

REFINITIV

DELTA REPORT

10-Q

MO - ALTRIA GROUP, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 2727

█ CHANGES 326

█ DELETIONS 1247

█ ADDITIONS 1154

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2023** **March 31, 2024**
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number **1-08940**

Altria Group, Inc.

(Exact name of registrant as specified in its charter)

Virginia

13-3260245

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer
Identification No.)

6601 West Broad Street, Richmond, Virginia

23230

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (804) 274-2200

Former name, former address and former fiscal year, if changed since last report

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, \$0.33 1/3 par value	MO	New York Stock Exchange
1.700% Notes due 2025	MO25	New York Stock Exchange
2.200% Notes due 2027	MO27	New York Stock Exchange
3.125% Notes due 2031	MO31	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At **October 17, 2023** **April 16, 2024**, there were **1,768,646,674** **1,717,626,424** shares outstanding of the registrant's common stock, par value \$0.33 1/3 per share.

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ALTRIA GROUP, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Altria Group, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in millions of dollars)
(Unaudited)

	September 30, 2023	December 31, 2022		
March 31, 2024			March 31, 2024	December 31, 2023

Assets		Assets	
Cash and cash equivalents		Cash and cash equivalents	\$ 1,537 \$ 4,030
Receivables:			
Receivable from the sale of IQOS			
System commercialization rights		—	1,721
Other		57	48
Cash and cash equivalents			
Cash and cash equivalents			
Receivables			
Inventories:		Inventories:	
Leaf tobacco			
Leaf tobacco			
Leaf tobacco	Leaf tobacco	606	704
Other raw materials	Other raw materials	212	186
Work in process	Work in process	29	24
Finished product	Finished product	327	266
		1,174	1,180
		1,241	
Income taxes			
Other current assets	Other current assets	622	241
Other current assets			
Other current assets			
Total current assets	Total current assets	3,390	7,220
Property, plant and equipment, at cost			
Property, plant and equipment, at cost			
Property, plant and equipment, at cost	Property, plant and equipment, at cost	4,526	4,427
Less accumulated depreciation	Less accumulated depreciation	2,897	2,819
		1,624	
		1,629	1,608
Goodwill	Goodwill	6,791	5,177
Goodwill			
Goodwill			
Other intangible assets, net	Other intangible assets, net	13,727	12,384
Investments in equity securities (\$0 million and \$250 million at September 30, 2023 and December 31, 2022, respectively, measured at fair value)			
		9,907	9,600
Investments in equity securities			
Investments in equity securities			
Other assets	Other assets	1,025	965
Other assets			

Other assets	
Total Assets	Total Assets \$ 36,469 \$ 36,954

See notes to condensed consolidated financial statements.

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Altria Group, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Continued)
(in millions of dollars, except share and per share data)
(Unaudited)

		March 31, 2024		March 31, 2024	December 31, 2023				
		September 30, December 2023 31, 2022							
Liabilities									
Liabilities									
Current portion of long-term debt									
Current portion of long-term debt									
Current portion of long-term debt	Current portion of long-term debt	\$ 1,121	\$ 1,556						
Accounts payable	Accounts payable	490	552						
Accrued liabilities:	Accrued liabilities:								
Marketing	Marketing	663	599						
Marketing	Marketing								
Marketing	Marketing								
Settlement charges	Settlement charges								
Settlement charges	Settlement charges								
Settlement charges	Settlement charges	2,388	2,925						
Settlement charges	Other	1,277	1,299						
Other	Deferred gain from the sale of IQOS System commercialization rights	2,700	—						
Deferred gain from the sale of IQOS System commercialization rights	Deferred gain from the sale of IQOS System commercialization rights								
Deferred gain from the sale of IQOS System commercialization rights	Deferred gain from the sale of IQOS System commercialization rights								
Dividends payable	Dividends payable	1,742	1,685						
Total current liabilities	Total current liabilities	10,381	8,616						
Total current liabilities	Total current liabilities								
Long-term debt	Long-term debt	23,977	25,124						
Long-term debt	Deferred income taxes	2,527	2,897						

Accrued pension costs	Accrued pension costs	127	133
Accrued postretirement health care costs	Accrued postretirement health care costs	1,096	1,083
Deferred gain from the sale of IQOS		—	2,700
System commercialization rights		1,718	324
Total liabilities	Total liabilities	39,826	40,877
Contingencies (Note 13)	Contingencies (Note 13)		Contingencies (Note 13)
Stockholders' Equity (Deficit)	Stockholders' Equity (Deficit)		
Stockholders' Equity (Deficit)			
Common stock, par value \$0.33 1/3 per share (2,805,961,317 shares issued)	Common stock, par value \$0.33 1/3 per share (2,805,961,317 shares issued)	935	935
Common stock, par value \$0.33 1/3 per share (2,805,961,317 shares issued)	Additional paid-in capital	5,895	5,887
Earnings reinvested in the business	Earnings reinvested in the business	30,767	29,792
Accumulated other comprehensive losses	Accumulated other comprehensive losses	(2,471)	(2,771)
Cost of repurchased stock (1,036,080,497 shares at September 30, 2023 and 1,020,427,195 shares at December 31, 2022)		(38,533)	(37,816)
Cost of repurchased stock (1,088,334,893 shares at March 31, 2024 and 1,042,499,542 shares at December 31, 2023)			
Total stockholders' equity (deficit) attributable to Altria	stockholders' equity (deficit) attributable to Altria	(3,407)	(3,973)
Noncontrolling interests	Noncontrolling interests	50	50
Total stockholders' equity (deficit)	Total stockholders' equity (deficit)	(3,357)	(3,923)

Total Liabilities and Stockholders' Equity (Deficit)	Total Liabilities and Stockholders' Equity (Deficit)	\$ 36,469	\$ 36,954
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See notes to condensed consolidated financial statements.

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Altria Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings
 (in millions of dollars, except per share data)
 (Unaudited)

		For the Nine Months Ended September 30,		For the Three Months Ended September 30,			
		2023	2022	2023	2022		
For the Three Months Ended March 31,							
		2024		2023			
For the Three Months Ended March 31,							
For the Three Months Ended March 31,							
Net revenues	Net revenues	\$18,508	\$18,985	\$6,281	\$6,550		
Cost of sales	Cost of sales	4,693	4,869	1,578	1,715		
Excise taxes on products	Excise taxes on products	3,030	3,380	1,004	1,138		
Gross profit	Gross profit	10,785	10,736	3,699	3,697		
Marketing, administration and research costs	Marketing, administration and research costs	2,034	1,635	610	585		
Operating income	Operating income	8,751	9,101	3,089	3,112		
Interest and other debt expense, net	Interest and other debt expense, net	758	832	272	271		
Net periodic benefit income, excluding service cost	Net periodic benefit income, excluding service cost	(95)	(137)	(33)	(44)		
Net periodic benefit income, excluding service cost							
Net periodic benefit income, excluding service cost							
(Income) losses from investments in equity securities	(Income) losses from investments in equity securities	(105)	3,707	(58)	2,478		
Loss on Cronos-related financial instruments		—	14	—	—		

Earnings before income taxes					
Earnings before income taxes					
Earnings before income taxes	Earnings before income taxes	8,193	4,685	2,908	407
Provision for income taxes	Provision for income taxes	2,123	1,611	742	183
Net earnings	Net earnings	\$ 6,070	\$ 3,074	\$ 2,166	\$ 224
Net earnings					
Per share data:	Per share data:				
Basic and diluted earnings per share	Basic and diluted earnings per share	\$ 3.40	\$ 1.69	\$ 1.22	\$ 0.12
Basic and diluted earnings per share					
Basic and diluted earnings per share					

See notes to condensed consolidated financial statements.

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Altria Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Earnings
 (in millions of dollars)
 (Unaudited)

		For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
For the Three Months Ended March 31,		2023	2022	2023	2022
For the Three Months Ended March 31,					
For the Three Months Ended March 31,					
Net earnings					
Net earnings					
Net earnings	Net earnings	\$ 6,070	\$ 3,074	\$ 2,166	\$ 224
Other comprehensive earnings (losses), net of deferred income taxes:	Other comprehensive earnings (losses), net of deferred income taxes:				
Other comprehensive earnings (losses), net of deferred income taxes:	Other comprehensive earnings (losses), net of deferred income taxes:				
Benefit plans	Benefit plans				
Benefit plans	Benefit plans				
Benefit plans	Benefit plans	(16)	48	(5)	17
ABI	ABI	302	637	236	(6)
ABI	ABI				

ABI							
Currency translation adjustments and other	Currency translation adjustments and other		14		(12)	7	(17)
Currency translation adjustments and other							
Currency translation adjustments and other							
Other comprehensive earnings (losses), net of deferred income taxes							
Other comprehensive earnings (losses), net of deferred income taxes							
Other comprehensive earnings (losses), net of deferred income taxes	Other comprehensive earnings (losses), net of deferred income taxes		300		673	238	(6)
Comprehensive earnings	Comprehensive earnings	\$	6,370	\$	3,747	\$	2,404
Comprehensive earnings							
Comprehensive earnings							

See notes to condensed consolidated financial statements.

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Altria Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
for the Nine Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023
(in millions of dollars, except per share data)
(Uaudited)

	Attributable to Altria							Attributable to Altria							
	Earnings			Accumulated				Stockholders' Equity (Deficit)	Earnings			Accumulated			
	Additional Common Stock	Paid-in Capital	Reinvested in the Business	Other Comprehensive Losses	Cost of Stock	Repurchased	Non-controlling Interests		Stock	Capital	in the Business	Other Comprehensive Losses	Cost of Stock	Repurchased	Non-controlling Interests
Balances, December 31, 2022	\$ 935	\$ 5,887	\$ 29,792	\$ (2,771)	\$ (37,816)	\$ 50	\$ (3,923)								
Balances, December 31, 2023															
Net earnings	Net earnings	—	—	6,070	—	—	—	6,070							
Other comprehensive earnings (losses), net of deferred income taxes	Other comprehensive earnings (losses), net of deferred income taxes	—	—	—	300	—	—	300							
Stock award activity	Stock award activity	—	8	—	—	20	—	28							
Cash dividends declared (\$2.86 per share)		—	—	(5,095)	—	—	—	(5,095)							
Cash dividends declared (\$0.98 per share)															
Repurchases of common stock	Repurchases of common stock	—	—	—	—	(732)	—	(732)							
Other	Other	—	—	—	—	(5)	—	(5)							
Balances, September 30, 2023	\$ 935	\$ 5,895	\$ 30,767	\$ (2,471)	\$ (38,533)	\$ 50	\$ (3,357)								
Other															

Other
Balances, March
31, 2024

Balances, December 31, 2022	\$ 935	\$ 5,887	\$ 29,792	\$ (2,771)	\$ (37,816)	\$ 50	\$ (3,923)
Net earnings	—	—	1,787	—	—	—	1,787
Other comprehensive earnings (losses), net of deferred income taxes	—	—	—	(8)	—	—	(8)
Stock award activity	—	(21)	—	—	20	—	(1)
Cash dividends declared (\$0.94 per share)	—	—	(1,681)	—	—	—	(1,681)
Balances, March 31, 2023	\$ 935	\$ 5,866	\$ 29,898	\$ (2,779)	\$ (37,796)	\$ 50	\$ (3,826)

			Earnings		Accumulated		Total Stockholders' Equity (Deficit)
			Additional	Reinvested	Other	Cost of	
	Common Stock	Paid-in Capital	in the Business	Comprehensive Losses	Repurchased Stock		
Balances, December 31, 2021	\$ 935	\$ 5,857	\$ 30,664	\$ (3,056)	\$ (36,006)	\$ (1,606)	
Net earnings	—	—	3,074	—	—	—	3,074
Other comprehensive earnings (losses), net of deferred income taxes	—	—	—	673	—	—	673
Stock award activity	—	16	—	—	—	15	31
Cash dividends declared (\$2.74 per share)	—	—	(4,953)	—	—	—	(4,953)
Repurchases of common stock	—	—	—	—	—	(1,451)	(1,451)
Balances, September 30, 2022	\$ 935	\$ 5,873	\$ 28,785	\$ (2,383)	\$ (37,442)	\$ (4,232)	

(a) Represents the remaining 15% of the Repurchase Price related to the ASR transactions. See Note 1, *Background and Basis of Presentation*.

See notes to condensed consolidated financial statements.

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Altria Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
for the Three Months Ended September 30, 2023 and 2022
 (in millions of dollars, except per share data)
 (Unaudited)

	Attributable to Altria							
			Earnings		Accumulated			
	Common Stock	Paid-in Capital	Additional in the Business	Other Comprehensive Losses	Cost of Repurchased Stock	Non- controlling Interests	Total Stockholders' Equity (Deficit)	
Balances, June 30, 2023	\$ 935	\$ 5,880	\$ 30,340	\$ (2,709)	\$ (38,273)	\$ 50	\$ (3,777)	
Net earnings	—	—	2,166	—	—	—	2,166	
Other comprehensive earnings (losses), net of deferred income taxes	—	—	—	238	—	—	238	
Stock award activity	—	15	—	—	—	—	15	
Cash dividends declared (\$0.98 per share)	—	—	(1,739)	—	—	—	(1,739)	
Repurchases of common stock	—	—	—	—	(260)	—	(260)	
Balances, September 30, 2023	\$ 935	\$ 5,895	\$ 30,767	\$ (2,471)	\$ (38,533)	\$ 50	\$ (3,357)	

	Attributable to Altria							
			Earnings		Accumulated			
	Common Stock	Paid-in Capital	Additional in the Business	Other Comprehensive Losses	Cost of Repurchased Stock	Non- controlling Interests	Total Stockholders' Equity (Deficit)	
Balances, June 30, 2023	\$ 935	\$ 5,880	\$ 30,340	\$ (2,709)	\$ (38,273)	\$ 50	\$ (3,777)	
Net earnings	—	—	2,166	—	—	—	2,166	
Other comprehensive earnings (losses), net of deferred income taxes	—	—	—	238	—	—	238	
Stock award activity	—	15	—	—	—	—	15	
Cash dividends declared (\$0.98 per share)	—	—	(1,739)	—	—	—	(1,739)	
Repurchases of common stock	—	—	—	—	(260)	—	(260)	
Balances, September 30, 2023	\$ 935	\$ 5,895	\$ 30,767	\$ (2,471)	\$ (38,533)	\$ 50	\$ (3,357)	

Balances, June 30, 2022	\$ 935	\$ 5,861	\$ 30,252	\$ (2,377)	\$ (37,074)	\$ (2,403)
Net earnings	—	—	224	—	—	224
Other comprehensive earnings (losses), net of deferred income taxes	—	—	—	(6)	—	(6)
Stock award activity	—	12	—	—	—	12
Cash dividends declared (\$0.94 per share)	—	—	(1,691)	—	—	(1,691)
Repurchases of common stock	—	—	—	—	(368)	(368)
Balances, September 30, 2022	\$ 935	\$ 5,873	\$ 28,785	\$ (2,383)	\$ (37,442)	\$ (4,232)

See notes to condensed consolidated financial statements.

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Altria Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in millions of dollars)
(Uncaudited)

For the Nine Months Ended					
September 30,		2023	2022		
For the Three Months Ended					
March 31,		For the Three Months Ended March 31,		2024	2023
Cash Provided	Cash Provided				
by (Used in)	by (Used in)				
Operating	Operating				
Activities	Activities				
Net earnings	Net earnings	\$ 6,070	\$ 3,074		
Net earnings	Net earnings				
Adjustments to	Adjustments to				
reconcile net	reconcile net				
earnings to	earnings to				
operating cash	operating cash				
flows:	flows:				
Depreciation and amortization	Depreciation and amortization				
Depreciation and amortization	Depreciation and amortization				
Depreciation and amortization	Depreciation and amortization	194	163		
Deferred income tax provision (benefit)	Deferred income tax provision (benefit)	(575)	(550)		
Unrecognized tax benefit ⁽¹⁾	Unrecognized tax benefit ⁽¹⁾	1,173	21		
(Income) losses from investments in equity securities	(Income) losses from investments in equity securities	(105)	3,707		
Dividends from ABI	Dividends from ABI	163	104		
Loss on Cronos-related financial instruments	—	14			
Cash effects of changes: ⁽²⁾	Cash effects of changes:				

Cash effects of changes:				
Cash effects of changes:				
Receivables	Receivables	19	(5)	
Receivables	Receivables			
Receivables	Receivables	19	(5)	
Inventories	Inventories	26	88	
Accounts payable	Accounts payable	(47)	(27)	
Income taxes	Income taxes	(210)	49	
Accrued liabilities and other current assets	Accrued liabilities and other current assets	(210)	(382)	
Accrued settlement charges	Accrued settlement charges	(537)	(618)	
Pension plan contributions	Pension plan contributions	(14)	(11)	
Pension and postretirement, net	Pension and postretirement, net	(97)	(110)	
Other, net	Other, net	210	120	
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	6,060	5,637	
Cash Provided by (Used in) Investing Activities	Cash Provided by (Used in) Investing Activities			
Capital expenditures	Capital expenditures	(143)	(147)	
Proceeds from the sale of IQOS System commercialization rights	Proceeds from the sale of IQOS System commercialization rights	1,700	—	
Acquisition of NJOY, net of cash acquired	Acquisition of NJOY, net of cash acquired	(2,751)	—	
Capital expenditures	Capital expenditures			
Proceeds from the ABI Transaction (2)	Proceeds from the ABI Transaction (2)			
Other, net	Other, net			
Other, net	Other, net			
Other, net	Other, net	(23)	(68)	
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	\$1,217	\$ (215)	

(1) 2023 relates to unrecognized tax benefit from the ordinary loss for cash tax purposes with respect to a portion of our tax basis associated with our former investment in JUUL. For further discussion, see Note 12, *Income Taxes*. JUUL, partially offset by our estimated corporate alternative minimum tax credit carryforward.

⁽²⁾ 2023 amounts are net. For further discussion of the effects from the NJOY Transaction, see Note 5. Note 2. Acquisition of NJOY Investments in Equity Securities.

See notes to condensed consolidated financial statements.

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Altria Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Continued)
(in millions of dollars)
(Uaudited)

For the Nine Months Ended			
September 30,	2023	2022	
For the Three Months Ended			
March 31,			For the Three Months Ended March 31,
			2024 2023
Cash Provided by (Used in) Financing Activities	Cash Provided by (Used in) Financing Activities		
Proceeds from short-term borrowings	\$ 2,000	\$ —	
Repayment of short-term borrowings	(2,000)	—	
Long-term debt repaid	(1,566)	(1,105)	
Repurchases of common stock	(732)	(1,451)	
Long-term debt repaid			
Long-term debt repaid			
Repurchases of common stock			
(1)			
Dividends paid on common stock	Dividends paid on common stock	(5,040)	(4,908)
Other, net			
Other, net	Other, net	(15)	(12)
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities	(7,353)	(7,476)
Cash, cash equivalents and restricted cash: restricted cash:	Cash, cash equivalents and restricted cash: restricted cash:		
Increase (decrease)	Increase (decrease)	(2,510)	(2,054)
Increase (decrease)	Increase (decrease)		
Balance at beginning of period	Balance at beginning of period	4,091	4,594

Balance at end of period	Balance at end of period	\$ 1,581	\$ 2,540
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The following table provides a reconciliation of cash, cash equivalents and restricted cash

(1) to the amounts reported on our condensed consolidated balance sheets:

At	
At September 30, 2023	December 31, 2022

The following table provides a reconciliation of cash, cash equivalents and restricted cash (2) to the amounts reported on our condensed consolidated balance sheets:

The following table provides a reconciliation of cash, cash equivalents and restricted cash (2) to the amounts reported on our condensed consolidated balance sheets:

The following table provides a reconciliation of cash, cash equivalents and restricted cash (2) to the amounts reported on our condensed consolidated balance sheets:

		At	
		March 31, 2024	December 31, 2023
Cash and cash equivalents	Cash and cash equivalents	\$ 1,537	\$ 4,030
Restricted cash included in other current assets	Restricted cash included in other current assets	10	15
Restricted cash included in other assets	Restricted cash included in other assets	34	46
Cash, cash equivalents and restricted cash	Cash, cash equivalents and restricted cash	\$ 1,581	\$ 4,091
Cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash			

(1) Includes \$360 million (15% of the Repurchase Price) paid in March 2024 related to the ASR transactions. See Note 1. *Background and Basis of Presentation*.

(2) Restricted cash consisted primarily of cash deposits collateralizing appeal bonds posted by PM USA to obtain stays of judgments pending appeals. See Note 13. *Contingencies*.

See notes to condensed consolidated financial statements.

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Altria Group, Inc. and Subsidiaries Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1. Background and Basis of Presentation

When used in these notes, the terms "Altria," "we," "us" and "our" refer to either (i) Altria Group, Inc. and its consolidated subsidiaries or (ii) Altria Group, Inc. only and not its consolidated subsidiaries, as appropriate in the context.

- **Background:** At **September 30, 2023** **March 31, 2024**, our wholly owned subsidiaries included Philip Morris USA Inc. ("PM USA"), which is engaged in the manufacture and sale of cigarettes in the United States; John Middleton Co. ("Middleton"), which is engaged in the manufacture and sale of machine-made large cigars and pipe tobacco and is a wholly owned subsidiary of PM USA; UST LLC ("UST"), which through its wholly owned subsidiary U.S. Smokeless Tobacco Company LLC ("USSTC"), is engaged in the

manufacture and sale of moist smokeless tobacco products ("MST") and snus products; Helix Innovations LLC ("Helix"), which operates in the United States and Canada, and Helix Innovations GmbH and its affiliates ("Helix **ROW** International"), which operate internationally in the rest-of-world, are engaged in the manufacture and sale of oral nicotine pouches; and NJOY, LLC ("NJOY"), which is engaged in the manufacture and sale of e-vapor products. Other wholly owned subsidiaries included Altria Group Distribution Company ("AGDC"), which provides sales and distribution services to our domestic operating companies; and Altria Client Services LLC ("ALCS"), which provides various support services to our companies in areas such as legal, regulatory, research and product development, consumer engagement, finance, human resources and external affairs. Our access to the operating cash flows of our subsidiaries consists of cash received from the payment of dividends and distributions, and the payment of interest on intercompany loans by our subsidiaries. At **September 30, 2023** **March 31, 2024**, our significant subsidiaries were not limited by contractual obligations in their ability to pay cash dividends or make other distributions with respect to their equity interests.

As discussed in Note 2. **Acquisition of NJOY**, on June 1, 2023, we completed our acquisition of NJOY Holdings, Inc. ("NJOY Holdings"), the parent of NJOY. As a result of the acquisition, NJOY became a wholly owned subsidiary of Altria.

At **September 30, 2023** **March 31, 2024**, we also owned a 75% economic interest in Horizon Innovations LLC ("Horizon"), a joint venture with **JTI (US) Holding, Inc.**, a subsidiary of Japan Tobacco Inc., which owned the remaining 25% economic interest. Horizon is structured to exist in perpetuity and is responsible for the U.S. marketing and commercialization of heated tobacco stick products.

In March 2023, we entered into a stock transfer agreement with JUUL Labs, Inc. ("Stock Transfer Agreement") pursuant to which we transferred to JUUL Labs, Inc. ("JUUL") all of our beneficially owned JUUL equity securities. In exchange, we received a non-exclusive, irrevocable global license to certain of JUUL's heated tobacco intellectual property ("JUUL Heated Tobacco IP"). Prior to the exchange, we accounted for our investment in JUUL at fair value.

At **September 30, 2023** **March 31, 2024**, we had investments in Anheuser-Busch InBev SA/NV ("ABI") and Cronos Group Inc. ("Cronos"), which, in March 2024, we account for under the equity method sold a portion of accounting using a one-quarter lag.

our investment in ABI ("ABI Transaction"). For further discussion of our investments in equity securities and the ABI Transaction, see Note 5. *Investments in Equity Securities*.

▪ **Dividends and Share Repurchases:** In August **January** 2023, our Board of Directors ("Board of Directors" or "Board") approved authorized a 4.3% increase \$1.0 billion share repurchase program ("January 2023 share repurchase program"), which we completed in the quarterly dividend rate to \$0.98 per share of our common stock versus the previous rate of \$0.94 per share. The current annualized dividend rate is \$3.92. Future dividend payments remain subject to the discretion of our Board, December 2023.

In January 2021, our Board of Directors authorized a \$2.0 billion share repurchase program that it expanded to \$3.5 billion in October 2021 (as expanded, the "January 2021 share repurchase program"). We completed the January 2021 share repurchase program in December 2022.

In January 2023, 2024, our Board of Directors authorized a new \$1.0 billion share repurchase program (the that it increased to \$3.4 billion in March 2024 (as increased, "January 2023 2024 share repurchase program"). At September 30, 2023 In connection with the ABI Transaction, we entered into accelerated share repurchase ("ASR") transactions under two separate agreements with bank counterparties (collectively, "ASR Agreements") to repurchase an aggregate \$2.4 billion ("Repurchase Price") of our common stock. In March 2024, we paid the Repurchase Price and received 46.5 million shares of our common stock, which represented an aggregate value of approximately 85% or \$2,040 million of the Repurchase Price based on the closing price per share of our common stock on the date we entered into the ASR Agreements. Upon final settlement of each of the ASR transactions (for the remaining 15% or \$360 million of the Repurchase Price), which we expect to occur by June 30, 2024, we may be entitled to receive additional shares or, under certain circumstances specified in the ASR Agreements, may be required to deliver shares of our common stock or cash, at our option, to the applicable bank counterparty. The total number of shares to be repurchased under the ASR Agreements will be based on volume-weighted average prices of our common stock during the term of the ASR transactions, less a discount and subject to certain adjustments pursuant to the terms of the ASR Agreements. The ASR transactions are accounted for as equity transactions and included in cost of repurchased stock on our condensed consolidated balance sheet when the shares are received. At March 31, 2024, the remaining \$360 million was recorded as a reduction in additional paid in capital on our condensed consolidated balance sheet, and we had \$268 million \$1.0 billion remaining under the January 2023 2024 share repurchase program. The timing of share repurchases under this program depends upon marketplace conditions and other factors, and the program remains subject to the discretion of our Board.

Our share repurchase activity, which consisted only of shares purchased under the ASR Agreements, was as follows:

(in millions, except per share data)	For the Three Months Ended September 30,			
	2023	2022	2023	2022
Total number of shares repurchased	16.3	29.9	5.9	8.5
Aggregate cost of shares repurchased	\$ 732	\$ 1,451	\$ 260	\$ 368
Average price per share of shares repurchased	\$ 44.97	\$ 48.60	\$ 44.26	\$ 43.68
For the Three Months Ended March 31, 2024				
Total number of shares repurchased			\$ 46.5	
Aggregate cost of shares repurchased ⁽¹⁾			\$ 2,040	
Average price per share of shares repurchased ⁽²⁾			\$ 43.87	

⁽¹⁾ Subject to final settlement of each of the ASR transactions, which we expect to occur by June 30, 2024, but may occur earlier in certain circumstances. Until final settlement, \$360 million (15% of the Repurchase Price) will remain in additional paid in capital on our condensed consolidated statement of stockholders' equity (deficit).

⁽²⁾ The final price per share of shares repurchased under each ASR Agreement will be determined at the end of the applicable purchase period, which is scheduled to occur by June 30, 2024, but may occur earlier in certain circumstances.

For the three months ended March 31, 2023, there were no share repurchases.

Basis of Presentation: Our interim condensed consolidated financial statements are unaudited. Our management believes that all adjustments necessary for a fair statement of the interim results presented have been reflected in our interim condensed consolidated financial statements. All such adjustments were of a normal recurring nature. Net revenues and net earnings for any interim period are not necessarily indicative of results that may be expected for the entire year.

These statements should be read in conjunction with our audited consolidated financial statements and related notes, which appear in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

Certain immaterial prior year amounts have been reclassified to conform with the current year's presentation.

On **January 1, 2023** **January 1, 2024**, we adopted Accounting Standards Update ("ASU") **2021-08**, **2022-03**, **Business Combinations Fair Value Measurement (Topic 805)**, **820**: **Accounting for Contract Assets and Contract Liabilities from Contracts with Customers Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions** ("ASU No. **2021-08**" **2022-03**"). This guidance **updates how clarifies that a contractual restriction on the sale of an entity recognizes equity security is not considered part of the unit of account of the equity security and, measures contract assets and contract liabilities acquired therefore, is not considered in a business combination**. Our adoption of measuring fair value. This guidance also specifies required disclosures for equity securities subject to contractual sale restrictions. We applied ASU No. **2021-08** had no impact on our condensed consolidated financial statements or related disclosures.

Additionally, on January 1, 2023, we adopted ASU 2022-04, **Liabilities- Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations** ("ASU No. **2022-04**"). This guidance requires that a buyer in a supplier finance program disclose sufficient qualitative and quantitative information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period and potential magnitude. As of **and 2022-03** for the **nine months ended September 30, 2023**, fair value disclosure of our adoption of ASU No. **2022-04** had no material impact on our condensed consolidated financial statements or related disclosures. **investment in ABI**. For further discussion, see Note 5. *Investments in Equity Securities*.

For a description of issued accounting guidance applicable to, but not yet adopted by, us, see Note 14. *New Accounting Guidance Not Yet Adopted*.

Note 2. Acquisition of NJOY

On June 1, 2023, we acquired NJOY Holdings ("NJOY Transaction"), which provided us with full global ownership of NJOY's e-vapor product portfolio, including NJOY ACE, currently the only pod-based e-vapor product with market authorizations from the U.S. Food and Drug Administration ("FDA"). The total consideration for the NJOY Transaction of approximately **\$2.9 billion**, **\$2.9 billion** consisted of approximately \$2.75 billion in cash payments (net of cash acquired) plus the fair value of up to **\$500 million** **\$500 million** in additional cash payments that are contingent on receipt of FDA authorizations with respect to certain NJOY products. The fair value of these contingent payments at **March 31, 2024**, **December 31, 2023** and on the acquisition date at **June 30, 2023** and at **September 30, 2023** was approximately \$130 million, which is included in the total consideration.

We funded the NJOY Transaction cash payments through a combination of a \$2.0 billion term loan facility, the issuance of commercial paper and available cash. For further discussion regarding the term loan facility, see Note 11. *Debt*.

We accounted for this acquisition as a business combination. NJOY's financial position and results of operations beginning June 1, 2023 have been consolidated with our consolidated financial results and included in the all other category.

The fair value estimates of the assets acquired and liabilities assumed are preliminary and subject to adjustments during the measurement period (up to one year following the acquisition date). The primary **areas** **area** of accounting for the NJOY Transaction that **are** **is** not yet finalized **relate to** is the assessment of contingent liabilities, which could impact the fair value of certain intangible assets acquired **contingent liabilities, and residual goodwill, and including** any related tax impact. During the measurement period, we will adjust preliminary valuations assigned to assets and liabilities if new information is obtained about facts and circumstances that existed as of the NJOY Transaction date, that, if known, would have resulted in revised values for these items as of that date. The impact of all changes, if any, that do not qualify as measurement period adjustments will be included in current period earnings.

The following amounts **in the table below** represent the preliminary estimates for purchase price allocation to assets acquired and liabilities assumed in the NJOY Transaction, which including measurement period adjustments made for the three months ended March 31, 2024. We recorded no measurement period adjustments in 2023. The preliminary purchase price allocation will be finalized by the end of the measurement period: period.

(in millions)

Cash and cash equivalents	\$	22
Receivables		7
Inventories		19
Other assets		7
Property, plant and equipment		16
Other intangible assets:		
Developed technology (amortizable)		1,000
Trademarks (amortizable)		230
Supplier agreements (amortizable)		180
Accounts payable		(7)
Accrued liabilities		(20)
Deferred income taxes		(167)
Total identifiable net assets		1,287
Total consideration		2,901
Goodwill	\$	1,614

(in millions)	Measurement period		
	Preliminary Allocation	Purchase Price adjustments recognized at March 31, 2024	Updated Preliminary Purchase Price Allocation
Cash and cash equivalents	\$ 22	— \$	22
Receivables	7	—	7
Inventories	19	—	19
Other assets	7	—	7
Property, plant and equipment	16	—	16
Other intangible assets:			
Developed technology (amortizable)	1,000	—	1,000
Trademarks (amortizable)	230	(40)	190
Supplier agreements (amortizable)	180	(180)	—
Accounts payable	(7)	—	(7)
Accrued liabilities	(20)	—	(20)
Deferred income taxes	(167)	66	(101)
Total identifiable net assets	1,287	(154)	1,133
Total consideration	2,901	—	2,901
Goodwill	\$ 1,614	\$ 154	1,768

The excess of the total consideration over the identifiable net assets acquired in the NJOY Transaction primarily reflects the value of future growth opportunities in the e-vapor category. None of the goodwill or other intangible assets will be deductible for tax purposes.

The significant assumptions used in determining the preliminary fair values of the identifiable intangible assets included revenue volume growth rates, operating margins, the assessment of acquired technology life cycles, discount rates, as well as other factors. We determined the preliminary fair values of the identifiable intangibles intangible assets using an income approach. The fair value measurements were primarily based on significant inputs that are not observable in the market, such as discounted cash flow analyses, and thus are classified in Level 3 of the fair value hierarchy. We amortize the intangible assets over a weighted-average period of approximately 17 18 years. Following the measurement period adjustments made in the first quarter of 2024, we estimate our total annual pre-tax amortization expense for all of our definite-lived intangible assets, which includes the impact of the NJOY Transaction, to be approximately \$150 million for each of the next five years, assuming no additional transactions occur that require the amortization of intangible assets and no impacts of any additional measurement period adjustments related to the NJOY Transaction.

In determining the estimated fair value of contingent payments, we made certain judgments, estimates and assumptions, the most significant of which was the likelihood of certain potential regulatory outcomes. Contingent payments are classified in Level 3 of the fair value hierarchy.

Costs incurred for the NJOY Transaction have been and will be recognized as expenses in the period in which the costs are incurred. We incurred costs related to the NJOY Transaction of \$63 million and \$14 million for the nine and three months ended September 30, 2023, respectively. For the nine months ended September 30, 2023, substantially all of these costs were acquisition-related costs, consisting primarily of transaction costs and financing fees, which were included in corporate expense and interest and other debt expense, net, respectively, in our condensed consolidated statement of earnings.

Note 3. Revenues from Contracts with Customers

We disaggregate net revenues based on product type. For further discussion, see Note 10. Segment Reporting.

We calculate In 2023, substantially all cash discounts, offered to in contracts with our customers for prompt payment, as were based on a flat rate per unit based on agreed-upon payment terms. Beginning in the first quarter of 2024 for PM USA and USSTC, cash discounts in contracts with our customers were based on a percentage of the list price based on

agreed-upon payment terms. We record receivables net of the cash discounts on our condensed consolidated balance sheets.

We record payments received by our businesses in advance of product shipment as deferred revenue. These payments are included in other accrued liabilities on our condensed consolidated balance sheets until control of such products is obtained by the customer. Deferred revenue from contracts with customers was \$284 million \$234 million and \$252 million \$258 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. When cash is received in advance of product shipment, our companies satisfy their performance obligations within three days of receiving payment. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no differences between amounts recorded as deferred revenue from contracts with customers and amounts subsequently recognized as revenue.

Receivables were \$57 million \$77 million and \$48 million (excluding the 2022 receivable from the sale of IQOS System commercialization rights) \$71 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no expected differences between amounts recorded and subsequently received, and we did not record an allowance for credit losses against these receivables.

We record an allowance for returned goods, which is included in other accrued liabilities on our condensed consolidated balance sheets. It is USSTC's policy to accept authorized sales returns from its customers for products that have passed the freshness date printed on product packaging due to the limited shelf life of USSTC's MST and snus products. We record estimated sales returns, which are based principally on historical volume and return rates, as a reduction to revenues. Actual sales returns will differ from estimated sales returns to the extent actual results differ from estimated assumptions. We reflect differences between actual and estimated sales returns in the period in which the actual amounts become known. These differences, if any, have not had a material impact on our condensed consolidated financial statements. All returned goods are destroyed upon return and not included in inventory. Consequently, we do not record an asset for USSTC's right to recover goods from customers upon return.

Sales incentives include variable payments related to goods sold by our businesses. We include estimates of variable consideration as a reduction to revenues upon shipment of goods to customers. The sales incentives that require significant estimates and judgments are as follows:

- *Price promotion payments*- We make price promotion payments, substantially all of which are made to our retail partners to incent the promotion of certain product offerings in select geographic areas.
- *Wholesale and retail participation payments*- We make payments to our wholesale and retail partners to incent merchandising and sharing of sales data in accordance with our trade agreements.

These estimates primarily include estimated wholesale to retail sales volume and historical acceptance rates. Actual payments will differ from estimated payments to the extent actual results differ from estimated assumptions. Differences between actual and estimated payments are reflected in the period such information becomes available. These differences, if any, have not had a material impact on our condensed consolidated financial statements.

Note 4. Goodwill Supplier Financing

We facilitate a voluntary supplier financing program through a third-party intermediary under which participating suppliers may elect to sell receivables due from us to participating third-party financial institutions at the sole discretion of both the suppliers and Other Intangible Assets, net

Goodwill and other intangible assets, net, were as follows:

(in millions)	Goodwill		Other Intangible Assets, net	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Smokeable products segment	\$ 99	\$ 99	\$ 2,970	\$ 2,989
Oral tobacco products segment	5,078	5,078	9,073	9,097
Other	1,614	—	1,684	298
Total	\$ 6,791	\$ 5,177	\$ 13,727	\$ 12,384

Other intangible assets consisted the financial institutions ("Program"). Our responsibility is limited to making payment on the terms originally negotiated with our supplier, regardless of whether our supplier sells its receivable to a financial institution. We pay the following:

(in millions)	September 30, 2023		December 31, 2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Indefinite-lived intangible assets	\$ 11,443	\$ —	\$ 11,443	\$ —
Definite-lived intangible assets	2,841	557	1,411	470
Total other intangible assets	\$ 14,284	\$ 557	\$ 12,854	\$ 470

At September 30, 2023, substantially all of our indefinite-lived intangible assets consisted of our trademarks from our 2009 acquisition of UST (\$8.8 billion) and 2007 acquisition of Middleton (\$2.6 billion). Definite-lived intangible assets, consisting primarily of intellectual property (which includes developed technology), certain cigarette trademarks, e-vapor trademarks, customer relationships and supplier agreements are amortized over third-party intermediary a weighted-average period of approximately 18 years. Pre-tax amortization expense for definite-lived intangible assets was \$87 million and \$54 million for nominal fee to administer the nine months ended September 30, 2023 and 2022, respectively, and \$42 million and \$19 million for Program. Under the three months ended September 30, 2023 and 2022, respectively. We estimate our annualized amortization expense, which includes the impact of the NJOY Transaction, for each of the next five years to be approximately \$170 million, assuming no additional transactions occur that require the amortization of intangible assets.

In July 2023, we received the remaining payment of approximately \$1.8 billion (including interest) from Philip Morris International Inc. ("PMI") as part of the agreement with PMI our third-party intermediary, ALCS has a direct obligation to among other things, transition pay the participating financial institutions or the participating suppliers when payment obligations are due, unless such obligations are satisfied by the applicable ALCS affiliate. Additionally, Altria guarantees the obligations of ALCS to those parties. We do not enter

into agreements with any of the participating financial institutions in connection with the Program. The range of payment terms we negotiate with our suppliers, up to 120 days, is consistent, irrespective of whether a supplier participates in the Program.

We have no economic interest in a supplier's sale of a receivable. Once a qualifying supplier elects to participate in the Program and ultimately conclude our relationship reaches an agreement with respect a participating third-party financial institution, the qualifying supplier elects which individual invoices they sell to the financial institution.

IQOS Tobacco Heating System ("IQOS System") All outstanding balances under the Program are recorded in accounts payable on our condensed consolidated balance sheets, and the United States ("Remaining PMI Payment"). In 2022, we received \$1.0 billion from PMI upon entering into the agreement. For the nine and three months ended September 30, 2023, we recorded disposition-related interest income for the Remaining PMI Payment of \$54 million and \$3 million, respectively, associated payments are included in operating activities within our condensed consolidated statements of earnings. At September 30, 2023, our condensed cash flows.

consolidated balance sheet included a pre-tax \$2.7 billion deferred gain, which we expect to recognize in earnings when we relinquish our rights to At March 31, 2024 and December 31, 2023, confirmed outstanding obligations under the IQOS System effective April 30, 2024.

The changes in goodwill Program were \$120 million and net carrying amount of intangible assets were as follows:

(in millions)	For the Nine Months Ended			For the Year Ended		
	September 30, 2023			December 31, 2022		
	Goodwill	Other Intangible Assets, net	Goodwill	Other Intangible Assets, net		
Balance at January 1	\$ 5,177	\$ 12,384	\$ 5,177	\$ 12,306		
Changes due to:						
Acquisitions (1)	1,614	1,430	—	151		
Amortization	—	(87)	—	(73)		
Balance at end of period	\$ 6,791	\$ 13,727	\$ 5,177	\$ 12,384		

(1) Substantially all of the 2023 amounts are attributable to the NJOY Transaction. For additional information regarding the NJOY Transaction, see Note 2. Acquisition of NJOY. 2022 amounts attributable to certain intellectual property for other tobacco products.

We conduct a required annual review of goodwill and indefinite-lived intangibles for potential impairment, and more frequently if an event occurs or circumstances change that would require us to perform an interim review. There have been no events or changes in circumstances that indicate an interim impairment review was required as of September 30, 2023. We will perform our annual impairment testing during the fourth quarter of 2023.

\$119 million, respectively.

Note 5. Investments in Equity Securities

The carrying amount of our current and former investments consisted of the following:

(in millions)	(in millions)	September 30, 2023	December 31, 2022	(in millions)	March 31, 2024	December 31, 2023
ABI (1)	ABI (1)	\$ 9,563	\$ 8,975			
Cronos	Cronos	344	375			
JUUL		—	250			
Total	Total	\$ 9,907	\$ 9,600			
Total						
Total						

(Income) losses from our current and former investments in equity securities consisted of the following:

(in millions)	(in millions)	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
		For the Three Months Ended March 31,		For the Three Months Ended March 31,	
		For the Three Months Ended March 31,		For the Three Months Ended March 31,	
		2023	2022	2023	2022
ABI (1)	ABI (1)	\$ (401)	\$ 2,155	\$ (61)	\$ 2,367
ABI (1)					

ABI ⁽¹⁾							
Cronos ⁽¹⁾							
Cronos ⁽¹⁾							
Cronos ⁽¹⁾	Cronos ⁽¹⁾	46	197	3	11		
(Income) losses from investments under equity method of accounting	(Income) losses from investments under equity method of accounting	(355)	2,352	(58)	2,378		
(Income) losses from investments under equity method of accounting							
(Income) losses from investments under equity method of accounting							
JUUL							
JUUL	JUUL	250	(2)	1,355	(3)	—	100 (3)
(Income) losses from investments in equity securities	(Income) losses from investments in equity securities	\$ (105)	\$ 3,707	\$ (58)	\$ 2,478		
(Income) losses from investments in equity securities							
(Income) losses from investments in equity securities							

⁽¹⁾ Includes our share of amounts recorded by our investees and additional adjustments, if required, related to (i) the conversion from international financial reporting standards to United States generally accepted accounting principles ("GAAP") and (ii) adjustments to our investments required under the equity method of accounting.

