

## **Virtual Annual Meeting of Shareholders**

**Philip Morris International Inc.**

**May 4, 2022**

### **(SLIDE 1.)**

Good morning and thank you for joining us. I am André Calantzopoulos, Executive Chairman of the Board, and I would like to welcome you to Philip Morris International's virtual 2022 Annual Meeting of Shareholders, which I now call to order.

Before proceeding, I would like to acknowledge the challenging times we are living in given the tragic events related to the war in Ukraine. We stand in solidarity with the people of Ukraine, and we will not waiver from our efforts to provide aid and relief to our colleagues, their families, and others who have been impacted by this war.

Also, I would like to personally thank our people who have donated their time, opened their homes, and provided resources to help those impacted. I have been very touched by their generosity and continued efforts to help those in need.

On the call with me today are our Board of Directors, our Chief Executive Officer, Jacek Olczak, our Corporate Secretary, Darlene Quashie Henry, and our audit partner at PricewaterhouseCoopers, Chad Mueller.

It is our intention to proceed in accordance with the Agenda and the rules for the meeting as outlined on the Virtual Shareholder Meeting Webpage.

### **(SLIDE 2.)**

Today's remarks contain forward-looking statements. I direct your attention to the Forward-Looking and Cautionary Statements disclosure in today's presentation.

A glossary of terms, including the definition for reduced-risk products, or "RRPs," as well as adjustments, other calculations and reconciliations to the most directly comparable U.S. GAAP measures, are at the end of today's webcast slides, which are posted on our website. Figures and comparisons presented on a pro forma basis exclude PMI's operations in Russia and Ukraine entirely.

### **(SLIDE 3.)**

The Secretary will now present certain formal documents. Darlene.

Thank you, Mr. Chairman.

I present to the meeting, together with the Affidavit of Mailing, a copy of the Notice of Meeting, form of Proxy, Proxy Statement and Annual Report, including financial statements for the fiscal year ended December 31, 2021.

The holders of record of common stock at the close of business on March 11, 2022, are entitled to vote at this meeting. I am informed that 80.82% of Philip Morris International Inc.'s common stock is represented here today and, therefore, a quorum is present for the transaction of business.

Thank you, Darlene.

Will you please file the documents with the records of the meeting.

I appoint as Inspector of Election, Linda Piscadlo from American Election Services, LLC.

The Inspector is instructed to execute the oath, and to take custody of all proxies, and of the certified list of holders of common stock as of the close of business on March 11, 2022.

A list of shareholders as of the record date is available for inspection by shareholders using the registered shareholder list link found in the materials tab of the webcast page.

The Inspector will certify the vote on each of the matters to be presented at this meeting. Individual proxies and ballots are kept confidential, with exceptions outlined in the Proxy Statement.

**(SLIDE 4.)**

There are five business items set forth in the notice of meeting that will be put before the meeting at this time, and I hereby declare the polls for voting at our 2022 Annual Meeting of Shareholders open.

Any shareholder who has not voted or wishes to change their vote, may do so by clicking on the voting button on the virtual annual meeting webpage and following the instructions there.

Shareholders who have sent in proxies or voted by telephone or Internet and do not want to change their vote, do not need to take any further action.

Shareholders of record who have joined the annual meeting may ask questions by calling the number posted on the virtual annual meeting webpage.

If you would like to ask a question or make a comment, you will be required to provide your 16-digit control number to the operator. Only shareholders of record with a valid control number will be allowed to make a comment.

At this stage of the meeting, questions and comments should relate only to each item of business as it is presented. A general question and comment session will follow the business portion of the meeting.

**(SLIDE 5.)**

The first order of business is the election of fourteen directors.

The individuals on this slide, featured in alphabetical order, have been nominated for election as directors, each to hold office until the next Annual Meeting of Shareholders and until their successor shall have been duly chosen.

In accordance with the Company's by-laws, no other nominations may be made at this time.

Are there any questions?

Thank you.

**(SLIDE 6.)**

We will now move to the second item on the agenda, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders.

Are there any questions?

Thank you.

**(SLIDE 7.)**

The third item on the agenda, is the approval of the 2022 performance incentive plan.

Are there any questions?

Thank you.

**(SLIDE 8.)**

The fourth item on the agenda is the ratification of the selection of PricewaterhouseCoopers as independent auditors of the Company for the fiscal year ending December 31, 2022.

Are there any questions?

