Philip Morris International Inc.
2022 Fourth-Quarter Conference Call
February 9, 2023

JAMES BUSHNELL

(SLIDE 1.)

Welcome. Thank you for joining us. Earlier today, we issued a press release containing detailed information on our 2022 fourth-quarter and full-year results. You may access the release on www.pmi.com.

(SLIDE 2.)

A glossary of terms, including the definition for smoke-free products as well as adjustments, other calculations and reconciliations to the most directly comparable U.S. GAAP measures, and additional smoke-free volume and net revenue data are at the end of today's webcast slides, which are posted on our website.

Growth rates presented on an organic basis reflect currency-neutral adjusted results excluding acquisitions and disposals. As such, figures and comparisons presented on an organic basis exclude Swedish Match up until November 11, 2023.

As mentioned previously, starting in the second quarter of 2022, and on a comparative basis, PMI excludes amortization and impairment of acquired intangibles from its adjusted results.

(SLIDE 3.)

Today's remarks contain forward-looking statements and projections of future results. I direct your attention to the Forward-Looking and Cautionary Statements disclosure in today's presentation and press release for a review of the various factors that could cause actual results to differ materially from projections or forward-looking statements.

I'm joined today by Jacek Olczak, Chief Executive Officer, and Emmanuel Babeau, Chief Financial Officer.

Over to you, Jacek.

JACEK OLCZAK

(SLIDE 4.)

Thank you, James, and welcome everyone.

We had a remarkable year for our smoke-free transformation in 2022. Despite the exceptional challenges of the war in Ukraine, severe supply chain disruptions and global inflation, we delivered very strong financial performance and took two major strategic strides towards a smoke-free future. I would like to express my deepest thanks to all my colleagues who spared no effort to drive excellent business results during these unprecedented times. Our thoughts also continue to be with those affected by the war in Ukraine and the recent tragedy in Turkey and Syria.

In 2022, PMI delivered its second consecutive year of total volume growth, reflecting continued *IQOS* progress and broadly stable cigarette volumes. Full-year smoke-free net revenues reached almost one-third of total PMI and over 50% in 17 markets. This is impressive progress towards our ambition of becoming a predominantly smoke-free company by net revenues in 2025.

IQOS' outstanding results continued with over 21% full-year growth in both shipment volumes and in-market sales, excluding Russia and Ukraine. This reflects broad-based momentum in the EU region, Japan, and emerging markets. *IQOS ILUMA* continues to generate excellent growth in its launch markets, with upgrades from existing users and new user acquisition outperforming our initial expectations. The success is supported by the increasing deployment of a 2-tier HTU portfolio providing adult smokers with an expanding range of innovative and high-quality alternatives to cigarettes.

In combustibles, we delivered a robust performance with 3.7% growth in organic net revenues and 0.3pp higher share of segment, excluding Russia and Ukraine, despite the impact of adult smokers moving to smoke-free products.

We also achieved two critical strategic milestones this year, reaching an agreement to take full control of *IQOS* in the U.S. in 2024 and successfully completing the acquisition of Swedish Match. These achievements will accelerate our smoke-free journey and further position us to lead the transformation of the wider industry.

Clearly, currency headwinds were extremely strong and weighed on our U.S. dollar performance, but although volatility remains, I am pleased that they seem to significantly abate in 2023.

Overall, 2022 was a pivotal year, and we look forward with confidence to 2023 and beyond. Let me now take a moment to cover our key strategic priorities for the coming year.

(SLIDE 5.)

With the acquisition of Swedish Match and securing the rights to *IQOS* in the U.S., we are now a global smoke-free champion. The addition of the world's biggest market and the leading nicotine pouch brand *ZYN* alongside *IQOS* provides us with significant untapped opportunities to further accelerate the growth of smoke-free products.

