Lisbon and Monaco

HeatSticks Offtake Share and iQOS Offtake Penetration Ratio

■ HeatSticks Offtake SoM — iQOS Offtake Penetration Ratio



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Source: PMI Financials or estimates

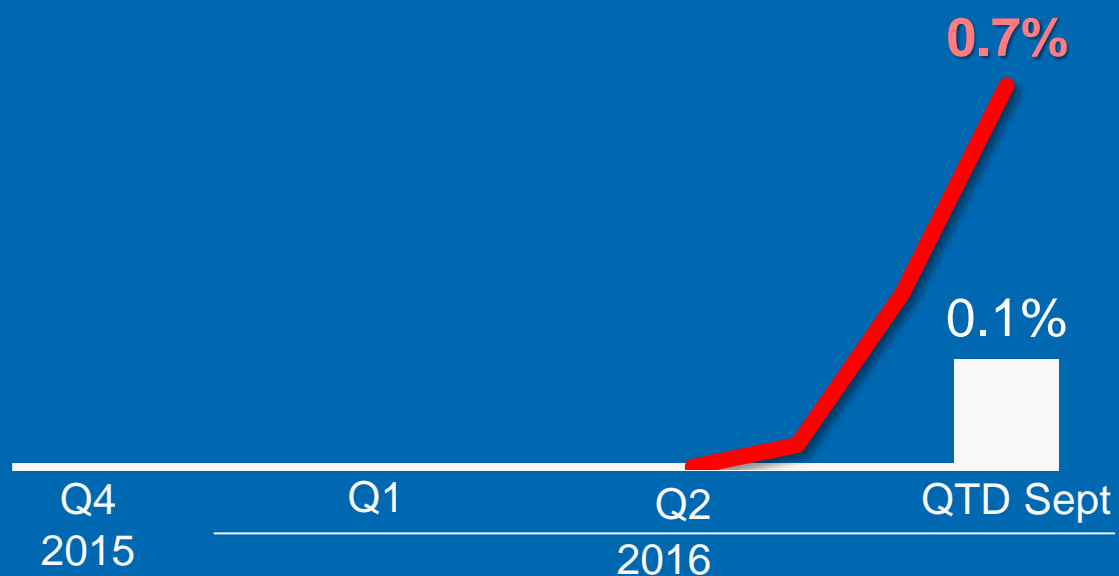
iQOS: Performance in Frankfurt

HeatSticks Offtake Share and iQOS Offtake Penetration Ratio

■ HeatSticks Offtake SoM — iQOS Offtake Penetration Ratio



Frankfurt





iQOS: Product and Category Benefits Communication

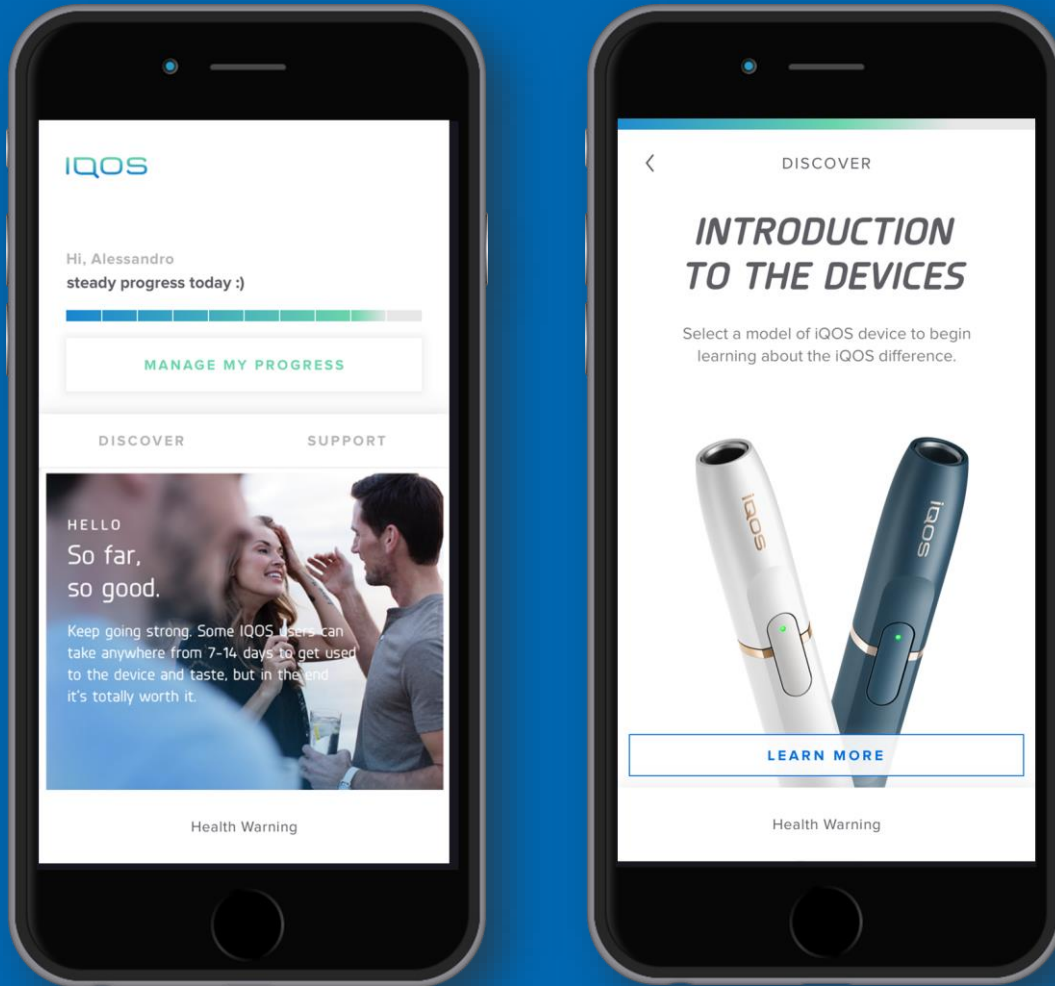
- Substantiated and prioritized messages will be deployed in line with local laws and regulations
- Examples of current messages deployed:
 - Real tobacco taste & satisfaction (all markets)
 - Convenience (no ash, less smell, no risk of fire) (all markets)
 - No negative impact on indoor air quality (Japan, Russia)
 - Reduced formation of HPHCs (Japan, Russia)
 - Short term benefits:
 - Better breath (Romania, Switzerland)
 - Less unpleasant aftertaste (Switzerland)

