

**Philip Morris International Inc.
2025 Second-Quarter Conference Call
July 22, 2025**

JAMES BUSHNELL

(SLIDE 1.)

Welcome. Thank you for joining us. Earlier today, we issued a press release containing detailed information on our 2025 second-quarter results. The press release is available on our website at 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 for non-GAAP financial measures cited in this presentation are available in Exhibit 99.2 to the company's Form 8-K dated July 22, 2025, and on our [Investor Relations website](#).

(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 Emmanuel Babeau, Chief Financial Officer.

Over to you, Emmanuel.

EMMANUEL BABEAU

(SLIDE 4.)

Thank you, James, and welcome everyone.

We delivered an excellent set of H1 results following another very strong performance in the second quarter of 2025. Top-line dynamism from our smoke-free portfolio, which reached a record \$4 billion in net revenues, coupled with margin improvements across our business, drove strong double-digit adjusted diluted EPS growth in both constant currency and dollar terms.

The multicategory momentum of our smoke-free business accelerated, with a Q2 step-up in offtake growth for *IQOS*, *ZYN* and *VEEV*. As expected, *IQOS* delivered another strong performance with HTU adjusted IMS growth accelerating to +11.4% in Q2. This reflects broad-based growth both globally and in Europe as markets such as Italy pass the transitory disruption of the characterizing flavor ban.

ZYN confirmed its upward trajectory with a significant acceleration in U.S. consumer offtake growth to +26% for Q2 and +36% in June as in-store availability improved. Internationally, Q2 nicotine pouch volumes increased +65% and almost trebled outside the Nordics.

In e-vapor, *VEEV* continued its remarkable trajectory, with shipments more than doubling year-on-year, driving further gross margin expansion.

For combustibles, despite an expected return to modest volume declines, our business delivered robust top and bottom-line performance reflecting its resilient model, led by strong pricing.

We continue to generate best-in-class growth across the P&L, with high single-digit organic H1 top-line growth and mid-teens adjusted OI growth to reach a margin of over 41%. This high-quality performance reflects the increasing profitability of our 3 smoke-free categories as scale, operating leverage and efficiencies combine.

These results provide an excellent platform for another year of superior growth. We expect strong smoke-free momentum to continue in H2, while we factor in the exceptional H2 prior year comparison, notably on growing combustible volumes, and certain timing factors. With strong business fundamentals and a slightly more favorable expected tax rate, we are raising our adjusted diluted EPS full-year forecast to +13 to +15% growth, or +11.5 to +13.5% excluding currency.

(SLIDE 5.)

Looking at our Q2 financials, we delivered another quarter of shipment volume growth of +1.2% and organic top-line growth of +6.8%, or +7.1% in dollar terms, to reach over \$10 billion in quarterly net revenues for the first time. Excluding the Indonesia technical impact explained last quarter, organic net revenues grew by more than +8%.

Adjusted OI grew by +14.9% organically, with growing profitability in all categories, positive smoke-free margin mix and ongoing cost efficiencies. Adjusted diluted EPS of \$1.91 reflects growth of +20% including a favorable currency variance of 2 cents, 4 cents lower than previously guided, mainly due to intercompany transactional impacts from currency volatility at period-end, including on the Swiss Franc. This better-than-expected EPS delivery notably reflects strong top-line momentum, positive margin evolution in our SFP business, and robust combustible pricing.

(SLIDE 6.)

Combining this excellent Q2 with a strong first quarter, we achieved one of our strongest ever H1 performances. Total shipment volumes grew by +2.5%, and organic net revenues by +8.4%, or approximately +10% excluding the Indonesia technical impact. Strong performance from both smoke-free and combustibles drove adjusted OI growth of circa 15% in both organic and USD terms to reach \$8 billion in total. H1 adjusted diluted EPS was up by +17.7% in constant currency and by +16.1% in dollar terms.

(SLIDE 7.)

Turning to shipment volumes, we delivered Q2 growth of +1.2%, and +2.5% for the first half driven by more than +13% growth from our smoke-free business.

