Philip Morris International Inc.
2026 Third-Quarter Conference Call
October 21, 2026

JAMES BUSHNELL

(SLIDE 1.)

Welcome. Thank you for joining us. Earlier today, we issued a press release containing detailed information on our 2026 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, 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 Massimo Andolina, Group Chief Financial Officer.

Massimo, over to you.

MASSIMO ANDOLINA

(SLIDE 4.)

Thank you, James, and welcome everyone.

We delivered excellent performance in the third quarter, with continued volume momentum putting us firmly on track for a sixth consecutive year of total shipment growth and yet another year of best-in-class results in 2026.

The strong underlying momentum of our smoke-free business continued, with *IQOS* HTU shipments at the high end of our expectations and accelerated growth fundamentals across all three of our flagship brands. Coupled with stand-out combustibles performance, we achieved +7% organic growth in Q3 net revenues and more than +10% growth in operating income, despite challenging comparisons on smoke-free shipments and incremental cost pressures, notably due to the ongoing conflicts in the Middle East and Ukraine. Q3 adjusted OI exceeded $5 billion for the first time, while our adjusted OI margin reached close to 45%. Our strong operational performance supported better-than-expected adjusted diluted EPS growth of +6% excluding currency to a record quarterly level of $2.36.

IQOS continued to deliver strong and broad-based progress, with adjusted IMS volume growth increasing to +7.1% in the quarter, or +10% excluding Japan and Poland, where we faced specific headwinds from the impact of excise-driven pricing and the characterizing flavor ban respectively.

In nicotine pouches, *ZYN*'s Q3 shipment growth accelerated in international markets and reached +4% in the U.S., or +13% excluding the special promotional activity of September 2025. This performance was supported by the ongoing roll-out of new variants, as we invest significantly in the accelerated expansion of our product offer and align the portfolio value proposition over the second half of this year. We are pleased with the initial consumer reaction and sequential increase in category share, even as we have yet to reach full commercial deployment of the first wave of expansion. We remain focused on further strengthening the brand, building consumer awareness of the expanded portfolio and continuing to invest behind the significant growth opportunity ahead.

In e-vapor, *VEEV* continued its outstanding progress with a step-up in shipment growth to +62%. We delivered strong performance across key markets and continued to build our leading position in Europe, the primary international profit pool.

Our combustible business delivered a stand-out Q3 performance, exceeding our expectations through a combination of stable volumes, high single-digit pricing and a specific benefit from the restructuring of distribution terms in certain markets. Volumes were especially resilient in markets where smoke-free alternatives remain unavailable or have limited presence, while the continued strength of our brand portfolio, led by *Marlboro*, supported category share gains and further margin expansion. This is in line with our objective of maximizing combustibles value over time to support the growth of our smoke-free business.

Our overall year-to-date performance further demonstrates the sustainability of our growth model. We continue to expect another year of high-quality, best-in-class volume, sales and profit growth, as we continue to invest behind our leading smoke-free platforms to drive long-term value.

(SLIDE 5.)

Turning now to our headline financials for the third quarter.

We delivered shipment volume growth of +0.6%, outperforming a broadly stable industry, despite unfavorable comparisons on HTUs. Together with robust pricing and favorable category mix, this drove organic net revenue growth of +7.1%, or +5.5% in dollar terms, to reach $11.4 billion.

Gross profit grew organically by more than +8%, and adjusted operating income increased +10.5% organically and +9.6% in dollar terms. This reflects strong top-line growth and effective cost management, even as we accelerated our growth investments, notably in the U.S.

Adjusted diluted EPS increased +5.4% to a new quarterly high of $2.36. This includes an unfavorable currency impact of 1 cent due to dollar strength and lower positive transactional impacts than previously expected, mainly due to the strengthening of the Russian Ruble. As flagged last quarter, this growth also includes an unfavorable comparison against a low tax rate in the prior year period, which reduced Q3 EPS growth by approximately 4 percentage points.