iQOS: Retail Experience



- Flagship Store:
 - iQOS brand expression
 - Location for guided trial & product experiences
 - Adult consumer engagement, community space and events
 - Customer care infrastructure
- Scalable formats with consistent global look and feel:
 - Flagship stores, boutiques and pop-ups
- Located in launch markets key urban areas
- Will be for all our RRP portfolio

iQOS: Digital Communication and Marketing



Digital tools to support awareness, conversion and sharing:

- Mobile App:
 - Accompany adult smokers through conversion from cigarettes to *iQOS* and *HEETS*
 - Q4, 2016 test in Japan and Switzerland
- *iQOS* global website under development:
 - Full integration of e-commerce, local events information, online product tutorials

iQOS: New Device

- Product Improvements:
 - Aesthetics
 - Improved User Interface
 - Faster Charging
 - Bluetooth Connectivity
 - Mobile App



iQOS 2.4Plus ✱



iQOS 2.4

iQOS: New Device and Accessories

- Accessories



Soft Leather Pouches



Colored Caps



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RRPs: Portfolio Brand Architecture

THE SCIENCE

**"iQOS HeatControl Technology
THIS CHANGES EVERYTHING"**

BRAND

iQOS

PLATFORMS

1

2

3

4

CONSUMABLES

H=ETS™

T=EPS™

ST=EM™

V=EV™

IQOS

THIS CHANGES EVERYTHING

iQOS: Mobility Kit



Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. Visual execution is for illustrative purposes only

HEETS Line-Up



Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes. Pack designs are for illustrative purposes only



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HELLO

TRUE TASTE OF REAL TOBACCO

TOBACCO

HEATED, NOT BURNED

IQOS

THIS CHANGES EVERYTHING



H E A L T H W A R N I N G T O B E P L A C E D H E R E

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HELLO HEAT

IQOS HEATCONTROL™ TECHNOLOGY

IQOS

THIS CHANGES EVERYTHING

H E A L T H W A R N I N G T O B E P L A C E D H E R E

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HELLO

NO FIRE, NO ASH

CLEAN

LESS LINGERING SMELL

IQOS

THIS CHANGES EVERYTHING



H E A L T H W A R N I N G T O B E P L A C E D H E R E

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THE PLEASURE OF HEATED TOBACCO



IQOS
THIS CHANGES EVERYTHING

H E A L T H W A R N I N G T O B E P L A C E D H E R E

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Platform 2: *TEEPS*

- Four-week whole offer test conducted in Romania at the end 2015:
 - Better-than-expected adult smoker feedback
- 60% predominant use
- City test in 2017
- Relevant accessories for lighting and extinguishing developed

