Philip Morris International Inc.
2026 Second-Quarter Conference Call
July 22, 2026

JAMES BUSHNELL

(SLIDE 1.)

Welcome. Thank you for joining us. Earlier today, we issued a press release containing detailed information on our 2026 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, 2026, 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, Group Chief Financial Officer and Massimo Andolina, currently Regional President for Europe who will succeed Emmanuel as Group CFO in August.

Emmanuel. Over to you.

EMMANUEL BABEAU

(SLIDE 4.)

Thank you, James, and welcome everyone.

I am pleased to report a very strong Q2, as we generated +8% organic growth in net revenues and +11% in operating income, driving +14% currency-neutral progression in adjusted diluted EPS to $2.20, or +15% in dollar terms. This better-than-expected delivery contributed to very robust H1 growth, despite the tough comparisons of the first quarter.

Our Q2 results were once again powered by excellent performance, as expected, from our international smoke-free business, with high single-digit volume growth, double-digit top-line growth and impressive gross margin expansion. *IQOS* adjusted IMS volumes increased by +5%, including expected transitory headwinds from the April excise increase in Japan, and the characterizing flavor ban in Poland. Excluding these 2 markets, double-digit growth continued, reflecting the broad-based strength of our smoke-free business across markets. Our multicategory commercial approach continues to gain momentum, supported by *ZYN* and *VEEV*.

Our combustibles performance was above our expectations in an especially strong quarter, with growing volumes, very good pricing, stable category share and gross profit growth. While we do not expect this delivery to be repeated to the same magnitude for the full year, such results demonstrate the robustness of our portfolio as we leverage our leadership in cigarettes to support the switching of legal-age smokers to better alternatives.

In the U.S., we posted a significant sequential improvement in net revenues, gross profit and OCI compared to a challenging Q1. While the U.S. nicotine pouch category continued to grow, *ZYN* offtake volumes were broadly stable to slightly growing versus the prior year, reflecting the uneven competitive landscape described in recent quarters. *ZYN* shipments increased by +2% to 2.9 billion pouches despite an inventory tailwind in the prior year, broadly reflecting offtake trends and the initial shipments of new variants including *ZYN ULTRA*. We are excited about this first phase of portfolio expansion, with additional initiatives planned in the coming months to enhance and enrich our offering to legal-age American nicotine consumers. Supported by a rich product pipeline and improving regulatory clarity, we believe it is the right moment to accelerate U.S. investments in the second half of the year to support *ZYN's* brand equity and portfolio expansion, and to prepare for the future launch of *IQOS ILUMA*.

Overall, our strong first-half performance reinforces our confidence in our ability to consistently invest behind smoke-free growth opportunities, while delivering another year of best-in-class top and bottom-line growth.

(SLIDE 5.)

Looking at our Q2 financials, we delivered very good shipment volume growth of +2.5%, underpinned by continued momentum in *IQOS* and favorable combustible dynamics. Organic net revenues grew +7.6%, or more than +10% in dollar terms, to reach over $11 billion in quarterly net revenues for the first time.

This strong top-line performance translated into robust profitability. Adjusted gross profit grew by +8.7% organically, or +11.5% in dollar terms, driven by pricing, volume leverage and favorable smoke-free mix.

Adjusted operating income grew close to +11% organically and +12% in dollar terms to reach $4.8 billion, reflecting the same underlying business drivers and continued growth investments.

Adjusted diluted EPS grew by an impressive +15%, to reach $2.20. This includes a 3 cents favorable currency impact, which was notably better than our previous forecast despite ongoing Dollar strength. This was primarily due to a positive impact from unrealized transactional effects from deferred tax liabilities associated with the weaker Russian ruble. This currency impact represents around one-third of the EPS outperformance compared to our prior forecast. The remaining two-thirds reflects a combination of SG&A phasing, as certain commercial investments previously anticipated in Q2 are now expected to occur in Q3, and the strong performance of our combustibles business, which I'll come back to.

(SLIDE 6.)

Combining our Q2 and first-quarter performance, we delivered a very robust first half, despite the comparison headwinds of Q1.