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Our outstanding year-to-date results further demonstrate the strength and quality of our business fundamentals, with shipment volume growth of +0.5%, strong pricing and favorable category mix. This drove organic net revenue growth to +5.9%, or +8.2% in dollar terms, bringing year-to-date net revenues to nearly $33 billion.

Adjusted gross profit increased by +7.1% organically, while adjusted OI grew by +7.7% organically and +10.6% in dollar terms, reaching more than $14 billion. We delivered adjusted diluted EPS of $6.52, representing growth of +8.4% excluding currency and +11.8% in dollar terms.

(SLIDE 7.)

Turning to shipment volumes, we achieved solid growth in both the third quarter and year-to-date. Consistent with recent years, the structural growth of our smoke-free portfolio more than offset declines in combustibles, and we are firmly on track to achieve our sixth consecutive year of growth.

Smoke-free shipments increased by +2.7% in the quarter despite the strong prior-year comparison, and by +6.4% year-to-date, driven by *IQOS*. We continue to expect high single-digit growth in smoke-free adjusted IMS volumes and shipments for the year, with the latter subject to year-end inventory movements.

IQOS HTU shipments reached 41.5 billion units in Q3, with year-to-date growth of +6.7%. We now expect HTU shipment growth to be slightly below adjusted IMS growth for the full year, with the Q3 dynamic of adjusted IMS growing faster than shipments to continue in Q4, notably due to the in-year phasing impact of price changes in Japan. Q3 shipment growth was supported by a wide range of markets, including Germany, Greece, Spain, Indonesia, the UK, the Netherlands and Global Travel Retail, all of which delivered strong double-digit progression.

Oral smoke-free volumes increased by +1.8% in the quarter, supported by our readiness and ability to introduce new product variants in the U.S., alongside an acceleration in international *ZYN* growth and share gains in Swedish snus. E-vapor shipments grew by a remarkable +62%, demonstrating the increasing scale and importance of our multicategory portfolio, and *VEEV's* role within it.

Cigarette shipments were flat in the quarter despite strong pricing, outperforming an industry decline of 1.1%. This reflects both the strength of our brands and the resilience of the category in markets where smoke-free products are banned or have limited presence such as Turkey, Indonesia and Egypt. On a year-to-date basis, cigarette volumes declined by 1.2%. While the markets driving this better-than-expected performance generate an unfavorable geographic mix, the continued resilience of our combustible portfolio means we now expect full year cigarette volumes to decline by a similar level, subject to year-end inventory movements.

(SLIDE 8.)

We continue to generate strong top-line growth from the fundamental pillars of our business model, namely volume growth, pricing power and the mix benefit of favorable smoke-free unit economics.

Year-to-date, pricing remained the largest contributor, adding +6.2 points of growth. This reflects continued combustible strength, with pricing of +9.1%, together with a positive contribution from our smoke-free portfolio, including low single-digit pricing on *IQOS* HTUs.

The increasing contribution of smoke-free products in our international business provided a further +1.5 points of growth, notwithstanding a lower impact in Q3 due to timing factors. This was partly offset by a 0.6 point headwind from the U.S., driven predominantly by the impact of lower *ZYN* shipment volumes and challenging comparisons earlier in the year, with these headwinds moderating significantly in the third quarter.

Combustible geographic mix and other factors reduced growth by 1.7 points. These headwinds were partially mitigated in Q3 by the impact of restructuring of certain distribution terms I mentioned earlier, which we do not expect to be significant in the fourth quarter.

As a result, year-to-date organic net revenue growth reached +5.9%, and +7.1% for Q3. Currency contributed a further +2.3 percentage points year-to-date, bringing reported net revenue growth to +8.2%.

(SLIDE 9.)

Moving further down the P&L, our adjusted operating margin organically expanded by +60 basis points year-to-date, and +130 basis points in Q3, reaching a very strong level of almost 45% in the quarter.

Gross margin expansion remained the primary driver, contributing +80 basis points in both Q3 and year-to-date, bolstered by strong pricing, favorable smoke-free mix, increasing scale benefits across our smoke-free business and manufacturing productivity gains.