As the strength of our *IQOS* business continues to grow rapidly, the full global roll-out of *IQOS ILUMA* is a major priority and we expect to make substantial progress on this in 2023. The success of *ILUMA* in launch markets so far demonstrates the importance of groundbreaking consumer-centric innovation and we continue to broaden our portfolio with new science-backed offerings. This includes *BONDS by IQOS,* our latest heat-not-burn device aimed at Low and Middle-Income adult smokers. Pilot city launches in Colombia and the Philippines in Q4 show encouraging early results and we intend to take the learnings from these markets before deploying on a wider scale. Following a successful first 3 years of partnership with KT&G, we also recently extended our long-term agreement to commercialize their innovative smoke-free portfolio outside South Korea.

I am very pleased to welcome Swedish Match to the PMI family. In particular, the fast-growing potential of *ZYN* is an incredibly exciting addition to our company. We are focused on supporting the Swedish Match team to continue and accelerate *ZYN*'s outstanding success in the U.S. while also leveraging PMI's commercial capabilities to prepare for international expansion of nicotine pouches.

IQOS and *ZYN* are premium brands leading their global categories. In the U.S., *ZYN* is helping American smokers leave cigarettes behind and offers great growth prospects. For *IQOS*, the world's biggest smoke-free market is a fully untapped opportunity and our plans are well underway in anticipation of our commercialization in Q2, 2024. We will be leveraging the sales and distribution capabilities of Swedish Match and deploying our commercial model, digital engine, organization and infrastructure for a successful roll-out. We continue to expect to file an FDA application for *ILUMA* in H2, 2023.

Logically, the international expansion of pouches, U.S. *IQOS* preparation and replacement of *IQOS 3* with *ILUMA* entail additional investments this year, which combined with inflationary pressures will weigh temporarily on our margins. Indeed, many of the *ILUMA*-related costs are one-off in nature as Emmanuel will explain.

In combustibles, we continue to target a stable category share over time despite the impact of *IQOS* cannibalization, while taking judicious pricing actions. As we have explained previously, maintaining our leadership in combustibles helps us maximize switching to smoke-free products through the connection to adult smokers and the retail trade.

In terms of our financials, the strength of our business provides robust operating cash flows, which we intend to maximize to provide reinvestment in our smoke-free business, deleveraging, and a growing dividend.

Finally and importantly, shaping tobacco harm reduction by providing better alternatives to smokers and advocating for science-based regulation is critical to accelerate the end of smoking. Harm reduction is also at the core of our transformation as we lead on sustainability to achieve a positive impact.

We will be expanding on some of these topics at the CAGNY conference on February 22nd, and we also plan to host an Investor Day in September where we will go into greater detail on our strategies and future vision, particularly with regard to the U.S.

Now I will hand it over to Emmanuel to discuss our results and 2023 outlook in more detail.

EMMANUEL BABEAU

(SLIDE 6.)

Thank you, Jacek. Our business, driven by the strength of our innovative and expanding smoke-free portfolio, generated excellent top and bottom-line 2022 growth despite a very difficult operating environment and currency headwinds.

Our full year net revenues grew organically by 7.7%, excluding Russia and Ukraine, and by 7.1% for total PMI despite the impact of hyperinflationary accounting in Turkey. This reflects the continued strength of *IQOS*, accelerating pricing and the recovery of combustibles in many markets against a pandemic-affected comparison, notably in H1. *IQOS* devices accounted for approximately 5% of our full year smoke-free net revenues both including and excluding Russia and Ukraine.

Our net revenue per unit grew 4.4% organically excluding Russia and Ukraine, and by 5.5% in total. This was driven by combustible pricing of 4.0% excluding Russia and

Ukraine and 5.0% overall, and the positive mix impact of an increasing proportion of HTUs in our overall volumes at higher net revenue per unit.

Our 2022 operating income margin contracted organically by 60 basis points excluding Russia and Ukraine, and by 70 basis points in total, due to a number of headwinds which I will come back to.

These headwinds were partially mitigated by the growth of *IQOS*, pricing and ongoing cost savings. In 2022, we delivered gross savings of $800 million, with over $1.6 billion in the first 2 years of our cost efficiency program. This puts us well on track to exceed our target of $2 billion over 2021-2023 and mitigate recent inflationary pressures.