⁽²⁾ Includes \$165 million of the total pre-tax gain on the ABI Transaction discussed below.

⁽³⁾ Represents loss as a result of the disposition of our JUUL equity securities discussed below.

⁽⁴⁾ Represents the estimated change in fair value. Prior to the disposition of our JUUL equity securities on March 3, 2023, we accounted for our former investment in JUUL as an investment in an equity security measured at fair value.

Investment in ABI

At September 30, 2023 Prior to March 14, 2024, we had an approximate 10% ownership interest in ABI, consisting of approximately 185 million restricted shares of ABI (the "Restricted ("Restricted Shares") and approximately 12 million ordinary shares of ABI. The On March 14, 2024, we converted 60 million shares of our Restricted Shares to ordinary shares of ABI. Our Restricted Shares:

- are unlisted and not admitted to trading on any stock exchange;
- are convertible by us into ordinary shares of ABI on a one-for-one basis;
- rank equally with ordinary shares of ABI with regards to dividends and voting rights; and
- have director nomination rights with respect to ABI.

We have not elected to convert our Restricted Shares in the ABI Transaction:

- On March 14, 2024, we entered into an underwriting agreement in connection with a global secondary offering that closed on March 19, 2024, in which we sold 35 million ordinary shares of ABI for gross proceeds of approximately \$2.2 billion ("Secondary Offering"). In connection with the Secondary Offering, we (i) agreed to a 180-day lockup with the lead underwriter with respect to our remaining approximately 159 million ABI shares (ending September 10, 2024) and (ii) granted the underwriters an option to purchase up to an additional 5.25 million ordinary shares of ABI, exercisable within 30 days following the date of the underwriting agreement, which the underwriters did not exercise prior to expiration.
- On March 13, 2024, we entered into a share repurchase agreement with ABI, conditioned upon the closing of the Secondary Offering and certain other customary conditions, to sell \$200 million of our ABI ordinary shares to ABI in a private transaction. We completed the sale of approximately 3.3 million ordinary shares to ABI on March 19, 2024.

At March 31, 2024, we had an approximate 8.1% ownership interest in ABI, consisting of approximately 125 million Restricted Shares and approximately 34 million ordinary shares of ABI. As a result of the ABI Transaction, in the first quarter of 2024, we received pre-tax cash proceeds totaling approximately \$2.4 billion and incurred transaction costs of approximately \$62 million. In conjunction with the ABI Transaction, we entered into the ASR Agreements. For further discussion of the ASR Agreements, see Note 1. *Background and Basis of Presentation*.

As a result of the ABI Transaction, we recorded the following pre-tax amounts in our condensed consolidated statement of earnings:

(in millions)	For the Three Months Ended March 31, 2024	
Gain on partial sale of our investment	\$	165
Transaction costs		(62)
Total pre-tax gain on ABI Transaction	\$	103

- The pre-tax gain on the partial sale of our investment was recorded in (income) losses from investments in equity securities and includes a \$408 million gain representing the excess of the selling price of the ABI shares sold over the carrying value of those shares, partially offset by a \$243 million reclassification of the proportionate share of our pre-tax accumulated other comprehensive losses directly attributable to ABI and our designated net investment hedges related to our investment in ABI (see Note 6, *Financial Instruments* and Note 9, *Other Comprehensive Earnings/Losses*).
- The pre-tax transaction costs were approximately \$62 million (\$59 million in marketing, administration and research costs and \$3 million in interest and other debt expense, net), substantially all of which were underwriter fees.

In addition, in conjunction with the ABI Transaction, we recorded an income tax benefit from the partial release of a valuation allowance of approximately \$94 million in provision for income taxes in our condensed consolidated statement of earnings for the three months ended March 31, 2024. For further discussion, see Note 12, *Income Taxes*.

We expect to maintain two seats on ABI's board of directors through ABI's 2025 annual general meeting. Following that meeting, as a result of our reduced ownership interest in ABI following the ABI Transaction, we expect to have one seat on ABI's board of directors, in accordance with our rights as a holder of Restricted Shares. We will continue to account for our investment in ABI under the equity method of accounting because we have active representation on ABI's board of directors and certain ABI board committees. Through this representation, we have the ability to exercise significant influence over the operating and financial policies of ABI including having active representation on ABI's board of directors and certain ABI board committees. Through this representation, we participate in ABI's policy making processes.

We report our share of ABI's results using a one-quarter lag, because ABI's results are not available in time for us to record them in the concurrent period.

The fair value of our **equity** investment in ABI **is** was based on (i) unadjusted quoted prices in active markets for ABI's ordinary shares and was classified in Level 1 of the fair value hierarchy and (ii) observable inputs other than Level 1 prices, such as quoted prices for similar assets for the Restricted Shares and was classified in Level 2 of the fair value hierarchy. We can convert our Restricted Shares to ordinary shares at our **discretion**. Therefore, **discretion** after the expiration of the 180-day lockup period. The fair value of each Restricted Share is based on the value of an ordinary share.

The fair value of our equity investment in ABI at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** was **\$11.0 billion** \$9.7 billion and **\$11.9 billion** \$12.7 billion, respectively, which exceeded its carrying value of **\$9.6 billion** \$8.1 billion and **\$9.0 billion** \$9.7 billion, respectively, by approximately **15%** 20% and **33%** 32%, respectively.

At September 30, 2022, the fair value of our equity investment in ABI had declined below its carrying value by \$2.5 billion or approximately 22%. We determined the decline in fair value to be other than temporary and recorded a non-cash, pre-tax impairment charge of \$2.5 billion for the nine and three months ended September 30, 2022, which was recorded to (income) losses from investments in equity securities in our condensed consolidated statements of earnings.

Investment in Cronos

At **September 30, 2023** **March 31, 2024**, we had a **41.1%** 41.0% ownership interest in Cronos, consisting of **156.6 million** approximately 157 million shares, which we account for under the equity method of accounting. We report our share of Cronos's results using a one-quarter lag because Cronos's results are not available in time for us to record them in the concurrent period.

The fair value of our **equity method** investment in Cronos **is** was based on unadjusted quoted prices in active markets for Cronos's common shares and was classified in Level 1 of the fair value hierarchy. At **December 31, 2022** **March 31, 2024**, the fair value of our **equity method** investment in Cronos exceeded its carrying value by **\$22 million** approximately \$85 million or approximately **6%** 26%.

At **September 30, 2023** **December 31, 2023**, the fair value of our **equity method** investment in Cronos was less than its carrying value by **\$31 million** \$8 million or approximately 9%. Based on our evaluation of the duration and magnitude of the fair value decline, our evaluation of Cronos's financial condition (including its strong cash position) and near-term prospects, and our intent and ability to hold our investment in Cronos until recovery, we concluded that the decline in fair value of our **equity method** investment in Cronos below its carrying value is temporary and, therefore, no impairment was recorded.

As part of our investment in Cronos, at September 30, 2023, we also owned anti-dilution protections to purchase Cronos common shares, exercisable each quarter upon dilution, to maintain our ownership percentage. Certain of the anti-dilution protections provide us the ability to purchase additional Cronos common shares at a per share exercise price of Canadian dollar ("CAD") \$16.25 upon the occurrence of specified events ("Fixed-price Preemptive Rights"). The Fixed-price Preemptive Rights had no value at September 30, 2023 and December 31, 2022 2%.

Former Investment in JUUL Labs, Inc. ("JUUL")

In March 2023, we entered into the a stock transfer agreement with JUUL ("Stock Transfer Agreement with JUUL pursuant to Agreement") under which among other things, we transferred to JUUL all of our beneficially owned JUUL equity securities. Concurrently with securities and, in connection with the execution of the Stock Transfer Agreement, JUUL entered into an agreement with us that provides us with exchange, received a non-exclusive, irrevocable global license to certain of the JUUL Heated Tobacco IP, JUUL's heated tobacco intellectual property. In addition, all other agreements between us on the one hand, and JUUL on the other hand, were terminated or we were removed as parties thereto, other than certain litigation-related agreements and a license agreement relating to our non-trademark licensable intellectual property rights in the e-vapor field, which remain in force solely with respect to our e-vapor intellectual property as of or prior to March 3, 2023.

As a result of transferring to JUUL all of our beneficially owned JUUL equity securities pursuant to the Stock Transfer Agreement, for the three months ended March 31, 2023, we recorded a non-cash, pre-tax loss of \$250 million on the disposition of our JUUL equity securities of \$250 million. Additionally, we considered specific facts and circumstances around the nature of the JUUL Heated Tobacco IP and determined that the fair value of such intellectual property was not material to our consolidated financial statements as of the

date of the transaction. As a result, we did not record an asset associated with this intellectual property or in (income) losses from investments in equity securities in our condensed consolidated balance sheet at March 31, 2023. The primary drivers statement of this conclusion were (i) our rights to the JUUL Heated Tobacco IP being non-exclusive, (ii) there being no product or technology transferred to us earnings.

associated with the JUUL Heated Tobacco IP and (iii) there being no connection between the JUUL Heated Tobacco IP and our current product development plans.

Note 6. Financial Instruments

We enter into derivative financial instruments to mitigate the potential impact of certain market risks, including foreign currency exchange rate risk. We use various types of derivative financial instruments, including forward contracts, options and swaps. We do not enter into or hold derivative financial instruments for trading or speculative purposes.

Our investment in ABI, whose functional currency is the Euro, exposes us to foreign currency exchange risk on the carrying value of our investment. To manage this risk, we may designate certain foreign exchange contracts, including cross-currency swap contracts and forward contracts (collectively, "foreign currency contracts"), and Euro denominated unsecured long-term notes ("foreign currency denominated debt") as net investment hedges of our investment in ABI.

At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, we had no outstanding foreign currency contracts. When we have foreign currency contracts in effect, counterparties are domestic and international financial institutions. Under these contracts, we are exposed to potential losses in the event of non-performance by these counterparties. We manage our credit risk by entering into transactions with counterparties that have investment grade credit ratings, limiting the amount of exposure we have with each counterparty and monitoring the financial condition of each counterparty. The counterparty agreements contain provisions that require us to maintain an investment grade credit rating. In the event our credit rating falls below investment grade, counterparties to our foreign currency contracts can require us to post collateral.

The aggregate carrying value and fair value of our total long-term debt were as follows:

	September (in millions)	December (in millions)	30, 2023	31, 2022	(in millions)	March 31, 2024	December 31, 2023
Carrying value	Carrying value		\$ 25,098	\$ 26,680			
Fair value	Fair value		21,325	22,928			
Foreign currency denominated debt included in long-term debt:	Foreign currency denominated debt included in long-term debt:						
Carrying value	Carrying value		3,164	4,540			
Carrying value							
Carrying value							
Fair value	Fair value		2,867	4,165			

Our estimate of the fair value of our total long-term debt is based on observable market information derived from a third-party pricing source and is classified in Level 2 of the fair value hierarchy.

Net Investment Hedging

We **recognized** changes in the carrying value of the foreign currency denominated debt due to changes in the Euro to U.S. dollar exchange rate in accumulated other comprehensive losses related to ABI.

We **recognized** pre-tax (gains) losses of our net investment hedges of \$(32) \$(75) million and \$(664) million for the nine months ended September 30, 2023 and 2022, respectively, and \$(101) million and \$(289) million \$48 million for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, 2023, respectively, in accumulated other comprehensive losses.

In addition, as a result of the ABI Transaction, for the three months ended March 31, 2024, we reclassified \$42 million of pre-tax gains from our designated net investments hedges included in accumulated other comprehensive losses to (income) losses from investments in equity securities in our condensed consolidated statement of earnings. For further discussion of the ABI Transaction and reclassification of accumulated other comprehensive losses, see Note 5. *Investments in Equity Securities* and Note 9. *Other Comprehensive Earnings/Losses*.

Note 7. Benefit Plans

Components of Net Periodic Benefit Cost (Income)

Net periodic benefit cost (income) consisted of the following:

Pension	Postretirement	Pension	Postretirement

		For the Nine Months Ended September 30,				For the Three Months Ended September 30,			
		Pension							
		Pension							
		Pension							
		For the Three Months Ended March 31,							
		For the Three Months Ended March 31,							
		For the Three Months Ended March 31,							
(in millions)									
(in millions)									
(in millions)	(in millions)	2023	2022	2023	2022	2023	2022	2023	2022
Service cost	Service cost	\$ 29	\$ 48	\$ 11	\$ 17	\$ 9	\$ 16	\$ 3	\$ 7
Service cost									
Service cost									
Interest cost									
Interest cost	Interest cost	250	155	49	31	84	51	15	11
Expected return on plan assets	Expected return on plan assets	(364)	(370)	(5)	(10)	(121)	(123)	(1)	(4)
Expected return on plan assets									
Expected return on plan assets									
Amortization:									
Amortization:	Amortization:								
Net loss (gain)	Net loss (gain)	3	72	(2)	14	1	24	(2)	6
Net loss (gain)									
Net loss (gain)									
Prior service cost (credit)									
Prior service cost (credit)									
Prior service cost (credit)	Prior service cost (credit)	4	5	(30)	(34)	1	2	(10)	(11)
Net periodic benefit cost (income)	Net periodic benefit cost (income)	\$ (78)	\$ (90)	\$ 23	\$ 18	\$ (26)	\$ (30)	\$ 5	\$ 9
Net periodic benefit cost (income)									
Net periodic benefit cost (income)									

Employer Contributions

We make contributions to our pension plans to the extent that the contributions are tax deductible and pay benefits that relate to plans for salaried employees that cannot be funded under Internal Revenue Service ("IRS") regulations. We made employer contributions of \$14 million \$4 million to our pension plans and did not make any contributions to our postretirement plans during the ~~nine~~ three months ended ~~September 30, 2023~~ March 31, 2024. Currently, we anticipate making additional employer contributions of up to approximately \$10 million \$25 million to our pension plans and ~~no~~ contributions of up to approximately \$30 million to our postretirement plans in ~~2023, 2024~~. However, the foregoing estimates of ~~2023, 2024~~ contributions to our pension and postretirement plans are subject to change as a result of changes in tax and other benefit laws, changes in interest rates ~~as well as~~ and asset performance significantly above or below the assumed long-term rate of return for each respective plan.

Note 8. Earnings per Share

We calculated basic and diluted earnings per share ("EPS") using the following:

		For the Three Months			
		For the Nine Months Ended			
		September			
		September 30,			
(in millions)	(in millions)	2023	2022	2023	2022
		(in millions)			
Net earnings	Net earnings	\$6,070	\$3,074	\$2,166	\$ 224
Less: Distributed and undistributed earnings attributable to share-based awards	Less: Distributed and undistributed earnings attributable to share-based awards	(12)	(9)	(5)	(3)
Earnings for basic and diluted EPS	Earnings for basic and diluted EPS	\$6,058	\$3,065	\$2,161	\$ 221
Weighted-average shares for basic and diluted EPS	Weighted-average shares for basic and diluted EPS	1,780	1,808	1,773	1,799
Weighted-average shares for basic and diluted EPS					
Weighted-average shares for basic and diluted EPS					

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents are participating securities and, therefore, are included in our EPS calculation pursuant to the two-class method.

Note 9. Other Comprehensive Earnings/Losses

Changes in each component of accumulated other comprehensive losses, net of deferred income taxes, attributable to Altria were as follows:

Deferred income taxes	Deferred income taxes	—	(82)	—	(82)
Other comprehensive earnings (losses) before reclassifications, net of deferred income taxes	Other comprehensive earnings (losses) before reclassifications, net of deferred income taxes	—	306	14	320
Amounts reclassified to net earnings	Amounts reclassified to net earnings	(21)	(5)	—	(26)
Amounts reclassified to net earnings	Amounts reclassified to net earnings				
Deferred income taxes	Deferred income taxes	5	1	—	6
Amounts reclassified to net earnings, net of deferred income taxes	Amounts reclassified to net earnings, net of deferred income taxes	(16)	(4)	—	(20)
Other comprehensive earnings (losses), net of deferred income taxes	Other comprehensive earnings (losses), net of deferred income taxes	(16)	302	14	300
Other comprehensive earnings (losses), net of deferred income taxes	Other comprehensive earnings (losses), net of deferred income taxes				
Balances, September 30, 2023		\$ (1,452)	\$ (1,067)	\$ 48	\$ (2,471)
Balances, March 31, 2024					
Balances, March 31, 2024					
Balances, March 31, 2024					

(in millions)	For the Three Months Ended September 30, 2023						
	Benefit Plans			ABI	Currency Translation Adjustments and Other		Accumulated Other Comprehensive Losses
	Balances, June 30, 2023	\$ (1,447)	\$ (1,303)	\$ 41	\$ (2,709)		
Other comprehensive earnings (losses) before reclassifications	—	316	7	—	323		
Deferred income taxes	—	(69)	—	—	(69)		
Other comprehensive earnings (losses) before reclassifications, net of deferred income taxes	—	247	7	—	254		
Amounts reclassified to net earnings	(7)	(14)	—	—	(21)		
Deferred income taxes	2	3	—	—	5		
Amounts reclassified to net earnings, net of deferred income taxes	(5)	(11)	—	—	(16)		
Other comprehensive earnings (losses), net of deferred income taxes	(5)	236 ⁽¹⁾	7	—	238		
Balances, September 30, 2023	\$ (1,452)	\$ (1,067)	\$ 48	\$ (2,471)			

(in millions)	For the Nine Months Ended September 30, 2022						
				Currency Translation Adjustments and		Accumulated Other Comprehensive Losses	
	Benefit Plans			ABI	Other		
Balances, December 31, 2021	\$ (1,612)	\$ (1,512)	\$ 68	\$ (3,056)			
Other comprehensive earnings (losses) before reclassifications	—	902	(11)	891			
Deferred income taxes	—	(206)	—	(206)			
Other comprehensive earnings (losses) before reclassifications, net of deferred income taxes	—	696	(11)	685			
Amounts reclassified to net earnings	65	(74)	(1)	(10)			
Deferred income taxes	(17)	15	—	(2)			
Amounts reclassified to net earnings, net of deferred income taxes	48	(59)	(1)	(12)			
Other comprehensive earnings (losses), net of deferred income taxes	48	637 ⁽¹⁾	(12)	673			
Balances, September 30, 2022	\$ (1,564)	\$ (875)	\$ 56	\$ (2,383)			

Amounts reclassified to net earnings					
Deferred income taxes	Deferred income taxes	(7)	3	—	(4)
Amounts reclassified to net earnings, net of deferred income taxes	Amounts reclassified to net earnings, net of deferred income taxes	17	(13)	(1)	3
Other comprehensive earnings (losses), net of deferred income taxes	Other comprehensive earnings (losses), net of deferred income taxes	17	(6)	(17)	(6)
Other comprehensive earnings (losses), net of deferred income taxes	Other comprehensive earnings (losses), net of deferred income taxes				
Balances, September 30, 2022		\$(1,564)	\$(875)	\$ 56	\$ (2,383)
Balances, March 31, 2023					
Balances, March 31, 2023					
Balances, March 31, 2023					

(1) Primarily reflects our share of ABI's currency translation adjustments and the impact of our designated net investment hedges related to our **equity** investment in ABI. For further discussion of designated net investment hedges, see Note 6. *Financial Instruments*.

Pre-tax amounts by component, reclassified from accumulated other comprehensive losses to net earnings were as follows:

		For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
		For the Three Months Ended March 31,		For the Three Months Ended March 31,	
		For the Three Months Ended March 31,		For the Three Months Ended March 31,	
(in millions)					
(in millions)					
(in millions)	(in millions)	2023	2022	2023	2022
Benefit Plans: (1)	Benefit Plans: (1)				
Benefit Plans: (1)					
Benefit Plans: (1)					
Net loss					
Net loss					
Net loss	Net loss	\$ 5	\$ 94	\$ 2	\$ 33
Prior service cost/credit	Prior service cost/credit	(26)	(29)	(9)	(9)
Prior service cost/credit					
Prior service cost/credit					
		(2)			
		(2)			
		(2)			
ABI (2)					
ABI (2)					
ABI (2)					
ABI (2)		(21)	65	(7)	24
ABI (2)		(5)	(74)	(14)	(16)
Currency Translation Adjustments (2)		—	(1)	—	(1)

Pre-tax amounts reclassified from accumulated other comprehensive losses to net earnings	Pre-tax amounts reclassified from accumulated other comprehensive losses to net earnings	\$ (26)	\$ (10)	\$ (21)	\$ 7
<u>Pre-tax amounts reclassified from accumulated other comprehensive losses to net earnings</u>					
<u>Pre-tax amounts reclassified from accumulated other comprehensive losses to net earnings</u>					

(1) Amounts are included in net **defined periodic benefit plan costs**, income, excluding service cost. For further details, see Note 7. *Benefit Plans*.

(2) Amounts are included in (income) losses from investments in equity securities. For the three months ended March 31, 2024, as a result of the ABI Transaction, we reclassified \$243 million from our **accumulated other comprehensive losses** of which \$285 million is directly attributable to ABI, partially offset by \$42 million from our designated net investment hedges related to our investment in ABI. For further information, see Note 5. *Investments in Equity Securities*, *Securities* and Note 6. *Financial Instruments*.

Note 10. Segment Reporting

At September 30, 2023 **March 31, 2024**, our reportable segments were **smokeable products and oral tobacco products**, which include (i) **smokeable tobacco products**, consisting of combustible cigarettes **manufactured and sold by PM USA**, and machine-made large **cigars and pipe tobacco manufactured and sold by Middleton**; **cigars**; and (ii) **oral tobacco products**, consisting of **MST**, **and snus products manufactured and sold by USSTC**, and **oral nicotine pouches manufactured and sold by Helix**; **pouches**.

The Our all other category included (i) **the financial results of NJOY** (beginning June 1, 2023); (ii) **Horizon**; (iii) **Helix ROW**; (iv) **our former financial services business**, which completed the wind-down of its portfolio of finance assets in 2022; **International**; and (v) **the IQOS System heated tobacco business**, **other business activities**, substantially all of which consists of research and development ("R&D") expense related to certain new product platforms and technologies.

Our chief operating decision maker ("CODM") reviews operating companies income (loss) ("OCI") to evaluate the performance of, and allocate resources to, our segments. OCI for our segments is defined as operating income before general corporate expenses and amortization of intangibles. Interest and other debt expense, net, along with net periodic benefit income, excluding service cost, and provision for income taxes are centrally managed at the corporate level and, accordingly, such items are not presented by segment since they are excluded from the measure of segment profitability reviewed by our CODM.

Segment data were as follows:

	For the Three Months Ended March 31,
	For the Three Months Ended March 31,
	For the Three Months Ended March 31,
(in millions)	
(in millions)	
(in millions)	
Net revenues:	
Net revenues:	
Net revenues:	
Smokeable products	
Smokeable products	
Smokeable products	
Oral tobacco products	
Oral tobacco products	
Oral tobacco products	
All other	
All other	
All other	
Net revenues	
Net revenues	
Net revenues	
Earnings before income taxes:	
Earnings before income taxes:	
Earnings before income taxes:	
OCI:	

OCI:
 OCI:
 Smokeable products
 Smokeable products
 Smokeable products
 Oral tobacco products
 Oral tobacco products
 Oral tobacco products
 All other
 All other
 All other
 Amortization of intangibles
 Amortization of intangibles
 Amortization of intangibles
 General corporate expenses
 General corporate expenses
 General corporate expenses
Operating income
Operating income
Operating income
 Interest and other debt expense, net
 Interest and other debt expense, net
 Interest and other debt expense, net
 Net periodic benefit income, excluding service cost
 Net periodic benefit income, excluding service cost
 Net periodic benefit income, excluding service cost
 (Income) losses from investments in equity securities
 (Income) losses from investments in equity securities
 (Income) losses from investments in equity securities

(in millions)	For the Nine Months Ended September 30,			For the Three Months Ended September 30,		
	2023	2022	2023	2022		
Net revenues:						
Smokeable products	\$ 16,482	\$ 17,020	\$ 5,572	\$ 5,882		
Oral tobacco products	1,993	1,948	685	670		
All other	33	17	24	(2)		
Net revenues	\$ 18,508	\$ 18,985	\$ 6,281	\$ 6,550		
Earnings before income taxes:						
OCI:						
Smokeable products	\$ 8,092	\$ 8,112	\$ 2,743	\$ 2,791		
Oral tobacco products	1,314	1,262	455	425		
All other	(17)	(27)	(4)	(7)		

Amortization of intangibles	(87)	(54)	(42)	(19)
General corporate expenses	(551)	(192)	(63)	(78)
Operating income	8,751	9,101	3,089	3,112
Interest and other debt expense, net	758	832	272	271
Net periodic benefit income, excluding service cost	(95)	(137)	(33)	(44)
(Income) losses from investments in equity securities	(105)	3,707	(58)	2,478
Earnings before income taxes				
Loss on Cronos-related financial instruments	—	14	—	—
Earnings before income taxes	\$ 8,193	\$ 4,685	\$ 2,908	\$ 407
Earnings before income taxes				

The comparability of OCI for our reportable segments was affected by the following:

- Non-Participating Manufacturer ("NPM") Adjustment Items:** We recorded pre-tax income for NPM adjustment items of \$15 million for the nine and three months ended September 30, 2023 and \$60 million for the nine months ended September 30, 2022 in our smokeable products segment. We recorded these items as reductions to cost of sales in our condensed consolidated statements of earnings, which resulted in increased OCI in our smokeable products segment. NPM adjustment items result from the resolutions of certain disputes with states and territories related to the NPM adjustment provision under the Master Settlement Agreement ("NPM Adjustment Items"). For additional information, see *Health Care Cost Recovery Litigation* in Note 13. *Contingencies*.
- Tobacco and Health and Certain Other Litigation Items:** We recorded pre-tax charges related to tobacco and health and certain other litigation items as follows:

	For the Nine Months Ended September 30,	For the Three Months Ended September 30,	For the Three Months Ended March 31,	For the Three Months Ended March 31,	For the Three Months Ended March 31,	
(in millions)	(in millions)	2023	2022	2023	2022	(in millions)
Smokeable products segment	Smokeable products segment	\$ 65	\$ 71	\$ 13	\$ 21	
General corporate expenses	General corporate expenses	348	27	10	20	
						2024
						2023

Interest and other debt expense, net	Interest and other debt expense, net	11	3	—	2
Total	Total	\$424	\$101	\$ 23	\$ 43

We recorded the amounts shown in the table above for the smokeable products segment and general corporate expenses in marketing, administration and research costs in our condensed consolidated statements of earnings. For further discussion, see Note 13. *Contingencies*.

■ **Other Business Activities:** Our R&D investments have evolved and shifted from our traditional tobacco businesses to new product platforms and technologies. Beginning January 1, 2024, our R&D expense is aligned with how our CODM now evaluates performance results and allocates resources for segment reporting. For the three months ended March 31, 2024, using this approach, we recorded substantially all of our pre-tax R&D expense of \$51 million in our all other category, which now includes other business activities related to R&D expense for certain new product platforms and technologies. For the three months ended March 31, 2023, the majority of our pre-tax R&D expense of \$43 million was recorded in our smokeable products segment.

Note 11. Debt

Short-term Borrowings and Borrowing Arrangements

At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, we had no short-term borrowings.

In June 2023, we entered into a \$2.0 billion term loan facility and borrowed the full amount available to fund a portion of the cash payments at the closing of the NJOY Transaction.
In July 2023, upon receipt of the Remaining PMI Payment, we repaid

the term loan facility in full. For additional information regarding the NJOY Transaction and the Remaining PMI Payment, see Note 2. Acquisition of NJOY and Note 4. Goodwill and Other Intangible Assets, net, respectively.

At September 30, 2023, we had **We have** a \$3.0 billion senior unsecured 5-year revolving credit agreement **(as amended, the "Prior Credit Agreement")**, which we used for general corporate purposes and was scheduled to expire on August 1, 2025.

At September 30, 2023, we had availability under the Prior Credit Agreement for borrowings of up to an aggregate principal amount of \$3.0 billion and the applicable percentage for borrowings under the Prior Credit Agreement at that date was 1.0% based on our long-term senior unsecured debt ratings on that date. At September 30, 2023, we were in compliance with our covenants in the Prior Credit Agreement.

On October 24, 2023, we entered into a new senior unsecured 5-year revolving credit agreement (the "New" **(Credit Agreement") and terminated the Prior Credit Agreement. The terms of the New Credit Agreement are substantially similar to those of the Prior Credit Agreement.**

The New Credit Agreement provides for borrowings up to an aggregate principal amount of \$3.0 billion, that expires on October 24, 2028 and includes an option, subject to certain conditions, for us to extend the New term of our Credit Agreement for two additional one-year periods. We intend to use any borrowings under the New our Credit Agreement for general corporate purposes.

At March 31, 2024, we had availability under our Credit Agreement for borrowings of up to an aggregate principal amount of \$3.0 billion.

Pricing for interest and fees under **the New our** Credit Agreement may be modified in the event of a change in the rating of our long-term senior unsecured debt. We expect interest rates on borrowings under **the New our** Credit Agreement to be based on the Term Secured Overnight Financing Rate plus a percentage based on the higher of the ratings of our long-term senior unsecured debt from Moody's Investors Service, Inc. and Standard & Poor's Financial Services LLC. **The New applicable percentage for borrowings under our Credit Agreement at March 31, 2024 was 1.0% based on our long-term senior unsecured debt ratings on that date. Our** Credit Agreement does not include any other rating triggers or any provisions that could require the posting of collateral.

The New Our Credit Agreement includes various covenants, one of which requires us to maintain a ratio of **consolidated earnings** **Consolidated EBITDA** (earnings before interest, taxes, depreciation and amortization ("EBITDA") amortization) to **Consolidated Interest Expense** of not less than 4.0 to 1.0, calculated as of the end of the applicable quarter on a rolling four quarters basis. **At March 31, 2024, we were in compliance with our covenants in our Credit Agreement.** The terms "Consolidated EBITDA" and "Consolidated Interest Expense," each as defined in **the New our** Credit Agreement, include certain adjustments.

Any commercial paper issued by us and PM USA guarantees any borrowings under the New our Credit Agreement are guaranteed by PM USA, and any amounts outstanding under our commercial paper program.

Long-term Debt

The aggregate carrying value of our total long-term debt at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** was **\$25.1 billion** **\$25.0 billion** and **\$26.7 billion**, **\$26.2 billion**, respectively.

In May 2023, January and February 2024, we repaid in full at maturity our 2.950% 4.000% and 3.800% senior unsecured notes, respectively, in the aggregate principal amount of \$218 million at maturity. In addition, during the first quarter of 2023, we repaid in full our 1.000% senior unsecured Euro notes in the aggregate principal amount of \$1.3 billion (€1.25 billion) at maturity. \$776 million and \$345 million, respectively.

At September 30, 2023 **March 31, 2024** and **December 31, 2022** **December 31, 2023**, accrued interest on **our total long-term** debt of **\$190 million** **\$248 million** and **\$411 million** **\$410 million**, respectively, was included in other accrued liabilities on our condensed consolidated balance sheets.

For a discussion of the fair value of our long-term debt and the designation of our Euro denominated senior unsecured notes as a net investment hedge of our investment in ABI, see Note 6. *Financial Instruments*.

Note 12. Income Taxes

In August 2022, the U.S. Government enacted legislation commonly referred to as the Inflation Reduction Act that became effective January 1, 2023. The main provisions of the Inflation Reduction Act that impact us are: (i) a 15% corporate alternative minimum tax ("Corporate AMT") and (ii) a 1% excise tax on share repurchases, which is recorded in equity on our consolidated statements of stockholders' equity (deficit).

We are considered an "applicable corporation" for purposes of Corporate AMT. We expect our regular federal income tax liability will generally exceed our Corporate AMT liability; however, certain unique circumstances may result in our Corporate AMT liability exceeding our regular federal income tax liability, including when tax losses are reported in a different year than book losses.

Earnings before income taxes, provision for income taxes and income tax rates consisted of the following:

		For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
		For the Three Months Ended March 31,			
		For the Three Months Ended March 31,			
(in millions)					
(in millions)	(in millions)	2023	2022	2023	2022
Earnings before income taxes	Earnings before income taxes	\$ 8,193	\$ 4,685	\$ 2,908	\$ 407
Earnings before income taxes					
Provision for income taxes	Provision for income taxes	2,123	1,611	742	183
Income tax rate	Income tax rate	25.9 %	34.4 %	25.5 %	45.0 %
Income tax rate					
Income tax rate					

Our income tax rate for the ~~nine~~ three months ended ~~September 30, 2023~~ March 31, 2024 differs from the U.S. federal statutory rate of 21%, due primarily to state tax expense, partially offset by an income tax benefit from the partial release of a valuation allowance recorded against a deferred tax asset associated with our JUUL-related losses. The valuation allowance release was due to our capital gain on the ABI Transaction.

Our income tax rate for the three months ended March 31, 2023 differs from the U.S. federal statutory rate of 21%, due primarily to state tax expense and a valuation allowance recorded against a deferred tax asset related to the disposition of our former investment in JUUL. Our income tax rate for the three months ended September 30, 2023 differs from the U.S. federal statutory rate of 21%, due primarily to state tax expense.

Our income tax rates for the nine and three months ended September 30, 2022 differ from the U.S. federal statutory rate of 21%, due primarily to state tax expense, including the state tax treatment of the impairment charge on our equity investment in ABI, and a valuation allowance recorded against a deferred tax asset related to the decrease in the estimated fair value of our former investment in JUUL, partially offset by the release of a valuation allowance related to our Cronos warrant and tax accruals no longer required.

We are subject to income taxation in many jurisdictions. Unrecognized tax benefits reflect the differences between tax positions we have taken or expect to take on income tax returns and the amounts recognized in the financial statements. Resolution of the related tax positions with the relevant tax authorities may take many years to complete, and such timing is not entirely within our control.

For the year ending December 31, 2023, we expect to recognize an approximate \$6.5 billion ordinary loss for cash tax purposes with respect to a portion of our tax basis associated with our former investment in JUUL. For financial statement purposes, we expect to fully reserve for the tax benefit associated with this ordinary loss by recording an unrecognized tax benefit of approximately \$1.6 billion in 2023 on a pro-rata basis, pending the IRS's review of our tax position. For the nine months ended September 30, 2023, we recognized a pro-rata portion of this ordinary loss, which resulted in a tax benefit of \$1,141 million and a reduction to our current income taxes payable. For the nine months ended September 30, 2023, we also recognized a \$1,173 million increase in a long-term liability for unrecognized tax benefits related to this tax position, partially offset by a \$32 million deferred federal benefit for state taxes. There was no impact to our condensed consolidated statement of earnings for the nine and three months ended September 30, 2023. For further discussion of our former investment in JUUL, see Note 5. *Investments in Equity Securities*.

At September 30, 2023, our total unrecognized tax benefits were \$1,233 million. The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate at September 30, 2023, was \$35 million, along with \$1,198 million affecting deferred taxes. The amount of unrecognized tax benefit that, if recognized, would impact the effective tax rate at December 31, 2022, was \$44 million, along with \$25 million affecting deferred taxes. Unrecognized tax benefits increased by \$1,164 million from December 31, 2022 due primarily to the tax position established with respect to the character of losses from our former investment in JUUL as discussed above.

As a result of the recognition of the approximate \$6.5 billion ordinary loss for cash tax purposes discussed above, we expect to be subject to Corporate AMT in 2023.

The following chart provides a reconciliation of the beginning and ending valuation allowances for the ~~nine~~ three months ended ~~September 30, 2023~~ March 31, 2024:

(in millions)

Balance at beginning of year	\$ 2,800	2,256
Additions to valuation allowance charged to income tax expense	767	
Releases to of valuation allowance credited to income tax benefit	(6)	(94)
Foreign currency translation	(2)	(1)
Additions Reductions to valuation allowance due to NJOY Transaction (no impact to earnings)	12(4)	
Reductions to valuation allowance offset to deferred tax asset (no impact to earnings)	(663)	
Balance at end of period	\$ 2,217	2,164

We determine deferred tax assets and liabilities based on the differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. We record a valuation allowance when it is more likely than not that some portion or all of a deferred tax asset will not be realized. We determine the realizability of deferred tax assets based on the weight of all available positive and negative evidence. In reaching this determination, we consider the character of the assets and the possible sources of taxable income of the appropriate character within the available carryback and carryforward periods available under the tax law.

There is a potential that sufficient positive evidence may be available in future periods to cause us to further reduce or eliminate the valuation allowance on certain deferred tax assets. That change to the valuation allowance would result in the recognition of previously unrecognized deferred tax assets and a decrease in income tax expense in the period the release is recorded.

For the changes in the nine valuation allowances for the three months ended September 30, 2023, we reduced March 31, 2024 were due primarily to the deferred tax asset and corresponding valuation allowance for the portion of our JUUL capital losses that is now part of our tax basis in the shares of a foreign subsidiary. This outside basis difference of the foreign subsidiary is not recognized as a deferred tax asset since we do not expect the temporary difference to reverse in the foreseeable future. ABI Transaction. The cumulative valuation allowance at September 30, 2023 March 31, 2024 was primarily attributable to deferred tax assets recorded in connection with the portion of our JUUL unrealized capital losses that is now included related to our former investment in our tax basis in the shares of a domestic subsidiary JUUL and our investment in Cronos. As we continue to evaluate all sources of potential income that may become available to utilize these losses, our valuation allowance position may change. For further discussion of our ABI Transaction, see Note 5. Investments in Equity Securities.

Note 13. Contingencies

Legal proceedings covering a wide range of matters are pending or threatened in various United States and foreign jurisdictions against Altria and certain of our subsidiaries, including PM USA and USSTC, NJOY, as well as our indemnitees. Various types of claims may be raised in these proceedings, including product liability, unfair trade practices, antitrust, income tax liability, contraband shipments, patent infringement, employment matters, claims alleging violation of the Racketeer Influenced and Corrupt Organizations Act ("RICO"), claims for contribution and claims of competitors, shareholders or distributors. Legislative action, such as changes to tort law, also may expand the types of claims and remedies available to plaintiffs.

Litigation is subject to uncertainty, and it is possible that there could be adverse developments in pending or future cases. An unfavorable outcome or settlement of pending tobacco-related or other litigation could encourage the commencement of additional litigation. Damages claimed in some tobacco-related and other litigation are or can be significant and, in certain cases, have ranged in the billions of dollars. The variability in pleadings in multiple jurisdictions, together with the actual experience of management in litigating claims, demonstrates that the monetary relief that may be specified in a lawsuit bears little relevance to the ultimate outcome. In certain cases, plaintiffs claim that defendants' liability is joint and several. In such cases, we may face the risk that one or more co-defendants decline or otherwise fail to participate in the bonding required for an appeal or to pay their proportionate or jury-allocated share of a judgment. As a result, under certain circumstances, we may have to pay more than our proportionate share of any bonding- or judgment-related amounts. Furthermore, in those cases where plaintiffs are successful, we also may be required to pay interest and attorneys' fees.

Although PM USA historically has historically been able to obtain required bonds or relief from bonding requirements in order to prevent plaintiffs from seeking to collect judgments while adverse verdicts have been appealed, there remains a risk that such relief may not be obtainable in all cases. This risk has been substantially reduced given that 47 states and Puerto Rico limit the dollar amount of bonds or require no bond at all. As discussed below, however, However, tobacco litigation plaintiffs have challenged the constitutionality of Florida's bond cap statute in several cases, and plaintiffs may challenge state bond cap statutes in other jurisdictions as well. Such challenges may include the applicability of state bond caps in federal court. States, including Florida, also may seek to repeal or alter bond cap statutes through legislation. Although we cannot predict the outcome of such challenges, it is possible that our condensed consolidated results of operations, cash flows or financial position could be materially affected in a particular fiscal quarter or fiscal year by an unfavorable outcome of one or more such challenges.

We record provisions in our condensed consolidated financial statements for pending litigation when we determine that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. At the present time, while it is reasonably possible that an unfavorable outcome in a case may occur, except to the extent discussed elsewhere in this Note 13. Contingencies: (i) management has concluded that it is not probable that a loss has been incurred in any of the pending cases; (ii) management is unable to estimate the possible loss or range of loss that could result from an unfavorable outcome in any of the pending cases; and (iii) accordingly, management has not provided any amounts in our condensed consolidated financial statements for unfavorable outcomes, if any. Litigation defense costs are expensed as incurred.

We have achieved substantial success in managing litigation. Nevertheless, litigation is subject to uncertainty and significant challenges remain. It is possible that our condensed consolidated results of operations, cash flows or financial position could be materially affected in a particular fiscal quarter or fiscal year by an unfavorable outcome or settlement of certain pending litigation. We believe, and have been so advised by counsel handling the respective cases, that we have valid defenses to the litigation pending against us, as well as valid bases for appeal of adverse verdicts. We have defended, and will continue to defend, vigorously against litigation challenges. However, we may enter into settlement discussions in particular cases if we believe it is in our best interests to do so.