Total shipment volumes increased +0.4%, as smoke-free growth outweighed combustible declines. Organic net revenues grew by +5.3%, while adjusted operating income increased by +6.1% organically, or +11% in dollar terms to reach $8.9 billion.

Adjusted diluted EPS grew by +9.4% excluding currency and by +15.6% in dollar terms, reaching a first-half record of $4.16.

(SLIDE 7.)

The strength of our international business, which made up 93% of H1 group net revenues, was naturally at the core of this remarkable performance.

International smoke-free was again outstanding, with H1 organic growth of +13.7% in net revenues and +16.9% in gross profit, driving gross margin expansion of +190 basis points to reach 70%. This primarily reflects continued *IQOS* growth, with further enhancement from our other smoke-free categories, especially *VEEV*.

Combustibles also performed very well, exceeding our mid-term trajectory of low single-digit organic top-line growth and low-to-mid single-digit gross profit growth. An excellent Q2 with organic growth of +6.4% in net revenues and +8% in gross profit, driven by resilient volumes and strong pricing, enabled us to realize H1 organic net revenue growth of +3.8%, despite negative geographic mix. H1 gross profit increased by +6.1%, with margin expansion of +150 basis points to 67.7%, including the benefits of effective cost management.

As a result, total H1 international net revenues grew by +7.4% and gross profit by +10.1%, with gross margin expansion of +160 basis points to 68.6%. In turn, adjusted OCI increased +11.7%, all on an organic basis.

(SLIDE 8.)

Turning now to volumes, where total shipment growth returned to a positive trajectory in the second quarter with an increase of +2.5%, resulting in +0.4% growth for the first half.

Smoke-free shipments grew by +7.5% in Q2 and +8.3% in H1, mainly fueled by *IQOS* HTUs with notable contributions from Taiwan, Global Travel Retail and Italy. E-vapor shipments increased by a remarkable +55% in Q2, and +72% in H1, with Romania, Greece and Germany among the main drivers. Oral smoke-free volumes declined by 1.2% in the quarter, primarily reflecting industry declines and inventory impacts for snus in the Nordics, despite a stable category share performance. This was partly offset by continued rapid nicotine pouch growth in international markets excluding the Nordics, and the return to shipment volume growth for *ZYN* in the U.S.

Q2 cigarette shipments increased by +1.1%, ahead of expectations. This reflects a combination of good category share performance, certain timing or comparison factors and more favorable industry dynamics in certain large markets, predominantly where SFPs are banned or very small. Notable callouts include Indonesia, Turkey, Egypt, and relative resilience in India and Mexico. However, with industry volumes declining low-to-mid single digit in more developed smoke-free markets where the average unit economics of cigarettes are more favorable, this generated an unfavorable mix impact on net revenues.

For H1 overall, cigarette volumes declined by 1.9%. Given our Q2 performance and the latest industry dynamics, we now expect a more moderate full-year decline in our cigarette volumes of around 2 to 3%, versus 3% previously, which remains consistent with the structural evolution of the category.

Taken together, we now expect total shipment volumes to be around stable to slightly positive for the full year, with high single-digit growth in smoke-free products broadly offsetting the decline in cigarettes.

(SLIDE 9.)

Turning to our H1 top-line growth drivers, pricing was the largest contributor, adding +5.9 points of growth, reflecting strong combustible pricing of +9.2%, with low single-digit smoke-free pricing, including around +3% from *IQOS*.

The positive mix impact from international smoke-free growth contributed a further +2.0 points, as the increasing weight of SFPs continues to enhance our revenue profile.

These drivers were partly offset by the U.S., which had a negative impact of 1.0 point mainly due to Q1 comparisons, as well as international combustible geographic mix and other factors, which reduced growth by 2.0 points.

As a result, H1 organic net revenue growth reached +5.3%, while currency provided a tailwind of +4.5 points, bringing reported net revenue growth to +9.8%.

The composition of our growth once again highlights the consistency and sustainability of our model, with stable-to-growing volumes, durable pricing power and superior smoke-free economics continuing to be the primary drivers of performance.