Despite margin pressures, our excellent top-line growth and diligent cost management enabled us to deliver currency-neutral adjusted diluted EPS growth of 11.9% to $5.34, excluding Russia and Ukraine. This includes unfavorable currency of 85 cents and a small contribution from Swedish Match, net of financing costs, for the 50 days of consolidated results. For total PMI, we delivered adjusted diluted EPS of $5.98.

(SLIDE 7.)

We also had a strong finish to the year. We delivered excellent Q4 organic net revenue growth of 7.9%, excluding Russia and Ukraine, again reflecting continued strong *IQOS* performance and robust combustible pricing.

Our Q4 operating income margin expanded organically by 80 basis points, excluding Russia and Ukraine, mainly due to a favorable comparison. On a total PMI basis, organic margins were flat, including the impact of a challenging comparison in Ukraine and shipment timing in Russia.

Fourth quarter currency-neutral adjusted diluted EPS grew by 20.8% to $1.23, excluding Russia and Ukraine, and 15.3% in total to $1.39, an excellent performance.

(SLIDE 8.)

Before discussing our 2023 guidance, I would like to provide an update on our Ukraine and Russia businesses. We continue to support our employees in Ukraine. I would like to personally thank them for their tremendous efforts to secure our business continuity during these extremely difficult times. In Russia, the environment for divestment has become increasingly challenging and complex, especially given recent December 2022 regulatory developments. To provide more clarity to investors on the full extent of our business we will now include both Ukraine and Russia in our 2023 outlook and reporting.

Now turning to the 2023 outlook, we expect to deliver very strong organic net revenue growth of 7% to 8.5%, supported by a step-up in combustible pricing and another year of rapid progress from *IQOS.* This would represent the third consecutive year of organic top-line growth above 7% and excludes the impact of Swedish Match for the large majority of the year. Including Swedish Match, we expect our reported currency-neutral net revenues to grow into the teens as its business continues to deliver strong performance.

We expect excellent *IQOS* momentum to increase our HTU volume growth on a total PMI basis, supported by the growing presence of *ILUMA* across our key markets. We forecast between 125 and 130 billion HTU shipment volumes, representing 15-19% growth. This reflects an acceleration compared to the total PMI growth rate in 2022, despite an expectation of no significant progress in Russia given our decision to restrict investment and innovation. As mentioned previously, the pace of *ILUMA* launches has also been constrained by supply chain disruption and the outstanding take-up in initial launch markets. We expect these constraints to gradually improve through the first half, as we progressively roll-out to more geographies.

We expect organic smoke-free net revenue growth to have an aligned progression with the rate of HTU volume growth this year, with less distortion from device revenues. Including Swedish Match and at constant currency, we expect to deliver around $13.5 billion in smoke-free net revenues compared to $10 billion in 2022, and to approach 40% of total PMI net revenues this year.

While our top-line outlook is very strong, like many other global companies we are facing significant margin pressures from the intensifying inflationary environment, in addition to a number of specific transitory factors and investments which I will come back to shortly. As a result, we expect our adjusted OI margins to contract between 50 to 150 basis points organically.

Accordingly, we forecast currency-neutral adjusted diluted EPS growth of 7% to 9%. This includes a full year’s positive contribution from Swedish Match net of the related interest expense. However, this benefit is offset by increased interest costs on our non-Swedish Match debt and planned investments. This translates into an adjusted diluted EPS range of $6.25-$6.37, including 15 cents of unfavorable currency at prevailing rates.

This forecast notably does not factor any potential favorable court ruling in Germany regarding the legality of the surcharge on the existing excise tax on heated tobacco products, effective in Germany as of 2022. We continue to account for the excise surcharge in our results and outlook, however, the obligation to pay the surcharge is currently suspended. If favorable, the difference to our forecasted 2023 excise payments would increase our net revenues by around 1% and adjusted diluted EPS growth by around 3 points, thereby increasing our forecast currency-neutral growth range to 10 to 12%. In this scenario, we expect our operating cash flow would move towards the upper half of our forecast range. We expect a judgment towards the end of the year.