While adjusted IMS growth accelerated, Q2 HTU shipment volumes grew +9.2% to 38.8 billion units, including robust growth in Europe & Japan, as well as promising growth from global markets such as Indonesia, South Korea, and Global Travel Retail. H1 HTU shipments increased by +10.5%, broadly in line with adjusted IMS growth. As mentioned last quarter, our H1 shipments include a Q1 shipment timing benefit of around 1 billion units which we expect to reverse in the fourth quarter. Oral and e-vapor shipments again grew significantly.

Cigarette volumes declined modestly in Q2 following the exceptional growth of recent quarters. This was primarily due to contraction in Indonesia and in Turkey, where we experienced supply chain issues following a change in regulatory requirements. This resulted in a temporary loss of volume and share, with some associated inventory

write-downs. We expect a gradual recovery through the remainder of the year, though H2 year-on-year comparisons are still likely to be affected. In Indonesia, despite a good share performance, a growing illicit segment is impacting both the legal industry and our volumes within it, and this is also likely to extend into H2.

We expect our cigarette volumes to decline around 2% for the year, more in line with the historic underlying trend. This includes a forecast decline of 3 to 4% in H2 against the high prior year comparison I mentioned, with Turkey accounting for close to half of this decline. This also factors the continuation of declines in Europe and Japan as SFPs grow strongly, and the dynamics in Indonesia and in Egypt, where the recovery of the main local competitor is ongoing after previous supply constraints. As a testament to the resilience of our combustible model, we are still targeting combustible gross profit growth in H2, supported by pricing and cost efficiencies.

For smoke-free products, we anticipate continued double-digit volume growth in H2, including the expected reversal of H1 phasing benefits on *IQOS*. However, given cigarette dynamics it is possible that H2 may see modest declines for total PMI volumes. Importantly, with a forecast full-year increase of around +1% we continue to target our 5th consecutive year of total volume growth, as we do for future years as our smoke-free portfolio continues to drive performance.

(SLIDE 8.)

Breaking the performance down by category, exceptional gross margin and OI growth in Q2 resulted in impressive first half results, powered by our increasingly profitable smoke-free business.

H1 smoke-free net revenues grew organically by +17.3% to \$8.1 billion, and gross profit by +27.0% to \$5.6 billion, with +530 basis points of organic expansion to reach over 70% gross margin. This is around 4.5 points above the gross margin of combustibles at the current category and geographic mix. As in 2024, this reflects continued margin expansion for all 3 smoke-free categories, notably combined with the positive mix impact of *ZYN*'s accretive unit economics, and pricing on both HTUs and *ZYN*.

Very strong *IQOS* gross margin expansion reflects the powerful growth and scale effects of this large and growing business, manufacturing productivities and a comparison benefit from higher device shipments in the prior year, when *ILUMA i* was launched in Japan and other markets. We expect strong margins to continue in H2, albeit without the device year-on-year comparison benefit as we also further expand the presence of *ILUMA i* across markets and *BONDS* in Indonesia.

Combustible net revenues increased +2.9%, or more than 5% excluding the Indonesia technical impact. Gross profit grew by +5.0%, driving +140 basis points of margin expansion despite the financial impact of the Turkey disruption. This includes a robust Q2 with organic net revenue growth of +2% and gross profit growth of +4.8%. This performance epitomizes the resilience of our ongoing combustibles business model, with low-single digit volume declines, robust pricing and efficiencies combining to deliver top-line and gross profit growth over time. We continue to target combustible gross margin expansion organically and in dollar terms for the year, despite slower pricing and weaker volumes in H2.

The combination of sustained smoke-free momentum and combustible resilience led to +15.4% H1 organic OI growth at total PMI level, resulting in +250 basis points of OI margin expansion to surpass 41%.

(SLIDE 9.)

H1 net revenue growth of 8.4% was again fueled by the three engines of our top-line growth model: with positive volumes, robust pricing and favorable smoke-free mix. Pricing contributed +5.2 points, driven by combustible pricing of +7.7%, and low-single digit smoke-free pricing excluding devices. The positive mix impact of rapid SFP growth drove a further contribution of +3.1 points.

Combustible geographic mix & other factors had an unfavorable impact of 2.4 points, including the Indonesia technical impact of around 1.5 points. Currency had a negative impact of 1.5 points, with a further 0.4 points from acquisitions and divestitures, which includes the divestment of Vectura.

(SLIDE 10.)