(SLIDE 10.)

Moving down to H1 adjusted OI margins, which expanded by +40 basis points organically, or +60 basis points in dollar terms to reach close to 42%.

Gross margin expansion remained a key driver, contributing +70 basis points, supported by strong pricing, favorable smoke-free mix, scale benefits and manufacturing productivities.

While SG&A costs were lower than expected in Q2 due to phasing, increased year-on-year investments in commercial initiatives, innovation and scale, nonetheless reduced H1 margins by 30 basis points. We now expect higher SG&A costs in the second half than previously anticipated, as we made the strategic decision to step-up our U.S. growth investments.

As we invest in our top-line, we also delivered over $300 million of gross cost savings across COGS and SG&A in H1, keeping us firmly on track to achieve our $2 billion target for the 2024-2026 period with a cumulative total above $1.8 billion to date.

This margin performance underscores the strength of our model, as we continue to invest behind our smoke-free transformation while expanding profitability. As implied in our full-year forecast, we expect to deliver organic OI margin expansion for the full year.

(SLIDE 11.)

Focusing now on *IQOS*, the driving force of our smoke-free and overall PMI growth trajectory. We continue to generate strong underlying growth, despite transitory headwinds in Japan and the final EU flavor ban market implementations. Adjusted in-market sales volume grew by +8.0% in the first half despite these dynamics, reflecting broad-based global momentum.

The moderation in Q2 growth to +5.1% primarily reflects expected volatility in Japan as Q1 pantry-loading reversed and consumers adjusted to the excise-driven price increase on April 1st. Excluding Japan and Poland, Q2 growth was strong at +10.2%, or over +11% for H1, consistent with recent history.

Strong Q2 performance in more established *IQOS* markets, such as Italy, Greece and Romania, was complemented by continued momentum in newer markets, including Saudi Arabia, the Philippines, Mexico and in Taiwan, which maintains its impressive trajectory with offtake volumes growing double-digit on a sequential basis as we progressively expand distribution. Global Travel Retail also delivered double-digit adjusted IMS growth.

In tandem, we are driving strong commercial execution and ongoing innovation across our device and consumables portfolio, with 'Remix' special editions shown on this slide as one example. We also continue to expand our alternative heating technology *BONDS by IQOS*, which was launched in Poland, Czech Republic and Morocco this quarter, with encouraging early results.

The fundamentals of *IQOS* remain strong. We continue to benefit from formidable brand equity, deep consumer connection and an unparalleled commercial presence across a broad and diversified geographic footprint, and we maintained our global share of the fast-growing heat-not-burn category at approximately 76% in H1. This was further illustrated by the recognition of *IQOS* for the first time among the top 100 most valuable global brands, according to Kantar.

(SLIDE 12.)

Looking at *IQOS* offtake share performance, we continue to drive impressive progress across key cities globally – an important lead indicator of broader national adoption. In Q2, we recorded further strong share gains across established *IQOS* markets including Greece, Italy, Romania and the UK, alongside Global Travel Retail.

We are also seeing very good momentum in emerging *IQOS* markets notably Mexico, Indonesia and Taiwan, with Taipei share of around 8% in a seasonally higher total market for cigarettes.

These results reflect our strong commercial execution, as well as the increasing presence and scale of *IQOS* in more established markets, combined with excellent early adoption in newer markets, reinforcing our confidence in the long-term growth trajectory.

(SLIDE 13.)

In e-vapor, *VEEV* continues to deliver excellent results with H1 shipment growth of +72% and very good progression on financial metrics, including profitability. This reflects robust growth across key European markets, reinforcing *VEEV's* leadership position. *VEEV* is now the clear number one brand in Europe both within closed pods and for pods and disposables combined, and the estimated number one closed pod brand in Global Travel Retail where *VEEV* is present, all ahead of long-established players.

This is supported by the structural evolution of the category, with closed pods now representing the predominant format internationally, excluding illicit and open systems.

High levels of consumer retention and brand loyalty underpin our performance, supported by responsible innovation and continued portfolio enhancement. This includes the progressive rollout of our latest technology, *VEEV ONE+,* which offers an elevated consumer experience through a compact premium design, a "swap and store" functionality enabling two pods in one device and a longer-lasting replaceable battery.