(SLIDE 9.)

There are a number of other assumptions underpinning our outlook. We expect total international industry volumes of cigarettes and heated tobacco units, excluding China and the U.S., to decline by -1% to -2%. Given our leadership in smoke-free products and the growth of the category, we expect to gain share and target total PMI shipment volumes to be flat to 1%, which would represent a third consecutive year of growth.

While we seek to maintain our share of the combustible category, given the current inflationary environment we assume combustible pricing will accelerate to around 6% on an organic basis compared to the 5% realized in 2022.

We also expect full year capital expenditures of around $1.3 billion, as compared to $1.1 billion in 2022, reflecting increased investments behind our smoke-free platforms, including *ILUMA* and Swedish Match's portfolio.

(SLIDE 10.)

Let me now come back to the various factors impacting our margins.

In 2022, total PMI gross margins contracted by 220 basis points organically. While growing inflationary pressures were a drag, the largest impact came from the combination of the rapid growth of *ILUMA* and transitory factors such as supply chain disruption and the need to use air freight.

ILUMA drove accelerated device replacements from existing users in Japan and other launch markets. Such device sales are positive for acquisition, retention and full conversion, however devices are margin dilutive – and this dynamic is likely to continue on a temporary basis as we roll out to more markets this year and consumers upgrade from *IQOS* blade. The initially higher weight and cost of *ILUMA* consumables also played a role, and this meant that the overall impact of our heat-not-burn business including devices was margin dilutive in 2022.

Importantly, average gross margins on HTUs remain around 10 percentage points higher than for cigarettes, on a higher net revenue per unit. This is a fundamental long-term positive margin driver through the growing HTU volume mix in our business, and this had a 110 basis point favorable impact in 2022. Our two other key long-term margin drivers of pricing and productivities also continued to contribute favorably.

Gross margin headwinds were mitigated at the OI margin level by SG&A costs which declined by 150 basis points of net revenues, due primarily to cost efficiencies, operating leverage and comparison effects.

(SLIDE 11.)

The picture for 2023 is quite different. While our gross margin will face increased inflationary pressure, this is now primarily due to COGS for the cigarette business as leaf, acetate tow, salaries, and energy costs increase. An acceleration in combustible pricing and lower air freight costs will serve to mitigate this exceptional inflation, however, a time lag is built into our projections.

Importantly, while cost inflation is also a headwind for *IQOS*, the 2023 margin impact of our heat-not-burn business is expected to be favorable due to the positive impact of increased HTU volumes at higher net revenue per unit, planned *ILUMA* efficiencies and a more measured increase in device volumes.

Overall, this underlying strength from *IQOS* combined with pricing will not be sufficient to offset combustible cost inflation in 2023. However, we expect a lower organic gross margin decline compared to last year, and for our heat-not-burn business to have an increasingly visible positive impact as we approach 2024.

2023 SG&A costs will include incremental investments to drive future growth including in the commercialization of *ILUMA.* Also included is around $150 million with a broadly even split between the U.S. where we are preparing our organization and capabilities for the launch of *IQOS*, and wellness & healthcare investments in product development and clinical trials. In addition to inflation, this means an SG&A cost increase more in line with net revenue growth is likely, with limited margin impact.

(SLIDE 12.)

A few words now on 2023 phasing. We expect margin pressures to be weighted to the first half, particularly given a challenging Q1, 2022 comparison and a progressive decrease in air freight costs throughout the year. In addition, investments are expected to be front-loaded, and we know that the roll-out of *ILUMA* can lead to a short period of slower user acquisition as consumers wait for the launch. Combined with the timing of shipments and cost savings, we expect our 2023 top and bottom-line delivery to be heavily H2-weighted.

Indeed, we expect the first quarter to be the most challenging, with low single-digit organic top-line growth and soft margins. Shipment timing and *ILUMA* launch impacts are expected to be pronounced and we accordingly expect HTU shipment volumes of around 26-28 billion HTUs. We also face a comparison with a significantly lower impact from war-related disruption. We forecast adjusted diluted EPS of $1.28 to $1.33, including 10 cents of unfavorable currency at prevailing rates.

