Philip Morris International Inc.
2025 Third-Quarter Conference Call
October 21, 2025

JAMES BUSHNELL

(SLIDE 1.)

Welcome. Thank you for joining us. Earlier today, we issued a press release containing detailed information on our 2025 third-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 October 21, 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.

Following an excellent first half, we delivered very strong results in Q3. We are especially pleased with the performance of our global smoke-free business, with outstanding volume growth for all three of our flagship brands *IQOS*, *ZYN* and *VEEV*, which together outgrew the global smoke-free industry by a clear margin on year-to-date IMS. Continued double-digit smoke-free top-line momentum and further scale and cost benefits enabled us to achieve more than $3 billion in quarterly smoke-free gross profit for the first time, and an adjusted group OI margin of over 43%, the highest in almost 4 years. This drove +17% growth in adjusted diluted EPS to a record $2.24. These impressive results were also delivered in a quarter with elevated commercial spending, as we invest in the future growth of our brands.

Our growth investments include geographic expansion, and our smoke-free products are now commercialized in 100 markets, including the launch of *IQOS* in Taiwan this month. We are increasingly deploying our multicategory strategy to enhance growth, with all 3 smoke-free brands now commercialized together in 25 markets.

IQOS delivered excellent performance, including a very strong gross margin contribution, with Q3 HTU adjusted IMS growth of +9% against a high prior year comparison, and +15.5% HTU shipment growth. This reflects continued strong momentum in Europe, Japan and global markets.

The relaunch of *ZYN*'s commercial activities supported a significant Q3 acceleration in U.S. offtake growth to +39%, as estimated by Nielsen. Enhanced marketing and promotional intensity supported increased trial among legal-age nicotine users, with promising levels of repurchase intent. Driven by this strong performance in the fast-growing nicotine pouch category, U.S. shipments grew by +37% to 205 million cans, ahead of expectations. International can volumes increased by +27%, or by over +100% ex-Nordics.

In e-vapor, strong *VEEV* momentum saw total shipments more than doubling on a year-to-date basis. *VEEV* is now the number one closed pod brand in 8 markets, with notably strong performances in Germany, Romania and Greece.

Combustibles delivered a good Q3, with better-than-expected volumes in both Turkey and Egypt combining with further strong pricing to deliver a robust top and bottom-line performance.

Our Q3 performance reflects our position as the global category leader, with the ability to drive strong growth and prioritize resources to invest significantly in our leading brands. The increasing overall profitability of our smoke-free business, coupled with cost efficiency measures and combustible resilience places us well on track for another year of double-digit adjusted OI and EPS growth in currency neutral terms, and even stronger dollar growth at prevailing exchange rates.

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Turning to the headline financials for Q3. Positive shipment volumes, strong smoke-free category mix and pricing resulted in organic top-line growth of +5.9%, or approximately +7.3% excluding the Indonesia technical impact explained earlier this year, within the high-end of our +6 to +8% mid-term growth algorithm.

Adjusted OI grew by +7.5% organically and +12.4% in dollar terms to $4.7 billion, with increasing profitability across smoke-free and combustibles enabling good adjusted OI margin expansion of +120 basis points.

Adjusted diluted EPS of $2.24 reflects adjusted net income of $3.5 billion and growth of +17.3% including a currency tailwind of 8 cents, which includes around 3 cents of favorable transactional impact in the quarter. This better-than-expected delivery reflects the strength of our financial model, with both *IQOS* and *ZYN* performing at the high end of our expectations, further supported by the resilience of combustibles and a more favorable tax rate.

(SLIDE 6.)

Our progress on a year-to-date basis was outstanding, with comparable growth above our mid-term targets on all metrics. Organic net revenue growth of +7.5%, or around +9% excluding the Indonesia technical impact, was driven by the same factors as the quarter. Adjusted OI grew by +12.5% organically and close to +14% in dollar terms to $12.7 billion, enabling EPS growth of +16% both including and excluding currency impacts. Our year-to-date adjusted effective tax rate was 1% lower than our forecast of around 22% rate for the year, with a higher rate expected in Q4.

(SLIDE 7.)

Turning to shipment volumes, where we again delivered positive growth of +0.7% in Q3, or +1.8% on a year-to-date basis.

Q3 smoke-free volume growth of +16.6% was underpinned by the strong fundamentals of *IQOS*, where HTU shipments grew +15.5% to 41 billion units, above our prior expectations even when excluding a shipment timing benefit of around 1 billion units. On a year-to-date basis HTU shipments grew +12%.