Judgments Paid and Provisions for Tobacco and Health (Including Engle Progeny Litigation) and Certain Other Litigation Items: The changes in our accrued liability for tobacco and health and certain other litigation items, including related interest costs, for the periods specified below are as follows:

For the Nine Months Ended September 30,

For the Three Months Ended September 30,

		For the Three Months Ended March 31,		
		For the Three Months Ended March 31,		
		For the Three Months Ended March 31,		
(in millions)				
(in millions)				
(in millions)	(in millions)	2023	2022	2023
Accrued liability for tobacco and health and certain other litigation items at beginning of period	Accrued liability for tobacco and health and certain other litigation items at beginning of period	\$ 71	\$ 91	\$ 381
Accrued liability for tobacco and health and certain other litigation items at beginning of period				\$ 25
Accrued liability for tobacco and health and certain other litigation items at beginning of period				
Pre-tax charges for:				
Pre-tax charges for:				
Pre-tax charges for:	Pre-tax charges for:			
Tobacco and health and certain other litigation (1)	Tobacco and health and certain other litigation (1)	75	71	23
Tobacco and health and certain other litigation (1)				21
Tobacco and health and certain other litigation (1)				
Shareholder derivative lawsuits (2)				
Shareholder derivative lawsuits (2)				
Shareholder derivative lawsuits (2)	Shareholder derivative lawsuits (2)			
(2)	(2)	98	27	—
JUUL-related settlements (3)	JUUL-related settlements (3)	240	—	—
JUUL-related settlements (3)				
JUUL-related settlements (3)				
Related interest costs				
Related interest costs				
Related interest costs	Related interest costs			
Related interest costs	(11)	3	—	2
Payments	Payments	(122)	(137)	(31)
Payments				(13)
Payments				
Accrued liability for tobacco and health and certain other litigation items at end of period				
Accrued liability for tobacco and health and certain other litigation items at end of period				
Accrued liability for tobacco and health and certain other litigation items at end of period	Accrued liability for tobacco and health and certain other litigation items at end of period	\$ 373	\$ 55	\$ 373
Accrued liability for tobacco and health and certain other litigation items at end of period				\$ 55

(1) Includes judgments, settlements and fee disputes associated with tobacco and health and certain other litigation.

(2) See *Shareholder Class Action and Shareholder Derivative Lawsuits - Federal and State Shareholder Derivative Lawsuits* below for a discussion of the settlement of the federal and state shareholder derivative lawsuits.

(3) Includes the settlement of certain e-vapor product litigation relating to JUUL e-vapor products and the e-vapor product litigation brought by the attorneys general of Hawaii, Minnesota attorney general, and Alaska. See *E-vapor Product Litigation* below for a discussion of these settlements.

The accrued liability for tobacco and health and certain other litigation items, including related interest costs, was included in accrued liabilities and other liabilities on our condensed consolidated balance sheets. Pre-tax charges for tobacco and health and certain other litigation were included in marketing, administration and research costs on in our condensed consolidated statements of earnings. Pre-tax charges for related interest costs were included in interest and other debt expense, net on in our condensed consolidated statements of earnings.

After exhausting all appeals in those cases resulting in adverse verdicts associated with tobacco-related litigation, since October 2004, PM USA has paid judgments and settlements (including related costs and fees) totaling approximately \$1 billion and interest totaling approximately \$241 million as of September 30, 2023 March 31, 2024. These amounts include payments for *Engle* progeny judgments (and related costs and fees) totaling approximately \$439 million \$440 million and related interest totaling approximately \$60 million. \$60 million.

Security for Judgments: To obtain stays of judgments pending appeal, PM USA has posted various forms of security. As of September 30, 2023 March 31, 2024, PM USA has posted appeal bonds totaling approximately \$34 million \$38 million, which have been collateralized with restricted cash and are included in assets on our condensed consolidated balance sheets.

Overview of Tobacco-Related Litigation

Types and Number of U.S. Cases: Claims related to tobacco products generally fall within the following categories: (i) smoking and health cases alleging personal injury brought on behalf of individual plaintiffs; (ii) health care cost recovery cases brought by governmental (both domestic and foreign) plaintiffs seeking reimbursement for health care expenditures allegedly caused by cigarette smoking and/or disgorgement of profits; (iii) e-vapor cases alleging violation of RICO, fraud, failure to warn, design defect, negligence, antitrust, patent infringement and unfair trade practices; and (iv) other tobacco-related litigation described below. Plaintiffs' theories of recovery and the defenses raised in tobacco-related litigation are discussed below.

The table below lists the number of certain tobacco-related cases pending in the United States against us as of:

	October 23, 2023	October 24, 2022	October 25, 2021	April 22, 2024	April 22, 2024	April 24, 2023	April 25, 2022
Individual Smoking and Health Cases (1)	167	161	179	174	167	163	
Health Care Cost Recovery Actions (2)	1	1	1	1		1	
E-vapor Cases (3)	5,177	4,351	2,951	5,177	5,270	3,744	
Other Tobacco-Related Cases (4)	3	3	3	3		3	

(1) Includes as of October 23, 2023 April 22, 2024, 15 20 cases filed in Illinois, 17 14 cases filed in New Mexico, 53 63 cases filed in Massachusetts and 46 41 non-*Engle* cases filed in Florida. Does not include individual smoking and health cases brought by or on behalf of plaintiffs in Florida state and federal courts following the decertification of the *Engle* class (these *Engle* progeny cases are discussed below in *Smoking and Health Litigation - Engle Class Action Progeny Cases*). Also does not include 1,386 1,113 cases brought by flight attendants seeking compensatory damages for personal injuries allegedly caused by exposure to environmental tobacco smoke ("ETS"). The flight attendants allege that they are members of an ETS smoking and health class action in Florida, which was settled in 1997 (*Brain*). The terms of the court-approved settlement in that case allowed class members to file individual lawsuits seeking compensatory damages but prohibited them from seeking punitive damages. Class members were prohibited from filing individual lawsuits after 2000 under the court-approved settlement.

(2) See *Health Care Cost Recovery Litigation - Federal Government's Lawsuit* below.

(3) Includes as of October 23, 2023 April 22, 2024, 57 class action lawsuits, 3,614 individual lawsuits and 1,506 "third party" lawsuits relating to the Multidistrict Litigation discussed under *E-vapor Product Litigation* below. The 57 class action lawsuits include 32 cases in the Northern District of California involving plaintiffs whose claims were previously included in other class action complaints but were refiled as separate stand-alone class actions for procedural and other reasons. In May 2023, we reached agreement on terms to resolve the majority of the Multidistrict Litigation lawsuits. Also includes three patent infringement lawsuits filed against us and certain of our affiliates. For further discussion of the pending Multidistrict Litigation settlement and patent infringement litigation, see *E-vapor Product Litigation* below.

(4) Includes as of **October 23, 2023** **April 22, 2024**, one inactive smoking and health case alleging personal injury and purporting to be brought on behalf of a class of individual plaintiffs and two inactive class action lawsuits alleging that use of the terms "Lights" and "Ultra Lights" constitute deceptive and unfair trade practices, common law or statutory fraud, unjust enrichment, breach of warranty or violations of RICO.

International Tobacco-Related Cases: As of **October 23, 2023** **April 22, 2024**, (i) Altria is named as a defendant in three e-vapor class action lawsuits in Canada; (ii) PM USA is a named defendant in 10 health care cost recovery actions in Canada, eight of which also name Altria as a defendant; and (iii) PM USA and Altria are named as defendants in seven smoking and health class actions filed in various Canadian provinces. See *Guarantees and Other Similar Matters* below for a discussion of the Distribution Agreement (defined below) between Altria and PMI that provides for indemnities for certain liabilities concerning tobacco products.

Tobacco-Related Cases Set for Trial: As of **October 23, 2023** **April 22, 2024**, **two** **one** *Engle* progeny cases, **one** **case**, **two** individual smoking and health **case** **cases** and no e-vapor cases are set for trial through **December 31, 2023** **June 30, 2024**. Trial dates are subject to change.

Trial Results: Since January 1999, excluding the *Engle* progeny cases (separately discussed below), verdicts have been returned in **78** **82** tobacco-related cases in which PM USA was a defendant. Verdicts in favor of PM USA and other defendants were returned in **48** **51** of the **78** **82** cases. These 48 cases were tried in Alaska (1), California (7), Connecticut (1), Florida (10), Louisiana (1), Massachusetts (6), Mississippi (1), Missouri (4), New Hampshire (1), New Mexico (2), New Jersey (1), New York (5), Ohio (2), Pennsylvania (2), Rhode Island (1), Tennessee (2) and West Virginia (2). One case in Massachusetts, *Main*, where the verdict was initially returned in favor of PM USA, was reversed on appeal and remanded for a new trial.

Of the **30** **31** non-*Engle* progeny cases in which verdicts were returned in favor of plaintiffs, **26** **27** have reached final resolution.

See *Smoking and Health Litigation - Engle Progeny Trial Results* below for a discussion of verdicts in state and federal *Engle* progeny cases involving PM USA as of **October 23, 2023** **April 22, 2024**.

Smoking and Health Litigation

Overview: Plaintiffs' allegations of liability in smoking and health cases are based on various theories of recovery, including negligence, gross negligence, strict liability, fraud, misrepresentation, design defect, failure to warn, nuisance, breach of express and implied warranties, breach of special duty, conspiracy, concert of action, violations of unfair trade practice laws and consumer protection statutes and claims under the federal and state anti-racketeering statutes. Plaintiffs in the smoking and health cases seek various forms of relief, including compensatory and punitive damages, treble/multiple damages and other statutory damages and penalties, creation of medical monitoring and smoking cessation funds, disgorgement of profits, and injunctive and equitable relief. Defenses raised in these cases include lack of proximate cause, assumption of the risk, comparative fault and/or contributory negligence, statutes of limitations and preemption by the Federal Cigarette Labeling and Advertising Act.

Non-*Engle* Progeny Litigation: Summarized below are the non-*Engle* progeny smoking and health cases pending during 2023 (or recently concluded) or concluded within the last 12 months in which a verdict was returned in favor of plaintiff and against PM USA. Charts listing certain verdicts for plaintiffs in the *Engle* progeny cases can be found in *Smoking and Health Litigation - Engle Progeny Trial Results* below.

Taylor: In April 2024, a jury in an Oregon state court returned a verdict in favor of plaintiff and against PM USA, awarding less than \$1 million in compensatory damages and allocating 51% of the fault to PM USA. The jury found that plaintiff was not entitled to punitive damages.

Roach: In December 2023, a jury in a Hawaii state court returned a verdict in favor of plaintiff and against PM USA, awarding less than \$1 million in compensatory damages and allocating 39% of the fault to PM USA. The jury found that plaintiff was not entitled to punitive damages. Following the verdict, the parties agreed to submit a stipulation of dismissal with prejudice to the court. Pursuant to the agreement, PM USA was not required to pay the damages awarded by the jury, the parties agreed to bear their own costs and the parties agreed not to pursue appeals.

Ricapor-Hall: In August 2023, a jury in a Hawaii state court returned a verdict in favor of plaintiff and against PM USA, awarding \$6 million in compensatory damages which we expect and \$8 million in punitive damages. In October 2023, the court entered judgment against PM USA for \$11 million, having reduced the compensatory damages award to be reduced to \$3 million \$3 million based on the jury's finding on comparative fault and a set-off against plaintiff's settlements with other defendants, and \$8 million in punitive damages. defendants. We will file filed post-trial motions challenging the verdict, which were denied in March 2024. In April 2024, we filed a notice of appeal and will, if necessary, a motion to stay execution pending appeal. Plaintiff has agreed not to oppose the motion to stay and not to attempt to execute on the final judgment until 30 days after all appeals have been exhausted.

Deswert: In May 2023, a jury in a Pennsylvania state court returned a verdict in favor of plaintiff and against PM USA, awarding less than \$1 million in compensatory damages and allocating 50% of the fault to PM USA. Despite the comparative fault finding, the compensatory damages award would not have been reduced due to the jury's finding for plaintiff on the strict liability claim. Plaintiff's claim for punitive damages was dismissed prior to the trial. In lieu of appealing the trial court's verdict, PM USA settled plaintiff's claims in July 2023 and recorded a pre-tax charge of less than \$1 million in the third quarter of 2023. for an immaterial amount.

Woodley: In February 2023, a jury in a Massachusetts state court returned a verdict in favor of plaintiff and against PM USA, awarding \$5 million in compensatory damages. There was no claim for punitive damages. Following the denial of PM USA's post-trial motions, PM USA appealed the judgment to the Appeals Court of Massachusetts, and the appeal remains pending.

Fontaine: In September 2022, a jury in a Massachusetts state court returned a verdict in favor of plaintiff and against PM USA, awarding approximately \$8 million in compensatory damages and \$1 billion in punitive damages. In September 2023, the court denied PM USA's motion for a new trial and partially granted PM USA's motion for remittitur, reducing the punitive damages award to \$56 million. In December 2023, the court entered a final judgment awarding plaintiff \$8 million in compensatory damages, \$56 million in punitive

damages and prejudgment interest. PM USA will file post-trial motions for judgment notwithstanding the verdict to the Appeals Court of Massachusetts, and will, if necessary, appeal. The appeal remains pending.

Greene: In September 2019, a jury in a Massachusetts state court returned a verdict in favor of plaintiffs and against PM USA, awarding approximately \$10 million in compensatory damages. In May 2020, the court ruled on plaintiffs' remaining claim and trebled the compensatory damages award to approximately \$30 million. In February 2021, the trial court awarded plaintiffs attorneys' fees and costs in the amount of approximately \$2.3 million. PM USA appealed the judgment, and, in May 2023, the Massachusetts Supreme Judicial Court affirmed the trial court judgment and orders denying PM USA's post-trial motions, concluding the case. We recorded a pre-tax charge of approximately \$48 million and paid the recorded amount in the second quarter of 2023.

Federal Government's Lawsuit: See *Health Care Cost Recovery Litigation - Federal Government's Lawsuit* below for a discussion of the verdict and post-trial developments in the United States of America health care cost recovery case.

Engle Class Action: Progeny Cases: In July 2000, in *Engle* progeny cases are individual smoking and health lawsuits filed by Florida resident plaintiffs against one or more cigarette manufacturer defendants. The lawsuits arose following the second phase Florida Supreme Court's decertification of the class in *Engle, et. al. v. R.J. Reynolds Tobacco Co., et. al.*, a smoking and health class action lawsuit filed in Florida state court against multiple defendants, including PM USA, in which the jury returned a verdict assessing punitive damages totaling approximately \$145 billion against various defendants, including \$74 billion against PM USA. Following entry in favor of judgment, PM USA appealed. In May 2003, the Florida Third District Court of Appeal reversed the judgment entered by plaintiff class and the trial court and instructed the trial court to order the decertification of the class. Plaintiffs petitioned the Florida Supreme Court for further review.

defendants. In July 2006, the Florida Supreme Court ordered that the trial court's punitive damages award be vacated, that the class approved by the trial court be decertified and that members of the decertified class could file individual actions against defendants within one year of issuance of the mandate. The court further declared the following Phase I findings: Plaintiffs in *Engle* progeny lawsuits are entitled to *res judicata* effect in such individual actions brought within one year rely on certain liability findings from the class action lawsuit, substantially reducing each plaintiff's burden of the issuance of the mandate: proof. These liability findings stipulate: (i) that smoking causes various diseases; (ii) that nicotine in cigarettes is addictive; (iii) that defendants' cigarettes were defective and unreasonably dangerous; (iv) that defendants concealed or omitted material information not otherwise known or available knowing that the material was false or misleading or failed to disclose a material fact concerning the health effects or addictive nature of smoking; (v) that defendants agreed to misrepresent information regarding the health effects or addictive nature of cigarettes with the intention of causing the public to rely on this information to their detriment; (vi) that defendants agreed to conceal or omit information regarding the health effects of cigarettes or their addictive nature with the intention that smokers would rely on the information to their detriment; (vii) that all defendants sold or supplied cigarettes that were defective; and (viii) that defendants were negligent.

In August 2006, PM USA and plaintiffs sought rehearing from the Florida Supreme Court on parts of its July 2006 opinion. In December 2006, the Florida Supreme Court refused to revise its July 2006 ruling, except that it revised the set of Phase I findings entitled to *res judicata* effect by excluding finding (v) listed above (relating to agreement to misrepresent information), and added the finding that defendants sold or supplied cigarettes that, at the time of sale or supply, did not conform to the representations of fact made by defendants. In February 2008, the trial court decertified the class.

Pending Engle Progeny Cases: The deadline for filing *Engle* progeny cases expired in January 2008, at which point a total of approximately 9,300 federal and state claims were pending. As of October 23, 2023 April 22, 2024, approximately 381 288 state court cases were pending against PM USA or Altria asserting individual claims by or on behalf of approximately 484 357 state court plaintiffs.

Because of a number of factors, including docketing delays, duplicated filings and overlapping dismissal orders, these numbers are estimates. The 2015 Each federal *Engle* agreement resolved nearly all *Engle* progeny cases pending in federal court as of the date of the agreement, and each case excluded from that agreement subsequently has been resolved.

Engle Progeny Trial Results: As of October 23, 2023 April 22, 2024, 144 145 federal and state *Engle* progeny cases involving PM USA have resulted in verdicts since the Florida Supreme Court *Engle* decision. Eighty verdicts were returned in favor of plaintiffs, and four verdicts (*Calloway, Oshinsky-Blacker, McCoy and Mahfuz*) that were initially returned in favor of plaintiffs were which have been reversed post-trial or on appeal and remain pending. In *Kaplan (McLaughlin)*, the punitive damages award was vacated on appeal and remanded for a new trial. In *Sommers*, plaintiff appealed a jury verdict awarding only compensatory damages. The Third District Court of Appeal affirmed the award and remanded for a new trial on entitlement to punitive damages and amount. On remand, the trial court granted PM USA's motion for summary judgment and entered final judgment dismissing the plaintiff's punitive damages claim with prejudice, and plaintiff has appealed.

Fifty-eight verdicts were returned in favor of PM USA, two of which 48 were state cases, have been reversed post-trial or on appeal and remain pending. In addition, there have been a number of mistrials, only some of which have resulted in new trials as of October 23, 2023 April 22, 2024. The jury

Post-trial activity in one a case *Garcia*, awarded plaintiff can result in final resolution that differs from the initial verdict. In many cases, parties have appealed either compensatory damages and found plaintiff was entitled to punitive damages; however, the court declared a mistrial in the second phase of the trial regarding or punitive damages because awards or both. Courts also have increased and decreased the jury was unable to determine the amount amounts of the punitive damages. Following appeals by the plaintiff damages juries have awarded, declared mistrials and PM USA, the appellate court vacated judgments, in *Garcia* affirmed the compensatory damages judgment against PM USA and granted a new trial whole or in part, with respect to punitive damages. The plaintiff in *Garcia* subsequently filed a motion to voluntarily dismiss the compensatory and punitive damages claim and to enter final judgment awards. Initial verdicts have been reversed in whole or in part on the compensatory damages claim, which the court granted. PM USA's appeal of the final judgment is pending. Two verdicts (*Cohen and Collar*) that were or following retrial. Juries have returned in favor of PM USA were subsequently reversed for new trials. Juries in two cases (*Reider and Banks*) returned zero damages verdicts in favor of or against PM USA. Juries in two other USA awarding no damages. In cases (*Weingart and Hancock*) where juries returned verdicts against PM USA awarding no damages, but the some trial court in each case courts have decided to award plaintiffs damages. Two cases, *Pollari* and *Neff*, resulted in verdicts in favor of PM USA following a retrial of initial verdicts returned in favor of plaintiffs. In *Pollari*, plaintiff and defendants appealed damages notwithstanding the verdict and the appellate court affirmed the judgment in favor of the defendants. In *Neff*, the trial court denied plaintiff's motion for a new trial, and plaintiff filed a notice of appeal.

Two cases, *Rintoul (Caprio)* and *Duignan*, resulted in verdicts in favor of plaintiffs following retrial of initial verdicts returned in favor of plaintiffs. In *Duignan*, plaintiff's motion for reconsideration with respect to the appellate court's decision to vacate the punitive damages judgment, direct the trial court to apply the jury's comparative fault assessments to the compensatory damages verdict and order the trial court to set aside the jury's findings on plaintiff's fraud claims was denied. The verdict in the retrial in *Rintoul (Caprio)* was reversed upon appeal and remanded for a new trial. Two cases, *Freeman and Harris*, resulted in an appellate reversal of a jury verdict in favor of plaintiff, and a judgment in favor of PM USA. One case, *R. Douglas*, was verdict. Cases also have been dismissed with or without prejudice following before or after a verdict in favor of plaintiff.verdict.

The charts below list the verdicts in and post-trial developments in status of certain *Engle* progeny cases in which verdicts were returned in favor of plaintiffs. The first chart lists cases that are pending as of October 23, 2023 April 22, 2024 where PM USA has determined an unfavorable outcome is not probable and the amount of loss cannot be reasonably estimated, and the second chart lists cases that have concluded in the past 12 months. In this Note 13. Contingencies, references to "R.J. Reynolds" are to R.J. Reynolds Tobacco Company. Unless otherwise noted for a particular case, the jury's award for compensatory damages will not be reduced by any finding of plaintiff's comparative fault. Further, the damages noted reflect adjustments based on post-trial or appellate rulings.

References below to "R.J. Reynolds," "Lorillard" and "Liggett Group" are to R.J. Reynolds Tobacco Company, Lorillard Tobacco Company and Liggett Group, LLC, respectively.

Currently Pending Engle Cases with Verdicts Against PM USA
(rounded to nearest \$ million)

Plaintiff	Verdict Date	Defendant(s)	Court	Compensatory Damages ⁽¹⁾	Punitive Damages (PM USA)	Post-Trial Status
Chacon	October 2023	PM USA	Miami-Dade	<\$1 million	<\$1 million	Defendant's post-trial motionsAppeals to the Third District Court of Appeal pending.
Hoffman	January 2023	PM USA	Miami-Dade	\$5 million (\$3 million PM USA)	\$0	Appeal by defendant to the Third District Court of Appeal pending.
Levine	September 2022	PM USA and R.J. Reynolds	Miami-Dade	\$1 million	\$0	Appeals by defendants and plaintiff to the Third District Court of Appeal pending. affirmed compensatory damages award.
Schertzer	April 2022	PM USA and R.J. Reynolds	Miami-Dade	\$3 million	\$0	Appeal by defendantsPM USA intends to appeal to the Third District Court of Appeal pending. Florida Supreme Court.
Lipp	September 2021	PM USA	Miami-Dade	\$15 million	\$28 million	Appeal by defendant to the Third District Court of Appeal pending.

Plaintiff	Verdict Date	Defendant(s)	Court	Compensatory Damages (1)		Punitive Damages (PM USA)	Post-Trial Status
				\$6 million (\$3 million PM USA)	\$0	\$3 million (\$1 million PM USA)	
Garcia	May 2021	PM USA	Miami-Dade	\$6 million (\$3 million PM USA)	\$0		Appeal by defendant to the Third District Court of Appeal pending.
Duignan	February 2020 (2)	PM USA reversed and R.J. Reynolds	Pinellas	\$3 million (\$1 million PM USA)	\$0		The Second District Court of Appeal vacated the final judgment entered in plaintiff's favor following retrial, vacated the punitive damages judgment, directed the trial court to apply the jury's comparative fault assessments to the compensatory damages verdict and ordered the trial court to set aside the jury's findings on plaintiff's fraud claims. In June 2023, plaintiff filed remanded for a motion for reconsideration, which the court denied in September 2023. The case will be returned to the trial court for further proceedings, including a retrial of plaintiff's punitive damages claim, new trial.
McCall	March 2019	PM USA	Broward	<\$1 million (<\$1 million PM USA)	<\$1 million		Defendant's post-trial motions Appeal to the Fourth District Court of Appeal pending.
Chadwell	September 2018	PM USA	Miami-Dade	\$2 million	\$0		Appeal to the Third District Court of Appeal has received supplemental briefing in accordance with the decision in pending. <i>Prentice</i> (3).
Kaplan (McLaughlin)	July 2018	PM USA and R.J. Reynolds	Broward	\$2 million	\$0		Florida Supreme Court vacated Appeal to the punitive damages award in accordance with the decision in <i>Sheffield</i> (3). The Fourth District Court of Appeal affirmed the compensatory damages award and granted a new trial on punitive damages, pending.
Cooper (Blackwood)	September 2015	PM USA and R.J. Reynolds	Broward	\$5 million (<\$1 million PM USA)	\$0		Fourth District Court Retrial of Appeal affirmed the compensatory/punitive damages award and granted a new trial on punitive damages, claim pending.

(1) PM USA's portion of the compensatory damages award is noted parenthetically where the court has ruled that comparative fault applies.

(2) Plaintiff's verdict following a retrial of an initial verdict in favor of plaintiff.

(3) PM USA is not a defendant in *Prentice* or *Sheffield*, which are discussed below in *Engle Progeny Appellate Issues*.

Engle Cases Concluded Within Past 12 Months
(rounded to nearest \$ million)

Plaintiff	Verdict Date	Defendant(s)	Court	Accrual Date	Payment Amount for Damages (if any)	Payment Date
Miller Duignan	September 2022 February 2020	PM USA and R.J. Reynolds	Miami-Dade Pinellas	Third quarter of 2022	\$1 million	
Ferraiuolo	November 2023	PM USA and R.J. Reynolds	Duval	<\$1 million		December 2022
Tuttle Garcia	August 2022 May 2021	PM USA	Duval Miami-Dade	Third quarter of 2022	<\$1.3 million	October 2022
Holliman	February 2019	PM USA	Miami-Dade	Fourth quarter of 2022	\$3 million	January 2023
D. Brown	January 2015	PM USA	Federal Court - Middle District of Florida	Third quarter of 2022	\$5 million	August 2022

Engle Progeny Appellate Issues: Appellate decisions in the following *Engle* progeny cases may have wide application to other *Engle* progeny cases:

In *Mary Sheffield v. R.J. Reynolds Tobacco Company*, an *Engle* progeny case against R.J. Reynolds only, the Florida Supreme Court resolved a conflict among Florida's District Courts of Appeal finding that the 1999 amendments to Florida's punitive damages statute (including its caps and bar on multiple punitive damages awards for the same course of conduct) apply in wrongful death cases where the decedent was injured prior to the October 1, 1999 effective date of the amendments but died from his or her injuries after such effective date.

In *Linda Prentice v. R.J. Reynolds Tobacco Company*, an *Engle* progeny case against R.J. Reynolds only, the Florida Supreme Court resolved a conflict among Florida's District Courts of Appeal finding that in order for an *Engle* plaintiff to prevail on fraudulent concealment and conspiracy claims, plaintiff must prove that the smoker relied to his or her detriment on a statement that concealed or omitted material information about the health risks or addictiveness of smoking. The Florida Supreme Court declined to revisit its prior decisions giving preclusive effect to the *Engle* Phase I findings, described above in *Engle Class Action*.

Florida Bond Statute: In June 2009, Florida amended its existing bond cap statute by adding a \$200 million bond cap that applies to all state *Engle* progeny lawsuits in the aggregate and establishes individual bond caps for individual *Engle* progeny cases in amounts that vary depending on the number of judgments in effect at a given time. Plaintiffs have been unsuccessful in various challenges to the bond cap statute in Florida state court.

No federal court has yet addressed the constitutionality of the bond cap statute or the applicability of the bond cap to *Engle* progeny cases tried in federal court.

From time to time, legislation has been presented to the Florida legislature that would repeal the bond cap statute; however to date, no legislation repealing the statute has passed.

Other Smoking and Health Class Actions: Since the dismissal in May 1996 of a purported nationwide class action brought on behalf of allegedly addicted smokers, plaintiffs have filed numerous putative smoking and health class action suits in various state and federal courts. In general, these cases have purported to be brought on behalf of residents of a particular state or states (although a few cases have purported to be nationwide in scope) and have raised addiction claims and, in many cases, claims of physical injury as well.

Class certification has been denied or reversed by courts in 61 smoking and health class actions involving PM USA in Arkansas (1), California (1), Delaware (1), the District of Columbia (2), Florida (2), Illinois (3), Iowa (1), Kansas (1), Louisiana (1), Maryland (1), Michigan (1), Minnesota (1), Nevada (29), New Jersey (6), New York (2), Ohio (1), Oklahoma (1), Oregon (1), Pennsylvania (1), Puerto Rico (1), South Carolina (1), Texas (1) and Wisconsin (1). See *Certain Other Tobacco-Related Litigation* below for a discussion of "Lights" and "Ultra Lights" class action cases and medical monitoring class action cases pending against PM USA.

As of October 23, 2023 April 22, 2024, PM USA and Altria are named as defendants, along with other cigarette manufacturers, in seven class actions filed in the Canadian provinces of Alberta, Manitoba, Nova Scotia, Saskatchewan, British Columbia and Ontario. In Saskatchewan, British Columbia (two separate cases) and Ontario, plaintiffs seek class certification on behalf of individuals who suffer or have suffered from various diseases, including chronic obstructive pulmonary disease, emphysema, heart disease or cancer, after smoking defendants' cigarettes. In the actions filed in Alberta, Manitoba and Nova Scotia, plaintiffs seek certification of classes of all individuals who smoked defendants' cigarettes. In March 2019, all of these class actions were stayed as a result of three Canadian tobacco manufacturers (none of which is related to us) seeking protection under Canada's Companies' Creditors Arrangement Act (which is similar to Chapter 11 bankruptcy in the United States). The companies entered into these proceedings following a Canadian appellate court upholding two smoking and health class action verdicts against those companies totaling approximately CAD \$13 billion. See *Guarantees and Other Similar Matters* below for a discussion of the Distribution Agreement between Altria and PMI, which provides for indemnities for certain liabilities concerning tobacco products.

Health Care Cost Recovery Litigation

Overview: In the health care cost recovery litigation, governmental entities seek reimbursement of health care cost expenditures allegedly caused by tobacco products and, in some cases, of future expenditures and damages. Relief sought by some but not all plaintiffs includes punitive damages, multiple damages and other statutory damages and penalties, injunctions prohibiting alleged marketing and sales to minors, disclosure of research, disgorgement of profits, funding of anti-smoking programs, additional disclosure of nicotine yields, and payment of attorney and expert witness fees.

Although there have been some decisions to the contrary, most judicial decisions in the United States have dismissed all or most health care cost recovery claims against cigarette manufacturers. Nine federal circuit courts of appeals and eight state appellate courts, relying primarily on grounds that plaintiffs' claims were too remote, have ordered or affirmed dismissals of health care cost recovery actions. The U.S. Supreme Court has refused to consider plaintiffs' appeals from the cases decided by five federal circuit courts of appeal.

In addition to the cases brought in the United States, health care cost recovery actions have also been brought against tobacco industry participants, including PM USA and Altria, in Canada (10 cases), and other entities have stated that they are considering filing such actions.

Since the beginning of 2008, the Canadian Provinces of British Columbia, New Brunswick, Ontario, Newfoundland and Labrador, Quebec, Alberta, Manitoba, Saskatchewan, Prince Edward Island and Nova Scotia have brought health care reimbursement claims against cigarette manufacturers. PM USA is named as a defendant in the British Columbia and Quebec

cases, while both Altria and PM USA are named as defendants in the New Brunswick, Ontario, Newfoundland and Labrador, Alberta, Manitoba, Saskatchewan, Prince Edward Island and Nova Scotia cases. The Nunavut Territory and Northwest Territory have passed legislation permitting similar claims, but lawsuits based on this legislation have not been filed. All of these cases have been stayed pending resolution of proceedings in Canada involving three tobacco manufacturers (none of which are affiliated with us) under the Companies' Creditors Arrangement Act discussed above. See *Smoking and Health*

Litigation - Other Smoking and Health Class Actions above for a discussion of these proceedings. See *Guarantees and Other Similar Matters* below for a discussion of the Distribution Agreement between Altria and PMI that provides for indemnities for certain liabilities concerning tobacco products.

Settlements of Health Care Cost Recovery Litigation: In November 1998, PM USA and certain other tobacco product manufacturers entered into the Master Settlement Agreement (the "MSA") with 46 states, the District of Columbia and certain United States territories to settle asserted and unasserted health care cost recovery and other claims. PM USA and certain other tobacco product manufacturers had previously entered into agreements to settle similar claims brought by Mississippi, Florida, Texas and Minnesota (together with the MSA, the "State Settlement Agreements"). The State Settlement Agreements require that the original participating manufacturers or "OPMs" (now PM USA, R.J. Reynolds and, with respect to certain brands, ITG Brands, LLC ("ITG")) make annual payments of approximately \$9.4 billion \$10.4 billion, subject to adjustments for several factors, including inflation, market share and industry volume. In addition, the OPMs are required to pay settling plaintiffs' attorneys' fees, subject to an annual cap of \$500 million; these, on a pro rata

basis based on market share. These quarterly payments are expected to end in the fourth quarter of 2024. For the three months ended September 30, 2023 March 31, 2024 and 2022, the aggregate amount recorded in cost of sales with respect to the State Settlement Agreements was approximately \$900 million and \$1.1 billion, respectively. For the nine months ended September 30, 2023 and 2022, the aggregate amount recorded in cost of sales with respect to the State Settlement Agreements was approximately \$2.8 billion and \$3.0 billion, respectively, for each period. These amounts include PM USA's estimate of amounts related to NPM Adjustments discussed below.

NPM Non-Participating Manufacturer ("NPM") Adjustment Disputes: The "NPM Adjustment" is a reduction in MSA payments made by the OPMs and those manufacturers that are subsequent signatories to the MSA (collectively, the "participating manufacturers" or "PMs") that applies if the PMs collectively lose at least a specified level of market share to non-participating manufacturers since 1997, subject to certain conditions and defenses.

The independent auditor ("IA") appointed under the MSA applicability of this reduction has calculated that PM USA's share been subject to certain disputes, some of the maximum potential NPM Adjustments for 2004-2022 is (exclusive of interest or earnings): \$388 million for 2004; \$181 million for 2005; \$154 million for 2006; \$185 million for 2007; \$250 million for 2008; \$211 million for 2009; \$218 million for 2010; \$166 million for 2011; \$214 million for 2012; \$224 million for 2013; \$258 million for 2014; \$313 million for 2015; \$292 million for 2016; \$285 million for 2017; \$318 million for 2018; \$415 million for 2019; \$572 million for 2020; \$675 million for 2021; and \$571 million for 2022. These maximum amounts will be substantially reduced to reflect the NPM Adjustment settlements which have been resolved via settlement, as discussed below, and potentially for current and future calculation disputes and other developments. PM USA's recovery for 2004 is addressed below. In addition, PM USA's recovery of such reduced amounts for all subsequent years will be dependent upon subsequent determinations regarding state-specific defenses and disputes with other PMs.

Settlements of NPM Adjustment Disputes

- **Multi-State Settlement.** By the end As of 2018, January 2022, a total of 36 MSA states and territories had entered the multi-state settlement of settled NPM Adjustment disputes relating to which PM USA is a party. Of these 36 states and territories, 35 entered settlement through 2022, and one state entered settlement through 2024, varying periods of time. In March 2022, August 2023 and February 2024, Illinois, Iowa and Idaho, respectively, joined the multi-state settlement, settling the NPM Adjustment disputes through 2028. As a result, PM USA will receive approximately \$80 million for 2004 through 2021, \$20 million of which relates to the 2019 through 2021 "transition years." In connection with this development for Illinois, PM USA recorded \$80 million as a reduction in cost of sales in the first quarter of 2022. In August 2023, Iowa also joined the multi-state settlement, settling the NPM Adjustment disputes through 2029 and, together with Illinois, bringing the total number of states and territories that have joined the multi-state settlement to 38. In the first quarter of 2022, PM USA recorded \$80 million, \$20 million of which related to the 2019 through 2021 "transition years," as a reduction in cost of sales as a result of Illinois joining the multi-state settlement. As a result of Iowa joining the multi-state settlement, PM USA will receive approximately \$19 million for 2005 through 2022, \$4 million of which relates to the 2020 through 2022 "transition years." As a result of Iowa joining the multi-state settlement, Accordingly, PM USA recorded \$19 million as a reduction in cost of sales in the third quarter of 2023. As a result of Idaho joining the multi-state settlement, PM USA will receive approximately \$8 million for 2005 through 2023, \$2 million of which relates to the 2021 through 2023 "transition years." In connection with this development, PM USA recorded \$8 million as a reduction in cost of sales in the first quarter of 2024. Pursuant to the multi-state settlement, PM USA has received \$1.24 billion since the first group of states entered the NPM Adjustment dispute settlement in 2014 and expects to receive approximately \$353 million in credits to offset PM USA's MSA payments through 2039.
- **New York Settlement.** In 2015, PM USA entered into a separate NPM Adjustment settlement with New York in which PM USA settled the NPM Adjustment disputes with New York in perpetuity. PM USA has received \$503 million pursuant to the New York settlement and expects to receive annual credits applied against the MSA payments due to New York going forward.
- **Montana Settlement.** In 2020, PM USA entered into a separate NPM Adjustment settlement with Montana in which PM USA settled the NPM Adjustment disputes with Montana through 2030. This settlement resulted 2030, resulting in a payment by from PM USA of \$4 million, to Montana for an immaterial amount.

Continuing NPM Adjustment Disputes with States That Have Not Settled.

- **2004 NPM Adjustment.** The PMs and the nine states that had not settled the NPM Adjustment disputes for 2004 participated in a multi-state arbitration. Iowa subsequently joined the multistate settlement in August 2023. The arbitration panel found three of the remaining eight states that have not settled the NPM Adjustment disputes, participated in a multi-state arbitration of NPM Adjustment disputes for 2004. A tenth state, Illinois, also participated in the arbitration, but joined the multi-state settlement after the arbitration panel issued its decisions described below. The arbitration panels issued decisions finding that three states, Washington, Missouri and New Mexico, and Washington, were not diligent in their enforcement of their escrow statutes in 2004, and therefore, are subject to the NPM adjustment for 2004. The arbitration panels further found that the remaining seven states were diligent in their enforcement and, therefore, are not subject to the NPM adjustment for 2004. PM USA received approximately \$52 million on account of the 2004 NPM Adjustment as a credit against its April 2023 MSA payment. PM USA recorded \$44 million and \$8 million in third quarter of 2021 and fourth quarter of 2022, respectively. Washington, Missouri and New Mexico have challenged those determinations in their respective state courts, and with the arbitration panels, and several issues remain to be resolved by the state trial and appellate courts that may affect the final amount of the 2004 NPM adjustment PM USA and other PMs will receive. In September 2023, the New Mexico trial court vacated the arbitration panel's decision finding that New Mexico was not diligent in 2004. PM USA and other PMs have appealed that decision, and the appeals remain pending. PM USA had recorded \$21 million and \$3 million as a reduction in cost of sales in the third quarter of 2021 and fourth quarter of 2022, respectively, for its estimate of the minimum principal amount of the 2004 NPM Adjustment it received. PM USA had recorded \$23 million and \$5 million as interest income in the third quarter of 2021 and fourth quarter of 2022, respectively, for its estimate of the interest amount it received in connection with the 2004 NPM Adjustment.
- **2005-2007 NPM Adjustments.** The PMs and the eight seven states that have not settled the NPM Adjustment disputes are currently arbitrating NPM Adjustment disputes before a single arbitration panel. The arbitration encompasses three years, 2005-2007, for seven six of the eight seven states, and one year, 2005, for one state. As of October 23, 2023 April 22, 2024, no the arbitration panel had issued decisions have resulted from Maryland, Washington and Wisconsin, finding Maryland and Wisconsin diligent for all three years and Washington not diligent for all three years. PM USA recorded \$14 million as a reduction of costs of sales and \$21 million

as interest income in the arbitration, fourth quarter of 2023 for its estimate of the minimum amount of the 2005 through 2007 NPM Adjustment it will receive.

- **Subsequent Years.** No assurance can be given as to when proceedings for 2008 and subsequent years will be scheduled or the precise form those proceedings will take.
- In November 2022, the State of New Mexico filed a motion in New Mexico state court against the PMs, including PM USA, claiming that the PMs wrongfully disputed the applicability of NPM Adjustments to New Mexico and that all adjustment amounts to date should have been paid to New Mexico rather than deposited into the disputed payments account. PM USA has placed certain disputed NPM Adjustment amounts attributed to New Mexico in the disputed payments account established pursuant to the terms of the MSA. New Mexico seeks a total of approximately \$84 million in disputed payments from all defendants combined, as well as treble and punitive damages, and other relief. The PMs filed a cross motion to compel arbitration in the New Mexico matter. No decisions have resulted from these motions.

Other Disputes Under the State Settlement Agreements: The payment obligations of the tobacco product manufacturers that are parties to the State Settlement Agreements, as well as the allocations of any NPM Adjustments and related settlements, have been and may continue to be affected by R.J. Reynolds's acquisition of Lorillard Tobacco Company in 2015 and its related sale of certain cigarette brands to ITG (the "ITG transferred brands"). PM USA filed motions to enforce the State Settlement Agreements in Florida, Minnesota, Texas and Mississippi in connection with various positions that R.J. Reynolds and ITG took with regard to the ITG transferred brands. After various court decisions in each of those states that were favorable to PM USA, those motions to enforce have now been resolved either through settlement or exhaustion of appeals, although further proceedings may occur based on the resolution of certain outstanding litigation between R.J. Reynolds and ITG. In May 2022, PM USA filed a motion to compel arbitration under the MSA regarding certain positions that R.J. Reynolds and ITG took with regard to the ITG transferred brands. In June 2022, the matter was resolved through mutual agreement of the parties. PM USA continues to dispute how the ITG transferred brands are treated in allocating the NPM Adjustments and profit adjustments under the MSA and related settlements and may pursue such claims. [State Settlement Agreements](#).

In December 2019, the State of Mississippi filed a motion in Mississippi state court seeking to enforce the Mississippi State Settlement Agreement against PM USA, R.J. Reynolds and ITG concerning the tax rates used in the annual calculation of the net operating profit adjustment payments starting in 2018. The Mississippi state court held a hearing in October 2021 and issued a decision in June 2022 granting the State's motion. Further proceedings remain outstanding, and a final judgment has not yet been issued.

In May 2023, PM USA and R.J. Reynolds filed a motion in the United States District Court for the Eastern District of Texas seeking to enforce the Texas State Settlement Agreement against the State of Texas concerning the same tax rate issue raised by the State of Mississippi. The State of Texas filed a cross-motion to enforce, and the matter remains pending court found in favor of the trial court. [State of Texas](#). As of April 22, 2024, the court had not made a determination on damages. PM USA intends to appeal.

In January 2021, PM USA and other PMs reached an agreement with several MSA states to waive the PMs' claim under the most favored nation provision of the MSA in connection with a settlement between those MSA states and a non-participating manufacturer, S&M Brands, Inc. ("S&M Brands"), under which the states released certain claims against S&M Brands in exchange for receiving a portion of the funds S&M Brands deposited into escrow accounts in those states pursuant to the states' escrow statutes. In consideration for waiving its most favored nation claim, PM USA received approximately \$32 million from the escrow funds paid to those MSA states under their settlement with S&M Brands. These funds were received in January 2021 and were recorded in our condensed consolidated statement of earnings (losses) for the first quarter of 2021 as a reduction in cost of sales.