Turning now to gross margins, we delivered H1 organic expansion of +300 basis points, and +320 basis points including currency, acquisitions and divestitures. Pricing made a +160 basis point contribution, more than offsetting the 60 basis point unfavorable impact from cost inflation net of productivities and other cost items.

Smoke-free growth drove an excellent +190 basis points, reflecting the factors I covered earlier. The impact of Combustibles was broadly flat excluding pricing but including the Indonesia impact.

Below gross profit, we continue to invest strongly in the future growth of our smoke-free brands including in the U.S., with SG&A organic growth of +10.6% for H1, marginally above net revenue growth excluding the technical impact of Indonesia.

We achieved more than \$500 million in gross cost savings year-to-date through our manufacturing and back-office efficiency initiatives. Now at the mid-point of our target 2024-26 period, we have delivered over \$1.2 billion, placing us well on track towards our \$2 billion objective.

Altogether, with gross margin expansion more than compensating for higher year-on-year commercial investments, we delivered +290 basis points of adjusted OI margin expansion in H1, or +250 basis points organically. Q2 organic OI margin expansion of +300 basis points was even stronger than the +200 basis points in our first quarter.

(SLIDE 11.)

Focusing now on our smoke-free business, where our multicategory strategy is facilitating the continuous growth of our smoke-free user base. Estimated legal-age consumers of our SFPs grew by approximately 5 million versus one year ago, reaching around 41.5 million as of June 30th.

Our smoke-free products are now available in 97 markets following the Q2 launch of ZYN in Ireland and Cambodia. Almost half of these markets now have a multicategory offer with at least 2 of *IQOS*, *ZYN* & *VEEV* on sale to legal-age nicotine users. As shown on this slide, we now have all 3 categories deployed in 20 markets as we continue to broaden our multicategory presence.

The regulatory environment is a key enabler of smoke-free growth and I'm pleased to report some more examples of positive progress, such as legislation providing new market access for one or more SFP categories across several Middle East markets.

We also note the recently published proposal to revise the EU Tobacco Excise Directive, which marks the start of a formal legislative process that will require unanimous approval by all Member States and subsequent transposition into national law. Many Member States have already adopted risk-proportionate regulations and taxation frameworks for smoke-free products, which can serve as a valuable foundation and benchmark for shaping the final Directive. While we note the clear differentiation for smoke-free products relative to combustibles in the proposed minimum rates, we are also disappointed to observe the lack of a plan to counter the threat of illicit trade, which accounted for 9.2% of total EU cigarette consumption in 2024, with governments losing over EUR14 billion in tax revenues at a time when many countries face intense economic pressures.

(SLIDE 12.)

Our multicategory approach is built on the strength of the brand and commercial presence of *IQOS*, which remains our core SFP growth engine. We continue to be laser-focused on maximizing the growth of *IQOS* over time, with the deployment of *ZYN* and *VEEV* under its umbrella offering complementary opportunities to fully transition legal-age nicotine users from cigarettes to SFPs.

In this context I am especially pleased to confirm the acceleration in *IQOS* HTU adjusted IMS growth to +11.4% in Q2, notably driven by Europe and including excellent progress in its largest market of Italy, as the impact of the characterizing flavor ban recedes and our commercial initiatives bear fruit. Japan also delivered another robust quarter of growth, and other global markets accelerated nicely.

While competitive activity is increasing, we see this as positive for category growth over time and we expect continued strong *IQOS* progress in H2. We continue to target +10 to +12% HTU adjusted IMS growth for the year.

Continuous *IQOS* innovation on devices and consumables, combined with investments in brand equity, are fundamental pillars of our growth. The roll-out of the *ILUMA i* technology, now present in over 30 markets, remains ongoing. We are expanding the portfolio of *LEVIA* tobacco-free consumables with promising initial results from recently launched new taste variants and flavor capsules. We also commenced the rollout of a revamped pack design on our core premium *TEREA* HTUs, as well as the expansion of our mainstream-priced offering *DELIA*, with excellent results in markets such as Germany and Poland.

In the U.S., we continue with small-scale *IQOS 3* pilots, which are generating considerable adult consumer interest. As we progress our commercial pilot in Austin, we also launched a second pilot in Fort Lauderdale during the quarter, with further initiatives planned in the coming months as we prepare for the at-scale launch of *IQOS ILUMA*, once authorized by the FDA.