At the same time, we continue to invest strongly behind future growth opportunities. While SG&A organically increased by less than net revenues in Q3, this reflects the ongoing benefits of our G&A productivity initiatives and a favorable comparison against the prior-year period which included certain combustible-related items. Both

international and U.S. smoke-free commercial investments continued to grow ahead of the top line, accelerating versus the second quarter.

For the full year, we expect SG&A to grow broadly in line with net revenues, as we continue to work on our back-office costs while strongly increasing commercial investments behind our growth platforms and consumer-facing initiatives across the world. This includes increased investments in the U.S. to support our *ZYN* portfolio expansion and competitiveness.

Indeed, our productivity program continues to deliver strong results. We have now generated more than $2 billion of cumulative gross cost savings across both COGS and SG&A since 2024, achieving our 3-year objective ahead of schedule.

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Focusing now on our international business, which continues to be the primary engine of group performance and represents 93% of our year-to-date net revenues.

International smoke-free delivered excellent year-to-date results, with organic growth of almost +10% in net revenues and +12% in gross profit driving +120 basis points of gross margin expansion to 70%. This reflects the continued growth and increasing profitability of *IQOS*, with additional contributions from our expanding smoke-free portfolio, particularly *VEEV*. As expected, Q3 growth was slower due to shipment timing comparisons and related category mix. Importantly, *IQOS* gross margins continued to expand meaningfully, despite additional cost disruption in Ukraine.

Our international combustible business also delivered a strong year-to-date performance. Higher category share, robust pricing and efficient execution drove organic net revenue growth of +5.2% and gross profit growth of +7.4%, supporting +140 basis points of organic gross margin expansion.

Together, our international smoke-free and combustible businesses drove +7.0% organic net revenue growth and +9.1% gross profit growth, with +140 basis points of gross margin expansion to 68.8%. This performance supported international organic OCI growth of around +11% in both Q3 and year-to-date, comfortably exceeding the targeted OI growth rates for total PMI.

(SLIDE 11.)

Now focusing on international smoke-free, we drove +8.6% growth in total adjusted IMS year-to-date, including an acceleration to +8% in Q3 and despite the impacts from

Japan and Poland. Excluding these two markets, growth was +11.8% year-to-date, consistent with the strong growth rates delivered over recent years.

Importantly, our smoke-free portfolio continues to outgrow the comparable industry by approximately 1 percentage point, with our share increasing to 62%, reflecting the increasing strength of our multicategory strategy. I also note that our total international market share of cigarettes and HTUs exceeded 30% in the quarter for the first time, underscoring the combined strength of our smoke-free and combustible portfolios.

(SLIDE 12.)

IQOS remains the driving force behind our smoke-free growth. Adjusted IMS volume growth accelerated from +5.1% in Q2 to +7.1% in the third quarter. We are especially pleased with the delivery of +7.7% growth year-to-date, despite the known headwinds in Japan and Poland.

Excluding these two markets, adjusted IMS growth remained around +10% in the quarter and almost +11% year to date, consistent with the strong underlying trajectory of the business and the durability of demand across our geographic footprint.

Key European geographies, including Italy, Greece and Spain, all delivered double-digit adjusted IMS growth year-to-date, complemented by excellent performance in markets such as Indonesia, Mexico, the Philippines, Saudi Arabia and Taiwan, as well as Global Travel Retail, highlighting the increasing geographic diversification of the *IQOS* business.

Our device and consumables pipeline remains active, supporting both legal-age consumer acquisition and brand loyalty. We continue to enrich our premium *TEREA* and *LEVIA* HTU offerings with new taste experiences. Our mainstream-priced variants of *DELIA* and *SENTIA* are also supporting acquisition and exceed the size of our closest category competitor. In addition, the expansion of our alternative heating technology *BONDS* by *IQOS* is ongoing, and is resonating well with harder-to-reach entrenched smokers in initial launch areas.

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The strength of *IQOS* is exemplified by excellent key city offtake share progress across the world, a strong indicator of national-level growth potential.

