

iQOS



A New Era in Tobacco



Milan: Tobacconist Store

In November 2014, PMI officially launched iQOS, the first of its heat-not-burn Reduced-Risk Products (RRPs),⁽¹⁾ together with *Marlboro HeatSticks* in regular and menthol variants, in the pilot markets of Nagoya, Japan, and Milan, Italy.

RRPs is an emerging adult smoker category that we believe we are well positioned to lead. Through state-of-the-art multidisciplinary product development capabilities and industry-leading scientific substantiation, we aim to provide an RRP portfolio that meets a broad spectrum of adult smoker preferences and rigorous regulatory requirements.

iQOS features an electronic holder that heats tobacco rather than burning it. Its launch marks an important step in a journey that began over ten years ago when we started building our RRP capabilities. Since then, we have hired more than 300 world-class scientists and engineers in key

disciplines, including material sciences, consumer electronics, clinical science and systems toxicology. In addition, we now have a portfolio of approximately 1,000 granted patents worldwide relating to RRP platforms and over 2,000 pending patent applications.

For our heat-not-burn consumable, the *HeatStick*, we have developed unique technology and manufacturing processes. We are constructing a new manufacturing facility near Bologna, Italy, which, along with an existing pilot plant, will provide an annual capacity of up to 30 billion units by the end of 2016.

The launch of iQOS makes full use of our current infrastructure to ensure product availability and visibility at retail. Our introductory marketing campaign emphasizes a new era in tobacco in which adult smokers can enjoy real tobacco taste with no fire, no ash and less smell.



Nagoya: The World's First iQOS Flagship Store

⁽¹⁾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 combustible cigarettes. PMI's RRP's are in various stages of development, and we are conducting extensive and rigorous scientific studies to determine whether we can support claims for such products of reduced exposure to harmful and potentially harmful constituents in smoke, and ultimately claims of reduced disease risk, when compared to smoking combustible cigarettes. Before making any such claims, we will need to rigorously evaluate the full set of data from the relevant scientific studies to determine whether they substantiate reduced exposure or risk. Any such claims may also be subject to government review and approval, as is the case in the U.S. today.