(SLIDE 13.)

Our second flagship premium smoke-free brand *ZYN* leads a category which has the potential to fundamentally reshape the consumption of nicotine for the substantial net benefit of global public health as adult smokers increasingly switch to smoke-free products.

Q2 can shipments grew by +43% on a global basis, and offtake reaccelerated strongly in the U.S., which I'll come back to in more detail. Building on *ZYN*'s U.S. strength, our

global rollout continues to advance with Q2 international can volumes up +65% year-on-year, or a remarkable +179% excluding the Nordics.

The growth of our international business reflects both market expansion and strong offtake growth, supported by expanding production capacity in new geographies. Notable strong performances include our Global Travel Retail business with close to +200% volumes excluding the U.S., as well as the UK, Pakistan, Poland, South Africa and Mexico.

As covered in our recent Europe Focus event, our focus is on growing the category by switching legal-age smokers, rather than sourcing from the small existing category. It is also notable that ZYN holds the number one position in Mexico and South Africa, where we launched our predominantly mini dry portfolio at the same time as competitor brands. Dry pouches already make up the majority of our pouch volumes in more than three-quarters of ZYN markets and we believe this format is especially relevant for legal-age smokers. ZYN is now present in 44 markets globally, following additional launches in Q2.

(SLIDE 14.)

Our smoke-free trilogy is completed by VEEV. H1 shipment volumes more than doubled to reach almost 1.5 billion equivalent units, with increasingly profitable growth driven by Europe where VEEV now holds the number one closed pod position in 6 markets, including Italy and Greece. Outside Europe, we see significant potential for the brand, with nice results in diverse markets such as Indonesia, Canada and Colombia, and further rollouts planned. Increasing repeat purchase rates and consumer loyalty are especially promising as we seek to leverage our multicategory infrastructure under the IQOS umbrella of quality, premiumness, and superior technology.

In this vein, we recently launched our latest innovation 'VEEV *inPRIME*' in the Czech Republic. *inPRIME* offers an upgraded premium user experience with higher intensity of flavors, a larger cloud size, and higher battery capacity with an optimized pod cost profile.

(SLIDE 15.)

The most developed multicategory consumer landscape is in Europe, and we now have 30 markets with at least 2 categories on offer. Of course, IQOS remains the core driver of our performance in the region and I am delighted to report a meaningful Q2 acceleration of HTU adjusted IMS growth to +9.1% as adjusted market share grew by +1.2 points year-on-year to 10.9%, in this seasonally higher period for combustibles.

As explained at our recent Europe event, *IQOS* has a very strong brand platform across the Region and this performance reflects our innovation and commercial initiatives including those on *ILUMA i*, *LEVIA* and *DELIA*. This helped drive strong double-digit adjusted IMS growth across markets including Germany, Spain, Romania, Greece and Bulgaria. A significant Q2 call-out is Italy, Europe's largest *IQOS* market by volume, which delivered a very welcome uptick in both sequential and year-on-year growth.

With the exceptions of Poland, Austria, Estonia and Croatia, the impact of the EU characterizing flavor ban is now behind us, and our absolute Regional growth in HTU adjusted IMS is now getting closer to pre-ban levels. While quarterly comparisons from 2024 have some volatility from flavor ban dynamics, sequential trends are very positive and we look forward to the remainder of the year with confidence in further strong *IQOS* growth.

On top of this *IQOS* progression, the accretion from our multicategory strategy is evident in our total volumes of *IQOS*, *ZYN* and *VEEV*, with shipment growth of +13.5% in Q2, compared to HTUs alone at +10.5%. *ZYN* and *VEEV* are still very early in their development but are demonstrating exceptional growth. The numbers you see here are for Europe overall, and I would also note that where we are present with all three brands such as Italy, Greece, Poland and Romania, we see several points higher SFP volume growth.

(SLIDE 16.)

In Japan, we achieved the significant milestone of 10 million estimated users and Q2 adjusted HTU share increased +2.3 percentage points year-on-year to 31.7%, despite increased competitive intensity.