We recorded further strong Q3 share gains across established *IQOS* markets including Germany, Greece, Italy, Japan, Romania, the Netherlands and the UK, alongside Global Travel Retail. We also continue to see very promising momentum in

newer growth markets such as Mexico, Indonesia and Taiwan, in which *IQOS* increased its national category share to more than 80%.

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Switching to *VEEV*, whose momentum remains very strong. Year-to-date shipment volumes increased by +68% to 4.0 billion equivalent units. This includes continued gains and increasing category leadership across European markets, with *VEEV* further extending its lead over established competitors as the number one closed pod brand in the region. Elsewhere, we continue to see promising growth in markets such as Egypt, Malaysia, Global Travel Retail and in South Korea following its recent launch.

The business continues to benefit from our unique multicategory deployment using the unparalleled commercial infrastructure and consumer reach of *IQOS*, while also benefitting from the structural shift toward closed pod systems across international markets. This trend aligns with our portfolio and commercial strategy, as we drive momentum with meaningful innovation, such as the current roll-out of our new *VEEV ONE+* device.

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Moving now to *ZYN*, which continues to generate promising growth in international markets as we invest to build the category. Year-to-date international shipment volumes reached 1.5 billion pouches, representing growth of +6.3% on a like-for-like basis. This includes a sequential step-up to +7% in Q3, supported by improving sequential trends in Sweden following the launch of new *ZYN* flavor variants. Strong double-digit progression continued in markets such as Poland, Global Travel Retail and Mexico, partly offset by inventory movements in the UK and Pakistan.

Growth was supported through portfolio innovation such as *ZYN Black Menthol*, continued category expansion and growing consumer adoption across a broad range of markets. *ZYN's* year-to-date ex-Nordics IMS growth reached +30%, outperforming the industry and growing ahead of shipments.

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In Europe, our most advanced multicategory region, combined smoke-free IMS volumes for *IQOS*, *ZYN* and *VEEV* increased by approximately +8.6% year-to-date and +8.9% in Q3, reflecting strong momentum.

IQOS adjusted IMS growth strengthened to +6.0% in Q3, notably driven by an acceleration in Germany and Spain. Performance was broad-based across the region,

with strong growth continuing in Italy, Greece, the UK and Bulgaria, more than offsetting the impact of disruptions in Ukraine. Excluding headwinds in Poland due to the characterizing flavor ban implementation earlier this year, adjusted IMS growth in Europe was around +8%.

Our other smoke-free categories continue to scale rapidly. *VEEV* shipment volumes increased by +75% year-to-date, and +66% in Q3, with outstanding growth in Romania, Greece, Germany, France, Bulgaria and Spain. *ZYN* volumes reached 1.0 billion pouches year-to-date, accelerating to almost +6% growth in Q3 on a like-for-like basis as we invest behind the category. This was supported by strong progress in markets such as Poland, Austria and Finland, in addition to the better Swedish delivery.

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In Japan, *IQOS* fundamentals remain strong amidst the volatility of the two-step excise increase on heated tobacco this year. Following a Q2 decline in adjusted IMS volumes due to pantry de-loading, HTUs returned to growth in Q3 with an increase of +3.4%.

As in Q1, before the April excise-driven price increase of JPY40 per pack, Q3 IMS growth includes a favorable impact from consumer pantry-loading ahead of our JPY20 increase in October. Excluding this impact, underlying growth was +1.3%, as consumers gradually adjust to higher prices in an environment where combustible cigarettes did not yet face any excise change. This remains in line with our expectations and we continue to expect growth for the year, notwithstanding a likely softer Q4 as pantry-loading again reverses and consumers adapt to a further price increase.

Our adjusted heat-not-burn category share remained stable at approximately 68% despite taking more pricing than competitors in April, highlighting the strength of the *IQOS* proposition.

Looking forward, the excise calendar for the next 3 years looks less disruptive, with moderate increases on both combustibles and heated tobacco alike each April. While the April 2027 increase will mark the third change in 12 months, with a potential cumulative impact on the consumer, we remain excited about the category's mid-term growth potential in Japan. Although heated tobacco continues to account for over 50% of total nicotine offtake, there remains a substantial pool of smokers yet to switch, supporting our confidence in the capacity for strong *IQOS* performance in the years ahead.