Thank you.

**(SLIDE 9.)**

The fifth and final item is a shareholder proposal. I will now hand it over to the proponent of the shareholder resolution to present the proposal.

Are there any questions?

Thank you.

**(SLIDE 10.)**

That concludes the matters to be voted on as outlined in the notice of the Annual Meeting.

In accordance with our by-laws, I hereby declare the polls for voting at our 2022 Annual Meeting of Shareholders closed.

We have received a preliminary report from the Inspector of Election.

Will the Secretary please read the report.

Mr. Chairman, the Inspector of Election has completed the preliminary count of the vote, which I have now received. The preliminary voting results are as follows:

Each of the nominees for director has been elected.

The executive compensation has been approved on an advisory basis.

The 2022 performance incentive plan has been approved.

The selection of PricewaterhouseCoopers as independent auditors has been ratified.

The shareholder proposal has been defeated.

Mr. Chairman, that concludes the report.

Thank you, Darlene.

I would now ask you to file with the records of the meeting, the Oath of the Inspector of Election, the Final Report of the Inspector of Election and the proxies. Final voting results will be included in a Form 8-K that we will file with the SEC in the next few days.

That concludes the formal business, and I now declare the business portion of the meeting adjourned.

**(SLIDE 11.)**

Before we move to the question and comment session, I will hand over the presentation to Jacek to discuss our humanitarian efforts in Ukraine followed by an update on our business performance.

**(SLIDE 12.)**

Thank you, André.

It has been a challenging few months for many of us given the tragic events related to the war in Ukraine. I would like to express our sadness, and solidarity with the people of Ukraine. We hold them in our hearts and minds.

Our primary concern continues to be our employees and their loved ones. We are continuing to do everything we can to support them. To-date, we have helped evacuate over 1,100 colleagues and family members from the country and supported more than 2,700 others to move from conflict zones to locations away from the heaviest fighting.

Since the start of this war, we prioritized providing relief to those in need, both inside Ukraine and to those who have evacuated into neighboring countries. We have done so through the direct action of our teams in Ukraine and abroad, and in collaboration with a number of non-governmental organizations present on the ground.

We have already contributed around \$10 million in funds to humanitarian organizations and through our own employee-led initiative, 'Projects with a Heart'. These funds have been used to purchase 25 ambulances, set-up a mobile hospital, and provide X-ray machines for children, wound-cleaning machines, saturated oxygen tanks, and first aid kits. We have also delivered around 172 pallets of food, medicines, hygienic products, and other basic necessities, including wheelchairs and walkers. Similar actions have been taken in neighboring countries.

In addition to the funds we are donating, we estimate an additional cost of around \$25 million for additional support to employees this year. This includes one-time financial assistance to all Ukrainian employees, salary continuation, and accommodation for evacuees.

Our colleagues in neighboring countries continue to provide vital support to all people arriving from Ukraine to seek refuge. Our heartfelt gratitude goes to everyone involved in these generous efforts to help at such a difficult time.

**(SLIDE 13.)**

In terms of the impact on our business operations, the production at our Ukraine manufacturing facility in Kharkiv remains suspended. While business activities in eastern Ukraine have been the most heavily impacted, we have seen some resumption in areas

where conditions allow as we seek to maximize product availability and service to consumers, using existing inventories on hand. We are now also working to ensure continuity of supply to consumers in Ukraine by importing products from other manufacturing locations, although this may involve higher costs. We continue to pay salaries to all our Ukrainian employees and to provide substantial in-kind support to them and their families.

As communicated in our March 24<sup>th</sup> press release, PMI's Board of Directors and senior executives are working on options to exit the Russian market in an orderly manner in the context of a complex and rapidly changing regulatory and operating environment. This is no easy task in view of recently introduced complex legislation, but we are committed to seeking a viable path to exit the market while supporting our employees in Russia through this period, including by continuing to pay their salaries.

It is also clear that we cannot continue business as usual in light of regulatory and supply chain disruption, which has already impacted the Russian business in Q1. We have taken concrete steps to scale back our operations, such as the cancellation of all new investments and product launches, including *IQOS ILUMA* and *IQOS VEEV*. We are delisting 25% of our cigarette products, including *Marlboro* and *Parliament* SKUs. We have also canceled the \$150 million investment in capacity to ultimately manufacture more than 20 billion *TEREA* sticks for *IQOS ILUMA* in our Russian factory.