Federal Government's Lawsuit: In 1999, the U.S. government filed a lawsuit in the U.S. District Court for the District of Columbia against various cigarette manufacturers, including PM USA, and others, including Altria, asserting claims under three federal statutes. The case ultimately proceeded only under the civil provisions of RICO. In August 2006, the district court held that certain defendants, including Altria and PM USA, violated RICO and engaged in certain "sub-schemes" to defraud that the government had alleged.

The court did not impose monetary penalties on defendants, but ordered various types of non-monetary relief, including an injunction against conveying any express or implied health message or health descriptors on cigarette packaging or in cigarette advertising or promotional material, including "lights," "ultra lights" and "low tar," which the court found could cause consumers to believe one cigarette brand is less hazardous than another brand, and the issuance of "corrective statements" in various media regarding the adverse health effects of smoking, the addictiveness of smoking and nicotine, the lack of any significant health benefit from smoking "low tar" or "light" cigarettes, defendants' manipulation of cigarette design to ensure optimum nicotine delivery and the adverse health effects of exposure to ETS.

Corrective statements began appearing appeared in newspapers and on television for four months and one year, respectively, beginning in the fourth quarter of 2017, and on websites in the second quarter of 2018, and the onserts began appearing appeared for two weeks at a time for a total of twelve weeks over two years beginning in the fourth quarter of 2018. Corrective statements have appeared on websites since the second quarter of 2018. In December 2022, the district court entered a consent order approving a settlement with respect to corrective statements on point-of-sale signage.

In addition to the \$28 million of provisions recorded in 2022, we recorded in the first quarter of 2024 provisions totaling approximately \$28 million of \$15 million for the estimated costs of implementing the corrective statements on point-of-sale signage remedy.

In June 2020, the U.S. government filed a motion with the district court asking for clarification as to whether the court-ordered injunction that applies to cigarettes discussed above also applies to HeatSticks, a heated tobacco product used with the IQOS System. In August 2020, we filed an opposition to the government's motion and, in the alternative, a motion to modify the injunction to make clear it does not apply to HeatSticks. In July 2023, the district court ruled that HeatSticks are cigarettes as defined in the court ordered injunction. The district court also ruled that PM USA can make FDA authorized reduced exposure claims about HeatSticks. In September 2023, PM USA appealed the district court's ruling that HeatSticks are subject to the court's injunction. In connection with our assignment of exclusive U.S. commercialization rights to the IQOS System to PMI, the U.S. government has asserted that the assignment of those rights required district court approval and was subject to PMI becoming bound by the court-ordered injunction and, in January 2024, requested that we petition the district court for approval of that agreement.

E-vapor Product Litigation

As of [October 23, 2023](#) April 22, 2024, we are defendants in 57 class action lawsuits, 3,614 individual lawsuits and 1,506 "third party" lawsuits relating to JUUL e-vapor products, which include school districts, state and local governments and tribal and healthcare organization lawsuits. Three of the class action lawsuits are pending in Canada. We refer to this litigation in the United States collectively as the "Multidistrict Litigation." The 57 class action lawsuits include 32 cases involving plaintiffs whose claims were previously included in other class action complaints but were refiled as separate stand-alone class actions for procedural and other reasons. Three of the class action lawsuits are pending in Canada. The theories of recovery in the Multidistrict Litigation include violation of RICO, fraud, failure to warn, design defect, negligence, public nuisance and unfair trade practices. Plaintiffs seek various remedies, including compensatory and punitive damages, restitution or remediation (for plaintiffs that are government entities) and an injunction prohibiting product sales.

An additional group of cases is pending in California state courts. In January 2020, the Judicial Council of California determined that this group of cases was appropriate for coordination and assigned the group to the Superior Court of California, Los Angeles County, for pretrial purposes.

In May 2023, we reached agreement on terms to resolve the majority of the Multidistrict Litigation lawsuits as well as the group of cases pending in a consolidated California state court proceeding for \$235 million, for which amount we recorded a pre-tax provision in the second quarter of 2023. In March 2024, the court granted final approval of the class action settlement. The settlement is conditioned on certain participation rates among plaintiffs, and the class action portion certain plaintiffs may opt out of the settlement is subject and attempt to final approval by the court continue litigating their individual cases. The settlement applies to all of the Multidistrict Litigation except 35 "third party" cases brought by Native American tribes and tribes. The settlement does not apply to the three class action lawsuits pending in Canada. The settlement also does not apply to Canada, the cases brought by the state attorneys general, of Alaska, Hawaii and New Mexico, discussed below, or 17 putative class actions antitrust lawsuits. For a description of the antitrust cases not subject to the settlement, see *Antitrust Litigation* below.

Four of the "third party" lawsuits noted above against us and JUUL were initiated, individually, by the attorneys general of Alaska, Hawaii, Minnesota and New Mexico alleging violations of state consumer protection and other similar laws. We filed motions to dismiss the lawsuits. In Alaska, Hawaii, Minnesota and Minnesota, New Mexico, the motions were denied in February 2022, May 2021, and June 2021 and December 2023, respectively. Our motion to dismiss remains pending in New Mexico. In the Alaska lawsuit, although the trial court declined to dismiss most of the plaintiff's claims, the trial court did dismiss plaintiff's public nuisance claim. In April 2023, January 2024, February 2024 and April 2024, we agreed to settle the Minnesota, lawsuit for an immaterial amount. The trial courts in the Alaska, and Hawaii lawsuits have set the trials for October 2024 and February 2024, respectively. As of October 23, 2023, the trial court in New Mexico has not set a trial date, lawsuits, respectively, for immaterial amounts.

In May 2023, Fuma International LLC ("Fuma") filed a lawsuit against Altria and our affiliates Nu Mark LLC ("Nu Mark"), AGDC, ALCS and NJOY in the United States District Court for the Eastern District of Virginia asserting claims of patent infringement based on the sale of various Nu Mark and NJOY products, including NJOY ACE, in the United States. In August 2023, we entered into an agreement with Fuma resulting in NJOY's acquisition of the patents that Fuma asserted in its lawsuit. The parties separately agreed that Fuma would dismiss its patent infringement claims in exchange for \$10 million, and such claims were dismissed in August 2023. We recorded a pre-tax provision for \$10 million in the third quarter of 2023 related to the agreement and paid such amount to Fuma in August 2023.

In June 2023, JUUL and VMR Products LLC filed a lawsuit against Altria and our affiliates AGDC, ALCS, NJOY Holdings and NJOY in the United States District Court for the District of Arizona asserting claims of patent infringement based on the sale of NJOY ACE in the United States. Plaintiffs seek various remedies, including damages and an injunction on sales of NJOY ACE. The lawsuit is currently stayed.

Also in June 2023, the same plaintiffs filed a related action against the same defendants with the U.S. International Trade Commission ("ITC"). There, the plaintiffs also allege patent infringement, but the remedies sought include a prohibition on the importation of NJOY ACE into the United States. No damages are recoverable in the proceedings before the ITC. A hearing before the ALJ is scheduled for May 2024, and the ALJ's recommendation will be reviewed by the ITC.

In August 2023, NJOY filed a complaint against JUUL in the United States District Court for the District of Delaware asserting claims of patent infringement based on the sale of certain JUUL e-vapor products, including the currently marketed JUUL device and JUULpods, in the United States. The lawsuit is currently stayed. Also in August 2023, NJOY filed a related action against JUUL with the ITC alleging patent infringement and seeking a ban on the importation and sale of the same JUUL products in the United States. A hearing before the ALJ is scheduled for June 2024, and the ALJ's recommendation will be reviewed by the ITC.

IQOS Litigation

In April 2020, RAI Strategic Holdings, Inc. and R.J. Reynolds Vapor Co., which are affiliates of R.J. Reynolds, filed a lawsuit against Altria, PM USA, ALCS, PMI and its affiliate, Philip Morris Products S.A., in the U.S. District Court for the Eastern District of Virginia asserting claims of patent infringement based on the sale of the IQOS System electronic device and *Marlboro HeatSticks* in the United States. Plaintiffs seek various remedies, including preliminary and permanent injunctive relief, treble damages and attorneys' fees. Altria and PMI were previously dismissed from the lawsuit, and plaintiffs' claims against the other defendants have been stayed.

PM USA, ALCS and Philip Morris Products S.A. filed counterclaims against plaintiffs in the Eastern District of Virginia lawsuit alleging patent infringement by R.J. Reynolds' e-vapor products. In June 2022, PM USA and ALCS reached an agreement with R.J. Reynolds resulting in dismissal of their counterclaims. In addition, ALCS filed a separate lawsuit against R.J. Reynolds in the U.S. District Court for the Middle District of North Carolina also alleging patent infringement by R.J. Reynolds' e-vapor products. In September 2022, a jury awarded ALCS \$95 million in damages for past infringement, plus supplemental damages and interest. In January 2023, the court ordered R.J. Reynolds to pay ALCS a 5.25% royalty on future sales of its infringing product resulting in positive net income through the expiration of the relevant patents in 2035. R.J. Reynolds has filed a notice of appeal of the judgment. As gains related to this lawsuit have not yet been determined to be realized or realizable in accordance with GAAP, they have not been recognized in our financial statements for the nine and three months ended September 30, 2023. statements.

In April 2020, a related patent infringement action was filed against the same defendants by the same plaintiffs, as well as R.J. Reynolds, with the ITC, but the remedies sought included a prohibition on the importation of the IQOS System electronic device, *Marlboro HeatSticks* and component parts into the United States and on the sale of any such products previously imported into the United States. No damages are recoverable in the proceedings before the ITC. In September 2021, the ITC issued a limited exclusion order barring the importation of the IQOS System electronic device, *Marlboro HeatSticks* and the infringing components into the United States and a cease and desist order barring domestic sales, marketing and distribution of these imported products. The orders became effective on November 29, 2021, in November 2021. Consequently, PM USA removed the IQOS System electronic device and *Marlboro HeatSticks* from the marketplace. In December 2021, defendants appealed the orders to the U.S. Court of Appeals for the Federal Circuit and, in March 2023, the U.S. Court of Appeals for the Federal Circuit issued its decision affirming the ITC exclusion order in full. In February 2024, PMI and British American Tobacco p.l.c. agreed to settle multiple ongoing patent infringement disputes, including the patent infringement action pending before the ITC. Under the terms of the settlement agreement, the parties agreed, among other things, to request rescission of the limited exclusion order barring the importation of the IQOS System electronic device, *Marlboro HeatSticks* and component parts into the United States and the cease and desist order barring domestic sales, marketing and distribution of these imported products.

In November 2020, Healthier Choices Management Corp. filed an additional unrelated patent infringement case in the U.S. District Court for the Northern District of Georgia against PM USA and Philip Morris Products S.A. seeking damages and equitable relief. In February 2021, defendants filed a motion to dismiss the lawsuit, which the court granted in July 2021. In December 2021, the U.S. District Court denied plaintiff's motion to amend the complaint and plaintiff appealed this ruling to the U.S. Court of Appeals for the Federal Circuit, which reversed the district court's decision and remanded for further proceedings. On remand, the U.S. District Court stayed the case pending the outcome of plaintiff's appeal from a ruling by the

U.S. Patent and Trademark Office, which issued a decision that the claims of the asserted patent are not valid. That appeal remains pending.

Antitrust Litigation

In March 2023, we entered into a stock transfer agreement with JUUL pursuant to which, among other things, we transferred to JUUL all of our beneficially owned JUUL equity securities. See Note 5, *Investments in Equity Securities* for a discussion of our disposition of our investment in JUUL.

In April 2020, the FTC issued an administrative complaint against Altria and JUUL alleging that our 35% investment in JUUL and the associated agreements constitute an unreasonable restraint of trade in violation of Section 1 of the Sherman Antitrust Act of 1890 ("Sherman Act") and Section 5 of the Federal Trade Commission Act of 1914, and substantially lessened competition in violation of Section 7 of the Clayton Antitrust Act ("Clayton Act"). In February 2022, the administrative law judge dismissed the FTC's complaint and, also in February 2022, FTC complaint counsel appealed the administrative law judge's decision to the FTC. In March 2023, following our disposition of our investment in JUUL, we filed a motion to dismiss the complaint. In June 2023, the FTC dismissed the action as no longer in the public interest.

Also as of **October 23, 2023** **April 22, 2024**, 17 putative class action lawsuits have been filed against Altria and JUUL in the U.S. District Court for the Northern District of California. The lawsuits initially named, in addition to the two companies, certain senior executives and certain members of the board of directors of both companies as defendants; however, those individuals currently or formerly affiliated with Altria were later dismissed. In November 2020, these lawsuits were consolidated into three complaints (one on behalf of direct purchasers, one on behalf of indirect purchasers and one on behalf of indirect resellers). The consolidated lawsuits, as amended, cite the FTC administrative complaint and allege that Altria and JUUL violated Sections 1, 2 and/or 3 of the Sherman Act and Section 7 of the Clayton Act and various state antitrust, consumer protection and unjust enrichment laws by restraining trade and/or substantially lessening competition in the U.S. closed-system electronic cigarette market. Plaintiffs seek various remedies, including treble damages, attorneys' fees, a declaration that the agreements between Altria and JUUL are invalid and rescission of the transaction. We filed a motion to dismiss these lawsuits in **January 2021**. In **August 2021**, **February 2024**, the U.S. District Court for the Northern District of California denied our motion to dismiss except with respect to plaintiffs' claims for injunctive and equitable relief. However, plaintiffs were granted the opportunity to replead such claims by the trial court, which plaintiffs did in **September 2021**. In **January 2022**, the trial court ordered that certain of the direct-purchaser plaintiffs' claims against JUUL be sent to arbitration pursuant to an arbitration provision in JUUL's online purchase agreement. The court granted plaintiffs' leave to replead the complaint with new direct-purchaser plaintiffs, which plaintiffs did in **February 2022**, substituting four new plaintiffs. In **September 2023**, agreement and dismissed without prejudice the direct-purchaser plaintiffs filed a third amended plaintiffs' claims for injunctive relief. The trial with respect to the consolidated class action complaint, substituting three of the four named plaintiffs. The trial lawsuits is set to commence in May 2026.

Shareholder Class Action and Shareholder Derivative Lawsuits

Shareholder Class Action: In the fourth quarter of 2021, we agreed to settle a class action lawsuit brought by purported Altria shareholders against Altria and certain of our current and former executives and JUUL, its founders and certain of its current and former executives alleging false and misleading statements and omissions relating to our former investment in JUUL. Pursuant to the settlement, which was granted final approval by the trial court in March 2022, among other things, (i) all claims asserted against Altria and the other named defendants were resolved without any liability or wrongdoing attributed to them personally or to Altria and (ii) Altria agreed to pay the class an aggregate amount of \$90 million, which amount included attorneys' fees. We recorded pre-tax provisions totaling \$90 million in 2021 and, in January 2022, paid \$90 million to plaintiffs' escrow account.

Federal and State Shareholder Derivative Lawsuits: In October 2022, we agreed to settle a series of federal and state derivative cases brought by Altria shareholders on behalf of themselves and Altria against Altria and certain of our current and former executives and directors and JUUL, its founders and certain of its current and former executives. The cases related to our former investment in JUUL and asserted claims of breach of fiduciary duty by the Altria defendants and aiding and abetting in that alleged breach of fiduciary duty by the remaining defendants.

Under the terms of the settlement, which became effective in May 2023, among other things, we agreed to provide \$100 million in funding over a five-year period to under-age tobacco prevention and cessation programs, which may include positive youth development programs, led by independent third-party organizations. We expect to begin funding in 2024. In 2022, we recorded pre-tax provisions totaling \$27 million for costs associated with the independent monitoring of our funding commitments and attorneys' fees. In the first quarter of 2023, we recorded pre-tax provisions totaling approximately **\$100 million** **\$100 million** related to the settlement, and in April 2023, paid \$15 million to plaintiffs' escrow account for attorneys' fees.

Certain Other Tobacco-Related Litigation

"Lights/Ultra Lights" Cases and Other Smoking and Health Class Actions: Plaintiffs have sought certification of their cases as class actions, alleging among other things, that the uses of the terms "Lights" and/or "Ultra Lights" constitute deceptive and unfair trade practices, common law or statutory fraud, unjust enrichment or breach of warranty, and have sought injunctive and

equitable relief, including restitution and, in certain cases, punitive damages. These class actions have been brought against PM USA and, in certain instances, Altria or our other subsidiaries, on behalf of individuals who purchased and consumed various brands of cigarettes. Defenses raised in these cases include lack of misrepresentation, lack of causation, injury and damages, the statute of limitations, non-liability under state statutory provisions exempting conduct that complies with federal regulatory directives, and the First Amendment. Twenty-one state courts in 23 "Lights" cases have refused to certify class actions, dismissed class action allegations, reversed prior class certification decisions or have entered judgment in favor of PM USA. As of **October 23, 2023** **April 22, 2024**, two "Lights/Ultra Lights" class actions are pending in U.S. state courts. Neither case is active.

As of **October 23, 2023** **April 22, 2024**, one smoking and health case alleging personal injury or seeking court-supervised programs or an ongoing medical monitoring program on behalf of individuals exposed to **environmental tobacco smoke ETS** and purporting to be brought on behalf of a class of individual plaintiffs, is pending in a U.S. state court. The case is currently inactive.

UST Litigation: UST and/or its tobacco subsidiaries have been named in a number of individual tobacco and health lawsuits over time. Plaintiffs' allegations of liability in these cases have been based on various theories of recovery, such as negligence, strict liability, fraud, misrepresentation, design defect, failure to warn, breach of implied warranty, addiction and breach of consumer protection statutes. Plaintiffs have typically sought various forms of relief, including compensatory and punitive damages, and certain equitable relief, including disgorgement. Defenses raised in these cases have included lack of causation, assumption of the risk, comparative fault and/or contributory negligence, and statutes of limitations. As of **October 23, 2023** **April 22, 2024**, there is no such case pending against UST and/or its tobacco subsidiaries.

Environmental Regulation

Altria and our former subsidiaries are subject to various federal, state and local laws and regulations concerning the discharge of materials into the environment, or otherwise related to environmental protection, including, in the United States: the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation and Liability Act (commonly known as "Superfund"), which can impose joint and several liability on each responsible party. Altria and our former subsidiaries are involved in several cost recovery/contribution cases subjecting them to potential costs of remediation and natural resource damages under Superfund or other laws and regulations. We expect to continue to make capital and other expenditures in connection with environmental laws and regulations.

We provide for expenses associated with environmental remediation obligations on an undiscounted basis when such amounts are probable and can be reasonably estimated. Such accruals are adjusted as new information develops or circumstances change. Other than those amounts, it is not possible to reasonably estimate the cost of any environmental remediation and compliance efforts that we may undertake in the future. In the opinion of our management, however, compliance with environmental laws and regulations, including the payment of any remediation costs or damages and the making of related expenditures, has not had and is not expected to have, a material adverse effect on our condensed consolidated results of operations, capital expenditures, financial position or cash flows.

Guarantees and Other Similar Matters

In the ordinary course of business, we have agreed to indemnify a limited number of third parties in the event of future litigation. At **September 30, 2023** **March 31, 2024**, we (i) had **\$44 million** **\$48 million** of unused letters of credit obtained in the ordinary course of business and (ii) were contingently liable for guarantees related to our own performance, including **\$22 million** **\$19 million** for surety bonds recorded on our condensed consolidated balance sheet. In addition, from time to time, we issue lines of credit to affiliated entities. These items have not had, and are not expected to have, a significant impact on our liquidity.

Under the terms of a distribution agreement between Altria and PMI (the "Distribution ("Distribution Agreement"), entered into as a result of our 2008 spin-off of our former subsidiary PMI, liabilities concerning tobacco products will be allocated based in substantial part on the manufacturer. PMI will indemnify Altria and PM USA for liabilities related to tobacco products manufactured by PMI or contract manufactured for PMI by PM USA, and PM USA will indemnify PMI for liabilities related to tobacco products manufactured by PM USA, excluding tobacco products contract manufactured for PMI. We do not have a related liability recorded on our condensed consolidated balance sheet at **September 30, 2023** **March 31, 2024** as the fair value of this indemnification is insignificant. PMI has agreed not to seek indemnification with respect to the IQOS System patent litigation discussed above under *IQOS Litigation*, excluding the patent infringement case filed with the U.S. District Court for the Northern District of Georgia.

As part of the supplier financing program, Altria guarantees the financial obligations of ALCS under the financing program agreement. For further discussion of the supplier financing program, see Note 4. *Supplier Financing*.

PM USA has issued guarantees relating to our obligations under our outstanding debt securities, any borrowings under our \$3.0 billion *New Credit Agreement* and any amounts outstanding under our commercial paper program. For further discussion, see Note 11. *Debt*.

Note 14. New Accounting Guidance Not Yet Adopted

The following table provides a description of issued accounting guidance applicable to, but not yet adopted by, us:

Standards	Description	Effective Date for Public Entity	Effect on Financial Statements
ASU 2022-03 2023-07 <i>Fair Value Measurement Segment Reporting (Topic 820): Fair Value</i>	The guidance clarifies that a contractual restriction will require disclosure of incremental segment information on the sale of an equity security is not considered part of the unit of account of the equity security annual and therefore, 2024.	The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.	We are in the process of evaluating the impact of this guidance on our consolidated financial statements and related disclosures.
<i>Measurement of Equity Securities Subject Improvements to Contractual Sale</i>	is not considered in measuring fair value. The amendments also specify required disclosures for equity securities subject to contractual sale restrictions, interim basis.		
<i>ASU 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures</i>	The guidance will require additional income tax disclosures, primarily related to the rate reconciliation and income taxes paid information.	The guidance is effective for fiscal years beginning after December 15, 2024.	We are in the process of evaluating the impact of this guidance on our consolidated financial statements and related disclosures.
ASU 2024-01 Compensation-Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards	The guidance seeks to reduce ambiguity in the treatment of profits interest awards and provides specific guidance on whether a profits interest award should be accounted for as a share-based payment arrangement, or in a manner similar to a cash bonus or profit-sharing arrangement.	The guidance is effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years, beginning after December 15, 2023, annual periods.	We do not expect our the adoption of this guidance to have a material impact on our consolidated financial statements and related disclosures.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

When used The following discussion should be read in conjunction with the other sections in this Quarterly Report on Form 10-Q ("Form 10-Q"), including our condensed consolidated financial statements and related notes contained in Item 1. Financial Statements of this Form 10-Q ("Item 1"). When used in this Form 10-Q, the terms "Altria," "we," "us" and "our" refer to either (i) Altria Group, Inc. and its consolidated subsidiaries or (ii) Altria Group, Inc. only and not its consolidated subsidiaries, as appropriate in the context.

In this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") section, we refer to the following "adjusted" financial measures: adjusted operating companies income (loss) ("OCI"); adjusted OCI margins; adjusted net earnings; adjusted diluted earnings per share ("EPS"); and adjusted effective tax rates. We also refer to the ratio of debt-to-Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization, as defined in our credit agreement, which includes certain adjustments). These financial measures are not required by, or calculated in accordance with, United States generally accepted accounting principles ("GAAP") and may not be calculated the same as similarly titled measures used by other companies. These financial measures should thus be considered as supplemental in nature and not considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. For a further description of these non-GAAP financial measures, see the *Non-GAAP Financial Measures* section below.

Executive Summary

Our Business

We have a leading portfolio of tobacco products for U.S. tobacco consumers age 21+. Our Vision is to responsibly lead the transition of adult smokers to a smoke-free future ("Vision"). We are *Moving Beyond Smoking*™, leading the way in moving adult smokers away from cigarettes by taking action to transition millions to potentially less harmful choices - believing it is a substantial opportunity for adult tobacco consumers, our businesses and society.

As we execute on our Vision, we established our 2028 Enterprise Goals ("2028 Goals") to provide our investors with specific metrics to measure our progress. Our 2028 Goals are:

Corporate

- Deliver a mid-single digits adjusted diluted EPS growth on a compounded annual basis through 2028; growth rate in 2028 from our base in 2022;
- Maintain a new progressive dividend goal targeting mid-single digits dividend per share growth annually through 2028;
- Target a debt-to-Consolidated EBITDA ratio of approximately 2.0x;
- Maintain our leadership position in the U.S. tobacco space; and
- Maintain a total adjusted OCI margin of at least 60% in each of the next five years year through 2028 while investing behind innovative smoke-free products.

U.S. Smoke-Free Portfolio

- Grow U.S. smoke-free volumes by at least 35% from our 2022 base of 800 million units by 2028; and
- Approximately double our U.S. smoke-free net revenues to \$5 billion by 2028 from our 2022 base, of \$2.6 billion, with \$2 billion sourced from innovative smoke-free products.

Long-Term Growth

- Develop a strategy by the first half of 2024 to compete Compete internationally in the international top innovative smoke-free oral tobacco markets and develop a pathway to participate in heated tobacco and e-vapor markets; and
- Enter non-nicotine categories. categories with broad commercial distribution of at least five products by 2028.

See *Operating Results by Business Segment* and *Liquidity and Capital Resources* for additional information on total adjusted OCI margin and debt-to-Consolidated EBITDA, respectively.

Our wholly owned subsidiaries include leading manufacturers of both combustible and smoke-free products. In combustibles, we own Philip Morris USA Inc. ("PM USA"), the most profitable U.S. cigarette manufacturer, and John Middleton Co. ("Middleton"), a leading U.S. cigar manufacturer.

Our In smoke-free portfolio includes ownership of products, we own U.S. Smokeless Tobacco Company LLC ("USSTC"), the leading global moist smokeless tobacco ("MST") manufacturer, Helix Innovations LLC ("Helix"), a leading manufacturer of oral nicotine pouches, and NJOY, LLC ("NJOY"), currently the only e-vapor manufacturer with market authorizations from the U.S. Food and Drug Administration ("FDA") for a pod-based e-vapor product. Additionally, we have a majority-owned joint venture, Horizon Innovations LLC ("Horizon"), for the U.S. marketing and commercialization of heated tobacco stick products ("HTS") and, through a separate agreement, we have the exclusive U.S. commercialization rights to the IQOS Tobacco Heating System ("IQOS System") and Marlboro HeatSticks through April 2024. As of this filing, there are no products in the U.S. marketplace from the joint venture or exclusive rights agreement.

In March 2023, we entered into a stock transfer agreement with JUUL Labs, Inc. ("JUUL") pursuant to which we transferred to JUUL all of our beneficially owned JUUL equity securities. In exchange, we received a non-exclusive, irrevocable global license to certain of JUUL's heated tobacco intellectual property.

Our investments in equity securities include Anheuser-Busch InBev SA/NV ("ABI"), the world's largest brewer, and Cronos Group Inc. ("Cronos"), a leading Canadian cannabinoid company.

On June 1, 2023, we acquired NJOY Holdings, Inc. ("NJOY Holdings") for a total consideration of approximately \$2.9 billion ("NJOY Transaction"), which includes the fair value of contingent consideration and is subject to post-closing adjustments. For further details, see Note 2. *Acquisition of NJOY* to our condensed consolidated financial statements in Part 1, Item 1. *Financial Statements* of this Form 10-Q ("Item 1").venture.

The brand portfolios of our operating companies include *Marlboro*, *Black & Mild*, *Copenhagen*, *Skoal*, *on!* and *NJOY*. Trademarks related to Altria referenced in this Form 10-Q are the property of Altria or our subsidiaries or are used with permission.

Our investments in equity securities include Anheuser-Busch InBev SA/NV ("ABI"), the world's largest brewer, and Cronos Group Inc. ("Cronos"), a leading Canadian cannabinoid company. In March 2024, we sold a portion of our ABI shares ("ABI Transaction"). We used the proceeds from the sale to fund accelerated share repurchase ("ASR") transactions

for our common stock. For further information on the ABI Transaction and the ASR transactions, see Note 5. *Investments in Equity Securities* to our condensed consolidated financial statements in Item 1 ("Note 5") and Note 1. *Background and Basis of Presentation* to our condensed consolidated financial statements in Item 1 ("Note 1"), respectively.

Trends and Developments

In this MD&A section, we discuss factors that have impacted our business as of the date of this Form 10-Q. In addition, we are aware of and address in this section and other MD&A sections, certain trends and developments that could, individually or in the aggregate, have a material impact on our business, including the value of our investments in equity securities, in the future. We focus in this *Trends and Developments* section on the continued elevated rate cumulative effects of inflation, supply chain disruptions, ongoing geopolitical events, recent regulatory actions, supply chain disruptions and illicit illegal disposable e-vapor products and their effects or potential effects on our business, including impacts on adult tobacco consumers and their purchasing behaviors.

We continue to monitor the evolving macroeconomic and geopolitical landscapes. While inflation reports during 2023 from the U.S. Bureau of Labor Statistics have shown a decline in the The annual rate of increase, inflation remains above the Federal Reserve's target of 2%, driven by increased global energy, commodity which is a key benchmark for the Federal Reserve in determining the timing and food prices, magnitude of changes to the Federal Funds Rate. We continue to observe discretionary income pressures on adult tobacco consumers as a result of the cumulative effect effects of high inflation, inflation and higher consumer debt levels. During 2023 and the third first quarter of 2023, 2024, cigarette retail share for the industry discount segment was up increased year-over-year but was unchanged from and compared to the first half fourth quarter of 2023. We will continue to monitor the effect of these dynamics on adult tobacco consumer purchase purchasing behaviors, including overall tobacco product expenditures, mix between premium and discount brand purchases and adoption of smoke-free products. We expect inflationary discretionary income pressures to continue to impact influence adult tobacco consumers' purchase behaviors for the remainder of the year. Increases in inflation 2024. Inflation also have has a direct and adverse impact on our Master Settlement Agreement ("MSA") expense and other direct and indirect costs.

In the e-vapor category, illegal flavored disposable product usage has continued to increase through increased in 2023 and currently comprises a significant portion comprised over 50% of the e-vapor category. One We believe usage of these products continued to increase in the first quarter of 2024. The primary impacts of this trend has have been an increase in the rate of cross-category movement among adult cigarette smokers, contributing to higher than expected domestic cigarette industry volume declines.

Volatility declines as well as declines in domestic and global economies and disruptions in pod-based product volume within the supply and distribution chains have continued in 2023, resulting from several factors, including the on-going impacts of inflation, supply and demand imbalances across many sectors such as energy and commodities, raw materials availability, congested shipping operations and geopolitical events. We continue to work to mitigate the potential negative impacts of these macroeconomic and geopolitical dynamics on our businesses through, among other actions, proactive engagement with current and potential suppliers and distributors, the development of alternative sourcing strategies, entry into long-term supply contracts and prudent oversight of our liquidity, e-vapor category.

Tobacco companies are subject to broad and evolving regulatory and legislative frameworks that could have a material impact on our business. For example, the FDA has submitted for final review proposed product standards regarding menthol in cigarettes and characterizing flavors in cigars, and the Biden Administration published plans for future potential regulatory actions that include the FDA's plans to develop a proposed product standard that would establish a maximum nicotine level for cigarettes and certain other combustible tobacco products. In California, where a ban on flavored nicotine products went into effect in late 2022, we continue to observe indications of negative unintended consequences of the ban, such as adult tobacco consumer adoption of unregulated products and the development of illicit markets.

We expect volatility in domestic and global economies and disruptions in the supply and distribution chains to continue in 2024, resulting from several factors, including supply and demand imbalances across many commodity sectors, raw materials availability and geopolitical events. We continue to work to mitigate the potential negative impacts of these macroeconomic and geopolitical dynamics on our businesses through, among other actions, proactive engagement with current and potential suppliers and distributors, the development of alternative sourcing strategies, entry into long-term supply contracts and prudent oversight of our liquidity.

See *Operating Results by Business Segment - Tobacco Space - Business Environment* for additional information on the trends and developments discussed above.

Adverse macroeconomic and geopolitical landscapes have continued in 2023, which have impacted global businesses, including ABI. In particular, ABI's business has been and continues to be impacted by foreign exchange rate fluctuations, inflation and commodity cost headwinds. Additionally, the macroeconomic and geopolitical factors have contributed to significant changes in certain foreign exchange rates, including the Euro to U.S. dollar exchange rate, and in the global equity markets. We will continue to monitor these conditions and other factors as they could affect our equity earnings, the dividends that we receive from ABI and the fair value of our equity investment in ABI.

See Note 5. *Investments in Equity Securities* to our condensed consolidated financial statements in Item 1 ("Note 5") for additional information on our investments in equity securities.

The trends and developments discussed above have not had a material adverse impact on our condensed consolidated financial statements, but we continue to monitor these trends and developments and potential financial impacts. Additionally, we do not believe that these trends and developments have materially impacted our ability to achieve our Vision. As the trends and developments discussed above evolve and new ones emerge, we will continue to evaluate the potential impacts on our business, investments and Vision.

Consolidated Results of Operations for the Nine Three Months Ended September 30, 2023 March 31, 2024

The changes in net earnings and diluted EPS for the nine three months ended September 30, 2023 March 31, 2024, from the nine three months ended September 30, 2022 March 31, 2023, were due primarily to the following:

(in millions, except per share data)	(in millions, except per share data)	Net Earnings	Diluted EPS
For the nine months ended September 30, 2022		\$3,074	\$1.69
2022 NPM Adjustment Items	(45)	(0.02)	
2022 Acquisition, disposition and integration-related items	8	—	
2022 Tobacco and health and certain other litigation items	76	0.04	
2022 JUUL changes in fair value	1,355	0.76	
2022 ABI-related special items	2,022	1.12	
2022 Cronos-related special items	172	0.09	
2022 Income tax items	(33)	(0.02)	
Subtotal 2022 special items	3,555	1.97	
2023 NPM Adjustment Items	11	—	
2023 Acquisition, disposition and integration-related items	(10)	—	
For the three months ended March 31, 2023			
2023 Acquisition and disposition-related items			
2023 Acquisition and disposition-related items			
2023 Acquisition and disposition-related items			
2023 Tobacco and health and certain other litigation items	(318)	(0.18)	
2023 Loss on disposition of JUUL equity securities	(250)	(0.14)	

2023 ABI-related special items	2023 ABI-related special items	(43)	(0.02)
2023 Cronos-related special items	2023 Cronos-related special items	(30)	(0.02)
2023 Income tax items	2023 Income tax items	(29)	(0.02)
Subtotal	Subtotal		
2023 special items	2023 special items	(669)	(0.38)
2024 NPM Adjustment Items			
2024 Tobacco and health and certain other litigation items			
2024 Tobacco and health and certain other litigation items			
2024 Tobacco and health and certain other litigation items			
2024 ABI-related special items			
2024 ABI-related special items			
2024 ABI-related special items			
2024 Cronos-related special items			
2024 Income tax items			
Subtotal			
2024 special items			
Fewer shares	Fewer shares		
outstanding	outstanding	—	0.06
Change in tax rate	Change in tax rate	21	0.01
Operations	Operations	89	0.05
For the nine months ended September 30, 2023		\$6,070	\$3.40
For the three months ended March 31, 2024			

2024 Reported Net Earnings						
2024 Reported Net Earnings						
2024 Reported Net Earnings						
2023	2023					
Reported Net Earnings	Reported Net Earnings					
		\$6,070	\$3.40			
2022 Reported Net Earnings		\$3,074	\$1.69			
% Change	% Change	97.5 %	100%+	% Change	19.1 %	21.0 %
2024 Adjusted Net Earnings and Adjusted Diluted EPS						
2024 Adjusted Net Earnings and Adjusted Diluted EPS						
2024 Adjusted Net Earnings and Adjusted Diluted EPS						
2023	2023					
Adjusted Net Earnings and Adjusted Diluted EPS	Adjusted Net Earnings and Adjusted Diluted EPS					
		\$6,739	\$3.78			
2022 Adjusted Net Earnings and Adjusted Diluted EPS		\$6,629	\$3.66			
% Change	% Change	1.7 %	3.3 %	% Change	(4.5) %	(2.5) %

For a discussion of special items and other business drivers affecting the comparability of statements of earnings amounts and reconciliations of adjusted earnings and adjusted diluted EPS, see the Consolidated Operating Results section below.

- **Fewer Shares Outstanding:** Fewer shares outstanding were due to shares we repurchased under our share repurchase programs.
- **Operations:** The increase of \$89 million in operations (which excludes the impact of special items shown in the table above) was due primarily to:
 - higher OCI;
 - higher income from our investments in equity securities, net; and
 - lower interest and other debt expense, net;
 partially offset by:
 - lower net periodic benefit income; and
 - higher amortization of intangible assets (due primarily to the NJOY Transaction).

For further details, see the Consolidated Operating Results and Operating Results by Business Segment sections below.

Consolidated Results of Operations for the Three Months Ended September 30, 2023

The changes in net earnings and diluted EPS for the three months ended September 30, 2023, from the three months ended September 30, 2022, were due primarily to the following:

(in millions, except per share data)	Net Earnings	Diluted EPS
For the three months ended September 30, 2022	\$ 224	\$ 0.12
2022 Acquisition, disposition and integration-related items	1	—

2022 Tobacco and health and certain other litigation items	32	0.02
2022 JUUL changes in fair value	100	0.06
2022 ABI-related special items	1,980	1.10
2022 Cronos-related special items	5	—
2022 Income tax items	(42)	(0.02)
Subtotal 2022 special items	2,076	1.16
2023 NPM Adjustment Items	11	—
2023 Acquisition, disposition and integration-related items	(9)	—
2023 Tobacco and health and certain other litigation items	(17)	(0.01)
2023 ABI-related special items	(65)	(0.03)
2023 Income tax items	(29)	(0.02)
Subtotal 2023 special items	(109)	(0.06)
Fewer shares outstanding	—	0.01
Change in tax rate	14	0.01
Operations	(39)	(0.02)
For the three months ended September 30, 2023	\$ 2,166	\$ 1.22
2023 Reported Net Earnings	\$ 2,166	\$ 1.22
2022 Reported Net Earnings	\$ 224	\$ 0.12
% Change	100%+	100%+
2023 Adjusted Net Earnings and Adjusted Diluted EPS	\$ 2,275	\$ 1.28
2022 Adjusted Net Earnings and Adjusted Diluted EPS	\$ 2,300	\$ 1.28
% Change	(1.1)%	— %

For a discussion of special items and other business drivers affecting the comparability of statements of earnings amounts and reconciliations of adjusted earnings and adjusted diluted EPS, see the Consolidated Operating Results section below.

■ **Fewer Shares Outstanding:** Fewer shares outstanding were due to shares we repurchased under our share repurchase programs.

■ **Operations:** The decrease of \$39 million \$102 million in operations (which excludes the impact of special items shown in the table above) was due primarily to lower OCI.

For further details, see the Consolidated Operating Results and Operating Results by Business Segment sections below.

2023 Forecasted Results

We narrow our 2023 full-year adjusted diluted EPS forecast to be in a range of \$4.91 to \$4.98, representing a growth rate of 1.5% to 3% from a 2022 full-year adjusted diluted EPS base of \$4.84, as shown in the first table below. Our 2023 full-year adjusted diluted EPS guidance range includes planned investments in support of our Vision, such as (i) continued smoke-free product research, development and regulatory preparation expenses, (ii) enhancement of our digital consumer engagement system and (iii) marketplace activities in support of our smoke-free products, including planned investments behind the U.S. commercialization of NJOYACE ("ACE"). Our guidance range also includes estimated amortization charges of approximately \$50 million related to intangible assets acquired in the NJOY Transaction.

While the 2023 full-year adjusted diluted EPS guidance accounts for a range of scenarios, the external environment remains dynamic. We will continue to monitor conditions related to (i) the economy, including the impact of high inflation, rising interest rates and global supply chain disruptions, (ii) adult tobacco consumer dynamics, including disposable income, purchasing patterns and adoption of smoke-free products and (iii) regulatory and legislative developments.

We continue to expect our 2023 full-year adjusted effective tax rate to be in a range of 24.5% to 25.5%.

Reconciliation of 2022 Reported Diluted EPS to 2022 Adjusted Diluted EPS

2022 Reported diluted EPS	\$ 3.19
NPM Adjustment Items	(0.03)
Tobacco and health and certain other litigation items	0.05
JUUL changes in fair value	0.81
ABI-related special items	1.12
Cronos-related special items	0.10
Income tax items	(0.40)
2022 Adjusted diluted EPS	\$ 4.84

The following (income) expense items are excluded from our 2023 forecasted adjusted diluted EPS growth rate:

(Income) Expense Excluded from 2023 Forecasted Adjusted Diluted EPS

Tobacco and health and certain other litigation items	\$ 0.18
Loss on disposition of JUUL equity securities	0.14
ABI-related special items	0.02
Cronos-related special items	0.02
Income tax items	0.02
	\$ 0.38

For a discussion of certain income and expense items excluded from the forecasted results above, see the Consolidated Operating Results section below.

Our full-year adjusted diluted EPS forecast and full-year forecast for our adjusted effective tax rate exclude the impact of certain income and expense items, including those items noted in the *Non-GAAP Financial Measures* section below, that our management believes are not part of underlying operations. Other than as set forth in the table immediately above, our management cannot estimate on a forward-looking basis the impact of these items on our reported diluted EPS or our reported effective tax rate because these items, which could be significant, may be unusual or infrequent, are difficult to predict and may be highly variable. As a result, we do not provide a corresponding GAAP measure for, or reconciliation to, our adjusted diluted EPS forecast or our adjusted effective tax rate forecast.

Non-GAAP Financial Measures

We report our financial results in accordance with GAAP. However, our management also reviews certain financial results, including OCI, OCI margins, net earnings and diluted EPS, on an adjusted basis, which excludes certain income and expense items that our management believes are not part of underlying operations. These items may include, for example, loss on early extinguishment of debt, restructuring charges, asset impairment charges, acquisition, disposition and integration-related items, equity investment-related special items, (including any changes in fair value of our equity investment recorded at fair value), certain income tax items, charges associated with tobacco and health and certain other litigation items, and resolutions of certain non-participating manufacturer ("NPM") adjustment disputes under the MSA ("NPM Adjustment Items"). In addition, our management reviews the ratio of debt-to-Consolidated EBITDA, which we use as a factor to determine our ability to access the capital markets and make investments in pursuit of our Vision. Consolidated EBITDA as defined in our credit agreement, is calculated in accordance with our *credit agreement Credit Agreement* (defined below in *Liquidity and Capital Resources*) and includes certain adjustments. Our management does not view any of these special items to be part of our underlying results as they may be highly variable, may be unusual or infrequent, are difficult to predict and can distort underlying business trends and results.

Our management also reviews income tax rates on an adjusted basis, which may exclude certain income tax items from our reported effective tax rate.