(SLIDE 18.)

Turning now to the U.S., where we delivered strong financial performance in Q3, supported by *ZYN* volume growth of +4.2% to 3.2 billion pouches, or +13% excluding the impact of one-off promotions in September last year. Sequentially, shipments increased by +10% versus Q2, reflecting category expansion and the ongoing launch of new portfolio variants, which have contributed to an improvement in our category share and should position us well for future growth. We expect Q4 shipment volumes to be broadly in-line to modestly above Q3 levels, as we continue to expand distribution and support the rollout of the enhanced portfolio.

U.S. net revenues increased by almost +23%, and gross profit by +24%, with gross margins expanding organically by +60 basis points to 64.4%. This was supported by favorable pricing comparisons against the same prior year promotions, notwithstanding the impact of higher manufacturing overheads and start-up costs from our new *ZYN* facility in Colorado, which is gradually ramping up production. Adjusted OCI grew by +1.5%, as we meaningfully increased commercial investments to support the expansion of our *ZYN* portfolio.

(SLIDE 19.)

Supported by our readiness and ability to launch new products, we are taking significant actions across the second half of this year to strengthen *ZYN's* competitive position as the leading and premium U.S. smoke-free brand.

The first action is the expansion of the *ZYN* offering in two waves to address a broader range of legal-age nicotine consumer preferences.

The first wave of expansion comprises the higher-nicotine moist range of *ZYN ULTRA* and an expanded flavor line-up for our flagship dry portfolio, which are now approaching full distribution. While we are still building consumer awareness around our new range, especially for *ZYN ULTRA*, we are encouraged by the initial consumer reaction. Indeed, following several quarters of volume progress below the category growth rate, *ZYN's* category offtake share increased by an estimated 1.4 points from June to September, demonstrating the incremental contribution of the new variants and interest from competitor pouch consumers.

We also began shipments of the second wave of product introductions in the quarter, with new flagship variants in both 1.5mg and 8mg strengths further broadening the consumer offer and supporting our objective of encouraging legal-age nicotine users to switch to the category.

The second important action is to align the value proposition across the portfolio and optimize *ZYN's* per-pouch price positioning. We began this process over the summer with the launch of *ZYN ULTRA* in 20-pouch cans, and starting in October we are now transitioning our 1.5mg, 3mg and 6mg flagship variants from 15 to 20 pouches. These variants represent the large majority of our volumes, and as we work to execute the change smoothly for both consumers and trade partners, we expect the transition to be largely complete in the fourth quarter.

As we flagged at Q2 earnings and in subsequent communications, these actions are accompanied by an H2 step-up in investments. Total U.S. segment SG&A increased significantly to around $370m in Q3, and we expect a further exceptional sequential increase of around 10% in Q4. This reflects increased consumer communications to build awareness of the expanded portfolio and enhanced value proposition, together with the ramp-up of our *"When it Clicks"* brand campaign. Looking beyond Q4, we view the Q3 level of spend to be sufficient to support the brand.

The transition to 20-pouch cans represents a significant investment in consumer value, which - all else equal – translates into approximately 25% less revenue-per-pouch. Combined with additional short-term support on the existing 15-pouch variants to manage the sell-out at retail, this will impact Q4 net revenues.

Indeed, taking the aggregate impact of these actions and the expansion of our manufacturing capacity to support future growth, Q4 will be a unique quarter of investment. We expect an abnormally low level of U.S. profitability in the fourth quarter, with adjusted OCI around zero or slightly negative.

Our leading global position and strong growth profile reflects continuous investment for mid and long-term growth, and we are excited to be implementing these significant improvements to our *ZYN* consumer offer. With a fast-growing category and *ZYN's* leading brand equity, we believe we are positioning the brand for strong and sustainable growth over the coming years.

(SLIDE 20.)

