

Delivering a Smoke-Free Future

Globally, PMI is leading the way in the heated tobacco product category. It is our intention to provide a portfolio of smoke-free products to those adults who would otherwise continue smoking.

For over a decade, Philip Morris International (PMI) has leveraged technology and science to develop, assess, and commercialize less harmful alternatives to cigarettes for adults who would otherwise continue smoking. We are disrupting our business to achieve a bold vision—replacing cigarettes with science-based smoke-free products as soon as possible. With over \$10.5 billion in research and development (R&D) invested since 2008, we are fundamentally changing both our purpose and our operations. Progress has been made, but there is more work to be done.

- As of September 30, 2023, our smoke-free products are available in 82 markets.
- As of September 30, 2023, smoke-free products represented 36.2% of our total net revenues.
- Our ambition is for over two-thirds of our total net revenues to come from smoke-free products by 2030.
- We estimate there were 27.4 million IQOS users as of September 30th, 2023, with approximately 72% (19.7 million adults) having already switched to IQOS and stopped smoking.



PMI has leveraged science and technology to develop, assess, and commercialize less harmful alternatives to cigarettes for adult smokers.

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These developments position PMI to create growth opportunities in adjacent business areas that evolve it, in the long-term, into a broader lifestyle, consumer wellness and healthcare company. PMI's goal is to generate at least \$1 billion in net revenues by 2025, from products "Beyond Nicotine".¹

Commitment to Science and Regulatory Oversight

PMI's research program is inspired by long-held practices of the pharmaceutical industry and is in line with the draft guidance from the U.S. Food and Drug Administration (FDA) for its modified risk tobacco product (MRTP) application.

We conduct our research in accordance with internationally accepted standards and practices such as the Good Laboratory Practices (GLP) and Good Clinical Practices (GCP).

We share our evidence with governments for review. For example, in April 2019 the FDA authorized IQOS commercialization in the U.S. upon verification of our evidence. And on July 7, 2020, the FDA authorized the marketing of IQOS in the U.S. as a modified risk tobacco product (MRTP), stating that IQOS would be "appropriate to promote the public health and is expected to benefit the health of the population as a whole." IQOS was the first novel product authorized by the FDA as a modified risk tobacco product. This authorization is also contingent on strict post-market surveillance requirements to minimize unintended use of the product, including underage use.

Substantial Investment and Advanced Internal Transformation

- Since 2008, we have invested more than \$10.5 billion in the development, scientific substantiation, manufacturing, commercialization, and continuous innovation of smoke-free products.
- In 2022, 99% of our R&D expenditures were dedicated to smoke-free products.
- PMI employs over 1500 scientists, engineers, technicians, and support staff, to continuously innovate and enhance our smoke-free portfolio, and we have a network of research and technology partners in over 30 locations worldwide.
- PMI's smoke-free research has been published in more than 425 peer-reviewed publications.
- More than 50 independent studies, including by leading government research centers, health authorities, and others confirm important elements of our research.

1. PMI aspires to generate at least USD 1 billion in annual net revenues from wellness and healthcare products by 2025.

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SMOKE-FREE PRODUCTS – COMPARISON

Heated Tobacco



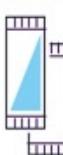
- Heats Tobacco
- Uses Real Tobacco
- Nicotine Naturally Present in Tobacco
- No Smoke and No Ash

E-Cigarettes



- Vaporizes E-Liquid
- No Tobacco
- Nicotine Derived from Tobacco added in E-Liquid
- No Smoke and No Ash

Snus



- Tobacco Pouch designed for Oral Use
- Uses Real Tobacco
- Nicotine Naturally Present in Tobacco
- No Smoke and No Ash

Nicotine Pouches



- Nicotine-containing Pouch designed for Oral Use
- No Tobacco
- Nicotine Derived from Tobacco
- No Smoke and No Ash

Why better alternatives make sense

There are estimated to be about 1 billion smokers today, and the World Health Organization (WHO) projected there will still be about 1 billion smokers in 2025. The best thing smokers can do is quit tobacco and nicotine altogether, but the reality is that many don't. These people deserve a pragmatic approach that moves them away from cigarettes. Today, there are products that can help enable such approach. The vast majority of harmful compounds found in cigarette smoke and associated with smoking-related diseases are generated by combustion. Products that eliminate combustion, such as e-cigarettes, heated tobacco products, and oral smokeless products, if scientifically substantiated, are a much better alternative to continued smoking.

Preventing underage use

While adult smokers deserve access to, and information about, smoke-free products, these products should also be properly regulated and responsibly marketed to prevent unintended use, especially by underage users. Internationally, PMI applies global guidelines—often going beyond local requirements—to our commercial activities to reduce the likelihood that they will be particularly appealing to minors.

PMI's smoke-free products are intended for one audience: adults who would otherwise continue to smoke or use other nicotine products.

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Accelerating a Smoke-Free Future

PMI believes that with the right regulatory framework, dialogue and support from civil society, cigarette sales can end within 10 to 15 years in many countries. To achieve this ambitious goal, public policy and dialogue should support the following:

- **Eliminate Underage Use.** Minors should not use or have access to tobacco or nicotine containing products. Responsible marketing practices must be implemented, age verification technology incorporated, and increased monitoring and enforcement deployed.
- **Embrace Better Alternatives.** Accept the role of science and innovation and stop debating whether scientifically substantiated smoke-free products should be made available. Rather, support adult smokers' transition to scientifically substantiated alternatives from cigarettes.
- **Risk-Based Taxation.** Recognize a continuum of risk in tobacco and nicotine containing products. Tax policy should reflect that approach and incentivize adult smokers to switch.
- **Address Misinformation.** Recent data shows that many adults worldwide believe nicotine causes smoking-related diseases. Combustion is the problem. There must also be education about the role of nicotine and flavors to encourage switching.
- **Regulatory Modernization.** Technology and innovation are advancing rapidly. The regulatory environment must be nimble and more responsive to the changing landscape.

Science-backed, smoke-free alternatives can complement existing measures to help address the global health issue of smoking by providing an avenue for adults who don't quit tobacco and nicotine altogether to make a better choice than continued smoking. Coupled with the right regulatory encouragement and support from society, we can reach a smoke-free future, faster.

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