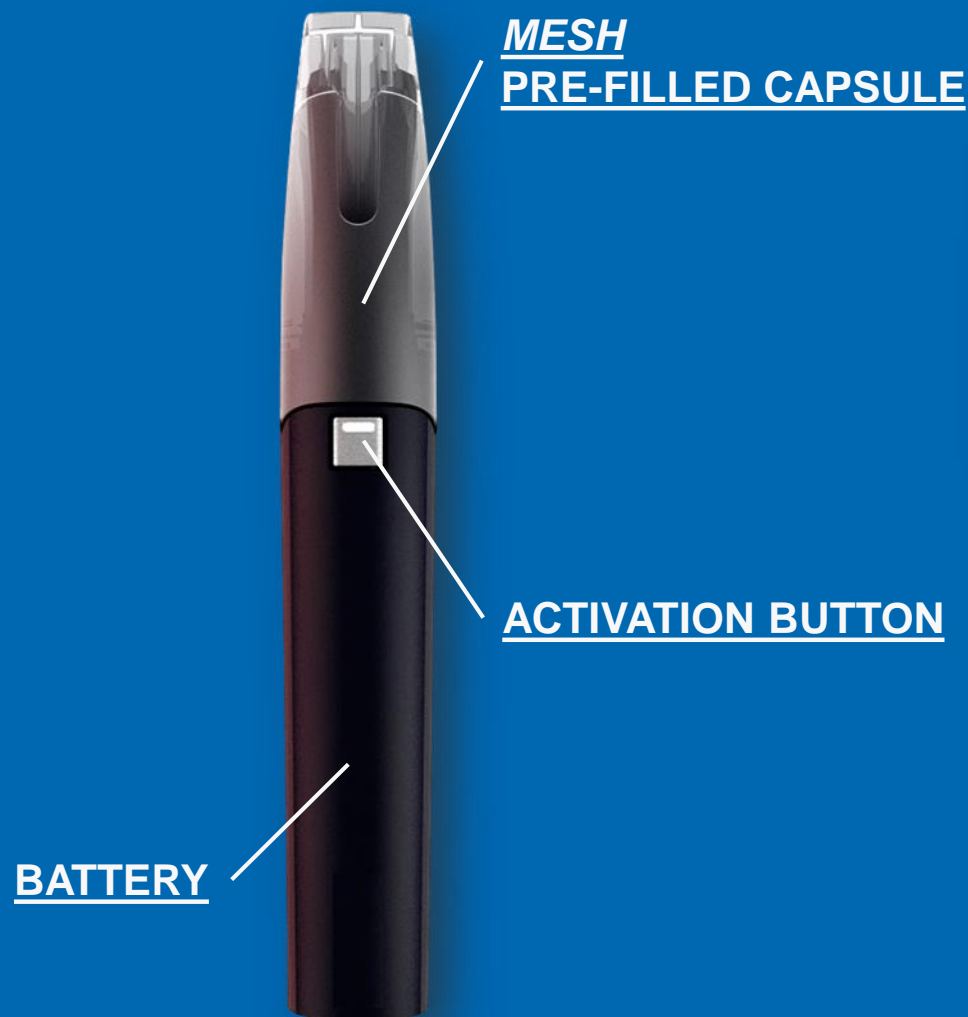


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Source: PMI Market Research

Platform 4: *MESH* Technology

- *MESH* vaporization technology:
 - *HeatControl* Technology
 - Consistent vapor delivery
 - Low liquid detection
 - Puff activation
 - "Closed" system
 - Manufacturing automation



Platform 4: *MESH* Technology City Test

- Q4, 2016 U.K. city test of the new technology and product offer through Nicocigs Ltd.
- *MESH*: brand name chosen for city test
- 4 new unique and complex flavor offers being tested
- Learnings will help refine product offer for national roll-outs





RRPs: Capacity Outlook

- In support of our commercial launches, we are scaling up capacity for *iQOS* devices and *HeatSticks* as well as customer care infrastructure
- The construction of our first dedicated RRP Greenfield factory in Bologna, Italy, has been completed
- As the commercialization of our RRP expand, we will initiate further Greenfield expansions as well as integrate *HeatSticks* production into existing PMI manufacturing facilities