Importantly, we expect margins to improve as we approach 2024, as headwinds relent and the fundamental margin-accretive drivers of our smoke-free transformation continue in the form of HTU growth, pricing and cost optimization on *ILUMA*.

(SLIDE 13.)

Our cash flow generation remains strong. We delivered $10.8 billion in 2022 operating cash flows, representing 3.0% growth on a currency-neutral basis. This includes the favorable timing of certain financing items of around $0.3 billion. Given non-recurring items and working capital movements benefitted 2021 by around $1 billion, this was an excellent result.

In 2023, we forecast $10-11 billion in operating cash flows despite a notable expected impact from higher working capital requirements due to growth, global inflation and the reversal of one-off timing benefits. This puts us on track to deliver our 2021-2023 target of around $35 billion given in February 2021, at then prevailing rates.

While our net debt is 2.9x adjusted EBITDA on a 12-month trailing basis, this reflects only 50 days of Swedish Match results. Including a full year contribution for Swedish Match would clearly result in a lower ratio. We target robust EBITDA growth, which combined with strong cash flow allows us to focus on deleveraging while continuing to invest in innovation and the growth of our business.

In addition, our commitment to our progressive dividend policy is unwavering and in line with our long-term commitment to return cash to shareholders.

(SLIDE 14.)

Turning back to our 2022 results, both our HTU and in-market sales volumes increased by around 21.5%, supporting total volume growth of 3.2%, excluding Russia and Ukraine. Q4 HTU shipment volumes grew by 37.5%, partly reflecting the replenishment of inventories for *ILUMA* in Japan following lower shipments earlier in the year and favorable shipment timing in the EU notably in advance of new *ILUMA* launches. Supported by very solid cigarette performance, we delivered total volume growth for the second consecutive year both including and excluding Russia and Ukraine.

(SLIDE 15.)

Focusing now on combustibles, our portfolio delivered robust organic net revenue growth of 3.7% for the full year, excluding Russia and Ukraine.

Combustible pricing increased in H2 as we continue to adjust to the inflationary environment. This resulted in Q4 organic pricing of 4.8%, excluding Russia and Ukraine, and yielded full year pricing in line with our expectations with notable contributions from Germany, the Philippines, and Turkey – despite the impact of hyperinflationary accounting.

In 2022, our share of the cigarette category increased by 0.3pp, excluding Russia and Ukraine, following category share declines in 2020 and 2021 exacerbated by the pandemic. This includes sequential growth in every quarter of 2022. *Marlboro* remains extremely resilient despite pressure on disposable incomes and the impact of *IQOS* cannibalization, with 0.2pp share of segment growth.

In addition, while we have not yet seen any meaningful acceleration in downtrading, our share in the low-price segment increased by 0.6pp, excluding Russia and Ukraine. As Jacek mentioned earlier, maintaining our leadership in the cigarette category is a key enabler in accelerating smokers switching to better alternatives.

(SLIDE 16.)

Our robust cigarette share combined with the growth of *IQOS* delivered an overall market share gain of 0.6 points in 2022 excluding Russia and Ukraine, with notable contributions from Egypt, Italy, Japan, and Poland.

PMI HTUs continue to strengthen their position towards becoming the largest nicotine 'brand' in markets where *IQOS* is present and reached the number two position in 2022 with a record high share of 8.5% in Q4.

(SLIDE 17.)

Now focusing on *IQOS* user growth. There were an estimated 20.3 million *IQOS* users as of December 31st, excluding Russia and Ukraine. This reflects growth of around 3.5 million for the full year. For total PMI, we estimate there were almost 25 million *IQOS* users as of year-end.

Consistent with comments in our recent disclosures, user growth in October and November was slower due to a higher-than-expected impact from reduced commercial activity and lower acquisition for *IQOS* blade products in anticipation of the launch of *ILUMA* in certain key markets. However, we saw a strong rebound in December as *ILUMA* launches continued, delivering robust user growth of 0.8 million for the quarter. This was close to our initial expectation, and we look forward with confidence to 2023 as *ILUMA* continues to be deployed.