Our management believes that the foregoing financial measures provide useful additional insight into underlying business trends and results, and provide a more meaningful comparison of year-over-year results. Our management uses these financial measures and regularly provides these to our chief operating decision maker ("CODM") for planning, forecasting and evaluating business and financial performance, including allocating capital and other resources and evaluating results relative to employee compensation targets. The foregoing financial measures are not required by, or calculated in accordance with GAAP and may not be calculated the same as similarly titled measures used by other companies. The foregoing financial measures should thus be considered as supplemental in nature and not considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. Except as noted in the *2023 Forecasted Results* section above, when When we provide a non-

GAAP non-GAAP measure in this Form 10-Q, we also provide a reconciliation of that non-GAAP financial measure to the most directly comparable GAAP financial measure.

Discussion and Analysis

Our critical accounting policies and estimates are discussed in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 ("2022 2023 Form 10-K"); there have been no *material changes updates* to these critical accounting estimates, except as noted below.

Critical Accounting Estimates

Depreciation, Amortization, Impairment Testing and Asset Valuation

We conduct a required annual review of goodwill and indefinite-lived intangible assets for potential impairment, and more frequently if an event occurs or circumstances change that would require an interim review. When performing a quantitative assessment of our reporting units and indefinite-lived intangible assets, we use an income approach to estimate fair values. The income approach reflects the discounting of expected future cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of those funds, the expected rate of inflation and the risks associated with realizing expected future cash flows. This calculation may be affected by several factors, including general macroeconomic conditions, U.S. risk-free interest rates, conditions; governmental actions, including FDA regulatory actions and inaction; changes in category growth (decline) rates (for example, as a result of changing adult tobacco consumer preferences) preferences; success of planned new product expansions; competitive activity; unfavorable outcomes with respect to litigation proceedings, including actions brought against us alleging patent infringement; and competitive activity, income and excise taxes.

At December 31, 2022 December 31, 2023, the estimated fair value of our Skoal trademark exceeded its carrying value of \$3.9 billion by approximately 12% 6% (\$0.5 0.2 billion).

MST products, including Skoal, have continued to be negatively impacted due in part to evolving adult tobacco consumer preferences, which has resulted in consumers increasingly moving across tobacco categories. The accelerated growth of innovative tobacco products, including oral nicotine pouches, and the related increase in competitive activity among tobacco categories in the current year have 2023 continued to contribute to reductions in sales volumes for MST products, including Skoal.

We believe if there is further acceleration in the decline in sales volume for *Skoal* that results in material revenue declines, or if there are changes in general macroeconomic conditions, such as U.S. interest rates continuing to rise, there may be a material adverse effect on the significant assumptions used in performing our valuation, including volume, revenue, income, operating margins, perpetual growth rate and discount rate. These adverse effects, including if *Skoal*'s actual revenue and income or long-term outlook are significantly different from forecasted performance or if a hypothetical 1% increase to the discount rate used in our quantitative assessment as of December 31, 2023, which was our most sensitive assumption, would have resulted in an impairment charge to estimate the fair value increases, could result in a material non-cash impairment of our *Skoal* trademark in future periods, which could have a material adverse effect on our consolidated financial statements. intangible asset of approximately \$150 million during 2023.

Although the above referenced conditions indicate there has been a shift in adult consumer preferences, specifically related to MST products and oral nicotine pouches, considering the approximately 12% 6% headroom as of December 31, 2022 December 31, 2023 and the current year quarter operating results for *Skoal*, these conditions did not indicate an impairment was more likely than not as of September 30, 2023 March 31, 2024. However, if *Skoal*'s actual revenue and income or long-term outlook are significantly different from forecasted performance used to estimate the fair value or if the discount rate used to estimate the fair value increases, we could have a material non-cash impairment of our *Skoal* trademark in future periods.

Consolidated Operating Results

		For the Nine Months Ended September 30,			For the Three Months Ended September 30,		
		For the Three Months Ended March 31,			For the Three Months Ended March 31,		
		For the Three Months Ended March 31,			For the Three Months Ended March 31,		
(in millions)	(in millions)	2023	2022	2023	2022		
(in millions)	(in millions)						
Net Revenues:	Net Revenues:						
Net Revenues:							
Net Revenues:							
Smokeable products							
Smokeable products							
Smokeable products	Smokeable products	\$ 16,482	\$ 17,020	\$ 5,572	\$ 5,882		
Oral tobacco products	Oral tobacco products	1,993	1,948	685	670		
Oral tobacco products							
Oral tobacco products							
All other							
All other							
All other	All other	33	17	24	(2)		
Net revenues	Net revenues	\$ 18,508	\$ 18,985	\$ 6,281	\$ 6,550		
Net revenues							
Net revenues							
Excise Taxes on Products:							
Excise Taxes on Products:							
Excise Taxes on Products:	Excise Taxes on Products:						
Excise Taxes on Products:							
Smokeable products	Smokeable products	\$ 2,945	\$ 3,289	\$ 976	\$ 1,108		
Smokeable products							
Smokeable products							
Oral tobacco products							
Oral tobacco products							
Oral tobacco products	Oral tobacco products	85	91	28	30		
Oral tobacco products							

Excise taxes on products	Excise taxes on products	\$ 3,030	\$ 3,380	\$ 1,004	\$ 1,138
Excise taxes on products					
Excise taxes on products					
Operating Income:					
Operating Income:					
Operating Income:	Operating Income:				
OCI:	OCI:				
OCI:					
OCI:					
Smokeable products					
Smokeable products					
Smokeable products	Smokeable products	\$ 8,092	\$ 8,112	\$ 2,743	\$ 2,791
Oral tobacco products	Oral tobacco products	\$ 1,314	\$ 1,262	\$ 455	\$ 425
Oral tobacco products					
Oral tobacco products					
All other					
All other					
All other	All other	(17)	(27)	(4)	(7)
Amortization of intangibles	Amortization of intangibles	\$ (87)	\$ (54)	\$ (42)	\$ (19)
Amortization of intangibles					
Amortization of intangibles					
General corporate expenses					
General corporate expenses					
General corporate expenses	General corporate expenses	\$ (551)	\$ (192)	\$ (63)	\$ (78)
Operating income	Operating income	\$ 8,751	\$ 9,101	\$ 3,089	\$ 3,112
Operating income					
Operating income					

As discussed further in Note 10, *Segment Reporting* to our condensed consolidated financial statements in Item 1 ("Note 10"), our CODM reviews OCI, which is defined as operating income before general corporate expenses and amortization of intangibles, to evaluate the performance of, and allocate resources to, our segments. Our management believes it is appropriate to disclose this measure to help investors analyze our business performance and trends.

The following table provides a reconciliation of adjusted net earnings and adjusted diluted EPS for the nine months ended September 30:

(in millions of dollars, except per share data)	Earnings before Income Taxes	Provision for Income Taxes	Net Earnings	Diluted EPS
2023 Reported	\$ 8,193	\$ 2,123	\$ 6,070	3.40
NPM Adjustment Items	(15)	(4)	(11)	—
Acquisition, disposition and integration-related items	14	4	10	—
Tobacco and health and certain other litigation items	424	106	318	0.18
Loss on disposition of JUUL equity securities	250	—	250	0.14
ABI-related special items	54	11	43	0.02
Cronos-related special items	30	—	30	0.02
Income tax items	—	(29)	29	0.02
2023 Adjusted for Special Items	\$ 8,950	\$ 2,211	\$ 6,739	3.78

2022 Reported	\$ 4,685	\$ 1,611	\$ 3,074	\$ 1.69
NPM Adjustment Items	(60)	(15)	(45)	(0.02)
Acquisition, disposition and integration-related items	10	2	8	—
Tobacco and health and certain other litigation items	101	25	76	0.04
JUUL changes in fair value	1,355	—	1,355	0.76
ABI-related special items	2,560	538	2,022	1.12
Cronos-related special items	180	8	172	0.09
Income tax items	—	33	(33)	(0.02)
2022 Adjusted for Special Items	\$ 8,831	\$ 2,202	\$ 6,629	\$ 3.66

The following table provides a reconciliation of adjusted net earnings and adjusted diluted EPS for the three months ended **September 30: March 31:**

(in millions of dollars, except per share data)	(in millions of dollars, except per share data)	Earnings before Income Taxes	Provision for Income Taxes	Net Earnings	Diluted EPS
2023 Reported	\$ 2,908	\$ 742	\$ 2,166	\$ 1.22	
(in millions of dollars, except per share data)					
(in millions of dollars, except per share data)					
2024 Reported					
2024 Reported					
2024 Reported					
NPM Adjustment Items	NPM Adjustment Items	(15)	(4)	(11)	—
Acquisition, disposition and integration-related items		13	4	9	—
NPM Adjustment Items					
Tobacco and health and certain other litigation items	Tobacco and health and certain other litigation items	23	6	17	0.01
Tobacco and health and certain other litigation items					
Tobacco and health and certain other litigation items					
ABI-related special items	ABI-related special items	82	17	65	0.03
ABI-related special items					
Cronos-related special items					
Cronos-related special items					
Cronos-related special items					
Income tax items					
Income tax items					
Income tax items					
2024 Adjusted for Special Items					
2024 Adjusted for Special Items					
2024 Adjusted for Special Items					
2023 Reported					
2023 Reported					
2023 Reported					

Acquisition and disposition-related items							
Acquisition and disposition-related items							
Acquisition and disposition-related items							
Tobacco and health and certain other litigation items							
Tobacco and health and certain other litigation items							
Tobacco and health and certain other litigation items							
Loss on disposition of JUUL equity securities							
Loss on disposition of JUUL equity securities							
Loss on disposition of JUUL equity securities							
ABI-related special items							
ABI-related special items							
ABI-related special items							
Cronos-related special items							
Cronos-related special items							
Cronos-related special items							
Income tax items							
Income tax items							
Income tax items	Income tax items	—	(29)	29	0.02		
2023 Adjusted for Special Items	2023 Adjusted for Special Items	\$ 3,011	\$ 736	\$ 2,275	\$ 1.28		
2022 Reported		\$ 407	\$ 183	\$ 224	\$ 0.12		
Acquisition, disposition and integration-related items		1	—	1	—		
Tobacco and health and certain other litigation items		43	11	32	0.02		
JUUL changes in fair value		100	—	100	0.06		
ABI-related special items		2,507	527	1,980	1.10		
Cronos-related special items		5	—	5	—		
Income tax items		—	42	(42)	(0.02)		
2022 Adjusted for Special Items	\$ 3,063	\$ 763	\$ 2,300	\$ 1.28			
2023 Adjusted for Special Items							
2023 Adjusted for Special Items							

The following special items affected the comparability of statements of earnings amounts for the nine and three months ended **September 30, 2023** **March 31, 2024** and **2022**:

- **NPM Adjustment Items:** For a discussion of NPM Adjustment Items and a breakdown of these items by segment, see *Health Care Cost Recovery Litigation* in Note 13. *Contingencies* to our condensed consolidated financial statements in Item 1 ("Note 13") and *NPM Adjustment Items* in Note 10, respectively.
- **Acquisition, Disposition and Integration-Related Items:** For a discussion of acquisition and integration-related costs and disposition-related interest income for the nine and three months ended September 30, 2023, see Note 2. *Acquisition of NJOY* to our condensed consolidated financial statements in Item 1 ("Note 2") and Note 4. *Goodwill and Other Intangible Assets, net*, to our condensed consolidated financial statements in Item 1, respectively. **2023**.
- **Tobacco and Health and Certain Other Litigation Items:** For a discussion of tobacco and health and certain other litigation items and a breakdown of these costs by segment, see Note 13. *Contingencies* to our condensed consolidated financial statements in Item 1 ("Note 13") and *Tobacco and Health and Certain Other Litigation Items* in Note 10, respectively.

- Loss on Disposition and Changes in Fair Value of JUUL Equity Securities:** We recorded a non-cash, pre-tax loss of \$250 million related to the disposition of our JUUL equity securities for the **nine three** months ended **September 30, 2023** **March 31, 2023** as (income) losses from investments in equity securities in our condensed consolidated statement of earnings.

We recorded **non-cash**, pre-tax unrealized losses of \$1,355 million and \$100 million for the nine and three months ended September 30, 2022, respectively, as (income) losses from investments in equity securities in our condensed consolidated statement of earnings as a result of decreases in the estimated fair value of our former investment in JUUL.

We recorded corresponding **adjustments** to the JUUL tax valuation **allowance** in 2023 and 2022.

For further discussion, see Note 5 and Note 12. *Income Taxes* to our condensed consolidated financial statements in Item 1 ("Note 12"). **allowance**.

- ABI-Related Special Items:** We recorded net pre-tax losses **income** of \$54 million and \$82 million \$86 million from our equity investment in ABI for the **nine and three** months ended **September 30, 2023** **March 31, 2024**, respectively, consisting which consists primarily of **mark-to-market losses** on certain ABI financial instruments associated with its share commitments.

We recorded net pre-tax losses of \$2,560 million and \$2,507 million from our equity investment in ABI for the **nine and three** months ended September 30, 2022, respectively, substantially all of which a gain related to our **non-cash impairment** of our equity investment in ABI. **the ABI Transaction**. For further discussion, information on the gain related to the ABI Transaction, see Note 5.

The **ABI** **ABI-related** special items include our respective share of the amounts recorded by ABI and additional adjustments related to (i) the conversion of **ABI-related special items** from international financial reporting standards to GAAP and (ii) adjustments to our investment required under the equity method of accounting.

- Cronos-Related Special Items:** We recorded net pre-tax expense consisting of the following:

(in millions)	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2023	2022	2023	2022
Loss on Cronos-related financial instruments	\$ —	\$ —	\$ 14	\$ —
(Income) losses from investments in equity securities ⁽¹⁾	\$ 30	\$ 166	\$ —	\$ 5
Total Cronos-related special items - (income) expense	\$ 30	\$ 180	\$ —	\$ 5

⁽¹⁾ Amounts include our share of special items recorded by Cronos and additional adjustments, if required under the equity method of accounting, related to our investment in Cronos including our \$107 million non-cash pre-tax impairment of our investment in Cronos in the second quarter of 2022.

We recorded corresponding **adjustments** to the Cronos tax valuation allowance in 2023 and 2022 relating to the special items.

For further discussion, see Note 5 and Note 12.

- Income Tax Items:** We recorded income tax items of \$29 million \$71 million, for the **nine and three** months ended **September 30, 2023** **March 31, 2024**, due primarily to **tax expense** associated with a **tax basis adjustment** related to our investment in ABI.

We recorded an income tax items of \$33 million and \$42 million for benefit from the **nine and three** months ended September 30, 2022, respectively, due primarily to tax benefits associated with the partial release of a valuation allowance related on JUUL-related losses. The valuation allowance release was due to our prior Cronos warrant, partially offset by tax expense for tax reserves related capital gain on the ABI Transaction. For further discussion, see Note 12. *Income Taxes* to the disallowance of certain state tax credits. **our condensed consolidated financial statements** in Item 1 ("Note 12").

Nine Three Months Ended September 30, 2023 **March 31, 2024** Compared with **Nine Three Months Ended September 30, 2022** **March 31, 2023**

Net revenues, which include excise taxes billed to customers, decreased \$477 million \$143 million (2.5%), due primarily to lower net revenues in the **smokeable products segment**, partially offset by higher net revenues in the **oral tobacco products segment** and the **all other category**.

Cost of sales decreased \$176 million (3.6%), due primarily to lower shipment volume was essentially unchanged, as higher per unit settlement charges and higher manufacturing costs in our **smokeable products segment** partially were mostly offset by higher per unit settlement charges, lower NPM Adjustment Items and higher manufacturing costs **shipment volume** in our **smokeable products segment**.

Excise taxes on products decreased \$350 million (10.4%) \$97 million (10.1%), due to lower shipment volume in our **smokeable products segment**.

Marketing, administration and research costs increased \$399 million (24.4%) \$34 million (5.9%), due primarily to transaction costs from our ABI Transaction, inflation impacts and higher **general corporate expenses**, which included agreements project spending, partially offset by lower tobacco and health and certain other litigation charges (including an **agreement** in 2023 to resolve certain JUUL-related litigation and shareholder derivative lawsuits as discussed in Note 13, and acquisition-related costs associated with the **NJOY Transaction**, and higher amortization of intangible assets due primarily to the **NJOY Transaction** lawsuits).

Operating income decreased \$350 million (3.8%) \$83 million (3.0%), due primarily to higher lower operating results in our **smokeable products segment** and **all other category**, partially offset by lower **general corporate expenses** and higher amortization of intangible assets, partially offset by higher operating results in our **oral tobacco products segment**.

Interest and other debt expense, net decreased \$74 million (8.9%) increased \$25 million (10.9%), due primarily to 2023 interest income associated with the sale of the **IQOS Tobacco Heating System ("IQOS System")** commercialization rights. For further discussion regarding the sale of the **IQOS System**, **commercialization rights** and higher **interest income** due to higher rates, partially offset by interest expense and fees associated with the term loan facility. For additional information related to the term loan facility, see **Liquidity Operating Results by Business Segment - Business Environment - FSPTCA and Capital Resources**.

Net periodic benefit income, excluding service cost, decreased by \$42 million (30.7%), due to higher discount rates resulting in higher interest costs and lower estimated return on assets due to lower fair value of plan assets at December 31, 2022, partially offset by lower amortization of net unrecognized losses in 2023. For additional information, see Note 7. **Benefit Plans** **FDA Regulation** to our condensed consolidated financial statements in Item 1. below.

(Income) losses from investments in equity securities, which were favorable \$3,812 million (100%+ \$375 million (100+%), were positively impacted by the 2023 loss on the disposition of our JUUL equity securities and favorable results from our equity investment in ABI (due primarily to our non-cash impairment of our investment in gain on the ABI in 2022), lower charges related to our former investment in JUUL equity securities and lower losses from our Cronos-related special items. Transaction.)

Provision for income taxes increased \$512 million (31.8% decreased \$82 million (11.8%), due primarily to lower pre-tax earnings in 2022 associated with an income tax benefit from the partial release of a valuation allowance on JUUL-related losses. The valuation allowance release was due to our non-cash impairment of our investment in ABI, capital gain on the ABI Transaction. For further discussion, see Note 12.

Reported net earnings of \$6,070 million \$2,129 million increased \$2,996 million (97.5% \$342 million (19.1%), due primarily to favorable results from our investments in equity securities and lower interest and other debt expense, net, favorable income tax items, partially offset by lower operating income, unfavorable income tax items and lower net periodic benefit income. Reported basic and diluted EPS of \$3.40, \$1.21, each increased by 100%+ 21.0% due to higher reported net earnings and fewer shares outstanding.

Adjusted net earnings of \$6,739 million increased \$110 million (1.7%), due primarily to higher OCI, higher income from our investments in equity securities and lower interest and other debt expense, net, partially offset by lower net periodic benefit income and higher amortization. Adjusted diluted EPS of \$3.78 increased by 3.3%, due to higher adjusted net earnings and fewer shares outstanding.

Three Months Ended September 30, 2023 Compared with Three Months Ended September 30, 2022

Net revenues, which include excise taxes billed to customers, \$2,022 million decreased \$269 million (4.1%), due primarily to lower net revenues in the smokeable products segment.

Cost of sales decreased \$137 million (8.0%), due primarily to lower shipment volume in our smokeable products segment.

Excise taxes on products decreased \$134 million (11.8%), due to lower shipment volume in our smokeable products segment.

Marketing, administration and research costs increased \$25 million (4.3%), due primarily to higher amortization from the NJOY Transaction.

Operating income decreased \$23 million (0.7%), due primarily to lower operating results in our smokeable products segment, partially offset by higher operating results in our oral tobacco products segment.

(Income) losses from investments in equity securities, which were favorable \$2,536 million (100%+), were positively impacted by favorable special items from our investment in ABI (due primarily to our non-cash impairment of our investment in ABI in 2022) and 2022 charges related to our former investment in JUUL equity securities.

Provision for income taxes increased \$599 million (100%+), due primarily to lower pre-tax earnings in 2022 associated with our non-cash impairment of our investment in ABI and the release of a valuation allowance related to our prior Cronos warrant.

Reported net earnings of \$2,166 million increased \$1,942 million (100%+), due primarily to favorable special items from our investments in equity securities, partially offset by unfavorable income tax items. Reported basic and diluted EPS of \$1.22, each increased by (100%+) due to higher reported net earnings and fewer shares outstanding.

Adjusted net earnings of \$2,275 million decreased \$25 million (1.1% \$96 million (4.5%), due primarily to lower OCI. Adjusted diluted EPS of \$1.28 was unchanged, \$1.15 decreased by 2.5%, due to lower adjusted net earnings, partially offset by fewer shares outstanding.

Operating Results by Business Segment

Tobacco Space

Business Environment

Summary

The U.S. tobacco industry faces a number of business and legal challenges that have materially adversely affected and may continue to materially adversely affect our business, results of operations, cash flows or financial position or our ability to achieve our Vision. These challenges, some of which are discussed in more detail in Note 13, and in Part I, Item 1A. Risk Factors of our 2022 Form 10-K and in Part II, Item 1A. Risk Factors of our Quarterly Annual Report on Form 10-Q 10-K for the quarters year ended March 31, 2023 December 31, 2023 ("First Quarter 2023 Form 10-Q") and June 30, 2023 ("Second Quarter Form 10-Q" 10-K"), include:

- pending and threatened litigation and bonding requirements;
- restrictions and requirements imposed by the Family Smoking Prevention and Tobacco Control Act ("FSPTCA"), FSPTCA, and restrictions and requirements (and related enforcement actions) that have been, and in the future will be, imposed by the FDA;
- the FDA's failure to effectively address illegal e-vapor products on the market;
- actual and proposed excise tax increases, as well as changes in tax structures and tax stamping requirements;
- bans and restrictions on tobacco use imposed by governmental entities and private establishments and employers;
- other federal, state and local government actions, including:
 - restrictions on the sale of certain tobacco products, the sale of tobacco products by certain retail establishments, the sale of tobacco products with characterizing flavors and the sale of tobacco products in certain package sizes;
 - additional restrictions on the advertising and promotion of tobacco products;
 - other actual and proposed tobacco-related legislation and regulation; and
 - governmental investigations;
- reductions in consumption levels of cigarettes and MST products;

- increased efforts by tobacco control advocates and other private sector entities (including retail establishments) to further restrict the availability and use of tobacco products or the ability to communicate with consumers through third-party digital platforms;
- changes in adult tobacco consumer purchase behavior, which is influenced by various factors such as macroeconomic conditions (including inflation), excise taxes and price gap relationships, each of which may result in adult tobacco consumers switching to lower-priced tobacco products and lower shipment volumes;
- the highly competitive nature of all tobacco categories, including competitive disadvantages related to the impact on cigarette price increases attributable prices due to the settlement of certain healthcare cost recovery litigation and the proliferation of innovative tobacco products, such as e-vapor and oral nicotine pouch products;
- illegal trade in tobacco products, including illegal e-vapor products; and
- potential adverse changes in prices, availability and quality of tobacco, other raw materials and component parts, including as a result of changes in macroeconomic and geopolitical conditions.

In addition to and in connection with the foregoing, evolving adult tobacco consumer preferences continue to impact the tobacco industry, including negatively impacting cigarette and MST shipment volumes. We believe that a significant number of adult tobacco consumers switch among tobacco categories, use multiple forms of tobacco products and try innovative tobacco products, such as e-vapor products and oral nicotine pouches. Adult smokers tobacco consumers continue to transition from cigarettes and MST to exclusive use of smoke-free tobacco product alternatives, which aligns with our Vision.

We work to meet these evolving adult tobacco consumer preferences over time by developing, manufacturing, marketing and distributing products both within and outside the United States through innovation and other growth strategies (including, where appropriate, arrangements with, or investments in, third parties and acquisitions).

For the third first quarter of 2023, 2024, we estimate that, when adjusted for trade inventory movements, calendar differences and other factors, domestic cigarette industry volume declined by 8% 9% versus the third first quarter of 2022. While 2023. We believe these declines primarily are attributable to the historic secular rate of decline, the growth of illegal disposable e-vapor products and continued macroeconomic conditions continued pressures on adult tobacco consumer discretionary income. We continue to impact cigarette industry volume through the third quarter of 2023, we believe that there is more cross-category movement than previously estimated. We estimate that the growth of illegal flavored disposable e-vapor products, which we discuss in more detail below, contributed to cigarette industry volume declines in a range of 1.5% to 2.5% over the last 12 months. By design, these illegal flavored disposable e-vapor products are largely distributed through non-traditional, untracked retail channels, and this is a trend we will continue to carefully monitor.

The discount share of the cigarette category was 28.2% in the third quarter of 2023, unchanged sequentially versus the second quarter of 2023. Compared to the third quarter of 2022, total discount share increased by 1.1 share points in the third quarter of 2023. Marlboro share was 42.3% in the third quarter of 2023, reflecting an increase of 0.3 share points as compared to the second quarter of 2023 and down 0.3 share points when compared to the third quarter of 2022.

We expect cigarette industry volume trends for the remainder of 2023 2024 to be most influenced by (i) disposable continued macroeconomic and discretionary income purchasing patterns and adoption of smoke-free products, (ii) macroeconomic conditions pressures on adult tobacco consumers (including inflation, interest rates, gasoline prices and unemployment levels), (iii) cross-category movement, including to illegal e-vapor products, and (iv) regulatory and legislative (including excise tax) developments.

The macroeconomic and discretionary income pressures on adult tobacco consumers, as well as seasonal trends in the discount segment influenced discount share performance. For the first quarter of 2024, the discount share of the cigarette category was 29.1%, an increase of 0.4 share points sequentially and an increase of 0.8 share points versus the first quarter of 2023.

Marlboro share was 42.0% in the first quarter of 2024, a decrease of 0.3 share points sequentially and unchanged versus the first quarter of 2023. Marlboro share in the premium segment of the industry remained stable sequentially at 59.3% and increased 0.7 share points versus the first quarter of 2023.

The U.S. nicotine pouch category continued to grow significantly throughout the third first quarter of 2023 2024 to 32.3% 40.1% of the U.S. oral tobacco category, an increase of 9.8 13.8 share points versus the third first quarter of 2022, 2023. on/ maintained year over year share momentum during through the third first quarter of 2023 2024 to achieve 6.9% 7.1% of the total oral tobacco category, an increase of 1.7 0.2 share points when compared to versus the third fourth quarter of 2022, 2023 and an increase of 0.2 share points sequentially. Oral nicotine pouch growth primarily has primarily sourced from adult smokeless tobacco and cigarette consumers. consumers, negatively impacting smokeless and cigarette product volumes. For the third first quarter 2023, 2024, the traditional smokeless category (including MST and Snus) share of the total oral tobacco category declined to 67.7% 59.9%, down 9.8 13.8 share points versus the third first quarter of 2022, 2023. Copenhagen achieved had an oral tobacco category share of 23.1% 20.1% for the third first quarter of 2023, 2024, a decrease of 3.7 5.2 share points when compared to the third first quarter of 2022, 2023.

For Through the third first quarter of 2023, 2024, NJOY distribution grew to over 80,000 stores. During the same period, reported shipment volume of NJOY consumables (including NJOY ACE and NJOY DAILY) was approximately 7.5 million pods, 10.9 million units, and NJOY device shipment volume was approximately 1 million units. The ACE NJOY distribution grew to approximately 42,000 stores, and NJOY ACE is now distributed share of the e-vapor category reached 4.3% in the top 25 convenience store chains by e-vapor volume.

Discretionary income pressures persisted as the cumulative effect of inflation impacted adult tobacco consumers throughout the third first quarter of 2023. For the 12 months ended September 30, 2023, the Consumer Price Index ("CPI") increased 3.7%. For the month of September 2023, gas prices were \$3.84 per gallon, 2024, an increase of \$0.50 versus January 2023 and an increase of \$0.14 versus September 2022. In addition, 0.6 share points sequentially.

Despite overall improvements in macroeconomic conditions (stabilizing inflation, low unemployment and stable wage inflation), discretionary income pressures persisted for adult tobacco consumers through the first quarter of 2024 due to the cumulative effects of inflation. The March 2024 Consumer Price Index (CPI) was 3.5%, exceeding the Federal Reserve's target of 2%. Although inflation rates remained lower than prior years, increased prices on certain expenditures, such as groceries and gas, continued to put pressure on adult tobacco consumer discretionary income. Gas prices throughout the first quarter of 2024 were lower overall than prior years but remained consistently above \$3.00 month-over-month and began to increase through March 2024. The average gas price for the nine months ending September 30, 2023, month of March 2024 was \$3.43 per gallon. In addition to rising costs of certain expenses, the Federal Funds Rate has remained above historical levels, although stable at 5.33% through the first quarter of 2024.

We continue to monitor changing conditions within the tobacco business environment and impacts on our business. For example, we monitor changes in macroeconomic conditions that increase discretionary income pressures on adult tobacco consumers, which can impact domestic cigarette industry volume decline and discount segment share growth and reduce purchases at retail. We are also monitoring growth of illegal flavored disposable e-vapor products and the related negative impact on domestic cigarette and e-vapor industry

volume decline, volumes. In addition, the growth of the nicotine pouch category has reduced the size of the MST category and could impact the carrying value of our assets such as our tobacco product trademarks. Changes in these and other conditions could have a material adverse effect on our business, results of operations, cash flows or financial position.

FSPTCA and FDA Regulation

- **The Regulatory Framework:** The FSPTCA and its related regulations establish broad FDA regulatory authority over all tobacco products and, among other provisions:
 - impose restrictions on the advertising, promotion, sale and distribution of tobacco products (see *Final Tobacco Marketing Rule* below);
 - establish pre-market review pathways for new and modified tobacco products (see *Pre-Market Review Pathways for Tobacco Products and Market Authorization Enforcement* below);
 - prohibit any express or implied claims that a tobacco product is or may be less harmful than other tobacco products without FDA authorization;
 - authorize the FDA to impose tobacco product standards that are appropriate for the protection of the public health (see *Potential Product Standards* below); and
 - equip the FDA with a variety of investigatory and enforcement tools, including the authority to inspect product manufacturing and other facilities (see *Investigation and Enforcement* below).

The FSPTCA also bans descriptors such as "light," "low" or "mild" when used as descriptors of modified risk, unless expressly authorized by the FDA. In connection with a 2016 lawsuit initiated by Middleton, the U.S. Department of Justice, on behalf of the FDA, informed Middleton that the FDA does not intend to bring an enforcement action against Middleton for the use of the term "mild" in the trademark "Black & Mild." Consequently, Middleton dismissed its lawsuit without prejudice. If the FDA were to change its position at some later date, Middleton would have the opportunity to bring another lawsuit.

In March Effective April 2022, the U.S. Congress expanded the statutory definition of tobacco products to include products containing nicotine derived from any source, including synthetic nicotine. The amendment became effective in April 2022. See *Pre-Market Review Pathways for Tobacco Products and Market Authorization Enforcement* below for additional information on the effects of the statutory change.

- **Final Tobacco Marketing Rule:** As required by the FSPTCA, in March 2010, the FDA promulgated a wide range of advertising and promotion restrictions for cigarettes and smokeless tobacco⁽¹⁾ products (the "Final Tobacco Marketing Rule"). The May 2016 deeming regulations amended the Final Tobacco Marketing Rule to expand specific provisions to all tobacco products, including cigars, pipe tobacco and e-vapor and oral nicotine products containing tobacco-derived nicotine or other tobacco derivatives.

The Final Tobacco Marketing Rule, as amended, among other things:

- restricts the use of non-tobacco trade and brand names on cigarettes and smokeless tobacco products;
- prohibits sampling of all tobacco products except that sampling of smokeless tobacco products is permitted in qualified adult-only facilities;
- prohibits the sale or distribution of items such as hats and tee shirts with cigarette or smokeless tobacco brands or logos;
- prohibits cigarettes and smokeless tobacco brand name sponsorship of any athletic, musical, artistic or other social or cultural event, or any entry or team in any event; and
- requires the development by the FDA of graphic warnings for cigarettes, establishes warning requirements for other tobacco products, and gives the FDA the authority to require new warnings for any type of tobacco product (see *FDA Regulatory Actions - Graphic Warnings* below).

Subject to certain limitations arising from legal challenges, the Final Tobacco Marketing Rule took effect in June 2010 for cigarettes and smokeless tobacco products, in August 2016 for all other tobacco products, including e-vapor and oral nicotine pouch products containing tobacco-derived nicotine, and in April 2022 for tobacco products, including e-vapor and oral nicotine pouch products, that contain nicotine from any source other than tobacco, such as synthetic nicotine.

- **Rulemaking and Guidance:** From time to time, the FDA issues proposed regulations and guidance, which may be issued in draft or final form, that generally involve public comment and may include scientific review. The FDA also may request comments on broad topics through an Advanced Notice of Proposed Rulemaking ("ANPRM"). We actively engage with the FDA to develop and implement the FSPTCA's regulatory framework, including submission of comments to various FDA policies and proposals and participation in public hearings and engagement sessions.

The FDA's implementation of the FSPTCA and related regulations and guidance also may have an impact on enforcement efforts by states, territories and localities of their laws and regulations as well as of the State Settlement Agreements (see *State Settlement Agreements* below). Such enforcement efforts may adversely affect our operating companies' ability to market and sell regulated tobacco products in those states, territories and localities.

- **FDA's Comprehensive Five-Year Strategic Plan for Tobacco and Nicotine Regulation:** In July 2017, the FDA announced a "Comprehensive Plan for Tobacco and Nicotine Regulation" ("Comprehensive Plan") designed to strike a balance between regulation and encouraging the development of innovative tobacco products that may be less risky than cigarettes. Since then, the FDA has issued additional information about its Comprehensive Plan December 2023, in response to concerns associated with the rise in the use of e-vapor products by youth and the potential youth appeal of flavored tobacco products (see *FDA Regulatory Actions - Underage Access and Use of Certain Tobacco Products* below). As part of the Comprehensive Plan, the FDA:

- issued ANPRMs relating to potential product standards for nicotine in cigarettes, flavors in all tobacco products (including menthol in cigarettes and characterizing flavors in all cigars) and, for e-vapor products, to protect against known public health risks such as concerns about youth exposure to liquid nicotine;
- took actions to restrict youth access to e-vapor products; and
- reconsidered the processes used by the FDA to review certain reports and new product applications.

In December 2022, the Reagan-Udall Foundation published a Foundation's report on of its operational evaluation of the FDA's Center for Tobacco Products. Among other recommendations, Products, the report urges FDA released its five-year strategic plan to address concerns raised by the report. The Reagan-Udall Report urged the FDA to clearly define product pathways, accelerate pre-market tobacco application ("PMTA") PMTA decision-making, address the need for health risk communications to tobacco consumers and take enforcement actions against manufacturers and products that violate the law. To date,

The FDA's five-year strategic plan lists five goals:

- develop, advance and communicate comprehensive and impactful tobacco regulations and guidance;
- ensure timely, clear and consistent product application review;
- strengthen compliance of regulated industry using all available tools, including robust enforcement actions;
- enhance knowledge and understanding of the risks associated with tobacco product use; and
- advance operational excellence.

Although the FDA, in conjunction with other federal entities, has engaged in some enforcement activity, insufficient actions against certain product categories that violate the law, including disposable and flavored e-vapor products and products targeted to minors, have allowed such products to proliferate on the market. In addition, the FDA's lack of failure to clearly define product pathways and accelerate PMTA decision making has resulted in a market with few authorized smoke-free products available to adult tobacco consumers.

(1) "Smokeless tobacco," as used in this section of this Form 10-Q, refers to smokeless tobacco products first regulated by the FDA in 2009, including MST. It excludes oral nicotine pouches, which were first regulated by the FDA in 2016.

enforcement actions against certain product categories that violate the law, including disposable and flavored e-vapor products and products targeted to minors, have allowed such products to proliferate on the market. In February 2023, the FDA committed to developing a five-year strategic plan by December 2023 to address concerns raised by the report and confirmed this intended timing in June 2023.

▪ **Pre-Market Review Pathways for Tobacco Products and Market Authorization Enforcement:** The FSPTCA permits the sale of tobacco products on the market as of February 15, 2007 and not subsequently modified ("Pre-existing Tobacco Products") and new or modified products authorized through the PMTA, Substantial Equivalence ("SE") or SE Exemption pathways. Subsequent FDA rules also provide a Supplemental PMTA pathway designed to increase the efficiency of submission and review for modified versions of previously authorized products.

The FDA pre-market authorization enforcement policy varies based on product type and date of availability on the market, specifically:

- Pre-existing Tobacco Products are exempt from the pre-market authorization requirement;
- cigarette and smokeless tobacco products that were modified or first introduced into the market between February 15, 2007 and March 22, 2011 are generally considered "Provisional Products" for which SE reports were required to be filed by March 22, 2011. These reports must demonstrate that the product has the same characteristics as a product on the market as of February 15, 2007 or to a product previously determined to be substantially equivalent, or has different characteristics but does not raise different questions of public health;
- tobacco products that were first regulated by the FDA in 2016, including cigars, e-vapor products and oral nicotine pouches that are not Pre-existing Tobacco Products, are generally products for which either an SE report or PMTA needed to be filed by September 9, 2020; and
- tobacco products containing nicotine from any source other than tobacco (e.g., synthetic nicotine) that were on the market between March 15, 2022 and April 14, 2022 and are not Pre-existing Tobacco Products are generally products for which a manufacturer must have filed a PMTA by May 14, 2022. A manufacturer was permitted to keep such a product on the market until July 13, 2022 provided that a PMTA was filed by May 14, 2022. Thereafter, unless the FDA granted the product a marketing order, the product is unlawful and subject to possible FDA enforcement.

Modifications to currently marketed products, including modifications that result from, for example, changes to the quantity of tobacco product(s) in a package, a manufacturer being unable to acquire ingredients or a supplier or contract manufacturer being unable to maintain the consistency required in ingredients or manufacturing processes, could trigger the FDA's pre-market review processes. Additionally, a manufacturer may be unable to maintain consistency in manufacturing processes as it increases the scale of its manufacturing operations in response to market expansion or product introduction. These circumstances could cause a manufacturer to receive (i) a "not substantially equivalent" determination or (ii) a denial or withdrawal of a PMTA, either of which could result in a product being removed from the market. In addition, new scientific data continues to be developed relating to innovative tobacco products, which could impact the FDA's determination as to whether a product is, or continues to be, appropriate for the protection of public health and could, therefore, result in the removal of one or more products from the market. Any such actions affecting our operating companies' products could have a material adverse impact on our business, results of operations, cash flows or financial position.

Products Regulated in 2009: Most cigarette and smokeless tobacco products currently marketed by PM USA and USSTC are "Provisional Products." PM USA and USSTC timely submitted SE reports for these Provisional Products and have received SE determinations on certain Provisional Products. Those products that were found by the FDA to be not substantially equivalent (certain smokeless tobacco products) had been discontinued for business reasons prior to the FDA's determinations; therefore, those determinations did not impact business results. PM USA and USSTC have other Provisional Products that continue to be subject to the FDA's pre-market review process. In the meantime, they can continue marketing these products unless the FDA determines that a specific Provisional Product is not substantially equivalent.

In addition, the FDA has communicated that it will not review a certain subset of Provisional Product SE reports and that the products that are the subject of those reports can continue to be legally marketed without further FDA review. PM USA and USSTC have Provisional Products included in this subset of products.

While we believe PM USA's and USSTC's current Provisional Products meet the statutory requirements of the FSPTCA, we cannot predict how the FDA will ultimately apply law, regulation and guidance to their various SE reports. Should PM USA or USSTC receive unfavorable determinations on any SE reports currently pending with the FDA, we believe PM USA and USSTC can replace the vast majority of these product volumes with other FDA authorized products or with Pre-existing Tobacco Products.

Cigarette and smokeless tobacco products introduced into the market or modified after March 22, 2011 are "Non-Provisional Products" and must receive a marketing order from the FDA prior to being offered for sale. Marketing orders for Non-

Provisional **Non-Provisional** Products may be obtained by filing an SE report, PMTA or using another pre-market pathway established by the FDA. PM USA and USSTC may not be able to obtain a marketing order for non-provisional products because the FDA may determine that any such product does not meet the statutory requirements for approval.

Products Regulated in 2016: Manufacturers of products first regulated by the FDA in 2016, including cigars, oral nicotine pouches and e-vapor products, that were on the market as of August 8, 2016 and not subsequently modified must have filed an SE report or PMTA by the filing deadline of September 9, 2020 in order for their products to remain on the market. These products can remain on the market during FDA review through court-allowed, case-by-case discretion, so long as the report or application was timely filed with the FDA. In September 2022, the FDA represented that it had resolved more than 99% of the timely applications it had received, the vast majority of which were for e-vapor products and resulted in denials. A number of the denials are subject to challenges initiated by the affected manufacturers. For those products still under FDA review, it is uncertain when and for how long the FDA may permit continued marketing and sale of those products pursuant to its case-by-case discretion. For products (new or modified) not on the market as of August 8, 2016, manufacturers must file an SE report or PMTA and receive FDA authorization prior to marketing and selling the product.

Helix submitted PMTAs for *on!* oral nicotine pouches in May 2020. As of **October 23, 2023** **April 22, 2024**, the FDA has not issued marketing order decisions for any *on!* products. In addition, as of **October 23, 2023** **April 22, 2024**, Middleton has received market orders or exemptions that cover over 99% of its cigar product volume.

In April 2019, the FDA authorized the PMTA for the *IQOS* System, and in July 2020, the FDA authorized the marketing of this system as **an MRTCP** **a modified risk tobacco product ("MRTCP")** with a reduced exposure claim. In December 2020, the FDA authorized the PMTA for *IQOS* 3, an updated version of the *IQOS* devices, and in March 2022 authorized the marketing of the *IQOS* 3 device as an MRTCP with the same reduced exposure claim. In January 2023, the FDA authorized PMTAs for three new tobacco-flavored varieties of *Marlboro HeatSticks*.

In September 2021, in connection with a patent dispute, the **U.S. International Trade Commission ("ITC")** **ITC** issued a cease and desist order, effective as of November 29, 2021, banning (i) the importation of the *IQOS* devices, *Marlboro HeatSticks* and infringing components into the United States and (ii) the sale, marketing and distribution of such imported products in the United States. As a result, PM USA removed the products from the marketplace. For a further discussion of the ITC decision, see Note 13.