IQOS continues to deliver strong progress, with Q2 adjusted IMS growth of +7.8% against a prior year period which included the full launch of *ILUMA i*.

As shown on the slide, *IQOS* delivered truly exceptional growth in 2023 and 2024, especially considering the size of the category now stands at almost half of total nicotine offtake volumes nationally, and more than half in 13 cities. The high-single digit growth that our business delivered in H1 2025 remains very healthy and is essentially in line with the trend in the years prior. We expect further strong adjusted IMS growth in the remainder of the year.

We are pleased to see our competitors embrace the heat-not-burn category, as while our category share was sequentially stable at around 70% in Q2, our biggest focus is on accelerating the size of smoke-free products overall to maximize the growth of our leading proposition and convert more smokers.

(SLIDE 17.)

Switching now to the U.S. The strong reacceleration in ZYN offtake growth is a clear highlight of our Q2 performance and testament to the strength of the brand, as in-store availability improves and legal-age consumers regain access to the full ZYN portfolio offering.

The supply constraints of previous quarters had limited the growth in sell-out volumes and meant ZYN was growing less than the overall category. With manufacturing capacity now in very good shape, the recovery to around +36% offtake volume growth in June as measured by Nielsen, and +26% in Q2 overall, marks the return of ZYN to its category-driving position in terms of growth and market share.

(SLIDE 18.)

On a sequential basis, ZYN offtake volumes accelerated to around +12% growth vs. Q1, in line with the total category. With a number of commercial programs restarting at the end of the quarter, this is clearly very promising as we increasingly focus on legal-age smokers and vapers who have not yet switched to the category.

Q2 shipments increased +41% year-on-year, reaching 190 million cans. As with any out-of-stock situation, quarterly shipments are subject to volatility. Restocking of the value chain was effectively completed in H1, with the majority of this taking place in the first quarter. We estimate the total net impact at broadly 40 million cans for the year, slightly below our initial expectations.

This factors in the good news that retail availability is now approaching normalized levels, with a lower scarcity premium in retail prices narrowing the price gap to competition. Importantly, sales velocities are accelerating, and with 36% offtake growth in June, this bodes well for the second half of the year.

With shipments now primarily driven by consumer offtake, we expect a broadly similar level of shipments in Q3 as in Q2, factoring in the possibility of a few days adjustment to wholesaler and distributor inventories as the situation fully normalizes. We continue to target full year U.S. shipments of 800 to 840 million cans, including a sequential step-up in Q4.

With our U.S. production capacity increased ahead of plan and now well-set for this year and beyond, we are incredibly excited to drive ZYN and the overall nicotine pouch category to its full potential over the coming years.

(SLIDE 19.)

Having covered Europe, Japan and the U.S. in some detail, let's look at the rest of the world. In most markets, both the nicotine pouch category and our multcategory presence are nascent. Both *ZYN* and *VEEV* will leverage on the strength of *IQOS* where Q2 adjusted IMS accelerated to +19.3% growth with broad-based progress including Egypt, the Philippines and Indonesia. While pouch and e-vapor volumes are naturally very small across these markets at this stage, we can measure their Q2 growth in multiples rather than percentages.

(SLIDE 20.)

This impressive *IQOS* growth is exemplified by offtake share gains in global key cities. Strong progress in South Korea and Malaysia is more than matched by key cities in Mexico, Serbia, the Middle East and North Africa. Global Travel Retail, where multcategory is increasingly prominent, also continues to grow strongly.

The world's largest cigarette market by volume outside China is Indonesia, where Jakarta offtake share grew by +2.5 points year-on-year to 7.5%. Following promising results from the pilot launch of our full-flavor heat-not-burn technology *BONDS*, which is tailored to local kretek taste preferences, we have recently commenced a broader roll-out. *BONDS* is also progressing well in Lebanon.

(SLIDE 21.)

Turning to combustibles, our business delivered robust organic net revenue growth of 2.0% in Q2 and +2.9% for H1, with *Marlboro* reaching a post-spin category share high of 10.7% in Q2.

Strong Q2 pricing of +7.2% included notable contributions from Indonesia, Germany and Italy, yielding +7.7% in H1 overall. While we continue to expect a moderation in H2 pricing due to timing and comparison dynamics, we now forecast +6 to +7% for the full year. Our strategy is to take pricing actions to optimize the financial contribution to the business over time, which can naturally impact volume and share performance on a quarterly basis.