The excellent volume trajectory of both *ZYN* and *VEEV* was again accretive to SFP growth in both Q3 and YTD, notably including U.S. *ZYN*.

Cigarette volumes declined by 3.2% in Q3, close to the more favorable end of our 3-4% forecast decline for H2 and reflecting better-than-expected dynamics in Turkey, and Egypt.

(SLIDE 8.)

Turning to Q3 net revenues in more detail, growth of +7.3% excluding the technical Indonesia impact reflects the strong smoke-free performance described, alongside robust pricing.

Total pricing contributed +3.1 points, with combustible pricing of over +8% and a positive *IQOS* HTU variance partly offset by the impact of *ZYN* relaunch promotions in the U.S. The positive mix impact from smoke-free growth drove a further +4.7 points.

Combustible geographic mix & other factors had an unfavorable impact of 1.2 points. Currency and scope effects had a positive impact of +3.5 points.

The same dynamics drove strong year-to-date top-line growth, as our three pillars of growth – volumes, pricing and mix – continue to deliver sustainably.

(SLIDE 9.)

Looking at Q3 performance by category, both smoke-free and combustibles delivered strong gross margin expansion.

Q3 smoke-free net revenues grew organically by +13.9% and gross profit by +14.8%; including the short-term impact of heightened U.S. promotions. Gross margins expanded by +60 basis points to 70% in Q3, exceeding combustibles by 3.5 points at the current category and geographic mix. This performance was powered by *IQOS*, with a combination of strong volumes, pricing, scale and cost efficiencies outweighing the dilutive impact of higher device sales in the quarter.

While combustible volumes declined by 3%, the business delivered another strong quarter with organic net revenue growth of +1.0%, or around +3% excluding the technical impact in Indonesia, and gross profit growing strongly by +4.8%. This performance epitomizes the continued resilience of our combustibles business model, with the combination of low-single digit volume declines, robust pricing and efficiencies driving top-line and gross profit growth over time. We are well on-track to deliver our target of combustible gross margin expansion organically and in dollar terms for the year.

The combination of sustained smoke-free momentum and combustible resilience drove +170 basis points of gross margin expansion overall to reach 67.9%, a record quarterly level since the pandemic recovery of 2021.

(SLIDE 10.)

Our year-to-date performance was outstanding, with the accretive impact of smoke-free growth clearly evident. Smoke-free gross margins expanded by +360 basis points with *IQOS* again a significant contributor, in addition to *ZYN's* superior U.S. margins, and a growing contribution from *VEEV*. Combined with strong combustible performance, we delivered +260 basis points of gross margin expansion for total PMI.

(SLIDE 11.)

Moving down the P&L to OI margins, we delivered +60 basis points of organic expansion in Q3, or +120 basis points in dollar terms to reach an excellent 43.1%. This reflects the +170 basis points gross margin expansion I just covered, partly offset by elevated SG&A costs, as flagged last quarter. This includes the substantial planned commercial investments in international markets behind the expansion and brand equity of *IQOS*, *ZYN* and *VEEV*. It also includes stepped-up marketing and brand investments behind *ZYN* in the U.S. following the return to full availability, and further investments in our U.S. capabilities to support the future growth of *ZYN* and *IQOS*. We anticipate SG&A costs will increase slightly more than underlying net revenues for the year excluding currency, reflecting this strong reinvestment.

Ongoing cost efficiencies in both COGS and SG&A partially offset increased investments, and we remain well on track to deliver our planned $2 billion cost savings objective over '24-26.

(SLIDE 12.)

Focusing now on our global smoke-free business, our portfolio is outpacing the industry in the 100 markets where we are present, with over +12% estimated IMS volume growth year-to-date compared to less than +10% for the industry. We estimate our volume share of smoke-free products in these markets is around 60%, and our year-to-date share of category growth is more than 10 points higher than this. With our portfolio of leading premium brands, our share of smoke-free in value terms is notably higher than 60%.

Our multicategory portfolio is a key strength as we leverage the equity and reach of *IQOS* to convert more legal age nicotine users. *IQOS* generated more than $11 billion in net revenues last year and its 75%+ share of the growing global heated tobacco category remains stable, despite intensifying competition. *ZYN*, while still small in comparison, is growing notably faster than the category, as we benefit from a strong leadership position in the U.S., and rapid progress in international markets, supported by a differentiated and long term-oriented portfolio. The same is true in e-vapor, where brand loyalty and repeat purchase for *VEEV* is accelerating growth.