In October 2022, we agreed to assign the exclusive U.S. commercialization rights to the *IQOS* System to **Philip Morris International Inc. ("PMI")** **PMI** effective April 2024 in exchange for a total cash payment of approximately \$2.7 billion (plus interest). **The U.S. government has asserted that the agreement to assign those rights required district court approval and was subject to PMI becoming bound by a court-ordered injunction against engaging in certain conduct and requiring the communication of corrective statements. The issue has yet to be litigated before the district court.**

In October 2021, the FDA authorized the marketing and sale of four of USSTC's *Verve* oral nicotine products, including Green Mint and Blue Mint varieties, representing the first flavored product authorizations issued by the FDA for newly deemed innovative products. These products are not currently marketed or sold.

In March 2023, the FDA authorized USSTC to communicate a modified risk claim about its *Copenhagen Classic Snuff MST* product. This product is not currently marketed or sold. The authorized claim for *Copenhagen Classic Snuff* is "IF YOU SMOKE, CONSIDER THIS: Switching completely to this product from cigarettes reduces risk of lung cancer." USSTC's authorization to use this claim is subject to the FDA's post-market surveillance requirements described below.

In June 2023, we completed our acquisition of NJOY Holdings, the parent of NJOY. As a result of the acquisition, NJOY became a wholly owned subsidiary of Altria, and we gained full global ownership of NJOY's e-vapor product portfolio, including *NJOY ACE*, currently the only pod-based e-vapor product with market authorizations from the **FDA**, **FDA**, and **NJOY DAILY**, which also has a market authorization. In March 2020, NJOY submitted PMTAs to the FDA with respect to two *NJOY ACE* **Menthol** **menthol** products **both and two** **NJOY DAILY** **menthol** products, all four of which remain **pending**. The FDA issued marketing denial orders ("MDOs") for four *NJOY ACE* and four *NJOY DAILY* flavored products. NJOY filed for a supervisory review by the FDA of the marketing denial orders for the *NJOY ACE* and *NJOY DAILY* flavored products, all of which are pending.

Post-Market Surveillance: Manufacturers that receive product authorizations through the PMTA process must adhere to the FDA post-market record keeping and reporting requirements, as detailed in market orders and in the final PMTA **rule that went into effect in November 2021**, **rule**. The requirements include prior notification of marketing activities. The FDA may amend requirements of a market order or withdraw the market order based on this information if, among other reasons, it determines that the continued marketing of the products is no longer appropriate for the protection of the public health.

Effect of Adverse FDA Determinations: FDA review time frames have varied. It is therefore difficult to predict the duration of FDA reviews of SE reports or PMTAs. An unfavorable determination on an application, the withdrawal by the FDA of a prior marketing order or other changes in FDA regulatory requirements could result in the removal of products from the market. A "not substantially equivalent" determination, a denial of a PMTA or a marketing order withdrawal by the FDA on one or more products (which would require the removal of the product or products from the market) could have a material adverse impact on our business, results of operations, cash flows or financial position. Also, adverse FDA determinations on innovative tobacco products could have a material adverse effect on our ability to achieve our Vision.

- **FDA Regulatory Actions**
- **Graphic Warnings:** In March 2020, the FDA issued a final rule requiring 11 textual warnings accompanied by color graphics depicting certain negative health consequences of smoking on cigarette packaging and advertising. PM USA

and other cigarette manufacturers filed lawsuits challenging the final rule on substantive and procedural grounds. In December 2022, the U.S. District Court for the Eastern District of Texas found in favor of cigarette manufacturers in one such suit and blocked the rule, finding it unconstitutional on the basis that it compelled speech in violation of

the First Amendment. The FDA has appealed the decision, and, in March 2024, the U.S. Court of Appeals for the Fifth Circuit reversed the trial court and remanded the case for further proceedings.

Underage Access and Use of Certain Tobacco Products: The FDA announced regulatory actions in September 2018 to address underage access and use of e-vapor products. We have engaged with the FDA on this topic and have reaffirmed to the FDA our ongoing and long-standing commitment to preventing underage use. For example, we advocated raising the minimum legal age to purchase all tobacco products to 21 at the federal and state levels to further address underage use, which is now federal law. **We continue to advocate in states that have not yet raised the minimum legal age to purchase all tobacco products to 21. See Federal, State and Local Legislation to Increase the Legal Age to Purchase Tobacco Products** below for further discussion.

Additionally, the FDA issued final guidance in April 2020, stating that it intended to prioritize enforcement action against certain product categories, including pod-based, flavored e-vapor products and products targeted to minors. More recently, the FDA has taken limited enforcement action aimed at manufacturers and retailers of certain disposable flavored electronic nicotine delivery system products. However, **the FDA's lack of despite some enforcement activity, insufficient actions against certain product categories that violate the law, including disposable and flavored e-vapor products and products targeted to minors, have allowed such products to proliferate on the market.**

Electronic Nicotine Delivery System Products: As of **October 23, 2023** **April 22, 2024**, many manufacturers of menthol and other flavored e-vapor products have received **marketing denial orders ("MDOs")** for failure to provide sufficiently strong product-specific scientific evidence to demonstrate that the benefit of their products to adult smokers overcomes the risk that their products pose to youth. The FDA has communicated in these MDOs that vapor products with non-tobacco flavors present unique questions relevant to the FDA's "Appropriate for the Protection of Public Health" standard and that successful applications require strong, product-specific evidence. A number of these manufacturers are challenging the MDOs for their products. **In January 2024, the U.S. Court of Appeals for the Fifth Circuit ruled that the FDA process and procedure for addressing an e-vapor PMTA violated federal law and that, among other things, the FDA failed to give the manufacturer plaintiff fair notice of, and repeatedly changed positions with respect to, the information required to obtain a PMTA. The court decided the case *en banc*, with all judges on the court hearing the case. Other U.S. Courts of Appeal have upheld adverse FDA determinations, and there are pending requests that the U.S. Supreme Court review these decisions.**

Potential Product Standards

Nicotine in Cigarettes and Other Combustible Tobacco Products: In March 2018, the FDA issued an ANPRM seeking comments on the potential public health benefits and any possible adverse effects of lowering nicotine in combustible cigarettes to non-addictive or minimally addictive levels. Among other issues, the FDA sought comments on (i) whether smokers would compensate by smoking more cigarettes to obtain the same level of nicotine as with their current product and (ii) whether the proposed rule would create an illicit trade of cigarettes containing nicotine at levels higher than a non-addictive threshold that may be established by the FDA. The FDA also sought comments on whether a nicotine product standard should apply to other combustible tobacco products, including cigars. In **June** **December** 2023, the Biden Administration published its **Spring Fall** 2023 Unified Regulatory Agenda, which includes the FDA's plans to propose, by **December 2023**, **April 2024**, a product standard that would establish a maximum nicotine level in cigarettes and other combustible tobacco products. **As of April 22, 2024, the FDA has not proposed this product standard.** Any proposed product standard would proceed through the rulemaking process, which we believe will take multiple years to complete.

Flavors in Tobacco Products: In April 2022, the FDA issued two proposed product standards: (i) banning menthol in cigarettes and (ii) banning all characterizing flavors (including menthol) in cigars. The Biden Administration's **Spring Fall** 2023 Unified Regulatory Agenda includes the FDA's plans to **complete** **have completed** rulemaking with respect to these proposed product standards by **August 2023**. **The March 2024.** As of April 22, 2024, the FDA has not completed rulemaking with respect to either proposed product standard, but in October 2023 submitted the two proposed product standards to the White House Office of Management and Budget for review. We submitted comments during the notice-and-comment period and plan to continue engaging with the FDA through the rulemaking process. The FDA could propose an additional product standard for flavors in innovative tobacco products, including e-vapor products and oral nicotine products.

N-nitrosornornicotine ("NNN") in Smokeless Tobacco: In January 2017, the FDA proposed a product standard for NNN levels in finished smokeless tobacco products.

If any one or more of the foregoing potential product standards were to become final and was appealed and upheld in the courts, it could have a material adverse effect on our business, results of operations, cash flows or financial position, including a material adverse effect on the carrying value of certain of our assets such as our cigar trademarks.

Good Manufacturing Practices: In March 2023, the FDA, pursuant to the requirements of the FSPTCA, issued a proposed rule setting forth requirements for tobacco product manufacturers regarding the manufacture, design, packing and storage of their products. This proposed rule establishes a framework of good manufacturing practices, including by:

- establishing tobacco product design and development controls;
- ensuring that finished and bulk tobacco products are manufactured according to established specifications;

- minimizing the manufacture and distribution of tobacco products that do not meet specifications;
- requiring manufacturers to take appropriate measures to prevent contamination of tobacco products;
- requiring investigation and identification of products that do not meet specifications and requiring manufacturers to institute appropriate corrective actions, such as a recall; and
- establishing the ability to trace all components or parts, ingredients, additives and materials, as well as each batch of finished or bulk tobacco products, to aid in investigations of those that do not meet specifications.

We engaged with the FDA through the rulemaking process, including during the notice-and-comment period, which closed in October 2023. **The Biden Administration's Fall 2023 Unified Regulatory Agenda includes the FDA's plans to have completed rulemaking with respect to this proposed rule by October 2024.** If the proposed rule were to

take effect, compliance with these requirements could result in increased costs.

▪ **Impact on Our Business; Compliance Costs and User Fees:** Additional FDA regulatory actions under the FSPTCA could have a material adverse effect on our business, results of operations, cash flows or financial position in various ways. For example, actions by the FDA could:

- impact the consumer acceptability of tobacco products;
- discontinue, delay or prevent the sale or distribution of existing, new or modified tobacco products;
- limit adult tobacco consumer choices;
- impose restrictions on communications with adult tobacco consumers;
- create a competitive advantage or disadvantage for certain tobacco companies;
- impose additional manufacturing, labeling or packaging requirements;
- impose additional restrictions at retail;
- result in increased illicit trade in tobacco products; and
- otherwise significantly increase the cost of doing business.

The FSPTCA imposes user fees on cigarette, cigarette tobacco, smokeless tobacco, cigar and pipe tobacco manufacturers and importers to pay for the cost of regulation and other matters. The FSPTCA does not impose user fees on e-vapor or oral nicotine pouch manufacturers. The cost of the FDA user fee is allocated first among tobacco product categories subject to FDA user fees and then among manufacturers and importers within each respective category based on their relative market shares, all as prescribed by the FSPTCA and FDA regulations. Payments for user fees are adjusted for several factors, including market share and industry volume. See *Liquidity and Capital Resources - Payments Under State Settlement Agreements and FDA Regulation* below for a discussion of our FDA user fee payments. In addition, compliance with the FSPTCA's regulatory requirements has resulted, and will continue to result, in additional costs. The amount of additional compliance and related costs has not been material in any given quarter or year-to-date period but could become material, either individually or in the aggregate. The failure to comply with FDA regulatory requirements, even inadvertently, and FDA enforcement actions also could have a material adverse effect on our business, results of operations, cash flows or financial position.

▪ **Investigation and Enforcement:** The FDA has a number of investigatory and enforcement tools available to it, including document requests and other required information submissions, facility inspections, facility closures, examinations and investigations, injunction proceedings, monetary penalties, product withdrawal and recall orders, and product seizures. Investigations or enforcement actions could result in significant costs or otherwise have a material adverse effect on our business, results of operations, cash flows or financial position.

Excise Taxes

Tobacco products are subject to substantial excise taxes in the United States. Significant increases in tobacco-related taxes or fees have been proposed or enacted (including with respect to e-vapor products) and are likely to continue to be proposed or enacted at the federal, state and local levels within the United States. The frequency and magnitude of excise tax increases can be influenced by various factors, including the composition of executive and legislative bodies.

Federal, state and local cigarette excise taxes have increased substantially over the past two decades, far outpacing the rate of inflation. Between the end of 1998 and **October 23, 2023**, **April 22, 2024**, the weighted-average state cigarette excise tax increased from \$0.36 to \$1.90 per pack. As of **October 23, 2023**, **Only** one state, New York, has enacted new legislation increasing excise taxes in 2023. The increase As of April 22, 2024, no states have enacted excise tax increases in New York became effective in September 2023. Various other 2024. However, various increases are under consideration or have been proposed.

A majority of states currently tax MST using an ad valorem method, which is calculated as a percentage of the price of the product, typically the wholesale price. This ad valorem method results in more tax being paid on premium products than is paid on lower-priced products of equal weight. We support legislation to convert ad valorem taxes on MST to a weight-based methodology because, unlike the ad valorem tax, a weight-based tax subjects cans of equal weight to the same tax. As of **October 23, 2023** **April 22, 2024**, the federal government, 23 states, Puerto Rico, Philadelphia, Pennsylvania and Cook County, Illinois have adopted a weight-based tax methodology for MST. North Carolina has passed legislation that will cause the state to adopt a weight-based tax methodology for MST in July 2025.

An increasing number of states and localities also are imposing excise taxes on e-vapor products and oral nicotine pouches. As of **October 23, 2023** **April 22, 2024**, **33** **32** states, the District of Columbia, Puerto Rico and a number of cities and counties have enacted legislation to tax e-vapor products. These taxes are calculated in varying ways and may differ based on the e-vapor product form. Similarly, **11** **12** states and the District of Columbia have enacted legislation to tax oral nicotine pouches.

Tax increases are expected to continue to have an adverse impact on sales of our operating companies' products through lower consumption levels and the potential shift in adult tobacco consumer purchases from premium to non-premium or discount cigarettes, to lower taxed tobacco products or to counterfeit and contraband products. Lower sales volume and reported share performance of our operating companies' products could have a material adverse effect on our business, results of operations, cash flows or financial position. In addition, substantial excise tax increases on e-vapor and oral nicotine products may negatively impact adult smokers' transition to these products, which could materially adversely affect our ability to achieve our Vision.

International Treaty on Tobacco Control

The World Health Organization's Framework Convention on Tobacco Control (the "FCTC") entered into force in February 2005. As of **October 23, 2023** **April 22, 2024**, 182 countries, as well as the European Union, have become parties to the FCTC. While the United States is a signatory of the FCTC, it is not currently a party to the agreement, as the agreement has not been submitted to, or ratified by, the U.S. Senate. The FCTC is the first international public health treaty and its objective is to establish a global agenda for tobacco regulation with the purpose of reducing initiation of tobacco use and encouraging cessation. The treaty recommends (and in certain instances, requires) signatory nations to enact legislation that would address various tobacco-related issues.

There are a number of proposals currently under consideration by the governing body of the FCTC, some of which call for substantial restrictions on the manufacture, marketing, distribution and sale of tobacco products. It is not possible to predict the outcome of these proposals or the impact of any FCTC actions on legislation or regulation in the United States, either indirectly or as a result of the United States becoming a party to the FCTC, or whether or how these actions might indirectly influence FDA regulation and enforcement.

State Settlement Agreements

As discussed in Note 13, during 1997 and 1998, PM USA and other major domestic cigarette manufacturers entered into the State Settlement Agreements. These settlements require participating manufacturers to make substantial annual payments, which are adjusted for several factors, including inflation, operating income, market share and industry volume. Increases in inflation can increase our financial liability under the State Settlement Agreements. The State Settlement Agreements' inflation calculations require us to apply the higher of 3% or the U.S. Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers ("CPI-U") percentage rate as published in January of each year. As of December 2022, 2023, the inflation calculation was approximately 6.5% 3.4% based on the latest CPI-U data; however, the increase in the annual payments did not have a material impact on our financial position. We believe that inflation will continue at increased levels in 2023, 2024, but do not expect the corresponding increase in annual payments to result in a material financial impact. However, we will continue to monitor the impact of increased inflation on the macroeconomic environment and our businesses.

For a discussion of the impact of the State Settlement Agreements on us, see *Liquidity and Capital Resources - Payments Under State Settlement Agreements and FDA Regulation* below and Note 13. The State Settlement Agreements also place numerous requirements and restrictions on participating manufacturers' business operations, including prohibitions and

restrictions on the advertising and marketing of cigarettes and smokeless tobacco products. Among these are prohibitions of outdoor and transit brand advertising, payments for product placement and free sampling (except in adult-only facilities). The State Settlement Agreements also place restrictions on the use of brand name sponsorships and brand name non-tobacco products and prohibitions on targeting youth and the use of cartoon characters. In addition, the State Settlement Agreements require companies to affirm corporate principles directed at reducing underage use of cigarettes; impose requirements regarding lobbying activities; limit the industry's ability to challenge certain tobacco control and underage use laws; and provide for the dissolution of certain tobacco-related organizations and place restrictions on the establishment of any replacement organizations.

In November 1998, USSTC entered into the Smokeless Tobacco Master Settlement Agreement (the "STMSA") with the attorneys general of various states and United States territories to resolve the remaining health care cost reimbursement cases initiated against USSTC. The STMSA required USSTC to adopt various marketing and advertising restrictions. USSTC is the only smokeless tobacco manufacturer to sign the STMSA.

Other International, Federal, State and Local Regulation and Governmental and Private Activity

▪ **International, Federal, State and Local Regulation:** Various states and localities have enacted or proposed legislation that imposes restrictions on tobacco products (including cigarettes, smokeless tobacco, cigars, e-vapor products and oral nicotine pouches), such as legislation that (i) prohibits the sale of all tobacco products or certain tobacco categories, such as e-vapor, (ii) prohibits the sale of tobacco products with characterizing flavors, such as menthol cigarettes and flavored e-vapor products, (iii) requires the disclosure of health information separate from or in addition to federally mandated health warnings, and (iv) restricts commercial speech or imposes additional restrictions on the marketing or sale of tobacco products. products and (v) requires manufacturers of e-vapor products to certify that they are in compliance with FDA requirements to be allowed to sell in the state. The legislation varies in terms of the type of tobacco products, the conditions under which such products are or would be restricted or prohibited, and exceptions to the restrictions or prohibitions. For example, a number of proposals involving characterizing flavors would prohibit smokeless tobacco products with characterizing flavors without providing an exception for mint- or wintergreen-flavored products. As of October 23, 2023 April 22, 2024, multiple states and localities are considering legislation to ban flavors in one or more tobacco products, and seven six states (California, Illinois, Massachusetts, New Jersey, New York, Rhode Island and Utah) and the District of Columbia have passed such legislation. Some of these states, such as New York, Utah and Illinois, exempt certain products that have received FDA market authorization through the PMTA pathway. The legislation in California, which became effective in December 2022, bans the sale of most tobacco products with characterizing flavors, including menthol, mint and wintergreen.

Massachusetts and Utah passed legislation capping the amount of nicotine in e-vapor products. Similar legislation Legislation relating to this issue is pending in one two other state. states.

Similar restrictions to those enacted or proposed in various U.S. states and localities on e-vapor and oral nicotine pouch products have been enacted or proposed internationally. We have challenged and will continue to challenge certain federal, state and local legislation and other governmental action, including through litigation. Certain legislation imposing restrictions on tobacco products, such as state laws requiring manufacturers of e-vapor products to certify that they are in compliance with federal law in order to sell products in the state, aligns with our Vision, and we actively engage with lawmakers in support of such legislation. It is possible, however, that legislation, regulation or other governmental action could be enacted or implemented that could have a material adverse impact on our business, results of operations, cash flows or financial position. Such action also could negatively impact adult smokers' transition to smoke-free products, which could materially adversely affect our ability to achieve our Vision.

▪ **Federal, State and Local Legislation to Increase the Legal Age to Purchase Tobacco Products:** After a number of states and localities proposed and enacted legislation to increase the minimum age to purchase all tobacco products, including e-vapor products, in December 2019, the federal government passed legislation increasing the minimum age to purchase all tobacco products, including e-vapor products, to 21 nationwide. As of October 23, 2023 April 22, 2024, 42 43 states, the District of Columbia and Puerto Rico have enacted laws increasing the legal age to purchase tobacco products to 21. Although an increase in the minimum age to purchase tobacco products may have a negative impact on our operating companies' sales volumes, as discussed above under Underage Access and Use of Certain Tobacco Products, we support raising the minimum legal age to purchase all tobacco products to 21 at the federal and state levels, as discussed above under Underage Access and Use of Certain Tobacco Products, reflecting our longstanding commitment to combat underage tobacco use.

▪ **Health Effects of Tobacco Products, Including E-vapor Products:** Reports with respect to the health effects of smoking have been publicized for many years, including various reports by the U.S. Surgeon General. We believe that the public should be guided by the messages of the U.S. Surgeon General and public health authorities worldwide in making decisions concerning the use of tobacco products, including e-vapor products. It is not possible to predict the results of ongoing scientific research or the types of future scientific research into the health risks of tobacco exposure and the impact of such research on legislation and regulation.

Most jurisdictions within the United States have restricted smoking in public places and some have restricted vaping in public places. Some public health groups have called for, and various jurisdictions have adopted or proposed, bans on smoking and vaping in outdoor places, in private apartments and in cars transporting children. It is not possible to predict the results of ongoing scientific research or the types of future scientific research into the health risks of tobacco exposure and the impact of such research on legislation and regulation.

- **Other Legislation or Governmental Initiatives:** In addition to the actions discussed above, other regulatory initiatives affecting the tobacco industry have been adopted or are being considered at the federal level and in a number of state and local jurisdictions. For example, in recent years, legislation has been introduced or enacted at the state or local level to subject tobacco products to various reporting requirements and performance standards; establish educational campaigns relating to tobacco consumption or tobacco control programs or provide additional funding for governmental tobacco control activities; restrict the sale of tobacco products in certain retail establishments and the sale of tobacco products in certain package sizes; prohibit the sale of tobacco products based on environmental concerns; impose responsibility on manufacturers for the disposal, recycling or other treatment of post-consumer goods such as plastic packaging; require tax stamping of smokeless tobacco products; require the use of state tax stamps using data encryption technology; and further restrict the sale, marketing and advertising of cigarettes and other tobacco products. Such legislation may be subject to constitutional or other challenges on various grounds, which may or may not be successful. In addition, if a pandemic or similar health emergency occurs, state and local governments may reimpose additional health and safety requirements for all businesses, which could result in the potential

temporary closure of certain businesses and facilities. It is possible that tobacco manufacturing and other facilities and the facilities of our suppliers, our suppliers' suppliers and our trade partners could be subject to additional government-mandated temporary closures and restrictions.

It is not possible to predict what, if any, additional legislation, regulation or other governmental action will be enacted or implemented (and, if challenged, upheld) relating to the manufacturing, design, packaging, marketing, advertising, sale or use of tobacco products, or the tobacco industry generally. Any such legislation, regulation or other governmental action could have a material adverse impact on our business, results of operations, cash flows or financial position.

- **Governmental Investigations:** From time to time, we are subject to governmental investigations on a range of matters. For example, we currently are, or recently have been, subject to a number of governmental investigations with respect to our former investment in JUUL, which we divested in March 2023, including the following: (i) the U.S. Federal Trade Commission ("FTC") FTC issued a Civil Investigative Demand to us while conducting its antitrust review of our former investment in JUUL seeking information regarding, among other things, our role in the resignation of JUUL's former chief executive officer and the hiring by JUUL of any current or former Altria director, executive or employee (see Note 13 for a description of the FTC's administrative complaint against us and JUUL); (ii) the SEC commenced an investigation relating to our acquisition, disclosures and accounting controls in connection with the JUUL investment; and (iii) the New York State Office of the Attorney General and the Commonwealth of Massachusetts Office of the Attorney General, separately, issued independent subpoenas to us seeking documents relating to our former investment in and provision of services to JUUL. For a discussion of our disposition of our former interest in JUUL, see Note 5.

Additionally, JUUL is currently, or recently has been, under investigation by various federal In April 2023, January 2024, February 2024 and state agencies, including April 2024, we agreed to settle the SEC, the FDA and the FTC, and state attorneys general. Such investigations vary in scope but at least some include JUUL's marketing practices, particularly as such practices relate lawsuits relating to youth, and we may be asked in the context of those investigations to provide information concerning our former investment in JUUL or relating to our marketing of Nu Mark LLC e-vapor products.

We are a party to lawsuits initiated by the attorneys general of Minnesota, Alaska, Hawaii and New Mexico, relating to our former investment in JUUL. In April 2023, we agreed to settle a lawsuit initiated by the attorney general of Minnesota, respectively.

Private Sector Activity on Tobacco Products

A number of retailers, including national chains, have discontinued the sale of all tobacco products, and others have discontinued the sale of e-vapor products. Reasons for the discontinuation include change in corporate policy and, with respect to e-vapor products, reported illnesses and the uncertain regulatory environment. Furthermore, third-party digital platforms, such as app stores, have restricted, and in some cases prohibited, communications with adult tobacco consumers concerning tobacco products. It is possible that if this private sector activity becomes more widespread it could have an adverse effect on our business, results of operations, cash flows or financial position.

Illicit Trade in Tobacco Products

Illicit trade in tobacco products can have an adverse impact on our business, businesses, including the sales volumes and market shares of our companies' innovative and smoke-free products and traditional tobacco products. Illicit trade can take many forms, including the sale of counterfeit tobacco products; the sale of tobacco products in the United States that are intended for sale outside the country; the sale of untaxed tobacco products over the Internet and by other means designed to avoid the collection of applicable taxes; the sale of unregulated products; and diversion into one taxing jurisdiction of tobacco products intended for sale in another. Counterfeit tobacco products, for example, are manufactured by unknown third parties in unregulated environments. Counterfeit versions of our products can negatively affect adult tobacco consumer experiences with and opinions of those brands. Illegal disposable e-vapor products may be designed to appeal to youth and are manufactured without scientific standards, exposing consumers to undocumented risks. Illicit trade in tobacco products also harms law-abiding wholesalers and retailers by depriving them of lawful sales and undermines the significant investment we have made in legitimate distribution channels. Moreover, illicit trade in tobacco products results in federal, state and local governments losing tax revenues. Losses in tax revenues can cause such governments to take various actions, including increasing excise taxes, imposing legislative or regulatory requirements, or asserting claims against manufacturers of tobacco products or members of the trade channels through which such tobacco products are distributed and sold, each of which may have an adverse effect on our business, results of operations, cash flows or financial position.

We communicate with wholesale and retail trade members regarding illicit trade in tobacco products and how we can help prevent such activities, enforce wholesale and retail trade programs and policies that address illicit trade in tobacco products and, when necessary, litigate to protect our trademarks. We also engage with the FDA and other government agencies to advocate for a well-regulated U.S. tobacco industry that embraces harm reduction and the enforcement of existing regulatory frameworks.

Prohibitory policies, such as California's ban on the sale of flavored tobacco products, which went into effect in 2022, can have unintended negative consequences, including the proliferation of counterfeit and unregulated products. We actively engage with regulators, state and federal lawmakers, our trade partners and other stakeholders to bring awareness to these issues. When appropriate, we also take legal action to protect our lawful e-vapor product business, such as the lawsuit we filed in federal court in California against manufacturers of illegal e-vapor products in October 2023.

All but one defendant was dismissed from this suit without prejudice on procedural grounds in January 2024, and we voluntarily dismissed the remaining defendant in February 2024. We filed a new lawsuit against five manufacturers, four brick-and-mortar retailers and three online retailers of illicit "Elf Bar" e-vapor products in February 2024 in federal court in California.

Price, Availability and Quality of Tobacco, Other Raw Materials, Ingredients and Component Parts

Shifts in crops (such as those driven by economic conditions and adverse weather patterns), government restrictions and mandated prices, production control programs, economic trade sanctions, import duties and tariffs, international trade disruptions, inflation, geopolitical instability, climate and environmental changes and disruptions due to man-made or natural disasters may increase the cost or reduce the supply or quality of tobacco, other raw materials, ingredients or component parts used to manufacture our operating companies' products. Any significant change in such factors could negatively impact our ability to continue manufacturing and marketing existing products, increase our costs or negatively impact adult tobacco consumer product acceptability and have a material adverse effect on our business and profitability.

As with other agricultural commodities, tobacco price, quality and availability can be influenced by variations in weather patterns, including those caused by climate change, and macroeconomic conditions and imbalances in supply and demand, among other factors. For varieties of tobacco only available in limited geographies, government-mandated prices and production control programs, political instability or government prohibitions on the import or export of tobacco in certain countries pose additional risks to price, availability and quality. In addition, as consumer demand increases for innovative smoke-free products and decreases for combustible and MST products, the volume of tobacco leaf required for production may decrease, of these products has decreased, resulting in reduced tobacco leaf demand. The reduced demand for tobacco leaf may result in the reduced supply and availability of domestic tobacco, as growers divert resources to other crops or cease farming, and increased costs. The unavailability or unacceptability of any one or more particular varieties of tobacco leaf or the unavailability of nicotine extract necessary to manufacture our operating companies' products could negatively impact our ability to continue marketing existing products or impact adult tobacco consumer product acceptability, which could have a material adverse effect on our business and profitability. In addition, the nicotine used in our operating companies' innovative smoke-free products is extracted from tobacco produced in one country. If we are unable to identify alternate sources of nicotine for our companies' innovative products, we could be exposed to supply risk.

Current macroeconomic conditions and geopolitical instability (including the cumulative effects of inflation, high inflation over the past several quarters, high gas prices, rising interest rates, labor shortages, supply and demand imbalances and the Russian invasion of Ukraine) have caused and continue to cause worldwide disruptions and delays to supply chains and commercial markets, which limit access to, and increase the cost of, raw materials, ingredients and component parts (for example, tobacco leaf and resins and aluminum used in our packaging). We have implemented and continue to implement various strategies to help secure sufficient supplies of raw materials, ingredients and component parts for production.

In addition, government taxes, restrictions and prohibitions on the sale and use of certain products may limit access to, and increase the costs of, raw materials and component parts and, potentially, impede our ability to sell certain of our operating companies' products. For example, additional certain states have passed extended producer responsibility legislation concerning packaging. Because certain of our products' packaging consists of single-use plastics, single-use plastic bans and extended producer responsibility mandates could result in bans on some of our product packaging or our products and adversely impact our costs and revenues. Additional taxes and limitations on the use of certain single-use plastics have been proposed by the U.S. Congress which, if passed, and various state and local governments. These existing and potential future laws and regulations could increase the costs of, and impair our ability to, source certain materials used in the packaging for our operating companies' products.

We work to mitigate these risks by maintaining inventory levels of certain tobacco varieties that cover several years, purchasing raw materials, ingredients and component parts from disperse geographic regions throughout the world and entering into long-term contracts with some of our tobacco growers and direct material suppliers. To date, the impact on us of changes in the price, availability and quality of tobacco, other raw materials, ingredients and component parts has not been material. However, the effects of the current macroeconomic and geopolitical conditions on prices, availability and quality of such items may continue, which could have a material adverse effect on our business, results of operations, cash flows or financial position.

Timing of Sales

In the ordinary course of business, we are subject to many influences that can impact the timing of sales to customers, including the timing of holidays and other annual or special events, the timing of promotions, customer incentive programs and customer inventory programs, as well as the actual or speculated timing of pricing actions and tax-driven price increases.

Operating Results

The following table provides reconciliations of reported OCI to adjusted OCI for our reportable segments, all other category and total OCI and provides the related OCI margins:

For the Nine Months Ended September 30, 2023						
For the Three Months Ended March 31, 2024						
For the Three Months Ended March 31, 2024						
For the Three Months Ended March 31, 2024						
(in millions)						
(in millions)						
(in millions)	(in millions)	Smokeable Products	Oral Tobacco Products	All Other	Total	
Net revenues	Net revenues	\$ 16,482	\$ 1,993	\$ 33	\$ 18,508	
Net revenues						

Net revenues						
Excise taxes	Excise taxes	(2,945)	(85)	—	—	(3,030)
Excise taxes						
Excise taxes						
Revenues net of excise taxes						
Revenues net of excise taxes						
Revenues net of excise taxes	Revenues net of excise taxes	\$ 13,537	\$ 1,908	\$ 33	\$	15,478
Reported OCI	Reported OCI	\$ 8,092	\$ 1,314	\$ (17)	\$	9,389
Reported OCI						
Reported OCI						
NPM Adjustment Items						
NPM Adjustment Items						
NPM Adjustment Items	NPM Adjustment Items	(15)	—	—	—	(15)
Tobacco and health and certain other litigation items	Tobacco and health and certain other litigation items	65	—	—	—	65
Tobacco and health and certain other litigation items						
Tobacco and health and certain other litigation items						
Adjusted OCI	Adjusted OCI	\$ 8,142	\$ 1,314	\$ (17)	\$	9,439
Adjusted OCI						
Reported OCI margin ⁽¹⁾	Reported OCI margin ⁽¹⁾	59.8	% 68.9	% (51.5)	% 60.7	%
Reported OCI margin ⁽¹⁾						
Reported OCI margin ⁽¹⁾						
Adjusted OCI margin ⁽¹⁾	Adjusted OCI margin ⁽¹⁾	60.1	% 68.9	% (51.5)	% 61.0	%
Adjusted OCI margin ⁽¹⁾						
Adjusted OCI margin ⁽¹⁾						

⁽¹⁾ Reported and adjusted OCI margins are calculated as reported and adjusted OCI, respectively, divided by revenues net of excise taxes.

For further information on our reportable segments, see Note 10.

Smokeable Products Segment

Financial Results

The following table summarizes operating results, includes reported and adjusted OCI margins and provides a reconciliation of reported OCI to adjusted OCI for our smokeable products segment:

Operating Results													
For the Nine Months Ended September 30,				For the Three Months Ended September 30,									
Operating Results				Operating Results									
Operating Results				Operating Results									
For the Three Months Ended March 31,													
(in millions)													
(in millions)													
(in millions)	(in millions)	2023	2022	Change	2023	2022	Change						
Net revenues	Net revenues	\$ 16,482	\$ 17,020	(3.2) %	\$ 5,572	\$ 5,882	(5.3) %						
Net revenues													
Net revenues													

Excise taxes	Excise taxes	(2,945)	(3,289)	(976)	(1,108)		
Excise taxes							
Excise taxes							
Revenues net of excise taxes							
Revenues net of excise taxes	Revenues net of excise taxes	\$ 13,537	\$ 13,731	\$ 4,596	\$ 4,774		
Reported OCI	Reported OCI	\$ 8,092	\$ 8,112	(0.2) %	\$ 2,743	\$ 2,791	(1.7) %
Reported OCI							
Reported OCI							
NPM Adjustment Items							
NPM Adjustment Items							
NPM	NPM						
Adjustment Items	Adjustment Items						
Tobacco and health and certain other litigation items	Tobacco and health and certain other litigation items	(15)	(60)	(15)	—		
Tobacco and health and certain other litigation items	Tobacco and health and certain other litigation items	65	71	13	21		
Tobacco and health and certain other litigation items							
Tobacco and health and certain other litigation items							
Adjusted OCI							
Adjusted OCI							
Adjusted OCI	Adjusted OCI	\$ 8,142	\$ 8,123	0.2 %	\$ 2,741	\$ 2,812	(2.5) %
Reported OCI margins ⁽¹⁾	Reported OCI margins ⁽¹⁾	59.8 %	59.1 %	0.7 pp	59.7 %	58.5 %	1.2 pp
Reported OCI margins ⁽¹⁾							
Reported OCI margins ⁽¹⁾							
Adjusted OCI margins ⁽¹⁾	Adjusted OCI margins ⁽¹⁾	60.1 %	59.2 %	0.9 pp	59.6 %	58.9 %	0.7 pp
Adjusted OCI margins ⁽¹⁾							
Adjusted OCI margins ⁽¹⁾							

⁽¹⁾ Reported and adjusted OCI margins are calculated as reported and adjusted OCI, respectively, divided by revenues net of excise taxes.

Nine Three Months Ended September 30, 2023 **March 31, 2024** Compared with **Nine Three Months Ended September 30, 2022** **March 31, 2023**

Net revenues, which include excise taxes billed to customers, decreased \$538 million (3.2% \$184 million (3.6%), due primarily to lower shipment volume (\$1,921 million), partially offset by higher pricing (\$1,380 million), which includes higher promotional investments.

Reported and adjusted OCI decreased \$20 million (0.2% \$64 million (2.6%) and (2.5%), respectively, due primarily to lower shipment volume (\$1,186 million), higher per unit settlement charges, higher costs (\$62 million) and lower NPM Adjustment Items (\$45 million), partially offset by higher pricing, which includes higher promotional investments.

Adjusted OCI increased \$19 million (0.2%), due primarily to higher pricing, which includes higher promotional investments, partially offset by lower shipment volume, higher per unit settlement charges and higher costs.

Three Months Ended September 30, 2023 Compared with **Three Months Ended September 30, 2022**

Net revenues, which include excise taxes billed to customers, decreased \$310 million (5.3%), due primarily to lower shipment volume (\$725 million), partially offset by higher pricing (\$420 million), which includes higher promotional investments.

Reported OCI decreased \$48 million (1.7%), due primarily to lower shipment volume (\$445 million) and higher manufacturing costs (\$39105 million), partially offset by higher pricing, which includes higher promotional investments, and NPM Adjustment Items in 2023 lower marketing, administration and research costs (\$15 million).

Adjusted OCI decreased \$71 million (2.5%), due primarily to lower shipment volume and higher costs, partially offset by higher pricing, which includes higher promotional investments.

Shipment Volume and Retail Share Results

The following table summarizes our smokeable products segment's shipment volume performance:

Shipment Volume										Shipment Volume																											
For the Nine Months Ended September 30,					For the Three Months Ended September 30,					For the Nine Months Ended March 31,					For the Three Months Ended March 31,																						
Shipment Volume		Shipment Volume		Shipment Volume		Shipment Volume		Shipment Volume		Shipment Volume		Shipment Volume		Shipment Volume		Shipment Volume		Shipment Volume																			
For the Three Months Ended March 31,																																					
March 31,																																					
(sticks in millions)	(sticks in millions)	2023	2022	Change	2023	2022	Change	(sticks in millions)	2024	(sticks in millions)	2023	(sticks in millions)	2024	(sticks in millions)	2023	(sticks in millions)	2024	(sticks in millions)	2023																		
Cigarettes: Cigarettes:																																					
Marlboro	Marlboro	52,339	57,809	(9.5)%	17,437	19,484	(10.5)%	14,973	16,396	16,396	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)	(8.7)																		
Other premium	Other premium	2,674	2,951	(9.4)%	895	997	(10.2)%	747	825	825	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)																		
Discount	Discount	3,119	4,211	(25.9)%	970	1,364	(28.9)%	730	1,048	1,048	(30.3)	(30.3)	(30.3)	(30.3)	(30.3)	(30.3)	(30.3)	(30.3)	(30.3)																		
Total cigarettes	Total cigarettes	58,132	64,971	(10.5)%	19,302	21,845	(11.6)%	16,450	18,269	18,269	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)																		
Cigars: Cigars:																																					
Black & Mild	Black & Mild	1,359	1,303	4.3 %	451	438	3.0 %	417	443	(5.9)	(5.9)	(5.9)	(5.9)	(5.9)	(5.9)	(5.9)	(5.9)	(5.9)	(5.9)																		
Other	Other	2	3	(33.3)%	—	1	(100.0)%	Other	—	1	1	1	1	1	1	1	1	1	1																		
Total cigars	Total cigars	1,361	1,306	4.2 %	451	439	2.7 %	Total cigars	417	444	444	(6.1)	(6.1)	(6.1)	(6.1)	(6.1)	(6.1)	(6.1)	(6.1)																		
Total smokeable products	Total smokeable products	59,493	66,277	(10.2)%	19,753	22,284	(11.4)%	Total smokeable products	16,867	18,713	18,713	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)																		

Note: Cigarettes shipment volume includes Marlboro; Other premium brands, such as Virginia Slims, Parliament and Benson & Hedges; and Discount brands, which include L&M, Basic and Chesterfield. Basic. Cigarettes volume includes units sold as well as promotional units but excludes units sold for distribution to Puerto Rico, U.S. Territories to overseas military and by Philip Morris Duty Free Inc., none of which, individually or in the aggregate, is material to our smokeable products segment.

The following table summarizes our cigarettes retail share performance:

Retail Share										Retail Share																								
For the Nine Months Ended September 30,					For the Three Months Ended September 30,					For the Nine Months Ended March 31,					For the Three Months Ended March 31,																			
Percentage Point			Percentage Point			Percentage Point			Percentage Point			Percentage Point			Percentage Point			Percentage Point																
For the Three Months Ended March 31,																																		
March 31,																																		
2023	2022	Change	2023	2022	Change	2023	2022	Change	2023	2022	Change	2023	2022	Change	2023	2022	Change	2023	2022															
Retail Share			Retail Share			Retail Share			Retail Share			Retail Share			Retail Share			Retail Share																
Retail Share			Retail Share			Retail Share			Retail Share			Retail Share			Retail Share			Retail Share																
For the Three Months Ended March 31,			For the Three Months Ended March 31,			For the Three Months Ended March 31,			For the Three Months Ended March 31,			For the Three Months Ended March 31,			For the Three Months Ended March 31,			For the Three Months Ended March 31,																
2024	2023	Percentage Point Change	2024	2023	Percentage Point Change	2024	2023	Percentage Point Change	2024	2023	Percentage Point Change	2024	2023	Percentage Point Change	2024	2023	Percentage Point Change	2024	2023	Percentage Point Change														
For the Three Months Ended March 31,																																		
March 31,																																		

Cigarettes: Cigarettes:													
Marlboro													
Marlboro													
Marlboro	Marlboro	42.1 %	42.7 %	(0.6)	42.3 %	42.6 %	(0.3)	42.0	%	42.0	%	—	
Other	Other	2.3	2.3	—	2.3	2.3	—	2.3	2.3	2.3	—	—	
premium	premium	2.6	3.1	(0.5)	2.4	3.0	(0.6)	Discount	2.1	2.7	2.7	(0.6)	(0.6)
Total	Total	47.0 %	48.1 %	(1.1)	47.0 %	47.9 %	(0.9)	Total	46.4 %	47.0 %	(0.6)		
cigarettes	cigarettes							cigarettes					

Note: Retail share results for cigarettes are based on data from Circana, Inc. and Circana Group, L.P. LLC ("Circana"), as well as, Management Science Associates, Inc. ("MSA"). Circana is a newly formed company reflecting the recent merger of IRI and NPD Group, Inc. Circana maintains a blended retail service that uses a sample of stores and certain wholesale shipments to project market share and depict share trends. Similar to prior reporting, this service tracks sales in the food, drug, mass merchandisers, convenience, military, dollar store and club trade classes. For other trade classes selling cigarettes, retail share is based on shipments from wholesalers to retailers through the Store Tracking Analytical Reporting System ("STARS"), as provided by MSA. Management Science Associates, Inc. This service is not designed to capture sales through other channels, including the internet, direct mail and some illicit tax-advantaged outlets. It is retail services' the standard practice of retail services to periodically refresh their retail scan services, which could restate retail share results that were previously released in these services.