Our combustible business is resilient and the combination of pricing, category leadership and ongoing efficiencies drove very good gross profit growth, as covered earlier. This performance is in line with our objective of maximizing value over time and supporting the growth of our smoke-free business.

(SLIDE 22.)

This brings me to our revised outlook for a remarkable 2025, where we are raising our adjusted diluted EPS forecast for the year in both currency-neutral and dollar terms.

As expected, we delivered a strong H1 organic performance compared to our target ranges for the full year. While combustible volume dynamics and the phasing of comparisons and costs are less favorable in H2, our fundamental outlook remains very good. We expect continued strong momentum on both *IQOS* and *ZYN*, alongside robust pricing and meaningful margin improvement. We expect further double-digit HTU adjusted IMS progression, with growth skewed to the fourth quarter given a strong comparison in Q3. We forecast Q3 HTU shipments of 38.5-39.5 billion and dynamic growth in adjusted diluted EPS to \$2.08 to \$2.13, including strong investments and a favorable currency variance of 5 cents, at prevailing rates.

For the full-year, we continue to expect very strong organic net revenue growth in the range of +6% to +8%. Following excellent H1 top-line dynamism and margin progression, we are raising our forecast range for organic OI growth to +11% to +12.5%.

We are also raising our currency-neutral adjusted diluted EPS growth to +11.5% to +13.5%. This includes a slightly improved effective corporate tax rate of approximately 22% to 23%, based on the latest assessment of tax dynamics and market mix. We are still reviewing the implications of the OBBB Act U.S. tax reform. In dollar terms, we expect adjusted diluted EPS growth of +13% to +15%. This includes an estimated 10 cent favorable currency impact at prevailing exchange rates, with favorable earnings translation from a broadly weaker dollar partly offset by transactional impacts due to currency volatility, which I covered earlier.

Given our expectations for a strong full-year profit delivery and cash conversion, we are raising our forecast for operating cashflow to around \$11.5 billion, at prevailing exchange rates and subject to year-end working capital requirements. We project capital expenditures slightly above our prior forecast at around \$1.6 billion, primarily due to further international *ZYN* capacity investments, with capex spend almost entirely focused on supporting the growth of smoke-free.

With regard to our balance sheet, we continue to target further deleveraging in 2025, placing us on track for our target ratio of around 2.0x by the end of 2026.

As mentioned last quarter, we are a global company with broadly diversified production and a worldwide supplier network, including an established U.S. manufacturing base, and we believe we are well-positioned to mitigate potential supply chain challenges.

While the situation is volatile, we do not currently anticipate a material impact on our business from recently introduced or discussed tariffs.

(SLIDE 23.)

Our financial growth model is driving a continuous improvement in the quality of our business, with smoke-free accretion and combustible resilience driving considerable bottom-line growth. We are well on track to meet or exceed our 3 year CAGR targets, demonstrating our ability to deliver what we believe to be best-in-class CPG growth.

Adjusted diluted EPS growth in dollar terms is a key objective, and we are pleased to see this delivered in H1, as well as in our outlook for the year.

(SLIDE 24.)

I will now conclude today's presentation with some closing remarks.

We delivered an exceptional first half of the year, placing us well on track for another year of strong performance.

Our smoke-free growth is increasingly profitable, as *IQOS*, *ZYN* and *VEEV* gain scale and drive synergies at the consumer and commercial level.

Our best-in-class financial performance is bolstered by underlying strength across all categories, including the resilience of our combustibles business, in addition to our proactive measures on pricing and cost efficiencies. This drives our confidence in strong and sustainable adjusted diluted EPS growth in both currency-neutral and dollar terms.

Finally, we remain a highly cash-generative business with an unwavering commitment to our progressive dividend policy. We look forward to further rewarding our shareholders as our transformation delivers continued growth.

(SLIDE 25.)

Thank you. We are now happy to answer your questions.

JAMES BUSHNELL

(SLIDE 26.)

That concludes our call today. Thank you for joining us. If you have any follow-up questions, please contact the Investor Relations team. Thank you again and have a nice day.