(SLIDE 13.)

IQOS delivered a strong Q3, with +9% adjusted IMS growth against a strong prior year comparison, resulting in +10% growth year-to-date. As flagged last quarter, we expect double-digit growth in H2 and +10 to +12% growth in adjusted IMS for the year, including an acceleration in the fourth quarter. This is supported by continuous innovation on devices and consumables, including a high focus on brand engagement, with an example being the rollout of the limited edition *Seletti* device in Japan followed by other markets as part of our *Curious X* campaign.

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Turning to *ZYN*, can shipments grew by +36% on a global basis, with a presence now in 47 markets. This includes the Q3 launch in Spain, as well as the roll-out of small-scale pilots in Japan with *ZYN by IQOS*, building on the strong brand equity and commercial presence of the world's leading smoke-free brand.

In the U.S., can shipments grew by +37%, with a strong acceleration in offtake, which I will come back to. Outside the U.S., can shipments grew +27%, or over +100% excluding the Nordics, with rapid growth from the UK, Pakistan, Poland and South Africa.

We continue to enrich our *ZYN* product offering, including the progressive roll-out of lower strength variants as part of our dry-led portfolio, where we observe a substantial increase in repeat purchase for legal-age smokers new to the oral category versus higher strength products.

(SLIDE 15.)

Moving to e-vapor, *VEEV*'s strong momentum continued, with the brand now holding the number one closed pod position in 8 markets. We delivered excellent Q3 volume growth of +91%, despite unfavorable regulatory developments in Poland. Strong year-to-date volume momentum, including an improved pods-to-kit ratio driven by repeat purchase, drove increasing operating leverage and scale benefits, enhancing profitability.

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Reviewing by geography, Europe is the most developed multicategory region with markets such as Italy, Greece, Spain and Romania posting excellent growth within all 3 smoke-free categories.

IQOS continued its strong growth trajectory in Q3, with adjusted IMS up +7.3% against a tougher comparison, notably driven by Italy and supported by innovation on new *TEREA* variants and *LEVIA* capsules. PMI HTUs share of the combined cigarette and HTU industry increased by +1.2 points to 10.7%, with key cities such as Munich, Rome and Madrid all posting very strong growth. We expect a nice acceleration in adjusted IMS growth in Q4.

After numerous launches and expansions across the Region in the last 1-2 years, *ZYN*'s excellent early traction continued with share gains across markets including Poland, Switzerland, Greece and the UK. Within e-vapor, the consumer shift to closed pods continued to underpin growth. *VEEV* volumes doubled, with the brand now holding the number one pods position in 7 European markets.

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In Japan, *IQOS* continues to grow very robustly, with Q3 adjusted IMS growth of +6%, against a strong +14% in Q3 last year, and +7.6% on a year-to-date basis. This primarily reflects the category growth rate, with 12-month segment share stable at around 70% notwithstanding a very significant step-up in competitive commercial investment and intensity and, as in similar periods in the past, some increased trial of discounted competitor products. As mentioned last quarter, *IQOS* delivered truly exceptional growth in 2023 and 2024, especially considering the size of the category is approaching half of total nicotine offtake volumes nationally, and more than half in 14 of the top 20 cities. The growth that our business has delivered so far in 2025 is essentially in line with the trend in the years prior.

Q3 adjusted *IQOS* HTU share increased 1.8 points year-on-year to reach 31.7%, as we continue to innovate on *IQOS* and plant the first seeds of multicategory deployment with the introduction of *ZYN* in select channels and locations.

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Turning now to the U.S., which made up around 7% of our global net revenues and 9% of our adjusted operating income year-to-date. Q3 *ZYN* volume performance was remarkable with an acceleration to +39% offtake growth according to Nielsen, the fastest growth in the last 5 quarters.

As the fastest growing category in the world's highest value nicotine market ex-China, we are naturally investing in *ZYN* and the category's future growth, where the brand continues to hold over 60% share of volume and two-thirds of value. After posting +31% offtake growth across July and August according to Nielsen, our Q3 growth was amplified in September to +58% by the reacceleration of marketing and promotional support after several quarters of supply constraints.

With the growth of *ZYN* now close to that of the industry, *ZYN* captured the majority of Q3 category growth in both volume and value terms despite a markedly lower average price for the quarter.