(SLIDE 18.)

ILUMA is driving volume and share growth across its markets, supporting our strong position in the heat-not-burn category. We launched in 8 new markets in Q4, including the Czech Republic, Italy, Portugal, and South Korea, bringing the total to 16. Markets with *ILUMA* launched now represent more than half of our total HTU volume.

ILUMA delivers a superior consumer experience as evidenced by NPS scores, which on average increased by more than 10 points across its different market archetypes, and higher conversion rates compared to *IQOS 3 DUO*.

While the rates of acceleration differ by market, in both Switzerland and the more recently launched United Arab Emirates, offtake share has almost doubled since launch.

Importantly, as I mentioned earlier, the benefits of scale and optimization should allow us to bring down the costs of *ILUMA* over time, starting in the second half of 2023.

(SLIDE 19.)

Focusing now on the EU, where smoke-free net revenues exceeded 40% of the region for the full year.

Our fourth quarter HTU share increased by 2.4 points to reach 8.8% of total cigarette and HTU industry volume, with a modest flattering effect from timing factors. IMS volumes continued to grow sequentially and reached a record high of 9.3 billion units on a four-quarter moving average.

This reflects success across many markets and key cities including Vilnius with over 43% share, as well as Athens and Rome with over 25%.

(SLIDE 20.)

In Japan, the heat-not-burn category now represents close to 35% of total tobacco, with *IQOS* increasingly driving its growth. In Q4, the adjusted total tobacco share for our HTU brands increased by 2.6 points to 24.5% with offtake share in Tokyo surpassing 30%.

Our 2-tier consumable portfolio continued to deliver strong results. IMS again grew sequentially to reach a record high of 8.8 billion units on a four-quarter moving average, as the number of Japanese *IQOS* users crossed a remarkable 7.5 million adult consumers.

(SLIDE 21.)

In addition to strong *IQOS* gains in developed countries, we continue to see very promising growth in Low and Middle-Income markets. In 2022, our HTU shipments grew by almost 50% excluding Russia and Ukraine.

This robust performance reflects success across many markets, including Egypt, where Urban Cairo exit offtake share surpassed 7%, Bulgaria and Malaysia where Q4 offtake share reached 14% in both capital cities.

(SLIDE 22.)

Let's now move on to Swedish Match, which finished the year strongly – further confirming our belief that this combination will be accretive to our growth and margin profile over the coming years. Please note for housekeeping purposes that my comments on Swedish Match's financial results are based on publicly available information through September 30th and from November 11th when it was consolidated in PMI's financial statements.

Swedish Match delivered excellent performance following the acquisition, with strong net revenues and adjusted operating income.

Most impressive was the phenomenal U.S. growth of *ZYN* which I will come back to on the next slide. In other U.S. smoke-free products, moist snuff also performed well, gaining almost 1pp share of segment and growing 2022 volumes within a declining category.

In Scandinavia, the overall smoke-free market and Swedish Match continued to grow, albeit helped by year-end trade inventory movements ahead of a January excise tax increase in Sweden.

The cigar business delivered robust performance to end a challenging year with growth in volumes and category share.

We are very pleased with the strong 2022 results from Swedish Match, which also included positive pricing across all smoke-free categories. We look forward to reporting our combined results going forward.

(SLIDE 23.)

Now let's discuss *ZYN*'s recent U.S. performance in more detail. Excellent progress continues with shipment volume growth of 37% in 2022 and 35% in Q4, reaching a record quarterly high.

ZYN's category volume share grew sequentially by 1.0pp compared to the third quarter and by 2.2pp compared to the prior year, further strengthening its position as the clear number one nicotine pouch brand, despite continued heavy competitive discounting from less premium offerings.

Importantly, retail value share for *ZYN* remains strong at 75.7%, highlighting its premium positioning and high brand equity.

(SLIDE 24.)