(SLIDE 14.)

For *ZYN*, international shipment volumes grew +6% in the first half, or +32% excluding the Nordics. *ZYN* continues to gain share in this small but fast-growing category, reaching more than 17% of the international segment excluding the Nordics in Q2.

We are seeing encouraging progress across a broad set of geographies, supported by portfolio expansion and consumer adoption as awareness and availability improve. This includes markets such as the UK, Pakistan, Poland, Greece and the Philippines, with further footprint and portfolio expansion planned in the second half.

(SLIDE 15.)

Zooming in on Europe, where we are now present in every market with SFPs following the Q2 launch of *IQOS* in Malta, which recently established a new regulatory framework for smoke-free products. Our multicategory portfolio drove strong growth with combined IMS up +8% in H1, as *ZYN* and *VEEV* strengthen and complement *IQOS*, supporting growth, consumer acquisition and long-term value creation.

IQOS remains the core engine of our performance, with adjusted IMS volumes up by +5.1% in Q2 and +5.4% for the first half. We achieved this despite ongoing disruption in Ukraine, and the impact of recent flavor bans in markets such as Poland and Hungary. Excluding markets where the ban took effect in the prior 12 months, underlying *IQOS* adjusted IMS growth remained robust, at around +8% for both Q2 and H1, reflecting momentum across the region.

This includes excellent growth across a broad set of markets including Italy, Germany, Romania, Bulgaria, Greece and Spain, supported by our innovation and commercial initiatives such as the broader roll-out of *DELIA*, new variants of both *TEREA* and *LEVIA,* special edition devices and consumables, and collaborations with partners that share our commitment to innovation, reinvention and transformation.

While *VEEV* is a global success, its biggest impact is in Europe where the e-vapor category is highly penetrated. H1 shipments grew +81%, including impressive results in Romania, Greece and Germany. Similar to its total international progression, *ZYN* displayed dynamic ex-Nordics growth of around +33%, as the category continues to gain traction.

(SLIDE 16.)

In Japan, *IQOS* fundamentals remain strong, despite expected volatility from pricing and timing effects.

First-half performance was in line with expectations, with adjusted IMS growth of +3.4%. Following an exceptionally strong first quarter, Q2 adjusted IMS declined by 3.4%, reflecting the reversal of consumer pantry-loading ahead of the April 1st excise-driven price increase. Excluding this impact, underlying growth was around +1%. While this represented a moderation from recent quarters, the initial impact of consumer adjustment to the price increase was in line with our expectations. The April excise change required the largest HTU price increase to date in Japan to pass on the tax, while there was no excise change for cigarettes. Despite implementing the largest increase in the market, *IQOS* adjusted category share held in the high-60s and adjusted IMS recovered nicely through the quarter to essentially match Q1 monthly volumes excluding pantry-loading, a further testament to *IQOS's* resilience.

Despite these factors, *IQOS* adjusted HTU share was stable at 31.8% in Q2 or up +0.9 percentage points excluding pantry-loading, supported by our tiered portfolio with *SENTIA* playing an important role in capturing more price-sensitive *TEREA* consumers.

Importantly, underlying demand remains robust. The heat-not-burn category continues to represent more than half of total nicotine offtake, and we expect this to continue growing over time.

While the biggest step is behind us, we expect further category volatility in H2 - notably around the excise change in October - and would expect similar consumer behavior patterns, including pantry-loading and subsequent normalization. We continue to target growth in *IQOS* adjusted IMS volumes for the year overall.

(SLIDE 17.)

Moving to the U.S., where we delivered a sequential improvement of +38% in net revenues and +46% in adjusted gross profit compared to a challenging Q1. This largely reflects the +25% sequential growth in *ZYN* shipments and reduced sales promotions as we prepared for new product launches. On a year-on-year basis, segment net revenues declined by close to 1%, reflecting a decline in cigars and unfavorable phasing dynamics in the Wellness business, while *ZYN* net revenues were broadly flat. Gross profit was impacted by higher manufacturing costs, mainly related to the ramp-up of new *ZYN* capacity in Colorado, where full-scale commercial production began this month, reflecting our continued investment to support future growth.