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Indeed, *ZYN* was the fastest growing brand by dollar retail value across all categories in the U.S. convenience channel on both a Q3 and year-to-date basis, as measured by Nielsen, with PMI U.S. also the same on a manufacturer level as shown here.

This emphasizes the strength and power of *ZYN*'s franchise with both our retail partners and legal-age nicotine users, providing an excellent platform from which to drive further growth.

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As mentioned, we recently implemented a strong step-up in overall marketing and brand-building activities to support *ZYN*'s presence at point-of-sale, brand visibility, brand equity and relative price positioning.

In Q3, this had a notable skew to promotions. In the supply-constrained first half of 2025, only around 20% of *ZYN* volumes were sold on promotion, according to Nielsen, with competitors closer to 50%. With our return to full commercial activity we expect to maintain a higher level of promotions than H1, as we continue to adapt our marketing mix to provide the appropriate level of support for the brand and the growth of the category. We naturally intend to maintain a clear premium positioning for *ZYN* as the leading premium brand. We also look forward to reporting back on future commercial initiatives, with one example being limited edition variants based on our authorized product range.

As part of our re-intensified activities, we also decided to launch a special September promotion to mark *ZYN*'s return to full availability. This offered a 'free *ZYN* can' for legal-age consumers purchasing other nicotine products in select locations, and was designed to target legal-age smokers and other nicotine users to increase awareness and trial. This is in line with *ZYN*'s mission to grow the nicotine pouch category over the coming years, and we are very happy with the results. The vast majority of those accessing the offer were smokers or vapers, with improved brand perception and promising levels of repurchase intent. This offer accounted for a single-digit percentage of our Q3 shipments.

Essentially all the promotional costs of activating this special 'free can' offer, including retailer incentives, were booked in net revenues in the quarter. This largely explains the lower Americas top-line when volumes were growing. With the cumulation of relaunch activities, this was an exceptional quarter of investment, with around $100 million of Q3-specific investments and reduced revenues linked to restarting our commercial engine.

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The U.S. nicotine pouch category has been growing at more than 40% over the last 18 months, and today represents a high-single digit percentage of the nicotine market by volume. We believe it has the capacity to become one of the largest categories in the U.S. over the coming years, where we estimate cigarettes are more than 40% of the market and e-vapor in the region of 30%.

ZYN is America's number one smoke-free brand by value, with a franchise which is second-to-none. We are investing to support *ZYN*'s momentum both within and outside the U.S.

We also hope for a positive outcome from FDA's recently announced plans to streamline the review process for nicotine pouches, which should help clarify and level the playing field. As a reminder, the FDA has only authorized 20 nicotine pouch products to-date, all of which are under the *ZYN* brand, and we expect the TPSAC hearing for *ZYN*'s MRTP application in the first quarter of 2026.

Altogether, we expect *ZYN* will continue to be an important growth driver of PMI net revenues and operating income. While the absence of a full commercial program in the first half of this year drove an exceptional level of U.S. profitability, we expect *ZYN* to continue delivering best-in-class margins within PMI. On a more short-term basis, we continue to expect H2 shipment volume growth broadly in line with offtake growth before channel inventory movements. We anticipate a 20 to 30 million can inventory reduction in the coming months, this impact being effectively delayed from Q3 given strong September promotional activity.

We also continue to await the FDA authorization of *IQOS ILUMA*, which represents by far the most successful product globally in switching cigarette users completely away from smoking. In the meantime we are continuing with *IQOS 3* pilots, including the latest location of Jackson, Mississippi as we also await the renewal of our *IQOS 3* MRTP following the TPSAC meeting earlier this month.

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Outside of the U.S., Japan and Europe, all 3 of our smoke-free categories are delivering dynamic growth, with Q3 shipments up +23% to over 12 billion units. This includes continued strong *IQOS* performance in South Korea, rapid *ZYN* growth in Pakistan and South Africa, and very dynamic multicategory growth in Global Travel Retail and Indonesia. We include further *IQOS* key city offtake shares in the appendix.

(SLIDE 23.)

Moving to combustibles, our cigarette portfolio continued to demonstrate its resilience with a strong performance from *Marlboro*, gaining +0.4 points to reach a historic high share of 10.9%. International category share declined in the quarter, largely driven by Turkey following supply chain disruptions earlier in the year. However, our share is recovering well sequentially and was essentially stable year-to-date.