2023 promises to be a very exciting year. We are thrilled to have welcomed Swedish Match's employees and leading oral nicotine portfolio into the PMI family to create a global smoke-free champion, and we will work together to create value as we accelerate towards our shared vision of a smoke-free future. In particular, bringing *ZYN* and *IQOS* together in both the U.S. and international markets presents a significant opportunity to drive accelerated growth and switching of adult smokers to better alternatives.

As a well-run and successful business, we expect continued strong performance from Swedish Match's existing operations. A key focus this year will be supporting and further driving strong *ZYN* growth in the U.S. In addition, we are now preparing for the international expansion of nicotine pouches leveraging Swedish Match's rich product portfolio and PMI's extensive smoke-free commercial infrastructure. In parallel, we will be actively enhancing Swedish Match's U.S. distribution and commercial capabilities for the launch of *IQOS* in 2024.

(SLIDE 25.)

Moving to sustainability. As we transform our company, our business and sustainability strategies are advancing hand-in-hand with increasing momentum.

PMI and Swedish Match have a shared vision and values. The combination helps us further accelerate towards achieving our purpose, transforming for good to make cigarettes obsolete and maximize the benefits of smoke-free products. Our goal for best-in-class ESG performance is aligned as we seek to address the environmental impact of our products, eradicate child labor, reduce our carbon footprint, and provide a more inclusive and empowered working environment for all our employees.

In December, we published a stand-alone report detailing our new biodiversity and water ambitions. For biodiversity, we aim to achieve no net loss on ecosystems connected to our value chain by 2033 and contribute towards a net positive impact on nature by 2050. For water stewardship, we aim to scale solutions towards a positive impact on water resources by 2033 and contribute towards a positive impact on water resources by 2050.

I’m also proud to share that, for the third consecutive year, we have been awarded CDP’s "Triple A." CDP scored nearly 15,000 companies on their climate change, forest, and water security disclosures, of which only 12 received this prestigious score. In addition, I am excited to share that we are included in the 2023 Bloomberg Gender-Equality Index for the third year running.

I'll now turn it back to Jacek for concluding remarks.

JACEK OLCZAK

(SLIDE 26.)

Thank you, Emmanuel. Overall, our business delivered both a strong fourth-quarter and full-year performance, despite many challenging headwinds. We achieved excellent top and bottom-line growth with double-digit currency-neutral adjusted diluted EPS growth and almost $6.00 of adjusted EPS for total PMI. The consistent quality and sustainability of our organic top and bottom-line delivery has been clearly demonstrated over the last 3 years.

Most impressive was the continued outstanding performance of *IQOS*, which is now complemented by the remarkable growth of *ZYN*. Combined with Swedish Match, we have a comprehensive global smoke-free portfolio with leadership positions in heat-not-burn and the fastest growing category of oral nicotine.

We expect 2023 to be a landmark year for our smoke-free transformation, with smoke-free net revenues of around $13.5 billion at constant currency, approaching 40% of our company. We have exciting opportunities for growing nicotine pouches in the U.S. and internationally, along with the U.S. commercialization of *IQOS* next year.

We expect margin headwinds will persist in 2023 before improving in 2024. However, our underlying growth fundamentals remain strong, and we look forward with confidence.

With an excellent performance over the past 2 years and our strong 2023 outlook, we expect to comfortably exceed our 3-year minimum CAGR targets of more than 5% organic net revenue growth, more than 9% in currency-neutral adjusted diluted EPS growth, and broadly stable shipment volumes.

Finally, our strong growth outlook and highly cash generative business enables us to deleverage while maintaining our steadfast commitment to our progressive dividend policy.

(SLIDE 27.)

Thank you. Emmanuel and I are now happy to answer your questions.

JAMES BUSHNELL

(SLIDE 28.)

Before closing our call, I would like to remind you that we will be presenting at the CAGNY conference on February 22nd, and we also plan to host a September Investor Day in Switzerland. We hope you will be able join these events, either in-person or virtually. That concludes our call today. Thank you again for joining us. If you have any follow-up questions, please contact the Investor Relations team.