ZYN shipments returned to growth with an increase of +2% year-on-year to 2.9 billion pouches despite an inventory restocking tailwind of around 150 million pouches in the prior year. This growth is broadly in line with stable to slightly growing offtake volumes, and includes some initial shipments of new variants in June, including the *ZYN ULTRA* range, which contains 20 pouches per can.

Looking to the second half, we expect the dynamism of *ZYN* to be enhanced by our expanding portfolio and increased commercial activity, which I'll come back to shortly. However, it is important to note that volume comparisons in Q3 will be impacted by the one-off promotional activity in September of last year, which accounted for around 250 million pouches.

Importantly, *ZYN* remains the clear premium leader of the nicotine pouch category with a retail value share of around 57%. As discussed in prior disclosures, recent category share performance has been impacted by both competitive gaps in the growing higher strength segment, including moist products, and in certain flavor segments, as well as an elevated price premium. With improving regulatory clarity and operational readiness, we have now taken the first steps to address this with additional variants.

(SLIDE 18.)

This started with the launch of *ZYN ULTRA* in 9 and 11mg moist variants at a lower per-pouch price than the *ZYN* flagship range of dry pouches, reducing the price premium to the closest competitor while maintaining a clear premium position, alongside targeted additions to our flagship flavor range. These new variants are rapidly building distribution and while early days, we are pleased by promising initial offtake trends and positive consumer feedback. As a related aside, I would note that while scanner data typically provides a good directional indication of volume trends, it does not always fully capture the effective consumer price.

We plan further extensions in the coming months, including the introduction of 1.5mg and 8mg dry formats in Q3. Together, these launches will broaden our offering with an expanded range of strengths and taste profiles, enabling us to better address the spectrum of legal-age consumer preferences, and further strengthen our competitive positioning across segments.

With such an exciting line-up of new products to complement the existing portfolio, we plan to accelerate our U.S. investments in the second half. This includes a comprehensive commercial program across marketing, distribution and in-store execution, with the rollout of our major new brand campaign *"When it Clicks"* starting this month to support brand engagement and consumer relevance. We are also implementing commercial initiatives to optimize *ZYN's* premium positioning and enhance consumer value perception. In addition, our U.S. investments include preparations for the future launch of *IQOS ILUMA*, subject to FDA action.

We also believe *ZYN* is well positioned from a regulatory standpoint, notably following the Modified Risk Tobacco Product authorization of 20 SKUs, making it the only nicotine pouch product with this designation, and allowing us to market the claim "*Using ZYN instead of cigarettes puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis*". This further reinforces its differentiated and sustainable positioning, supporting consumer trust and long-term growth potential.

Overall, we remain confident in the long-term trajectory of *ZYN* and the U.S. nicotine pouch category, supported by strong legal-age consumer demand and the investments we are making in responsibly commercializing a significantly enhanced product range for long-term leadership.

(SLIDE 19.)

Finally moving to combustibles, where our business delivered a particularly strong Q2 performance. In addition to the favorable volume trajectory I described earlier, this was driven by a pricing variance of +9.2% in the first half, or almost +10% in Q2 with notable contributions from markets including Turkey, Indonesia, the Philippines and Mexico. While we expect some moderation in H2 due to timing factors and annualization, we now forecast a pricing variance of more than 7% for the full year, although we expect this additional benefit will be largely offset by a more adverse geographic mix as volumes skew more to markets with lower per-unit revenues.

Despite such strong pricing, our portfolio maintained its international category share at 25.3% in Q2, with *Marlboro* again demonstrating the strength of its premium brand equity, matching its record high of 11.0%.

This combination of pricing power, brand leadership and disciplined execution translated into robust profitability, with international combustible gross profit growing by +6.1% in organic terms, and by an impressive +8.0% in Q2.

Our combustibles business continues to demonstrate the strength of its model, delivering solid top and bottom-line growth, while supporting the ongoing expansion and increasing profitability of our smoke-free portfolio.