Clearly, the impact of the conflict has also created disruption in global supply chains and exacerbated inflationary pressures in certain materials and services. However, the outlook for our business excluding Russia and Ukraine remains strong and our smoke-free ambition remains intact.

To provide a consistent view, given the uncertainty and volatility in these two markets, we also present adjusted results on a pro forma basis excluding Russia and Ukraine entirely.

**(SLIDE 14.)**

We delivered an excellent performance in 2021, reaching record net revenues, adjusted diluted EPS and cash flows. We also started 2022 with strong organic top-line and currency-neutral EPS growth in Q1 both for total PMI and on a pro forma basis, despite the challenges mentioned. These results were notably driven by *IQOS*, as an increasing number of legal-age smokers continue to switch to our smoke-free products.

**(SLIDE 15.)**

The growth outlook remains very positive for *IQOS* with a reacceleration of user growth to over 1 million in Q1 2022, as device supply constraints ease. Additionally, we delivered outstanding results from the latest major innovation of *IQOS ILUMA* which was recently launched in Japan, Switzerland, and Spain. This illustrates the sustainable nature of our growth based on new products and innovation, as we progress towards our ambition of becoming a predominantly smoke-free company by 2025.

In combustibles we are seeing a recovery in terms of volume and category share as pandemic restrictions ease. We continue to hold the leading international portfolio by market share and by brand strength. This gives us a formidable platform to accelerate the growth of *IQOS* via our commercial infrastructure, industry expertise and ability to communicate with adult smokers, where permitted.

In 2021, we laid the foundations for our long-term growth ambitions in Wellness and Healthcare, including the milestone acquisitions of Fertin and Vectura. This provides essential capabilities for future product development, which I will expand on later.

We continue to prioritize returns to shareholders and have increased the dividend for 14 consecutive years since the 2008 spin. In 2021, we raised the dividend by 4.2% to an annualized rate of \$5 per common share. In addition, since July 2021 we have repurchased approximately \$1 billion in shares as part of our current three-year program. Importantly, we generated \$12 billion in operating cash flow in 2021, reflecting excellent underlying cash conversion.

Overall, after an excellent 2021, our business is off to a strong start in 2022 with favorable momentum across our smoke-free and combustible portfolios supporting a robust business outlook.

**(SLIDE 16.)**

We are also proud to achieve a significant milestone in Q1 2022 with smoke-free net revenues surpassing 30% of total PMI on a pro forma basis. This compares with essentially zero smoke-free revenues in 2015. We have delivered rapid progress towards our ambition for smoke-free products to contribute more than 50% of our net revenues by 2025.

**(SLIDE 17.)**

The overall share performance of our HTUs continues to see very positive momentum. In Q1 2022, PMI HTUs became the second-largest nicotine brand in markets where *IQOS* is present, excluding Russia and Ukraine, with a 7.5% market share. Our efforts on innovation, portfolio and geographic expansion are driving consumer trial and adoption. In addition, PMI HTUs had the number 1 position in 6 markets.

**(SLIDE 18.)**

Turning now to progress in key geographies. In Japan, the adjusted share for our HTU brands increased by 1.9 points to a record 22.7% in Q1 2022. This performance reflects the strength of our portfolio and the launch of *IQOS ILUMA*.

In the EU Region, first-quarter share for our HTUs reached 7.6% of total cigarette and HTU industry volume. This excellent performance includes strong user and volume growth across the region.

We also see very promising *IQOS* growth in low and middle-income markets. This is especially encouraging as we achieved it despite the premium position of the current *IQOS* portfolio. A prime example of this is Egypt, where offtake share in Cairo is approaching 5% within 8 months of launch.

**(SLIDE 19.)**

Investment in our innovation pipeline and deployment capabilities has allowed us to lead the category, catering to a broadening range of consumer preferences, occasions, form factors and price points. While heat-not-burn comprises the largest share of the smoke-free category and of its growth, we now have a more balanced and complete multi-category portfolio. Nicotine pouches and e-vapor offer a very promising opportunity, with positive performance in our initial launch markets.

**(SLIDE 20.)**

We are now investing in wellness and healthcare to drive long-term growth as we evolve into a broader lifestyle, consumer wellness and healthcare company. We will be developing best-in-class differentiated products for unmet consumer and patient needs, focusing on the stages after drug discovery. Our 2021 acquisitions of Vectura & Fertin bring technology platforms at the forefront of innovation, accelerating our growth in inhaled therapeutics, and oral and intra-oral delivery systems. We will continue to invest in our wellness and healthcare business and we aim to generate over \$1 billion of net revenues from these areas by 2025.