For a discussion of volume trends and factors that impact volume and retail share performance, see [Tobacco Space Operating Results by Business Segment - Business Environment - Summary](#) above.

Nine Three Months Ended September 30, 2023 **March 31, 2024** Compared with the **Nine Three Months Ended September 30, 2022** **March 31, 2023**

Our smokeable products segment's reported and estimated adjusted domestic cigarettes shipment volume decreased 10.5% 10%, driven primarily by the industry's decline rate (impacted by macroeconomic pressures on adult tobacco consumers' disposable discretionary income and the growth of illicit e-vapor products) and retail share losses. When adjusted for trade inventory movements and other factors, total estimated domestic cigarette industry volume decreased by an estimated 8% 9%.

Shipments of premium cigarettes accounted for 94.6% 95.6% and 93.5% of our smokeable products segment's reported domestic cigarettes shipment volume for the nine months ended September 30, 2023 and 2022, respectively.

Marlboro's retail share of the total cigarette category decreased 0.6 share points to 42.1%, primarily due to increased macroeconomic pressures on adult tobacco consumers' disposable income and increased competitive activity.

Total cigarettes industry discount segment retail share increased 1.6 share points to 28.2%, primarily due to increased macroeconomic pressures on adult tobacco consumers' disposable income and increased competitive activity.

Three Months Ended September 30, 2023 Compared with the **Three Months Ended September 30, 2022**

Our smokeable products segment's reported domestic cigarettes shipment volume decreased 11.6%, driven primarily by the industry's decline rate (impacted by macroeconomic pressures on adult tobacco consumers' disposable income and the growth of illicit e-vapor products), retail share losses, calendar differences and trade inventory movements. When adjusted for calendar differences and trade inventory movements, our smokeable products segment's reported domestic cigarettes shipment volume decreased by an estimated 10%. When adjusted for trade inventory movements, calendar differences and other factors, total estimated domestic cigarette industry volume decreased by an estimated 8%.

Shipments of premium cigarettes accounted for 95.0% and 93.8% 94.3% of our smokeable products segment's reported domestic cigarettes shipment volume for the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, respectively.

Marlboro's retail share of the total cigarette category decreased 0.3 share points to 42.3% sequentially. Additionally, Marlboro share of the premium segment was 59.3%, an increase of 0.7 share points versus the prior year and unchanged sequentially.

Total cigarettes industry discount category retail share was 29.1%, an increase of 0.8 share points versus the prior year and 0.4 share points sequentially, primarily due to increased macroeconomic pressures on adult tobacco consumers' disposable income and increased competitive activity. Marlboro's retail share increased 0.3 share points from the second quarter of 2023. Additionally, Marlboro's share of the premium segment grew to 58.9%, an increase of 0.4 share points versus the prior year and 0.3 share points sequentially.

Total cigarettes industry discount segment retail share increased 1.1 share points to 28.2%, primarily due to increased macroeconomic pressures on adult tobacco consumers' disposable income and increased competitive activity. Total cigarettes industry discount segment retail share was unchanged from the first and second quarter of 2023. discretionary income.

For a discussion regarding discount product category dynamics in **2023** **2024** and the economic conditions, including a high inflationary environment, that impact adult tobacco consumer purchasing behavior, see [Operating Results by Business Segment - Tobacco Space - Business Environment - Summary](#) above.

Pricing Actions

PM USA and Middleton executed the following pricing and promotional allowance actions during **2023** **2024** and **2022, 2023**:

- Effective January 14, 2024, PM USA increased the list price of Marlboro (excluding Mainline Menthol and 72s Menthol), L&M and Basic by \$0.15 per pack. PM USA also increased the list price of all its other cigarette brands by \$0.20 per pack.

- Effective October 15, 2023, PM USA increased the list price of *Marlboro*, *L&M* and *Basic* by \$0.17 per pack. PM USA also increased the list price of all its other cigarette brands by \$0.22 per pack.
- Effective July 23, 2023, PM USA increased the list price of *Marlboro*, *L&M* and *Basic* by \$0.16 per pack. PM USA also increased the list price of all its other cigarette brands by \$0.21 per pack.
- Effective June 11, 2023, Middleton increased various list prices across substantially all of its cigar brands resulting in a weighted-average increase of approximately \$0.15 per five-pack.
- Effective April 23, 2023, PM USA increased the list price of *Marlboro*, *L&M* and *Basic* by \$0.15 per pack. PM USA also increased the list price of all its other cigarette brands by \$0.20 per pack.
- Effective January 22, 2023, PM USA increased the list price of *Marlboro*, *L&M*, *Basic* and *Chesterfield* by \$0.15 per pack. PM USA also increased the list price of all its other cigarette brands by \$0.20 per pack.

In addition:

- Effective **October 16, 2022** **April 14, 2024**, PM USA increased the list price of *Marlboro* (excluding Mainline Menthol and 72s Menthol), *L&M*, *Basic* and *Chesterfield* by **\$0.15** **\$0.20** per pack. PM USA also increased the list price of all its other cigarette brands by **\$0.20** **\$0.25** per pack.
- Effective **July 17, 2022**, PM USA increased the list price on all of its cigarette brands by **\$0.15** per pack.
- Effective **May 22, 2022** **April 21, 2024**, Middleton increased various list prices across substantially all of its cigar brands resulting in a weighted-average increase of approximately **\$0.17** **\$0.16** per five-pack.
- Effective April 24, 2022, PM USA increased the list price of *Marlboro*, *L&M*, *Basic* and *Chesterfield* by \$0.15 per pack. PM USA also increased the list price of all its other cigarette brands by \$0.20 per pack.
- Effective January 9, 2022, Middleton increased various list prices across substantially all of its cigar brands resulting in a weighted-average increase of approximately **\$0.13** per five-pack.

In addition:

- Effective October 15, 2023, PM USA increased the list price of *Marlboro*, *L&M* and *Basic* by \$0.17 per pack. PM USA also increased the list price of all its other cigarette brands by \$0.22 per pack.

Oral Tobacco Products Segment

Financial Results

The following table summarizes operating results, includes reported and adjusted OCI margins, and provides a reconciliation of reported OCI to adjusted OCI for our oral tobacco products segment:

Operating Results														
For the Nine Months Ended September 30,					For the Three Months Ended September 30,									
Operating Results														
Operating Results														
Operating Results														
For the Three Months Ended March 31,					For the Three Months Ended March 31,									
For the Three Months Ended March 31,					For the Three Months Ended March 31,									
(in millions)														
(in millions)														
(in millions)	(in millions)	2023	2022	Change	2023	2022	2022	2022	Change					
Net revenues	Net revenues	\$ 1,993	\$ 1,948	2.3 %	\$ 685	\$ 670	2.2 %	2.2 %	2.2 %					
Net revenues														
Net revenues														
Excise taxes														
Excise taxes														
Excise taxes	Excise taxes	(85)	(91)		(28)	(30)								
Revenues net of excise taxes	Revenues net of excise taxes	\$ 1,908	\$ 1,857		\$ 657	\$ 640								
Revenues net of excise taxes														
Revenues net of excise taxes														

Revenues net of excise taxes											
Reported and Adjusted OCI											
Reported and Adjusted OCI											
Reported and Adjusted OCI	Reported and Adjusted OCI	\$	1,314	\$	1,262	4.1	%	\$	455	\$	425
Reported and Adjusted OCI margins (1)	Reported and Adjusted OCI margins (1)	%	68.9	%	68.0	%		0.9 pp	69.3	%	66.4
Reported and Adjusted OCI margins (1)											2.9 pp

(1) Reported and adjusted OCI margins are calculated as reported and adjusted OCI, respectively, divided by revenues net of excise taxes.

Nine

Three Months Ended September 30, 2023 Compared with **Nine Three Months Ended September 30, 2022** **March 31, 2023**

Net revenues, which include excise taxes billed to customers, increased \$45 million (2.3% \$23 million (3.7%), due primarily to higher pricing (\$132.60 million), which includes higher promotional investments, partially offset by lower shipment volume and a higher percentage of on! shipment volume relative to MST ("volume/mix") versus 2022 (\$86.35 million).

Reported and adjusted OCI increased \$52 million (4.1%), due primarily to higher pricing, which includes higher promotional investments, and lower costs (\$12 million), partially offset by lower volume/mix (\$93 million).

Three Months Ended September 30, 2023 Compared with **Three Months Ended September 30, 2022**

Net revenues, which include excise taxes billed to customers, increased \$15 million (2.2%), due primarily to higher pricing (\$53 million), which includes lower promotional investments, partially offset by lower volume/mix (\$36 million).

Reported and adjusted OCI increased \$30 million (7.1% \$19 million (4.6%), due primarily to higher pricing, which includes lower promotional investments, and lower costs (\$15 million), partially offset by lower volume/mix (\$37.39 million).

Shipment Volume and Retail Share Results

The following table summarizes our oral tobacco products segment's shipment volume performance:

Shipment Volume											
For the Nine Months Ended September 30, Ended September 30,				For the Three Months Ended March 31,				For the Three Months Ended March 31,			
(cans and packs in millions)	(cans and packs in millions)	2023	2022	Change	2023	2022	Change	(cans and packs in millions)	2024	2023	Change
Copenhagen	Copenhagen	333.3	356.5	(6.5) %	109.4	118.2	(7.4) %	Copenhagen	99.1	109.0	(9.1) %
Skoal	Skoal	123.3	136.1	(9.4) %	40.4	45.3	(10.8) %	Skoal	36.7	40.3	(8.9) %
on!	on!	83.9	59.6	40.8 %	28.7	21.0	36.7 %	on!	33.3	25.2	32.1 %
Other	Other	49.3	51.3	(3.9) %	16.3	16.9	(3.6) %	Other	15.5	16.1	(3.7) %
Total oral tobacco products	Total oral tobacco products	589.8	603.5	(2.3) %	194.8	201.4	(3.3) %	Total oral tobacco products	184.6	190.6	(3.1) %

Note: Other primarily includes Red Seal and Husky. Oral tobacco products shipment volume includes cans and packs sold, as well as promotional units, but excludes international volume, which is currently not material to our oral tobacco products segment. New types of oral tobacco products, as well as new packaging configurations of existing oral tobacco products, may or may not be equivalent to existing MST products on a can-for-can basis. To calculate volumes of cans and packs shipped, one pack of snus or one can of oral nicotine pouches, irrespective of the number of pouches in the pack or can, is assumed to be equivalent to one can of MST.

The following table summarizes our oral tobacco products segment's retail share performance (excluding international volume):

Retail Share											
For the Nine Months Ended September 30,				For the Three Months Ended September 30,							
Percentage Point Change			Percentage Point Change								
2023	2022	Change	2023	2022	Change						
Retail Share											
Retail Share											
Retail Share											
For the Three Months Ended March 31,											
2024											
Copenhagen Copenhagen 24.2 % 27.4 %				(3.2)	23.1 % 26.8 %	(3.7)	Copenhagen	20.1 %	25.3 %	(5.2)	
Skoal Skoal 9.8 11.4				(1.6)	9.3 11.1	(1.8)	Skoal	8.0	10.1	10.1 (2.1)	(2.1)
on! on! 6.8 4.7				2.1	6.9 5.2	1.7	on!	7.1	6.4	6.4 0.7	0.7
Other Other 2.9 3.2				(0.3)	2.8 3.2	(0.4)	Other	2.6	3.1	3.1 (0.5)	(0.5)
Total oral tobacco products 43.7 % 46.7 %				(3.0)	42.1 % 46.3 %	(4.2)	Total oral tobacco products	37.8 %	44.9 %	(7.1)	
Note: Our oral tobacco products segment's retail share results exclude international volume, which is currently not material to our oral tobacco products segment. Retail share results for oral tobacco products are based on data from Circana, a tracking service that uses a sample of stores to project market share and depict share trends. This service tracks sales in the food, drug, mass merchandisers, convenience, military, dollar store and club trade classes on the number of cans and packs sold. Oral tobacco products are defined by Circana as MST, snus and oral nicotine pouches. New types of oral tobacco products, as well as new packaging configurations of existing oral tobacco products, may or may not be equivalent to existing MST products on a can-for-can basis. For example, one pack of snus or one can of oral nicotine pouches, irrespective of the number of pouches in the pack or can, is assumed to be equivalent to one can of MST. Because this service represents retail share performance only in key trade channels, it should not be considered a precise measurement of actual retail share. It is the standard practice of retail services to periodically refresh their retail scan services, which could restate retail share results that were previously released in these services.											
For a discussion of volume trends and factors that impact volume and retail share performance, see Tobacco Space Operating Results by Business Segment -Business Environment - Summary above.											
Nine Three Months Ended September 30, 2023 March 31, 2024 Compared with Nine Three Months Ended September 30, 2022 March 31, 2023											
Our oral tobacco products segment's reported domestic shipment volume decreased 2.3% 3.1%, driven primarily by retail share losses in MST, and trade inventory movements, partially offset by the industry's growth rate, calendar differences trade inventory movements and other factors. When adjusted for calendar differences and trade inventory movements, our oral tobacco products segment's reported domestic shipment volume decreased by an estimated 2.5% 4%.											
Total oral tobacco products category industry volume increased by an estimated 5% 9.5% for the six months ended September 30, 2023 March 31, 2024, primarily driven by growth in oral nicotine pouches, partially offset by declines in MST volumes.											

Our oral tobacco products segment's retail share was 43.7% 37.8%, as share declines for MST products were primarily driven by the oral nicotine pouch segment share growth.

Total U.S. oral tobacco category share growth for on! nicotine pouches was 7.1%, an increase of oral nicotine pouches.

Three Months Ended September 30, 2023 Compared with Three Months Ended September 30, 2022

Our oral tobacco products segment's reported domestic shipment volume decreased 3.3%, driven primarily by retail 0.7 share losses in MST points versus the prior year and calendar differences, partially offset by the industry's growth rate and other factors. When adjusted for calendar differences, our oral tobacco products segment's reported domestic shipment volume decreased by an estimated 2%.

Our oral tobacco products segment's retail 0.2 share was 42.1%, as share declines for MST products were primarily driven by the category share growth of oral nicotine pouches points sequentially.

The U.S. nicotine pouch category grew to 32.3% 40.1% of the U.S. oral tobacco category, an increase of 9.8 13.8 share points versus the prior year. In addition, on!'s share of the nicotine pouch category was 21.4% 17.6%, a decrease of 6.8 share points versus the prior year.

Pricing Actions

USSTC executed the following pricing actions during 2023 2024 and 2022: 2023:

- Effective January 23, 2024, USSTC increased the list price on its Copenhagen, Skoal and Red Seal brands by \$0.11 per can.

- Effective August 22, 2023, USSTC increased the list price on its *Copenhagen*, *Red Seal* and *Skoal* brands by \$0.09 per can. In addition, USSTC decreased the list price on select *Husky* brands by \$0.18 per can.
- Effective July 23, 2023, Helix increased the list price on its *on!* brand by \$0.09 per can.
- Effective April 25, 2023, USSTC increased the list price on its *Copenhagen* popular price products, *Red Seal* and *Husky* brands by \$0.09 per can. In addition, USSTC increased the list price on its *Skoal* brands and on the balance of its *Copenhagen* brands by \$0.10 per can.
- Effective January 24, 2023, USSTC increased the list price on its *Copenhagen*, *Skoal*, *Red Seal* and *Husky* brands by \$0.09 per can.

In addition:

- Effective July 26, 2022, USSTC increased the list price on its *Copenhagen* popular price products by \$0.13 per can. USSTC also decreased the list price on select *Copenhagen* brands by \$0.11 per can. In addition, USSTC increased the list price on its *Skoal* and *Red Seal* brands and the balance of its *Copenhagen* brands by \$0.09 per can and increased the list price on its *Husky* brand by \$0.12 per can.
- Effective May 24, 2022 April 23, 2024, USSTC increased the list price on its *Copenhagen*, *Skoal* and *Red Seal* brands by \$0.09 per can. USSTC also increased the list price on its *Husky* brand by \$0.12 per can.
- Effective February 22, 2022, USSTC increased the list price on its *Copenhagen*, *Skoal* and *Red Seal* brands by \$0.08 per can. USSTC also increased the list price on its *Husky* brand by \$0.12 \$0.10 per can.

E-Vapor

Our NJOY e-vapor business is reported in our all other category. Reported domestic shipment volume⁽¹⁾ of ACE volumes for the three months ended September 30, 2023 was March 31, 2024 for NJOY consumables⁽¹⁾ and devices were approximately 7.5 million pods. The 10.9 million units and 1.0 million units, respectively.

In the first quarter of 2024, retail share of ACE NJOYpods in U.S. multi-outlet and convenience stores was essentially unchanged since the completion of the NJOY Transaction.

We continue to expect ACE distribution to reach a total of 70,000 stores by the end of 2023, representing approximately 70% of e-vapor volume and 55% of cigarette volume sold in the U.S. multi-outlet and convenience channel. channel was 4.3%, an increase of 0.6 share points sequentially.

⁽¹⁾ E-vapor shipment volume and retail share includes NJOY ACE. Shipment volume includes pods. Retail share results are based on data from Circana, a tracking service that uses a sample of stores to project market share ACE pods and depict share trends. DAILY disposables.

Liquidity and Capital Resources

We are a holding company that is primarily dependent on the capital resources of our subsidiaries to satisfy our liquidity requirements. Our access to the operating cash flows of our subsidiaries consists of cash received from the payment of dividends and distributions and the payment of interest on intercompany loans. At September 30, 2023 March 31, 2024, our significant subsidiaries were not limited by contractual obligations in their ability to pay cash dividends or make other distributions with respect to their equity interests. In addition, we receive cash dividends on our interest in ABI and will continue to do so as long as we hold shares in ABI and ABI pays dividends.

At September 30, 2023 March 31, 2024, we had \$1.5 billion \$3.6 billion of cash and cash equivalents. In addition to having access to the operating cash flows of our subsidiaries, our capital resources include access to credit markets in the form of commercial paper, availability under our \$3.0 billion senior unsecured 5-year revolving credit agreement ("New Credit Agreement"), which we use for general corporate purposes, and access to credit markets through the issuance of long-term senior unsecured notes. For additional information, see *Capital Markets and Other Matters* below.

In addition to funding current operations, we primarily use our net cash from operating activities for payment of dividends, share repurchases under our share repurchase programs, repayment of debt, acquisitions of or investments in businesses and assets and capital expenditures.

We believe our cash and cash equivalents balance, along with our future cash flows from operations, capacity for borrowings under the New our Credit Agreement and access to credit and capital markets, provide sufficient liquidity to meet the needs of our business operations and to satisfy our projected cash requirements for the next 12 months and the foreseeable future.

Capital Markets and Other Matters

Credit Ratings - Our cost and terms of financing and our access to commercial paper markets may be impacted by applicable credit ratings. The impact of credit ratings on the cost of borrowings under our New Credit Agreement is discussed in Note 11. *Debt* to our condensed consolidated financial statements in Item 1 ("Note 11").

At September 30, 2023 March 31, 2024, the credit ratings and outlook for our indebtedness by major credit rating agencies were:

	Short-term Debt	Long-term Debt	Outlook
Moody's Investors Service, Inc. ("Moody's")	P-2	A3	Stable
Standard & Poor's Financial Services LLC ("S&P")	A-2	BBB	Positive
Fitch Ratings Inc.	F2	BBB	Stable

Credit Lines - From time to time, we have short-term borrowing needs to meet our working capital requirements arising from the timing of annual MSA payments, quarterly income tax payments and quarterly dividend payments, and generally use our commercial paper program to meet those needs.

Credit Agreement - At September 30, 2023 March 31, 2024, we had availability under our prior credit agreement Credit Agreement for borrowings of up to an aggregate principal amount of \$3.0 billion, and we were in compliance with the covenants in our prior credit agreement. On October 24, 2023, we terminated our prior credit agreement and entered into our New Credit Agreement. The terms of our New

Credit Agreement are substantially similar to those of our prior credit agreement. We expect to continue to meet the covenants in our New Credit Agreement. We monitor the credit quality of our bank group and do not know of any potential non-performing credit provider in that group. For further discussion on short-term borrowings, see Note 11.

Term Loan Facility - In June 2023, we entered into a \$2.0 billion term loan facility and borrowed the full amount available to fund a portion of the cash payments paid at closing in connection with the NJOY Transaction. We repaid the term loan facility in full in July 2023. For further details on the term loan facility, see Note 11.

Long-Term Debt - At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, our total long-term debt was \$25.1 billion \$25.0 billion and \$26.7 billion \$26.2 billion, respectively. In May 2023, January and February 2024, we repaid in full at maturity our 2.950% 4.000% and 3.800% senior unsecured notes, respectively, in the aggregate principal amount amounts of \$218 million at maturity. In addition, in February 2023, we repaid in full our 1.000% senior unsecured Euro notes in the aggregate principal amount of \$1.3 billion (€1.25 billion) at maturity. As a result of the repayments \$776 million and changes in the Euro exchange rate, the weighted-average coupon interest rate on our total long-term debt increased to approximately 4.2% at September 30, 2023 from approximately 4.0% at December 31, 2022; \$345 million, respectively. For further details on long-term debt, see Note 11.

At September 30, 2023 March 31, 2024, our debt-to-Consolidated net earnings and debt-to-Consolidated EBITDA ratios were calculated as follows:

(in millions)	For the Twelve Months Ended September 30, 2023 March 31, 2024 (1)	
Consolidated net earnings	\$ 8,760	8,472
Interest and other debt expense, net	984	1,014
Provision for income taxes	2,137	2,716
Depreciation and amortization	257	285
EBITDA	12,138	12,487
(Income) loss from investments in equity securities and noncontrolling interests, net	(171)	(618)
(Gain) loss on Cronos-related financial instruments	1	1
Dividends from less than 50% owned affiliates	163	163
Consolidated EBITDA	\$ 12,131	12,032
Current portion of long-term debt Total Debt (2)	\$ 1,121	1,121
Long-term debt (2)	23,977	23,977
Total Debt	\$ 25,098	25,042
Total Debt / Consolidated net earnings	2.930	2.930
Total Debt / Consolidated EBITDA	2.1	2.1

(1) Calculated as of the end of the applicable quarter on a rolling four quarters basis.

(2) Balance at September 30, 2023 March 31, 2024, which is classified as long-term debt on the condensed consolidated balance sheet.

ABI Transaction - As discussed in Note 5, in March 2024, we received pre-tax cash proceeds from the ABI Transaction of approximately \$2.4 billion and paid transaction costs of approximately \$62 million. We used the proceeds from the ABI Transaction to fund the ASR transactions discussed below.

Guarantees and Other Similar Matters - As discussed in Note 13, we had unused letters of credit obtained in the ordinary course of business and guarantees (including third-party guarantees) outstanding at September 30, 2023 March 31, 2024. From time to time, we also issue lines of credit to affiliated entities. As further discussed in Note 4. **Supplier Financing** to our condensed consolidated financial statements in Item 1 and Note 13, as part of the supplier financing program, Altria guarantees the financial obligations of Altria Client Services LLC under the financing program agreement. In addition, as discussed below in *Supplemental Guarantor Financial Information* and in Note 11, PM USA has issued guarantees relating to our obligations under our outstanding debt securities, any borrowings under our New Credit Agreement and any amounts outstanding under our commercial paper program. These items have not had, and are not expected to have, a significant impact on our liquidity.

Payments Under State Settlement Agreements and FDA Regulation - As discussed in Note 13, PM USA has entered into State Settlement Agreements with the states, the District of Columbia and certain U.S. territories that call for certain payments. In addition, PM USA, Middleton and USSTC are subject to quarterly user fees imposed by the FDA as a result of the FSPTCA. For further discussion of the resolutions of certain disputes with states and territories related to the NPM adjustment provision under the MSA, see *Health Care Cost Recovery Litigation - NPM Adjustment Disputes* in Note 13.

Based on current agreements, estimated market share, estimated annual industry volume decline rates and inflation rates, the estimated amounts that we may charge to cost of sales for payments related to State Settlement Agreements and FDA user fees are **\$3.9 billion** **\$3.5 billion** on average for the next three years. These amounts exclude The estimated amount for 2024 includes PM USA's obligations under the State Settlement Agreements to pay settling plaintiffs' attorneys' fees. We expect PM USA's obligation to pay these fees will terminate in the fourth quarter of 2024. In addition, the amount excludes the potential impact of any NPM Adjustment Items.

The estimated amounts due under the State Settlement Agreements charged to cost of sales in each year are generally paid in April of the following year. The amounts charged to cost of sales for FDA user fees are generally paid in the quarter in which

the fees are incurred. We paid approximately **\$3.5 billion** and **\$3.8 billion** **\$2.9 billion** in April 2024 for the nine months ended September 30, 2023 and 2022, respectively, amounts accrued in connection with 2023 under the State Settlement Agreements and FDA user fees, primarily all of which was paid in the second quarter of each period. We recorded **\$3.0 billion** **\$0.9 billion** and **\$3.2 billion** of charges to cost of sales for the nine months ended September 30, 2023 and 2022, respectively, and **\$1.0 billion** and **\$1.1 billion** of charges to cost of sales for the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, respectively, in connection with the State Settlement Agreements and FDA user fees. As previously stated, the payments due under the terms of the State Settlement Agreements and FDA user fees are subject to adjustment for several factors, including volume, operating income, inflation and certain contingent events and, in general, are allocated based on each manufacturer's market share. The future payment amounts discussed above are estimates, and actual payment amounts will differ to the extent underlying assumptions differ from actual future results. For further discussion on the potential impact of inflation on future payments, see *Operating Results by Business Segment - Tobacco Space -Business Environment - State Settlement Agreements* above.

Litigation-Related Deposits and Payments - With respect to certain adverse verdicts currently on appeal, to obtain stays of judgments pending appeals, as of **September 30, 2023** **March 31, 2024**, PM USA had posted appeal bonds totaling **\$34 million**, **\$38 million**, which have been collateralized with restricted cash that is included in assets on our condensed consolidated balance sheet.

Litigation is subject to uncertainty, and an adverse outcome or settlement of litigation could have a material adverse effect on our results of operations, cash flows or financial position in a particular fiscal quarter or fiscal year, as more fully disclosed in Note 13.

NJOY Acquisition - On June 1, 2023, we acquired NJOY Holdings and funded the NJOY Transaction cash payments at closing of approximately **\$2.75 billion** (net of cash acquired), through a combination of a **\$2.0 billion** term loan facility (which we repaid in full in July 2023), the issuance of commercial paper and available cash. We may also be obligated to pay up to **\$500 million** in additional cash payments that are contingent on receipt of FDA authorizations with respect to certain NJOY products. For further discussion, see Note 2.

IQOS Purchase Agreement - In 2022, we entered into an agreement with PMI to, among other things, transition and ultimately conclude our relationship with respect to the IQOS System in the United States. We received a payment of **\$1.0 billion** in 2022 and an additional payment of approximately **\$1.8 billion** (including interest) in July 2023.

Equity and Dividends

During the first **nine three** months of **2023** **2024** and **2022, 2023**, we paid dividends of **\$5,040 million** **\$1,733 million** and **\$4,908 million** **\$1,683 million**, respectively, an increase of **2.7%** **3.0%**, reflecting a higher dividend rate, partially offset by fewer shares outstanding as a result of shares we repurchased under our share repurchase programs.

In August 2023, our Board of Directors ("Board of Directors" or "Board") declared a 4.3% increase in the quarterly dividend rate to **\$0.98** per share of our common stock versus the previous rate of **\$0.94** per share. Our current annualized dividend rate is **\$3.92** per share. In March 2023, we established We have a new progressive dividend goal that targets targeting mid-single digits dividend growth annually. Future dividend payments remain subject to the discretion of our Board. Board of Directors ("Board of Directors" or "Board").

ASR - In March 2024, we increased our **\$1.0 billion** share repurchase program to **\$3.4 billion**. The increase was funded with proceeds from the ABI Transaction. As of March 31, 2024, we paid **\$2.4 billion** for the repurchase of our common stock in the ASR transactions, and we expect final settlement to occur by June 30, 2024.

For a further discussion of our share repurchase programs, see Note 1. *Background and Basis of Presentation* to our condensed consolidated financial statements in Item 1 and Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds of this Form 10-Q.

Financial Review

Cash Provided by/Used in Operating Activities

During the first **nine three** months of **2023, 2024**, net cash provided by operating activities was **\$6,060 million** **\$2,877 million** compared with **\$5,637 million** **\$2,984 million** during the first **nine three** months of **2022, 2023**. This **increase** **decrease** was due primarily to lower payments for State Settlement Agreements and income taxes, net revenues, partially offset by lower federal excise tax payments.

We had a working capital deficit at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, and believe we have the ability to fund working capital deficits with cash provided by operating activities, borrowings under our **New** Credit Agreement and access to the credit and capital markets.

Cash Provided by/Used in Investing Activities

During the first **nine three** months of **2023, 2024**, net cash provided by investing activities was **\$2,316 million** compared with net cash used in investing activities was **\$1,217 million** compared with **\$215 million** of **\$56 million** during the first **nine three** months of **2022, 2023**. This **increase** **change** was due primarily to the NJOY Transaction, partially offset by proceeds from the sale of IQOS System commercialization rights. ABI Transaction.

Cash Provided by/Used in Financing Activities

During the first **nine three** months of **2023, 2024**, net cash used in financing activities was **\$7,353 million** **\$5,268 million** compared with **\$7,476 million** **\$3,045 million** during the first **nine three** months of **2022, 2023**. This **decrease** **increase** was due primarily to lower share repurchases, partially offset by higher repayments of long-term debt the ASR transactions and higher dividends paid on our common stock in 2024, partially offset by lower repayments of long-term debt.

New Accounting Guidance Not Yet Adopted

See Note 14. *New Accounting Guidance Not Yet Adopted* to our condensed consolidated financial statements in Item 1 for a discussion of issued accounting guidance applicable to, but not yet adopted by, us.

Contingencies

See Note 13 for a discussion of contingencies.

Supplemental Guarantor Financial Information

PM USA (the "Guarantor" ("Guarantor"), which is a 100% owned subsidiary of Altria Group, Inc. (the "Parent" ("Parent")), has guaranteed the Parent's obligations under its outstanding debt securities, borrowings under its **New** Credit Agreement and amounts outstanding under its commercial paper program (the "Guarantees" ("Guarantees"). Pursuant to the Guarantees, the Guarantor fully and unconditionally guarantees, as primary obligor, the payment and performance of the Parent's obligations under the guaranteed debt instruments (the "Obligations" ("Obligations"), subject to release under certain customary circumstances as noted below.

The Guarantees provide that the Guarantor guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of the Obligations. The liability of the Guarantor under the Guarantees is absolute and unconditional irrespective of: any lack of validity, enforceability or genuineness of any provision of any agreement or instrument relating thereto; any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from any agreement or instrument relating thereto; any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guarantee, for all or any of the Obligations; or any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Parent or the Guarantor.

Under applicable provisions of federal bankruptcy law or comparable provisions of state fraudulent transfer law, the Guarantees could be voided, or claims in respect of the Guarantees could be subordinated to the debts of the Guarantor, if, among other things, the Guarantor, at the time it incurred the Obligations evidenced by the Guarantees:

- received less than reasonably equivalent value or fair consideration therefor; and
- either:
 - was insolvent or rendered insolvent by reason of such occurrence;
 - was engaged in a business or transaction for which the assets of the Guarantor constituted unreasonably small capital; or
 - intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

In addition, under such circumstances, the payment of amounts by the Guarantor pursuant to the Guarantees could be voided and required to be returned to the Guarantor, or to a fund for the benefit of the Guarantor, as the case may be.

The measures of insolvency for purposes of the foregoing considerations will vary depending upon the law applied in any proceeding with respect to the foregoing. Generally, however, the Guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the saleable value of its assets, all at a fair valuation;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

To the extent the Guarantees are voided as a fraudulent conveyance or held unenforceable for any other reason, the holders of the guaranteed debt obligations would not have any claim against the Guarantor and would be creditors solely of the Parent.

The obligations of the Guarantor under the Guarantees are limited to the maximum amount as will not result in the Guarantor's obligations under the Guarantees constituting a fraudulent transfer or conveyance, after giving effect to such maximum amount and all other contingent and fixed liabilities of the Guarantor that are relevant under Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Guarantees. For this purpose, "Bankruptcy Law" means Title 11, U.S. Code, or any similar federal or state law for the relief of debtors.

The Guarantor will be unconditionally released and discharged from the Obligations upon the earliest to occur of:

- the date, if any, on which the Guarantor consolidates with or merges into the Parent or any successor;
- the date, if any, on which the Parent or any successor consolidates with or merges into the Guarantor;
- the payment in full of the Obligations pertaining to such Guarantees; and
- the rating of the Parent's long-term senior unsecured debt by S&P of A or higher.

The Parent is a holding company; therefore, its access to the operating cash flows of its wholly owned subsidiaries consists of cash received from the payment of dividends and distributions, and the payment of interest on intercompany loans by its subsidiaries. Neither the Guarantor nor other 100% owned subsidiaries of the Parent that are not guarantors of the debt ("Non-Guarantor Subsidiaries") are limited by contractual obligations on their ability to pay cash dividends or make other distributions with respect to their equity interests.

The following tables include summarized financial information for the Parent and the Guarantor. Transactions between the Parent and the Guarantor (including investment and intercompany balances as well as equity earnings) have been eliminated. The Parent's and the Guarantor's intercompany balances with Non-Guarantor Subsidiaries have been presented separately. This summarized financial information is not intended to present the financial position or results of operations of the Parent or the Guarantor in accordance with GAAP.

Summarized Balance Sheets (in millions of dollars)

Parent	Guarantor
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		Parent				Parent		Guarantor	
		September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Assets	Assets								
Due from Non-Guarantor Subsidiaries									
Due from Non-Guarantor Subsidiaries									
Due from Non-Guarantor Subsidiaries	Due from Non-Guarantor Subsidiaries	\$ —	\$ —	\$ 279	\$ 278				
Other current assets	Other current assets	1,729	4,086	1,037	762				
Total current assets	Total current assets	\$ 1,729	\$ 4,086	\$ 1,316	\$ 1,040				
Due from Non-Guarantor Subsidiaries	Due from Non-Guarantor Subsidiaries	\$ 6,561	\$ 4,790	\$ —	\$ —				
Due from Non-Guarantor Subsidiaries									
Due from Non-Guarantor Subsidiaries									
Other assets	Other assets	9,678	9,090	1,414	1,435				
Total non-current assets	Total non-current assets	\$ 16,239	\$ 13,880	\$ 1,414	\$ 1,435				
Liabilities	Liabilities								
Liabilities									
Liabilities									
Due to Non-Guarantor Subsidiaries									
Due to Non-Guarantor Subsidiaries									
Due to Non-Guarantor Subsidiaries	Due to Non-Guarantor Subsidiaries	\$ 2,995	\$ 2,342	\$ 1,027	\$ 912				
Other current liabilities	Other current liabilities	3,137	3,751	3,430	3,925				
Total current liabilities	Total current liabilities	\$ 6,132	\$ 6,093	\$ 4,457	\$ 4,837				
Total non-current liabilities	Total non-current liabilities	\$ 26,500	\$ 26,591	\$ 627	\$ 633				
Total non-current liabilities									
Total non-current liabilities									

Summarized Statements of Earnings (Losses)
(in millions of dollars)

For the Three
Months Ended
March 31, 2024

For the Three
Months Ended
March 31, 2024

For the Three Months Ended March 31, 2024		For the Nine Months Ended September 30, 2023			
		Parent	Guarantor		
		(1)	(2)		
Net revenues	Net revenues	\$ —	\$ 15,606		
Gross profit	Gross profit	—	8,622		
Gross profit					
Gross profit					
Net earnings (losses)					
Net earnings (losses)					
Net earnings (losses)	Net earnings (losses)	(11,300)	5,743		

(1) For the **nine three** months ended **September 30, 2023** **March 31, 2024**, net earnings (losses) include **an approximate \$10.8 billion loss related to the cancellation of certain interests in a non-guarantor subsidiary, \$217 million \$92 million** of intercompany interest income from non-guarantor subsidiaries and **\$271 million \$122 million** of interest expense from non-guarantor subsidiaries.

(2) For the **nine three** months ended **September 30, 2023** **March 31, 2024**, net earnings (losses) include **\$172 million \$83 million** of intercompany interest income from non-guarantor subsidiaries.

Cautionary Factors That May Affect Future Results

Forward-Looking and Cautionary Statements

This Form 10-Q contains statements concerning our expectations, plans, objectives, future financial performance and other statements that are not historical facts. You can identify these forward-looking statements by use of words such as "strategy," "expects," "continues," "plans," "anticipates," "believes," "will," "estimates," "forecasts," "intends," "projects," "goals," "objectives," "guidance," "targets" and other words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans, estimates and assumptions. Achievement of future results is subject to risks, uncertainties and assumptions that may prove to be inaccurate. Should known or unknown risks or uncertainties materialize, or should underlying estimates or assumptions prove inaccurate, actual results could differ materially from those anticipated, estimated or projected. You should bear this in mind as you consider our forward-looking statements and whether to invest in or remain invested in our securities. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we are identifying important factors that, individually or in the aggregate, could cause actual results and outcomes, including with respect to our ability to achieve our Vision, to differ materially from those contained in, or implied by, any forward-looking statements we make. Any such statement is qualified by reference to the following cautionary statements. We elaborate on these important factors and the risks we face throughout this Form 10-Q, particularly in the "Executive Summary" and "Business Environment" sections preceding our discussion of the operating results of our segments above, **in Part II, Item 1A. Risk Factors in this Form 10-Q**, and in our other publicly filed reports, including our **2022 2023 Form 10-K, First Quarter Form 10-Q and Second Quarter Form 10-Q**. These factors and risks include the following:

- our inability to anticipate and respond to changes in adult tobacco consumer preferences and purchase behavior;
- our inability to compete effectively;
- the growth of the e-vapor category, including **illegal flavored** disposable e-vapor products, and other innovative tobacco products, including oral nicotine pouches, contributing to reductions in cigarette and MST consumption levels and shipment volume;
- our failure to commercialize innovative products, including tobacco products that may reduce health risks relative to other tobacco products and appeal to adult tobacco consumers;
- changes, including in macroeconomic and geopolitical conditions (including inflation), that result in shifts in adult tobacco consumer disposable income and purchasing behavior, including choosing lower-priced and discount brands or products, and reductions in shipment volumes;
- unfavorable outcomes with respect to litigation proceedings or any governmental investigations;
- the risks associated with significant federal, state and local government actions, including FDA regulatory actions **and inaction**, and various private sector actions;
- increases in tobacco product-related taxes;
- our failure to complete or manage successfully strategic transactions, including the NJOY Transaction and other acquisitions, dispositions, joint ventures and investments in third parties, or realize the anticipated benefits of such transactions;

- significant changes in price, availability or quality of tobacco, other raw materials or component parts, including as a result of changes in macroeconomic, climate and geopolitical conditions;
- our reliance on a few significant facilities and a small number of key suppliers, distributors and distribution chain service providers and the risks associated with an extended disruption at a facility or in service by a supplier, distributor or distribution chain service provider;
- the risk that we may be required to write down intangible assets, including trademarks and goodwill, due to impairment;
- the risk that we could decide, or be required to, recall products;
- the various risks related to health epidemics and pandemics such as the COVID-19 pandemic, and the measures that international, federal, state and local governments, agencies, law enforcement and health authorities implement to address them;
- our inability to attract and retain a highly skilled and diverse workforce due to the decreasing social acceptance of tobacco usage, tobacco control actions and other factors;
- the risks associated with the various U.S. and foreign laws and regulations to which we are subject due to our international business operations;

- the risks concerning a challenge to our tax positions, an increase in the income tax rate or other changes to federal or state tax laws;

- the risks associated with legal and regulatory requirements related to climate change and other environmental sustainability matters;
- disruption and uncertainty in the credit and capital markets, including risk of losing access to these markets;
- a downgrade or potential downgrade of our credit ratings;
- our inability to attract investors due to increasing investor expectations of our performance relating to corporate responsibility, including environmental, social and governance, factors;
- the failure of our, or our key service providers' or key suppliers', information systems to function as intended, or cyber-attacks or security breaches; breaches affecting us or our key service providers or key suppliers;
- our failure, or the failure of our key service providers or key suppliers, to comply with laws related to personal data protection, privacy, artificial intelligence and privacy laws; information security;
- the risk that the expected benefits of our investment in ABI may not materialize in the expected manner or timeframe or at all, including due to macroeconomic and geopolitical conditions; foreign currency exchange rates; ABI's business results; ABI's share price; impairment losses on the value of our investment; our incurrence of additional tax liabilities related to our investment in ABI; and potential reductions in the number of directors that we can have appointed to the ABI board of directors; and
- the risks associated with our investment in Cronos, including legal, regulatory and reputational risks and the risk that the expected benefits of the transaction may not materialize in the expected timeframe or at all.

You should understand that it is not possible to predict or identify all factors and risks. Consequently, you should not consider the foregoing list to be complete. We do not undertake to update any forward-looking statement that we may make from time to time except as required by applicable law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

The fair value of our long-term debt, all of which is fixed-rate debt, is subject to fluctuations resulting primarily from changes in market interest rates. The following table provides the fair value of our long-term debt and the change in fair value based on a 1% increase or decrease in market interest rates at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

		September 30, 2023	December 31, 2022	(in billions)		March 31, 2024		December 31, 2023
Fair value	Fair value	\$ 21.3	\$ 22.9					
Decrease in fair value from a 1% increase in market interest rates	Decrease in fair value from a 1% increase in market interest rates							
		1.6	1.7					

Increase in fair value from a 1% decrease in market interest rates	1.9	2.0
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We expect interest rates on borrowings under our **New Credit Agreement** to be based on the Term Secured Overnight Financing Rate, plus a percentage based on the higher of the ratings of our long-term senior unsecured debt from Moody's and S&P. The applicable percentage for borrowings under our **prior credit agreement Credit Agreement** at **September 30, 2023** **March 31, 2024** was 1.0% based on our long-term senior unsecured debt ratings on that date. At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, we had no borrowings under our **prior credit agreement Credit Agreement**.

Item 4. Controls and Procedures

We carried out an evaluation, with the participation of our management, including **Altria's** **our** Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e)) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Form 10-Q. Based upon that evaluation, **Altria's** **our** Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II – OTHER INFORMATION

Item 1. Legal Proceedings

See Note 13 for a discussion of legal proceedings pending against us. See also Exhibits 99.1 and 99.2 to this Form 10-Q.