(SLIDE 20.)

This brings me to our outlook for the full year. With our international smoke-free business growing very strongly as expected, and the combustible business outperforming our prior expectations, we have additional capacity to invest while maintaining a best-in-class growth performance.

The success of PMI is built on investing in the short-term for long-term growth, just as we have with *IQOS*, and in decades past, *Marlboro*. A defining characteristic of our company over the last 15 years is that as we invest, we also deliver strong growth and cash generation.

For 2026, we continue to target organic net revenue growth of +5% to +7%, organic operating income growth of +7% to +9%, and currency-neutral adjusted diluted EPS growth of +7.5% to +9.5%. In dollar terms, we now forecast a currency tailwind of around 15 cents at prevailing rates, translating into an adjusted diluted EPS range of $8.26 to $8.41, an increase of +9.5% to +11.5%. With an expectation of broadly stable to slightly growing volumes, we are also aiming for our sixth consecutive year of total volume growth.

For the second half, this implies a continued strong top-line and an acceleration in organic OI growth. Further robust international progression should be complemented by U.S. momentum, notwithstanding a fairly even phasing of international HTU shipments through the four quarters, with shipments broadly in line with adjusted IMS for the full year. We also expect robust progress at the EPS level, while noting challenging H2 comparisons on net finance costs and the effective tax rate.

For Q3 specifically, we expect HTU shipment volumes of around 41 billion units. Against a strong Q3’25 when HTU shipments grew by 15.5%, we thus expect mid single-digit International smoke-free organic net revenue and gross profit growth. For PMI overall we forecast mid single-digit Q3 organic top-line growth with modest organic margin expansion. We target adjusted diluted EPS of $2.20 to $2.25, including an unfavorable currency impact of 8 cents at prevailing exchange rates. This also reflects the challenging tax rate comparison from Q3 last year.

Finally, we continue to expect operating cash flow generation of around $13.5 billion, providing further flexibility to support both investment and continued attractive shareholder returns.

(SLIDE 21.)

I will now conclude today's presentation with a few key takeaways.

We delivered an excellent first half, underscoring the quality of our business model and placing us firmly on track for another year of strong performance.

Our results reflect the powerful combination of smoke-free growth and strong combustibles execution, with the profitability of our smoke-free portfolio continuing to improve as *IQOS*, *ZYN* and *VEEV* gain scale and drive synergies across markets.

This performance, together with effective cost management, provides us with the flexibility to reinvest behind our smoke-free future while sustaining best-in-class growth.

We also remain a highly cash-generative business, with an unwavering commitment to our progressive dividend policy and to returning value to shareholders.

Looking ahead, we approach the remainder of 2026 with confidence, well positioned to deliver superior and sustainable growth.

On a more personal note, this is my last earnings call as Group CFO of PMI, and I would like to thank our shareholders and analysts for your support, engagement and constructive challenge over the past 6 years, a period of strong performance and shareholder returns. As I look at the business today, I am confident PMI will continue to represent a stand-out performer within CPG over the coming years and I leave you in the very talented hands of my successor Massimo Andolina, who will transition from his current role as Regional President for Europe in August.

MASSIMO ANDOLINA

Thank you, Emmanuel. I would first like to pay tribute to your significant contribution to the performance of our company over the last few years, and to the great collaboration that you and I have personally enjoyed both in my previous roles and in the process of this transition. Emmanuel, I am fully aware that you leave behind big shoes to fill, and I will continue to count on your support in the coming months to do so effectively. Thank you. I am very much looking forward to serving as Group CFO of PMI, and continuing our relentless focus on delivering superior shareholder returns over the long-term. We have a very robust business model built on investing for sustainable smoke-free growth, and a strong and talented organization with an excellent track record of delivering for shareholders. I look forward to engaging with our investors, analysts and other stakeholders over the coming months and beyond.

JAMES BUSHNELL

(SLIDE 22.)

Thank you Massimo, thank you Emmanuel. We are now happy to answer your questions.

(SLIDE 23.)

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.