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INVESTOR DAY

Investor Day – Reduced-Risk Products Lausanne, September 29, 2016

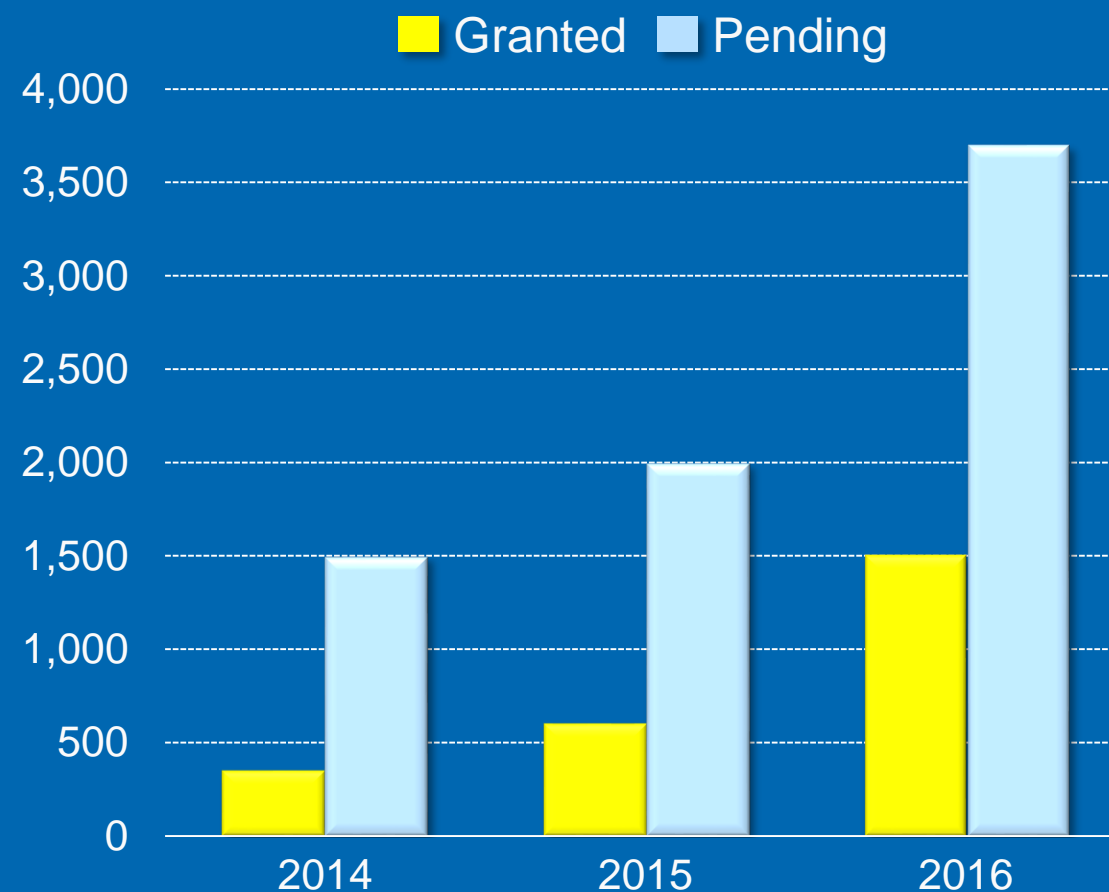
Video (not shown on webcast)



RRPs: PMI Published Patents

- Rapidly increasing RRP IP portfolio of granted patents and pending applications
- Extensive coverage protecting a broad range of inventions, from tobacco substrate to aerosol generation and control, to manufacturing process and device
- Majority of our patents have a lifetime beyond 2030
- >50% of our patent portfolio is related to *iQOS* technologies:
 - Acceleration of patent filing as of 2008

PMI RRP Published Patents Worldwide^(a)



(a) Status at August 15, 2016

Note: Reduced-Risk Products ("RRPs") is the term the company uses to refer to products with the potential to reduce individual risk and population harm in comparison to smoking cigarettes

Source: PMI Research & Development



RRPs: Summary

- PMI with market-leading RRP portfolio:
 - Strong *iQOS* performance momentum
 - City test of Platform 2 in 2017
 - City test of Platform 3 in 2017
 - City test of our new *Mesh* heating technology in the U.K. by end of 2016
- Performance from optimized *iQOS* marketing and commercialization model exceeding expectations in Japan. Deployment of new model in other markets showing encouraging offtake volume performance results
- Solid progress on harm reduction substantiation and third party verification of science
- Increasing awareness of the harm reduction potential of Reduced-Risk Products among regulators and the scientific community



RRPs: Program Outlook

- Increase geographical coverage of *iQOS* in existing launch markets
- *iQOS* present in key cities in more than 30 markets by end 2017, representing an industry volume in excess of 1 trillion units
- Target 3% to 5% share of markets in scope, net of cannibalization
- Expect to be profitable by 2018
- Our ambition is to convince all adult smokers that intend to continue smoking to switch to RRP's as soon as possible
- Our intention is to continue to lead the cigarette category and become the undisputed leader in RRP's



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Questions & Answers