Q3 pricing of +8.3% came in better than expected, with contributions from all regions and notably from Indonesia, Australia, Turkey and Germany. While this was partially offset by unfavorable geographic mix, we now forecast full-year pricing a little above +7%, with a slowdown in Q4 as expected, due to timing factors.

Most importantly, and as covered earlier, our combustible business continues to deliver a very robust contribution, with close to +5% year-to-date gross profit growth. This is fully in line with our objective of maximizing value over time and supporting the growth of our smoke-free business.

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This brings me to our outlook for the full year. We are on track for a very strong performance with another year of double-digit growth in adjusted operating income and adjusted diluted EPS.

This starts with shipments, where we continue to target total PMI growth of around +1%, our fifth consecutive year of volume growth, including a cigarette decline of around 2% and smoke-free volume growth of +12% to +14%. Smoke-free shipment growth is more likely to be in the lower half of this range, factoring in the potential inventory adjustment for *ZYN* I described, and expected *IQOS* HTU shipments of close to 38 billion units in Q4. This Q4 HTU forecast includes modestly lower channel inventories and a reversal of around 2 billion units due to timing impacts, with HTU shipment growth thus broadly in line with our +10% to +12% adjusted IMS growth forecast for 2025 overall.

We continue to forecast organic net revenue growth of +6% to 8%, driven by positive volumes, smoke-free mix and pricing. Consistent with smoke-free volumes, and given the top-line impact of U.S. investments, the lower half of this range is also more likely. Excluding the technical impact of Indonesia, our forecast growth would be at or above the high end of our 3 year growth algorithm.

We expect another year of double-digit organic OI progression, where we now forecast +10.0% to +11.5% growth for the year, including the same factors as net revenues. We expect this growth to drive strong adjusted OI margin expansion to land firmly back above 40%. This above-algorithm growth in a year of strong investments clearly demonstrates the dynamism of our global growth model.

We are raising our adjusted diluted EPS forecast to the mid to upper end of our previous currency-neutral growth range at +12.0% to +13.5%, which translates into +13.5 to +15.1% in dollar terms. This includes an estimated 10 cent currency tailwind and we would expect a similar-sized tailwind for 2026, all at prevailing exchange rates. The 2025 forecast includes an adjusted effective tax rate of around 22% for the year, based on the latest assessment of tax dynamics and market mix.

In Q4, we expect a continued strong performance from our smoke-free business, including an acceleration in *IQOS* adjusted IMS growth. In terms of financial performance, as expected we anticipate a slower quarter given the dynamics I covered on shipments of *IQOS* and potentially *ZYN*, the timing of pricing and declining volumes in combustibles, and a higher tax rate. Taking these factors, continued brand investment and comparison effects into account, we forecast a slower quarter of top-line growth, single-digit organic OI growth and up to 6% currency-neutral adjusted diluted EPS growth.

In addition, we are upgrading our full-year operating cashflow forecast to more than $11.5 billion, at prevailing exchange rates and subject to year-end working capital requirements. This reflects strong full-year profit delivery and cash conversion, and now includes a Q3 dividend payment from our deconsolidated Canadian affiliate.

In terms of our balance sheet, we continue to target further deleveraging in 2025, with Euro-dollar currency movements of course having a potential influence on our ultimate year-end leverage ratio given our Euro debt position. Importantly, we remain on track for our target ratio of around 2.0x net debt to EBITDA by the end of 2026.

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Given our strong year-to-date and expected full year performance, we are well on track to exceed our 2024-2026 CAGR targets, which already represent a best-in-class growth profile within Consumer Packaged Goods. With such strong progress already delivered and an exciting growth outlook over the coming years, we look forward with confidence to 2026 and beyond.

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In summary, our year-to-date performance reflects the strength and momentum of our global smoke-free business, combined with the resilience of combustibles.

Our smoke-free business is increasingly profitable, with *IQOS* and *ZYN* leading the way. We remain excited about our future growth potential, as we continue to deploy our multicategory strategy and invest in our category-leading premium brands.

Our financial model is built on strength across all categories, complemented by 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.

Our focused capital allocation strategy allows us to not only reinvest at the optimal level to support and elevate our smoke-free portfolio, but also to reward our shareholders. In September we raised our dividend for the 18th consecutive year to $5.88 per share, with growth of 8.9%, the largest increase since 2013, reflecting our strong year-to-date performance, and confidence in our outlook. We look forward to further rewarding our shareholders as our transformation continues.

(SLIDE 27.)

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

JAMES BUSHNELL

(SLIDE 28.)

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.