



*i*QOS: Key Strategies

- Establish understanding of the difference between combusting and heating tobacco
- Actively engage with regulatory authorities and the public health community
- Obtain a fair and reasonable fiscal environment
- Optimize and enhance product offer
- Optimize route-to-consumer strategies reflecting learnings from launch markets
- Geographic expansion

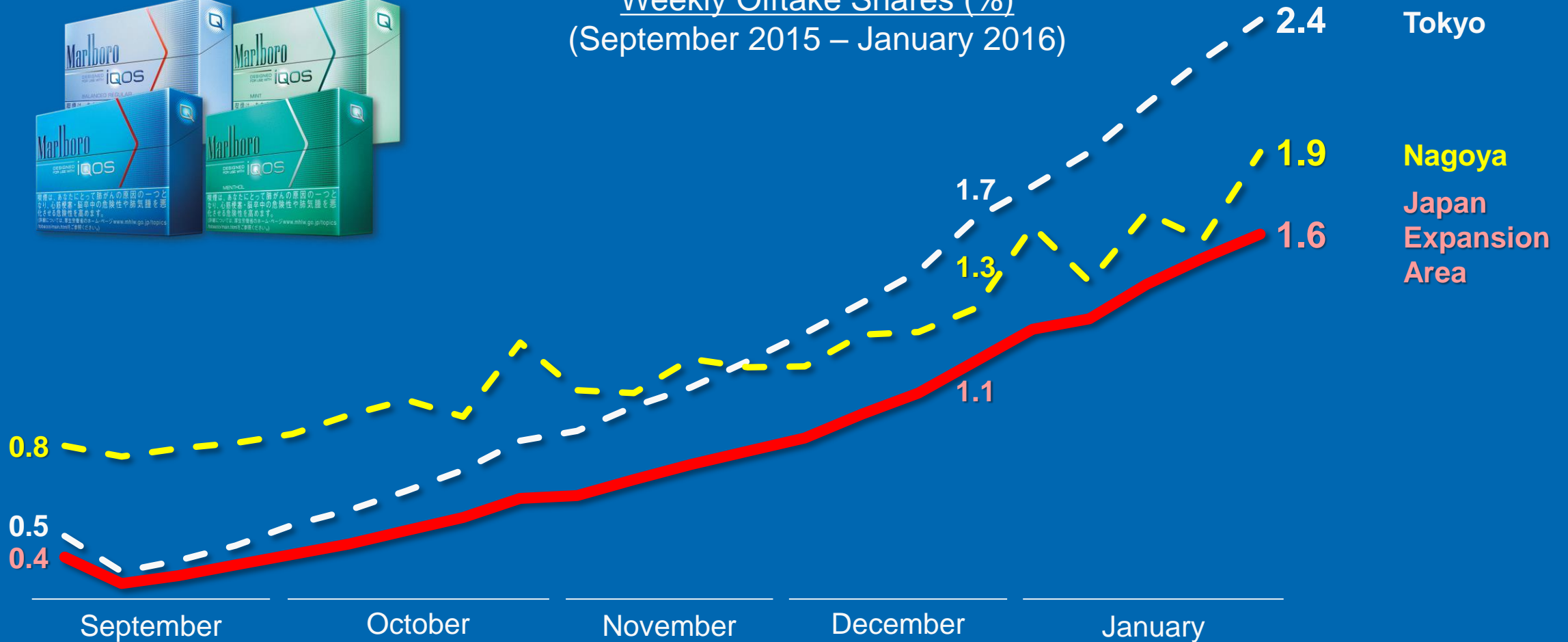
iQOS: Steady HeatStick Offtake Share Growth in Japan Expansion Area



PHILIP MORRIS INTERNATIONAL



Weekly Offtake Shares (%)
(September 2015 – January 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. Offtake share represents retail sales volume for HeatSticks as a percentage of the total estimated retail sales volume for cigarettes and HeatSticks, within the Japan Expansion Area (representing over 60% of adult smoker population at year-end 2015)

Source: PMI Financials or estimates



*i*QOS: Adult Consumer Loyalty in Japan

- Majority of conversion takes place within the initial weeks from *i*QOS purchase
- Adult smokers who have adopted *i*QOS appreciate the taste and inherent benefits of the offering, and do not switch back to cigarettes
- Over 100,000 adult smokers have already quit smoking and have converted to *i*QOS exclusively