**(SLIDE 21.)**

Moving now to sustainability, the importance of our new wellness and healthcare business to our corporate strategy and transformation is now reflected in our updated statement of purpose, published in our proxy statement.

Our sustainability priorities are defined by a rigorous materiality assessment which was updated and recalibrated in 2021. The assessment incorporates our biggest impacts on society, double materiality, and extensive stakeholder input.

Moreover, as also outlined in our proxy, we have strengthened the link between executive compensation and ESG performance with a new Sustainability Index comprising 30% of long-term compensation.

Product health remains one of our most critical ESG priorities, and the growing penetration of smoke-free products around the world is accelerating the end of cigarettes, as legal-age smokers switch to better alternatives. There is a growing body of scientific



and real-world evidence of the substantial risk reduction potential of smoke-free products compared with smoking - as increasingly recognized by regulatory authorities.

**(SLIDE 22.)**

We remain committed to disclosing comparable and reliable data, methodologies, and targets on our business.

Our integrated report is a leading example of consolidating financial and non-financial performance and disclosure, moving beyond purely qualitative assessment. In addition, we publish in-depth, complementary, disclosures on specific ESG topics with recent examples shown on the slide. We look forward to releasing our third Integrated Report on May 17<sup>th</sup>.

While ESG ratings and assessments have some inherent limitations, our progress on sustainability also continues to be recognized by prominent external stakeholders, with repeated inclusion in both the Dow Jones Sustainability Index North America and the Bloomberg Gender-Equality index. We also received CDP's "Triple-A" score for the second year running.

**(SLIDE 23.)**

In summary, we are progressing rapidly towards our aim to be a predominantly smoke-free business.

We delivered an excellent performance in 2021 with outstanding top and bottom-line growth, driven by the strong performance of *IQOS*.

Despite the challenges in Russia and Ukraine, we achieved an excellent start to 2022 with a strong recovery in *IQOS* user growth and exceptional initial results from the groundbreaking innovation of *IQOS ILUMA*. This illustrates our continuous investment and innovation with a rich pipeline of further smoke-free products to expand and grow across new and existing categories and geographies.

Concurrently, we are investing in Wellness and Healthcare to support the next driver of our long-term growth as we continue to build on our development capabilities.

We are leading on sustainability with our focus to maximize the positive impact to society. Our transformation is the bedrock for both business and sustainability performance.

We continue to see a bright future for our business and prioritize returns to shareholders through our dividend and opportunistic share repurchases. I look forward to engaging with you, our shareholders, as we embark on the next chapter of this exciting journey.

As a final thought, I would like to share a brief reflection on my first year as CEO. I remain humbled and excited to lead PMI in our smoke-free transformation. Most of all, I am

incredibly proud to lead our organization and the outstanding people who make PMI what it is today. In particular, the way our organization has come together to help our colleagues in Ukraine has been inspirational. Moreover, our teams worked relentlessly to rapidly rebuild supply chains and logistics flows supporting our business continuity efforts. I'd like to again thank them for their amazing efforts.

Thank you. I will now hand it back over to André.

Thank you very much, Jacek.

**(SLIDE 24.)**

This meeting is now open for questions and comments.

For full transparency, during this session, which is being publicly webcast, our shareholders will be able to ask questions live, on a first-come, first-served basis.

As I mentioned earlier, in order to ask a question, you will be required to provide your 16-digit control number to the operator. Only shareholders of record with a valid control number will be allowed to ask questions.

In order to provide an opportunity for everyone who wishes to speak, each shareholder will be limited to two minutes.

Shareholders may speak a second time only after all others who wish to speak have had their turn. When speaking, shareholders must direct questions and comments to the Chairman and confine their remarks to matters that relate directly to the business of the meeting.

The meeting is not to be used as a forum to discuss personal grievances, business disputes or to present general political, social, or economic views that are not directly related to the business of the meeting.

A full replay of the meeting will be available on our website at [www.pmi.com](http://www.pmi.com) for approximately one year from the date of meeting.

We have allowed up to one hour for questions.

Are there any questions or comments?

That concludes our question and comment period.

**(SLIDE 25.)**

Thank you all very much for joining the virtual Annual Meeting of Shareholders.