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Item 1A. Risk Factors

Information regarding Risk Factors appears in Part I, Item 1A. Risk Factors of our **2022** **2023** Form **10-K** and Part II, Item 1A. Risk Factors of our First Quarter Form 10-Q and Second Quarter Form 10-Q. **10-K**. There have been no material changes to the risk factors previously disclosed in our **2022** **2023** Form **10-K**, First Quarter Form 10-Q and Second Quarter Form 10-Q. **10-K**.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In January **2023**, 2024, our Board of Directors authorized a **new** **\$1.0 billion** share repurchase program **which** **it increased to \$3.4 billion** in **March 2024** (as increased, "January 2024 share repurchase program"); we expect to complete the program by **December 31, 2023** **December 31, 2024**. The timing of share repurchases **under this program** depends upon marketplace conditions and other factors, and the program remains subject to the discretion of our **Board**. **Board of Directors**.

Our share repurchase activity for each of the three months in the period ended **September 30, 2023** **March 31, 2024**, was as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
July 1-31, 2023	1,611,366	\$ 45.65	1,611,366	\$ 454,341,007
August 1-31, 2023	2,269,555	\$ 43.85	2,269,555	\$ 354,819,359
September 1-30, 2023	1,985,549	\$ 43.59	1,985,549	\$ 268,278,728
	5,866,470	\$ 44.26	5,866,470	

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
January 1-31, 2024	—	\$ —	—	\$ 1,000,000,000
February 1-29, 2024 ⁽¹⁾	358,904	\$ 40.90	—	\$ 1,000,000,000
March 1-31, 2024 ⁽²⁾	46,501,025	\$ 43.87	46,501,025	\$ 1,000,000,000
	46,859,929	\$ 43.85	46,501,025	

(a) Consists of shares withheld by Altria in an amount equal to the statutory withholding taxes for vested stock-based awards previously granted to eligible employees.

(b) Consists of shares initially repurchased by Altria under two separate agreements with bank counterparties (collectively, "ASR Agreements") at a price equal to the closing price of our common stock on the date we entered into the ASR Agreements. The total number of shares to be repurchased and the final per share purchase price for shares purchased under each ASR Agreement will be determined at the end of the applicable purchase period, which is scheduled to occur by June 30, 2024, but may occur earlier in certain circumstances. As a result, \$360 million (15% of the aggregate repurchase price of \$2.4 billion) was paid and recorded in additional paid-in capital ("APIC") in our condensed consolidated statement of stockholders' equity (deficit) and will remain in APIC until final settlement. For further discussion of our share repurchase program, see Note 1.

Item 5. Other Information

During the quarter ended **September 30, 2023** **March 31, 2024**, none of our directors or officers adopted, modified or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

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Item 6. Exhibits

10.1	Form of Restricted Stock Unit Agreement (2024).
10.2	Form of Performance Stock Unit Agreement (2024).
22	Guarantor Subsidiary of the Registrant, Incorporated by reference to Altria Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2023 (File No. 1-08940).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Certain Litigation Matters.
99.2	Trial Schedule for Certain Cases.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALTRIA GROUP, INC.

/s/ SALVATORE MANCUSO

Salvatore Mancuso
Executive Vice President and
Chief Financial Officer

THE ALTRIA GROUP, INC.
2020 PERFORMANCE INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT
(_____, 2024)

ALTRIA GROUP, INC. ("Company"), a Virginia corporation, hereby grants to the employee identified in the 2024 Stock Award section of the Award Statement ("Employee") under the Altria Group, Inc. 2020 Performance Incentive Plan ("Plan") a restricted stock unit award ("Award") with respect to the number of shares of Common Stock of the Company ("Common Stock") set forth in the 2024 Stock Award section of the Award Statement ("RSUs"), all in accordance with and subject to the following terms and conditions of this Restricted Stock Unit Agreement ("Agreement").

1. Definitions. Whenever the following terms are used in this Agreement, they will have the meanings set forth below. Capitalized terms not otherwise defined herein will have the same meanings as in the Plan.

- (a) "Award Date" means _____, 2024, the date on which the Award is granted to the Employee.
- (b) "Award Statement" means the written notice of a restricted stock unit award provided to the Employee by the Company.
- (c) "Code" means the Internal Revenue Code of 1986, as amended.
- (d) "Compensation and Talent Development Committee" means the Compensation and Talent Development Committee of the Board of Directors of Altria Group, Inc.
- (e) "Disability" means a disability that entitles the Employee to benefits under the applicable long-term disability insurance program of the Company or any of its Subsidiaries.
- (f) "Normal Retirement" means retirement from active employment with the Company and its Subsidiaries following both attainment of age 65 and completion of five years of service with the Company and its Subsidiaries.
- (g) "Payment Date" has the meaning set forth in Section 6(a) of this Agreement.
- (h) "Retirement" means retirement from active employment with the Company and its Subsidiaries following both attainment of age 50 and completion of five years of service with the Company and its Subsidiaries.
- (i) "Subsidiary" means any company in which the Company, directly or indirectly, has a beneficial ownership interest of greater than 50 percent.
- (j) "Termination of Employment" means a separation from service within the meaning of Code section 409A with the Company and all of its Subsidiaries, which includes circumstances in which the Employee is reasonably anticipated not to perform further services with the Company and its Subsidiaries.
- (k) "Vesting Date" means the date set forth in the Award Statement upon which the Award is generally no longer subject to forfeiture.

2. Condition to Award. The Company or its delegate, in its sole discretion, may require the Employee to execute a Confidentiality and Non-Competition Agreement in consideration of the Award by notifying the Employee of such requirement as soon as practicable after the Award Date. In such instance, the Award is consideration for and contingent on the Employee's execution of the Confidentiality and Non-Competition Agreement. The Employee's failure to execute the Confidentiality and Non-Competition Agreement within a reasonable time after receipt, as specified by the Company or its delegate, but in no event later than 90 days after the Company or its delegate provides the Employee with the Confidentiality and Non-Competition Agreement, will result in complete nullification of the Agreement, and the Employee will forfeit any and all rights to the Award.

3. Normal Vesting. The RSUs will vest on the Vesting Date, provided that the Employee remains an employee of the Company or a Subsidiary from the Award Date through the Vesting Date and otherwise satisfies the terms of this Agreement and the Plan. The Employee will have no rights to the shares of Common Stock or cash equivalent until the RSUs have vested.

4. Accelerated Vesting. In the event that the Employee experiences a Termination of Employment with the Company and all of its Subsidiaries prior to the Vesting Date due to death, Disability, or Normal Retirement, the RSUs will become fully vested on the date of such Termination of Employment. In addition, in the event of a "Change in Control" within the meaning of the Plan, the RSUs will become vested and payable in the circumstances and in the manner specified in section 6(a) of the Plan and Section 11 below.

5. Forfeiture. If the Employee experiences a Termination of Employment with the Company and all of its Subsidiaries for any reason other than death, Disability, or Normal Retirement prior to the Vesting Date, the Employee will forfeit all rights to the RSUs immediately after Termination of Employment. For purposes of this paragraph, the sale of a Subsidiary that employs the Employee will be considered a Termination of Employment with respect to such Employee. Notwithstanding the foregoing, upon a Termination of Employment described in this paragraph, the Compensation and Talent Development Committee may, in its sole discretion, vest some or all of the RSUs.

6. Payment of RSUs. The RSUs will become payable upon the normal or accelerated vesting date described in Section 3, 4, or 5 or following any later payment date described in Section 11, if applicable ("Payment Date"). Payment, in the form of issuance of shares of Common Stock and/or cash, will be made as soon as practicable following the Payment Date. However, in all cases payment will be made by the later of (a) December 31 of the year of the Payment Date or (b) two and a half months after the Payment Date. Upon such payment, the Company will issue and deliver to the Employee the number of shares of Common Stock equal to the number of vested RSUs or, if the Compensation and Talent Development Committee so determines in its sole discretion, the cash equivalent value of such shares of Common Stock, as determined by the Compensation and Talent Development Committee, in either case subject to satisfaction of applicable tax and/or other obligations as described in Section 9.

7. Voting and Dividend Rights. Unless and until the RSUs vest and the underlying Common Stock has been delivered to the Employee, the Employee will not have a right to vote the RSUs or receive dividends associated with shares of Common Stock underlying the RSUs. However, from the Award Date until the Vesting Date, the Employee will have the right to receive, free of vesting conditions (but subject to applicable withholding taxes), dividend equivalent cash payments in lieu of the dividends that the Employee would have received had the Employee held such shares of Common Stock, unless otherwise determined by the Compensation and Talent Development Committee.

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8. Unfunded Award and Transfer Restrictions. Prior to settlement, the RSUs represent an unfunded and unsecured obligation of the Company. This Award and the RSUs are non-transferable and may not be sold, conveyed, assigned, transferred, pledged, or otherwise disposed of or encumbered at any time prior to vesting and settlement of the RSUs. If the Employee attempts to violate this Section 8, such action will be null and void, the Award will immediately become null and void, and the RSUs granted under the Award will be forfeited. These restrictions will not apply, however, to any shares of Common Stock or cash payments that the Employee has received pursuant to Section 6. If the Employee is a resident of Canada, the Employee acknowledges that the shares of Common Stock that the Employee receives pursuant to Section 6 are subject to a restriction on the first trade under Canadian securities laws. As a result, the Employee acknowledges that any first trade of such shares of Common Stock must be made (a) through an exchange, or a market, outside of Canada, (b) to a person or company outside of Canada, or (c) otherwise in compliance with applicable Canadian securities laws.

9. Taxes and Withholding Taxes. The Company is authorized to satisfy any withholding taxes arising in connection with this Award by (a) deducting the number of RSUs having an aggregate value equal to the amount of withholding taxes due, or (b) the remittance of the required amounts from any proceeds realized upon the open-market sale of the Common Stock received in payment of vested RSUs by the Employee. The Company is authorized to satisfy any withholding taxes arising from the payment of cash in lieu of dividends pursuant to Section 7 by withholding the required amounts from such cash payment. The Company is also authorized to satisfy any withholding taxes referred to in this Section 9 by requiring a cash payment from the Employee or by withholding from other payments due to the Employee. If the Employee is covered by a Company tax equalization policy, the Employee also agrees to pay to the Company any additional hypothetical tax obligation calculated and paid under the terms and conditions of such tax equalization policy. The Employee agrees that the Employee is responsible for, and the Company and its Subsidiaries are not responsible for, any personal tax consequences in connection with the RSUs.

10. Beneficiary for Payments Upon Death. Upon the death of the Employee, any Common Stock or cash amounts paid in connection with the RSUs will be paid to the Employee's estate. Notwithstanding the foregoing, the Compensation and Talent Development Committee may elect to permit the Employee to designate a beneficiary other than the Employee's estate, and if the Compensation and Talent Development Committee so permits, then the proceeds will be paid to such beneficiary.

11. Code Section 409A Special Payment Provisions. This Agreement will be construed in a manner consistent with Code section 409A and the regulations thereunder. Special payment provisions apply under this Section 11 in two situations: (a) for RSUs with a Vesting Date between January 1 and March 15, if the Employee will become eligible for Retirement before the calendar year preceding the Vesting Date and (b) for RSUs with a Vesting Date after March 15, if the Employee will become eligible for Retirement before the calendar year in which the Vesting Date occurs. If the special payment provisions apply, then notwithstanding anything in this Agreement to the contrary:

(i) If the Employee is a "specified employee" within the meaning of Code section 409A, any payment of RSUs under Section 6 that is on account of his or her Termination of Employment will be delayed until the earlier of six months following such Termination of Employment or the Employee's death.

(ii) In the event of a "Change in Control" under section 6(b) of the Plan that is not also a "change in control event" with the meaning of Treas. Reg. 51.409A-3(i)(5)(i), any RSUs that would otherwise become vested and paid pursuant to section 6(a) of the Plan upon such Change in Control will become vested, but will not be paid upon such Change in Control, and will instead be paid at the time the RSUs would otherwise be paid pursuant to this Agreement.

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(iii) This Section 11(iii) applies in the event of a sale of a Subsidiary that is treated as a Termination of Employment under Section 5, but that does not result in a "separation from service" within the meaning of Code section 409A. In such event, any RSUs that become vested pursuant to Section 5 upon such sale will not be paid upon the accelerated vesting date, but will instead be paid upon the earlier of (A) the normal vesting date under Section 3 or (B) the Employee's separation from service (within the meaning of Code section 409A) from the sold Subsidiary, including by reason of death or Disability.

12. Compensation Recoupment. Notwithstanding anything in this Agreement to the contrary, this Award shall be subject to the Altria Group, Inc. Executive Compensation Recoupment Policy and any other policy regarding forfeiture or compensation recoupment adopted by the Board of Directors of the Company ("Board") or appropriate Committee of the Board. The Employee agrees by accepting this Award that the Board or Committee may make a cancellation, impose a repayment obligation, or take other necessary or appropriate actions to enforce this paragraph.

13. Employment Relationship. Nothing in this Agreement or in the Plan shall confer upon the Employee any right to continue in the employ of the Company or any Subsidiary for any period of specific duration or interfere with or restrict in any way the right of the Company or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Employee at any time for any reason whatsoever, with or without cause and with or without advance notice.

14. Entire Agreement; Severability. This Agreement and the Plan, along with the referenced information in the Award Statement, represents the entire agreement between the parties regarding the subject matter of this Agreement. The terms and provisions of the Plan are incorporated into and made a part of this Agreement. To the extent any provision of this Agreement is inconsistent or in conflict with any term or provision of the Plan, the Plan will govern. The provisions of this Agreement are severable, and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

IN WITNESS WHEREOF, this Restricted Stock Unit Agreement has been duly executed as of the date first written above.

ALTRIA GROUP, INC.

By: W. Hildebrandt Surgner, Jr.
Corporate Secretary

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Exhibit 10.2

THE ALTRIA GROUP, INC.
2020 PERFORMANCE INCENTIVE PLAN

PERFORMANCE STOCK UNIT AGREEMENT
(_____, 2024)

ALTRIA GROUP, INC. ("Company"), a Virginia corporation, hereby grants to the employee identified in the 2024 Stock Award section of the Award Statement ("Employee") under the Altria Group, Inc. 2020 Performance Incentive Plan ("Plan") a performance stock unit award ("Award") with respect to the target number of shares of Common Stock of the Company ("Common Stock") set forth in the 2024 Stock Award section of the Award Statement ("PSUs"), all in accordance with and subject to the following terms and conditions of this Performance Stock Unit Agreement ("Agreement").

1. Definitions. Whenever the following terms are used in this Agreement, they will have the meanings set forth below. Capitalized terms not otherwise defined herein will have the same meanings as in the Plan.

- (a) "Award Date" means _____, 2024, the date on which the Award is granted to the Employee.
- (b) "Award Statement" means the written notice of a performance stock unit award provided to the Employee by the Company.
- (c) "Code" means the Internal Revenue Code of 1986, as amended.
- (d) "Compensation and Talent Development Committee" means the Compensation and Talent Development Committee of the Board of Directors of Altria Group, Inc.
- (e) "Disability" means a disability that entitles the Employee to benefits under the applicable long-term disability insurance program of the Company or any of its Subsidiaries. A "409A Disability" means a Disability that is also a disability within the meaning of Code section 409A. A "Non-409A Disability" means a Disability that is not also a disability within the meaning of Code section 409A.
- (f) "Normal Retirement" means retirement from active employment with the Company and its Subsidiaries following both attainment of age 65 and completion of five years of service with the Company and its Subsidiaries.
- (g) "Payment Date" has the meaning set forth in Section 6(a) of this Agreement.
- (h) "Performance Percentage" means a percentage that is determined based on the Company's performance during the applicable PSU performance period against performance goals pre-determined by the Compensation and Talent Development Committee.
- (i) "Retirement" means retirement from active employment with the Company and its Subsidiaries following both attainment of age 50 and completion of five years of service with the Company and its Subsidiaries.
- (j) "Subsidiary" means any company in which the Company, directly or indirectly, has a beneficial ownership interest of greater than 50 percent.
- (k) "Termination of Employment" means a separation from service within the meaning of Code section 409A with the Company and all of its Subsidiaries, which includes circumstances in which the Employee is reasonably anticipated not to perform further services with the Company and its Subsidiaries.
- (l) "Vesting Date" means the date set forth in the Award Statement upon which the Award is generally no longer subject to forfeiture.

2. Condition to Award. The Company or its delegate, in its sole discretion, may require the Employee to execute a Confidentiality and Non-Competition Agreement in consideration of the Award by notifying the Employee of such requirement as soon as practicable after the Award Date. In such instance, the Award is consideration for and contingent on the Employee's execution of the Confidentiality and Non-Competition Agreement. The Employee's failure to execute the Confidentiality and Non-Competition Agreement within a reasonable time after receipt, as specified by the Company or its delegate, but in no event later than 90 days after the Company or its delegate provides the Employee with the Confidentiality and Non-Competition Agreement, will result in complete nullification of the Agreement, and the Employee will forfeit any and all rights to the Award.

3. Normal Vesting.

- (a) The PSUs will vest on the Vesting Date, provided that the Employee remains an employee of the Company or a Subsidiary from the Award Date through the Vesting Date and otherwise satisfies the terms of this Agreement and the Plan. The Employee will have no rights to the shares of Common Stock or cash

equivalent until the PSUs have vested.

(b) The number of PSUs that become vested on the Vesting Date will be equal to the target number of PSUs multiplied by the Performance Percentage. The Performance Percentage will be determined by the Compensation and Talent Development Committee. Notwithstanding the foregoing, if the date on which the Compensation and Talent Development Committee makes a final determination of the Performance Percentage is after the Vesting Date, then the date of the final determination will be treated as the Vesting Date for purposes of determining the number of PSUs that become vested and for purposes of Section 6. The Compensation and Talent Development Committee will make a final determination of the Performance Percentage no later than July 1 of the year in which the Vesting Date occurs.

4. Special Vesting. In the event of the Employee's death or 409A Disability prior to the Vesting Date, the target number of PSUs will become vested on the date of such death or 409A Disability. In the event of the Employee's Non-409A Disability or Termination of Employment with the Company and all of its Subsidiaries due to Normal Retirement, in either case prior to the Vesting Date, the service condition to PSU vesting set forth in Section 3(a) will be deemed satisfied, and the number of PSUs that become vested on the Vesting Date will be determined based on actual performance as set forth in Section 3(b). In addition, in the event of a "Change in Control" within the meaning of the Plan, the PSUs will become vested and payable in the circumstances and in the manner specified in section 6(a) of the Plan and Section 11 below.

5. Forfeiture. If the Employee experiences a Termination of Employment with the Company and all of its Subsidiaries for any reason other than death, Disability, or Normal Retirement prior to the Vesting Date, the Employee will forfeit all rights to the PSUs immediately after Termination of Employment. For purposes of this paragraph, the sale of a Subsidiary that employs the Employee will be considered a Termination of Employment with respect to such Employee. Notwithstanding the foregoing, upon a Termination of Employment described in this paragraph, the Compensation and Talent Development Committee may, in its sole discretion, determine that the service condition to PSU vesting, set forth in

Section 3(a), will be deemed satisfied for some or all of the PSUs. In such event, the number of such PSUs that become vested on the Vesting Date will be determined based on actual performance as set forth in Section 3(b).

6. Payment of PSUs.

(a) PSUs will become payable upon the Vesting Date specified in Section 3, except that in the case of death or 409A Disability, the PSUs will become payable upon such event, and in the case of a "Change in Control" within the meaning of the Plan, the PSUs will become payable as provided in Section 6(a) of the Plan and Section 11 below. The date on which the PSUs become payable is referred to herein as the Payment Date.

(b) Payment, in the form of issuance of shares of Common Stock and/or cash, will be made as soon as practicable following the Payment Date. However, in all cases payment will be made by the later of (i) December 31 of the year of the Payment Date or (ii) two and a half months after the Payment Date. Upon such payment, the Company will (A) issue and deliver to the Employee the number of shares of Common Stock equal to the number of vested PSUs or, if the Compensation and Talent Development Committee so determines in its sole discretion, the cash equivalent value of such shares of Common Stock, as determined by the Compensation and Talent Development Committee, and (B) pay to the Employee in a single lump sum any cash amount accrued with respect to dividends. Payment of such shares of Common Stock and cash amounts will be subject to satisfaction of applicable tax and/or other obligations as described in Section 9.

7. Voting and Dividend Rights. Unless and until the PSUs vest and the underlying Common Stock has been delivered to the Employee, the Employee will not have a right to vote the PSUs or receive dividends associated with shares of Common Stock underlying the PSUs. However, the Employee will accrue under the PSUs a cash amount in lieu of the dividends that the Employee would have received had the Employee held, from the Award Date to the date of payment, the number of shares of Common Stock that become issuable pursuant to this Agreement, unless otherwise determined by the Compensation and Talent Development Committee.

8. Unfunded Award and Transfer Restrictions. Prior to settlement, the PSUs represent an unfunded and unsecured obligation of the Company. This Award and the PSUs are non-transferable and may not be sold, conveyed, assigned, transferred, pledged, or otherwise disposed of or encumbered at any time prior to vesting and settlement of the PSUs. If the Employee attempts to violate this Section 8, such action will be null and void, the Award will immediately become null and void, and the PSUs granted under the Award will be forfeited. These restrictions will not apply, however, to any shares of Common Stock or cash payments that the Employee has received pursuant to Section 6. If the Employee is a resident of Canada, the Employee acknowledges that the shares of Common Stock that the Employee receives pursuant to Section 6 are subject to a restriction on the first trade under Canadian securities laws. As a result, the Employee acknowledges that any first trade of such shares of Common Stock must be made (a) through an exchange, or a market, outside of Canada, (b) to a person or company outside of Canada, or (c) otherwise in compliance with applicable Canadian securities laws.

9. Taxes and Withholding Taxes. The Company is authorized to satisfy any withholding taxes arising in connection with this Award by (a) deducting the number of PSUs having an aggregate value equal to the amount of withholding taxes due, or (b) the remittance of the required amounts from any proceeds realized upon the open-market sale of the Common Stock received in payment of vested PSUs by the Employee. The Company is authorized to satisfy any withholding taxes arising from the payment of cash in lieu of dividends pursuant to Section 7 by withholding the required amounts from such cash payment. The Company is also authorized to satisfy any withholding taxes referred to in this Section 9 by requiring a cash

payment from the Employee or by withholding from other payments due to the Employee. If the Employee is covered by a Company tax equalization policy, the Employee also agrees to pay to the Company any additional hypothetical tax obligation calculated and paid under the terms and conditions of such tax equalization policy. The Employee agrees that the Employee is responsible for, and the Company and its Subsidiaries are not responsible for, any personal tax consequences in connection with the PSUs.

10. Beneficiary for Payments Upon Death. Upon the death of the Employee, any Common Stock or cash amounts paid in connection with the PSUs will be paid to the Employee's estate. Notwithstanding the foregoing, the Compensation and Talent Development Committee may elect to permit the Employee to designate a beneficiary other than the Employee's estate, and if the Compensation and Talent Development Committee so permits, then the proceeds will be paid to such beneficiary.

11. Code Section 409A Special Payment Provisions. This Agreement will be construed in a manner consistent with Code section 409A and the regulations thereunder. Notwithstanding anything in this Agreement to the contrary:

(a) In the event of a "Change in Control" under section 6(b) of the Plan that is not also a "change in control event" with the meaning of Treas. Reg. §1.409A-3(i)(5)(i), any PSUs that would otherwise become vested and paid pursuant to section 6(a) of the Plan upon such Change in Control will become vested as provided in the Plan, but will not be paid upon such Change in Control, and will instead be paid at the time the PSUs would otherwise be paid pursuant to this Agreement.

(b) In the event of a "Change in Control" under section 6(b) of the Plan followed by a termination of employment described in section 6(a)(ii)(B) of the Plan, any PSUs that would otherwise become vested and paid pursuant to section 6(a)(ii) of the Plan upon such event will become vested as provided in the Plan, but will not be paid upon such event, and will instead be paid at the time the PSUs would otherwise be paid pursuant to this Agreement.

12. Compensation Recoupment. Notwithstanding anything in this Agreement to the contrary, this Award shall be subject to the Altria Group, Inc. Dodd-Frank Compensation Recoupment Policy, the Altria Group, Inc. Executive Compensation Recoupment Policy and any other policy regarding forfeiture or compensation recoupment adopted by the Board of Directors of the Company ("Board") or appropriate Committee of the Board. The Employee agrees by accepting this Award that the Board or Committee may make such a cancellation, impose such a repayment obligation, or take other necessary or appropriate actions to enforce this paragraph.

13. Employment Relationship. Nothing in this Agreement or in the Plan shall confer upon the Employee any right to continue in the employ of the Company or any Subsidiary for any period of specific duration or interfere with or restrict in any way the right of the Company or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Employee at any time for any reason whatsoever, with or without cause and with or without advance notice.

14. Entire Agreement; Severability. This Agreement and the Plan, along with the referenced information in the Award Statement, represents the entire agreement between the parties regarding the subject matter of this Agreement. The terms and provisions of the Plan are incorporated into and made a part of this Agreement. To the extent any provision of this Agreement is inconsistent or in conflict with any term or provision of the Plan, the Plan will govern. The provisions of this Agreement are severable, and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

IN WITNESS WHEREOF, this Performance Stock Unit Agreement has been duly executed as of the date first written above.

ALTRIA GROUP, INC.

By: **W. Hildebrandt Surgner, Jr.**
Corporate Secretary

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Exhibit 31.1

Certifications

I, William F. Gifford, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Altria Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **October 26, 2023** April 25, 2024

/s/ WILLIAM F. GIFFORD, JR.

William F. Gifford, Jr.
Chief Executive Officer

Certifications

I, Salvatore Mancuso, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Altria Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **October 26, 2023** April 25, 2024

/s/ SALVATORE MANCUSO

Salvatore Mancuso
Executive Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Altria Group, Inc. (the "Company") on Form 10-Q for the period ended **September 30, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William F. Gifford, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ WILLIAM F. GIFFORD, JR.

William F. Gifford, Jr.
Chief Executive Officer

October 26, 2023 **April 25, 2024**

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Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Altria Group, Inc. (the "Company") on Form 10-Q for the period ended **September 30, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Salvatore Mancuso, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SALVATORE MANCUSO

Salvatore Mancuso
Executive Vice President and
Chief Financial Officer

October 26, 2023 **April 25, 2024**

Exhibit 99.1

CERTAIN LITIGATION MATTERS

As described in Note 13, *Contingencies* to Altria Group, Inc.'s ("Altria") condensed consolidated financial statements in Part I, Item 1 of the Quarterly Report on Form 10-Q to which this Exhibit 99.1 is attached ("Note 13"), there are legal proceedings covering a wide range of matters pending or threatened in various United States and foreign jurisdictions against Altria, its subsidiaries, including Philip Morris USA Inc. ("PM USA"), and their respective indemnitees. Various types of claims may be raised in these proceedings, including product liability, unfair trade practices, antitrust, tax, contraband shipments, patent infringement, employment matters, claims alleging violation of the Racketeer Influenced and Corrupt Organizations Act, claims for contribution and claims of competitors, shareholders or distributors. Claims related to tobacco products generally fall within the following categories: (i) smoking and health cases alleging personal injury brought on behalf of individual plaintiffs, (ii) smoking and health cases primarily alleging personal injury or seeking court-supervised programs for ongoing medical monitoring and purporting to be brought on behalf of a class of individual plaintiffs, including cases in which the aggregated claims of a number of individual plaintiffs are to be tried in a single proceeding, (iii) health care cost recovery cases brought by governmental (both domestic and foreign) plaintiffs seeking reimbursement for health care expenditures allegedly caused by cigarette smoking and/or disgorgement of profits, (iv) class action suits alleging that the use of the terms "Lights" and "Ultra Lights" constitute deceptive and unfair trade practices, common law fraud or statutory fraud, unjust enrichment, breach of warranty, or violations of the Racketeer

Influenced and Corrupt Organizations Act, (v) class action suits involving e-vapor products and (vi) international cases. The following lists certain of the pending claims against Altria and PM USA included in these and other categories.

SMOKING AND HEALTH LITIGATION

The following lists the consolidated individual smoking and health cases as well as smoking and health class actions pending against PM USA and, in some cases, Altria and/or its other subsidiaries and affiliates, as of **October 23, 2023** **April 22, 2024**. See *International Cases* below for a list of smoking and health class actions pending in Canada.

Flight Attendant Litigation

The settlement agreement entered into in 1997 in the case of *Broin, et al. v. Philip Morris Companies Inc., et al.*, which was brought by flight attendants seeking damages for personal injuries allegedly caused by environmental tobacco smoke, allowed members of the *Broin* class to file individual lawsuits seeking compensatory damages, but prohibited them from seeking punitive damages. See Note 13 for a discussion of this litigation.

Domestic Class Actions

Engle, et al. v. R.J. Reynolds Tobacco Co., et al., *Circuit Court, Eleventh Judicial Circuit, Dade County, Florida, filed May 5, 1994*. See Note 13 for a discussion of this case (which has concluded) and the *Engle* progeny litigation.

Young, et al. v. The American Tobacco Company, et al., *Civil District Court, Orleans Parish, Louisiana, filed November 12, 1997*.

HEALTH CARE COST RECOVERY LITIGATION

The following lists a health care cost recovery action pending against PM USA and Altria as of **October 23, 2023** **April 22, 2024**. See *International Cases* below for a list of international health care cost recovery actions.

Department of Justice Case

The United States of America v. Philip Morris Incorporated, et al., *United States District Court, District of Columbia, filed September 22, 1999*. See Note 13 for a discussion of this case.

"LIGHTS/ULTRA LIGHTS" CASES

The following lists the "Lights/Ultra Lights" class actions pending against Altria and/or its various subsidiaries and others as of **October 23, 2023** **April 22, 2024**.

Moore, et al. v. Philip Morris Incorporated, et al., *Circuit Court, Marshall County, West Virginia, filed September 17, 2001*.

Virden v. Altria Group, Inc., et al., *Circuit Court, Hancock County, West Virginia, filed March 28, 2003*.

CLASS ACTION LAWSUITS INVOLVING E-VAPOR PRODUCTS

The following lists class action lawsuits relating to e-vapor products that are pending against Altria and/or its various subsidiaries and others as of **October 23, 2023** **April 22, 2024**.

NesSmith, et al. v. JUUL Labs Inc., et al., *United States District Court, Middle District of Florida, filed April 15, 2019*.

Peavy (formerly Swearingen), et al. v. JUUL Labs, Inc., et al., *United States District Court, Northern District of Alabama, filed May 31, 2019*.

R.E., et al. v. JUUL Labs, Inc., et al., *United States District Court, Southern District of West Virginia, filed August 13, 2019*.

M.D., et al. v. JUUL Labs, Inc., et al., *United States District Court, Northern District of Mississippi, filed August 15, 2019*.

Oberhauser, et al. v. JUUL Labs, Inc., et al., *United States District Court, Northern District of California, filed September 12, 2019*.

Hochhauser, et al. v. JUUL Labs, Inc., et al., *United States District Court, Eastern District of New York, filed October 1, 2019*.

Emidy et al. v. JUUL Labs, Inc., et al., *United States District Court, Western District of Tennessee, filed October 2, 2019*.

Montgomery County, Maryland, et al. v. JUUL Labs, Inc., et al., *United States District Court, District of Maryland, filed October 11, 2019*.

King County, Washington, et al. v. JUUL Labs, Inc., et al., *United States District Court, Western District of Washington, filed October 16, 2019*.

City of Rochester, et al. v. JUUL Labs, Inc., et al., *United States District Court, Northern District of California, filed November 6, 2019*.

Jefferson County School District, et al. v. JUUL Labs, Inc., et al., *United States District Court, Southern District of Mississippi, filed December 5, 2019*.

Ledbetter, et al. v. JUUL Labs, Inc., et al., *United States District Court, Northern District of Alabama, filed December 12, 2019*.

Escambia County School District, et al. v. JUUL Labs, Inc., et al., *United States District Court, Northern District of Florida, filed December 18, 2019*.

Unified School District No. 320, Pottawatomie County, KS, individually and On Behalf Of Others Similarly Situated, v. Juul Labs Inc. et al., *United States District Court, Northern District of California, filed December 18, 2019*.

School Board of Miami-Dade County, et al. v. JUUL Labs, Inc., et al., *United States District Court, Northern District of California, filed December 19, 2019*.

The School Board of Broward County, et al. v. JUUL Labs, Inc., et al., *United States District Court, Northern District of California, filed December 19, 2019*.

Frederick County, et al. v. JUUL Labs, Inc., et al., *United States District Court, Northern District of California, filed December 19, 2019*.

Imani, et al. v. JUUL Labs, Inc., et al., *United States District Court, District of Oregon, filed December 20, 2019*.

Cooper, et al. v. JUUL Labs, Inc., et al., *United States District Court, Northern District of Texas, filed January 9, 2020*.

O'Reilly, et al. v. JUUL Labs, Inc., et al., *United States District Court, Northern District of California, filed January 13, 2020*.

Gabbard, et al. v. JUUL Labs, Inc., et al., *United States District Court, Eastern District of Kentucky, filed February 21, 2020*.

Peoria Public Schools v. JUUL Labs, Inc., et al., United States District Court, Northern District of California, filed May 15, 2020.

Montgomery County Public Schools, MD. v. JUUL Labs, Inc. et al., United States District Court, Northern District of California, filed December 21, 2020.

Baltimore County v. JUUL Labs, Inc., et al. United States District Court, Northern District of California, filed December 21, 2020.

Ann Parker, On Behalf Of Her Daughter, S.P., Individually And On Behalf Of Others Similarly Situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 29, 2021.

Adam Jenkins, Individually And On Behalf Of Others Similarly Situated, On Behalf Of D.L.J. v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 30, 2021.

Charleen Richey, On Behalf Of Her Son, T.Y., Individually And On Behalf Of Others Similarly Situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Shayla Aceti, individually and on behalf of others similarly situated v. Juul Labs Inc et al., United States District Court, Northern District of California, filed March 30, 2021.

Robert Dyer, On Behalf Of His Son, B.D., individually and on behalf of others similarly situated v. Juul Labs Inc., United States District Court, Northern District of California, filed March 30, 2021.

Joan Eubanks, individually and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Bruce Gibson, on behalf of his son, K.G., individually and others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Jenika Ingram, individually and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Shirley Moses on behalf of her daughter, K.S.C., individually and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Katherine Dentler, individually and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Vickie Perry, On Behalf Of Her Daughter LP, individually and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Jessica Pierre, individually and on behalf of others similarly situated v. Juul Labs Inc.; Altria Group Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Lacretia Pulce, On Behalf Of Her Daughter, K.P., individually and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Charles Tippe, individually and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Janece Wilhelm, individually and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Janece Wilhelm, on behalf of her son. D.L., individually and on behalf of others similarly situated v. Juul Labs Inc.; et al., United States District Court, Northern District of California, filed April 1, 2021.

Tonya Williams-Walker, On Behalf Of Her Son, M.W., and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Randi Lines, individually and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Adam Jenkins, On Behalf Of His Son, M.R.J., Individually And On Behalf Of Others Similarly Situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 30, 2021.

Ann Parker, On Behalf Of Her Daughter, S.P., Individually And On Behalf Of Others Similarly Situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 29, 2021.

Erin Puento, individually and On Behalf Of Others Similarly Situated, v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 30, 2021.

Shannon Kinnard, individually and On Behalf Of Others Similarly Situated, v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 30, 2021.

John Hollis, individually and On Behalf Of Others Similarly Situated, v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 30, 2021.

Wolfgang and Suzanne Ziegenhagen on behalf of their son, H.Z. individually and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 30, 2021.

Janis Kelly on behalf of her son, C.J.W., individually and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 30, 2021.

Coleman Holniker, individually and On Behalf of Others Similarly Situated, v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Timothy Critzer, individually and On Behalf of Others Similarly Situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Addison Altizer, individually and On Behalf Of Others Similarly Situated, v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Charleen Richey, On Behalf Of Her Son, T.Y., Individually And On Behalf Of Others Similarly Situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed March 31, 2021.

Nicholas Vogel, on behalf of his son, E.V., individually and on behalf of others similarly situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed May 13, 2021.

Pike County School Corp. Metropolitan School District Of Wabash County, Individually & On Behalf Of Others Similarly Situated v. Juul Labs Inc. et al., United States District Court, Northern District of California, filed April 18, 2022.

See Note 13 for a discussion of these cases.

IQOS LITIGATION

RAI Strategic Holdings, Inc., et al. v. Altria Client Services LLC, et al., United States District Court, Eastern District of Virginia, filed April 9, 2020.

Healthier Choices Management Corp. v. Philip Morris USA Inc., et al., United States District Court, Northern District of Georgia, filed November 30, 2020.

See Note 13 for a discussion of these cases.

ANTITRUST LITIGATION

Reece, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed April 7, 2020.

Blomquist, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed April 13, 2020.

Martinez, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed April 14, 2020.

Deadwyler, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed April 20, 2020.

Licari, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed April 21, 2020.

Flannery, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed April 27, 2020.

Larimore, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed April 30, 2020.

Walsh, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed May 8, 2020.

Redfield, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed May 15, 2020.

Carlson, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed May 21, 2020.

B&C Retail, Inc., et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed June 11, 2020.

Sofijon, Inc., et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed June 11, 2020.

Noor Baig, Inc., et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed June 11, 2020.

Somerset Party Store, Inc., et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed June 18, 2020.

Jackson, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed June 25, 2020.

McGhee, et al. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed July 1, 2020.

Irwindale Fuel Station, Inc. v. Altria Group, Inc., et al., United States District Court, Northern District of California, filed July 15, 2020.

INTERNATIONAL CASES

The following lists cases pending against Altria and/or its subsidiaries in foreign jurisdictions as of October 23, 2023 April 22, 2024.

Canada

O'Donnell, et. al. v. JUUL Labs, Canada, Ltd., et al., Ontario, Ontario Superior Court, filed April 17, 2020. E-vapor class action.

Salvatore, et al. v. JUUL Labs Canada, Ltd., et al., Quebec, District of Montreal Superior Court, filed June 12, 2019. E-vapor class action.

Stephens, et al. v. JUUL Labs, Inc., et al., British Columbia, Canada Supreme Court, filed October 1, 2019. E-vapor class action.

Her Majesty the Queen in Right of British Columbia v. Imperial Tobacco Limited, et al., Supreme Court, British Columbia, Vancouver Registry, Canada, filed January 24, 2001. Health care cost recovery action.

Her Majesty the Queen in Right of the Province of New Brunswick v. Rothmans, Inc., et al., Court of Queen's Bench of New Brunswick Judicial District of Fredericton, Canada, filed March 13, 2008. Health care cost recovery action.

Dorion v. Canadian Tobacco Manufacturers' Council, et al., Court of Queen's Bench of Alberta, Judicial District of Calgary, Canada, filed on or about June 17, 2009. Smoking and health class action.

Semple v. Canadian Tobacco Manufacturers' Council, et al., Supreme Court of Nova Scotia, Canada, filed on or about June 18, 2009. Smoking and health class action.

Kunka v. Canadian Tobacco Manufacturers' Council, et al., Court of Queen's Bench of Manitoba, Winnipeg Judicial Centre, Canada, filed on an unknown date in June 2009. Smoking and health class action.

Adams v. Canadian Tobacco Manufacturers' Council, et al., Court of Queen's Bench for Saskatchewan, Judicial Centre of Regina, Canada, filed on or about July 10, 2009. Smoking and health class action.

Her Majesty the Queen in Right of Ontario v. Rothmans Inc., et al., Superior Court of Justice of Ontario, Canada, filed on or about September 30, 2009. Health care cost recovery action.

Bourassa v. Imperial Tobacco Canada Limited, et al., Supreme Court of British Columbia, Victoria Registry, Canada, filed on or about June 25, 2010. Smoking and health class action.

McDermid v. Imperial Tobacco Canada Limited, et al., Supreme Court of British Columbia, Victoria Registry, Canada, filed on or about June 25, 2010. Smoking and health class action.

Attorney General of Newfoundland and Labrador v. Rothmans Inc., et al., Supreme Court of Newfoundland and Labrador, Trial Division, Canada, filed February 8, 2011. Health care cost recovery action.

Attorney General of Quebec v. Imperial Tobacco Canada Limited, et al., Superior Court of Quebec, Montreal District, Canada, filed June 8, 2012. Health care cost recovery action.

Her Majesty in Right of Alberta v. Altria Group, Inc., et al., Court of Queen's Bench of Alberta, Judicial District of Calgary, Canada, filed June 8, 2012. Health care cost recovery action.

Her Majesty the Queen in the Right of Manitoba v. Rothmans, Benson & Hedges Inc., et al., Court of Queen's Bench of Manitoba, Winnipeg Judicial Centre, Canada, filed May 31, 2012. Health care cost recovery action.

Her Majesty the Queen in Right of Saskatchewan v. Rothmans, Benson & Hedges Inc., et al., Court of Queen's Bench of Saskatchewan, Judicial Centre of Saskatoon, Canada, filed on June 8, 2012. Health care cost recovery action.

Her Majesty in the Right of the Province of Prince Edward Island v. Rothmans, Benson & Hedges, Inc., et al., Supreme Court of Prince Edward Island, filed on September 10, 2012. Health care cost recovery action.

Her Majesty the Queen in Right of the Province of Nova Scotia v. Benson & Hedges, Inc., et al., Supreme Court of Nova Scotia, filed on January 2, 2015. Health care cost recovery action.

Jacklin v. Canadian Tobacco Manufacturers' Council et al., Ontario Superior Court of Justice, Case No. 5379412, Ontario, Canada, filed on or about June 27, 2012. Smoking and health class action.

See Note 13 for a discussion of these cases.

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Exhibit 99.2

TRIAL SCHEDULE FOR CERTAIN CASES

Below is a schedule, as of **October 23, 2023** April 22, 2024, setting forth by month the number of individual smoking and health cases against Philip Morris USA Inc. that are scheduled for but not in trial through **December 31, 2023** June 30, 2024.

2023 2024

Engle progeny

October	April	0
May		1
November		1
December	June	0

As of **October 23, 2023** April 22, 2024, there are no *Engle* progeny cases in trial.

Other Individual Smoking & Health

October	April	0
November	May	1
December	June	01

As of **October 23, 2023** April 22, 2024, there are no non-*Engle* progeny cases in trial.

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