Finally, turning to combustibles, which posted an exceptional Q3 performance. Pricing remained a key driver, reaching +8.9% in the third quarter and +9.1% year to date, with broad-based contributions across markets including Turkey, the Philippines, Indonesia and Poland. We now expect full-year pricing of above 8%, with the net revenue impact partially offset by a more unfavorable geographic mix.

Despite this strong pricing, our portfolio increased Q3 international category share by 0.4 points to 25.9%, driven by *Marlboro* which reached a record high of 11.4%.

This strong share performance and robust pricing drove another quarter of excellent profitability, with international combustible gross profit increasing by +9.8% in Q3 and +7.4% year to date.

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This brings me to our outlook for the full year, where we are targeting a second consecutive year of double-digit adjusted diluted EPS growth in dollar terms.

Indeed, following our strong first nine months, we are on track for another year of excellent performance as we continue to invest behind smoke-free growth.

We now expect growing total shipment volumes for the year, making 2026 our sixth consecutive year of growth.

For net revenues, we continue to forecast +5% to +7% organic growth. Moreover, given the strong year-to-date delivery and our expectation for a robust fourth quarter led by international smoke-free, we believe the business could deliver in the middle or upper half of this range.

At the operating income level, we continue to expect organic growth of +7% to +9%, reflecting strong inherent margin expansion from our top-line performance and productivities, and despite our substantial ongoing investments in SFP internationally and in the U.S. Our forecast range for currency-neutral adjusted diluted EPS growth also remains at +7.5% to +9.5%. With a favorable currency impact at prevailing exchange rates of approximately 18 cents, notably including recent weakness in the Euro, this results in an adjusted diluted EPS range of $8.29 to $8.44, representing growth of approximately +10% to +12% in dollar terms. However, considering the significant H2 step-up in U.S. investments and the cost impact of ongoing geopolitical tensions, we see the full-year delivery more likely to be at the midpoint or lower half of both brackets.

Although the inflationary outlook remains uncertain, most notably the persistence of energy-related inflation linked to the conflict in the Middle East, the prices of certain inputs have begun to reflect the increases in energy and shipping costs. While we are less exposed than many other areas of consumer goods and this remains manageable overall, these factors were a headwind in the third quarter and are expected to evolve further in Q4 as a greater proportion of increased input prices flow through. Overall, we estimate the impact on full-year adjusted diluted EPS growth to be around half a percentage point, in addition to a similar sized headwind from disruptions in Ukraine. This results in a combined impact of approximately 1 point of growth for the year.

For Q4 more broadly, we anticipate a strong net revenue and OCI performance from our international business, including a reacceleration in smoke-free performance. We expect continued robust adjusted IMS growth and HTU shipment volumes of 39.5 to 40.5 billion units, consistent with our comments on shipment phasing. In contrast, this will be a unique quarter of elevated investment and portfolio transition for the U.S., for the reasons I explained. Despite this special quarter for the U.S., we expect a strong delivery for the group overall, as captured in our full-year outlook.

We also expect to generate a record level of approximately $13.5 billion in operating cash flow, testament to our strong cash flow generation. This provides substantial flexibility to invest behind future growth while continuing to deleverage and deliver attractive shareholder returns.

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Let me now conclude with a few key takeaways.

Our year-to-date performance reflects the quality of our underlying fundamentals, positioning us for another year of superior top and bottom line growth as we continue to invest substantially behind future opportunities.

This reflects the durability of our model, supported by category-leading brands, strong pricing power, disciplined cost management and the increasing scale of *IQOS*, *ZYN* and *VEEV*.

We remain a highly cash-generative business, with an unwavering commitment to our progressive dividend policy and to rewarding shareholders. In September we raised our dividend for the 19th consecutive year to $6.40 per share, with another increase of almost 9%.

Looking ahead, we remain confident in our mid and long-term trajectory, which reflects the unique strengths of PMI's growth model: structural smoke-free momentum built on science, innovation, commercial strength and brand building, allied to combustible resilience and effective reinvestment. We look forward to sharing more on these elements at our next Investor Day, which we plan to hold in Q2 next year.

(SLIDE 23.)

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

JAMES BUSHNELL

(SLIDE 24.)

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.